

consumption, %	
Share of investments in the transport sector in the total public investments, %	Ministry of Finance
Share of investments in the development of air and naval transport in the total public transport investments, %	Ministry of Transport
Number of land telephone lines per 100 residents	Ministry of Information Development
Number of subscribers to mobile telephone networks per 100 residents	Ministry of Information Development
Number of Personal Computers per 100 residents	Ministry of Information Development
Number of Internet users per 100 residents	Ministry of Information Development
National goods' competitiveness indicator	National Bank of Moldova
<i>CIS countries</i>	
<i>EU countries</i>	
<i>Central and Eastern Europe countries</i>	
Duration of import procedures in customs, days	Cost of Doing Business Survey
Duration of customs clearance for goods at import, minutes	Customs Service
<i>Pilot customs points at border</i>	
<i>In-land customs points</i>	
Refund of VAT received as 0-100% of the requested amount, (share of interviewed persons, %)	Cost of Doing Business Survey

4. Developing Human Resources, Providing for Employment Opportunities and Promoting Social Inclusion

Analysis

Education

The reforms promoted so far within education have been primarily aiming at improving the access to all levels of education and at improving the quality of teaching and learning. Consistent efforts have been bent in order to improve the enrolment in primary education. Such actions included among other: reviewing of preschool institution structure and syllabus, implementing education technologies targeting personality development, setting up of 20 community centers for children and socially vulnerable families in areas in which there are no kindergartens, increasing the funding earmarked for defraying the costs for children, etc.

The curricula for grades one to nine has been revised within the framework of the mandatory general education reforms, with new systems in place for teacher evaluation and training, focusing on shifting from mere remembering of things towards one's ability to put his/her knowledge at use in real-life situations. A rental scheme has been developed to ensure make sure all get access to new textbooks. Tools have been developed to perform the mapping of schooling facilities, with a mapping exercise focusing on pre-university education facilities country wide. Local public administration authorities will make use of these mapping tools to identify existing gaps and to develop a plan to streamline the network of education facilities at district level. Moreover, a Concept to evaluate a school's achievements has been developed and approved of, with an Assessment and Examining Agency being established to ensure an efficient, trustworthy and objective national assessment system.

In view of signing up to the Bologna process, the legal and regulatory framework has been reviewed and updated, whereas the structure of higher education was brought in line with that used in Europe, consisting of two university cycles. Provisions have been made in order to have the European System of Transferable Credits implemented in higher education facilities, with an Annex to Diploma of a single-European format being introduced, filled out in both the state official language and in English, issued on a mandatory basis to each graduate, starting in 2005.

Certain measures have been taken in order to improve vocational training, aiming at restructuring the sector, by scaling up the access to applied fields of interest, including agriculture, technical areas, service provision etc., along with reorganizing two vocational schools into vocational upper secondary education schools. Besides, a new roster of occupations has been developed and approved of.

The revival of national economy in early 2000's and increasing budget revenues provided for increasing public expenditure in the sector. Public spending went from 5.7 per cent of the GDP reported in 2000 up to 8.2 per cent in 2006. Education expenditure accounts for the biggest share of spending within the national public budget – 20 per cent. More than half of the education budget is spent for the mandatory general education. Preschool education spending accounts for 16 per cent of the overall education budget, while higher education – for 6.5 per cent. The vocational secondary education takes up 4.7 per cent of the total public funds. Salaries eat up the biggest chunk of all spending, including social and health insurance premiums, reporting an increase of about 4.4 times since 2000.

Trends in education-related indicators varied across various education levels. Following a significant drop throughout 1992–1999, the net preschool education enrollment rates increased from 38.5 per cent in 2000 to 68.5 per cent in 2006. The education enrolment rates have been lower in rural areas due to lacking kindergartens (absent in as many as 280

communities as of 2006), and also owing to low income of rural population there. The mandatory general secondary education enrollment rate has been falling during the same timeframe. The net enrolment rate dropped from 93.5 per cent to 87.6 per cent in primary education (dropping from 95.1 per cent down to 93.3 per cent in urban settlements, and from 92.5 per cent to 84.7 per cent in rural areas), whereas in lower secondary education it went down from 87.0 per cent to 86.1 per cent (decreasing from 92.2 per cent to 90.4 per cent in urban areas, while slightly going up in rural areas – from 83.5 per cent to 83.9 per cent).³⁰ The enrollment rates still are extremely low for vocational secondary education facilities. The poor grades and learning results are indicative of poor quality issues too. This is even more so for vocational secondary education and higher education facilities.

Under-staffing of education facilities is a considerable challenge for the system, specifically in rural areas. Poor working conditions and low wages discouraging young teachers from signing up, while the proportion of elderly teachers of pre-retirement age is increasing (14 per cent of all in 2006). The problem turns out to be particularly burning in rural areas. Also, education quality improvement costs (for teaching materials, textbooks, equipment procurements and repair works, faculty retraining, and building refurbishment) have stayed low.

Hence, with education funds increasingly becoming more readily available, on the one hand, coupled with dropping numbers of school-age children, on the other hand, the system failed to work out its major issues. This points out to the need to streamline the allocation of funds within the system. The persisting decrease in the student-to-teacher ratio is a major obstacle for the efficient use of institutional capacity and financial resources. The low efficiency is, to a great extent, due to keeping up schools, the projected capacity of which is way over the number of students actually attending those, and to further use of a funds-earmarking formula that provides little flexibility to local public authorities and school managers alike in better and more efficiently harnessing those funds. In the same vein, the non-teaching-to-overall-staff ratio still is disproportionately high (at about 37 per cent).

Healthcare

At the turn of the century Moldova has engaged in health system reforms targeting the strengthening of primary health care and restructuring of hospital sector. Reduction in the total number of hospitals subordinate to the Ministry of Health from as many as 290 back in 1996 to 63 by 2006 has resulted in fewer fixed costs within the system. A mandatory health insurance system was created in 2004, thus providing for a single funding system, allowing putting together central government budget moneys and local authority funds in a Health Insurance fund to defray the costs of the Basic Package of Health Services provided to the insured.

There has been a significant growth in the public health expenditure during this timeframe. Public health expenditures accounted for 4.8 per cent of GDP in 2006, whereas public per capita spending on health peaked up since proclaiming independence (about USD 50). Once the mandatory health insurance was in place, there was higher participation of the state budget in the health overall expenditure. Hence, state funds accounted for about 67 per cent of all mandatory health insurance money in 2006, earmarked for groups of citizens for whom Government provides insurance coverage. Despite the funds accrued in the consolidated health budget considerably building up, this does not suffice to meet the needs of people in terms of health care services they have been asking for. Private health expenditure accounted for 42 per cent of the total public health spending in 2005, compared to 23 per cent in the European countries.

³⁰ The methodology employed to compute the net enrolment rate has been developed by UNESCO; in order to include all age groups in the given education stratum one has to calculate the gross enrollment rate within the primary education and lower secondary education.

Implemented reforms, along with more financial means, allowed improving some critical health indicators. The infant mortality rate dropped from 16.3 to 11.8 deaths per 1,000 live births between 2001 and 2006, while under-five mortality rate decreased, respectively, from 20.4 to 14 per 1,000 live births during the same timeframe³¹. Maternal mortality rate has also improved, by decreasing from 43.9 maternal deaths per 100,000 live births reported in 2001 to 16.0 in 2006.

The efforts focusing on fighting infectious diseases have been less successful though. The TB associated death rate has been increasing over the last years (18.6 deaths per 100,000 of population in 2006). More than one-third of all incident TB cases are reported in children and youth. The TB incidence in men is three times that registered with women. Contrary to formulated objectives, the incidence of HIV/AIDS has also increased – reported at 14.65 per 100,000 people in 2006. Moreover, increasingly higher incidence rates have been reported for cardiovascular disorders (by 60 per cent) and for cancer (by 80 per cent). Generally, life expectancy continues to be low when compared against similar indicators in the European countries: 64.6 years for men and 72.2 years for women in 2006.

More recently people have started having better access to health care services. This is in part owing to primary health care reforms and to a mandatory health insurance plan being implemented in the country. According to data from the Household Budget Survey, 97 per cent of households are within a 5 km range from the nearest health center. Another access indicator is the coverage with health insurance: 77.5 per cent of population was insured as of 2006, i.e. by 2.5 pp higher than reported in the previous year. In order to ensure better coverage for vulnerable population groups, the health insurance is free of charge for thirteen categories of people. Besides, the number of emergency calls surged up over the last two years, specifically in rural areas. Nevertheless, access to health care services is still low for certain groups of population, mainly because of high costs.

Despite the public health expenditure significantly increasing, the quality of rendered services has not improved very much. Low compensation of health workers, lacking funds for upgrading the medical equipment in inpatient facilities and for purchasing new state-of-the-art equipment, make up the bulk of issues that most of health care facilities have been experiencing, thus hindering any progress in quality improvement. The efficiency improved only marginally within the sector. The sector still is plagued by overcapacity. Yet, the number of hospital beds almost halved over the last decade (56.6 per 10,000 people), courtesy of public hospital reform efforts, reaching the European Union average value; the hospital bed throughput rates still is below what is desired, hence providing opportunities to further streamline and improve the network of hospital facilities.

Enhancing employment

The robust economic growth in the recent years has not been accompanied by a similar growth in employment rates. On the contrary, employment rates went down by about 7 p.p. in 2006 versus 2000. At the same time, unemployment rates stay level with those reported in the European countries (6.6 per cent in 2006). The unemployment is twice as high for the people aged 15-29, as the average for the country. Average duration of unemployment is high (22 months), with about 41 per cent of the unemployed being out of job for 12 months and longer in 2006.

³¹ Infant mortality rate and under-five infant mortality rate were calculated based on births, which is considered a live-birth after completion of week 28 of pregnancy and with a body weight of 1,000 grams and above. Starting in 2008, the Ministry of Health, pursuant to the World Health Organization recommendations, will shift to a new estimation methodology for these indicators concerning children born after completing week 22 of pregnancy and with body weight from 500 grams and above. Therefore, the targets for these indicators set under the Millennium Development Goals are calculated based upon the new methodology.

Low salary scales is the key reason why labor markets are unattractive in the Republic of Moldova. Despite real salaries rising at a high pace since 2000, substantially surpassing the productivity growth, the compensation of work is poor in most sectors. In particular, the lowest wages are registered in agriculture and public services. Moreover, there is a wage discrepancy in the payments of men and women. Any further increase in wage payments without sufficient investments being made in the country to generate a growth of productivity is a threat to the competitiveness of domestic products.

