

Annex 14. Strategic Expenditures Plan in Agriculture, 2007-2009

SECTOR: Agriculture

Current situation analysis: Agricultural sector was and continues to be one of the main sectors of Moldovan economy, as a share it has in the Gross Domestic Product (accounting for approximately 40 per cent of the DGP), as well as the volume of labor force involved in this sector. According to statistical data, approximately 45 per cent of the employed population is involved in agriculture. At the same time agricultural sector growth, continues to remain extremely modest. Agricultural output in 2001-2005 increased by only 16 per cent. In 2005 the agricultural output increased by only 1 per cent (in comparable prices) in comparison to the previous year. Agriculture continues to be defined by the lowest productivity and labor remuneration level. Contributing by about 18 per cent of the DGP and providing jobs to 45 per cent of labor force, low productivity and growth in agricultural sector reduced the perspectives for the rest of economy.

In 2005 budget subsidies in agriculture did not exceed 3 per cent of the total state budget expenditures. The major share of these expenditures were allocated to the Agricultural Sector Support Fund and amounted to 180,0 mil. lei. Other funds were allocated to some production activities, to Agricultural Projects Implementation Unit, research and educational institutes.

In addition to reduced access to funding, the agricultural sector faces some other major constraints, such as slow restructuring of the processing industry, excessive fragmentation of lands, underdeveloped land market, growth of fuel prices, reduced size of the home market and high requirements on external markets.

Under the circumstances, revitalization of the agricultural sector and rural areas as a whole is a stringent need. Evidently, the state's role in this process can not be other than of a skilled, interested and efficient organizer. Strategic objectives, basic principles and priority directions for subsidizing in agriculture, in particular, subsidizing sugar beet producers, stimulation of tobacco growers, subsidizing users of phytosanitary products and fertilizers, support to animal breeding sector, stimulation of establishing agricultural machinery technologic pools, as well as insurance of production risks, were developed.

The key problems in the sector are:

- Maintaining the epizootic situation up to EU requirements through implementation of traceability system, meeting the raw materials production and processing requirements, mass vaccination of animals.
- Considerable reduction of losses in agriculture by extending hail protected areas and implementation of risk insurance in agriculture.
- Ensuring quality control of seeds.
- Development and implementation of a new mechanism to subsidize agricultural producers, in particular final product subsidizing.
- Ensuring the revival and sustainable development of the vine growing and wine making.

Moldova has limited resources to subsidize agriculture. In this sense, efficient use of the allocated budget resources is essential. For this reason it is very important to carefully target subventions in terms of their most efficient contribution to achieving Government objectives in economic growth and poverty reduction. Another selection criterion is encouraging restructuring activities in post-privatization phase, in a non-preferential manner that will not distort trade markets functioning. Taking into account the economic growth and poverty reduction strategic objectives, development and implementing subventions policies is a complex domain that will require employment of international experience and technical assistance.

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Program I. Measures related to diagnostic and prevention of diseases in animals, identification and traceability				
Sub-program 1/1. Diagnostic and prevention of diseases in animals				
<p><u>Key aspects</u> In view of ensuring and maintaining a favorable veterinary situation in the country permanent diagnostics and prevention measures in animals are carried out in the country. Maintaining the veterinary situation on an optimal level is ensured by a system of veterinary authorities across the country. For the past years the veterinary situation in the country is stable. However, 127 infectious diseases hotbeds entailed 79 cases of illness in 2005. The new version of the draft Law on veterinary activity has been developed in 2006 and is now under consideration. The new Law will require the following concrete measures:</p> <ul style="list-style-type: none"> - Establishing a new structure of the veterinary service; - Break down into a state and private veterinary service; - Territorial concession of services (circumscriptions). <p>Some actions under the program are financed from the proceeds of the Grant provided by the European Commission.</p> <p><u>Problems:</u></p> <ul style="list-style-type: none"> • Technical equipment for veterinary facilities to perform testing and investigations both on a central level, as well as in the regions; • Training of specialists is very limited. Until now only 160 persons were trained from the 1200 needed to meet current requirements. 	<ul style="list-style-type: none"> • Ensuring favorable veterinary situation in the country through epizootic control • Enhancing effectiveness of diagnostics and prevention activities • Ensuring quality of veterinary pharmaceuticals • Ensuring training of specialists 	<ul style="list-style-type: none"> • Optimizing vaccination terms depending on age and species. • Extending the percentage of supervised animals to 100%. • Improving diagnostics, endowment with modern equipment • Increasing by 3% the number of assays for laboratory investigations, up to 4000. • Introduction of the high performance laboratory methods. • Shortening the time needed to register pharmaceuticals. • Supervising quality control of pharmaceuticals. • Establishing regional centers to provide advisory services to specialists. • Organizing regional in service training courses for staff. 	<ul style="list-style-type: none"> • Starting 2007 this program shall be funded solely from the budget. The European Commission grant provided under the Food Security Program will expire in 2007. 	<ul style="list-style-type: none"> • Number of controls and tests • Number of animals under supervision • Number of laboratories endowed with equipment • Number of consultations • Number of persons trained

