

Republic of Moldova

**Center for Strategic Studies and Reforms
(UNDP/WB Project “Strategy for Development”)**

**Impediments to Development
of Private Farming Enterprises
and Related Small
Rural Business
in the Republic of Moldova**

Findings of the study

Chişinău, August-September, 1999

TABLE OF CONTENTS

INTRODUCTION.....	4
A. OPINION POLL	
1. GENERAL EVALUATION OF PROJECTED AND ACTUAL IMPEDIMENTS OF FARMERS AND RURAL ENTREPRENEURS	6
1.1 Evaluation of projected difficulties.....	6
1.2 Interrelation between projected and actual difficulties.....	7
1.3 Evaluation of impediments to private farming enterprises and rural business	8
2. EVALUATION OF CURRENT LEGISLATION	10
2.1 Legislation: assisting or impeding?	11
2.2 Reasons for negative attitude towards current legislation.....	12
3. LAWS, REGULATIONS AND ADMINISTRATIVE IMPEDIMENTS	15
3.1 Assistance of three levels of administration.....	15
3.2 Enterprise registration.....	17
4. DIFFICULTIES IN PRODUCTION SPHERE.....	20
4.1 Provision of equipment.....	20
4.2 Impediments to machinery and equipment purchase.....	20
4.3 Factors impeding production.....	21
5. DIFFICULTIES OF THE MARKET.....	23
5.1 Problems of products sale.....	23
5.2 Problems related to transportation/sale of products in the territory of Moldova.....	25
5.3 Problems related to laying-in of agricultural products	26
5.4 Problems related to products export	27
6. DIFFICULTIES CREATED BY CONTROLLING BODIES.....	28
7. FINANCIAL DIFFICULTIES	30
7.1 Credit policy.....	31
7. 2 Problems related to financial legislation	32
8. INFORMATION DIFFICULTIES.....	32
9. GOVERNMENT AND PROBLEMS OF FARMERS AND RURAL ENTREPRENEURS.....	34
10. SOCIAL PROFILE OF FARMERS AND RURAL ENTREPRENEURS.....	39

11. MAYORS, COUNSELORS AND OTHER REPRESENTATIVES OF PUBLIC ADMINISTRATION ON IMPEDIMENTS TO FARMERS AND SMALL RURAL BUSINESS	46
11.1 Local administration on impediments to farmers and small-scale rural business	46
11.2 Forms of support of farmers and entrepreneurs	47
11.3 Ways of support of farmers and entrepreneurs	48
11.4 Rights of local administration	49
11.5 Awareness of local administration about legislation.....	49
12. ANNEXES. Statistical Data on the Poll Results.....	52

Map and List of Localities Covered by the Opinion Poll

B. LEGAL BASIS

13. THE LEGAL BASIS REGARDING THE RURAL ENTERPRISE DEVELOPMENT	102
13.1 Enterprise registration.....	102
13.2. Organizational-legal forms of the enterprises.....	104
13.3. Licensing and other state authorizations of entrepreneurship.....	105
13.4. Import and export of agricultural products.....	106
13.5. Legalizing the property right on assets and privatized land areas.....	106
13.6. State control upon entrepreneurial activities.....	106
13.7. Land market (lease and other civil transactions with land plots).....	107

C. ECONOMIC FRAMEWORK

14. GENERAL OVERVIEW ON THE LAND REFORM EVOLUTION IN THE REPUBLIC OF MOLDOVA.....	108
14.1. Privatization of agri-industrial property.....	111
14.2. Changing the organizational forms in agriculture.....	112
14.3. Regulations and considerations related to market relations mechanism.....	115
14.4. Conclusions.....	119

RESEARCH TEAM.....121

INTRODUCTION

Opinion poll on the “Impediments to Development of Private Farming and the Related Small Rural Business” was carried out by the non-governmental organizations – Center for Strategic Studies and Reforms (Moldova) and CARANA Corporation (USA).

The objectives of this survey were to reveal bottlenecks of development of the private rural economy, to improve its legal foundations as well as the regulatory instruments and management of private agriculture in Moldova. One of the aims of the poll was to reveal the key determinants for the exit of the Moldovan agriculture out of crisis, as well as the importance of the individual impediments in the whole complex of bottlenecks to development of agriculture.

With this aim, social characteristics of seven impediments have been examined: (i) legislative and regulatory, (ii) administrative, (iii) production, (iv) market development, (v) control, (vi) financial, and (vii) of information nature. The following problem has systematically appeared in the course of the study of all these problems – the insufficiency of information on the nature and the tendency of changes in the impediments that hamper development of rural business and private farming in Moldova.

The object of the study (groups of respondents). The study covers rural business sector comprised of private farming enterprises and small businesses serving them. The first group of interviewed individuals are two types of private farmers: (i) those who left the collective farms prior to the “Land” Project (in the poll they are called “peasant farmers” or “private farmers”). They are characterized by owning an individual farm; there can be more than one owner, but as a rule the co-owners are close relatives – spouses and children. In other words, the subject of the study is the family form of ownership and business; (ii) private farmers who have emerged in the first wave of the 72 farms restructured under the “Land” Project. Upon mutual agreements they do business jointly with a group of other individual farmers. Having their own plot of land, they can lease land from other individual owners. For the purpose of our study they are called “farmer-leaders”, the name given to them in the “Land Project”.

The third group of interviewed individuals was comprised of owners of small enterprises providing services related to delivery, product distribution, technical, agrochemical and other types of agri-services.

Finally, the fourth group was comprised of mayors and counsellors of the local councils of communities and villages. They were interviewed in order to determine the impact exerted by organs of local administration on agricultural business.