The large-scale outbound migration is, first of all, due to low salaries rather than by lacking employment opportunities. Labor migration that exploded significantly after the financial crisis in the Russian Federation has carried on at a high pace even during the economic revival times thereafter. According to the data of the National Bureau of Statistics, the number of people reported as having migrated as labor force accounted for about 334,000 in 2006, making up 21.1 per cent of the total working population aged 15 years and above.

The withering numbers of working-age population and the increasingly higher average age of employees in the country may result in complex consequences for the social and economic development, with direct impact on the total supply of labor force, income distribution, public expenditure for welfare, investments, etc. The ongoing aging of population may result in serious shortages of human capital needed for the country's sustainable development.

The main efforts bent by the Government in an attempt to increase employment rates include creation of a Moldovan labor force information system and the sharing of information and mediation services. A National Employment Strategy for the Republic of Moldova for 2007-2015 was approved in 2006, coming up with the following objectives: (i) increase employment rates and actual salary levels; (ii) level discrepancies on the labor markets; (iii) avoid mass layoffs, decrease unemployment rates and increase the number of jobs; and (iv) build human capacity by changing the training and re-training systems, and improve human labor mobility.

Social insurance

The reform of the social insurance system started back in 1998. Actions undertaken in the first phase of the reform (implementing a new formula for pension calculation, delaying the retirement age) allowed, first of all, avert the financial collapse of the system. It resulted in a considerable increase in the amount of premiums paid to the social insurance budget, pension amounts, and paid out in full the pension arrears.

However, the reform agenda has not been fully accomplished. Currently, the process of developing individual records on social insurance premium payers is being finalized. This is a necessary element both for improving the financial stability of the system, and for enforcing the principle of calculating benefits, including for welfare pensions, based on the social insurance premiums paid by the social insurance bearer to the state-owned welfare systems.

However, the pension amounts still are low. The average size of retirement pension was MDL 457.51 in 2006, increasing by 15.2 per cent as compared to 2005. This is very close to the poverty level. The replacement rate (the share of payment as per cent within the last income) continued to decline to reach 26.9 per cent by the year-end in 2006 versus 30.1 per cent in 2005. In the same vein, there is significant discrepancy in the pension amounts payable to various categories of retired people.

A major issue for the financial stability of the system in the medium and long run is low participation of the farming sector. The amount of premiums paid by farmers and self-employed is by and large inferior to a minimal premium amount. Having other social insurance premium payers cover those categories raises serious equity questions. Demographic changes

may put the system's sustainability at another serious risk. Any further increases in outbound migration of working-age population could lead to a worsening of the dependency indicator.

Social assistance

Lately, the spending on welfare and social protection programs has been increasing, accounting for about 9.7 per cent of GDP in 2006 versus 8.5 per cent in 2004³². Nominative compensations are still the most costly social program, eating up 38 per cent of all expenditures earmarked for social assistance from the state budget.

The progress accomplished in reforming the social assistance programs still is lagging behind. The current system is fragmented and inefficiently targeted towards the poor. Available surveys indicate that social assistance equally benefits all income quintiles and is not focused on the poorest. This is particularly true for nominative compensations which account for the biggest share of the whole social assistance budget.

Despite the social assistance budget growing, these payments represent a relatively small source of income for all households, and are only marginally more important in terms of income for the poorest households. According to the Household Budget Survey data, welfare payments rank seven among a household's sources of income (accounting for 2.1 per cent of all the income of all households in 2004, and 5.1 per cent of the income of poor households). So, these payments play a minor role in raising the income of poor population.

In the context of the social assistance system reform, a tool has been developed to assess the income of households and individuals (means testing). A virtual system for testing the eligibility of beneficiaries for getting nominative compensations has been implemented in four pilot districts³³, the findings of which will be used to further carry out the reform process. For the same purposes, a beneficiary assessment survey has been conducted on improving the understanding of the link between the existing social assistance services and the vulnerability of certain segments.

Rationale

People represent the main source for the progress of the Republic of Moldova on its way towards modernization. Educated, healthy human resources, with high physical and intellectual potential, having the ability for a life-long learning and adaptable to economic changes, are essential to an economic growth based on competitiveness, efficiency and quality.

Economic growth directly depends on labor productivity. Although critical, increased capital investments and technologic modernization do not suffice to attain a productivity increase. Another indispensable condition is improved quality of human resources which, ultimately, implies an increase and structural optimization of public and private investments in the key sectors of human development, primarily in education and health.

The offering of well-paid jobs is the key way in which economic growth translates into people's prosperity. The pattern of qualitatively new economic growth pursued by the Republic of Moldova is characterized by multiplying and diversifying economic occupations, accessible and remunerated based upon an individual's qualifications. One intensive factor to speeding up economic growth and ensuring better salaries is an increased number of occupations requiring advanced technologic knowledge and skills. At the same time, the economic growth will also be strengthened extensively, primarily through more employment opportunities.

Poverty and its consequence – social exclusion – are both major challenges for the Republic

³² MTEF 2007-2009.

³³ Government Decision no. 119, as of 27.10.2005.

of Moldova, also playing their role in waning of human potential of the country. These phenomena could be eliminated by ensuring a stable, geographically even, economic growth. At the same time, maintaining a social environment friendly for economic growth implies more efficient policies providing for the social protection of people who, due to objective reasons, could not participate in coming up with value-added in the national economy.

In order to prevent the expansion of public sector with associated implications on economic growth, the human development objectives and the ensuring of an adequate level of social protection will have to be accomplished within the limits of available resources (as share of GDP), by improving the efficiency of ongoing programs and actions, and by re-allocating the saved resources to the new programs. This will allow alleviate fiscal pressure exerted on the productive sector and ensure funding stability for social sectors in the medium and long run.

Overarching goal of priority

Efficient use and improved quality of human resources in the Republic of Moldova to ensure gradual transition from occupations requiring low level of qualification towards occupations requiring advanced knowledge and skills, replication of jobs with decent payments, poverty reduction and social inclusion.

Objectives

- 4.1. Improving quality and enhancing equitable access to education services;**
- 4.2. Strengthening of a healthy society;**
- 4.3. More employment opportunities and improved labor force qualifications;**
- 4.4. Providing for wider inclusion and better social protection.**

Programs and measures

4.1. Improving quality and enhancing equitable access to education services

Rationale

Education plays an essential role in reducing poverty and ensuring sustainable economic growth. However, in order to harness this opportunity, it is necessary to ensure equitable access to and adequate quality of education services. Equitable access is important for the universal inclusion of children and youth in education process, including children with special education needs, thus ensuring equal opportunities for a decent life, adequate employment opportunities and participation in social life. At the same time, an educated society is society with a higher degree of social cohesion.

Quality of education services is also important from a point of view of competitive human capital, capable of dealing with the current pressures of the labor markets on the national, regional or global levels. Despite boasting important progress in the field, there is much that the Republic of Moldova has to do in terms of eliminating social inequities and improving the quality of education services. There is number of factors hampering the achievement of important objectives in this sector: poverty, migration and inefficient management of financial resources. Fighting these adverse phenomena requires new thinking, more efficient education sector by streamlining the school network, reforming the financing system, diversifying funding sources, attracting external funds, actively participating in regional education processes and by maximizing the positive externalities ensued by the implementation of collateral programs (for instance, the development of a network of roads

will allow optimizing the network of rural schools, entailing fast and safe transportation of children from small settlements to schools from larger communities).

4.1.1 Enhancing quality of education in view of strengthening the capacity for applied use of knowledge

Programs and measures

4.1.1.1. Improving efficiency of spending on education:

- (i) Streamline the network of education facilities in mandatory secondary education
- (ii) Reform the funds allocation mechanism within the mandatory secondary education
- (iii) Optimize the staffing ratios by reducing the share of non-teaching staff in the total staff within the education sector

4.1.1.2. Strengthening the management of education facilities:

- (i) Develop the autonomy and flexibility of managers of education facilities in using approved budgets
- (ii) Update the accreditation system for education facilities
- (iii) Develop a universal quality assurance system for education services
- (iv) Develop and make use of mechanisms to involve families, the associations of parents and communities alike in the management of education facilities

4.1.1.3. Development of human resources and retention of teaching staff in the system:

- (i) Update teacher training and certification;
- (ii) Streamline the use of intra-sector costs by making efficient use of resources and channeling of savings towards improving the quality of education services;
- (iii) Develop and implement mechanisms for competitive selection of management staff in education
- (iv) Provide for and increase incentives – financial, housing (including, provision of land parcels for construction of houses), career advancement to encourage young teachers stay in the system

4.1.1.4. Updating of formal and informal curricula. Improve the professional skills of labor to provide for a more competitive economy:

- (i) Implement curricula reform based on age adequate learning outcomes and required skills, as well as the use of objective evaluation, including by having the Republic of Moldova participate in international evaluations, in order to get reliable data about the teaching process;
- (ii) Resuscitate vocational training at all levels by making allowance for the needs of the labor markets, upgrade infrastructure (equipment etc.)
- (iii) Improve teaching tools aimed at streamlining didactic activities and cut down on bureaucratic procedures of formal reporting and documentation of the teaching process;
- (iv) Develop private-public partnerships in view of establishing stronger connections between business agents and vocational training facilities aimed to strengthen the bulk of resources and develop professional skills;
- (v) Promote academic mobility of teaching staff and students;
- (vi) Wider implication of specialized NGOs in formal and informal education;
- (vii) Upgrade the informal education system, also by establishing and operating a National Center for Children and Youth, as well as strengthen and scale up the

- network of centers for children and youth at country level; and
- (viii) Draft ICT curricula, which are mandatory for all levels of education, in particular for primary classes, and implement a unified standard for a minimum of ICT skills.

4.1.1.5. Provision with technical and didactic equipment:

- (i) Improve provision of education institutions with equipment and didactic materials;
- (ii) Ensure the access and promote the use of IT developments at different stages of throughout the education process; and
- (iii) Adopt a national program for digitalization of library resources, as well as for cultural and historic resources, and connection it integrated digital systems and education systems.

