

STRENGTHENING THE RIGHT TO REST AND LEISURE IN THE REPUBLIC OF MOLDOVA THROUGH THE EFFICIENT MANAGEMENT OF PUBLIC EXPENDITURE ON TOURISM

CONSOLIDAREA DREPTULUI LA ODIHNĂ ȘI RECREERE ÎN REPUBLICA MOLDOVA PRIN GESTIUNEA EFICIENTĂ A CHELTUIELILOR PUBLICE AFERENTE TURISMULUI

Angela SECRIERU¹
Ion Profir PÂRȚACHI²

Abstract

Tourism represents one of the methods by which the right to rest and leisure can be realised; and thus, it is a pre-requisite for the personal growth of people. In this work, we demonstrate that the Tourism Competitiveness Index has a strong positive influence on the Human Development Index. In what follows, we evaluate the development of tourism in the Republic of Moldova through the lens of the quality of tourism public expenditure management. We perform an analysis of the quality of travel and tourism policies as measured by The Report on the Competitiveness of Tourism and the Position Occupied by the Republic of Moldova and the Close Relationship to the Degree of Socio-Economic Development of the Country. To conclude, we mention the necessity of governmental aid for the tourism sector, especially now-a-days, when the sector is heavily afflicted by the crisis caused by the current pandemic of COVID-19.

Key words: right to rest and leisure, tourism, Human Development Index, Tourism Competitiveness Index, public expenditure

JEL: E6, L83, Z3, K38

Introduction

The right to leisure and spare time represents a human right related to the right to labour and brought to the fore by the *International pact on economic, social, and cultural rights*. Furthermore, the *Universal Declaration of Human Rights* includes the right to rest and leisure: “Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay”.

The right to rest and leisure is fundamentally important for many other rights including political and civic ones.

There is a long-term perspective based opinion that leisure time is not an inactive waste of time, nor a simple absence and recovery from work, rather it is necessary for a dignified life which is congruent with how human rights are often defined in common language. Various research papers related to improving the global wealth of the people have studied the right to rest.

Further, the positive influence of leisure time on cognitive capacity and certain behaviours associated with general psychological adaptation has been demonstrated. Among these behaviours: the constructive recovery from negative life events, freedom of expression, and creative capacity. This creates the necessary environment for personal growth, happiness, and general life satisfaction.

¹ Professor PhD Habil., Academy of Economic Studies of Moldova, Kishinev, Republic of Moldova

² Professor, Head of Department of Econometrics and Economic Statistics, Faculty of Information Technology and Economic Statistics, Academy of Economic Studies of Moldova, Kishinev, Republic of Moldova, ipartachi@ase.md

2. The relationship between the Tourism Competitiveness Index and the Human Development Index

Each person’s right to rest and leisure, which includes working hour rights and the right to freedom of movement [2], with their respective legal exceptions, determines the possibility and necessity of a harmonious development of domestic and international tourism.

Figure 1 represents the relationship between tourism and rest periods.

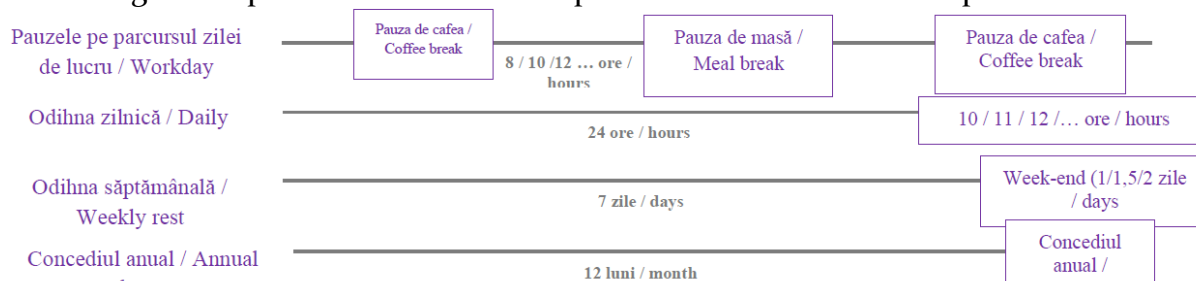


Fig. 1. Rest periods

Source: elaborated by the author after [8]

Weekend free time is used traveling, on sports activities, on theatre visits, etc. Annual leave is often specifically used for tourism, spa treatments, cultural activities, etc. [4]

The Human Development Index (HDI) is an index of life expectancy, education, and per capita income indicators. Although HDI oversimplifies and comprises only a part of what can imply human development, we will use this indicated as an aggregate measure that can quantify, more or less, the degree to which economic, social, and cultural rights are respected.

