

Annex 4. Reform priorities by main sectors and their implications during 2008-2010

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
General destination government services	<p>§ Spending in 2007: ◇ MDL 1,153.5 million; ◇ 5.9 per cent of total expenditure; and ◇ 2.5 per cent of GDP.</p> <p>§ The efficiency of public services is relatively low: Ø Weak capacity to harness up-to-date management tools; Ø Although staffing costs account for a big chunk in the budget, the size of salaries still is low in the public sector; and Ø Low level of salaries and labor compensation has a negative impact upon motivation and work efficiency for public servants.</p> <p>§ Lack of a single integrated information system for the management of public funds: Ø Outdated information technologies used within the treasury system; and; Ø Scanty opportunities for information exchange and processing within the given sector.</p> <p>§ Limited opportunities for an information system within fiscal administration; and</p> <p>§ Incomplete statistical data, missing statistical information on people's revenues from one's own individual farming sector.</p>	<p>§ Public administration reforms.</p> <p>§ Efficient use of human, financial, and material resources: Ø Eliminate overlapping and duplication in tasks and terms, both between public authorities and between them and private sector; Ø Review the current system and split competencies between all levels of public administration; Ø Promote regulatory framework reforms; and Ø Implement modern systems of management, procedures and practices in public administration.</p> <p>§ Human resource development and promotion policy: Ø Splitting political tasks from the administrative ones; Ø Selection, hiring and promotion of staff on a competitive basis; Ø Setting up a system for labor compensation that would allow the recruitment and retention of staff in management and skilled technical areas; and Ø Training and in-service retraining of public servants.</p> <p>§ Improvement of management in budget and fiscal sectors by: Ø Consolidating the treasury system; and Ø Automated fiscal procedures.</p> <p>§ Scaling up of statistical analysis networks in the individual farming sector by districts; and</p> <p>§ Building up of information societies all over the country and implement electronic governance.</p>	<p>§ The financial consequences of suggested measures will not result in major changes in the share of sector spending in the total public spending.</p> <p>§ There will be a drop in the costs incurred by ensuring the work of public administration authorities. Some measures will require additional costs, as follows: Ø Implementation of central public administration reform strategy; Ø Implementation of an information society building strategy "Electronic Moldova"; Ø Carrying out the measures set out in the Fiscal Service Development Strategy by 2010; Ø Running parliament elections in 2009; and Ø Development of customs infrastructure.</p>	5.7	5.5	5.2

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
External operations	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> ◇ MDL 261.2 million; ◇ 1.3 per cent of total expenditure; and ◇ 0.6 per cent of GDP. <p>There is need to further develop the ties between the Republic of Moldova and other countries in view of boosting up the country's social and economic development and its integration with the European Union..</p> <p>Failure to timely meet its member commitments with international organizations resulted in the accrual of considerable arrears.</p>	<p>§ Consolidation of diplomatic system in the Republic of Moldova by:</p> <ul style="list-style-type: none"> Ø Streamlining the structure of existing diplomatic missions in the country; Ø Opening new diplomatic missions; and Ø Additional staffing some diplomatic missions dealing with the process of European integration. <p>§ Review the status of membership of the Republic of Moldova within international organizations; and</p> <p>§ Repayment of debt accrued on membership fees that the Republic of Moldova is owing to international organizations, in line with phased-out repayment deadlines.</p>	<p>§ The financial implications for the sector during 2008-2010 will result in a decrease in the share of given costs in the total public spending down to 1 per cent;</p> <p>§ Streamlining the structure of diplomatic missions will result in fund savings, which in part will be rechanneled to open other diplomatic missions and provide existing missions with additional staff; and</p> <p>§ Review the membership status of the Republic of Moldova within international organizations, and compliance with the deadlines for phasing out the debts payable, thus entailing financial resource savings.</p>	1.1	1.1	1.0
Justice and constitutional lawfulness	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> ◇ MDL 211.5 million; ◇ 1.1 per cent of total expenditure; and ◇ 0.5 per cent of GDP. <p>§ There is need to develop the professional skills of staff working in the legal system.</p> <p>§ Lack of stewardship and coordination of the entire process of bringing the national legal framework in line with community needs.</p>	<p>§ Improvement of institutional capacity and adequate organization of the legal system staffing;</p> <p>§ Development of a training and in-service retraining system for the staff working in the legal system</p> <p>§ Setting up of an operational mechanism for the process of harmonizing the legal framework of the country as a whole by establishing a Center for Legislature Harmonization.</p> <p>§ Creation of an integrated information resources center for justice by approving the Concept of a</p>	<p>§ The financial implications of suggested measures during 2008-2010 will result in a 0.1 p.p. increase in the share of this sector's costs in the total public spending;</p> <p>§ Measures to streamline the legal system will yield both resource savings and additional funds from the budget; and</p>	1,1	1,1	1,1