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Subprogram 1/2. "Prevention and treatment of infectious and non-infectious diseases in animals"				
<p><u>Key aspects</u> To ensure a favorable epizootic situation, anti-epizootic measures are carried out through vaccination of animals and disease prevention. Such measures are funded from the state budget and from the European Commission grant provided under the Food Security Program. In 2005, 8 mil. lei were used for this purpose, of which: 5,1mil.lei from the European Commission grant and 2,9 mil. lei from the state budget. Procurement of vaccine is made in a centralized way by the Ministry of Agriculture and Food Industry. Vaccination itself is carried out by the raion Sanitary-Veterinary Service.</p> <p><u>Problems:</u> § In the Republic of Moldova the situation is unfavorable with reference to increased number of cases of pasteurelisis. In 2005 there were 38 cases, by 28 cases more than in 2004.</p>	<ul style="list-style-type: none"> • Protection against common diseases to humans and animals • Maintaining protection of animals against infectious and non-infectious diseases at the level required by the International Epizootic Office • Expanding the scope of diseases subjected to vaccination and in particular, include pasteurelisis. 	<ul style="list-style-type: none"> • Active participation in the International Epizootic Office. • Requesting on a permanent basis information from this organization; regular payment of membership fees . • Vaccination of all animals against diseases hazardous for animals as well as for humans. • Including pasteurelisis on the vaccination list. 	<ul style="list-style-type: none"> • Budget resources will be needed to pay membership fees of the Republic of Moldova in the International Epizootic Office 	<ul style="list-style-type: none"> • Number of vaccinated animals.
Sub-program 1/3. "Animals identification and traceability system "				
<p><u>Key aspects</u> Establishing such a system is basically aimed at protection of human and animal health through reducing the risk of disease transmission in animals, as well as from animals to humans. Currently, the Ministry of Agriculture and Food Industry is developing a legal framework needed to consolidate this system as a component of Identification and Registration System. Starting 2005 this system has been piloted in Straseni raion.</p> <p>Also, all veterinarians in raion have been trained on using the system, and identification equipment has been procured</p>	<ul style="list-style-type: none"> • Implementation of animals identification and registration system country wide • Identification and 	<ul style="list-style-type: none"> • National single IT operator for animals identification purpose will be selected and contracted through the International Competitive Bidding. • The IT system will be implemented and adjusted to the National Data Base for data ratification. • 100% of veterinarians will be trained on system operation. 	<ul style="list-style-type: none"> • Total cost for animals identification and traceability system is estimated at 40,5 mil. lei, of which 6,0 mil. lei for system maintenance and 34,5 mil lei. For system 	<ul style="list-style-type: none"> • Number of trained veterinarians

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p>for the pilot raion.</p> <p>Problems:</p> <ul style="list-style-type: none"> In conformity with Moldova's commitments regarding compliance with the EU requirements from the Moldova –EU Action Plan, implementation of the system countrywide is mandatory and inevitable. 	<p>establishing a data base of animals</p>	<ul style="list-style-type: none"> On-going registration of developments and identification of animals at the national level. 	<p>implementation.</p>	<ul style="list-style-type: none"> System implementation coverage Number of registered developments and animals
<p>Sub-program 1/4. "Supervision of manufacturing, processing storing and handling of animal products "</p>				
<p>Key aspects</p> <p>The State Veterinary Inspectorate is responsible for control of manufacturing, processing, storage and handling of safe products and raw materials of animal origin, as well as control of compliance with export/import requirement for live animals and products of animal origin. This institution is financed solely from the state budget, and is decentralized through the country. Currently, there are 37 facilities with a total of 153 veterinarian inspectors.</p> <p>Problems:</p> <ul style="list-style-type: none"> The problem of non-compliance by individuals and legal entities of products and raw materials manufacturing and processing requirements; Non-compliance by individuals and legal entities of veterinary requirements in animal health protection. 	<ul style="list-style-type: none"> Protection and prevention of animals infectious diseases outbursts and spreading. Permanent control over production and processing of raw materials. Ongoing and strengthened control on compliance with sanitary-veterinary requirements by individuals and legal entities. 	<ul style="list-style-type: none"> Equipping sanitary-veterinary examination labs in the raion and municipal market places with modern equipment. Starting a communication campaign on complying with EU requirements for manufacturing and commercialization of products of animal origin. Increasing the size of fines for violation of sanitary-veterinary rules and requirements. 	<ul style="list-style-type: none"> Funding will be needed to equip sanitary veterinary laboratories 	<ul style="list-style-type: none"> Number of equipped laboratories Number of sanitary - veterinary requirements controls

