

## IMPROVING THE STANDARD OF LIVING IN THE REPUBLIC OF MOLDOVA BY ENHANCING PUBLIC ADMINISTRATION PERFORMANCE

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**Abstract:** The study is based on the analysis of the standard of living in the Republic of Moldova through the prism of enhancing public administration performance. Public administration plays a key role in improving the population's economic performance and living conditions. The paper highlights that economic growth is a crucial condition for improving living standards. Countries with a high economic potential provide their citizens with structural conditions that favor a high standard of living and a good quality of life. In Moldova, economic growth performance in recent years has been suboptimal, leading to a considerable decline in the standard of living for the population. This work aims to analyse the prospects for improving the standard of living of the population by improving the performance of public administrations. Various research methods were used to achieve this goal, including *quantitative and qualitative analysis of relevant documents and statistical data, synthesis method, comparative method, induction and deduction method, etc.* The status of a candidate country for EU accession, obtained by the Republic of Moldova in June 2022, obliges the government to undertake a series of measures to improve economic performance and the living conditions of its citizens. The modernization of public administration and the creation of the necessary capacity to effectively fulfil its role as a facilitator of economic development and the enhancement of the population's standard of living becomes a major condition. The administration is obliged to create the necessary conditions to ensure that each person has access to the goods and services of civilization.

**Keywords:** standard of living, public administration reform, governance indicators, Effectiveness of the Administration

JEL Classification: H41; I31.

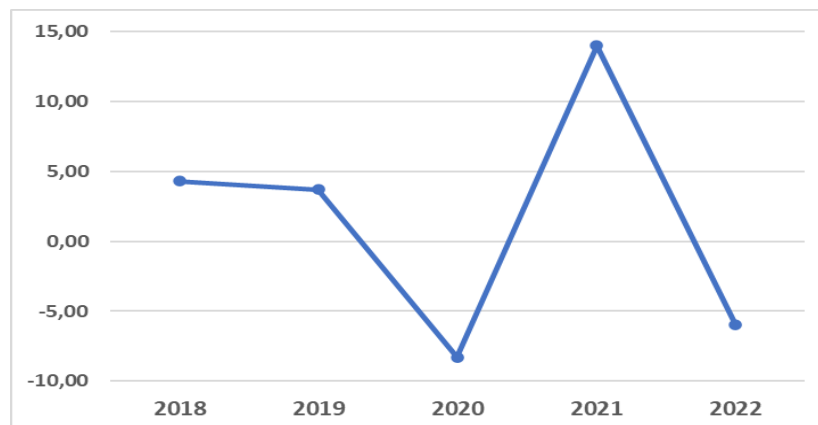
### Introduction

Enhancing the standard of living for citizens is a priority on the agenda of all democratic governments. To achieve this objective, public administrations aim to improve their performance, becoming stronger and more efficient. An efficient public administration guarantees a decent standard of living and an improvement in the quality of life, as its objectives and actions focus on the individual and their aspirations for well-being.

Most often, discussions regarding the standard of living for citizens consider economic performance and its indicators, such as national income, gross domestic product, national economic growth, and economic stability, etc. Beyond these, social, political, security, and other factors are of major importance, including life expectancy, overall and infant mortality rates, political stability, political and religious freedom, environmental quality, climate, and safety.

The standard of living is often used to compare different geographical areas, such as the standard of living in the Republic of Moldova and Romania or the standard of living in the capital versus rural communities. At the same time, the standard of living can be used to compare measurements over time within the same geographical area. For example, compared to a century ago, the standard of living in European Union countries has significantly improved. Over time, specialists from various fields have determined a series of objective indicators that can be used for accurate measurements and evaluation of the standard of living and the quality of life for citizens. Furthermore, an increasing number of studies conducted by experts consider people's perceptions of their standard of living, with the satisfaction with the standard of living being a key indicator. Elements such as health, social participation, occupation type, etc., can significantly influence satisfaction with the standard of living. All of these efforts share a single purpose - to identify optimal solutions for increasing citizens' living standards. Moreover, the results based on objective and subjective indicators are relevant to the public policy developed by public administration authorities. Administrations must decisively contribute to improving living conditions to achieve the standards of civilization. Their main obligation is to ensure, in addition to the right to income (salary, pension, etc.), access to the goods and services of civilization: education services, healthcare, cultural services, access to modern technology, transportation means, services from service enterprises, etc.

