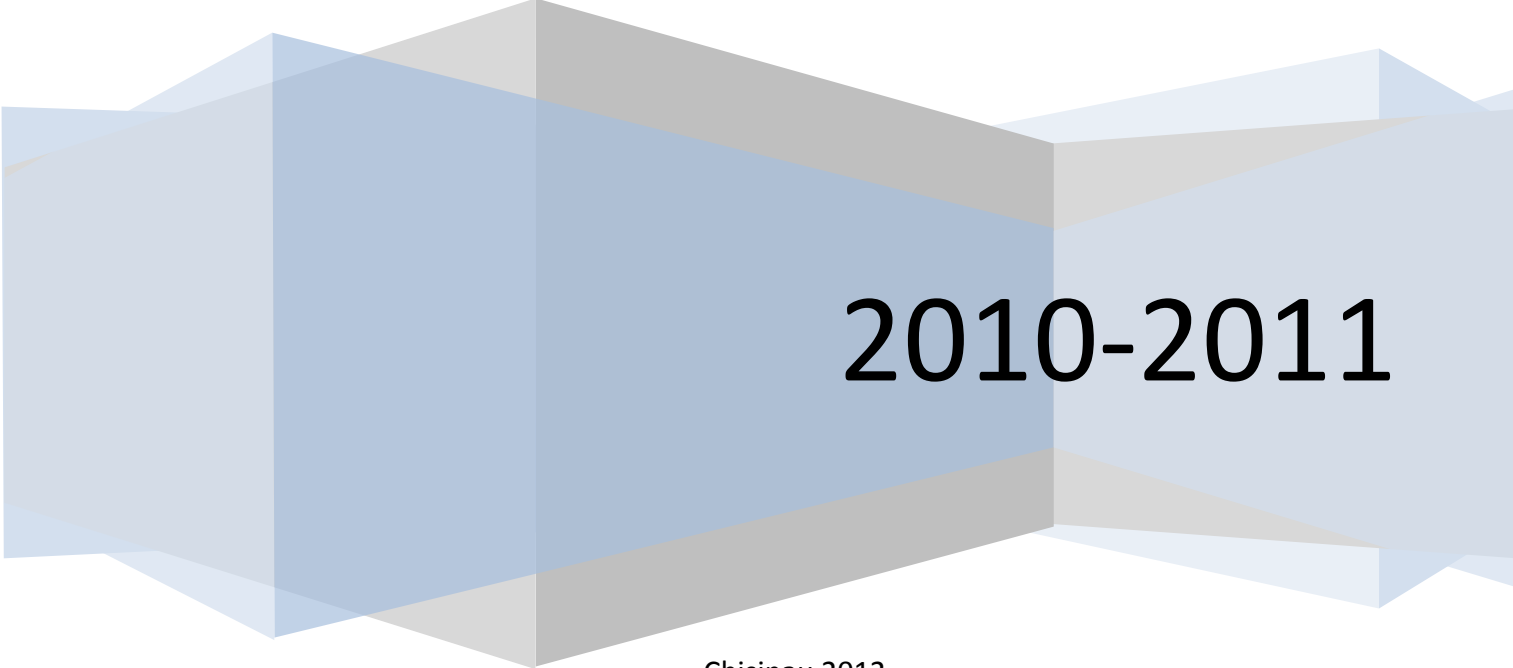


Poverty Report

Republic of Moldova



2010-2011

Chisinau 2012

The Poverty Report of the Republic of Moldova was elaborated by the Ministry of Economy; Policy Analysis, Monitoring and Evaluation Department.

The Ministry of Economy expresses gratitude to the public institutions from Moldova for the cooperation and contribution to the Poverty Report: the Ministry of Labour, Social Protection and Family, Ministry of Regional Development and Construction, Ministry of Agriculture, Ministry of Education, Ministry of Health, National Bureau of Statistics, Institute of Economy, Finance and Statistics.

The Ministry of Economy would like to thank the World Bank for supporting the translation of the Report into English.

Contents

Introduction	5
Recent economic performance	7
Methodological references for poverty calculation	10
Poverty evolution in 2010-2011	11
Achievement of the Millennium Development Goals related to poverty	15
Poverty in the Republic of Moldova as compared to EU and CIS countries	18
Economic growth and poverty	21
Dynamics of inequality	24
Incomes and consumption expenditures of the population	26
<i>Evolution of population incomes</i>	26
<i>Evolution of population consumption expenditures</i>	29
Access to public services and household goods	31
<i>Access to health services</i>	31
<i>Level of population access to public utilities and adequate living conditions</i>	33
<i>Level of population assurance with household goods</i>	34
Where do the poor live?	35
<i>Poverty level in rural areas</i>	35
<i>Poverty level in urban areas</i>	39
<i>Poverty in regional aspect</i>	40
Who are the poor?	42
<i>Occupation as a solid factor correlated to poverty level</i>	42
<i>Age – another factor determining poverty level</i>	43
<i>Poverty among children</i>	44
<i>Education level as poverty determining factor</i>	45
<i>Poverty depending on the sex of the household head</i>	47
Conclusions	48
Policy recommendations	51
ANNEXES	53

List of tables

Table 1. GDP evolution in 2010 and 2011	8
Table 2. Poverty indicators for 2006 – 2011	11
Table 3. Malnutrition incidence rate in under-five children, %	17
Table 4. Distribution of consumption expenditures for 2006 – 2011	25
Table 5. Distribution of monthly average incomes by well-being level* for 2006 – 2011, lei	25
Table 6. Evolution of monthly average expenditures per capita, %	29
Table 7. Households' assurance with household goods	34
Table 8. Poverty level in urban area, 2006-2011, %	39
Table 9. Dynamics of pensions and their indexation, the average substituting rate	43
Table 10. Level of children's enrollment in education, %	47

List of figures

Figure 1. Poverty rate and remittances' volume	12
Figure 2. Efficiency of social help distribution, 2011	13
Figure 3. Efficiency of nominative compensations' distribution, 2011.....	14
Figure 4. Poverty rate according to the international poverty lines of \$4.3and \$2.15 per day (in PPP terms)(%).....	16
Figure 5. Extreme poverty rate (%)	17
Figure 6. Poverty in the Republic of Moldova as compared to European Union states, 2010-2011, %	18
Figure 7. Poverty line in the Republic of Moldova as compared to the CIS countries, 2010 – 2011.....	19
Figure 8. GDP per capita in the Republic of Moldova as compared to the EU-27 and CIS countries	20
Figure 9. Economic growth and poverty level	21
Figure 10. Real growth incidence 2009-2011	22
Figure 11. GINI Coefficient	24
Figure 12. Structure of population who left abroad by countries of destination (%).....	28
Figure 13. Impact of remittances-based incomes on poverty	28
Figure 14. Structure of consumption expenditure by wellbeing level, 2011 (%).....	30
Figure 15. The main causes for giving up the visit to the family doctor or specialized doctor 2010, %	31
Figure16. Level of population inclusion in the compulsory health insurance system, by areas of residence, 2011 (%).....	32
Figure 17. Situation regarding the living conditions in Moldovan villages/cities, 2011 (%)	33
Figure 18. Evolution of absolute poverty rate by areas of residence, 2006-2011 (%).....	35
Figure 19. Economic activities practices in rural area (share, %)......	36
Figure 20. Poverty level by statistical zones, 2006-2011 (%)	40
Figure 21. Poverty rate depending on household's occupation status (%)	42
Figure 22. Poverty rate depending on the number of children in the family, %	44
Figure 23. Poverty rate depending on the education level of the household's head (%)	45

Introduction

1. Poverty reduction continues to be a fundamental priority that is high on the agenda of the Government of the Republic of Moldova. The National Development Strategy “Moldova 2020” sets forth the major objective to liberate 149 thousand citizens from poverty by 2020, or over 20% of those currently in poverty. Progress in poverty reduction is attainable as a result of implementing different programs for social support and labor employment, as well as measures in the area of agriculture modernization and small and medium enterprise development.
2. During 2010-2011, the poverty level was significantly reduced in the Republic of Moldova. In 2011 the absolute poverty rate accounted for 17.5%, registering a decrease of 8.8 percentage points as compared to 2009. After an increase registered over a period of 3 years, an essential poverty reduction in rural area was registered over the last two years, when about 226 thousand persons were taken out of poverty. In 2011 the poverty rate in villages was 25%, as compared to 36.3% in 2009. Nevertheless, essential differences continue to persist between the urban and rural population living standards, with poverty rates three times higher in rural areas than in urban ones. Of the 585 thousand poor people registered in the Republic of Moldova, 480 thousand are in rural areas.
3. At the national level there has been an improvement in the living standards of the population of the Republic of Moldova. There were increases in the incomes from agricultural activities, salary-based incomes, and in incomes from social benefits, entrepreneurship activities, and remittances. A significant impact on poverty reduction was induced by the social programs promoted by the Government. The increased income caused an increase in consumption expenditures. Households increased their consumption expenditures for almost all goods and services. At the same time, it was found that the high tariffs for utility services and the high prices for food products limit the financial resources of the poor households intended for other goods and services that contribute to ensuring a decent life.
4. Poverty continued to affect the traditionally vulnerable categories of the population. The poorest households would be the families depending on agricultural activities, the elderly, people without education and professional skills, and numerous households, as well as households with many children.
5. The objective of the Annual Report on Poverty is to supply accurate analytical information that is indispensable for monitoring poverty and developing further policies and strategies. The Report provides a multidimensional analysis of the macroeconomic evolution, monetary poverty and inequality, poverty peculiarities of different segments of the population, and the zones of the country most affected by poverty. Additionally, the Report compared the living standards of the population of

the Republic of Moldova with other countries from the region, EU countries, and CIS states, etc. Based on the findings, the Report draws some policy recommendations for different areas, such as social assistance, wage remuneration, education, agriculture, and rural and regional development.

- 6.** In general, the findings presented in the Report are necessary for determining and eliminating the factors contributing to poverty increase and for further carrying out the objectives set in the main strategic planning documents, as well as for respecting other policy commitments assumed by the Republic of Moldova. The central public authorities should use the findings of the Report for developing and adjusting the policies in the respective area.
- 7.** In the future, it is necessary to carry out some reforms in poverty monitoring and assessment of policy impact on poverty in the Republic of Moldova, by correlating closer the policies promoted by the state with the poverty monitoring indicators, especially of social policies. It is also necessary to adjust the poverty monitoring system to the European Union requirements.
- 8.** The analysis reflected in the Report was undertaken based on the data supplied by the Household Budget Survey (HBS), carried out on an annual basis by the National Bureau of Statistics. Administrative data from different sources and the international databases were also used, as appropriate.

Recent economic performance

- 9.** The data on economic evolution in the Republic of Moldova over 2010-2011 reveal that the national economy succeeded to successfully overcome the economic-financial crisis, registering growth in practically all sectors. Due to the economic stabilization of the main trading partners, the exports and industrial production registered an increasing trend. An increase in remittances and recovery of positive expectations among the population and economic units contributed to consumption and import increases. Signs of improvement also appeared in the areas of construction and transportation, and in the financial-banking sector. According to the result obtained in 2010 and 2011, the Republic of Moldova registered one of the most spectacular economic growths in comparison to other countries from the region. Nevertheless, by the end of 2011, economic growth began to slow.
- 10.** The Gross Domestic Product in 2011 was 82.1 billion lei, registering an increase of 14% as compared to 2009 (in comparable prices). Taking into consideration the decrease by 6% of the GDP in 2009, the GDP has exceeded the level registered in 2008 (the period before the crisis) by 7.1%. The recovery of the world economy has also influenced Moldova's economy and this fact was mirrored in the GDP structure change.
- 11.** In 2011 the GDP elements by categories of resources were characterized by the following:

 - An increase of the gross value added (GVA) in *industry* of 16.7% as compared to 2009, as a result of the recovery of the external and domestic demand for industrial sector production;
 - An increase of 13.3% in the GVA for *agriculture*, being determined, in general, by the increase of vegetal production;
 - A recovery of the demand has positively contributed to the development of the *service sector*, where the GVA increased by 12%;
 - An increase of by 18% in the GVA for *construction*, conditioned by the recovery of the country economy and situation improvement in banking sector;
 - An increase of 20.1% of the GVA in *wholesale and retail trade*;
 - An increase of 16.7% in the GVA for the *transport and communication sector*;
 - A recovery of the domestic demand contributed to the considerable increase of the *net taxes on products*, the value of which exceeded the level registered in 2009 by 23.2%.

Table 1. GDP evolution in 2010 and 2011

<i>GDP by categories of resources and uses</i>	In current prices, mil. lei		Structure, %		In % versus the previous year		In % versus 2009
	2010	2011	2010	2011	2010	2011	2011
RESOURCES							
Gross Value Added	59920	68225	83.4	83.0	106.2	105.6	112.2
of which:							
agriculture	8657	10071	12.0	12.3	107.4	105.5	113.3
industry	9535	11296	13.3	13.7	108.9	107.1	116.7
services	43227	48589	60.2	59.1	106.3	105.4	112.0
Indirectly measured financial intermediation services	-1499	-1731	-2.1	-2.1	136.7	106.9	146.2
Net tax on products	11965	13949	16.6	17.0	111.7	110.4	123.2
GDP	71885	82174	100.0	100.0	107.1	106.4	114.0
USES							
Final consumption	83240	95911	115.8	116.7	107.3	106.4	114.2
Gross capital formation	16911	20125	23.5	24.5	118.1	112.5	132.9
of which:							
gross fixed capital formation	16263	19031	22.6	23.2	117.2	110.7	129.7
Net export	-28266	-33862	-39.3	-41.2	114.8	110.0	126.2

Source: National Bureau of Statistics

12. By categories of uses, the GDP elements are characterized by the following:

- An increase of 14.2% of the final consumption, conditioned by household final consumption, which grew by 18.4% as compared to 2009. The increase in household final consumption was determined by an increase in the foreign currency inflow from the Republic of Moldova residents' labor and nonresidents' transfers from abroad, which in 2011 accounted for about 1.6 billion USD, or 22.9% in relation to the GDP, registering an increase of 33.5% as compared to 2009. The final consumption increase has also influenced the labor remuneration fund, which grew in 2011 by 12.5% as compared to 2009, reaching a level of about 22.5 billion lei, or 27.3% in relation to the GDP;
- An increase of 32.9% of the gross fixed capital formation;
- A recovery of the external and domestic demand conditioned the increase in exports, as well as that of imports, hence a contribution to the increase by 26.2% of the negative net export balance.

13. The recovery of the external and domestic demand conditioned the inflationary increase. During 2010 and 2011, consumption prices increased by 8.1% and 7.8%, respectively, as compared to 0.4% in 2009. During the reference period, the inflation rate was conditioned, generally, by the change of prices for some food products (vegetables, fruits, dairy products, etc.), as well as by the increase in tariffs for utility-dwelling services (electricity, heating, and natural gas in the network).

14. The official nominal exchange rate of the national currency during 2010-2011 registered an appreciation trend in relation to the USD by 4.8% in nominal terms, and in relation to the Euro by 14.5%. The main factors that determined the changes in the exchange rate were the foreign currency inflow from abroad, intensification of external trade, and the fluctuation of the exchange rates on the international foreign currency markets. The situation in the banking sector is characterized by increase of deposits in foreign currency

(by 8.3%) deposits in national currency (by 43.9%), as well as by an increase in the volume of credits granted within economy (by 29.6%). All these data support the conclusion of the economic recovery and population confidence increase for national banking sector.

- 15.** The revenues and expenditures of the national public budget have increased. The budgetary deficit by the end of 2010 and 2011 accounted for about 1.8 billion lei (2.5% in relation to the GDP) and 2 billion lei (2.4% in relation to the GDP), respectively, as compared to 3.8 billion lei registered for the same date in 2009 (6.3% in relation to the GDP).
- 16.** The industrial sector registered significant growth: the volume of industrial production in 2011 registered an increase of 19.7% (in comparable prices) as compared to 2009 and a nominal value of 34.2 billion lei.
- 17.** The volume of agricultural production increased by 13.3% (in comparable prices) as compared to the volume registered in 2009 and accounted for 22.6 billion lei (in current prices). The growth of agricultural production was determined by an increase in animal production by 114.6%, and in vegetal production by 112.7%.
- 18.** The investment activity has acknowledged an essential growth of the volume of fixed capital investments by 37.1% and accounted for 16.3 billion lei. The improvement of the situation in the banking sector and the perspectives of the country's economic development in near future have contributed to investment growth.
- 19.** The recovery of the external and domestic demand of goods also resulted in the increase of exports and imports by 1.7 times and 1.6 times, respectively (in 2011 as compared to 2009). Hence, the negative trade balance has increased as well: by 1.5 times, amounting to about 3 billion USD. The significant growth of the negative trade balance caused the current account deficit of the balance of payments in 2011 up to 11.3% in relation to the GDP, as compared to 8.2% in 2009. The foreign direct investments attracted to the national economy (in net value) registered 281 million USD (4% in relation to the GDP) in 2011, growing by 1.9 times as compared to 2009.
- 20.** The stock of the external state debt administrated by the Government, as of December 31, 2011, accounted for 1142.5 million USD, or 16.3% in relation to the GDP, as compared to 15.7% - the situation by the end of 2009.
- 21.** The average monthly income of an employee in the national economy was 3193.9 lei in 2011, registering an increase by 20.7% in nominal terms, and by 4.4% in real terms, as compared to 2009. The average amount of the monthly pension has also increased by 12.7%, or 874.1 lei. But the real value of the average monthly pension has actually decreased by 3.3%. The national level of the unemployment rate, calculated according to the ILO (International Labor Organization) methodology, registered 7.4% in 2010 and 6.7% in 2011. The average value of the unemployment allocation was 950.9 lei in 2011, registering an increase of 11.2% as compared to 2009.
- 22.** Hence, it should be mentioned that the macroeconomic context in 2010-2011 represents a rather optimistic image. Nevertheless, the precarious economic situation from some countries of the Euro zone has influenced the economy of Moldova as well. Thus, starting in the fourth quarter of 2011, the first signs of a slow-down appeared for the country's economic growth.

Methodological references for poverty calculation

- 23.** In the Republic of Moldova, the poverty indicators are calculated by the National Bureau of Statistics based on the Household Budget Survey data. The most recent adjustment of the methodology used to calculate the poverty indicators was performed in 2006, in compliance with best international practices. At the same time, according international recommendations, the methodology for calculating poverty indicators should be revised periodically, so as to be adjusted to the existing economic realities. In 2012, the National Bureau of Statistics has initiated the methodology revision procedure, to adjust it to the trends registered in household consumption over the last 5 years. It is envisaged that the new methodology will be applied in 2013 for the data collected in 2012. Data compatibility as a result of the new implementation methodology is a necessary and important condition for the policy development process, and statistical authorities should take this objective into consideration.
- 24.** The poverty rates are determined by comparing household consumption with a certain poverty line. The absolute poverty line represents the amount of the monthly expenditures for food products and non-food goods and services, accounting for 1016 lei in 2010 and 1093 lei in 2011¹. The extreme poverty line represents the monetary value of food items only, defined in terms of the minimum of daily calories intake, equal to 2.282 kcal per household member per day, adjusted to the adult equivalent, accounting for 549 lei in 2010 and 591 lei in 2011. A person is considered to be poor if their monthly expenditures are below the poverty line.

¹The absolute poverty line for 2011 was obtained by multiplying the absolute poverty line for 2010 with the annual average Consumption Price Index for 2011 (107,6%), in compliance with the methodology for calculating the poverty line.

Poverty evolution in 2010-2011

25. The poverty level in the Republic of Moldova decreased significantly over the last 2 years. If, in 2009, about 26.3% of the citizens were poor, in 2010 the number of poor people decreased to 21.9%, and in 2011 to 17.5%. Hence, during the last 2 years, about 300 thousand inhabitants escaped from poverty.

26. As for the extreme poverty level, in 2011 only 0.9% of the population registered a monthly consumption below the absolute poverty line², accounting for 591.2 lei.

Table 2. Poverty indicators for 2006 – 2011

	2006	2007	2008	2009	2010	2011
Absolute poverty line (lei)	747.4	839.3	945.9	945.9	1015.9	1093.1
Absolute poverty rate (%)	30.2	25.8	26.4	26.3	21.9	17.5
Absolute poverty gap (%)	7.9	5.9	6.4	5.9	4.5	3.2
Severity of absolute poverty (%)	3.0	2.1	2.3	2.0	1.4	1.0
Extreme poverty line (lei)	404.2	453.9	511.5	511.5	549.4	591.2
Extreme poverty rate (%)	4.5	2.8	3.2	2.1	1.4	0.9
Extreme poverty gap (%)	1.0	0.5	0.5	0.4	0.3	0.1
Severity of extreme poverty(%)	0.4	0.2	0.1	0.1	0.1	0.0

Source: NBS, based on HBS data

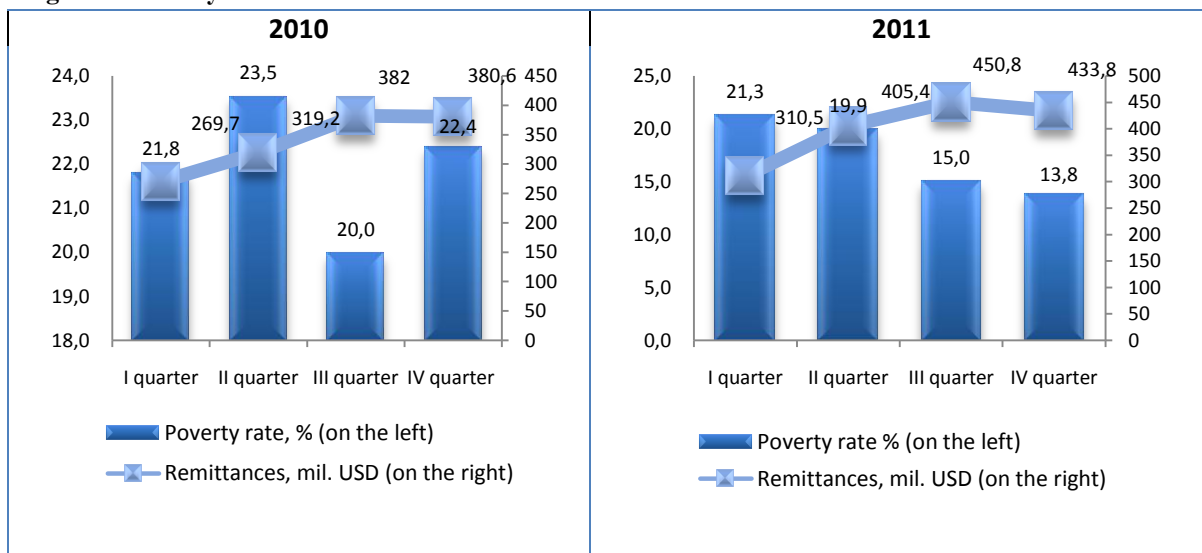
27. The poverty decrease registered during 2010-2011 is correlated, first of all, with the economic recovery registered in this period of time. After the steep decline registered in 2009, in 2010 – 2011 the economy registered a cumulative growth of about 14%. The volume of trade transactions, investments, industrial production, agricultural production and others has increased.