4.1.2 Improving access for children from poor families and children with special needs to different levels of the public education system

Programs and measures

4.1.2.1. Mapping the phenomenon of limited access to education :

- (i) Keep records of children with limited access to education. In order to have an overall picture of the issues regarding access to education, cost estimates and administrative efforts, one has to thoroughly identify the number of children facing access problems at various levels of education and map them geographically or by zones;
- (ii) Identify the main reasons of having limited access to education. For one to be able to efficiently work out the issue of equitable access to education services, first it is necessary to clearly understand the reasons underpinning the exclusion of those by categories of factors:
 - health factors (child, parents);
 - family factors (family structure, outbound migration, alcoholism, violence);
 - economic factors (income level, poverty);
 - institutional factors (relationships with classmates, teachers); and
 - community factors (lacking schools, teachers, and access infrastructure).

4.1.2.2. Eliminating child labor as a phenomenon:

- (i) Conduct a representative national survey to understand the nature, scope and consequences of child labor
- (ii) Information and education of various families about economic and social consequences of excessive involvement of children in labor
- (iii) On a periodical basis, the Labor Inspection to run check-ups (in particular in agriculture, backyard labor markets and constructions) aimed at identifying business agents using child labor
- (iv) Tightening of sanctions for child labor use.

4.1.2.3. Direct financial and material support to children from poor families and children with special needs:

- (i) Development and use of direct incentives for poor children in primary education (school lunches, textbooks and other materials, clothes and footwear)
- (ii) Provide direct payments (social scholarships, etc.) to children from poor

families, to increase access to secondary special and higher education

4.1.2.4. Optimizing the network of education facilities and developing of access infrastructure:

- (i) Ensure the transportation of children to circumscribing schools in rural areas; and
- (ii) Develop a system of preschool facilities and alternative education centers for children in rural areas to increase access to preschool education services.

4.1.2.5. Developing a community-based social assistance mechanism:

- (i) Develop school inclusion mechanisms for children with insufficient parental supervision (for example, for the children of migrants; those could be agreements between migrating parents and LPA Units, specifically established for that, and who are partially paid from remittances)
- (ii) Ensure a legal and regulatory framework to promote community services for disadvantaged families and children at risk; and
- (iii) Involve NGOs in providing of professional counseling services.

4.1.2.6. Developing a regulatory framework and mechanism to account for the special funds provided through sponsorship, including contributions of the associations of parents, and targeting the given resources to improving the quality of education.

4.2. Strengthening a healthy society

Rationale

To any human being health is an asset *per se*, a necessary value to accomplish its creative potential throughout the entire life. A healthy nation is more capable of resisting to economic shocks, natural disasters and other various challenges. Improving the health status of a nation has to bear in mind that healthy children are born in healthy and informed families. A healthy nation could result from making investments, primarily in children, with first years of life being crucial. Investing in children from more disadvantaged families is a public policy with double stake, benefiting both the social and economic, thus reducing inequity and ensuring a prosperous future for the country. Recent studies show that timely interventions in case of children from disadvantaged families may prevent further losses of human potential. Besides, health has an intrinsic economic value embedded in it. Firstly, a healthy worker is able to most efficiently harness its professional skills and qualifications and be more competitive when vying for accessible jobs. Secondly, individual time allocated to labor during a year tends to increase once the health status of a person improves. Finally, healthier people have a longer economic life and better contribute to the country's economic development.

4.2.1 Improving the quality of health services by streamlining the infrastructure and making efficient use of resources, improving the management of health facilities and investing the saved resources in cost-efficient technologies, equipment and development of professional skills

Programs and measures

4.2.1.1. Improving the management of human resources with a view to rational utilization of existent personnel, and adequate, diversified and advanced training of employees in the health services system:

- (i) Motivate the health care personnel to join up and work within the sanitary system, specifically in rural areas, by means that ensure fairness and transparency of

- decisions regarding their professional and managerial promotion;
- (ii) Improve policies regarding the training of staff within the medical and pharmaceutical education system.
- 4.2.1.2. Making health care services more efficient by making those meet the new needs and adapt to new requirements, and by streamlining the expenditures in the public health care facilities at no expense to the quality and access to them:
- (i) Strengthen the role of primary health care through integrated medical assistance, upgrade the secondary health care, create Centers of Excellence, develop community-based health care, home care and palliative care, and increase the role of public-private partnerships in the supply of health care services;
 - (ii) Consolidate the technical and material assets of health care and health education facilities, including by streamlining non-medical costs, allocating more efficiently resources to implementing modern health care technologies, providing facilities with medical equipment and unified informational networks that would provide information, including disaggregated by gender, and by improving the working conditions of staff and attending conditions for patients;
 - (iii) Review the factors underpinning the discrepancy in life-expectancy between men and women, and design policies contributing to reducing such discrepancy;
 - (iv) Develop and implement a quality management system to focus on ensuring safety, respecting the rights of patients and protecting the professional rights of health workers;
 - (v) Strengthen maternal and child health in line with MDGs by providing them with counseling, particularly the patients from socially-vulnerable households with little children, and by more effectively involving communities and local public authorities;
 - (vi) Carry on the consolidation and scaling up of networks of youth-friendly health care services, and ensure the access of youth to information, education, and communication on health issues;
 - (vii) Strengthen control over communicable diseases, particularly through the programs to fight diseases outlined in the MDGs (TB, HIV/AIDS and STIs), with a focus on prevention among adolescents and youth, mother-to-child transmission of HIV, and by launching a national anti-HIV/AIDS campaign; and
 - (viii) Lower the burden of non-communicable diseases, especially by averting conditions caused by lacking micronutrients (iron and iodine), as well as by launching national campaigns against smoking, alcohol abuse, and campaigns to prevent trauma and accidents in children.

4.2.2 Improving the access to health care services through efficient use of financial resources and by expanding coverage with mandatory health insurance

Programs and measures

- 4.2.1.2. Enhancing fairness in financing health services and protecting population against financial risk, and ensuring transparency in earmarking and using financial resources:
- (i) Improve the system of mandatory health insurance through a more flexible mechanism of paying premiums that would make allowance for one's revenues and by through effective transparency of resource allocation for the financial protection of citizens; and
 - (ii) Develop regulations for private insurance systems in financing those additional services that are not covered by the basic package of health services.

4.2.1.3. Expanding coverage with mandatory health insurance in rural areas:

- (i) Develop mechanisms for motivating, including by providing adequate information, the self-employed groups from the rural areas to sign up with the mandatory health insurance scheme.

4.3. Build up employment opportunities by raising the education offers up to the labor market demands

Rationale

Ongoing development of quality human resources is a fundamental pre-condition for long-term economic competitiveness and sustainable development. Negative trends reported in the Republic of Moldova over the past years are indicative mitigation of labor force. This implies increasing social costs and threatens to have become a serious limitation for future economic growth; working out solutions for this challenge is an important task in terms of increasing labor attractiveness in the country and for education system restructuring alike, in order to train the labor force to live up to the demands of labor markets.

Essential programs and measures:

4.2.1. Building up of educated labor force, able to stay competitive throughout their entire active life:

- (i) Ensure equitable universal access to education, regardless of income, residence, sex, ethnic origin, etc.
- (ii) Develop paid internship for youth to facilitate transition from studies to work;
- (iii) Develop and promote a national policy for in-service professional training, including life-long learning in partnership with social stakeholders;
- (iv) Make the vocational education system meet the labor market demands
- (v) Authorize and monitor the training services and informal education qualification assessment centers (including, for adults)

4.3.1. Developing a labor market capable of increasing the chance of labor opportunities / sustainable integration:

- (i) Develop medium- and long-term forecasts for labor markets and bring the education policies in line with anticipating market demands;
- (ii) Identify and make use of all opportunities to get integrated onto the labor markets;
- (iii) Promote sector-wide and geographic mobility of labor force;
- (iv) Strengthen the administrative capacity of the National Employment Agency
- (v) Educate students in view of ongoing learning skills;
- (vi) Scale up and simplify the benefits provided to employers for promoting / motivating internships within companies and for hiring youth;
- (vii) Establish a network of occupation counseling centers for youth, including by developing and providing for partnerships with associations;
- (viii) Improve transition from school to workplace and promote business culture in education and training
- (ix) Facilitate the entering of young people the labor markets by supporting partnerships within education and employment systems in view of providing mediation services on the labor markets; and
- (x) Ensure equitable access to vocational and trade education for youth with disabilities.

4.4. Ensure better inclusion and social protection

Rationale

Poverty and social exclusion are major factors hampering the development of human resources. Chronically poor persons are unable to develop their professional skills, their health is deteriorating rapidly, and they become increasingly less competitive when it comes to getting a job. For this reason the chronically poor get eliminated from economic processes and are socially marginalized, while their economic condition does not improve even if the economy shows serious economic growth. Elimination of discrimination on the labor markets is a necessary condition for ensuring a wider social inclusion. Also, the development of human resources implies a social protection policy, which would efficiently and in a targeted way help disadvantaged people escape from the poverty trap. Taking into account that public funds are scarce, such policies have to be targeted primarily towards really poor and not towards persons with merits to the government or society.

4.4.1. Ensure social inclusion through labor market

Programs and measures

4.4.1.1. Prevention and elimination of discrimination on the labor markets:

- (i) Promote solidarity and social non-discrimination among potential employers;
- (ii) Monitor the observance of equal opportunities in economy and politics;
- (iii) Extend the training and counseling programs of the NEA towards graduates of residential facilities, people with disabilities, people freed from detention, former military, victims of trafficking
- (iv) Promote women in the occupation sector;
- (v) Monitor the observance of equal opportunities in economy and politics
- (vi) Penalize employers for unjustified and discriminatory payment discrepancies (on gender and/or age grounds etc.)
- (vii) Promote access to information and communication technologies and provide equal opportunities to all by adopting national action plans for e-accessibility and e-inclusion (via electronic means of communication)

4.4.2. Offering new economic and social opportunities for disadvantaged groups, including through better efficiency and targeting of resources earmarked for social care

Programs and measures

4.4.2.1. Upgrading of the social assistance system:

- (i) Simplify the social payments system (currently consisting of 18 types of social payments) and transition to a social payment system based on means-testing and income and needs assessment of beneficiaries;
- (ii) Monitor the amount of social aid rendered to beneficiaries and implement "social inspection" principles in order to minimize fraud within the system and quality assurance for community-based social services;
- (iii) Develop a single informational social welfare system by employing information technologies and improve the provision of social care facilities with equipment and methodological materials;
- (iv) Separate rewarding payments for special merits to the state from social care payments
- (v) Consolidate the national network of social workers by establishing a mechanism for baseline and on-site training of social workers, including developing of an

- incentive system for social workers and for LPA to keep them running;
- (vi) Make way to practices of social impact analysis performed on regulatory decisions in the public policy process;
 - (vii) Provide for the principle of deinstitutionalization by developing and diversifying social and medical-social services, depending on community needs, and design mechanisms to decentralize, assure and re-channel the funds from residential facilities towards community-based and family-type services;
 - (viii) Develop a minimum set of quality standards for social care and develop a tool for social service quality assessment and accreditation based on the National Roster of social services;
 - (ix) Build the capacity of decision-makers at all levels and that of service-providers rendering care to vulnerable families and children at risk; and
 - (x) Wider involvement of civil society in developing and implementing social care policies (advocacy and provision of social services), including by means of state subsidies or sub-contracting of social services by Government.