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
		Computerized Program for Justice.	§ The implementation of the Concept of the Justice's Computerized Program is planned to be accomplished with foreign money, granted to the Republic of Moldova within the framework of the USA "Millennium Challenge".			
Public order enforcement, defense, and national security	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> ◇ MDL 1,373.3 million; ◇ 7 per cent of total expenditure; and ◇ 2.9 per cent of GDP. <p>§ Staff maintenance costs have the biggest share in the structure of spending earmarked for public order maintenance, defense, and state security (salaries, nutrition, health insurance, and payment of utility costs);</p> <p>§ The technical and material assets of the Army are outdated and are no longer meeting current demands;</p> <p>§ Low capacity to train and prepare the military for battle and operative-tactical maneuvers; and</p> <p>§ Situation in penitentiary facilities is a complex issue that depends upon several factors, such as inadequate hygiene and sanitary conditions, under-nutrition, potable water supply, under-provision with technical equipment etc.</p>	<p>§ Actions based upon the implementation of the penitentiary reform concept:</p> <ul style="list-style-type: none"> Ø Develop a system for training and in-service retraining for staff; Ø Create detention places in eight districts of the country; Ø Create a training center within the framework of the Department of Penitentiary Facilities, and develop the syllabus for staff training in the penitentiary system; Ø Reconstruct the existing premises within the penitentiary system; and Ø Improve the legal framework in this area, guarding activities, sentinel surveillance, escorting, security, and reorganize education actions carried out with those in detention. <p>§ Provide the National Army military with housing;</p> <p>§ Improve the actions taken by peace enforcing forces located in the Security Zone;</p> <p>§ Fulfill the National Program for the implementation of the Individual Plan of Actions for the Partnership (IPAP) Republic of Moldova – NATO:</p> <ul style="list-style-type: none"> Ø Gradual shift of border guards to contract-based services; Ø Provide the operative mobile subunits of the 	<p>§ The financial consequences of suggested measures will have no major impact on the share of costs incurred within the given sectors in the total public spending. The fluctuation of the share in the total public spending is due to the enforcement of provisions for salary rises in these areas, as per the legal framework; and</p> <p>§ Suggested reforms will ensure the following:</p> <ul style="list-style-type: none"> Ø Streamlining of staffing costs and maintenance costs; Ø Rechanneling of allocated resources to priority areas as identified; Ø Use the financial means made available following the selling of two land parcels to 	6.2	6.9	6.9

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
		<p>Department of Carabineers with equipment and special gear;</p> <ul style="list-style-type: none"> Ø Establish a National Crisis Control Center with necessary operational capacities and develop a national crisis management; Ø Complete the reorganization of military central command authorities and streamline the military units; Ø Develop, approve and carry out major programs for upgrading the air defense means, aviation, artillery, ground equipment, and transmission systems; Ø Improve the military infrastructure, in particular improve the living conditions of the military, and security and storing conditions for the ammunition, weapons, and military and special equipment; Ø Improve the military recruits training system. Develop and implement a new approach to training based on initial general training of the body of recruits enrolled at the Training Center of the National Army; and Ø Implement a planning tool by programs. 	<p>build up or buy housing for the military of the National Army and their family members.</p> <p>§ Certain measures will target additional fund allocations, as follows:</p> <ul style="list-style-type: none"> Ø Allocate additional financial means to set up detention places; and Ø Allocate resources to cover the actions set out under the IPAP: MDL 15.0 million – in 2008; MDL 30.0 million – in 2009; and MDL 11.2 million – in 2010. Ø Gradual shift to contract-based services; and Ø Testing, classification of expired ammunition, disposal of defective weaponry and equipment, the recovery of which is deemed unfeasible. 			
Education	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> ◇ MDL 3,940.2 million; ◇ 20.1 per cent of total spending; and ◇ 8.5 per cent of GDP. <p>§ The network of education facilities is not adapted to education requirements and demographic trends of</p>	<p><i>A. Actions to streamline the use of resources:</i></p> <p>§ Streamline the network of education facilities and bring them in line with the current number of students, making allowance for the forecasts for the next seven years;</p> <p>§ Allocate capital investments subject to the</p>	<p>§ There will be no sizeable change throughout 2008-2010 in the financial implications for the budget as share of total</p>	20.2	19.4	19.2

