

Republic of Moldova: Poverty Reduction Strategy Paper—Progress Report

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GOVERNMENT OF THE REPUBLIC OF MOLDOVA

**REPORT ON THE EVALUATION
OF THE NATIONAL DEVELOPMENT STRATEGY
IMPLEMENTATION
DURING THE PERIOD 2009 – 2010**

Chisinau, 2010

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INTRODUCTION

1. Over the last year, September 2009 - October 2010, the new Government that took office on September 25, 2009 faced many challenges that have threatened the socio-economic growth and development of the country. First of all, the Government got the difficult task of overcoming the financial and economic crisis that started in late 2008, which, in the absence of consistent anti-crisis measures, recorded a negative trend of economic growth, increased budget austerity and, thus, population vulnerability. On the other hand, during this period, a significant part of the Republic of Moldova was affected by the devastation caused by the floods that affected much of the territory of the country.

2. Despite these adverse conditions and time constraints, the Government continued to implement relevant reforms envisaged in the National Development Strategy, and at the same time initiated new ones imposed by the new socio-economic realities, which, complemented the National Development Strategy, and ensured the unblocking of the economic processes, honoring the state's social commitments, ensuring normal operation of democratic institutions, boosting European integration process, strengthening relations with trade partners and the donor community.

3. Although, after only one year of implementation, it is difficult to assess the impact of some policies, promoted by the Government, which effects are not felt immediately, the main economic and social indicators, and the events that took place in this period, indicate some positive developments in a number of strategic areas.

4. The evolution of economic and social indicators, during the period 2009-2010, shows a positive GDP growth, growth of imports and exports, reduction of the budget deficit and overall national economy reanimation. Thus, in the second half of the year 2010, the Gross Domestic Product amounted to MDL 52.2 billion, which represents an increase of 6.5 percent (in comparable prices) compared to the same semester of the previous year. At the same time, inflation has been one of the lowest in the region – in December 2010 the inflation rate was 8.1 percent, which is by 7.4 percentage points higher compared to the respective period of 2009.

5. Triggering economic processes in the country determined the registration of a budget deficit of around MDL 1.7 billion compared to MDL 3.8 billion in 2009. Thus, during the months January-December 2010, the national public budget revenues have increased by 17.1 percent compared to the same period of 2009, and the spending was by 7.2 percent higher.

6. At the same time, the Government managed to reduce the vulnerability of the population by a substantial shift of financial resources towards the social sector. Thus, the average salary on the economy increased by almost MDL 200, the social aid has doubled both in numbers of

persons covered, as well as financial resources allocated, a greater access of the population to health services being achieved.

7. As regards its foreign relations, the Government managed to normalize its relations with the external development partners that has resulted in financial assistance for the country during this year by 4 times higher than that obtained in 2008 (USD 785 million) and that have contributed significantly to overcoming the effects of the economic crisis and reforms implementation.

8. Thus, a clear success of the government in office has been the negotiation of a new program with the IMF. On January 29, 2010, the Executive Board of the IMF approved three-year arrangements for Moldova under the Extended Credit Facility and the Extended Fund Facility (ECF/EFF). With each facility providing an equal amount, the combined financial assistance will be equivalent to SDR 369.6 million (about US\$574.4 million) to support the country's economic program. The approval made an amount equivalent to SDR 60 million (about US\$93.2 million) immediately available, with the remainder available in installments subject to semiannual reviews. In addition, in late 2009 Moldova used its SDR allocation from the IMF (equivalent to about US\$186 million) to cover its immediate budget financing needs. On July 16, 2010, the IMF Board completed the 2010 Article IV Consultation and First Review under the ECF/EFF with Moldova. The completion of the first review made about US\$90 million available to the authorities.

9. Resumption of relations with the IMF confirmed the seriousness of the Republic of Moldova Government's initiatives to counter the effects of the economic crisis in a sustainable manner. Under these conditions, the Republic of Moldova has presented its vision "Rethink Moldova" to the Consultative Group of the Donor Community, during a meeting of the Partnership Forum in Brussels on 24 March this year. In this way, for the period 2010-2013 country development partners have pledged approximately EUR 1.8 billion to implement the reform agenda. Most of this amount was provided as budget support (EUR 873.28 million).

POVERTY AND INEQUALITY TRENDS

10. The improvement of the citizens' quality of life is the fundamental objective of the National Development Strategy. The Government is committed to ensure the welfare of the population through reforms that promote sustainable economic growth and poverty reduction. The poverty reduction can be achieved by increasing household incomes and by creating new jobs, by providing guaranteed access to education and health services, by providing effective social protection and by facilitating the participation of the poor in economic development.

11. In 2009, the Republic of Moldova has undergone a period of economic recession, registering an economic downturn of -7.8 percent. This situation has led to the stagnation of poverty rates reduction. Thus, in 2009 the annual absolute poverty rate in the country remained virtually at the same level as in 2008, constituting 26.3 percent, as compared to 26.4 percent in the previous year. At the same time, the level of extreme poverty has registered in the year 2009 comparing to 2008 a decline by about 1.1 percentage points and accounted for 2.1 percent.

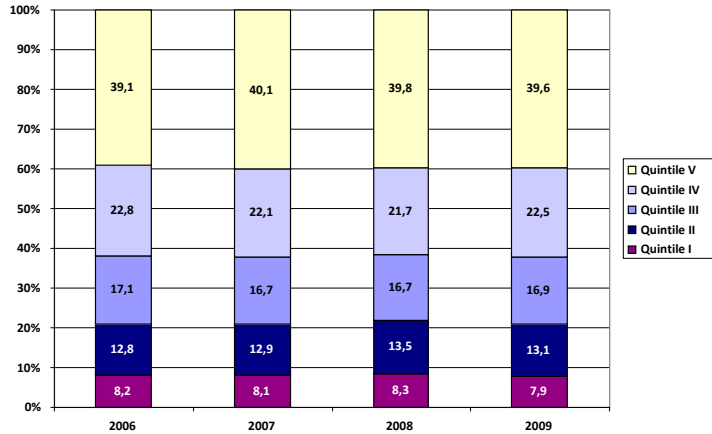
Table 1: Annual poverty Indicators (2006 – 2009)

| | 2006 | 2007 | 2008 | 2009 |
|---|---------------------|---------------------|---------------------|---------------------|
| <i>Absolute Poverty Line (MDL)</i> | <i>747,4</i> | <i>839,3</i> | <i>945,9</i> | <i>945,9</i> |
| Absolute poverty rate (%) | 30.2 | 25.8 | 26.4 | 26.3 |
| Absolute poverty gap (%) | 7.9 | 5.9 | 6.4 | 5.9 |
| Severity of absolute poverty (%) | 3.0 | 2.1 | 2.3 | 2.0 |
| <i>Extreme Poverty Line (MDL)</i> | <i>404,2</i> | <i>453,9</i> | <i>511,5</i> | <i>511,5</i> |
| Extreme poverty rate (%) | 4.5 | 2.8 | 3.2 | 2.1 |
| Extreme poverty gap (%) | 1.0 | 0.5 | 0.5 | 0.4 |
| Severity of extreme poverty (%) | 0.4 | 0.2 | 0.1 | 0.1 |

12. The quantification of poverty is not limited just to calculating the poverty rate. Another indicator used to measure poverty is the poverty gap index that is the average shortfall of household consumption necessary to get above the poverty line. The absolute poverty gap, in 2009, constituted 5.9 percent and extreme poverty gap was 0.4 percent. This means that each absolutely poor person has an average deficit of about MDL 55.8 per month to get out of absolute poverty, and each extremely poor person is missing about MDL 2.1 per month to be able to get out of extreme poverty.

13. At the national level, in 2009, the level of inequality increased. Another indicator that

Figure 1. Distribution of consumption expenditures by quintiles , 2006-2009

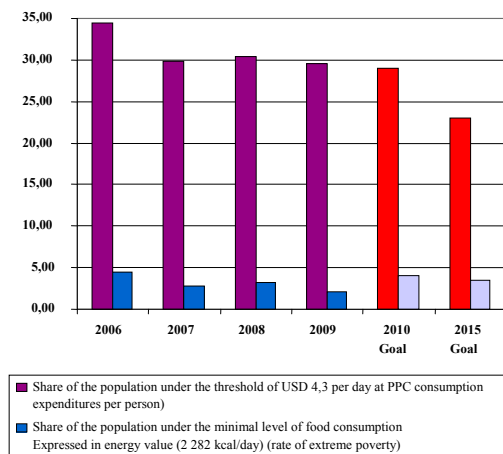


reflects the level of inequality is the distribution of consumption expenditures by quintiles. This indicates an increased inequality in the country, the average expenditures of the richest 20 percent of the population being of about five times higher than of the poorest 20 percent of the population (Figure 1).

14. The National Development Strategy took over the long-term commitments assumed by the Republic of Moldova within the

Millennium Development Goals. Thus, the first objective sets the decrease of the share of people, whose consumption is under USD 4.3 per day per person (to PPP) from 34.5 percent in 2006 to 29 percent in 2010 and up to 23 percent in 2015. In 2009, the poverty rate calculated according to the international poverty threshold was 29.5 percent (Figure 2), compared to the 29 percent target set for 2010. Given the economic growth registered in the Republic of Moldova in 2010 (+6.9 percent) and strong correlation between poverty and growth, it is very likely for the proposed medium-term objective to be achieved.

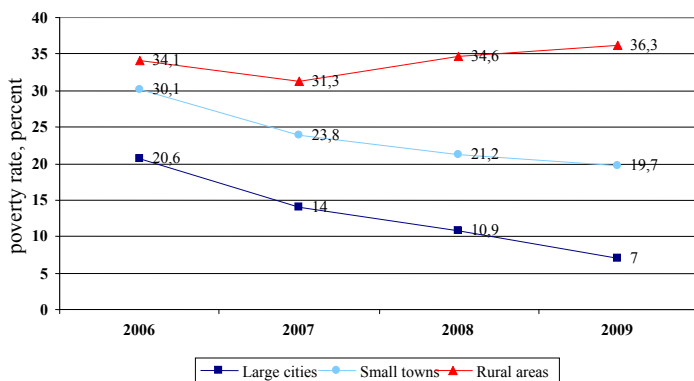
Figure 2. Poverty Reduction MDG achievement



15. Another goal outlined in the MDGs consists in the decrease of the share of population below the extreme poverty line from 4.5 percent in 2006 to 4 percent in 2010 and to 3.5 percent in 2015. In 2009, there was accomplished a reduction of extreme poverty and the medium and the long term target has been reached. It is important for the policies promoted in future to not allow the growth of this indicator and ensure its maintenance at the maximum level recorded in 2009.

16. The second consecutive year poverty is increasing in rural areas. In 2009, the rural poverty rate was 36.3 percent, and increased by 1.7 percentage points compared to 2008. Out of the 885,000 poor persons from the Republic of Moldova, living under the poverty line, 706,000 people are from rural areas. The rural population is, therefore, the most vulnerable segment of the society in terms of welfare and security. The poverty in rural areas is associated with a low level of modernization and economic life dominated by agriculture. The rural areas are disadvantaged

Figure 3. The evolution of poverty by area of residence



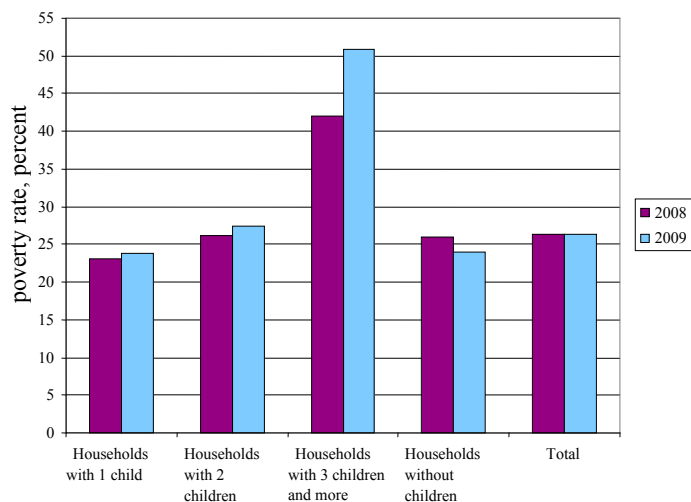
in terms of physical infrastructure, public utilities, housing conditions and access to basic social services, which, over the years, led to a deepening gap between the two areas of residence. In 2009, these factors were pointed out by the global economic crisis.

17. In 2009, the urban poverty rate decreased both in large cities as well as in small towns. Thus, poverty in large cities decreased by 3.9 percentage points and amounted to 7 percent, and, in small towns - by 1.5 percentage points and constituted 19.7 percent.

18. The most vulnerable categories of the population exposed to poverty are the traditional ones: numerous households and those with many children, households living on income from agricultural activities, elderly people.

19. People living in large households, with five members or more, are at a higher risk of poverty. Almost half of the population lives in families consisting of more than 4 people. The highest rates of absolute poverty are recorded in households having 5 and more members (41.7 percent). The living standards of this population category have worsened as compared to 2008, the poverty being by 4.3 percentage points higher. Furthermore, the lonely people are more disadvantaged than those living in households formed of 2-3 people, as these usually are made up of lonely pensioners. The poverty rate in this category exceeds the national average and accounts for 29.7 percent.

Figure 4. Evolution of poverty depending on the number of children in households

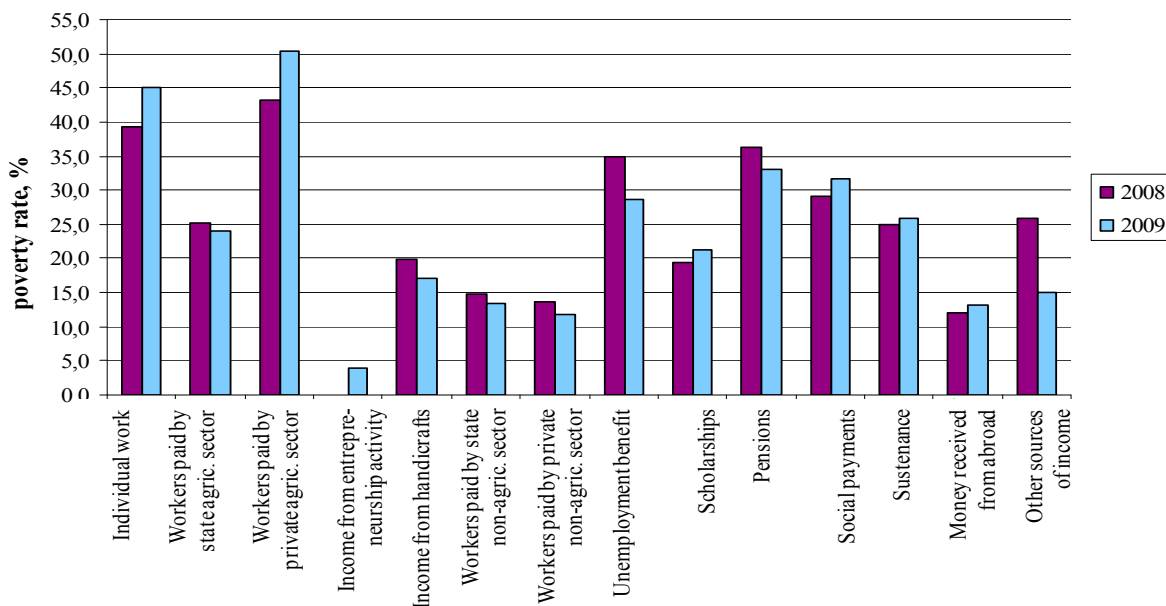


20. The poverty level goes up along with the increase of the number of children in the family. The highest rates of poverty are registered in households with 3 or more children. More than half of households with three or more children (50.8 percent) fall under poverty incidence. The poverty level also in the case of this category has increased compared to last year.

21. The level of education of household members determines the level of its welfare. Therefore, the risk of poverty drops substantially for households with a higher level of education, being very low for people with higher education. The poverty

rate varies from 4.1 percent for households headed by persons with higher education to 46.7 percent for households, in which the household head has secondary education and 57 percent for households headed by persons without any education.

Figure 5. Evolution of poverty rates depending on the main source of income, percent



22. The poverty rates depending on the main source of income of the household head have the same trends as in previous years. The highest level of poverty was registered in the households having the main source of income freelance work in the agricultural sector - farmers. The absolute poverty rate in these types of households is 50 percent. This category of individuals was particularly affected by the economic crisis, the poverty rate being higher by 7 percentage points.

23. Another vulnerable category is the households dependent on social benefits. About 32 percent of them fall under the poverty incidence. The absolute poverty rate of those employed accounts for 12 percent and is declining as compared to the previous year, which means that wage increases had a positive impact on the welfare of the poor. The households living on income from entrepreneurial activities do not fall under poverty incidence. For people living on pensions, the poverty rate was 33.1 percent, and was declining in comparison with 2008 by 3.3 percentage points. However, the standard of living of the pensioners remains below the average living standard of the population.

24. There are no essential differences between the welfare of households by gender. Thus, the analysis of data by gender shows that both women and men are almost at the same level of poverty of about 26 percent, whilst there is an increasing trend of poverty in households headed by men compared to those headed by women (26.5 percent compared to 25.9 percent).

25. In order to support vulnerable people, including those that are below the poverty line, the Government, supported by the country's development partners¹, through the NDS implemented a set of actions, which effect is heterogeneous. On the one hand, such actions as the indexation of pensions, increase in salaries and allowances have helped to increase incomes, and avoid extreme poverty. On the other hand, the actions related to the efficiency of social aid and targeting social benefits/allowances, exclusively to vulnerable people are not fully implemented. In 2009, only 21,000 households have benefited of social aid, there being major problems with regard to the inclusion of beneficiaries in the system and low awareness level of poor households. Since early 2010, in order to include many more vulnerable persons in the social aid system and, thus, enhancing their protection degree, the guaranteed minimum monthly family income was increased from MDL 430 to MDL 530. Thus, during 2010, the list of social aid recipients has increased to 55,000 disadvantaged families. The financial resources allocated for the social aid payments have increased from MDL 114 million in 2009 to MDL 283.7 million in 2010.

26. The nominative compensations remain to be the most frequent payments granted to 11 categories of beneficiaries. Thus, 17.7 percent of the total households surveyed have received various nominative compensations. However, those who benefit of these allowances are not the

¹ The major donors to assist the Republic of Moldova in the fight against poverty are the IMF, the World Bank as well as European Commission, UNDP, DFID, and Sida, which support the Republic of Moldova via technical assistance projects to reduce poverty and promote social inclusion.

poorest categories of the population. Thus, the share of households recipients from quintile V (the highest income), which is 14.4 percent, is almost identical to that in quintile I that is the poorest - 14.7 percent. The social aid, however, is the most appropriate social assistance benefit for purposes of poverty reduction. The households in the bottom quintiles absorb much of the money allocated, representing 47.6 percent for quintile I and 30 percent for quintile II. This confirms the effectiveness of targeting these allowances and appropriate inclusion in the system based on testing the needs.

27. In order to redress this situation, as well as to improve the social assistance system, since early 2010, no nominative compensations are established for new applicants, these being taken over by the social aid system.

MILLENNIUM DEVELOPMENT GOALS

28. The progress made by Moldova toward achieving the Millennium Development Goals has not been uniform since 2007. Domestic economic and political crises are likely to undermine the achievement of several MDG targets set for 2010 and 2015. Targets in areas such as education, HIV/AIDS and the access of population to improved water sources and sewerage are not likely to be reached. The success in meeting other MDG targets will depend on the consistency of efforts made by the Government which is supported by the country's development partners in its goal of implementing the necessary reforms.

| | 2002 | 2003 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 (goal) | 2015 (goal) |
|---|------|------|------|------|------|------|------|----------------|----------------|
| <u>Goal: Reduce extreme poverty and hunger</u> | | | | | | | | | |
| ▪ Population with consumption below \$4.3 (PPP) a day (percent) 1/ | ... | ... | ... | 34.5 | 29.8 | 30.4 | 29.5 | 29.0 | 23.0 |
| ▪ Proportion of people under the absolute poverty line 1/ | 40.4 | 29.0 | 29.1 | 30.2 | 25.8 | 26.4 | 26.3 | 25.0 | 20.0 |
| ▪ Proportion of people under the extreme poverty line 1/ | 26.2 | 15.0 | 16.1 | 4.5 | 2.8 | 3.2 | 2.1 | 4.0 | 3.5 |
| <u>Goal. Achieve universal access to general secondary education</u> | | | | | | | | | |
| ▪ Gross enrollment ratio in general secondary education (percent) | 95.1 | 95.1 | 94.4 | 92.0 | 91.6 | 90.9 | 90.7 | 95.0 | 98.0 |
| ▪ Literacy rate for the 15-24 year-old population 1/ | ... | ... | ... | 99.6 | 99.6 | 99.6 | 99.6 | 99.5 | 99.5 |
| ▪ Enrollment rate for pre-school programs for 3-6 year-old children | 57.0 | 61.1 | 70.7 | 70.1 | 72.6 | 74.4 | 75.5 | 75.0 | 78.0 |
| ▪ Enrollment rate for pre-school programs for 6-7 year-old children | 66.5 | 78.8 | 75.6 | 81.7 | ... | ... | 42.7 | 95.0 | 98.0 |
| <u>Goal: Promote gender equality and empower woman</u> | | | | | | | | | |
| RI1. Share of MP seats held by women, percent | 15.8 | 17.5 | 22.0 | 21.8 | 21.8 | 21.8 | 24.7 | n.a. | 50 |
| RI2. Share of seats in local councils held by women, percent | ... | ... | ... | ... | 26.5 | 28.7 | 28.7 | n.a. | 40 |
| RI2. Share of seats in district councils held by women, percent | | | | | 13.2 | 16.9 | 16.9 | n.a. | 25 |

| | | | | | | | | | |
|--|------|------|------|------|------|------|-------|------|------|
| RI3. Share of mayoral seats held by women, percent | | | | | 18 | 17.4 | 17.4 | n.a. | 25 |
| RI1. Share of female employees by type of economic activity, percent | | | | | | | | | |
| Agriculture, hunting industry, fish breeding | 50.4 | 49.7 | 51.7 | 47.5 | 46.0 | 45.5 | 43.4 | n.a. | n.a. |
| Industry | 44.7 | 46.1 | 45.8 | 44.3 | 44.4 | 45.8 | 44.5 | n.a. | n.a. |
| Constructions | 14.7 | 13.5 | 12.0 | 9.5 | 9.4 | 11.5 | 11.9 | n.a. | n.a. |
| Wholesale and retail trade; Hospitality industry | 58.6 | 59.3 | 59.6 | 57.6 | 59.2 | 58.3 | 56.9 | n.a. | n.a. |
| Transportation & communications | 25.3 | 22.2 | 26.2 | 27.9 | 28.7 | 25.0 | 25.7 | n.a. | n.a. |
| Public administration; Education; Health Care; Social Assistance | 66.9 | 67.7 | 68.3 | 67.7 | 70.3 | 69.7 | 69.2 | n.a. | n.a. |
| Other activities | 55.1 | 55.3 | 53.1 | 51.2 | 53.9 | 55.2 | 56.2 | n.a. | n.a. |
| RI2. Share of women's average salary compared to men's average salary, percent | n.a. | 71.9 | 72.6 | 68.1 | 72.6 | 75.7 | 76.4 | n.a. | >79 |
| <u>Goal. Reduce child mortality</u> | | | | | | | | | |
| ▪ Infant mortality rate (per 1,000 live births) 1/ | 14.7 | 14.4 | 12.4 | 11.8 | 11.3 | 12.2 | 12.1 | 16.3 | 13.2 |
| ▪ Under-five mortality rate (per 1,000) 1/ | 18.2 | 17.8 | 15.6 | 14.0 | 14.0 | 14.4 | 14.3 | 18.6 | 15.3 |
| ▪ Immunization, measles (percent of children under 2 years old) | 94.3 | 95.7 | 96.9 | 96.9 | 94.7 | 94.4 | n.a. | >96% | >96% |
| <u>Goal: Improve maternal health protection</u> | | | | | | | | | |
| ▪ Maternal mortality ratio (per 100,000 births) | 28.0 | 21.9 | 18.6 | 16.0 | 15.8 | 38.4 | 17.2 | 15.5 | 13.3 |
| ▪ Births attended by skilled health personnel (percent) | 99.1 | 99.4 | 99.5 | 99.6 | 99.5 | 99.5 | 99.8 | 99.0 | 99.0 |
| <u>Goal: Combat HIV/AIDS, tuberculosis and other diseases</u> | | | | | | | | | |
| ▪ HIV/AIDS incidence (per 100,000 people) 2/ | 4.7 | 6.2 | 12.5 | 14.7 | 17.4 | 19.4 | 17.1 | 9.6 | 8.0 |
| ▪ HIV incidence among 15-24 year-olds 2/ | 9.0 | 9.8 | 20.1 | 18.8 | 21.2 | 16.1 | 19.59 | 11.2 | 11.0 |
| ▪ Mortality rate associated with tuberculosis (deaths per 100,000 people) 2/ | 17.3 | 16.9 | 19.1 | 19.3 | 20.2 | 17.1 | 18.0 | 15.0 | 10.0 |

| <u>Goal: Ensure environmental sustainability</u> | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|
| ▪ Proportion of land areas covered by forest (percent) | 10.3 | 10.5 | 10.7 | 10.7 | 10.7 | 10.9 | 10.9 | 12.1 | 13.2 |
| ▪ Ratio of area protected to maintain biological diversity (percent) | 1.96 | 1.96 | 1.96 | 4.7 | 4.7 | 4.8 | 4.76 | 4.65 | 4.65 |
| ▪ Share of population with access to improved water sources (percent) | 38.5 | 39.7 | 45.0 | 46.0 | 47.0 | 53.0 | 55.0 | 59.0 | 65.0 |
| ▪ The share of population with access to sewage | 31.3 | 31.7 | 43.8 | 43.3 | 43.9 | 45.7 | 47.9 | 50.3 | 65.0 |

MDG 1.Reduce extreme poverty and hunger

29. After growing dramatically in 1998-1999, poverty in Moldova began to decline in 2000. In 2006, a new methodology was adopted for estimating poverty indicators, a fact which determined changes in targets related to poverty and hunger reduction. In 2008, poverty increased for the first time in three years, reaching a level of 26.4 percent, mainly due to the impact of the 2007 drought and to a fall in remittances. While remittances declined even further in 2009, the general level of poverty remained practically unchanged compared to 2008, largely because of unchanging prices and a growth in households' income from public sources. However, it is particularly worrying that the poverty rate in rural areas continued to grow in 2009, widening the gap between rural and urban areas. Another negative trend is the deteriorating inequality indicators, which are liable to hinder progress in sustained efforts to reduce poverty. From the gender perspective, there are no major discrepancies in poverty. The degree to which the three MDG targets are likely to be achieved differs. In 2007 the proportion of people whose consumption was less than 4.3 dollars per day (in PPP terms) has decreased to a point close to the level established for 2010 (29 percent), making it very probable that the target proposed for the medium-term will be successfully achieved. However, the stagnation of poverty rate based on national poverty line in 2008-2009 has made achieving the relevant intermediate target by 2010 (25 percent) less certain. As for extreme poverty, in 2007-2009 Moldova had already achieved both the intermediary target for 2010 and the final one for 2015.