From the above, we can see that tourism represents one of the ways to realise the right to rest, and, since it is a premise to the personal growth of people, has the capacity to contribute to the improvement of the HDI value. To this end, Figure 2 emphasises this relationship by showing the correlation between HDI and tourism development (measured by the Tourism Competitiveness Index, TCI).

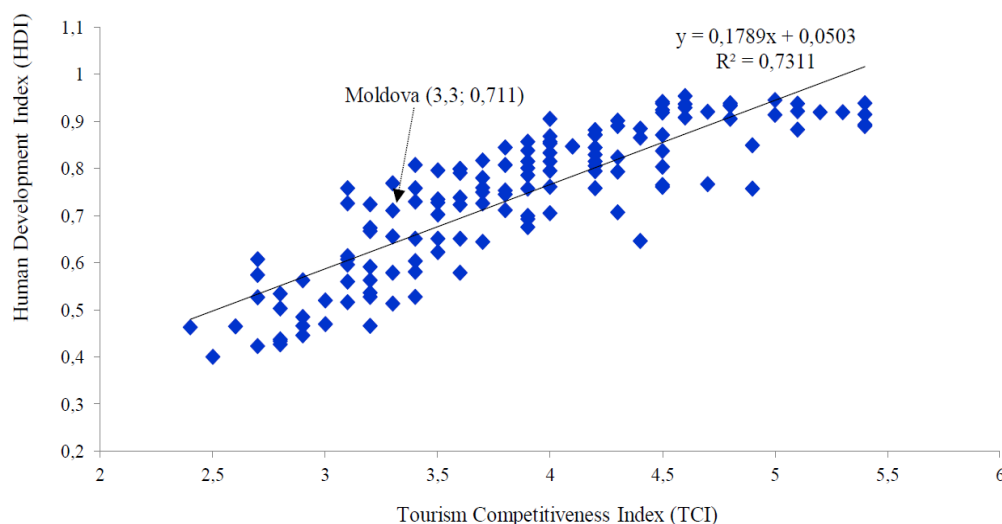


Fig. 2. The relationship between the Human Development Index and the Tourism Competitiveness Index Relationship (2019)

Source: elaborated by the author after [15; 16]

As seen in Figure 2, TCI has a strong and positive influence on the Human Development Index. Based on this we can conclude that respecting the human right to leisure measured through tourist activities is a positive factor that significantly impacts HDI.

Domestic and international tourism development depends on the quality of public policies which serve to stimulate growth in this sector. To this end, public finances, especially public spending, and its distribution, are the main instrument that helps develop touristic public policies.

3. The evaluation of the development of tourism in the Republic of Moldova

In what follows, we evaluate the development of tourism in the Republic of Moldova through the lens of the management of public funds in this sector.

One of the synthetic indicators that characterize the development of the tourism sector is the *Tourism Competitiveness Index (TCI)*. This index evaluates the factors and policies, including public expenditure policies, that allow the sustainable development of the travel and tourism sector. It reflects the role and quality of active rest within leisure time.

Figure 3 presents TCI where the Republic of Moldova has a value of 3.3. This places the country in the 103rd position (out of 144 countries evaluated in the Overall Ranking and Scores (TCI 2019) Report). This shows that the Republic of Moldova is less competitive as far as tourism is concerned when compared to the great majority of other former socialist countries. In this regard, the most successful are Croatia (27th place), Slovenia (26th place), Russia (39th), and Poland (42nd).

