

**MOLDOVA: SUPPORT TO THE DELIVERY OF EFFECTIVE AND  
SUSTAINABLE SOCIAL ASSISTANCE SERVICES (OPM CNTR  
05 6649)**

Social Protection Public Expenditure Review

Oxford Policy Management and EveryChild, Moldova



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## **Abbreviations**

ATU	Administrative territorial unit
CHIF	Compulsory Health Insurance Fund
CPAR	Country procurement assessment report
FRA	Fiduciary Risk Assessment
GDP	Gross Domestic Product
NDS	National Development Strategy
NGO	Non-governmental organisation
NHIC	National Health Insurance Company
NSIH	National Social Insurance House
MDL	Moldovan lei
MLSPF	Ministry of Labour, Social Protection and Family
MSPFC	Ministry of Social Protection, Family and Child
MTEF	Medium term expenditure framework
OPM	Oxford Policy Management
PEFA	Public expenditures and financial accountability
PFM	Public Finance Management
SAFPD	Social Assistance and Family Protection Department
SSIB	State social insurance budget



## PART A: BACKGROUND

### 1 Introduction

#### 1.1 Objective

Moldova is in the midst of an ambitious restructuring of its social assistance system. In the area of cash benefits, implementation of the Law on Social Support is in process. This is intended as a move away from a category-based system towards a system of targeted social assistance. It provides a guaranteed minimum income to the poorest households. The benefit funds the difference between the set amount and the household's actual income. In the area of social services a draft Law on Social Services was submitted to government in January 2009, a crucial step in the strategy to further strengthen cost-effective and appropriate community-level services focusing on prevention of marginalisation<sup>1</sup>. These steps follow on a range of actions since the late 1990s to put the country's extensive social insurance system on a sound footing.

In this context of ongoing reform, the aim of this review is to assist the Ministry of Labour, Social Protection and Family (MLSPF) and local governments in strengthening the implementation of, in particular, the National Programme on the Development of an Integrated System of Social Services 2008–12 (hereafter called the 'national programme on social services')—the precursor to the Law on Social Services—by reviewing current public expenditure on social protection and public expenditure systems and their implications. The MLSPF (previously the Ministry of Social Protection, Family and Child (MSPFC)) is responsible for delivering results in social protection to improve the well-being of the population, including through policy development, the coordination of implementation, monitoring and evaluation (Republic of Moldova, 2007). It also continues to be responsible for the delivery of some services. It maintains oversight over a complex sector of which a substantial part is in the process of administrative and fiscal decentralisation. In particular, social assistance services, articulated in the new national programme on social services, are now an 'own' function of local government.

This review contains three components:

- **Description of social protection system.** A description of the various service delivery areas in the area of social protection, with an explanation of how they relate to each other and the legal mandate for these services (section 2). This provides a framework for the financial analysis.
- **Description of public finance management system.** An overview of relevant aspects of the public finance management and budgeting system, specifically to clarify the responsibilities for the various areas of social protection and its funding sources and to identify possible areas to improve management of resources in social assistance (section 3).
- **Budget and expenditure analysis.** Analysis of the actual spending and projected budgets for social protection (relative importance, prospects for growth, equity and gaps in service delivery numbers), and conclusions (sections 4–7).

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<sup>1</sup> The framework of services in Moldova is set out in Chapter 2. In this study social services refer to what is often referred to as welfare services (consisting of personal counselling and specialised services, a range of other support services to households provided by social assistants and social workers and some social facilities such as day care centres, social canteens and temporary placement centres, as is the Moldovan convention). The broader conglomerate of health, education and social protection is referred to as the social sector.

The purpose of the review is two-fold: (i) for social protection as a whole, to identify all components of social protection and all budget levels involved in the process; and (ii) for social services in particular, to generate information to support decision-making on the design of financial mechanisms which will ensure that the national programme on social services is appropriately financed. The focus is on mapping and analysing current planning, allocation of resources, spending procedures and practices with a view to recommending changes in support of the implementation of the national programme on social services and in compliance with the new legislation on (fiscal) decentralisation.

## **1.2 Methodology**

The analysis is a mix of a standard public expenditure review and a public expenditure tracking survey within the social protection sector, and the social services area in particular. It includes a focus on local government responsibilities and expenditure. The methodology for this exercise reflects the three components of the review described above. It included desk-based studies and research and interviews at local government level.

First, the social protection sector was mapped according to three categories: social insurance, cash benefits and benefits in-kind for the non-insured, and social services.

The second phase was dedicated to the mapping and process analysis of planning and budgeting procedures for social protection, with a focus on social services. This comprised:

- analysis of financial procedures. This included a review of budgeting regulations and procedures at the central government level and among the administrative territorial units (ATUs), which form the second (raion) level of local government. The team also analysed the mechanism for transfer of resources from central government to ATUs;
- review of the legislative framework for procurement and contracting; and
- a description of the audit environment.

The third phase of work included the analysis of allocation and spending trends of budgets available at national and local level according to functional, economic and organisational classifications; and an overview of multi-year expenditure plans, particularly the Medium-Term Expenditure Framework (MTEF).

Much of the data were collated from Ministry of Finance reports, the National Social Insurance House (NSIH) and the MSPFC. The analysis also made use of the data gathered during the fieldwork for the organisational assessment of the raion social assistance and family protection departments (SAFPDs), conducted by Oxford Policy Management (OPM) and EveryChild together with the MSPFC in September 2008. During that fieldwork interviews were held in 10 raions with a raion council finance division head and employee, the head and the accountant of the SAFPD, and with mayors in primarias (see EveryChild and OPM, 2008).



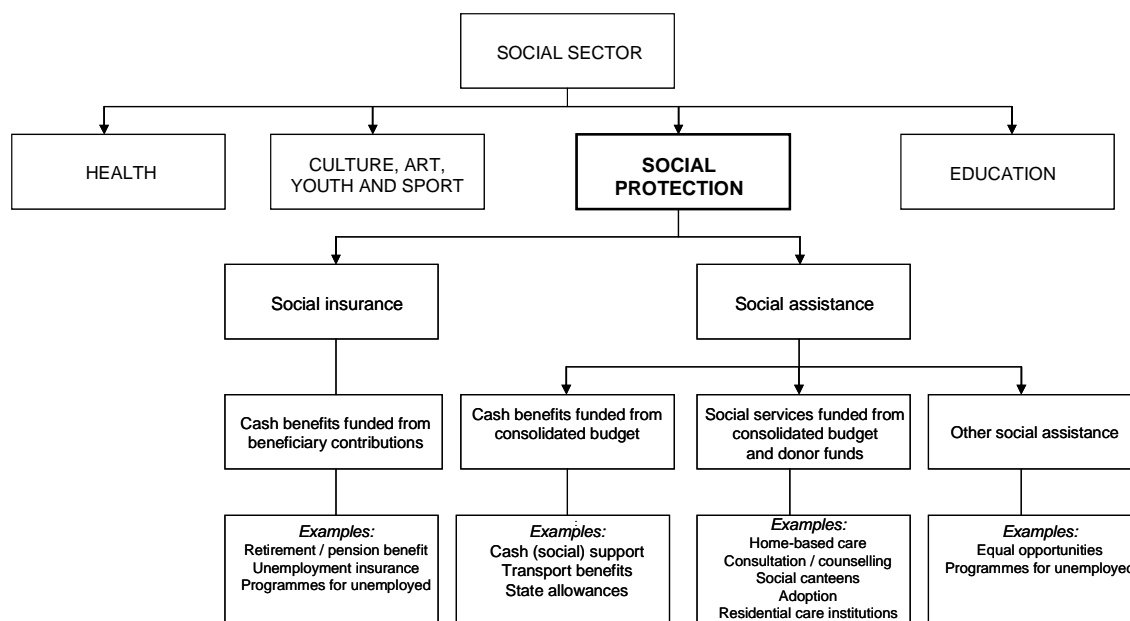
## 2 Social protection in Moldova

### 2.1 Definition

Social protection in Moldova consists of social insurance and social assistance (Figure 2.1).

- Social insurance refers to contribution-funded cash benefits, such as from a typical unemployment insurance fund or pension fund.
- Social assistance consists of:
  - tax-financed **cash and in-kind benefits**<sup>2</sup>. Cash benefits can be universal (paid to the whole population), categorical (paid to all in a certain category of the population) or targeted at specific sub-group, commonly through a means-test;
  - **social services** to vulnerable groups. These are mostly in kind but may also be in cash, and generally refer to services provided on the basis of individual need. Many of these services can be termed 'social care services' since they provide a care function to the recipient; and
  - some related services that support general welfare, such as programmes to reduce the risk of unemployment, to mitigate negative effects of migration or to promote equal opportunities.

**Figure 2.1 Overview of social protection in Moldova**



Source: OPM / EveryChild. Note: (1) The Moldovan budget distinguishes social insurance from other forms of social assistance, but does not formally divide social assistance into the classification of cash benefits and social services. The distinction between cash benefits and social services, here and throughout the report, has been made by the authors by classifying all the individual budget lines for social assistance. The components of each category are listed in Annex A. (2) Programmes for the unemployed are funded both by beneficiary contributions (social insurance) and from the consolidated budget (social assistance).

<sup>2</sup> 'Tax-financed' means that the benefits are funded by revenues collected in taxes for the main budget.

The Law on Social Assistance no. 547-XV of 25 December 2003 also notes that social assistance can be provided in 'indirect' form, through tax exemptions or discounts on payment for services related to housing. Analysis of these exemptions falls outside the scope of this report, which focuses on direct assistance, so they are not discussed further here.

A major challenge in defining the boundaries of social protection is that some social protection services are not easily distinguishable from other services in the social sector. Most notably, the care services that are provided in the residential institutions run by the education system are formally classified as education services, though the Ministry of Education and Youth readily acknowledges that part of its budget is devoted to looking after children who are without parental care. All residential institutions in the education system are considered schools, and all caregivers in them—such as those who look after children in the evenings and weekends—are considered to be education staff though they do not teach.

In 2003 the Government of Moldova approved the National Strategy on Child and Family Protection and its Action Plan for 2003-2008. The government recognised by this the need to reform residential education. In 2007 the National Strategy and Action Plan for Deinstitutionalisation were approved by the Government of Moldova with the aim of reducing the number of children in residential care by 50% by 2012. The strategy and action plan confer responsibility onto the MSPFC to reorganise the residential institutions. It might have been expected that the status of these residential institutions would therefore be revised, so that they would be considered social services. This definitional change has not yet happened.

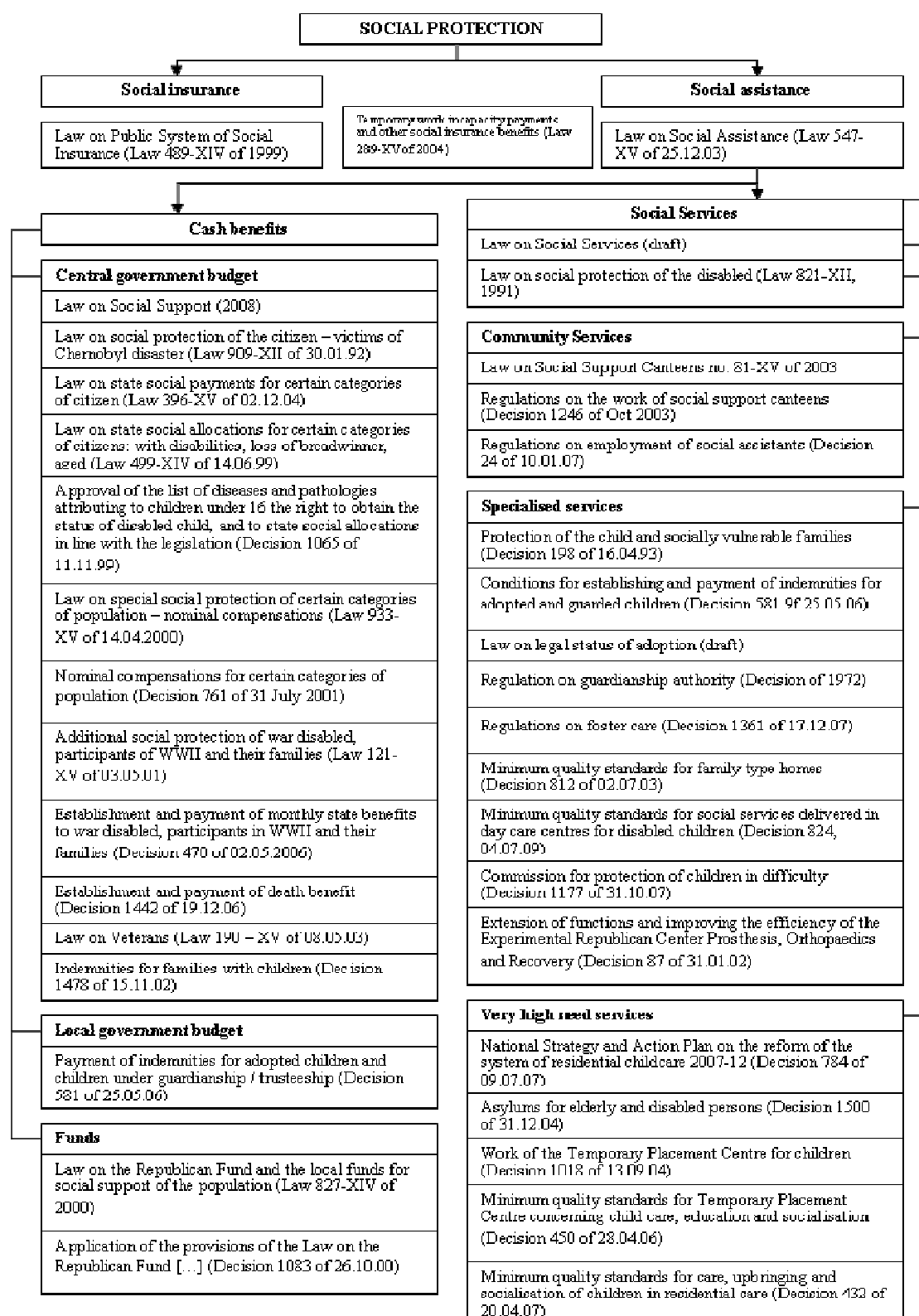
This report therefore reviews expenditure of these institutions where appropriate, for comparison with other services that are officially recognised as social services. This is because the budgets are interlinked: an increase in spending on community-level social services might reduce the demand for residential institutions.

## **2.2 Legislative framework**

The Constitution of the Republic of Moldova (1994) in Articles 47 to 51 sets out the right to social protection, mandating state action to ensure a decent standard of living for Moldovans and establishing the right to insurance against major contingencies impacting on economic survival (unemployment, disability, widowhood and old age). Special obligations are identified in favour of families, mothers, children and orphaned children. With regard to disability it is stated that government 'shall ensure that normal conditions exist for medical treatment and rehabilitation, education, training and social integration of disabled persons' (EveryChild Moldova and OPM 2008).

A large number of laws translate the broad constitutional entitlement into government policies. Figure 2.2 below sets out some of the main pieces of legislation providing the mandate and framework for social protection in Moldova. The list summarises legislation and regulations approved by parliament or government decision. Numerous other secondary regulations, not shown, have been approved by decision of the relevant ministry. With so many different pieces of legislation dealing with social assistance it can be difficult to ensure the overall coherence of the system. However, the complex legislative framework is symptomatic of the very wide range of benefits that exist (see section 2.4.1 below).

Figure 2.2 Social protection legislation and regulations



Source: OPM / EveryChild. Note: The categorisation of cash benefits and social services is explained in section 2.4 below.

## **2.3 Social insurance**

The Law on Public System of Social Insurance (Law 489-XIV of 1999) mandates social insurance contributions from employers and employees, sets out the insured risks and benefits and contribution principles and makes provision for the establishment of the NSIH and a social insurance fund from which benefits are payable.

Contributions to the State Social Insurance Budget (SSIB) differ according to the work conditions of contributors. They are approved in the annual law on SSIB.

The system provides for the following pension categories: old age, disability pensions and survivors. Insured persons could also benefit from other benefits available including:

- allowances for temporary work capability caused by occupational diseases and job-related accidents;
- expenses for health recovery in sanatorial treatment and rehabilitation of insured people;
- one-off birth benefit for insured people;
- monthly child rearing benefit up to the age of 3 for insured people;
- expenses for social protection of the unemployed;
- death benefit.
- 

The SSIB funding is ensured by revenues received from social insurance contribution, transfers from the state budget and other revenues (e.g. interest and penalties on its own funds).