**Research results and comments.** To ensure an increase in the standard of living and quality of life, the state administration must achieve strong economic performance. The standard of living and the well-being of people depend primarily on the country's economic potential and national income. Countries with high economic potential provide their citizens with structural conditions that favor a good quality of life on an individual level. Moldova's economic growth performance has been suboptimal in recent years. Against the backdrop of the devastating economic consequences caused by the banking fraud, in 2018, Moldova is experiencing real economic growth of 4.3%, and 3.7% in 2019. In 2020, being severely affected by the Coronavirus pandemic and severe drought, the country's economy once again registered a decline. This was followed by a favorable economic growth of 14% in 2021, marking the highest growth since independence. In 2022, a new profound economic decline was caused by the war in Ukraine and the serious effects of the energy crisis. [5, p.9]



**Figure1. GDP growth, 2018-2022 (annual %)**

Source: developed by the author based on European Bank for Reconstruction and Development

Official data presented by public authorities reflect an extremely low standard of living for the population of the Republic of Moldova. Unfortunately, incomes, which represent the basis of human sustenance, do not provide citizens with a comfortable living in Moldova. Low income levels and increased poverty risks result from limited economic opportunities.

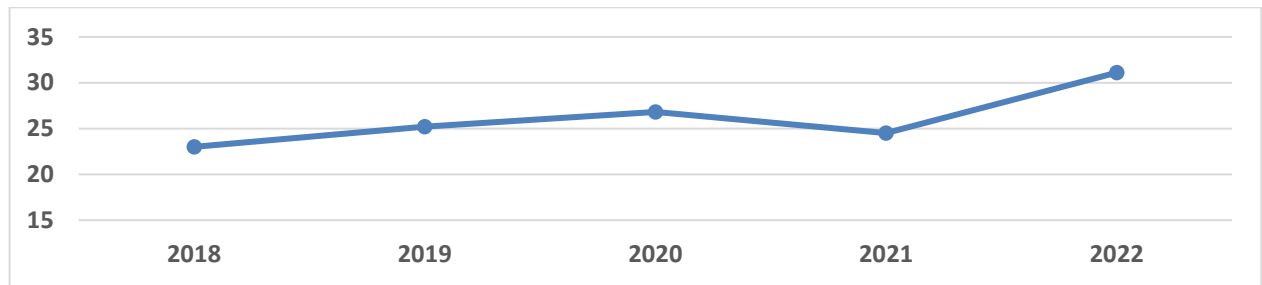
**Tabelul 1. The disposable incomes of the population, 2016-2022**

	2016	2017	2018	2019	2020	2021	2022
<b>Average disposable incomes per person, MDL</b>	2060,0	2244,9	2383,1	2880,6	3096,6	3510	4252,7
<b>Nominal increase in% compared to the previous year</b>	5,3	9,0	6,2	20,9	7,5	13,4	21,2
<b>Real increase in% compared to the previous year</b>	1	2,2	3,1	15,3	3,6	7,8	-5,9

Source: developed by the author based on National Bureau of Statistics

Over time, the average disposable income of the population has steadily increased, although the real growth has been very modest, except for 2019 when it saw growth of over 15%. In 2022, on the contrary, population incomes decreased by 5.9%. Despite economic performance over the past two decades, Moldova has not achieved the aspiration of faster convergence with EU income levels, with the population's incomes remaining the lowest in Europe.

Poverty is an extreme form of economic insecurity that reflects the failures of market mechanisms and social protection. The poverty rate has consistently increased in the Republic of Moldova over the last five years, except for 2021 when poverty decreased by 2.3%. The severe price increases that occurred in 2022 led to the highest increase in the poverty rate in decades, by 6.6%. [2] In rural areas, the risk of extreme poverty is four times higher than in urban areas. Although rural areas are much more affected by poverty, poverty rates have increased more in urban areas than in rural ones.



**Figure 2. Absolute poverty rate, 2018-2022 (%)**

Source: developed by the author based on National Bureau of Statistics

Among the measures taken by the state administration to reduce poverty are the increase in the minimum wage to 4,000 lei for a full-time program, starting on January 1, 2023, the increase in the proportion of pensioners receiving pensions to 94.6% of the total number of elderly people, improving social protection for families raising children and individuals with disabilities, and providing support to the population during the cold season. The budget allocated to the Energy Vulnerability Reduction Fund in the previous heating season amounted to nearly 6 billion MDL.