MDG 2.Achieve universal access to general compulsory education

30. Moldova had to overcome many obstacles on its way to the Millennium Development Goal in the area of education. A major difficulty was the inefficient financing of the education system. Despite efforts by authorities to bring children into the educational system, the coverage of the general compulsory education is has constantly decreased (from 95.1 percent in 2002 to 90.7 in 2009). The causes of the fall in the enrolment rates are related to the continuing levels of

high poverty, especially in families with many children. In urban areas, the rate of enrolment in both pre-school and compulsory education is higher than in rural communities. There are no gender discrepancies in schooling rates, although boys are slightly disadvantaged in secondary education. With the current level of literacy of 99.6 percent for young people, achieving the second target of maintaining a high rate of youth literacy is realistic for both 2010 and 2015, but in the long-term there are many risks that arise from the drop in enrolment in compulsory education. Contrary to falling enrolment in mandatory education, the number of children with pre-school education is continuously increasing (from 44.1 percent in 2000 to 75.5 percent in 2009). However, data show disabilities and Roma children have a much lower enrolment rate in pre-school education. Some flaws in the recording system and a lack of continuity in the provision of data by the Ministry of Education have made it difficult to monitor the progress in the area of education and to compare Moldova internationally. Achieving the intermediary target of increasing pre-school enrolment is possible, but the perspective is less certain for the final target.

MDG 3. Promote gender equality and empower women

31. Despite enshrining equal rights in national legislation, many challenges remain in ensuring gender equality. The greatest disparities relate to horizontal and vertical gender segregation: Moldovan women are mostly employed in low-paying jobs and occupy lower positions in the job hierarchy where they are employed. The representation of women in decision-making positions is very patchy in Moldova. The result of the 2007 local elections led to a marginal improvement of women's representation in the executive and representative bodies at a local public level. Following the 2009 parliamentary elections the number of women lawmakers grew. However, in the central government, despite gender parity in the distribution of salaries and even of high-ranked positions, the higher up in the hierarchical structure of decision makers one looks, the fewer women one finds compared to men. Given the increasing number of women involved in policy and decision-making at local and national levels, if this growth pace is maintained, it is possible that the MDG targets for 2015 will be achieved. Discrepancies between the salaries of women and men have decreased in recent years, with the average female salary standing at 76.4 percent of the average male salary in 2009. The gap remains because women, in most cases, either work in lower-paid sectors (traditionally considered feminine occupations) – education, healthcare or services - or occupy lower paid positions. Although the Government of Moldova has made efforts to improve the country's performance in gender equality and empowering women, it is still hard to identify tangible progress. Thus, even though all women benefit from the same employment rights as men, they are still considered a relatively vulnerable group on the labor market. In this case, there are doubts that the mid-term target can be achieved, although it is more than likely that the long-term target will be reached.

MDG 4. Reduce child mortality

32. Moldova achieved important progress in reducing infant and child mortality. In 2008 Moldova began to apply the international live birth definition and, as expected, this methodology led infant mortality indicators to rise that year. However, in 2009, the situation for infant mortality (12.1 cases per 1,000 live births), as well as the under-five mortality rate (14.3 cases per 1,000 live births) was significantly better than in 2000 (18.3 and, accordingly, 23.2 case per 1,000 live births). The targets for 2010 and 2015 for both indicators have been already achieved and it is important to maintain progress. However, despite this positive progress and outlook, Moldova currently has a much higher level of infant mortality than most other European countries. Perinatal diseases, congenital malformations and respiratory diseases remain the prevalent factors driving infant and child mortality. Children from poor families, children from families with many children and Roma children are less likely to have access to health care and face a higher risk of mortality. The second relevant target is increasing the proportion of children immunized against measles. Even though in 2007 the immunization rate reached 96.9 percent, the proportion of children under the age of two years who were vaccinated against measles declined in 2008 (94.4 percent). Given this, it is possible that the intermediary target for 2010 will not be met, while the accomplishment of the final target for 2015 greatly depends on the implementation of National Immunization Programs and actions for increasing awareness of the positive effects of child vaccination against measles.

MDG 5. Improve maternal health

33. In 2008, for the first time in the five years, maternal mortality increased (from 15.8 to 38.4 cases per 100,000 births), but in 2009 it declined again (17.2 cases per 100,000 births). Deaths are predominantly caused by bleeding, followed by late gestoses, septic states, thromboembolism, hepatic cirrhoses and, rarely, cases of anaesthesia-related complications. Social determinants (particularly poverty and migration) play a determinant role in half of the cases of maternal mortality. Although the absolute number of maternal deaths is small, the non-linear evolution of the maternal mortality rate raises some concerns. Despite the decline in maternal mortality in 2009, compared to the high level of mortality in 2008, achieving the target for 2010 is not certain. At the same time, accomplishing the 2015 target largely depends on ensuring constant financing for this area of healthcare, in order to strengthen the measures for early identification of at-risk cases. Regarding the second target of maintaining the high number of births assisted by qualified medical staff, Moldova has made good progress. In 2007-2008 the proportion of births attended by skilled health personnel was 99.5 percent, while in 2009 it grew to 99.8 percent. The fact that this percentage has been maintained at such a high level with growing tendencies shows that the targets for 2010 and 2015 will be successfully met if the necessary financial resources are regularly allocated for the healthcare of mothers and children.

MDG 6. Combat HIV/AIDS, tuberculosis and other diseases

34 . The incidence of HIV/AIDS rose from 4 cases per 100,000 population in 2000 to 19.4 cases per 100,000 population in 2008, and declined marginally to 17.2 cases per 100,000 population in 2009. As HIV/AIDS is steadily growing it is difficult to understand if the slight decline of the incidence of HIV/ AIDS in 2009 represents a turning point in the evolution of the epidemic or merely an episode of no real importance. A particularly alarming situation in this context can be found in Transnistria, the region in eastern Moldova. Given the epidemiological situation and existing trends in the development of HIV/AIDS in Moldova, it is very improbable that the MDG targets for 2010 and 2015 will be achieved. HIV/AIDS greatly affects people of reproductive age, including those aged between 15 and 24, which may hinder the achievement of the second target for this goal. Even though the incidence of this disease among 15-24 year-olds fell in 2008 (21.21 cases per 100,000 relevant population in 2007 to 16.08 cases per 100,000 of the relevant population in 2008), it increased again in 2009 (19.59 cases per 100,000 of the relevant population). Again, the incidence for this age category was higher in the territory on the left bank of the Nistru River. The growth in the epidemic in 2009 does not make it possible to conclude that the intermediate target for 2010 is attainable. Considering the uneven fashion of this s indicator, the incidence of HIV/AIDS among the population aged 15 to 24 could increase again in the mid- to long term. Because of this, it is even harder to forecast the feasibility of achieving the final target for 2015. The situation is not much better as regards the third target of reducing the tuberculosis-associated mortality. Death rates associated with tuberculosis fell in 2008 for the first time in three years (going from 20.2 cases per 100,000 people in 2007 to 17.4 cases per 100,000 people in 2008), but the that seems to be more a short-lived episode and in 2009 the tuberculosis-associated mortality grew again, even though not significantly (18 cases per 100,000 members of the population). This evolution shows that the tuberculosis- related death rates, still pose a threat to the population, especially in the context of the economic crisis, with tuberculosis affecting mainly socially vulnerable categories. Given the contradictory evolution of the TB-related death rate in 2008-2009, it is difficult to assess whether the 2010 intermediary target could be accomplished. Even more, given the rather uneven development of this indicator over the recent decade, there is a real risk of the death rate rising again, so that it may also affect whether the final target for 2015 can be achieved or not.

MDG 7. Ensure environmental sustainability

34. Addressing the environmental challenges and risks is imperative for Moldova. From the perspective of the target of increasing areas covered by forests, progress has been slow. From 2000 to 2008, the proportion of land covered by forests increased only from 10.5 to 10.9 percent. Given the slow expansion of forest coverage, the little forestation work done in 2009-2010 and the cuts in public expenditures that were made due to the economic crisis, we can predict that both the intermediary and final targets will not be accomplished. The situation is better when it comes to the target of increasing the share of the state-protected areas for maintaining biological

diversity, for which both the interim and final targets have been achieved already in 2007 (when the indicator reached 4.76 percent). The progress in expanding access to water and sanitation infrastructure has been quite slow. In 2009, the proportion of the population with sustainable access to improved water sources was 55 percent (with the 2010 target set at 59 percent). Despite this increase in the population's access to safe water sources maintained in recent years, it is difficult to believe that the intermediary target for 2010 could be achieved. Achieving the final goal (65 percent), on the other hand, depends on how the economy of Moldova recovers as well as on the growth in state revenues. Another important problem for the population of Moldova is the construction, development and renovation of centralized waste water collection systems and waste water treatment stations. As a result of the actions carried in this period, the proportion of the population with sustainable access to sewerage was just 47.9 percent in 2009. The slow progress recorded in recent years towards the achievement of this target shows that the levels for 2010 (50.3 percent) and 2015 (65 percent) will probably not be achieved. The access of the population to sanitation services is being extended even more slowly. The proportion of the population that had access to improved sanitation in 2008 has not changed significantly (45.9 percent). No data are available for 2009, but the slow dynamics of this indicator suggests that the intermediate (51.3 percent) and final targets (71.8 percent) could be left unaccomplished.

MDG 8. Develop a global partnership for development

35. This goal covers areas such as foreign trade, financial system, transport and the communications infrastructure, external debts, youth promotion strategies and the access to essential medication. The progress in these areas has been inconsistent in Moldova. The ICT sector is rapidly expanding, followed by the financial sector. There is a remarkable increase in the penetration of mobile telecommunications, computers and the Internet across the country, which makes the target of doubling the telephony penetration rate and increasing the number of personal computers and Internet subscribers at an annual rate of 15 percent a realistic goal. But the transportation infrastructure remains underdeveloped, mainly because of the poor condition of the roads. The problems caused by the fact that Moldova is land-locked have been only partially solved by the construction and opening of the Giurgiulesti Port in 2009. Foreign trade remains poorly diversified in terms of exported goods. Exports are growing, but at a slower rate than imports, which leads to a growing trade deficit. As Moldova needs additional assistance from creditors and donors in order to implement reforms, its policy in the field of state debt has been to attract external resources under the most favorable conditions possible, for the purposes of investment and budget support. Important progress has been achieved in this regard, with the share of the foreign debt in GDP constantly decreasing in the last decade; despite the growth of foreign debt in 2009, risks have not exceeded critical levels. The difficulties of the transition period have increasingly had a negative impact on younger generations. Although youth unemployment fell between 2000 and 2008 as the economy grew at high pace, finding a job remained a difficult endeavor for the young. In 2009 youth unemployment rose again, by 4.2 percentage points, to 15.4 percent, which makes it unlikely that the intermediary target for 2010

of 15 percent will be achieved. At the same time, if the economic recovery that started in 2010 becomes sustainable, achieving the target for 2015 seems more probable. As for the target of ensuring access to basic medication, the Moldovan government launched a process of systematic analysis of the pharmaceutical market, looking into aspects of the variety and pricing of medication, but also into the population's physical and economic access to them. In this context, there is a growing concern regarding financial affordability of the medicines, with drug prices more than tripling between 2000 and 2009.

FINANCIAL AND ECONOMIC CRISIS

36. In order to remedy the adverse impact of economic crisis, which was felt in the economy, since the last quarter of 2009, during the first days of governance, the Economic Stabilization and Recovery Program (ESRP) was developed. During the fourth quarter of 2009, the public finances were in a very precarious situation, in the absence of a decisive intervention on budgetary revenues and expenditures, the deficit of the national public budget risks to reach the threatening share of 15 percent of GDP. A large part of this deficit was financed from the previous accumulations, as well as from accumulation of domestic debt. Several sectors of the national economy were deeply affected by the economic crisis. Thus, the industry, constructions, transport services sectors were contracted at a major scale eloquently exposing vulnerabilities of the economic model based on consumption and remittances. The money transfers from Moldovans working abroad also fell significantly, thus eroding the revenue base for most of the population.

37. Against this background, it was clear that the application of anti-crisis measures was late. That is why the Government of the Republic of Moldova has focused its efforts on stabilizing the national economy and initiating some steps towards changing the economic growth model. A major challenge was the mitigation of the crisis consequences for vulnerable groups of the country population. According to the above, ESRP was built on three pillars, namely stabilization and streamlining public finances, economic activity recovery, and ensure effective and fair social protection.

38. Thus, fiscal and budgetary policy measures, adopted in 2009, in the Economic Stabilization and Recovery Program for the years 2009-2011, served as basis for the amendment of some laws, within a limited timeframe. The main provisions were limited to adjustments of fiscal policy and management, optimization and improvement of the public financial resources management, with a view to the full elimination of budgetary imbalances.

39. Through vigorous actions, the Government was able to competently manage the impact of the financial and economic crisis. Additionally, the success of the Government in developing a dialogue and cooperation based on principles of accountability and mutual benefits with the development partners, the International Monetary Fund, the World Bank, European Bank for Reconstruction and Development (EBRD) and European Investment Bank had a major impact.

40. Having an annual budget deficit, estimated at 16 percent of GDP in the moment of governance takeover, the Government managed to ensure social stability, to fully and timely pay the salaries in the public sector, to ensure the transfers to the budgets of administrative-territorial units, state social insurance budget and mandatory health insurance budget.

FLOODS 2010

41. The biggest challenge of this year was the liquidation of consequences of floods in July 2010, which have affected mostly the rayons Hincesti and Cantemir. Overall, however, localities in 16 rayons situated on the Prut and Dniester rivers have suffered at a smaller extent. Some rescheduling to finance this unexpected direction was also made.

42. For a better coordination of activities in the flooded area, an operative working group chaired by the Minister of State was established. It served in a 24 hours per day regime in the area most affected by floods (Hincesti rayon and Cantemir afterwards). 2,500 persons from the Civil Protection and Emergency Situations Service, Ministry of Internal Affairs, National Army, Ministry of Transport and Road Infrastructure, Border Guard Service, LPAs, including foreign experts were mobilized. Additionally, emergency medical units were deployed, which worked non-stop. Among the tasks of the Government Working Group deployed in the field was the coordination of the goods and people evacuation operations, distribution of humanitarian aid, emergency rehabilitation works of hydraulic infrastructure, maintenance of public order, etc.

43. During the first days after the floods, an appeal to the international community and development partners of the Republic of Moldova was signed by the Prime Minister Vladimir Filat, seeking material aid to finance the activities related to the elimination of the more extensive consequences of floods and reconstruction activities. The international community's response was significant, and some aid continues to come up at this moment.

44. In parallel, the construction of houses and social infrastructure was started. The reconstruction activities were initiated in late August, and their finalization is planned for late December. Overall, the construction of over 700 houses, transport infrastructure, supply of natural gas, water, sewerage and electricity were planned. A basic approach is to involve the local inhabitants in the reconstruction, giving them a source of income.

45. During the month of August, the Government of the Republic of Moldova, with the support from the international partners (the World Bank, United Nations and the European Commission) has assessed the losses and damages caused by floods. According to the estimates made, there have been recorded damages and losses in the amount of USD 41.9 million. In terms of human dimension, the floods have affected around 13,000 people in total. Thus, the final total needs for short and medium term rehabilitation amounts to USD 77.5 million. Accordingly, the Government has set for itself the short term objective the provision of housing to all victims of July 2010. At the same time, the medium and long term objectives will be to implement necessary measures to prevent further flood risk. Thus, the Government proved to have the capacity to intervene promptly in overcoming the consequences of floods and take steps to prevent such disasters.

PREREQUISITE 1: Ensure macroeconomic stability

46. In the first half of 2010, the economy of the Republic of Moldova entered in the recovery phase, largely due to the economic stabilization of the main trade partners. GDP grew by 4.7 percent as compared to the same period of the previous year and has reached the level of 6.5 percent by December 2010. The increase of the domestic demand led, on the one hand, to the growth of household consumption and import by 2.5 and 1.3 percent, respectively. At the same time, the demand for local products was restored, thus, recording an increase of exports by 17.1 percent as compared to January-December 2009. The added value in the goods sector recorded a positive trend due to growth in both industry and agriculture. In addition to that, the gross added-value for services has increased due to positive developments in trade, transport and communications, while construction continued its negative developments registered in the previous year, too.

47. The GDP growth during the recent years was conditioned, in general, by the recovery of the external demand for goods produced in Moldova and internal demand increase due to the final consumption. Thus, gross domestic product (GDP) in the first half of this year totaled MDL 31.7 billion, representing an increase over the same period of the last year by 5.6 percent (in comparable prices). A significant increase was recorded mainly due to the recovery of external demand for industrial goods produced in the Republic of Moldova, as well as the increase of internal consumption of the population.

Monetary Policy

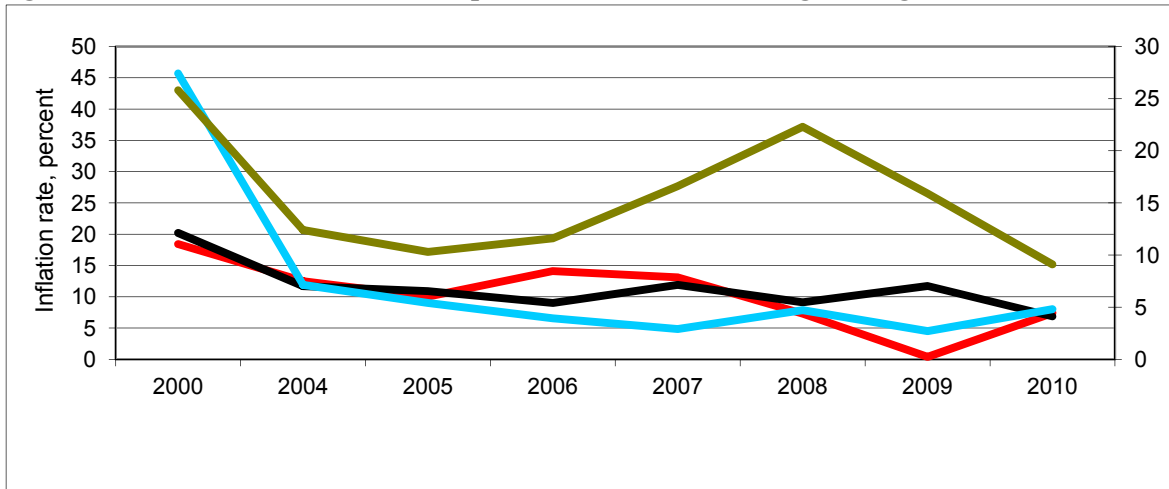
48. The main factors that influenced the inflation evolution in 2010 were:

- change in tariffs for services with regulated prices (gas, electricity, heating) made in January and May,
- depreciation of Moldovan leu in relation to the currencies of the main economic partners of the Republic of Moldova,
- decrease in food prices due to weather conditions conducive to the development of some agricultural crops in the second quarter of 2010,
- increase in international fuel prices,
- moderate recovery in both external and internal demand for domestic goods and services, which determined the fact that the economy of the Republic of Moldova is still below the potential that would create significant inflationary pressures, and
- An increase in indirect taxes performed in January.

49. The cumulative effect of these factors made the inflation rate by the end of 2010 to register a value equal to 7.4 percent.

50. The inflation rate in December 2010 for the last 12 months, measured by means of the consumer price index, constituted 8.1 percent as compared to the level of 0.4 percent registered in December 2009 (chart no. 1.18). This situation was caused in general by the change of prices for some food products (vegetables, fruits, dairy products, etc.), as well as by the increase in tariffs for most of the services (electricity, heating and gas) However, in the second quarter of 2010, the consumer price index was above the level registered in the same months of 2009.

Figure 6: Inflation evolution in the Republic of Moldova and neighboring countries, 2000-2010



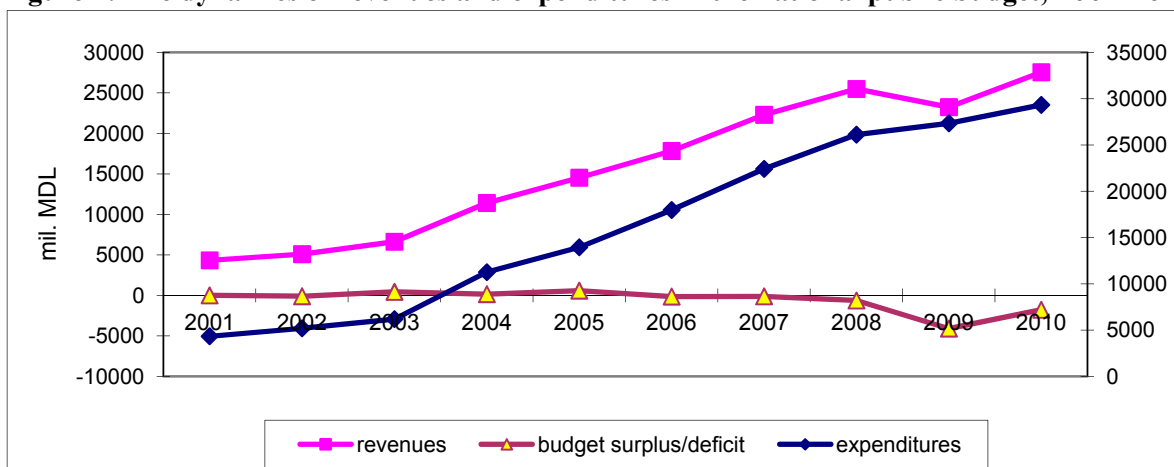
Source: National Bureau of Statistics

51. As regards the situation on the currency market, the exchange rate of the national currency in 2010 has registered an appreciation as compared to the US Dollar by 1.2 percent in nominal terms and by 8.6 percent for the Euro. The main factors that influenced the moves of the exchange rate were the increase of remittances following the crisis, foreign trade and the situation on the international foreign exchange markets. Moreover, the real effective exchange rate of the national currency (REER) calculated compared to December 2000, appreciated by 4.5 percentage points. Romania (by 51.7 percent) and Euro Zone countries, such as Germany and Italy (30.8 percent) has contributed greatly to the real effective exchange rate appreciation, being Republic of Moldova's trade partners with a significant share in foreign trade.

Fiscal and budgetary policy

52. Country's macroeconomic stabilization has also been secured with the help of a balanced fiscal and budgetary policy, promoted by the State. Thus, in January-December 2010 there have been accumulated incomes with the amount of MDL 27.6 billion, that is 17.1 percent more comparing to 2009. There have also been done expenditures in the amount of MDL 29.3 billion, that is 7.2 percent more than last year expenditures. Considering this, the budget deficit at the end of 2010 amounted MDL 1.8 billion, comparing to MDL 3.8 billion registered in the same period of 2009.

Figure 7: The dynamics of revenues and expenditures in the national public budget, 2001-2010



Source: National Bureau of Statistics

53. The negative trends, during the year 2009, generated primarily by the effects of the global economic recession, led to major budget imbalances. At that time it was found out that the revenues part of the approved budget will not be executed by about MDL 6.0 billion. The adoption of some urgent actions with immediate effect became inevitable and imperative, consisting in the identification of additional financial resources and review of expenditures to balance the national public budget, which allowed reducing the budget deficit from 15 percent of GDP estimated in September 2009 to 3.4 percent of GDP, really executed in 2010.

54. In order to cover the budget deficit, in 2009, financial budget support from the IMF was obtained in the amount of 177 million SDR (the equivalent of MDL 2,075.7 million), while, in 2010, this support was of 95 million SDR (the equivalent of MDL 1,817.1 million). The use of these funds had a positive impact both on the budget sector, but also on the whole economy, the provided liquidity helped to unblock the work of many businesses already in November-December 2009.