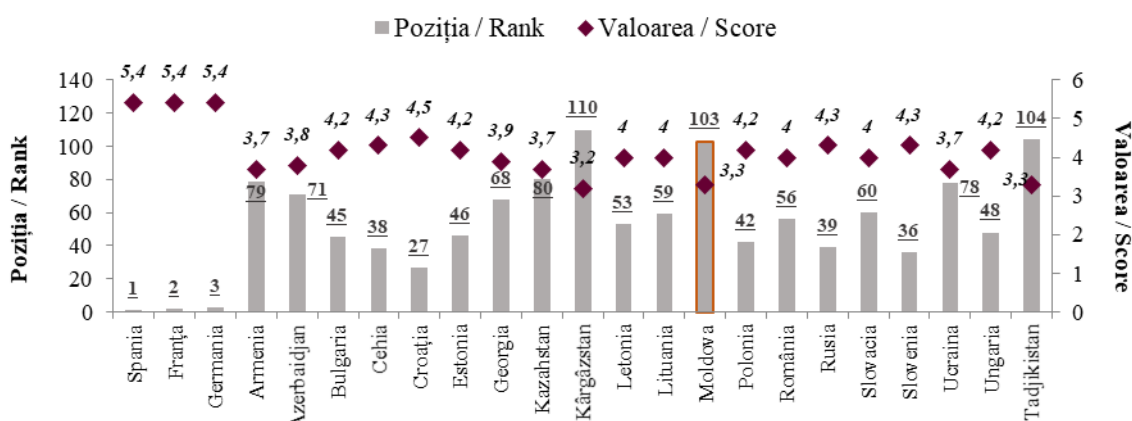


Fig. 3. Tourism Competitiveness Index 2019: Overall Rankings and scores

Source: elaborated by the author after [10]

The causes of the lacklustre level of TCI for the Republic of Moldova are rooted in the state of the component parts of this index. Following the loadbearing pillars of TCI, the following parameters are most unfavourable: “Cultural resources and business trips” (RM has a value of 1.2 out of 7), “Natural Resources” (1.7), “Air travel infrastructure” (2.1), “Terrestrial and Sea Infrastructure” (2.6), “Touristic Services Infrastructure” (2.9).

The underdeveloped state of tourism explains the modes contribution of this sector to the Gross Domestic Product of the Republic of Moldova (Figure 4). Therefore,

tourism in the Republic of Moldova has the smallest contribution to GDP, when compared to the other former soviet countries.

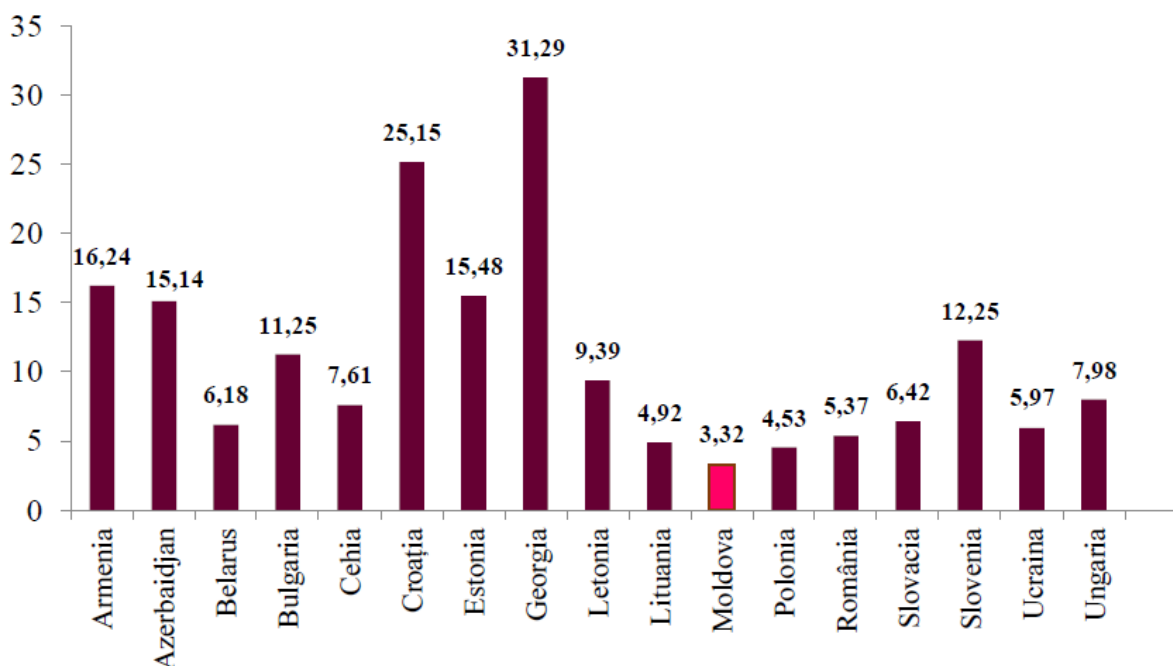


Fig. 4. Travel and Tourism contribution to GDP, 2018 (%)

Source: elaborated by the author after [14]

The low observed contribution of tourism to labour force occupancy is both a consequence and a determinant of the degree of development of this sector. Figure 5 shows that the Republic of Moldova registers the smallest value among the countries considered in this analysis.