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Program II. Plant protection and pest control measures				
<p>Key aspects</p> <p>State control and supervision of plant protection resulted in enhanced productivity and quality of agricultural products. Chemical pest and weeds control, imports of phytosanitary use goods control by testing and issuing documents of origin, toxicological control of active substances in pesticides, agricultural products and soil are carried out annually. However, an important problem is violation of norms on manufacturing, imports, transportation, storing, commercialization and utilization of phytosanitary use goods and fertilizers. The problem of utilization and storage of phytosanitary use goods and fertilizers was frequently raised at different national and international meetings due to the fact that serious flaws, endangering environmental and human safety, were revealed.</p> <p>In 2005 the following actions were undertaken under this program:</p> <ul style="list-style-type: none"> • Pest and disease control activities, treatment of national trails and maintaining entomofauna - 427,9 ha were treated, as approved - 427,4 ha; • Treatment of pests and disease hotbeds on the surface of 8700 ha (with trihogram); • Prohibiting using unrecoverable pesticides in plant protection, inventory of unrecoverable pesticides and control by groups, forms and components, in conformity with the working plan; • Packing and storing them in plastic barrels - 4764 barrels.; 17543 sacs 	<ul style="list-style-type: none"> • Enhancing productivity and quality of agricultural products • Pest and disease control • Protection of environment and prohibiting using unrecoverable pesticides in plant protection 	<ul style="list-style-type: none"> • Plant protection state control and supervision. • Control of phytosanitary use goods imports by making tests and issuing documents of origin. • Toxicological control of active substances in pesticides, agricultural products and soil. • Chemical pest and weed control in hotbeds. • Treatment of national trails and maintaining entomofauna. • Treatment of pests and disease hotbeds. • Inventory of unrecoverable pesticides and control by groups, forms and components. • Packing and storing. 	<ul style="list-style-type: none"> • Financial provision of stipulated activities will be within the limits of funds available to the sector 	<ul style="list-style-type: none"> • Amount of quality protection means • Number of controls • Test made and documents issued • Packing pesticides in barrels and sacs • Transportation to centralized warehouses • Amount of destroyed stuff
Program III "Anti-Hail Protection"				

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p><u>Key aspects</u> The Service for active influence on hydrometeorological processes is empowered as a national authority in the area of active influence on hydrometeorological and other geophysical processes. Currently, there are 7 special units covering 58 rockets launching stations protecting 700 thousand ha. During the year rockets were launched over a surface of 667 thousand hectares, from 54 stations ensuring anti-hail protection for 14 raions with the highest risk. In such a way it was possible to avoid damage in agricultural sector, though the need and the coverage of anti-hail protection area is much wider.</p> <p><u>Problems:</u></p> <ul style="list-style-type: none"> • Insufficient provision with rockets; • The need to extend anti-hail protected areas; • Development of informational network to improve anti-hail protection works technologies . 	<ul style="list-style-type: none"> • Control and supervision of agricultural crops anti-hail protection. • Considerable reduction of damage caused by hail on the protected territory of the Republic of Moldova 	<ul style="list-style-type: none"> • Extension of the hail protected area up to 1000 thousand ha of arable lands. • Increasing the number of anti-hail stations by opening new stations. • Procurement and installing the necessary equipment. 	<ul style="list-style-type: none"> • Need for additional funding to extend the protected areas 	<ul style="list-style-type: none"> • Protection Works with minimum effectiveness • Protected areas thousand ha • Number of anti-hail protection stations
Program IV. Supervision of grain products production, seeds and planting material				
Sub-program 4/1. "Monitoring and supervision of seeds and planting material production"				
<p>Actions pertaining to monitoring and control of seeds, products processed and commercialized in the country as well as abroad. In 2005 the State Seeds Inspectorate, an authority vested with control functions performed controls on seed sector on the entire sown areas - 100,8 thousand ha. In 2005 the Inspectorate's labs tested 16674 samples accounting for 153,5 thousand tones. The current urgent problem is the outdated and obsolete inventory basis of the seeds trial laboratories.</p>	<ul style="list-style-type: none"> • Intensifying control over seed sectors • Speeding up certification of seeds and planting material 	<ul style="list-style-type: none"> • Actions under the programs will pertain to equipping seeds testing laboratories with necessary equipment. • Carrying out seeds control through approval of seeds sectors. 	<ul style="list-style-type: none"> • Additional funding of 900 thousand lei. will be needed annually to procure the necessary equipment 	<ul style="list-style-type: none"> • Control of agricultural crops seeds sectors • Annual output of seeds materials:

