

A COMPARATIVE ANALYSIS OF SUSTAINABLE DEVELOPMENT IN ROMANIA AND MOLDOVA FROM AN INSTITUTIONALIST PERSPECTIVE

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Abstract: *This paper takes an institutional perspective and puts forward the idea that ensuring sustainability, in all its three dimensions – economic, social and ecological, mainly depends on the rules of the game that guide human behavior. In other words, it is the right mix of formal (such as, well-defined and enforced property rights) and informal (for example, norms of reciprocity of trust, involvement, tolerance etc.) institutions that provides proper incentives for the individuals to take responsibility rather than make compromises for fear of being sanctioned. Using indicators on sustainable development and the quality of institutional framework, the paper provides a comparative analysis of Romanian and Moldova regarding these issues and discusses the potential of Romania and Moldova to reach sustainability.*

Keywords: *sustainable development, formal and informal institutions, Romania, Moldova, progress, challenges.*

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1. INTRODUCTION

This paper takes an institutional perspective and puts forward the idea that ensuring sustainability is mainly a matter of good governance at formal level supported by certain values shared by the people, at informal level. All three dimensions of sustainable development – economic, social and ecological, are related to the rules of the game that guide human behavior. In other words, it is the right mix of formal (such as, well-defined and enforced property rights) and informal (for example, norms of reciprocity of trust, involvement, tolerance etc.) institutions that provides proper incentives for the individuals to take responsibility rather than make compromises for fear of being sanctioned.

This paper is organized as follows: the next section sets the background for the analysis. Drawing on the existing literature, this section identifies several formal and informal institutions proven to have supported the implementation of sustainable development practices. Section 3 provides an overview on the existing situation in Romania and Moldova in terms of sustainability in its three dimensions - economic, social and environmental. Sustainable Society Index (SSI) released by Sustainable Society Foundation and several socio-economic indicators from international databases are used to sketch the profile of the two countries, depicting both the existing situation and their evolution in time. The SSI aggregates 21 indicators of the three dimensions of sustainability – human, environmental and economic wellbeing. The SSI ranges from 1 (not sustainable) to 10 (sustainable). Section 4 deals with the institutional issues affecting sustainability in Romania and Moldova. It provides a comparative analysis of the formal and informal institutions identified in Section 2 as being related to sustainability. Governance indicators released by the World Bank are used to capture the quality of formal institutions while several values from World Values Survey are identified to show the prevalence of certain informal rules. The last part of this paper presents an example of a sustainable business in Moldova and summarizes the conclusions.

2. INSTITUTIONS FOR SUSTAINABLE DEVELOPMENT

The relationship between institutions and sustainable development is a largely acknowledged one both in scientific literature and in international development agenda. More and more studies and official documents point out to the role good institutions play in implementing sustainable development objectives. Veeman & Politylo (2003, 317) consider institutions and mainly property rights and pricing systems for natural resources as “pivotal in achieving growth and improved distribution of income and wealth, in understanding environmental degradation, and in seeking improved policy”. Anderson & Huggins (2003) argue that “sustainable development (...) is only possible in a legal system where property rights are well-defined, enforced, and transferable”. Other authors point to the role of the Rule of Law, considered “the bedrock of sustainable development” (Ozanian, 2015). Other studies on the issue of the relationship between economic freedom, as a measure of institutional quality, and sustainable development empirically proved that property rights, business freedom and freedom from corruption (from the Heritage Foundation/Wall Street Journal Index of Economic Freedom) are significantly correlated with components of sustainable development and also that those countries with a higher degree of economic freedom have a better socio-economic situation (Iacobuță & Gagea, 2010a).

Besides the above mentioned formal institutions, implementing sustainable development objectives requires a certain quality of informal institutions, i.e. certain values shared by the members of a community, which affect and orientate their behavior. Several attempts have been made to define those values which make human efforts and human cooperation possible, which reduce human greed and transaction costs and support the sustainability path designed in all sorts of formal strategies. Westing (1996, 218) considers the norms of sustainable development as “an amalgamation of core social

values and core environmental values”. United Nations Millennium Declaration (2000, 2) identifies six fundamental values of sustainability in the twenty-first century: freedom, equality, solidarity, tolerance, respect for nature and shared responsibility.