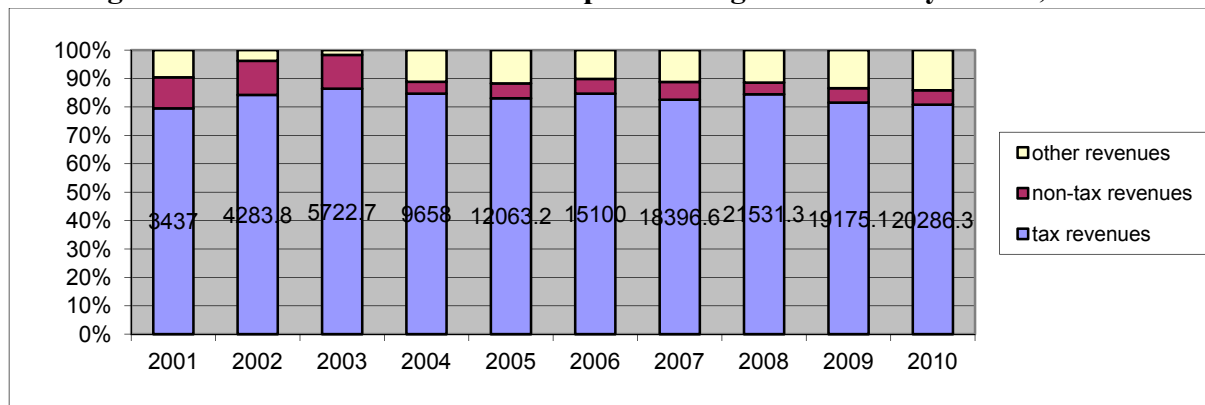
55. In 2010, the budget had been fully secured with resources to cover personnel costs, pensions, allowances, scholarships and other social benefits to the public, honoring the commitments related to internal and external state debts. As for the remaining available resources, the beneficiaries of budget resources have full flexibility in terms of covering the expenditures, based on their own priorities.

56. As a result of the national economic recovery, during 2010, the public revenues registered an upward trend. If the results of 2009 reflect the reduction of public revenues receipts by 7.8 percent as compared to 2008, in 2010 revenues exceed the 2009 level by 17.1 percent.

57. Following the trend of GDP growth and budget revenues, in June 2010, amendments have been made to the State Budget Law for 2010, by which the state budget has been increased in the

revenues part by about MDL 1,012.4 million, the expenditures – by about MDL 263.7 million, and the budget deficit was reduced by MDL 748.7 million.

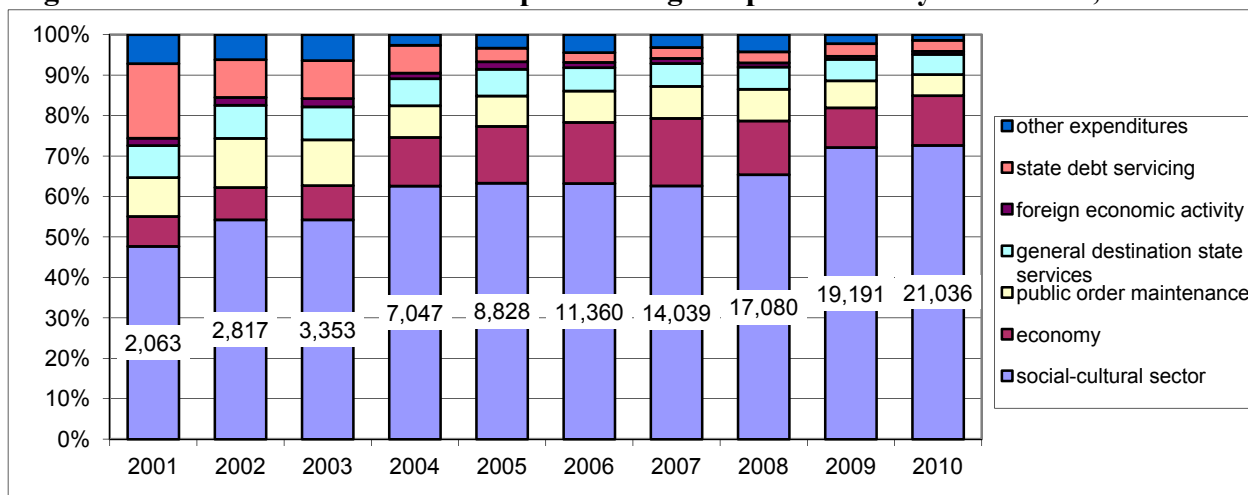
Figure 8: Breakdown of the national public budget revenues by source, 2001-2010



Source: Ministry of Finance

58. Simultaneously, in the expenditures part of the state budget, there have been operated expenditure prioritization and targeting measures, aimed primarily at supporting the social sector. Among these, the following could be highlighted: the provision of social spending to pay social compensations to poor families during the cold period of the year, increasing spending for enlarging the number of social aid recipients, etc. As a result of additional resources obtained from outside, the spending on projects funded from external sources has also been increased.

Figure 9: Breakdown of the national public budget expenditures by destination, 2001-2010



Source: Ministry of Finance

Reduction of the tax burden on the economy and prevention of public sector expansion

59. Identification of opportunities and most effective mechanisms for intervention represents a priority in itself for the Government. In this regard, during the last quarter of the previous year, intensive work has been carried out on the development and promotion of reform measures that are meant to de-bureaucratize and de-monopolize the business environment, increase budget revenues, streamline public spending and improve public administration management. These were embodied in the law regarding the amendment and completion of certain legislative acts that result from the budgetary and fiscal policy for 2010.

60. In order to ensure fiscal equity among individuals, who pay income tax on salary and other remuneration, and individuals that have income from gambling, beginning with this year, the increased tax rate will be applied on income derived from gains from gambling activities by individuals, 18 percent versus 10 percent as was hitherto.

61. The introduction of a reduced VAT rate of 8 percent on primary agricultural production in exchange of standard VAT rate of 20 percent, aimed at creating a favorable climate for the further development of farmers and their production, and reduced VAT rate increase on natural gas and imported liquefied gas delivered on the territory of the country, from 5 percent to 6 percent, aims at accumulating additional budget revenues, which was already visible in the first half of the current year.

62. Another set of amendments refers to the increase of the excise duties rates on beer (25 percent), cigarettes with filter (by 4 times - the ad valorem component), gasoline and its derivatives (50 percent), perfumes and toilet water, jewelry items (3 times), passenger cars with engine capacity over 2,500 cm³ (by 2 times), as well as the introduction of excise duties on crystal items (by 55 percent), which allowed the accumulation of additional budget revenues as well as fiscal indexation of excise duty rates on wine production, spirits, low alcohol beverages, and electronic equipment.

Improvement of public finance management

63. The process of reforming public financial management is comprehensive and aims at improving the quality of public finance management. The legislative framework in the field of budget and internal public financial control is constantly improving. Thus, during 2009 and first half of this year, a number of normative acts have been approved, such as draft Budget Classification, single Chart of Accounts for the public sector, and the functional classification testing was completed on the state budget for all components.

64. At the same time, the main results in the process of allocating public funds by applying modern practices of budget preparation and approval is the Single Methodological Set for budget

drafting, developed in 2010, which scope includes all central and local budgets, as well as draft Manual regarding budget execution, which will enable effective and more transparent monitoring of the public funds movement.

65. However, the progress achieved, since the end of 2009, would not have been possible without the involvement of the international donor community, given the precarious situation and huge gaps detected in the state budget. Consequently, this inevitably led to the increase in state (internal and external) debt, which total amount was about MDL 18.9 billion in December 2010, growing by about 29.1 percent as compared to the same period of 2009. The increase of the state debt was caused largely by the need to finance the budget deficit. Thus, the internal state debt increased slightly by 3.9 percent as compared to the situation at the end of the year 2009. The change in the internal state debt occurred at the expense of issuing state securities (treasury bills) through auction and redemption of state securities placed by subscription. In the same time, on December 31, 2010, the internal debt stock was USD 1116.2 million, comparing to USD 773.7 million in 2009. This increase (44.3 percent) was mainly determined by the USD 183.9 million given by the IMF at the beginning of the year, as well as by the increase of external borrowings (USD 212 million) and decrease of their reimbursement (USD 45.9 million).

PREREQUISITE 2: Strengthen Capacities of Public Administration

66. During the reference period, the structure of the central public administration was modified by establishing the Ministry of Labor, Social Protection and Family, Ministry of Construction and Regional Development, Ministry of Transport and Road Infrastructure, placing the Customs Service under the Ministry of Finance, the Licensing Chamber under the Ministry of Economy, “Apele Moldovei” Agency under the Ministry of Agriculture and Food Industry and Public Procurement Agency under the Ministry of Finance, respectively, at the same time, the re-subordination of the State Registration Chamber and Civil Status Service under the Ministry of Justice took place. The State Chancellery was established by transforming the Government Apparatus and undertaking some tasks from ministries responsible for coordinating public policies.

67. The regulations of 25 authorities have been approved (or amended) in order to assign the public policy making functions to the ministries and policy implementation functions to the subordinated public institutions. As a result, 23 (out of 24) specialized central authorities have been reorganized. The reorganization process of public institutions subordinated to the specialized central authorities, which had previously been planned, but has not been achieved, started. Thus, the Intervention and Payment Agency for Agriculture was established under the Ministry of Agriculture and Food Industry and the Transplant Agency under the Ministry of Health, the State Treasury under the Ministry of Finance is under liquidation, the public institution “State Security Service” is in the process of reorganization into a state enterprise.

68. The regulatory framework of the Law on transparency in the decision making process was approved and implemented. At the same time, the legislative framework in force was brought into compliance with the provisions of this law. As a result, the Government's decision making process is in the process of improvement. The data reveal that, in 2010, the specialized central authorities have applied the consultation process for 82 percent of draft legal and normative acts that fall under the incidence of this law, compared to 38 percent in 2009.

69. A strategic partnership was developed between the public authorities and civil society by creating the National Participatory Council. The stakeholders’ participation in the decision making process is ensured by placing the draft public documents on the websites of the public authorities and organization of public consultations, public dialogue was facilitated by creating the webpage <http://www.particip.md>.

70. The role of strategic planning in public administration has been strengthened through the animation of the work of the Inter-Ministerial Committee for Strategic Planning and Methodology review for drafting institutional development plans of the central public administration authorities. The reporting, monitoring and evaluation system was simplified by

developing a single Government Activity Plan for 2010, which contains the country's strategic documents actions, commitments towards the IMF and other development partners.

71. In order to implement the ex-ante analysis of the public policies impact, the piloting of Methodological Guidelines for Ex-Ante evaluation of the Public Policies Impact was carried out in five ministries and five public policy proposals were designed. As a result, an updated version of the methodological guideline was developed; the ministries have initiated the development of public policy proposals, by using new methodological norms. In addition to that, the development of the draft law on the amendment and completion of certain legal acts with a view to the introduction of methodological norms for public policy development and coordination, in accordance with the above mentioned Guidelines has started.

72. Activities have been undertaken to create the institutional framework for information society development and provision of electronic services to citizens by creating the public institution e-Governance Centre (E-Government) under the authority of the State Chancellery and its statute was approved.

73. The draft law on the status of persons exercising a public functions by Government Decision no. 540 of June 24, 2010, Law no. 80 of May 7, 2010 on the status of the civil service officials; Law no. 179 of 15 July 2010 on the amendment of Law no. 355-XVI of 23 December 2005 on public sector payroll system; Law no. 41-XVIII of October 20, 2009 on the amendment and completion of some legislative acts; Law no. 98 of May 28, 2010 on the amendment and completion of Law no. 158-XVI of July 4, 2008 on the public service and public servant status; the draft law on the amendment of some legislative acts, approved by Government Decision no. 166 of March 9, 2010 and submitted to the Parliament in order to bring the legislation in force (27 acts) into conformity with the Law on public service and public servant status.

74. The procedure of filling vacant civil service functions through competition has gradually evolved to become a basic rule in hiring civil servants. Thus, the central offices of specialized central authorities have applied the procedure of recruitment through competition to fill in the vacant public functions for senior, managerial and executive positions in the case of 37.8 percent of the number of persons employed in these categories of public functions, which is significantly higher compared to 2007-2009. At the same time, the public functions become more attractive, on average, 3.2 people applying for one vacant public position proposed for competition.

75. For the first time in the public service of the Republic of Moldova, the individual performance of civil servants from central and local public administration authorities were assessed in 2009 and individual goals for 2010 have been set, based on the objectives of the activity plans of public authorities for 2010, according to the provisions of Article 34 of Law no. 158-XVI of 4 July 2008 with regard to the public function and public servant status and indications of the Prime Minister of the Republic of Moldova no. 2903-96 of November 17, 2009.

76. In order to create an automated information system “Register of public functions and civil servants”, the package of documents for launching the tender for selecting a company, which will be held in two phases, was developed and consulted with the World Bank. The first stage of the tender was organized and there were received bids from seven companies including the technical proposal and eligibility documents, which were opened during the meeting of the Tender Commission on September 2, 2010. Further, the offers (bids) evaluation and preparation of a list of the short-listed companies that will participate in the second stage of the tender will take place.

PRIORITY I: Strengthening the democratic state, based on the rule of law and respect for human rights principles

1.1 Strengthening democracy, respect for fundamental human rights and freedoms

77. During the reported period, the Government has initiated the implementation of actions related to the accountability of judges with regard to the hearing of cases, according to the provisions of the European Convention for Human Rights Protection, prevention and counteraction of domestic violence and human trafficking, improvement of detention condition for detainees and modernization of police in respect of its orientation towards community.

78. In order to ensure the effective access to justice, 327 lawyers, providing legal assistance on request, and 18 public lawyers were involved in the state guaranteed legal aid system in the I semester of 2010. For comparison, in the same period of 2009, 256 lawyers providing legal assistance on request and 9 public lawyers were involved in the system.

79. Accordingly, during the mentioned period, emergency and qualified legal aid was provided in 7514 cases, and 8003 persons benefited from this assistance, with 793 cases and 1745 persons less than in the same period of 2009. As regards the number of beneficiary children, their number increased by 15 percent, from 308 children in I semester of 2009 to 359 children in I semester of 2010.

80. In the context of practical application of mediation as an alternative solution to litigations, all the necessary conditions for the use of alternative methods of disputes resolution have been created, which should lead to the discharge of the judicial system and ultimately, contribute to both efficient operation of the judicial system and ensure human rights protection, by avoiding delays in the examination of cases. At present, there are 6 operational individual offices of mediators, out of which 4 were established in 2009. Other applications for registering meditation offices have not been received.

81. During the reference period, applications from 10237 beneficiaries of the Probation Service have been received, (with 267 persons more than in the I semester of 2009), out of which 290 from minors (with 38 children more than in the I semester of 2009). At present, there are 134 active probation counselors.

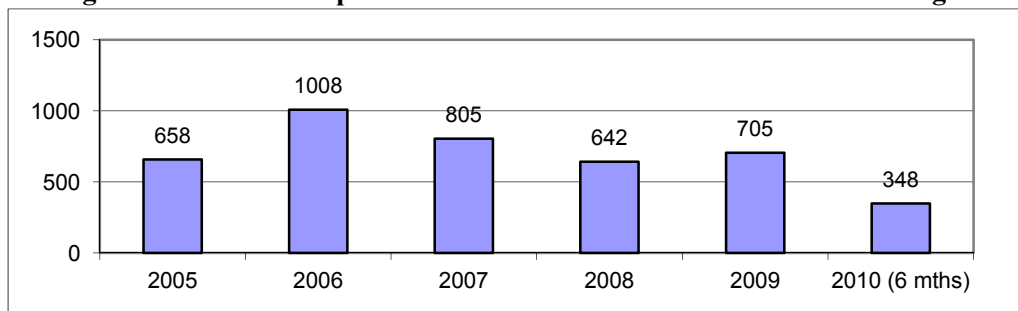
82. At the same time, ongoing actions, aimed at creating conditions of detention, in accordance with relevant national and international standards have been implemented, actions that are gradually implemented, considering the complexity of these objectives achievement and the need to involve considerable financial resources.

83. Based on this consideration, the procedure for building detention houses has not been launched yet, because the financial sources for this purpose have not been identified. In order to achieve this objective, the Ministry of Justice has budgeted MDL 16 million in the Medium Term Expenditures Framework (2011 – 2013).

84. However, during the reporting period, the reconstruction works have continued in penitentiary institutions, including wall masonry, installation of power networks and roof rehabilitation, culminating with the inauguration of an innovative wastewater treatment system in the penitentiary for women No. 7 in Rusca, Hincesti rayon.

85. At the same time, a slight increase in the number of petitions from detainees, addressed to the Centre for Human Rights is attested, from 642 persons in the year 2008 to up to 705 persons in the year 2009, most of them invoking the limited access to justice and indecent detention conditions, that demonstrates the need to focus efforts on improving detention conditions in penitentiaries.

Figure 10: Number of petitions addressed to the Centre for Human Rights



Source: Centre for Human Rights

1.2 Modernization and increasing efficiency of the judiciary

86. The Judicial system, as an essential component of the state and a warrantor of its sustainable development, represents a set of structures that contribute to the administration of justice. In order to establish a transparent and efficient mechanism of random distribution of cases, an Integrated Case Management Program was established in the courts, that also includes the option of random distribution of cases. This option allows the configuration of case distribution – manually or automatically. At present, the courts use both methods of case distribution in the Integrated Case Management Program.

87. Concurrently, in order to uniform the workload and equitably distribute the cases, based on their complexity, an Action Plan for the implementation of the Concept on financing the Judiciary System for the years 2010 – 2013 was elaborated and approved by the Government on September 2, 2010. This will enable the evaluation of a case file, based on a scale, depending on

the level of case difficulty. Subsequently, this innovation will be introduced as a principle for the random automatic distribution of cases in the Integrated Case Management Program.

88. Through the same case file, the court rulings shall be automatically published on the web page of the court, by clicking the corresponding option in the Integrated Case Management Program. Subsequently, the web page management system shall automatically extract this information from the Integrated Case Management Program and place it under the rubric “Database of decisions”. Therefore, the court decisions are published on the web page only, if these have been introduced into the Integrated Case Management Program of the court and using the option “publishing the decision”. The Ministry of Justice shall constantly monitor the process of publishing the court rulings, four reports being drafted to this purpose.

89. During the reporting period, the draft of the public policy “Development of a mechanism ensuring transparency of the legal act” was elaborated, involving the implementation of a mechanism monitoring and reporting the level of publication of judicial decisions/court rulings on the website and the level of audio recording of court hearings. In order to promote the access to published court decisions, a virtual Guide has been developed and will be distributed for publication on the web pages of all courts.

90. Actions to improve the legal framework regarding disciplinary accountability (liability) of judges have been undertaken and a number of amendments to legislation in force related to the creation of a mechanism to avoid influencing the judges during the examination of cases, as well as to supplement the list of disciplinary deviations, set out by Law on the status of judges have been approved. As a result, the judges will be sanctioned if they do not publish the court decisions on the web page of the court, if they issue a decision through which the human rights and fundamental freedoms have been infringed or if they do not follow the hearings schedule without having any grounded reasons for this.

91. Furthermore, in case of a disciplinary deviation, affecting the image of the judiciary system or of multiple disciplinary deviations, the judge will be dismissed.

92. In order to streamline the procedure of bringing judges to disciplinary accountability, amendments concerning disciplinary proceedings, in particular, related to disciplinary proceedings initiation, evidence gathering, publication of procedures and enforcement procedures, have been proposed.

93. In order to ensure the audio recording of the court hearings, currently, with the support of USAID Rapid Good Governance Support Program, recurring trainings on using the auto recording system of the court hearings “Femida” are carried out at national level for the court staff. Moreover, the Centre for Special Telecommunications has been asked to check the

technical and software functionality of the audio recording of court hearings equipment and program.

94. In the context of human trafficking prevention and counteraction, a Report on the implementation of the Strategy for National Referral System (NRS) for assistance and protection of victims and potential victims of trafficking has been developed, for 2009, at the same time, the piloting of the NRS was extended over 7 new rayons: Vulcanesti, Rezina, Soldanesti, Anenii-Noi, Singerei, Riscani, Ocnita. As regards the year 2010, the NRS was extended by creating and training 5 multidisciplinary teams in Comrat and 2 teams in Chisinau.

95. There have been initiated negotiations on co-operation agreements in the field of labor migration between the Government of the Republic of Moldova and the Government of the Russian Federation and the Italian Republic, providing for equal working conditions and remuneration for Moldovan migrants with those of the natives, having the same qualification and job.

96. The analysis of human trafficking and illegal migration prevention and counteraction activities largely reflect the decrease in the number of crimes recorded. Thanks to the complex effort undertaken to implement the planned measures in a complex (development of international cooperation relations in the field of combating human trafficking and illegal migration organizations, exchange of experience and training aimed at raising the professional level in the field, organization of awareness campaigns aimed at informing citizens about human trafficking), it was possible to achieve progress, namely:

- decrease the number of cases of human trafficking, child trafficking, illegal removal of children from the country, trading in prostitution and organization of illegal migration;
- significantly improve the quality of criminal prosecution, carried out on criminal cases, under their management;
- enhance the effectiveness of special investigative measures;
- increase the number of international operations for the identification and detention of members of international human trafficking networks, with the participation of peer organizations from other countries. A slight increase in the number of offences is registered only in the field of organization of illegal migration.

97. However, in order to ensure the social protection of the migrant workers, Agreements in the field of social security between the Republic of Moldova and a number of European countries such as Republic of Portugal, the Grand Duchy of Luxembourg, and Romania, etc., have been signed during the reported period.

98. During the period from May to June, negotiations with the Republic of Poland and Republic of Austria on the draft agreements in the field of social security took place, and consultations were launched with the Republic of Italy.

1.3 Preventing and fighting corruption

99. Corruption counteraction activities have been redirected towards checking the operation of both public administration authorities as well as in the branches of the national economy, including private sector.

100. Consequently, during the period September 2009 – September 2010, 1145 offences have been discovered and counteracted, out of which: 343 corruption and related acts, 455 economical and financial offences and 347 other categories of offences. The material damage established on the criminal cases presented to the justice sector, made up MDL 105,32 million and in order to ensure its restitution, a seizure on goods in the total value of MDL 141, 46 million was applied. A special attention was paid to social areas, most affected by the corruption phenomenon, namely: educational and training institutions – 40 corruption acts counteracted, police – 39 cases, town halls – 29 cases, judiciary and advocacy – 12 cases, public health, medicine and pharmacy – 11 cases, state organizations – 9 cases, counteraction, prevention and prophylaxis activities carried out by the institutions themselves being mostly concentrated in these sectors. Corruption counteraction activities have been also activated in the fields related to the activity of authorities issuing licenses and authorizations, banks and financial institutions, customs, trade organizations, cultural and artistic institutions, information development, forestry and others, where, corruption acts have been also registered.

101. Along with the application of restrictive measures, public awareness campaigns on the adverse consequences of corruption and the need to eradicate this scourge out of the society were organized in collaboration with public administration authorities, nongovernmental organizations and international community. In order to elucidate the factors, generating corruption phenomenon in different branches of economy and social areas, there were developed 19 analytical papers, concerning the different socio-economical areas, including: customs system, free economic areas, subvention of agricultural producers, issues of conflict of interests, concerning high ranked civil servants from the central public authorities, state representation in public enterprises/societies, etc.

102. During the reporting period, a set of draft laws have been elaborated and submitted to the Government for the amendment and completion of legislative acts, including: adjustment of the national anticorruption legislation in line with the provisions of the UN Convention against corruption, Criminal Law Convention on Corruption, Additional Protocol to this Convention and GRECO recommendations, addressed to Moldova, during the II round of evaluation, the draft law on detectors' protection; on amending and completing some legislative acts related to tax evasion of natural persons, on the Main Ethics Commission, the structure and the way of its functioning; on amending and completing the Law on State Registration of legal persons and individual entrepreneurs, by including the notion of "one stop shop", as a principle for state registration procedure of state enterprises.

103. Strengthening the institutional capacities of central public administration authorities in corruption prevention and fighting was achieved by implementing the Regulation on the mechanism of signaling and monitoring the level of corruption within public authorities, maintaining an open dialog with the Civil Council for monitoring the activity of the Centre for Combating Economic Crimes and Corruption, implementing the Methodology of corruption risk assessment, that was introduced as a compulsory measure for all central specialized bodies of the central public administration. In the same context, the Action Plan for 2010 on the implementation of the National Strategy on corruption prevention and counteraction was elaborated and approved through the Government Decision nr. 132 of February 23, 2010, and adopted by Parliament Decision nr. 79 of May 4, 2010.

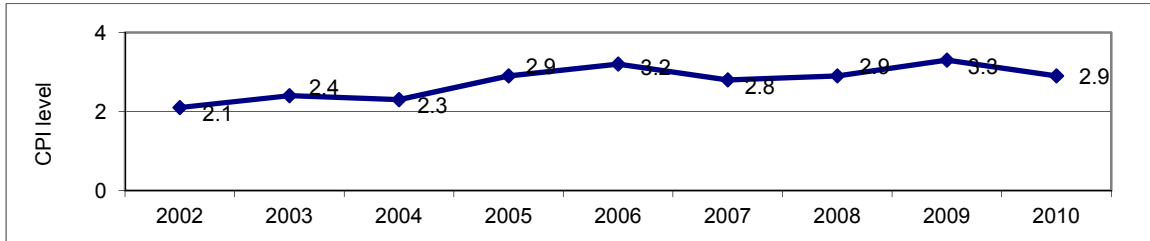
104. International cooperation in the anticorruption field was marked out by the participation in the meetings of the Regional Anti-corruption Initiative (RAI) as well as the discussions concerning the achievement of the National Program on the implementation of the Individual Partnership Action Plan Republic of Moldova - NATO.

105. Measures on preventing abuses and corruption acts were taken in the field of public tenders, organized and carried out by local and central public administration authorities, aiming at ensuring the compliance with the provisions of the Law nr. 96-XVI of April 13, 2007 on public procurement. In this respect, participation in 10 public tenders was ensured, and as a result, 4 complaints were submitted for the removal of procedural violations, detected in the activity of the working groups for procurement of the medical institutions, 2 public tenders for the purchase of medical equipment procurement, held by the Republican Medical Diagnostic Centre have been cancelled, one public tender was re-assessed, carried out by the CNȘP of Emergency Medicine, with a view to purchasing X-ray films.

106. As a result, a set of draft normative acts has been elaborated for the amendment of the Law nr. 96-XVI of April 13, 2007 on public procurement as well as of other normative acts, aimed at preventing such kind of violations in future.