## **2.4 Social assistance**

The overarching legislation in the area of social assistance is the Law on Social Assistance (no. 547-XV of 2003) which defines social assistance as, 'a component of the national system of social protection, where the state and civil society commit to prevent, limit or remove the temporary or permanent effects of certain events considered as social risks, which may generate the marginalization or social exclusion of people and families in difficulty'. It identifies direct social assistance as 'allowances in cash' and 'social services'. The Law on Social Assistance is currently undergoing amendments which are needed following on from the draft law on social services<sup>3</sup>.

Although the law divides social protection into cash benefits and services, the distinction is not reflected in the budget or the MTEF. The budget classification has no code to distinguish 'allowances in cash' from 'social services' at the level of functional classification. The MTEF uses a programme classification whereby the costs are grouped in relation to specific groups of beneficiaries such as for 'Child protection'; these include a combination of both cash benefits and social service activities.

### **2.4.1 Cash and in-kind benefits**

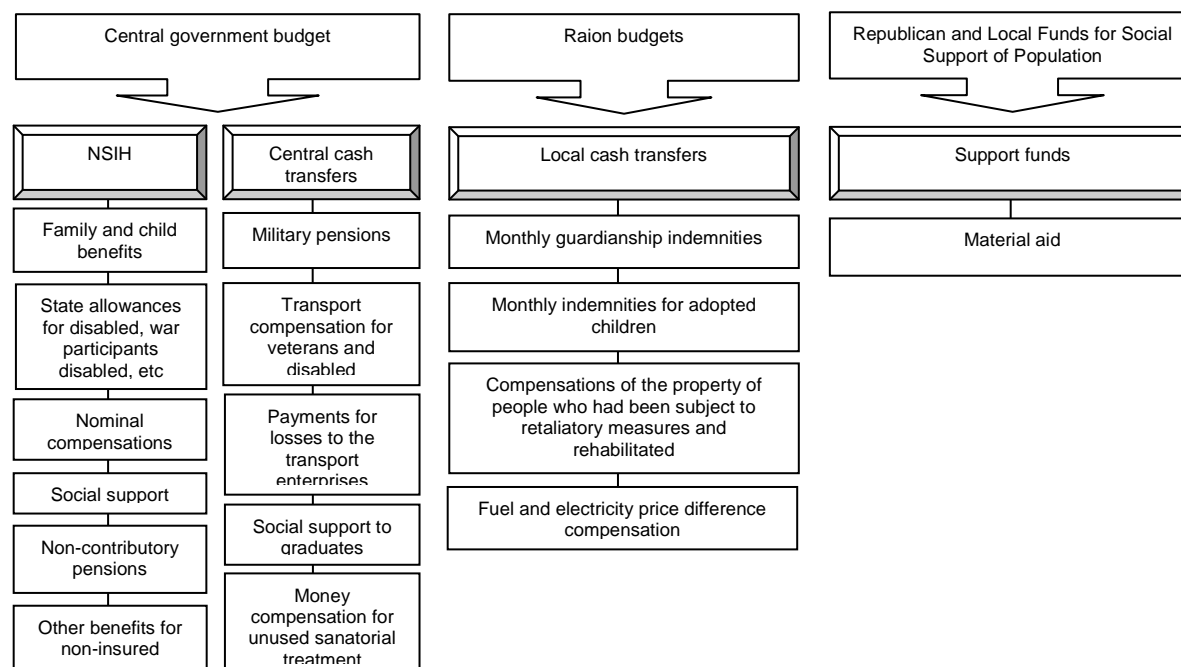
As described in Figure 2.3 below, cash benefits are paid from three different sources: (i) the central government budget; (ii) raion budgets; and (iii) Republican and Local Funds for the Social Support

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<sup>3</sup> The present report covers social assistance using the definition from the law. Services for the unemployed are therefore not discussed further here

of the Population (these funds come from special levies, some on specific industries such as cellular telephony).

**Figure 2.3 Cash benefits and their sources**



Source: OPM / EveryChild.

The bulk of cash benefits outside the social insurance system are funded from the central government level and administered by the NSIH and its territorial divisions. These benefits, set out in more detail in the Annual Social Report (Republic of Moldova 2008), are:

- family and child benefits (payment at birth of a child and monthly allowances for the care of children)<sup>4</sup>;
- state allowances which represent allocations for care (generally support to the disabled or those who care for them);
- nominal compensations (subsidisation of utility costs);
- social support;
- non-contributory pensions (generally payments to disabled termed military personnel, Chernobyl consequences liquidators, seniority pensions, etc.; and
- other benefits for the non-insured, i.e., benefits for those who have lost a breadwinner and measures for the non-insured unemployed<sup>5</sup>.

The central government also administers a set of non-contributory funds for certain population groups, such as for military pensions, as shown in the second column of Figure 2.3 above. These are considered to be social protection payments but they are funded via various relevant line ministries.

<sup>4</sup> For insured people these benefits are paid from the SSIB.

<sup>5</sup> Measures for the uninsured unemployed, starting with 2009 are not administered by NSIH.

Local authorities also pay cash benefits additionally or complimentary to those paid from the state budget. Here is necessary to mention that monthly indemnities for adoption, for the purpose of this review, have been classified as a cash benefit, not a social service, because no service is provided. This simply consists of a monthly payment to parents who have adopted a child. In many countries it is not common practice to provide financial support to adoptive parents because the child becomes their own. So this may be viewed as a cash benefit to a specific category of household;

Material aid paid from the republican and local funds for the social support of the population is administered at the raion level and distributed on the basis of the decision of a steering committee. The recipients come from the socially vulnerable population, mainly people with disabilities, pensioners, those incapable of work, families with many children, families who have suffered from natural disasters and other citizens deeply affected by poverty who do not have social support (Law 827-IV, 2000, art.5). It is usually provided once a year based on the available resources in the local fund. It is allowed to provide material support repeatedly in the same year only to people whose situation has been aggravated by new and unforeseen circumstances.

The analysis here shows that there are many types of benefit as well as many different administration bodies. Often the benefits are aimed at the same target groups and some people are eligible for benefits from multiple different categories at once.

## **2.4.2 Social services**

The national programme on social services and the draft Law on Social Services divide the social services that people receive into three levels:

1. **Community services**—the services which should be a first port of call for users of the social service system. Most people will use primary care services near to where they live, probably in their own *primaria*. These include services provided by a social assistant, domiciliary care, social canteens and non-specialist community centres.
2. **Specialised services**—these include consultation with specialists; day care services for people with specialised needs e.g. those with disabilities; the identification, training and support of substitute families (guardians, adoptive or foster families) and family-type homes (i.e. large foster families) for children who cannot remain in their own family; reintegration support for children who return to their families from full-time residential care; rehabilitation and respite care; and prosthetics and mobility aids.
3. **Very high need, or highly specialised, services**—these include all residential institutions that provide a social care function, as well as sanatoria and very specialised centres for treating the most exceptional cases of people in need who cannot be treated sufficiently with regular community or specialist care, such as some (but not all) victims of people trafficking, domestic abuse and drug and alcohol addiction.

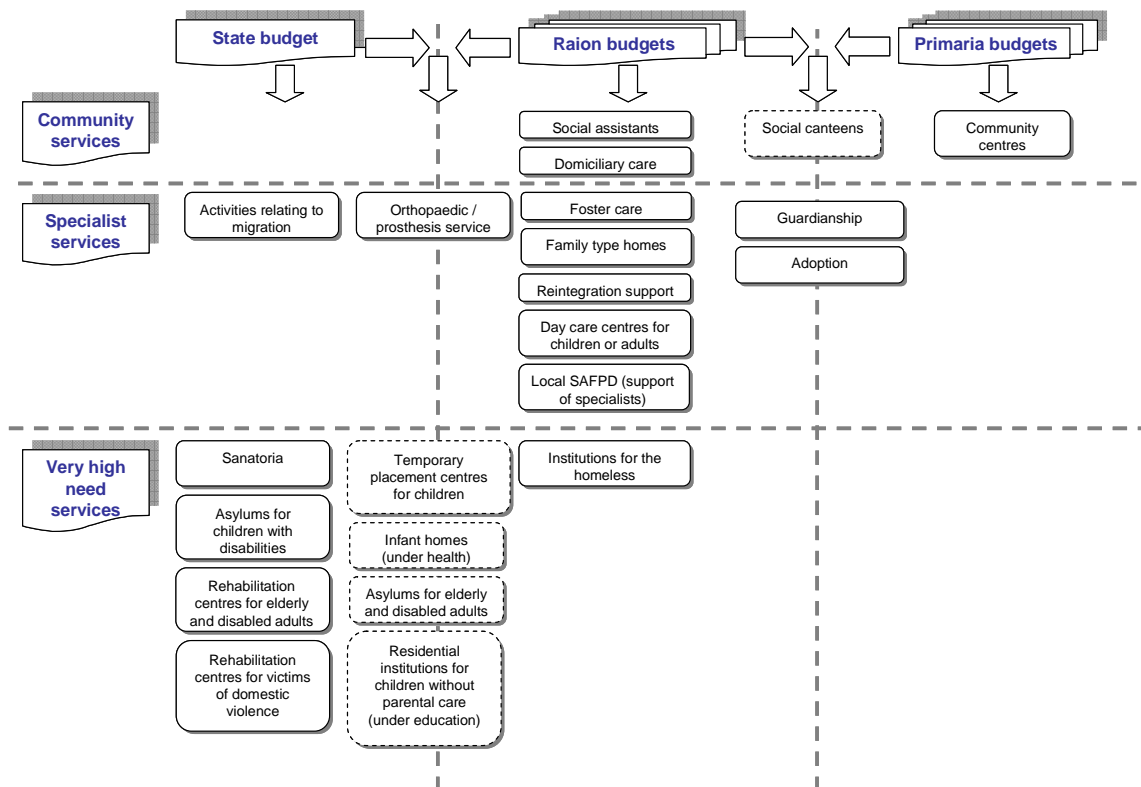
The classification corresponds approximately to the concept of primary, secondary and tertiary care used in the health system worldwide. Many people currently using 'very high need care' services, especially residential care services, do not need such intensive levels of care: often they use them because there is no alternative. These people could be well provided for—or even better provided for—at a less specialised level. They would still get the services they need, but would receive specialist care or community care instead.

The three levels of social service do not correspond exactly to the three administrative levels of government in Moldova (and nor do they need to). The central government budget predominantly supports the highly specialised residential institutions (Figure 2.4). Some raions also devote part of

their budget to such highly specialised services (such as residential facilities for children, the disabled and the elderly); however, raion governments provide mostly community-level services and specialised services. Primarias spend some of their budgets on community-level services. Social services provided by the local public administrations in particular were recently reviewed in the organisational assessment and more detail is available there (EveryChild and OPM 2008).

Access to social services outside a set of very basic core services varies significantly among different raions. This is true for some long established services such as social canteens as well as for more recent initiatives such as foster care and day care centres.

**Figure 2.4 Money flow for social services**



Source: OPM / EveryChild.

### 2.4.3 Social assistance reform

The two key reforms in social assistance of recent times, which will not be reflected significantly in spending patterns at this stage, are

1. The new system of social support (means-tested cash benefits targeted at the poor).
2. The approval in 2008 of the national programme for social services aimed at expanding community-level services which are more appropriate to the needs of the vulnerable and more cost-effective.

#### The new system of social support: cash benefit reform

In September 2008, the new 'Law on Social Support' (primary legislation) was passed with secondary legislation (the 'Regulations') approved by the Government in mid-October. The intention of the new benefits system was to improve targeting performance and impact on the poor

by moving away from a category-based system of cash benefits to an income-gap benefit. The new system provides a guaranteed minimum income—currently set at MDL 430 per month—to the poorest households. It funds the difference between the set amount and the household's actual income. There is now a transition period during which the category-based nominal compensations are being disbursed alongside the social support. Eventually the nominal compensations are expected to cease.

The simulation model for the social support estimates that around 70,000 households, or 250,000 people, will be eligible to benefit from social support. Households including members with disabilities have been eligible to apply for it since October 2008; those with children have been eligible since January 2009; and all other households since July 2009.

### **Integrated system of social services**

The national programme for social services represents a comprehensive policy on supporting people in difficulty by providing high quality and effective social services. These services are intended to provide short- or long-term support to people with a view to address their social needs, reduce social exclusion and improve quality of life.

The development of an integrated system of social assistance services will create a better opportunity for the social inclusion of persons in difficulty, ensuring also the respect of their basic rights. By combining prevention, and recovery measures, and by treating cases at community level before they become more severe (and more costly to address), the system will be more cost effective, reaching a greater number of those who need social support, and have a positive impact on people's quality of life.

The creation of the integrated system of social assistance services will contribute to the fulfillment by the Republic of Moldova of many of its commitments in social protection. These include the National Development Strategy 2008-2011; the National Strategy on reforming the residential child care system 2007–2012, the National Human Rights Action Plan, and the National Action Plan “Education for All” (2004-2015), the Millennium Development Goals, and the Republic of Moldova–European Union Action Plan. It is also aligned with the United Nations (UN) Convention on Human Rights, the UN Convention on the Rights of the Child and the UN Convention on the Rights of Persons with Disabilities.

The incentive of the reform is that a large part of the state budget for social services used to be spent on providing care for people in residential institutions. These services were relatively expensive and so they reached only a small proportion of the total number of people who might benefit from assistance. It is considered more appropriate to provide people with much greater access to community services at the local level. These services can address the needs of the individual and resolve issues effectively at an early stage, before problems become more serious. They are also effective at reducing social isolation and social exclusion. The aim is therefore to achieve a shift to high quality social services that focus on the user, provide community support wherever appropriate and minimise intervention in the beneficiary's life whilst producing a lasting and positive impact. At the same time these services can be provided at a lower cost per person. With the same annual budget it is therefore possible to provide appropriate services to a much larger number of cases.

## **2.5 Opportunities and risks in social protection**

The reform process has already begun to address some of the main challenges of the social protection system. With regard to cash benefits the creation of the social support benefit that provides a guaranteed minimum income to households is intended to improve the well-being of the



poor. There has not yet been a rationalisation of the other central government benefits that are administered through the NSIH. This means that the system remains fragmented, which raises the cost of administration and can lead to 'double-dipping' whereby one recipient can receive benefits for the same purpose from multiple sources. The social support will add to, rather than resolve the problems of fragmentation and overlap until there is a systematic review of the other cash transfers.

In social services, in contrast, the key challenge is to decentralise social service provision to the local level in line with legislation. This will ensure that beneficiaries are better able to receive a service that reflects their individual needs, helps them to remain in their own community if appropriate and makes it easier for assistance to be provided in time to prevent severe difficulties rather than react to them. The two major risks to the success of the national programme for social services both relate to financing issues. First, there is the need to ensure that resources for social services are redirected away from the very high need services, which will be scaled down, towards the public authorities that are expected to provide the alternative community-based and specialised services. Second, it is necessary to encourage the creation of these alternative services in order for the redirection to be possible. Non-government organisations (NGOs) may be keen and able to provide innovative services but it is essential that a system of accreditation and licensing is set in place and that a mechanism is developed to allow local authorities to procure services from non-state providers.

The way in which the public finance system currently operates is discussed next.

## **3 Public financial management and revenue allocation**

### **3.1 Introduction**

In 2003 the World Bank concluded in a Financial Accountability Assessment that despite some progress in improving public financial management (PFM), the financial accountability framework in Moldova was weak and required substantial strengthening (World Bank 2003:iv). It identified a range of areas related to budget formulation and execution for attention. In the Public Economic Management Review it proposed “strengthening strategic prioritization in budget formulation through a structured and prioritized approach to developing and implementing the Medium-Term Expenditure Framework (MTEF)” and “strengthening the budget process through increasing budget coverage, deepening Treasury coverage, and putting in place a stronger internal and external accountability framework” (World Bank 2003b).

Since then there have been further improvements in a range of areas with the World Bank’s public expenditure review pointing to “impressive progress in consolidating the national budget formulation process” and the “introduction of the MTEF as a strategic planning framework for the regular budget cycle” as well as improvements in budget execution (modernisation of the treasury system) and development of public sector auditing capacity (World Bank, 2007).

Such PFM reforms are essential and support sectors in resource planning and improving the efficiency of resource use. This section sets out the overall budget system in Moldova (prior to discussing expenditures in Chapter 4) and notes progress in key areas of budget formulation (budget process) and budget execution (financial management and procurement).

For effective service delivery it is important that responsibilities for service delivery are clearly assigned and that funds are available to execute functions. Hence this chapter also focuses on assignment of responsibility for social assistance, revenue allocations and the associated process of decentralisation.