28. At the same time, a significant impact on poverty level decrease resulted from the social-orientation programs promoted by the Government, especially the provision of social help to low-income persons, which proved to be very efficient as it was really focused on the poorest segments of the population.

During this period of time, the real wage has increased by 4.4%, and this fact has positively influenced the population's living standards. The state assurance of a guaranteed minimum income of 575 lei in 2011 has contributed to the near eradication of extreme poverty.

29. An increase in volume of remittances, which represents an important income source for a sizable part of the population, has contributed to a decrease in the poverty level. Hence, in 2010 the transfers from abroad increased by 13%, and in 2011 by over 18%. The figure below reveals that the lowest poverty rates are registered whenever the remittance level is high.

²The extreme poverty line represents the monetary value of food items only, defined in terms of the minimum of daily calories intake, equal to 2.282 kcal per household member per day, adjusted to the adult equivalent.

Figure 1. Poverty rate and remittances' volume

Source: Ministry of Economy – based on HBS data, National Bank of Moldova

30. During 2010-2011, the poverty gap³, which measures the gap between incomes of the poor and the poverty line, registered a descending trend. Hence, in 2010 the poverty gap decreased to 4.5%, and in 2011 it was even lower, down to 3.2%. If in 2010, every poor person had a monthly average deficit of about 46 lei to escape poverty, in 2011 this amount amounted to 35 lei. By extending these values to the entire poor population it may be noted that the monthly monetary transfer necessary to escape poverty accounted for about 34 million lei in 2010, and about 21 million lei in 2011. The necessary annual amounts would account for 408 million in 2010, and 252 million lei in 2011.

31. The State has the financial means to reduce poverty in the country, but the amounts of the social assistance benefits do not always end up in poor people's pockets.

Comparing the amount transferred by the State to vulnerable families and the amount needed for the poor to escape poverty, it may be noted that amount of the social help for 2011 exceeds the amount needed to get out of poverty. In 2011, the annual amount of the social help transferred by the State to vulnerable families was 330.1 million lei⁴, exceeding the amount of 252 million lei that would be necessary to escape poverty. Hence, it appears that the State, first of all, is able to decrease the poverty level in the country, and, secondly, in order to do this it needs to improve the methods used to assess household wellbeing so as to eliminate errors and to more efficiency target the poor.

32. Nevertheless, social help is the most efficient social benefit for combating poverty.

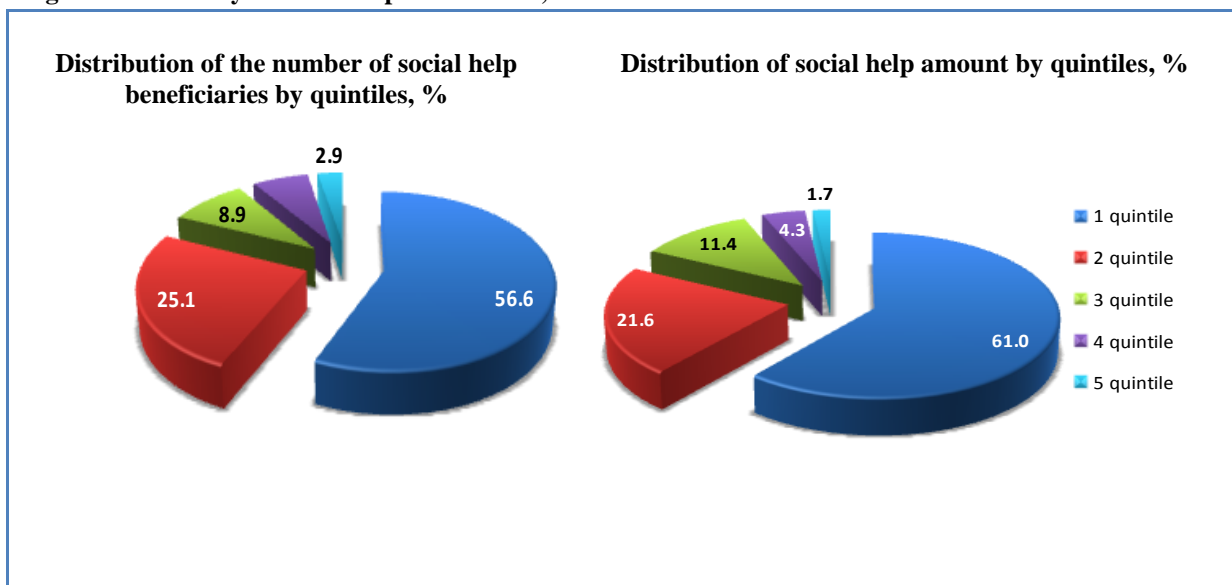
According to HBS data, 82% of the beneficiaries of social help come from the first and second quintiles, and about 83% of the money allocated for social help go to the poorest families. The poor population is covered integrally within the first and second quintiles, as their consumption expenditures are below the poverty line. At the same

³Poverty gap measures the deficit of poor population resources in relation to the poverty line. The deficit of poor population resources refers to the amount needed by every poor individual to reach the poverty line. This indicator is used for establishing the level of necessary resources to decrease poverty in case of monetary transfers targeting exclusively the poor.

⁴Annual Social Report 2011, Ministry of Labor, Social Protection and Family.

time, about 17% of the social assistance is used inefficiently, targeting the population with relatively high incomes.

Figure 2. Efficiency of social help distribution, 2011



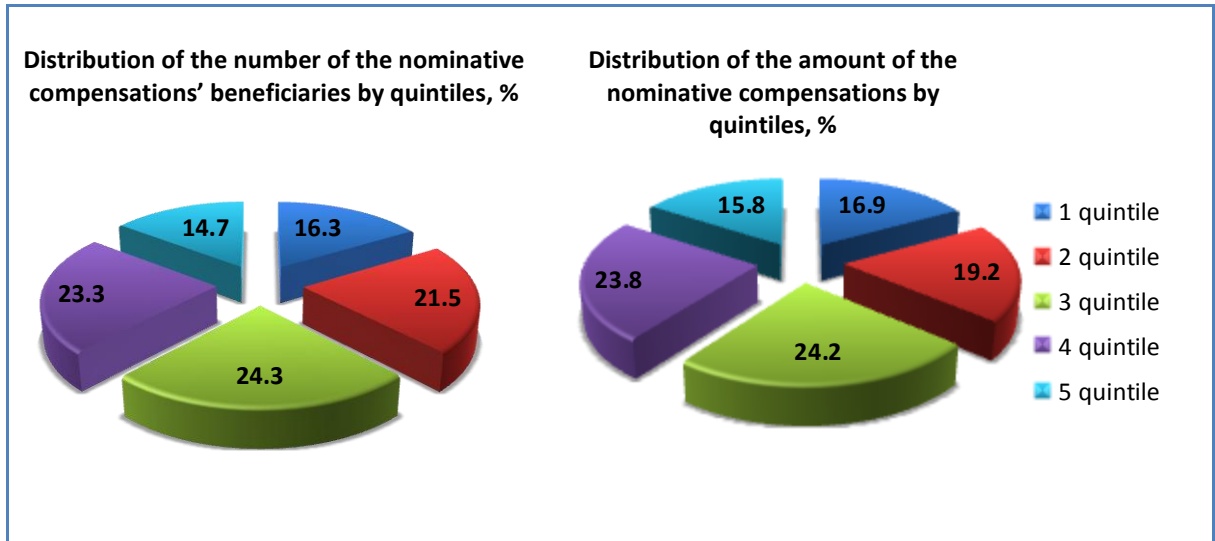
Source: Ministry of Economy, based on HBS data

33. In 2010, about 60.1 thousand deprived families benefited from at least one payment of the social help benefits, while in 2011, the number of such families increased to 80 thousand. The amount transferred towards deprived families in 2010 was about 286 million lei, and in 2011 it was about 330 million lei. About 80% of the beneficiary families had at least one child.

34. The allocation for the cold period of the year is another social benefit with a significant impact on poverty. Being introduced in January 01, 2011, this social benefit is aimed to support deprived families and low-income families, in relation to the high costs incurred for energy during the cold period of the year. Just like the social help, the allocation for the cold period of the year represents an efficient social payment mainly targeting the poor. About 79% of the amount allocated for this allocation is directed towards the poor, and about 77% of the beneficiaries are part of the first and second quintiles.

35. The nominative compensations remain an up-to-date social benefit with minor impacts on poverty reduction. In 2011, the amount of the nominative compensations decreased by 5.4% as compared to 2010. This decrease is explained by the modification that occurred in the vision on the system of social assistance benefits and by the gradual switch from the system of nominative compensations based on categories of beneficiaries towards a system of monetary benefits targeting the poorest citizens, which itself was based on an assessment of incomes and social assistance needs. Hence, starting on January 1, 2010, no new beneficiaries have been admitted to the system of nominative compensations.

36. As it was already shown in the previous analyses, the nominative compensations represent an inefficient social payment from the perspective of targeting the most vulnerable categories of the population. Only 36% of the amount of the nominative compensations goes to the poor, while the remaining amount of money (64%) goes to well-off persons who do not need any support from the State (Figure 3).

Figure 3. Efficiency of nominative compensations' distribution, 2011

Source: Ministry of Economy, based on HBS

37. The switch from the old system of nominative compensations to the social help system represents an important reform implemented by the Government, with significant impacts on the vulnerable segments of the population. The finalization of the transition process would contribute to a more efficient use of the State's financial resources with social destination, meant to eradicate poverty among population.

Achievement of the Millennium Development Goals related to poverty

38. By signing the Millennium Declaration in 2000, the Republic of Moldova committed itself to reduce poverty and hunger by the end of 2015. In this respect, the Government aims to achieve the following objectives:

▶ Target 1:

- Reduce the proportion of people whose consumption is under \$4.3 a day/person from 34.5% in 2006 down to 29% in 2010 and 23% in 2015

▶ Target 2:

- Reduce the proportion of people under the absolute poverty line from 30.2% in 2006 down to 25% in 2010 and 20% in 2015.

▶ Target 3:

- Reduce the proportion of people under the extreme poverty line from 4.5% in 2006 down to 4% in 2010 and 3.5% in 2015.

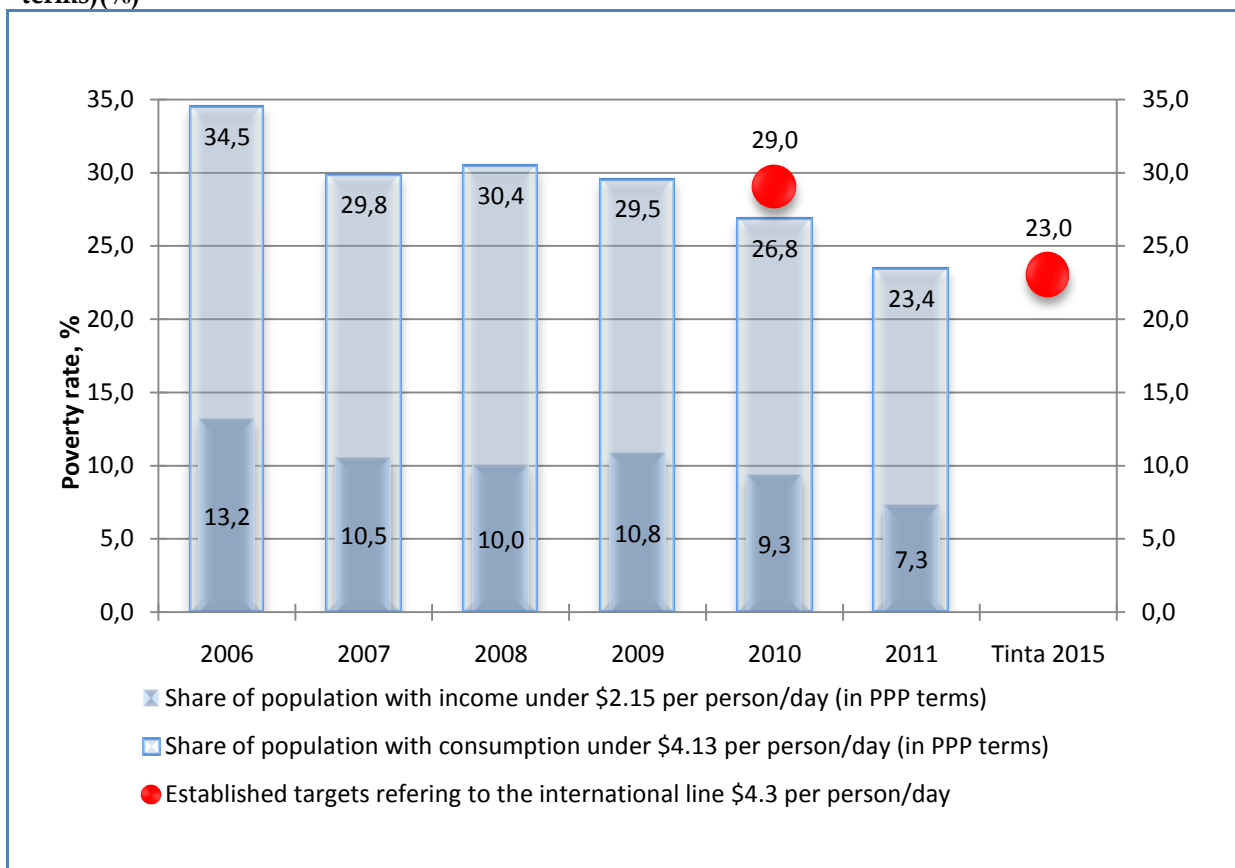
39. Target 1: Reduce the proportion of people whose consumption is under \$4.3 per day/person from 34.5% in 2006 down to 29% in 2010, and 23% in 2015

The Republic of Moldova already succeeded to attain the intermediary target set for 2010, and it is on the way to achieve the final target set for 2015, in relation to poverty reduction according to the international line of \$4.3. Hence, in 2010 the poverty rate calculated according to the international poverty line was 26.8%, as compared to the target of 29%. And in 2011, about 23.4% of the citizens registered a daily consumption under \$4.3, which is very close to the target of 23% set for 2015 (Figure 4). In some countries that use the poverty line of \$4.3 per day/person, the poverty level varies from 47.7% in Armenia to 4.5% in Ukraine, and only 0.1% in Belarus⁵.

Before 2006, the Republic of Moldova used the “share of persons with an income under \$2.15 per day (in PPP terms)” as the international indicator for poverty monitoring. In 2006, this indicator was 13.2%, decreasing in 2011 to 7.3%. When revising the MDG targets, it was decided to switch to a higher standard for poverty measurement – international poverty line of \$4.3 per day/person (in PPP terms) and to use consumption instead of income so as to assess the population’s wellbeing, as the consumption expenditures represent a more accurate indicator for the Republic of Moldova.

⁵<http://www.undp.org/content/undp/en/home/librarypage/mdg/mdg-reports/ecis.html>. For Armenia - data refer to 2008, for Ukraine and Belarus – data refer to 2009.

Figure 4. Poverty rate according to the international poverty lines of \$4.3 and \$2.15 per day (in PPP terms)(%)



Source: Ministry of Economy based on HBS data

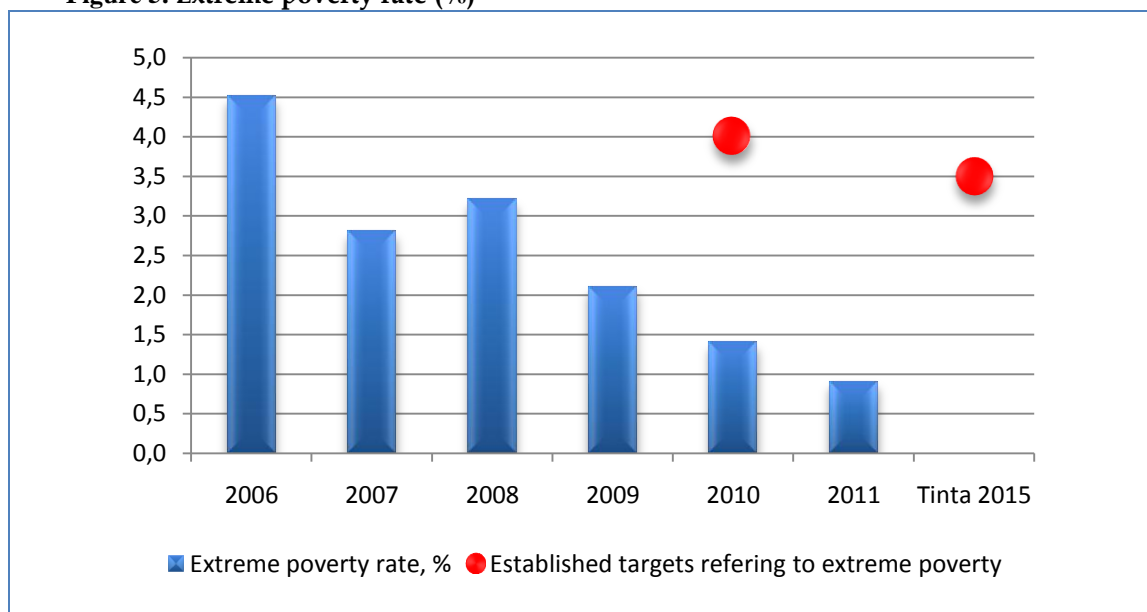
40. Target 2: Reduce the proportion of people under the absolute poverty line from 30.2% in 2006 to 25% in 2010, and 20% in 2015.

Given that in 2010 the proportion of the population under the absolute poverty line was 21.9%, and in 2011 - 17.5%, it may be stated that the **Republic of Moldova has achieved the targets for both 2010 and 2015**. In this respect, it is important to continue and to foster the implementation of coherent and efficient policies targeting the poor. It is also necessary to revise the current targets to set new, more ambitious targets for the period by (and after) 2015 so as to further decrease the poverty rates and align the national living standards to the European ones.

41. Target 3: Reduce the proportion of people under the extreme poverty line from 4.5% in 2006 to 4% in 2010, and 3.5% in 2015.

The Republic of Moldova already succeeded in achieving the intermediate target set for 2010, as well as the final target set for 2015, in relation to the extreme poverty level.

In 2011, less than one percent of the citizens registered a monthly consumption lower than the extreme poverty line (591 lei). Starting in 2008, extreme poverty registered a continuous decrease. In 2010, this indicator accounted for 1.4%, and in 2011 it decreased to 0.9%. Hence, the number of extremely poor persons decreased from 46.3 thousand persons to 28.9 thousand persons. Comparing the extreme poverty level with the targets set for 2010 and 2015, it may be concluded that both targets have already been achieved (Figure 5). In this context, it is important to not allow an increase in this indicator and to move toward complete eradication of extreme poverty and hunger.

Figure 5. Extreme poverty rate (%)

Source: National Bureau of Statistics

42. Children continue to be a vulnerable category in Moldovan society. The poverty rate among children is 19.6%, exceeding the country average by 2.1 percentage points. An indicator within the MDG context would be the malnutrition incidence rate in children under the age of five. Hence, a poverty aspect influencing children's health and development refers to nutrition of children in the first years of their life. According to the official data, during 2000-2011 the share of underweight children aged 0-5 years old was halved (Table 3). In 2010 the malnutrition incidence rate in children under the age of five accounted for 11.4%, registering an increase as compared to the previous year, and in 2011 – it decreased to 10.4%.