107. However, in terms of performance in the field of corruption prevention and counteraction during the reporting period, a decrease by 0.4 percentage points was registered. The data recently, launched by Transparency International on the level of corruption perception in different countries in the world show that the Index of Corruption Perception for the Republic of Moldova in 2010 has registered a score of 2.9 points, the causes of this failure, according to the report is the imperfect legislation, political instability, existence of corruption in the judicial system.

Figure 11: Evolution of the corruption phenomenon perception (CPI) in the Republic of Moldova



Source: http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results

1.4 State Border Management

108. During the reporting period, the activities at the state border have been oriented towards ensuring the security in the region, strengthening the cooperation between all parties involved, establishing collaboration contacts, adjusting the institutional and legal framework on border management, contributing to the development of co-operation with the FRONTEX Agency, providing technical assistance, expertise and sector consultation.

109. State Border Guard Service Employees participated in the organization and conduct of joint control operations at the Moldovan-Ukrainian border, in particular the Joint Operation "Tyra", border joint patrols (including performing border surveillance and border checks).

110. In July, 2010, under the auspices of the European Commission Border Assistance Mission in the Republic of Moldova and Ukraine (EUBAM), important seminars on Schengen legislation and Border Integrated Management have been organized. Also, jointly with EUBAM, during November 15-19, 2010, the International Conference on Integrated Border Management will be organized in Chisinau (Republic of Moldova).

111. Furthermore, the Border Guards Service highly appreciated the launch of the Eastern Partnership Platform on Integrated Border Management that will provide beneficial opportunity to the State Border Guard Service for sharing good practices, training and institutional capacities development, and thus, the co-operation will be promoted and confidence between the Eastern and UE partners will be consolidated.

112. During the reporting period, the State Border Guards Service activities were focused on further developing the institutional reform, by streamlining the structure of the State Border Guards Service, in particular, at the level of tactics, as well as implementation of the EUBAM recommendations, elaborated in autumn 2008, in particular as regards the provision to the Border Guards Service of corresponding powers, in order to investigate some crimes at the border. At present, measures to reorganize the Regional Directions for State Border Surveillance and Control are taken, with a view to the creation of mobile units under these (activity carried out jointly with EUBAM).

113. One of the priority measures related to the reform of the integrated state border management was the harmonization of the national legislation regulations with the Acquis Communautaire, which will be supplemented with standards, models and recommendations of the European Union. To this end, the State Border Guard Service has launched the procedure of initiating and approving the new version of the Law on state border of the Republic of Moldova as well as of other normative and legislative acts, aimed at improving its operation.

114. The elaboration of the Integrated Border Management Strategy is, also, one of the basic directions of the national legislation harmonization in the field of state border management that is provided in the National Development Strategy for 2008 – 2011 and the Action Plan for its Implementation. In this sense, the Government Decision on the Creation of the Integrated State Border Management Council has been already approved, and one of its main tasks is the elaboration and implementation of the Strategy of Integrated Border Management.

115. Following the activities carried out jointly, by the Geneva Centre for Democratic Control of Armed Forces (DCAF) and the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM), the vision of the State Border Guards Service was developed for a 10 year period, as well as the procedure for preparing the implementation of the Integrated Border Management System.

116. Until 2011, the process of replacing the army conscripts with the contract-based officers shall be completed. Currently, within the Border Guard Service, 77 percent of employees are contract-based officers and 23 percent are army conscripts.

117. In the context of launching the visa liberalization dialogue EU-Moldova, on September 7-9, 2010 a group of EC experts carried out an evaluation visit in the field of illegal migration, including readmission, with regard to integrated border management issues.

118. During the reporting period the endowment of border crossing points of the state border continued with high-performance machinery and equipment, while launching a new border crossing point of the Moldovan –Romanian state border „Lipcani – Radauti”.

119. In most border crossing points, the interaction of information flow between local databases of the State Border Guards Service and the Customs Service is already operating with a view to the exclusion of the duplication of the required information, which allows decreasing the time needed to cross the state border for persons and transport units. At the same time, in order to ensure the exchange of information in due time between State Border Service and other state authorities, a number of agreements have been signed in this regard.

120. In order to improve the data exchange and co-operation at the international level, on November 13, 2009, the following documents have been signed: 1) Agreement between the Government of the Republic of Moldova and the Government of Romania on the state border crossing points between the Republic of Moldova and Romania and 2) Agreement between the Government of the Republic of Moldova and the Government of Romania on local border traffic. Other two treaties are in the negotiation phase with Romania party, one related to the establishment of the Joint Contact Centre “Galati” and an institutional protocol on cooperation.

121. Exchange of information with the Romanian Border Police is done, based on the Protocol between the Border Guards Service of the Republic of Moldova and General Inspectorate of the Romanian Border Police under the Ministry of Internal Affairs and Administrative Reform of Romania on exchange of information, aimed at carrying out special missions, signed on November 22, 2005 in Chisinau.

122. The Annual Co-operation Plan between the Border Guards Service of the Republic of Moldova and the General Inspectorate of the Border Police of Romania was signed, establishing joint co-operation activities for 2010. In this regard, the activities planned for the reporting period have been carried out according to the plan.

123. The exchange of statistical information with the State Border Guards Service of Ukraine is made in conformity with the provisions of the Protocol concluded between the State Border Guards Service of the Republic of Moldova and the Administration of the State Border Guards Service of Ukraine on exchange of information, from November 21, 2006. This data exchange is also made in line with the Protocol of the working meeting of the heads of border guard and customs structures of the Republic of Moldova, Ukraine and the representatives of the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM), concerning the joint elaboration of the monthly Evaluation report of the results of Moldovan – Ukraine state border surveillance.

124. The Moldovan border guards are also involved in different training activities in the field of risk analysis, detection of false or counterfeited travel documents, detection of stolen vehicles, as well as in applying the common standards in training working dogs.

125. Therefore, it is intended to launch, in the shortest possible time, a pilot project Focal Points 2010 at Moldovan –Ukrainian state border, jointly with the Frontex Agency, EUBAM and State Border Guards Service of Ukraine. The first working meeting was held on June 7-9, 2010 and its launch is planned for November, this year, at the border crossing point “Palanca”.

126. At present, the Frontex Agency provides assistance during the implementation process of the Common Core Curriculum for Border Guards, within the National Collegium of Border Guards, which will allow training the officers in line with the EU requirements in this regard.

PRIORITY II: Transnistrian conflict settlement and country reintegration

127. In order to achieve one of the most important priorities, set out under the National Development Strategy, during the reporting period, we would like to list, in particular, the following actions: meetings in the „5+2” format, that took place during March 1-2, 2010 in Vienna and May 24, 2010 in Astana; bilateral consultations with the international parties involved, namely, with the Russian Federation, EU, USA and Ukraine; a visit to Chisinau of the European Commissioner for Enlargement, Štefan Füle, maintenance of contacts and dialog between Chisinau and Tiraspol at the level of political representatives, promotion of activities of the working groups for confidence consolidation.

128. The matter of resuming the negotiations for Transnistrian conflict settlement in „5+2” format has been addressed during the visit to the Russian Federation, May 27, 2010. The conclusion, on June 5, of the Memorandum Merkel – Medvedev stressed the readiness of Russia and Germany to contribute to the identification of viable solutions in the „5+2” format”.

129. In the context of strengthening the EU and the USA. role in the settlement of the Transnistrian conflict, on May 15, 2010 the Government sent to the European Commissioner for Enlargement and European Neighborhood Policy an Aide Memoire aimed at increasing the EU's role in the Transnistrian conflict settlement process that requires activation and deepening the dialogue on Transnistrian problem, both within the bilateral consultation mechanisms, and the EU agenda with the Russian Federation and other partners.

130. In the first nine months of 2010, the State Registration Chamber of the Republic of Moldova (SRC) has registered 60 economic agents from Transnistria. Besides, 50 economic agents were provisionally registered, and 10 companies were registered on permanent basis. Until September 30, 2010, 669 businesses were registered all in all (provisionally - 462 and permanently - 207).

131. Moreover, during the reporting period, the Chamber of Commerce and Industry of the Republic of Moldova (CCI) has issued 633 certificates of origin for the export of goods to 24 economic agents from the Transnistrian region. However, the Customs Service of the Republic of Moldova (CSRM) has issued 2046 preferential certificates of origin for the export of goods to CIS, European Union and Central and Eastern Europe, for 53 economic agents. All in all, during the first three quarters of 2010, 2679 certificates of origin for the export of products were issued by the Customs Service and the Chamber of Commerce of the Republic of Moldova, to 64 economic agents from the region out of 91 that have registered export operations. During the similar period of the year 2009, approximately 2473 certificates were issued.

132. In the same order of ideas, under the Autonomous Trade Preferences, the Customs Service of the Republic of Moldova has issued 1541 certificates of origin for goods to 33 economic agents from the Transnistrian region, for the export of products to EU countries. In the corresponding period of 2009, 1527 certificates have been issued.

133. The total volume of goods exported and imported by enterprises from the Transnistrian region, verified and processed by the Moldovan Customs Service in January - September 2010 amounted to USD 384,300.0 thousand: export – USD 301,432.3 thousand and import – USD 82,867.7 thousand.

Table 2. Transnistrian export volume, declared at the Customs Service of the Republic of Moldova in 2010²

| n/o | Category of goods | Export Volume (mil. USD) | | | Export Volume in the third quarter in percent to: | |
|-----|--|--------------------------|-----------------|------------------|---|-------------------------------------|
| | | Quarter I 2010 | Quarter II 2010 | Quarter III 2010 | Export Volume in the first quarter | Export Volume in the second quarter |
| 1 | Metallurgical products | 40,550.3 | 84,016.5 | 8,177.8 | 20.2 | 9.7 |
| 2 | Products of light industry | 29,915.7 | 29,508.5 | 42,910.8 | 143.4 | 145.4 |
| 3 | Products of machinery and electronic processing industry | 7,519.8 | 9,015.7 | 12,118.6 | 161.2 | 134.4 |
| 4 | Electricity | 4,394.4 | 3,925.2 | 3,657.7 | 83.2 | 93.2 |
| 5 | Agricultural products | 2,901.1 | 4,847.1 | 8,052.6 | 2.7 times | 166.1 |
| 6 | Alcoholic products | 713.7 | 1,376.8 | 695.2 | 97.4 | 50.5 |
| 7 | Other products | 1,339.7 | 2,733.2 | 3,061.9 | 2.3 times | 112.0 |
| | Total | 87,334.7 | 135,423.0 | 78,674.6 | 90.0 | 58.0 |

134. The analysis of export operations by regions for the period January – September 2010, shows that about 44 percent of the total volume of exports was exported to the EU countries. About 36 percent of goods were exported to CIS countries, while 20 percent of the total volume of exports was exported to other countries.

²By category of goods broken down by quarters

Table 3. Transnistrian export volume, declared at the Customs Service of the Republic of Moldova in 2010³

| n/o | Region | Export Volume in January - September 2010 (thousand USD) | In percent (times) by the same period of 2009 | Volume, in percent | |
|-----|-----------------|--|---|--------------------------|--------------------------|
| | | | | January - September 2010 | January - September 2009 |
| 1 | CIS countries | 108,290.3 | 128 | 35.9 | 32.7 |
| 2 | EU countries | 133,005.5 | 107 | 44.1 | 48.2 |
| 3 | Other countries | 60,136.5 | 122 | 20.0 | 19.1 |
| | Total | 301,432.3 | 116 | 100 | 100 |

135. As for import operations, we must mention that during the period January-September 2010, 66 economic agents from Transnistrian region, declared to the Customs Service of the Republic of Moldova, imports of products. It is worth mentioning that most of these agents (51 in number) have operated imports of raw materials and additional components, in order to manufacture products for export.

136. The volume of imported production declared to the Moldovan Customs Service during the first nine months of 2010, amounted to USD 82,867.6 thousand, which represents an increase by approximately 40 percent against the same period of 2009 (USD 59,100 thousand).

137. Another positive step was the abolishment of customs duties for some goods from the right bank of the Dniester introduced in the Transnistrian region. However, these registration fees for the access of people in the region are still kept. Furthermore, the large number of checkpoints was not reduced for purposes of implementation of the actions and objectives of Government Action Plan for 2010.

138. The implementation of the Council of Europe – Moldova Action Plan has been launched, and it includes a section related to confidence-building measures for the Transnistrian region. In order to withdraw foreign troops from the Moldovan territory, on June 17, 2010 by the resolution concerning the conclusions of the EU-Russia summit, the European Parliament requested the Council and the Commission to pursue joint initiatives with the Russian government.

³By regions, for January – September 2010.

PRIORITY 3: Enhancing the competitiveness of the national economy

139. One of the priority actions included in the National Development Strategy is the enhancement of the national economy competitiveness. The following objectives were set under this priority: i) improving business environment to intensify the investments in economy; ii) promoting SMEs; iii) enhancing the efficiency of enterprises; iv) developing the research and innovation field; and v) development of physical infrastructure.

140. Thus, this priority has been observed and stressed out during the reporting period to enhance the image of the Republic of Moldova on the international commodity markets and to develop economically the country based on productive means rather than artificial factors such as remittances.

3.1 Improving business environment

3.1.1. Regulatory reform

141. According to 2010 Doing Business study, an important indicator that underlines the improvement in the field, the Republic of Moldova has registered essential improvements ranking 94 compared to 108 in the previous year. This position has been obtained essentially due to the improvement of the business start-up indicator (by 13 positions), business registration (by 34 positions) and tax payment (by 24 positions), the rest of indicators remaining unchanged or registering small decrease.

142. This can be considered, with good reason, a consequence of undertaken actions in the field of business regulatory reform that focused on continuous simplification and streamlining of existing regulations to start, do and close a business. In the same regard, the Action Plan on removing administrative constraints in the business sector was developed at the beginning of 2010. Its implementation has removed some constraints on the business environment such as barriers in developing and enhancing the entrepreneurship's competitiveness among which:

- the number of types of activity subject to licensing was reduced by 12 and simplification of licensing procedures took place;
- the Nomenclature of products subject to mandatory certification was reduced by about 100 positions and certification costs have been reduced;
- legalization of "one-stop-shop" for business registration;
- improve the protection of investors' rights by amending the Law on Joint-Stock Companies;
- de-monopolization of meat and meat products import and fish import;
- removing the barriers in the export of wine and divine distillates, bulk wine, export of grapes;

- exclusion of wine products certification for each batch of goods;
- removing the state trademark;
- reduction of cost and simplification of authorization construction procedures;
- decentralization of metrology activities and implementation of declarative principle on own responsibility in developing metrology activities;
- simplification of VAT taxation procedure at zero rate on goods introduced on the customs territory of the Republic of Moldova in customs active processing regime;
- maximum reduction of customs fees for raw material, auxiliary materials and technological equipment and increase of fees for final products which are directly competitive with the local products.

143. At the same time, Guillotine 2+ has been launched, which has the purpose to streamline doing business by removing bureaucratic barriers. During the first inventory phase of permissive acts issued by public authorities, more than 55 central public authorities were inventoried and about 400 permissive acts issued by these authorities were reviewed by identifying the acts that have no legal ground or are set forth only by Government or departmental acts, a fact that contravenes the provisions of Guillotine 2. The second phase consists in examining the respective acts within the Working Group of State Commission for regulating Entrepreneurial Activity. Until now, the Working Group has examined 138 permissive acts out of which 53 were recommended for exclusion/abrogation.

3.1.2. Improving quality infrastructure

144. With a view to the improvement of the quality infrastructure by improving relevant institutions existing in the Republic of Moldova and to obtain international recognition, the draft Law on Accreditation and Conformity Assessment Activities has been drafted. One of the objectives of the draft is to harmonize the national legislation with the EU norms and standards in order to create the platform and premises for signing Multilateral Recognition Agreements, which will rebound to free circulation of local products on communitarian and international market. Directed towards satisfaction of business environment needs, the draft gives a better flexibility to economic agents in carrying out conformity assessment procedures with respect to type, complexity, and danger degree that both imported and local product represents.

145. The Republic of Moldova has developed recently and implemented 90 technical Regulations out of which 50 are in line with the European normative acts. To implement technical regulations, the National Standardization Body has developed and approved the National Program for Adopting the International and European Standards as Moldavian Standard/pre-standard for 2010. This program includes 1503 standards that have to be applied as connected standards to technical regulations, standards for test methods, sampling methods, as well as market supervision. To implement the National Program, 882 national standards identical to those international ISO/CEI and 525 national standards identical to European standards EN have been already adopted in January-September 2010.

146. The consumers protection activity was focused in the reporting period on transposing European directives into the national legislation, thus, being drafted the Government Decision on approval of Regulation on the way of indicating the prices of products provided, which transposes Directive 98/6/CE of the European Parliament and Council of February 16, 1988.

147. At the same time, the awareness of citizens in the field of consumer protection has been stressed out continuously, thus, actions of information dissemination and education of consumers were organized, including articles published in the mass media, radio-TV shows, as well as on the webpage www.consumator.gov.md, which is currently under construction.

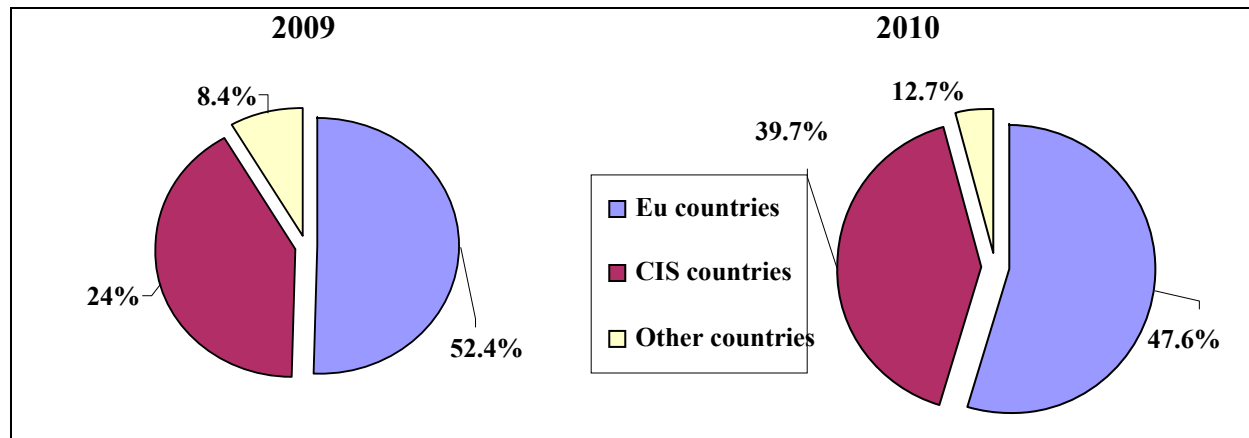
3.1.3. Export Promotion

148. Although non-tariff barriers have been imposed by European Union's market, positive results have been registered in the reporting period in achieving the objective to increase export diversification degree, which implies also a high rate of Moldovan products on Eastern markets and increase of these rate on Western markets.

149. The Republic of Moldova maintains a negative stock of its trade balance almost with all its partner countries, excepting the Great Britain, where it exported by USD 27.8 million more goods than it imported, Kazakhstan – by USD 14.3 million, Georgia – by USD 10.8 million and Iraq – by USD 9.1 million.

150. Concerning the regional trade the most sharp increase of the negative trade balance was in relation to the European Union - by 29,2 percent, other countries – by 17,3 percent, as with the CIS countries it decreased by 4 percent. Among the traditional trade partners the biggest negative trade balances were registered with: Ukraine (USD 395,4 million), China (USD 279,4 million), Germany (USD 197,1 million), Russian Federation (USD 137,9 million), Italy (USD 112,7 million), Turkey (USD 111,7 million), Romania (USD 104,9 million) and Greece (USD 65,4 million).

Figure 12: Exports evolution by regions



Source: National Bureau of Statistics

151. Structure of exports by groups of goods is changing along with the global changes; there were some changes registered here compared to the same period of 2009. Thus, there were registered growths of exports of vegetal products 22.9 percent (+2.9 percentage points); food products, alcoholic drinks, non-alcoholic drinks and vinegar, tobacco – 20.3 percent (-1.8 percentage points); textile materials and articles from these materials – 17.3 percent (-2.8 percentage points); machines and devices, electric equipment and spare parts – 11.1 percent (+0.2 percentage points); chemical industry products – 5 percent (+0.6 percentage points); common metals and articles from metal - 3.7 percent (+ 1.5 percentage points); vehicles, aircrafts, containers and auxiliary transportation equipment (+ USD 6 million); (+ USD 5.6 million); different goods and products – 3.2 percent (+ 0.2 percentage points).

152. An important contribution to supporting the exporters' efforts of diversification the destinations and consolidation of competitiveness was the negotiation of more advantageous foreign trade regimes and participation in regional cooperation initiatives.

153. For full capitalization of autonomous trade preferences granted to the Republic of Moldova by the European Union, the cooperation with European authorities in examining the possibilities to expedite the inclusion of the Republic of Moldova in the list of countries authorized to export animal products in the EU states has been intensified.

154. Another step towards the improvement of the relations with the European Union was the launching of negotiations with respect to EU-RM Association Agreement, Deep and Comprehensive Free Trade Agreement (DCFTA), which is a significant component of it.

155. As for regional cooperation initiatives, it should be mentioned that Central European Free Trade Agreement (CEFTA) at which the Republic of Moldova is a fully fledged member since 2007. The approval process of the 2009-2011 Strategic Action Program of the CEFTA Secretariat

has launched the extension of trade preferences, existing contingences within free trade, especially in agriculture sector. Thus, dynamic dialogue within the formation has led to increased trade exchange between the Republic of Moldova and CEFTA member states.

3.1.4. Investments Attraction

156. The conditions of global financial crisis have influenced essentially the investment flow; the volume of foreign investments registered during the last years has increased insignificantly – from USD 2,565.7 million in 2008 to USD 2,604.2 million in 2009, and up to USD 2,637.5 million at the end of quarter I of 2010. At the same time, compared to the same period of 2009, the foreign direct investments have increased 1.5 times by September 2010.

157. To diversify the investment opportunities and boost the industrial activity, the legal framework on industrial parks has been improved in the reporting period. The new Law on Industrial Parks modifies essentially the approach the focus being shifted from the creation of industrial parks by the State to providing assistance by the State or/and local public authorities in the process of creating industrial parks. Activities for identifying financial resources for 6 industrial parks feasibility studies have started (S.A. Raut, S.A. CAAN, S.A. Uzina masini salubrizare Falesti [Falesti sanitation equipment plant] from Cantemir, Hincesti, and Edinet cities).

158. Last year launching of Balti Free Trade Zone aiming at manufacturing products for export has triggered the implementation of a number of investment projects. A number of investors such as KBE Elektrotechnik SCS (Tunis), KBE (Germany), DLB (Germany), etc. have been already attracted. The first economic projects foresee investments of about Euro 25 million that will create from 5 to 7 thousands new jobs, and the volume of industrial production is estimated to over MDL 0.5 billion annually out of which at least 90 percent follow to be exported.

159. Of special importance for the country's economy is the Giurgiulesti International Free Port; the total volume of investments for its entire activity period, as of July 1, 2010 accounted for about USD 43 million. It has 29 residents registered at the moment. In the first half year of 2010 the residents paid different taxes and duties in the amount of MDL 47.4 million or by 2.3 times more than in the first half year of 2009, including MDL 43.1 million as excise duties, MDL 1.8 million for customs procedures and MDL 1.4 million as payments to the social insurance fund.

160. The opening of petrol terminal has enhanced the energy security of the State securing the delivery of oil products on the domestic market, in accordance with some mutually advantageous prices from different world leaders. Hence, the dependency of the Republic of Moldova on a number of limited suppliers has decreased. About 21 thousand tons of oil products were imported on the territory of the Petrol Terminal of the International Port during the first half of 2010 or by

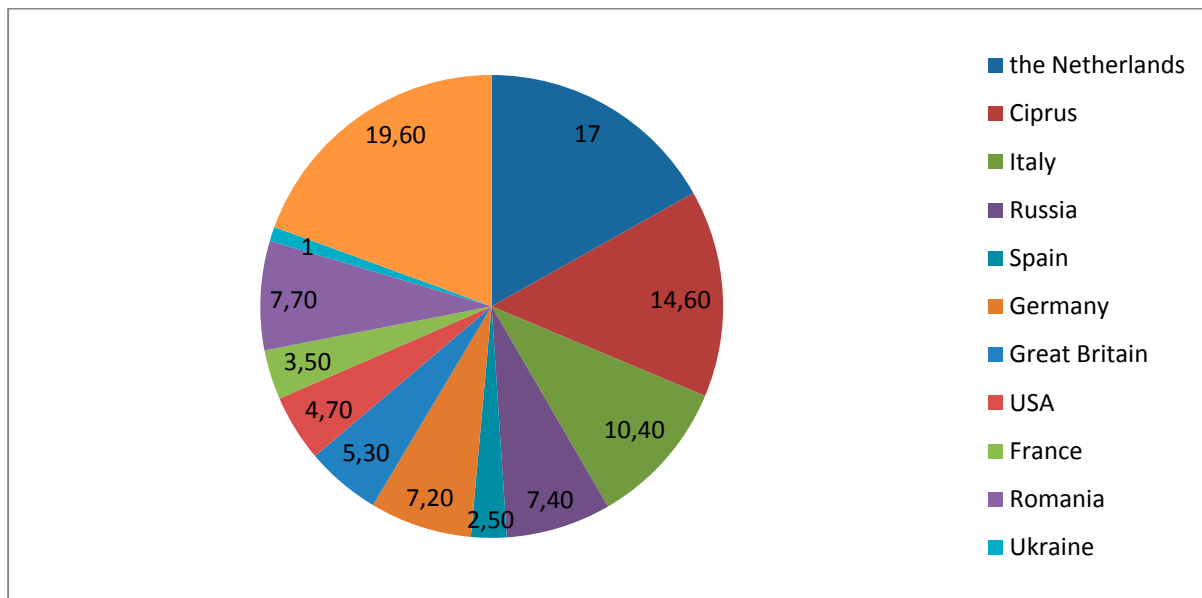
1.8 times more than in first six months of 2009 and 23.2 thousand tones were delivered on the customs territory of the Republic of Moldova. At the end of the reporting period another about 1.9 thousand tons of oil products were stored. Moreover, the appearance of a new participant on the domestic market (FCE Bemol Retail SRL has created a network of 50 filling stations) has intensified the competition on petrol market, thus influencing positively the price and quality of goods.