### **3.2 Budget system and definitions**

The Moldovan budget system and budget process for both central and local governments are outlined in the Constitution of Moldova and in the following legislation:

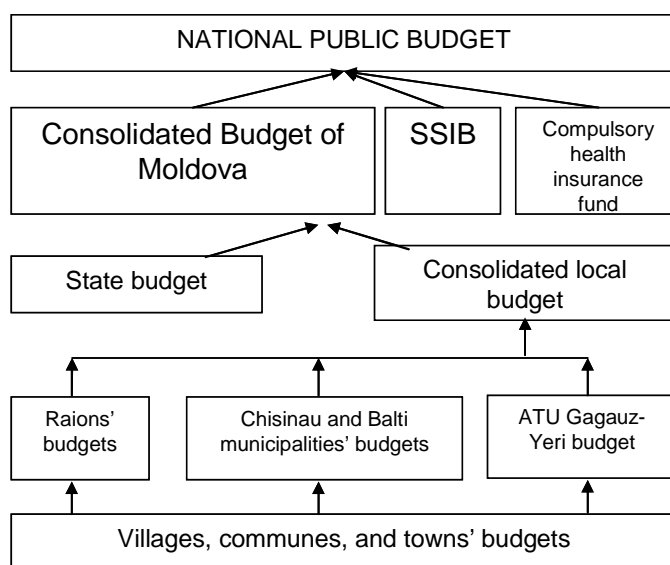
- The Law on the Budget System and the Budgetary Process (847-XIII of 1996);
- The Law on Local Public Finance (397-XV of 2003);
- The Law on Public System of Social Insurance (489-XIV of 1999);
- The Law on Compulsory Medical Insurance (1585-XIII of 1998);
- The Law on Amount, Procedure and Terms of Payments of Compulsory Medical Insurance Fees (1593-XV of 2002)<sup>6</sup>.

The Moldovan budget system is set out in Article 2 of the Law on the Budget System and the Budgetary Process (Law 847-XIII). It is an integrated system of revenues and expenditures at both local and central level. As shown in Figure 3.1, the aggregate Moldovan budget, the national public budget, includes: the state (or central government) budget, budgets of the ATUs (local budgets), the SSIB and the compulsory health insurance fund. The first two of these together form the 'consolidated budget' of the country.

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<sup>6</sup> Some of these laws also have been subject to amendments after the date shown.

Figure 3.1 Structure of the national public budget



Source: Veverita (2006).

The **state budget** includes all revenues and expenditures of the central government. The **consolidated local budget** includes the budgets of all the raions, the budget of the Chisinau and Balti municipalities, and the budget of the autonomous ATU of Gagauzia, comprising revenues and expenditures approved by local councils. The budgets are linked through allocations from general state revenues, transfers for financial support of regions, and earmarked transfers.

### 3.3 Budget formulation and the budget process

The introduction of an MTEF has been a central reform in Moldovan PFM. The linkage between the national public budget and the government's overall development strategy started strengthening in 2003 when the MTEF process was established. The NDS approved at the end of 2006 links budget documents to the implementation of the identified objectives in the NDS until 2011. The introduction of the MTEF has provided a focus on, and has improved several aspects of PFM:

- **policy linkage**—the budget foresees and is consistent with the spending implied by the implementation of the government's economic, social and other strategies;
- **comprehensiveness**—the medium-term budget planning covers all public revenues and expenditures;
- **realism**—government programmes must be planned within the limited available resources, taking into consideration both financial and human capital capabilities; and
- **prioritisation**—programme planning must recognise budget constraints, include cost analysis, and allow for reallocation of resources to higher priority areas.

The Moldovan budget year coincides with the calendar year and can be divided into a number of discrete steps:

### **Step 1: MTEF preparation**

The budget process starts with MTEF preparation. The MTEF guides the annual budget process and provides the basis for the overall annual resource envelope and expenditure ceilings that in turn determine annual budget negotiations. It is updated annually.

The MTEF is prepared jointly by several agencies including the Ministry of Economy, Ministry of Finance, National Bank of Moldova and various line ministries. The Ministry of Economy takes the lead in preparing the macroeconomic forecasts. For the annual budget process as a whole, the Ministry of Finance is the lead. It also leads the intersectoral working group that coordinates the allocation of resources per budget function (sector).

For a given set of macroeconomic assumptions, the MTEF provides decision-makers with a projection of the expected national public budget for a three-year time horizon. The document also includes the tax policy. In other words, with a set of macroeconomic assumptions, the government is able to project the expected aggregate revenue, add the desirable level of deficit, and then determine the annual expenditure limit given the resource envelope (revenue + deficit). It can then prioritise between sectors (intersectoral prioritisation) and within sectors (intrasectoral prioritisation) setting expenditure limits in line with the government's NDS.

While the MTEF provides broad guidance and an overall analytical framework to the strategic allocation of resources, it does not provide detailed information about sectoral and departmental allocations.

### **Step 2: MTEF approval**

The MTEF is approved by the government (the executive branch) and is provided to parliament as supporting information to the annual budget law (see step 3).

### **Step 3: Annual budget preparation**

After the MTEF is approved, the preparation of the annual budget law starts. The annual budget incorporates the policies approved in the MTEF and should reflect the spending implications for the implementation of the first year of the 3-year plan developed in the MTEF. Sometimes the policies are changed while the annual budget is being prepared and as a consequence the MTEF is updated.

### **Step 4: Annual budget approval**

The Law on the Budget System and Budget Process determines that the annual budget law should be presented to the Parliament by 1 October of every year and be passed by parliament by 5 December whereafter the president will sign the law into operation. The budget law includes annexes on the amounts approved for state budget revenues, the expenditures for each line ministry based on functional classification, and the transfers to each raion (see section 3.5 below). The law also includes annexes with the approved budget by programme but without performance indicators. Special funds and investment projects are part of the annual budget law.

### **Step 5: Budget execution**

**Distributions of allocations per month:** After the annual budget law is approved by Parliament, the line ministries draw up budget appropriations which indicate how they intend to distribute their allocation by month throughout the year. They send the appropriation to the Ministry of Finance and Treasury department, which then assign monthly expenditure limits to the line ministries in

view of: (i) the needs and request of the ministries; and (ii) the government's expected cashflow and fiscal balance. At this time the Ministry of Finance distributes allocations to local authorities in accordance with the approved amount of the transfers calculated as described in section 3.5 below.

**Payments:** For execution of the approved budget all state agencies, ministries and budget units follow the same process. Line ministries and spending agencies enter into contracts for procuring goods and services based on the appropriations; these contracts are in turn registered and verified by the State Treasury and by Material Reserves, Public Acquisitions and Humanitarian Aid Agency. With respect to capital expenses which are incurred via investment projects, the contract is verified by the Ministry of Finance in consultation with line ministries, spending agencies and local government units. For those investment projects the Treasury verifies that requests for payments submitted by line ministries and spending agencies are consistent with appropriations and the availability of funds. Payment orders are then processed by Treasury and money payments are made between accounts. Local government units conduct their operations through territorial treasury branches.

**Budget rectification:** During the execution year the government can authorise some reallocation of expenditures within the approved amount without going through parliament. The process of mid-year budget adjustment, and the significant amount of resources involved, leads to additional reallocation of resources, unrelated to the stated sectoral allocation indicated by the MTEF. These changes must be approved by parliament. This happens because initial revenue projections are typically pessimistic and, usually, budget adjustments increase actual expenditures to accommodate significantly higher actual revenues.

### **Step 6: Reporting**

Reports on state budget, SSIB and SMIF execution are approved by the government separately in April for the preceding budget year. Reports on ATU budget execution are approved by their local councils.

## **3.4 Procurement and audit procedures**

Procurement mechanisms are commercial relations where the government is in the position of a consumer selecting an adequate supplier, who will satisfy the demand in terms of price and quality of service and will offer the most advantageous bid<sup>7</sup>. The duty of the government is to identify through a tender the most competitive provider of such services in order to responsibly allocate budget resources. The procurement should be open to any person able to provide the needed service, whether it is a for-profit, a not-for-profit entity or an individual.

At present social services are not the subjects of the public procurement procedures. Most social services are run directly by local authorities or central government (the network of social assistants, domiciliary care, the prosthesis service, day care services, etc.). However, the national programme for social services proposes the development of an operational framework which includes procedures for local public authorities to procure services with accredited providers. This means that the rules, behaviour and performance around such contracting must provide careful guidance to local government in procuring such services. This includes the role of the internal and external audit.

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<sup>7</sup> Article 45 of the Law on public acquisition, no.96-XVI, 13 April 2007.

The external audit is carried out by two institutions – the Court of Accounts (public authority of the state that audits the creation, administration and use of public funds and public patrimony) and the Financial Control and Revision Service within the Ministry of Finance (state audit control that checks the economic-financial activity of institutions, companies and organizations, irrespective of their form of property and type of activity, which use funds from the national public budget). Overall, the Court of Accounts is responsible for the external audit activity of primary spending units (ministries and agencies).

Internal public financial audit (internal audit) is being developed. This is intended to be carried out by departments created within public authorities in areas related to financial management and control and development of the internal audit function. As for the centralised harmonisation, it will be exercised at the level of the Ministry of Finance.

Public procurement has been part of several evaluations over the years including the World Bank's country procurement assessment report (CPAR) in 2003, its Public Expenditure and Financial Accountability (PEFA) review in 2006 and a Fiduciary Risk Assessment (FRA) also in 2006. The bullet points below draw on some of the conclusions from these reports:

- **overall environment.** Moldova's procurement environment, in the judgement of the key reports remain 'high risk' although the FRA downgraded some elements to 'medium risk';
- **legislation.** Procurement legislation is basically sound and improving. A new Procurement Law was enacted in 2007, addressing some of the shortcomings identified in the 2003 CPAR. But practice falls short of the legal requirements. There appears to be a general lack of awareness of key changes in the regulations which is attributable to a lack of training, capacity and independent oversight;
- **organisational framework.** The regulatory and oversight functions of the Material Reserves, Public Acquisitions and Humanitarian Aid Agency fall short of what is required and are subject to political pressure. The agency is also understaffed. There is no fully functioning public sector internal audit system. The payroll and personnel function is decentralised and relies on the integrity of key individuals instead of a uniform and structured system. Nevertheless, there is not much evidence of systematic abuse.

As for the Court of Accounts, it is free to audit any public body or institution including extra-budgetary funds. Arrangements for scrutiny of public finances and follow-up by the executive are operating. However, the Court of Accounts engages predominantly in transaction-level testing and detailed investigations into lapses of individual transactions. The emphasis is on control, prosecution and enforcement rather than on audit and the institution has neither a high profile nor impact. During the last year the reform of the Court of Accounts has led to improvements in the audit activities. It has also started to conduct performance audits.

Several line ministries make provision for internal audit functions in their structures;

- **capacity development.** The development of the public sector auditing capacity is receiving increased government attention. The concept for the development of a modern internal audit function in line with EU requirements was approved by the end of 2008;
- **demand for procurement.** Compared to the region, Moldova spends a large share of public funds on public procurement. In 2002 local governments spent 42% of their budget on procurement; and
- **supply of services.** Importantly, there are a limited number of suppliers, particularly at the local level. Furthermore, cash shortages force procuring entities to delay procurement until the end of the financial year and thus choose the fastest procurement method possible.

### 3.5 Preparation and execution of local authority budgets

The Moldovan system of tax and revenue-sharing is set out in the Tax Code and the Law on Local Public Finance (Law 397-XV of 16 October 2003). These establish the responsibilities of all actors in the budget system, and the types of expenditure to be undertaken by local public authorities.

According to the Law on Local Public Finance the ATUs have fiscal autonomy and formulate and approve their own annual budgets. However, their revenue comes from a combination of local taxes, their own revenues and transfers (grants) from the central government. The annual budget law stipulates the level of transfers from the state budget to the budget of each raion and municipality (i.e. level II of local government).

The budget and transfer mechanism have been substantially improved over the past few years. Now, local governments must maintain a balanced budget and the nature and role of transfers have changed substantially. The present mechanism first estimates anticipated revenues and costs at the local government level, then calculates the difference between them and, using a formula, provides a lump-sum transfer to finance the gap. If expenditures are higher or revenues lower than forecast, the local government must make adjustments within its own budget in order to maintain the balance. Formerly, local governments had no hard budget constraint. If they ran into deficit an additional transfer was provided.

#### Step 1: Estimating costs

Total expenditures for the respective territory are evaluated considering the expenditures for each group of expenses and the norms for maintaining living standards.

The next step is to determine the spending needs of each territory. The Ministry of Finance establishes 'norms'—the level of expenditure per unit—for each type of expenditure. The unit might be the recipient of the service, e.g. each child in a school or each beneficiary in a day care centre; or it might be the employee in the local government apparatus (Table 3.1). The norms include only the extent to which the state budget is prepared to fund the service.

**Table 3.1 Example of norms in the social sector for 2009**

Service	Unit	Norm (MDL)
Pre-school education	Child	4,765
Education in primary schools, gymnasia, liceums	Child	3,705
Family type homes	Child	14,637
Boarding school	Child	20,144
Social assistant	Employee	16,324
Asylum for elderly and disabled	Beneficiary	23,479

Source: Ministry of Finance Guide for local public administration 2009 budget projection.

The Ministry of Finance adds up all revenues and the spending required, using information received from the raions' budget departments. The raion's budgets cover all units for each type of expenditure on the basis of the structure of the population, the number of employees, the number of children in educational institutions etc. It includes all town, village and commune budgets within the raion. This determines how much funding each raion needs..

In the case of Chisinau municipality, the norms establish higher allocations than in the rest of the country. This is because in some cases, Chisinau provides services to citizens from the rest of the country; some costs may be higher in Chisinau; and in addition, Chisinau citizens expect a higher level of services.

The total amount of estimated expenditure is a base for calculating **expenditures per capita** (shown as **C** in the formula below). For the ATUs, such as Chisinau municipality or Gagauzia, which have a specific expenditure, an **adjusting coefficient of the average per capita expenditure (F)** is used.

**Step 2: Estimating revenues**

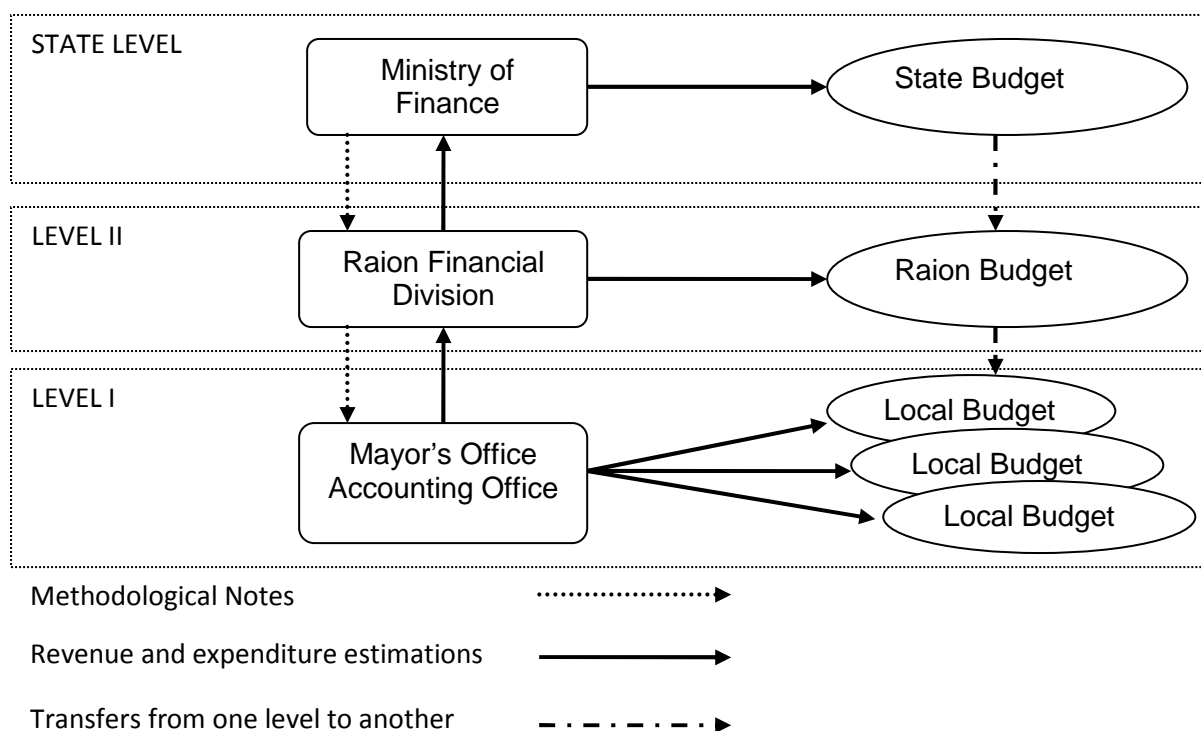
The tax base of local governments used in the formula is estimated on the basis of: (i) expectations of local revenue collection, (with the exception of local taxes and fees, approved by the local councils on each territory based on existing legislation); (ii) estimate of special resources (means) to be received from services provided; and (iii) transfers from any other budget level, such as from level I of local government. The own revenues included in the calculation are calculated using a standardised tax rate.

