

**C10. Are there any laws, clauses, licenses or administrative procedures which throw obstacles in the way to exporting your products?**

For example we were told by businessmen that the process of exporting is very difficult and unclear: they do not know what forms are to be filled in and bribes should be paid. Can you name laws or instructions or other constraints that hinder the export of your products?

Number	Name	Frequency	Percent
1	Yes	113	56.2
2	No	78	38.8
3	I do not know	10	5.0

**Please specify:**

Number	Name	Frequency	Percent
1	Taxes, high customs fees, complicated customs procedures, Too many normative acts, taxes	54	26.9
2	Corruption	8	4.0
3	Many formalities for the certification of alterable products	4	2.0
4	Problems with the traffic police	1	0.5
5	Too much control	2	1.0
6	Many procedures for receiving licenses	3	1.5
7	Transnistria	1	0.5

*Obstacles related to control*

**C11. Tell us please which control authorities and how many times visited you during a year?**

Times a year	Tax inspecto rate	Econom ic police	Fireman inspecto rate	Inspecti on of electric network	Sanitary and epidemiologic station	Other (specify)	Other (specify)
1	35	43	50	28	32	20	3
2	39	32	44	25	33	15	5
3	20	13	12	13	10	9	4
4	27	6	10	17	14	7	4
5	8	8	4	9	3	3	
6	14	8	9	5	8	1	
7	3	2	1	2	3	1	
8	4	4	1	5	4	1	
9	2			1	1	1	
10	5	12	6	9	5	7	1
12	15	5	3	32	18		2
15	4	3	1		1	1	1
16				1			
18		1					
20	2	2		1			
24	4	2		3	1		
25	1						
30	3			1	1		
40					2		
50	1			1	1		
60				1	1		
100				1			

*Obstacles of a financial nature*

**C19. Are there any problems related to the legislation and taxation practices? Please give specific examples**

Number	Name	Frequency	Percent
1	Yes	67	33.3
2	No	130	64.7
3	I do not know	4	2.0

**Please specify:**

Number	Name	Frequency	Percent
1	High taxes, complicated tax system	63	31.3
2	Payments to the social fund, payment of taxes before selling products	4	2.0
3	Frequent changes to the laws	22	10.9
4	Relations with the tax authorities are not regulated by law	10	5.0
5	Fines	2	1.0
6	A cashier's machine is needed	2	1.0
7	Too big social fund	2	1.0
8	Changes in the land tax	2	1.0
9	No support for the small business	4	2.0
10	Land tax	1	0.5
11	Lack of information on the changes in the legislation	1	0.5
12	Bartering is too common	4	2.0
13	No answer	84	41.8

**C20. Did you take loans in 1998?**

Number	Name	Frequency	Percent
1	Yes	72	35.68
2	No	129	64.2

**C21. If yes did you repay the loans?**

Number	Name	Frequency	Percent
1	Yes	51	25.4
2	No	37	18.4
3	I do not know	113	56.2

**C22. If you did not take loans – for what reason?**

Number	Name	Frequency	Percent
1	The interest rate is too high	95	47.3
2	I could not take a loan because my property can not serve as a collateral	17	8.5
3	Other	21	10.4
4	No answer	68	33.8

*Obstacles of an informational nature*

**C23. Do you receive consultations which you need (for example on the organization of activity of an enterprise, marketing products, etc.)?**

Number	Name	Frequency	Percent
1	Yes	49	24.4
2	No	120	59.7
3	I do not need consultations	31	15.4
4	No answer	1	0.5

**C24. To which extent are you informed about the legislation of the Republic of Moldova on business?**

Number	Name	Frequency	Percent
1	Good	29	14.4
2	Satisfactory	105	52.2
3	Unsatisfactory	66	32.8
4	No answer	1	0.5

**C25. In general which laws, clauses and administrative procedures are a problem for you?**

Number	Name	Percent
1	Law on the state budget, VAT, customs fees	60.4
2	Bureaucracy, formalities, corruption	12.5
3	Many controlling authorities	8.3
4	Land code	6.9
5	Law on loans	4.2
6	Law on privatization	2.8
7	Simplification of the export procedures for agricultural products	2.1
8	Law on accounting	2.1
9-10	Law on joint stocks and investment funds	0.7
9-10	Law on grape and wine	0.7

**D. RESULTS OF ACTIVITY, CONCLUDING INFORMATION**

**D. Which are your plans for the nearest 1-2 years? (name all that you find necessary)**

Number	Name	Frequency	Percent
1	To continue activity at the same level	69	64.3
2	Expand activity	76	37.8
3	Find a foreign partner	30	14.9
4	Stop activity related to agriculture	13	6.5
5	Other	12	6.0
6	No answer	1	0.5

**G. Second choice**

Number	Name	Frequency	Percent
1	To continue activity at the same level	2	1.0
2	Expand activity	9	4.5
3	Find a foreign partner	47	23.4
4	Stop activity related to agriculture	4	2.0
5	Other	2	1.0
6	No answer	1	0.5

**D. Which three basic decisions in your opinion should be adopted by the Government of the Republic of Moldova for improving your enterprise's activity?**

Number	Name	Frequency	Percent
1	Revise laws on taxes	86	18.0
2	Regulation of prices on electricity and fuel	78	16.3
3	Favorable long term crediting	75	15.7
4	Protection of local producer	32	6.7
5	Subsidies for agricultural products	29	6.1
6	Reducing control, fighting corruption	25	5.2
7	Reducing taxes, fees, awarding long term licenses	24	5.0
8	Stimulating exports	18	3.8
9	Assistance in procuring equipment	13	2.7
10	Regulation of prices on agricultural products	11	2.4
11	Creation of consulting and information centers	10	2.2
12	To stabilize the leu	10	2.2
13	Create a market	9	1.9
14	Procurement of agricultural products	7	1.6
15	Ensure stability of laws	7	1.6
16	Support the small business	6	1.2
17	Attract foreign investments	6	1.2
18	Land tax, social fund	5	1.0
19	Simplify the accounting	4	0.8
20	Ensure political stability	4	0.8
21	Regulate control	4	0.8
22	Organize a system of providing with seeds, fuel, pesticides	4	0.8
23	Adopt necessary laws	2	0.4
24	Ban barter	2	0.4
25	Permit to work without a cashier's machine	1	0.2
26	Ensure continuous provision with electric power	1	0.2
27	To annul debts	1	0.2
28	Introduce new technologies	1	0.2
29	Create association for technical servicing	1	0.2
30	Simplify procedures for the transportation of alterable products	1	0.2
		477	100.0

**Region**

Number	Name	Frequency	Percent
1	North	68	33.8
2	Center	103	51.2
3	South	30	14.9

**(4) QUESTIONNAIRE FOR THE MAYORS, COUNSELLORS  
AND OTHER REPRESENTATIVES OF LOCAL PUBLIC  
ADMINISTRATION**

**E1. What is your position?**

Number	Name	Frequency	Percent
1	Mayor	42	77.8
2	Secretary	1	1.9
3	Cadastral Engineer	1	1.9
4	Deputy Mayor	1	1.9
5	Accountant	2	3.7
6	Counselor	7	13.0

**E2. How long have you been working in the local administration?**

Number	Name	Frequency	Percent
1	Less than one year	15	27.8
2	1-3 years	3	5.6
3	Over 3 years	36	66.7

**E3. What do you think, which are the main obstacles for farmers' and rural entrepreneurs' activities at present (please do not give more than 2 answers)?**

Number	Name	Frequency	Percent	Type of obstacle	Level
1	Unclear legislation	10	18.5	Law-regulations	3
2	Too many regulations (too many licenses etc.)	9	16.7	Law-regulations	4
3	Difficulties with taxes	5	9.2	Finance	5
4	Financial difficulties (loans, collateral etc.)	28	51.8	Finance	2
5	Lack of agricultural equipment, fertilizers, maintenance services etc.	29	53.7	production	1
6	Lack of services	2	3.7	Service	6
7	Lack of marketing, selling channels etc.			Market	6
8	Other	1	1.9		7

**E4. To which extent the legislation of Moldova, governmental normative acts and ministerial instructions influence your activity as a mayor (counselor). Please exemplify**

Number	Name	Frequency	Percent	Level
1	Law on local public administration	33	63.5	1
2	Law on governmental service	3	5.8	4
3	Village Council	1	1.9	5-6-7
4	Land Code	4	7.7	3
5	Local taxes, please specify	9	17.3	2
6	Acts on development of vineyards	1	1.9	5-6-7
7	Fiscal Code	1	1.9	5-6-7

**E5. Please point out at the most important activities that have been undertaken by mayoralty lately in order to support farmers and small rural business**

Number	Name	Frequency	Percent	Level
1	Organizing the storage of equipment	2	2.8	7-8-9-10
2	Consulting Center	9	12.5	4-5
3	Center for the provision of fuel, chemicals and seeds	9	12.5	4-5
4	Signing leasing agreements	5	6.9	6
5	Rendering services for cultivating land	1	1.4	11-12-13
6	Elaborating land projects and issuing ownership documents	16	22.1	1
7	Organizing credit associations	2	2.8	7-8-9-10
8	Deferring taxes	11	15.3	2-3
9	Registering farms	11	15.3	2-3
10	Organizing the committee on the liquidation of draught	1	1.4	11-12-13
11	Creating the center of information	1	1.4	11-12-13
12	Assisting farms	2	2.8	7-8-9-10
13	Informational workshop	2	2.8	7-8-9-10
	Total	72	100	

