

Ensuring the right to a decent standard of living through efficient public expenditure management

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Abstract: *The right to a decent living implies the human possibility to benefit from the goods and achievements of civilization, access to education, medicine, culture, technical and scientific progress, insurance with food, housing, social protection, but also a qualitative environment, aspects that are identified among the most important. Without them, the free development of the human personality is impossible as the full realization of the right to a decent living is directly proportional to the economic resources available within the state, the way they are allocated, but also the way the state sets priorities for budget expenditures and achieves the efficiency of public expenditures. In this paper, the author proposes to carry out an analysis of the public expenditures carried out by the authorities of the Republic of Moldova in order to ensure the right to a decent living for its citizens. Since the basis of a decent living is the functional economy, the state being responsible for the performances in economic development and the corresponding social security measures, the paper also presents an analysis of the economic and social performance of the country. Method: In order to achieve the objective of this paper, various research methods were used, such as: quantitative and qualitative analysis of relevant documents and statistical data, synthesis method, comparative method, induction and deduction method, etc. Originality: this study presents the analysis of the efficiency of public expenditures related to the standard of living in the Republic of Moldova in order to evaluate the respect for the right to a decent living.*

Keywords: *right to a decent standard of living, public expenditure, national public budget, gross domestic product, economic performance.*

JEL classification: *K38; K39; H50; H53; I00*

1. Introduction

Although all human rights and freedoms are of equal importance for ensuring the right to life, it is still found that economic, social and cultural rights have a certain priority over the others. Ensuring any right is impossible without the effective realization of economic, social and cultural rights, and their promotion and compliance can only be obtained under certain conditions for approving rational economic and social development policies both domestically and internationally.

Detached from the category of economic, social and cultural rights, the right to a decent living is a fundamental one, acquired by the human being outside of any legal regulation by virtue of being human (Arseni, 2021). In the absence of this right, many of the fundamental human rights and freedoms reduce their importance.

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The existence and recognition of this right was initially achieved through international legal acts, such as the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and later through national constitutional norms. However, the right to a decent standard of living was included in the catalogue of fundamental rights much later than the other rights, given the fact that its complex content requires the achievement of a certain level of development that societies must reach and implies reasonable living conditions that are constantly improving (Enache and Deaconu, 2019). In this way, every human being has the guaranteed right to a decent living, imposing both the international community and the national states the obligation to respect and grant "reasonable living conditions that ensure, her and her family, a civilized life".

Regardless of the context of the discussion, the standard of living primarily highlights the economic side of the concept, revealing the material well-being of a person and society that includes the amount of goods and services they own or can acquire.

Specialists concerned with the assessment of the right to a decent living, in their multiple statements, have highlighted the fact that, in a democratic state, ensuring the right to a decent life offers people the possibility to own and benefit from the civilization's goods and achievements, which are made available to them by the society. This includes education, medicine, modern technology, means of transport, rational and caloric food, services provided by the companies from the service sector, cultural and scientific wealth accumulation and others, which are essential to human development (Creanga, 2012).

2. Literature review

The recognition of the right to a decent standard of living by the international community as an indispensable right for today's civilization has led to its inclusion among the most important legal norms.

The right to a decent standard of living has its starting point in the Universal Declaration of Human Rights, which states that "every human has the right to an adequate standard of living that ensures his health and well-being of himself and his family, including food, clothing, housing, medical care, and the necessary social services; he has the right to insurance in case of unemployment, illness, invalidity, widowhood, old age or in other cases of loss of means of subsistence, following circumstances beyond his control" (UDHR, art. 25, 1948).

Subsequently, the International Covenant on Economic, Social and Cultural Rights - a core treaty in the UN human rights system - includes, among other rights, the person's right to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions (ICESCR, art. 11, 1966).

Similarly, the Charter of Fundamental Rights of the European Union, which in 2000 brings together in a single text all the civic, political, economic and social rights of European citizens, recognizes: "the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Community law and national laws and practices" (Charter of Fundamental Rights of the EU, art. 34, 2000).

The Human Development Report 1993 defines the decent standard of living as "the ability" to lead a healthy life, to ensure physical and social mobility, to communicate and participate in community life (including consumption)" (UNDP, 1993).

At the national level, all states have included this right in their constitutional rules, even if not all of them define it exactly that way. Moreover, all constitutions highlight the obligation of the state to ensure a decent standard of living for its citizens. For example, the jurist I. Creanga states "the state is obliged to provide people a minimum of existence, i.e. remuneration in an amount that would allow the procurement of the mentioned elements of a decent living". At the same time, the state's obligation is also to ensure "a strong and stable economy, which ensures the welfare and prosperity of society" (Creanga, 2012).

The influence the economy has on living standards has increased the attention of the economists to determine factors that would lead to raising living standards and therefore ensuring the right to a decent standard of living. Simon Kuznets (Costanza and Hart, 2009), Richard Easterlin (Helliwell and Layard, 2012), but also Ludwig von Mises, J. Médaille, L. Kohlberg and others who have reflected on

the right to a decent living from an economic angle: 'The economic prosperity of an underdeveloped nation lies not in the investment of capital, but in the ideology of 'economic freedom', 'freedom of private initiative' and its use to meet the most urgent needs of consumers' (Mises, 2014). Moreover, at the global level, multiple international organizations and influential governments have joined forces to identify solutions to ensure the right to a decent life (Stiglitz, Sen and Fitoussi, 2022). The realization of the right to a decent life depends directly on the economic resources available to the state. The way governments allocate resources, set priorities for budget spending and achieve efficiency in public spending are key factors in ensuring this right.

3. Methodology and data

From a theoretical-scientific perspective, the study was carried out in the context of a complex and systemic approach of the contemporary socio-economic concepts. Achieving the right to a decent living requires the calculation of simple and synthetic indicators that show the population's living standards and the dynamic comparison of these indicators. The information base of the investigations constitutes the statistical data presented by the National Bureau of Statistics and Ministry of Finance of the Republic of Moldova used for the purpose of determining public expenditures related to the right to a decent living and the establishment of priorities for budget expenditures, as well as the WHO Global Health database.

Various scientific study methods were used to carry out the given investigation, such as: the *quantitative analysis* of international and national normative acts, which reflect the person's right to a decent living; *the statistical data collection* from the official websites of various national and EU institutions, including the Ministry of Finance of the Republic of Moldova, the National Bank of Moldova, the World Bank, Eurostat, etc., which provide information on the realization of public expenditures in various fields; *the analytical method* used to diagnose problems and formulate the required conclusions; *the synthesis method* used to establish the dependencies between the socio-economic indicators used in the research; *the comparative method* applied in dynamic analysis and for determining the progress registered in various fields of study of the standard of living.

4. Analysis of the economic and social performances of the Republic of Moldova

The evaluation of the economic and social performances recorded by societies have as a benchmark the economic and social indicators. Thus, through the lens of the criteria established by the Lisbon Agenda, which aim to increase the standard of living and economic development, four groups of indicators can be used:

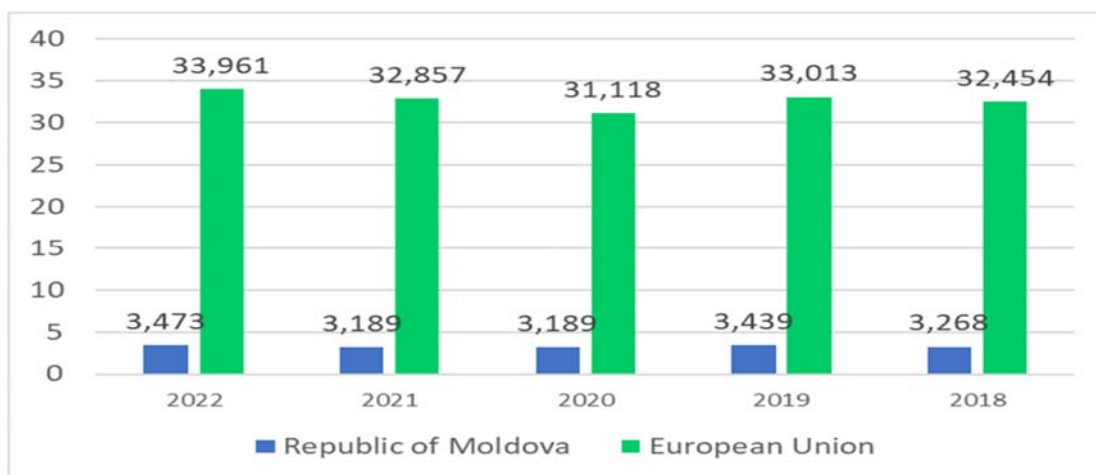
1. Economic stabilization and growth

Economic growth performance of Moldova has been suboptimal for the last few years. *The average annual GDP growth rate* during the years 2015-2021 was around 3.1%, registering a slowdown compared to the 2001-2010 period of time, when the indicator was above 5%. A 3.1% increase in GDP proved to be insignificant to achieve a level similar to that of Central and Eastern European states, with GDP per capita oscillating between 26%-27% of the region's average level. Among the essential causes that negatively influenced the GDP growth is the banking crisis from 2015, the Covid-19 pandemic or even the severe droughts of recent years. In 2021, the GDP has registered an increase of about 14 percent compared to 2020, being influenced mainly by the internal demand from the population in the context of increased disposable income, by a favorable environment with relatively low interest rates, by a rich harvest, by the positive economic activity after the Pandemic in the region and its negative values during the years 2020 and 2022 (Parliament of RM, 2022). In 2022, GDP indicates a decrease of 5.9% compared to 2021. The decline was mainly conditioned by the decrease in income in real terms of the population in the context of the acceleration of inflation, by the increase of interest rates which slowed down lending, but also by the war in Ukraine.