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>downward sloping natality rates. As a consequence, the education facility capacity is used up to 67.3 per cent only, the average number of attendees in these is small, thus entailing an inadequate use of budget funds;</p> <p>§ Noncompliance of the existing structure of the network of professional secondary education facilities with current requirements;</p> <p>§ There is need to re-conceptualize the vocational secondary education system;</p> <p>§ Duplication of training in certain disciplines in professional schools, colleges and higher education facilities;</p> <p>§ Large number of pedagogic colleges;</p> <p>§ Dispersion of financial resources because of parallel operation of the two distinct standards with the same financial source, namely – the general secondary education, and the upper secondary education;</p> <p>§ Inefficient use and high costs to maintain residential facilities, very low child-to-staff ratio in residential facilities (1 child per 6 staff);</p> <p>§ No capacity to formulate a comprehensive strategy for education facilities, which would take into account all resources – financial, human and teaching;</p> <p>§ The infrastructure, as well as the technical, material and teaching resources, of education facilities, are physically deteriorated and morally outdated, contrary to the current trends of upgrading the education;</p> <p>§ Digital discrepancy between education facilities from rural areas and urban ones;</p> <p>§ Inadequate level of information support for education management;</p> <p>§ Shortage of vocational secondary education and professional secondary education textbooks;</p> <p>§ Need to update the university curriculum in line with the new structure of higher education and in terms of quality assurance;</p> <p>§ Below-par training of faculty in how to use information technologies and communications in the teaching-learning process;</p>	<p>requests for streamlining of the network of education facilities;</p> <p>§ Streamline the fill-up of classrooms / groups of students and staffing norms in pre-university education facilities (including, residential), professional secondary education, and vocational secondary education;</p> <p>§ Double the size of classes in residential facilities, and shift 50 per cent of pedagogues to community schools (2008-2010);</p> <p>§ Cut down the number of ancillary staff by 10 per cent each year (2008-2010);</p> <p>§ Optimize the specialization of professional secondary education, vocational secondary education and higher education facilities;</p> <p>§ Develop and approve staffing norms for school and extracurricular education facilities (2008);</p> <p>§ Change the education planning and financing system by developing a financing formula;</p> <p>§ Improve the legal framework for the education facility financing;</p> <p>§ Improve the technical and material assets of education facilities.</p> <p><i>B. Actions for sector development (2008-2010):</i></p> <p>§ Renovate the network of preschool facilities;</p> <p>§ Provide students from school years 1-to-4 with free textbooks and hot meals (2008-2010);</p> <p>§ Subsidize the textbooks for the poor;</p> <p>§ Establish and develop community services for child and family protection – family-type houses;</p> <p>§ Publish education standards for pre-university education;</p> <p>§ Develop and print the standards and basic curriculum for extracurricular education (2008);</p> <p>§ Develop and implement a new model of monitoring and evaluation of education and school performances;</p> <p>§ Develop a Qualifications Framework for the vocational secondary education and higher</p>	<p>spending. This indicator will somewhat increase by 0.2 p.p. in 2008, with subsequent reduction in the following years; and</p> <p>§ Priority actions in education development will be covered financially with the budget money earmarked for the given sector, alongside the funds gained as savings, as a result of streamlining the network of facilities, efficient use of funds, as well as from external funds which are possible to attract.</p>			