Methodology of the study. The study covered businessmen and farmers of three regions of the country – Northern, Central and Southern. The following judetses (districts) were selected in these regions: Edinets and Soroca judetses in the North, Ungheni, Chisinau, Orhei and Lapushna in the Center, and Cahul and Tighina in the South. The poll was carried out in 123 settlements. The number of respondents is consistent with the share of geographical zones in the total population of Moldova. The scheme of the poll in judetses and villages is attached.

Selection of respondents. The poll has covered 530 respondents. It was performed by interviewers selected by CISR jointly with the staff of the regional agencies of the “Land” Project. The participation in the poll was absolutely free and the language of questionnaire and reply was chosen by the respondent.

Also the field survey was arranged and carried out with the aim to reveal impediments to rural private business development. Opinions and evaluations of respondents were obtained in the course of an interview carried out in accordance with three types of questionnaires:

- for peasant farmers and farmer-leaders –a general one;
- for rural entrepreneurs;
- for mayors and counsellors of commune and village councils.

Impediments of social nature have been studied with the help of questions and responses to them. Besides closed questions, the questionnaires contained a large number of open questions. They helped to obtain a more comprehensive picture of the issues under consideration. The content of the questionnaire, its reliability and the level of its understanding by respondents was tested, prior to the main poll, in a pilot one (carried out in villages of Telesheu, Orhei judets and Budeshti, Chisinau judets). Based on the results of the pilot poll, adjustments were introduced in the initial version of the questionnaire.

Measuring procedures used in the study were the following:

(i) calculation of percentages of responses and (ii) calculation of the respective indices. The use of one consolidated indicator of opinions and evaluations allows to present our statistical results in a more compact way. Indices interpretations are as follows: +1.00 (maximum positive score of satisfaction, frequency, etc.), 0.00 – neutral (equal number of positive and negative responses) and -1.00 is the highest negative score. The closer the index is to +1, the more positive the indicator is, and *vice versa*, the closer it is to -1, the more negative the indicator is. The formula used for indicator calculation is as follows:

$$I = a-c/a+b+c,$$

where a – is the number of positive responses, b – of the neutral and c – of the negative ones.

The study is of a diagnostic nature with explorative factors, *i.e.* the aim of the study was not only the evaluation of known social indicators of the problem under consideration, but also the search for new indicators, for which open questions have been used.

Interviewers. Interviews were carried out by specially selected and trained 40 interviewers. Requirements to their age and education was meant to ensure non-biased results of the poll. A random check of questionnaire filling quality was carried out.

Processing of empirical materials. Processing was based on standard SPSS program. Certain problems arose with coding of open questions. Current legislative awareness of respondents has had a regular impact on the form of replies to open questions. Legislative topic was primarily approached by respondents and interviewers in relation to the specific object a given piece of legislation related to. Hence, the law in question is reflected in the response only indirectly.

The working group that carried the poll was comprised of: **A. Gudym, S. Helmstadter, V. Tsurcan, V. Myndru, L. Caraschuc, L. Mocreac, A. Pripa, A. Bucatca, G. Muntean, A. Munteanu, S. Profir and P. Popescu.**

In line with the opinion poll, CISR assessed the legal foundations for the development of private farming and small agricultural businesses (**A. Bogos**), as well as the overall results of the agrarian reform under implementation (**S. Chertan**). This contributed to a more comprehensive understanding of the processes that are presently taking place in the key sector of the national economy of the Republic of Moldova.

The poll was carried out with the financial support of USAID/“Land” Project/Center for Private Business Reform.

1. General evaluation of projected and actual impediments of farmers and rural entrepreneurs

1.1 Evaluation of projected difficulties

Evaluation of projected difficulties is an important step in the course of studying how well farmers and entrepreneurs are ready to interrelate with their milieu, such as regulations, financial possibilities of their own and of the state, banks' and others. The subject forms the image of projected impediments that might be met in the course of achieving his/her aim under the influence of the environment and is aimed at the main aim achieving.

The image of projected difficulties precedes the action and reflects both life experience and objective opportunities. In the course of the last decade of years both of them changed dramatically. Especially the external environment, *i.e.* financial opportunities, prices, market, etc.

Comparative analysis of images of projected difficulties in three groups of respondents makes it possible to name both common and specific moments in their content and selection.

Entrepreneurs

Expected difficulties	Frequency	%	Rate
Financial	164	49.1	1
Technical	69	20.6	2
Market	51	15.3	3
Legislative and regulatory	44	13.1	4
Political	6	1.9	5
Total	334	100. 0	

Distribution of projected difficulties in the evaluation of entrepreneurs reflects obvious apprehension to face the problem of lack of money (49.1 %). The second rank the expected problems related to purchase of equipment, machinery, etc. (20.6%). Market difficulties is something new for our producer, but their evaluation ranks below the previous two. 15.3% of respondents are concerned about future sale of their products, market instability and about low prices for agricultural products. The "leading" group of projected difficulties is closed by difficulties of legislative and regulatory character (13.1%). This group includes instructions regulating relations between economic entities and tax authorities, bureaucracy, corruption, lack of mechanism of producers protection, etc. It is also possible to mark out concern about "frequent changes of legislation" (3.6 %) and others.

Farmer-leaders

Expected difficulties	Frequency	%	Rate
Technical (provision of fuel, fertilizers, energy, means of transportation and etc.)	37	39. 3	1
Legislative and regulatory (stability of legislation, procedures, agricultural sector protection)	32	33. 4	2
Financial (payment of taxes, debts, fees, reduction of taxes, credits)	14	14. 8	4
Market (competition, instability of prices, and etc.)	12	12. 5	3
Total	95	100. 0	

“Leading group” of farmer-leaders consists of two impediments – technical and legislative- regulatory. These two are the most “expected” impediments by leaders. At the same time concern about impediments of technical character is estimated a little higher than of legislative and regulatory character (39.3 % and 33.4 % respectively).

