

REPUBLIC OF MOLDOVA

Interim Poverty Reduction Strategy Paper

November 15, 2000

I. Introduction

1. Over the last three years Moldova has made significant progress toward achieving and retaining macroeconomic and financial stabilization. It has, furthermore, implemented many structural and institutional reforms that are required for an efficient functioning of a market economy. The results of these efforts have contributed to the maintenance of macroeconomic and financial stability under difficult external circumstances and the creation of an environment that is conducive to the economy's growth and development in the medium term.
2. Despite these efforts Moldova continues to have one of the lowest levels of income per capita in Europe. The Government is well aware of this reality and is of the view that rapid and sustainable growth is the main instrument for reducing the development gap of the country relative to the rest of Europe, improving the standard of living of the population and reducing the poverty of those most in need. To address these aims in a comprehensive fashion the Government is intending to prepare a Poverty Reduction Strategy Paper (PRSP) by early 2002 and launch a national poverty reduction plan. This policy is consistent with Moldova's aspirations to become more integrated in Europe. To strengthen the policy's effectiveness, the strategy will be prepared by the Government in close consultation with, and broad participation from, representatives of the Parliament, civil society, and the donor community.
3. With the aim of achieving a rapid and sustainable growth path, the Government has agreed with the Fund and the Bank staff on a three year macroeconomic framework and a set of policy measures, which are described in the attachments to this document. The Government intends to request a three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the Fund. Furthermore the Government will continue to cooperate with the World Bank in the context of structural adjustment and investment operations.

II. Characteristics of Poverty in Moldova

4. Existing studies on Poverty in Moldova include an ethnographic survey of poor households conducted in late 1996, the World Bank's Poverty Assessment and Moldova's Household Budget Surveys which are compiled on a quarterly basis from the second quarter of 1997 onwards. The evidence generated by these studies suggests that poverty in Moldova is high and mainly due to limited job opportunities and low incomes, especially in rural areas and in the agricultural sector.
5. International comparisons reveal that Moldova ranks low in comparison with other transition economies in terms of commonly used living standard and human development

indicators. Per capita GDP in Moldova is lower than the average for Former Soviet Union economies, and significantly lower than the average for Central European and Southern European transition countries. The UNDP's human development index for 1999 (based on 1997 data) ranks Moldova 104th out of the 174 countries ranked. This ranking is lower than all the transition countries in Central Europe (33-47), Southeastern Europe (55-73) and all the Former Soviet Union economies, with the exception of Tajikistan that follows closely behind. Furthermore, the effects of the regional crisis in 1998 and the drought experienced in the country in 2000 are likely to have had a continued adverse effect on the country's living standards and human development indicators.

6. The existing studies indicate that a significant, and growing, share of Moldova's population is poor. In particular, about 35 percent of Moldovans were below an absolute poverty line of MDL 82.1 per person in May 1997. Preliminary estimates suggest that the proportion increased significantly to over 53 percent by last quarter of 1999 (see Table 1).

Table 1 **Poverty Using Absolute Poverty Line**

| | 1997 Q3 | 1997 Q4 | 1998 Q3 | 1998 Q4 | 1999 Q3 | 1999 Q4 |
|-----------|----------------|----------------|----------------|----------------|----------------|----------------|
| P0 | 30.4 | 37 | 41.3 | 46.1 | 55.6 | 53.4 |
| P1 | 9.7 | 13.2 | 15.4 | 15.8 | 21.9 | 19.5 |
| P2 | 4.7 | 6.6 | 7.8 | 7.5 | 11.3 | 9.5 |

Note: P0 is the "headcount" for poverty – the percentage of households with consumption below the poverty line; P1 is a measure of the "poverty gap" or depth of poverty, and P2 is the severity of poverty.

7. The increase in poverty has been associated with an increase in inequality. The Gini coefficient for income inequality increased from a value of 24 for 1987-1988 to 34.4 in 1992 and 36 in 1993. The 1999 household budget survey finds the Gini coefficient for consumption to be around 41, with the richest 20 percent of the population accounting for almost half of total consumption in the economy.

8. The existing studies provide firm evidence that the 1998 regional crisis has had an adverse effect on both poverty and inequality. The results of the 1999 household budget survey indicate that the gross income of close to 80 percent of households was less than the subsistence minimum of MDL 233 per person per month, calculated according to international norms. Work undertaken for the formulation of the government's National Poverty Reduction Strategy suggests that over 20 percent of the population may be classified as extremely poor, more than two-thirds of which reside in rural areas. As a result of the drought, the situation is likely to have deteriorated further in 2000.

9. The poor in Moldova range from less educated, unskilled workers, or very large single-parent families, to highly educated persons who once enjoyed socially prestigious and well compensated positions as scientists and professionals. Among the poorest groups are the working poor, especially the landless workers in the agricultural sector, families with children, families numbering more than 5 members, families with one or more vulnerable members, and the unemployed, a third of which are in extreme poverty.

10. Poverty in Moldova is more prevalent in rural areas. In 1997 the statistics showed that about 21.1 percent of the population in rural areas were found to be below the

relative poverty line, compared to 17.2 percent of the population of other cities, and 6.7 percent of the population in Chisinau. The most vulnerable are the agricultural workers: 27 percent of agricultural workers were below the relative poverty line, as compared to 15 percent of farmers, and 21 percent of unemployed.

11. Despite their capacity to produce some of their own food – which has kept many rural poor out of extreme poverty – conditions in rural areas remain difficult. Many rural households survive on subsistence farming. Agricultural households interested in farming lack the means to expand into more profitable farm activities. Cash-poor, with fewer opportunities to obtain credit, these households are unable to branch into more profitable crops because they cannot afford equipment, fertilizers, pesticides, seeds or irrigation. Although the country has made good progress in farm restructuring and land privatization, the reforms were delayed until the collective farms had largely collapsed along with the processing/marketing system that supported the agricultural sector. A promising development has been the land consolidation that is underway following the privatization of land. It has, nevertheless, failed to produce an increase in agricultural output to date.

12. The poverty increase in Moldova over the transition period is the combined result of a number of developments, both external and domestic. These include: (a) the effect of the dissolution of the Soviet Union, the accompanied disruption of trade and payments and, especially, the price shock which accompanied the liberalization of the price of energy, a key (and imported) component of Moldova's domestic costs. A comparative study undertaken by the World Bank suggests that Moldova was the hardest hit country of the Former Soviet Union by the terms-of-trade effect which accompanied the movement of domestic energy prices towards international prices; (b) the conflict with Transnistria in 1992 and a series of natural disasters and their effect on the country's agricultural sector and agro-processing, which account for around half of the country's GDP. These include floods in 1992 and 1994 and the 2000 drought; (c) the continuing regional instability and, especially, the effects of the Russian crisis of 1998. The above exogenous factors were exacerbated by intermittent policy reversals in the implementation of the country's structural reform program.