4.4.2.2. Mobilization and transparent use of financial resources:

- (i) Ensure the financial transparency of using the funds earmarked for social care by putting out detailed annual public reports on the allocation and use of funds.

4.2.2.3. Reviewing the mechanism for assessing and identifying a disability:

- (i) Develop and use a system assessing a disability degree based on to what extent the working capacity is preserved, following a comprehensive evaluation of one's health status and a person's professional skills.

4.4.3 Improvement of social insurance policies, in particular – pension system

Programs and measures

4.4.3.1. Strengthening the financial stability of social insurance system:

- (i) Base the social insurance policy on medium- and long-term demographic and social-economic forecasts; and
- (ii) Set common terms for retirement for all categories of retirees by:
 - enforcing the principle of proportionality for linking the pension amount to the premiums for each insured person; and
 - reviewing and improving the relevant legal framework.
- (iii) Develop non-government private pension systems.

Monitoring Indicators

Indicator	Source
Net enrolment in primary education, per cent	National Bureau of Statistics
Gross enrolment rate in primary education, per cent	National Bureau of Statistics
Net enrolment in general secondary education, per cent	National Bureau of Statistics
Gross enrolment in general secondary education, per cent	National Bureau of Statistics
Net enrolment in preschool education, per cent	National Bureau of Statistics
Gross enrolment in preschool education, per cent	National Bureau of Statistics
Enrolment in preschool education of 3-6 year-old children, per cent	National Bureau of Statistics
Enrolment in preschool education of 6-7 year-old children, per cent	National Bureau of Statistics
Premature drop-out of education among youth, per cent	National Bureau of Statistics
Education enrolment for population aged 15-24 years (secondary	National Bureau of Statistics

general, upper secondary, secondary vocational, secondary specialized, higher; all forms of education: full attendance, evening, partial attendance), per cent	
Student-to-teacher ratio in education (day schools, general secondary schools , upper secondary schools)	National Bureau of Statistics
Literacy rate for 15-24 year-old persons, per cent	National Bureau of Statistics
Share of people covered with mandatory health insurance, per cent	National Bureau of Statistics
Share of primary health care expenditure in total health care spending and health insurance fund, per cent	Ministry of Health / National Health Insurance Company
Infant mortality rate, per 1,000 live births	Ministry of Health
Under-five infant mortality rate, per 1,000 live births	Ministry of Health
Share of 2 year-old children vaccinated against measles, per cent	National Bureau of Statistics
Maternal mortality rate, per 1,000 live births	Ministry of Health
Share of births assisted by qualified medical staff, per cent	Ministry of Health
HIV/AIDS incidence rate, per 100,000 people, per cent	Ministry of Health
HIV/AIDS prevalence rate in 15-24 year-old, per 100,000 people	Ministry of Health
Overall incidence rate of active tuberculosis (per 100,000 people)	National Bureau of Statistics
TB-associated mortality rate, per 100,000 people	National Bureau of Statistics
Unemployment rate (according to ILO), per cent:	National Bureau of Statistics
- in urban areas	
- in rural areas	
Share of long-term unemployed, ILO, per cent	National Bureau of Statistics
Unemployment rate among young (15-24 years), ILO, per cent	National Bureau of Statistics
Labor migrants related to active population, per cent	Ministry of Economy & Trade
Distribution of social payments (except for pensions) for consumption quintiles I and V per adult equivalent (per cent)	National Bureau of Statistics
- <i>quintile I</i>	
- <i>quintile V</i>	
Average monthly nominal salary, MDL	National Bureau of Statistics
Average monthly pension (at the end of year), MDL	National Social Insurance House
Share of premiums/benefits of farmers in total income and expenditure of social insurance budget, per cent	National Social Insurance House
- <i>Premiums</i>	
- <i>Benefits</i>	
Share of population under the food poverty level (total per country), per cent	National Bureau of Statistics
GINI index by consumption expenditure	National Bureau of Statistics
Extreme poverty depth, per cent	National Bureau of Statistics
Extreme poverty severity, per cent	National Bureau of Statistics
Share of people below poverty line of USD 4.3 / day at PPP (consumption expenditure per capita), per cent	National Bureau of Statistics
Share of poorest quintile in the national consumption, per cent	National Bureau of Statistics
Human Development Index ³⁴	UN Human Development Report
Share of mandates held by women, per cent:	National Bureau of Statistics
- members of Parliament	
- in local councils	

³⁴ The Human Development Index (HDI), published annually by UN, ranks countries rather by the quality of citizens' life than strictly by traditional economic indicators of the country. To calculate this index the following criteria are used: life expectancy, education level and real adjusted income.

- in district councils

- as mayors

Ratio of average salary of women to that of men, per cent

National Bureau of Statistics

5. Regional Development

Analysis

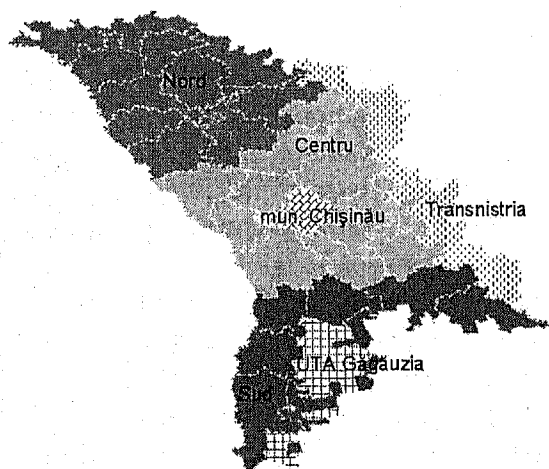
Regional development policy

Moldova's transition to market economy has been accompanied with significant regional imbalances, caused by existing production structure which was characterized by a predominance of the agricultural and the agro-industrial sectors and the dependence of social-economic development of small towns on a limited number of big industrial enterprises. Thus generating economic growth outside the capital city, and especially in rural areas, which suffered from the loss of traditional agricultural markets, has been a major challenge for Moldovan authorities from independence onwards.

The country's development planning framework at sub-national level has been overlapping with the territorial-administrative system. The traditional structure of *districts*, in place till 1999 and reintroduced with amendments in 2003, is characterized by limited financial options and scarce planning capacity. The model of *judets*, which were larger regional units, have been generating more opportunities for strategic planning, exerting a synergic impact on the development efforts. But these proved too small to close on the gaps, and too large for an efficient delivery of public services given the absence of a true decentralization.

The current model of regional development, endorsed by the Law No. 438-XVI on regional development, which was adopted on 28 December 2006, provides for the setting up of bigger, regions, with responsibilities for strategic planning, which would complete the existent territorial-administrative structure. This approach provides the opportunity of cutting down the costs (by achieving economies of scale) and of increasing capacity for strategic planning, while bringing, at the same time, public services delivery closer to citizens – at local and district levels.

Figure 1: Development regions of the Republic of Moldova



The Law on regional development is in line with the Republic of Moldova European integration aspirations and provides for the set-up of two European-type NUTS II regions (North, Center) and four NUTS III regions (South, TAU Gagăuzia, Transnistria and the

municipality of Chisinau).

Moldova's regional development policy is planned to be implemented in three stages. During the first stage, starting in 2007 and to be completed by 2010, the Government efforts will be channeled towards capacity building and strengthening of development conditions in the North, Center and South regions. The mechanism of implementation of this stage is stipulated in the National Regional Development Strategy, which will be the framework paper for the establishment of a regional development institutional framework. The next stage (2011-2018) builds upon the expected existence of advantageous conditions for launching development actions in the TAU Gagauzia and Transnistria regions.

Regional development institutional framework

The Law on regional development provides for the creation of two levels of organizing the regional development institutional framework at national and regional levels.

1. National level:

The National Council for the Coordination of Regional Development (NCCRD) was set up to formulate, promote and coordinate regional development policy objectives at the national level. The structure of the NCCRD and its regulations has been defined by the Ministry of Local Public Administration and will be adopted by the Government. The membership of the NCCRD is made up: the minister of local public administration, the minister of economy and trade, the minister of finance, other ministers, the chairpersons of Regional Development Councils and one private sector representative from each Regional Development Council.

Among the main tasks of the NCCRD is to endorse the National Regional Development Strategy, in order to coordinate national sector-wide and regional policies, as well as to approve the financing from the National Regional Development Fund.

The National Regional Development Fund (hereinafter referred to as the *Fund*) is the main tool to finance regional development projects and programs, to be channeled first of all to the most disadvantaged areas in the development regions. The Fund is accrued from the annual allocations from the state budget, as a distinct budget line for the regional development policy, and from other funding sources. The quota of the Fund is set at above 1 per cent of the state budget revenues, approved by the State Budget Law for that relevant year. The Fund could also draw on other financial resources from either the public and private domains, at local, regional, national or international levels, as well as from the resources granted by EU assistance programs.

2. Regional level:

The Regional Development Council is a functional consultative structure at the level of each development region, set up for the coordination and promotion of regional development policy at the local level. The Regional Council consists of district chairpersons, mayors, representatives of private sector and civil society. The chairperson and deputy chairperson of the Regional Council are selected from the council members, representatives of local public administration authorities.

The Regional Council is accountable for the general development in the region and the approval of the regional development strategy and an action plan. Based on criteria defined at national level, the Regional Council identifies disadvantaged areas from the region and approves and promotes regional development projects.

A *Regional Development Agency* is set up in each development region having the task to

implement the decisions made by the Regional Council. The Agency is a legal entity and carries out its activities in accordance with the regulations approved by the Agency based on a framework regulation, designed and approved by the Government. The Agency carries out social and economic development analyses in its respective development region, as well as it also designs, coordinates, implements, monitors and evaluates the implementation of regional development strategies, plans, programs and projects.