Table 3. Malnutrition incidence rate in under-five children, %

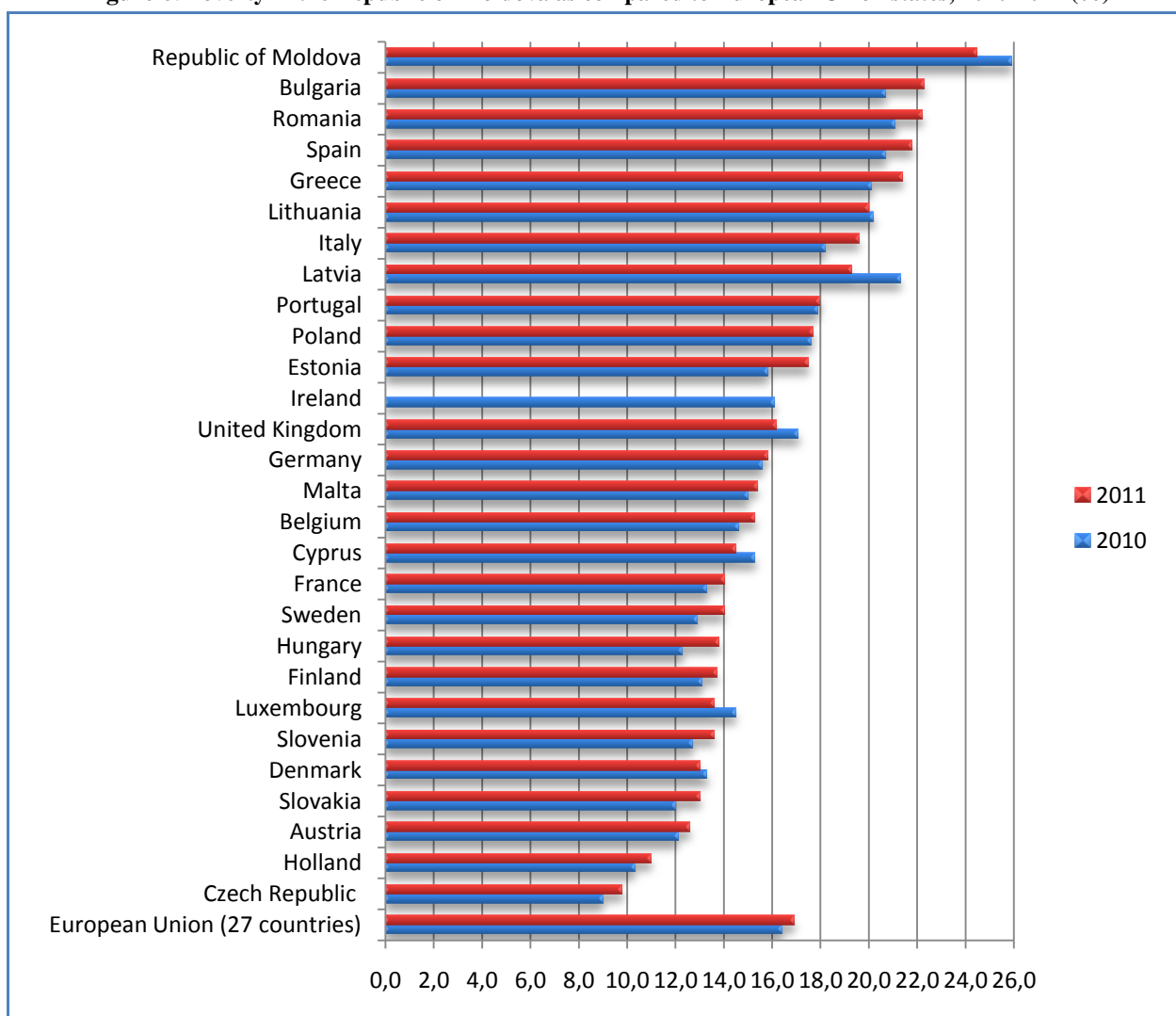
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Malnutrition incidence rate in under-five children, %	20.90	19.80	18.60	19.00	17.10	16.70	14.30	12.80	11.00	10.6	11.4	10.4

Source: Ministry of Health

Poverty in the Republic of Moldova as compared to EU and CIS countries

43. The Republic of Moldova remains to be the poorest country in comparison with the European Union countries. In 2011, the poverty rate in the Republic of Moldova, according to the relative line of 60% of the median income⁶ was 24.5%. Moldova is poorer than the poorest EU countries, such as Bulgaria, Romania, and Spain, registering a poverty rate of about 22%, while Greece was 21%, and Lithuania and Italy were about 20%, etc. (Figure 6). Hence, the poverty level in the Republic of Moldova is 7.6 percentage points higher than the EU-27 average, which is 16.9%. According to data from the European Union Statistical Office, the EU countries with the lowest poverty rates are the Czech Republic at 9.8%, The Netherlands at 11%, and Austria, Slovak Republic, and Denmark at 13%. It is remarkable that in 2011 20 out of the 27 EU states registered an increased poverty rate as compared to 2010. Only Denmark, Luxemburg, Cyprus, Great Britain, Latvia, and Lithuania registered decreasing trends for poverty level. Hence, it may be concluded that the economic crisis in the region has negatively affected citizens' living standards in the majority of EU states.

Figure 6. Poverty in the Republic of Moldova as compared to European Union states, 2010-2011 (%)

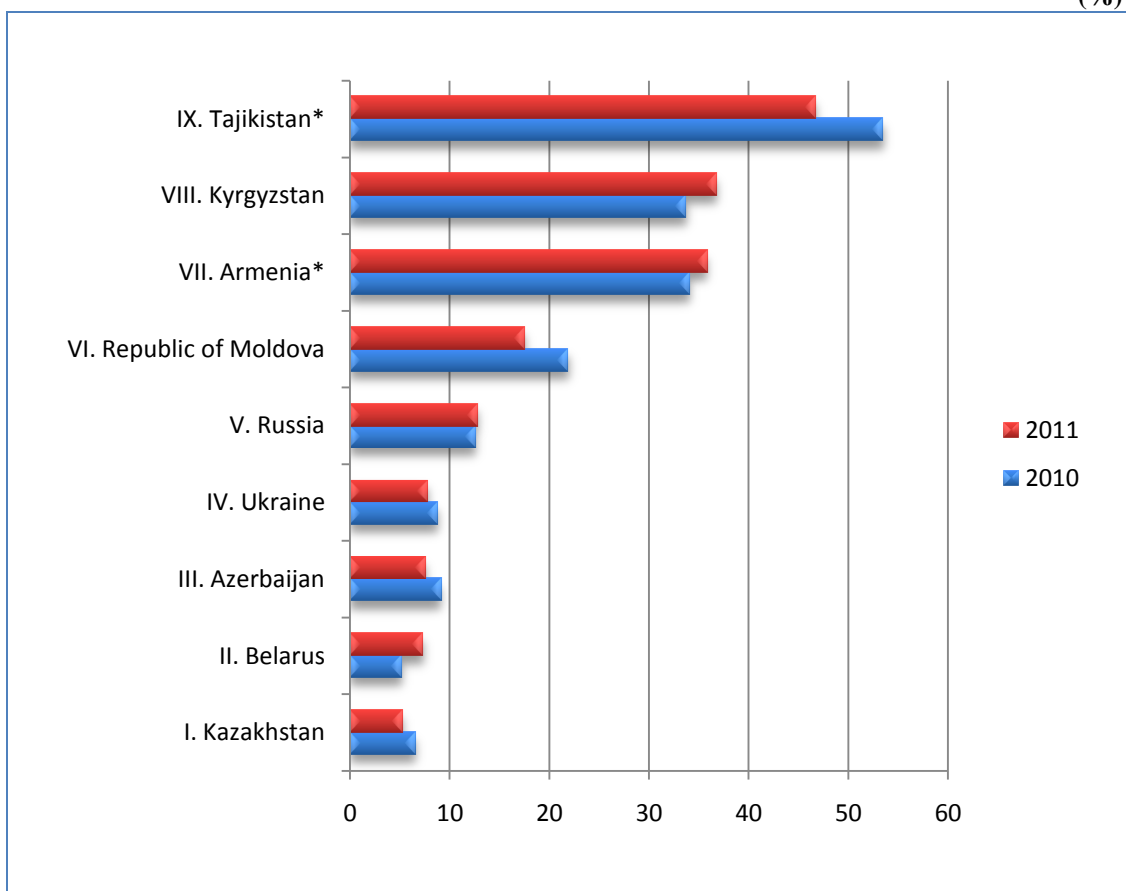


Source: Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database, Ministry of Economy, based on HBS

⁶The basic indicator used in the European Union to measure poverty is the relative poverty rate, which represents the proportion of population with incomes under the relative poverty line, established at the level of 60% of the households' median income. The poverty indicators in EU are calculated based of the Statistical Survey EU-SILC (households' incomes and living conditions). To ensure data comparability, the relative poverty rate was calculated for the Republic of Moldova according to the share of 60% of the median monetary income, based on HBS.

44. Out of the 9 countries of the Commonwealth of Independent States (CIS), the Republic of Moldova is ranked in 6th place by poverty level, with only Armenia, Kyrgyzstan and Tajikistan being poorer. The analysis of the statistical data shows that the poorest countries in the CIS are Tajikistan with about 46.7% of poor population, Kyrgyzstan with 36.8%, and Armenia with 35.8%. The most prosperous countries are Kazakhstan with 5.3%, Belarus with 7.3%, and Azerbaijan and Ukraine with about 8%. The Republic of Moldova, with a poverty rate of 17.5%, is ranked in 6th place, in between Russia with a poverty level of 12.8%, and Armenia with about 35.8%⁷ (Figure 7).

Figure 7. Poverty line in the Republic of Moldova as compared to the CIS countries, 2010 – 2011 (%)



Source: Interstate Statistical Committee of the CIS countries, Statistical Bulletin publication, CIS 2012

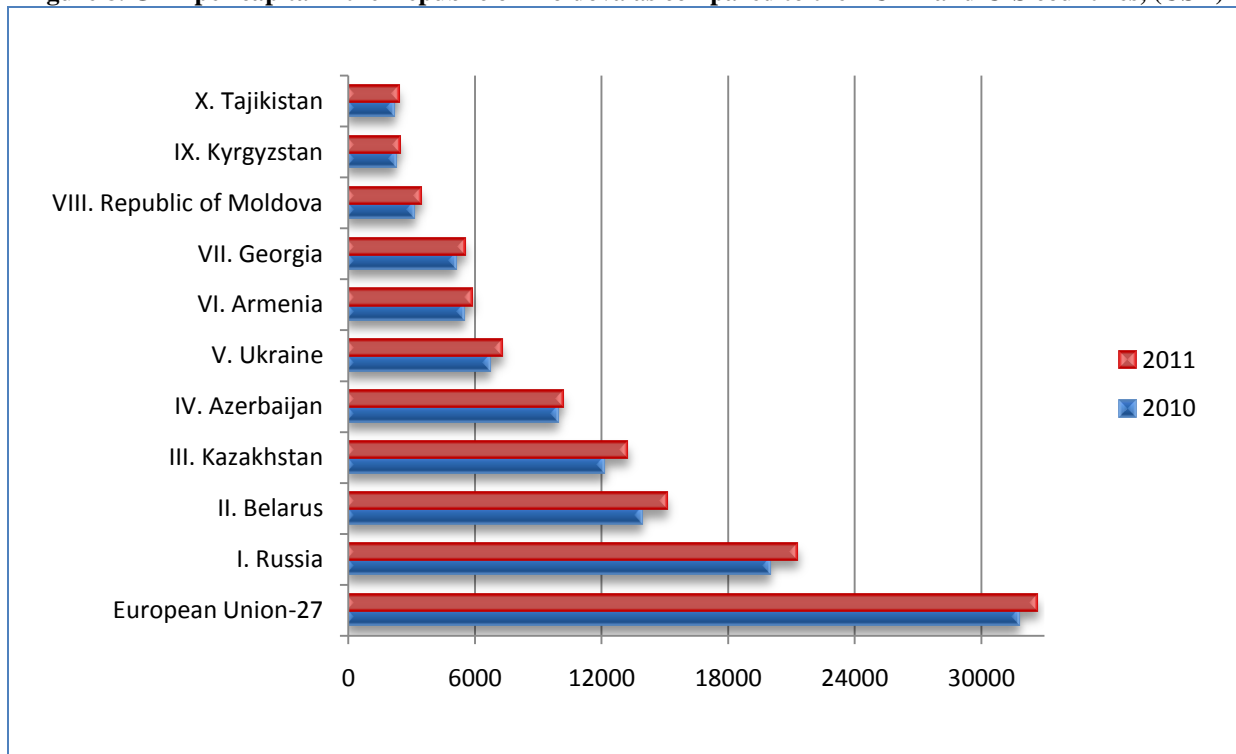
* Data for Armenia refer to 2009 and respectively 2010, for Tajikistan – 2007, 2009.

45. According to the World Bank data, the GDP per inhabitant in PPP terms in the Republic of Moldova is 10 times lower as compared to the average for the EU countries and on the 8th place as compared to the CIS countries, being ahead just of Kyrgyzstan and Tajikistan (Figure 8). In 2011 the GDP per capita in PPP terms in Moldova was 3392 USD, which was 1.6 times lower than in Georgia, 2 times lower than in Ukraine, 4 times lower than in Kazakhstan and Belarus, and 6 times lower than in Russia. As long as essential gaps continue to exist between the economy

⁷Methodological references: poverty rates are calculated according to the national standards for poverty measurement in each of the above-mentioned countries. In Russia, the poverty level is calculated depending on the average size of **monetary incomes** per person, in Ukraine and Belarus – depending on the amount of **incomes, which includes also the value of in-kind products**, in Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Moldova and Tajikistan – **based on the population consumption expenditures**. When determining the national poverty line - Russia, Ukraine, Belarus use the amount of the minimum subsistence, in Armenia – \$4.3 per day, in the remaining CIS countries – the value of basic needs.

development level of the countries from the region and the economy of the Republic of Moldova, the brain drain will not stop. The Republic of Moldova needs a qualitative economic growth going hand-in-hand with the increase of investment, development of the exporting industries, increase in the number of working places and labor productivity growth.

Figure 8. GDP per capita in the Republic of Moldova as compared to the EU-27 and CIS countries, (USD)



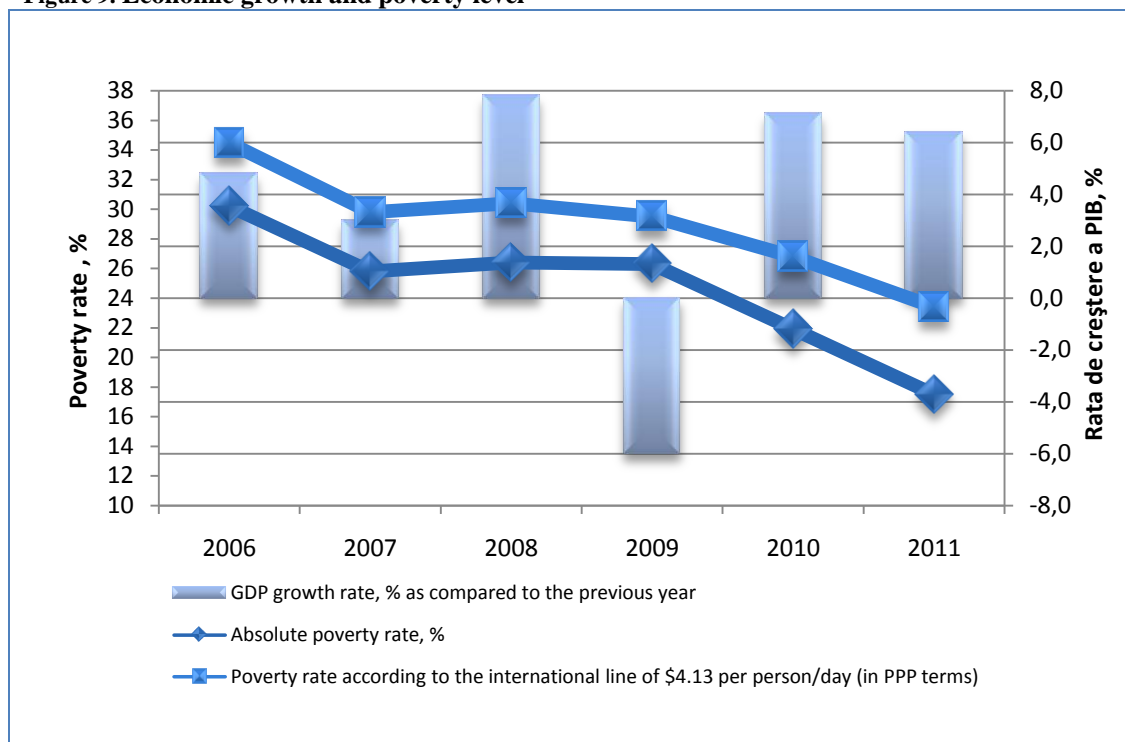
Source: World Bank database <http://databank.worldbank.org/Data/Views/Reports/TableView.aspx>

Economic growth and poverty

46. Economic growth represents an indispensable condition for increasing living standards and decreasing poverty.

In 2010, the GDP increased by 7.1%, while in 2011 it increased by 6.4%. These evolutions have influenced the decrease in poverty rates in 2010 down to 21.9%, and down to 17.5% in 2011.

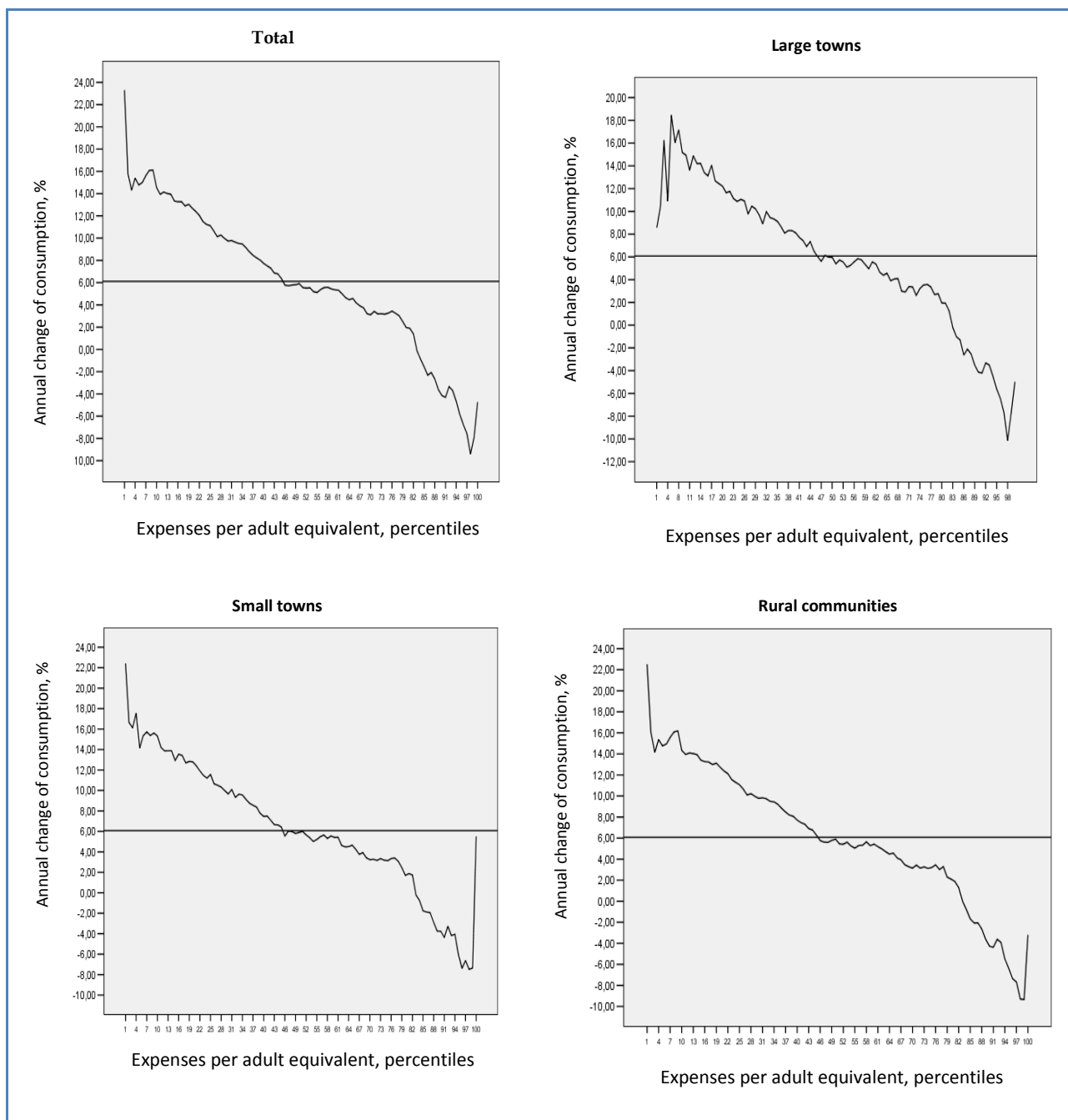
Figure 9. Economic growth and poverty level



Source: NBS, HBS

47. During 2009-2011 poverty rates decreased an average of 8.8 percentage points due to an increase in consumption and a decrease in inequality. The degree by which economic growth influences the poverty level is assessed by determining the influence of the average consumption increase (component of economic growth) and the influence of consumption redistribution (inequality) on poverty rates.

48. Analysis of the economic growth in the distribution of benefits is carried out through analysis of incidence curves. The curves of the economic growth incidence represent the consumption increase rate, cumulated for the entire period on the vertical axis, and the population in increasing order of consumption on the horizontal axis. At the same time, the growth incidence curves allow analyzing which categories of population had to win or lose as a result of the economic growth during the analyzed period of time. A descending incidence curve shows that the persons from the poor categories of the population benefit more from economic growth or lose less from economic decrease. An ascending curve shows an opposite situation. The values higher than zero indicate that the households from a certain percentile registered an increase in consumption, while those under zero indicate a decrease in household consumption during the respective period of time. Figure 10 presents the economic growth incidence curves at the national level and by areas of residence for 2011 as compared to 2009.

Figure 10. Real growth incidence 2009-2011

Source: Ministry of Economy based on HBS data

49. During 2009-2011, the cumulated average consumption increased by 6%, and the poor benefited more from the economic growth. The analysis of the economic growth impact shows that average consumption increased for 95% of the population. The highest increases in consumption expenditures were registered for the 10 percentiles⁸ (the poorest), with an increase of about 25%. At the same time, the consumption expenditures of the richer households had a rather moderate increase. These developments have influenced the inequality reduction in the country. Respectively, the benefits of the economic growth were felt by the majority of the population.

⁸The hundredth part of the total population.

- 50. The analysis of consumption distribution by areas of residence shows that, in general, the economic growth has influenced poverty decreases in urban and rural areas.** Based on the trajectories of the growth incidence curves, it may be noted that the economic growth impact on poverty is essential. In small towns and villages, the level of consumption expenditures for the poorest households (the first and the second percentile) increased to 22%. As for the big cities, the increase in consumption expenditures in poor households was rather moderate. The poor population from the 3-50 percentiles, in both urban and rural areas, benefited as a result of the economic growth: their level of consumption expenditures was higher than the average increase in consumption.
- 51. According to the most recent forecasts, the economic growth that the Republic of Moldova might obtain in 2012 would be 0.3%.** This modest growth would be the result of the drought, as well as of the economic recession that occurred in some EU countries, and the impact of this crisis on Moldova's economy. Due to the 2012 drought, the volume of agricultural production in the first 9 months of the year decreased by 21.6% as compared to the same period in the previous year. This trend could exacerbate poverty phenomenon in the near future in rural areas, where the majority of inhabitants are involved in agriculture.