13. The Government intends to design a comprehensive and participatory program aimed at ensuring the economy's sustainable growth and development in the medium term and explicitly tackling the issue of poverty in the country. A sustained effort has and will continue to be made to update the available poverty database in order to enhance the impact of the program's poverty alleviation measures. A collaborative program supported by the UNDP was signed in August 2000 aiming at developing further the informational instruments and policymaking in the social sector and improving the institutional structure for assessing and monitoring the poverty alleviation impact of policies. Work is currently underway in order to identify knowledge gaps, and specify the analytical work necessary for the preparation of the full PRSP.

III. Three Pillars of a Poverty Reduction Strategy

14. The government's poverty reduction strategy will be founded on three pillars: (i) sustainable and inclusive economic growth that will provide the population with

productive employment; (ii) human development policies emphasizing increased access to basic services (especially primary medical services and primary education); and (iii) social protection policies targeting those most in need.

15. The government's poverty reduction strategy will focus on a fair distribution of the benefits of growth for the entire population and will take into account the existing social capital at the community level. The PRSP approach provides Moldova with the opportunity to clearly address poverty reduction as an explicit policy goal and formulate the strategy in a participatory fashion thereby increasing ownership.

A. Sustainable and Inclusive Economic Growth

16. The Government will maintain a stable macroeconomic environment tailored to the country's financing constraints and conducive to the economy's growth and development in the medium term. The program aims at consolidating the stabilization achieved in the first ten months of the year and providing the conditions for the economy's sustained growth and development in the medium term. The Government has, in consultation with the IMF, elaborated a macroeconomic framework for the next three years. The program projects that Moldova's economy will expand at a growth rate of around 5 percent a year over the medium term. Its main elements appear in Appendix A of this document.

17. The promotion of sustainable growth and inclusive development is the overarching priority in the government's development and poverty reduction strategy. And sustainable growth in the medium term is likely to stem from the development of private sector activities in areas where the country has a comparative advantage. These areas are likely to include the agro-industrial sector, the small and medium enterprise sector and the service sector, i.e. areas that either reflect the country's endowments or were underdeveloped under the command economy. A detailed study will be conducted to identify the sources of economic growth in Moldova.

18. The Government is of the view that sustainable and rapid economic growth will be achieved through a model of development based on private sector growth and the development of export industries in areas where Moldova has a comparative advantage. The development of the private sector is essential for the creation of a market economy and for reaping the benefits associated with a well functioning market system. The Government plans to develop an export led-growth strategy with an aim to diversify export products based on its comparative advantage and gain access to non-traditional export markets.

19. The Government remains committed to further progress in its structural reform program that will promote the creation of a stable and predictable framework to facilitate private sector activities, attract foreign direct investment, as well as increase domestic investment. Toward this end, the Government intends to adopt structural measures including financial sector reform to increase access to cheaper credit necessary for the development of private enterprises, privatization of key strategic industries, enterprise restructuring, improved business environment, deregulation of the private sector, rationalization of licensing and registration, improved corporate governance, and

improved institutional and legislative environment conducive to foreign and domestic investment.

20. With regard to the government's privatization program, emphasis will be placed on the open and transparent privatization of the energy sector (three electricity distribution companies were already sold to a strategic investor and tenders were already launched for the remaining two distribution companies and the three power generating companies), the telecommunication sector (with the privatization of "Moldtelecom"), and the wine sector. The land privatization program is close to completion.

21. With regard to enterprise restructuring, the bankruptcy and liquidation of enterprises with significant debts will continue throughout the period. Bankruptcy and liquidation procedures have already been initiated against firms with significant arrears to the state and Social Fund budgets. The legislative framework for efficient corporate governance will be improved further. The Government will identify specific measures in this area with donor assistance.

22. Finally, a sustained effort will be made to create a better investment climate by eliminating barriers to entry for new enterprises. This includes the simplification of entry procedures (through the simplification of licensing and registration requirements) and the improvements in the legal framework required for the further growth and development of private sector activities in Moldova.

23. Poverty reduction through sustainable and inclusive growth requires not only a dynamic private sector but also an efficient public sector that can operate in a transparent and accountable fashion and are accessible to the entire population. The Government has recently adopted a comprehensive Public Sector Reform Strategy that aims to build market-oriented and service/client oriented, merit-based, de-politicized and corruption-resistant public sector, which meets EU "best practice" standards; is affordable and fiscally sustainable; and ensures cost-effective delivery of priority public goods and services and interacts with and supports the development of the private sector.

24. The government's public sector reform program supported by the World Bank under the planned series of Public Sector Reform Credits will include:

- the rationalization and more efficient targeting of social sector expenditures (including health, education and social assistance expenditures);
- the promotion of a comprehensive public administration and civil service reform aiming at: modernizing and re-orienting the role of the state from directing and controlling economic activity towards transparently facilitating the growth and development of the private sector, restoring public and business confidence in state institutions, and decentralizing authority to a reorganized and strengthened system of local administration;
- the strengthening of the legal and judiciary systems;
- the tackling of corrupt practices in the areas of state capture (which restricts competition and domestic and foreign direct investment in the economy) and administration (the burden of which is borne disproportionately by the poor).

- the improvement in the management of public expenditures (including the reform of the budget process and budget execution, as well as the cash and debt management), the further strengthening of the system of intergovernmental finance, and the further improvement of the government's revenue performance and strategy:

25. As noted already, poverty in Moldova is especially prevalent in rural areas. In parallel to the above measures, the Government will give high priority to agricultural and rural development to address the existing constraints in the development of the rural areas and generate employment and income on a sustainable basis. The Government will develop and adopt a comprehensive agricultural and rural development strategy to set aims and priorities and determine the content and sequencing of policy interventions. The overall objective of the strategy is the increase in rural incomes and living standards by promoting rural entrepreneurship, agricultural production, economic diversification, and trade in rural areas.

26. The above reforms as well as those measures geared more specifically towards poverty reduction are summarized in the attached policy matrix (Appendix B). The outlined policy commitments and targets for the outer years are tentative. They will thus need to be revised when the interim PRSP is replaced by the full PRSP.

B. Human Development

27. The Government is of the view that economic growth that does not translate into improvements in the standard of living for everyone is socially, economically and environmentally unsustainable. The promotion of sustainable human development in the Republic of Moldova would mean strengthening social cohesion through a precise identification of the sources and consequences of social exclusion and the elaboration of necessary policies to address these in order to meet the basic needs of the most vulnerable layers of the population.

28. The Government will promote human development through the design and implementation of comprehensive and integrated strategies aiming at sustainable improvements in health and education. The strong correlation between poverty and related human development indices provide firm support for the poverty alleviation impact of human development programs; improvements in health and education have a direct effect on poverty reduction. They, furthermore, entail significant positive externalities for the improvement in the economy's supply side and the promotion of sustainable and inclusive economic growth within a socially cohesive society. Moldova has few natural resources and its human capital could become the main source of economic growth.

Health

29. Over the transition period the health situation in the country has deteriorated significantly with a steep decline in health expenditures (which accounted for only 2.9 percent of GDP in 1999 down from 6 percent in 1997), a decline in life expectancy, and an increase in the number of people suffering from diseases.