The regional development institutional framework is meant to stimulate initiative and entrepreneurship at local level, to encourage settlements, districts, nongovernmental organizations and business groups to take up a strategic thinking approach and identify new local economy development pathways, so that it would contribute towards implementing the horizontal priorities of the given Strategy all over the country. To this end the regional development policy will focus on the improvement of intra-regional and inter-regional cooperation in order to create institutions capable of identifying priorities and of implementing joint activities.

Inter-regional and intra-regional discrepancies

In spite of a continuous economy resuscitation reported throughout 2000–2007, there are important regional imbalances in Moldova, which prevent a balanced socio-economic development all over the country. Although those discrepancies existed even before the beginning of the transition process to a market economy, those have recently grown in size and intensity. First of all, there are significant imbalances between the municipality of Chisinau (with the municipality of Balti emerging as a close runner-up) and the rest of the country; yet, there is more and more discrepancy across regions and localities in the country.

The municipalities of Chisinau and Balti respectively more than other have the necessary production factors and infrastructure for attracting investments and socio-economic development. In 2006 the municipality of Chisinau, where 22 per cent of the country's population resides, generated half of industrial outputs, 56 per cent of retail trade and 58 per cent of investments made in fixed capital. Second to the capital city in terms of development levels is the municipality of Balti, having a higher growth potential than other of the country's locations. Reporting merely 4 per cent of the country's population, the municipality of Balti generated 14 per cent of industrial outputs, 9 per cent of retail trade and accounted for 6 per cent of fixed capital investments in 2006.

A review of the key development indicators reveals that the municipality of Chisinau has the majority of the country's enterprises, has more human resources and benefits from a relatively developed infrastructure. Thus, about 65 per cent of enterprises reported in Moldova in 2006 are located in the municipality of Chisinau. The capital city has the most developed network of roads and nearly 94 per cent of all households in Chisinau are piped to water supply and sewer systems. This is no different from many European countries, where capital cities are the most developed regions.

There risk persists that other communities in the country would be marginalized or even excluded in view of having most of development factors concentrated in the municipalities of Chisinau and Balti, unless a model to scale up the growth and development process outside the two to the entire country is developed.

A review of key indicators in the development regions reveal a discrepancy not only between the municipality of Chisinau and the regions, but also across the regions *per se*. When cross-

compared, the development regions of North, Center and South, to be targeted by the national development policy in the medium run, one could see that North is the most developed region of all, whereas the development region South is the least developed, with the smallest industrial outputs per capita, lowest level of investments in fixed capital, and the lowest number of reported enterprises. However, in demographic and infrastructure terms, the development region of Center is the least developed of them, indicating the lowest urbanization rate and the poorest coverage with water supply and sewerage.

Table 5: Key indicators by development regions in the Republic of Moldova (2006)³⁵

	North	Center	South	Chisinau	TAU Gagauzia	Total
Residential population, thousand inhabitants	1023	1070	548	780	160	3581
Share of total, per cent	28.6	29.9	15.3	21.8	4.4	100
Urban population, thousand inhabitants	357	206	138	712	65	1478
Share in total, per cent	24.2	13.9	9.3	48.2	4.4	100
Annual average number of people in 2006	1023.9	1073.2	549.0	779.6	159.4	3585.2
Industrial output in current prices, per capita, MDL ³⁶	4891	3094	1684	14736	4880	6002
As per cent of the country's average	81	52	28	246	81	100
Amount of fixed capital investments, in current prices, per capita, MDL	1845	1471	1579	8097	1630	3042
As per cent of the country's average	61	48	52	266	54	100
Share of dwellings with sewerage systems (regional average), per cent	19.7	14.4	21.2	88.9	27.5	30.9
Share of dwellings with water supply system (regional average), per cent	20.7	20.5	26.1	94	27.8	34.8
Number of reporting enterprises, thousand units	5.0	4.8	1.9	24.7	1.0	37.4
Including the share of enterprises reporting loss, per cent	44	42	47	49	51	47
Share of eroded land within total lands (regional average) per cent	30	42	39	38	39	
Share of roads with rigid coating within total public roads, per cent	94	93	84	96	78	91
Waste generation, thousand tons ³⁷	1644.4	759.7	113.3	447.1	30.9	2995.4
Waste utilization, thousand tons ³⁸	325.9	326.4	100.4	166.0	7.5	926.2

In order to thoroughly review the interregional and intraregional imbalances, the Ministry of Economy and Trade drafted a Report on multiple deprivation in the rural areas of Moldova³⁹ in 2005, which evaluates the development level of the country's localities using the Small

³⁵ 2006 data, net of the development region of Transnistria.

³⁶ The average number of people per year in 2006 was used for calculations.

³⁷ 2005 data.

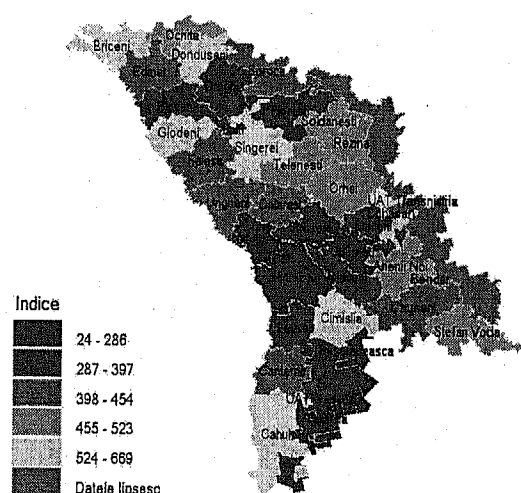
³⁸ 2005 data.

³⁹ Although the Ministry of Economy and Trade drafted the Report on multiple deprivation in rural areas in Moldova for 2006, the final version of the report was not available when the National Strategy was completed.

Areas Indices of Deprivation, which is a complex weighted index, which takes into account administrative data from localities in seven fields: household revenues, economic potential, demographic structure, healthcare, education, living conditions and geographical location.

According to the findings of this report, the districts from the country's Center location are, on average, the most deprived in terms of revenues, both economically and geographically. The region of South is more deprived than the Northern regions in terms of income and from a geographical standpoint. On the one hand, the North and South are more deprived, on average, than other regions, from a demographical structure and healthcare viewpoint. On the other hand, the Central and the South-Eastern districts are more deprived, on average, in terms of education, whereas there is discrepancy in the living conditions between the East and the West of the country.

Figure 2: District deprivation index by revenue



At the same time, even within the regions *per se*, there are certain imbalances between districts and localities. For example, if analyze income deprivation, one could see variations within districts and across them. In the district of Briceni there are local rural communities with the highest and the lowest income deprivation level by income, but on average and based on the population weight, the district of Briceni is the least deprived district in terms of income. Nisporeni and Taraclia are the most deprived districts. The districts of Nisporeni and Taraclia report 10 per cent of all the most deprived communities (22 and 12 respectively, in absolute figures). The population residing in the district of Nisporeni accounts for 26 per cent of all people from the most deprived communities, with Gagauzia running up second, with 15 per cent.

In general, there is a wide variation in the multiple deprivation index of rural communities across and within districts, although the deprivation levels vary depending on the analyzed field. Comparing the levels weighted by the population average weighted level, a district may turn out to be extremely deprived on one indicator, yet at the same time be ranking high in other areas of interest. That is why the participation of authorities at all levels – be it local, district or regional – is clinical in identifying regional development priorities.

Economic development sustainability in regions, specifically in rural areas, continues to be significantly influenced by their performance in agriculture. Today Moldova's agriculture continues to be the sector with the lowest productivity and remuneration reported in the country. Although, this sector provides employment to almost 33 per cent of the country's labor force, and is the main source for food processing industry, the long-term economic development

cannot be based almost entirely on agriculture, while agricultural production has to be reoriented to competitive goods with higher value added, such as fruits, vegetables and walnuts.

In spite of lacking studies on the causes for regional imbalances, among the main factors which generate and exacerbate these are the following:

- Concentration of production and growth factors in the municipality of Chisinau;
- Decline of small towns and, consequently, the exodus of labor force;
- Mono-structural occupational structure of regions and reliance on agriculture; and
- Limited capacity of local public authorities to manage the development process.

Environment and use of natural resources

The Republic of Moldova has a density of 118 inhabitants / sq. km, twice the average reported in European countries, thus exercising high pressure on the country's environment and natural resources. The issues faced during the transition period have had a significant anthropogenic impact on environment and have contributed to emerging of a discrepancy in the eco-balance, as well as have deteriorated the quality and biodiversity of natural resources.

Moldova's soil is the main natural asset of the country, with 75 per cent of its land area being lands used in agriculture. The deficiencies reported over the last several years in implementing the land reform and use of soil, situation in which advanced technologies have not been observed, due to farmers' limited knowledge about the best practices used in the sector and because of the limited access to chemical and biological fertilizers, have not led to the necessary conditions to prevent soil degradation and increase its fertility. The soil erosion is main factor contributing to soil degradation, exerting a negative impact on aquatic resources. The surface of eroded lands has been increasing by 0.9 per cent each year, with agricultural lands registering the loss of about 26 million tons of fertile soil each year. The annual damage that soil degradation inflicted to the national economy is estimated at about MDL 3.1 billion, including: MDL 1.5 billion in losses caused by erosion; MDL 0.2 billion – losses caused by landslides and rifts; MDL 1.4 billion – estimative value of agricultural production that was foregone due to the decline in land productivity.

Waste management is an important issued related to environment protection. Recent years saw an increase in the activities of centralized storing and destruction of useless and banned pesticides, including those pertaining to the category of persistent organic pollutants (POP), which were financed chiefly with foreign funds. There have been 3,000 tons of pesticides overall estimated while running the above activities, compared to 1,712 tons estimated initially. Thus, it is necessary to carry on these activities during the implementation phase of the National Development Strategy.

Despite the stock of solid household wastes being relatively small, Moldova still is facing issues with controlled storage and separate collection of household wastes. In 2006 an inventory roster of all solid household waste sites has been completed, indicating 2,667 waste sites, of which around 60 per cent were unauthorized. Yet, even authorized waste sites do not always meet the environment protection norms. Although a significant number of unauthorized waste sites have been closed down in recent years, there is a high risk of those emerging again unless local public authorities bend sustained efforts to create authorized waste sites instead.