**E6. What do you think, what are the most important ways and methods for supporting farmers and small entrepreneurs? (do not indicate more than two)**

Number	Name	Frequency	Percent	Level
1	Assisting in clarification of laws, normative acts and their execution	23	23.0	3
2	Assisting the development of rural infrastructure (marketing channels, acquisition of raw materials, fuel, computer etc.)	39	39.0	1
3	Assisting in obtaining loans	25	25.0	2
4	Defending their interest at a national level	11	11.0	4
5	I don't know			
6	Other	2	2.0	

**E7. The law on Local Public administration (February 1999) establishes the rights of local institutions and mayors. As a result of the territorial administrative reform, the mayors of communes have received more rights (licenses etc.). However other duties are focused on county level. What do you think, do you have enough rights to use, for the assistance of farmers and representatives of small business from your village?**

Number	Name	Frequency	Percent
1	Yes	11	20.4
2	No	42	77.8
3	No answer	1	0.8

**E8. If not, then what kind of changes in your rights are necessary to be undertaken by you in order to be able to better assist the farmers and local businessmen?**

Number	Name	Frequency	Percent	Level
1	Subordinating economical agents to mayoralty (legal grounds)	3	10.7	2-3-4
2	Extension of the mayoralty's rights (taxes, expropriation of land etc.)	19	67.9	1
3	Issuing export authorizations (licenses)	3	10.7	2-3-4
4	Creating mayoralty funds to support farmers and entrepreneurs	3	10.7	2-3-4
	Total	28	100	

**E9. To which extent are you informed about the Moldovan legislation in regards to the regulation of mayor's activity?**

Number	Estimation	Frequency	Percent
1	Good	15	27.8
2	Satisfactory	31	57.4
3	Unsatisfactory	7	13.0
4	No answer	1	1.8
	Total	54	100

**E10. What do you think, what laws and administrative acts hinder the development of farming and small rural business? For example – registering the enterprise and equipment, export, regulating activity, access to financial resources etc.**

You have the opportunity to improve the legislation for agricultural sector. We ask you to be honest, since this will be used in preparing the report for the government.

Number	Problems arising from the laws and administrative acts and hindering the development of farming and entrepreneurship	Frequency	Percent	Level
1	High payments for obtaining licenses	23	34.8	1
2	Rights to the mayoralty to register acts cultivating of orchards and vineyards	5	7.6	4
3	Providing with chemicals, fuel, seeds	2	3.1	5-6
4	Reducing taxes	1	1.5	7-8
5	Reducing the requirements for storage of chemicals	1	1.5	7-8
6	Registering equipment – in mayoralty	16	24.2	2-3
7	Difficult procedures in exporting agricultural products	16	24.2	2-3
8	Difficulties in obtaining loans	2	3.1	5-6
	Total	66	100	

**Region**

Number	Name	Frequency	Percent
1	North	16	29.6
2	Center	25	46.3
3	South	13	24.1

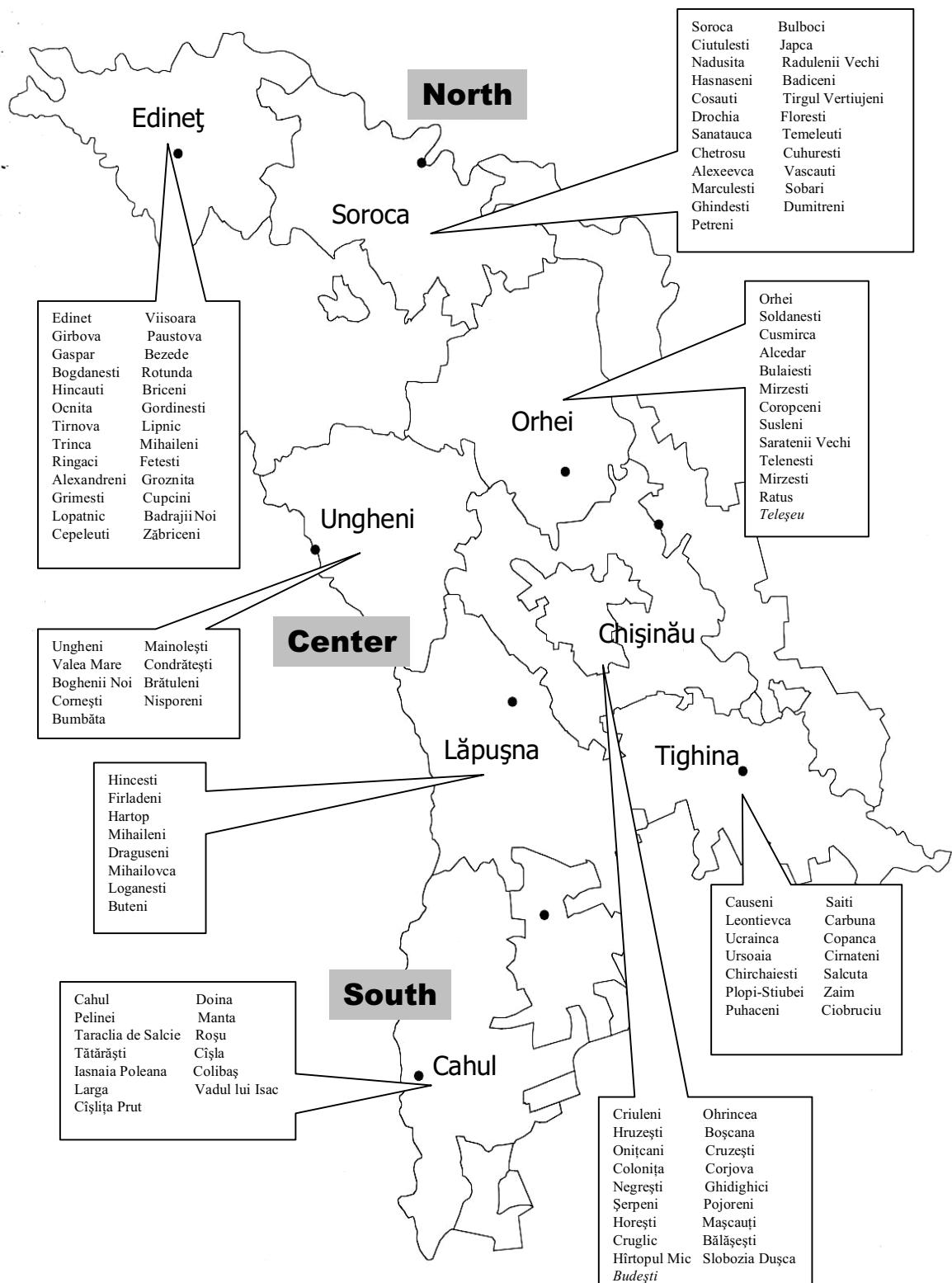
## LIST OF LOCALITIES

covered by the field polling on identifying the impediments to development of private farming enterprises and related small rural business in the republic of Moldova

Localities	Total respon Dents	Including			
		Farmers	Leaders	Entrepre neurs	Mayors and councillors
<b>EDINET – 26 localities</b>	<b>78</b>	<b>32</b>	<b>7</b>	<b>32</b>	<b>7</b>
Alexandreni	Groznita				
Badrajii Noi	Hincauti				
Bezede	Lipnic				
Bogdanesti	Lopatnic				
Briceni	Mihaileni				
Cepeleuti	Ocnita				
Cupcini	Paustova				
Edinet	Ringaci				
Fetesti	Rotunda				
Gaspar	Tirnova				
Girbova	Trinca				
Gordinesti	Viisoara				
Grimesti	Zabriceni				
<b>SOROCA – 23 localities</b>	<b>90</b>	<b>36</b>	<b>9</b>	<b>36</b>	<b>9</b>
Alexeevca	Hasna seni				
Badiceni	Japca				
Bulboci	Marculesti				
Ciutulesti	Nadusita				
Chetrosu	Petreni				
Cosauti	Radulenii Vechi				
Cuhuresti	Sanatauca				
Drochia	Sobari				
Dumitreni	Soroca				
Floresti	Temeleuti				
Ghindedesti	Tirgul Vertiujeni				
	Vascauti				
<b>ORHEI – 12 localities</b>	<b>62</b>	<b>24</b>	<b>7</b>	<b>26</b>	<b>5</b>
Alcedar	Ratus				
Bulaiesti	Saratenii Vechi				
Coropcenii	Susleni				
Cusmirca	Soldanesti				
Mirzesti	Telenesti				
Orhei	Telesheu				
<b>UNGHENI – 9 localities</b>	<b>78</b>	<b>31</b>	<b>8</b>	<b>30</b>	<b>9</b>
Boghenii Noi	Cornesti				
Bratuleni	Mainolesti				
Bumbata	Nisporeni				
Condrenesti	Ungheni				
	Valea Mare				
<b>CHISINAU – 20 localities</b>	<b>59</b>	<b>24</b>	<b>5</b>	<b>24</b>	<b>6</b>
Balasesti	Horesti				
Boscana	Hruzesti				
Chisinau	Mascauti				
Colonita	Negresti				
Corjova	Ohrincea				
Criuleni	Onitcani				
Cruglic	Pojorani				
Cruzesti	Slobozia Dusca				
Ghidighici	Serpeni				
Hirtopul Mic	Budeshti				