30. The government's health care strategy aims at:

- Maintaining the level of health expenditures in real terms at least at the level of the 2000 budget;
- Instituting poverty reduction interventions, such as emphasizing primary health care and disease prevention;
- Improving the allocation of resources to make it more equitable and efficient, including the restructuring of the provider network;
- Developing health services autonomy, especially for hospitals; and
- Training general practitioners and health managers.

31. In the short run the health reform aims at:

- Guaranteeing transparent access to a minimum package of health services which are affordable to the state and for which the state's commitments are fully funded;
- Modernizing emergency services and primary health care;
- Strengthening the health sector's institutional capacity while reducing excess capacity; and
- Supporting the development of TB and HIV/AIDS Strategies.

Education

32. Mirroring developments in health, education over the transition period has deteriorated significantly with a steep decline in enrollment rates, chronic absenteeism among poor children, lower participation of poor students in upper secondary and tertiary education, and reduction in education expenditures (which accounted for around 4.7 percent of GDP in 1999 down from 10 percent in 1997). Given the importance of education in providing its recipients with the means for a sustained reduction in poverty and the positive externalities of human capital development for the country at large, the Government remains committed to a sustained effort to improve the country's educational sector.

33. In particular the government's education policy aims to improve the efficiency of the educational system while maintaining fiscal sustainability. The Government, with assistance from the World Bank, is preparing an Education Sector Strategy that will make specific recommendations for achieving these objectives. The government's strategy will include the following components:

- Promotion of access to, and retention in, basic and secondary education for poor students.
- Improvements in the governance and accountability of the education system.
- Undertaking an analysis of the decline in gross enrollment rates in basic education over the transition period.

- Review the structure of the secondary education system in order to make it more appropriate to current demands in the labor market and identify measures for improving the quality of secondary schooling.
- Review curriculum standards and address issues related to the quality and remuneration of teaching staff for the entire education system.
- Develop analytic data bases including: an education management information system that includes a school mapping data base, financing data, and human resources data; a study of informal payments by families at all levels of education; and a study of alternative ways to save energy in schools.

C. Social Protection

34. The Government recognizes that the reform of the country's social protection system is necessary in order to provide fiscally sustainable and well-targeted assistance to those in need. In the past Moldova's social protection system relied on pensions supplemented by poorly targeted and, to a large extent, under-financed benefits and privileges. Work undertaken by the Government in the process of formulating its national program for poverty alleviation suggests that over one-third of Moldova's population enjoyed privileges which were both poorly targeted and expensive, accounting for around 8 percent of Moldova's GDP in 1998.

35. Recent developments in social protection in Moldova have included the rationalization of energy and, partially, transport subsidies by eliminating the old system and approving a fully funded and targeted compensation scheme based on category targeting which is paid in cash and directly to recipients. The Law on the special social protection of certain categories of population, that eliminated non-targeted energy subsidies and limited energy privileges to the nine categories representing the most vulnerable segments of society, is likely to have a beneficial effect on government finances and improve significantly the efficiency and targeting of the government's social assistance program.

36. Designing a social assistance system that is transparent, fully funded, fiscally sustainable, and well targeted will be the focus of the next phase of the social protection policy development. The modification and establishment of various policy parameters (e.g. minimum wage and subsistence minimum) needs to be based on financial and economic analysis of their link and impact on social benefit programs. Under the constraint of lacking a reliable income certification process, future social assistance system would need to rely on a combination of targeting mechanisms and will consist of a mixture of programs at national levels and local levels.

37. It is conceivable that programs targeted to families with children, particularly those with many children, would need to be at the center of the national social assistance program, given that poverty analysis suggests that these families tend to be among the most poor. Analyzing options to rationalize existing child benefits would be the first step in this direction. Options of direct in-kind assistance to children of school age could be considered as a measure to supplement cash transfers while at the same time encouraging

school attendance. The Government is currently working with development partners (UNICEF, European Trust, and SIDA) to pilot de-institutionalization programs. The World Bank has also been supporting this effort through the Social Investment Fund project.

38. With regard to the reform of the pension system the Government remains committed to strengthening the linkage between contributions and benefits, eliminating privileged pensions and tightening eligibility criteria, making the system more transparent (with a clearly specified benefit formula and indexation rule and establishing an individual pension record for everybody).

39. As a second element of the social protection program, work on improving the functioning of labor markets and the protection of those in poverty while unemployed, together with improved access to job search and job creation services will be undertaken. Finally it is envisaged that locally administered programs will be an important element in the social assistance system. Nevertheless, a thorough analysis of the available options and monitoring mechanisms is necessary in order to ensure that the programs would be sustainable and can assist the poor in an efficient and equitable manner.

40. The employment policy and labor market development is an important area of the government's poverty program. To facilitate the development of a flexible labor market which would lead to a more efficient use of the labor force, the government's strategy will include: (a) a comprehensive analysis of the labor market developments and the impact of structural reforms on the employment, job creation and wage adjustment; (b) the identification and removal of the legal constraints on the functioning of a flexible labor market; (c) the evaluation of the efficiency of the existing labor market programs such as job searching and retraining and work out a new design. The Government has identified technical assistance needed in the following areas: (a) labor market monitoring, (b) legislative review and development, and (c) employment assistance program design.

41. The Government will place particular emphasis on alleviating child poverty. The available studies suggest that households with children are the most vulnerable group in Moldova. Furthermore there is firm evidence of an increase in child malnutrition.

42. The government's national poverty reduction program aims at addressing the issue of child poverty through focused and well-targeted interventions within the limits imposed by the country's financial situation. These include interventions aiming at ensuring adequate levels of food security and childcare, and the social protection of orphans and disabled children. To achieve these objectives, the Government will need technical assistance to conduct analytical work that is required to assist in the redesign of the child assistance program.

IV. Institutional Mechanisms for the PRSP

A. Institutional Arrangements

43. The Government has established a PRSP Steering Committee to oversee the development of the poverty reduction strategy. The First Vice-Prime Minister and Minister of Economy and Reforms will act as the coordinator for the preparation of the PRSP. An inter-ministerial PRSP Working Group, reporting to the First Vice-Prime Minister and Minister of Economy and Reforms and the Steering Committee, has been set up and will be responsible for the day-to-day management of the PRSP exercise and for the preparation of the draft PRSP. In the sectors in which government policies and programs can have a significant impact on poverty reduction, Sector Working Groups (SWGs) have been or will be established and will be responsible both for the development of policies and strategies for inclusive development and for defining priority programs and measures within the sector public expenditure program.