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Sub-program 4/2. "Supervision of technological conditions for storing grain and bakery products "				
<p>Key aspects The main goal of the program is technical supervision of grain products, qualitative and quantitative control of grain products, and is performed by the State Inspectorate for Grain Products, that is preponderantly financed from extra-budgetary means – 91% and budget – 9 %. 50% more grain for storing and export were inspected in 2005 than planned. Currently, 183 thousand tones of grain are deposited at elevators.</p> <p>Problems: The main problem is implementation of the grains storing certificate as a financial instrument for grains used by producers as collateral at licensed elevators. A storing certificate eliminates the intermediaries on the market, who to a large extent are the reason for growth of price. Republic of Moldova is one of the few countries in the region where storing certificates are not used, even on a pilot basis. To bring the storing certificate on the market, a legal framework was developed, and it will be implemented in 2007-2009. In order to implement legal provisions, it will be necessary to develop a set of subsequent regulatory acts that will regulate different aspects in more detail.</p>	<ul style="list-style-type: none"> • Increasing quality and quantity of grain stored. • Permanent supervision of grain products within the country, as well as prepared to be exported or already imported 	<ul style="list-style-type: none"> • Monthly controls of all grain depositors. • Quality certification in conformity with requirements stipulated in contracts. • Assessment of grains quality only in accredited labs. • Development of storing certificates log book. 	<ul style="list-style-type: none"> • Supplementing budget allocations to form the Fund for granting grains storing certificates. 	<ul style="list-style-type: none"> • Extent to which storing capacities are used. • Extent to which storage of grain is ensured versus the amount of grain produced • Issuance of export certificates • Issuance of import certificates

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Sub-program 4/3. "Trials on plant varieties "				
<p>Key aspects The main objective of the program is performing trials on plants varieties and seeing that growers do not use varieties that are not included in the Plants Varieties Register. Trials of plant varieties are carried out on the 15 trail centers/sectors, situate don 892 ha of land owned by the state and 15 localities from different raions. Additionally, contract based trials are carries out on another 9 sectors. The responsibility for trail activities lies within the State Commission for Plant varieties trials.</p> <p>Problems</p> <ul style="list-style-type: none"> • The agricultural machinery, tools and special equipment has been used 2-3 lifetimes, so, it does not allow to perform trials of varieties up to current requirements; • The biochemical and technologic laboratory does not operate because the equipment does not comply with operation requirements; • In conformity with the Convention of the International Union on Protection of new plants varieties (UPOV), to which Moldova adhered in 1998, until 2008 all species cultivate in the country have to subject to the Law on Plant varieties protection ; • Lack of trained staff to perform the varieties trail at DUS. Currently, the stuff is 90 persons, additional 20 staff units are needed. 	<ul style="list-style-type: none"> • Trials of new varieties at agronomic value (VAT), identification of the most competitive varieties and recommending them for use in agriculture. • Implementing methodologies of trials in new varieties at patent conditions (DUS) in conformity with UPOV requirements and ensuring legal protection to all plants varieties. 	<ul style="list-style-type: none"> • Trials of new varieties of different origin at agronomic value (VAT) in conformity with approved methodologies, identification of the most competitive and recommending them to agricultural producers. • Drafting the necessary documentation (forms), development of and publishing trails methodologies aiming at establishing even norms for applicants. • Starting experiments (horticultural plantations and vineyards). • Maintaining uniformity sectors. • Training of staff on variety trails at DUS. • Extending the action of the Law on new varieties protection over all species cultivated in the Republic of Moldova. • Setting and updating a data base on plants varieties. • Setting and continuous replenishing of reference collections of all trailed crops. • Improving the inventory basis of the State Commission. 	<ul style="list-style-type: none"> • Financial provision of planned measures will be carried out within the limits of funding available to the sector 	<ul style="list-style-type: none"> • Trail plans by all groups of crops • Receiving seeds from varieties developers

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Program V. Measures to support high breed animals selection, reproduction and breeding				
Sub-program 5/1. " State control of selection and reproduction in animal breeding"				
<p>This program includes measures and actions pertaining to control of how complex programs on selection , improving and reproduction of breeding stock are implemented by individuals and legal entities. Such control measures are carried out by the State Inspectorate for Selection and Reproduction in Animal Breeding that comprises 28 staff inspectors decentralized across the country.</p> <p>Problems:</p> <ul style="list-style-type: none"> • Frequent violations of current animal breeding legislation that worsen the condition of the sector; • Lacking several administrative-territorial units (9 raions) in the control area coverage due to insufficient number of inspectors; • lack of the central management of the Inspectorate, to coordinate, the inspectorate's activity. This function is currently performed by the Animal Breeding Department of the Ministry, which is against the law; • Low efficiency of controls due to scarcity of funding for field trips. 	<ul style="list-style-type: none"> • Making state control in animal breeding more efficient aiming at improving this sector development • Improving animals breeding and selection conditions by more rigorous observance of norms and combating cases of current legislation violation 	<ul style="list-style-type: none"> • Increasing the Inspectorate's staff to 43 persons, including 6 persons – in the central management. • Extending the inspection coverage to 35 raions and 2 municipalities. • Combating violations of current legislation by individuals and legal entities . • Increasing efficiency of controls performed by the inspectorate through enhancing quality and frequency of field trips, entailing development of the animal breeding sector by increasing the animal breeding output by 5-10%. 	<ul style="list-style-type: none"> • The possibility to provide additional funding will be examined for the MTEF period. • A total amount of 1,55 mln. lei have to be additionally provided from the state budget in 2007 	<ul style="list-style-type: none"> • Number of raions covered by inspections • Number of prescriptions and minutes drafted • The percentage of the animal breeding output increase per country
Sub-program 5/2. "Maintaining the genetic fund of high breed animals"				
<p>Animal reproduction is an activity of national interest targeted towards most rational use of genetically improved reproduction material, by using modern targeted reproduction biotechnologies. The genetic fund of high breed animals in Moldova include:</p> <p>§ 9 cattle farms, with a total breeding stock - 2,0 thousand heads.</p> <p>§ 5 pig farms– 1,0 thousand heads.</p> <p>§ 4 sheep farm – 4,0 thousand heads.</p> <p>§ 5 horse farm – 0,07 thousand heads.</p> <p>§ 6 poultry farms – 100,0 thousand heads</p> <p>§ 5 fisheries – 0,95 thousand heads.</p> <p>Number of breeding animals is extremely insufficient</p>	<ul style="list-style-type: none"> • Increasing the number of breeding animals making the genetic fund by applying modern highly performant reproduction technologies. • Improving the genetic potential and 	<ul style="list-style-type: none"> • Reproduction of animals by modern methods of artificial insemination. • Improving animals genetic capacity by cross breeding with highly performant imported breeds. 	<ul style="list-style-type: none"> • Increase in budgetary allocations to implement artificial insemination • Provision of budget funds to import genetic 	<ul style="list-style-type: none"> • Number of animals, heads • Number of places /animal at stalling • Number of places /animal at stalling

