Transition, Globalisation and Labour in the BS & CA Region

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Chisinau

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The European Commission participates in the work of the Development Centre.
Focus on the BSEC-CA Regions
- A cross-country comparative analysis of macroeconomic and policy developments of the BSEC-CA region, involving 12 BSEC and 5 CA countries

Black Sea and Central Asia: Promoting Work and Well-being
- Recent economic developments in the BSEC-CA regions (Part I)
- Work and well-being: policy challenges in the global environment (Part II)
Stylised Map of the Region
Growth Trend

Regional GDP growth has been impacted by the financial crisis

GROWTH:
- Over 2001-07, average growth rate for the region was around 7.2 %, comparable to Asian economies.
- The crisis led to a regional recession of around 6 %
- Substantial variations in growth performance exist within each group of countries, LLM countries recovering slightly faster than UMU

TRADE:
- The European Union is the main trade partner for the region, with great importance for Moldova.
- Russia is the main *intra-regional* trading partner – embargo since 2009 on Moldovan wine

Growth in Real GDP (%)

Source: IMF, *World Economic Outlook* October 2009
Impressive growth performance until 2008, then great recession with the crisis

The impressive growth performance in 2001-07 reflects gains in terms of trade and an improvement in macroeconomic management, notably on the fiscal front.

Regional economic growth fell from +6% in 2008 to -6% in 2009 as a result of the crisis. It is projected to reach 2.5% in 2010.

These countries are highly exposed to international shocks, notably Moldova whose economy relies on remittances and trade with Russia.

Source: IMF, *World Economic Outlook* October 2009
Increased reliance on external funds

External Financing before crisis: BSEC

USD Billion

Source: OECD Development Centre / IMF
Moldova heavily depends on Workers' remittances which was multiplied by five between 2004 and 2008 – from $221.4 mln to $1,046 mln

Source: OECD Development Centre / IMF
## Export specialisation (Balassa Index)

**average 2007-08**

<table>
<thead>
<tr>
<th>SITC group</th>
<th>1 beverages &amp; tobacco</th>
<th>2 crude materials (ex. fuel)</th>
<th>3 mineral fuels</th>
<th>4 animal &amp; vegetable oils</th>
<th>6 manufactured goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>2.1</td>
<td>8.1</td>
<td>1.3</td>
<td>0.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Armenia</td>
<td><strong>33.1</strong></td>
<td>7.9</td>
<td>0.1</td>
<td>0.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>0.6</td>
<td>0.2</td>
<td><strong>13.9</strong></td>
<td>2.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.6</td>
<td>3.4</td>
<td>2.2</td>
<td>1.3</td>
<td><strong>3.4</strong></td>
</tr>
<tr>
<td>Georgia</td>
<td>25.6</td>
<td>11.3</td>
<td>0.5</td>
<td>0.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Greece</td>
<td><strong>7.7</strong></td>
<td>2.3</td>
<td>1.8</td>
<td><strong>6.8</strong></td>
<td>2.8</td>
</tr>
<tr>
<td>Moldova</td>
<td><strong>30.4</strong></td>
<td>5.2</td>
<td>0.0</td>
<td><strong>14.0</strong></td>
<td>2.0</td>
</tr>
<tr>
<td>Romania</td>
<td>2.1</td>
<td>2.8</td>
<td>1.3</td>
<td>0.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Russia</td>
<td>0.5</td>
<td>3.7</td>
<td><strong>1.7</strong></td>
<td>1.1</td>
<td><strong>3.5</strong></td>
</tr>
<tr>
<td>Serbia</td>
<td><strong>5.3</strong></td>
<td>2.3</td>
<td>0.5</td>
<td><strong>4.2</strong></td>
<td>4.2</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.1</td>
<td>0.5</td>
<td>0.2</td>
<td>1.2</td>
<td><strong>1.8</strong></td>
</tr>
<tr>
<td>Ukraine</td>
<td>1.8</td>
<td>1.2</td>
<td>0.8</td>
<td>1.2</td>
<td><strong>3.6</strong></td>
</tr>
</tbody>
</table>

- No BSEC-CA countries have any form of specialisation in exports of food and animals (SITC 0), chemical products (SITC 5) or machinery and transport products (SITC 7)
- Moldova has a clear specialisation in agriculture, with an index of 30.4, second after Armenia (33.1) and just before Georgia (25.6)

*Source: OECD Development Centre / Comtrade, 2008*
• Transition in an open economy
  – More severe recession than expected
  – Increased volatility and job insecurity
• During the 1990s labour market policy responses were limited
• The Outlook describes how labour market policies evolved during the 2000s
  – but the context was also set by households’ responses during the 1990s
Social indic. A heavy social cost: death rates in BSEC-CA countries

Crude death rate is increasing in Moldova. It is expected to reach 13 per thousand in 2010-15; compared to 11.5 per thousand on average for the Black Sea countries for the same period.