Dynamics of inequality

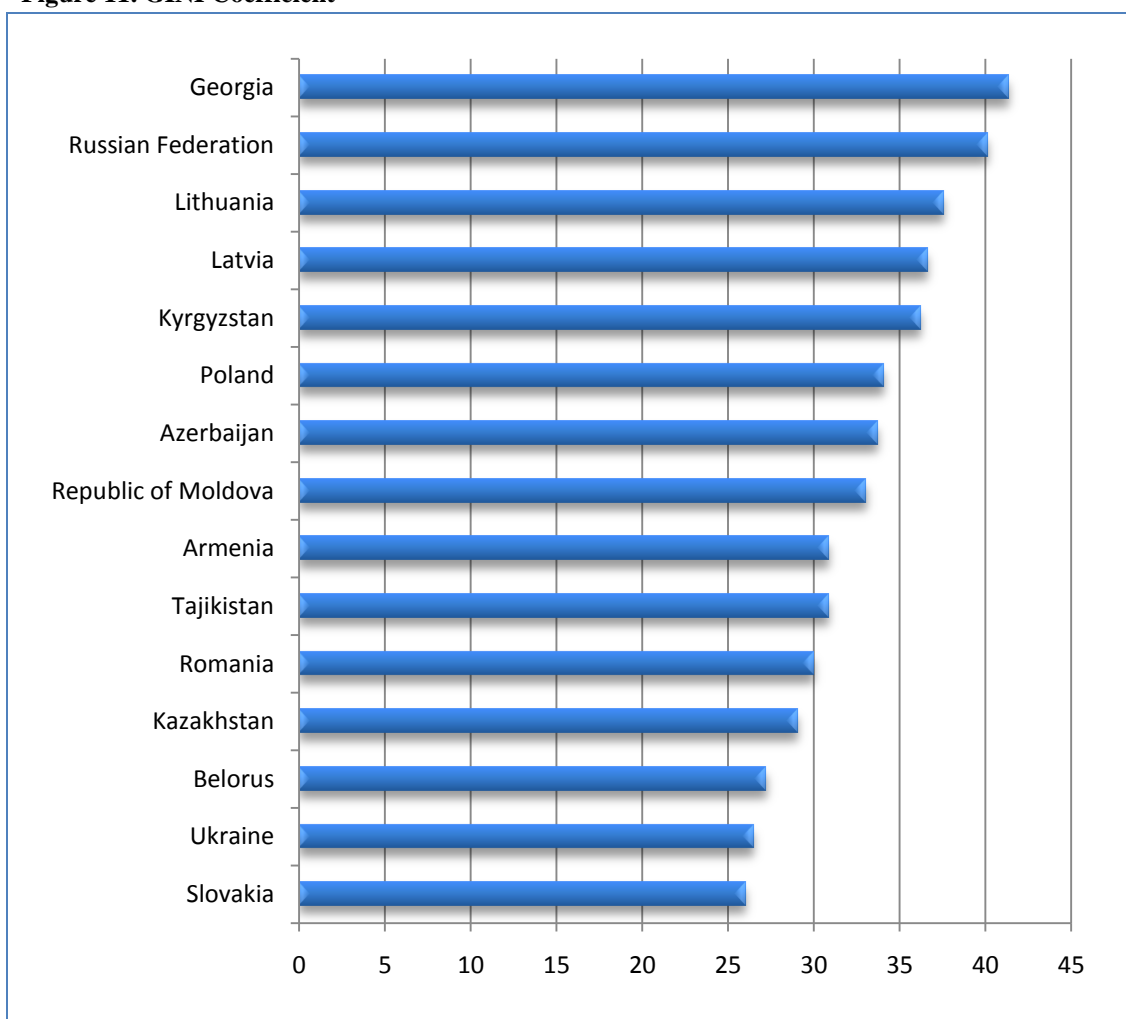
52. During 2010-2011 the inequality level decreased in the Republic of Moldova

concomitantly with a reduction in poverty rates. According to the Gini coefficient, the inequality level decreased from 0.3094 in 2009 down to 0.3050 in 2010, and to 0.2943 in 2011. Inequality decreased in both urban and rural areas. Nevertheless, the inequality level differs from one region to another. The most equitable distribution was found for consumption in small towns, and the most inequitable distribution was in rural areas, where the highest Gini coefficient was identified.

53. The Republic of Moldova has a medium level of inequality as compared to other

countries from the region. Comparing the inequality level from different countries, it may be noted that the Republic of Moldova is somewhere in the middle of the list of those countries (Figure 11). Moldova registers an inequality level almost identical to that of Azerbaijan and Poland, being surpassed by Armenia, Tajikistan, Romania, and Kazakhstan. At the same time, the Republic of Moldova has a lower level of inequality as compared to Lithuania, Latvia, the Russian Federation, and Georgia

Figure 11. GINI Coefficient⁹



Source: World Bank <http://databank.worldbank.org/Data/Views/Reports/TableView.aspx>

⁹For Belarus, Armenia, Azerbaijan, Latvia, Lithuania and Georgia – the data refer to 2008. For the rest of the countries, the data refer to 2009.

54. Other indicators also show an inequality decrease in the country. The distribution of consumption expenditures by quintiles shows a decrease in the difference between the average expenditures of the poor and of the rich. If in 2009, the share of expenditures of the poorest 20% of the population was 7.9%, in 2011 this share increased to 8.7% (Table 4). At the same time, the indicator of 90/10 distribution of the average consumption expenditures reveals that the average expenditures of the poorest 10% of the population are 5.8 times smaller than the average registered for the richest 10% of the population. The respective difference has decreased as compared to the previous year, implying a decrease in the gap between the incomes of the rich and of the poor.

Table 4. Distribution of consumption expenditures for 2006 – 2011

	2006	2007	2008	2009	2010	2011
Gini coefficient per consumption expenditures per person (weighted)	0.315	0.298	0.292	0.3094	0.3050	0.2943
Share of consumption expenditures by groups of quintiles (20%) per adult equivalent, %:						
TOTAL	100	100	100	100	100	100
I quintile	8.2	8.1	8.3	7.9	8.1	8.7
II quintile	12.8	12.9	13.5	13.1	13.0	12.8
III quintile	17.1	16.7	16.7	16.9	16.6	17.1
IV quintile	22.8	22.1	21.7	22.5	21.7	21.5
V quintile	39.1	40.1	39.8	39.6	40.5	39.9
90/10 distribution, average of consumption expenditures per adult equivalent	7.01	6.73	6.19	6.51	6.29	5.79

Source: ME, based on HBS data

55. Discrepancies between the incomes of the poor and those of the rich registered decreasing trends. In 2010, the less well-to-do population from the first quintile registered monthly average incomes of 1004 lei, representing about 54% of the country average. When compared with the incomes of the population from the highest quintile, the incomes of the population from the lowest quintile are three times lower; people from the highest quintile had monthly average incomes of 3092 lei (Table 5). In comparison to 2010, income-based inequality registered insignificant decreasing trends.

Table 5. Distribution of monthly average incomes by well-being level* for 2006 – 2011, lei

	2006	2007	2008	2009	2010	2011
I quintile	519.8	694.8	794.4	749.6	873.2	1003.8
II quintile	746.8	961.9	1038.9	1084.4	1194.1	1388.3
III quintile	902.3	1182.2	1294.3	1359.3	1507.5	1649.7
IV quintile	1203.6	1458.5	1695.7	1763.2	1866.8	2069.2
V quintile	1785.7	2219.0	2505.8	2558.9	2715.0	3091.5
Total	1035.8	1308.0	1469.7	1504.8	1635.9	1844.7

*calculations are based on adult equivalent

Source: ME, based on HBS data

Incomes and consumption expenditures of the population

➤ Evolution of population incomes

56. During 2010-2011, the average income per capita increased. The disposable income per capita registered in 2011 was 1309 lei, being 11% higher than in 2010 and 12% higher than in 2009. This growth was caused by an increase in incomes obtained from all sources: agricultural activities, remunerated activities, entrepreneurship activities, social benefits, and remittances. The average incomes of urban inhabitants are 1.5 times higher than those of rural inhabitants. In cities, the disposable income per capita was 1653 lei, while in villages it was only 1137 lei. At the same time, the well-to-do people registered an average income per capita that is 2 times higher than the average income per capital for the poor (1452 lei versus 724 lei).

Table 6. Evolution of monthly average incomes per capita, %

	National			Urban			Rural			Poor			Non-poor		
	Change in incomes, % (2011 as against 2010)	Change in incomes, % (2011 as against 2009)	Structure 2011, %	Change in incomes, % (2011 as against 2010)	Change in incomes, % (2011 as against 2009)	Structure 2011, %	Change in incomes, % (2011 as against 2010)	Change in incomes, % (2011 as against 2009)	Structure 2011, %	Change in incomes, % (2011 as against 2010)	Change in incomes, % (2011 as against 2009)	Structure 2011, %	Change in incomes, % (2011 as against 2010)	Change in incomes, % (2011 as against 2009)	Structure 2011, %
Disposable income per capita	11.3	12.3	100	10.7	11.9	100	11.9	21.1	100	10.3	15.8	100	8.4	6.8	100
Income from remunerated activity	14.4	-0.4	40.2	14.3	5.2	54.6	15.4	17.5	29.7	-0.1	4.3	27.8	12.0	-6.6	41.7
Income for agricultural individual activity	15.1	57.4	12.4	21.0	120	1.7	14.4	35.7	20.2	14.4	35.3	20.4	14.6	64.2	11.4
Income from non-agricultural individual income	13.7	23.1	7.1	10.6	43.2	9.3	18.4	19.5	5.6	41.1	20.0	4.7	7.5	16.2	7.4
Social benefits	7.6	18.9	18.5	3.8	16.3	15.4	9.9	22.4	20.8	11.8	18.1	33.3	6.4	19.1	16.7
pensions	8.1	14.5	15.1	5.2	14.3	12.7	9.8	16.3	16.9	14.1	11.6	26.9	6.3	15.3	13.7
allowances for children	12.7	26.8	0.7	52.4	72.0	0.9	16.3	0.8	0.5	12.6	1.7	0.9	11.0	31.9	0.6
compensations	1.6	-1.7	0.6	16.2	13.2	0.4	10.4	1.8	0.8	0.6	12.1	1.1	1.8	2.3	0.6
Income from remittances	5.0	13.0	17.1	6.4	9.4	12.3	4.3	13.1	20.6	29.9	11.9	9.8	-0.6	6.1	18.0
Income from property	99.1	64.5	0.2	142	108	0.5	-7.7	45.2	0.1	100	100	0.0	107	58.9	0.3
Other incomes	5.6	11.4	21.5	4.8	10.9	18.5	6.1	14.3	23.7	17.3	10.9	13.8	0.8	4.8	22.4

Source: Ministry of Economy, based on HBS data

57. An essential increase was registered for the incomes obtained from individual agricultural activity, which influences poverty reduction, especially in rural areas.

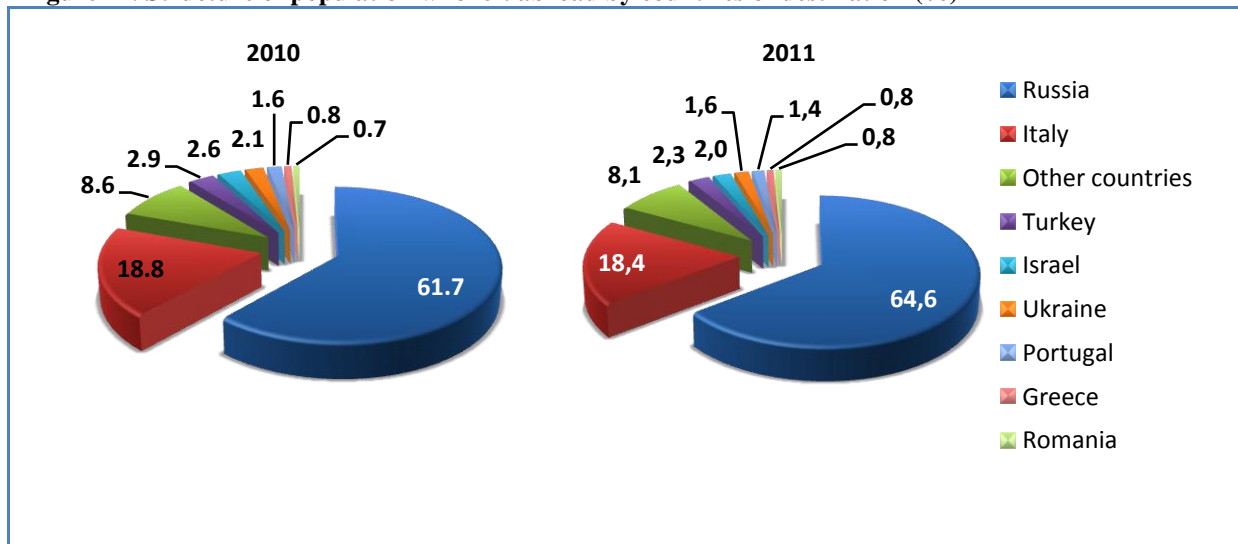
According to the HBS data, the incomes obtained by the population from agricultural activities increased by 57% during 2010-2011. This growth was influenced by the increase of agricultural production volume (by 12.5%), as well as by the rise in prices for agricultural production (by 52.9%). Respectively, the incomes obtained from agricultural production trade also increased. The increase of incomes obtained from agricultural individual activities has influenced the decrease of poverty rates. A deeper

impact was found in rural areas, where the share of incomes from such activities was 20%, as compared to 1.7% in urban areas.

- 58. Concomitantly, the incomes obtained from independent entrepreneurial activities also increased.** According to the HBS data, the incomes obtained from non-agricultural independent activities increased by 23%. These evolutions are due to the increase registered for external and domestic demand for goods in case of individual enterprises. During 2010, the retail sale of goods through commercial outlets increased by 9%, the volume of industrial production by 9.3%, and exports by 20.1%. The same trends were maintained in 2011 as well: retail sale of goods increased by 13.6%, the volume of industrial production increased by 7.4%, and exports by 44.1%.
- 59. Incomes obtained from remunerated activities continue to remain the main income source for citizens.** About 40% of the total incomes at the national level are represented by salary-based incomes. According to the HBS data, in 2010 the monthly salary-based incomes per capita decreased by 13%. The salary-based incomes of persons who do not fall under the poverty incidence registered the highest decrease, while the salary-based incomes of the poor have actually increased. The decrease in salary-based incomes is explained by the fact that during 2010 reforms still continued on the labor market to get the country out of the crisis, such as a reduction in working hours, non-remunerated additional working hours, and granting days off, thus reducing the salaries. Unlike 2010, in 2011 the salary-based incomes per capita increased by 14%. According the NBS data, the real salary in 2010 increased by 0.7%, and in 2011 by 3.7%.
- 60. The data show a 19% increase in incomes obtained by the population from social benefits.** This increase has resulted in decreased poverty rates among pensioners, families with children, and other families receiving social payments from the State. About 27% of the income received by the poor are from pensions. During 2010-2011, the average monthly pension amount increased cumulatively by 8.3%, accounting for 868.43 lei in 2011. Nevertheless, the current amount of the average old-age pensions does not exceed the poverty line (1093 lei), thus some elderly people found themselves under the poverty line. In this respect, it is important to take into account the value of the poverty line and other social indicators, such as subsistence minimum, when developing social policies, as to ensure the elderly people with an income level that would allow them to escape poverty.
- 61. Remittance-based incomes per person increased by 13% during 2010-2011 and represented an important source for escaping poverty.** They represent about 17% of the monthly disposable incomes per capita. Rural households depend on remittances to a larger extent and the share of remittance-based incomes in the incomes structure is 20%. In urban areas, the share of incomes coming from abroad is 12%. After the crisis, in 2009, the income obtained from overseas transfers decreased by 13%, while in 2010-2011 they actually increased by 13%. According to the HBS data, in 2011, the

priority emigration destinations were Russia (65%) and Italy (18%) (Figure 12). As compared to 2010, in 2011 some changes occurred in the migrants structure: an increased share of migrants leaving for Russian and a decreased share of migrants leaving for EU countries. This trend was induced by the economic recession during the period of time in the EU.

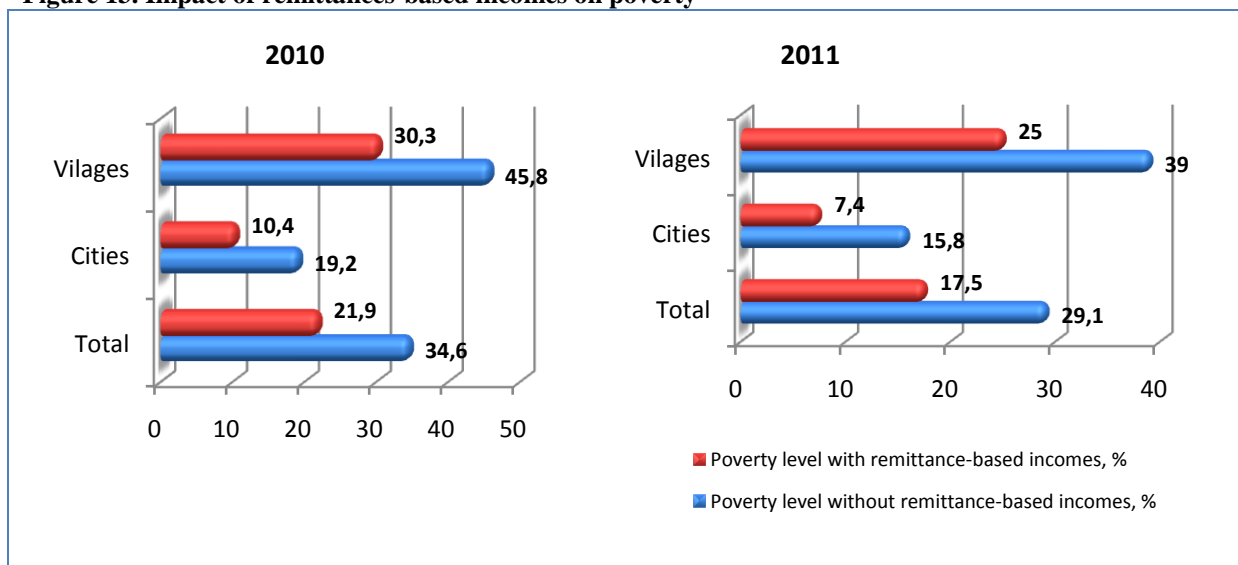
Figure 12. Structure of population who left abroad by countries of destination (%)



Source: NBS, <http://statbank.statistica.md/>

62. The monetary transfers from abroad have reduced the absolute poverty rate by 1.6 times in 2010 and by 1.7 times in 2011. The data analysis reveals that if citizens did not benefit from remittance-based incomes, the absolute poverty rate at the national level would have been 34.6% in 2010 and 29.1% in 2011 (Figure 13). The monetary transfers from abroad have influenced the decrease in poverty rates in urban and rural areas. Hence, villages would have registered a poverty level of 39% in 2011, as compared to the existing rate of 25%; and cities would have registered a poverty level of 15.8%, as compared to the existing rate of 7.4%.

Figure 13. Impact of remittances-based incomes on poverty



Source: Ministry of Economy, based on HBS

➤ *Evolution of consumption expenditures*

63. Concomitantly with the increase incomes during 2010-2011, the consumption expenditures also registered a real increase of almost 21%. At the national level, household consumption expenditures have increased for all categories of goods and services, except for the expenditures meant for leisure, education, restaurants and hotels. The average expenditures per capita accounted for 1615 lei in 2010 and for 1798 lei in 2011. The level of rural population consumption expenditures increased to a smaller extent than that of the rural population. In average, during 2010-2011, the rural population increased its consumption by 23%, and the urban population by 28%. The average value of consumption expenditures in villages was 1339 lei, and in cities it was 1962 lei.

Table 6. Evolution of monthly average expenditures per capita, %

	National			Urban			Rural			Poor			Non-poor		
	Change in expenditures, % (2011 as against 2010)	Change in expenditures, % (2011 as against 2009)	Structure 2011, %	Change in expenditures % (2011 as against 2010)	Change in expenditures, % (2011 as against 2009)	Structure 2011, %	Change in expenditures, % (2011 as against 2010)	Change in expenditures % (2011 as against 2009)	Structure 2011, %	Change in expenditures, % (2011 as against 2010)	Change in expenditures, % (2011 as against 2009)	Structure 2011, %	Change in expenditures, % (2011 as against 2010)	Change in expenditures, % (2011 as against 2009)	Structure 2011, %
Consumption expenditures	11.3	20.7	100	8.2	28.2	100	12.3	22.9	100	9.6	15.8	100	7.2	20.9	100
Food products	14.9	29.0	44.5	15.0	34.8	39.1	16.5	35.3	46.7	17.0	33.3	60.5	13.5	30.7	41.2
Alcoholic drinks, tobacco	-0.2	13.5	1.8	0.9	17.6	1.3	-3.3	19.9	2.1	2.5	10.2	2.5	-3.9	14.2	1.6
Clothes, footwear	6.9	5.3	11.2	3.5	2.9	8.6	7.8	7.3	10.7	-2.7	-5.0	6.0	2.5	-2.7	9.9
Dwelling maintenance	19.2	38.5	15.9	23.1	48.7	17.5	14.4	31.2	15.9	4.4	11.2	18.3	18.1	40.5	16.6
Dwelling equipping	4.5	11.4	3.1	2.8	10.1	2.6	-0.5	11.8	3.5	5.6	2.5	3.1	-2.2	4.4	3.0
Medical assistance and health	-2.1	5.3	5.7	-13	8.8	5.1	2.9	19.7	6.5	-2.3	15.5	3.8	-9.0	5.3	5.9
Transport	5.2	21.6	4.9	2.4	35.9	4.9	9.6	19.9	3.4	-12	-4.1	0.9	1.0	21.4	4.5
Communications	6.5	9.7	4.7	6.4	15.1	4.6	10.6	15.2	3.9	3.2	3.7	2.6	4.8	9.7	4.4
Leisure	5.6	-7.7	1.3	9.8	12.9	1.7	3.2	1.5	0.5	-11	27.6	0.4	5.2	9.1	1.2
Education	-2.0	-5.6	1.2	5.5	12.9	1.3	4.8	-1.7	0.6	-57	-53	0.1	2.3	4.9	1.1
Hotels, restaurants	-3.4	-5.3	2.0	-8.0	22.6	3.2	-6.6	-39	0.5	-19	-78	0.1	-11	11.5	2.1
Diverse	18.0	10.8	3.7	11.6	16.4	3.8	20.9	11.1	2.6	16.8	29.6	1.9	10.8	8.3	3.3

Source: Ministry of Economy, based on HBS data

64. In the consumption expenditure structure, food expenditures represent the largest part of population total expenditures – about 44.5%. The share of food products in poor people's consumption is much higher than for the wealthy. While the well-to-do families spend about 41% of money for food products, the poor families spend over 60% for such products. This trend confirms the theoretical findings: the higher the income, the lower the rate of expenditures for food products. In EU countries, the share of consumption expenditures for food products varies from 30-43% in Bulgaria, Hungary, and Poland, down to 13% in Great Britain and Finland.