LAPUSNA – 8 localities					
Buteni	Hincesti	<b>55</b>	<b>22</b>	<b>8</b>	<b>20</b>
Draguseni	Hartop				
Mihaileni	Mihailovca				
Firladeni	Loganesti				
TIGHINA – 14 localities					
Causeni	Plopi-Stiubei	<b>48</b>	<b>21</b>	<b>11</b>	<b>9</b>
Carbuna	Puhaceni				
Chirchaisesti	Saiti				
Cioburciu	Salcuta				
Cirnateni	Ucrainca				
Copanca	Ursoaia				
Leontievca	Zaim				
H. CAHUL – 13 localities					
Cahul	Manta	<b>60</b>	<b>24</b>	<b>6</b>	<b>24</b>
Cisla	Pelinei				
Cislita Prut	Rosu				
Colibas	Taraclia de Salcie				
Doina	Tatarasti				
Iasnaia Poleana	Vadul lui Isac				
Larga					
<b>I. Total localities – 125</b>		<b>530</b>	<b>214</b>	<b>61</b>	<b>201</b>
					<b>54</b>

**Field polling  
on identifying the impediments to development of private farming  
enterprises and related small rural business in Moldova**



*Territorial Net – 123 villages in 8 judets*

*Besides, a preliminary control was carried out in Teleșeu (Orhei)  
and Budești (Chișinău)*

## *B. LEGAL BASIS*

### **13. THE LEGAL BASIS REGARDING THE RURAL ENTERPRISE DEVELOPMENT**

Once with the adoption by the Parliament of the Republic of Moldova of the Concept on Agrarian Reform and Social Development of the Rural Area on 15 Feb. 1991, a series of reforms started in the Republic of Moldova, aimed at insuring the shift of the socialist-type economic relations to market economy.

Having the objective to implement the assumed targets in the above mentioned concept, it was necessary to develop and adopt a series of laws and normative acts which were supposed to build up the legal framework for developing the rural private sector.

Thus, in order to carry out the agrarian reforms, there were developed and adopted the laws regarding citizenship, migration, ownership, land, peasant farms, entrepreneurial activity, cooperation, enterprise, joint-stock companies, bankruptcy, anti-monopoly, banks and banking, budget, local public administration, consumer rights protection, nature protection, education, science and technical-scientific policy.

All of those laws were supposed to set the legal basis necessary for implementing the land reform, privatization of production means, market relations formation, changing and developing new forms of production organization.

The purposes of all those actions are:

- demonopolization of state property on land and confirmation of peasant as real-proprietor;
- creation of material basis for insuring the economic liberty of peasants and rural entrepreneurs;
- creation of a self-regulating efficient mechanism for the activity of the economic units in the field of exchange of assets;
- creation of an efficient economic mechanism, which might insure development based on equality between the rights of the peasant farms and other forms of rural area production organization.

In order to unleash those reforms in the Republic of Moldova the due legal basis was developed.

However, while building up and developing the private sector, the normal run of reforms in the agri-industrial sector encounter many difficulties, generated by imperfection of the legal framework. Many of adopted laws comprise contradictory clauses, a fact which created difficulties in the process of their application.

The purpose of the present study is to highlight the drawbacks of the current legislation and necessary suggestions aimed at improving the laws regulating or having impact on the development and consolidation of the rural private sector.

#### ***13.1 Enterprise registration***

The Art. 13(7) of the Law on Entrepreneurship and Enterprises no. 845-XII dated 3 Jan. 1992 establishes, that any citizen can be founder of only one enterprise. Both legal entities and individuals can be associated to only one limited company or limited partnership. Yet, the current legislation does not acknowledge such notion as: "unlimited company". This fact causes confusions in applying the mentioned law in practice, like for instance the stipulation of the point 2 of the Resolution of the

Government of Moldova no. 1050 dated 11 Nov. 1997, which establishes that the State Registration Chamber shall sue enterprises for canceling the incorporating documents, in cases when the same individuals created or are associated to one or more individual enterprises, limited company or limited partnership.

Thus, it is necessary to duly modify the above mentioned law, and comply the Resolution of the Government to this law.

The Art. 28(2) of the same law stipulates, that "in case when it is decided to register an enterprise with share capital, it shall be charged a state duty worth 0.5% of the share capital". This stipulation places the enterprises having share capital in unequal conditions versus other types of enterprises. This fact makes the above mentioned enterprises diminish the real worth of their share capitals. We consider proper to exclude this clause from the Law on Entrepreneurship and Enterprises and include it into the fiscal legislation. In such a case, the enterprises with share capital shall be exempted from additional costs at registration.

Another issue denoting the need to complete the Law on Entrepreneurship and Enterprises is the Art. 27(2) stipulating, that "the office of the enterprise shall be considered the place, where the management body is placed". The law stipulates nothing more about the office of the enterprise. Yet, while registration, the state registrar requires to submit "documents confirming the legal address" in compliance with the stipulations of the Government Resolution no. 251 dated 17 March, 1997 "On Enforcing the Certificate of Enterprise Registration". To mention is, that the validity term of the above mentioned Resolution expired and lost its validity. It means the requirements of the registration bodies are not grounded by law. From this angle, it is necessary to complete the above mentioned law with specific requirements regarding the office of the enterprise.

The Art. 31 of the same law stipulates, that "in the State Trade Register" shall be recorded the data as follows: firm, main office, types of activity, organizational-legal form, names of individuals authorized to manage and represent the company, data of enterprise registration, offices of subsidiaries and representative offices. In case of need, in the "State Trade Register shall also be included other data in compliance with the current legislation". Actually, the data that are recorded in the State Trade Register are filled-in as per the registration card, based on sample approved through Government Resolution no. 52 dated 29 Jan. 1992, which comprises a series of data which, while registration, cannot be known yet. It is necessary to simplify the contents of the data that are recorded in the registration card and State Trade Register.

In order to facilitate the registration procedure, it is necessary to concentrate all other bodies' subdivisions involved in this procedure within territorial subdivisions of the State Registration Chamber, and all the work that pertains to peasant farms and farms registration (National Agency for Terminology, Department of Statistical Analysis, Fiscal Inspectorate).

The law on entrepreneurship and enterprises does not stipulate registration of enterprises based on the condition of opening a preliminary provisional bank account. At the same time, the Law on Joint-Stock Companies (art. 34(4)) and the regulation on economic units (p. 73) stipulate opening a provisional bank account - prior to registration, for collecting cash amounts paid for issued stocks while setting up a joint-stock company, respectively for introducing the first equity share of a limited company.

It is necessary to modify the current legislation with a view to establish equal conditions for all types of enterprises, regardless to what type of company is, as well as to establish the manner of paying the contributions to the share capital.

In order to make the procedure of enterprises registration more efficient, it is necessary to improve the Law on Entrepreneurship and Enterprises with a view to establish an exhaustive list of necessary documents for registration, manner of preparing and notary authentication of documents.

Also, it is necessary to complete the mentioned law with stipulations that would establish the cases of enterprise re-registration. In this context, it is necessary to modify the Art. 31 of the law, which comprises stipulations that do not comply to the procedure stipulated by Law on Changing the Assets of an Enterprise.

### ***13.2. Organizational-legal forms of the enterprises***

The organizational-legal forms of enterprises are established in the art. 13 of the Law on Entrepreneurship and Enterprises no. 845 from 3 Jan. 1992. Yet, the above mentioned article does not mention about the peasant farm. Previously this law used to contain stipulations that defined the peasant farm as a form of individual enterprise. Subsequently, while modifying the law, this stipulation was excluded. Currently the activity of the peasant farms is regulated by the Law on Peasant Farms no. 841 dated 3 Jan. 1992, which needs to be substantially improved.

In this context, the suggestions regarding the improvement of the stipulations of the art. 1(3,4), art. 4(4), art. 8(1), art. 15 made by the participants of the survey, are welcome (suggestions are fully enclosed).

The art. 1 needs to be improved with a view to establish the procedure of associating family members in running entrepreneurial activities, as well as manner of enforcing the status of peasant farm leader.

Stipulations of the paragraph 4 of the article 4 contradict the Constitution of the Republic of Moldova and Law on Property and should be abrogated.

The stipulations of the art. 8 need to be improved and tailored to the Marriage Code, Civil Code and the Law on Property. The regulation on the economic units, approved by the Government Resolution no. 500 dated 10 Sept. 1991, regulate the manner of setting up ordinary partnerships, limited partnerships, limited companies, ownership relations among the associated individuals, limits of responsibilities with regard to the companies' liabilities and others. To mention is, that the above mentioned regulation served as grounds for developing and adopting the Law on Entrepreneurship and Enterprises and currently lost its actuality. It is crucially important to adopt a new Law on Entrepreneurship with regard to all legal-organizational forms, or regulate activities by a complex law such as Trade Code.

