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CURRENT ANALYSIS OF THE SITUATION AND DEVELOPMENT PERSPECTIVES OF RURAL AREAS IN THE REPUBLIC OF MOLDOVA

ABSTRACT

The paper presents an analysis of the current situation of rural areas in the Republic of Moldova, in terms of demographic, social and economic indicators. The present study addresses the differentiation between rural and urban areas in terms of employment level and fields of activity, unemployment rate, disparities in disposable income and consumer spending for the period 2014–2020. Following the presentation and analysis of public policies aimed at revitalizing and developing rural areas, the results focus on the most acute differences between urban and rural areas, offering a series of recommendations aimed at the sustainable development of rural areas in the Republic of Moldova.

Key words: rural, urban, development, Republic of Moldova.

JEL Classification: Q18.

1. INTRODUCTION

Rural development represents one of the main priorities set out in national policies dedicated to the development of the agri-food sector and rural areas. Thus, the general objective no. 3 of the National Strategy for Agricultural and Rural Development for 2014–2020 mentions the improvement of work and living standards in rural areas, being continued in three specific objectives, namely: facilitating investments in physical infrastructure and services in rural areas, increasing employment opportunities in the non-agricultural sector and increasing incomes in rural areas, as well as stimulating the involvement of the local community in rural development. At the same time, the draft of the new National Strategy for Agricultural and Rural Development for the years 2022–2027 provides for the general objective no. 4 dedicated to supporting sustainable rural socio-economic development by increasing investments in physical infrastructure and rural services, encouraging non-agricultural business in rural areas, involving the local community in implementing local development strategies and stimulating young farmers through facilitation of rural business development. Rural development is also envisaged as one of the

10 areas of intervention of the new strategy (National Strategy for Agricultural and Rural Development, 2022–2027). As a result, the purpose of the paper is to carry out an analysis of the current situation of rural areas in the Republic of Moldova, in terms of demographic, social and economic indicators.

2. STATE OF KNOWLEDGE

The aspects of rural development in the Republic of Moldova have been addressed in terms of various factors, such as land consolidation (Lerman and Cimpoiu, 2006), impact of migration on rural areas (Bolganschi, 2011), through the effects of climate change on rural development. Rural-urban disparities have been previously addressed in various studies (UNDP, 2020).

At the same time, the authors aim to conduct an analysis of rural development in the Republic of Moldova combined with the presentation of current policies to support the development of society in rural areas.

3. MATERIAL AND METHOD

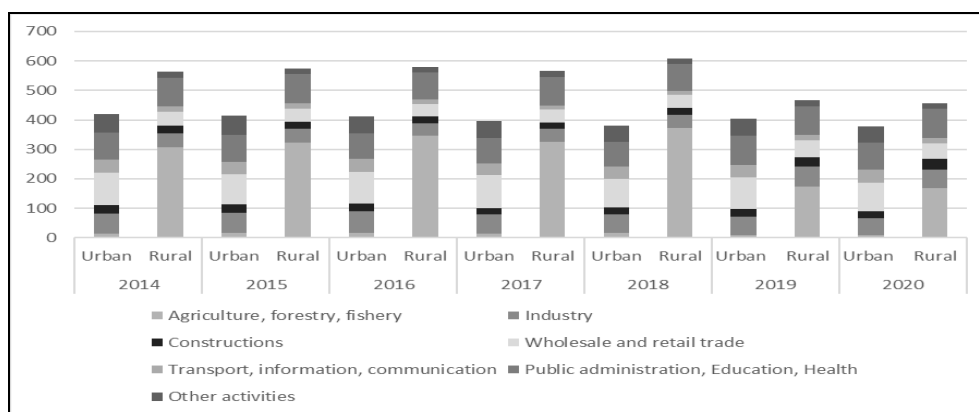
In order to perform the analysis of rural development in the Republic of Moldova, the methods of comparison, analysis and synthesis have been used, supported by statistical data provided by the National Bureau of Statistics of the Republic of Moldova, data from the reports of the Agency for Intervention and Payments in Agriculture, as well as other relevant bibliographic sources.