An analysis conducted by international organizations such as the World Bank, United Nations Development Programme, Social Progress Imperative, etc. reveals that the population's standard of living in Moldova remains low, despite some notable improvements in certain areas, which, however, have not been able to significantly increase the overall standard of living.

Improving the standard of living can only be achieved in the presence of a professional, efficient, responsible, and transparent public administration at all levels. However, public administration in the Republic of Moldova continues to face a high degree of politicization, a lack of appreciation for public policy analysis, an exaggerated emphasis on procedures at the expense of content, a lack of prioritization, and budget resources allocated without performance criteria, as well as outdated control systems for managing human resources and budgets. The reduced effectiveness and efficiency of public administration are also due to capacity-building policies that have had a limited impact on the public administration system.

Evaluating performance and efficiency in the public sector, in general, is challenging, sometimes due to the inability to quantify outputs, imprecise and unclear objective formulation, and somewhat arbitrary criteria selection, etc. While the efficiency of economic effects can be quantifiable, the efficiency of social effects is not. The population's **satisfaction level and trust** in state administration and its institutions are used to assess the efficiency of public administration and its social effects. Increasing the satisfaction level and restoring citizens' trust in public administration is extremely important, especially considering that according to the Public Opinion Barometer, from 2005 to 2020, trust in central authorities experienced a declining trend. The lowest level was reached in 2015-2016, amid the 2015 political crisis and the limited impact of reforms undertaken by public institutions over the years. Justice is still perceived as the most corrupt state authority and inefficient in protecting people's interests, which is why citizens have the least trust in the judiciary. [1]

Public administration performance is also evaluated through Worldwide governance indicators (WGI), calculated by the World Bank since 1996, particularly in three relevant dimensions: administrative effectiveness, regulatory quality, participation, and accountability. The estimated values of these indicators can range from (-2.5 to +2.5). [8]

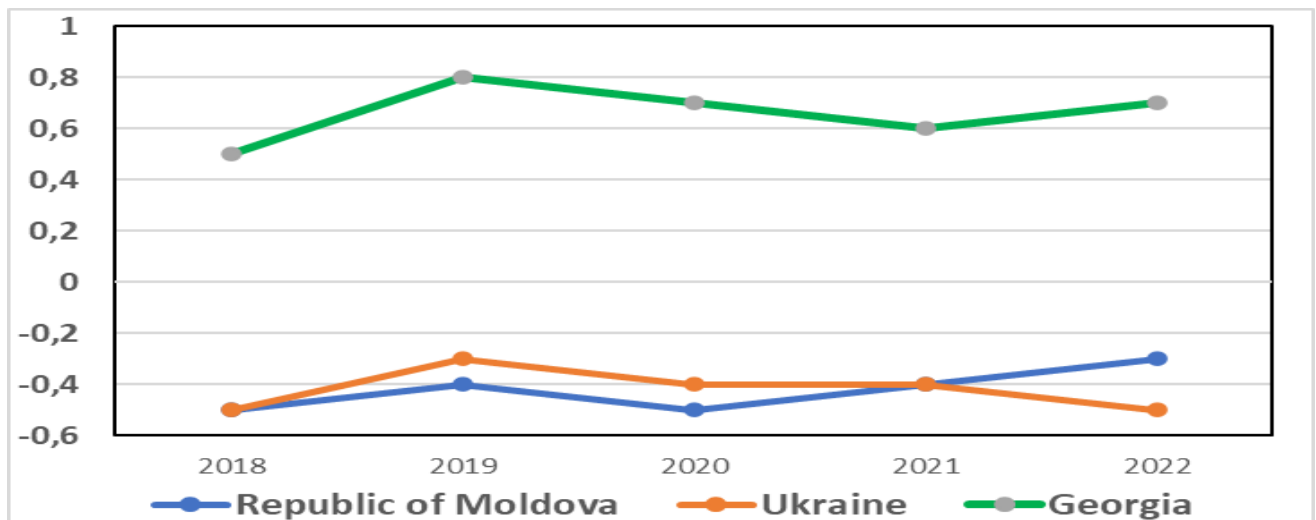
**Tabelul 2. Worldwide Governance Indicators, Republic of Moldova, 2018-2022**