The activity of the cooperatives is regulated by the Law on Cooperation no. 864 dated 16 Jan. 1992, which also needs to be modified and completed in compliance with the conclusions of the survey.

Thus, it is desirable to modify the stipulations of the art. 1(1) with a view to remove the age limit of up to 18 years, for the individuals who reached the age of 16 are not entitled to fully exercise their duties and cannot safeguard their property related interests by themselves. Also, it is not justified the interdiction imposed to legal entities on becoming members of cooperatives. We think that local public administration interference into the issues pertaining to cooperatives activity is inadmissible and the stipulation of the paragraph 2 of the art. 4 should be abrogated.

It is acceptable the suggestion related to abrogation of paragraph 2 of the art. 13, which contradicts the constitutional norms on respecting the freedoms of the citizens.

In this regard we agree with the suggestion related to revising the Law on Supporting and Protecting the Small Business no. 112 dated 20 May, 1994 by introducing some new criteria regarding the involvement in a small business.

Taking into consideration that the current version of the above mentioned law does not stimulate enterprise development, but rather inhibits them at the level of small businesses, the suggestion regarding introducing as basic criteria the turn over index seems reasonable.

Also, it is desirable to amend the above mentioned law by excluding forced canalization of enterprise operations towards so-called "priority branches of the economy".

It is also acceptable the suggestion on modifying the law having as objective to establish transportation in the activity of the local public authorities, with regard to supporting the small business (announcements in the mass media regarding holding contests, publishing the results of the contests, reports on public funds usage, etc).

It is welcome the suggestion on modifying the Regulation on the Activity of the Fund for Entrepreneurship and Small Business Support (approved through the Government Resolution no. 659 dated 21 Oct. 1993 in the sense of allocating funds for agrarian sector).

### ***13.3. Licensing and other state authorizations of entrepreneurship***

Although the Law on Licensing certain types of activity, no. 332-XIV dated 26 Mar. 1999 is relatively new, it needs to be modified and is indispensable in terms of facilitating entrepreneurship.

We think that licensing for limited terms and differentiation of license validity for various types of activity (1 and 5 years) is not grounded and in this sense the art. 5 needs to be modified.

The suggestion is grounded on modifying the art. 8, which establishes notary authentication of document copies submitted for getting license. In order to exclude any additional costs we consider the licensing body can confront the copies with the originals and confirm those copies by itself. Due attention should be paid to suggestions regarding modification of the art. 13(2) and 14(4).

Art. 15 needs to be modified of the above mentioned law, with a view to make difference between the duties for licensing various types of enterprises.

It is acceptable the suggestion on modifying the art. 16(2) and 17 on establishing a minimal term for removing the violations, as well as excluding the point c) from the article 17.

We have no observations with regard to suggestions on modifying the Law on Vine and Wine no. 131-XIII dated 2 Jun. 1994, Law on Tree Growing no. 728-XIII dated 6 Feb. 1996, Law on Veterinary Activity no. 1593-XII dated 23 Jun. 1993.

Also it is acceptable the suggestion to adjust the Law on Labor Protection no. 625-XII dated 2 Jul. 1991 and the Regulation on Manner of Issuing Authorizations on both legal entities and individuals' activities in terms of labor protection, approved by the Government Resolution no. 75 dated 2 Feb. 1999 with regard to regulating relations between the entrepreneurs and local public authorities while issuing these authorizations.

### ***13.4. Import and export of agricultural products***

In this regard to mention is, that the suggestions regarding the improvement of the legal framework pertaining to import and export of agricultural products are grounded and need to be developed and suggested to the parliament of the Republic of Moldova for adopting necessary graft laws. I consider a particular attention deserves the suggestion on establishing customs duties in the Customs Code rather than in the Budget Law, which is modified on yearly basis and creates an unstable environment, thus affecting the foreign trade retaliations.

As regarding the suggestion on tailoring the Government Resolution no. 777 dated 13 Aug. 1987 "On Improving the Mechanism of Regulating Foreign Trade" to the "Law on Licensing Certain Types of Activity", we consider it is improper.

We consider, that based on the above mentioned Resolution a draft Law on Exports Control can be developed and submitted to the Parliament of the Republic of Moldova for examination and adoption, in compliance with the experience of the European Community Countries.

To mention is, that such laws have been already adopted by some CIS member-countries, such as Russian Federation, Ukraine, and Kazakhstan.

We should also mention, that in relation with the suggested Moldova's adherence to the WTO, in the near future, the Law on Anti-dumping, Compensating and Safeguarding Measures will be adopted, that will have a direct impact on import-export relations.

### ***13.5. Legalizing the property right on assets and privatized land areas***

In this regard we do not consider it is necessary to modify the Law on Privatization Program for 1997-1998, in the sense of specifying the moment when the right was enforced to ownership of privatized goods. This was established univocally in the Civil Code and the Law on Real Estate Survey.

Another point is, that the procedure of registration in the Real Estate Survey is too long and needs substantial costs for carrying it out. In this context we consider necessary to introduce modifications and amendments in the current legislation with a view to urge and facilitate this procedure by diminishing the related costs, including by assuming these costs by the state (like for instance in case of privatization of objects that do not have any related documents to their prior registration by respective bodies).

Acceptable should be the suggestions on making modifications for clear delimitation between the documents confirming the ideal size of a property share and documents specifying the assets distributed in kind, as well as empowering the Commission for Privatization to modify previously adopted decisions and those regarding clear regulation of the manner of adjacent areas privatization.

### ***13.6. State control upon entrepreneurial activities***

We consider, that the activity of the Department for Financial Control and Audit, as well as the Financial Guard needs to be regulated by law. In this regard it is necessary to complete the Fiscal Code and the Law on Accounting with stipulations

regarding the functions of those control bodies, as well as the manner of carrying out fiscal and financial control.

The multitude of control and supervision bodies that can intervene any moment in the activity of the entrepreneurs, is a negative aspect in the administration practice. Usually, the controls performed by those bodies have the purpose to sanction enterprises for certain violations of law, a fact which makes some entrepreneurs run their activity in shadow economy.

More over in this regard, it is necessary to complete the current legislation with clear regulations related to procedure of running the control, powers of the control bodies, purposes of running the controls, etc, so that any abuse of the control bodies be excluded, on the one and, and to encourage the enterprises act based on legal stipulations.

In broad lines, the developed suggestions in this regard, are acceptable. At the same time we consider that currently there is no need of interventions in terms of modifications in the Law on Local Public Administration, because the structure of the control bodies and supervision do not coincide (from case to case) with administrative-territorial organization.

### ***13.7. Land market (lease and other civil transactions with land plots)***

One of the reasons having a negative impact on the entrepreneurial activities is the flaws of the privatization process. If the legal framework related to ownership has been more or less adjusted to current realities, the technical procedure of implementing the surveying and real estate related regime, despite the clearness of the concept, just starts to be implemented. Without establishing certain explicit regulations in this field, there cannot be discussion of enhancing agricultural reforms.

From this viewpoint, it is necessary to adopt as soon as possible the Civil Code in a new wording, to introduce necessary modifications and completions to the Land Code and introduce - in compliance with the those Codes' stipulations - laws that would regulate financial relations, as well as to modify the normative acts guiding the state departmental activity with a view to remove discrepancies with the legal framework.

In this context, it is necessary to improve - by due modifications - the Law on Lease, Law on Mortgage, Law on Normative Price of Land, Law on Surveying all Types of Real Estates, and others.

In conclusion we want to mention, that the Law on Leasing (no. 731 dated 15 Feb. 1996), needs to be improved, by introducing necessary modifications and completions, by taking into account the importance of leasing relationships for the entrepreneurship development in agriculture.

## C. ECONOMIC FRAMEWORK

### 14. GENERAL OVERVIEW ON THE LAND REFORM EVOLUTION IN THE REPUBLIC OF MOLDOVA

The ownership, in essence, expresses the relations between the people as related to assets and encompasses overall external economic relationships, ownership, usage and disposal. The ownership, according to Article 9 of the Constitution of the Republic of Moldova, can be both public and private.

By dismantling the state centralized monopolistic system and instituting the market economic mechanisms in the agri-industrial sector is possible only through changing the essence of ownership. It is this one that determined the purpose of the land reform: “demonopolization of state ownership on land and vesting the peasant with the rights of real master”.

Both the agrarian reform concept and the Land Code establish two stages of the land reform.

During the first stage, which practically is over, each rural family has been distributed for free, in private ownership, at least 0,3 ha of land. If the composition of the family was more than 3 individuals, 0,1 ha was distributed additionally per each member starting from the forth individual, provided the overall land area of the family does not exceed 0,75 ha. At present, the adjacent land plots, transmitted into private ownership to the citizens of the Republic of Moldova, amount to 344,5 thou ha.

On the second stage of the land reform, commenced once with the adoption of the Land Code on Jan. 1<sup>st</sup>, 1992, in private ownership is transmitted the outside built-over land areas, amounting to about 1,5 mil ha.

According to agrarian reform Concept and Land Code, privatization of outside built-over land is carried out by attributing equivalent land shares to citizens of the Republic of Moldova. This right is enjoyed by individuals who are running or have run their activity in the collective farms, individuals holding elected positions, individuals who have been subjected to political reprisal and subsequently rehabilitated, individuals who have submitted land plots to collective farms and other individuals, who amount to slightly less than one million.