**Per capita revenues** (shown as **V** in the formula below) are calculated based on tax base estimations.

**Step 3: Calculation of transfer**

Raions and municipalities present to the Ministry of Finance their estimates of expenditures and revenues (Figure 3.2).

**Figure 3.2 Information flow for the calculation of the transfer**



Source: Authors



The difference between the per capita expenditures of each administrative territorial unit and the share of per capita revenues constitute the **amount of transfer (t) per capita**.

$$t = F \cdot C - V$$

By multiplying the amount of per capita transfers by the **total number (n) of population** in the territory the amount of **transfers (T) for each administrative territorial unit** is estimated.

$$T = t \cdot n$$

ATUs where per capita revenue exceeds the average per capita expenditure by 20%, i.e. where

$$V > 1.2 \cdot F \cdot C$$

should transfer the amount that exceeds 20% to the ATU Financial Support Fund. The resources from this fund are additionally transferred to local authorities but without using this formula. Local authorities can bid for a share of these resources.

The formulae presented above are the subject of the Law on Local Public Finance article 10. The Ministry of Finance receives all data from local governments in order to have accurate estimates of the revenue and expenditure included in the formula calculation. The amount of calculated transfers for each local government is published in the annual budget law as a separate appendix. Transfers from the second level of government to the first (primaria) level are calculated in the same way.

#### **Step 4: Budget execution**

By the end of the budget year the full amount should have been transferred to the local governments through the monthly transfer system. It is spent by local authorities in accordance with their own priorities. Local governments can increase the allocation for any service and pay more than the norm amount from their own revenues, if they have the funds, but usually they consider the norm cost as the ceiling for spending per beneficiary.

### **3.6 Progress in decentralisation**

The fiscal relations between the different tiers of government have undergone major changes in recent years with the aim of decentralising the public sector to improve the efficiency of expenditure and service delivery. These are very well established in the legal framework. However, although many functions have been transferred to local governments, these depend heavily on the central government transfers to fund their expenditure<sup>8</sup>. In practice, intergovernmental fiscal decentralisation has represented more a deconcentration of central government's fiscal administration rather than the decentralisation of fiscal policy decision-making (World Bank, 2007). While some management functions have been transferred from the central level to lower-level units within the same agency, overall control of the programme remains at the central level, so accountability of local governments remains at the centre rather than at local constituents. This has hampered local governments' attempts to rationalise and improve the efficiency of expenditures.

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<sup>8</sup> In 2008, transfers from the central government accounted for 48% of local government's funds.

## **PART B: BUDGET AND EXPENDITURE ANALYSIS**

### **4 The national public budget and the funding of social assistance**

This section reviews trends in expenditure under the national public budget from 2003 to 2008, and the forecast for 2009 to 2011.

#### **4.1 Aggregate expenditure**

The national public budget has been growing rapidly. Between 2003 and 2008 expenditure under the national public budget increased from MDL 9.2 billion to MDL 26.1 billion (Table 4.1). The growth in expenditure, at a real annual average rate of nearly 10% between 2003 and 2008, exceeded the growth of the economy (a real average annual growth of nearly 5%) leading to government expenditure as a proportion of gross domestic product (GDP) growing from about a third to more than 40% of GDP, “greatly exceeding comparable international levels”, according to the World Bank (2007:i).

This expenditure growth has taken place within a responsible macroeconomic and fiscal framework and was made possible by a “surge” in revenue, owing to economic recovery since 2001, together with reductions in public and publicly guaranteed debt as a share of GDP, exchange rate appreciation and better debt management (World Bank, 2007:iii). These aspects created improved fiscal space to expand government services.

Over the medium term (2009 to 2011) expenditure is projected to continue growing somewhat faster than the economy, with the expenditure-to-GDP ratio projected to increase from 40.9% in 2008 to 42.1% in 2011.

#### **4.2 Functional allocation of expenditure**

Table 4.1 provides a summary of the composition of government expenditure for the period 2003 to 2008 and MTEF projections for the period 2009 to 2011.

The period from 2003 to 2008 saw average real growth in the funding of economic services of nearly 18% per year, seeing a particular rapid growth up to 2007 and then a slight decline, leaving economic services spending at MDL 4 billion in 2008. Social sector expenditure average real growth was 12% per year from 2003 to 2008, taking social spending to more than MDL 17 billion.

Over the medium term expenditure on economic services is projected to decline further in real terms (by an average annual 3%) while social sector expenditure is expected to grow fairly rapidly (an annual average real rate of 5%). Security services have also grown rapidly in real terms over the period to 2008 and continue to grow rapidly over the medium term, with growth in policing (public order and safety) mostly responsible for this strong growth over the medium term.

Table 4.1 Expenditure under national public budget, by functional classification (MDL million)

Sector code	Sector/ Principal Group	Actual						Projected (MTEF)		
		2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General public services</b>		<b>810</b>	<b>907</b>	<b>1,176</b>	<b>1,273</b>	<b>1,549</b>	<b>1,690</b>	<b>1,902</b>	<b>1,989</b>	<b>2,086</b>
1	General public services	633	749	920	1,038	1,265	1,418	1,638	1,708	1,806
2	Foreign affairs	177	158	256	235	283	272	264	282	280
<b>Security services</b>		<b>823</b>	<b>884</b>	<b>1,048</b>	<b>1,395</b>	<b>1,773</b>	<b>2,042</b>	<b>2,291</b>	<b>2,831</b>	<b>2,980</b>
3	Defence	130	137	157	216	276	383	295	408	490
4	Justice	76	93	127	189	228	278	340	368	367
5	Public order and safety	617	654	765	990	1,269	1381	1,656	2,055	2,123
<b>Social sector</b>		<b>5,737</b>	<b>7,037</b>	<b>8,827</b>	<b>11,360</b>	<b>14,039</b>	<b>17,101</b>	<b>20,043</b>	<b>21,957</b>	<b>24,179</b>
6	Education	1,843	2,164	2,697	3,606	4,249	5,178	5,803	6,170	6,580
8	Culture, art, sport and youth	204	266	315	487	565	640	648	659	764
9	Health	1,106	1,340	1,572	2,112	2,629	3,391	4,429	4,889	5,454
10	Social insurance, assistance and services	2,584	3,266	4,243	5,156	6,597	7,891	9,163	10,239	11,382
<b>Economic sector</b>		<b>960</b>	<b>1,359</b>	<b>2,158</b>	<b>3,029</b>	<b>4,145</b>	<b>3,980</b>	<b>3,737</b>	<b>3,828</b>	<b>4,219</b>
11	Agriculture, forestry and fishing	300	264	577	681	1,228	1,244	886	898	967
7	Science	66	83	140	200	308	395	511	640	789
12	Environmental protection	29	51	54	108	105	94	113	120	118
13	Industry and construction	15	18	20	41	45	32	47	50	51
14	Transport and communication	128	183	218	508	1,063	1,146	1,001	1,011	1,138
15	Housing and communal services	335	528	693	1,012	755	627	893	834	860
16	Fuel and energy	86	233	347	384	461	260	127	72	87
-	Other economic			110	96	181	183	159	202	208
<b>Debt service and others</b>		<b>867</b>	<b>1,079</b>	<b>739</b>	<b>917</b>	<b>910</b>	<b>1,334</b>	<b>1,218</b>	<b>1,697</b>	<b>2,398</b>
17	Debt service	580	773	471	429	610	722	783	726	574
18	Other expenditures	287	306	269	488	300	612	435	639	732
-	Salary provision								332	1,092
<b>TOTAL</b>		<b>9,196</b>	<b>11,266</b>	<b>13,949</b>	<b>17,974</b>	<b>22,416</b>	<b>26,147</b>	<b>29,190</b>	<b>32,303</b>	<b>35,862</b>

Source: Government of Moldova, Medium Term Expenditure Framework (2009-2011). Note: The groupings of the functional classifications into five broad groups has been done by the authors for the purposes of this report. The MTEF orders the functional classifications into 10 groups. However, the group identified here as 'social sector' spending matches the group of the same name in the MTEF.

Social sector expenditure dwarfs the other functional areas. Between 2003 and 2007 the sector—comprising education, culture, health and social protection—consumed a consistent 63% of the national public budget (Table 4.2). In 2008 this rose to 65% of the budget. Between 2008 and 2011 social sector expenditures are projected to grow still further as a proportion of the overall budget, with a share of 67–69% of total spending.

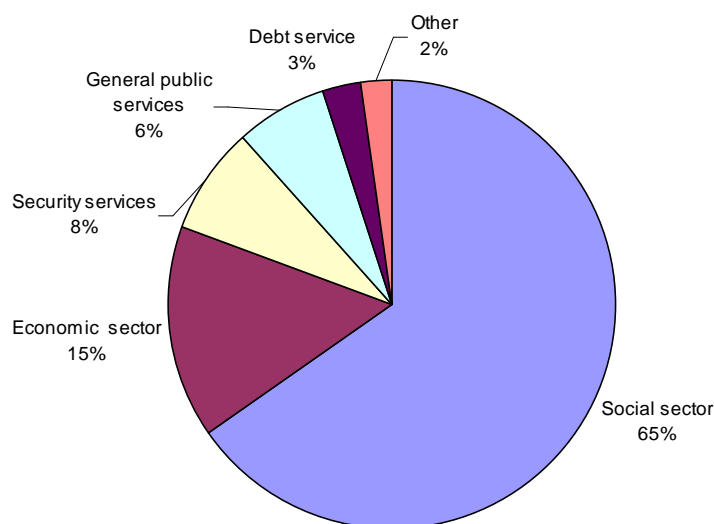
**Table 4.2 Share of expenditure under national public budget, by broad functional category (%)**

Sector/ Principal Group	Actual						Projected (MTEF)		
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General public services	8.8	8	8.4	7.1	6.9	6.4	6.5	6.2	5.8
Security services	8.9	7.8	7.5	7.7	7.9	7.9	7.9	8.8	8.3
Social sector	62.3	62.5	63.3	63.2	62.6	65.4	68.7	67.9	67.3
Economic sector	10.4	12.1	15.5	16.7	18.6	15.3	12.8	11.9	11.7
Debt service and others	9.4	9.6	5.3	5.1	4	5.1	4.2	5.2	6.6
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Government of Moldova, Medium Term Expenditure Framework (2009-2011). Note: (1) This shows the expenditure from Table 4.1 as a share of the total. The full table, with breakdown by sector code, is at Table B.1.

In contrast, the sector with the next biggest share of expenditure is the economic sector, which had only 15% in 2008, followed by security services (8%) and general public services (6%) (Table 4.2 and Figure 4.1). Spending on security services is expected to rise between 2008 and 2011 while economic services and general public services are projected to fall back in relative terms (from 15.3% to 11.7%, and from 6.4% to 5.8% respectively).

**Figure 4.1 Share of expenditure under national public budget, by broad functional category, 2008 (%)**



Source: Annual budget report 2008.

'Social sector' spending consists of expenditure in four areas: education, culture, health and social protection. Of these, social protection expenditure dominates (Table 4.3). In 2008 social

protection—social insurance, social assistance transfers and social services—comprised close to half of all social sector expenditure, with some 30% of all spending in the national public budget, followed in relative importance by education (20%) and health (13%). Social protection expenditure is projected to rise in 2009–2011 as a proportion of the national public budget. This rise comes mainly from increases in expenditure on social protection and health, which are project to continue growing at about 10% per year, while the projected growth in education slows to just under 4% per year (see also Table 4.1 above).

**Table 4.3 Social sector expenditure, by functional classification (%)**

	Actual						Projected (MTEF)		
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Education	20	19	19	20	19	20	20	19	18
Culture, art, sport and youth	2	2	2	3	3	2	2	2	2
Health	12	12	11	12	12	13	15	15	15
Social insurance, assistance and services	28	29	30	29	29	30	31	32	32
Total social sector	62	63	63	63	63	65	69	68	67

Source: Government of Moldova, Medium Term Expenditure Framework (2009-2011).

To develop figures that are more internationally comparable with regard to the relative spending weight of social protection it is necessary to distinguish more clearly between social insurance (quite often treated somewhat separate in expenditure breakdowns as social security funds or not included in the expenditure framework at all) and social assistance. Social protection spending is disaggregated in section 5 below.

### 4.3 Economic allocation of expenditure

Table 4.4 provides an economic classification of the national public budget. The two major expenditure areas are recurrent expenditures (MDL 9 billion in 2008, or 35% of the total) and expenditure by the social insurance funds (MDL 8.9 billion, or 34%), followed by capital expenditures (17%) and transfers and subsidies (12%).

Since 2003, recurrent expenditure (both remuneration of employees and spending on goods and services) has been growing at modest real rates while the spending of the social insurance funds, capital expenditures and transfer payments have been growing at real rates exceeding 20% per year. The very rapid growth in social insurance outlays has been due to increases in the value of pension payments due to inflation indexation of payments and to a lesser extent by the phasing in of the compulsory health insurance fund.

**Table 4.4 Expenditure under national public budget, 2003–08, by economic classification (MDL million)**

Economic categories	2003	2004	2005	2006	2007	2008	Real average annual change 2003–08 (%)
<b>Recurrent expenditures</b>	<b>4,345</b>	<b>4,064</b>	<b>4,817</b>	<b>6,345</b>	<b>7,763</b>	<b>9,046</b>	<b>5</b>
<i>Remuneration</i>	2,636	2,471	2,953	4,017	4,876	5,655	6
<i>Goods and services</i>	1,678	1,512	1,771	2,219	2,762	3,270	3
<i>Trips (Transport &amp; accommodation)</i>	31	81	94	109	126	121	31
<b>Transfers and subsidies</b>	<b>853</b>	<b>1,174</b>	<b>1,541</b>	<b>1,873</b>	<b>2,926</b>	<b>3,080</b>	<b>27</b>
<b>Capital expenditures</b>	<b>1,275</b>	<b>1,602</b>	<b>2,313</b>	<b>3,484</b>	<b>4,015</b>	<b>4,379</b>	<b>25</b>
<b>Social insurance funds</b>	<b>2,186</b>	<b>3,706</b>	<b>4,806</b>	<b>5,864</b>	<b>7,139</b>	<b>8,887</b>	<b>32</b>
<i>SSIB expenditures</i>	2,174	2,769	3,698	4,378	5,245	6,315	18
<i>Compulsory health insurance fund expenditures</i>	12	938	1,108	1,485	1,895	2,572	390
<b>Interest payments</b>	<b>589</b>	<b>777</b>	<b>488</b>	<b>455</b>	<b>635</b>	<b>733</b>	<b>-11</b>
<b>Bonds purchasing</b>			<b>30</b>	<b>14</b>	<b>35</b>	<b>3</b>	
<b>Net lending</b>	<b>-52</b>	<b>-57</b>	<b>-45</b>	<b>-61</b>	<b>-97</b>	<b>19</b>	<b>-159</b>
<b>TOTAL</b>	<b>9,196</b>	<b>11,266</b>	<b>13,949</b>	<b>17,974</b>	<b>22,416</b>	<b>26,147</b>	<b>15</b>

Source: Annual budget reports, 2003-2008.

#### 4.4 Spending by level of government

The state budget forms a large share of the national public budget. In 2008 MDL 10.8 billion of the total of MDL 26.1 billion (41%) was spent at central level (Table 4.5 and Table 4.6). Some 34% was spent by the two key social insurance institutions (SSIB and compulsory health insurance fund) and the rest was spent at the local level.

**Table 4.5 Expenditure under national public budget, 2003–08, by level of government (MDL million)**

<b>Budget</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
State budget	5,405	6,654	9,037	11,019	14,257	16,466
<i>Transfers to SSIB and CHIF</i>	-438	-1,177	-2,206	-1,663	-1,987	-2,380
<i>Transfers to local government</i>	-823	-866	-1,466	-2,309	-2,621	-3,258
State expenditure net of transfers to other institutions	4,144	4,611	5,365	7,047	9,649	10,828
SSIB	2,174	2,769	3,698	4,378	5,245	6,315
Compulsory health insurance fund	12	938	1,108	1,485	1,895	2,572
Consolidated local budgets	2,866	2,948	3,776	5,063	5,627	6,432
<b>National public budget</b>	<b>9,196</b>	<b>11,266</b>	<b>13,946</b>	<b>17,974</b>	<b>22,416</b>	<b>26,147</b>

Source: Annual budget reports, 2003-2008. Note: The state budget includes transfers that go directly to the SSIB and the compulsory health insurance fund (CHIF). For consolidation purposes, in order to avoid double-counting, these transfers are excluded.