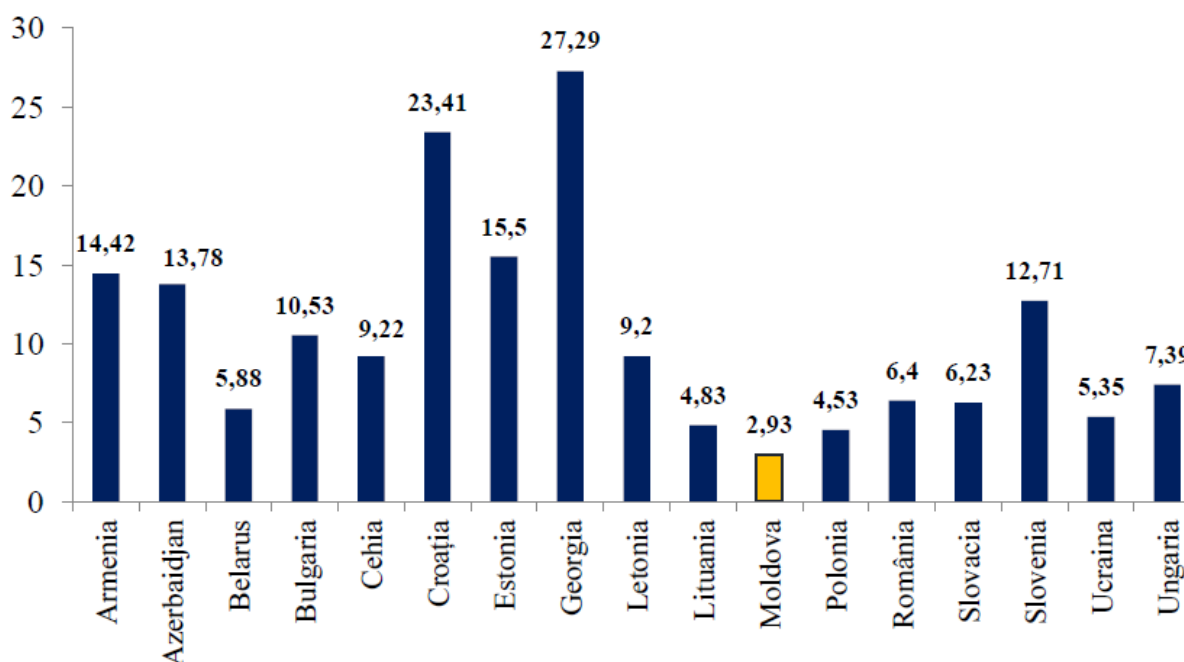


Fig. 5. Travel and tourism contribution to employment, 2018 (% of total employment)

Source: elaborated by the author after [14]

The sub-index encompassing the Travel and Tourism policies (TT) and the stimulus conditions represents one of the four components of TCI. It represents specific policies or strategical aspects that influences the TT industry in a direct fashion. In turn, this sub-index is based on 4 pillars: the prioritisation of TT, international openness, price competitiveness, and environmental sustainability. TT prioritisation captures the efficiency of policies in the domain of public finances, which includes policies related to public expenditure. This pillar estimates the degree to which the government prioritises the TT sector, and thus increasing its competitiveness. By affirming clearly that the sector is of importance, the government can channel funds towards essential projects for the development of the sector and to coordinate actors and resources towards the necessary developments in the sector. By indicating a stable governmental policy, the government can affect the ability of the sector to continue to attract private investments. Further, the government can also play an active and important role in the promotion of the tourism sector via marketing campaigns. This pillar encompasses governmental spending, the efficiency of marketing campaigns, country brand, as well as the completeness and recency of the data on TT that the government provides to international institutions. The last is an indicator of how much importance a country gives to the TT sector.