Already by April 1<sup>st</sup> 1998, individuals with provisional titles accounted for almost 95% of those entitled to land shares. The certificate is only “ownership on paper”. Those entitled to ownership also submit applications to be distributed the land plots in kind.

**Table 1. Evolution of allocating the land shares in kind, as on July 1**

	1996	1997	1998	1999
Individuals having the land share in kind, thou	161	219	304	437
Individuals who have been distributed land shares in private ownership, thou	113	157	227	368
Percentage of met applications	70	72	75	84

Source: Statistical bulletin

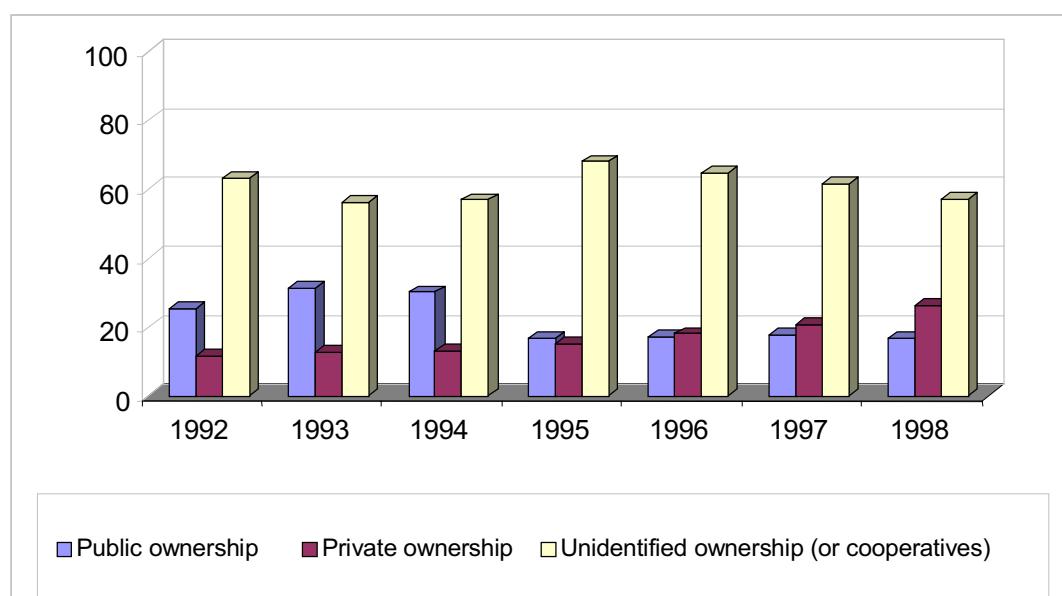
Regardless to considerable efforts that have been made and are still made to impede and even stop land shares distribution, either directly or by devising various barriers, the privatization process of the land fund is speeding up. Only during the last

4 years the number of individuals who applied to public authorities to get the land shares in kind, increased by 2,7-fold. It is significant the increasing level of meeting those applications – from 70% in 1996, to 84% in 1999. Although ridiculous, 16% of those who submitted applications are made to knock too many doors.

To mention is, that the peasants' activity during privatization process varies considerably in terms of territory. Thus, on the average, in this Republic of the overall title-holders entitled to land shares, only 43% have expressed their will to be distributed land plots in kind, including: in the former raion Nisporeni – 88%, Calarashi – 73, Criuleni – 70%, Drochia – 17%, Rezina – 16%, Taraclia – 4%. According to the data of the National Agency on Survey, Financial Means and Geodesy, on July 1, 1999 an overall number of 486 titles were distributed. To mention is, that 378 thou titles, or 78% were distributed within the „Land” project.

After January 1992 the structure of land fund ownership was subjected to substantial modifications.

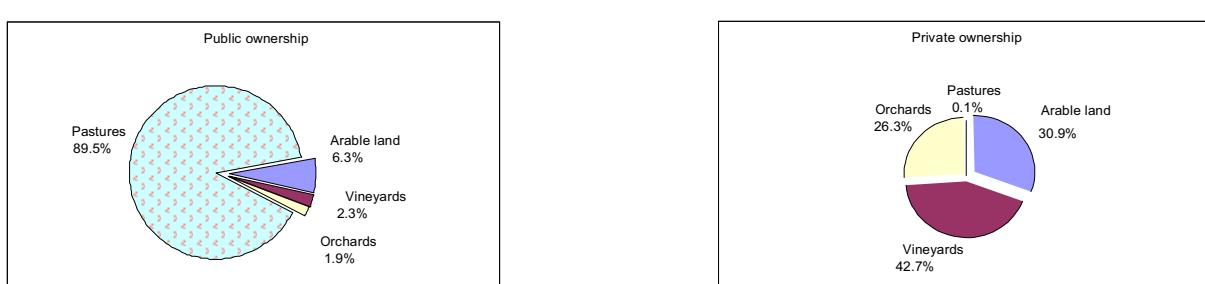
**Figure 1. Land ownership structure**



Source: Survey report (data as on the yearend)

Although in 1998, as compared to 1992, the share of public ownership shrank by 1.5 times, the state still owns 16,9% of the land areas. Simultaneously, the private sector increased by 2.2 times and accounts for 26,2%.

**Figure 2 Ownership and structure of agricultural lands in 1998, %**



Source: Survey report (data as on the year end)

It is significant, that the share of the unidentified property had decreased only by 6,2 per cent.

The structure of land ownership varies depending on the manner how agricultural areas are used.

If the agricultural areas in public ownership in 1998 accounted for 16,9% (the ones planted with orchards – 1,9%, pastures – 87,4%), the private sector in 1998 accounted for 26,3% (orchards – 42,2%, pastures – 0,1%).

The changes in the structure of the land property structure, increasing share of private ownership have evidently contributed to raising motivation in peasants' activity.

It is land private ownership, that:

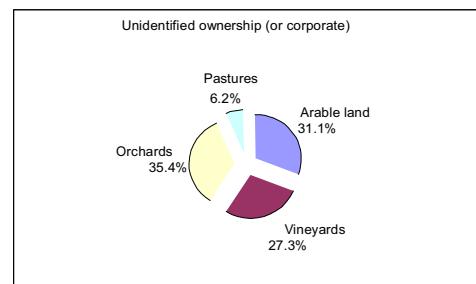
- stimulates the individuals to use the land fund more productively;
- contributes to reasonable conservation of land quality for the future;
- avoids violence as competition tool and extends the activity of the peasant, based on the volunteer consent.

It is evident the need of speeding up the process of changing the land fund ownership structure due to the reason, that as was stated by the Laureate of the Nobel Prize Milton Friedman, as far back as in 1991, the best program for Eastern Europe can be summarized in three words: "privatization, privatization and privatization". Yet, it is critically necessary to take into account the accumulated experience and avoid committed errors.

For the beginning we should pay attention, that in the Baltic States, as well as the Eastern Europe, the land was distributed to former landowners, which is absolutely natural. In the Republic of Moldova the land areas are distributed equally to all: both to industrious and lazy, to good households and those who expect the goods to self-generate. Consequently, a considerable area is either under-farmed or is farmed by admitting severe technological violations.

The Land Code norms are frequently neglected. For instance, the individuals entitled to land shares are distributed as per *equal* and not *equivalent* land area, as stipulated in the legislation, and in the future this fact will generate social conflicts in the rural area.

Privatization of land shares is made into too many parcels. The members of one and the same family are distributed land parcels on separate fields, often at considerable distance from each other. Moreover, one and the same owner is distributed land share in three or even more parcels, with a view to insure equity among the peasants of the respective locality. It is regretful, that this way the land is distributed even in localities where land reform is run by the "Land" project. Thus, in a certain family, the husband becomes owner of a land share distributed in parcels on 3-4 fields, the wife – on another 3—4 fields, and if there are any entitled children – on other 3-4 fields. This fact generates dissatisfaction and entail unjustified additional expenditures.



It would be good to attribute the equivalent land share on one and same field, in one and the same place for the whole family, for all members of the family, who are entitled to equivalent land shares.

#### 14.1. Privatization of agri-industrial property

The agrarian reform concept set as purpose “to create the material basis for providing economic freedom to peasants and other employees of the agri-industrial complex with a view to stimulate their entrepreneurial activities”.

For peasants who have been distributed land, the main source of material basis formation is the property share from the assets of the agri-industrial sector. According to estimates of the World Bank and ARA<sup>1</sup> “The average value of a property share in Moldova (after property reevaluation in 1996) is 4700 lei or about \$850... The property share does not always represent the real value of the patrimony and has been calculated without taking into account the current debts”.

Distributing to peasants the property, which in fact belongs to them, is running more difficult than land share distribution.

Both quantity and quality of barriers that the peasant has to overcome, is often unimaginable. Let us follow the evolution of the process of property share distribution the from the agri-industrial sector.