161. Construction and opening of grain terminal ensures the food security of the country because it does not permit to import or export the necessary volume of grains. This stabilizes the grain products market and enhances the efficiency of agricultural enterprises that can use the services of the elevator. The companies exported through it 68.4 thousand tons of grains in January - June 2010. At the end of first half year, the territory of the grain terminal was storing 3.9 thousand tones of grains, including stored by local companies. The total volume of services of grains storage accounted for MDL 4.8 million in the reporting period.

162. Thus, by using the goods port, the Republic of Moldova has ensured its direct entrance on external markets, as well as an independent raw materials and materials import. Along with the exploitation of Giurgiulesti-Cahul-Chisinau railway and Giurgiulesti-Chisinau highway the transport system of the South region improved.

163. It should be mentioned that by opening businesses within International Port jointly with the developing logistics, commercial services, etc. has increased the attractiveness of South region on overall.

Figure 13: Percentage of FDI by country of origin



3.1.5. Observance of fair competition principles

164. In order to create some favorable conditions for functioning of economy based on loyal competition, in 2009, the actions of the National Agency for Competition Protection focused on the finalization and promotion of the legal framework on state assistance as well as on the development of a new Law on Competition Protection, in accordance with the international norms. Moreover, the legal framework that regulates the policy and principles of loyal competition in the Republic of Moldova has not been adopted. The delay in adopting the legal framework will not permit the promotion of some adequate measures to support the entrepreneurs, protect the consumers by preventing and fighting disloyal competition.

165. Until now, as a result of development and amendment of regulatory framework in the field, 122 cases (excess of power, anti-competition agreements between economic agents, disloyal competition, actions of limiting the competition on behalf of public authorities) have been initiated. As a result, 135 decisions and 63 prescriptions were issued.

3.1.6. Financial market development and reform

166. During 2009 – 2010, the impact of the global financial crisis on local banking system was limited. The volume of banking deposits and credits offered to the economy proves it. Thus, comparing to December 2009, the deposits accounted for MDL 14.7 billion registering an 21.3 percent growth compared to the previous year.

167. A clear sign of national economy's revival is that the credit balance in the economy has increased both compared to the level registered at the end of 2009 – by 12.7 percent, accounting for about MDL 26,915.5 million. The structure of credits reveals the fact that the major share of credits is maintained in the national currency (57.7 percent). Compared to the beginning 2009, credit interest rates had a decreasing trend (decreasing by 1.6 times for credits in MDL and – 1.4 times - foreign currency) both due to the decrease of rates as well as gradual reduction of credit risk.

168. The breakdown of credits by destination shows a majority share of credits granted in industry/trade – 51.4 percent, followed by credits granted in agriculture and food industry – 14.9 percent, credits for property, construction and development – 12.3 percent, consumption credits – 8.4 percent.

169. The evolution of non-performing credits is of concern. Out of the total volume of credits, these accounted for about 13.3 percent at the end of 2010, compared to about 17.4 percent at the end of 2009. Once the first signs of global economic crisis impact have emerged (reduced inflow of remittances and growth of unemployment rate, reduced local demand and implicitly of imports

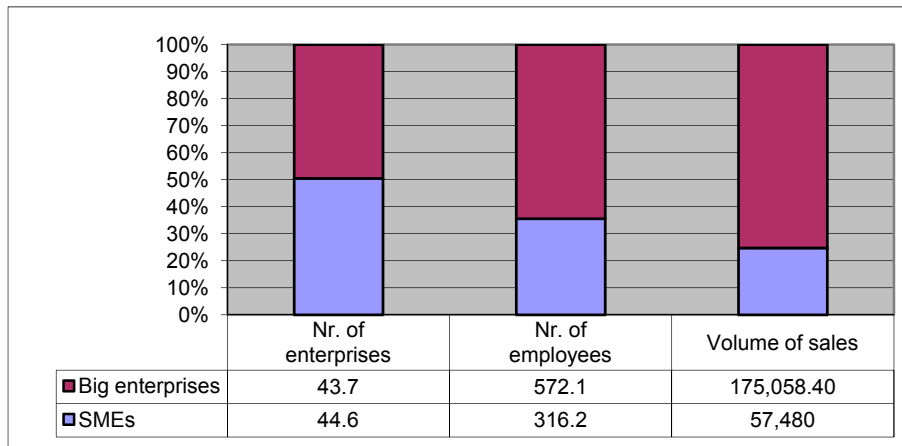
and exports), the solvability of economic agents worsened considerably. That has led, eventually, to continuous accumulation of non-performing credits in the banks' portfolio.

170. We can finally state that besides the fear of a possible evolution of economic crisis into a financial one, the financial sector, and in particular, the banking sector has succeeded to get through the global crisis in 2009, and has been considerably more stable in 2010.

3.2 SMEs Promotion

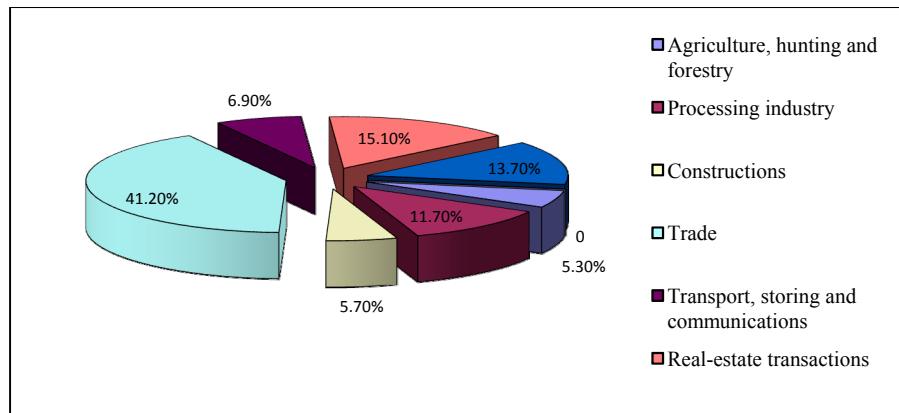
171. The support of small and medium-sized enterprises sector through a wide range of instruments meant to facilitate its development continued to be a major preoccupation of the state. The small and medium-sized enterprises represent about 98 percent of the total number of enterprises, and the number of people who work in the respective segment of labor market accounts for 316.2 thousand people or over 58 percent of the total number of employees of enterprises. The sales proceeds of small and medium-sized enterprises accounted for MDL 57,480.0 million in 2009 or 39.25 percent of sales proceeds from the economy on overall. The rate of sales proceeds registered by the small and medium-sized enterprises from different sectors of national economy varies from 1.3 percent in electric energy, gas and water, 32.1 percent - transport and communications up to 65.8 in agriculture and 67 percent in real-estate transactions.

Figure 14: Share of SMEs in the total number of enterprises in 2009 by main indicators, thousands of units



Source: National Bureau of Statistics

Figure 15: Analysis of SMEs sector by types of activity (2009)



Source: National Bureau of Statistics

172. Access of the real sector of economy to crediting resources has been always a major problem for the Republic of Moldova and even a constraint for development of investment activity and economic growth on overall. Facilitation of the access of micro, small and medium-sized enterprises to credits is supported by the attraction of international credit lines and encouragement of accumulation of medium and long term credit resources.

173. State Credit Guarantee Fund (SCGF) is an instrument that facilitates the access of SMEs to finance. Currently, the guarantee portfolio of the SMEDO consists of 25 active guaranties in the amount of MDL 4.4 million, the amount of credits accounting for MDL 13.2 million. The average rate of credit guarantee represents 30 percent. The guarantee impact analysis on development of companies that benefited from the credits shows that each MDL offered under a guarantee form permits investments in the amount of MDL 3. Only during the period January – August 2010, there were granted 8 guarantees for bank credits, which denotes an increase compared to the same period of the previous year, when only two bank guarantees were granted. The amount of guarantees granted in the reporting period accounted for MDL 1.7 million, which permitted the entrepreneurs to obtain credits in the amount of MDL 5.5 million. The beneficiary companies requested credits to procure agricultural equipment, plant vine, establishment of greenhouses, procurement of mineral fertilizers, as well as for topping up the current assets. As a result, the beneficiaries of warranties have increased the number of employees by 25 percent per enterprise, have registered a growth of sales proceeds on average by 45 percent and 34 percent and directed their production to export.

174. Although the actions undertaken to facilitate the access of SME to guarantee funds have registered successes, the need for their increase appeared both to ensure a wider coverage and to develop a healthy competition between companies. For this purpose, the capitalization of State Credit Guarantee Fund was foreseen by increasing the allocations up to MDL 100 million and eliminating the administrative barriers in offering guarantees in parallel with increasing the

threshold of guarantees for active enterprises from MDL 300 thousand to 700 thousand and for start-ups from MDL 100 thousand to 300 thousand. As a result, the increased guarantee ceiling has been accepted beginning with June 11, 2010. This significant step will contribute to the increase of the number of applications for credit guarantee necessary for the development of SMEs.

175. In order to ensure the efficient promotion of the efforts of the Government of the Republic of Moldova with a view to structural economic adjustments, the Government of Japan offered a grant for the support and development of small business in Moldova. Until present, within Program implementation, the number of beneficiaries account for 106 economic agents, and the total value of grant offered to the beneficiaries of the Program is MDL 44.8 million (about USD 4 million) 101 applications for the participation in tender were collected during the third Tranche accounting for USD 182 million. As a result, there were accepted 11 projects for financing, which value accounts for MDL 22.4 million. 21 applications from the economic agents willing to participate in the tender were collected during the fourth tranche.

176. An important component that contributes to the access of private companies to finance (mostly SMEs) is the Competitiveness Enhancement Project, which has the objective to increase the competitiveness of enterprises by improving the business environment and modernization of Metrology, Standardization, Testing and Quality System (MSTQ). Thus, at the end of 2009, there was obtained additional financing in the amount of USD 24 million within the Credit Agreement concluded between the Republic of Moldova and International Development Association. Additional financing aims at enhancing the competitiveness of local companies though: (i) credit line directed to qualified commercial banks to finance capital investments and needs in current assets of the exporting enterprises (USD 22.5 million); and (ii) extending the co-financing (matching) grant scheme to increase the professional level of employees, implementation of modern methods of doing business as well as introduction of new products (USD 1.5 million).

3.2.1 Development of business support infrastructure and fostering entrepreneurial culture

177. Business incubators represent a well-defined mechanism for financial support, supervision and control of the process of starting small and medium-sized enterprises. Thus, in December 2009, the first business incubator was launched in Soroca city established with the support of ENTRANSE 2 Your Business – entrepreneurship development infrastructure in the Republic of Moldova Project. The incubator hosts 17 small companies out of which about ½ represents startups the rest being newly launched companies that re-specialized or extended their area of activity, benefiting of technical and financial assistance for procurement of production equipment necessary for doing business including non-repayable grants from the abovementioned project.

3.2.2 Enhancing public-private dialogue

178. Ensuring the functionality of this form of investment in national economy foresees the promotion of a measure to guarantee the integrity of introduced investments and the advantage sought by the private partnership. Hence, to reduce the over-regulatory actions that would affect the implementation of the Law on Public-Private⁴ Partnership, there have been identified several fields to be specified with a view to the adjustment of the existing legal and regulatory framework in line with the new principles and requirements induced by Law on Public-Private Partnership and communitarian law. The legal framework was adjusted to the provisions of Law on Public-Private Partnership⁵ for this purpose.

179. The amended legal framework gives the possibility to carry out a full and efficient activity of public and private partners for the observance of mutual and equitable interests between the state, local associations and entrepreneurs. We can affirm, thus, that the Republic of Moldova has a well-defined legal basis in this field, which is harmonized to facilitate the successful implementation of projects that can be done through different contractual forms meant for PPP: enterprise/service provision, fiduciary administration, rent.

180. Along with the improvement of legislation in the field, the institutional framework meant to ensure the enforcement of provisions of Law on Public-Private Partnership and to facilitate their development has also been enhanced. Functional units have been created within both the Ministry of Economy and Public Property Agency that ensures the promotion and implementation of public-private partnership policies.

3.3 Improved efficiency of enterprises to consolidate the competitiveness endogenous factors from the core of national economy

3.3.1 Improving managerial practices

181. Improving managerial practices is one of the main factors on which labor productivity depends, and enhancing efficiency of enterprises, respectively. In order to promote the quality management principles by means of their ongoing improvement, implementation of quality management systems in industrial enterprises, there has been re-launched enterprise competitiveness in accordance with international standards. Thus, with the financial sources attracted through technical assistance, the development and implementation of the quality management systems in accordance with the international standards ISO 9000, in about 46 industrial enterprises continues. As compared to the same period of 2009, the number of companies that are implementing ISO 9000 has increased by 21 units.

⁴ Law No.179-XVI of 10.07.2008

⁵ Law No.181 of 15 July 2010

182. During the period January – September 2010 there were offered 7 matching grants for ISO as compared to 61 grants offered in the same period of 2009. Currently, the local companies still have a passive attitude towards the implementation of ISO standards. It is important to specify the fact that currently in the local entrepreneurial environment the quality principle prevails over the quantity, the last being dependent on the requirements specified by the client and not on the imperative need to ensure a high level of quality. Companies certified with international quality standards treat the quality of products and services as a goal in itself or as a marketing solution, but not as a consequence of the quality of the entire activity of the company, quality of hired personnel, and quality of the organizational and management system, quality of relations with business partners.

3.3.2 Improving management of state assets

183. In order to improve the administration of state assets, the state enterprises shall implement corporative management principle; Administrative Boards being established in accordance with the legislation for this purpose. According to the information from the Public Patrimony Register kept by the Public Property Agency, central public authorities administrate 292 state companies, Administrative Boards being established in 207 state enterprises. The Administrative Boards include representatives of central public authorities (founders), Ministry of Finance, Ministry of Economy, including Public Property Agency and labor collectives.

184. The process of reorganization of public sector of the economy has continued, including by means of privatization of public property. Having the purpose to identify the companies that have to be subject to reorganization, privatization or, if necessary, liquidation, the economic and financial analysis of 350 state-owned companies and state joint-stock companies was carried out. This allows the decision-making bodies to make respective decision regarding with regard to the re-launching, development, and refurbishment of the activities of these companies or their privatization.

185. For this purpose, during the period July 6-9, 2010, there were organized call auctions by means of the Stock Exchange, where state shares in 44 joint-stock companies and other state public property goods; as a result the shares of the state in 12 joint-stock companies being sold, the total amount of sales accounting for about MDL 27 million. At the same time, as a result of the investment tender⁶, 5 goods of state property have been sold (cinemas from the towns of Floresti, Riscani, Donduseni, Calarasi, Singerei), the total value accounting for MDL 2.7 million.

⁶ Organised on 29 July 2010

3.4 Development of research and innovation sector

3.4.1 Capacity building in technologic innovation and modernization

186. During the reporting period, the innovation and research sector has registered significant progress with respect to the achievement of innovation and research development objective, but, taking into account the exclusive implementation of mainly logistics actions, these have not influenced directly the achievement of key objectives in this field.

187. With a view to the development and promotion of some efficient mechanisms for the absorption of advanced technologies, the technological audit of applied scientific research projects financed previously from the state budget was organized during the period September 1 – October 30, 2009, which resulted in the receipt of some innovation and technological transfer projects and some proposals to complete the Inventions and Technologies Stock Exchange.

188. As for the streamlining of science and innovation field that pursues, first of all, the achievement of national priorities by creating clusters and scientific platforms, etc., the registered progress shows a high degree of relevance limited to some agreements, treaties, etc.

189. Improvement of the structure of institutions within the Academy of Science and organizational structure of the Supreme Council for Science has not been finalized by the end of the reporting period, hence, the achievement of this objective, from this point of view, is uncertain at the moment, but these processes will continue in the next reporting period targeting, first of all, the achievement of major objective.

190. Although as a result of reduced financing, more activities were slowed down, the renovation of the research and innovation infrastructure, construction of the Lyceum town for gifted children and the campus of the University of the Academy of Science, procurement of equipment, procurement of scientific equipment, etc. have continued in the reporting period, thus, carrying out in part some activities that refer to the consolidation of the technical and material basis of scientific institutions.

191. However, it is important to mention some more significant progress related to the involvement and participation within relevant European and international organizations and integration in the main European and international research programs in the context of enhancing national scientific research. The reporting period registered the conclusion of bilateral agreements with similar institutions from other countries, as well as joint projects with foreign institutions have started, registering at the same time an increased participation of research teams from the Republic of Moldova in the communitarian projects.

192. In order to ensure the informational support regarding the ICT community participation procedure in the National Contact Points Program (PC7) within EXTEND Project, we would like to mention the development of new communication channels - Helpdesk service, designing of the PC7 webpage, development of an informative brochure for the program participants from the Republic of Moldova, etc. Thus, the access of research and innovation community members to programs implemented in Moldova in this field has been facilitated.

193. The progress is also registered with respect to the promotion of research and innovation activity through scientific and technological parks and innovation incubators, and the implementation of the results of these researches in the economic activity of the country; currently, the Republic of Moldova has 3 scientific and technological parks and one innovation incubator. During the reporting period in the 2 of the abovementioned parks there operated 50 residents cumulatively, with the respective number of projects.

194. In order to implement the innovation indicators in the national statistics system there was developed an indicators system for monitoring and evaluation of the activity in the research and innovation sector. The respective system is at the first phase of implementation by taking into account the lack of statistics information on innovation activities of active companies (their share in the total number of SMEs). However, the lack of a clear definition with respect to statistics indicators that characterize the manufactured innovative production and inexistence of some calculation methods of these indicators make it difficult to evaluate the impact of the implementation of these activities.

195. The actions related to the promotion of access to financial resources in intensive technological fields have registered some progress during the reporting period, the financing of a project being approved in the same period. We should mention also the fact that the Agency for Innovation and Technological Transfer has undertaken a number of activities to create a risk fund in this period.

196. The implementation of a number of activities that relate to another field, and namely the development of innovative and managerial scientific human potential for the achievement of national priorities is done on contest basis, which selects the projects from the science and innovation field by approving, and further issuing licenses for these. Thus, some contests were organized and some projects were registered during the reporting period.

197. To support and create local academic networks and professional associations for the implementation of local and regional ICT researches, the creation of a single research network ACADEMICA that includes many organizations and researchers from some organizations was considered a significant progress. At the same time, it is important to mention the fact that the premises of the respective network facilitate the access of its members to national and international academic informational resources.

198. In the same context, it is worth mentioning the creation of a national open database that contains data about research institutions and individual researchers. The respective database is promoted through many communication channels (webpage of ASM, etc.); the respective document is being mainly used to evaluate on-line the research and development project proposals. During the reporting period, over 300 project proposals were evaluated via informational programs implemented in this field.

3.5 Development of physical infrastructure

3.5.1 Transport system

199. It is important to mention the fact that the development of physical infrastructure is a field that denotes some growing progress, although, some indicators registered a significant growth, while other indicators show lack of any progress in the reporting period.

200. According to the monitoring indicators, in 2009, 17 km of roads were rehabilitated, 1 km of road was constructed, but no reconstruction of roads took place. At the same time, during 2010, there were constructed 6 km of road, and 24 km of road were rehabilitated, respectively, in the second part of the reporting period these indicators registered progress compared to 2009.

201. In the same context, it is worth mentioning the fact that feasibility studies on rehabilitation of some portions of roads have been initiated during the reference period, projects for which financing sources have to be identified.

202. At sector level, it is important to underline the progress registered at the sector level, the share of investments in the field of Transport and Communications representing during the reporting period 20.2 percent of the total investments in fixed assets, this indicator representing a relatively significant growth as compared to the previous reference period.

203. With a view to the development and liberalization of the transport sector, it is worth mentioning the creation of the Road Fund Council and the Road Sector Technical and Economic Council of the Ministry of Transport and Road Infrastructure. The representatives of civil society, specialists in the field, etc. are members of these bodies.

204. A significant progress was the capacity building and significant increase of the road fund, accounting for 1 percent of GDP in 2010, a process that was ensured by applying the increased rate of tax for road use by the vehicles registered in the Republic of Moldova.

205. Another important contribution for ensuring the continuity of medium-term capital investments in this sector represents the negotiation and signing of more Financing Agreements

between the Republic of Moldova and its external development partners. Thus, on October 29, 2010, the Government concluded with the European Bank for Reconstruction and Development an agreement amounting to EURO 75 million, having to negotiate shortly an additional agreement with an amount equivalent to the agreed one (EURO 75 million).

206. In this context it is important to mention the progress registered regarding the implementation of actions necessary for adequate organization and functioning of the Civil Aviation Authority. Many discussions regarding the liberalization of the transport market, including of the air one, were held during the reporting period, an intention of the Government that was passed to the competent authorities of the European Union.

207. As for development of some sub-branches of the transport sector, it is necessary to underline the development of railway transport by launching the railway Chisinau – Odessa in October 2010.

3.5.2 Energy system

208. For a stable and safe growth of the national economy, as well as for a continuous development of the competitive energy market, an adequate and viable energy infrastructure that would supply energy and energy resources to the country is crucial. In order to increase the degree of energy security of the country, the Republic of Moldova has adhered to the Energy Community Treaty⁷, obtained the status of full-fledged member of the Energy Community. Prior to this the conditions imposed regarding the harmonization of the national energy legal and normative framework with the Acquis Communautaire in the energy field were met. The Law on Electric Energy⁸, Law on Natural Gas⁹, and Law on Energy Efficiency¹⁰ have been adopted. Fully aligned with the European requirements, these laws open the way for the integration of the Republic of Moldova on the EU energy market and creates adequate conditions for the facilitation of investments in the sector.

209. Another important step of the Republic of Moldova to be undertaken is the integration of the national electricity system into the European System (UCTE). Currently, there is an interface (section) between the electric system of the Republic of Moldova and Ukraine, which consists of voltage lines of 110 kV (14 lines) and 330 kV (7 lines). Operative interaction with Ukrenergo takes place based on a technical agreement of parallel functioning. The electric system of the

⁷ Law No. 117-XVIII of 23.12.2009 on the adherence of the Republic of Moldova to the Energy Community Treaty

⁸ Law No. 124-XVIII of 23.12.2009

⁹ Law No. 123-XVIII of 23.12.2009

¹⁰ Law No. 142 of 02.07.2010

Republic of Moldova and electric system of Romania, which is a component part of UCTE (ENTSO-E), are interconnected at the moment through voltage lines of 110 kV (3 lines) and 400 kV (1 line). The parallel functioning of the electric system of Moldova with the Romanian one permits the access of electric energy on the European market but the absence of strong interface does not present a viable scheme; this will be possible only after the integration of the electric system of the Republic of Moldova into UCTE (ENTSO-E).

210. To align the national transport system to the UCTE (ENTSO-E) standards, equipment reconstruction and upgrading works and are carried out within the Energy-II Project. The upgrading process is underlined both in the primary part (commuting equipment from stations, electric lines, etc.) and in the secondary part (telecommunications systems, dispatching, protection, etc.). Integration in the UCTE (ENTSO-E) system in conjunction with enhancing Moldova – Romania and Moldova – Ukraine sections will allow the substantial increase of the reliability degree in the energy transportation process both for local consumers as well as on the East – West axis. The synchronic functioning with the UCTE system will diversify the electric energy market through the appearance of new electric energy import possibilities and the diversified infrastructure of the transport network will create favorable conditions for the development of generation sources.

211. To ensure the energy security of the country by increasing the electric energy transit capacity, the actions of inter-connection with neighbor countries continue. Thus, for the implementation of LEA 400 kV Balti-Suceava project, in accordance with the tender requirements, the Italian company CESI was assigned to carry out in 2009 a feasibility study regarding the construction of this line with the financial support (grant) from EBRD in the amount of Euro 500 thousand. The estimated amount for the construction of this segment that crosses the territory of the Republic of Moldova and works undertaken at Balti station amount to EURO 29.0 million. In the near future, a decision will be taken together with the Romanian side with respect to the design company for this line.

212. Construction works are carried out currently on LEA 110 kV Falciu-Gotesti, which has to be finalized by the end of October this year. The construction of 15.83 km is planned for 2010 (total length of the line on the territory of the Republic of Moldova is 25.03 km). The financing of this line shall be made on the account of financial sources of S.E. Moldelectrica.

213. The strengthening of the interconnection with Ukraine and Romania was planned to be achieved also by the construction of the 2nd circuit of Balti – Novodnestrovsk – Suceava line. The feasibility study was made in 2006, MDL 1.2 million being provided from the state budget, but the implementation of this project is still problematic because the Memorandum on the construction of this line was signed only by the Republic of Moldova and Romania, while Ukraine did not yet sign the respective Memorandum.

214. Currently the electricity distribution grids (EDG) have an increased degree of wear and tear (about 70 percent). To reduce the loss and ensure a continuous energy supply to the end-users it is necessary to reconstruct and upgrade the grids. The renovation of electric grids shall be done in compliance with the plan developed by EDGs and approved by the National Agency for Energy Regulation, the investments being reflected in the tariff of electricity supply to the consumers. The reliability of electricity supply is ensured by maintaining the grids and equipment by observing the normative provisions in force and capital investments recovery with the actual demands. The lack of available financial sources at the companies to be invested in renovation does not permit accelerated renovation of EDGs.