Indicators	2018	2019	2020	2021	2022
Government Effectiveness: Estimate	-0.5	-0.4	-0.5	-0.4	-0.3
Regulatory Quality: Estimate	0.0	0.0	0.0	0.0	0.1
Voice and Accountability: Estimate	-0,1	-0,1	0,0	0,0	0,1

Source: developed by the author based on World Bank data

From the presented data, we can observe that our country has extremely poor results in all three dimensions, with a slight improvement in recent years.

As Moldova, along with Ukraine and Georgia, has obtained the status of a candidate country for EU accession, the comparison of results with these two countries is worth noting.

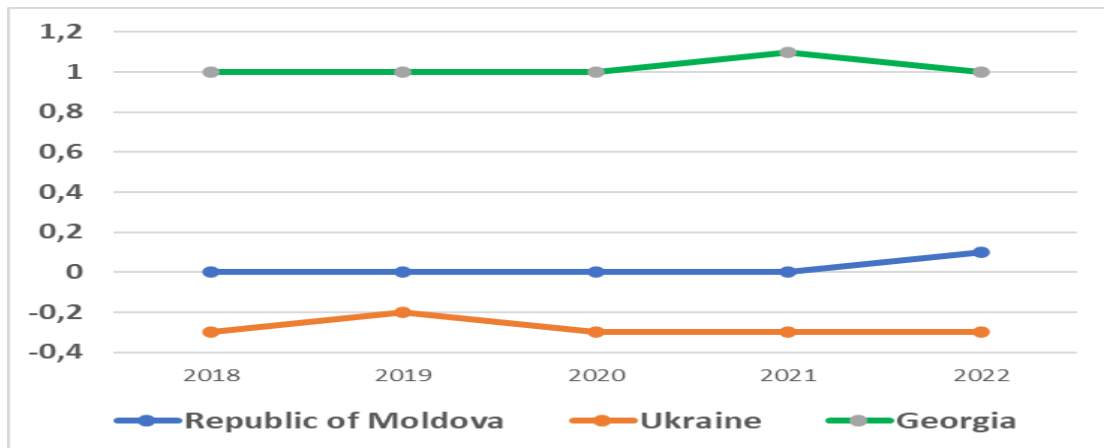


**Figure 3. The Administrative Efficiency indicator of Worldwide Governance, 2018-2022**

Source: developed by the author based on World Bank data

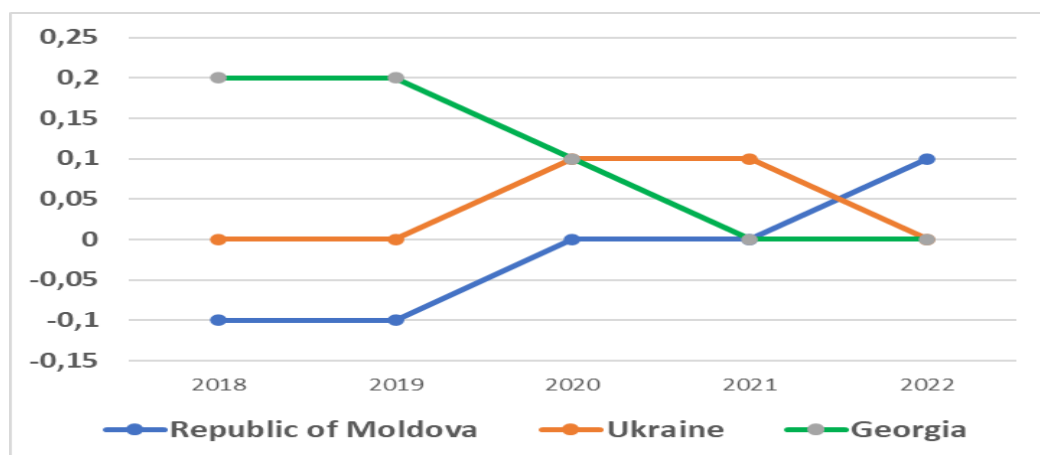
From Figure 3 we can see that on the Administrative Efficiency dimension Moldova is ranked the worst, except for the year 2022. The reason for Ukraine's lower score is obviously due to the war with Russia.