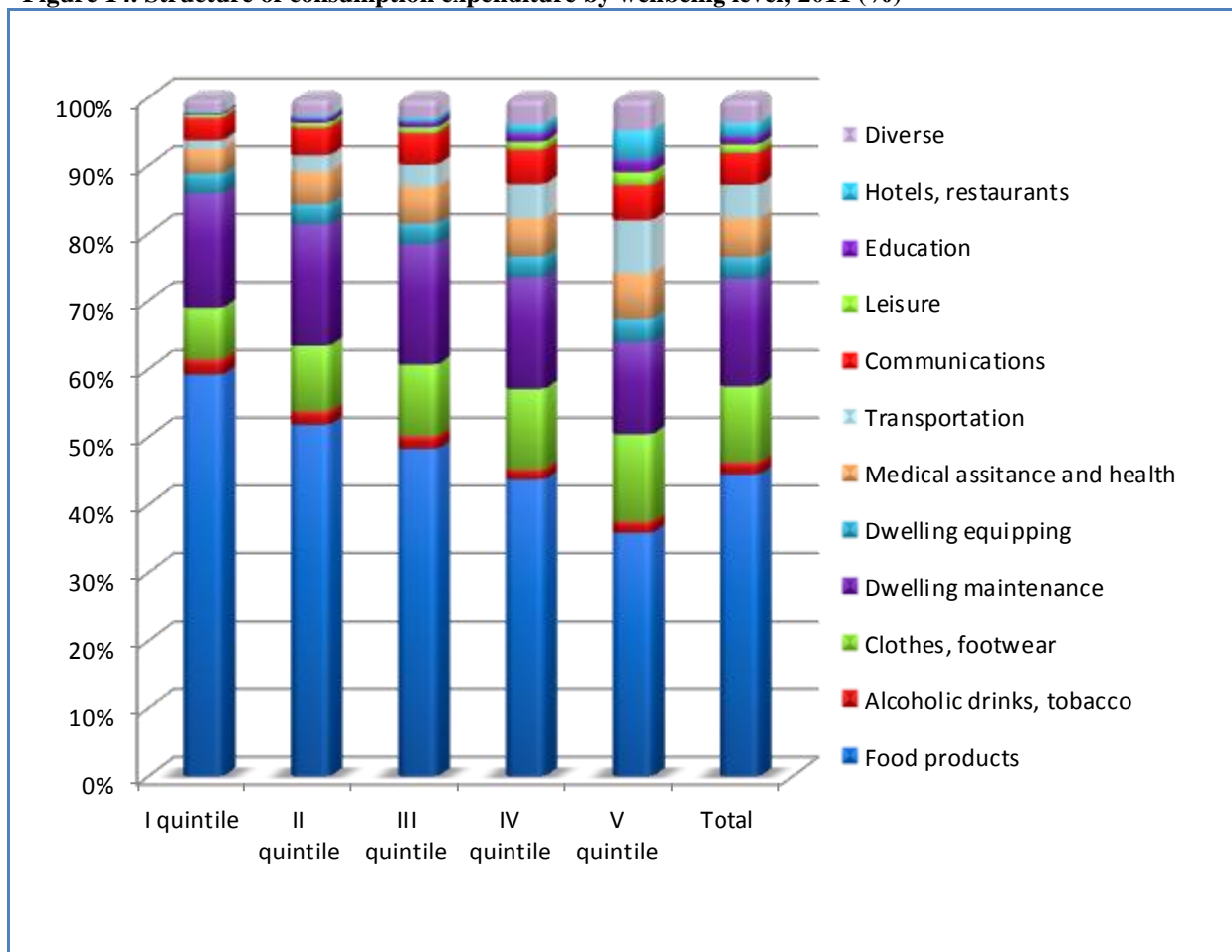
65. An important proportion of household budgets is allocated for dwelling

maintenance. About 16% of family budgets are spent for dwelling maintenance services. In comparison to 2009, in 2011 the population expenditures for utility services increase by 39% - a fact explained by the rise in prices for energy resources and, respectively, the increase in tariffs for utility services. In urban localities, the share for utility services is higher than in rural localities. In 2011, urban inhabitants paid 49% more for utility services than in 2009, while rural inhabitants paid 31% more.

66. About 79% of the financial resources in poor families is spent for procuring food products and paying for utility services.

The poor population spends about 61% of the family budget each month for food products, and about 18% for utility services. This fact underlies the restriction in the resources for poor households that is available for other goods and services, which contribute to ensuring a decent living. In fact, the poor spend 24 times less for education, 7 times less for leisure, 6 times less for clothes and footwear, and 4 times less for health services.

Figure 14. Structure of consumption expenditure by wellbeing level, 2011 (%)



Source: Ministry of Economy, based on HBS data

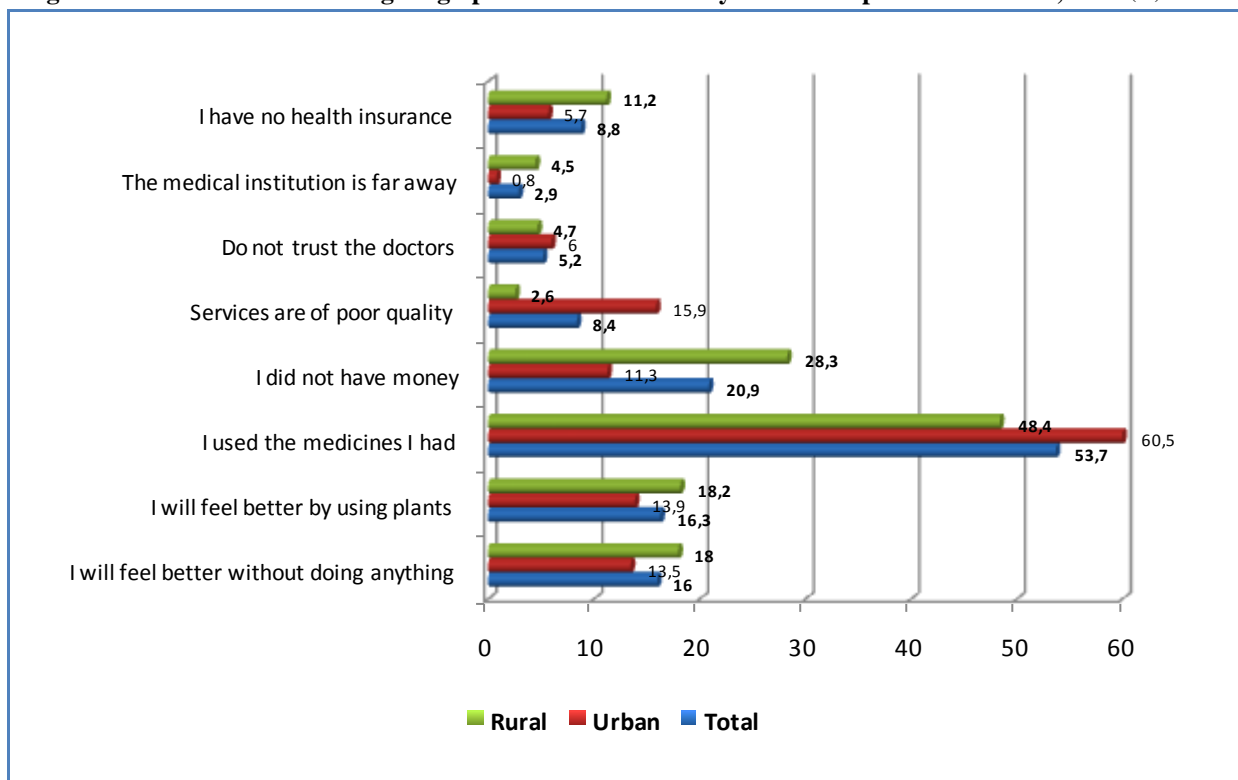
Access to public services and household goods

➤ Access to health services

67. The poor population has limited access to health services. The population wellbeing level is one of the factors determining access to health services. Poor households invest 4 times less in health than the well-to-do ones. According to the *Population Access to Health Services Survey*, carried out by the NBS¹⁰, only 11.2% of the poor population visited a doctor, as compared to 25.5% of well-to-do population from the fifth quintile (the well-off population). Discrepancies emerge as well when analyzing the access to health services depending on area of residence. Health services are in a higher demand in urban areas: 22.9% as compared to 16.8% in rural areas.

68. Sometimes the population foregoes health services. According to the results of the above-mentioned survey, during 2010, 19.2% of persons needing medical assistance gave up visiting a doctor due to certain reasons. Health insurance is one of the reasons influencing the decision to visit a doctor or not (Figure 15). The persons with no health insurance have more frequently given up calling for medical services than those insured. Another reason indicated by respondents is lack of trust for medical personnel and the bad quality of health services, and the level of dissatisfaction with health services is going up. Another cause for giving up health services in case of some respondents, especially for rural ones, is the location of the medical institution, and for the poor ones – insufficiency of financial means.

Figure 15. The main causes for giving up the visit to the family doctor or specialized doctor, 2010 (%)



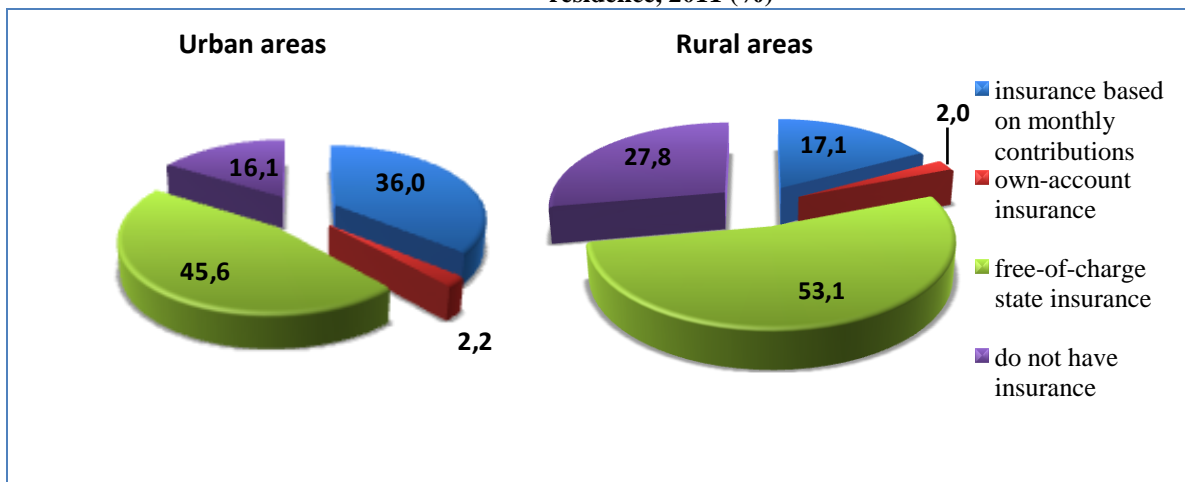
Source: *Population Access to Health Services Survey, 2011*

¹⁰ Population Access to Health Services – a survey carried out by NBS upon the request of the Ministry of Health in 2011

69. The compulsory health insurance represents a lever for improving access to health services. At the national level, in 2011, about 77% of the citizens had health insurance, including 25% with insured based on the monthly contribution, 50% who were insured by the state, and 2% who purchased health insurance on their own. Only 68% of the poor have health insurance, of which 82% had free-of-charge health insurance. A diminishing trend is registered as compared to the previous year for the share of insured persons among the poor.

70. About 70% of the uninsured persons come from rural areas. In general, about 28% of village populations has no health insurance as compared to 16% of the urban population. The main causes for such evolutions include the lack of jobs in rural areas, and that a high share of village populations is involved in agricultural activities on their own. The share of insured persons based on the monthly contributions is 2 times lower in rural areas as compared to urban areas. Another cause would be the high cost of health insurance. Almost 30% of the village inhabitants who don't have health insured stated that they don't benefit from a health insurance because of its high cost.

Figure 16. Level of population inclusion in the compulsory health insurance system, by areas of residence, 2011 (%)



Source: Ministry of Economy, based on HBS data

71. An advantage the insured people benefit from would be the possibility to obtain compensated medicines. The Population Access to Health Services Survey discovered that the level of population information about the possibility to obtain compensated medicines registered a decreasing trend. At the same time, urban people are better informed about the compensated medicines (76.2%) as compared to rural people (62.2%).

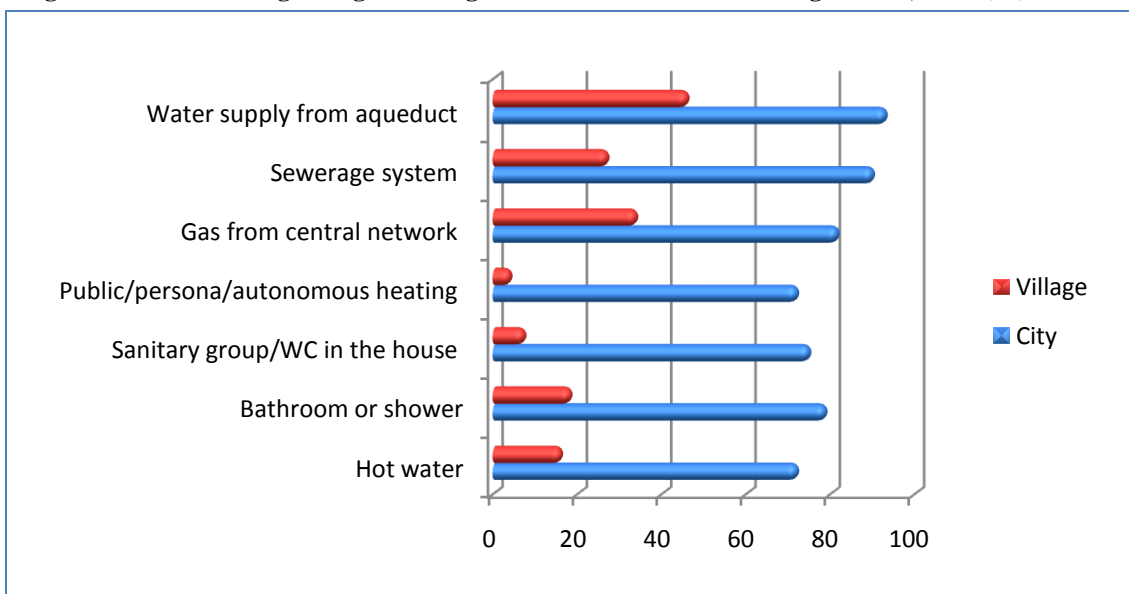
72. Possession of a health insurance policy increases access to health services. Insured persons benefit to a larger extent from health services as compared to the uninsured, with a difference of 14 percentage points. At the same time, the hospitalization rate for insured people is 12.5%, as compared to 5.9% for uninsured people. The State should promote policies for supporting the poor population so as to ensure its access to healthcare services.

➤ *Level of population access to public utilities and adequate living conditions*

73. The families that do not have a minimum amount of goods and services, specifically for modern civilization, cannot have a decent life in the present-day society. Only 60% of households at the national level have access to aqueducts, 33% to a public sewerage network, 37% to a WC in the house, and 45% have a bath or shower. The equipping of households strongly differs at the country level, being more balanced in urban areas. Urban dwellings have a relatively higher access to public sewerage networks (73%), natural gas (82%), and aqueducts (90%).

74. Rural areas are more deprived in terms of physical infrastructure, public utilities and living conditions. Out of 730 thousand rural households, about 82% do not have a bath or a shower, 93% do not have a WC in the house, and 84% do not have hot water. An objective reason for no bathrooms in the rural houses in the Republic of Moldova would be the absence of a water and sewerage supply network in the villages. Only 46% of rural households have access to aqueducts and 27% have a sewerage system. At the same time, due to the low level of household connections to gas supply networks, as well as the high prices for natural gas, villagers continue to use ovens for house heating. About 91% of households heat their dwellings with the help of ovens. In these conditions, the present-day Moldovan village is far from modern living conditions.

Figure 17. Situation regarding the living conditions in Moldovan villages/cities, 2011 (%)



Source: Ministry of Economy, based on HBS data

75. External financial assistance was attracted for the purpose of modernizing the water supply infrastructure in the localities of the Republic of Moldova. During 2010-2011, a total amount of 45.3 million USD from foreign sources was focused on the water infrastructure sector. Also, other projects were initiated with the funds provided by foreign donors and the results of these projects will be felt in the near future.

76. A number of projects were undertaken in gas supply sector as well. In 2010, the projects for gas supply to Moldovan localities allowed connections to the natural gas

pipeline for over 12 600 applicants. The Ungheni-Iasi gas pipeline project was initiated to interconnect the natural gas systems of the Republic of Moldova with those from Romania. The total length of the gas pipeline will be 41.9 km, of which 33 km will be in Romania and 8.9 km in Moldova. The estimated cost of the project is 19-20 million Euros. The expected impact of this action is to diversify the natural gas supply sources in the Republic of Moldova.

➤ *Level of population assurance with household goods*

77. Along the increase of incomes and consumption expenditures, an increase was also registered for assurance with household goods. The families which don't have the minimum amount of goods and services specific for modern civilization cannot live in the present-day society. At the national level, in 2011, every household had at least one TV set, about 90% of households had a fridge, 68% had washing machines, 53% had vacuum cleaners, and 31% had PCs. The number of households having a PC and automated washing machines has increased significantly. The number of households having a PC increased by 63% and the number of households having an automated washing machine increased by 25%.

Table 7. Households' assurance with household goods

(in average per 100 households, units)

	2009	2010	2011
Refrigerators, freezers	86	88	90
TV sets, including:	100	101	102
<i>color TV sets</i>	96	98	100
<i>black and white TV sets</i>	4	3	2
Vacuum cleaners	47	49	53
Washing machines, including:	64	66	68
<i>automated machines</i>	30	33	37
<i>mechanical machines</i>	34	33	31
Computers	19	24	31

Source: Ministry of economy, based on HBS data

78. In 2011, about 19 out of 100 households in the Republic of Moldova had personal cars. In comparison to some countries from the region, Moldova is classified ahead of Kyrgyzstan, where 18 out of 100 households have cars, but follows Ukraine with 21 cars per 100 households, Azerbaijan with 25 cars, Romania with 29 cars, Kazakhstan with 30 cars, Belarus with 36 cars, and Russia with 50 cars.

79. The use of mobile telephone networks increased, as did the number of cellphones used by citizens. As the HBS data show for 2011, 121 cellphones were registered per 100 households. This indicator increased by 12% as compared to 2010, and by 25% as compared to 2009.

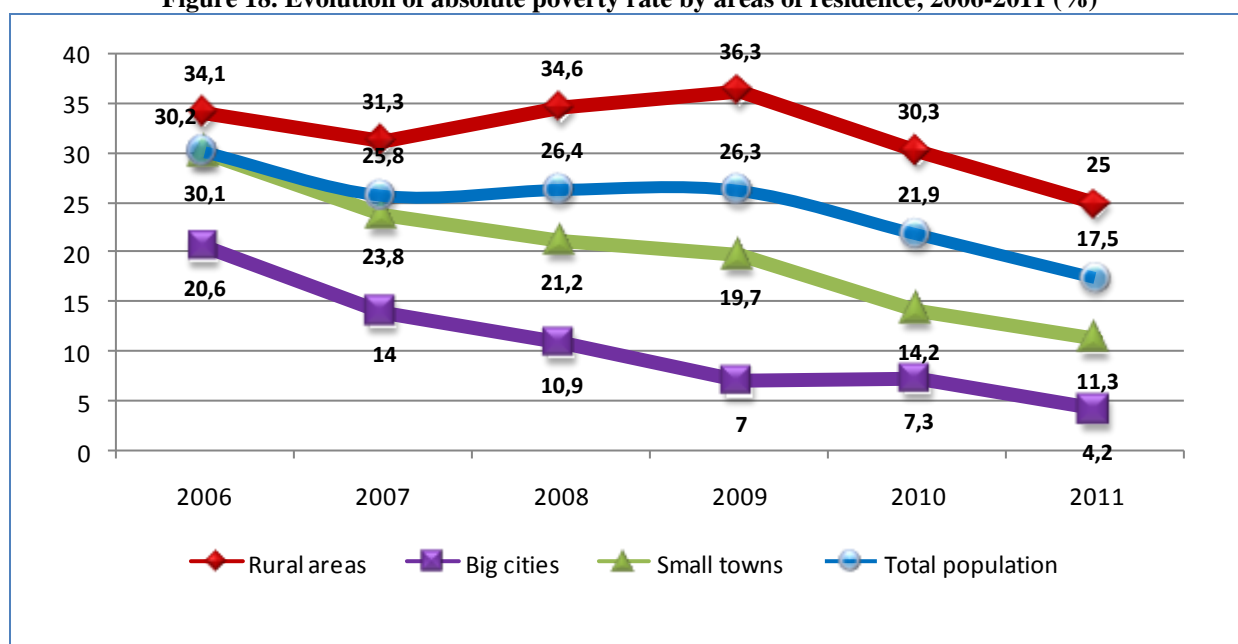
Where do the poor live?

➤ Poverty level in rural areas

The area of residence remains to be an essential factor determining the population wellbeing level. The poverty level in rural areas continues to remain higher than in urban areas. Poverty in rural areas is associated with a reduced level of modernization and with an economic life dominated by agriculture. Nevertheless, a decreasing trend of rural poverty rates was registered over the last two years.