215. In the first half of the year 2010, the electric energy consumption in the Republic of Moldova (without Transnistrian region) has increased compared to the same period of the last year by 14.39 million kWh or by 0.9 percent and has accounted for 1 billion 637.3 million kWh¹¹. All three energy distribution companies - EDG UNION FENOSA, EDG Nord and EDG Nord –Vest, as well as the eligible consumers have registered a growth in the energy consumption. In the area covered by EDG Nord the consumption has increased by 1.1 percent and accounted for 286.84 million kWh, and in the area covered by EDG UNION FENOSA – by 0.6 percent and accounted for 1 billion 170.01 million kWh. The eligible consumers and EDG Nord –Vest registered consumption in the amount of 37.26 and, respectively, 143.19 million kWh, this being by 2.9 and 2 percent, respectively, higher than in the first six months of the previous year.

216. A number of measures for the modernization of thermal energy transportation and distribution infrastructure have been accomplished in the thermal and energy sector. JSC Termocom carried out the following activities in Chisinau Municipality: i) installing individual thermal points (heat exchangers) (ITP); ii) implementation of the automated monitoring system of individual thermal points; iii) installing thermal energy meters at consumers; iv) installing thermostats to ensure strict quality of hot water; v) installing spherical taps; vi) installing converters at central thermal points with independent scheme; vii) reconstruction of distribution systems and changing of pumps; viii) implementation of the individual thermal points installation project demonstration financed by Sweden International Development Agency.

217. Among the key works carried out in Balti Municipality are: i) reparation of steam generator boiler stations, turbo-generator and additional equipment; ii) hydraulic testing of internal networks of the station, water boilers, main and inter-sector pipelines; iii) planning preventive reparation of central thermal points equipment; iv) preventive reparation of pumping stations; v) change of pipes, renewal of thermal insulation.

¹¹ According to ANRE data

218. The Terms of reference for the projects on the development of the thermal energy delivery optimization in Chisinau Municipality strategy are being coordinated with the stakeholders, as well as the priorities for investments in short and long-term sector development are being identified. The implementation of the projects will take place with the participation of World Bank experts, and the financing is foreseen from the grant provided by the Swedish International Development Agency (SIDA). Further, decisions on CHP upgrading, as well as thermal energy transportation and distribution infrastructure will be made.

219. In the gasification sector the gas supply networks extension works continued. Thus, about 500 km of medium and low gas pressure networks were built during the current year. As of June 1, 2010, 924 localities out of 1531 localities of the republic or about 60 percent were gasified and the number of consumers accounted for 580 thousands.

220. The existing capacity of natural gas transportation have been enhanced; about 18.0 billion m³ of natural gas accounting for 40.0 percent of the maximum capacity of pipelines of 45 billion m³ were transported through transit pipelines ATI, SDCRI, RI and ACB to the Balkans and Central European states.

221. In the first half year of 2010, the gas consumption registered the first growth during the past four years¹². It has increased compared to the same period of the last year by 8.4 percent and accounted for 619.7 million m³, and the import volume – by 9.2 percent and accounted for 670.5 million m³. The growth trend of gas consumption is characteristic for all categories of consumers. Population's consumption has increased compared to the first six months of 2009 by 10.4 percent and accounted for 203.93 million m³; the consumption of economic agents and enterprises from the energy sector – by 5.8 percent and 8.2 percent, respectively, accounting for 114.42 million m³ and 269.63 million m³ of gas, respectively. Budgetary institutions consumed 31.71 million m³ of gas, by 6.5 percent more than in the first six months of the last year.

222. In the first semester of the current year, the highest share in the gas consumption structure – of 43.5 percent - was of the enterprises from the energy sector. The share of household consumers was equal to 32.9 percent, of economic agents –18.5 percent and of the budgetary institutions – 5.1 percent. In the given period, the effective procurement price for natural gas procured by JSC Moldovagaz from SAD Gazprom from the Russian Federation was equal to MDL 2,977/1000 m³.

223. Currently, the national economy depends very much on the import of energy resources; the energy intensity being 3 times higher than in the neighbor countries, respectively, the energy acquisition requires high costs and has an essential influence on the competitiveness of products and local services. Due to these reasons, it is important to promote energy efficiency,

¹² According to the analysis of NAER

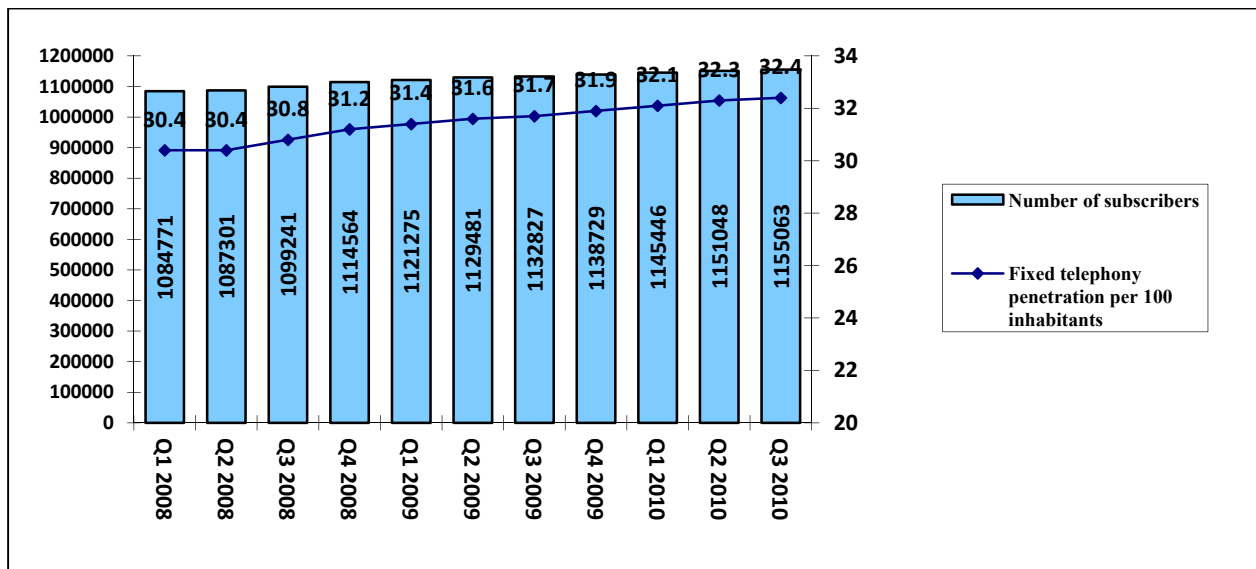
development and capitalization of own sources of renewable energy. For this purpose, the Law on Energy Efficiency¹³ was adopted, which defines the main principles of state policy, identifies the responsibilities of the Government and State authority in the field of energy efficiency. The Agency for Energy Efficiency (AEE) was appointed the responsible institution in the field of energy efficiency and renewable energy sources; the draft decision for its establishment is still under promotion. The activity of AEE shall be financed from the state budget and extra-budgetary resources.¹⁴

224. The policies and priority actions that will be implemented during a certain period of time in the energy efficiency field were included in the draft National Program for Energetic Efficiency for 2010 – 2020. These are meant to meet the challenges imposed by the growing price on fuel, dependency on energy resources import and impact of the energy sector on climate changes.

3.5.3 Communication infrastructure development

225. The number of beneficiaries of landline telephone services has reached 1151 thousands users at the end of the second quarter of the current year, reported to 100 inhabitants, accounting for 32.3 percent. Although the fixed telephone market has registered a constant evolution during the recent years, however, there is a tendency of depletion of the growth rate of this sector due to the market reaching the saturation point.

Figure 16. Evolution of the number of subscribers and penetration rates (2008-2010)



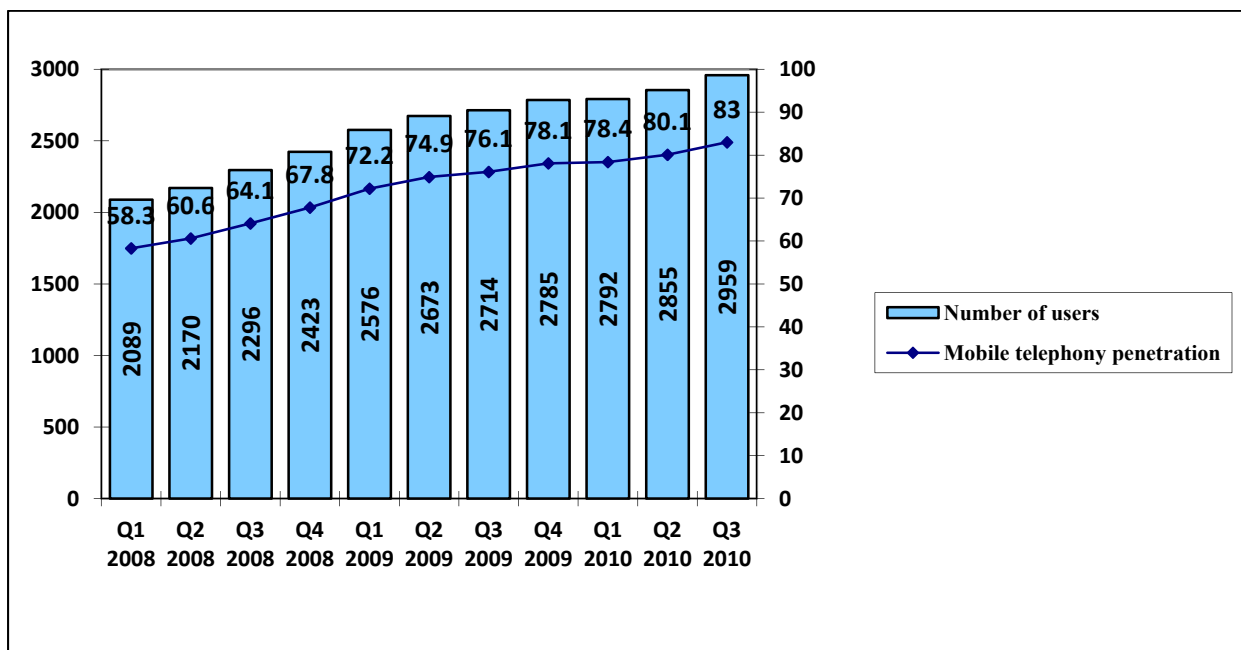
¹³ Law No. 142 of 02.07.2010

¹⁴ Energy Efficiency Fund

226. A completely different situation is observed with regard to mobile telephone services, where the number of users is growing rapidly. Thus, the total number of users has reached 2855 thousands in the first half of the year 2010. As a result of users' number increase, the penetration rate of mobile telephony grew compared to 2009 by 5.2 percentage points and has reached the level of 80.1 percent.

227. The positive dynamic of evolution in this sector is a fair result of acerb competition on this market, which is demonstrated by reduced tariffs and increased traffic offered by the operators when launching new offers for their subscribers.

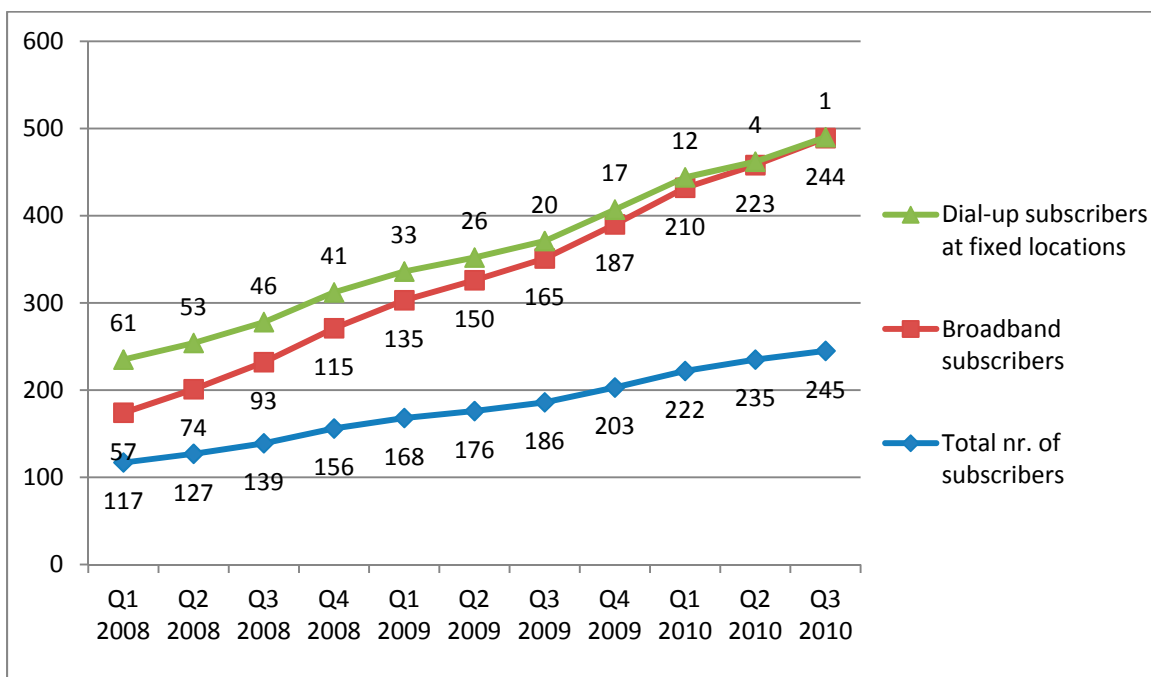
Figure 17. Evolution of the number of subscribers and penetration rates, thousands



228. The number of Internet users is also growing. The total number of Internet users reached 235 thousand users in the first half of 2010, out of which about 231 thousand users (98.2 percent) are using broad-band Internet connection, and 4 thousand (1.7 percent) – dial-up connections.

229. This evolution is positively appreciated being caused both by the increase of availability degree of broadband Internet services and reduced tariffs on these services for final users and the effect of replacing dial-up services with broadband services at fix and mobile points.

Figure 18. Evolution of the number of subscribers at fixed points, thousands

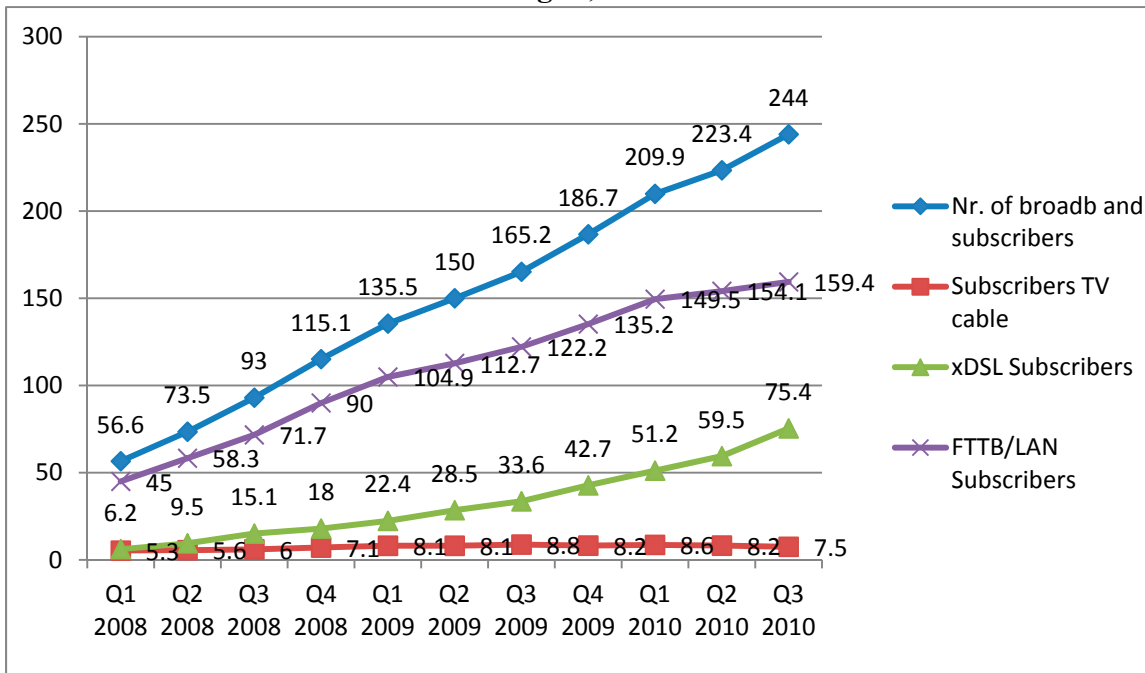


230. The biggest number of broadband Internet subscribers at fix points/locations was ensured by ADSL technology – 174.5 thousand users accounting for 75.5 percent of the total. At the same time, in 2009 the optical networks (FTTx) constituted the most dynamic access technology to broadband at fixed points. Most suppliers use this technology under FTTB form (optic fiber to the building) and Ethernet in the last mile. In 2009, the number of subscribers of FTTB grew by 105 percent; this increase was determined mainly by the connections made in Chisinau Municipality.

231. The territorial development of broadband services is characterized by a high concentration of subscribers in Chisinau Municipality, where more than half of the subscribers of these services – 106.3 thousand users (56.7 percent of the total) are located. The number of subscribers per 100 households is 43.3 in Chisinau Municipality and between 5 and 15 in most districts.

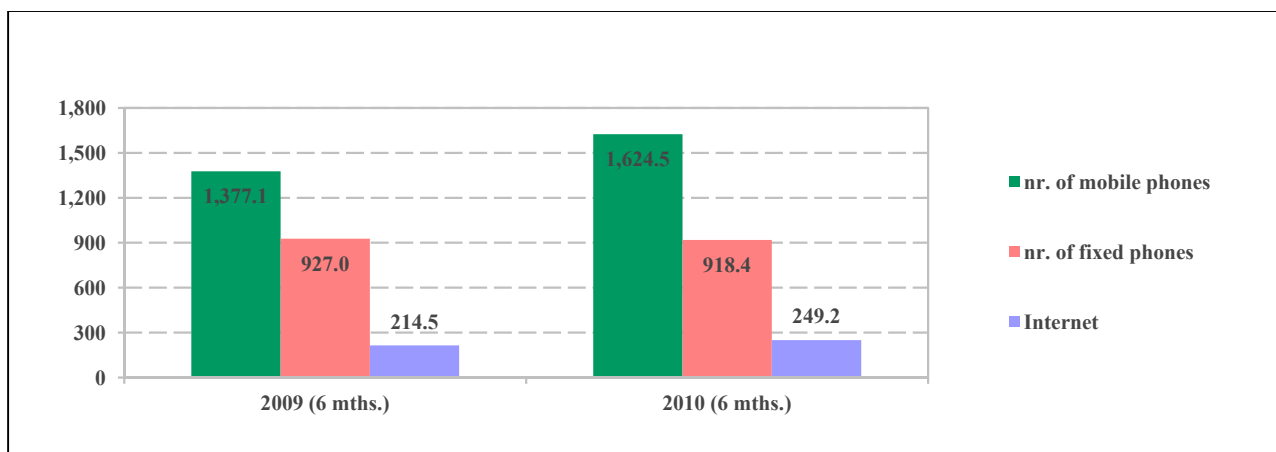
232. In order to increase the access of the population to Internet, the MICT and International Telecommunication Union (ITU) concluded a pilot project on developing the internet access points in rural areas of the republic by using broadband communication technologies, based on which the public internet access points were created within postal offices in 20 villages furnished with equipment necessary to offer internet access and access to a wide range of available services to the population. ITU has expressed the availability to replicate this experience in other rural localities from the country by opening another 20 access points.

Figure 19. Evolution of the number of broadband subscribers depending on access technologies, thousands



233. The turnover in the first half of 2010 in the landline, mobile and internet access sectors grew by about 10 percent compared to the respective period of 2009, accounting for 2,792.1 million.

Figure 20. Evolution of turnovers (MDL million)



PRIORITY 4: Human resources development, providing for employment opportunities and promoting social inclusion

4.1. Improving the quality and enhancing the equitable access to education services

234. Sustainable development of the society and national economy can be possible only with the participation of well trained citizens with practical knowledge, moral, intellectual, and esthetic values, an obligation which is vested with the educational system. The National Development Strategy identified a number of factors that impede the achievement of important objectives with a view to the sustainable development of the educational system: poverty, emigration, and inefficient financial management. The Government has committed to reduce these factors to ensure: (i) enhancement of the quality of education to develop the practical skills and knowledge, and at the same time, (ii) enhance access of children from poor families and of children with special needs to different levels of the public educational system.

235. To increase the quality of education by enhancing the skills of practical application of knowledge, the efforts undertaken during September 2009 – October 2010 focused on: (i) enhancing the efficiency of expenditures; (ii) improving the educational institutions management; (iii) human resources development; (iv) modernization of education programs; (v) technical and didactic endowment in the education sector.

236. In order to increase the efficiency of public expenditures for education, a new financing formula for education institutions and the Regulation on its enforcement were approved at the end of 2009. During 2010, this was applied in two pilot rayons, Causeni and Riscani. A number of actions were carried out to optimize the network of different types of education institutions, as a result of the above-mentioned process. Thus, the network of general education institution was revised in those two rayons, by initiating jurisdiction type secondary education institutions. As a result, five general educational institutions stopped their activity, 77 pre-university institutions were restructured out of which 14 institutions stopped their activity, 41 classes, 71.5 didactic norms, 37 units of didactic personnel and 53.7 units of non-didactic personnel were reduced. As a result of the assessment of the child's and families' situation in 8 residential institutions, the placement of children stopped in 7 of those, planned for future transformation. At the same time, a residential institution has stopped its activity, other two are planned to be liquidated. As for secondary vocational education, the reorganization of 4 vocational schools and one craft school was approved¹⁵.

237. At the same time, taking into account the budget deficit that appeared as a result of economic crisis, the increase of salaries for employees from the education system was phased out, with gradual implementation during the period 2010-2011, in two phases, January 1, 2011

¹⁵ Government Decision No.749 of 18 August 2010.

and September 1, 2011¹⁶. In the same context, optimization of spending in the education system, the List of State Real Estate Property under the administration of the Ministry of Education¹⁷ was approved and the Nomenclature of paid works and services undertaken and provided by education and research and innovation institutions subordinated to the Ministry of Health was revised¹⁸.

238. The process of improving the management of education institutions depends, to a great extent, on the regulation of the institutions' financing procedure, which will shape as a result of piloting the financing formula in those two rayons. Currently, a number of normative acts are being revised regarding the improvement of academic evaluation procedures and accreditation of higher educational institutions. At the same time, to develop/update the external evaluation mechanism by implementing the integrated evaluation, it is necessary to establish a structure authorized to carry out evaluation and accreditation functions, a provision stipulated in the draft Education Code. For this purpose, the evaluation and accreditation criteria and standards for all levels of education in the Republic shall be developed and approved by taking into account the international practice.

239. The development of human resources during the reporting period was facilitated by creating regional training of trainers centers under higher education institutions: North Region – A. Russo State University from Balti and South Region – B. P. Hasdeu State University from Cahul, as well as by diversifying the possibilities of continuous provision of training services, for which purpose 10 higher educational institutions, the Institute of Education Science and 2 programs (PRO DIDACTICA and Step-by-Step) have been authorized. Thus, in 2010 there were provided financial means for continuous professional training of 450 didactic and managerial units from the educational system at the Alecu Russo State University from Balti and of 380 at B.P.Hasdeu State University from Cahul. Since the training demand is higher than the offer of institutions authorized with this continuous training function, the training of didactic and managerial personnel is done in the territory being financed by the education institutions from the resources foreseen for this purpose (2 percent), from own means or with the support of NGOs and international organizations.

240. Modernization of formal and informal education programs with a view to the enhancement of the professional level of the labor force for a more competitive economy was ensured through different actions. Thus, the school curricula was improved through its revision with the extended participation of specialists in the field and hence, approved by the National Council for Curriculum and Evaluation. In order to implement the updated curricula, there were organized training of trainers courses at the local and central level who in their turn trained other didactic personnel from the territories, about 30 thousands overall. In accordance with the

¹⁶ Government Decision No.807 of 07 December 2009.

¹⁷ Government Decision No.625 of 12 July 2010.

¹⁸ Government Decision No.341 of 03 May 2010.

updated curricula requirements, 46 manuals were republished for the 1st, 5th, 9th, and 12th grades. It has to be mentioned that no publication of manuals was done during the last year, even if the necessary resources were planned.

241. In the field of secondary vocational education and secondary specialized education, for the purpose of social partnership implementation, the Sector Construction Committee, which is responsible for the supervision of curricula updating process, including for its adaptation to the labor market demands functions as a pilot project. The activity of sector committees shall be extended to cover all the professional training fields and at all levels. Sector committees will identify potential practical training bases. The Republican Center for the Development of Vocational Education was created for the same purpose.

242. In the higher education the aim was to increase the academic mobility through the participation of the educational institutions in the Communitarian TEMPUS IV Program. Currently, there are 11 TEMPUS projects under implementation in the Republic of Moldova with a value of about Euro 4 million. About 160 students, MBA candidates, PhD candidates, and didactic personnel benefit of exchange scholarships within Erasmus Mundus External Cooperation Window. Besides, about 400 students participate yearly in academic long-term exchange programs within collaboration protocols with other states. In the academic year 2010-2011, their number has increased considerably as a result of signing the Collaboration Protocol in the field of Education with Romania, which offered 950 scholarships for lyceum pupils, 1100 scholarships for higher education, coming up with an offer of 2800 places. 3467 foreign students are studying in the higher educational institutions of the Republic of Moldova.

243. In order to implement some uniform standards for the minimum skills in the field of information technology and communications in education, about 200 didactic staff was trained. At the same time, the list of nomenclatures suggested for the creation and implementation of Automatic Informational System “State Education Register” was finalized; technical projects were developed and the main functionality of the system for its registers was defined.