B. Measures to Strengthen Public Expenditure Management

44. The efficient implementation of the government's poverty reduction strategy requires that weaknesses in the planning and management of public expenditure be addressed. Under the government's Public Sector Reform Program, the Government aims to build a robust, sustainable and effective public sector resource management system which provides for high levels of fiscal control (hard budget constraints at all levels of government); strategic prioritization (allocative efficiency in budget formulation and expenditure review and prioritization at all levels of government); and technical efficiency in budget execution (at all levels of government). Specific measures are already being developed and implemented to: (i) introduce a strategic approach to the prioritization of public expenditure under which expenditure decisions are explicitly linked to government policies; (ii) adopt a three year time horizon for the programming of public expenditure, thus placing the design of expenditure policy in a medium-term framework; (iii) refocus of budget management towards placing emphasis on the realization of outputs and outcomes rather than the utilization of inputs and perceived needs. In addition measures have and will continue to be taken throughout the period in order to improve the monitoring of public expenditures and ensure that resources reach the intended beneficiaries.

45. The Government recognizes that effective implementation of the expenditure policy will require significant increases in capacity at the center of Government; in the Ministry of Finance; and in line Ministries. These capacity-building measures will be addressed under the government's Public Sector Reform Program, to be supported by World Bank's Public Sector Reform Credits. With the assistance of Moldova's development partners the Government has begun to address these requirements through the introduction of a medium-term expenditure framework (MTEF) and other initiatives to strengthen budget implementation procedures. The MTEF process will ensure that sector policies and public expenditures have a clear poverty reduction focus and are designed taking into consideration the country's available financial resources.

46. The Government will continue its efforts aimed at improving budget implementation. Past work undertaken with the support of international organizations included a revision of the budget classification system to strengthen the targeting and monitoring of public expenditure, establishing a central treasury system, and implementing the law on local public finance which is related to law on administrative and territorial reforms. Further work will be undertaken aiming at improving Treasury operations to ensure the more timely release and predictability of funds and better timely reporting of expenditure and increasing responsibility and accountability of local governments for service delivery that could be more effectively carried out by the local governments, complying with minimum standards of public financial management to ensure that public resources are being used to achieve the government's poverty reduction goals, and promoting broad participation of the public by publishing information on the MTEF, the budget and accounts.

47. To successfully implement the law on Local Public Finance, the Government is well aware of the need to strengthen the capacity of local governments over the medium and long-term. Currently, the Government is working with development partners to improve and streamline the budget execution at the local government levels. Plans are being developed to build the capacity of local governments and to streamline the system of inter-government fiscal relations including a thorough reviewing of the existing legislation on the budget system, territorial administration, local public finance; adjusting the assignment of expenditures; and finalizing the regulation of transfer of property rights to sub-national governments.

48. The preparation of the PRSP will be closely linked with the MTEF process in ensuring consistency between the government's poverty reduction strategy, its expenditure plans and the country's available financial resources.

V. Participatory Process and Timetable for the PRSP

49. The interim PRSP was prepared by the Ministry of Economy and Reforms following consultations with line ministries, other government entities and Parliament. Comments were also sought from representatives of international organizations and the donor community, including the IMF, the World Bank, and EC/Tacis.

50. The preparation of the interim PRSP was launched in July 2000 with the setting up of an inter-ministerial working group as well as sectoral working groups in line ministries that focused on the poverty reduction strategy. With assistance from Moldova's international partners meetings were conducted to alert government officials, civil society, and donors about the new initiative and, in particular, the participatory aspect of the PRSP exercise.

51. The Government is committed to the participatory approach for the formulation, implementation and monitoring of the PRSP, which is outlined in Appendix D. Based on an analysis of the current level of participation in Moldova, a complete stakeholder analysis will be carried out. In preparation for this analysis the Government is in the

process of compiling a list of organizations identified as important in areas relevant to the PRSP process. Following this analysis, the Government will commit to clear and transparent selection criteria for the participation in the consultation process, to ensure broad representation of domestic and international stakeholders in the PRSP exercise.

52. The Government is committed to provide information on the PRSP process and consult widely with its domestic and international development partners. The Government will continue to disseminate widely background information for the PRSP process to relevant stakeholders through a sustained public awareness exercise and the posting of relevant information in the government's web site. Institutional mechanisms for the consultations with stakeholders will include interviews, focus groups, workshops, and conferences. The participatory process for the PRSP will culminate in a stakeholder workshop with the aim to validate and finalize the Poverty Reduction Strategy in October 2001. By the end of 2001, the Government will produce the full-PRSP incorporating the contributions of all stakeholders. The work plan for the preparation of the PRSP is outlined in Appendix D.

VI. Monitoring Indicators

53. The Government has and will continue to undertake a series of measures in order to improve and/or establish appropriate mechanisms for the regular and timely collection, analysis and publication of the database required for the monitoring of social indicators relevant to the PRSP process. The Department of Statistics, in cooperation with development partners that will be identified soon, will compile a poverty update based on the 2000 Household Budget Survey. A qualitative participatory poverty assessment will also be conducted by September 2001.

54. In addition to improving the database, the Government will, with the support of Moldova's development partners, undertake a sustained effort throughout the period to improve the analytical and research capability necessary in order to understand the nature and causes of poverty in the country. This will improve both the design as well as the monitoring of the impact of its policy interventions. The results of all information gathering activities and the relevant analytical work will be widely publicized and the Government is committed to consult with relevant stakeholders on these results through appropriate channels, including interviews, workshops and conferences.

55. At present, the Government intends to monitor the progress of its poverty reduction strategy based on a set of indicators consisting of (i) male and female life expectancy, (ii) death rate and natural increase in population, (iii) infant mortality rate, (iv) maternal mortality rate, (v) under-five mortality rate, (vi) immunization rates, (vii) basic education enrollment rate, and (viii) secondary education enrollment rate. A list of the relevant indicators for Moldova appears in Appendix C. In addition, the results of the 2000 Household Budget Survey and other related work, most notably the program supported by the UNDP aiming at developing further the informational instruments and policymaking in the social sector and improving the institutional structure for assessing and monitoring the poverty alleviation impact of policies, will be used to assess progress.

Appendix A: A Three-year Macroeconomic Framework

I. Introduction

1. Rapid and sustainable growth is the main instrument for improving the standard of living of the population and reducing the poverty of those most in need. The government's macroeconomic policies aim at consolidating the stabilization achieved under difficult external circumstances over the first ten months of the current year and providing the preconditions for the economy's sustained growth and development in the medium term.

II. Current Policies and Recent Developments

2. In the current year the absence of external financing required an urgent adjustment in the government's fiscal policy aiming at containing the budget deficit and maintaining macroeconomic stability. Revenues were higher than budgeted due to improvements in tax collection and higher profit transfers from the National Bank of Moldova to the state budget. Furthermore, netting-out operations of the consolidated budget remained well below the envisaged 5 percent ceiling. Most of the fiscal policy adjustment has, however, come about through a reduction in government expenditures. In particular government expenditures were reduced despite the increase in the wages and salaries of public sector employees in the health and education sectors. Furthermore, over the first six months of the current year the government reduced the stock of pension arrears and wage arrears of public sector employees by 190 Million lei and, for the first time, repaid a part of its debts to the National Bank of Moldova.