➤ *GDP per capita* expressed in constant prices increased from 3265 USD in 2018 to 3474 USD in 2022. Consequently, Moldova's GDP per capita recorded the lowest level in the group of Central and Eastern European countries. For comparison, EU GDP grew from 33980 USD in 2018 to

38760.8 USD in 2022, which demonstrates that the GDP of the EU is 10 times higher than that of Moldova.

Figure 1. GDP per capita, Republic of Moldova and EU (US \$ at constant 2015 prices)



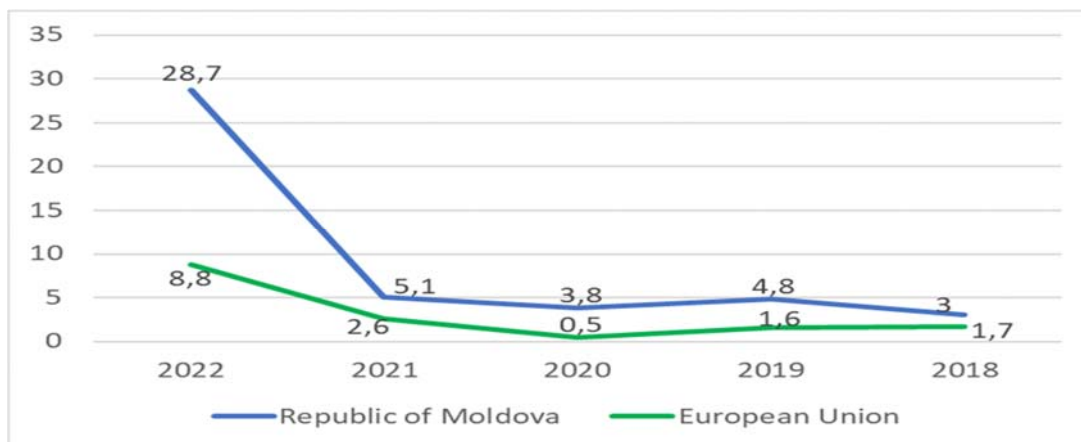
Source: Developed by the author based on World Bank data

The reference link:

<https://data.worldbank.org/indicator/NY.GDP.PCAP.KD?end=2022&locations=MD&start=2013&view=chart>

➤ **The inflation rate** at the end of 2022 was 30.24%, which was a record figure for the country in this century. Compared to 2021 (13.94%), the consumer price index increased more than twice, while the average annual inflation was 28.7%, up from 5.1% in 2021.

Figure 2. The average annual rate of inflation, Moldova and EU, 2018-2022 (%)



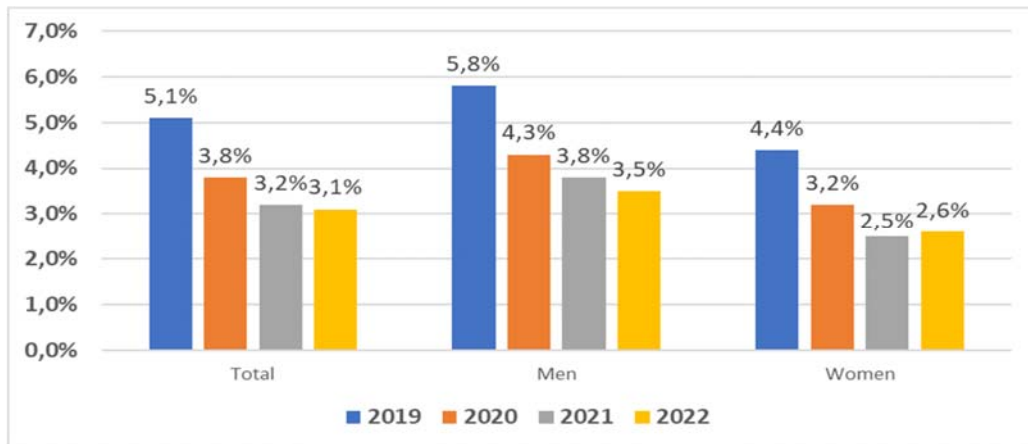
Source: Developed by the author based on World Bank and National Bureau of Statistics data

The reference links: <https://www.bnm.md/ro/content/rata-inflatiei-0;>

<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?end=2021&locations=EU&start=2018>

➤ **The unemployment rate.** After the unemployment rate recorded evolutions during the years 2018-2019, registering values of 3% and 5.1% respectively, in 2020 its value decreased by 1.3% compared to 2019. In the following years, its downward trend was maintained, although at a low rate, with 0.6% in 2021 and 0.1% in 2022 respectively.

Figure 3. The unemployment rate by sex in Moldova, 2019-2022 (%)



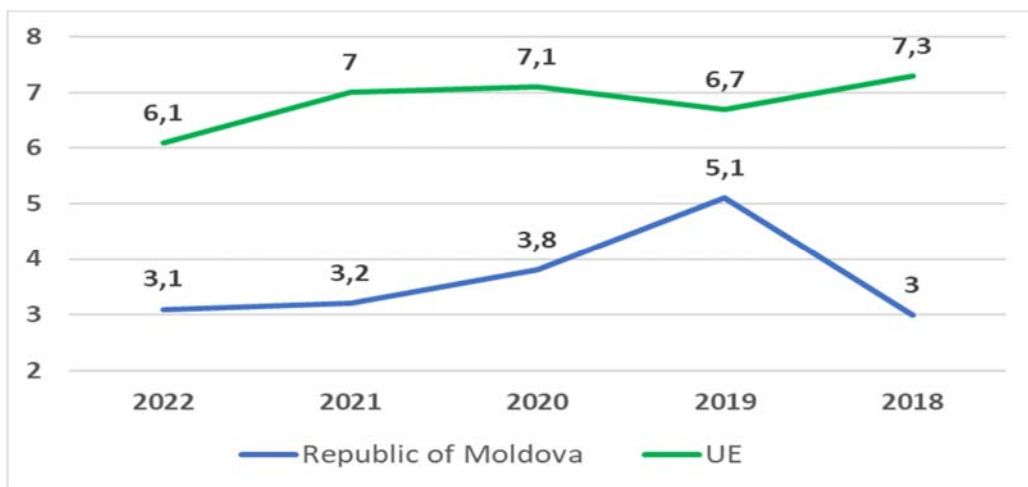
Source: Developed by the author based on National Bureau of Statistics data

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https://statbank.statistica.md/PxWeb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala_03%20FM_03%20MUN_MUN060/MUN160100.px/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

In addition to the low unemployment rate, there is also an obvious lack of activity and employment. In 2021, only 39.8% of Moldova’s population was employed, which shows a strong contrast with the EU average of over 65%. Inactivity rates, particularly among young people not in employment, education, or training (NEET), are twice as high as in the EU. So that the NEET rate for individuals aged 15-29 in Moldova reached 26.4% in 2021, significantly exceeding the EU rate of 13.1% for the same year. (Government, 2023a) Compared to the EU, the unemployment rate in Moldova is more than 2 times lower (Figure 4).

Figure 4. The average annual unemployment rate in Moldova and EU, 2018-2022 (%)



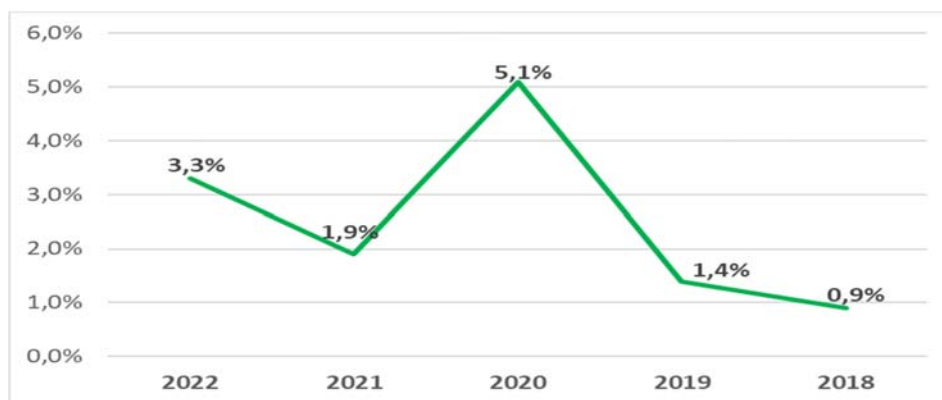
Source: Developed by the author based on the World Bank and National Bureau of Statistics data

The reference link:

<https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?end=2021&locations=EU&start=2018>

Budget deficit. Over the years the country’s budget deficit has registered a constant increase, except for the year 2021 during which its growth rate was different. As a share of GDP, in 2020 the deficit registered a significant increase of 3.7 percentage points compared to 2019 (Figure 5). However, in 2021 it decreased considerably by 3.2 percentage points compared to 2020. Net foreign loans constituted the main sources of financing the national public deficit.