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p>(10 times less) than current animal breeding norms and does not meet the needs of the country. To maintain the existing number, 15,0 mln lei from the budget were allocated in 2005, which is insufficient to solve the following problems:</p> <ul style="list-style-type: none"> • Lack of imported genetic resources, necessary to „refresh the blood“; • Insufficient maintenance and care, due to physical and moral depreciation of premises and inventory infrastructure. 	<p>productive performance of high breed animals by modernizing maintenance conditions and using modern methods of animals selection and breeding.</p>	<ul style="list-style-type: none"> • Modernization of animals maintenance and care conditions by reconstruction and refurbishing of inventory infrastructure. • Ensuring energetic resources and supplies to provide for animal genetic fund maintenance. 	<p>resources</p> <ul style="list-style-type: none"> • Subsidizing maintenance of high breed genetic resources 	
<p>Program VI. Radiological Control in agricultural production</p>				
<p>The purpose of this program is to ensure radiological control and radioprotection in agricultural industry. The following actions are being taken under the program:</p> <ul style="list-style-type: none"> • Control of radioactive pollution of the soil adjacent layer around Chisinau, of the soil and phytotechnical products in the country; • Radioprotection control agricultural production; • Methodological guidance provided to the National Network of Laboratory Control and Surveillance (RNOCL) under the Ministry of agriculture and Food Industry. <p>Problems:</p> <ul style="list-style-type: none"> • Currently there are 6 control stations countrywide, however, this is far from being sufficient to objectively assess the radioprotection situation in agricultural industry; • PNOCL facilities are insufficiently equipped; • Scarcity of funding to implement and operate highly performant nuclear equipment donated under the ALFA technical collaboration project. 	<ul style="list-style-type: none"> • Improving technical, methodological, informational and staffing provision of radiological control service in agricultural industry 	<ul style="list-style-type: none"> • Extending the number of radiological control stations aiming at objective estimation of radiological situation on agricultural lands. • Making an inventory of radiological equipment in agribusiness and enterprises and institutions, collection and redistribution in operating RNOCL institutions. • Training and re-training of RNOCL staff on agricultural radiology. • Implementation of highly performant equipment for radiological control of environment. 	<ul style="list-style-type: none"> • Additional funding is required 	<ul style="list-style-type: none"> • Number of objects subjected to control • Number of radiological equipment • Number of investigations performed on control agricultural lands • Number of trained and re-trained specialists

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
Program VII. Support provided to agricultural producers				
<p>The purpose of the program is to support agricultural producers and in particular, their final products. To achieve this, the Agriculture Support Fund was created. The Agriculture Support Fund has spent 178,6 mln.lei of 180 mln. lei approved for 2005. The main actions undertaken under this program are:</p> <ul style="list-style-type: none"> • Subsidizing and providing incentives to agricultural producers - 28,6 mil lei. • Stimulation aiming at establishment of technological pools – 18 mil. lei; • Stimulation aiming at developing horticultural plantations – 10 mil. lei. <p>220 mln. lei are planned to be implemented in different sectors of agricultural industry. The key problem of this sector is identification of strategic areas that need to be subsidized.</p>	<ul style="list-style-type: none"> • Supporting agricultural producers and their final products in strategically subsidized sectors . 	<ul style="list-style-type: none"> • Subsidizing agricultural producers for delivery their own products on the market. • Support to animal breeding sector. • Subventions to users of phytosanitary products (pesticides) and mineral fertilizers. • Stimulation aiming at establishment of technological pools. • Stimulation aiming at production of planting material and setting up horticultural plantations. • Subsidizing sugar beet producers. • Maintaining, development and continuous replenishment of the horticultural and baciferous genetic fund. • Subsidizing tobacco growers. • Maintaining and development of decoration plants genetic fund. 	<ul style="list-style-type: none"> • During 2007-2009 the Fund's funding will be growing 	<ul style="list-style-type: none"> • Number of subventions beneficiaries by categories • Size of subventions by categories
Program VIII. Water Management				
<p>Key aspects</p> <p>Taking into account that the Republic of Moldova is continuously facing the danger of hazardous geological processes and droughts, serious attention is paid to the process of regulation, control and management of waters. Since 2005 some actions and measures under this program are carried out with the support of the ul European Comission Grant under the Food Security Program (FSP). The program's main directions for spending are:</p> <ul style="list-style-type: none"> • Exploitation of irrigation systems and implementing projects in irrigation • Subsidizing spending for electricity used for irrigation purposes; and 	<ul style="list-style-type: none"> • Ensuring food security of the 		<ul style="list-style-type: none"> • Rehabilitation of irrigation system require additional funding • Repairs of accumulation pools dams require 	