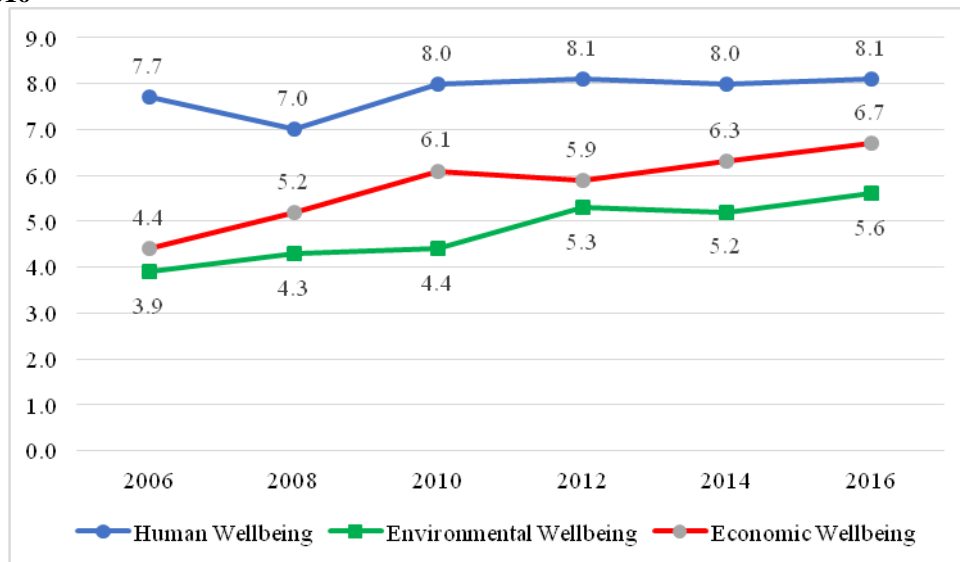
Previous work in this field has shown significant positive correlations between sustainable development and individual values such as trust, responsibility, tolerance and respect for other people, the importance of democracy, independence and negative relationships between sustainability and religious faith and obedience (Iacobuță & Gagea, 2010b). Concluding on the absence or low representation of sustainable development values (such as, solidarity or tolerance) in Czech Republic, the study carried out by Janoušková & Hák (2013) points out to the need of considering the role of values in improving policy making.

Although all the concepts are multifaceted and with complex meanings, to sum up, the institutional framework of sustainable development requires a complementarity between the formal rules (property rights, rule of law etc.) and the values people embrace (solidarity, responsibility, freedom, tolerance etc.).

3. COUNTRIES’ SUSTAINABILITY PROFILE

Both Romania and Moldova have made significant progress on their ways towards sustainable development. Figure 1 shows Romania’s evolution in terms of human development, economic growth and environmental wellbeing. Out of the three dimensions the lowest scores are in terms of environment protection showing that more attention should be paid to this issue.

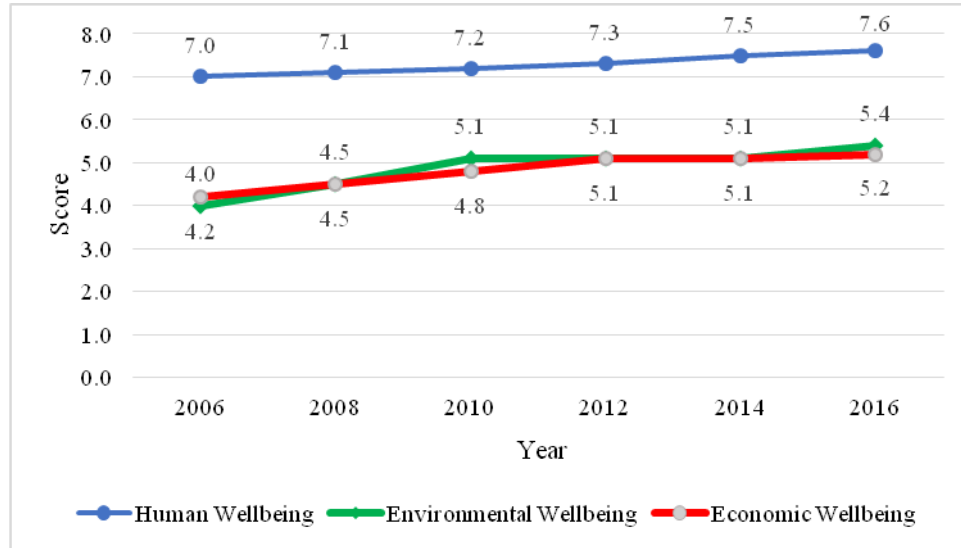
Figure 1 The evolution of the scores calculated for the three dimensions of sustainability, in Romania, 2006-2016



Source: Authors’ presentation based on data from Sustainable Society Foundation, Sustainable Society Index 2016, <http://www.ssfindex.com/data-all-countries/>

Figure 2 shows Moldova's evolution towards sustainable development. The situation resembles the one in Romania in terms of progress but it also should be noticed the fact that economic wellbeing is lower in Moldova, confronted with high rates of poverty, high rates of migration, macroeconomic, financial and political instability.