Local government expenditure, although growing in real terms in the three years to 2008, has been growing significantly slower than the state (central) expenditures and social insurance spending (Table 4.6). The introduction of the compulsory health insurance fund caused a big relative decrease in the share of the national public budget spent by local authorities in 2004. In 2005 and 2006 local authorities recovered some of their share of the budget but this trend ceased in 2007. Another contributory factor to the lower share of the budget spent by local authorities is a decrease in their own revenues (as opposed to transfers), which depend on the tax policy of the government.

**Table 4.6 Share of expenditure under national public budget, 2003–08, by level of government (%)**

<b>Budget</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
State expenditure net of transfers to other institutions	45	41	39	39	43	41
SSIB	24	25	27	24	23	24
Compulsory health insurance fund	0	8	8	8	9	10
Consolidated local budgets	31	26	27	28	25	25
<b>National public budget</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Annual budget reports, 2003-2008.

## 5 Social sector spending and the social protection budgets

### 5.1 Social protection spending by type of service

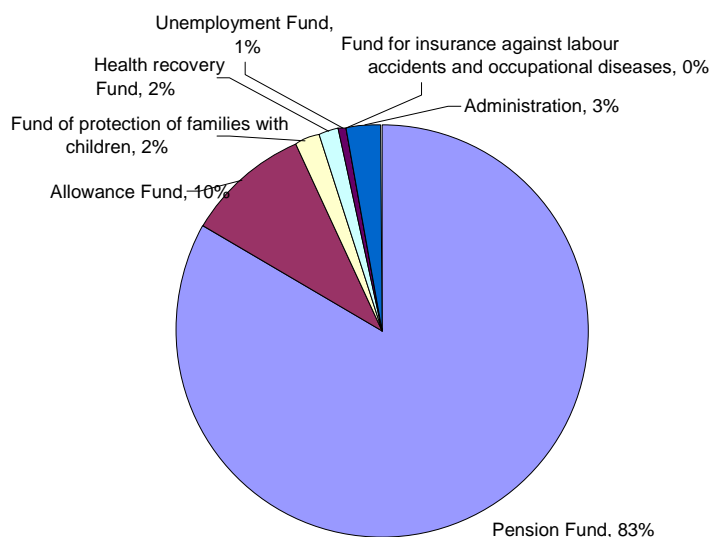
We saw in Table 4.1 and Table 4.3 that almost half of expenditure in the social sector is classified as social protection spending; the remainder is largely for education and health, with a small portion for cultural activities. By 2008 social protection spending amounted to MDL 7.9 billion; education expenditure stood at MDL 5.2 billion and health expenditure was MDL 3.4 billion.

Figure 5.1 overleaf sets out the composition of social protection, focusing on type of benefits as well as the source of the benefits. Social insurance benefits, funded through beneficiary contributions and managed by the NSIH are by far the largest component of social protection expenditure (69%), followed by cash benefits for the non-insured (funded by the central government and administered by the NSIH) and military pensions (also funded by the state budget) at 11% and 7% of the total respectively. Assistance to the vulnerable at the local level (“cash payments to the population”) comprises about 3% of expenditure, and the narrowly defined social services another 4%. The table shows that since 2006 increases have taken place across every line of social protection spending. The composition of this spending is discussed in this section.

### 5.2 Spending on social insurance

Figure 5.1 sets out the relative importance of the different social insurance payments under the SSIB, indicating the dominance of retirement provision (83% of expenditure in 2008). This percentage breakdown has remained practically unchanged since 2006: since that date there has only been a small increase in allowances (from 9% to 10%) and a small decrease in pensions (from 84% to 83%).

**Figure 5.1 Breakdown of spending on social insurance, 2008**



Source: OPM / EveryChild. Note: The data are derived from figures for the real amount paid out in 2008, not the execution of the 2008 budget, so the numbers do not refer exactly to the total figure for 2008 in Table 5.1. Usually the



amounts from December are paid in January so the real amount paid in 2008 is likely to include December 2007 but not December 2008. This is a problem of bookkeeping. Figures for the executed budget are not broken down by fund.

Table 5.1 Composition of social protection spending by type of service, 2006–08

Spending area	2006		2007		2008		
	MDL million	%	MDL million	%	MDL million	%	% of GDP
<b>Social insurance</b>	<b>3,744.2</b>	<b>73</b>	<b>4,471.2</b>	<b>68</b>	<b>5,427.0</b>	<b>69</b>	<b>8.6</b>
SSIB	3,632.1	70	4,344.6	66	5,289.1	67	8.4
Other, including administrative costs	112.1	2	126.6	2	137.9	2	0.2
<b>Social assistance</b>	<b>1,411.7</b>	<b>27</b>	<b>2,125.8</b>	<b>32</b>	<b>2,464.5</b>	<b>31</b>	<b>3.9</b>
Cash benefits	1,091.3	21	1,511.8	23	1,684.5	21	2.7
<i>Military pensions</i>	295.6	6	495.6	8	552.8	7	0.9
<i>Cash benefits for the non-insured (via NSIH)</i>	627.4	12	753.2	11	866.6	11	1.4
<i>Cash payments to the population (assistance to vulnerable)</i>	162.0	3	255.9	4	257.3	3	0.4
<i>Other, including administrative costs</i>	6.4	0	7.1	0	7.8	0.1	0.0
Social services	195.3	4	248.9	4	306.8	4	0.5
Other, including administrative costs, investment projects, subsidies	125.0	2	365.1	6	473.1	6	0.7
<b>Total</b>	<b>5,155.9</b>	<b>100</b>	<b>6,597.0</b>	<b>100</b>	<b>7,891.5</b>	<b>100</b>	<b>12.6</b>

Source: Annual budget reports and own calculation.

### 5.3 Cash and in-kind benefits

The cash benefits listed in Table 5.1 can be further broken down by type of benefit or by beneficiary. Assistance with respect to utility costs is the biggest component of social assistance, followed by assistance to families with children and war veteran's pensions. All the components are funded centrally and managed by the NSIH with the exception of part of material assistance and transport compensation for the disabled that are managed by local authorities at the raion level.

**Table 5.2 Composition of cash social assistance benefits, 2006–08**

Components of expenditure	2006		2007		2008	
	MDL million	%	MDL million	%	MDL million	%
<b>Military pensions</b>	<b>295.6</b>	<b>27</b>	<b>495.6</b>	<b>33</b>	<b>552.8</b>	<b>33</b>
<b>Cash benefits for the non-insured</b>	<b>627.4</b>	<b>58</b>	<b>753.2</b>	<b>50</b>	<b>866.6</b>	<b>51</b>
Pensions for MPs, Government members, civil servants, etc.	66.9	6	97.6	7	122.5	7
State allowances for disabled, war participants disabled and their families	162.3	15	194.8	13	222.2	13
Family and child benefit	122.3	11	122.5	8	148.3	9
Nominal compensations	250.5	23	308.0	20	336.0	20
Compensations to participants and their families in liquidating consequences of the Chernobyl' catastrophe	19.3	2	24.4	2	28.6	2
Other benefits for non-insured people	6.0	1	5.9	0	9.1	1
<b>Cash payments to the population</b>	<b>162.0</b>	<b>15</b>	<b>255.9</b>	<b>17</b>	<b>257.3</b>	<b>15</b>
Transport compensations for veterans and disabled	0.4	0	1.0	0	1.7	0
Payments for losses to the transport enterprises	0.5	0	0.1	0	0.1	0
Social support to graduates (children)	10.1	1	11.4	1	16.9	1
State allowances for disabled, war participants disabled and their families	3.9	0	4.7	0	4.8	0
Money compensation for unused sanatorial treatment	0.0	0	0.6	0	0.0	0
Compensations of the property of people who had been subject to retaliatory measures and rehabilitated	1.1	0	3.8	0	6.7	0
Fuel and electricity price difference compensation	5.8	1	57.9	4	1.7	0
Material aid from funds for social support of population	85.3	8	108.6	7	126.1	8
Other type of social support <sup>1</sup>	55.0	5	67.8	5	99.1	6
<b>Other, including administrative costs</b>	<b>6.4</b>	<b>1</b>	<b>7.1</b>	<b>1</b>	<b>7.8</b>	<b>1</b>
<b>Total</b>	<b>1,091.4</b>	<b>100</b>	<b>1,511.8</b>	<b>100</b>	<b>1,684.5</b>	<b>100</b>

Source: Annual budget reports and own calculation. Note: (1) Includes indemnities for adopted children and guardianship, one-off payments, etc.

The World Bank has pointed out with regard to social cash benefits that,

'all benefits have multiple categories of beneficiaries and several benefits include the same categories of beneficiaries such as the disabled, children or war veterans which appear under several benefits. If we group all benefits by type of beneficiaries we see that

the disabled are the most numerous and receive by far the largest share of total expenditure. This group is followed by children, pensioners and elderly war veterans. Although many of the benefits for the disabled are not specifically targeted for children or war veterans these two categories account for a good share of the benefits paid to the disabled which makes children and war veterans the largest categories of beneficiaries together with other adult disabled. The poor as a category appear only once across all social benefits, under material assistance, and the share of beneficiaries is very small.' (2007:82-83)

The data from Table 5.2 show that the situation had not changed by the end of 2008. The new reform on social support started at the end of 2008 so data do not include the spending on the new type of cash benefit. The initiated reform on social support has three main objectives — targeting efficiency, poverty impact, and sustainability. The policy framework (primary legislation, secondary legislation) governing this new system was motivated by the aim to improve the poverty impact of the *available* resources for social transfers through the reduction of errors of inclusion and exclusion on the one hand, and through the fundamental re-orienting of the system around a welfare conception of poverty. However, fiscal sustainability also had to be ensured so that the sum total of all benefits through the new system did not exceed the available fiscal space to fund them.

A key rationale for the reform of the existing set of cash benefits (especially nominal benefits, social allowances and child benefits) has been the fact that they are insufficiently targeted to the poor. The World Bank (2007) has described the system as “*de facto* a categorical system where the poor are not a privileged target category” and that the system was “regressive although improving”. Based on later data (the 2006 household survey) and focusing on only three of the benefits (nominal benefits, social allocations and child allowances) (Carraro, 2007) concluded that although the benefits are broadly progressive (about 36% of benefits going to the poorest 20%), “a large percentage of recipients are relatively well-off people and very many of the very poor people – more than half – do not receive support”. He also points out that benefits are too small to have a substantial impact on consumption levels, making up only 12% of consumption of the poorest decile.

The largest share of spending classified as 'cash payments to the population' belongs to the funds for social support of the population (8% of all social assistance spending on cash benefits in 2008). These funds constitute one of the basic components of the integrated social assistance system. The funds are intended to provide financial support to socially vulnerable people who have been affected by poverty or who find themselves in a very difficult situation due to a disease or other exceptional situations. Table 5.3 indicates broadly how these payments have been used in 2006–08. The data shows that almost two-thirds of the funds each year are spent on emergency food and industrial products.

**Table 5.3 Material aid from funds of social support of population**

Material aid goal	2006		2007		2008	
	Number of payments	Paid (MDL million)	Number of payments	Paid (MDL million)	Number of payments	Paid (MDL million)
Emergency food and industrial products	197,082	54.5	249,564	67.7	238,311	82.1
Medications and orthopaedic items, partial payments of medical services	73,807	29.3	89,281	39.5	74,064	41.1
Other goals	3,934	1.5	1,479	1.4	4,502	2.9
<b>TOTAL:</b>	<b>301,861</b>	<b>85.3</b>	<b>340,324</b>	<b>108.6</b>	<b>316,877</b>	<b>126.1</b>

Source: Annual social reports. Note: The relevant legislation and regulations governing the use of these funds is listed in Figure 2.2 above.

## 5.4 Spending on social services

Social services spending at MDL 306.8 million in 2008, amounted to only 4% of overall expenditure classified as social protection (see Table 5.1 above and Table 5.4 below). However, this represents an increase of MDL 57.9 million compared with 2007, a rise of some 23% in a single year.

**Table 5.4 Composition of social services, 2006-08**

Type of service	2006		2007		2008	
	MDL million	%	MDL million	%	MDL million	%
Community services	23.6	12	46.2	19	73.0	24
Specialised services	48.0	25	57.3	23	74.0	24
Very high need services	123.7	63	145.3	58	159.8	52
<b>Total</b>	<b>195.3</b>	<b>100</b>	<b>248.9</b>	<b>100</b>	<b>306.8</b>	<b>100</b>

Source: Annual budget reports and own calculation. Note: This shows only the expenditure on social services that is formally classified as 'social protection' in the budget. It does not include the expenditure on facilities that provide social care but that are classified as e.g. education or health spending, such as the residential institutions for children. If these are taken into account the picture is considerably different (see below).

It may be recalled from section 2.4.2 above that the aim of the reform of social services is to increase the share of the budget that is spent on community-based services and to reduce the share that is spent on very high need services. The intention is to 'invert the pyramid' of spending between the three levels of service.

The analysis indicates that there has been progress towards this objective though the inversion of the pyramid has not yet been achieved. Spending on community services increased by MDL 49.4 million between 2006 and 2008, from MDL 23.6 million to MDL 73.0 million. By 2008 community services were receiving 24% of social service expenditure under the social protection budget, up from 12% in 2006. Specialised services lost some of their share of the budget between 2006 and 2007, from 25% to 23%, but got their position back in 2008 to 24% owing to the development of the network of specialist day care centres. Payments to guardians are not yet classified as a specialised social service: they are classified in the budget as a cash benefit under 'other

payments to the population'. If these were included the share of social service spending that is devoted to specialist care would be seen to increase.

The largest share of social protection expenditure on social services continues to be for very high need services, which refer here mainly to the residential facilities for the elderly and people with disabilities that are run by the MSPFC and local public authorities. However, whilst the absolute value of spending on these services is increasing, their share of the budget is declining. In 2008 it stood at 52% of the budget for social services, down from 63% in 2006.

These figures, however, do not represent the total expenditure in the national public budget on social services. Section 2.1 above noted the difficulty in defining social service expenditure, since some social care services are provided from the budgets that are formally classified as education or health spending. Most of these services are provided in residential facilities. If these services are taken into account it greatly alters both the total and the distribution of social service expenditure (Table 5.5 and Figure 5.2). Adding the spending of the education and health residential institutions for children run by the Ministry of Education and Youth and the Ministry of Health to those classified as social protection spending, the budget for social services is seen to be 75% higher.

**Table 5.5 Composition of social services, including education and health residential institutions for children, 2006-08**

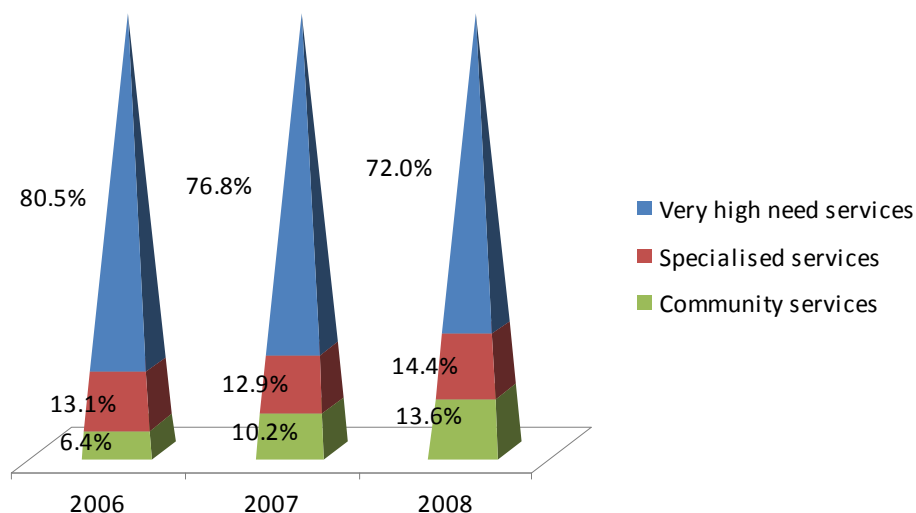
Type of service	2006		2007		2008	
	MDL million	%	MDL million	%	MDL million	%
Community services	23.6	6	46.2	10	73.0	14
Specialised services	48.8	13	58.6	13	77.7	14
Very high need services	298.8	81	347.6	77	387.0	72
<b>Total</b>	<b>371.2</b>	<b>100</b>	<b>452.4</b>	<b>100</b>	<b>537.7</b>	<b>100</b>

Source: Annual budget reports and own calculation. Note: This includes expenditure on facilities that offer a social care function but are classified as 'education' or 'health' services, in addition to the 'social protection' services shown in Table 5.4 above.