4. RESULTS AND DISCUSSIONS

The Republic of Moldova is a predominantly rural country, with 57% of the country's population living in rural areas. According to national statistics, in 2019, over 2 million out of the 3.55 million citizens lived in rural areas (NBS, 2021).

Analysing the new figures issued by the National Bureau of Statistics related to the total number of the population, mainly population based on habitual residence (habitual residence is defined as the place where the person lived mainly in the last 12 months, regardless of temporary absences (for recreation, holidays, visits to relatives and friends, business, medical treatment, religious pilgrimages, etc. – i.e. excluding long-term migrants), the figures steadily declined from 2.9 million inhabitants in 2014 to 2.6 million in 2021. At the same time, at national level, following a revision of the Labour Force Survey, the share of agriculture in employment decreased from 39% to 21% between 2018 and 2019. For rural areas, the agricultural sector is still the main generator of work places; thus, in 2020, 36.6% of the employed

population in rural areas worked in agriculture, followed by public administration, education, healthcare – 22% and industry – 14.1%. In urban areas, 25.3% of the employed population worked in the wholesale and retail trade sector, 24.5% in public administration, education, healthcare, and 15.1 in industry. Only 2.3% of employed people in urban areas were employed in the agricultural sector (NBS, 2021).

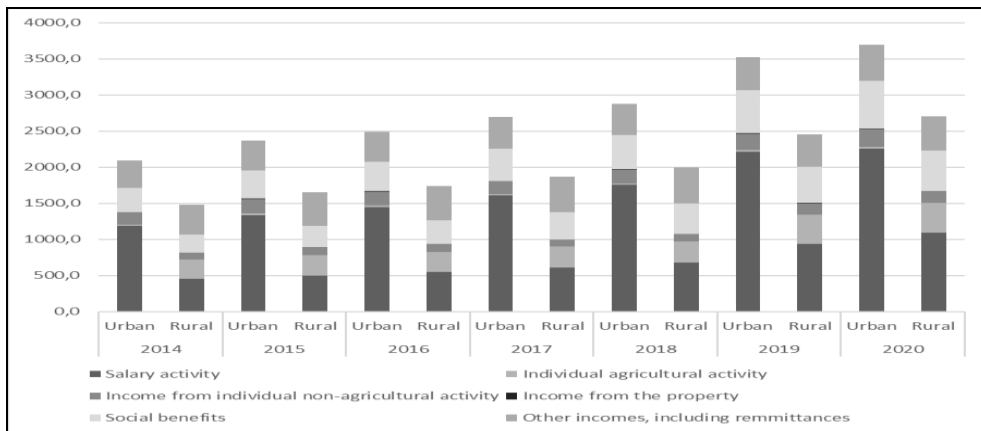


Source: NBS, 2021

Figure 1. Employed population (with habitual residence) by economic activities, thousand persons

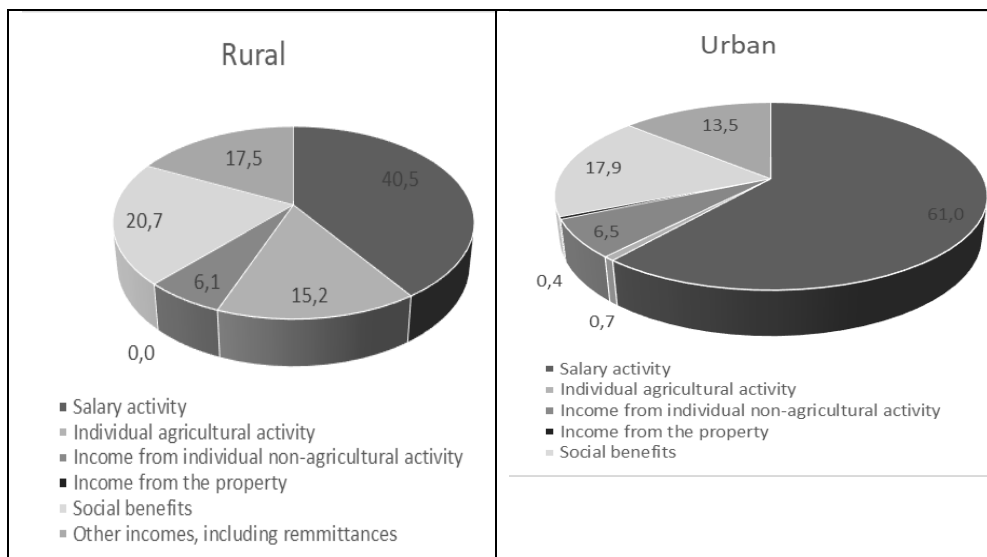
In the same context, between 2014 and 2020, the unemployment rate in rural areas was below the national average and fluctuated from 1.8 to 5.3%, to reach 3.3% in 2020. For urban areas, this figure was much higher, reaching 6.5% in 2015 and 4.5% in 2020. As a result, we could notice that the rural area represents a safety net in terms of employment of the population. Rural-urban disparities are also observed through the analysis of the disposable income of the population. Even though in the period 2014–2020, the disposable income in rural areas increased by about 83%, while in urban areas by 76.5%, there are still strong inequalities between the two residence areas. The disposable income of the rural population represented 73% of the disposable income of the urban citizens in 2020.