It is absolutely obvious that different types of activity of both groups is the reason for evident differences in the sphere of expected impediments.

For an entrepreneur the most important is money and finances. Entrepreneur is an intermediary who starts and completes his activity by purchase. The object of work of a farmer is different - land. He has it already. It is typical, that nobody is concerned about not having land. The problem is how to process it. And this quite another matter - of machinery, equipment, energy supply, fertilizers, etc. 39.3 % of farmer-leaders expressed their concern about equipment availability. In comparison with entrepreneurs farmer-leaders are more concerned about stability of laws and protection of agricultural sector (33.4 % versus 13.1%).

Market caused less concerns at the stage of impediments projection. Its share is almost the same in both groups. Probably due to their novelty market problems were not entirely comprehended. Awareness of these problems will come later. The weight of the problem is more noticeable, though its rate related to other concerns will remain practically the same.

1.2 Interrelation between projected and actual difficulties

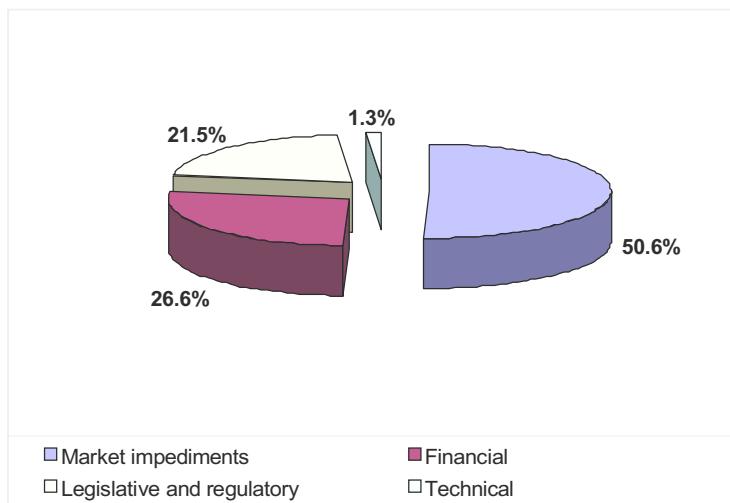
We are interested only in one aspect of comparison between projected and actual image of difficulties, that is how much they coincide. Level of coincidence testifies to higher or lower preciseness of the projection and shows whether it is excessive or insufficient.

Responses show that on the whole concerns of both entrepreneurs and farmers are not in vain. Thus, concerns of 73.1% of all respondents came true, and concerns of only 18.1% did not.

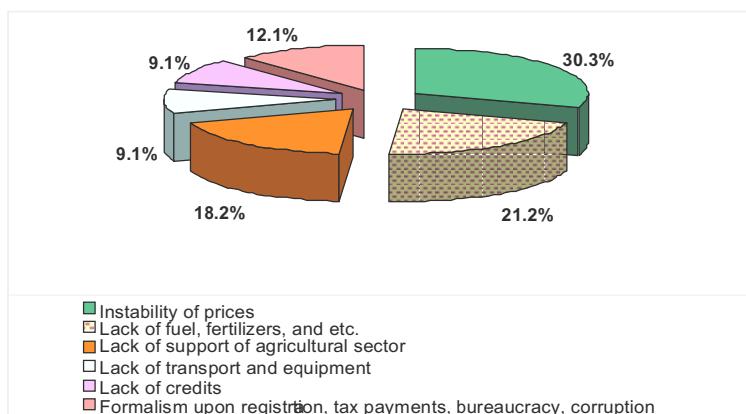
Forecasts of Peasant farmers were more realistic (78.1%). They are followed by entrepreneurs (70.1 %). The group is closed by farmer-leaders. Projected image of future difficulties of leaders coincided with reality by 65.6 %. This could happen for one of two reasons, either projection was too pessimistic, or they were assisted in the course of project implementation. In this case the share of projection and reality coincidence will be lower. Taking into consideration participation of this group of farmers in “Land” project we can assume that it was the second reason.

What difficulties have actually come true?

Entrepreneurs. The following concerns have come true:



Farmer-leaders



1.3 Evaluation of impediments to private farming enterprises and rural business

Comparative analysis of projected and actual impediments to development of private farming and agricultural enterprises demonstrates certain gap between them. But this information is obviously insufficient for taking organizational measures aimed at impairing negative impact of actual impediments, since the scale of each impediment remains unknown.

Further analysis of actual impediments is carried out in two directions.

First, we shall provide a comparative analysis of the whole group of impediments. Such procedure of their presentation makes it possible to have better picture of each impediment in comparison with the others. For more clear comparative results, procedure of comparison will be carried out on the basis of indexes (see Introduction).

The next aspect of analysis will be a continuous analysis of impediments separately of each other.

Comparative analysis of actual impediments have been commenced from drawing up an “evaluation chart” of each element in the whole sample and for each group of respondents separately.

Chart of evaluation indexes of seven impediments

	Total sample		Social groups					
	Index	R a n k	Entrepreneurs		Farmer-leaders		Peasant farmers	
			Index	R a n k	Index	R a n k	Index	R a n k
Administrative	-0.49	1	-0.58		-0.29		-0.46	
Technical	-0.42	2	-0.13		-0.28		-0.72	
Legislative	-0.41	3	-0.51		-0.39		-0.32	
Financial	-0.38	4	-0.31		-0.47		-0.42	
Control	-0.35	5	-0.46		-0.45		-0.02	
Information	-0.34	6	-0.35		-0.09		-0.39	
Market	-0.31	7	-0.20		-0.41		-0.39	

Entrepreneurs and farmers refer all seven elements of production sphere to impediments of rural business activity development. Evaluation index of all elements is in the negative field within the range from – 0.31 to – 0.49. Though the situation is not disastrous, we can see domination of negative evaluation of the situation.