3. Monetary policy was tightened with the monetary base growing by 17.8 percent in the first nine months of 2000 compared to 33.8 percent over the same period in 1999. Over the first nine months of the current year, inflation decelerated to 15.5 percent (with 12 months inflation falling to 29.2 percent relative to 43.8 percent at end-1999). The exchange rate stabilized. National Bank purchases of foreign currency increased gross international reserves to over USD 200 million, up from USD 180 millions at end-1999. The minimum capital requirements of commercial banks were increased, resulting in some consolidation in Moldova's banking sector.

4. A recent adverse development has been the severe drought that occurred in early summer. Given the primary importance of agriculture and the agro-processing sector for the country's economy, the drought is likely to have a significant adverse on government finances and Moldova's GDP evolution, which is likely to remain unchanged in comparison with last year.

III. Future Policies

5. Turning into the future policies and projections the program envisages that Moldova's economy will expand by about 5 percent a year over the medium term. Inflation is programmed to decelerate further, reaching the level of 10 percent by end-2001.

6. The government's fiscal policies will remain tight throughout the period, with the budget deficit on a commitment basis accounting for around 1 -2 percent of GDP throughout the programmed period. Further improvements in revenue collection are foreseen through improvements in the efficiency of the tax administration. A sustained effort will be made throughout the period to further consolidate non-priority government expenditures, while improving the efficiency and targeting of the expenditure program in line with the government's fiscal reform and poverty alleviation program.

7. Monetary policy will remain tight. Reserve money is programmed to increase at slightly over the rate of growth of prices, allowing for a slight increase in money demand over the period. The government's prudent monetary and fiscal stance will allow the increase in credit to the economy's private sector. The exchange rate will continue to reflect market conditions, with intervention in the foreign exchange market limited to smoothing-out short run fluctuations. Gross international reserves are programmed to increase throughout the period reaching the equivalent of over 3 months coverage of imports by the end of 2001.

8. The Government is of the view that the maintenance of Moldova's open and liberal trade regime is essential for encouraging investment and facilitating the country's export - led growth and poverty reduction strategy. The Government will thus refrain from increasing import tariffs and intensifying trade restrictions, especially on the export side. The current account deficit will remain modest, averaging around 6 percent of Moldova's GDP throughout the programmed period, and following a downward trend reflecting efficiency gains in energy consumption and robust export growth. The deficit will be financed in part through foreign direct investment inflows tied to privatization and other investment projects.

9. The government is well aware of the need to reduce the stock of debt and the debt-service burden over the period. The latter will peak in 2002 accounting for over 28 percent of exports of goods and services. The Government intends to earmark a part of privatization receipts for debt servicing or use them to retire debt. An effort will also be made to initiate and/or complete rescheduling discussions with creditors.

10. Underpinning the above macroeconomic policy, the Government is of the view that structural reforms are necessary in order to ensure the economy's growth and development in the medium term. It, therefore, remains committed to further progress in its structural reform program whose measures are outlined in the Appendix B.