**Table 2** *Evolution of property shares distribution from agri-industrial sector property*

Indices	1997	1998	1999
Citizens entitled to property shares	1085	1122	1131
Citizens who received property share certificates, thou	460	590	672
% from overall	42	53	59
Number of certificates that were authenticated at the Territorial Agencies for Privatization and State Property Administration, thou	257	424	547
% of those who received certificates	56	72	81
Real number of peasants who have been distributed assets as part of property shares, thou	588	750	837
% from the number of participants in privatization	54	67	74
Number of people who do not know the size of the property shares due from farms, thou	83	65	53

Source: Statistical Yearbook

If about 95% of the individuals entitled to equivalent land shares obtained at least provisional certificates of land ownership, property share certificates were distributed to only 59% of the citizens entitled to agricultural patrimony privatization. As on April 1, 53 thou individuals did not know the size of shares due from the assets of the agricultural enterprises. Of the obtained certificates 81% were authenticated at the Territorial Agencies for Privatization and State Property Administration.

<sup>1</sup> See Zvi Lerman, Csaba Csaki, Victor Mor oz. “Moldova: Reforma Funciară și restructurarea gospodăriilor agricole: dezvoltare și perspective”. Chișinău, 1998, p. 35 (Moldova: Land Reform and farm restructuring: development and perspective”. Kishinau, 1998, p. 35).

Even if the distribution of property shares to peasants is running slower than of land shares, the progress is obvious. The share of those who received property share certificates during the last three years increased by about 17%. The share of certificates authenticated increased at the same time by 25%.

The conclusion deriving from this fact is that property shares distribution in kind, practically does not occur, or it is carried out with considerable violations and much delayed. Lack of production means and the dictate of the monopoly of the raw materials processing enterprises stir a hostile attitude towards agrarian reform. Being cognizant of this fact, even if there is a multitude of Parliament Resolutions, the Decree of the President of the Republic of Moldova, both local and central public authorities, legal institutions are heaped up with claims on behalf of the peasants that obtained the equivalent land shares, they cannot obtain the property that is due to them. Insofar, the losses entailed to agriculture and implicitly to the national economy have not been evaluated, yet, surely their proportions are significant.

To mention is, that the vineyards and orchards are privatized as agricultural areas and not as fixed assets, which in fact is stipulated by the concept of the agrarian reform. The individuals who received areas planted by vines or orchards, are bound to reimburse their cost, which generate social tension.

#### ***14.2. Changing the organizational forms in agriculture***

Currently, one of the most arguable problems is the one of organizational structures. The diversity of the ownership forms conditions one of the objectives of the agrarian reform “to provide development based on equality of rights of all juridical-organizational forms in the agri-industrial sector”.

The law on entrepreneurship and enterprises, adopted on April 1, 1992, stipulates 9 forms of juridical-organizational forms, valid also for the agri-industrial sector.

**Table 3 Number of economic agents in agriculture, as on the beginning of the year**

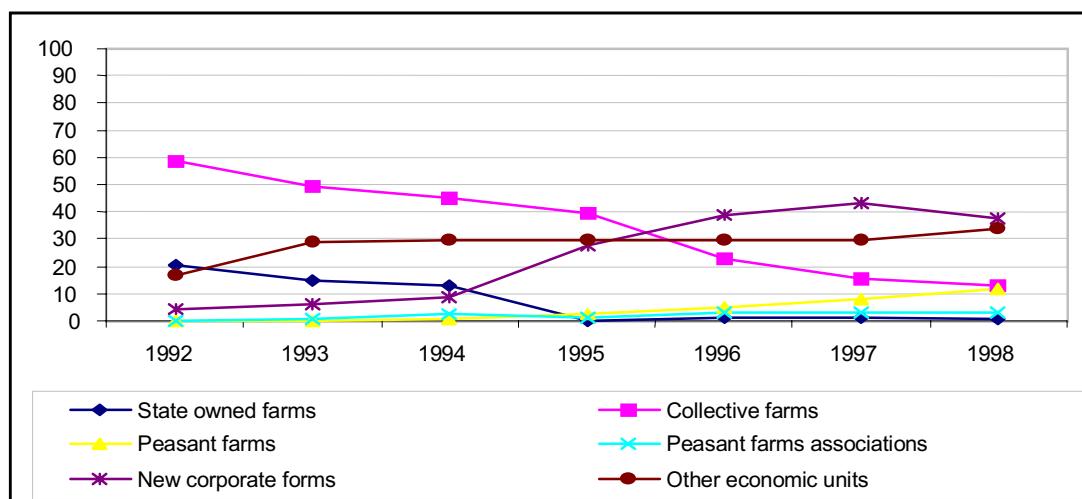
Economic units	1992	1993	1994	1995	1996	1997	1998	1999
<b>TOTAL</b>	<b>1047</b>	<b>1441</b>	<b>4161</b>	<b>14998</b>	<b>17240</b>	<b>42515</b>	<b>67209</b>	<b>81615</b>
Of them:								
State enterprises	389	348	358	281	236	157	121	99
Collective farms	600	566	535	438	395	262	147	114
Inter-farm enterprises	53	46	44	37	34	25	20	16
Joint-stock companies	-	-	36	80	160	210	266	257
Limited companies	-	-	58	6	11	4	48	76
Production cooperatives	-	-	65	131	194	383	540	66
Peasant farms	5	481	3058	13958	16064	41228	65780	80165
Peasant farm associations	-	-	7	67	146	246	287	282

Source: Data of the Department of Statistical and Sociological Analysis of the Republic of Moldova

The number of economic units in agriculture is growing rapidly. We can follow a considerable decrease of state owned enterprises, of collective farms and inter-farm enterprises for agricultural output. Although today also the number of traditional “collective farms”, “sovkhозes” and “interfarm enterprises” still remains big. In the information provided by the Department of Statistical and Sociological Analysis of the Republic of Moldova, among the juridical-organizational forms stipulated in the Law on Entrepreneurship and Enterprises are not included such types as: “general partnership”, “private enterprise” and others. Yet, there are highlighted such types as “Peasant Farm” and “Peasant Farm Association”, which are not stipulated by the above-mentioned law, although there is the Law on Peasant Farm (farmer), adopted by the Parliament of the Republic of Moldova as far back as on January 3, 1992.

The number of economic agents is not sufficient to guide ourselves within the structure of agricultural types of enterprises. This can be completed if we resort to one of indexes describing the dimensions of the agricultural types of enterprises, in terms of land areas aimed for farming.

**Figure 3. Structure of land areas per types of economic units, % as at the yearend**



Source: Survey Bulletin (data as on the yearend)

The share of agricultural areas held by state enterprises in the total number of agricultural areas has reduced during the last 7 years by 19,5%; of those from collective farms – by 46,1%. Simultaneously, this index increased in terms of peasant farms, by 12%, and of Peasant Farm Associations by 2,8%. The share of new corporate forms including joint-stock companies, limited companies and production cooperatives, increased by 33,6%.

The changes in the types of agricultural economic units are extremely complicated and contradictory. Thus, the state enterprises practically disappeared during this period. Most of them have reshaped into collective farms, based on someone's instruction, or, at best, based on someone's indication, just like in cases when collective farms were reshaped into state farms. Moreover, quite a few collective farms have rushed to re-register as new corporate units, such as joint-stock companies, limited companies, even peasant farm associations. The owners of equivalent land shares, members of state owned agricultural units, or collective farms, became shareholders, without any request or consent. They have not been distributed

land and property titles. Yet, for being a shareholder first of all one should be an equity owner.

After the beginning of the agrarian reform, the idea was actively promoted to liquidate the old organizational forms. Actually, it was a good idea. Unfortunately, in a big deal of our villages by “liquidation” was perceived a physical liquidation and this way dismantling started of everything that had been built and accumulated during 50 years. History repeats in a paradoxical manner. In the ‘40s, after the Second World War, wealth was destroyed because it was of bourgeois heritage and private owners, 50 years ago, were deported. Now everything was destroyed, because was it of “communist” heritage, and nobody was deported, and even more, nobody bears any responsibility.

The basic form of production organization in Moldovan agriculture, both in compliance with the agrarian reform, as well as according to what was reached during recent years - is the peasant farm. The peasant farm in essence a family farm, based on the real economic independence.

The family farm, which prevails in the agriculture of all economies based on market relations, in the view of many experts<sup>2</sup> represents an organizational form, which provides both political and social stability, as well as the economic fairness for farmers.

Opponents frequently keep mentioning, that the area of the agricultural plots is insufficient for implementing modern technologies. They resort to statistical bulletin and affirm, that “the average size of the plots used by a household in the republic, distributed as parts of land share, amount to 2,1 ha, of which 1,7 ha arable land, and 0,2 ha of vines and orchards each”. This is the size of an individual agricultural farm. A family from the rural area comprises 3-4 holders of equivalent land shares. Thus, the average size of a peasant farm might amount to 5,4-7,2 ha. Sure, that size is much less than those of the farmers from USA – about 190 ha, less than those from France – 27 ha, Germany – 16 ha, yet, exceed those from Italy – 5,1 ha and Greece – 4,3 ha. The development of the peasant farms in Moldova can be effected by way of:

- a) “growth”, through accumulation of land areas and capital;
- b) by associations based on market economy principles.

The model of economic units’ area extension though “growth” can be reached by leasing equivalent land shares. As far back as in 1964, when the first agrarian reform was launched, Ion Ionescu developed “Pieces of Advice for Owners who Lease Out Their Land Shares”, which are actual to nowadays. This form of agricultural areas extension should be encouraged.