The quality of air in Moldova is substantially influenced by external air polluting sources. Vehicles are the single most important internal source of air pollution, accounting for 90 per cent of total amount of exhaust emissions and in large cities, e.g. the municipalities of

Chisinau and Balti, even higher – up to 95 per cent. The main cause of high transport-driven exhaust gas emissions is the relatively big number of used vehicles.

Water is the single most important environment factor with highest impact on health. The pollution levels reported in Moldovan rivers vary from moderate (Dniester and Prut rivers) to high (smaller rivers). Underground waters are the main source of drinking water for about 70 per cent of population, yet many wells do not meet the health and epidemiological standards. At the same time, despite the ever increasing number of households piped into the centralized water supply system, it accounts for merely 40 per cent of all households, with the majority of these systems being located in urban areas. Although the water supply situation has improved, the building of new water supply networks has not been accompanied with the building of residual water purification stations and sewerage systems. This situation results in a high risk of water pollution.

The quality of water varies across the main rivers of the country, ranging from moderately pollutant (Dniester, Prut) to polluted (Raut, Bic). Most of underground water resources do not meet the drinking water quality norms and standards, because of higher concentration of harmful chemicals (fluorides, iron, sulphureous hydrogen, chlorides, sulphates, excessive mineralization). The situation is extremely unfavorable in rural areas, where by and large people use water from the phreatic waterbeds (132,000 water wells, water collectors, and springs) and merely 17 per cent of families use the water from centralized water supply sources.

Thus, in the medium run it is important to have the country use economic development and harness its natural capital based upon environment protection technologies. The main challenges plaguing Moldova, such as the efficient management of waste, the prevention of water and air pollution, and the prevention of soil erosion, could not be worked out unless the local public authorities provide support and get involved.

Rationale

One of the main objectives of the National Development Strategy is ensuring a balanced regional development. Regional development implies planning and implementing a balanced territorial socio-economic development all over the country. This refers not only to developing policies for the underdeveloped regions, but also policies focusing on reducing the pressure put on urban infrastructure, addressing the level of rural and urban poverty, as well as, in the longer run, more efficient integration of land development processes with economic planning, mainly through more efficient use of land resources.

The National Development Strategy will support regional development under a coordinated, coherent and mutually beneficial framework of policies. At national level, policy implementation actions will focus on the following areas: infrastructure, public services, business environment, travel services, environment, agriculture, and rural development.

In view of ensuring an efficient development and social-economic growth in regions, there is *sine qua non* condition to come up with a detailed and comprehensive public investment program, as part of the MTEF. In this regard, the Republic of Moldova will initiate the process of coordinating the financial resources with the expected outcomes. At regional level, activities directed towards competitiveness enhancement and attractiveness of development regions will be identified within the framework of regional development strategies.

Building regional capacity is an imminent prerequisite for a sustainable regional development. Given the above, special attention will be paid to institutional strengthening, improving absorption capacity in development regions, non-government sector specialization, as well as to building the planning and implementation capacity of local public authorities.

Overarching goal of priority

Implementing a balanced and sustainable social and economic development all over the country by coordinating efforts within development regions

Objectives

- 5.1. Balanced participation of all regions in the socio-economic development of the country, with a primary target on the regions North, Center and South;**
- 5.2. Accelerate the development of small towns as regional “growth buds”;**
- 5.3. Develop rural economy and improve productivity in agriculture;**
- 5.4. Develop and upgrade regional infrastructure and promote public-private partnerships; and**
- 5.5. Avert environment pollution and promote efficient use of natural resources in view of improving the quality of life**

Programs and actions

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

Rationale

The Ministry of Local Public Administration will develop the National Regional Development Strategy and an Action Plan, which will identify the way, place and time of creation for the regional development facilities set under the Law on Regional Development. The purpose of the National Regional Development Strategy will be boiling down to creating and keeping up a framework for the management, implementation, financing, monitoring, and evaluation of regional development, without further elaborating on the contents of regional development strategies or on the way the regions will contrive respective development.

The main tool when implementing the regional development policy will be the Regional Development Strategies, which ought to be formulated with the participation of public authorities, nongovernmental organizations and private sector, at local and regional levels and coordinated by Regional Development Councils and the Agencies for Regional Development. The Strategies will identify the main social-economic issues in the regions, will set up development priorities and will guide regional medium-term investments. In order to support investments in identified areas and communities, the Agencies for Regional Development will encourage the setting up of horizontal partnerships between communities and private sector groups.

Regional development ensues from the national development priorities and enforces the fulfillment of those at territorial level, both local and regional. Hence, the analyzed priorities identified within the Regional Development Strategies have to be debated and coordinated with sector-wide policies at the national level. Policy coordination will be provided by reviewing Regional Development Strategies and by endorsing the financing decisions within the NCCRD, as well as by establishing other coordination mechanisms.

Programs and measures

- 5.1.1. Capacity building for regional development facilities in management of development processes**
 - (i) Set up and guarantee the operation of a Regional Development Division of the Ministry of Public Administration;**

- (ii) Complete and endorse the National Regional Development Strategy;
- (iii) Set up and guarantee the operation of Regional Development Councils and Regional Development Agencies in the regions of North, Center and South;
- (iv) Design and approve Regional Development Strategies, with participation of level-one and level-two local public authorities, nongovernmental organizations and private sector representatives in each of the three regions;
- (v) Establish a harmonized financing mechanism to channel the funds of Government and international donors to investment projects as identified within the regional development strategies;
- (vi) Delineate competences for the relevant central authorities of public authorities and local public authorities, in line with Law on Administrative Decentralization, no. 435-XVI, as of 28.12.2006;
- (vii) Ensure financial decentralization and the improvement of inter-budgetary relations in order to strengthen financial capacities of local public authorities in managing public services and investment projects;
- (viii) Implement the National Strategy on public servants and locally elected officials training and creation of conditions for a new management of human resources;
- (ix) Promote women to LPA decision-making positions;
- (x) Design a transparent and efficient monitoring and evaluation tool for regional development; and
- (xi) Establish a strong participatory process to maximize the impact of investments in regional development on the poor, socially excluded and on women.

5.1.2. Capacity building for interregional and cross-border cooperation in order to harness effective investments in regions:

- (i) Encourage the creation of horizontal partnerships between groups of communities, districts, nongovernmental organizations and private enterprises in view of accomplishing joint regional development projects;
- (ii) Ensure common and coordinated planning (between regions and cross-border) of physical, economical, social and environmental infrastructure;
- (iii) Joint management of investments made in shared rivers;
- (iv) Improve cross-border connectivity (adjust the railway connections at the Romanian border); and
- (v) Promote cultural exchanges with neighboring countries and put up common travel destinations of interest.

5.2. Speeding up the development of small towns as “growth buds” for the regions

Rationale

The selection of locations that, through targeted development, would be turned into regional centers, has to be based on their potential to stimulate economic growth in the small towns and villages under their territorial purview and on the quality of transport networks with other regions of the country. Pursuant to the role suggested for the regional centers, only a limited number of communities will be selected for this role, in order to ensure the appropriate level of concentration of resources and investments.

Although the creation and development of regional centers will be the key element of the regional development policy during the Strategy implementation, this does not mean that development will be limited to these centers and adjacent areas. This approach will contribute to reaching a critical mass to spur up economic growth in other target towns and in their larger zones of

influence. Within these zones there will be need for setting up a network of development hubs of regional and/or local importance. As a result, in each region, a number of small towns – smaller in size than the regional center – will start developing and which in turn will further economic growth and will support the development of villages and adjacent rural areas.

The accomplishing of a balanced regional development through development hubs will be complimented by multi-sector policies meant to provide for the economic growth of these centers and ensure conditions that through local economic activities in those areas would offer enough opportunities to local communities to generate jobs with decent payments.

Programs and measures

5.2.1. Promoting efficient tools to facilitate convergence, economic growth and development of towns, as well as the consolidation of networks of small town:

- (i) Design and endorse a national strategy for land development, to set up indicative policies regarding the location of industrial facilities, residential buildings, agricultural lands, national tourist/travel routes, and cultural assets;
- (ii) Provide attractive conditions for investors in unfavorable areas;
- (iii) Develop economic infrastructure (free economic zones, industrial parks, logistical centers) in key locations;
- (iv) Promote marketing of regional capacity for foreign investments (informational centers, structured services);
- (v) Restructure and upgrade the industrial sector as to allow for the creation of clusters;
- (vi) Create networks of towns based upon common development interests and potential; and
- (vii) Promote the marketing of brands and success stories of towns.

5.3. Rural development and growth of agriculture productivity

Rationale

The high proportion of rural population and the considerable rural areas make the rural development agenda a matter of national importance in the Republic of Moldova. The issue of rural economy development is complex and requires a cross-sector and territorial (regional) approach. Agriculture will continue to be critical for Moldova's rural economic development, and in many communities still it is the main available economic activity. The future of agriculture is incomprehensible without a diversification and renewal of rural economy as a whole, because agriculture could be efficient only within the context of rural development.

Structural reforms over recent years have contributed to the creation of a large private agricultural sector. The biggest part of private enterprises has not managed to adjust to the new market environment. The tendency of agricultural production to self-consumption and the lack of economic viability in the case of many enterprises operating in the sector is due to many constraints, both at the demand and supply ends of it. The inadequate supply of quality farming products is the main reason for the poor trade opportunities, which in turn, is closely linked to the failures at the demand end, such as the underdevelopment of value chains coordinated vertically, the role of which is to generate and shape demand and to set the standards for the farming products based on market demands. The insufficient use of the research and innovation potential, the low level of management skills, also contribute to low competitiveness of farming and food products.

The increase in the performance of agriculture implies changes in two directions: firstly, an improving of performance and competitiveness in agriculture, and secondly, a decreasing in the number of people working in agriculture. High productivity levels in agriculture could be attained by employing modern technologies, leading to higher outputs, better quality, economic efficiency and, ultimately, competitiveness of Moldovan products on international markets. This implies actions focused on setting up a favorable investment climate for farming and processing enterprises, attracting domestic and foreign financial resources to develop the production and trade infrastructure, development of human resources, development of the country's research and innovation potential, better risk management, preservation and efficient use of natural resources.