Source: OECD Development Centre / IMF World Development Index 2008

Source: World Bank 2008
Conclusions and Policy Recommendations

- Investment on statistics
- Regularising informal activities
- Active labour market policies
- Employment-oriented social polices and targeted assistance
- Migration, remittances and migrant workers’ rights
- Sustaining reforms for better job creation
Achieving transition requires more than shifting wealth from the state to the private sector, it is also about building markets and developing certain state functions to support both the private sector and the social indicators.

Prioritise policies to improve the business climate and meet the skill gaps facing the private sector.
Target Countries

- Armenia
- Azerbaijan
- Georgia
- Moldova
- Serbia
- Ukraine
BSCAI team

- Black Sea and Central Asia Initiative (BSCAI) team is composed of 11 persons located in different countries as follow:

**Paris office - 5 persons**
- **OECD Development Centre**
  - Mr. Kiichiro FUKASAKU, Head of Regional Desks
  - Mr. Colm FOY, BSCAI Co-ordinator
  - Ms. Stephanie CHAR, Junior Policy Analyst
  - Ms. Anna TCHOUUB, BSCAI Communication (Russian speaker)
- **OECD Directorate for Financial and Enterprise Affairs**
  - Mr. Barrie HEBB, Economist (under a joint project)

**Local country experts – 6 persons**
- **Armenia** – Mr. Armen Hovhannisyan
- **Azerbaijan** – Mr. Elkhan Kazimov
- **Georgia** – Mr. Alexander Khvtisiashvili
- **Moldova** – Mrs. Tatiana Lariushin
- **Serbia** – Mrs. Mirjana Radovic
- **Ukraine** – Mrs. Olga Kupets
Target Issues

- Macroeconomic overview
- Regional Trade and Co-operation
- Private Sector Development
  - Access to Finance
- Foreign Direct Investment
- Human Capital Formation
- Social Development (MDG)
Objectives

- Creation of comprehensive data base
- Co-operative policy formulation and advice
- Establishment of co-ordinated, regional development strategies
- Creation of Internet portal on the region
- Establishment of regional economic policy and research network
Current Moldovan Business Development

How Moldova’s business environment compares

The chart shows the scores for Moldova on the business environment ratings for 1998-2003 published by the Economist Intelligence Unit, relative to the average for new European Union members from Eastern Europe and the Baltics.
<table>
<thead>
<tr>
<th>Goal 1</th>
<th>Eradicate extreme poverty and hunger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective: Halve the % of people suffering from hunger</td>
<td>Baseline</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
</tr>
<tr>
<td>Undernourished people (%)</td>
<td>2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal 2</th>
<th>Achieve universal primary education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective: All children to complete primary school</td>
<td>Baseline</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
</tr>
<tr>
<td>Net primary enrollment ratio (%)</td>
<td>2000</td>
</tr>
<tr>
<td>Children reach grade 5 (% of grade 1)</td>
<td>2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal 3</th>
<th>Promote gender equality and empower women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective: Eliminate gender disparity in all levels of education</td>
<td>Baseline</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
</tr>
<tr>
<td>Female primary ratio (as % of male ratio)</td>
<td>2000</td>
</tr>
<tr>
<td>Female secondary ratio (as % of male ratio)</td>
<td>2000</td>
</tr>
</tbody>
</table>
### Goal 4: Reduce child mortality

**Objective:** Reduce by 2/3 under 5 mortality rates (per 1,000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline Value</th>
<th>Year</th>
<th>Current data Value</th>
<th>Year</th>
<th>Target Value</th>
</tr>
</thead>
</table>

### Goal 5: Improve maternal health

**Objective:** Reduce maternal mortality by 3/4 (per 1,000 births)

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline Value</th>
<th>Year</th>
<th>Current data Value</th>
<th>Year</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>…</td>
<td>2008</td>
<td>…</td>
<td>2015</td>
<td></td>
</tr>
</tbody>
</table>

### Goal 6: Combat diseases

**Objective:** Halt and reverse spread of Tuberculosis

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline Value</th>
<th>Year</th>
<th>Current data Value</th>
<th>Year</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>38</td>
<td>2008</td>
<td>79</td>
<td>2015</td>
<td></td>
</tr>
</tbody>
</table>

### Goal 7: Ensure environmental sustainability target

**Objective:** Halve the % of people without access to safe water (per 1000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Baseline Value</th>
<th>Year</th>
<th>Current data Value</th>
<th>Year</th>
<th>Target Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>92</td>
<td>2008</td>
<td>…</td>
<td>2015</td>
<td></td>
</tr>
</tbody>
</table>
Transition is achieved through liberalisation, macroeconomic stabilisation, restructuring, privatisation and legal and institutional reforms.