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>§ Advanced age of teaching staff, and shortage of young education specialists; and</p> <p>§ Irrational structure of staffing at all education tiers.</p>	<p>education;</p> <p>§ Develop and implement flexible curriculum for mixed specialization professional training;</p> <p>§ Consolidate / upgrade the pedagogic education;</p> <p>§ Develop an electronic Register <i>Higher Education in the Republic of Moldova</i> (staff, body of students, material assets, and study papers);</p> <p>§ Diversify funding sources for the ongoing professional training of teaching staff;</p> <p>§ Create opportunities for initial/in-service professional training of teaching staff in their respective teaching disciplines from the professional secondary education facilities and from vocational secondary education facilities;</p> <p>§ Train the teaching staff in view of using information and communication technologies in education;</p> <p>§ Carry on the program for the renovation and merging of equipment, material assets and teaching resources of pre-university facilities;</p> <p>§ Supply education facilities with teaching and illustrative materials;</p> <p>§ Supply school libraries with teaching literature, and provide those with teaching literature based upon optical and magnetic devices, as per the provisions of the LEAP Program;</p> <p>§ Refurbishment of kindergartens selected within the framework of the Project "Education for All – Rapid Action Initiative";</p> <p>§ Renew and re-supply the material assets and equipment for professional training areas: services, constructions, agriculture (2008–2010);</p> <p>§ Develop the material and technical assets, and teaching resources, of colleges in constructions, public nutrition, IT, and health care;</p> <p>§ Provide education facilities with PCs; and</p> <p>§ Develop new and more efficient funding systems in education.</p>				
Research and	§ Spending in 2007:	The research and innovation policy actions will be	Pursuant to the	1.3	1.2	1.2

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
innovations	<p>◇ MDL 278 million; ◇ 1.4 per cent of the total spending; and ◇ 0.6 per cent of GDP.</p> <ul style="list-style-type: none"> • Following the adoption of the Code on Research and Innovations in 2004, a new era for the development of science and innovations has started. Research funding increased from 0.22 per cent in 2004 up to 0.64 per cent by 2007. The total amount of spending increased 3.7 times versus 2005, coupled with a 9 fold increase in the technological shift area, as it also did in the case of co-funding of international research projects (circa 9 times) and government programs – approximately a 3.6 fold increase; • Research topics have been channeled towards identifying solutions to burning issues which plague the country's economy and research. The material and technical assets of research and innovation organizations is being revitalized; • Research is conducted within the framework of 11 government programs and about 30 technological shift projects. Starting in 2006 there have been research studies conducted within circa 150 international projects; • The infrastructure for research and innovations has been streamlined; • The financial situation of the country during 2008-2010 is not conducive to increasing the share of allocations earmarked for the given sector, except for a salary rise to employees hired in the research and innovations sector. In this vein, the efficient use of budget funds is of utmost importance. In order to do so, when selecting a research topic, priority will be given to projects with direct impact on economy growth and poverty reduction; and • Another ardent issue in research and innovations, which is ought to be worked out, is how to attract young specialists in activities and how to better the qualifications and training of research staff. 	<p>targeting the accomplishment of the following priorities:</p> <ul style="list-style-type: none"> • Efficient use of financial resources through ongoing management; • Ongoing monitoring of the way the government programs, institutional projects and those of technological shift are implemented, alongside discontinuing those yielding no concrete results; • Create an infrastructure for innovations and technological shift and centers in those areas that could ensure a leap forwards in research; • Develop new government programs in order to speed up the sorting out of burning issues within the national economy; • Upgrade the technical and research assets of facilities, and carry on creating laboratories and centers of excellence, experimental lots etc.; • Attract young specialists in research activities; and • Train skilled staff equipped for research and innovations in the upper secondary education facility – university – PhD loop. <p>A more sizeable support will be provided in order to implement the following:</p> <p>National Program “Moldovan Village”, Action Plan “Republic of Moldova – European Union”, Agriculture and Industry Development Strategy for 2006-2015, Industry Development Strategy up until 2015 etc.</p>	<p>government's financial power, the financial means earmarked for research and innovations throughout 2008-2010 will be as follows: MDL 307.8 million in 2008; MDL 314.6 million in 2009; and MDL 330.4 million in 2010.</p> <p>and will exceed, in the medium run, by 0.2- 0.1 p.p. the level reported in 2006 within the total public spending.</p>			