At the same time, analysing the data for 2020, important differences in the structure of disposable income are noticed. Thus, for the rural area, 40.3% of the total disposable income results from salary activities, followed by 20.7% from social benefits, 17.5% from other incomes, of which about 90% from remittances, 15.2% from individual agricultural activities and 6.1% from individual non-agricultural activities. The structure in the urban area is different, with 61% from salary activities, 17.9% from social benefits, 13.5% from other incomes and 6.5% incomes from individual non-agricultural activities.



Source: NBS, 2021

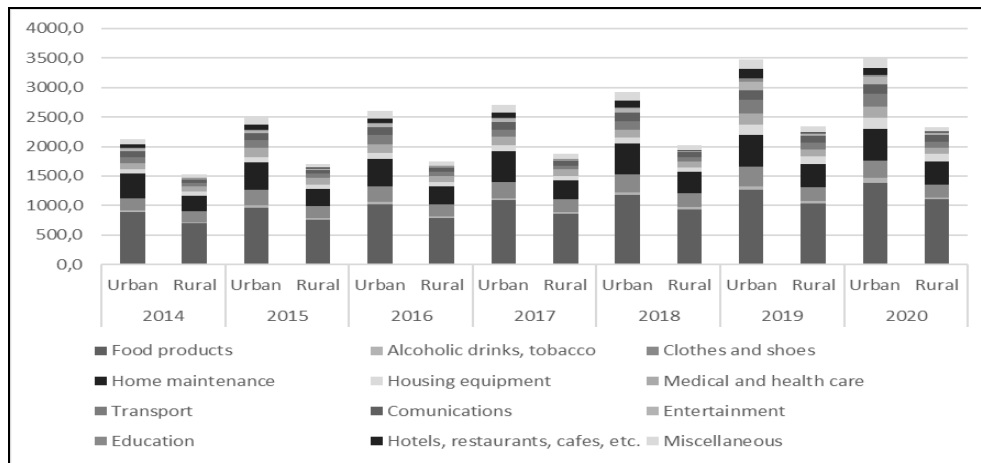
Figure 2. Average monthly disposable income per person per year, lei



Source: NBS, 2021

Figure 3. Rural-urban structure of disposable income in 2020, %

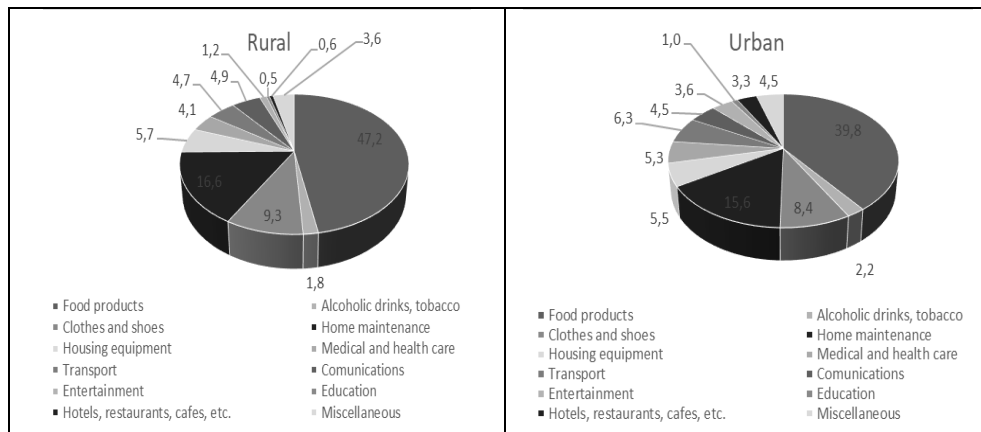
In the period 2014–2020, consumer spending in rural areas increased by about 52%, while in urban areas by 64%. Consumer spending of rural residents in 2020 accounted for 67% of consumer spending of urban citizens.