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<ul style="list-style-type: none"> • Protection against dangerous geologic processes. Comparatively with year 2000 expenditures under this program increased from 11 mil. lei to 26,5 mil lei, of which 7,6 mil. lei provided by the FSP for irrigation systems procurement and repairs. <p>Problems:</p> <ul style="list-style-type: none"> • Limited irrigation possibilities. 16 thousand ha were irrigated in 2005, the need being 50,0 thousand ha; • Emergency condition of dams on accumulation lakes having a total capacity of 400 mln m3; • A major part of protection dams need repairs - 450 km; • Silting of drainage canals. 	<p>country and forming state reserves of food essentials</p> <ul style="list-style-type: none"> • Ensuring stable production of crops and alleviation of drought consequences • Protection of agricultural lands against floods and sub-floods. 	<ul style="list-style-type: none"> • Most irrigated agricultural areas, entailing enhanced yield of crops on irrigated lands. • Repairs the dams of accumulation lakes of common use. • Repairs of the most dangerous sectors of protection dams on the length of 220 km. • Cleaning of 400 km of a drainage collector. 	<p>additional funding</p> <ul style="list-style-type: none"> • Repairs of protection dams require additional funding • Canal cleaning require additional funding 	<ul style="list-style-type: none"> • Irrigated agricultural lands, thousand ha • Km, repaired protection dams. • Km, cleaned canals
Program IX. Subsidized insurance of production risks in agriculture				
<p>Key aspects</p> <p>The process of subsidized risk insurance in agriculture is under special attention, because losses caused by some natural calamities far exceed the agricultural crops insurance expenses. Organization of insurance activity in Moldova and in developed countries has demonstrated that support provided by the state to insurance is much more useful than financial support provided in case of occurrence of losses in bad years. The state will continue to subsidize repairs of losses produced by calamities, however, priority will be given to those insured. Starting 2005, the state will subsidize insurance in agriculture at a rate of 40%, the remaining 60% of insurance premiums value are to paid by agricultural producers who intend to insure their crops and animals. Though the Ministry undertook a series of actions to inform the agricultural producers and raion agricultural departments about the advantages gained from subsidized insurance of risks in agriculture, the number of contracts entered into by agricultural companies and National Insurance Society „MOLDASIG” is still low. 90,4 thousand lei were allocated for subsidies in 2005, of 5,0 mln lei</p>	<ul style="list-style-type: none"> • Development of subsidized insurance of risks in agriculture 	<ul style="list-style-type: none"> • Permanent collaboration of the NIS „MOLDASIG” with agricultural companies. • Setting up an informational system and promoting information of agricultural companies on subsidizing production risks in agriculture. • Maximal repayment of the insured amount in case of losses. • Improving legal framework in view of 	<ul style="list-style-type: none"> • Financial provision of the planned measures shall be made within 	<ul style="list-style-type: none"> • Number of agricultural companies that have insured