Figure 5. The Evolution of the budget deficit of Moldova, 2018-2022 (% of GDP)

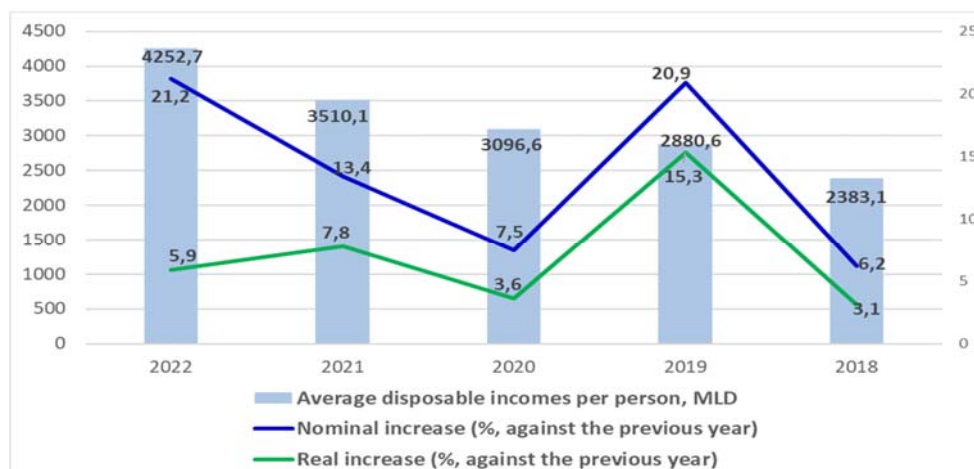


Source: Developed by the author based on the National Bank of Moldova data
 The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

2. Redistributing wealth. Income is the main source of the population that allows them to purchase the goods and services necessary for their daily lives, while also allowing long-term savings.

➤ **Disposable income of the population.** Moldova continues to have some of the lowest incomes in Central and Eastern Europe. Income is the main source of the population that allows them to purchase the goods and services necessary for their daily lives, while also allowing long-term savings. Between 2010 and 2019, adjusted net national income per capita averaged only 30% of the regional average. The average wage is equivalent to only 20% of the Central and Eastern European average, as is the level of labor productivity. Consequently, Moldovans gather significant deficits over the life-cycle, exceeding their earnings and putting pressure on the public budget. These deficits are financed through social transfers, with a particular focus on support for the elderly. (Parliament of RM, 2022). The *salary earnings* represent the most important source of income for the population, with a share of over 50% of total income, followed by social benefits which constitute over 20% and money transfers from outside the country which share ranges between 12% and 16%. In 2022 wage earnings decreased in real terms by 9.6% compared to 2021 (Figure 6).

Figure 6. The disposable incomes of the population of Moldova, 2018-2022

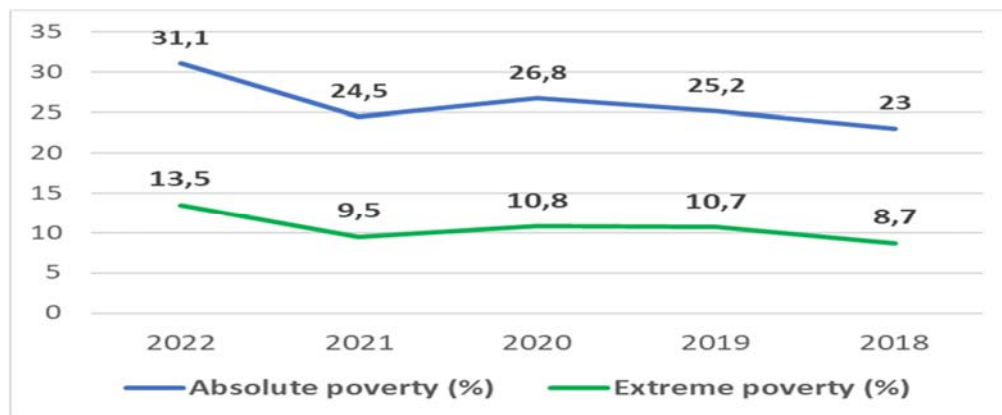


Source: Developed by the author based on the National Bureau of Statistics data
 The reference link: https://statistica.gov.md/ro/veniturile-si-cheltuielile-populatiei-in-anul-2022-9442_60379.html

➤ **Absolute poverty rate and Extreme poverty rate.** Moldova is known as the poorest country in Europe. The poverty rate increased constantly during 2018-2022, with the exception of 2021

which is characterized by favorable economic growth and real income growth of the population (Figure 7). Compared to 2018, the absolute poverty rate increased by 8.1% and the absolute poverty rate by 4.8%. According to the National Bureau of Statistics, the poverty rate in rural areas is three times higher than in urban areas.

Figure 7. The absolute poverty rate and extreme poverty rate in Moldova, 2018-2022 (%)



Source: Developed by the author based on the National Bureau of Statistics data
 The reference link: <https://statbank.statistica.md/PxWeb/pxweb/ro/30%20Statistica%20sociala/>

Among the main factors that led to its growth are the exodus of the young population, the reduction of labor force, the growth rate of the aging population, the decrease in the income of the population, etc. The actions taken by the authorities had only a short-term impact. Under these conditions, a considerable part of European funds is not used according to the destination, but are allocated for pensions and various aids, in response to the needs of society caused by poverty.

3. Access to public services. Although the constitutional norm guarantees every person access to basic services, including health and education, we find that in Moldova this right is not fairly realized for all citizens.

➤ **Educational services.** While some categories of the population benefit from all education services, easily accessing any of the necessary services, other categories though encountered problems accessing them, or did not access the services in general. The difficulties in accessing educational services refer primarily to children and young people from socially vulnerable families and rural areas. The results of national and international tests confirm that the performance of socially-economically advantaged students have increased in the last ten years, and those of disadvantaged students have decreased. The results of socially-economically advantaged students exceed the results of socially-economically disadvantaged students by more than 90 points in all areas, and the performance of students from urban institutions are higher than those of students from rural institutions by more than 55 points. The students from the urban environment register, in all fields, a higher result than the students from the rural environment, the difference being at least 60 points for each field (UNDP, 2022). The situation is worse for children from disadvantaged families.

➤ **The level of education** of the population aged 15 and over has increased over the years, but is still below the EU average (27%), especially in terms of the share of people with a university degree (18.4% in Moldova compared to 27.5% in EU countries) (Parliament of RM, 2022).

➤ **Dropout rate.** In the 2021-2022 school year, 224 children out of 295 thousand pupils in the country did not attend primary and secondary schools. Thus, the dropout rate was almost 0.08 percent, up 0.01 percent compared to 2020-2021, according to the MEC. (Government of RM, 2023a)

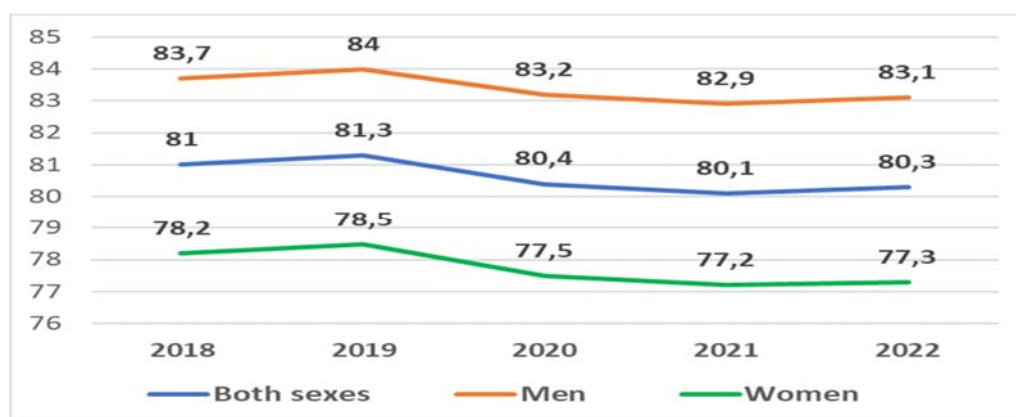
➤ **Young people aged 14-34** represent 25.8% of the total population of 2.6 million. In 2018-2022, the number of young people decreased by more than 110000. The number of young people aged 20-24 has decreased the most. More than a third of young people aged 15-34 have a job (37.3%), about 2% are unemployed and the remaining 61% of young people are economically inactive. Of the total number of inactive young people, more than 42% are enrolled in the national education system, while

26.1% of young people aged 15-24 are outside the system of education, training and employment (NEET youth) (NBS, 2022a). This percentage is twice as high as the EU average, which represents 12.9% for 15-29 year-olds and 10.5% for 15-24 year-olds. The youth unemployment rate is higher compared to other age groups (NBS, 2022c).

➤ **Health services.** Since 2000, the indicator reflecting the health of the population has improved considerably, however, the accessibility of medical services has decreased in rural areas. The rural population more often abandons medical services due to insufficient financial means and lack of health insurance. There are major discrepancies between urban and rural areas in access to disease diagnosis, treatment and monitoring. There are fewer doctors in rural areas and there are localities where there is no medical staff at all. About 12% of people are uninsured, by only benefiting from the essential services (Government of RM, 2023b).

Life expectancy. In 2022, life expectancy in the Republic of Moldova increased by four years for men and six years for women, compared to the levels recorded in 1995. Life expectancy is an important benchmark for the configuration of social policies such as employment policies, health care policies, etc. Life expectancy at birth shows a significant gender gap, as women on average, outlive men by 8.6 years.