**APPENDIX B: Policy Measures for Sustainable and Inclusive Economic Growth and Poverty Reduction
2001-2003**

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|---|--|--|--|
| A. Sustainable and Inclusive Economic Growth | | | |
| <i>I. Macroeconomic Framework</i> | <i>Acceleration and Sustainable Economic Growth</i> | | |
| a) Overall Fiscal Policy | Create stable macroeconomic environment conducive to economic growth through prudent fiscal policy | <ol style="list-style-type: none"> 1. Approve a budget consistent with program objectives. The overall cash deficit of the consolidated budget (IMF definition) should be no more than MDL 400 million lei. 2. Collect tax and non-tax revenue of the central and local budgets in cash and further reduce the share of netting-out operations to 3 percent. | <p style="text-align: right;">2001</p> <p style="text-align: right;">2001</p> |
| b) Tax Policy | Broaden tax base to ensure equity and efficient tax system and improved tax effort | <ol style="list-style-type: none"> 1. Submission to the Parliament of a draft code on local taxes and fees. 2. Parliamentary approval of tax administration chapter of tax code. 3. Approval of the law on real estate and the property valuation method. 4. Refrain from introducing new exemptions and providing tax privileges. 5. Eliminate zero rates on energy and refrain from setting zero rates. | <p style="text-align: right;">2nd half of 2001</p> <p style="text-align: right;">Mar-01</p> <p style="text-align: right;">2nd half of 2001</p> <p style="text-align: right;">2001</p> <p style="text-align: right;">2003</p> |
| | Simplify tax regime for small enterprises | Analyze applicability of a presumptive tax law on small enterprises to draw new private business into the tax net. | 2002 |
| | Rationalize excise taxes | <ol style="list-style-type: none"> 1. Eliminate excise tax on all goods except tobacco products, alcohol and alcoholic beverages, imported cars, and petroleum products, while increasing the rates on these respective products. 2. Introduce <i>ad valorem</i> excise taxes (whenever possible). | <p style="text-align: right;">2003</p> <p style="text-align: right;">2002</p> |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--|---|--|--|
| | Improve efficiency of Social Fund's collections | 1. In-kind collections will be restricted to agricultural products, foodstuffs, and communal services. 2. According to an agreed schedule move to a cash-only basis for Social contribution collections. | 2001 2003 |
| c) Public Expenditure Policy | Eliminate budgetary arrears | 1. Reduce stock of budgetary arrears by at least 100 million. 2. Eliminate arrears for pensions and wages. 3. Verify, with the assistance from the IMF, outstanding claims on government, including those related to energy, and adopt a plan to restructure the verified claims. 4. Refrain from accumulating any new budgetary arrears (including for energy). | 2001 2002 2001 Continuous |
| | Limit subsidies in the budget | 1. Rationalize subsidies to the agricultural sector (Agricultural Support Fund). 2. Abstain from introducing unfunded and/or untargeted privileges for energy consumption. | Continuous Continuous |
| d) Monetary Policy and Financial Sector Reform | | | |
| (i) Monetary Policy | Lower inflation and interest rate on credit | 1. Target reserve money growth that is consistent with the inflation target. 2. Maintain stock of gross international reserves equivalent to three months of import coverage. 3. Gradually lower reserve requirements. 4. Steady conversion of the stock of central bank credit to the government into treasury bills. 5. Continue with quarterly profit transfer mechanism for the NBM profits to the government based on realized net revenue. | Continuous 2001 Continuous Continuous Continuous |
| (ii) Financial Sector Reforms | Amend the financial institution law | Submission to the Parliament of amendments to the law on financial institutions in order to transfer responsibility of nominating the administrators and the liquidation of banks to the courts. | 2001, IQ |
| | Improve bankruptcy and collateral procedures | Submission to Parliament of draft laws on Bankruptcy and Collateral. | 2001 |
| | Combat money laundering | Approval of Law on Money Laundering Prevention and Combating. | 2002 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--|--|---|---|
| e) Exchange Rate and Trade Policy | | | |
| (i) Exchange Rate Policy | Maintain stable and competitive exchange rate policy | Continue to maintain an exchange and payments system that is free of restrictions on current international transactions. | Continuous |
| (ii) Trade Policy | Liberalize foreign trade | 1. Refrain from increasing import tariffs. 2. Eliminate remaining export bans (e.g. on wheat) and refrain from introducing new ones. | 2001 Continuous |
| f) Public Debt Policy and Management | | | |
| (i) Public Debt Policy | Prudent public debt policy | Complete and implement the Government's public debt strategy. | 2001-2003 |
| (ii) Public Debt Management | Strengthen debt management department | 1. Merge departments dealing with domestic and external debt. 2. Improve analytical capacity for asset and liability management. In particular, (a) improve cash management practices, and (b) link borrowing strategy to debt sustainability and debt service profile analysis. 3. Strengthen capacity for dealing with on lending -- both issuance and collection. 4. Develop a strategy for collection and settlement of guarantee portfolio; implement strategy. | First quarter, 2001 Continuous 2001 2001 |
| 2. Public Sector Reform | | | |
| Build a market-oriented and service/client oriented, merit-based, de-politicized, and corruption resistant public administration that meets EU "best practice" standards, and is affordable and fiscally sustainable | | | |
| a) Public Administration and Civil Service | Reform of public administration and civil service | 1. Adopt Public Administration and Civil Service Reform Strategies and an action plan for their implementation. 2. Complete survey of wages and benefits of public servants and budgetary sector employees and publish wage grid and information about other benefits. | 2001 2001 |
| b) Fiscal Decentralization and Local Government Reform | | | |
| | Streamline inter-government fiscal relations | 1. Review the existing organic laws on the budget system, territorial administration, local public finance, and Tax Codes aiming at removing inconsistencies. 2. Finalize the transfer of property rights to subnational governments. | mid 2001 End 2000 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--------------------------------------|---|--|----------------------|
| <i>c) Public Resource Management</i> | | | |
| (i) Public Expenditure Management | Streamline and improve budget Management | Implement the medium-term expenditure framework (MTEF) with assistance from donors. | 2002 |
| | Strengthen treasury management | 1. Extend the coverage of the treasury to local governments. 2. Establish a Cash Management Unit in the Treasury to improve the system of cash forecasting and operational cash management. | 2001 2001 |
| | Strengthen Social Fund management | Develop an action plan for rationalizing the social assistance policy and strengthening expenditure management of the Social Fund. | 2001 |
| (ii) Tax Administration | Strengthen tax administration | 1. Reorganize the large Taxpayer Unit in line with IMF recommendations. 2. Develop comprehensive debts collection enforcement program and a reporting system for the State Tax Inspectorate (STI) to monitor the collection of arrears at all levels of the tax administration. Develop an audit strategy for the STI that includes a broader coverage of taxpayers, improved automation, and improve selection techniques, and audit methods. 3. Submit a plan to revise the <i>fiscal posts</i> system and implement the plan. | 2001 2001 2001 |
| | Ensure that the STI is the only collection agency of cash contributions | Rationalize social contribution collection to ensure that the STI can effectively serve as the sole collection agency when in-kind collection phases out; develop operational arrangement for the timely transfer of information between STI and the National Social Insurance House. | 2002 |
| | (iii) Customs Administration Modernize customs administration | Implement ASYCUDA System. | 2001 |
| <i>3. Private Sector Development</i> | | | |
| a) Overall Sector Strategy | Encourage private sector-led-growth | 1. Conduct a growth study to determine the sources of growth based on the country's comparative advantage. 2. Develop an export promotion strategy. | 2001 2001 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--|---|---|--------|
| b) Policy Framework for Attraction of Foreign Direct Investment and Promote Small and Medium Enterprises | Improve business environment | 1. Compile and analyze surveys and reviews in the area of barriers to private sector activities. | 2001 |
| | | 2. Identify measures for additional study, if any, in this area. | 2001 |
| | | 3. Develop an action plan including specific proposal for eliminating barriers and encouraging economic activities. | 2001 |
| | Deregulate the private sector with an aim to improve public sector interaction vis-a-vis the private sector | 1. Adopt an action plan to establish a consultative mechanism to review all regulations affecting business and to equip it with technical capacity to review proposals for new and/or existing laws, regulations, and policies. | 2001 |
| | | 2. Set a limit on the number and frequency of inspections and implement a mechanism for enforcing the limit (such as establishing and checking official inspection registries at each enterprise). | 2001 |
| | Rationalize the licensing regime | 1. Review all licenses in the law on licensing. 2. Eliminate all unnecessary licenses. | 2001 |
| | Streamline the registration process | 1. Combine all registration information (name, finance operation, police registration, etc.) into one form, which is processed through one window in one government agency. | 2001 |
| | | 2. Eliminate re-registration of business, except in the cases of explicit material changes in the enterprise. | 2001 |
| | | 3. All re-registration and updates should be handled through the same window as original registration and in the same manner. | 2001 |
| | Improve corporate governance | 1. Improve the legal framework for corporate governance: <ul style="list-style-type: none"> <li data-bbox="892 921 1305 943">(a) Clarify land ownership rights of enterprises, <li data-bbox="892 961 1521 1031">(b) Review regulations and operations of investment funds with the purpose of strengthening their corporate governance and efficiency, and <li data-bbox="892 1048 1512 1158">(c) Develop action plan(s) to improve corporate governance (including achievement of transparent accounting standards, protection of minority shareholder rights, establishment of transparency and clearly defined rules for stock market operations and improved market supervision). | 2001 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|---|---|--|--------|
| | | 2. Initiate bankruptcy/restructuring procedures against 24 loss-making firms with arrears to the budget exceeding MDL 3 million. | 2000 |
| | | 3. Parliamentary approval of a market oriented Civil Code. | 2001 |
| c) Privatization of Key Strategic Sectors | | | |
| (i) Wineries | | 1. Parliamentary approval of the individual privatization plans for five wineries. | 2000 |
| | | 2. Launch tender for sale of 5 main state wineries. | 2001 |
| (ii) Tobacco | Privatize and rejuvenate the tobacco sector in a way that maximizes growth and revenue benefits, but minimizes negative externalities, including threats to health of the population. | 1. Carry out policy review that addresses issues of competition policy, tax and trade policy, health and environmental issues and tobacco control. | 2001 |
| | | 2. Develop tobacco control programs in collaboration with the Ministry of Health. | 2001 |
| | | 3. Prepare a privatization strategy for the sector. | 2001 |
| | | 4. Privatize the tobacco industry. | 2002 |
| (iii) Telecommunication and the "Web Economy" | Encourage inclusive and sustainable participation in the new form of economic organization based on the Internet - known as the "Web Economy" | 1. Establish a Telecommunications Regulatory Agency. | 2000 |
| | | 2. Adjust telecom tariffs to levels consistent with a viable private sector telecom provider. | 2001 |
| | | 3. Hire an advisor to assist in preparation and transaction of Moldtelecom. Launch tender for a majority stake by strategic investor in Moldtelecom. | 2001 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--------------------------------------|--|---|----------------------------|
| <i>4. Sector Specific</i> | | | |
| a) Agriculture and Rural Development | Increase rural incomes and living standards by promoting rural entrepreneurship, agricultural production, economic diversification, and trade in rural areas | <i>Mass registration</i> in territorial cadastre offices of 1.2 million privatized land titles. | End 2000 |
| | | Complete liquidation of all state farms in Land project. | End 2001 (except Gagauzia) |
| | | Create an appropriate legal framework to promote the creation and functioning of producer and service cooperatives. | 2001 |
| | | Establish legal, tax and accounting framework conducive to the operation of financial leasing facilities for machinery and equipment. | 2001 |
| b) Energy | Privatize energy sector | Launch competitive tenders for privatization of power generation companies and non-privatized distribution companies (Red North and Red Northwest) to strategic investors. | 2001 |
| | Improve heating efficiency | 1. Decentralize/municipalize district heating company "Termocomenergo" into smaller companies and transfer them into the ownership of regional/municipal authorities. | 2001 |
| | | 2. Develop strategy to improve heating efficiency of public and residential buildings. | 2001 |
| | Create competitive electricity trading market | Maintain legal and regulatory framework in the energy sector and adopt market rules for electricity trading which would facilitate establishment of a strong competitive electricity market, conducive to private sector involvement. | 2001 |
| | Improve efficiency of gas consumption | Install sensors (metering devices) on the accesses of the high-pressured pipeline running through Moldova's territory in order to gauge actual gas consumption and gas transit. | 2001 |
| B. Human Development | Promote Sustainable Human Development | | |
| <i>1. Overall Sectors</i> | Rationalize education and health expenditures | 1. Complete expenditure review of health and education sectors. | 2001 |
| | | 2. Develop plans to reform the education and health sectors and improve their efficiency. | 2001 |
| | | 3. Implement the reform plans. | 2001 |