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
Culture, arts, religion, sports and youth-targeting actions	<p>§ Spending in 2007 :</p> <ul style="list-style-type: none"> Ø MDL 417.7 million; Ø 2.1 per cent of total expenditure; and Ø 0.9 per cent of GDP. <p>§ Degradation and ongoing decay of most of the monuments, historical sites and complexes with outstanding value, as well as that of museum buildings;</p> <p>§ There are no adequate conditions to store and preserve the collections and assets of the moveable cultural heritage;</p> <p>§ Low supply rates of government collections and assets with moveable cultural goods;</p> <p>§ Inadequate awareness about and promotion of national cultural values abroad;</p> <p>§ Dilapidated material and technical assets of cultural facilities, lacking any modern equipment;</p> <p>§ Poor management in using human and financial resources in concert and theatre facilities; and</p> <p>§ Low profile of the country's tourism on both the domestic and international markets.</p>	<p>§ Restore, harness, protect and preserve the most important of national cultural assets of the national heritage;</p> <p>§ Organize and participate in national and international culture and artistic events;</p> <p>§ Upgrade and supply equipment to the cultural facilities, specifically those located in the regions, including securing their access to worldwide web;</p> <p>§ Support the cultural projects of NGOs, including the Project "Caravan of Culture";</p> <p>§ Increase the access of people to the cultural values displayed in public libraries and museums;</p> <p>§ Change the terms of funding earmarked for theatres and concert facilities;</p> <p>§ Support the national public broadcasting stations and regionally – the "Teleradio-Moldova" Company, and the "Teleradio-Gagauzia" Company;</p> <p>§ Publish literature to be shared free of charge with public and school libraries; and</p> <p>§ Promote tourism on domestic and foreign markets.</p>	<p>§ Actions will be covered financially with internal funds and with savings realized as a result of streamlining the costs, as well as with foreign money;</p> <p>§ Increase the per capita norms when setting the cross-budget relations in order to provide regional cultural facilities with up-to-date equipment;</p> <p>§ Increase budget allocations and per capita norms for library and museum maintenance;</p> <p>§ Allocations planned for this project will remain flat at the level reported in 2007;</p> <p>§ More allocations be made to set up the cross-budget relations for the regional broadcasting Company "Teleradio-Gagauzia";</p> <p>§ Budget allocations earmarked for this will remain flat at the level reported in 2007; and</p> <p>§ In order to fulfill the actions set above, funds will be identified from the special Fund to tourism, with considerations for additional fund-raising throughout 2008-2010.</p>	2.1	2.1	2.1

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
Health Care	<ul style="list-style-type: none"> • Spending in 2007: <ul style="list-style-type: none"> Ø MDL 2,530.3 million; Ø 12.9 per cent of total expenditure; and Ø 5.4 per cent of GDP. • The implementation of mandatory health insurance has had a positive impact on improving the access of people to health care services, provided that the health status of population has been showing negative trends in the Republic of Moldova, as displayed at the end of the decade and at the turn of the millennium. The access still is lower for poorer families and for those from rural areas; • However, the reform agenda still is incomplete and has not yet accomplished its original tasks of ensuring an equitable coverage nationwide with high-quality primary health care. The current arrangements made by the district health authorities for health care service delivery, which are offering both primary health care and hospital care, allow for cross-subsidizing of hospitals with the moneys initially planned for the primary health care services, thus debilitating the primary health care and covering the gaps caused by hospital care flaws; • There has been some progress reported in the Republic of Moldova in terms of essential health indicators. The infant mortality rate was equal to 11.8 per 1,000 live births in 2006, thus well reaching the MDG target of up to 12.1 per 1,000 live births for 2006. The maternal mortality rate accounted for 15.9 per 100,000 births in 2006, the established target being 23.0 for 2006. Despite all of the above, the given indicators still are over the European average. The infant mortality rates in the Republic of Moldova are 2.5 times those reported in the European Union, whereas the maternal mortality rate is 4 times that reported in the EU, the incidence rate of TB is 11 times higher, and the incidence of HIV/AIDS is 1.3 times higher. The mortality of people of working age is seven times that reported in the EU countries; 	<p>§ Increase the strategic planning capacity of decision-makers at all levels;</p> <ul style="list-style-type: none"> • Define / adjust / bring health system indicators in line with international standards, and make up a national set of indicators; • Develop a mechanism to monitor and evaluate the efficiency of used resources: improve the financial monitoring indicators of health service providers on all financial flows; • Adopt monitoring procedures and strengthen the health audit structure; • Set up a structure to coordinate the implementation of quality assurance system and for protecting the rights of health service users; • Implement a mechanism for covering the population, specifically the self-employed people, with mandatory health insurance; • Ensure the access of insured people to quality health care services, including pharmaceuticals and financial protection against health risks; • Improve the mechanisms for providing financial and non-financial incentives to health workers from the rural regions; • Set up three teams (groups) of specialists in pediatric AIT for the following regions: South (Cahul), North (Balti), Center (RIMCHC), and 3 regional centers (departments) for resuscitation and intensive care for the children of the country (Cahul, Balti, and RIMCHC); • Upgrade the level III Perinatal Center (PHCF RIMCHC) and level II Municipal Perinatal Center (PHCF MCH no. 1); • Upgrade the equipment and material assets of public health care facilities and develop Centers of Excellence; • Align the architecture, technological platforms and standards to the Integrated Medical Information System (IMIS); • Develop the Agency for Infrastructure and Medical 	<p>Spending for health care will increase throughout 2008-2010 over 1.5 folds versus the provisions set in 2007, reaching 6 per cent of GDP by 2010. These trends also have a dent as a share in total amount of public spending, which will also increase with 1.9 p.p. by 2010 versus 2007;</p> <p>A bigger, 1.75-fold, growth is forecast for the spending of mandatory health insurance funds, mainly as a result of increasingly more funds coming out of the government budget to cover with health insurance certain categories of unemployed, for which the government acts as an insurer. The government budget spending for this will increase over 1.4 times throughout 2008-2010 and will account for 2.52 of GDP.</p>	13.9	14.8	14.8