Figure 8. The life expectancy at birth in Moldova by sex, 2018-2022 (years)



Source: Developed by the author based on the National Bureau of Statistics data
The reference: https://statistica.gov.md/ro/durata-medie-a-vietii-in-anul-2022-9578_60474.html

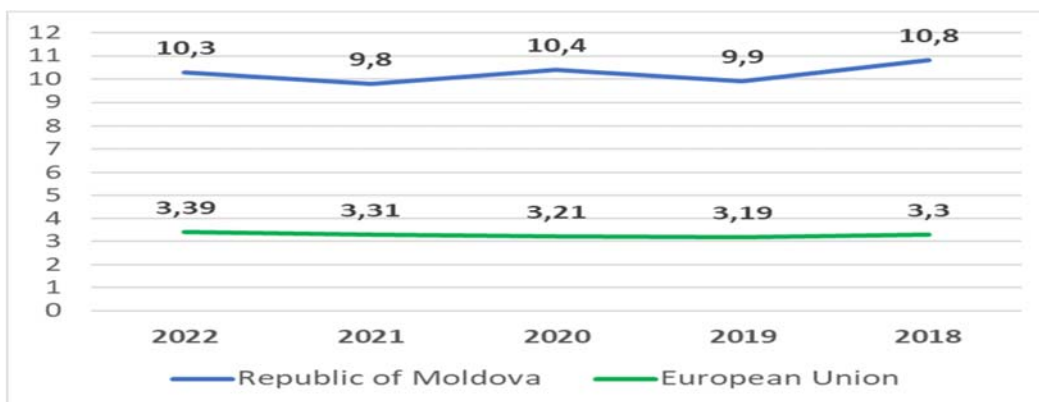
The presented data in Figure 8 reflects that during the years 2020-2021 life expectancy has registered a small decrease for both sexes caused by COVID, while in 2022 there is an increase in life expectancy of 2 years for men and 2.8 years for women. Life expectancy values decrease in both sexes with age, but their levels are higher throughout life in women, however after the age of 75 years the gender differences between sexes diminish.

The specific mortality rates by age group and sex for the year 2022, indicate that the most pronounced gender disparity in life expectancy is recorded for newborns (age 0 years) and up to the age groups 30-34 years (8.6 years and 8.0 years, respectively). On average, a Moldovan born in 2021 can expect to live 69.1 years.

At the EU level, in 2020 the average healthy life expectancy at birth was 64.5 years for women and 63.5 years for men. This average increased by 2.6 years between 2011 and 2020, from 61.4 to 64 years (Eurostat, 2022).

➤ **Infant mortality rate,** for children aged 0-4 years, is extremely high. On average, ten children out of 1000 die, the trend remaining relatively constant throughout the period. Compared to the EU where, on average, 3.3 children die out of 1000 under the age of 5, the mortality rate in Moldova is 3 times higher (Figure 9). In Romania it is 6.4, being the highest infant mortality rate in the EU.

Figure 9. The infant mortality rate in Moldova and EU, 2018-2022 (%)



Source: Developed by the author based on the World Bank and National Bureau of Statistics data
The reference:

<https://data.worldbank.org/indicator/SP.DYN.CDRT.IN?end=2021&locations=EU&start=2018>
<https://statbank.statistica.md/PxWeb/pxweb/ro/20%20Populatia%20si%20procesele%20demografice/20%20Populati>
a

4. The quality of public administration. Sustainable development and an increase in living standards can only be achieved if a professional, efficient, accountable and transparent public administration at all levels is provided. To achieve this objective, it is essential to establish a decision-making process that is inclusive, participatory, and representative, along with ensuring the provision of accessible and high-quality public services for everyone. In 2022, the Republic of Moldova was granted candidate country status by EU, thereby assuming high responsibilities for fulfilling obligations, particularly in the areas of justice reform and anti-corruption. However, justice reform is being carried out too slowly, with barely visible results. Moreover, Moldova continues to lag behind in the adoption of several recommendations put forth by the Group of States Against Corruption (GRECO). The effectiveness of governance is ultimately determined by the level of trust that the population places in state institutions and their administration. The Public Opinion Barometer shows that from 2005 to 2020, the level of trust in central public authorities (Parliament, Government, and President) registered a downward trend. The period of time between 2015 and 2016 marked the peak of the reduced level of trust towards state institutions, due to the political crisis from 2015 and the diminished effectiveness of the reforms implemented by public institutions over the years. The judiciary is still perceived as the most corrupt domain of the state and ineffective in protecting people's interests. (IPP, 2022) Moldovans have the least confidence in the judiciary system. The prosperity index for 2022 (Legatum Prosperity Index 2022), realized by the Legatum Institute, places the governance of the Republic of Moldova in 70th place out of 167 countries, 11 positions lower than in 2018 (Legatum Institute, 2022).

➤ **Bureaucracy**, which can delay any development, has been considerably reduced over the last decade in Moldova. One of the main factors that contributed to the decrease in the degree of bureaucracy is the modernization of the activity and the introduction of digital technologies in state institutions.

➤ **Corruption**, still an obstacle in the country's development. The 2016 Global Corruption Barometer indicates that in the ranking of the 42 countries, the greatest concern regarding the spread of corruption is in Moldova (67% of respondents) and Ukraine (56%). Bribery is perceived as a major risk, especially among households. More than 42% of households offered bribes to access basic public services, including health (Transparency International Moldova, 2023).

The Corruption Perceptions Index (CPI) conducted by Transparency International reflects that corruption remains a serious problem worldwide. Since 2017, only 8 countries have significantly improved their CPI scores, including Moldova.

Figure 10. The Corruption Perceptions Index of Moldova, 2017-2022 (points)

Source: Developed by the author based on the data provided by Transparency International Moldova
The reference: https://www.transparency.md/2023/01/31/3663/#_ftn1

The data presented in Figure 10 reflects that Moldova has made some progress in the fight against corruption, moving up 31 places since 2017. In 2022 it was positioned exactly halfway in the overall ranking, 91st out of 180 with a score of 39 points. However, its score is still modest, well below the EU average of 63.6 points. EU average score 1,6 higher than Moldova.

➤ **Transparency** is an important tool in the fight against bureaucracy and corruption, and increases efficiency in the act of governance. The Law on access to information of public interest, adopted in 2023, provides that any natural or legal person has the right to access information of public interest, in the forms and conditions provided by law. The violation of the right of access to information of public interest attracts liability according to this law and, as the case may be, disciplinary, contravention or criminal liability, according to the legislation. In practice, obtaining access to information of public interest poses various challenges, such as interference by government officials, refusals or delays in addressing information requests, and the deliberate provision of incomplete or ambiguous answers, often invoking state secrecy.

In order to facilitate citizens' access to the data of ministries and central public institutions, the Government Open Data Portal was created. The initiative expresses the government's interest in the development of transparent governance and the application of innovations in support of citizens.

Participatory governance represents an efficient solution in the modernization of the administration. The broadest possible participation of social actors from the elaboration to implementation and monitoring stages increases the quality and efficiency of the decision-making process as well as of public policies.

5. Research results and comments

In a democratic state guided by the principles of the rule of law, in which human dignity, human rights and freedoms, as well as the unrestricted development of individual personality are established as primary values, the fundamental requirement for ensuring a respectable standard of living is based on a well-operating economy. Accordingly, the responsibility for economic development and the implementation of appropriate social security measures rests with the state. In consequence, the extent to which every citizen and his family can attain a satisfactory standard of living is directly linked to the economic resources accessible within the state, as well as to the government's allocation of resources, the prioritization of budgetary expenditures and the efficiency of public expenditures.

Public expenditures that are intended to ensure the right to a decent living have their recent origins in the doctrine of the welfare state, which emerged in the United States after World War II, recognized as an interventionist political-economic ideology. (Marinescu, 2003). The purpose of the governance in a welfare state is ensuring a minimum income, supporting citizens in disadvantaged situations (in case of illness, unemployment, old age, disability), providing the entire population with a

certain range of public services and interventions regarding the reduction of social risks. The provision of these services is conditioned by the economic performance of the state, being offered either at no cost (free of charge) or at minimal cost. They may also be provided as allowances, grants, pensions, benefits, etc. They are usually determined by the need for education, health care, social protection, culture and art, when the population cannot afford it by themselves, making it an obligation for the state to ensure that every person has the right to a decent standard of living.

The right to a decent standard of living is a complex right, which includes a number of other rights such as the right to education, the right to health care, the right to work, the right to social assistance and protection, the right to rest, the right to cultural life, etc. To ensure this right, Governments have to allocate a considerable part of the national income. In the countries with high economic potential, up to 50% of the national income is allocated for this purpose. This expenditure performs an important economic and social function, as the resources allocated for this purpose help to provide education and training for the younger generation, increase professional qualifications, provide healthcare for the population, ensure social protection, raise the citizen's level of culture, etc. At the same time, the economic importance of this expenditure also lies in the effect it has on consumption, influencing the demand for consumer goods and therefore stimulating production growth. Thus, a rational public spending policy clearly leads to sustainable economic growth and promotes equity. In this context, an efficient, prudent and transparent management of public expenditure can make an essential contribution to increasing the living standards and social well-being. Additionally, an efficient management of public expenditure implies greater fiscal responsibilities for administrations, such as expenditures made within the limits of available resources, determining the priority nature of public expenditures, taking into account the fact that public financial resources are limited and need to be optimized as much as possible.

Taking into account not only direct but also indirect expenditures related to the standard of living, it can be said that a considerable part of the national budget resources is directed towards ensuring the right to a decent living.