Extension though “growth” can be obtained only by way of purchasing agricultural areas. Although the Constitutional Court cancelled the Resolution dated Oct. 2, 1996 and all restrictions pertaining to enforcing the rights on land ownership, the land market actually was not shaped yet. According to the information of the Ministry of Agriculture and Processing Industry, before Jan. 1, 1999 there were sold only: 411 land shares, with an area of 316,8 ha and 3189 adjacent land plots in a total area of 529,93 ha.

Peasant farm development though association is typical to all countries. This form can be implemented with us too. In the whole world farmers, household farms necessarily associate with a view to use more efficiently the production means, with view to process the raw materials, for haulage purposes, selling food staffs, rendering

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<sup>2</sup> See, for example Letiția Zahin. “Agricultura mondială și mecanismele peștii”. București, 1993, p. 205. (“World Agriculture and Market Mechanisms” ).

consulting services and many other purposes. The difference is, that those associations occur based on private ownership and benevolently. Nowadays it is crucially important to encourage and stimulate this model of peasant farm development.

Currently in the Republic of Moldova, the public authorities insistently propagate to form limited companies managed by so called “leaders”, whose roles are often played by former chairmen of collective-farms, directors or foremen. Unfortunately, this strenuous will, is promoted by the “Land” project. The conflicts that may emerge consequently are incommensurable with the intention to provide sufficient room for up-to-date technologies. This intention can be reached otherwise, than those contributing to undeserved enrichment of certain former managers.

#### ***14.3. Regulations and considerations related to market relations mechanism***

Agrarian reform – as specified in the concept – can be carried out only provided market relations are developed, aimed at creating “an efficient mechanism for self-regulating the activity of economic units...”.

Formation of market relations means, first of all, creation of an efficient economic system, which ensures the freedom of the activity oriented towards the consumer.

Food products output has been and still remains the support of human being. Agricultural products are meant mainly for internal consumption. Food products consumption per capita in Moldova has an obvious shrinking trend, which is determined first of all by the purchasing power, which is determined by the incomes of each citizen, and first of all by labor remuneration.

**Table 4 *Labor remuneration and payment of pensions (as on Jun. 1), mil***

	1996	1997	1998	1999	1999 in % compared to 1996
Labor payment arrears:					
Including economic units from:	230,2	346,8	455,9	607,8	264,0
a) budget sphere	48,0	88,6	125,6	266,8	555,8
b) non-budget sphere	182,2	258,1	330,3	341,0	187,2
Amount of pension and indemnity arrears		174,1	290,0	372,0	213,7

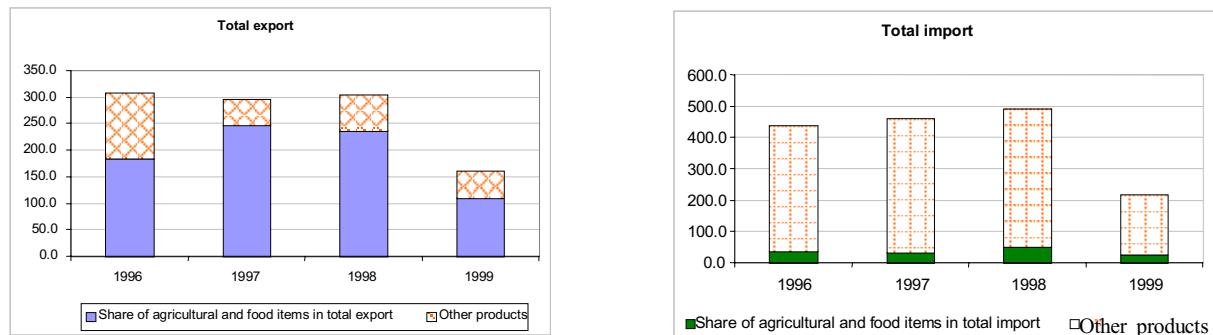
Source: Statistical Bulletin

Both salary and pension/indemnity arrears are growing fast, which considerably affects the demand. The lack of solvent demand impacts the sales of agricultural products and enhances malnutrition. The amount of calories consumed on daily basis per member of household have decreased from 3281 in 1980 to 2353 in 1994.

Traditionally, the agricultural products are an important item of Moldovan exports. Normally, food products are exported that exceed the needs of the country, although the comparison of production and domestic consumption does not obligatorily show the extent to which a certain country is contributing to shaping the

external food products market. Export volume can be considerable even then, when the domestic consumption is not duly provided.

**Figure 4 Share of agri-food items within exports and imports, (January-May period)**



Source: Statistical bulletin

In 1999 both export and import, have shrunk considerably, although the share of agri-food items has not changed significantly.

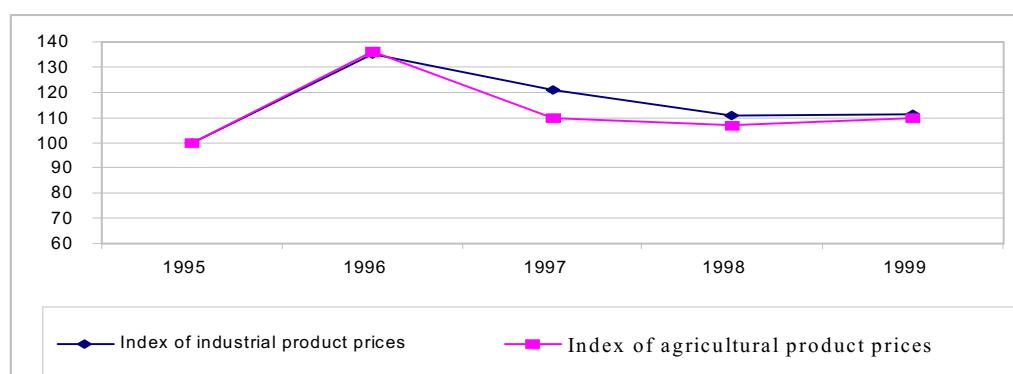
For a producer is important to provide for a categorical exceed of exports upon imports of agricultural & food items.

The strategy of food market formation should encourage the export of traditional food products, such as grapes and wine, fruits, vegetables and juices, tobacco and tobacco products. As for the others, the agriculture should meet the domestic requirements.

The fundamental instrument of regulating the market relations is pricing. Price liberalization from January 1992 has impacted agriculture very hard. For the beginning, we should remind, that being dependent of biological cycles the agriculture lost considerable financial sources as a result of 1991-1993 hyperinflation.

The agriculture is incredibly suffering also due to discrepancy of prices, in terms of how much costs one to grow the harvest.

**Figure 5 Evolution of price index in January-June**



Source: Statistical Bulletin

Most of agricultural products became unprofitable. Moreover, they cannot cover the production costs. Thus, according to the a study of the World Bank with the

joint effort of the Agency for Restructuring Agriculture<sup>3</sup> (ARA), in 1996 the prices of agricultural products as compared to production costs have accounted, per agricultural items, as follows: vegetables – 71%, fruits – 94%, dairy products – 61%, beef – 20%. Obviously, for some vegetal products this indicator is positive. For example, sun flower seeds – 115%, sugar beet – 111%. The changes in prices as compared to production costs have essentially impacted the changes of national agri-food items production.

The prices of the agricultural machinery, mostly of energy resources, continue to grow at fast speed, which will contribute to a continuous aggravation of the situation in the agri-foods sector. The situation was neither improved by the state guaranteed loans, issued traditionally by the Ministry of Finance to agricultural enterprises. In 1998 the profitable enterprises from agriculture accounted for only 12%, from the processing industry – 34%. The losses incurred by agriculture reached the amount of 817 mil lei and in the processing industry – 629 mil lei.