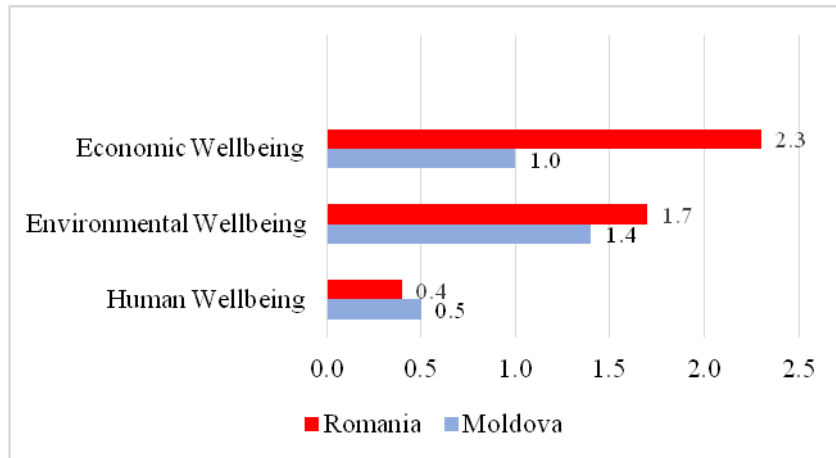
Figure 2 The evolution of the scores calculated for the three dimensions of sustainability, in Moldova, 2006-2016



Source: Authors' presentation based on data from Sustainable Society Foundation, Sustainable Society Index 2016, <http://www.ssfindex.com/data-all-countries/>

A synthetic image of the progress made by the two countries is presented in Figure 3. Out of the two, Romania is the performer in terms of economic and environmental wellbeing, due to the reforms implemented and to the adhesion to EU and adoption of EU strategies, while Moldova has better results in terms of human wellbeing.

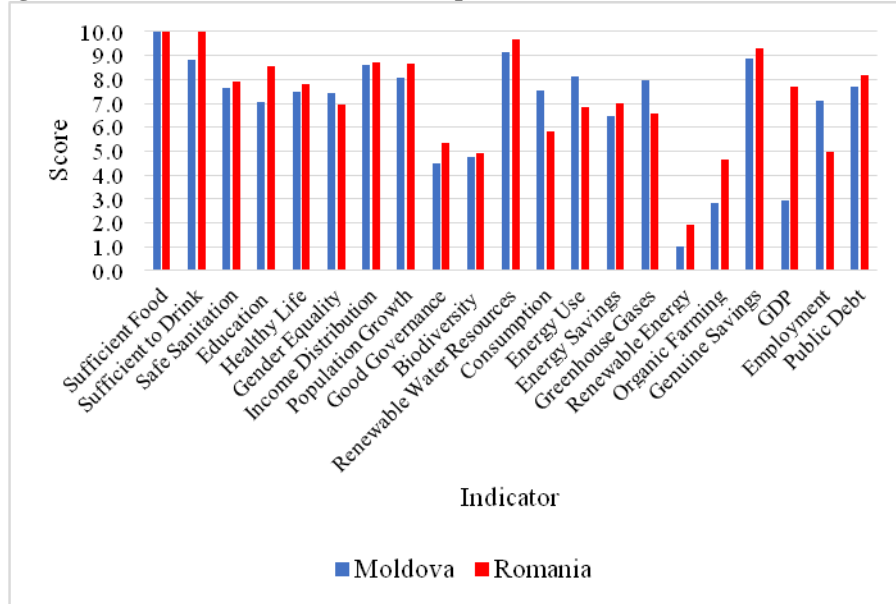
Figure 3 The overall progress 2006-2016 in the three dimensions of sustainability



Source: Authors' presentation based on data from Sustainable Society Foundation, Sustainable Society Index 2016, <http://www.ssfindex.com/data-all-countries/>

To provide a more comprehensive image of sustainable development issues in the two countries, Figure 4 below presents all the 21 indicators included in the SSI, in a comparative perspective.