Only on the Regulatory Quality dimension, Moldova ranks better than Ukraine.



**Figure 4. The indicator Regulatory Quality of Worldwide Governance, 2018-2022**  
Source: developed by the author based on World Bank data

The third dimension, Voice and Accountability, also reflects an extremely weak positioning of our country compared to the other two candidate countries. However, we can see that in 2022 Moldova performs better than Ukraine and Georgia.



**Figure 5. The indicator Voice and Accountability of Worldwide Governance, 2018-2022**  
Source: developed by the author based on World Bank data

Analyzing the Worldwide Governance Indicators presented in Figures 3, 4 and 5, we can observe that our country is in the worst situation, with few exceptions. The most significant deficiencies are in the key dimension - *Administrative Effectiveness*, for which the gaps compared to the mentioned countries are indisputable, especially in comparison to Georgia, with Ukraine facing a development stagnation due to the war initiated by Russia in February 2022. In this context, the severity of our state's situation becomes even more evident.

The ex-post evaluation report of the Public Administration Reform Strategy for 2016-2020 highlights certain progress made during the reference period, but these are still too modest and unstable. At the same time, the report identifies several issues faced by public administration that need to be addressed through rapid implementation of reforms, especially if we desire a faster integration into the European community.

The most acute problem is the limited administrative capacity, driven by low attractiveness, low remuneration, an inefficient system of recruitment, promotion, and evaluation of public servants, political pressures, as well as extremely low economic and social development levels, regional disparities, etc. evident. [4, p.12]

In order to address the issues faced by public administration and improve its performance, authorities aim to intervene transparently and efficiently in all areas of development, using modern technologies and innovative services that comply with European integration requirements through an impartial, professional, and responsible administrative process. These objectives are included in the content of the legal acts underlying the public administration reform, initiated this year. At the same time, to strengthen the central public administration's capacities to meet the requirements of the candidate country status for EU accession, at the request of the Government and with the assistance of the European Union Delegation and OECD/SIGMA (Support for Improvement in Governance and Management), a partial evaluation of the central public administration of the Republic of Moldova has been launched from March to July 2022, through functional analysis focusing on the assessment of the central public administration's capacity to formulate public policies. This process will be generalized through a comprehensive evaluation in 2023, also with technical assistance from OECD/SIGMA. [7, p.16]

Improving the performance of public administration is a major objective for every democratic state, based on arguments that aim to rationalize the activities of public administration and create the necessary capacity for it to effectively fulfill its role as a facilitator of socioeconomic development and provider of quality public services. Furthermore, the National Development Strategy "European Moldova 2030" states that "the development objectives set are derived from the modern concept of quality of life and the major issues identified at the national level. In the context of Moldova's development, the most important dimensions of quality of life are: income, living conditions, education, culture, health, social solidarity, respect for human rights, trust in government, trust in justice, human security, and environmental quality." [6, p.4] At the same time, the status of a candidate country for European Union accession, obtained by the Republic of Moldova in June 2022, obliges the administration to align with the values and principles of the European administrative space, compelling the government to undertake a series of measures to improve economic performance and the living conditions of its citizens.

In line with the imperative of European integration, directly expressed through the implementation of the Association Agreement between the Republic of Moldova, on the one hand, and the European Union and the European Atomic Energy Community and their Member States, on the other hand, the "European Moldova 2030" Strategy adopts the concept used by European Union countries to measure the quality of life for people across ten dimensions, *with the strategic goal of enhancing the quality of life*. [6, p.5]

One of the nine commitments our country must fulfill to join the European Community is the reform of public administration and public services. Modernizing public administration and improving

governance quality, revising the institutional framework of central public administration, developing e-services, and enhancing local public administration are among our country's major tasks to join the European Community. In this context, the executive authorities of the state have proposed initiating an extensive reform of public administration tailored to modern visions, population demands, and the current socioeconomic context of the Republic of Moldova. The Strategy for Public Administration Reform in the Republic of Moldova for the years 2023 - 2030, recently adopted by the government, represents the new vision for transforming central and local public administration in the context of EU integration and the new socioeconomic realities. Thus, the need for a comprehensive reform of public administration arises from its challenges. The current public administration system is characterized by numerous structural problems, which can negatively affect the next period.