When the social services provided in other sectors are included in the figures it is seen that community-based services comprise only 14% of social service spending in the national public budget, not 24% (Figure 5.2). The pyramid has changed its composition. The share of community services and specialised services has become very small. Their share in the total is closed to one third of spending.

However, the trend is positive: the share of community services has more than doubled from 6% in 2006 to 14% in 2008. In monetary terms this represents an increase of MDL 49.4 million. From the other perspective, the very high need services have decreased slowly in their percentage share (8.5 points down). In 2008 the share of very high need services is 72% of total spending on social services in social sector.

**Figure 5.2 Distribution of all social sector expenditure on social services, by service type, 2006-08**



Source: OPM / EveryChild. Note: Data come from Table 5.5 above. This includes expenditure on facilities that offer a social care function but are classified as 'education' or 'health' services, in addition to the 'social protection' services shown in Table 5.4 above.

Analysing the distribution of all expenditure on facilities that provide very high need services, it is apparent that nearly 60% of spending takes place in institutions that are not subordinated to the MSPFC (Table 5.6).

According to the National Strategy and Action Plan on the Reform of the Residential Care System for Children 2007-12 the MSPFC is responsible for identifying the costs of running all residential institutions, including those of the MEY and the Ministry of Health, and the costs of keeping children in families whilst maintaining their access to any education and health services that they require. The action plan also mandates the MSPFC to develop and approve the mechanism for redirecting resources from central to local level and from very high need services to community services. This will need to be done with the support and collaboration of the other ministries, the budget of which covers most of the spending in this area. An alternative solution might be to move all the budgets for very high need services under the responsibility of one ministry to facilitate the creation of the financial mechanisms necessary to reform the system of residential care for children<sup>9</sup>.

<sup>9</sup> Larter and Veverita (2006) report on the financial costs of residential care for children in Moldova and highlight significant financial inefficiencies with the present arrangement.

**Table 5.6 Composition of all social sector expenditure on very high need services, 2006-08**

Type of service	2006		2007		2008	
	MDL million	%	MDL million	%	MDL million	%
<b>MSPFC</b>	<b>123.7</b>	<b>41</b>	<b>145.3</b>	<b>42</b>	<b>159.8</b>	<b>41</b>
Asylums for children with disabilities	15.4	5	16.2	5	19.3	5
Asylums for elderly and disabled adults	64.3	22	75.4	22	82.7	21
Rehabilitation centres for pensioners and disabled adults	34.1	11	36.6	11	42.4	11
Referrals for sanatorial treatment	5.2	2	11.8	3	7.9	2
Temporary placement centres for children	3.7	1	4.4	1	5.5	1
Rehabilitation centres for victims of domestic violence	0.2	0	0.0	0	0.5	0
Institution for the homeless	0.8	0	1.0	0	1.5	0
<b>Ministry of Education and Youth</b>	<b>157.2</b>	<b>53</b>	<b>182.9</b>	<b>53</b>	<b>202.9</b>	<b>52</b>
General boarding schools for orphaned children and children left without parental care	68.1	23	78.8	23	77.0	20
Auxiliary schools	81.5	27	95.1	27	106.7	28
Sanatorial schools	3.0	1	3.7	1	13.1	3
Boarding school for children with deviating behavioural patterns	1.6	1	1.7	1	2.3	1
Social care homes for orphans and children without parents care	3.0	1	3.4	1	3.8	1
<b>Ministry of Health</b>	<b>17.9</b>	<b>6</b>	<b>19.5</b>	<b>6</b>	<b>24.3</b>	<b>6</b>
Temporary placement and rehabilitation centres for early age children	17.9	6	19.5	6	24.3	6
<b>Very high need services</b>	<b>298.8</b>	<b>100</b>	<b>347.6</b>	<b>100</b>	<b>387.0</b>	<b>100</b>

Source: Annual budget reports.

#### 5.4.1 Unit costs of social services

While very high need services absorb most of the funds for social services they serve the fewest clients. In 2006 very high need services served their beneficiaries at a unit cost ranging between MDL 10,943 and MDL 48,303, in facilities where costs are known (Table 5.7). By 2008 the situation had changed. The price for being served in residential service is above MDL 20,000 per year in all known cases.



**Table 5.7 Cost per beneficiary of selected social services, 2006-08, by service type**

	2006		2007		2008	
	No. of users	Cost per user (MDL)	No. of users	Cost per user (MDL)	No. of users	Cost per user (MDL)
<b>Community services</b>						
Domiciliary care	24,508	889	25,323	1,039	25,510	1,488
Social canteens	4,298	172	6,005	184	7,462	608
<b>Specialised services</b>						
Family type homes (Ed)					318	11,701
<b>Very high need services</b>						
Asylums for children with disabilities	605	25,427	624	25,906	621	31,077
General boarding schools for orphan children and children left without parental care (Ed)	6,219	10,943	4,540	17,365	3,172	24,288
Auxiliary schools (Ed)	5,065	16,098	4,702	20,228	4,397	24,263
Sanatorial schools (Ed)	173	17,629	171	21,870	605	21,705
Boarding school for children with deviating behavioural patterns (Ed)	58	27,467	59	29,341	50	45,144
Social care homes for orphans and children without parents care (Ed)	127	23,410	109	31,543	125	30,581
Temporary placement and rehabilitation centres for early age children (Health)	370	48,303	359	54,201	526	46,139

Source: Annual budget reports. Note: This table divides the total cost of all social sector expenditure on selected social services (Table 5.6 above) by the estimated number of users of each type of service.

Because of a lack of data it is not possible to do a very comprehensive analysis of the per capita spending, but from existing data we may say that every beneficiary of a community service or specialised service receives care at a unit cost that is considerably lower than that of children in residential institutions<sup>10</sup>. The difference is very visible (Table 5.7).

#### 5.4.2 Decentralisation of social service spending

Although social services are classified as an 'own function' of local government it is the central government that continues to dominate spending in this field (Table 5.8). In 2008 the bulk of social service spending was from the state budget (69%) with local governments responsible for the remaining 31%. The trend remains unchanged over the last three years.

<sup>10</sup> The monitoring process is very weak in social services. The MLSPF is currently working on developing the monitoring and evaluation framework for social services. The monitoring indicators will include information about the number of beneficiaries for different type of services and from each level of public administration, including NGOs.

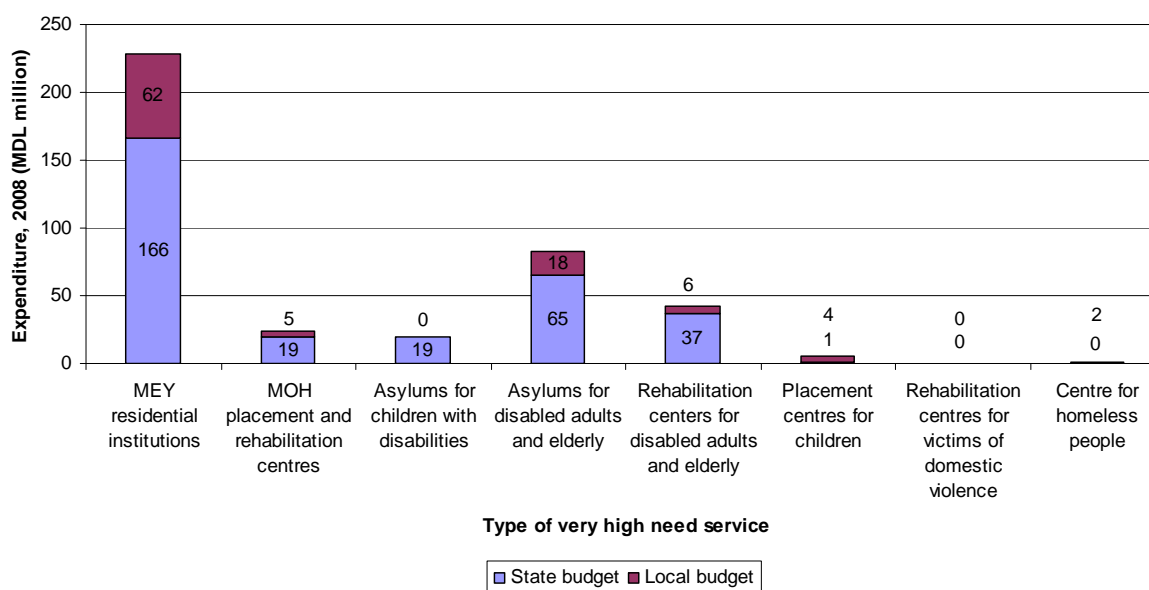
**Table 5.8 Share of all social sector expenditure on social services, 2006-08, by level of government budget (%)**

Type of service	2006		2007		2008	
	State	Local	State	Local	State	Local
Community services	0	100	20	80	42	58
Specialised services	69	31	68	32	65	35
Very high need services	76	24	75	25	75	25
<b>Total</b>	<b>70</b>	<b>30</b>	<b>68</b>	<b>32</b>	<b>69</b>	<b>31</b>

Source: Annual budget reports.

Funds from the state budget contribute most of the expenditure on very high need services and specialised services. As much as 65% of specialised services and 75% of spending on residential institutions is from the state budget. Only in community services do local governments dominate, with a bit more than 58% of the expenditure.

Table 5.8 shows that about 25% of all expenditure on very high need services is being spent by local authorities, not by the central government. This amounted to some MDL 97 million out of the MDL 387 million spent on these services in 2008 (see also Table 5.6 above). The way in which this money is currently spent is shown in Figure 5.3 below. Since these funds are not earmarked for specific services it would seem a priority that raions should be assisted to divert them into more effective and less expensive community-based services with which they can reach more beneficiaries. Attention may subsequently turn to the redirection of resources in the central budget between line ministries once some improvements have been made in the efficiency of local government spending. For a detailed discussion of local government spending on social services, see section 6.

**Figure 5.3 Expenditure on very high need services, 2008, from state and local budget (MDL million)**

Source: Annual budget reports.

At the same time the route by which money is expected to flow from the education budget in favour of the budget for social services has not been well defined from a financial management point of view. This could affect the development of social services. A precedent has recently been set by the shifting of family-type homes from the education budget to the social protection budget for 2010. The way in which a similar transformation can take place for the care component of the education institutions needs to be explored further.

The challenge is that the social sector is under the responsibility of many different administrative bodies at central and local government level. In the absence of good monitoring framework the administration and reform of the social services will be very difficult.

## 6 Social assistance spending at local level

### 6.1 Local government expenditure on social protection

In 2008 local governments spent a total of MDL 6.4 billion or 24.6% of the national public budget (MDL 26.1 billion). Table 6.1 summarises consolidated local government expenditure for the period 2005 to 2008. At MDL 650 million in 2008, social protection is the second highest expenditure in local government budgets after education.

**Table 6.1 Local government expenditure, 2005–08 (MDL million)**

Spending area	2005	2006	2007	2008
General public services	257.5	335.6	380.6	467.3
Defence	5.9	6.2	7.3	7.2
Public order and safety	105.0	154.9	205.2	204.4
Education	1,716.1	2,338.1	2,799.2	3,415.9
Culture, art, sport and youth activities	170.4	262.4	269.3	333.0
Health	38.6	86.3	92.0	149.0
Social protection	132.4	206.9	469.0	650.0
Agriculture, forestry and fishing	156.5	61.0	77.7	95.7
Environment protection and hydrometeorology	0.0	0.0	0.3	0.3
Manufacturing and construction	7.0	8.7	11.2	13.7
Transportation and communication	49.4	141.4	217.2	263.5
Housing and communal services	668.9	899.5	638.9	559.8
Fuel and energy	287.7	278.5	283.7	92.5
Other economic services	5.1	5.6	4.8	6.3
Other activities not mentioned above	184.0	288.1	172.8	177.5
Net lending	-8.9	-10.3	-2.0	-3.9
<b>Total</b>	<b>3,775.6</b>	<b>5,062.9</b>	<b>5,627.2</b>	<b>6,432.2</b>
<b>National public budget</b>	<b>13,946.1</b>	<b>17,973.9</b>	<b>22,415.6</b>	<b>26,146.9</b>

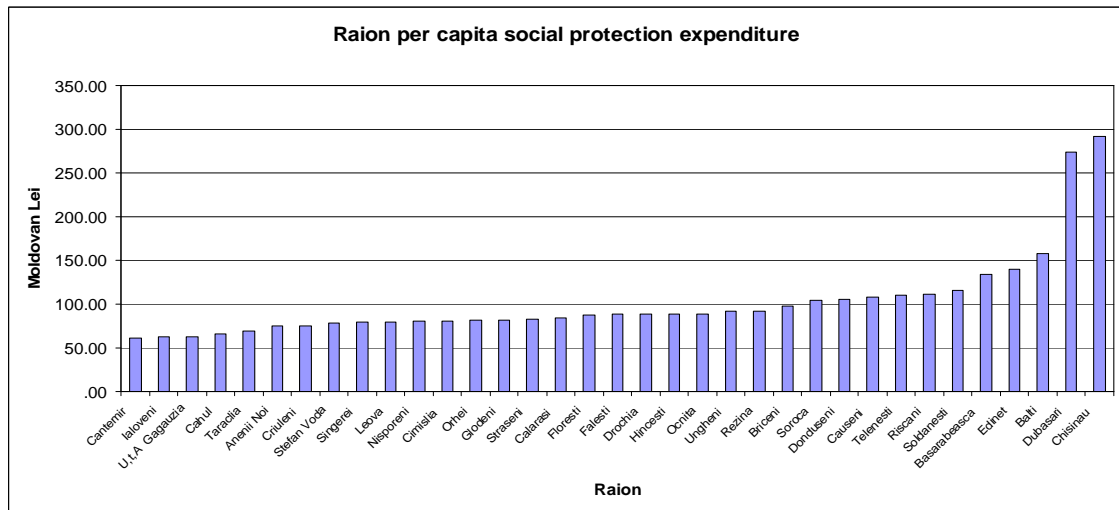
Source: Annual budget reports and own calculation

While the numbers show local government social protection spending to have grown very rapidly, especially in 2007 and 2008, this is to a great extent explained by large energy subsidies to consumers for the price of heating (an extra MDL 171 million in 2007 and 266.8 million in 2008, i.e. 65% of the increase) paid by the Chisinau Municipality. This payment, included in social protection expenditure, distorts analysis of both trends and differences between *raions*.

Table 6.2 and Figure 6.1 provide some comparative overall local expenditure and social protection expenditure figures in 2007. While there are some differentials in total local expenditure per capita (ranging from MDL 2,374 per capita in Chisinau to MDL 1,254 in Hincesti) the differentials are much more significant for social protection spending. While overall the highest spender spends 1.9 times per citizen than the lowest spender, Chisinau spends MDL 292 per citizen on social protection against Cantemir's MDL 61 per citizen, i.e., Chisinau spends almost five times what Cantemir's spends per citizen. These differences seem then to be driven partially by funding availability (total spend available per citizen) but perhaps more so by the choices within *raions* –

with some choosing to spend as little as 4% of their budget on social protection and others as high as 12.3% (Chisinau).

**Figure 6.1 Raion per capita social protection expenditure, 2007**



Source: Annual budget reports and own calculation.

Although population is not the only factor driving social protection spending (with relative poverty also clearly important), the differentials in proportions of budget allocated to social protection by local government and the differential per capita spending needs to be further analysed to evaluate its equity and efficiency implications.

Most spending on social protection by local authorities is undertaken by the raion, not the primaria. In some areas primaria-level spending is, however, not insignificant (in Anenii Noi villages contribute 23% of social protection spending and in Causeni 24%). In one of the high spending *raions*, Dubasari which spends 14% of its budget on social protection or MDL 274 per citizen, primaria-level spending dominates, contributing 75% of social protection spending.