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p>approved, and 15 mln lei are approved for year 2006. Only 4 agricultural companies benefited from these subsidies in 2005, the total amount of insurance being 5,9 mln lei. One of the factors that drives a very low demand for such type of insurance services is that crop yield insurance require payment of insurance fees that amount to 30% of total production costs.</p>	<ul style="list-style-type: none"> • Regulation of insurance activity by the state to meet the needs of the insured 	<p>extending subsidized insurance of risks to agricultural crops and animals.</p>	<p>the limits of funding available to the sector</p>	<p>their production</p>
<p>Program X. “Measures aimed at developing nut crops ”</p>				
<p><u>Key aspects</u></p> <p>One of the horticultural priorities meant to essentially contribute to the national income growth, increasing the amount of export, is extension of plantations and increasing output of nuts. In market economy conditions the walnut, almond and hazelnut are the only horticultural crops that need reduced funding for starting and cultivation of commercial plantations with high profit. The total area of nut crops has reduced considerably from 17,4 thousand ha in 1984 to only 5,3 thousand ha in 2005, by 3,2 times. With the purpose to promote nut crops, a strategic product for national economy, in 2005 the National Program for nut crops development up to year 2020 was approved. The program stipulates increasing the nuts output to 57,7 thousand tones by year 2020, and over 70 thousand tones in 2025, thus ensuring a considerable increase in export of kernel to 15 thousand tones, and unshelled nuts - to 20-25 thousand tones. These measures will generate an increase in jobs, improving the living standards of population, increase in planting nursery plantations.</p>	<ul style="list-style-type: none"> • Increasing the producing potential of existing nuts, setting up new plantations of nut varieties and extension of plantations for commercial purposes. • Development and implementing new modern technologies for nuts cultivation . 	<ul style="list-style-type: none"> • Renovation and radical extension of nuts plantations. • Providing financial support to nut growers to set up new plantations. • Support to setting up nursery plantations. • Provision of high quality reproduction and planting material to producers. • Setting up new plantations of grafted nut crops. • Maintaining and development of nut crops genetic fund. • Implementing industrial technologies in cultivation and processing, as well as European quality standards in the sector. • Promoting an efficient investment policy and economic mechanisms in the sector. 	<ul style="list-style-type: none"> • Use of resources from the Nut crop stimulation fund, private local and foreign investments. 	<ul style="list-style-type: none"> • Output of nut crops • Output of exported nut crops • Output in new plantations • Area of new plantations of nut crops • Total area of nut crops
<p>Program XI ” Support of vine growing and wine making industry”</p>				
<p><u>Key aspects</u></p> <p>The lately results of vine growing and wine making industry allow to place it among the most important sectors</p>		<ul style="list-style-type: none"> • Replacement of existing vineyards with 	<ul style="list-style-type: none"> • Provision of funding to support starting up new vine plantations on 	

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p>of agricultural and food industry.</p> <p>Article 22 of the Law on vine and wine nr.131-XIII as of 02.06.94, stipulates support to vine planting companies, by setting up a fund to stimulate setting up new vine plantations.</p> <p>The fund will have a positive impact on the pace of setting up new vine plantations.</p> <p>So, 4500 ha of vine plantations were set in 2005, or 800 ha more than compared to 2004.</p> <p>Problems:</p> <ul style="list-style-type: none"> • considerable capital investments for setting up new plantations (circa 140-160 thousand lei/ha); • scarcity of own funds to start new plantations; • unsatisfactory quality of some wine products; • internal registration on behalf of other persons of trade marks owned the state, in the country and abroad. 	<ul style="list-style-type: none"> • Ensuring restoring and sustainable development of vine growing and wine making industry • Effecting state control of manufacturing, storing and wholesale commercialization of alcoholic products • Registration and protection of trademarks owned by the state. 	<p>new highly productive plantations (highly performant varieties).</p> <ul style="list-style-type: none"> • Stimulation of setting up vine plantations by partial compensation of related expense. • Strict supervision of observing by producers and wholesalers of alcoholic products, of technologies and prescriptions regarding quality of alcoholic products. • Protection of trademarks - state's ownership - in the Republic of Moldova and abroad. • Carrying out actions aimed at cancellation of similar or identical trade marks to the ones owned by the state, in the Republic of Moldova and abroad. 	<p>the area of at least 5 ha.</p> <ul style="list-style-type: none"> • Compensating 25 thousand lei per 1 hectar for expenses related to planting new vineyards. • Planning the fund's resources based on the use of trademarks ownership of the state. 	<ul style="list-style-type: none"> • Area of new vine plantations • Number of planned independent controls, and joined controls with relevant control authorities. • Trademarks registered as the state's ownership
Program XII " Management and administration in agriculture"				
<p>Key aspects</p> <p>This program includes institutions and services responsible for developing sector policies and monitoring their implementation. The Ministry of Agriculture and Food Industry is the main link in promoting the state's policy in agriculture and food industry. The main tasks are attraction of national and international financial investments aiming at implementation of sector programs in production, processing and commercialization of agricultural products; support to agricultural producers by ensuring necessary operation conditions, including by setting up some marketing and information structures for agricultural producers; monitoring and forecasting the evolution of the home and international markets aiming at organizing</p>		<ul style="list-style-type: none"> • Strengthening the role of the Ministry as a central public authority responsible 	<ul style="list-style-type: none"> • To develop the 	

Current Situation	Objectives / Goals	Reform Actions Under Programs	Budget Implications	Monitoring Indicators
<p>programmed production by outputs, prices and quality.</p> <p>Problems:</p> <ul style="list-style-type: none"> • The Ministry's capacity to provide agricultural market development prognosis and provide relevant information to home producers is very low. However, these particular signals allow agricultural producers to determine their specialization and plans for future; • Low influence of the ministry on the farmers technologic consultancy system; • Need to continuously consolidate branch associations of agricultural producers by vesting such associations with attributions that are currently performed by state authorities, including certification and licensing related; • Improving investment climate. 	<p>§ Re-defining the role and attributions of the Ministry of Agriculture and Food Industry by changing the role of the latter – from an executive to the facilitating and least regulating</p>	<p>for developing informed policies and monitoring their implementation.</p> <ul style="list-style-type: none"> • Regulatory functions will be limited to ensuring food safety, veterinary and phytosanitary control stipulated by international conventions. • Re-defining the role of the agricultural specialist in ensuring consultancy to agricultural producers. • Coordination of agricultural programs and observance of relevant legislation. 	<p>strategic plan on public administration restructuring in agriculture, both at central and local level, technical assistance will be needed from international donors</p>	<ul style="list-style-type: none"> • Trained staff • Number of medium term