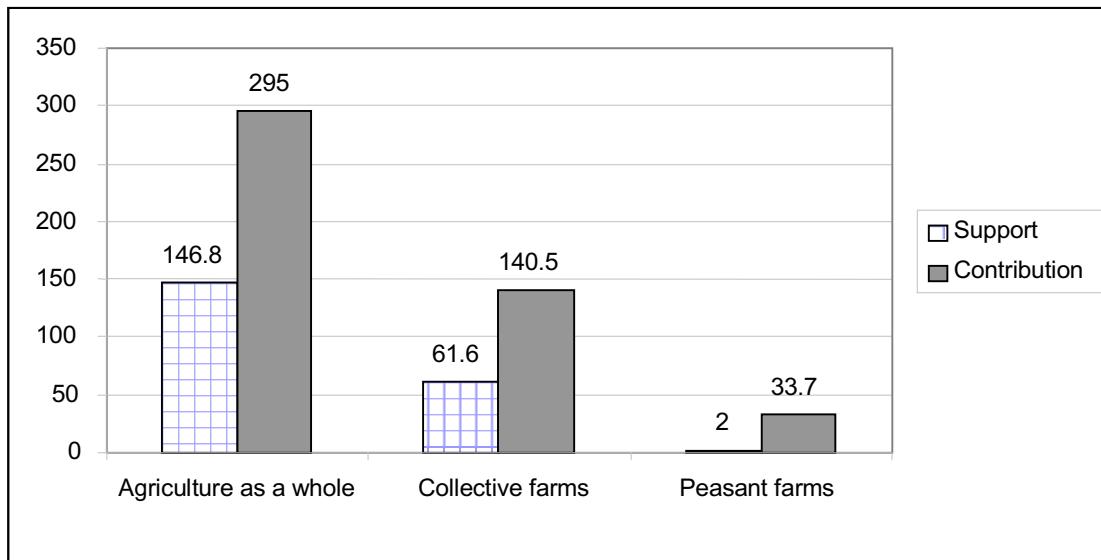
Public authorities might intervene by tax leverage and subventions. According to a study of taxes and subsidies to agriculture, carried out in 1998 by the ASA Institute for Analysis per Sectors and Policy Development, “on the one hand, the share of given sector contribution to state budget is lower than the share of agriculture in GDP, which proves a relatively low taxation. On the other hand, the tax burden is not equally balanced, particularly between peasant farms and other types of agricultural enterprises”. According to the data of the Fiscal Inspectorate, taxes collected from food and beverage industry enterprises in 1997 accounted for 85%, whereas those collected from agricultural enterprises were collected in volume of 48%. One of the reasons that lead to this situation, is the impossibility to cover the production costs. Due to losses incurred, the agricultural enterprises do not only fail to pay taxes, they accrue huge debts. The share of the agri-industrial sector in the overall arrears to the budget account for 60%, 48% of them being due from the agricultural sector. Nevertheless, some positive trends are profiling. According to the results of the study of taxation and subsidizing system in the Republic of Moldova, developed by ASA Institute for Sector Analysis experts (Germany), in joint cooperation with ARA “peasant farms pay almost 100% of taxes, whereas large farms pay less than 35%. Moreover, the agricultural farms also pay taxes mainly in kind, whereas the peasant farms pay their fiscal liabilities in cash”.

It is also significant the balance between the contributions to budget and state support to agriculture.

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<sup>3</sup> See Moldova: Current Agrarian Policy. Chişinău, 1998.

**Figure 6. Budget contributions and state support to agriculture, mil lei**



The support to collective farms accounts for 43,8% of their contributions to the budget, whereas support to peasant farms accounts for only 5,9% of their contributions. According to a Resolution of the National Public Authorities, the peasant farms were supposed to get from the budget 150 lei each. This amount, meant to private peasants support, has not been fully granted up to nowadays. Obviously, the financial support provided by the state to peasant farms is far from sufficient.

The main source of funding operations of economic units was and continues to be the sale of agricultural products, yet, a very important role is played by the agricultural credit.

From year to year the overall amount of commercial credits is growing. Based on the data from the National Bank, in 1996 the agri-industrial complex was provided 162 mil lei and accounted for 12% of the overall credits provided in the national economy; in 1997 this amount reached 27% of the overall.

According a study of the World Bank with contribution of ARA's contribution<sup>4</sup> "credits are targeted particularly towards processing industry and raw material suppliers. Commercial loans provided directly to agricultural enterprises do not exceed 120 mil lei, *i.e.* 8% of the overall amount...".

The main commercial creditor of the agricultural sector continues to be "Agroindbank". In loaning the peasant farms has actively got involved the Association for Lending and Savings (ALS). The initial sources for commencing the activity have been offered by the Corporation for Rural Financing. According to the report of the Ministry of Agriculture and Processing Industry as on June 1, 1999, about 11 mil lei financial means were recorded as loaned, at an interest rate of 25% for 1-1.5 years. Emergence on financial market of some financial sources made some banks review their interest rate policies. For example, Agroindbank adhered to this project offering about 8 mil lei at the same interest rate of 24-25% for the same 1-1.5 year term.

One of key barriers, hardly avoidable, in using the commercial credit by peasants, and particularly, by the peasant farms is lack of material assets eligible for

<sup>4</sup> See Moldova: Current Agrarian Policy, Chișinău, 1998, p. 32-34.

mortgage. Although land can be mortgaged, only 70 ha of agricultural areas are mortgaged at "Agroindbank".

Low level of loans provided by the commercial banks are explained by the high rate of interests. It is crucially important to take into consideration the biological cycles from agriculture, making difference between the interest rate level, depending on the speed of the cash turnover.

#### ***14.4. Conclusions***

The main idea is that the agrarian reform, launched as a present time imperative is irreversible. Number of individuals wishing to become owners in agriculture exceeded 43%.

The strategic fundamental objective of the reform continues to stall off the decline, remove the disbalance between supply and demand of food items, to resolve the problem of food security.

The agrarian reform has some speeds. Each element of the reformation system has its own speed, which contributed to contradictions and discrepancies.

- At highest speed, although insufficient, is running the land reform. The number of individuals who claimed their land shares in kind increased from 161 thou in 1996 to 437 thou in 1999, which accounts for 271%. The resistance is shrinking on behalf of authorities, which is confirmed through growing share of applications met, from 70% in 1996 to 84% in 1999. A considerable contribution to urging the distribution of land titles was made by the "Land" project, funded by the US Government; in the framework of that 78% of the total authenticated titles were distributed;
- Distribution of property to peasants, which actually belongs to them, runs slower. Number of individuals who received property certificates grew from 460 thou in 1996 to 672 thou in 1999, or only 1,4-fold. The number of peasants who attained property certificates is far too less than modest. On the 1<sup>st</sup> of April 53 thou individuals did not know the size of shares they were due from the property of the agricultural enterprises. Actually none of the peasants knew his/her share from the property of the processing enterprises.
- Extremely slowly are developing the juridical-organizational forms of the agricultural companies. Individuals who want to set up their own (family based) peasant farms, are compelled to go through considerable trials. By July 1 this year, only 40% of the number of citizens who were attributed land shares set up and registered 99 thou peasant farms. Farmers' association and cooperation, that is unavoidable for efficient usage of both natural material and human resources, runs paradoxically. As regards incorporation and consolidation of agricultural companies there is an unbelievable chaos.
- Much lower, as compared to agrarian reforms components enumerated above, is the pace of forming mechanisms that would regulate the exchange of food products, the pace of forming mechanisms specific to market economy.

The fundamental instrument of regulating the market relations is pricing. The agriculture suffers incredibly from the discrepancy of price and what the inputs are to grow something and produce as final agricultural products. Consequently, the peasants cannot cover the production costs. In 1996 the prices of the producers versus production costs were worth 94% for fruits, 71% - for vegetables, for dairy products – 61% and for meat – 20%.

In 1998 the agricultural profitable enterprises accounted for only 12%. Prices for agricultural machines, chemical products, fertilizers and particularly power sources continue to fall fast, which will aggravate the state of the agri-food sector even more.

The state and public authorities might intervene through tax and subsidy leverages. In reality agriculture, particularly the private sector, it is more subjected to embezzlements than it is allocated to. Support to agricultural enterprises was worth 43,8%, whereas to peasant farms – only 5,9% of their contribution to the budget.

The loans provided to agri-industrial complex make up less than one third of the total amount canalized to national economy; commercial loans granted directly to agricultural enterprises do not exceed 8% of the amount of credits provided to the agri-food sector, and when establishing the interest rate it is not taken into account the specific biological cycles in agriculture.

In the system of agrarian reform, at slowest pace runs training, improvement of staff involved in the agri-food sector and investigations, which aggregately make up actually the key element of the agrarian reform, agricultural modernization, insuring balanced changes within the relationship – labor-land-capital.

The specialized institutions and numerous projects run their activities based on programs that are poorly correlated and almost unsatisfactorily adjusted to market relations. In a catastrophic state are the scientific research institutions.

The agrarian reform has the target to insure the social and economic protection of the peasants and is targeted to growing efficiency of this sector of the national economy.

The volume of agricultural products, although oscillated from year to year, has a clear tendency to downsizing at the former agricultural enterprises that existed, and a yearly constant growth in the households and peasant farms.

The owner-peasants are affected less by poverty. If the average monthly wage in 1996 in agriculture reached the amount of 121.5 lei, the monthly income of the private farmers per capita made up 300 lei.

Unfortunately, the realities of social and cultural development of the country side from Moldova are pitiful. Transfer of responsibilities for granting social services and supporting the respective infrastructure from agricultural farmers to mayoralties did not take place. Consequently, neither the employees of the agricultural enterprises nor owner-peasants do not benefit of any social and cultural goods.

In order to orient the behavior of the agri-food sector, to channel the agricultural and processing industry reform process on the right path, in order to justify the researches aimed at insuring the scientific support of the agrarian reform, it is necessary to monitor all components of such complicated process as the reform of agri-food sector.

Finally, one can state the need to harmonize the elements of the agrarian reform and large scale implementation of general interaction possibilities of the components of the agri-food sector, such as:

- Pushing the process of modifying of the property structure as factor of extending responsibilities and promoting competition;
- Formation and consolidation of peasant farmers, based on family composition and their cooperation and consolidation with a view to use efficiently natural, human and material resources;
- Developing market institutions in agriculture, adjusting the fiscal system, insuring the access to loans, subsidizing agriculture, resolving the social problems of the country side.

An imperative became working out a strategy on developing the national agri-industrial complex and strategies for judetses (counties) development.

## ***RESEARCH TEAM***

- Concept of the study
- Elaboration of the questionnaire
- On-field work
- Data processing on PC
- Opinion poll survey
- Legal base survey
- Agroeconomic survey

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