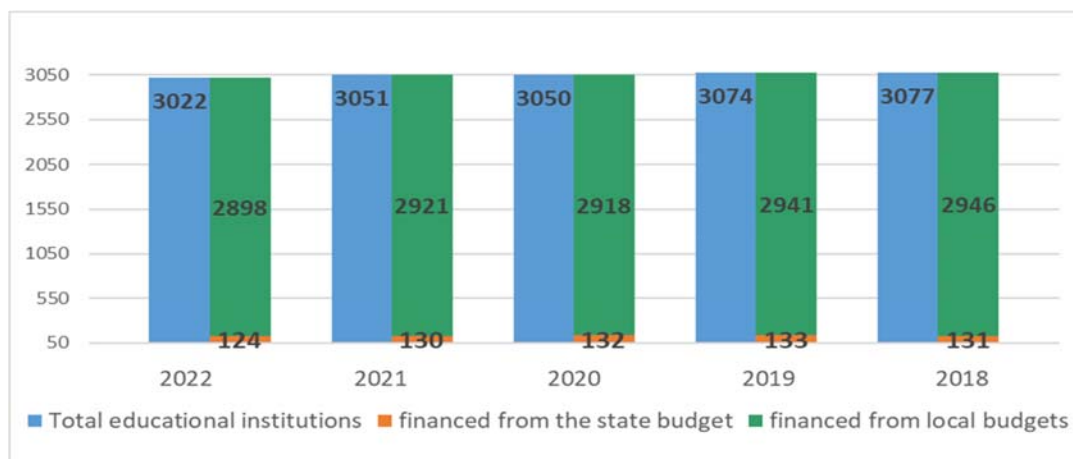
An analysis of the right to a decent living in the Republic of Moldova emphasizes that the public expenditures associated with it are predominantly focused on sectors such as education, health, culture, social protection, housing, and the environment.

1. Education expenditures are primarily intended for pre-school, primary, secondary, vocational, higher vocational education, not defined by level, services related to education, as well as other services, to ensure the right to education, a component element of the right to a decent living. This expenditure is provided for the financial support of all spheres of education considered to be of major importance, both for the general education of the population and for professional and specialized training, which is essential for the socio-economic prosperity of the state, as well as for keeping pace with world civilization. Arguing that the human right to a decent living also implies *free access to primary and general education, free of charge; but also access to higher education based on competition*, the allocation of greater resources in the given field would represent a proof of the respect for the right to a civilized life.

The development strategy "Education 2030" establishes that in Moldova, education is a national priority, representing the key element in developing human capital, shaping national consciousness and identity, increasing aspirations for European integration, but also playing a fundamental role in establishing the foundations of sustainable human development and shaping a society based on knowledge. (Government of RM, 2023a). But to what extent is this priority achieved in practice?

National public budgets (NPB) data reflects that during 2018-2022, the number of institutions funded from the public budget decreased by 55 units, from 3077 in 2018 to 3022 in 2022. The number of institutions maintained from local budgets decreased the most - by 48, and those maintained from the state budget - by 7. However, compared to the number of pupils/students, the number of educational institutions is still too high.

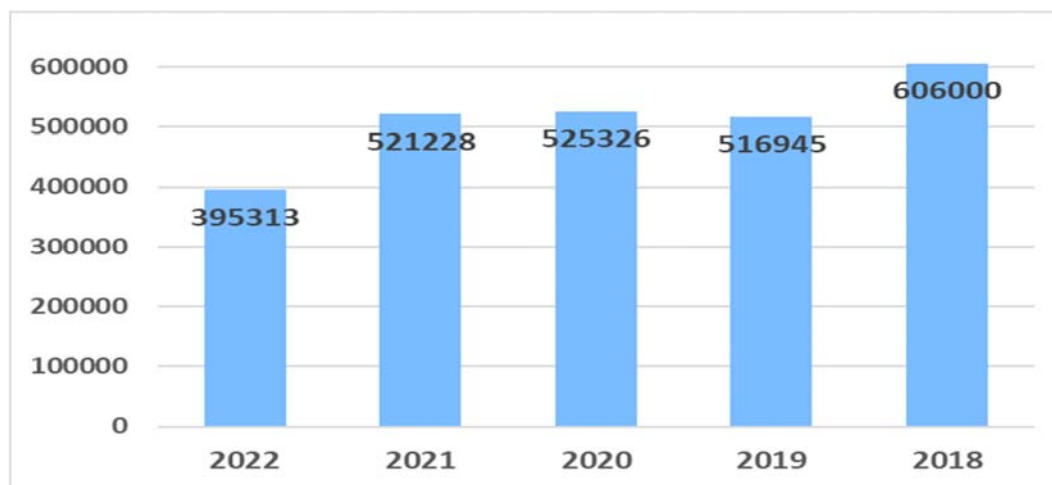
Figure 11. The number of publicly funded educational institutions, 2018-2022



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

Massive external migration and depopulation of rural areas, the decrease in the school-age population, both in absolute numbers and as a share of the total population, has led to a constant decrease in the number of pupils/students in education, with the preservation of this trend in the foreseeable future. Thus, in the period 2018-2022, the number of pupils/students decreased by 35% (210687 people).

Figure 12. The evolution of the number of children, pupils, students, 2018-2022 (persons)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

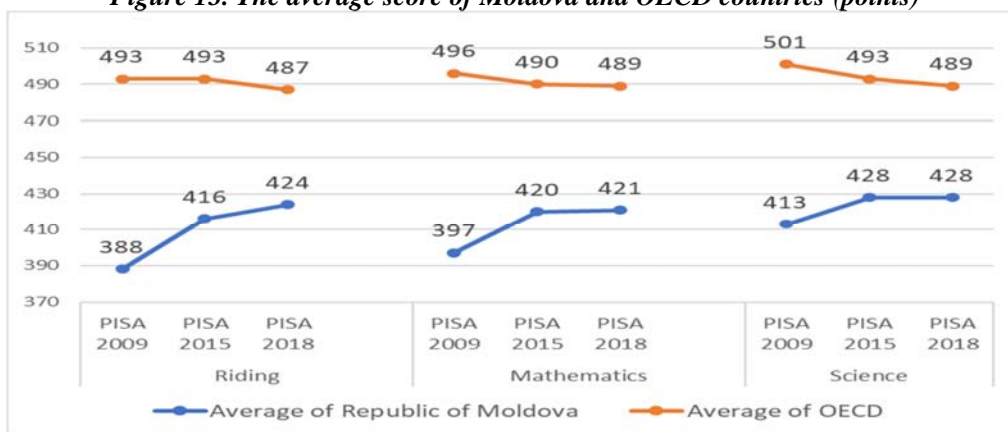
The average number of pupils/students enrolled in an educational institution has decreased from 197 in 2018 to 131 in 2022. This state reflects an inefficient use of the project capacities of educational institutions due to the decreasing pupil/student contingent. As a result, the constant increase in state funding, accompanied by a decrease in the number of pupils/students, leads to an exaggerated increase in unit costs.

At the same time, in spite of the fact that in absolute terms the public expenditures on education have increased constantly, registering the most significant value in 2019 - of 1659.1 million Moldovan lei (MDL), the resources allocated in recent years have not been sufficient to meet the needs of the sector, which aim to prepare a competitive workforce for a global economy. The increase of expenditure was conditioned by the salary increase, an effect caused by the implementation of the new law on

salaries in the budgetary sector, and the reduction of teaching hours in primary, secondary and high schools.

The lack of a real increase in the quality of the education process, the fact which is confirmed by the results of various national and international evaluations, is further proof of the inefficiency of public spending in the given field. Overall, it can be concluded that the level of training and skills development of graduates of all levels of education is constantly increasing. On a national level, the baccalaureate exam (considered to be as the most objective exam, with comparable results at national level) reveals that the pass rate in high schools increased by approximately 21% in the period 2014 - 2022, mainly from 71% in 2014 to 92% in 2022. The average grades increased from 6.57 in 2014 to 7.25 in 2022 (Parliament of RM, 2022). The quality of educational outcomes as measured by Programme for International Student Assessment (PISA), although registered an increase in all areas, is below that of the EU countries, without measurable progress between 2015 and 2018. As can be seen from figure 13, the average score recorded by Moldova in all PISA cycles still remains lower than the average score of countries that are part of the Organization for Economic Co-operation and Development (OECD).

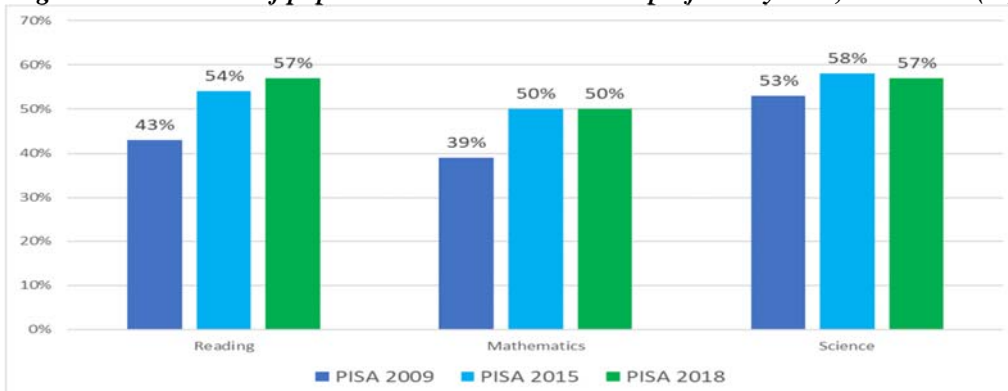
Figure 13. The average score of Moldova and OECD countries (points)



Source: Developed based on the data provided by the Ministry of Education and Research of the Republic of Moldova. The reference link: http://aee.edu.md/sites/default/files/raport_pisa2018.pdf

Moldova ranks among those four states that have successfully reduced by over 10% the number of students which fall below the minimum reading proficiency level. Nonetheless, despite this improvement, still a substantial percentage of Moldovan pupils do not attain the minimum proficiency level (43% of them in reading and science and 50% in mathematics).