Table 6.2 Local government total and social assistance expenditure, 2007

Raion	Population	Total expenditure (MDL 000s)	Social protection expenditure (MDL 000s)	Social protection expenditure (% of total)	Per capita expenditure	Per capita social protection expenditure
Anenii Noi	82,554	124,749	6,154	4.9%	1,511.11	74.54
Basarabeasca	28,884	42,570	3,878	9.1%	1,473.81	134.25
Briceni	77,068	117,901	7,530	6.4%	1,529.83	97.70
Cahul	119,131	152,833	7,835	5.1%	1,282.90	65.77
Cantemir	61,347	93,057	3,745	4.0%	1,516.89	61.04
Calarasi	74,692	117,264	6,320	5.4%	1,569.97	84.61
Causeni	90,385	124,822	9,727	7.8%	1,381.00	107.62
Cimislia	60,765	85,051	4,892	5.8%	1,399.66	80.51
Criuleni	72,194	102,999	5,426	5.3%	1,426.70	75.16
Donduseni	45,597	61,573	4,825	7.8%	1,350.38	105.82
Drochia	87,079	117,997	7,735	6.6%	1,355.05	88.83
Dubasari	35,109	68,585	9,620	14.0%	1,953.50	274.00
Edinet	83,097	107,384	11,593	10.8%	1,292.28	139.51
Falesti	89,813	115,037	7,970	6.9%	1,280.85	88.74
Floresti	88,169	134,911	7,725	5.7%	1,530.15	87.62
Glodeni	60,505	84,162	4,972	5.9%	1,390.99	82.18
Hincesti	119,569	149,938	10,646	7.1%	1,253.98	89.04
Ialoveni	97,919	129,366	6,088	4.7%	1,321.15	62.17
Leova	51,808	75,460	4,144	5.5%	1,456.54	79.98
Nisporeni	64,893	101,019	5,206	5.2%	1,556.71	80.22
Ocnita	56,097	93,472	4,998	5.3%	1,666.25	89.10
Orhei	115,828	161,775	9,444	5.8%	1,396.69	81.53
Rezina	50,827	89,234	4,681	5.2%	1,755.64	92.10
Riscani	68,900	95,186	7,684	8.1%	1,381.50	111.53
Singerei	87,035	116,777	6,893	5.9%	1,341.72	79.20
Soroca	100,490	134,808	10,515	7.8%	1,341.51	104.64
Straseni	88,721	119,756	7,360	6.1%	1,349.80	82.95
Soldanesti	41,877	67,717	4,842	7.2%	1,617.04	115.64
Stefan Voda	70,466	99,122	5,509	5.6%	1,406.66	78.17
Taraclia	42,947	58,618	2,987	5.1%	1,364.89	69.54
Telenesti	69,940	106,888	7,707	7.2%	1,528.28	110.19
Ungheni	110,674	169,186	10,145	6.0%	1,528.69	91.66
Chisinau	755,140	1,792,474	220,361	12.3%	2,373.70	291.81
Balti	127,603	192,147	20,127	10.5%	1,505.82	157.73
ATU Gagauzia	155,711	223,272	9,731	4.4%	1,433.89	62.49
<b>TOTAL</b>	<b>3,432,834</b>	<b>5,627,108</b>	<b>469,013</b>	<b>8.3%</b>	<b>1,639.20</b>	<b>136.63</b>

Source: Annual budget reports.

## 6.2 Composition of social service spending

About one-third of social protection expenditure at raion level in 2007 was spent on social services. Since the aim of the ongoing reform is to increase the overall share of cases that are resolved using community-based services and to reduce the reliance on the very high need services, one would expect to find that expenditure on social services by raion SAFPDs is increasingly concentrated in community-based services. This is indeed the case.

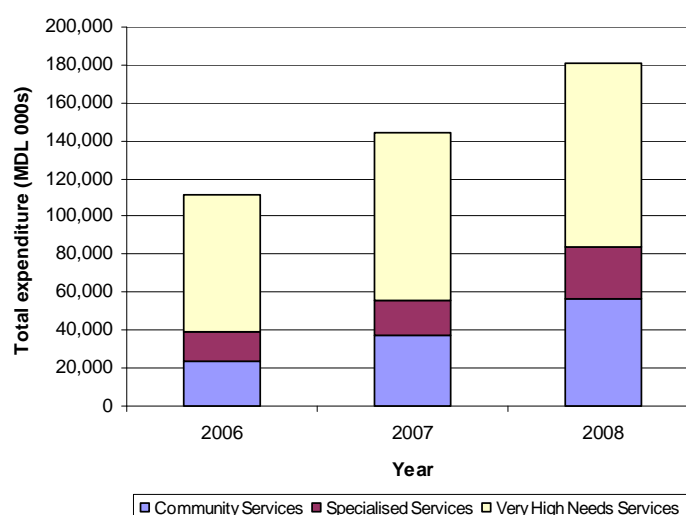
Table 6.3 and Figure 6.2 show that between 2006 and 2008 the total expenditure on social services at local level, funded by transfers from the national public budget, increased by 62%, from MDL 111.7 million to MDL 181.1 million. During this period the expenditure on community-based services more than doubled from MDL 23.7 million to MDL 57.1 million. This rate of increase is twice as fast as the increase in expenditure on specialised services, and four times as fast as the increase in spending on very high need services. The result is that, even though it started from a much lower base, the absolute increase in spending on community-based services is considerably greater than on very high need services.

**Table 6.3 Local government expenditure on social services, 2006–08 (MDL 000s)**

	2006	2007	2008	Increase 2006–08	
				MDL 000s	%
Community services	23,667	37,184	57,050	33,383	141
Specialised services <sup>1</sup>	15,300	18,661	27,412	12,112	79
Very high need services	72,695	88,554	96,615	23,920	33
<b>Total</b>	<b>111,662</b>	<b>144,398</b>	<b>181,077</b>	<b>69,416</b>	<b>62</b>

Source: Annual budget reports and own calculation. Note: (1) Data for specialised services does not include expenditure on payments to guardians since these are not identified separately in the budget, being grouped under 'other transfers to the population'. It includes the cost of all raion SAFPD staff including the administrative personnel (accountant).

**Figure 6.2 Local government expenditure on social services, 2006–08**



Source: Annual budget reports and own calculation.

Nonetheless almost MDL 97 million per year continues to be spent at raion level on very high need services. While a certain proportion of these services will always be necessary to respond to the most critical needs of the population this suggests that there are potential efficiency savings to be made by continuing to diversify away from very high need services in favour of effective community-based services that have a lower unit cost. There remains no expenditure at all on payments to foster carers, which is considered to be a specialised service, because the funding norms have not been approved.

A high but declining proportion of expenditure on social services at local level is spent by bodies other than the raion SAFPD (Table 6.4). In 2006 the SAFPD accounted for only 53% of social service spending at local level, rising to 61% in 2008. This is because more than one-third of expenditure on facilities that include a social care function is devoted to the general and auxiliary boarding schools, other institutions and family-type homes that are run by the local education department and are subordinate to the Ministry of Education and Youth. The proportion of the expenditure on these institutions that is spent on the care rather than the education functions cannot be distinguished and merits further examination since the two ministries share a common interest in moving away from the delivery of services in a residential setting towards inclusive education and community-based social services.

**Table 6.4 Local government expenditure on social services, 2006–08, by department**

	2006		2007		2008	
	MDL	%	MDL	%	MDL	%
SAFPD	59,401	53	81,345	56	110,269	61
Education	48,400	43	58,980	41	65,733	36
Health	3,861	3	4,073	3	5,075	3
<b>Total</b>	<b>111,662</b>	<b>100</b>	<b>144,398</b>	<b>100</b>	<b>181,077</b>	<b>100</b>

Source: Annual budget reports and own calculation.

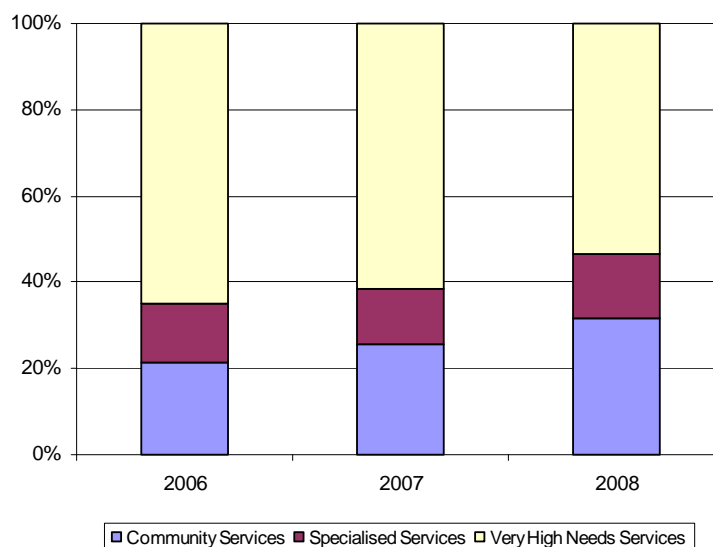
As a consequence of the large increase in absolute expenditure on community-based services the overall share of local government spending on social services that goes to community-based services has increased from 21% in 2006 to 32% in 2008 (Table 6.5 and Figure 6.3).

**Table 6.5 Share of social service spending by type of service, 2006–08 (%)**

	2006	2007	2008
Community services	21	26	32
Specialised services	14	13	15
Very high need services	65	61	53
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Annual budget reports and own calculation.



**Figure 6.3 Share of social service spending by type of service, 2006–08 (%)**

Source: Annual budget reports and own calculation.

This is in line with the intention of national programme on social services.

### 6.2.1 Distribution of spending across raions

Expenditure on **community-based services** is fairly evenly distributed across all raions, since all run a domiciliary care service—which accounts for two-thirds of total expenditure on social services at community level—and all employ social assistants. Social canteens are less widespread across the country: by far the greatest concentration of social canteens is in Chisinau. Overall some 19% of community-based services are located in Chisinau (compared with a population share of 22%); this is followed by Edinet and Soroca, with 3.7% and 3.6% of total expenditure respectively.

Expenditure on **specialised services** is much less evenly distributed throughout the country. Although all raions have the statutory prosthesis service and team of specialists, the day care centres and family-type homes are predominantly in raions that have been supported by external assistance. After Chisinau the raions with the greatest share of national spending on such services are Balti, Cahul, Ungheni and Hincesti. The last three of these raions have received support for social service development from the two European Union Technical Assistance to the Commonwealth of Independent States (TACIS) projects, TACIS 1 and TACIS 2.

Of all types of service, expenditure on **very high need services** is most unevenly distributed throughout the country. Chisinau, with its large share of residential institutions that are run by the local authority but methodologically subordinate to the Ministry of Education, takes a disproportionate share (41%) of overall spending on very high need services. In contrast, five raions had no expenditure on very high need facilities at all in 2008. These are Cantemir, Dubasari, Glodeni, Ialoveni and Taraclia.

The implications of these findings are that not all raions have funds that are currently spent on very high need services that could be converted to alternative types of service, even if a mechanism for such a redistribution of funds were to be developed in consultation with the Ministry of Finance. Also, although the Ministry of Finance will provide financial support for alternative services for

which regulations have been approved, such services tend to be developed in the areas that have had most external support for the reform process.

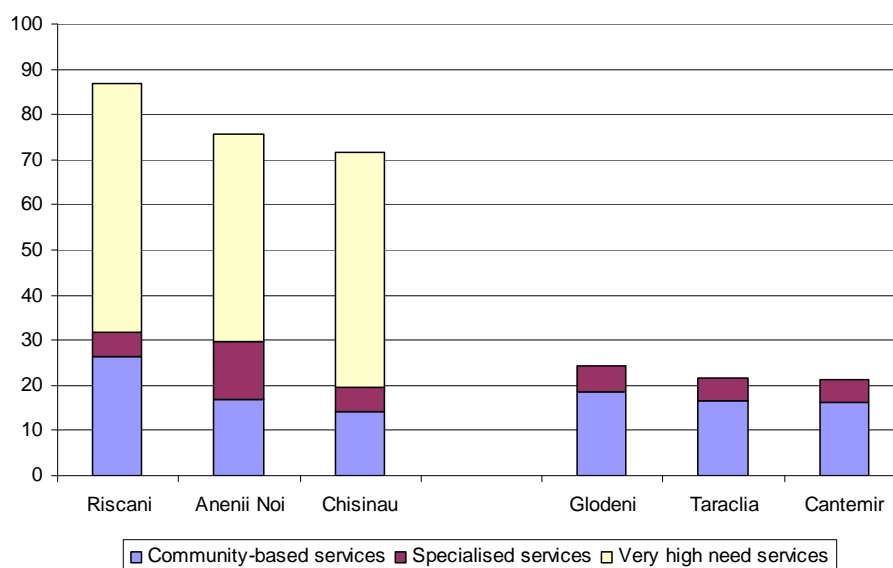
### 6.2.2 Distribution of spending within raions

Spending per capita on social services ranges from MDL 21 in Cantemir to MDL 87 in Riscani (Figure 6.4). Cantemir has the statutory minimum of a domiciliary care service and social assistants at community level and a team of specialists and orthopaedic service at specialist level, plus some social canteens. Riscani, in contrast, also runs an auxiliary boarding school for children and an asylum and rehabilitation centre for the elderly and disabled.

The distribution of spending on social services varies greatly from one raion to another, and depends largely on whether the raion has a residential institution on its territory. In 2008 every raion that devotes less than the national average of 32% of its social service expenditure to community-based services is one that runs a residential institution for children, with the exception of Leova which spends less than the average even though it has no such institution (though it does have an asylum for elderly and disabled adults).

Similarly, every raion that has a residential institution for children spends more than half its social service expenditure on very high need services, with the exception of two—Ungheni and Cahul. Again, these two raions have received extensive support from TACIS 1. This suggests that with assistance raions are able to find funds to develop alternatives to residential institutions even whilst maintaining an institution on their territory.

**Figure 6.4 Highest and lowest spending raions for social services, 2008 (MDL per capita)**



Source: Annual budget reports and own calculation.

The decline in the share of social service spending that goes to residential institutions between 2006 and 2008 is seen in almost every raion in Moldova, with only four raions increasing the proportion of their budget that is spent on very high need services during this period. Of the four anomalous raions, two (Leova and Soldanesti) have small rises in the proportion of spending going to residential care; in Criuleni a rehabilitation centre was taken on with state funding and Edinet

opened an asylum for the elderly and disabled. Basarabeasca raion has seen the greatest shift in the distribution of resources towards community-based services, with a 26% increase in the share of social service spending going to such services between 2006 and 2008.

At its organisational development workshop in March 2009 the MSPFC recognised the challenges of shifting from being a mere regulator and enforcer of legislation to supporting raions to successfully implement the national programme for social services. Such support from the central government level may contribute to the progress being made by raions in implementing the national programme.

### **6.3 Other financing at local level**

There is substantial donor and NGO activity in the area of social protection (not included in this data). Such additional funding seems to be targeted in an *ad hoc* way, without consideration of the depth of need in different territories. The bulk of foreign and donor support seems to focus on Chisinau and a handful of raions who traditionally had strong contacts with NGOs. Donor activity may therefore exacerbate some of the inequalities in service delivery as it responds to existing capacity but it has played a significant role in piloting and testing new approaches.

## **7 Conclusions**

The ongoing reform of the social protection system in Moldova is immediately apparent from an analysis of the systems for social protection and public financial management and an examination of trends in public expenditure in the sector.

In the midst of the reform the social protection system remains highly fragmented. The large number of legislation pieces dealing with social protection make it difficult to assess and ensure the overall coherence of the system. In social assistance the large number of types of benefits (many aimed at the same target groups) as well as many different administration bodies contribute to the fragmentation, which raises the cost of administration. The new Law on Social Support could further increase the number of types of grants available and the potential for overlapping and/or double-dipping. In order to avoid this, more explicit consideration should be given to conceptualising what needs to be in place to identify gaps and rationalise central benefits.

The fiscal relations between the different tiers of government have undergone major changes in recent years with the aim of decentralising the public sector to improve the efficiency of expenditure and service delivery. Although many functions have been transferred to local governments, these depend heavily on central government transfers to fund their expenditure. In practice, intergovernmental fiscal decentralisation has represented more a deconcentration of central government's fiscal administration rather than the decentralisation of fiscal policy decision-making (World Bank, 2007). While some management functions have been transferred from the central level to lower-level units within the same agency, overall control of the programme remains at the central level, so accountability of local governments remains at the centre rather than at local constituents. This has hampered local governments' attempts to rationalise and improve the efficiency of expenditures.

In 2008, about two-thirds of the national public budget was allocated to broad social sector expenditure (i.e., including education, health and social insurance and social assistance), out of which half was directed to social protection (i.e., social insurance, social assistance and welfare services). Within social protection, social insurance benefits, funded through beneficiary contributions and managed by the NSIH is by far the largest component of social protection expenditure, accounting for over 70% of it in 2008. These funds are mainly directed to fund pensions. In the local government budgets social protection is the second highest expenditure after education, comprising 8% of local government spending.

The MLSPF is not responsible for all social protection budgets. Institutions run by, or subordinate to, the Ministry of Education continue to consume a high proportion of social service spending. As a consequence it finds difficulties in developing policy and budget allocation. There are no monitoring procedures of the spending in this area. The annual social report does not analyse actual costs used at the local level for service delivery.