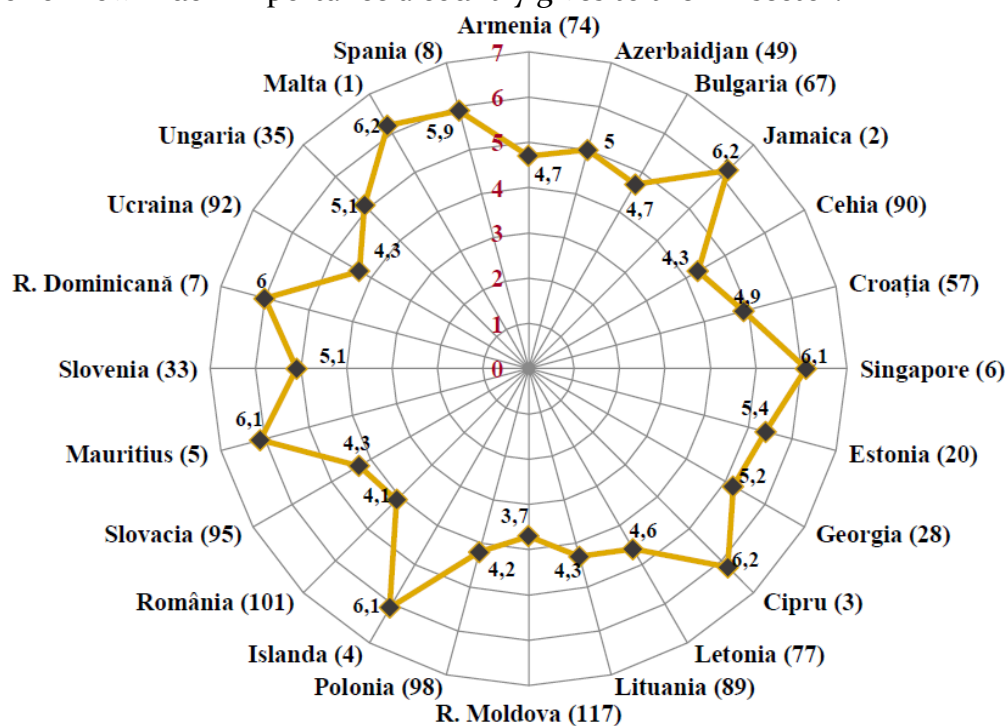


Fig. 6. Prioritization of Travel & Tourism: sub-index score (1 - worst; 7 - best) and country rank (in brackets)

Source: elaborated by the author after [10]

Figure 6 indicates the position of the Republic of Moldova when compared to other countries. According to the Tourism Competitiveness Report (19th edition), the Republic of Moldova had a value of 3,7 which places it at the 117th position. The country is not only behind EU countries but also behind the Eastern Partnership

countries³. Among EU countries, Malta and Cyprus are most successful. Among the Eastern Partnership ones – Georgia ranks highest at 28th. This suggests that it promotes the best set of governmental policies that aim at growing the TT sector among the countries in this partnership.

Government spending represents another important component of the governmental policies directed towards the Tourism and Travel domain.

Figure 7 shows that the Republic of Moldova, where 3.3% of the total governmental spending is directed towards the tourism sector, is placed at 67 out of the 140 countries evaluated in the Tourism Competitiveness Report (2019 edition). This value is comparable with that of Bulgaria, Azerbaijan, Lithuania, Lithuania, and Georgia. The greatest results are registered for Seychelles, Dominican Republic, and Jamaica.

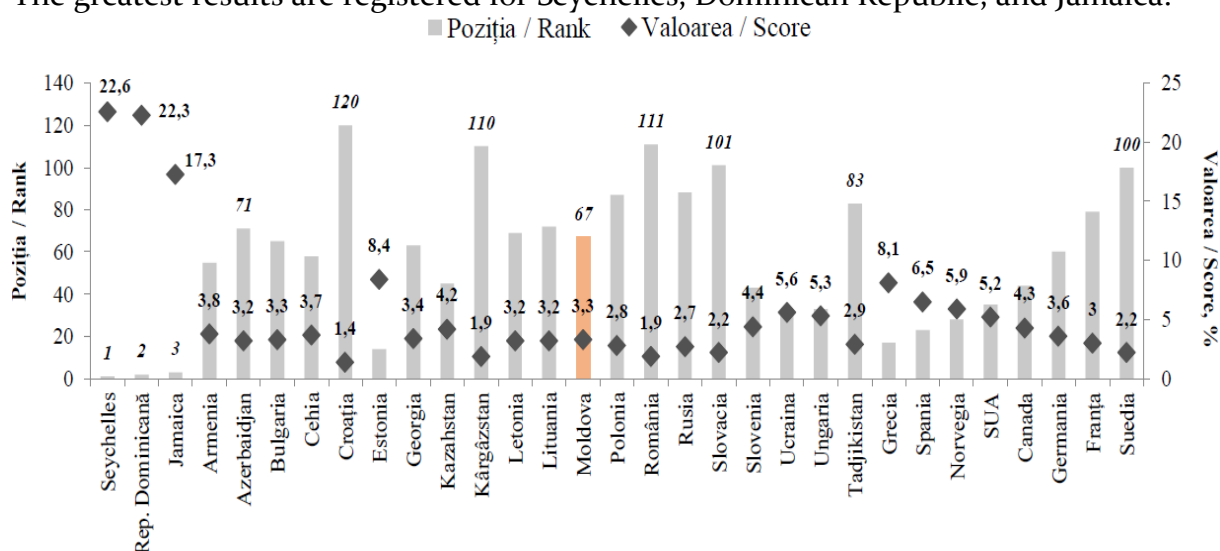


Fig. 7. Government spending on travel and tourism service (% of the total government budget)