Figure 14. The share of pupils who reach the minimum proficiency level, 2018-2022 (%)

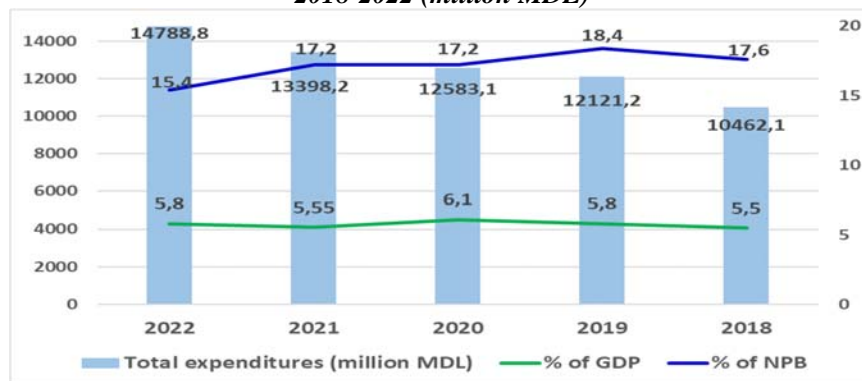


Source: Developed based on the data provided by the Ministry of Education and Research of the Republic of Moldova. The reference link: http://aee.edu.md/sites/default/files/raport_pisa2018.pdf

In OECD countries, in comparison with Moldova, about 23% of pupils do not reach the minimum proficiency level for reading, science or mathematics. Pupils from disadvantaged backgrounds perform worse than their peers, with a 17% variation. The below average score of EU countries and the lack of progress in 2015-2018 shows a lack of real increase in the quality of the education process.

There are fluctuating developments of public expenditure related to education, with visible decreases in 2022, in the total national public budget expenditures. The share of wage expenditures in total education expenditure remains the highest. Compared to GDP, as shown in figure 15, the increase of expenditures on education are relatively modest during the last years, except for 2021 when they registered a slight decrease. A share of 5.5-6% expenditures on education in GDP is not small. For comparison, Romania allocates just over 3% of GDP on education, below the EU average of 4.6% of GDP (World Bank, 2022). However, this does not mean that the situation in Moldova is more favorable than in Romania. The increase in the share of public expenditures on education in GDP is explained by the much sharper reduction in GDP, compared to the decrease of the National Public Budget expenditures in the reference period.

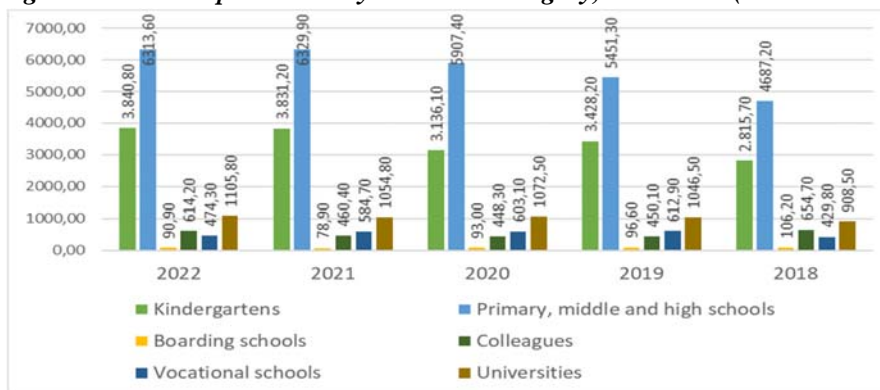
Figure 15. Share of expenditures on "Education" in GDP and in total NPB expenditures, 2018-2022 (million MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

The analysis of data by education categories (Figure 16) reflects higher expenditures for primary and secondary education, corresponding to the larger number of pupils in the given field, followed by kindergartens. The university's expenditures are much lower compared to the first two categories. However, they are significantly higher compared to the rest of the fields, which recorded a much more modest value of expenditure.

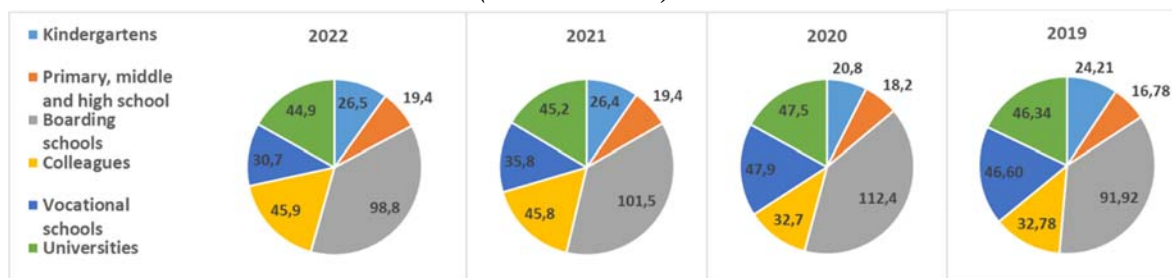
Figure 16. Total expenditures by education category, 2018-2022 (million MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

The structure of the annual average expenditures per person in education (child, pupil, and student) reflects the highest expenditure in the "boarding schools" category, which are entirely financed from the public budget. Universities and vocational schools are next in the line and the lowest level of expenditures were registered in primary and secondary education. Obviously, the last category of expenses points to certain problems faced by the given field.

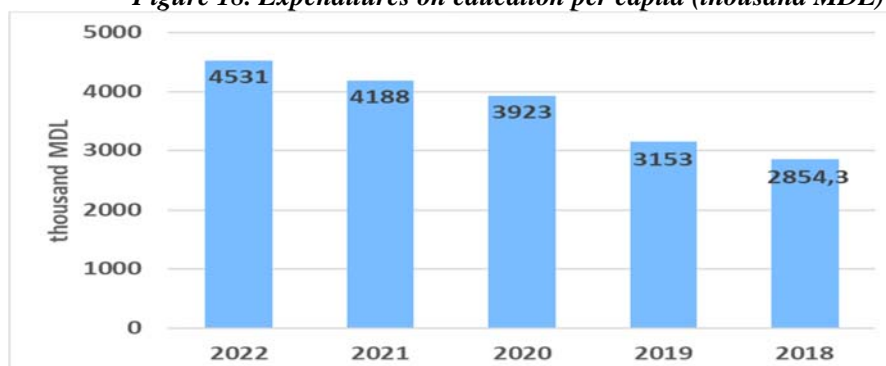
Figure 17. The Structure of the annual average expenditures per child, pupil, student, 2018-2022 (thousand MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte>

Education expenditures per capita register an annual increase from 2854.3 in 2018 to 4531.0 MDL in 2022.

Figure 18. Expenditures on education per capita (thousand MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

The increase in expenditure, unfortunately, does not reflect an increase in the quality of education, given the fact that the education system has been facing various problems in recent decades, including: a sharp decrease in the number of pupils and students; decreasing access to qualitative education; low results in national and international tests; high drop-out rates, especially among pupils/students from vulnerable families, showing deviant behaviour and a low level of motivation for learning (Parliament of RM, 2022).

2. Health expenditures are aimed to maintain, operate, develop and modernize all types of health centers: hospitals, clinics, outpatient clinics, obstetric and other health care institutions and services. As a result, the right to health is to be ensured which is another component of the right to a decent living. The limitation of this fundamental right would have a number of negative consequences of various kinds and would limit people's opportunities to participate in social life.

In Moldova, health expenditures are incurred in order to ensure the citizen's right to health care and are allocated from:

- **State Budget**, allocated to hospitals, polyclinics and dispensaries;

➤ **Mandatory Health Insurance Fund (MHIF)**, consisting primarily of insurance premiums in the form of a percentage contribution applied to the employee's salary in the amount of 9%, in the form of a fixed amount for people who ensure themselves individually, the amount varying from 1014 to 4056 MDL in 2023, as well as from the state budget for the population categories insured by the state;

➤ **Local Budgets.**

In this context, it is crucial to highlight that the most resources are allocated from the Mandatory Health Insurance Fund (MHIF) to finance medical institutions, in proportions of about 80-87% of the total health expenditures. Although MHIF expenditures increase every year, the highest growth (as seen in Table 1) is registered in 2021. This is due to the raise in salaries of some categories of staff in public health institutions, in the Compulsory Medical Insurance System as well as the result of the increase in expenditures for hospital services caused by COVID-19 and a higher supplement to the salary of staff, engaged in providing medical care to people infected with COVID-19. Local budgets contribute about 2% of total health expenditures.

Table 1. Public health expenditures, 2018-2022

<i>Indicators</i>		2022	2021	2020	2019	2018
Health expenditures, including from:	<i>mil. MDL</i>	15312,7	13527,8	9990,2	8635,0	7799,0
• State budget, including:	<i>mil. MDL</i>	2878,0	7648,1	4943,3	3786,7	3646,0
Transfers to MHIF	<i>mil. MDL</i>	6071,9	5835,0	3533,7	2813,6	2728,0
• MHIF	<i>mil. MDL</i>	12287,6	11552,0	8405,5	7489,6	6714,1
• Local budgets	<i>mil. MDL</i>	147,1	162,7	175,1	172,3	166,9
The share of health expenditures in the NPB (including MHIF)	%	15,9	16,5	13,6	13,1	13,1
The share of health expenditures in the GDP (including MHIF)	%	6,0	5,6	4,9	4,1	4,1

Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

Compared to the GDP, health expenditures have increased by about 2%, from 4.1% in 2018 to 6.0% in 2022. The average of states with the same average incomes in the European region is also 6% (Table 1). Moldova, however, remains far below the European Union average which is about 10%. Nevertheless, taking into account the poor economic performance recorded by the Republic of Moldova and the reduction of its GDP, increasing the share by 2% did not improve poor health status.