Starting from when it took office in 2021, the current administration announced an ambitious reform program to be implemented gradually. In the first stage, the Government set four lines of action:

1. Managing the health crisis caused by the COVID-19 pandemic;
2. Launching the justice and anti-corruption reform package;
3. **Increasing the population's income and social protection for vulnerable groups;**
4. Restoring external financing.

In the next stage, the government focused its efforts on structural medium and long-term aspects covering almost all sectors. These refer to: *low governance quality, corruption, conflicts of interest, the rule of law, and state administration; poverty, inequality, and socioeconomic vulnerability; the small number of well-paid jobs; underdeveloped infrastructure; vulnerability to climate change; environmental degradation, water resource pollution, forest management; an education system insufficiently adapted to society's needs; poor population health; a high rate of accidents and crime; vulnerability to threats and security risks for the state.* [3, p.26]

The Strategy for Public Administration Reform in the Republic of Moldova for the years 2023 - 2030 sets as a **vision**: *an efficient, transparent, and responsible central and local public administration, capable of continuous improvement, offering accessible and quality services to the citizens and the business environment of the Moldova, thus contributing to the society's well-being and social cohesion.* The goal of the reform is that *by the end of 2030, the Republic of Moldova will have a central and local public administration capable of providing conditions for the country's sustainable development, with a high level of integrity and competence, to (a) efficiently manage and deliver quality public services through professionalization and stability, simplification and rationalization, predictability, and coordination; (b) gain the respect and trust of citizens through honesty, transparency, and responsibility, accessibility, and openness; (c) strengthen its capacity to substantiate and implement public policies so that it can respond to the challenges raised by the EU accession process.* [7, p.54]

The impact of the Strategy, first and foremost, will be the improvement of governance quality, the capacity of public authorities to define and implement effective and efficient public policies, which



will be reflected in stimulating economic growth, local and regional economic development, reducing administrative compliance costs for businesses and citizens, and increasing the quality and access to essential public services.

Therefore, *the public administration reform strategy aims to enhance the performance of the administration, capable of providing conditions for sustainable societal development and improving the standard of living for its citizens.*

Among the priorities of public administration reform is the administrative-territorial reorganization by creating 10 regions/districts based on the 36 level II districts of local public authorities. The consequences of this reorganization will lead to increased management and development capacities at the local level and administrative efficiency through the reduction of costs of local public administration. This will also result in increased revenue from new taxes and levies, an increase in high-quality human resources and better technical resources. Simultaneously, it is anticipated that this will lead to increased foreign investments with higher added value due to a high absorption rate of international donor funds, especially EU pre-accession funds, which the Moldova could access from 2024. These actions will ultimately have a favorable impact and contribute to an increase in the standard of living for the population.

To ensure social and economic development and reduce regional disparities, which is one of our administration's most challenging tasks, authorities should aim to align national public development policies with European regional development policies. Regional development is a significant objective of the EU to prevent regional disparities caused by being part of a single market without protectionist barriers. Since disparities can lead to political, social, and economic instabilities, the EU provides cohesion funds to reduce these disparities, primarily measured by differences in GDP per capita. Funded programs are designed to increase the population's income in regions with below-average incomes, mainly by increasing employment rates. More than one-third of the EU budget is dedicated to this policy.”

## **Conclusions**

Public administration plays a key role in improving citizens' economic performance and living conditions. The population's standard of living is directly dependent on the policies promoted by the administration. Beyond the administration's obligation to create the necessary conditions for every individual to have the right to obtain the income needed for a human livelihood, it is tasked with ensuring everyone's access to the goods and services of civilization. Until 2020, public administration recorded modest performance and failed to provide its citizens with the conditions for a decent life. It is only in 2021 that a certain improvement in our country's performance in public administration efficiency may be observed. Some indicators, such as the Quality of Regulation, reflect a more favorable state in the field, but others, such as the Effectiveness of the Administration, show insignificant progress. In this context, an important role in increasing the performance of the public sector and the quality of public services, decisive for increasing the standard of living of citizens,

belongs to the reform of the central and local public administration. The strategy for public administration reform for 2023–2030 aims to significantly enhance the quality of public administration at all levels following the European Union standards.

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