Source: NBS, 2021

Figure 4. Average monthly consumption expenditures per person, lei

Even with lower consumption expenditures, rural residents have almost the same structure of these expenditures as urban residents. Therefore, 47.2% are intended for food, 16.6% for home maintenance, 9.3% for clothes and shoes. Compared to urban dwellers, rural dwellers have lower spending in transportation, entertainment and restaurants and cafes.



Source: NBS, 2021

Figure 5. Rural-urban structure of consumption expenditures in 2020, %

Moreover, there is a significant gap between the absolute level of poverty in urban and rural areas, this indicator representing 14 for urban and 35 for rural. The highest exposure to poverty is found in elderly persons, families with disabilities or single women of retirement age.

The poor condition of the physical infrastructure represents another factor that limits the development possibilities of rural areas in the Republic of Moldova. Households in rural areas are much less equipped with living facilities compared to households in urban areas.

Thus, out of 55 urban localities, 53 are equipped with public water supply systems. At the same time, out of 1478 villages, only half of them, i.e. 769 in 2020, had access to public water supply systems. In the last 5 years, the number of villages with access to water systems increased from 679 to 769.

Table 1

Access to public water supply systems, 2016–2020

	2016	2017	2018	2019	2020
Number of localities with access to public water supply systems including:	732	751	774	794	822
urban localities	53	53	53	53	53
rural localities	679	698	721	741	769
Total length of public drinking water distribution networks, km including:	13 315.0	13 810.9	14 355.6	14 856.3	15 436.1
urban localities	4 662.7	4 676.9	4 672.5	4 744.5	4 822.4
rural localities	8 652.3	9 134.0	9 683.1	10 111.8	10 613.7

Source: NBS, 2021

Table 2

Access to sewerage systems, 2016–2020

	2016	2017	2018	2019	2020
Number of localities with public sewerage systems including:	104	106	110	115	124
urban localities	52	52	52	52	52
rural localities	52	54	58	63	72
Total length of public sewerage networks, km including:	2 814.9	2 827.7	2 894.1	2 931.4	2 970.3
urban localities	2 315.9	2 368.9	2 404.2	2 412.3	2 407.2
rural localities	499.0	458.8	489.9	519.1	563.1

Source: NBS, 2021

The availability of public sewerage systems is low, with poor coverage at national level. Thus, out of 55 urban localities, 52 were provided with public sewerage systems. At the same time, out of 1478 rural localities, only 72 had access to public sewerage systems in 2020. In the last 5 years, the number of villages with access to sewerage systems increased from 52 to 72 (representing only about 5% of the total number of villages in the Republic of Moldova).

In order to develop and revitalize rural areas in the Republic of Moldova, a number of support measures have been approved by the state in the recent years. At

present, support for the development of rural areas is carried out within three priority areas: development and improvement of rural infrastructure related to agricultural holdings, improvement of living and working conditions in rural areas and the LEADER programme.

In the context of the first support direction, GD no. 455 of 2017 on the distribution of funds of the National Fund for the Development of Agriculture and Rural Environment records Measure 4. Improvement and development of rural infrastructure under Priority III. Increasing investments in physical infrastructure and services in rural areas, including infrastructure related to agricultural enterprises located outside the city (GD 455, 2017). As a result, starting with 2015, within this measure, more than 130 million lei were allocated on cumulated basis for the construction/reconstruction and renovation of the infrastructure related to agricultural holdings (roads, bridges, gas supply systems, water and sewerage systems, power supply lines and equipment, irrigation water storage basins, renewable energy production systems), construction/reconstruction and renovation of rural agritourism pensions and creation or expansion of craft units – woodworking workshops, crafting, for making ceramics, tailoring, embroidery, knitting, weaving, blacksmithing, leather, rush and wicker processing, etc. (HG 455, 2017).