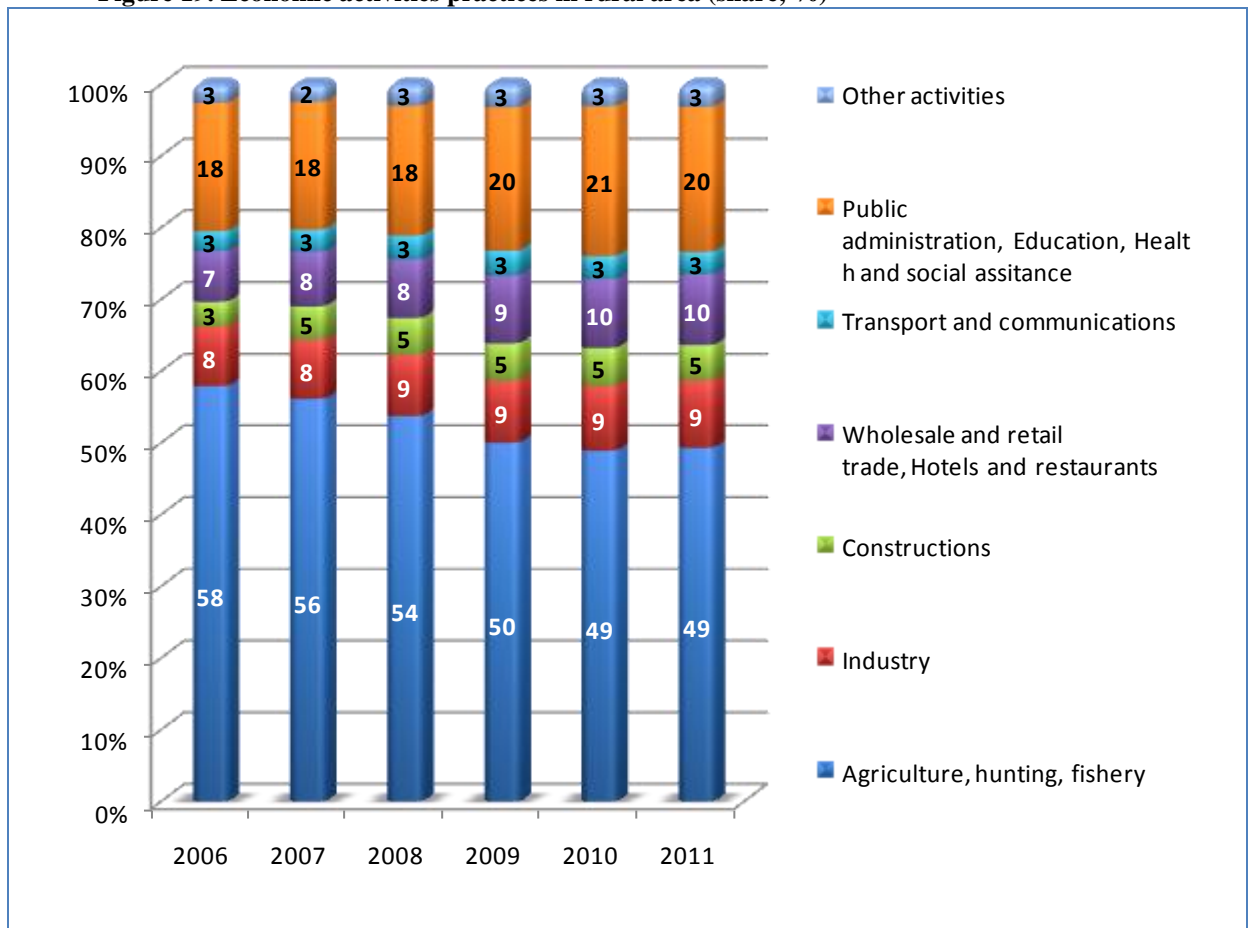
80. After 3 years of increasing trends, up to 2010, a consecutive decrease was registered in 2011 for rural poverty rates. Poverty rates in rural areas accounted for 30.3% in 2010 and 25% in 2011. Hence, over the last 2 years, rural poverty decreased by 11.3 percentage points, and 226 thousand persons escaped poverty.

Figure 18. Evolution of absolute poverty rate by areas of residence, 2006-2011 (%)



Source: NBS

81. The rise in sale prices for agricultural products and the increase in volume of the agricultural production during this period of time were among the basic factors that influenced the decrease in rural poverty rates. Almost half of the economically active population from villages is involved in agricultural activities (Figure 19). Thus, the wellbeing of rural families strongly depends changes in the agricultural sector. During 2010-2011, the increasing rhythm for agricultural production volume accounted for 7.9% and, respectively, 4.6%. At the same time, prices went up for agricultural products, hence generating an increase of the incomes obtained from selling agricultural products. Thus, during 2010, the prices for agricultural products went up by 42.9%, and by 10.0% during 2011. Respectively, the household incomes obtained from agricultural activities in rural areas increased by 19% in 2010 and by 14% in 2011.

Figure 19. Economic activities practices in rural area (share, %)

Source: NBS

82. The implementation of the new social help system has had a significant impact on poverty evolution. In 2011, about 80 thousand families benefited from social help, of which 87% were from rural areas. Unlike other social payments, social help is one of the most efficient benefits from the perspective of targeting the money to the most vulnerable segments of the population. About 82% of the beneficiaries of the social help assistance are the poor and about 83% of the money allocated through social help assistance targets the poorest families.

83. The increase of transfers from abroad has also contributed to reducing poverty in rural areas. About 21% of the rural population income is obtained from remittances. In 2010-2011 the incomes of rural people obtained from abroad increased by 13%. Based on the analysis presented in the previous chapter (page 27), it can be mentioned that due to the monetary transfers from the citizens working abroad, the poverty rates in rural areas decreased by 14 percentage points.

84. Concomitantly, the incomes of the rural populations obtained from salaries, entrepreneurship activities, social benefits, including pensions have also increased. These developments had a positive effect on improving the situation of the rural population and on poverty reduction.

85. Nevertheless, essential differences continue to exist in the Republic of Moldova between the poverty level in urban and rural areas; rural poverty is 3 times higher than the poverty level in urban areas. About 480 thousand out of the 585 thousand poor persons registered in the Republic of Moldova comes from rural areas,

accounting for about 82%. Poverty in rural areas is associated with a reduced level of modernization and an economic life dominated by agriculture.

- 86. Agriculture will remain a basic activity in the rural sector.** That is why the State should support the modernization of the agricultural sector, by increasing productivity in the sector, introducing and developing new technologies, diversifying production and adjusting its quality to market requirements.
- 87. The current governmental policy in the agricultural sector is focused on supporting farmers by subsidizing agricultural activities.** The State aims to make the subsidizing system more efficient and to improve it by focusing the subsidies on the farmers with the potential to produce high value-added products. In 2011, the largest part of the total amount of subsidies granted to farmers was focused on: fostering investment for procurement of agricultural techniques and installations, and 36.4% for irrigation equipment; 20.1% for fostering investments for establishing multiannual plantations; 10.3% for fostering investments in the post-harvest and processing infrastructure; and, 7.3% for fostering risk insurance in agriculture. The share of subsidies in the total volume of investments in agriculture was 13% in 2011.
- 88. Besides these measures, actions were implemented to enhance the infrastructure quality.** Laboratories for testing and assessing products' conformity were created and equipped with modern technique. And namely, the Laboratory for food products' testing under the National Institute of Standardization and Metrology was equipped with lab devices for a total amount of 979.4 thousand Euros. The capacity of the network of district labs was enhanced and new zonal sanitary-veterinary labs were established. These measures will contribute to improving the quality of agro-food production and promoting it on external markets.
- 89. Entrepreneurial activity ensures the population with a decent living level.** Data show that no family obtaining income from entrepreneurship activities fall under the poverty incidence.
- 90. The current policy of the State is focusing on business development in rural areas,** and promotion of entrepreneurship culture in villages, as a result on generating new jobs. The main tools currently used for initiating and boosting business in rural areas are:
- *National Program for Economic Empowerment of Youth (PNAET)*, aiming to promote and facilitate rural youth involvement in entrepreneurial activities. During 2010-2011, 212 businesses were funded, 1061 young persons were trained, and 3322 persons from rural areas were consulted within the framework of this program. During 2011, 354 new jobs were created.
 - *Program for Attracting Remittances in Economy (PARE 1+1)*, aiming to direct the financial resources of migrant workers toward investment projects, and the opening of small and micro-enterprises, especially in rural areas. During 2011, 24.5 million lei were invested, the State investing 9.8 million lei to support 65

beneficiaries. The beneficiaries of the Program have initiated businesses in agriculture, beekeeping, livestock breeding, food industry, wood processing, and services in the medical and agro-tourism areas. Remittance-based investments were made in 58 localities in the country.

- *Credit Guarantee Fund (CGF)*, meant to offer guarantees for the credits contracted by the economic units from financial institutions. The guaranteed credits are meant for investments in agriculture (modernization of the technical-agricultural park, fertilizers, lubricants, seeds, etc.), service provisions (public catering in rural localities), processing industry (production of beef meat semi-manufactured products, wood processing, and furniture production), and business development in automobile services, including the sale and changing of tires. By the end of 2011, the CGF portfolio included 12 guarantees granted for a short term (up to 1 year) and 40 long-term guarantees (up to 5 years).
- *Program for supporting small and medium rural enterprises*, funded by the Japanese Government, meant to procure a large range of production equipment by small enterprises from the rural sector. By the end of 2011, 174 leasing contracts were signed, of which 132 ended with transmission of the property rights and offering a grant, and delivery equipment for a total of 204.7 million lei. The beneficiary projects are distributed in the following rayons: Călărași, Criuleni, Dubăsari, Edineț, Florești, Hîncești, Ialoveni, Leova, Rezina, Strășeni, Ștefan-Vodă, Ungheni and GagauziaATU.
- *Program for Rural Business Development (IFAD)* aims to support citizens from rural sector in initiating and implementing economic projects. A number of 181 beneficiaries of the Program obtained credits for a total value of 127.7 million lei. About 37% of the total crediting portfolio are investments for developing enterprises for agricultural production processing and storage.
- *Rural Investments and Services Projects (RISP)* funded a number of 138 business for a total value of 65.4 million lei, including for procurement of agricultural machinery, processing of agricultural products, production of livestock, and re-equipment of refrigerators.

91. All these actions have positively influenced the wellbeing of the rural population, but the full impact will be felt over a longer period of time. Entrepreneurial activities should be further encouraged. Currently, an insignificant proportion of rural inhabitants practice entrepreneurial activities. But all those who are active in this area do not fall under the poverty incidence. Hence, in order to continue poverty reduction in rural areas, the State should continue the programs for supporting entrepreneurial activities, promote a culture of entrepreneurship in rural areas, and increase non-agricultural employment opportunities.

➤ *Poverty level in urban areas*

92. A continuous decrease of poverty rates was registered in urban areas. On average, the absolute poverty rate registered in urban localities in 2011 was 7.4%, decreasing by 3 percentage points as compared to 2010, and by 5.2 percentage points as compared to 2009.

93. Nevertheless, in big cities (Chisinau and Balti) the poverty rate registered a slight increase in 2010, while in 2011 it decreased again to 4.2%. As the data show, the increase from 2010 was caused by a decrease in incomes by the employees living in big cities. The decrease of salary-based incomes in the Chisinau and Balti municipalities represents the impact of the financial-economic crisis, the consequences of which continued to be felt during 2010. The enterprises from the big cities faced an insufficiency of financial means because of the low number of foreign and local orders, making savings on behalf of employees (reducing the number of working hours, non-payment for additional hours worked, and offering additional days off).

Table 8. Poverty level in urban area, 2006-2011, %

	Absolute poverty rate, %						Extreme poverty rate, %					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Urban area, including	24.8	18.4	15.2	12.6	10.4	7.4	4.1	1.2	1.3	1.1	0.4	0.2
Big cities (Chisinau, Balti)	20.6	14	10.9	7	7.3	4.2	3.5	0.7	0.8	0.6	0.4	0
Small towns	30.1	23.8	21.2	19.7	14.2	11.3	5	1.9	2	1.8	0.3	0.4

Source: NBS

94. Unlike the big cities, the poverty level in small towns has decreased continuously.

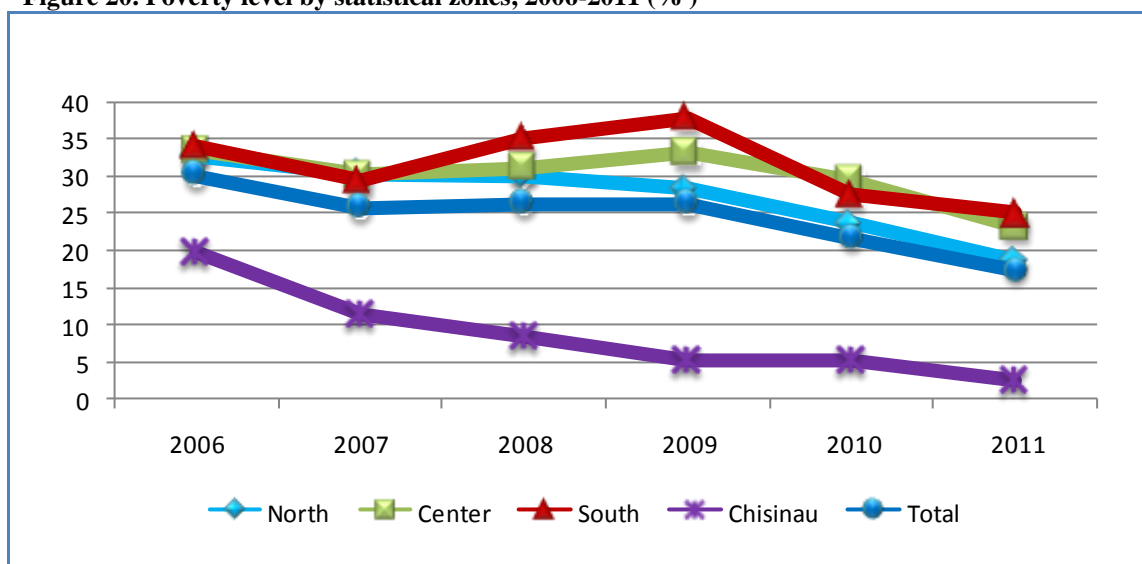
According to the HBS data, in 2011, about 11.3% of small town inhabitants registered a monthly consumption lower than the poverty line. As compared to 2010, in 2011 the poverty level decreased by 2.9 percentage points, and by 9.9 percentage points compared to 2009. In small towns the income obtained from all sources have increased, except for the income obtained from transfers from abroad. As a result of the crisis, in 2010 the remittance-based income of the small town inhabitants decreased, while in 2011 they registered an ascending trend.

95. Urban development represents a strategic direction for the development of the regions in the country. The State policy priority is to identify and develop the cities – economic growth poles – so as to diminish the development disparities among the regions of the country and between the localities within these regions. It is suggested that the economic and social role of urban centers be increased by improving the business environment, developing the basic infrastructure, and increasing the number of jobs.

➤ *Poverty in regional aspect*

- 96. During 2010-2011, poverty level has decreased in all zones of the Republic of Moldova.** In the south of the country, poverty decreased from 38% in 2009, down to 27.7% in 2010, and to 25.1% in 2011; in the Center, poverty decreased from 33.2% in 2009 down to 23.4% in 2011; in the North it went from 28.3% in 2009 down to 18.7% in 2011; and in the Chisinau municipality it decreased from 5.3% in 2009 to 2.5% in 2011.
- 97. Nevertheless, significant discrepancies continue to exist between the country zones with respect to the poverty level. The poorest zone of Moldova is the South,** being followed by the Center, the North, and Chisinau. Poverty the southern part of Moldova is 1.7 percentage points higher than in the Center of the country, 6.4 percentage points higher than in the North, and 10 times higher than in Chisinau. It should be mentioned that the poverty level in all the three zones (North, Center, and South) is higher than the average poverty rate registered for the country.

Figure 20. Poverty level by statistical zones, 2006-2011 (%)



Source: Ministry of Economy, based on HBS data

- 98. The lowest poverty rate is registered in Chisinau.** The poverty level in this zone is 7 times lower than the average registered for the country, and is only 2.5%. As compared to other regions of the country, Chisinau has production factors and infrastructure elements that are necessary for attracting investments and accelerating the social-economic development of the city, thus ensuring a higher level of wellbeing for the population.
- 99. The regional development policy is focused on reducing the existing economic and social disparities between the different regions of the country.** During this period of time, the institutional framework for regional development was created, and the Regional Development Agencies were established in the North, Center, and South. With the support received from the Government of the United Kingdom of Great Britain and Northern Ireland for a total amount of 1.5 million pounds, the National Regional Development Fund (NRDF) has strengthened the capacities of the newly-

created institutions. The effects of this investment were materialized through the intensification of Moldova's participation in trans-border cooperation programs and revival of regional development projects.

100. During 2010-2011, the national public budget has allocated about 248.1 million lei to the National Regional Development Fund. To implement regional development projects approved for funding, 73 public procurement contracts were concluded for design works, constructions, and procurement of goods and services. By the end of 2011, the first regional development project was finished in the town of Basarabasca. The project for repairing the bridge over the River Cogilnic on Matrosov Street and the segment of local road joining the international road Chisinau – Tarantino – Odessa, from the town of Basarabasca, has ensured the access to transit and transportation for about 100 thousand inhabitants.

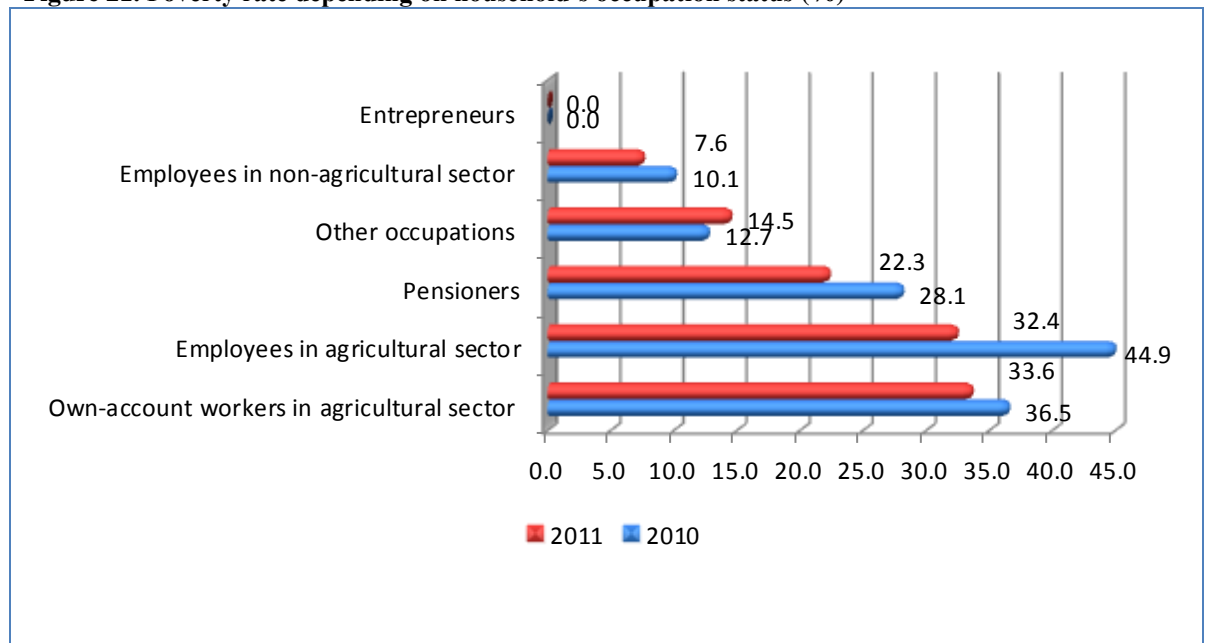
Who are the poor?

➤ Occupation as a solid factor correlated to poverty level

Work is not always a guarantee of a decent living. The wellbeing level depends on the occupation carried out within the household.

101. The poorest are the families of the workers involved in agricultural individual activities and those employed in the agricultural sector. The absolute poverty rate for these categories of households is, respectively, 33.6% and 32.4%. During 2010-2011, the situation of these households has improved and the poverty rate has decreased. As mentioned in the previous paragraphs, this improvement was due to the positive development of the agricultural production volume, but also to the price increase for agricultural products, thus causing the increase of incomes obtained from selling agricultural production. The agricultural sector remains one of the most unprofitable sectors of the economy, corresponding to the lowest incomes of the population. The low productivity of agricultural activities is due to the very large number of farms with small areas (farmers' land plots), underuse of modern technologies and over-employment of the rural population in agriculture.

Figure 21. Poverty rate depending on household's occupation status (%)



Source: NBS

102. Even outside the agricultural sector, **having a job does not guarantee a household's level above the poverty line.** About 7.6% of those who live based on the salaries obtained from the agricultural sector fall under the poverty incidence. The minimum wage in the Republic of Moldova is 600 lei (39 Euros), and the minimum amount guaranteed by the State in the real sector accounted in 2011 for 1100 lei (72 Euros). This salary level does not offer people the possibility to ensure a minimum amount necessary for a decent living, hence falling under the poverty line and the minimum subsistence level.

103. The Republic of Moldova has the lowest minimum salary as compared to other countries in the region. In Belarus, the minimum wage accounts for about 90 Euros, with 95 Euros in Ukraine, and 113 Euros in the Russian Federation. As compared to the European Union Countries, significant differences are registered as regards the level of the minimum wage. Bulgaria has a minimum wage of 147 Euros, in Romania it is 163 Euros, and in Lithuania it is 231 Euros. The largest minimum wages are registered in Luxemburg (1800 Euros) and Great Britain (1260 Euros). These differences foster labor force migration abroad.

➤ *Age – another factor determining poverty level*

104. Elderly people represent another category of the society that is vulnerable from the perspective of exposure to poverty risk. The poverty rate for persons living on income obtained from pensions was 22.3%, exceeding the average country level. As compared to 2010, it has decreased by 5.8 percentage points, and by 14.3 percentage points compared to 2009. Cumulatively, during 2010-2011, pensions were indexed by 12.1%. Nevertheless, pensioners' living standards remain under the average living standard registered for the entire country. The average old-age pension was 900.56 lei in 2011, representing only 82% of the poverty line value. Hence, a whole life dedicated to work does not guarantee that elderly persons will escape poverty.

105. One of the main indicators characterizing the level of pensions' assurance is the gross rate of substituting the salary by pension. In the Republic of Moldova, this indicator has the very low value of 28.2%. European standards recommend a substituting rate accounting for at least 40% of the salary. Long-term modeling shows that if current conditions of the pension system's operation are maintained, the substituting rate will decrease even more. In case this trend is maintained in the future, to decrease poverty among pensioners, the State will have to revise the current pension system and undertake measures so as to optimize it by improving the normative framework regulating pensions' assurance, aligning pension norms to single conditions, and adjusting pension amounts to the real economic conditions.