Once structural reforms advance and modern technologies are applied, the number of people employed in agriculture will go down. Shifting labor force working in agriculture to non-farming occupations requires that an assessment of training, qualifications and skills be conducted, as well as provide for the need of on-site training. Another set of actions should target education of labor force from rural areas, improving their qualifications, so that they would be able to get jobs in non-farming areas. In this context, there is need for a sustained and determined effort to create and develop improved conditions to develop business skills, and bring in investments in new businesses in rural areas, which not only will sort out the social problems, but would also increase the productivity in rural economy, in particular, and the competitiveness of national economy, in general.

Programs and measures

5.3.1. Improving the performance of agriculture and the competitiveness of farming and food products

- (i) Improve the management of farming lands and soil protection;
- (ii) Improve natural hazard risk management, preservation and efficient use of natural resources;
- (iii) Upgrade the production and development infrastructure for the farming and food product market infrastructure;
- (iv) Reorganize veterinary and phytosanitary services in line with EU norms to secure food safety and promote exports;
- (v) Improve the quality of education in agriculture, by means of in-service training;
- (vi) Strengthen rural development services (information and consultation services in agriculture and rural development);
- (vii) Reform and consolidate the system for research and technological development in agriculture and food processing industry; and
- (viii) Set up an efficient partnership between research, education and development in agriculture.

5.3.2. Developing a climate favorable for strengthening SMEs and business skills in rural areas:

- (i) Strengthen entrepreneurship in small towns and villages by facilitating access to services (one-stop shops at the LPA, business information centers, networks for product trading and distribution);
- (ii) Develop a business culture in rural areas through education programs, business incubators etc.
- (iii) Develop support services for rural business;
- (iv) Develop rural non-farming activities, in particular within SMEs, including within farming enterprises, through sector-wide programs and projects (services, telecommunications, transport, etc.); and

- (v) Build capacity for harnessing the tourism/travel potential by identifying and promoting a limited number of very competitive products and services (niche approach) and consolidate the cooperation in the area of tourism with neighboring countries.

5.4. Developing and upgrading regional infrastructure and promoting public-private partnerships

Rationale

Although Moldova has all the necessary infrastructure elements, the distribution of those is uneven. In certain regions the low-quality infrastructure puts up significant obstacles to social and economic development, makes the region less attractive for investments and is not living up to the demands of modern development. This situation is common for all components of regional infrastructure (roads, gas, water, electricity supply systems, social and environment infrastructures etc.)

At the same time, without having significantly improved the regional infrastructure, one could not count on cutting down discrepancies in regional development and could not enhance the competitiveness of regions. Regions can position themselves as attractive economic entities only once an infrastructure is set up in line with modern economy demands.

Each development region will define the main development gaps and priorities in their own infrastructure, drawing upon the appraisal of its status and role in sustainable social-economic development. When identifying their priorities, regions will also rely and make use of interregional and cross-border cooperation opportunities.

At the same time, the experience of European countries proves that the most efficient regional policy combines the efforts of central and local authorities alike, the private sector and nongovernmental organizations. Public-private partnerships could also be an efficient tool for delivering public services where substantial investments are necessary and the state is not able to guarantee those.

Programs and measures:

5.4.1. Concentrating financial capacities and resources for the implementation of projects in the social area, transport, public services and environment protection:

- (i) Enhance the capacity of regions to design and implement infrastructure development projects;
- (ii) Study the current situation and status of infrastructure and:
 - the need for investments;
 - the capacity to absorb investments;
 - feasibility of investments; and
 - obstacles (financial, legal etc.) to implementing investment projects.
- (iii) Implement efficient tools and mechanisms to promote public-private partnerships in the regions.

5.4.2. Creating an information system to support an efficient and transparent governing:

- (i) Implement the National Strategy for Edifying the Information Society – “e-Moldova”;
- (ii) Establish an Infrastructure of Spatial Geographic Data for the Republic of Moldova and integrate in international community; and
- (iii) Improve the quality of decision-making through by having the consumers of

created information services get involved.

5.5. Preventing environmental pollution and promoting the efficient use of natural resources aimed at improving the quality of life

Rationale

The sustainable development of the county and its society is only possible by ensuring certain quality environmental factors, which contribute to keeping up good health and quality of life. The quality of environment is directly linked to the country's economic performance, too, thus impacting on the farming products and rural economic development.

Water is the single environmental factor with the highest impact on the health. In this vein, there is need for actions to be taken to subdue the negative impact that the drinkable water of poor quality exerts on the health of population. The degradation of environment caused by accumulation of all types of wastes is the most aggressive factor contributing towards declining quality of health and life expectancy alike. The amount of household and production solid wastes disposed of into environment has significantly increased over the last decades, due to lacking techniques for waste processing, neutralization and replacement, thus negatively impacting on both the environment and the health of population.

The environmental policy will be implemented by actively involving local public authorities in the management of natural resources. To do so, efforts will be bent to delineate the competences of relevant central and local public authorities, build the capacity of authorized relevant public authorities, as well as to raise the public awareness about the negative effects of certain activities on the quality of environment.

Implementation environmental policy is costly and will require contributions from the state and local budgets, the National Environment Fund and from foreign financing sources. To this end, actions that encourage the participation of private sector in environment protection are critical (such as endorsing environment quality standards), alongside the decentralization of certain measures to community level (such as the creation of autonomous systems for water supply in locations where piping into a central water supply is far too costly).

Programs and measures

5.5.1 Efficient harnessing of natural resources, maintaining the quality of environment as a factor that ensures the keeping up of health and better quality of life:

- (i) Avert and reduce the degrading of natural resources and promote the efficient harnessing of those, emphasizing soil erosion prevention measures;
- (ii) Improve the waste management system to reduce the impact and quantity of wastes, including by means of creating the infrastructure for waste storage and processing;
- (iii) Management, controlled storage and destruction of toxic chemicals and persistent organic pollutants;
- (iv) Expand the water supply and sewerage networks, including by encouraging providing decentralized options where piping to a central network is too costly;
- (v) Multilateral collaboration on monitoring and protection of waterbeds of the rivers Prut and Dniester (including, water management, fishing and irrigation);
- (vi) Streamline the efficiency of power consumption, promote the use of renewable sources of power and purer production;
- (vii) Upgrade and improve efficiency of the national monitoring system for the status and evolution of Hydrometeorological conditions, including natural hazards and

- quality of environment;
- (viii) Expand the protected natural areas, and flora and fauna protection;
- (ix) Scale up afforestation, including by planning forests on degraded farming lands, by planting and reviving the protection forest fences along the farming lands, by using new funding opportunities for afforestation with carbon credit money; and
- (x) Improve the state control over enforcement of environment protection legislation and sustainable use of natural resources.

Progress indicators

Indicator (all indicators should be disaggregated by region)	Source
Share of urban population in total population in the region, per cent	National Bureau of Statistics
Share of households with sewer (regional average), per cent	National Bureau of Statistics
Share of households with water supply (regional average), per cent	National Bureau of Statistics
Investments in fixed capital, million MDL	National Bureau of Statistics
Volume of industrial output, million MDL	National Bureau of Statistics
Investments in fixed capital per capita, thousand MDL	National Bureau of Statistics
Volume of industrial output per capita, thousand MDL	National Bureau of Statistics
Number of reporting enterprises per regions	National Bureau of Statistics
Number of wagers, thousands	National Bureau of Statistics
Average monthly salary in the region as share of average national monthly salary, per cent	National Bureau of Statistics
Share of irrigated land in total farming lands (regional average), per cent	
Share of eroded lands in total farming lands (regional average), per cent	
Total public roads at the end of the year, km including paved roads, km	National Bureau of Statistics
Waste generation, thousand tons	National Bureau of Statistics
Waste management, thousand tons	National Bureau of Statistics
Share of afforested lands, per cent	Moldsilva
Share of protected areas designated for preserving biodiversity, per cent	Ministry of Environment and Natural Resources
Share of people with sustainable access to better water sources, per cent	NSPCPM
Share of people with access to improved sanitation, per cent	ACTD
Share of people with access to improved sewerage, per cent	National Bureau of Statistics

VI. MONITORING AND EVALUATION OF THE NATIONAL DEVELOPMENT STRATEGY

1. Background

The progress in carrying out actions and the achieved results will be subject to an ongoing monitoring process all throughout the implementation of the National Development Strategy, so that adequate policy and action changes are made, if needed.

Monitoring aims at bringing the priorities, objectives and targets of the Strategy in line with the results of implementing the given plan, so that subsequently carry out an evaluation of the way the Strategy has been implemented, with highest degree of accuracy attainable, as well as the impact it has had on the economic development and the living standards of people. Specifically, the monitoring and evaluation process will contribute to:

- i) Review of current situation and trends in achieving the Strategy objectives;
- ii) Review of the way the action plan has been implemented for Strategy fulfillment; and
- iii) Adequate evaluation of resulting final outcomes.

Institutional framework for the monitoring and evaluation of the Strategy

The supervision over strategic planning and activities carried out in the field of social and economic policies aiming at sustainable development of the country and at improving people's quality of life will be handed over to the National Council for Sustainable Development, chaired by the President of the Republic of Moldova. The National Council for Sustainable Development will carry the following duties:

- i) Oversee Strategy implementation, monitoring and evaluation;
- ii) Evaluate the Strategy outputs and outcomes;
- iii) Approve the annual plans of actions for the Strategy implementation and annual reports on Strategy implementation; and
- iv) Develop recommendations on social and economic development policies for sustainable development.

The whole process of monitoring and evaluating the outcomes of Strategy implementation will be coordinated by the Inter-ministerial Committee charged with coordinating the design, implementation, monitoring and evaluation of the Strategy (hereinafter referred to as Inter-ministerial Committee), consisting of heads of the central public authorities, and chaired by the First Deputy Prime Minister. The Inter-ministerial Committee will call on meetings at least twice a year, benefiting from the logistical support of the Ministry of Economy and Trade. The core duties of the Inter-ministerial Committee are as follows:

- i) Develop and approve the agenda of activities for the monitoring, evaluation and reporting on the Strategy implementation;
- ii) Evaluate the progress in achieving the objectives and targets of the Strategy based on monitoring data;
- iii) Review and approve semi-annual and annual reports on the Strategy implementation;
- iv) Review proposals of implementing partners and of the Participation Council on improving the monitoring and the entire process of the Strategy implementation; and
- v) Formulate recommendations to the Government to improve the Strategy implementation.