| Sector/Policy Area | Objectives | Strategies or Measures | Timing |
|--|---|--|----------------------------------|
| | | 4. Maintain health and education sector budgets in real terms at least at the level of the 2000 budget. Improve targeting of health and education expenditures to the most vulnerable groups of the population. | Continuous |
| <i>2. Education</i> | Improve the efficiency of the educational system and maintain fiscal sustainability | 1. Adopt a strategy and an implementation plan for Reform of the Education Sector, in consultation with the World Bank. 2. Promote access to, and retention in, basic and secondary education for poor students 3. Improve the governance and accountability of education system | 2001 Continuous Continuous |
| <i>3. Health</i> | | | |
| | Improve access to primary health care, especially in rural areas | 1. Restructure the provider network to reduce over-capacity and redirect resources from curative tertiary level care towards basic health care provided at the primary level. 2. Strengthen the primary care network so that it can meet most of the population's health needs and improve the quality of services provided. | Continuous 2003 |
| | Implement the health sector reform strategy | 1. Official participation of the private sector in health care financing through normalization of user charges. 2. Improve intra-sectional resource allocation to better align the allocation of health care resources to the health needs of the population. | Continuous Continuous |
| C. Social Protection and Direct Measures to Alleviate Poverty | | | |
| <i>1. Social Assistance Reform</i> | Alleviate child poverty | 1. Address child poverty through programs in education, health and social protection. 2. Interventions aiming at ensuring adequate levels of food security and child care, and the social protection of orphans and disabled children. | Continuous Continuous |
| | Reform of the pension system | Implement a reformed pension policy that would strengthen the linkage between contribution and benefit, eliminate various privileged pensions, and tighten the eligibility criterion. | 2002 |
| <i>2. Labor Market Policy</i> | Improve the functioning of a labor market and employment policy | 1. Undertake a comprehensive analysis on the labor market developments and the impact of structural reforms on the employment, job creation, and wage adjustment. 2. Identify and remove the legal constraints on the functioning of a flexible labor market. 3. Evaluate the efficiency of the existing labor market programs such as job searching and retraining and work out a new design. | 2002 Continuous 2002 |

Table 2: Health indicators, 1990-1999

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|-------|-------|-------|-------|-------|------|------|------|------|------|
| Infant mortality rate (per 1,000 births) | | | | | | | | | | |
| Moldova | 19.0 | 19.8 | 18.4 | 21.5 | 22.6 | 21.2 | 20.2 | 19.8 | 17.5 | 18.2 |
| CIS | 22.0 | 23.0 | 24.0 | 24.9 | 23.0 | 21.7 | 20.6 | 20.0 | 18.6 | n/a |
| EU | 7.6 | 7.4 | 6.9 | 6.5 | 6.1 | 5.7 | 5.5 | n/a | n/a | n/a |
| Europe | 15.4 | 15.4 | 15.3 | 15.1 | 14.2 | 13.2 | 12.4 | 11.9 | n/a | n/a |
| Maternal mortality rate (per 100,000 births) | | | | | | | | | | |
| Moldova | 53.2 | 48.4 | 51.3 | 51.8 | 25.8 | 40.8 | 40.2 | 48.3 | 36.3 | 28.6 |
| CIS | 40.7 | 41.7 | 41.8 | 41.3 | 41.0 | 40.9 | 36.8 | 38.0 | 35.1 | n/a |
| EU | 7.8 | 7.3 | 7.4 | 5.7 | 6.6 | 5.9 | 7.1 | n/a | n/a | n/a |
| Europe | 24.9 | 24.5 | 23.7 | 22.3 | 22.3 | 21.5 | 19.6 | 19.2 | n/a | n/a |
| Under-five mortality rate | | | | | | | | | | |
| Moldova | n/a | n/a | n/a | 28.0 | 29.1 | 27.3 | 26.4 | 26.5 | 22.8 | 23.6 |
| CIS | 29.0 | 30.3 | 31.7 | 34.2 | 32.1 | 30.3 | 28.3 | 27.6 | 25.9 | n/a |
| EU | 9.1 | 8.9 | 8.2 | 7.8 | 7.3 | 6.9 | 6.7 | n/a | n/a | n/a |
| Europe | 19.6 | 19.6 | 19.5 | 19.9 | 18.8 | 17.5 | 16.3 | 15.7 | n/a | n/a |
| Immunization rate – diphtheria, pertussis, tetanus (percent of children under 2) | | | | | | | | | | |
| Moldova | 86.5 | 86.0 | 89.0 | 85.2 | 92.0 | 97.0 | 97.7 | 98.0 | 97.4 | 97.4 |
| CIS | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| EU | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Europe | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Immunization rate – polio (percent of children under 2) | | | | | | | | | | |
| Moldova | 91.1 | 89.0 | 93.0 | 91.8 | 94.0 | 97.0 | 98.6 | 98.4 | 97.6 | 97.6 |
| CIS | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| EU | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Europe | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Immunization rate – measles (percent of children under 2) | | | | | | | | | | |
| Moldova | 93.8 | 93.0 | 92.0 | 92.0 | 95.0 | 98.0 | 98.4 | 98.9 | 99.2 | 98.8 |
| CIS | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| EU | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Europe | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Physicians (number per 10,000 population) | | | | | | | | | | |
| Moldova | 37.4 | 37.5 | 37.4 | 37.9 | 38.0 | 37.1 | 37.5 | 37.4 | 37.6 | 33.7 |
| CIS | 40.0 | 39.9 | 38.7 | 39.2 | 38.2 | 38.3 | 36.7 | 36.8 | 37.3 | n/a |
| EU | 31.0 | 31.8 | 32.5 | 33.2 | 33.5 | 34.2 | 34.5 | 34.8 | n/a | n/a |
| Europe | 33.4 | 33.8 | 33.8 | 34.3 | 34.1 | 34.5 | 34.1 | 34.4 | 34.6 | n/a |
| Nurses (number per 10,000 population) | | | | | | | | | | |
| Moldova | 103.7 | 106.3 | 106.5 | 107.2 | 104.0 | 99.0 | 95.1 | 93.0 | 89.5 | 79.1 |
| CIS | 101.1 | 94.3 | 92.4 | 93.1 | 90.2 | 89.3 | 82.0 | 80.7 | 80.0 | n/a |
| EU | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Europe | 86.5 | 80.5 | 79.7 | 80.4 | 80.0 | 78.7 | 76.3 | 75.7 | 75.4 | n/a |