Source: elaborated by the author after [16]

Tourism is related to the 0473 functional subgroup within the budget classification. The following spending is covered by the national government budget:

- services related to tourism, tourism promotion and development, transport services, hotels, restaurants, and the other facilities that improve tourism development;
- the administration of touristic agencies in- and outside the country, marketing, the production, and dissemination of the literature that promotes travel and tourism.

By comparing the data in Figure 7 with that in Figure 4, we can conclude that governmental spending on tourism is inefficient. While the Republic of Moldova spends a comparable part of the GDP on tourism to Bulgaria, Azerbaijan, Letonia, Lithuania, and Georgia, it registers a much smaller contribution to the GDP from this sector.

The dynamic of governmental spending on Travel and Tourism in the Republic of Moldova is also of interest. Figure 8 shows the time evolution of public spending on tourism as a percent of GDP.

³ Armenia, Azerbaidjan, Georgia, Ucraina.

A decline in the governmental touristic spending can be seen between 2011-2014, followed by a slight increase between 2015-2018.

Based on the findings in Figure 8, we conclude that there is an inconsistency regarding the governmental spending on the Travel and Tourism in the Republic of Moldova which does not lead to stability and sustainability in the sector despite Art. 352 dated November 24, 2006 where tourism is classified as a sector of primary economic importance.

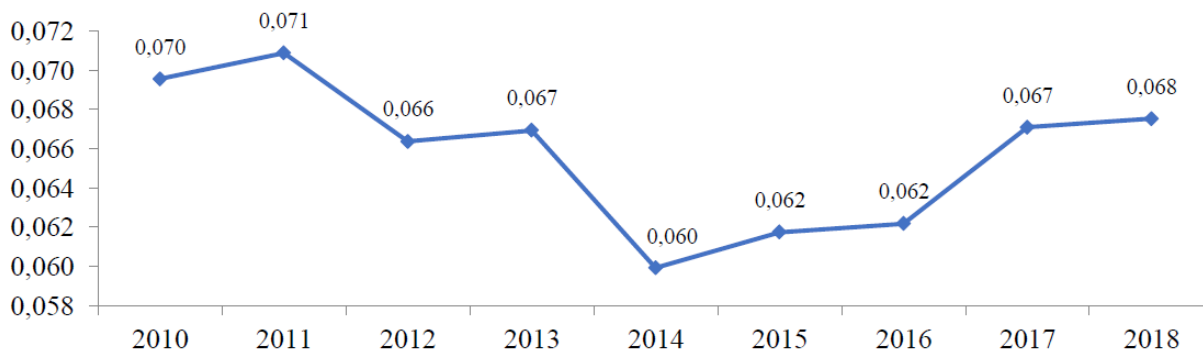


Fig. 8. Government spending on travel and Tourism service (% of GDP)

Source: elaborated by the author after [14]

The dynamic development of imports on the market of tourist services in the Republic of Moldova is a consequence of the governmental policies. However, it is not the same case for the export of tourist services. According to the data presented in Table 1 in the Appendices, the outbound tourism exceeded the number of inbound tourists by more than 33 times in 2019. The inefficiency of public policies for the tourism services can be strongly observed from the analysis of the dynamics of domestic tourism: when it is not stagnating, it encounters obvious depreciations (in 2016, 2017, and 2019 domestic tourism measured by the number of touristic-days). This is mainly explained by the price-quality ratio, which is not in favour of the domestic industry.

Meanwhile, domestic tourism is of importance when it comes to the right to rest and leisure. Thus, domestic tourism is a suitable solution for rest on weekend days. Simultaneously, domestic tourism must be an affordable solution for people with below average-level incomes.

The development of the tourism sector is closely related to the country's degree of socio-economic development. Still, tourism, as a proxy for the degree to which the right to rest is respected, through its effects determines the ability of individuals for self-growth and their ability to reach their full potential. This in turn improves the economic and social state of the country.