Figure 4 Indicators of sustainable development in Romania and Moldova, in 2016



Source: Authors' presentation based on data from Sustainable Society Foundation, Sustainable Society Index 2016, <http://www.ssfindex.com/data-all-countries/>

The most significant five sustainability problems are: for Romania – renewable energy, organic farming, biodiversity, employment and good governance and for Moldova – renewable energy, organic farming, GDP (which stands for poverty), good

governance and biodiversity. If we overlap the two situations, we can conclude that both countries have four major problems in common namely, renewable energy, organic farming, biodiversity and good governance.

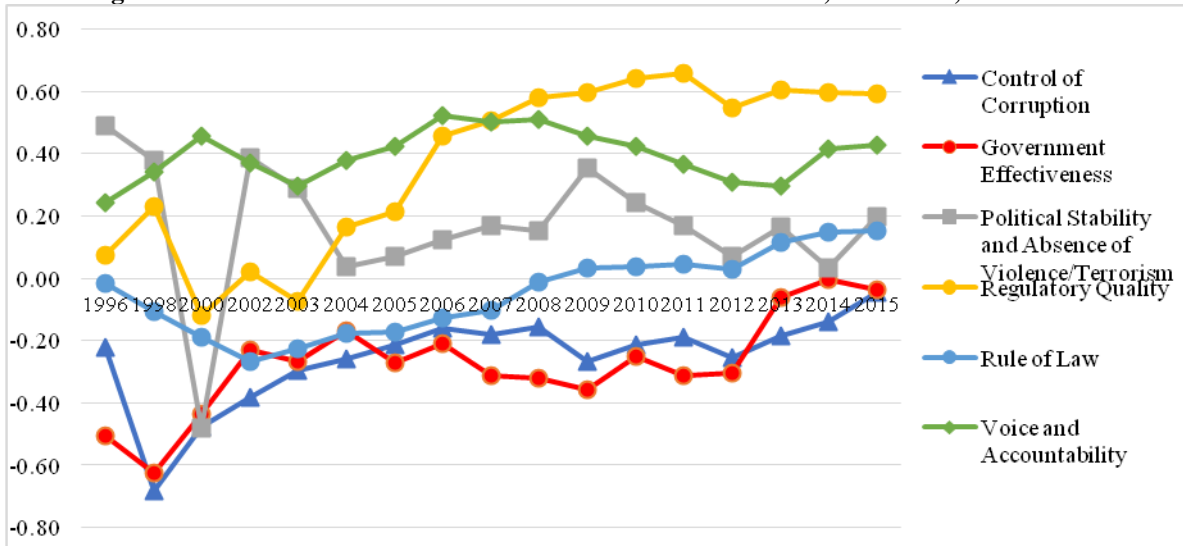
Considering good governance as a key element for sustainability and entirely adhering to the idea that “measurable and sustained progress on all of the Sustainable Development Goals will only be achieved in those countries that have sufficient enabling conditions in place, such as transparent, participatory and accountable institutions governed by the rule of law and predictability in legal and regulatory frameworks, including clear and secure property rights, well-managed public administration and services and functioning judicial systems”, as stated by United States Council for International Business (USCIB) (2015, 2), the next part of the paper briefly analyses the evolution of several formal institutions indicators and also several values people share in Romania and respectively, Moldova.

4. MAIN INSTITUTIONAL ISSUES AFFECTING SUSTAINABILITY

As shown in Figure 4 above, both Romania and Moldova are characterized by low scores for the indicator Good Governance (5.4 and respectively, 4.5).

As for the three dimensions of sustainable development analyzed above, progress has been made in both countries but a very slow and unsustainable one. To support this statement, we rely on the six governance indicators released by the World bank which are a measure of governance.