Two issues attract attention. The first one is that among three “leaders” of negative evaluations we can see two elements referring to regulatory aspects of support of entrepreneurs and farmers activity. These are administrative and legislative impediments. Their evaluation index is –0.49 and –0.41. Administrative impediments rank first (71.2%) among all the respondents. At the same time it is obvious, that no substantial financial resources are needed to impair the negative impact of regulatory and legislative impediments. It is only necessary to improve the system of administrative and legislative regulation.

The second issue that attracted our attention was the fact that reduction of negative impact of only one of three elements requires substantial financial investment. It is technical impediment. 70.6% of all respondents face problems related to lack of machinery and equipment.

Differences in the types of activity, *i.e.* agricultural production (farmers) and provision of services (entrepreneurs) on the one hand, and differences in business organization (farmer-leaders and Peasant farmers) on the other hand brings serious difference of elements with regard to each particular impediment. For instance, administrative impediments rank first in the responses of entrepreneurs and their index is – 0.58. This figure

is higher than the average one in the whole sample of responses. The same impediment ranks second in the responses of Peasant farmers - 0.46. Relatively higher support (32.8 %) administration provides to farmer -leaders (in comparison with other groups) , which ranks fifth, index – 0.29, entrepreneurs – 16.4 % and Peasant farmers - 24.8%.

Farmers find themselves “closer” to the Mayor’s offices, that is why this indicator is higher. It is remarkable that a farmer -leader has more chances (by 8%) to get assistance from administration than an Peasant farmer.

Leaders are better equipped in comparison with peasant farmers: index of – 0.28 versus - 0.72. 36.1 % of farmer -leaders believe that they have enough equipment, whereas among peasant farmers only 13.6% think so.

On the other hand, the share of excessive control of farmer -leaders is much higher than of Peasant farmers. Indexes amount to –0.45 and –0.02 respectively. Thus, the share of excessive control of the first group amounts to 72.6 %, and of the second one to 49.3 %. It is still high, but nevertheless twice as low. Farmer -leaders suffer from excessive control almost in the same way as entrepreneurs! This fact has been stated by 72.6% of farmer -leaders and 72.2% of entrepreneurs.

Entrepreneurs are less concerned about market impediments than farmers: -0.20 and – 0.41 and –0.39 (farmer-leaders and peasant farmers). The latter face almost the same problems with the market - both are not doing well. However, life of the leader is still a little more problematic.

As it was expected, everyone is concerned about financial impediments. However, we can see differences there as well. 64.7 % of entrepreneurs and 70.6% of peasant farmers are concerned about them. But farmer -leaders are concerned about overcoming financial difficulties most of all (73.8%).

Overcoming of information impediments ranks 7th among all other problems, index is - 0.09 (47.5 %). Information impediments faced by entrepreneurs and Peasant farmers expressed in percentage form is higher – 59.7 % and 65.4 %.

In conclusion of this part we can say that together with the demand “More money and credits!” other demands should be also put forward, such as “Better functioning!” “Better legislation!” and finally, “Proper control!”.

2. Evaluation of current legislation

Among the main components of the system of factors impeding to development of rural business and private farming enterprises is the current legislation. The priority of this factor is well justified. It is known, that legislation has both direct impact on development of rural business and private farming enterprises as well as indirect one through other factors of milieu. The law itself may impede the activity of a farmer and an entrepreneur. But what can also happen is that legislation can limit activity and opportunity of other factors to manifest its positive sides.

2.1 Legislation: assisting or impeding?

Do you believe that current legislation of Moldova impedes or facilitates your activity?

	Absolute figure	%	Rank	Index
1. mostly impedes	213	44.7		
2. mostly facilitates	18	3.8		
3. has no impact	136	28.6		
4. difficult to say	107	22.5		
5. no response	2	0.4		
Total	476	100		0.41

In the opinion of respondents, current legislation mainly impedes their work rather than facilitates it, respectively 44.7% and 3.8%. Major part of respondents (28.6%) evaluated legislation as the one that has no impact, which can also be considered as negative indicator, for, lack of positive impact means failure to perform the functions designated to it.

Gap in evaluation fluctuations shows the contrast of the respondents' positions.

Evaluation index as integral indicator places current legislation into negative zone: -0.41. Part of respondents (22.5%) failed to determine their attitude towards current legislation.

Entrepreneurs. This group of respondents is more categorical and much more critical in negative evaluation of current legislation (53.7%). This is by 9.0% higher than average indicator in the whole group and by 17.3% higher than in the group of peasant farmers.

Evaluation index of current legislation equals to -0.51, i.e. by ten points lower than an average response in the group. That is, rural entrepreneurs are the most categorical in negative evaluation of current legislation of the Republic of Moldova.

Farmer-leaders. Negative evaluations of this group of respondents are at the level of average indicator of the whole sample (44.3%). Positive evaluation is higher than average (4.9%), which is a little higher than in the first group. However, the attitude of this group towards current legislation is still opposite, which is proved by its evaluation index of -0.39.

Peasant farmers. The difference in negative evaluation of current legislation and the average indicator in the whole group (8.3 %) shows, that peasant farmers are less categorical than entrepreneurs and leaders. However, the difference is not big. And confirmation of that is their evaluation index of -0.32.

Thus, though to different extent, all three groups evaluate current legislation as the one which rather impedes than facilitates their activity. In any case, it is obvious that firstly, the law does not perform its regulatory function with regard to rural business activity. And secondly, in this situation one cannot expect that rural business will be able to change significantly the situation with its problems solution.