244. During the reporting period actions were accomplished in the field of testing and evaluation of educational results in order to increase the quality of education. Thus, the methodology for the organization and realization of 2010 exams session was developed and discussed publicly; Regulations on the organization and carrying out baccalaureate exams, secondary school and gymnasium graduation exams were developed. In accordance with this, the procedures for the organization and carrying out of final tests in the pre-university education to insure the access to information of all people interested in final testing activities, to increase the transparency of decisions made, to reduce the corruption phenomena, frauds, and attempts to favor the results of exams. In order to evaluate the individual results of pupils, to assess the performance of the educational institutions and national educational system compared to other states, the international evaluation of pupils (PISA 2009) was piloted in October 2009, being conducted by the Organization for Economic Cooperation and Development (OECD).

245. The level of providing the educational institutions with didactic equipment and materials increased thanks to the implementation of a number of measures among which: furnishing of 5 pre-school institutions; endowment with didactic materials, furniture, games of 100 pre-school institutions; provision of didactic materials and toys to 70 pre-school institutions; distribution of a set of books for children between 3-5 years old in all pre-school institutions from the country.

246. In order to increase the access of children from poor families and children with special needs to different levels of the public education system, the undertaken actions were directed to: (i) analyzing the phenomenon of limited access to education; (ii) fighting the phenomenon of child labor; (iii) direct financial and material support to children from poor families and children with special needs; (iv) streamlining the educational network and development of access infrastructure; (v) social assistance communitarian mechanism development.

247. The operation of the Automated Informational System “State Education Registry”, which is currently under development, will allow for a complex registration of all system aspects including registration of children with limited access to education, assisting, thus, in identification of children in need, and implementation of necessary means to include all the children in the education system.

248. To minimize the factors that limit the access of children from poor families to education, free food for all children from the 1st-4th grades was organized during the reporting period; they also received free of charge manuals. At the same time, the pupils from vulnerable families who study in a gymnasium are exempted of the book rental fee.

249. 78 camps functioned during the summer of 2010, where 398 thousands children improved their health as well as all 447 day camps hosting 490 thousand children, in total - 888 thousand children. In the same period of 2009, 78 camps and 362 day camps functioned, there being hosted 96 thousands children as well as 344 thousands children in the summer of 2008.

250. The access of children from poor families and orphans to further education was extended by granting them social scholarships. Thus, in 2010, 2510 social scholarships have been, while in 2009 - 2352 and in 2008 - 2231. At the same time, the quantum of temporary norms related to expenditures in money value for orphan pupils (students), and those under guardianship/fosterage increased by three times compared to 2008.

251. Under the conditions of exceptional situation induced by the floods from the last summer, there were undertaken all necessary measures for the security of children from the families that suffered as a result of these floods and their access to education by the beginning of the new academic year. Thus, about 300 children from the localities affected by floods spent their vacation in camps of the republic; over 300 children spent their vacation in Romania and 125 in

Georgia, in accordance with high level bilateral agreements between these countries and the Republic of Moldova. The children from families affected by floods received 554 allowances in the amount of MDL 1195 and 630 in the amount of MDL 612. At the same time, 34 people benefited of university education financed from the state budget, 45 people in specialized secondary education and 56 people in secondary vocational education institutions; all candidates were provided with free accommodation in hostels.

252. For access infrastructure development, 10 buses were procured and transferred under the management of the Education Directorates of 2 pilot rayons, Riscani and Causeni. Another 15 buses were procured for other rayons in accordance with the pupils transportation needs. Local public authorities included in the development programs and budgeting schemes actions related to the rehabilitation of roads used by school transport. Some works are planned for the current year. At the same time, repair/construction works of bus stations in localities from which the children are transported were undertaken

253. With a view to the development of the pre-school institutions system, 3 pre-school institutions were renovated and reopened and another 4 institutions were selected for renovation; the Rehabilitation Center for children with special needs from Criuleni was equipped, and 120 didactic personnel from the higher and general specialized educational institutions who prepare teachers for pre-school education were trained.

4.2.Strengthening a healthy society

254. Health represents a value in itself for the human being, a necessary asset to achieve its creative potential during the entire life. Besides, health represents an essential economic value. A healthy labor force is able to use its professional skills at maximum and be more competitive when applying for available jobs.

255. Promotion of efficient policy for medical personnel management is still an indispensable condition for the improvement of the health of the population and increase the quality of health services. Hiring of medical personnel, in particular of young specialists in rural localities and rayons is a permanent process.

256. In 2009, 102 doctors and 641 medical assistants, young specialists were distributed to rural localities and rayons. In the first 8 months of 2010, 72 doctors and 345 medical assistants with general education, young specialists were distributed to rayons and rural localities. In 2010, the Government has continued to allot MDL 30 thousand to each doctor and MDL 24 thousand for medical assistants with general education, young specialists, employed in the rural area. Overall, in the first 8 months of 2010, the young specialists were allotted means in the amount of MDL 7.66 million.

Table 4. Number of young specialists in medical institutions from rural localities and rayons who benefit from facilities (Source: accounting reporting of the MoH)

| Category, young specialists | Doctors | | | | | Medical assistants with general education | | | | | TOTAL |
|-----------------------------|---------|------|------|------|-------|---|------|------|------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | total | 2006 | 2007 | 2008 | 2009 | total | |
| Employed | 53 | 71 | 71 | 78 | 273 | 87 | 131 | 254 | 230 | 702 | 975 |
| Dismissed | -2 | -8 | -4 | -3 | -17 | -3 | -11 | -8 | -5 | -27 | - 44 |
| TOTAL | 51 | 63 | 67 | 75 | 256 | 84 | 120 | 246 | 225 | 675 | 931 |

257. For efficient accounting and analysis purposes of the situation of medical personnel, as well as to develop strategies for maintaining the necessary competence degree, the human resources database in the field of health has been developed.

258. To ensure the equity and transparency of decisions for professional and managerial promotion of medical personnel, the implementation of contest-based mechanism of hiring the managers of sanitary medical institutions in the public health system continued in September 2009 – September 2010. Competitions for holding director positions in 28 medical and medical and sanitary institutions were organized in the mentioned period.

259. The draft Concept of Telemedicine Development in the Republic of Moldova was elaborated, which includes the continuous professional training of doctors by implementing long-distance training, having the objective to diversify the continuous training forms, to facilitate the access of medical personnel to training without interrupting their professional activity and providing medical services to patients. Hence, to diversify the continuous medical education forms, it was decided to procure and install telemedical equipment in the Oncologic Institute, Neurological and Neurosurgery Institute, and Clinical Hospital of Balti Municipality.

260. In order to strengthen the skills, knowledge and abilities of medical personnel from primary medical assistance system there have been trained 52 trainers and 1101 medical assistants with general education. Thus, until December 31, 2009, there were trained 127 family doctors, 153 medical assistants of family doctor and 44 coordinators of Health Centers in the field of family medicine practice management. 135 coordinators of Health Centers were trained in the first half of 2010.

261. In 2010 there were organized regional training seminars in the field of National Health Accounts (NHA), thus, 370 people from over 200 medical and sanitary institutions of the country responsible for economic and financial component were trained by September 15, 2010. 436 doctors, didactic personnel, residents and medical assistants were trained with a view to the improvement of the quality of medical assistance management.

262. The curricula for family doctors and medical assistants was developed and approved during the reporting period, which is being implemented successfully within N.Testemitanu SMPU and National Medicine and Pharmaceutical College.

263. The enhancement of the role of primary medicine within the integrated medical assistance was achieved preponderantly through legal delimitation of primary medical assistance, assignment of responsibilities and functions. The procedure of legal separation of primary medical assistance from the hospital and specialized ambulatory service has started on January 1, 2008.

264. During 2010, 22 independent Health Centers (including one private) were founded. Currently, 54 Health Centers operate on the basis of contracts concluded directly with the National House of Medical Insurance, compared to 32 in 2009.

265. In order to maintain and improve the health state of the population through continuous development and enhancement of family medicine, the 2010-2013 Primary Medical Assistance Development Strategy was approved.

266. The primary medical assistance sector was also enhanced by increasing the rate of allocations to primary medicine from the Mandatory Medical Insurance Fund. Thus, in accordance with the provisions of the amended Law on Mandatory Medical Insurance funds, the 30 percent share of allocations for primary medicine from the Fund was maintained in 2009 and 2010, respectively. In the first 7 months of 2010, the primary medical assistance services were paid in the amount of MDL 566.9 million, which accounts for 32.1 percent of the core Fund.

267. The Government approved the Program for the Development of Hospital Medical Assistance for 2010-2012 with a view to the modernization and streamlining of hospital medical assistance.

268. The feasibility study of the Oncologic Institute was performed. This study identifies and justifies a number of recommendations aimed at increasing the efficiency of oncologic medical assistance and will be used in the development of the State Oncologic Program and attraction of investments in the field.

269. In order to improve the access of population to high quality medical assistance, based on the feasibility study of the Performance Center of the Republican Clinical Hospital from 2009, the design phase has started. There were identified necessary resources for the first phases of its establishment. Currently, the Terms of Reference have been finalized to select the design company for construction and reconstruction of Republican Clinical Hospital.

270. The final Report on the Strategy for removing the barriers and delivery of private health services and integrated operation of public and private services in the Republic of Moldova was drafted and approved. Based on its recommendations, legal amendments were made allowing private economic agents to operate on the basis of public-private partnership contracts on the territory of public medical and sanitary institutions.

271. The Strategy for removing the barriers and delivery of private health services and integrated operation of public and private services in the Republic of Moldova was developed in the second half of 2009. The Agency responsible for the approval and monitoring of PPP projects was established within the Ministry of Economy, which provides support for the implementation of first health PPP projects.

272. In June – July 2010, the Agreement for Technical Assistance in the implementation of two health PPP projects was concluded with the International Finance Corporation (IFC): radiotherapy service within the Oncologic Institute and imagistic service within the Republican Clinical Hospital.

273. The implementation of homecare and palliative services have started during the reporting period for the purpose of development of communitarian medical assistance as a result of normative framework approval. In order to contract homecare service providers, there were estimated the costs of a case assisted by medical care provided in stationary conditions (palliative care) for 2010, which is used to contract these services by the National Company for Medical Insurance.

274. As a result of the feasibility study on primary medical assistance, it was decided to start the rehabilitation works of 35 Health Centers. Further, after the natural hazards from the summer 2008, another 4 Health Centers were included. Thus, the actual total number planned for reconstruction is 39 Health Centers divided into 3 lots. In 2010 the rest of 34 Health Centers were approved for renovation. Currently, there were signed contracts with construction companies for the renovation of 16 Health Centers, and the works have started in July this year.

275. The reconstruction works of the buildings of Vorniceni Ftizio-pneumonia Hospital have continued during the first eight months of 2010; resources in the amount of MDL 13.7 million were allotted from the state budget. The renovation works of pathomorphologic block were finalized, the reconstruction works of curative block No. 2 have continued and external engineering network modernization works have been initiated. No budgetary financial resources for the endowment of the health system, including Vorniceni Tuberculosis Hospital, Straseni Rayon, were allotted in the first half of 2010. The expenditures for health system were reduced as a result of the economic situation that influenced the sector allocation of financial resources.

276. In the first eight months of 2010, there were allotted MDL 2.1 million for reparation works of the IMSP Psychiatric Clinical Hospital. A humanitarian aid tranche offered consisted of 12 aesthesis machines, infusion pumps, artificial breathing machines and consumables.

277. The construction and reconstruction works of objects of higher and secondary medical educational institutions continued during the reporting period; budgetary sources in the amount of MDL 1.3 million were used by December 31, 2009 (Medical Plants Cultivation Center of N. Testemitanu SMPU, Bardar village, Ialoveni Rayon; AMP Universal Clinic, 2nd tranche; Professional training of medical and pharmaceutical assistants Center of Balti Municipality; reconstruction of buildings and engineering networks of the National Medical and Pharmaceutical College from Chisinau and the building of Medical College from Cahul town). Budgetary sources in the amount of MDL 4.86 million were disbursed until December 31, 2009 for the modernization of technical and material basis of higher medical and specialized secondary education.

278. The 2010 state budget foresees expenditures in the amount of MDL 9.5 million for medical education institutions.

279. The General Plan of the hospitals was developed, foreseeing the necessary equipment for the subordinated public hospital medical and sanitary institutions. As a next phase it is suggested to establish an authority that will ensure the management of medical devices.

280. The electronic register of medical devices/equipment – open MEDIS - was developed simultaneously, which will have to be implemented in 6 public medical and sanitary institutions. For this purpose, the pilot Center for the implementation of software application for medical equipment record was created.

281. The Automatic Informational System for the Procurement Section under Medicine Agency continued in the second half of 2009. Currently, electronic procurement is not done by the responsible authorities in the field. The piloting of electronic public procurement shall be extended during the implementation phase and within some contracting authorities from the health field.

282. In order to regulate and ensure the supervision of prices on medicines, the monitoring system of producer's medicine price registration was created in August 2010. The Regulation on its activity is under development. Another step forward in streamlining the control over the medicine prices was the creation of one-stop-shop within Medicine Agency through which the reception of documents for the registration of prices of owners of certificates of medicine registration has started.

283. The medical equipment for strengthening the perinatology service was received in November 2009. There were procured high quality Doppler ultrasound machines. Concurrently, the medical personnel who will use the procured medical equipment were trained.

284. Modern equipment for emergency and intensive pediatric therapy accounting for EURO 1.42 million was installed during the reporting period. Another 6 medical equipment units are under procurement process.

285. The web pages of public sanitary and medical institutions were launched. The AI Blood Service System has reached its final stage of application and a closed and secured communication infrastructure was created for Blood Service. The implementation of SIME SIDA continued, and the AI System for improved epidemiologic supervision of Birds Flu and Other Infectious Diseases has reached its mass exploitation.

286. The Flu Diagnosis Laboratory within the National Public Health Scientific and Practical Center was equipped with modern equipment with the support of the World Bank, which is functional since March 2010, the estimated value of investments being of MDL 11 million.

287. The Automatic Informational System for primary medicine was developed. Being positively appreciated, the piloting period of software application was extended in the republic. The database of the Register of persons registered in rural primary medical and sanitary institutions, which provides primary medical assistance within mandatory medical assistance insurance, was developed and implemented”.

288. For continuous improvement of medical assistance quality, the Quality Councils were established in all medical and sanitary institutions in March 2010. Currently, the set of indicators of medical assistance quality is under development.

289. During the period September 2009 - September 2010, there were developed and approved 28 National Clinical Protocols; 35 Standard Clinical Protocols; 9 Standard Clinical Protocols for neonatology medicine in the resuscitation and intensive therapy sections; 10 standard Clinical Protocols for pediatric doctors from the resuscitation and intensive pediatric therapy sections; 3 medical practical guides; 6 testing algorithms of donated blood; 2 izoserology research and sanguine compatibility algorithms.

290. The monitoring of medical audit system implementation was organized in 9 territories and 33 public medical and sanitary institutions.

291. In order to ensure a qualitative surgery standard, the evaluation procedures of surgery protection of patients were adjusted and applied in the medical and sanitary hospital institutions.

292. With a view to the continuous improvement of service quality granted to the population by medical and sanitary institutions and pharmaceutical enterprises, these are subject to health evaluation and accreditation procedure. In November 2009 – September 2010, there were evaluated and accredited 18 public medical and sanitary institutions.

293. In January-July of 2010, there were undertaken 347 controls over the volume and quality of medical services provided within mandatory medical assistance insurance.

294. In order to ensure qualitative and accessible medical assistance to newborns and pregnant women, the republican perinatology service was revised. To organize precocious diagnosis at national level and continuing neonatal supervision, to increase the survival of newborns with small weight, to reduce the disability and belated neurological complications, the Republican Diagnosis and Supervision of Newborns Service was created in February 2010.

295. A National Communication Campaign was organized in August 2009 – April 2010, which covered 4 topics: burns and scalding, intoxications and food poisoning, suffocation with foreign bodies and drowning in household conditions.

296. During 2010, an increase of maternal mortality was registered, 18 death cases being registered (compared to 7 cases in 2009), these being determined by medical and social factors. The infant mortality indicator accounts for 11.8 cases/1000 born alive in the 2010 compared to 12.1 children/1000 born alive in the same period of 2009, and the child's mortality indicator of children under 5 years old accounted for 13.6 children/1000 born alive in 2010 and 14.3 children/1000 born alive during 2009.

297. There was created the Extraordinary Public Health National Commission. There were undertaken concrete measures to prevent the spreading of pandemic flu with the new influenza virus A(H1N1).

298. In order to improve the quality of health services provided to young people in 2009, the Quality Standards of Youth Friendly Health Services were approved in 2009.

299. 23 medical workers of the Youth Friendly Health Centers were trained in counseling issues related to pre – and post – HIV testing and Hepatitis B and C. To enhance the capacities of health service providers in the field of youth health, 50 people were trained in the main modules that relate to youth health.

300. 47 reproduction health cabinets, 12 Youth Friendly Health Centers, 3 Women Health Centers with a wide diagnosis and treatment range of services function in the republic. To extend the Youth Friendly Health Services and ensure an integrated planning process, organization, and

coordination of these services on the territory of the republic, the nominal structure of the Coordination Committee for the extension of Youth Friendly Health Services was approved.

301. 245 seminars attended by 18.608 young people were organized within Youth Resource Centers and Youth Friendly Health Centers. 57.000 teenagers benefited from their services.

302. In February – May 2010, the National Program for HIV/AIDS Prophylaxis and Sexual Transmission Infections for 2006-2010 was evaluated. The implementation activities of the National Program for HIV/AIDS Prophylaxis and Sexual Transmission Infections for 2006-2010 and National Program for Tuberculosis Control and Prophylaxis for 2006-2010 were discussed during three meetings of National TB/AIDS Coordinating Council.

303. The tuberculosis control activities in the Republic of Moldova during the year 2010 were focused on the stabilization of epidemic situation and reduction of infection spreading in the society. In 2010 there were registered 4632 new and repeated cases of tuberculosis compared to 4744 cases registered in the same period of 2009. As for the new cases, there is a decrease by 53 cases accounting for 3751 registered compared to 3804 cases registered in 2009.

304. Despite the fact that the global incidence indicator has decreased, the epidemiological situation is still complicated. The mortality indicator keeps its high value growing in 2009 (17.9 death cases per 100 thousand people), which exceeds by 3 percent the level of 2008 (17.4 deaths per 100 thousand people). Thus, the probability of reaching the Millennium Development Goals target in 2010 (15 death cases per 100 thousand people) is decreasing.

305. The draft National Program for HIV/AIDS prophylaxis and control and sexually transmitted diseases for 2011-2015 and the draft National Program for Tuberculosis Control and Prophylaxis for 2011-2015 were developed.

306. The Strategies for fighting epidemics based on tripartite principle are under implementation. The National HIV/AIDS Prevention and Control Center was created in May 2010 within the National Center for Public Health, as a single monitoring and evaluation structure of activities and strategies of the Program. Epidemiologic supervision of HIV/AIDS is carried out in accordance with the national standard adjusted to the requirements of European Union.

307. During 2010 in the Republic of Moldova were registered 704 new cases of HIV being equal to the number of cases in the respective period of 2009. On the Right Bank of River Dniester there were 457 cases registered (445 in 2009), 247 (259 in 2009), respectively in the Eastern region.

308. In the Republic, the universal access of people infected with HIV/AIDS to antiretroviral treatment (ARV) is ensured in accordance with National Protocols. Currently, 985 people are under ARV treatment, including 209 people from the Eastern region of the Republic.

309. The deficit of micronutrients is a determining factor for some diseases, especially among children and women. The prevention of children's intellectual affection and anemia is the most cost-efficient intervention to improve population's health. This is due to the fact that huge financial resources used in health system for the treatment of many diseases and affections that appear in chain due to iodine, iron, and folic acid deficit can be directed to improve the quality of treatment of other diseases that cannot be prevented through such interventions.

310. The National Iodine Deficiency Disorders Control Program was evaluated in the first quarter of 2010 and it denoted that 82 percent of the trade companies and 92 percent of the public catering companies and 100 percent of canteens from children and youth institutions checked, sell/use iodine salt. 97 percent of samples of iodine salt tested consist of adequate quantities of iodine (25 mg and more of iodine per kg of salt). The draft National Iron and Folic Acid Deficiency Disorders Control Plan was developed and presented for notifications.

311. The payment procedure and contracting criteria for medical service providers for the following medical assistance were established: emergency hospital medical assistance; primary medical assistance; ambulatory specialized medical assistance; hospital medical assistance; high quality medical services; medical homecare. The following payment methods were approved for contracting the medical service providers: per capita; per service; per treated case; per visit (in the homecare "assisted case"); global budget; retrospective payment per service within the contracted budget; deduction for performance indicators.

312. In 2009, the quantum of financial resources allotted to the health system accounted for MDL 3.846.8 million by MDL 453.9 million more compared to 2008, although the indicator of consumption prices registered 0 percent in 2009. In 2010, the amount of MDL 4.040,9 million was approved for the health sector provided the forecasted consumption prices indicator is 9.3 percent, in 2011 the quantum of allocations for health is foreseen in the amount of MDL 4.256,5 million (provided the forecasted inflation rate is 6 percent).

313. In 2010 the rate of 30 percent of allocations from the primary medical assistance fund was maintained. In the first seven months of 2010, the primary medical assistance services were paid in the amount of MDL 566.9 million which accounts for 32.1 percent of the Fund.

314. Means in the amount of MDL 112.0 million were approved for compensated medicines in 2010 or by 51.2 percent more than the amount paid in 2009 (MDL 74.1 million).

315. In 2010, the number of insurance policies sold increased compared to the same period of 2009, from 25.7 thousands to 33.55 thousands.

316. The mandatory medical assistance insurance funds collected mandatory medical assistance insurance contributions in fixed amount paid by individuals in the amount of MDL 40.389,5 thousand, compared to 38.466,1 thousand in 2009.

317. The undertaken measures contributed to the increase of the number of insurance policies sold by July 1, 2010 compared to the respective period of 2009, from 23.9 to 31.3 thousands.

318. The activity of territorial agencies in the field of collection of mandatory medical assistance insurance in fixed amount is monitored permanently by NHMI. Thus, as a result of the analysis of the plan on insurance contributions in fixed amount collected during January – April 2010, efforts were undertaken for maximum coverage of population with mandatory medical assistance insurance.

319. There was undertaken a study and a number of recommendations were proposed to extend the coverage of the mandatory medical assistance insurance on people self-employed in the private sector. A part of the respective recommendations were based on the interventions reflected in the developed policy documents.

320. When the volume of medical services for 2010 was planned, the real rate of different types of medical assistance in administrative territories and at different phases of medical service provision, real flow of patients and gradual achievement of equity in distribution of financial sources were considered. As a result, distribution of fund's resources per types of medical assistance was differentiated based on the priorities and commitments of the health system and assumed anti-crisis measures focused on the financial protection and access of the population to essential medical services.

321. These measures include the access of all population to emergency pre-hospital assistance and primary medical assistance by re-allotting financial means cumulated in MMAIF on the account of transfers from the state budget along with the streamlining of the content of the single Program; granting subventions from the state budget to the economically and financially vulnerable people to cover the cost of MMAIF insurance policies; expansion of the list of medicines partially and/or fully compensated by MMAIF by including the essential and generic medicines by simultaneous replacement of the expensive ones. Similarly, the non-insured persons benefit from ambulatory specialized medical assistance (infected with HIV/AIDS) and hospital assistance in the case of social-related diseases with major impact on public health.

322. The access of insured people to oncologic, gynecological, otorhinolaryngology consultations has increased within the ambulatory specialized medical assistance, as well as to

hospitalization in the case of chronic diseases that represent a risk of disability and requires hospitalized recovery and rehabilitation treatment.

323. To increase the efficient use of resources allotted to hospitals, in 2010 the payment of medical services within hospital medical assistance continued based on “treated case” principle per specialties differentiated for rayon, municipal and republican hospitals and which will include some new profiles of diseases and associated pathologies.

324. Furthermore, co-payment is gradually implemented in municipal and third tier hospitals, simultaneously with the right to free choice by the patient, with a view to the improvement of the under-financing and discouraging the excessive requests of hospital services.

325. In order to increase the number of insured persons included in the mandatory medical assistance insurance, in 2010, the reduced mandatory medical assistance insurance premium in fixed amount for some categories of people paid within 3 months from the enforcement of the law, in the amount of 50 percent was maintained . Additionally, a 75 percent reduction of the insurance premium for owners of agricultural land paid within the first 3 months of the insured year was foreseen.

326. In the case of non-insured people, the expenditures for emergency pre-hospital medical assistance, primary medical assistance, as well as ambulatory specialized medical assistance and hospital assistance in case of socially related diseases with major impact on public health shall be covered from the account of mandatory medical assistance insurance funds. Thus, the entire population has access to the mentioned types of medical assistance financed from the mandatory medical assistance insurance funds.

327. In accordance with the registered trends in the statistical data and requests of insured people, the range and number of high quality medical services, including share provided to the population from the rural sector and disadvantaged categories increased in 2010.

328. In 2010 a larger number of homecare service providers was contracted, which will increase the access of the elderly, lonely people and people with disabilities to benefit of this type of medical and social assistance.

4.3 Increase the employment rate by harmonizing the educational offer to the labor market

329. In order to ensure the labor market with qualified personnel and to harmonize the vocational education system with the needs of the labor market, a Memorandum of Understanding was signed between the Government of the Republic of Moldova and the OSCE Mission to Moldova on professional reconversion and social adaptation of military troops who are serving on contract-basis and retired military citizens in the Republic of Moldova. The

Memorandum will contribute to the re-employment of military personnel that serves on contract-basis and retired military citizens. The Program for the Training of Retired Military in the Republic of Moldova has started on September 14, 2010.

330. In order to cover the needs of qualified labor market, the enrolment a new professions was organized: repairman – mechanic of appliances; radio-mechanic in repairing radio devices; homecare worker; shoemaker of orthopedic shoes.