Figure 5 The evolution of the Governance Indicators in Romania, 1996-2015, estimates



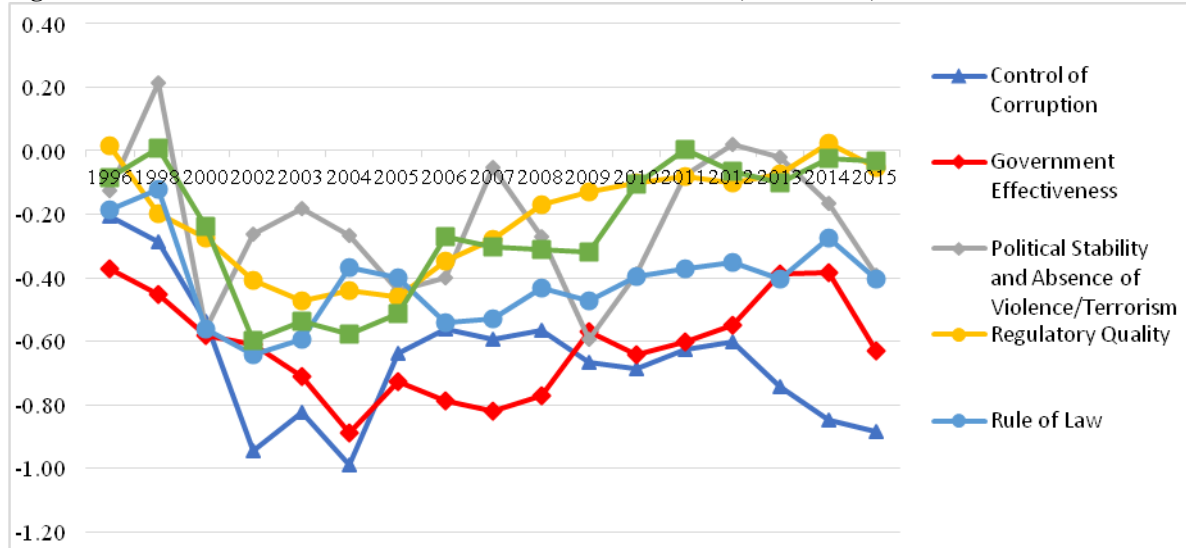
Source: Authors’ presentation based on data from World Bank Group, Worldwide Governance Indicators, <https://data.worldbank.org/data-catalog/worldwide-governance-indicators>

Figure 5 shows progress on good governance in Romania, between 1996-2015. Since all these indicators range between -2.5 and +2.5, there can be noticed that there is a long way ahead to reaching good governance in Romania. The biggest issues remain

corruption and the lack of effectiveness in government's activity. Also, the very low progress and score for the Rule of Law is worth mentioning.

Figure 6 presents the evolution of the same indicators for Moldova. In this case, the situation is much worse than in Romania, all governance indicators having negative values in 2015 and for most of the analyzed period. None of the attributes of good governance was reached

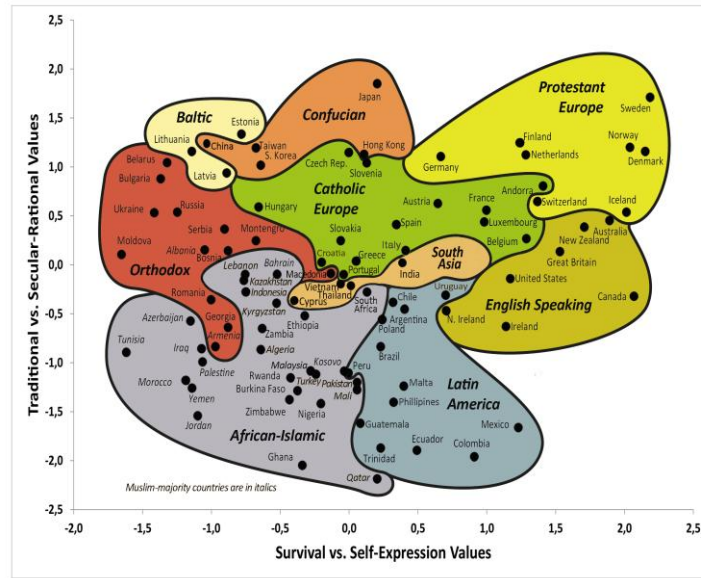
Figure 6 The evolution of the Governance Indicators in Moldova, 1996-2015, estimates



Source: Authors' presentation based on data from World Bank Group, Worldwide Governance Indicators, <https://data.worldbank.org/data-catalog/worldwide-governance-indicators>

In terms of informal institutions, highlighted by the values people share, both countries are considered rather traditional, people being mostly oriented to survival values rather than modern self-expression ones. Figure 7 below shows their positioning on the Inglehart–Welzel Cultural Map.