Legislation is not the only reason for this. In the long run, its evaluation is the task of specialists. The matter is that lack of confidence to legislation, whether it is caused by lack of knowledge or by actual flaws, makes it inefficient. In this case, those who the law is written for would prefer to avoid the law and to pass to the level of illegal relations. The situation takes an undesirable turn.

2.2 Reasons for negative attitude towards current legislation

If you believe that legislation hampers your activity, what are the reasons for that?

	Total sample			Entrepreneurs			Farmer-leaders			Peasant-farmers		
	Frequency	%	R A N K	Frequency	%	R A N K	Frequency	%	R A N K	Frequency	%	R A N K
Unclear wordings, cannot understand many of them	56	13.0	4	18	8.9		5	8.5	3	33	19.4	2
There are inconsistencies between legislation and ministerial regulations	66	15.3	2	39	19.2	2	4	6.8	4	23	13.5	3
Laws and regulations do not allow me to manage my enterprise in a more reasonable way as I want	62	14.3	3	29	14.3		12	20.3	2	21	12.3	4
Legislation changes very frequently	220	50.9	1	105	51.7	1	30	50.8	1	85	50.0	1
Other	28	6.5		12	5.9		8	13.6		8	4.8	
Total	432	100		203	100		59	100		170	100	

The main reason why the whole group evaluates current legislation negatively is its frequent modification (50.9 % of all interviewed).

In the opinion of the interviewed the second reason is inconsistency between laws and ministerial regulations (15.3%). Ministerial by-laws and regulations practically *cancel* the law, thus confusing a great number of people. At least in 15.3% of cases a real situation may be interpreted in different ways. One party may refer to the law while another one may make references to an instruction.

The third rank limitations of activity freedom. Legislation prevents 14.3% of interviewed from feeling real owners of their business. They cannot freely make organizational, financial and other types of decisions. There are many reasons to believe that this is not just a mere wish to avoid legal regulation. The majority of respondents put forward quite comprehensive claims to the law that impedes to be the owner of the legally owned property. (Examples of these limitations are presented in Chapter 4).

The fourth reason impeding rural owners is *unclear wordings* in current legislation, which lead to misunderstanding, there are 13.0% of such responses in our poll. Of course, it does not mean that legislation should be written in everyday language. Legal terminology accepted by professionals will always cause certain difficulties for business people. But legal terminology must be precise. The following may be the solution of this problem: a) extension of accessible legal consultations for business people, and b) organization of consulting activity aimed at explanation of problems related to legislation comprehension.

The general analysis of reasons of negative impact of legislation reveals certain important differences in each of the group – entrepreneurs, farmer-leaders and peasant farmers.

Entrepreneurs

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	18	8.9	4
2. There are inconsistencies between legislation and ministerial regulations	39	19.2	2
3. Laws and regulations do not allow me to manage my enterprise the way I want	29	14.3	3
4. Legislation changes very frequently	105	51.7	1
5. Other	12	5.9	5
Total	203	100	

Unlike other two groups entrepreneurs are a little more concerned about frequent changes of legislation (51.7%). The second rank the gaps between the law and ministerial instructions (19.2 %). This is almost twice higher than in responses of Peasant farmers (13.5 %), and three times higher than in the responses of leaders (6.8 %).

The third ranks the limitation by the legislation of entrepreneurs' freedom of activity (14.3 %), (more details in Chapter 4).

Farmer-leaders

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	5	8.5	4
2. There are inconsistencies between legislation and ministerial regulations	4	6.8	5
3. Laws and regulations do not allow me to manage my enterprise the way I want	12	20.3	2
4. Legislation changes very frequently	30	50.8	1
5. Other	8	13.6	3
Total	59	100	

The main reason "frequent modification of legislation" has 50.8 %; "differences between legislation and ministerial instructions" – 6.8 %. At the same time one peculiar detail appears in the evaluation of leaders – it is the leader who suffers most of all from legislation limitations to freely carry out his activity (19.7 %). In other words, almost every fifth leader believes that the law impedes his freedom.

Peasant farmers

	Absolute value	%	Rank
1. Unclear wordings, cannot understand many of them	33	19.4	
2. There are inconsistencies between legislation and ministerial regulations	23	13.5	
3. Laws and regulations do not allow me to manage my enterprise the way I want	21	12.3	
4. Legislation changes very frequently	85	50.0	
5. Other	8	4.8	
Total	170	100	

Activity of Peasant farmers reduces the weight of the reason «frequent modification of legislation» (50.0 %); «laws and instructions prohibit me from managing my enterprise the way I want» – 12.3 %. At the same time lower educational level increases the significance of the “unclear legislation” factor – 19.4 % (compare with entrepreneurs – 8.7 %; leaders – 8.5 %).

Laws, regulations and administrative procedures that cause problems for entrepreneurs.

	%
1. Law on state budget (Law on taxes, Law on VAT, customs duties)	60.4
2. Bureaucracy, formality, corruption	12.5
3. Big number of control bodies	8.3
4. Land code	6.9
5. Laws and instructions on manners of lending	4.2
6. Law and instructions on privatization	2.8
7. Simplification of agri-foods export procedures	2.1
8. Law on accounting	2.1
9. Law on Joint-Stock Companies and investment funds	0.7
10. Law on vineyards	0.7

Among those 10 laws, regulations and administrative procedures, impacting negatively on the activity of the entrepreneurs the main one is the Law on State Budget, considered by 60.4% of respondents. This law concentrates all the norms and regulations, determining day by day activity of farmers and entrepreneurs during the year.