Table 9. Dynamics of pensions and their indexation, the average substituting rate

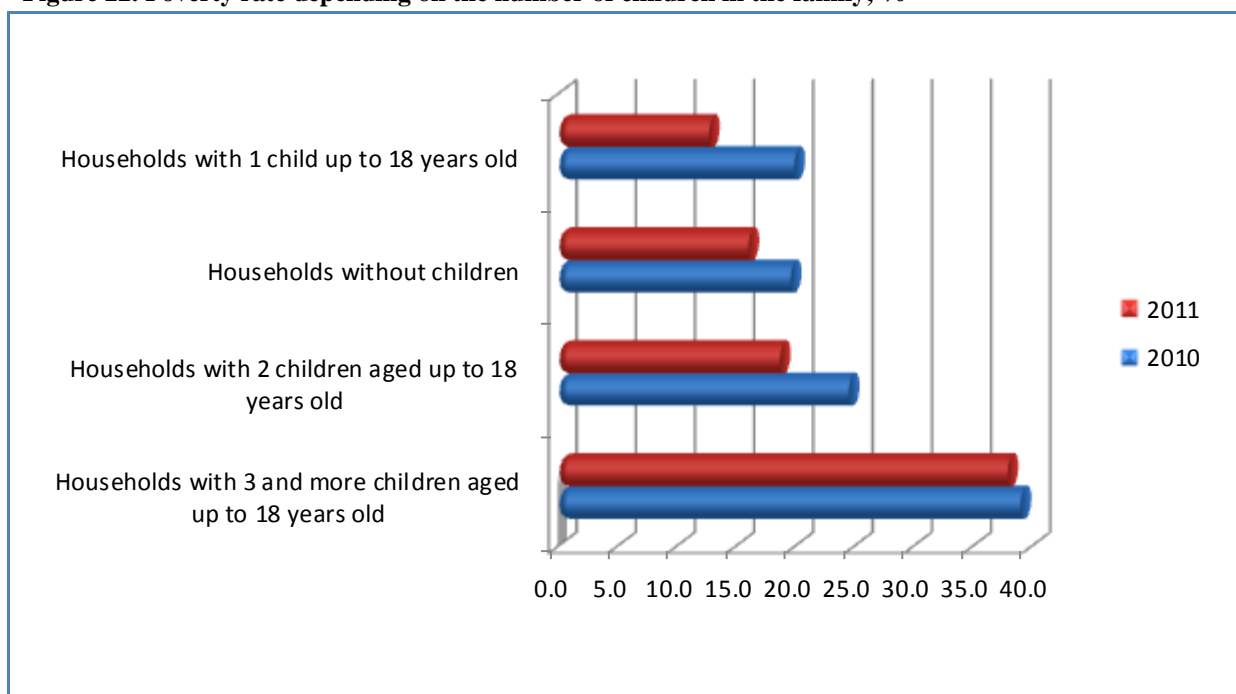
	2006	2007	2008	2009	2010	2011
Average old-age pension, lei	457.5	565.8	666.3	800.8	836.6	900.6
against the previous year, %	115.2	123.7	117.8	120.2	104.5	107.6
Indexation of state social insurance pensions, %	15.7	20.7	17	20	4.3	7.8
Annual average Consumption Price Index, %	112.7	112.3	112.7	100.0	107.4	107.6
Increase of the monthly average nominal wage, %	128.7	121.7	122.5	108.6	108.2	111.6
Average gross substituting rate, %	26.9	27.4	26.3	29.1	28.2	28.2*

Source: MLSPF, NBS, * Calculations of the Ministry of Economy

➤ **Poverty among children**

106. Children are exposed to a higher poverty risk as compared to the total population, as the poverty rate among children exceeds the average national rate. About 20% of the children in the Republic of Moldova are at the poverty limit. The highest poverty rates are registered for households with 3 or more children. About 38% of families with three or more children fall under the poverty incidence. Although the poverty level for the respective category is 2 times higher than the country average, it actually dropped by 2.2 percentage points as compared to 2010, and by 13.0 percentage points as compared to 2009. The share of families with 3 or more children is only 12%, while the proportion of families without children is 47%.

Figure 22. Poverty rate depending on the number of children in the family, %



Source: NBS

107. Most of the poor children live in villages. About 85% of all poor children live in rural areas. This situation is provoked by the higher share of the rural population, in general, and by the fact that economic opportunities in villages are very limited. Besides material poverty, the children from villages are also very vulnerable and exposed to social risks. To ensure the family's survival in the village, the parents frequently emigrate abroad, leaving the children to be cared by relatives, grandparents, or elderly sisters and brothers. Even though this leads to improving the family's economic situation, emigration negatively influences the emotional health, as well as the scholastic achievements of the child.

108. The main tool used by the State to support families with children would be the allowances meant for families with children. The families with children benefit from the following types of allowances:

- (i) A one-time allowance when the first child is born, the value of which was 2000 lei in 2011, and for the every subsequent child it is 2300 lei;

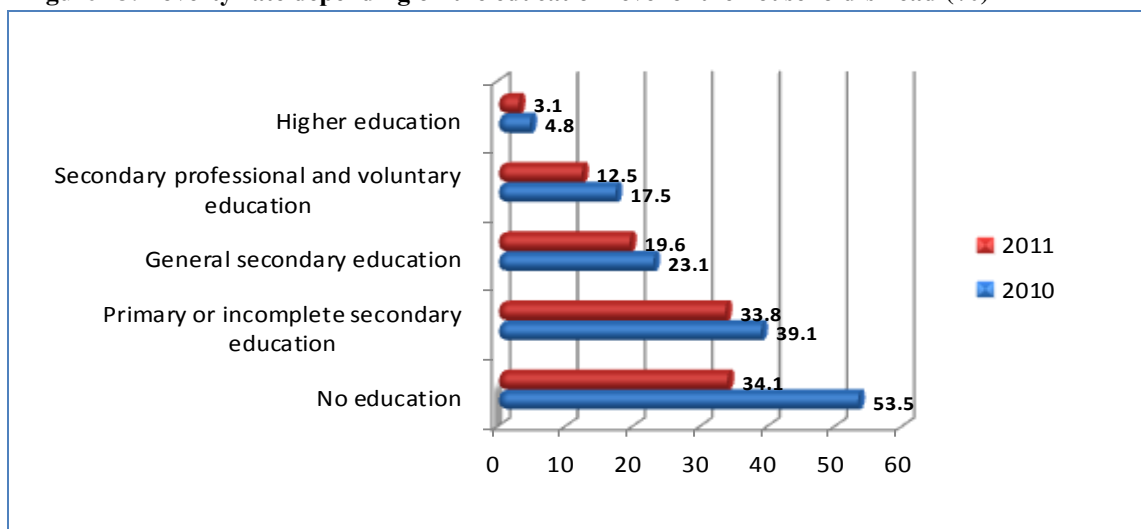
- (ii) A monthly allowance for children up to 3 years old for insured persons – the average size of which is 769 lei;
- (iii) A monthly allowance for children up to 1.5 years for uninsured persons, and which was 300 lei in 2011.

109. In 2011, the allowances meant for families with children were increased, but this increase was not enough to escape poverty. As compared to 2010, the expenditures for paying the allowances meant for families with children have increased by 24.5% for insured persons and by 15% for uninsured persons¹¹. Nevertheless, the amount of the allowances granted by the State does not enable the families with children to climb above the poverty line. The average size of the social payments targeting insured persons accounts only for 70% of the poverty line value, while the average size of the social payments targeting uninsured persons accounts only for 27%. Hence, the social protection system is not efficient enough to protect children against poverty, as the allowances granted explicitly to families with children are too small and insufficient.

➤ *Education level as poverty determining factor*

110. Persons without studies register the highest poverty rates, while persons with higher education have the lowest ones. About 45% of all households are headed by persons with primary and incomplete secondary education. The poverty rate registered for this category of population is 34%. The share of families headed by persons with higher education is about 2.8%, and the poverty rate for these families is just 3%. A low poverty level is also registered for the households headed by persons with professional and vocational secondary education, about 12.5%. Hence, the poverty risk drops substantially as the education level increases.

Figure 23. Poverty rate depending on the education level of the household's head (%)



Source: NBS

¹¹ Annual Social Report 2011, page 107, Ministry of Labor, Social Protection and Family

- 111. About 80% of the persons with higher education live in cities.** The main reasons why educated people not to return to villages after finishing their studies are the following: more restricted employment opportunities in rural areas for educated people, non-attractiveness of existing jobs, and low wages. Educated people tend to find employment in urban areas or to emigrate abroad. Only people with a lower level of education remain in villages. The agricultural activities, and the way in which they are currently performed in the country, do not actually need a high level of education. In this respect, the State should promote policies to foster the educated young people to come back to villages, and this would have an impact, in turn, on reducing rural poverty.
- 112. Children from poor families have a more limited access to education than other children.** A characteristic feature for the households with children in the Republic of Moldova is the fact that education receives the smallest part of the total consumption expenditures of the household. These expenditures account for less than 1% of the household's total consumption. At the same time, essential differences exist in regard to expenditures for education depending on the area of residence and wellbeing level of the households. Rural households spend 3 times less for education than urban households, and the poor spend 24 times less than the well-off people. It is obvious that expenditures for education are not distributed uniformly during the year, being higher at the beginning of the school year.
- 113. Education plays an essential role in ensuring the population's wellbeing. The Government has initiated a number of reforms in the educational system.** During 2010-2011, 197 pre-university institutions were reorganized with the aim to improve educational quality and to optimize the use of public funds. It is envisaged that as a result of the rationalization of 1044 classes and reorganization of 378 schools, savings of about 230 million lei would be generated – money to be used for increasing the quality of the educational process. To ensure children's access to hub-schools, school buses were procured to transport children, and works were initiated to rehabilitate the roads and bus stations.
- 114. The expected impact of the recently initiated reforms is the optimization of public funds and money orientation to the priority directions established in Moldova's educational system.** The effects of these reforms will be felt over time. They need continuous monitoring so as to observe the impact on educational quality, but also on the level of children's enrollment in education. It is important that as a result of the new restructurings, in parallel with increasing educational quality, to not allow a decrease in children's enrollment in education.
- 115. For the time being, statistical data show a decreasing trend for the number of children enrolled in secondary education.** As compared to the school year 2009-2010, the gross rate of children's enrollment in secondary education decrease by 1.3 percentage points in 2011-2012, while the net rate decreased by 1.1 percentage points.

- 116. The level of children’s enrollment in primary education remained practically unchanged;** the gross rate of children’s enrollment in primary cycle accounts for 93.8%, and the net rate – for 87.9%. It should be noted, that there are certain factors that negatively influence the value of this indicator: the high share (about 20% of the total number) of children enrolled in primary education at an earlier age (5-6 years old), the trend to condense two years of study into a single one, bad record keeping of the school-age population, drawbacks in data collection at the local level about school enrollment, and school drop-out.
- 117.** On average, there are 1071 students per 10 thousand inhabitants. In primary education the teacher-student ratio is 16 children per teacher, in secondary education there are 9 children/teacher, and in lyceum education there are 12 children/teacher. During the 2011/12 school year, the average class size was 19 students.

Table 10. Level of children’s enrollment in education, %

		Preschool education	Primary education	Secondary education
Gross rate of school enrollment ¹²	2008/09	74.4	93.6	89.3
	2009/10	75.5	93.5	88.8
	2010/11	77.1	93.6	88.1
	2011/12	79.6	93.8	87.5
Net rate of school enrollment ¹³	2008/09	72.7	87.5	84.6
	2009/10	74.0	87.6	84.0
	2010/11	75.8	87.8	83.3
	2011/12	78.3	87.9	82.9

Source: NBS

- 118. As for preschool education, over the last few years the situation has improved regarding children’s enrolment in preschool education.** A total of 66 kindergartens were opened or reopened in different localities across the country. By the end of 2011, the network of preschool educational institutions included about 1400 units in the country, of which 22.9% were in urban areas and 77.1% in rural areas. On average, the number of children enrolled in preschool education has increased in the country during 2009-2011 by almost 9 500 children, or by 7%. By the end of 2011, this number was 135.4 thousand persons. As a result, the gross enrollment rate for preschool education increased to 75.5% in 2009 and 79.6% in 2011.

➤ **Poverty depending on the sex of the household head**

- 119. Poverty levels among men and women are almost identical.** The poverty rate for men and women is almost the same (17.7% - men and 17.4% - women). Analyzing poverty by the sex of the household head, a higher poverty rate is noted for households headed by men than those headed by women. The households headed by men register a poverty rate of 18.6%, while those headed by women is 15.4%.

¹²Gross enrollment rate: share of children enrolled in schools at a certain school level, regardless of their age.

¹³Net enrollment rate: share of children of the respective age enrolled at a certain school level.

Conclusions

- 120.** During 2010 and 2011, the living standard in the Republic of Moldova improved. In 2011, the poverty rate was 17.5%, and registered a decrease of 4.4 percentage points as compared to 2010, and by 8.8 percentage points as compared to 2009. The economic growth level registered during this period of time had a positive impact on increasing wellbeing and influenced the reduction of poverty rates. Positive trends were registered in the agricultural and industrial sectors, and investment and trade transactions have increased.
- 121.** A significant impact on reducing the poverty level was induced by the social programs promoted by the Government. The social help and the allocation for the cold period of the year, granted to low-income persons, proved to be the most efficient social programs. About 82% of the social help program beneficiaries are poor persons, and about 77% of the beneficiaries receiving allocation for the cold period of the year are also poor. Nevertheless, some errors still exist, including some well-off persons in the system, thus inefficiently using a part of the public funds. The nominative compensations are some inefficient social payments with a minor impact on poverty reduction.
- 122.** The increase in the remittance volume has contributed to reducing the poverty level. As compared to 2009, the transfers from abroad increased cumulatively by 33% in 2010-2011. This fact has influenced a poverty rate decrease by 12.7 percentage points in 2010, and by 11.6 percentage points in 2011. The incomes from abroad have influenced, especially, a decrease in the poverty rate in rural areas. Besides the income obtained from remittances, an increase was also registered for the income obtained from agricultural activities, remunerated activities, entrepreneurial activities, and social benefits. The increase in income from agriculture was determined by the increase in agricultural production volume and a price rise for selling such products, hence influencing poverty reduction in rural areas. The income obtained from salaries continues to be the main income source for citizens. The real salary increased during this period of time by 4.4%. The increase in incomes obtained by the population from social benefits has caused a decrease in poverty rates among pensioners, families with children, and other households that receive social benefits from the State.
- 123.** Concomitantly with income increase, a real increase of 21% in consumption expenditures was registered during 2010-2011. At the national level, the consumption expenditures of the households increased for almost all categories of goods and services. The expenditures for food products represent the largest part of the population total expenditures: about 44.5%. The high tariffs for utility services and the high prices for foodstuffs generate the limitation of poor households' resources necessary for other goods and services, which contribute to ensuring a decent living.

About 79% of the poor families' financial resources are spent for procuring food products and paying for utilities.

- 124.** During 2010-2011, the inequality level registered in the Republic of Moldova has decreased. According to the Gini coefficient, the inequality level was 0.2943 in 2011, registering a decrease as compared to the previous year. Although decreasing trends were registered for inequality, wellbeing gaps still exist between the rich and the poor. The average expenditures of the poorest 10% of the population are 5.8 times lower than those of the richest 10% of the population.
- 125.** The Republic of Moldova continues to be the poorest country as compared to the European Union member states. The poverty level registered in the Republic of Moldova is 7.6 percentage points higher than the average for EU-27. As compared to the CIS countries, only Tajikistan and Kyrgyzstan are poorer than the Republic of Moldova. The gap between the economic development of the countries from the region and the economy of the Republic of Moldova will continue to influence the increase of the labor force drain phenomenon, that is, labor force migration abroad.
- 126.** The level of rural poverty continues to remain higher than the level of urban poverty. A number of 480 thousand people out of the 585 thousand poor persons registered in the Republic of Moldova come from rural areas. Nevertheless, over the last two years, a decreasing trend was registered for poverty rates in rural areas. After 3 years of consecutive increase, during 2010 and 2011 a consecutive decrease was registered for poverty rates. The poverty rate in rural areas was 25% in 2011, decreasing by 11.3 percentage points as compared to 2009. Almost half of the economically-active population from villages is involved in agricultural activities, and that is the cause of the decrease in rural poverty, first of all, by the high incomes obtained in this sector, as well as by the increase of income obtained from other sources.
- 127.** Significant regional discrepancies continue to exist among the country zones in regard to poverty level. The poorest zone in Moldova is the South, followed by the Center and the North, and afterwards Chisinau. The poverty in the southern part of Moldova is by 1.7 percentage points higher than in the Center of the country, by 6.4 percentage points higher than in the North and 10 times higher than in Chisinau.
- 128.** The poorest families are the families of the workers dealing with individual agricultural activities and of the people employed in the agricultural sector. The agricultural sector continues to be one of the most unprofitable sectors of the economy, providing the lowest incomes for the population. The low productivity of agricultural activities is caused by the high number of farms with small areas (farmers' land plots), underuse of modern technologies, and over-employment of the rural population in agriculture.
- 129.** Work is not always a guarantee for a decent living. About 7.6% of those who live from the salaries obtained outside the agricultural sector fall under the poverty incidence. In 2011 the minimum wage in the country accounted for 600 lei and it is the smallest

as compared to other countries from the region. These differences foster labor migration abroad.

- 130.** Elderly people represent another vulnerable segment of the population. During 2010-2011 pensions were cumulatively indexed by 12.1%. Nevertheless, the pensioners' living standards are under the average living standards registered for the population of the country. The average age-limit pension represents only 82% of the poverty line value, hence placing some elderly persons under the poverty limit. At the same time, the gross rate of salary substituting by pension registered for Moldova is very low and this fact can destabilize the pension system.
- 131.** Children face a higher poverty risk as compared to the total population. About 20% of children are at the poverty limit in the Republic of Moldova. In 2011 the allowances meant for the families with children have been increased. Nevertheless, the amounts of the allowances granted by the State do not enable the families with children to overcome the poverty line. The social protection system is not efficient enough to protect children against poverty.
- 132.** Education plays an essential role in ensuring people's wellbeing. The persons with higher education register lower poverty rates. At the same time, about 80% of the highly-educated persons live in cities. Only the persons with a lower level of education remain in villages because villages have no employment opportunities for educated people, unattractive jobs and low wages. The children from poor families have a more limited access to education than other children. Poor households spend 24 times less for education than well-off households.
- 133.** The poor population has a more limited access to health services. The poor households invest 4 times less in health than the well-off households. At the same time, only 11.2% of the poor population visited a doctor as compared to 25.5% of well-off population. The possession of health insurance increases the citizens' access level to health services. At the national level, in 2011, about 77% of the citizens had health insurance. Due to a lack of jobs, the high share of rural population involved in individual agricultural activities and the high cost of the insurance policy, about 70% of the uninsured people come from rural areas. At the same time, the persons from rural areas are less informed about the compensated medicines as compared to the urban population.

Policy recommendations

The following is recommended so as to reduce poverty and prevent social exclusion:

Social area:

- 134.** *Further implementation of the social help program and other social support programs for the population based on the income assessment of every family.*
- 135.** *Finalizing the transition process from the system of nominative compensations, based on categories of beneficiaries, to the social help system focused on the poorest citizens based on the assessment of income and of the need for social assistance.*
- 136.** *Continuous improvement of the mechanisms used to assess families' wellbeing so as to exclude system errors and to more efficiently target the state's financial means towards the poor.*
- 137.** *Consolidating the capacities of the social assistance in the districts with reduced performance and improving the local communication strategy.*
- 138.** *Correlating the promoted social policies with the poverty indicators. It is recommended to take into account poverty lines when establishing the minimum guaranteed income (for instance, initially the minimum guaranteed income could be aligned to the value of extreme poverty line¹⁴, afterwards, through an annual indexation, it may reach the level of the absolute poverty line). In this way, a contribution would be made to ensure coherence between the state's social policies and the poverty reduction policies, with a direct impact on decreasing the number of poor persons in society.*
- 139.** *Gradual alignment of the minimum amount of guaranteed wage to the subsistence minimum value, taking into account the values of the minimum wages in other countries from the region.*
- 140.** *Developing and implementing some policies for supporting the elderly people, for whom the amount of the old-age pension is lower than the poverty line / subsistence minimum.*
- 141.** *Implementing some measures for making the system more efficient for establishing the payment of social benefits meant for families with children, so as to protect them from poverty risks.*
- 142.** *Continuous monitoring of the reforms implemented in the educational system, so as to increase the follow-up of their effects on educational quality and on the level of children's enrollment in education at all school levels.*
- 143.** *Ensuring localities with physical infrastructure for transportation so as to allow the children to get to the hub schools.*

¹⁴The value of the extreme poverty line in 2011 was close to the value of the minimum guaranteed income (591 lei as against 575 lei). Respectively, the alignment of these values would not imply very large additional financial resources.