However, it is important to note that the amounts allocated under that support measure do not exceed 3.2% of the total value of the National Fund for Agriculture and Rural Development for the respective years, which indicates a relatively low share of allocations for these measures.

Table 3

Subsidy indicators under Measure 4. Improvement and development of rural infrastructure, 2015–2021

	2015	2016	2017	2018	2019	2020	2021
The amount of the requested subsidy, mln lei	5.53	7.53	12.13	18.52	23.17	33.9	48.5
The amount of the authorized subsidy, mln lei	3.4	4.16	8.88	13.09	18.5	33.9	48.5
Number of subsidized projects	50	61	65	94	116	149	165
construction / reconstruction and renovation of infrastructure related to agricultural holdings	50	61	54	89	108	139	160
construction / reconstruction and renovation of rural agritourism pensions	0	0	6	4	7	10	4
creation or expansion of craft units	0	0	5	1	1	0	1
Total value of the National Fund for the Development of Agriculture and Rural Environment, mln lei	469.86	562	742.6	968	1064	1200	1535
Share of funding under Measure 4 in the total value of the Fund, %	0.7	0.7	1.2	1.4	1.7	2.8	3.2

Source: AIPA, 2021

At the same time, in order to increase the attractiveness of rural areas and improve living conditions, in 2019 the Regulation on granting subsidies for improving living and working in rural areas was approved from the National Fund for the Development of Agriculture and Rural Environment (GD 476, 2019). According to it, subsidies are granted in the amount of up to 15% of the total value of the National Fund for the Development of Agriculture and Rural Environment for the following measures:

- Measure no. 1. Improvement and development of rural public economic infrastructure (construction/rehabilitation/modernization of local public roads and bridges, extension/rehabilitation/modernization of water supply network, water purification and sewerage systems, intended for public objectives of local interest);
- Measure no. 2. Renovation and development of the rural locality (creation, improvement and extension of basic local services for the rural population, including leisure and culture, as well as the related structure, conservation / restoration of the built historical heritage and of the rural natural landscape (individual objects or ensembles of rural architecture with historical or ethno-anthropological interest as proof of the traditional rural economy, works of landscape architecture and art, gardens-squares, gardens, parks, restoration/rehabilitation/conservation of monuments/historical structures specific to traditional rural architecture in a given area, intended for public purposes, including public monuments (old wineries, mills, boyar mansions), with emphasis on rural tourism development, conservation of intangible heritage and the own traditions of the local community);
- Measure no. 3. Diversification of the rural economy through non-agricultural activities (projects on diversification of the rural economy by increasing the number of micro and small enterprises in the non-agricultural sector, which will contribute to the development of services and job creation in rural areas, projects on preserving, developing and diversifying traditional crafts, projects on the development and promotion of rural tourism services and activities, as well as outdoor activities) (GD 476, 2019).

According to the available data, by 2021, three calls were launched to receive applications for subsidies in advance in order to improve living and working in rural areas, in which 178 applications were selected for funding, worth approximately 190 mln lei (AIPA, 2021).

5. CONCLUSIONS

The rural area of the Republic of Moldova is facing various economic problems (job availability, economic growth), social issues (migration phenomenon) and sustainable development issues. The existing disparities between rural and urban areas have sharpened, creating significant gaps in the development of the two

residence areas. In this regard, public policies initiated to support rural development are welcome and aim to improve living and working conditions in rural areas. As a result, in order to sustainably develop rural areas in the Republic of Moldova, it is necessary to increase the attractiveness of rural areas in terms of tourism, access to developed infrastructure, creating new jobs in agricultural and non-agricultural activities, attracting investment, etc. The development of human capital should be another priority in this regard, thus creating a sustainable development potential, based on access to education, infrastructure and other facilities. The consolidation of the human capital potential could contribute to the creation of local development initiatives, various associations and cooperatives capable of contributing to the revitalization and development of rural areas in the Republic of Moldova.

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