4. Discussions

Increasing the quality of life must be the main objective of public governmental policies in the Republic of Moldova. Achieving this objective will be realised as a parameter that quantifies the degree to which economic and social rights are respected in the country. It will further serve as a premise for stimulating domestic demand for tourism.

Focusing specifically on governmental policy on tourism, it should realise the following objectives:

- financing the most ambitious marketing campaigns to attract visitors to the Republic of Moldova. To achieve this, both the government and the private sector must make financial contributions to these campaigns and jointly promote the tourism industry;
- increasing the number of the residents of the Republic of Moldova who spend their vacation within the country to match the number of residents who spend their vacation abroad every year. In this context, the role of the government is to create a suitable environment which will help the domestic tourism sector to develop;
- improving the productivity of the tourism sector in the Republic of Moldova.

Due to its nature, the tourism industry requires an unusually high level of cooperation between competing companies to carry out joint marketing campaigns for the promotion of tourism. However, there is a high level of market failure caused by the high proportion of SMEs in the sector and the *free-rider* behaviour of companies that are benefiting from shared (joint) marketing campaigns and do not participate in their financing. Consequently, the public sector must intervene.

The results represent an industry where destinations are not always effectively promoted and where long-term planning and investment are hampered by the risk of the public funding priorities term short-term changes. To improve this, in our opinion, it is necessary to:

- fix market failure by setting up tourist councils. These represent small partnerships between tourism companies, government, LPA authorities. The councils should be highly concentrated and functional, patronized by representatives of the tourism industry. The financing of the tourist councils should be achieved through joint long-term marketing campaigns;
- expand the tourist offers by creating alternative destinations that capture the touristic capacity and availability. These should include other parts of the Republic of Moldova that are not explored so far or that are insufficiently explored.

Consequently, the dependence of the tourism sector on taxpayer financing will be eventually reduced, the amount of money available for collective destination marketing will be increased. Hence, a new sustainable model of destination marketing and management will be created. This will represent an opportunity for a successful marketing campaign and will lead to an improved change in the way the tourism industry operates. Therefore, tourism will evolve as an independent and autonomous sector within the economy of the Republic of Moldova.

Conclusions

There is a large trade deficit in tourism in the Republic of Moldova (people travel much more abroad than in the country). This means there is a significant opportunity for economic growth offered by domestic tourism. The government must analyse and implement solutions to help the tourism sector realize its full potential.

The global increase of the visitors in the coming years will come from the middle classes from the newly emerging countries such as Brazil, Russia, India, and

China. Hence, it is reasonable for the government and economic agents to prepare to face this challenge in the tourism industry.

The need for government support for the tourism sector becomes even more critical today when this sector is severely affected by the coronavirus pandemic crisis (COVID-19).

In this context, based on international practices, the government and the tourism industry must focus their efforts on:

- lifting the travel restrictions and working with businesses to access liquidity, implementing new health protocols for safe travel and the diversification of their markets;
- restoring travellers' confidence and boosting demand with new secure offers from the tourism sector, visitor information applications, and campaigns to promote domestic tourism. This measure is particularly significant, as domestic tourism is expected to recover faster than inbound and outbound tourism. This can become the engine for the recovery of the entire industry;
- the preparation of comprehensive recovery plans for the tourism sector to rebuild destinations, encourage innovation and investment in the tourism sector.

These actions are essential; however, much more needs to be done in a coordinated way for a successful reopening of the tourism economy since tourism services are highly interdependent. The tourism industry and the government need to further strengthen their coordination mechanisms to accompany the industry and its employees.

References

1. Constituția Republicii Moldova nr. 01 din 29 iulie 1994. Disponibil pe: https://www.legis.md/cautare/getResults?doc_id=111918&lang=ro
2. Declarația universală a drepturilor omului, nr. 12 din 10 decembrie 1948. Disponibil pe: https://www.legis.md/cautare/getResults?doc_id=115540&lang=ro
3. Donnelly, J. (2003). *Universal human rights in theory and practice*, 2nd edn. Ithaca, NY: Cornell University Press.
4. Ioncica, Maria, *Economia serviciilor teorie si practica*, Ed. Uranus, București, 2003, p. 70.
5. Legea nr. 352 din 24.11.2006 cu privire la organizarea și desfășurarea activității turistice în Republica Moldova. Disponibil pe: https://www.legis.md/cautare/getResults?doc_id=121972&lang=ro
6. Pactul internațional cu privire la drepturile economice, sociale și culturale, nr. 19 din 16 decembrie 1966. Disponibil pe: https://www.legis.md/cautare/getResults?doc_id=115566&lang=ro
7. Proclamation of Teheran, Final Act of the International Conference on Human Rights, Teheran, 22 April to 13 May 1968, U.N. Doc. A/CONF. 32/41 at 3 (1968). Disponibil pe: https://legal.un.org/avl/pdf/ha/fatchr/Final_Act_of_TehranConf.pdf.
8. Rest periods: definitions and dimensions. ILO: Fact sheet. Disponibil pe: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_491374.pdf