The data provided by the World Health Organization confirms the fact that health expenditures on an international scale, are growing at higher rates compared to GDP, with a more significant growth being registered in the low and middle-income countries where the average is around 6%, while in the high-income countries the average is around 4%. In evolutionary terms, the total expenditures for health, per capita, in the Republic of Moldova have increased approximately 15 times during the period 2000-2020, growing from 21 US\$ in 2000 to 307 US\$ in 2020. As a share of GDP, the expenditures for health, with certain fluctuations over the years, have not changed substantially (6% in 2000 versus 6.8% in 2020) (WHO, 2020).

The inefficiency of health spending is also reflected in the fact that in our country financial resources are allocated primarily for treatment, while the amount for disease prevention is very small. This situation consequently generates considerable costs for the health system. In the long term, this will lead to an even greater increase in public spending.

3. Social protection expenditures are intended to reduce the risk of poverty and exclusion of the population. Through a set of social measures and policies the state tries to ensure the right to a decent living for all citizens, regardless of the means at their disposal. Social protection systems, in

general, have a direct impact on people's living standards because they mediate circumstances where a person or a group of people cannot overcome risky situations.

Although they are much lower compared to some European countries, expenditures on social protection have the largest share of total budget spending, remaining between 34%-36% and 70.9% of total social benefits. As can be seen from Table 2, Moldova spends between 11%-14% of GDP on social protection, which is close to the average of similar countries. In comparison, Romania allocates between 10-15% of GDP to social protection. Finland, France, Italy, Denmark are the countries that allocate the most resources to social protection, over 30% of GDP. The average spending on social protection in EU countries is 20% of GDP (ILO, 2022).

Table 2. Share of Social Protection expenditures in GDP and NPB, 2018-2022 (%)

Indicator	2022			2021			2020			2019			2018		
	mil. MDL	% of		mil. MDL	% of		mil. MDL	% of		mil. MDL	% of		mil. MDL	% of	
		NPB	GDP		NPB	GDP		NPB	GDP		NPB	GDP		NPB	GDP
GDP	272555	-	-	242078,6	-	-	206400	-	-	210099	-	-	192508	-	-
Expenditure in NPB	105540,7	-	37,94	82013,5	-	33,9	73269,8	-	35,5	65975,6	-	31,4	59608,9	-	31,0
Social protection expenditure	34624,4	36,0	14,0	29425,3	35,9	12,2	26032,3	35,5	12,6	23338,5	35,4	11,1	21003,0	35,2	19,91

Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

Social protection expenditures are divided according to two basic components of the social protection system, such as:

➤ *Social insurance expenditures* incurred for providing cash benefits to insured persons who are unable to earn an income, as a result of certain risky situations (temporary/permanent incapacity for work, maternity, old age, unemployment, etc.). The benefit is paid on the basis of the beneficiary's previous contribution to the social insurance fund, and the size of the benefit is determined according to the size of the contribution (duration of the contribution period, the amount of salary, the degree of loss of work capacity, etc.).

The main share of expenditures on social security benefits go to social security pensions (mainly old-age pensions). The average old-age pension at the start of the year 2022 exceeds the subsistence minimum by 26%. This fact is owing to a notable rise in the minimum pension value and the implementation of a new indexing and pension increase mechanism. In 2022, old-age pensions accounted for 73% of social insurance benefits, disability pensions - 10%, child benefits - 10%, temporary incapacity for work - 4%, allowance for the loss of maintainer - 2%, and unemployment benefits - only 0.2%. The main role of pensions is to ensure the right to a decent old age without the risk of poverty. However, in our society the amount of the pension is extremely small and in no way guarantees the right to a decent living. The average old-age pension is 3164.9 MDL (approx. 158 EUR), while the amount of the pension for length of service is 1438 MDL (approx. 72 EUR). In this regard, it is important to emphasize that the right to a decent standard of living in Moldova is far from being achieved for pensioners, as well as for other beneficiaries of social benefits.

Experts' forecasts show that the social protection system will be under even greater pressure in the coming years, particularly in the social security system, which is heavily affected by the increase in the number of elderly people, high migration and high informal employment. The ratio of pension contributors to pension beneficiaries is steadily declining. The National Development Strategy "European Moldova 2030" states that by 2040 the population aged 65 will double, while the young population will decrease considerably (Parliament of RM, 2022). Vulnerabilities among older people will increase due to the growing demographic burden, high dependency ratio, low healthy life expectancy and inadequate quality of health services. This will have a major effect on both the state social security system and the social assistance system. At the same time, it is certain that the amount of state social insurance payments is extremely low and cannot cover a large part of the insured risks.

This state of affairs considerably reduces citizens' interest in contributing to the public social insurance system.

➤ *Social assistance expenditures*, for people in need (needy, disabled, families with children at risk). Through various social assistance services, provided in combination with cash benefits (social assistance pensions, social assistance allowances, social allowances, compensation, cash social assistance, etc.) depending on the problem, the intervention is carried out during the period in which the persons are in a risk situation.

An extremely small share of total social assistance expenditure is allocated on public services - 5%, the remaining 95% of expenditure is for social payments. It is obvious that social protection policies need to be adjusted and public spending optimized. In this respect, in order to optimize public spending, the reform of the social protection system is extremely necessary.

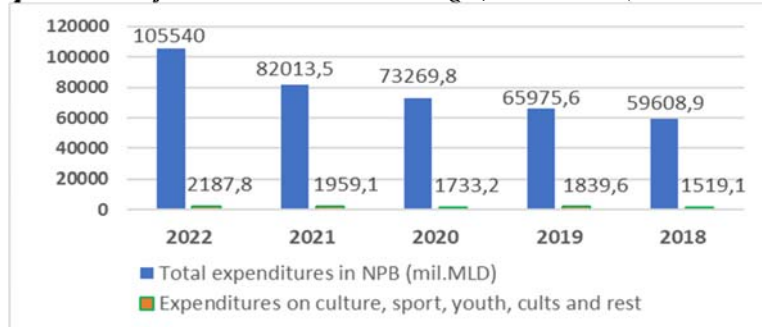
In 2022, social assistance expenditures account for 30.6% of total social benefits: 21.5% for social assistance pensions, 16% for cash assistance, 15.8% for social allowances, 38% for other benefits (summer rest for children, spa treatment, coverage of the minimum pension difference, unemployment benefit, etc.) and 0.9% for compensations (to participants in the liquidation of the Chernobyl consequences, disability/death due to work accidents).

In recent years, the social protection system in our country has undergone important reforms. However, the transformation process has not been completed and the system still faces a number of shortcomings. New solutions need to be identified to decentralize the social protection system. Social payment schemes should be made more efficient by reducing fragmentation, duplication and inefficiency of payments. It is obvious that social protection policies need to be adjusted in accordance with international recommendations, taking into account the needs of the vulnerable population.

4. Expenditures on culture, sport, youth, cults and rest aimed to support and develop the areas of culture, sport, rest, youth, maintenance of public institutions assigned to these areas are provided from the state and local budgets. Culture and cultural institutions play an important role in the lives of people and societies as a whole and the human right to a decent living includes free or low-cost access to the funds of libraries, museums, theaters and other cultural institutions. It is the state obligation to finance activities in the fields of culture, sport, youth, worship and rest.

The analysis of expenditures in this area shows that its share in total public expenditures is extremely modest. One of the reasons is the fact that most public institutions in the targeted areas generate their own revenues, while allocations from budgetary sources are insignificant. Budgetary resources for the targeted areas are intended to cover the difference between own revenues and incurred expenditures.

Figure 19. Evolution of expenditures for, culture, sport, youth, cults and rest' in the total expenditures of the National Public Budget, 2018-2022 (million MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

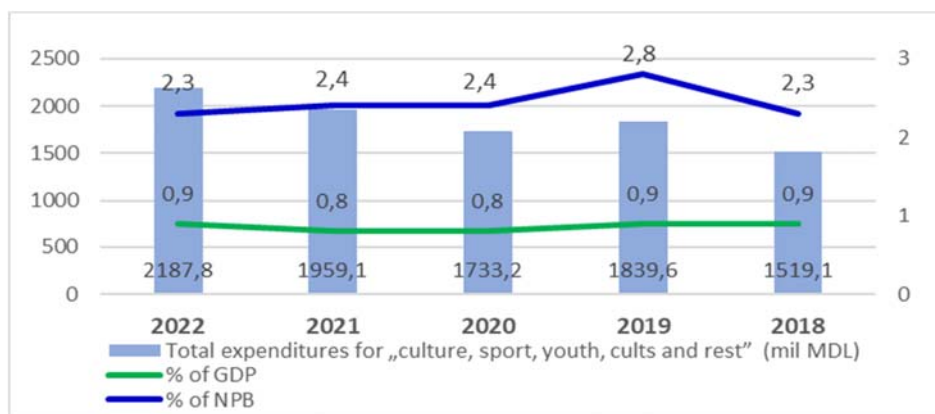
Although the number of institutions working in the field of "Culture, sport, youth, worship and rest" has steadily decreased from 3126 in 2019 to 3091 in 2023, expenditure in this area has increased. In evolutionary terms, expenditure in this area has increased in nominal terms, except for 2020, when public expenditure decreased by 1 million MDL. The reasons for the reduction of expenditures for the

respective area are conditioned by the presence of COVID-19, during which cultural institutions were mostly closed and did not obtain income.