331. Based on the recommendations of the International Labor Organization directed to the improvement of the National Employment Agency's capacities (NEA), the Strategy for the modernization of National Employment Agency for 2009-2015 and its Action Plan was approved. This has the goal to enhance the capacities of the National Employment Agency in setting partnerships on the labor market. For this purpose, the Manual for Client Relations in the territorial employment agencies was developed.

332. To achieve the objective of informational system development for the labor market, including the component of labor force migration, the Call Center – Labor Market was inaugurated, which provides the callers with information on services offered free of charge by territorial employment agencies; vacancies registered in the database of NEA; ways of looking for a job; registration procedure with territorial agencies; information that relates to legal migration for labor purposes and risks of illegal migration.

333. The labor market forecast and the Barometer of Professions for 2010 are considered the base of vocational education system harmonization with the labor market needs, planning the activity of NEA and territorial units for 2010.

334. According to the database of NEA and its territorial units, 81 523 people, were registered at NEA during the first eight months of 2010. From the total number of registered unemployed, 14 681 people were employed from the beginning of the current year.

335. Labor mediation activity was supported by the organization of job fairs. There has to be mentioned the innovation of electronic database of vacancies per different branches of national economy used within the organized fairs.

336. In cooperation with the Public Employment Service from Germany and International Migration Center, in November 2009, there was organized the Job Fair for Moldovan citizens who live and work temporarily in Germany, having the goal to inform them about the opportunities of return to Moldova. In May 2010, a similar action was organized for Moldovan citizens who temporarily live and work in Italy.

337. On May 26, 2010, the Youth Jobs and Professions Forum were carried out during which a Youth Job Fair was organized. As a result, the fair was visited by about 2000 young people who had the possibility to meet directly with employers, 115 people being hired.

4.4 Providing for wider social inclusion and better social protection

338. In order to improve the social assistance system based on testing of revenues and evaluation of the applicants' needs as well as to increase their coverage rate, the guaranteed minimum monthly income (GMMI) of the household was increased from MDL 430 (in 2009) to MDL 530. According to the evaluations, about 144 thousand people are eligible for social allowance granted on the basis of global average monthly income or about 38 thousands vulnerable households compared to the average size of beneficiary family in 2009 – 3.8 people. In 2010, the list of social aid beneficiaries covered over 55 thousands vulnerable families. The expenditures for social aid payment increased from MDL 114 million in 2009 to MDL 283.7 million in 2010. Besides increasing the quantum of guaranteed monthly income, the expenditure increase was conditioned by some amendments to the legal and normative framework to improve the social aid payment mechanism as a result of which the number of beneficiaries was extended. An important role in this sense had the unfolding of more information campaigns for the population about the provisions of the new law.

339. To ensure efficient targeting of financial means to the poorest, beginning with January 1, 2010 new nominative compensations shall not be set for new applicants, these having the possibility to apply for social aid.

340. In order to evaluate and monitor the results of implementation of the new system for provision of social contributions based on income evaluation, the Social Inspection had to be established being authorized to control the correctness of setting social aid and use of financial resources allotted for this purpose in accordance with the legislation. Due to lack of financial resources, the respective unit was not established.

341. In order to develop and strengthen the national network of social assistants by instituting an initial and continuous training of social assistants, there was approved the Strategy regarding the establishment of continuous education of hired personnel in the social assistance system. In June – December 2009, the initial training of 520 communitarian social assistants was organized. Beginning with June 2010, the continuous education process of communitarian social assistants has started. Its purpose is to develop the functional abilities and organizational culture to stimulate continuous professional growth. Until now, 830 out of the total of 1159 social assistants benefited of continuous education.

342. To consolidate the competences and skills of local team of assistants and social workers and to solve the cases of beneficiaries from the community and households, the professional

supervision mechanism was established and its Guide for implementation was approved. The coverage degree of social assistants with supervision procedure accounts for 77.4 percent.

343. Structural changes that appeared at community level imposed the need to define clearly the competences of territorial social assistance units of 1st and 2nd tiers, a fact achieved through the modification of legal frame for integrated social service system. One of the main modifications related to the definition of the policy development role and normative and methodological frame at central level, role of resources organization and management as well as the role of social services provision at the 2nd level of the local public administration and the role of supporting the social service provision at the 1st level of the local public administration. Moreover, the personnel hired in the social assistance system were supplemented with professional parental assistants and parents -teachers from the family-type orphanages.

344. In June 2010, there was adopted the Law on Social Services that sets forth the general framework for creation and functioning of integrated social service system by determining the tasks and responsibilities of local and central public administration authorities, other legal persons authorized to ensure and provide social services as well as protection of rights of social service beneficiaries.

345. To design an integrated automatic informational system in the social assistance field for all levels of administration and management, there were developed five modules of additional supervision: protection of children's rights, prevention and fighting against violence in the family, human trafficking, record and social assistance of people with disabilities, social assistance to people infected with/affected by HIV/AIDS. This is an important step in updating the database of social assistance beneficiaries.

346. The consolidation of the social service system implies the deinstitutionalization of children from residential care system, prevention of their institutionalization and further reintegration in the community by offering family type communitarian services.

347. In the process of child's residential care reform, there were instituted Commissions for the protection of children in difficulty in all administrative-territorial units. 371 meetings of these Commissions were organized during 2009, which examined 1568 cases, as a result of which, 835 cases of institutionalization prevention and 255 cases of institutionalization were addressed.

348. As an alternative form of child care, there are 74 family-type children's homes in the republic, which host 308 orphans and children without parental care.

349. Professional parental assistance service has the goal to temporarily protect the child in difficulty, child's socialization and reintegration in the biological family, extended or in other forms of care of family type. Currently, 89 families of professional parental assistants host 125 children. Starting from the desideratum of children institutionalization prevention and diversification of social services addressed to children in difficulty; the quantum and types of

allowances paid to professional parental assistants were approved depending on the length of placement and number of children placed under the service.

350. The National Action Plan on protection of children without parental care for 2010-2011 was approved in June 2010.

351. In the context of promotion of rights and full participation of people with disabilities in the society and adequate social protection to these categories of citizens, on July 9, 2010, the Parliament ratified UN Convention on the Rights of People with Disabilities adopted in New York on December 13, 2006 and endorsed by the Republic of Moldova on March 30, 2007. According to the commitments that result from the provisions of the Convention, the Strategy on social inclusion of people with disabilities was adopted (2010–2013), which defines state's disability policy reform and covers the main trends of activities in harmonizing social protection system of people with disabilities with the European standards and Convention's provisions.

352. In order to implement the principle of dependency between size of contribution paid and received pensions, there were made amendments to correlate the individual contributions paid by the insured with the quantum of received social insurance pensions.

353. Under the conditions of more privileged norms of retirement, the reconsideration of the pension system has become inevitable in order to consolidate it and exclude the privileged conditions from the public social insurance system. Unfortunately, no tangible results have been registered yet in this field.

354. In order to improve the social assistance policies and streamline the costs of SSIB and SB, the financing source of pensions and monthly allowances for judges and prosecutors was modified. Thus, beginning with January 1, 2010, the expenditures for paying the pensions and monthly allowances to this category of people is covered: 50 percent from the set volume – from the state social insurance budget and 50 percent - from the state budget.

PRIORITY 5: Regional Development

5.1. Balanced participation of all regions to the socio-economic development of the country, with a primary focus on the regions North, Center and South

355. Although the Law on Regional Development in the Republic of Moldova has been passed in late 2006, the implementation process of regional development policy became more active since the second half of 2009.

356. The process of establishing the institutional framework for regional development has been delayed. Thus, although the National Regional Development Coordination Council and Northern, Central and Southern Regional Development Councils, created to deal with the approval, promotion and coordination of regional development objectives at the national and regional levels were established in 2008, the Regional Development Agencies North, Center and South, designed to implement regional development objectives were established in late 2009 in Balti municipality, Ialoveni city and Cimislia city respectively.

357. The Agencies' budgets have been approved by the National Regional Development Coordination Council in February this year, their financing being at the level of 44 percent of the National Regional Development Fund, while 56 percent being covered by the DFID project “Moldova: Regional Development Cooperation”.

358. For the regulation and coordination of national regional development policy in the period of reference, there was established the General Directorate on Regional Development. On March 4, 2010, the Government approved the National Strategy for Regional Development, the main document for regional development planning, which reflected the national policy and introduced national mechanisms of this development. It actually kicked off the implementation of regional development policy in the Republic of Moldova.

359. Following this event, the Regional Development Strategies North, Center and South have been approved, medium-term regional development policy documents. Such strategies have been developed with the active participation of both levels of local public authorities, NGOs and the private sector in each of the three regions, the identified priorities being:

- Rehabilitation of physical infrastructure,
- Support to the private sector development, particularly in rural areas,
- Improvement of the environmental factors and tourist attraction.
- In order to ensure transparency, at the stage of development, the mentioned above draft documents were consulted with the general public.

360. By the decision of the National Regional Development Coordination Council, the Operational Manual regarding the use of funds of the National Regional Development Fund was

approved, which reflected the operation of the Fund, the possibilities and ways of using it. In order to enforce the Operational Manual, several training sessions for capacity building of the Ministry of Construction and Regional Development staff and agencies in various fields have been performed.

361. From May 10 to June 10, 2010 the pilot call for proposals for the regional development projects to be financed from the National Regional Development Fund resources, which constitutes 1 percent of total state budget approved for the respective year was conducted. As a result, 135 project proposals has been received, 56 projects being included in the Single Programming Document for 2010-2012, which was approved by the Government, on August 26, and which follows to be financed from the National Regional Development Fund resources.

362. It is worth mentioning that, during this period, the State Chancellery has implemented the Joint Integrated Local Development Program, by approving, in this regard, Government Decision no. 608 as of July 5, 2010 designed to implement certain provisions of Law No. 435-XVI of December 28, 2006 on administrative decentralization, thereby establishing, the Joint Commission for Decentralization. In this context, by the above mentioned Commission's decision, the working groups for decentralization have been established, which started work on sector contributions to the draft National Decentralization Strategy and its Implementation Plan. However, the process of revising the existing legislation and identifying proposals for compliance with the principles of decentralization is on-going.

363. Four extensive studies on the assessment of the capacities of local public administration authorities, decentralized and de-concentrated services, the impact of territorial-administrative organization, evaluation of the existing situation in the administrative and fiscal decentralization were also initiated, but these are to be completed and the results of Groups Work activities would be reflected in the final policy document, which was expected to be completed by the end of the reporting period.

364. Although there were several actions taken to ensure the transfer of responsibility to local public administration authorities and their administrative capacity building, no sustainable results in this respect have been registered. The working groups activities shall be monitored in order to finalize the methodology for assessing the capacity of local public administration authorities of the I and II levels, approval of working tools, etc.

365. It is worth mentioning the evolution of the progress towards achieving one of the main objectives of the area of decentralization - strengthening the financial and patrimonial autonomy of local public authorities. In this context, the Ministry of Finance has established a sector working group, to implement concrete actions in order to make a delimitation between the own powers and those delegated to the local public authorities and review their funding mechanisms, to identify the best proposals for balancing financial resources available in the local budgets with

their competences in performing public expenditures, improving the regulatory framework for local government borrowing, etc. Please note that, during the reporting period, some progress was shown, but these should be reported to the implementation of the principal objective and measurement of its performance. In this case, we refer to the separation of public services between the CPA and LPA and their actual decentralization process that requires primarily a regulatory and legislative framework to be well-developed and in accordance with the European and international standards. At the same time, we would like to mention the accomplishment of a series of actions aimed at capacity building of both the CPA and LPA, related to the proper implementation of the respective provisions.

366. Although many actions were taken to ensure the transfer of responsibility to the local public authorities and their administrative capacity building, no viable results in this respect have been registered. It is important to monitor the working groups in order to finalize the methodology for assessing the capacity of LPA of the level I and II, approval of working tools, etc.

5.2. Accelerate the development of small towns as regional “growth poles”

367. In order to select and prioritize project proposals, received in the pilot Call for proposals, the Guidelines regarding the administrative check and preliminary examination of proposals on regional development was approved.

368. In order to promote small towns as “growth poles”, the evaluation criterion “Contribution of the project activities to the development of disadvantaged areas”, urban areas, 2 additional points are added to the obtained score.

369. At the same time, in order to achieve this objective, the National Spatial Plan was developed, which was submitted to the institutions concerned for examination and approval, in accordance with Article 19 of Law no. 835 of May 17, 1996 on Urban Planning principles.

5.3. Develop rural economy and enhance productivity in agriculture

370. Given the history and pattern of development of key branches in the Republic of Moldova, as well as the size of rural area in comparison with the rest of the development profiles, we can support that agriculture and rural development process occupies a prominent place in the cycle of prioritization at the national level. The directions for change set out in the National Development Strategy (NDS) to develop and modernize the agricultural sector are: a) increase agricultural efficiency and competitiveness of food products; and b) reducing the number of people involved in agriculture.

371. In order to improve agricultural land management and complex soil protection, we should mention about the project conducted with the support and funding from the World Bank and Swedish International Development Cooperation Agency (Sida), regarding agricultural land re-plotting on administrative territories of 40 villages in 21 rayons selected for the pilot phase. The average budget allocated to each locality in order to achieve this process is MDL 60 thousand. Out of the total number of identified owners (50,184 persons) in those 40 villages, 75 percent (37,520 persons) were interviewed: 55 percent out of the total number of owners were identified and expressed interest in participating in the project (27,765 people) and 20 percent (7,381 persons) have signed the forms of the re-plotting agreement, which meant that the design/planning of re-plotting has been completed for these landowners, and transactions can be registered and implemented.

372. As of September 20, 2010, 8,439 land transactions have been initiated in those 40 participating cities, out of which 5,513 were fully implemented (4,392 sale transactions, 164 - exchange, 345 – lease and 438 - legacy) and 2,926 transactions under implementation.

373. The participation rate of the owners in the project is of 11 percent - taking into account only the transactions already recorded and 17 percent - adding transactions under implementation.

374. Additionally, during 2010, resource reproductive technologies of soil processing have been developed, promoted and implemented in practice within a set of four farms on a total area of 6,085 ha (Moara de piatră, Popeștii de jos, Țarigrad and Hăsnășenii Mari, Drochia Rayon).

375. Another series of pilot projects on “Owning the book of fields’ history” have been implemented on a total area of 200 hectares, in the farms in Soroca, Edinet, Orhei, Briceni and Ocnita Rayons.

376. Additionally, in order to improve agricultural land management, the information material regarding “Pedological heritage, quality, recovery and management” and the Guidelines “Assessment and management of soils under organic farming practices” were developed. As it derives from the title, the last is meant for farmers, who were engaged in developing the organic sector production.

377. According to the legal provisions, the subventions fund for farmers in 2010 amounted to MDL 300 million, which, since 1 October, was increased by another MDL 100 million. As of October 6, 2010 MDL 79.5 million were capitalized, the resources being mainly allocated for investment incentives for the establishment of perennial plantations, where MDL 37.500 were capitalized and investment incentives for purchasing equipment and farm machinery and irrigation equipment, which used MDL 19.8 million.

378. During the reporting period, the Agency for Intervention and Payments for Agriculture has received 1,551 grant applications for review, of which 770 approved and the other being under review.

379. Likewise, with the state support, through IFAD and RISP Programs, in the rural sector of the Republic of Moldova, during first half of 2010, 246 agricultural activities have been financed in the total amount of MDL 74.8 million. It is an important performance indicator, showing an important performance in this chapter, representing an increase of such benefits by approximately 68 percent (MDL 42 million) as compared to the same period of 2009.

380. Through the Market Infrastructure Development Program for food products, the market and trade policies are promoted in order to ensure a favorable environment for the development of businesses and stimulate investment throughout the agribusiness value chain, the active promotion of exports of agricultural products with added value, supporting the process of improving post-harvest infrastructure and strengthening of direct relations between producers and consumers, improved marketing infrastructure and implementation of a market information system, attracting foreign and local investors in the development of means of production and increase the quality of agricultural production.

381. In order to ensure safety of food products and promote exports, as well as to harmonize national legislation with the Acquis Communautaire, the draft law on plant protection and plant quarantine was developed and adopted by the Parliament in the first reading. The “Phyto-sanitary Registry”, which contains a set of critical data about the importers of products subject to phyto-sanitary control, was also developed and implemented.

382. In order to promote trademarks in the wine industry, the possibilities for collaboration between local businesses-alcoholic beverage producers in the Republic of Moldova and Strategic Media Planning Agency “MAXXIMUM CONSULTING” from Ukraine have been examined. As a result, through the Embassy of the Republic of Moldova in Ukraine, the cooperation proposals in this field were submitted.

383. The Moldovan-Italian partnership has been strengthened significantly by signing an agreement with the Province of Fermo, Italy, which provides a common foundation, in the proximate future, of three packing houses of agricultural products in the villages of Orhei, Ungheni and Cahul Rayons, establishment of joint ventures for the production and marketing of fruit and vegetables on the EU market, attracting private investments and EU funds for other joint projects, to be translated into reality, to expand and deepen the relations in areas of common interest. At the same time, the action plan on promoting trade exchange with foodstuffs and attracting investments in agriculture and food industry between the Ministry of Agriculture and Food Industry of the Republic of Moldova and embassies of the Russian Federation and Ukraine was drafted.

384. During the reporting period, a number of Memorandums of Understanding between the Government of the Republic of Moldova and Romania and the Czech Republic and the Canadian Agri-Sustainable Partnership Corporation (CASPIAN) were concluded, which provide for a number of main areas of cooperation, such as: animal traceability systems, irrigation, milk processing, production and promotion of wine, fruit and vegetable processing, rural development, promoting high value-added agriculture, etc.

385. As regards the improvement process of agricultural education, it is vital to mention the process of developing the Plan regarding the admission in the high education institutions (cycle I and II) and specialized education for 2010-2011 school year, the Registration Plan being approved in 2010 for the institutions of higher education (first cycle), masters degree (second cycle) and specialized, with funding from the state budget and on contract base.

386. For a proper organization of the distribution of graduates in the labor market, the Ministry of Agriculture and Food Industry has requested the Rayonal Departments of Agriculture and Food Industry to collect information about the number of employees necessary for 2010. So far, 16.5 percent (229 persons) have been assigned out the total number of graduates (1,391 persons).

387. The key role in improving the performance and technical knowledge among professionals in agriculture belongs to the National Rural Development Agency (ACSA) in collaboration with the Ministry of Agriculture and Food Industry (MAFI). During January - August 2010, ACSA organized 2,406 seminars and training programs, which could be an indicator of growth of 9.1 percent in comparison with the same period of 2009.

388. At the same time, according to the training schedule, during January - August 2010, 11 training courses for employees of the Ministry of Agriculture and Food Industry have been organized, including nine training sessions organized by outside related institutions and two courses at the initiative of the Ministry of Agriculture and Food Industry. The beneficiaries of these courses are 36 employees, representing a 20 percent increase in comparison with the corresponding period of 2009.

389. Annually, the recipients of services provided by ACSA are approximately 300 - farmers, rural entrepreneurs and rural population. In order to strengthen intellectual, material and financial resources of science and innovation, facilitate scientific research in the agricultural sector, the Government approved a series of decisions aimed at reorganizing the institutes and scientific organizations in the food industry and create new organizations in the field of science and innovation, approval of the Nomenclature of paid works and services, executed and delivered by educational institutions and those related to science and innovation, etc.

390. In the area of creating an effective partnership among science, education and extension in agriculture, in 2010, through Codru Experimental Station, two projects were launched: 1)

“Implementation of apple species immune to scab and maintaining the Fruit Genetic Resources” and 2) “Using high-value species of fruit when founding commercial demonstrative orchards”. The aim of these projects is the development of production technology of healthy trees, free from diseases and viruses, which ensure a long life of fruit orchards, as well as producing high quality fruits. Presently, the Agricultural State University of Moldova is in the process of establishing an Innovation Park to conduct the advanced scientific researches proposed by businesses with an activity profile in agriculture. In this park, eight research centers will operate in all areas of applied and additional agricultural sciences. Additionally, the applied scientific research institutes as well as educational institutions are collaborating with similar foreign research institutions. The research results are used successfully by doctoral, master and students of agricultural education, these being also involved in most research projects.

5.4 Develop and upgrade regional infrastructure and promote public-private partnerships

391. In developing the regional development strategies, the current state of the physical infrastructure of the whole country was taken into account. For these reasons and in order to improve the attractiveness of the Republic of Moldova for investors both foreign and local, the regional strategic documents provided for the priority regarding “Rehabilitation of physical infrastructure”. Under this priority, the projects relating to the supply of drinking water, sanitation services and roads in localities in development regions have been received.

392. At the same time, we would like to mention that, in order to achieve this objective, the regional development agencies in cooperation with German Technical Cooperation Office (GTZ) have implemented vigorous actions to modernize the utilities, by implementing the project on “Modernization of local public services”. In this context, out of all projects received in the pilot Call for project proposals, GTZ will finance and implement four projects already selected in the field of public utilities.

393. In order to implement the regional development policy, the institutions in the field will develop constructive relations of cooperation with development partners in the regions. According to the Guidelines for Applicants on the submission of project proposals for financing from the National Regional Development Fund, a mandatory criterion for the project proposal is to submit the partnership declaration. Thus, the project proposals received should contain the partnership statements concluded with 3-8 partners. In addition to that, in order to fully achieve the regional development goals, several types of partnerships were established: among regions, among communities, intra-sectors, cross-border partnerships.

394. During the first half of 2010, a series of steps to establish sustainable cooperation relationships with various international development partners were undertaken. During the reporting period, the Memorandum of Understanding between the Ministry of Construction and Regional Development of the Republic of Moldova and the Ministry of Regional Development of

the Republic of Poland on regional cooperation and collaboration agreement between the Ministry of Construction and Regional Development of the Republic of Moldova and the Ministry of Regional Development and Public Works of the Republic of Bulgaria were concluded.

395. As for the Cross Border Cooperation Program Romania - Ukraine – Republic of Moldova, during the period in question, the collaboration with the National Focal Point representative of Moldova was initiated in order to bring to the attention of those responsible for regional development projects and regional cooperation on specific cross-border programs (field training).

5.5. Prevent environment pollution and promote efficient use of natural resources in view of improving the quality of life

396. As regards the waste management aspect, it is noteworthy that, during the reporting period, it showed a significant increase in the number of companies that are specialized in the collection, transportation and use of industrial waste (glass, used metal, scrap paper, plastics) and hazardous waste (batteries, galvanic sediments, waste light bulbs, waste oil). In this respect, there are currently 19 specialized companies on the market, out of which five obtained work permits in 2010.

397. Additionally, during the reference period, the inventory of all solid waste landfills (dumps) was conducted. The uncontrolled dumps were also identified and taken on record. According to the statistical data for the country, at present, there are 1,868 landfills in the Republic of Moldova, with a total area of 1,415 ha, out of which only 1,026 are authorized. 3,743 solitude dumps were also detected, out of which 2,814 were liquidated.

398. In the same order of ideas, during this period, 331 authorized landfills were arranged, 81 plots of land were selected for the location of new landfills and specialized sanitation services were established in 68 rural localities.

399. In order to improve and streamline the monitoring of POPs, the Soil Quality Monitoring Centre of the State Hydro meteorological Service has been equipped with professional equipment and supplies, following subsequently the certification, approval and accreditation according to international standard of competence ISO / IEC 17025.

400. During the reporting period, the construction and development works of water supply systems were carried out, as a result of which, there was built, repaired and developed an aqueduct with a length of 103.1 km, which connected 158,623 beneficiaries in different areas of the country.

401. The sewage system has also benefited from improvements and performance, by the construction and development of 44 km of sewerage network to connect 101,356 beneficiaries from localities of Anenii Noi, Balti, Comrat, Hincesti etc.

402. The budgetary allocations, both central and local, for the development and modernization of water supply and sanitation systems described above, amounted to MDL 255 million, which added MDL 1 million, allocated from the National Environmental Fund.

403. Likewise, it is noteworthy also the improvement of the multilateral cooperation on monitoring and protecting the Prut and Dniester rivers basins, by signing the memoranda of cooperation between the Government of the Republic of Moldova and responsible institutions from Romania and Ukraine aimed at the protection and sustainable use of water from these rivers.

404. During 2009 - 2010, the expansion process of state-protected natural areas and protection of flora and fauna remained at value levels similar to the previous period - 4.65 percent of the country territory, which is equivalent to 157,227.4 ha.

405. Increase of the forestation level is another crucial element for ensuring environmental protection and ecological balance. In order to enforce the productive functions of forests, it is necessary for the forestation level to exceed 15 percent. In order to achieve this objective, in 2009, about MDL 5.2 million were allocated from the State Environmental Fund for forestation of degraded lands and impracticable land for agriculture, planting and regeneration of protection bands for agricultural fields, and, in 2010, about MDL 8.0 million.

406. Following the statistical data regarding the work of Moldsilva Agency (institution responsible for the increase of the forestation level), at the end of the reporting period, we note that the planting and forest regeneration works were carried out on an area of over 9,000 hectares.

407. In order to modernize and streamline the national system of monitoring the status and evolution of hydro meteorological conditions, including natural hazards and environmental quality, an important success achieved in order to adjust local systems to the international warning systems, is to extend the time period from 5 to 7 days, introducing also the system of warning of hazardous hydro meteorological phenomena by means of four color codes (green, yellow, orange and red).

408. The negotiations with the World Bank on the financing of the project "Climate Risk and Disaster Management in Moldova" were launched. The main goal pursued by this project is to strengthen the inter-institutional potential to prevent and minimize the impact of natural hazards on national economy and population.

409. A consistent added-value in order to achieve this priority is brought by the project obtained within the negotiations with the Government of the Czech Republic, which provides for installation of 11 automatic hydrometric stations on the Prut River starting the autumn of 2010.