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<ul style="list-style-type: none"> In terms of epidemiological situation, the health system is characterized by high occurrence of communicable diseases and parasites, HIV/AIDS, TB etc. and non-infectious chronic conditions, such as cancer, and circulatory diseases. In the Republic of Moldova blood hypertension prevalence rates, for instance, are 8 times those reported in Great Britain and 6.4 times those reported in the United States. The diabetes mellitus and other chronic conditions also show a similar discrepancy with those two countries; In the same vein, alcohol and tobacco consumption are also important factors determining the epidemiological profile of the country, due to these practices being strongly related to many chronic conditions, such as the circulatory system disorders and malign tumors. The incidence of alcoholism and alcohol-related psychoses accounted for 124.4 per 100 thousand people in 2006; Issues undermining the accomplishments realized to date are related to the health care system resources, characterized by dilapidated status of the infrastructure of health care facilities, outdated equipment and medical technologies limiting the quality of health care services and leading more to patient dissatisfaction with the services rendered; and The working conditions for the health workers, the lack of modern diagnostic and treatment technologies in health care facilities, all are contributing towards the outbound flow of young specialists abroad. Once the payment of health workers skyrocketed in the neighboring countries, this issue became even more ardent. 	<p>Devices;</p> <ul style="list-style-type: none"> Improve the role and authority of PHC within the national health system, with priority emphasis on measures to prevent conditions; Strengthen emergency health care and develop paramedical health services; Develop a master plan for hospital restructuring; Increase, on an annual basis, the quota of mandatory health insurance premiums by 1 p.p. during 2008-2009; Increase the role of public-private partnership in health care service delivery; Develop telemedicine; Cytological genetic and molecular genetic prenatal and postnatal diagnostics, congenital hypothyroidism, investigation and treatment of children with phenylketonuria and with Wilson disease; Set up an Agency for Organs and Tissue transplants; Provide emergency health care services to people without health insurance at all levels of health care (family medicine, outpatient specialist care, pre-hospital health care); Develop a public health and health promotion strategy, alongside a plan of actions for priority areas; Implement the National Health Programs and Special Destination Programs; and Develop, on an ongoing basis, recovery / rehabilitation health care services. 				
Social Protection	<p>Spending in 2007:</p> <ul style="list-style-type: none"> MDL 5,980.9 million; 30.5 per cent of total expenditure; and 12.8 per cent of GDP <p>The current issues in this sector are as follows: § The pension system still is fragmented (order</p>	<p>A. Measures to streamline the use of resources:</p> <ul style="list-style-type: none"> Ø Unify and further harmonize the pensions system by including all categories of employees into the public social insurance system; Ø Establish single terms for retiring to pension for all 	The social protection costs will go up about 1.5 fold during 2008-2010 versus 2007, reaching approximately 12.3 per cent	31.3	32.1	33.4