Figure 7 Inglehart–Welzel Cultural Map



Source: World Values Survey (WVS) wave 6 (2010-2014),
<http://www.worldvaluessurvey.org/WVSContents.jsp?CMSID=Findings>

In the traditionalist society, people’ priorities are oriented to the satisfaction of the basic needs, things happen "as God wishes" or as "the chief ordered", the society in general is more religious, more inclined to obedience and respect for authority, work is seen as an obligation to society; inertia is very high, there is no concern for the future and passivity and lack of involvement prevail (Voicu&Voicu, 2005, 17; Baciu et al., 2009, 46-47).

To provide a more comprehensive image of the sustainability values (as identified in the existing literature) in the two countries, we have selected several items from the World Values Survey database. The selection is presented in Table 1.

Trust is measured by the respondents’ agreement to the statement “Most people can be trusted”, *democracy* by “Importance of democracy” namely by the percentage of people considering democracy as “absolutely important”, *involvement* is measured with the items “Membership in an environmental organization” and “Membership in a political party and all other variables are selected from the list of qualities that children can be encouraged to learn at home (*responsibility, tolerance, independence, determination and thrift*).

Table 1 Several shared values related to sustainability, in Romania and Moldova

Value	Romania (2005) - %	Romania (2012) - %	Moldova (2006) - %
<i>Responsibility</i> (as a quality that children can be encouraged to learn at home)	68.8	70.4	69.6
<i>Tolerance</i> (as a quality that children can be encouraged to learn	58.6	65.2	66.5

at home)			
<i>Independence</i> (as a quality that children can be encouraged to learn at home)	29.1	42.2	44.9
<i>Determination/perseverance</i> (as a quality that children can be encouraged to learn at home)	30.3	29.9	25.2
<i>Thrift saving money and things</i> (as a quality that children can be encouraged to learn at home)	53.0	39.4	53.2
<i>Trust</i> (agreement with “Most people can be trusted”)	19.3	7.7	17.6
<i>Membership in an environmental organization</i> (not a member)	99.2	95.5	92.8
<i>Membership in a political party</i> (not a member)	96.0	91.6	91.0
<i>Importance of democracy</i> (“Absolutely important”)	47.5	56.2	25.0

Note: Moldova was not included in WVS wave 6.

Source: Authors’ presentation based on data from World Values Survey (WVS) wave 6 (2010-2014) and wave 5 (2005-2009), <http://www.worldvaluessurvey.org/WVSONline.jsp>

The figures presented in Table 1 confirm the traditionalism of the two societies but also a low representation of sustainability values. In Romania’s case, we notice a slight evolution in terms of responsibility, tolerance, independence, involvement and democracy but also a decrease in the percentage of Romanians appreciating thrift and determination and declaring their trust in people. The same situation is present in Moldova, but with a striking difference in terms of the importance of democracy. Very few respondents considered democracy as “absolutely important” for them (25%).

Romania was included in last two waves of the study (2005-2009 and 2010-2014) which allows the discussion regarding the value change in time while Moldova was not considered for the last wave. However, this is only a small impediment because individual values are relatively stable in time and they change very slowly, so even if the data seem old, the situation is pretty much the same in the present. The conflict between the European sustainability values and the traditional ones is as present today as ever, a very narrow segment of the population embracing the first ones. Opinions expressed in recent articles from Moldova support this idea: “The perpetuated disappointment in the pro-European political parties (2009-2017) and the high poverty level at which many Moldovans live make the European integration and, respectively, the European values, to be associated with something elitist or imaginary, for now inaccessible” (Cenusa, 2017).

5. DISCUSSION AND CONCLUSIONS

The purpose of this paper was to comparatively analyze the progress reached in sustainable development in Romania and Moldova, in relation with the progress in good governance and sustainability values and to point out the main factors which hamper this process.

Both countries have a long road ahead but data analysis shows certain, even though low progress in all three dimensions of sustainability and in consolidating the formal and informal rules of the sustainability game. There are strategies for sustainable development, there is declared commitment to these strategies and best practices at microeconomic level have been implemented in both countries.

Since Moldova is less “fortunate” at the chapter of good governance, and this is “an essential attribute of a profitable, sustainable and responsible business enterprise” (USCIB, 2015, 2) an example of sustainable business is worth to be provided here. The Italian company “La Triveneta Cavi Development” has recently started its activity in Balti, with an ambitious goal of employing 200 people in the near future and bringing to Moldova its long experience, its know-how, technologies with new environmental standards, elements of entrepreneurial responsibility. This confirms the role of involvement, motivation and willingness to change things into a certain direction. It also confirms the role education and internalization of best practices play in getting on the sustainability path.

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