9. Stanford Encyclopedia of Philosophy. 2019. Stanford University. Disponibil pe: <https://leibniz.stanford.edu/friends/preview/rights-human/>
10. The Travel & Tourism Competitiveness Report 2019: Travel and Tourism at a Tipping Point. World Economic Forum Geneva. ISBN-13: 978-2-940631-01-8. Disponibil pe: http://www3.weforum.org/docs/WEF_TTCR_2019.pdf
11. Tourism bill of rights and tourist code. Disponibil pe: <https://www.univeur.org/cuebc/downloads/PDF%20carte/67.%20Sofia.PDF>
12. Twiss, S. B. History, Human Rights, and Globalization. *Journal of Religious Ethics*, 2004, nr. 21/1, p. 39-70
13. Vašák, K. Human Rights: A Thirty-Year Struggle: the Sustained Efforts to give Force of law to the Universal Declaration of Human Rights. 1977. UNESCO Courier, nr. 11, p. 29-32
14. Statistica Grupului Băncii Mondiale „TCdata360”. Disponibil pe: <https://tcdata360.worldbank.org/>
15. Statistica privind Indicele Dezvoltării Umane. Disponibil pe: <http://hdr.undp.org/en/content/2019-human-development-index-ranking>
16. Statistica Formului economic mondial privind competitivitatea sectorului călătoriilor și turismului. Disponibil pe: <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/>

Table 1. The touristic activity of tourism agents and tour operators in the Republic of Moldova

	2015		2016		2017		2018		2019	
	turiști și excursioniști/ tussists and hikers	turiști-zile/ tourist-days	turiști și excursioniști/ tussists and hikers	turiști-zile/ tourist-days	turiști și excursioniști/ tussists and hikers	turiști-zile/ tourist-days	turiști și excursioniști/ tussists and hikers	turiști-zile/ tourist-days	turiști și excursioniști/ tussists and hikers	turiști-zile/ tourist-days
Total	242559	1688546	234217	1558192	284953	2046642	323468	2130052	376625	2408548
Turism receptor⁴/ inbound tourism, total	15514	44472	15668	46920	17497	55523	19276	58204	19848	60993
din care, în scop de: / of which, for the purpose of:										
- odihnă, recreere și agrement / rest, recreation	10097	22527	11454	28010	13706	35505	15835	40827	16928	43874
- afaceri și profesionale / business	4196	13123	3062	9438	3002	10392	2857	9781	2358	9967
- tratament / treatment	488	6609	606	7828	789	9626	584	7596	562	7152
- alte scopuri / other purposes	733	2213	546	1644						
Turism emițător⁵ / outbound tourism, total	189790	1338534	177252	1229335	229349	1713716	264055	1752066	310649	2035895
din care, în scop de: / of which, for the purpose of:										
- odihnă, recreere și agrement / rest,	188131	1326079	175364	1215872	226854	1698702	261262	1733236	305173	1989610

⁴ Receiving foreign citizens in the country

⁵ The movement of Moldovan residents abroad

recreation										
- afaceri și profesionale / business	676	3381	863	3118	1417	4084	1390	5417	1989	8140
- tratament / treatment	816	8193	1024	10335	1078	10930	1403	13413	3487	38145
- alte scopuri / other purposes	167	881	1	30						
Turism intern⁶ / domestic tourism	37255	305540	41297	281917	38107	277403	40137	319782	46128	311660

Sursa: elaborat de autor în baza informației Biroului Național de Statistică. Disponibil pe: [http://statbank.statistica.md/pxweb/pxweb/ro/40%20Statistica%20economica/40%20Statistic a%20economica__11%20TUR__TUR030/?rxid=b2ff27d7-ob96-43c9-934b-42e1a2a9a774](http://statbank.statistica.md/pxweb/pxweb/ro/40%20Statistica%20economica/40%20Statistic%20economica__11%20TUR__TUR030/?rxid=b2ff27d7-ob96-43c9-934b-42e1a2a9a774)

⁶ The movement of the residents of the Republic of Moldova inside the country, for tourist purposes