At local level there is significant differences across raions in the relative expenditure of social protection per capita, both in absolute numbers as well as a proportion of each raion's budget. In order to critically assess the cost efficiency of the services provided to ensure value for money, service delivery information should be gathered in a systematic way along expenditure breakdown at the raion level by service type (e.g., social work, social assistance, specialist services, etc.). These require the revision of the budget classification. Also we need a separate lines for tutorship expenses and payments for adopted children, that are currently under the "other payments to population" line in the budget classification.

The clear focus at local level on increasing expenditure on community-based and specialised social services, and reducing dependency on very high need services, is a positive finding, all the more so since this trend is observed in almost every raion throughout Moldova. The fact that specialised services tend to be most highly developed in raions that have received external technical assistance in social services, and that there is not yet any funding for foster care, suggests that there is scope for further expansion of specialised services at local level and that this could be particularly beneficial in raions that have not previously benefited from external support. Some MDL 97 million continues to be spent by raions on very high need services: if some of the beneficiaries of these services could be provided with more effective community-based care at a lower unit cost then the potential for extending social services to reach more people—and with greater impact—is enormous.

## Annex A Classification of budget lines for social protection

This annex shows how budget lines have been ascribed to the categories of social insurance, cash benefits and social services in this report.

**Table A.1 Classification of budget lines for social protection**

Category	Programme, activity, budget line	Organisation responsible
Social insurance	1. Pension fund	NHSI/ territorial social insurance units
	2. Family with children protection fund	
	3. Insurance fund for accidents at work and professional diseases	
	4. Indemnities fund	
	5. Unemployment fund	
	6. Health recovery fund	
	7. Administration costs - social insurance organisational and functioning expenditures	
	8. Net crediting	
Cash benefits for the non-insured	1. Non - contributory pensions	NHSI/ territorial social insurance units
	2. State allowances to disabled, 2WW participants, persons with special merits	
	3. Indemnities to non-insured persons, including families with child	
	4. Compensations, including nominal compensations and cash benefits to participants in liquidating consequences of the Cernobil catastrophe	
	5. Social support , including new cash benefit and death benefits for non-insured	
	6. Administration costs, including banking and postal fees	
Military pensions	1. Military pensions	Ministry of Finance
Cash payments to the population	1. Payments for losses to the transport enterprise for travelling facilities provisions	MSPFC and Raion SAFPD
	2. Transport compensations for veterans and disabled, including costs for fuel, car repairs, spare parts costs for vehicles received free of charge	MSPFC and Raion SAFPD
	3. Social support to graduates (children)	Ministries to whom education institution belongs
	4. Compensation of the property of people who had been subject to retaliatory measures and were later rehabilitated	Raion SAFPD
	5. Other type of transfers to the population, including guardianship and adoption indemnities	MSPFC and Raion SAFPD
	6. Money compensation for unused sanatorial treatment	MSPFC

Category	Programme, activity, budget line	Organisation responsible
	7. Transfers to social support of population funds	MSPFC and Raion SAFPD
	8. Fuel and electricity price difference compensation	MSPFC and Raion SAFPD
<b>Social services</b>		
<i>Community services</i>	1. Domiciliary care	Raion SAFPD
	2. Social assistance network	MSPFC and Raion SAFPD
	3. Social canteens	Raion SAFPD
<i>Specialized services</i>	1. Orthopaedical prosthesis service	MSPFC and Raion SAFPD
	2. Day care centers for children	MSPFC and Raion SAFPD
	3. Activities related to migration problems	MSPFC
	4. Family type homes	Raion SAFPD
	5. Raion SAFPD	Raion SAFPD
<i>Very high need services</i>	1. Asylums for children with disabilities	MSPFC
	2. Asylums for elderly and disabled adults	MSPFC and Raion SAFPD
	3. Rehabilitation centers for pensioners and disabled adults	MSPFC
	4. Temporary placement centers for children	MSPFC and Raion SAFPD
	5. Rehabilitation centers for victims of domestic violence	MSPFC and Raion SAFPD
	6. Child residential institution from education system	MEY and Raion GDES
	7. Baby homes from health system	MH and Municipal DCRP
	8. Institution for the homeless	Raion SAFPD
<b>Other including</b>		
<i>Admin costs</i>	1. National Employment Agency	National Employment Agency
	2. Republican Council for Medical Expertise of Vitality	Republican Council for Medical Expertise of Vitality
	3. National Bureau of Migration - admin cost	National Bureau of Migration
	4. MSPFC - admin cost	MSPFC
	5. SAFPD - admin cost	Raion SAFPD
<i>Subsidies</i>	1. Indexation of depositors in the Saving Bank	Ministry of Finance
	2. Subventions interest and reimbursement of preferential loans	Ministry of Finance, LPA
	3. Price difference compensation to Moldova gaz	Ministry of Finance
	4. Compensation of differences in tariffs for heating resources delivered to consumers by Termocom S.A	Chisinau municipality
<i>WB project</i>	1. Social protection management project	WB project
	2. Project for preparation of the poverty reduction credit II	WB project

Source: OPM / EveryChild.

## Annex B Supplementary tables

Table B.1 Share of expenditure under national public budget, by functional classification (%)

Sector code	Sector/ Principal Group	Actual						Projected (MTEF)		
		2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General public services</b>		<b>8.8</b>	<b>8</b>	<b>8.4</b>	<b>7.1</b>	<b>6.9</b>	<b>6.4</b>	<b>6.5</b>	<b>6.2</b>	<b>5.8</b>
1	General public services	6.9	6.6	6.6	5.8	5.6	5.4	5.6	5.3	5.0
2	Foreign affairs	1.9	1.4	1.8	1.3	1.3	1.0	0.9	0.9	0.8
<b>Security services</b>		<b>8.9</b>	<b>7.8</b>	<b>7.5</b>	<b>7.7</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>	<b>8.8</b>	<b>8.3</b>
3	Defence	1.4	1.2	1.1	1.2	1.2	1.5	1.0	1.3	1.4
4	Justice	0.8	0.8	0.9	1.0	1.0	1.1	1.2	1.1	1.0
5	Public order and safety	6.7	5.8	5.5	5.5	5.7	5.3	5.7	6.4	5.9
<b>Social sector</b>		<b>62.3</b>	<b>62.5</b>	<b>63.3</b>	<b>63.2</b>	<b>62.6</b>	<b>65.4</b>	<b>68.7</b>	<b>67.9</b>	<b>67.3</b>
6	Education	20.0	19.2	19.3	20.1	19.0	19.8	19.9	19.1	18.3
8	Culture, art, sport and youth	2.2	2.4	2.3	2.7	2.5	2.4	2.2	2.0	2.1
9	Health	12.0	11.9	11.3	11.7	11.7	13.0	15.2	15.1	15.2
10	Social insurance, assistance and services	28.1	29.0	30.4	28.7	29.4	30.2	31.4	31.7	31.7
<b>Economic sector</b>		<b>10.4</b>	<b>12.1</b>	<b>15.5</b>	<b>16.7</b>	<b>18.6</b>	<b>15.3</b>	<b>12.8</b>	<b>11.9</b>	<b>11.7</b>
11	Agriculture, forestry and fishing	3.3	2.3	4.1	3.8	5.5	4.8	3.0	2.8	2.7
7	Science	0.7	0.7	1.0	1.1	1.4	1.5	1.8	2.0	2.2
12	Environmental protection	0.3	0.5	0.4	0.6	0.5	0.4	0.4	0.4	0.3
13	Industry and construction	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1
14	Transport and communication	1.4	1.6	1.6	2.8	4.7	4.4	3.4	3.1	3.2
15	Housing and communal services	3.6	4.7	5.0	5.6	3.4	2.4	3.1	2.6	2.4
16	Fuel and energy	0.9	2.1	2.5	2.1	2.1	1.0	0.4	0.2	0.2
-	Other economic			0.8	0.5	0.8	0.7	0.5	0.6	0.6
<b>Debt service and others</b>		<b>9.4</b>	<b>9.6</b>	<b>5.3</b>	<b>5.1</b>	<b>4</b>	<b>5.1</b>	<b>4.2</b>	<b>5.2</b>	<b>6.6</b>
17	Debt service	6.3	6.9	3.4	2.4	2.7	2.8	2.7	2.2	1.6
18	Other expenditures	3.1	2.7	1.9	2.7	1.3	2.3	1.5	2.0	2.0
-	Salary provision								1.0	3.0
<b>TOTAL</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Government of Moldova, Medium Term Expenditure Framework (2009-2011).



Table B.2 National public budget: trends in functional allocations to broad sectors (% of GDP)

Sector code	Sector/ Principal Group	2003	2004	2005	2006	2007	2008
1	General public services	2.3	2.3	2.4	2.4	2.4	2.3
2	Foreign Affairs	0.6	0.5	0.7	0.5	0.5	0.4
3	Defence	0.5	0.4	0.4	0.5	0.5	0.6
4	Justice	0.3	0.3	0.3	0.4	0.4	0.4
5	Public order and safety	2.2	2.0	2.0	2.2	2.4	2.2
6	Education	6.7	6.8	7.2	8.2	8.0	8.2
7	Science	0.2	0.3	0.4	0.5	0.6	0.6
8	Culture, art sport and youth activities	0.7	0.8	0.8	1.1	1.1	1.0
9	Health	4.0	4.2	4.2	4.8	4.9	5.4
<b>10</b>	<b>Social insurance and social services</b>	<b>9.4</b>	<b>10.2</b>	<b>11.3</b>	<b>11.7</b>	<b>12.4</b>	<b>12.6</b>
11	Agriculture, forestry and fishing	1.1	0.8	1.5	1.5	2.3	2.0
12	Environmental protection	0.1	0.2	0.1	0.2	0.2	0.1
13	Industry and construction	0.1	0.1	0.1	0.1	0.1	0.1
14	Transport and communication	0.5	0.6	0.6	1.2	2.0	1.8
15	Housing and communal services	1.2	1.6	1.8	2.3	1.4	1.0
16	Fuel and energy	0.3	0.7	0.9	0.9	0.9	0.4
17	Debt service	2.1	2.4	1.2	1.0	1.1	1.1
18	Other expenditures	1.0	1.0	0.7	1.1	0.6	1.0
<b>Total</b>		<b>33.3</b>	<b>35.2</b>	<b>36.7</b>	<b>40.6</b>	<b>41.7</b>	<b>41.3</b>
	<i>GDP, million lei</i>	<i>27,600</i>	<i>32,000</i>	<i>37,700</i>	<i>44,069</i>	<i>53,354</i>	<i>62,840</i>

Source: Annual budget reports.

Table B.3 Breakdown of social insurance expenditure by fund, 2006–08

Components of expenditure	2006		2007		2008	
	MDL million	%	MDL million	%	MDL million	%
Pension fund	3,124.9	84	3,746.1	84	4,534.8	83
Fund of protection of families with children	58.2	9	74.7	2	105.8	2
Fund of insurance against labour accidents and occupational diseases	1.6	2	1.7	0	2.6	0
Allowance fund	325.3	2	408.6	9	527.8	10
Unemployment fund	35.9	1	32.8	1	34.0	1
Health recovery fund	86.3	0	93.7	2	85.9	2
Administration costs	102.6	3	126.6	3	151.6	3
<b>Total</b>	<b>3,734.8</b>	<b>100</b>	<b>4,484.2</b>	<b>100</b>	<b>5,442.5</b>	<b>100</b>

Source: Annual budget reports and own calculation. Note: The totals do not match exactly the figures for the executed budget in each year (**Error! Reference source not found.**) because a breakdown of the executed budget is not available. Instead this shows the actual amounts paid out each year. Usually the amounts from December are paid in January so the real amount paid in 2008 is likely to include December 2007 but not December 2008. This is a problem of bookkeeping.

Table B.4 Local government expenditure on social services, 2008 (MDL 000s)

Alignment with Table A.1 of PER	Community Services 1				Specialised Services						Very High Needs						Total		
	Domiciliary care	Social assistants network	Social canteens	TOTAL	Orthopaedical prosthesis	Day care centers for children	Family type homes	SIF - project II	SAFPD - admin cost	TOTAL	Residential institution from education system	Residential institution from health system	Asylums for elderly and disabled adults	Rehabilitation centers for pensioners and disabled adults	Placement centers for children	Rehabilitation centers for victims of domestic violence		Institution for the homeless	
30 Anenii Noi	978	342	63	1,382	17	838			226	1,081	3,070		612	78				3,761	6,224
31 Basarabasca	788	118		906	11				270	280			616					616	1,802
32 Briceni	796	394	181	1,370	24				311	335			407					407	2,113
34 Cahul	1,202	522	126	1,850	19	712	177		366	1,274	2,115		538					2,653	5,778
36 Cantemir	480	331	186	997	21				289	310								0	1,307
38 Calarasi	601	345		946	18	184	129		353	683	2,357		811					3,168	4,797
40 Causeni	1,361	487	42	1,890	16	446	167		305	934			1,933		384			2,318	5,142
44 Cimislia	704	247	20	972	12				389	400			524					524	1,896
48 Criuleni	781	452		1,233	16	258	144		265	682				500				500	2,415
50 Donduseni	1,013	262	22	1,298	10				249	260			595					595	2,152
52 Drochia	1,361	377		1,738	21		192	40	289	542	2,306		323					2,629	4,909
53 Dubasari	376	205	26	607					481	481								0	1,088
55 Edinet	1,715	412		2,127	23				289	312			655					655	3,094
57 Falesti	1,317	366	34	1,717	20		358		292	670	2,725		359					3,084	5,471
59 Floresti	1,168	251	36	1,456	16		156		246	417	21		689					710	2,583
61 Glodeni	862	264		1,126	20		39		269	327								0	1,453
65 Hincesti	1,140	699		1,839	12	387	383		425	1,207			869		463			1,333	4,378
67 Ialoveni	744	510	185	1,439	11	815	37		235	1,098								0	2,537

**Moldova Social Assistance PER**

Alignment with Table A.1 of PER	Community Services 1				Specialised Services						Very High Needs							Total	
	Domiciliary care	Social assistants network	Social canteens	TOTAL	Orthopaedical prosthesis	Day care centers for children	Family type homes	SIF - project II	SAFPD - admin cost	TOTAL	Residential institution from education system	Residential institution from health system	Asylums for elderly and disabled adults	Rehabilitation centers for pensioners and disabled adults	Placement centers for children	Rehabilitation centers for victims of domestic violence	Institution for the homeless		
69 Leova	428	226	43	697	18	257	50		407	731			909					909	2,337
71 Nisporeni	623	382		1,005	19	654	97		229	1,000	1,773		354					2,127	4,132
72 Ocnita	939	253	30	1,221	10		88		280	378			614					614	2,214
74 Orhei	913	837		1,750	22		200		369	591				743				743	3,084
76 Rezina	693	228		921	15		153		367	535			516					516	1,972
79 Riscani	1,458	335		1,793	20				364	385	2,336		812	611				3,760	5,937
81 Singerei	1,136	426		1,561	20	263	222		280	785	1,969		812	641	352			3,774	6,120
84 Soroca	1,660	376	9	2,045	14	549			419	982			1,312					1,312	4,339
86 Straseni	572	423	101	1,095	24	220	45		295	584	3,052			510	324			3,887	5,565
88 Soldanesti	998	137	24	1,159	10	196	31		181	419			609					609	2,187
89 Stefan Voda	739	369	108	1,217	18				306	324	2,482							2,482	4,023
91 Taraclia	400	201	103	704	9				206	215								0	919
93 Telenesti	736	397		1,133	20		286		328	634			382	1,045				1,427	3,193
95 Ungheni	1,196	563	208	1,966	22	556	165		460	1,203	1,771		884					2,655	5,823
1 Chisinau	5,530	2,119	2,981	10,630	88	1,937	228		1,909	4,162	30,755	5,075		668	1,668		1,160	39,325	54,117
12 Balti	1,456	334		1,790	35	1,440	373		357	2,205	2,091		630	429	1,242	116	314	4,822	8,817
43 U.t.A Gagauzia	1,100	362	8	1,470	22	523			441	987	3,190		1,514					4,703	7,160
<b>Total</b>	<b>37,964</b>	<b>14,551</b>	<b>4,535</b>	<b>57,050</b>	<b>674</b>	<b>10,233</b>	<b>3,721</b>	<b>40</b>	<b>12,744.5</b>	<b>27,412</b>	<b>62,012</b>	<b>5,075</b>	<b>17,925</b>	<b>5,579</b>	<b>4,434</b>	<b>116</b>	<b>1,474</b>	<b>96,615</b>	<b>181,077</b>

Source: Annual budget reports and own calculation.

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