144. *Promoting some policies in health area to support poor population so as to ensure their access to healthcare services.*
145. *Increasing the information level of the population about the rights they have in relation to accessing medical services.*
146. *Increasing the quality of medical services granted to the population, including to in-patient health services.*

Rural and regional development:

147. *Continuing the programs for supporting entrepreneurship activities and promoting entrepreneurship culture in rural area, thus contributing to increasing the non-agricultural occupational opportunities in villages.*
148. *Supporting the modernization of the agricultural sector by introducing and developing new technologies, diversifying the agricultural production and adjusting its quality to market requirements.*
149. *Developing some policies to promote agricultural production processing business in rural areas.*
150. *Focusing the subsidies provided for agricultural sector on farmers with potential of high valued-added production.*
151. *Implementing and monitoring projects of physical infrastructure and public utility development in rural areas, hence contributing to increasing investment attractiveness and improving living conditions.*
152. *Identifying the cities – development poles – and implementing measures for business environment improvement, and creation of new jobs, with the aim to decrease the development disparities among the regions of the country and the localities within them.*
153. *Developing policies to educated young people to return to the villages, which would have a final impact on rural poverty reduction.*

ANNEXES

Table A. 1. Poverty indicators (rate, gap and severity)^{1,2}

Indicators and sources	2006	2007	2008	2009	2010	2011
<i>Absolute poverty line (MDL per adult equivalent per month)^{a)}</i>	747.4	839.3	945.9	945.9	1015.9	1093.1
Absolute poverty rate, %	30.2	25.8	26.4	26.3	21.9	17.5
Absolute poverty gap, %	7.9	5.9	6.4	5.9	4.5	3.2
Severity of absolute poverty	3.0	2.1	2.3	2.0	1.4	1.0
<i>Extreme poverty line (MDL per adult equivalent per month)^{a)}</i>	404.2	453.9	511.5	511.5	549.4	591.2
Extreme poverty rate, %	4.5	2.8	3.2	2.1	1.4	0.9
Extreme poverty gap, %	1.0	0.5	0.5	0.4	0.3	0.1
Severity of extreme poverty	0.4	0.2	0.1	0.1	0.1	0.0
<i>International poverty line of \$4.30 (in PPP terms) per day/person (MDL/person/month)⁴</i>	604	678.3	764.1	764.1	821.1	883.5
Poverty rate (expenditures per person), %	34.5	29.8	30.4	29.5	26.8	23.4

Source: NBS

Table A. 2. Poverty rates depending on the place of residence, 2006-2011, weighted, %

	Absolute poverty rate, %						Extreme poverty rate, %					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Total population including:	30.2	25.8	26.4	26.3	21.9	17.5	4.5	2.8	3.2	2.1	1.4	0.9
<i>Urban area</i>	24.8	18.4	15.2	12.6	10.4	7.4	4.1	1.2	1.3	1.1	0.4	0.2
<i>Big cities</i>	20.6	14	10.9	7	7.3	4.2	3.5	0.7	0.8	0.6	0.4	0
<i>Small towns</i>	30.1	23.8	21.2	19.7	14.2	11.3	5	1.9	2	1.8	0.3	0.4
<i>Rural area</i>	34.1	31.3	34.6	36.3	30.3	25	4.7	3.9	4.6	2.9	2.1	1.4

Source: NBS

Table A. 3. Absolute poverty rate by statistical zones, %, 2006-2011

	2006	2007	2008	2009	2010	2011
North	32.7	30.4	30.0	28.3	23.7	18.7
Center	33.5	30.2	31.2	33.2	29.6	23.4
South	34.1	29.5	35.2	38.0	27.7	25.1
Chisinau	19.7	11.4	8.5	5.3	5.3	2.5
Total	30.2	25.8	26.4	26.3	21.9	17.5

Source: Ministry of Economy, based on HBS data

Table 4. Poverty structure and rate depending on the main characteristics of the households, 2006-2011

	Poverty rate						Structure of poor population, %					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Area of residence												
Urban	24.8	18.4	15.2	12.6	10.4	7.4	34.3	30	24.3	20.2	20	17.9
Rural	31.4	31.3	34.6	36.3	30.3	25	65.7	70	75.7	79.8	80	82.1
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100
Size of the household												
1 person	29.6	25.8	29	29.7	20	15.6	7.3	8.1	9.9	9.5	8.7	9
2 persons	24.9	23.8	24.5	22.5	16.8	15.4	15.9	20.1	20.4	18.6	17.2	20.6
3 persons	21.8	17.4	19.2	18.3	19.4	13.1	17.1	15.6	17.5	16.2	20.7	17.7
4 persons	28.4	23.7	25.2	22.8	19	16.4	25.9	23.3	23.8	21.9	21.3	21.7
5 and more persons	46	39.5	37.4	41.7	35	28	33.9	32.8	28.4	33.9	32.1	30.9
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100
Composition of the household												
Households with 1 child	25.9	22.2	23	23.8	20	13.5	23.6	22.4	22.3	23.5	23.8	19.5
Households with 2 children	33.2	28.4	26.1	27.5	24.6	21.4	21	21.1	17.8	20.3	20.1	21
Households with 3 and more children	55.2	44.9	42	50.8	39.1	36.9	14.2	12	11.9	12.1	11.9	12.4
Households without children	27.2	24	25.9	24	19.7	16	41.2	44.5	48.1	44.1	44.3	47.1
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100
Age of the household head												
up to 30 years old	25.2	15.8	13.9	15.1	13.4	10.9	5.3	4.5	3.7	4.5	6.7	4.7
30-39 years old	28.2	23.2	21.5	22.6	17.9	17.2	17	16	14.7	15.3	17.5	16.3
40-49 years old	25.8	24	24.1	24.2	21.8	17	23.3	23.4	22.3	22.2	23.7	21.8
50-59 years old	28.3	24.5	25.9	25	22.4	15.5	21.7	24.2	24.9	23.8	24.3	23.4
60-64 years old	31.9	26	28.6	24.7	18.2	14.7	8.9	7.1	6.2	6.1	9.2	7.8
65 years old and over	42.9	37.3	38.2	39.6	30.2	25.6	23.8	25	28.3	28.1	18.4	26
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100
Level of education of the household head												
Higher education	12.2	8.7	8.1	4.1	4.8	3.1	6.2	5.1	4.8	2.3	3.4	2.8
Professional and vocational secondary education	24.4	22.4	22.5	22.4	17.5	12.5	31.8	36.9	37	37.1	34.3	29.7
General secondary education	33.5	26.8	29.4	24.8	23.1	19.6	20.4	17.5	18.5	15.3	18.1	19.8
Primary or incomplete secondary education	45.4	40.7	42.6	46.7	39.1	33.8	37.4	37.1	37.1	42.6	42	45.3
Without education	55.2	51	55.9	57	53.5	34.1	4.3	3.3	2.6	2.6	2.2	2.3
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100
Social-economic status of the household												
Employees in agricultural sector	42.8	39.9	42.8	48.1	44.9	32.4	11.9	26.1	11.1	10.8	13.1	10.9
Employees in non-agricultural sector	19	16.2	14.4	12.3	10.1	7.6	22.4	11.3	20	16.6	16.2	15.3
Own-account workers in agricultural sector	34.5	35	36.9	47	36.5	33.6	22.5	23.5	19.9	25	26.9	21.9
Pensioners	41.8	33.5	37.3	35.6	28.1	22.3	34.7	32.6	39.9	37.5	35.7	37
Other	23.8	16.4	17.9	16.1	12.7	14.5	8.5	6.5	9.1	10.1	8.1	14.8
Total	30.2	25.8	26.4	26.3	21.9	17.5	100	100	100	100	100	100

Source: NBS

Table A. 5. Structure of incomes, %, 2011

	Quintiles					Total
	I	II	III	IV	V	
TOTAL, including incomes from:	100	100	100	100	100	100
Income from remunerated activities	27.8	32.7	39.6	46.6	56.9	44.7
Income from non-agricultural individual activity	4.6	6.4	5.8	7.6	7.6	6.8
Income from agricultural individual activity	19.9	15.8	13.1	8.7	3.4	10.0
Income from property	0.0	0.4	0.2	0.1	0.8	0.4
Social payments	34.5	26.1	22.6	15.5	8.5	18.1
- including pensions	28.4	22.5	19.1	12.1	6.3	14.7
- compensations	1.1	0.9	0.7	0.5	0.2	0.6
- allowances for children	0.7	0.5	0.7	0.8	0.8	0.7
Other incomes	13.2	18.6	18.7	21.5	22.8	20.1
- including remittances	9.1	14.2	14.6	16.4	17.3	15.3
Average disposable income (perequivalent), lei	1003.8	1388.3	1649.7	2069.2	3091.5	1844.7

Source: Ministry of Economy, based on HBS data

Table A. 6. Structure of consumption expenditures, %, 2011

	I quintile	II quintile	III quintile	IV quintile	V quintile	Total
Consumption expenditures per adult equivalent	100	100	100	100	100	100
Food products	59.2	51.9	48.3	43.7	35.8	44.5
Alcoholic drinks, tobacco	2.3	2.0	1.9	1.5	1.7	1.8
Clothes, footwear	7.5	9.6	10.5	11.8	12.9	11.2
Dwelling maintenance	17.0	18.0	17.8	16.5	13.5	15.9
Dwelling equipping	2.8	2.9	3.0	3.1	3.4	3.1
Medical assistance and health	3.7	4.8	5.4	5.6	6.8	5.7
Transport	1.2	2.4	3.2	5.0	7.8	4.9
Communication	3.3	4.1	4.6	5.1	5.1	4.7
Leisure	0.5	0.7	0.9	1.2	1.9	1.3
Education	0.2	0.7	0.8	1.2	1.9	1.2
Hotels, restaurants	0.2	0.3	0.6	1.4	4.3	2.0
Diverse	2.2	2.7	3.0	3.9	4.8	3.7

Source: Ministry of Economy, based on HBS data

Table A. 7. Inequality level, 2006-2011, weighted, %

	Total						Big cities						Small towns						Villages					
Share of consumption expenditures by groups of quintiles (20%) of population:	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
I quintile	8.2	8.8	8.9	7.9	8.1	8.7	7.5	8.9	9.0	9.5	9.2	9.2	8.4	9.2	9.8	9.0	9.7	10.6	8.7	9.1	9.4	8.5	8.8	9.5
II quintile	12.8	13.3	13.6	13.1	13.0	12.8	12.9	13.6	13.7	14.0	13.7	14.0	13.2	13.3	14.5	14.1	13.4	14.1	13.2	13.5	14.2	13.3	13.5	13.6
III quintile	17.1	17.3	17.3	16.9	16.6	17.1	17.1	17.4	17.2	17.1	15.9	16.0	17.2	17.3	17.7	17.5	18.0	18.4	17.5	17.9	18.1	18.2	17.9	17.7
IV quintile	22.8	22.6	22.4	22.5	21.7	21.5	22.3	22.1	23.1	21.5	21.2	21.5	22.8	23.0	22.3	22.7	21.3	21.8	23.0	22.5	22.5	22.2	21.9	21.9
V quintile	39.1	38.0	37.7	39.6	40.5	39.9	40.2	37.9	37.0	37.9	40.0	39.3	38.5	37.1	35.7	36.6	37.6	35.1	37.6	36.9	35.8	37.8	38.0	37.4
Gini coefficient by consumption expenditures per person (weighted)	0.315	0.298	0.2924	0.3094	0.3050	0.2943	0.328	0.290	0.2845	0.2686	0.2773	0.2696	0.304	0.288	0.2662	0.2744	0.2729	0.2427	0.297	0.284	0.2711	0.2899	0.2807	0.2762
90/10 distribution, the average of consumption expenditures per adult equivalent	7.01	6.11	6.01	6.51	6.29	5.79	8.30	5.95	5.75	5.5	5.61	5.21	6.75	5.74	5.21	5.54	5.24	4.21	6.12	5.64	5.25	5.68	5.47	5.26

Source: Ministry of Economy, based on HBS data

Table A.8. Level of inequality in some countries, according to the GINI coefficient

Country	Country code	2002	2003	2004	2005	2006	2007	2008	2009	2010
Slovakia	SVK	...	...	29.08	29.84	27.66	28.13	26.86	26	26
Ukraine	UKR	28.28	28.05	28.11	28.21	29.65	29.56	27.51	26.44	26.44
Belarus	BLR	29.97	...	26.22	27.92	28.63	28.74	27.22	...	27.22
Kazakhstan	KAZ	34.95	33.85	32.25	...	30.76	30.88	29.33	29.04	29.04
Romania	ROM	31.46	31.06	31.66	31.57	32.11	32.1	31.15	30	30
Tajikistan	TJK	...	32.62	33.61	...	...	32.55	...	30.83	30.83
Armenia	ARM	35.66	33.8	37.79	36.16	32.84	30.23	30.86	...	30.86
Republic of Moldova	MDA	36.87	35.55	35.96	36.28	36.13	35.27	35.3	34.02	33.03
Azerbaijan	AZE	...	...	...	...	...	...	33.71	...	33.71
Poland	POL	34.05	...	35.88	34.92	34.13	34.02	34.21	34.07	34.07
Kyrgyzstan	KGZ	31.67	...	34.78	39.49	38.69	33.43	37.29	36.19	36.19
Latvia	LVA	35.91	37.66	35.73	...	...	36.27	36.61	...	36.61
Lithuania	LTU	32.33	...	35.81	...	...	...	37.57	...	37.57
Russian Federation	RUS	35.7	37.26	37.14	37.51	42.13	43.71	42.27	40.11	40.11
Georgia	GEO	40.31	40.37		41.05	41.11	39.37	41.34		41.34

Source: World Bank

Table A.9. Efficiency of social payments' targeting, 2011, %

		Social help		Allocation for the cold period of the year		Nominative compensations	
		Share of allocated amount	Share of beneficiaries	Share of allocated amount	Share of beneficiaries	Share of allocated amount	Share of beneficiaries
Deciles (consumption expenditures)	1decile	41.7	36.3	31.4	32.8	7.2	6.1
	2decile	19.3	20.4	19.9	20.6	9.7	10.2
	3decile	11.2	13.3	10.5	10.3	8.6	9.8
	4decile	10.4	11.9	16.8	13.7	10.6	11.6
	5decile	7.2	6.3	9.0	7.9	13.0	12.0
	6decile	4.2	2.6	2.3	3.5	11.2	12.2
	7decile	2.1	3.6	5.0	4.9	11.6	11.2
	8decile	2.1	2.8	2.8	3.8	12.2	12.1
	9decile	0.4	1.2	1.0	0.9	9.0	8.3
	10decile	1.3	1.7	1.2	1.6	6.8	6.3
Total		100.0	100.0	100.0	100.0	100.0	100.0
Quintiles (consumption expenditures)	1 quintile	61.0	56.6	51.3	53.4	16.9	16.3
	2 quintile	21.6	25.1	27.3	24.0	19.2	21.5
	3 quintile	11.4	8.9	11.3	11.4	24.2	24.3
	4 quintile	4.3	6.4	7.8	8.7	23.8	23.3
	5 quintile	1.7	2.9	2.3	2.5	15.8	14.7
Total		100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Economy, based on HBS data

Table A.10. Level of population health insurance, 2011, %

	Absolute poverty		Extreme poverty		Area of residence		Total
	non-poor	poor	non-poor	poor	city	village	
Insured based on monthly contributions	28.1	11.1	25.3	7.1	36.0	17.1	25.1
Insured on their own account	2.4	0.9	2.1	2.0	2.2	2.0	2.1
Insured free of charge by the state	48.6	56.4	50.0	43.5	45.6	53.1	49.9
Not insured	20.9	31.7	22.6	47.3	16.1	27.8	22.8

Source: Ministry of Economy, based on HBS data

Table A.11. Households' assurance with households goods, 2011, %

	city	village	Total
Color TV set	106.6	94.0	99.6
Black and white TV set	0.5	3.1	1.9
Cassette recorder	8.9	8.4	8.6
Video-recorder, video-player	15.0	11.4	13.0
Tele-radio set, home cinema	1.0	0.7	0.8
Musical center	8.7	8.6	8.6
Camera	22.2	10.1	15.4
Video camera	2.8	1.5	2.1
Computer	46.3	18.3	30.7
Satellite antenna	4.1	17.4	11.5
Refrigerator	94.1	80.0	86.2
Freezer	1.8	5.0	3.6
Automat washing machine	62.5	17.4	37.4
Mechanical washing machine	17.8	41.2	30.8
Dishwasher	0.1	0.1	0.1
Vacuum cleaner	73.6	36.0	52.7
Microwave	24.3	12.0	17.5
Bicycle	6.2	16.9	12.2
Motorcycle	0.8	3.6	2.4
Personal car, microbus	20.6	17.5	18.9
Motor boat	0.0	0.0	0.0

Source: Ministry of Economy, based on HBS data

Table A.12. Access of households to public services and living conditions, 2011, %

		Place of residence		
		city	village	Total
Electricity	Yes	100.0	99.8	99.9
	No	0.0	0.2	0.1
Water supply	Aqueduct in the house	88.5	25.5	53.4
	Aqueduct outside the house	5.0	20.8	13.8
	No aqueduct	6.5	53.7	32.8
Water supply source	Aqueduct	90.4	35.0	59.5
	Well	8.7	60.7	37.6
	Other	1.0	4.3	2.8
Sewerage system	Public network	73.3	1.7	33.4
	Personal system	16.5	25.0	21.2
	No sewerage system	10.2	73.3	45.4
Sanitary block/WC	In the house	74.9	7.3	37.3
	Outside the house	25.1	92.7	62.7
Hot water	Public network	18.7	0.0	8.3
	Electricity or gas	51.9	13.3	30.4
	Wood, coal	0.8	2.9	2.0
	No hot water	28.6	83.7	59.3
Usage of gas	Central	81.6	33.8	55.0
	Bottles	15.0	62.7	41.5
	Do not use gas	3.4	3.5	3.5
Electrical stove	Yes	3.4	0.0	1.5
	No	96.6	100.0	98.5
Type of heating	Public network	40.1	0.4	18.0
	Autonomous / personal network	31.1	3.8	15.9
	Oven with natural gas	2.9	4.6	3.8
	Oven with wood, coal	24.0	91.1	61.4
	Electric heater	1.6	0.1	0.8
	Do not have heating	0.3	0.0	0.1
Bathroom or shower	Yes	78.7	18.2	45.1
	No	21.3	81.8	54.9
Telephone	Yes	93.4	83.2	87.7
	No	6.6	16.8	12.3
Cellphone	0	20.3	45.3	34.2
	1	28.3	27.4	27.8
	2	32.9	18.9	25.1
	3	13.6	6.0	9.4
	4	4.1	2.1	3.0
	5	0.6	0.3	0.4
	6	0.1	0.0	0.1
	7	0.1	0.0	0.0

Source: Ministry of Economy, based on HBS data

Table A.13. Remittances' impact on poverty, 2010- 2011, %

	2010		2011	
	Poverty level without incomes from remittance	Poverty level with incomes from remittances	Poverty level without incomes from remittances	Poverty level without incomes from remittances
Total	34.6	21.9	29.1	17.5
Cities	19.2	10.4	15.8	7.4
Villages	45.8	30.3	39	25

Source: Ministry of Economy, based on HBS data

Table A.14. Evolution of remittances' volume, 2001-2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Remittances, million USD	242	323	484	701	915	1176	1218	1660	1182	1244	1454
Share of remittances in the GDP, %	16.4	19.4	24.4	27	36.6	35	32.7	27.4	21.7	21.4	20.8

Source: NBM

Table A.15. Earnings per economic activity, 2010-2011

Economic activities	2010, lei	2010 as against 2009, %	2011, lei	2011 as against 2010, %
Total	2972.2	108.2	3193.9	111.6
Agriculture, hunting and forestry	1645.8	113.2	1938.9	120.0
Fish farming	1621.3	99.6	1640.5	110.2
Industry:	3438.0	108.5	3560.8	109.6
extracting industry	3321.6	99.5	3400.8	109.3
processing industry	3096.0	108.8	3231.4	110.7
electricity, heating, gas and water	4841.6	107.6	5146.7	107.4
Constructions	3227.3	104.5	3334.8	112.2
Retail and wholesale trade	2718.0	107.5	2706.8	116.0
Hotels and restaurants	2391.6	110.7	2276.5	109.8
Transport and communications	3914.7	107.1	3793.9	105.5
Financial activities	6365.8	113.1	6616.3	107.0
Real estate transactions	3625.7	104.1	4052.7	113.7
Public administration	3277.8	102.3	3418.8	104.3
Education	2358.3	110.4	2805.0	118.9
Health and social assistance	2883.5	106.2	3050.3	106.4
Other activities of collective, social and personal services	2378.0	104.1	2815.2	112.1

Source: NBS

Table A.16. Relative poverty rate in EU countries¹⁵, 2002- 2011, %

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
European Union (27 countries)	:	:	:	16.4	16.5	16.5	16.4	16.3	16.4	16.9
Czech Republic	:	:	:	10.4	9.9	9.6	9.0	8.6	9.0	9.8
Netherlands	11	12	:	10.7	9.7	10.2	10.5	11.1	10.3	11.0
Austria	:	13.2	12.8	12.3	12.6	12.0	12.4	12.0	12.1	12.6
Slovakia	:	:	:	13.3	11.6	10.6	10.9	11.0	12.0	13.0
Denmark	:	11.7	10.9	11.8	11.7	11.7	11.8	13.1	13.3	13.0
Slovenia	10	10	:	12.2	11.6	11.5	12.3	11.3	12.7	13.6
Luxembourg	:	11.9	12.7	13.7	14.1	13.5	13.4	14.9	14.5	13.6
Finland	11	11	11.0	11.7	12.6	13.0	13.6	13.8	13.1	13.7
Hungary	10	12	:	13.5	15.9	12.3	12.4	12.4	12.3	13.8
Sweden	11	:	11.3	9.5	12.3	10.5	12.2	13.3	12.9	14.0
France	12	12	13.5	13.0	13.2	13.1	12.7	12.9	13.3	14.0
Cyprus	:	15	:	16.1	15.6	15.5	15.7	15.3	15.3	14.5
Belgium	:	15.4	14.3	14.8	14.7	15.2	14.7	14.6	14.6	15.3
Malta	:	:	:	13.9	14.0	14.8	15.0	15.3	15.0	15.4
Germany	:	:	:	12.2	12.5	15.2	15.2	15.5	15.6	15.8
United Kingdom	18	18	:	19.0	19.0	18.6	18.7	17.3	17.1	16.2
Ireland	:	20.5	20.9	19.7	18.5	17.2	15.5	15.0	16.1	:
Estonia	18	18	20.2	18.3	18.3	19.4	19.5	19.7	15.8	17.5
Poland	:	:	:	20.5	19.1	17.3	16.9	17.1	17.6	17.7
Portugal	20	19	20.4	19.4	18.5	18.1	18.5	17.9	17.9	18.0
Latvia	:	:	:	19.2	23.1	21.2	25.6	25.7	21.3	19.3
Italy	:	:	19.1	18.9	19.6	19.8	18.7	18.4	18.2	19.6
Lithuania	:	:	:	20.5	20.0	19.1	20.0	20.6	20.2	20.0
Greece	:	20.7	19.9	19.6	20.5	20.3	20.1	19.7	20.1	21.4
Spain	19	19	19.9	19.7	19.9	19.7	19.6	19.5	20.7	21.8
Romania	18	17	18	:	:	24.8	23.4	22.4	21.1	22.2
Bulgaria	14	14	15	14	18.4	22.0	21.4	21.8	20.7	22.3
Island	:	:	10.0	9.7	9.6	10.1	10.1	10.2	9.8	9.2
Norway	10	10.8	10.8	11.4	12.3	11.9	11.4	11.7	11.2	10.5
Switzerland	:	:	:	:	:	:	16.2	15.1	15.0	15.0
Croatia	:	18	18	18	17	18	17.3	17.9	20.5	21.1
Turkey	25	26	:	:	26.5	:	:	:	:	24.8

Source: Eurostat

:non available data

¹⁵ 60% of households' median income