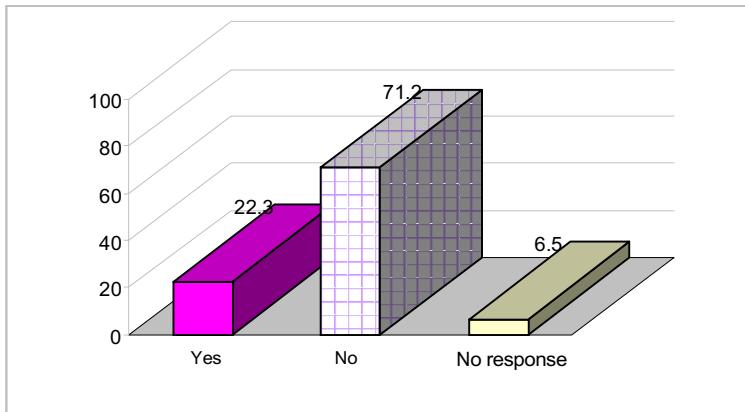
The second ranks the problem related to enforcing Laws and regulations. Besides the specific sense of the laws in reality is also important the manner of their enforcement.

Activities of 12.5% of entrepreneurs are hindered by bureaucracy, formalism and corruption. Yet, not only the quality of control bodies' work generates problems, but also their exaggerated number, as related by 8.3% of entrepreneurs. It is them who manifest bureaucracy, formalism and are biased to corruption.

The entrepreneurs having expressed claims to Land Code account for 6.9%. Related to that are also the difficulties in lending – 4.2%.

The law on vineyards - banning the rights of the farmers to plough unprofitable orchards and vineyards - impacts negatively also on entrepreneurs, as stated by 4.2% of respondents. This law ultimately stalls off entrepreneurs' possibility to purchase the necessary agricultural products in due volumes.

The comments of the entrepreneurs evidently prove the above statements:



Respondent 8: Production transportation through the territory of Moldova can be stopped by any state bodies at their own discretion.

Respondent 17: The Government adopts laws, and at the judets (county) level they are ignored.

Respondent 107: Law on privatization contradicts the norms based on which judges guide their activities.

Respondent 161: Tax inspectorate obliged me to purchase a sales register with fiscal code, although I already have two of them Samsung.

Respondent 15: Law on budget is adjusted many times after it is adopted.

Conclusion. In spite of certain differences, major part of rural business people and farmers consider current legislation to be a factor, which stalls off their activity. Undoubtedly, opinion of this mostly active part of rural population must be taken into consideration while amending the laws related to agrarian sector.

3. Impediments of administrative character

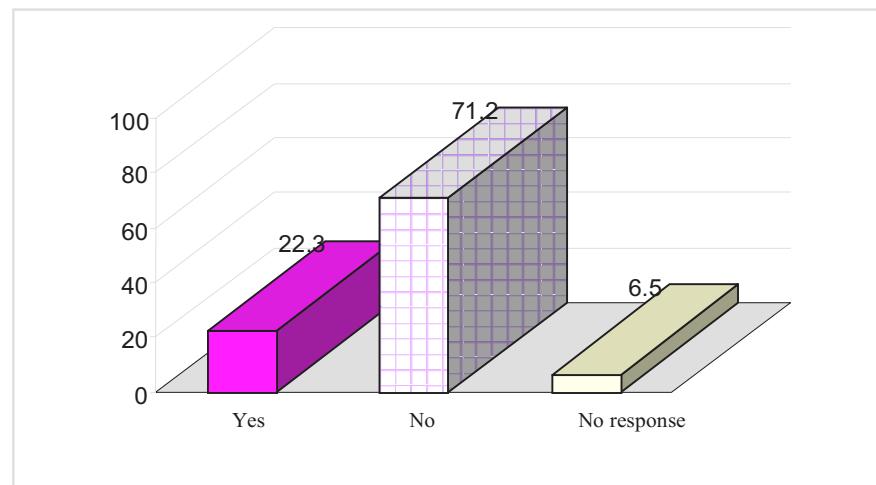
Legislation can engender administrative impediments to development of private farming enterprises and rural business. Imperfections of the law, if any, will cause undesirable administrative actions. But administration has its “own” possibilities for creating impediments that are not stipulated by legislation. The fact that these possibilities are often used can be seen from the results of our poll.

3.1 Assistance of three levels administration

Does in general administration – local, regional and at the level of the country provides you assistance in your activity?

Evaluation index of administrative impediments is of negative value – 0.49. Reasons for low evaluation are of double character.

Firstly, in the opinion of respondents, only 22.3% of them really receive assistance, and three times more respondents 71.2% do not receive it at all. But the matter of the problem is not just insufficiency.



More likely, from force of habit both farmers and entrepreneurs demand “protective” attitude from authorities towards themselves. They demand what modern administration is obviously not able to do, since it is not its duty. On the other hand, authorities not only fail to resolve many *problems within their competence*, but even create them. For instance, certain public authorities create administrative procedures that impede entrepreneurs and farmers to:

- Purchase inputs;
- Transport goods in the territory of the RM;
- Sell their products (more details in Chapter 5)

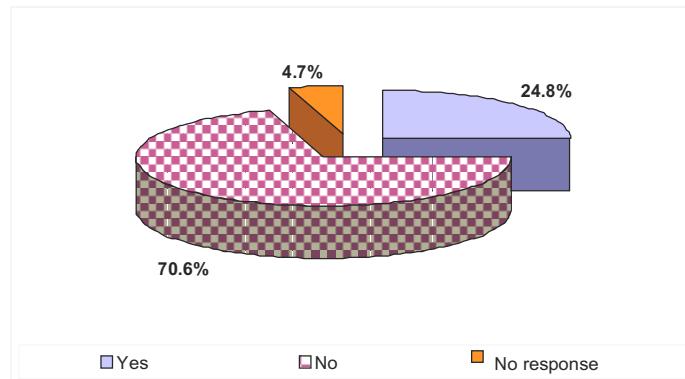
Complaints about corruption of authorities are most often referred to various administrative structures.