Distribution of funding by programs in agricultural sector in 2005-2009

Name of the program	Total public expenditure (Mdl. mil)	Forecasted (Mdl. mil)				Share in total(%)		
	2005 executed	2006 aproved	2007	2008	2009	2007	2008	2009
1	2	3	4	5	6	7	8	9
Program I. „Diagnostics and prevention of diseases in animals, identification and traceability”	60377,3	83668,6	113622,7	73706,0	74373,0	16,0	10,5	10,5
<i>Sub-program 1.1. "Diagnostics and prevention of diseases in animals"</i>	12358,3	11288,1	17335,7	4481,7	4500,0	2,4	0,6	0,6
<i>Sub-program 1.2. "Prevention and treatment of infectious and non-infectious diseases in animals"</i>	43001,3	48510,5	57250,0	58300,0	58927,7	8,0	8,3	8,3
<i>Sub-program 1.3 "Animals identification and traceability system "</i>	1200,0	19526,2	34665,0	6000,0	6000,0	4,9	0,9	0,8
<i>Sub-program 1.4. "Supervision of production, processing, storing and delivery of products and raw materials of animal origi"</i>	3817,7	4343,8	4372,0	4924,3	4945,3	0,6	0,7	0,7
Program II. „Plant protection and pest control measures”	16216,5	18230,0	15610,0	16275,0	16345,0	2,2	2,3	2,3
Program III "Anti-Hail Protection"	17049,9	18190,0	21000,0	28700,0	30270,0	2,9	4,1	4,3
Program IV. „Supervision of grain products production, seeds and planting material"	12341,2	11194,0	12698,0	14525,0	14921,0	1,8	2,1	2,1
<i>Sub-program 4.1. "Monitoring and supervision of seeds and planting material production"</i>	7845,2	6095,0	6185,0	6855,0	6915,0	0,9	1,0	1,0
<i>Sub-program 4.2. "Supervision of storing technologies for grain and bakery products"</i>	1090,7	789,0	2178,0	2785,0	3096,0	0,3	0,4	0,4
<i>Sub-program 4.3. "Plant varieties trials"</i>	3405,3	4310,0	4335,0	4885,0	4910,0	0,6	0,7	0,7
Program V. " Measures to support high breed animals selection, reproduction and breeding"	14796,7	15969,0	8940,0	8950,0	9060,0	1,3	1,3	1,3
<i>Sub-program 5.1. " State control of selection and reproduction activities in animal breeding sector"</i>	896,7	940,0	940,0	950,0	1060,0	0,1	0,1	0,1
<i>Sub-program 5.2. " Maintaining the genetic fund of high breed animals "</i>	13900,0	15029,0	8000,0	8000,0	8000,0	1,1	1,1	1,1
Program VI. " Radiologic control in agricultural industry"	66,0	70,0	105,0	110,0	115,0	0,0	0,0	0,0
Program VII. "Agricultural producers support"	309145,7	328512,4	381196,2	398418,5	403170,3	53,5	57,0	57,0
Program VIII. „Water management "	29547,5	47538,6	21545,0	21545,0	21665,0	3,0	3,1	3,1
Program IX. „Subsidized insurance of production risks in agriculture”	90,3	15000,0	15000,0	15000,0	15000,0	2,1	2,1	2,1
Program X. „ Measures aimed at developing nut crops”	3727,5	3000,0	3000,0	3000,0	3000,0	0,4	0,4	0,4
Program XI. „ Vine growing and wine making industry support”	81018,0	62550,2	115156,1	115157,6	115160,4	16,2	16,5	16,3
Program XII. „Management and administration in agriculture”	6964,2	3703,3	4054,3	4106,4	4176,5	0,6	0,6	0,6
Total per branch (sector)	551340,8	607626,1	711927,3	699493,5	707256,2	100,0	100,0	100,0
<i>Financed from :</i>								
State budget (indicative ceilings)	246662,4	443419,7	510452,9	497692,9	516456,2	71,7	71,2	73,0
ATU budgets	144000,0	31800,0	32400,0	33000,0	33800,0	4,6	4,7	4,8
Grants and credits, investment projects	124005,9	98392,4	132774,4	132000,6	119700,0	18,6	18,9	16,9
Special funds	3727,5	3000,0	3000,0	3000,0	3000,0	0,4	0,4	0,4
Special means	32945,0	31014,0	33300,0	33800,0	34300,0	4,7	4,8	4,8
Total per branch (sector)	551340,8	607626,1	711927,3	699493,5	707256,2	100,0	100,0	100,0