Table 3: Education indicators, 1990-1999

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|------|------|------|------|------|------|------|------|------|------|
| Basic education enrollments rate | | | | | | | | | | |
| Moldova | 95.6 | 94.4 | 95.9 | 93.7 | 92.3 | 93.1 | 92.7 | 92.5 | 92.7 | 95.4 |
| Western CIS | 93.6 | 93.4 | 92.9 | 92.0 | 91.6 | 92.1 | 92.1 | 91.9 | n/a | n/a |
| SEE | 92.9 | 91.7 | 90.2 | 90.3 | 91.1 | 93.2 | 93.8 | 94.5 | n/a | n/a |
| General secondary education enrollments rate | | | | | | | | | | |
| Moldova | 26.6 | 22.6 | 24.1 | 24.8 | 25.3 | 25.6 | 27.3 | 29.3 | 31.7 | 28.8 |
| Western CIS | 24.8 | 28.0 | 23.8 | 23.2 | 24.0 | 24.5 | 26.1 | 27.8 | n/a | n/a |
| SEE | 22.5 | 24.7 | 25.6 | 26.0 | 26.8 | 26.9 | 27.8 | 28.4 | n/a | n/a |
| Total secondary education enrollments rate | | | | | | | | | | |
| Moldova | 65.0 | 61.6 | 51.6 | 48.5 | 47.7 | 44.6 | 45.4 | 46.2 | 48.3 | n/a |
| Western CIS | 71.9 | 69.9 | 67.9 | 66.0 | 64.4 | 63.7 | 64.7 | 63.7 | n/a | n/a |
| SEE | 80.7 | 70.0 | 62.1 | 59.0 | 59.2 | 59.7 | 60.1 | 60.2 | n/a | n/a |
| Pupil-teacher ratio in basic education | | | | | | | | | | |
| Moldova | 12.4 | 12.6 | 12.4 | 12.5 | 18.1 | 18.7 | 19.2 | 19.2 | 19.3 | n/a |
| Western CIS | 12.9 | 12.5 | 12.2 | 11.8 | 11.7 | 11.8 | 11.4 | 11.2 | n/a | n/a |
| SEE | 16.9 | 16.4 | 15.6 | 15.4 | 15.6 | 15.4 | 15.3 | 15.8 | n/a | n/a |

Appendix D: Work Program for the Preparation of the PRSP

| Activities | Stakeholders | Time Frame |
|--|--|---------------------------|
| 1. Set up a Coordination Structure and draft the Interim PRSP | | |
| (a) Establish a PRSP Steering Committee formed of members of the Cabinet and headed by the Prime Minister. | GoM | July 2000 |
| (b) Establish an Inter-ministerial Working Group responsible for the preparation of the Interim PRSP and the coordination of PRSP process. | GoM | July 2000 |
| (c) Establish Sectoral Working Groups responsible for the development of sectoral strategies. | GoM | July 2000 |
| (d) Draft the Interim PRSP (IPRSP) and circulate it inside the Government and Parliament. | Inter-ministerial WG, Sectoral WGs | August – September 2000 |
| 2. Prepare and carry out the consultative process with stakeholders | | |
| (e) Discuss the IPRSP with the country's major development partners. | Inter-ministerial WG, Sectoral WGs | September – November 2000 |
| (f) Conduct a national level workshop to disseminate information and discuss the draft IPRSP. | Inter-ministerial WG, Sectoral WGs, GoM | November 2000 |
| (g) Establish a clear set of selection criteria for participation and define of institutional mechanisms through which the identified stakeholders, including representatives of civil society, local administration and the donor community, can participate in the preparation of the PRSP and launch the participatory process. | Inter-ministerial WG, Sectoral WGs | December 2000 |
| (h) Ensure the unrestrained flow of information between stakeholders and facilitate the efficient exchange of views and commentaries through the use of information technology. | Inter-ministerial WG, Sectoral WGs | |
| 3. Develop and refine the data base required for targeted poverty alleviation and monitoring | | |
| (i) Evaluate findings of social assessments undertaken in previous projects with direct poverty linkages (including social protection, rural development, environment, and human development). | Inter-ministerial WG, Sectoral WGs | From August 2000 onwards |
| (j) Develop, in consultation with Moldova's development partners, a plan for collecting information necessary for poverty assessment and monitoring. | Inter-ministerial WG, Sectoral WGs, DoSt. | December – January 2000 |
| (k) Update, with donors' assistance, the poverty profile indicators based on the 2000 Household Budget Survey data. | Inter-ministerial WG, Sectoral WGs, DoSt. | March 2001 |
| (l) Complete the database on social assistance beneficiaries. | Inter-ministerial WG, Sectoral WGs, MoLSPF | May 2001 |
| 4. Develop sectoral strategies within a Medium Term Expenditure Framework (MTEF) | | |
| (m) Prepare a study identifying the sources of sustainable growth, focusing on the improvement in the investment climate and the development of Moldova's export industries. | MoER, Sectoral WGs | April 2001 |

| | | |
|--|--|--------------------------|
| (n) Prepare poverty reduction strategies in health, education, public works, labor and social protection and rural development. | Sectoral WGs, MoH, MoES, MoLSPF, MoAPI | May 2001 |
| (o) Prepare a PRSP status report setting out poverty reduction guidelines for the 2002-2004 MTEF process. | Sectoral WGs, MoH, MoES, MoLSPF, MoAPI | June 2001 |
| (p) Prepare draft expenditure plans for the 2002-2004 MTEF consistent with the sector resources framework the strategic objectives identified in the sector expenditure strategies and the poverty reduction guidelines in the PRSP status report. | Sectoral WGs, MoH, MoES, MoLSPF, MoAPI | July 2001 |
| 5. Complete the full PRSP | | |
| (q) Analyze the information gathered through the consultative process, present it to the Steering Committee, and incorporate the findings into the PRSP document. | Working Group | June – September 2001 |
| (r) Organize a Consensus Building/Validation Workshop to review and finalize the PRSP. | Working Group | October 2001 |