Entrepreneurs. This group receives the least assistance from administration. Only 16.4 % of entrepreneurs responded that they receive such assistance. And 74.6% of them believe that administration does not help them at all. Evaluation index of administrative assistance in this group is two times lower than in the group of farmer-leaders (- 0.29).

In general, one can say that rural entrepreneurs more acutely feel lack of attention from administration than farmer-leaders.

Farmer-leaders. In conformity with evaluations, this group enjoys a little bit more attention from administration. The percentage of those receiving assistance is two times higher – 32.8% (in comparison with entrepreneurs). This figure is also by 8% higher than in the group of Peasant farmers.

The situation is really interesting. Though this poll does not give a solution, nor explains the reason. Probably it is not only the type of activity carried out by different group, such as provision of services (entrepreneurs) and production (farmers) that is of major importance in evaluation of administrative assistance. Evaluation of assistance by Peasant farmers is not that high as by farmer-leaders. May be the reason is just economic volume of the leader's business? The type of activity there is the same.



Peasant farmers.

Evaluations of this group are close to the average sample of responses. In comparison with entrepreneurs, percentage of those receiving assistance from administration is a little bit higher – 24.8 %, those who did not get any assistance account for 70.6 %. However, situation here differs significantly from the situation in the group of farmer-leaders.

3.2 Enterprise registration

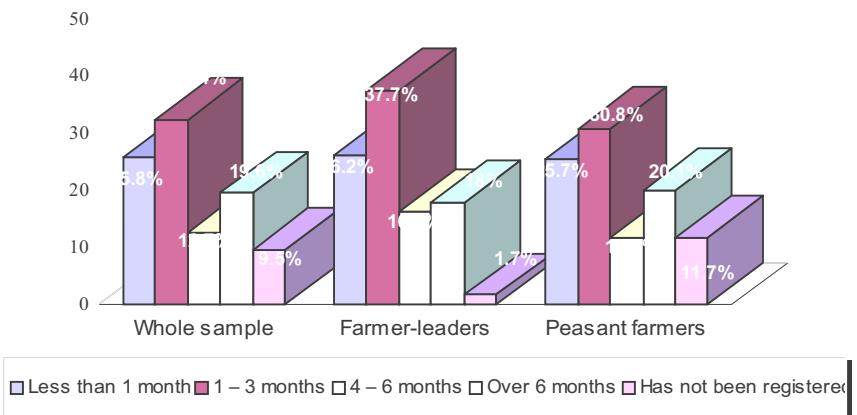
How long did it take you to register your enterprise?

	Whole sample	Farmer-leaders	Peasant farmers
	Absolute value	Absolute value	Absolute value
Less than 1 month	71	16	55
1 – 3 months	89	23	66
4 – 6 months	35	10	25
Over 6 months	54	11	43
Has not been registered	26	1	25
Total	275	61	214

Registration procedure has a very wide time range. At the same time it falls down into two groups – duration of registration from less than a month to 3 months covers about half of respondents (58.2% of the whole sample). More leaders are registered in this period of time (63.9 %) and fewer peasant farmers (56.5 %).

A substantial number of farmer-leaders (34.4%) and peasant-farmers (31.8%) have spent from 4 to 6 and more months on registration. And 11.7% of Peasant farmers have not registered at all. There are only 1.7 like that among farmer-leaders.

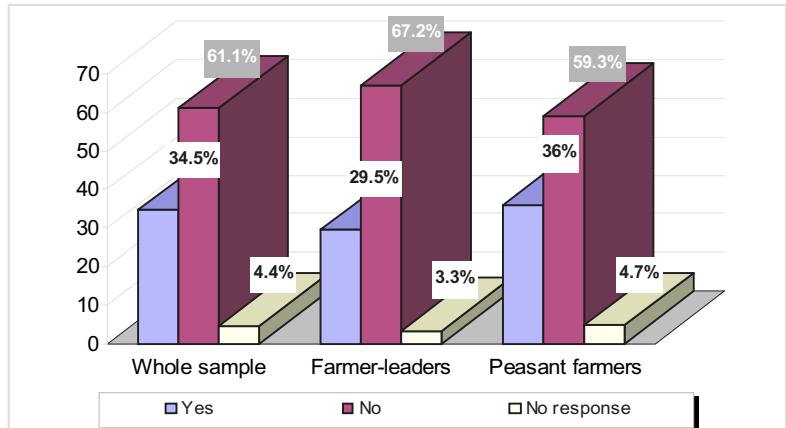
Peasant farmers spend much more time on registration than farmer-leaders. Percentage of farmer-leaders in the time interval of 1-6 months is higher than of peasant farmers, 54.1% and 42.5% respectively. However, there are more peasant farmers registered in the time period that exceeds 6 months, 20.1% versus 18.0% of farmer leaders. And there are much more of them among non-registered ones.



	Whole sample	Farmer-leaders	Peasant farmers
	Absolute value	Absolute value	Absolute value
No	95	18	77
Yes	168	41	127
No response	12	2	10
Total	275	61	214

Farmer-leaders face fewer problems with their enterprises registration than peasant farmers and rural entrepreneurs, 29.5 % versus 36.0 % and 39.8% respectively. In other words, by 6.5% less often than peasant farmers and by 10.3 % less than rural entrepreneurs.

Although farmers have as many problems with registration as entrepreneurs do. Both of them are met in the offices not as in classical bureaucratic situation (according to M.Veber). Bureaucracy encountered by our farmers and entrepreneurs is primarily in opposition. And as respondents mention relatively often the whole matter is resolved just by a mere bribe.