Although, the financing of the "Culture, Sport, Youth, Cults and rest" sector increased constantly, the share of this spending in the total expenditures of the national public budget is extremely low, ranging between 2.3% in 2018 to 2.8% in 2022 and their share in GDP, as shown in Figure 20, did not even reach 1.0%.

From the budgetary sources, most expenditures are allocated to financing sports schools, supporting the activity of theaters, circuses, concert organizations and TV services, other activities being modestly financed. In 2022, these accounted for 45.8%, 23.3% and 25.0% respectively of the total resources allocated to the sector.

Figure 20. Share of expenditures for "culture, sport, youth, cults and rest" in the GDP and in the total NPB expenditures, 2018-2022 (%)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

5. Expenditures on housing and household utilities are intended to improve people's living conditions. This important objective derives primarily from the state's obligation to create opportunities for its citizens to be sheltered, which is to benefit from housing. The constitutional rule results in the establishment of regulations to guarantee the fulfillment of this obligation, both for the state and for employers. Both subjects must provide housing for homeless employees or compensate them for a minimum of housing expenditures. Human living is impossible without the development of the existing housing stock. For this purpose, public budgets allocate resources for housing and communal services. This expenditures are intended for the following: the construction of social housing, the development of the water supply network, the development of sewage systems and the connection of households to these systems, the construction of sewage treatment plants, ensuring the safety of road traffic, development services, care and maintenance of greenery, cemeteries, military graves, rest areas, small architectural forms and monuments, repairs and maintenance of roads and storm sewers, street lighting, etc.

Expenditures on *housing and household utilities* are financed from the state budget, local budgets and external sources. The financing of the given sector worsened due to the relatively low level of decentralization of public finances. This fact considerably reduces the possibilities of local public authorities to provide the necessary public services to the population, especially in rural space. Financing from the state budget is provided through national funds such as the National Regional Development Fund, the National Ecological Fund, the Road Fund, etc.

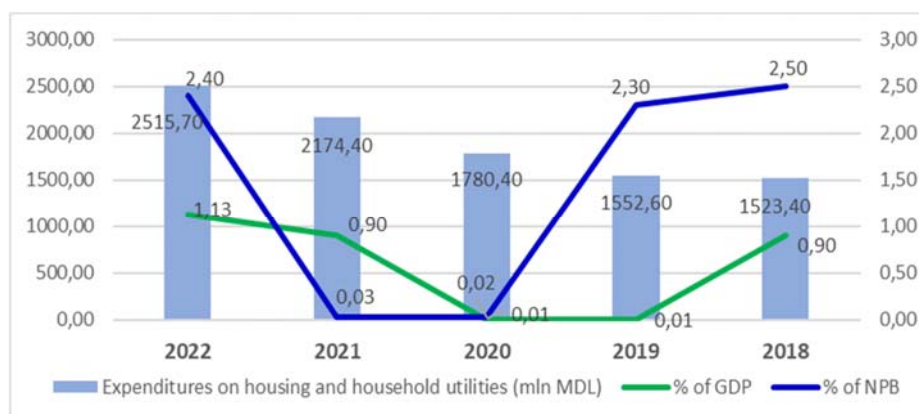
Official statistics show that in the last two decades there has been an increase in the housing stock area by about 13.6 million sq. m, mostly in urban areas. Due to this fact, the number of homes connected to the water and sewage networks grew two times in the last two decades, so that now the number of homes connected to water reaches the value of 61.2%, and those connected to sewers 59% (Parliament of RM, 2022).

The data of the national public budget for 2018-2022 reflects an increase in expenditure on housing and household utilities from 2020 - by 14.7%, by 22.1% - in 2021 and by 16% - in 2022 (Figure 21).

Although there has been a constant increase in budget allocations, we still find that for an area of major importance to human livelihood, the allocated resources are very modest. Extremely precarious infrastructure is a major problem not only for citizens, but also a significant impediment for the progress of the business sector. At a time when the migration of Moldovan population, especially young people, has reached huge proportions, investments in infrastructure are extremely necessary. This would make a substantial contribution to raising living standards and quality of life.

Among the largest projects, carried out by the state in the period 2018-2022 are "First House", "Construction of social housing II", "Strengthening the institutional framework in the water supply and sanitation sector in the Republic of Moldova", "Security of water supply and sanitation in Moldova", etc.

Figure 21. Evolution of public expenditures on housing and household utilities, 2018-2022 (million MDL)



Source: Developed by the author based on the data provided by the Ministry of Finance of the Republic of Moldova. The reference link: <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale/>

6. Environmental protection expenditures are intended to support environmental protection activities in compliance with international norms, based on the shared vision of contemporary states. Moldova's modest economic performance has put the financing of environmental activities in last place. Public spending on environmental protection is very small, at 0.1% of GDP over the whole period and 0.5% as a share of GDP spending until 2022, increasing annually by 0.1% over the whole period 2018-2022. Moldova remains at the bottom of the ranking among European countries in the field of environmental protection, with an EU average of 1.9% in 2021. Compared to the states of the European Union, in Moldova, both the state and economic agents allocate very little in this regard.

Therefore, in order to ensure a decent standard of living for its citizens, the authorities are responsible for economic development performance and appropriate social security measures. A functioning and income-generating economy is the foundation (but not the guarantee) of prosperity. Reporting to Moldova, the poor economic performance is the main cause of the low standard of living. The insufficient but also inefficient allocation of public resources represents a serious impediment in realizing the right to a decent living. The *insufficiency* of resources is determined by budgetary constraints. Over 70% of the budget resources are directed towards the social sectors (social protection, education, health), but the allocated money covers only a small part of their needs. To other sectors, including economic, small resources are allocated - just over 10%. At the same time, there is an increased inefficiency of public spending, mostly caused by high costs and lack of performance. Higher funding for social protection, health and education has also not led to an increase in performance in these areas. They still face multiple and serious problems. The situation can only be overcome by carrying out extensive reforms in all areas of social life, this commitment being a priority on the agenda of the current government. At the same time, the Republic of Moldova's desire to join the European

Union prompted national authorities to prioritize enhancing the quality of life and elevating the standard of living for the population.

6. Conclusions

In the Republic of Moldova, the right to a decent standard of living guaranteed by the constitutional norm is difficult to ensure. This right is far from being achieved if we consider the disposable income of the population, which constitutes the basis of human livelihood. More than that after 2019, the household incomes in real terms decreased by 11.7 percentage points compared to 2020 and by 5.9 percentage points in 2022. Specifically, the right to a decent living is not ensured for pensioners and other beneficiaries of social benefits that have extremely low incomes.

Public expenditures are related to the standard of living in Moldova for the period 2018-2022 varies between 69% and 74% of GDP. On average, more than 70% of the national public budget expenditures were directed to the social sectors (35% - social protection, 14% - health care, 16% - education, 2.4% - culture, sport, youth, worship and recreation) and only 13-14% were directed to household utilities, environmental protection, and services in the field of economy. In a context of extreme poverty, the social protection expenditures are very high, with the government using a considerable part of the European funds to respond to the needs of society caused by poverty. Protection measures are very necessary, but the money allocated by the European Union should be used in order to increase the economic growth, investment and development. Economic growth is one of the most important factors in raising living standards and social well-being. Thus, without serious investments in the economy, the other areas cannot perform.

The government's efforts to combat poverty by providing aid, subsidies, etc., represent short-term solutions, however in the long term, a broad reform is needed, with policies in related areas such as the labour market, insurance, pension system, etc. Thus, in order to optimize public spending, a reform of the social protection system is extremely needed;

As a share of GDP, public expenditures on living standards constitute, on average, about 25-27%. This is not a very small share, but the problem consists in the fact that the reduction of GDP is much higher than the reduction of public budget expenditures. Given the extremely high inflation rate for the last few years (30.24% at the end of 2022, according to the NBM), the standard of living is far from decent. (NBM, 2023a)

The health sector, which plays a key role in a nation's standard of living and progress, faces major problems, whose main causes are, on the one hand, insufficient funding and, on the other, the inefficiency of funding. One of the main reasons for the inefficiency of health funding is that the money is spent mainly on treatment rather than prevention, which leads to considerable costs, and in a long run to an even higher increase of them. Another reason is the lack of investment in the field over the last three decades, which has led to the degradation of medical institutions. As a result, their maintenance costs are very high and the quality of services provided is poor. A viable solution to this situation would be the health reform, one of the objectives of which is the construction of two modern regional hospitals.

Increasing funding for education, accompanied by the decreasing number of pupils/students, leads to an exaggerated growth of the unit expenditure without an improvement of the quality educational process. As a result of the decreasing number of pupils/students, inefficient use of the project capacities of educational institutions represents a serious problem for the field.

Unfortunately, for the specific areas of major importance for the society, an extremely low level of financial resources is allocated. Thus, for the economic development which constitutes 3-4% of GDP, defense (0.3% of GDP), public order and security (2.5%), the public expenditures are very low. (MF, 2022) In this context, the war in Ukraine has demonstrated how vulnerable Moldova is in the field of defense and security.

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