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>enforcement authorities are not covered by the government social insurance system);</p> <p>§ There are certain privileged conditions for pensions, which are violating the social equity principle (retiring before the expected standard retirement age, the retirement in agriculture etc.);</p> <p>§ The pension size still is small. The salary replacement ratio was 27 per cent in 2006;</p> <p>§ There is low accountability on the employers side for the health of their employees and for setting optimal working conditions, with GSIB costs for the protection against sickness or temporary work disability considerably going up over the last years;</p> <p>§ Most of social benefits, including nominative compensations, keep being rendered based on a category principles, without making allowance for the livings standards of the recipients; and</p> <p>§ Social assistance services are in the process of development and cover merely a small proportion of people.</p>	<p>categories of pensioners within the government's public social insurance system;</p> <p>Ø Increase the accountability of employers when paying one's benefits, by having the employer pay a temporary work disability benefit for the first seven days of the disability episode; and</p> <p>Ø Review the system of nominative compensations, and implement a principle for the provision of social benefits to vulnerable people, no matter what their category is.</p> <p>B. Measures taken for the sector development:</p> <p>Ø Increase or index the social benefits;</p> <p>Ø Make provisions for temporary custody over orphan or abandoned children: starting with 7 days up to 3 months; and</p> <p>Ø Keep hiring social workers at the local level, subject to real needs.</p>	<p>of GDP by 2010;</p> <p>A more sizeable growth is expected for the spending from the government social insurance budget, mainly as a result of indexing the pensions and increasing certain types of social insurance benefits;</p> <p>As to the state budget, the suggested measures will imply a growth of 1.1 times that reported in 2007, mostly as a result of indexing or increasing the pensions and other types of social benefits, defrayed from the government budget, as well as following the up-taking by the government budget of some other costs currently defrayed from the GSIB; and</p> <p>The development of a network of social workers at the level of mayor's office will require additional resources from the ATU budgets, which will be taken into account when calculating the financial connections between the government budget and ATU budgets.</p>			
Agriculture, forestry, and water services	<p>Spending in 2007:</p> <ul style="list-style-type: none"> • MDL 813.9 million; • 4.1 per cent of total expenditure; and • 1.7 per cent of GDP 	<p>§ Stimulate economic agents operating in agriculture by providing them with direct subsidies;</p>	<p>The financial implications for the measures suggested boil down to decreasing the share of this sector in the</p>	3.7	3.3	3.8

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>§ Government is providing support in agriculture by employing two approaches:</p> <ul style="list-style-type: none"> - Monetary subsidies from the budget; and - Non-financial support. <p>§ The biggest chunk of budget spending is channeled to a Farmers' Subsidies Fund and to a Vineyard Plantation Creation Support Fund;</p> <p>§ There is a slack market for trading farming goods, even more so for wine products;</p> <p>§ Agriculture is the sector suffering most from the increase of the price tags on fuel, mineral fertilizers, pesticides, veterinary pharmaceuticals, forage supplements, and on other goods.</p> <p>§ All branches of agriculture are impacted negatively by the lack of high-performance equipment and the lack of funds to purchase those;</p> <p>§ Hail-falls result in heavy loss for economic agents and there is need for subsidized insurance;</p> <p>§ The exports in agriculture (specifically the export of animal products) is negatively impacted by the lack of a system for animal traceability, vaccination, and control over the movement of animals;</p> <p>§ There is no efficient crediting system in place for farmers;</p> <p>§ The degree of country's land area surface sown to forests is low; and</p> <p>§ There are limited options for irrigation, coupled with the poor shape of dams.</p>	<p>§ Develop a new concept for subsidies in agriculture by increasing the share of investment subsidies;</p> <p>§ Support the program for resuscitation of agriculture sub-sectors by subsidizing the procurement of agricultural equipment;</p> <p>§ Implement a system for identification and traceability of livestock, vaccination, and a passport-like tracking of these all over the Republic of Moldova;</p> <p>§ Increase the land area surface sown to vineyard plantations; and</p> <p>§ Scale up the land surface area protected from hail damage.</p>	<p>total public spending for 2008-2009, due to scarce government budgets. At the same time, the funds required to support farmers, including those operating in viticulture, were possible to identify only for 2010, thus entailing an increase in the share of this sector's costs within the total spending for 2010 to the levels reported in 2006; and</p> <p>It is planned to increase the allocations earmarked for the anti-hail protection services by reshuffling internal allocations within the agriculture system.</p>			
Environmental Protection	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> • MDL 121.9 million; • 0.6 per cent of total expenditure; and • 0.3 per cent of GDP. <p>§ Environment funds have an impact on the implementation of environment protection national strategies, programs and plans, standards and norms, projects for construction and co-funded involvement in construction of environment protection objects, yet the efficiency of use of these funds is very low, because the given programs are not usually implemented in full, with</p>	<p>§ Provide the mainstream population, central and local public administration authorities, national economy and defense with forecasts and alerts on dangerous weather phenomena, as well as on the level of environment pollution;</p> <p>§ Support projects for the implementation of environment protection strategies, programs and plans, including the storing and neutralization of unusable and banned pesticides;</p> <p>§ International cooperation in the area of</p>	<p>§ The financial implications in nominal value on this sector will not change in the medium run, thus resulting in a reduction of its share in the total public spending. A feature of this sector is that programs in environmental protection are funded with foreign</p>	0.5	0.4	0.3