Problems upon farms/enterprises registration

Farmer-leaders. Of 100% (21 persons) having responded to an open question on type of problems, 85.7% referred them to formalities upon registration. 14.3% (3 persons) named high registration rates as a problem.

Entrepreneurs.

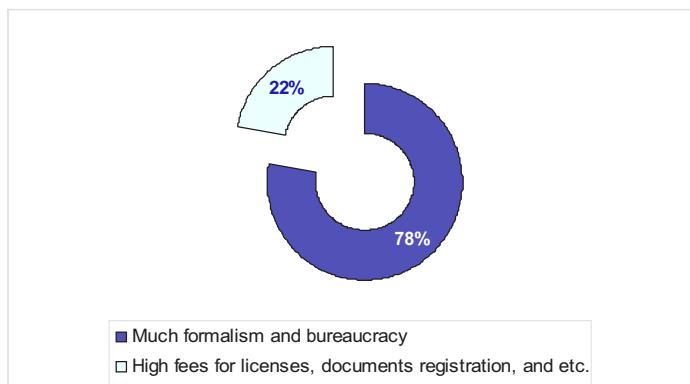
39.8% of entrepreneurs face various problems with their enterprises registration. It is clear that these problems are related to the way we live, the way we understand and comply with laws.

Problems related to enterprise registration are divided into two large groups: 78 % mention formalism and bureaucracy and 22 % complain about high fees for licenses, documents registration, and etc.

What are the problems like?

Respondent №13: «I had to visit Tax Inspectorate, Department on Labor Protection, commercial department, electric energy supply department, and etc. two or three times».

Respondent №13: «The number of required documents has increased by two times». Respondent №148: «The Law was passed in winter, but took effect only after the second round of elections».



Respondent № 163 (Cahul): «I have visited many agencies, spent a lot of money both officially and non-officially in Fire-Prevention Inspectorate, Economic Police, Alarm Systems Department, etc».

Respondent № 27: «Registration process is very complicated, fees are very high ...»

Have you had problems with registration of means of transportation and equipment?

	Whole sample		Farmer-leaders		Peasant farmers	
	Absolute value	%	Absolute value	%	Absolute value	%
No	166	60. 4	18	29. 5	148	69. 1
Yes	101	36. 7	43	70. 5	58	27. 1
No response	8	2. 9	-	-	8	3. 8
Total	275	100	61	100	214	100

Especially many problems with registration of means of transportation were faced by farmer-leaders, these problems were mentioned by 70.5%. Peasant farmers had fewer of these problems, but they have much fewer equipment.

Difficulties, experienced by peasant farmers while registering machines, are mostly related to violation of registration norms by respective bodies, rather than to norms as such. It is this why 88.6% of respondents complaint against bureaucracy and formal attitude manifested by those bodies while registering the machines.

What kind of problems did you have during enterprise registration?

Farmer-leaders. Most of them (36, that is 87.8%) consider the problems formalism and bureaucracy and 5 (12.2 %) - high fees rate.

Here are specific examples of the faced problems:

1. №21 (inchea): «Have not still registered because of bureaucracy».
2. №84 (Hyrtop): «Until now cannot receive from the collective farm equipment due to us».
3. №182 (Vadul-lui-Isac, Cahul): «There is still no approved registration procedure for persons who have received part of technical equipment».
4. №43 (Vratuleni, Ungheni): «There is no fixed rate of the fee, I have paid what I was told. I haven't received documents so far».
5. №22 (T. de Salcie): «Was not able to register technical equipment, because there are no documents confirming property transfer».
6. №35 (Corzhevo): «Have been visiting various authorities for two years.»
7. №36: « Traffic police has been refusing registration for two years».
8. №53 (Horeshi): «I have been still registering (since 1997).»
9. №49 (Hinchesti): «Haven't still received all necessary documents (since 1997).»

4. Difficulties in production sphere

It is known that one of the weak aspects of production activity of entrepreneurs and farmers (leaders and peasant farmers) is lack of productive capacities, - machines, transport, and areas.

4.1 Provision of equipment

Entrepreneurs. Evaluation index of equipment sufficiency in this group also has negative meaning (- 0.13). This means that situation with equipment provision has been resolved for almost half of entrepreneurs, or for 43.3% to be more precise. This is the number of entrepreneurs who gave positive response to the question «Do you have all necessary equipment?». Although, this problem cannot be considered resolved, since over half of them (56.7 %) do not have equipment.

Farmer-leaders. Evaluation of leaders is worse than in the previous group. Machine sufficiency index amounts to – 0.28. In percent this is as follows: 36.1% have enough equipment, and 63.9% still need it. And for this group problems related to equipment are more acute, of course.

Peasant farmers. The situation with equipment is even more serious with peasant farmers. This can be proved by equipment sufficiency index, that is - 0.72. Only 13.1 % of peasant farmers have sufficient amount of equipment. 85.5% of them do not have it (at least in sufficient amount). Situation with technical equipment of this group of rural producers is very difficult.

Peasant farmers are in the least favorable situation with regard to equipment provision in comparison with entrepreneurs and farmer-leaders.

Statement of common problem has hardly brought anything new for its solution. Interesting information was obtained in responses to questions 5 and 6 in the group of entrepreneurs and farmers.

4.2 Impediments to machinery and equipment purchase

Almost half of all respondents (45.6%) believe that there are laws, instructions, administrative procedures that impede purchase of machinery and equipment!

Are there any laws, instructions or administrative procedures impeding your purchase of machinery and equipment?

	Absolute value	%	Index
Yes ¹	217	45.6	
No	249	52.3	
No response	10	2.1	
Total	476	100	-0.07

¹ Response «Yes» has a negative meaning in the evaluation, and conversely, «No» positive.