The Participation Council will support the Government efforts in implementing the Strategy, by interacting as facilitator of participation of all stakeholders, both governmental and non-governmental, at central and local levels. The Participation Council consists of representatives of various stakeholder groups, in particular, central and local public authorities, NGOs, private sector, trade unions and donors. In order to improve the dialogue with stakeholders, the central public authorities will strengthen partnerships by sectors, including by designating, within the policy analysis, monitoring and evaluation units, of a person responsible for participation.

In the monitoring and evaluation of the Strategy implementation, the Participation Council will bear the following tasks:

- (i) ensure the transparency of Strategy implementation;
- (ii) mobilize and facilitate the participation of civil society and other stakeholders in the implementation of strategic paper;
- (iii) establish a favorable environment for a ongoing dialogue open to participation of stakeholders in tackling problems and challenges emerging during implementation;
- (iv) strengthen the institutional framework for ongoing interaction between public authorities and civil society;
- (v) facilitate an independent monitoring and evaluation of Strategy implementation and the impact of public policies under the Strategy;
- (vi) provide for developing and implementing an efficient strategy for communication, wide and rapid dissemination of relevant information to partners, etc.
- (vii) review and submit recommendations for semi-annual and annual reports on the Strategy implementation; and
- (viii) prepare and submit recommendations during the updating of the Strategy Action Plan based on official reports and independent evaluations.

The Ministry of Economy and Trade will act as a technical coordinator of the implementation and monitoring process, which is carried out by central and local public authorities. The Ministry of Economy and Trade will have the following tasks:

- i) coordinate the monitoring process at inter-ministerial and inter-regional levels; and
- ii) conduct a comprehensive review of the policy impact on the achievement of the Strategy objectives at national level.

The Ministry of Economy and Trade will be responsible for the inter-ministerial and interregional coordination, and will fulfill the following duties:

- i) review and assess the current situation and economic and social trends;
- ii) ongoing monitoring of outputs and outcomes at national level;
- iii) evaluate the progress in achieving the objectives and targets of the Strategy;
- iv) assess the impact of policies formulated in the Strategy;
- v) consult central and local public authorities in monitoring, collection of data, review and drafting of reports;
- vi) design and turn in with the central and local public authorities the standard report forms and requirements for the contents of semi-annual and annual reports;
- vii) act as the Inter-ministerial Committee Secretariat;
- viii) submit to the Government and Inter-ministerial Committee proposals and recommendations for amending the policies and the Action Plan for the Strategy implementation;
- ix) prepare aggregated semi-annual and annual reports on the Strategy implementation;
- x) share the monitoring results and reports with the relevant stakeholders

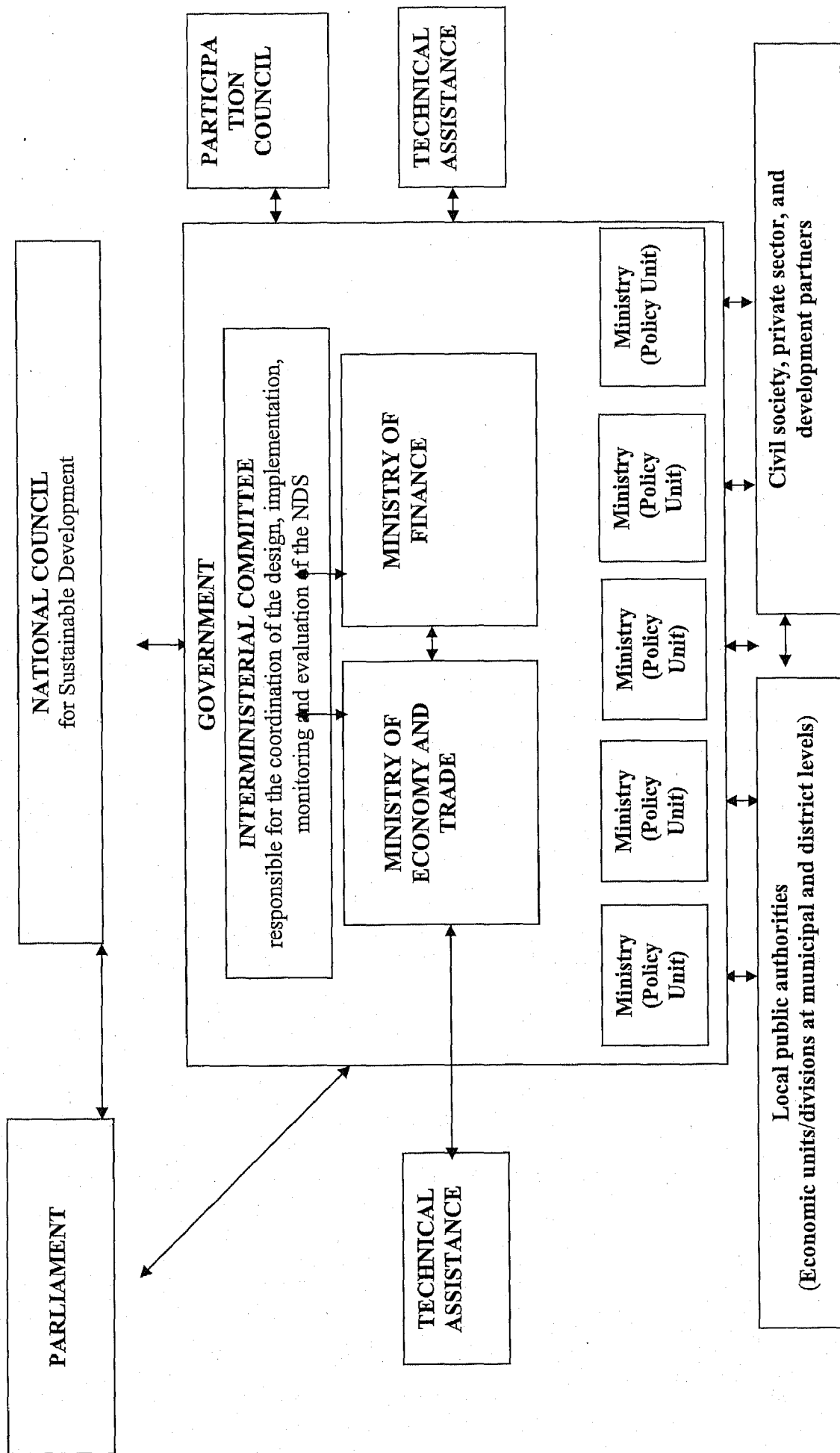
Within the central public authorities, monitoring will be done by policy analysis, monitoring and evaluation units or – should there be none – by other subdivisions, designated as being responsible for monitoring, pursuant to the ordinance of the head of that respective authority. Subdivisions responsible for monitoring and evaluation will have the following main duties:

- i) collect data and act as the administrator of the database, required for monitoring;
- ii) conduct the analysis of situation and trends in areas of their competence, which fall within the scope of the Strategy;
- iii) monitor the implementation of the action plan for the Strategy implementation and the results of implemented policies;
- iv) assess the impact of policies and actions taken towards achieving the set objectives and targets;
- v) formulate suggestions on how to improve the implementation plan and policies, based on the outcomes of monitoring; and
- vi) draft semi-annual and annual reports

The economic divisions / units of the district, municipal councils, and TAU Gagauzia will take care of monitoring at local level. The Monitoring and evaluation of the Strategy implementation at regional level will be conducted by the Ministry of Local Public Administration, in cooperation with the National Council for Coordination of Regional Development (NCCRD), created pursuant to the Law on Regional Development, with a view to approving, promoting and coordinating the objectives of the regional development policy at national level. Involved facilities will benefit from the relevant advisory support that the Ministry of Economy and Trade will provide throughout the entire process in matters relating to data collection, selection of monitoring indicators, reviewing and drafting of reports.

The Ministry of Finance will provide the Ministry of Economy and Trade, and other public authorities, including the local ones – which are involved in the monitoring and evaluation process – with the relevant consultative support, in particular, in the context of evaluating the financial impact of policies and how those fit in the Medium-Term Expenditure Framework.

Figure 9: Institutional framework for the monitoring and evaluation of the National Development Strategy for 2008-2010



2. Strategy Monitoring and Evaluation Tools

In order to monitor and evaluate the outcomes of the Strategy implementation, statistical data from both the National Bureau of Statistics and the National Bank of Moldova will be used, alongside the administrative data compiled by the central public administration authorities.

The Strategy monitoring process will make use of a number of indicators measuring the overall outcomes of implementing the set targets based on priorities (Annex no.1). These are, by and large, indicators measuring the most significant overall outcomes of the Strategy implementation. At the same time, if one is to get more detailed data about the current situation and implementation outcomes, the responsible central and local public administration authorities will use a larger set of indicators, broken down by areas of competency for monitoring purposes. To make the overall picture complete on the Strategy implementation in each area, the authorities in question will also use the results from studies, reviews and national and international comparative surveys during the monitoring and evaluation process.

The interaction with the National Bureau of Statistics will be strengthened to improve the quality of information used by central and local public administration authorities in the Strategy implementation monitoring. An assessment will be conducted to reveal the additional needs of public administration authorities in terms of measuring the outcome indicators, to afterwards be discussed and endorsed by the specialists from the National Bureau of Statistics, and will be suggested for inclusion into the statistics software. In the medium run, some of the indicators computed by the National Bureau of Statistics will be adjusted to the Strategy requirements, while also initiating an assessment of a new set of indicators, specifically in such areas, as regional development, SME competitiveness, research and innovation, and gender statistics. In particular, any improvement of the Strategy monitoring and evaluation tools will target:

- i) improving the system of indicators and calculation methodologies;
- ii) improving the way the statistical data are collected, abiding by international standards, specifically the EU norms;
- iii) improving the statistical research system, in particular by eliminating statistic reports with low information value, thus easing the information burden on economic agents, allowing for a more efficient use of human and budget resources;
- iv) improving information technologies by:
 - developing the concept of an information system for the National Bureau of Statistics and its gradual implementation;
 - ensuring access to sources of administrative data belonging to the central and local public administration authorities;
- v) higher quality of publications, dissemination of statistic information and promoting a better use of statistical information by users; and
- vi) capacity building of formal statistics entities and central and local public authorities in view of developing relevant statistic and administrative information, thus ensuring an efficient output and use of it.

3. Strategy Monitoring and Evaluation Timeframe

The monitoring and evaluation, as well as the presentation of preliminary reports, will be brought in line with that of other strategies and national programs, as well as with the MTEF.

Each year, the Ministry of Economy and Trade, with the support of the central and local public administration authorities involved in the process, will develop an Evaluation Report