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>some funds left unused on those funds' bank accounts in the end;</p> <p>§ The contribution that funds have to scaling up and protection of forest resources and land surfaces under government's protection; and</p> <p>§ Contribution of funds to research in environment protection; co-shared participating in research and development activities; development of projects for protected areas in the country's natural and built assets of national and international importance.</p>	<p>environment protection, payment of membership fees to multi-government environment protection organizations, preparing and accomplishment of activities to implement the Convention on international trade with wild species of flora and fauna on the brink of extinction; and</p> <p>§ Exert state control over the compliance by economic agents and natural persons with legal provisions and environment normative acts on environment protection and its use.</p>	<p>money, and some of those will wrap up in the next several years, with limited probability to attract new funds from outside.</p>			
Transport, roads, communications and IT	<p>§ Spending in 2007:</p> <ul style="list-style-type: none"> • MDL 487.7 million; • 2.5 per cent of total expenditure; and • 1 per cent of GDP. <p>§ The network of public roads requires extensive renovation and maintenance works; and</p> <p>§ A huge proportion of public roads need renovation and construction works.</p>	<p>§ Increase the share of public roads renovation works in the overall volume of works completed by the roads service;</p> <p>§ Renovate and construct the infrastructure of public roads; and</p> <p>§ Upgrade the national system for communications and service infrastructure by bringing them in line with European standards.</p>	<p>The financial implications of suggested measures will result in a 0.2 p.p. increase, with a 0.5 p.p. increase by 2009, of its share in the total public spending, as a result of additional investments made in roads services;</p> <p>An impressive chunk of this increase is dictated by external donor funds, however the Government will to increase its allocations earmarked for reaching this target from its internal budgets;</p> <p>In the communications area it is planned to earmark funds to complete by 2008 the communications system of the local and central public authorities.</p>	3.0	3.3	3.1
Utilities and Housing services	<p>Spending in 2007:</p> <ul style="list-style-type: none"> Ø MDL 771.2 million; Ø 3.9 per cent of total expenditure; and Ø 1.7 per cent of GDP. <p>§ The supply of potable water is a basic objective of the Government in this area for the MTEF period</p>	<p>§ The issue of ensuring the supply of drinking water and sewer is set under the program from this sector for a period up until 2015, pursuant to the Government Decision no.1406, as of 30.12.2005;</p> <p>§ Phase II of the given program will be conducted</p>	<p>§ Implementation of these measures requires increasing the allocation mostly for 2008-2009;</p> <p>§ A feature for this sector is the prevailing of ATU</p>	3.5	3.2	2.7

Sectors	Sector Analysis Overview	Priority measures identified for reforms	Implications for the allocation of funds within MTEF	Share of sectors within the total spending, per cent		
				2008	2009	2010
	<p>and is one of the critical factors for vital existence and the economic development of the country;</p> <p>§ Among other primordial factors one may list the durable operation of residual waters evacuation systems, the use of wastes, while minimizing the impact on environment;</p> <p>§ About 50 per cent of the country's population use for drinking purposes the water which is not meeting the health standards;</p> <p>§ Because of existing gaps in the actions taken by the water protection service and because of poor cleaning up of residual water, there is an ongoing pollution of water basins, and degradation of water sources; and</p> <p>§ Initially an issue of upgrading, re-supply with equipment and development of water supply and sewer systems, there was a shift from a purely technical issue to a financial and economic one.</p>	<p>during 2008-2010, providing for:</p> <ul style="list-style-type: none"> Ø Identify existing water collections, and relevant health protection works; Ø Re-equip the water pumping and sewerage stations; Ø Reconstruct the existing reservoirs and increase the number of those; and Ø Reconstruct and renovate the aqueducts and the networks for the building of water mains, pipe connections and distribution networks. <p>§ Within the framework of this program, measures will be taken to solve the issues of potable water supply and sewerage in 43 urbane communities (municipalities and towns) with a total population of 1.5 million inhabitants, and in 556 smaller rural communities and villages, tallying up 2.1 million inhabitants.</p>	<p>budgets and foreign funds; and</p> <p>§ In order to accomplish phase II of the Program, the Government will earmark grants for this sector from the financial international organizations, worth over MDL 330 million.</p>			