

# CHISINAU MUNICIPALITY AS A DEVELOPMENT REGION OF THE REPUBLIC OF MOLDOVA

Victor PAVALEAN\*

## Abstract

*Regional development is the most rational way to a sustainable decentralization, meant to ensure the efficient response to guaranteeing democratic norms and principles, social equity, and sustainable economic development, based on special legal norms reflected in two fundamental legislative acts in this regard - Law no. 438-XVI of December 28, 2006, on regional development in the Republic of Moldova and Government Decision no. 158 of 04.03.2010 on the approval of the National Strategy for Regional Development, multiple legislative acts of a general nature, as well as various concepts promoted by academia and civil society.*

*Key words: development regions, strategic policies, investments, infrastructure, financial resources, urban plan, social programs, efficiency strategies.*

## 1. The topicality of the subject

Chisinau is one of the developing regions, the capital of the Republic of Moldova, the largest urban center with important economic, social, cultural potential, which includes five sectors of Chisinau - Botanica, Buiucani, Center, Ciocana, Riscani, six cities - Codru, Cricova, Durluști, Sîngera, Vadul lui Voda, Vatra, and 28 rural localities. Share of the national economy is a considerable one represented by more than 33 000 economic agents. The municipality provides over 45% of the GDP volume of the republic and over 60% of the total volume of taxes and fees collected to the consolidated budget. According to the gross regional product calculated per capita, the level of the municipality is twice higher compared to the average per republic.

## 2. Introduction

In the context of the strategic policies of sustainable development of the Republic of Moldova as a priority and essential component is the regional development policy whose objectives are focused on the institutional framework and regional development planning tools, the main ones referring to balanced and sustainable socio-economic development on the entire territory of the Republic of Moldova; reducing the imbalance of levels of socio-economic development between regions and within them; strengthening financial, institutional and human opportunities for the socio-economic development of the regions; supporting the activity of local public administration authorities and local communities, oriented towards the socio-economic development of localities and coordinating their interaction with national, sectoral and regional development strategies and programs. As a result, we claim that the optimization of the

---

\* Victor PAVALEAN, PhD Student, Academy of Economic Studies of Moldova, Chisinau, Republic of Moldova  
E-mail: [victor.pavalean@gmail.com](mailto:victor.pavalean@gmail.com)

institutional framework and the improvement of regional development will ensure the socio-economic development of the Republic of Moldova.

3. **Methods applied** to the elaboration of this article the author used several research methods:
  - methods of analysis, synthesis, and argumentation
  - methods for forecasting, processing and interpreting information
  - qualitative and quantitative methods of gathering and processing information.
4. **The purpose of the research** is to investigate the main problems in the development and capitalization of the investment potential of Chisinau. Regional development policy in the light of strategic policies in this field.
5. **The theoretical-methodological support** of the researched topic is provided by the analysis of the works and researches carried out by specialists, experts, scientific institutions that have studied these problems and have submitted some proposals for realization.
6. **The relevance of the article**

The research allowed the author to systematize and generalize the information and conclusions proposed by other researchers, as a result of proposing several solutions to improve and optimize the governance of Chisinau as a development region.

## 7. Results and discussions

With regard to long-term investments, it is positioned as one of the most active development regions, registering maximum shares compared to other developing regions of the country, but also mainly from the private sector, in most cases of investments in housing (data reflected in Table 1).

**Table 1. Capitalization of NFRD funds in the period 2010-2015**

Period	Allocated	Redeemed	Including:	
			Projects	Operational
2010	113,75	2,30	0,00	2,30
2011	134,30	122,90	117,70	5,20
2012	160,70	160,70	154,60	6,10
2013	191,25	191,25	184,50	6,75
2014	194,90	194,90	188,40	6,50
2015	169,90	153,62	146,91	6,71
<b>Total</b>	<b>964,80</b>	<b>825,67</b>	<b>792,11</b>	<b>33,56</b>

Source: Developed by the author based on data (Government Decision no. 158 of 04.03.2010; <http://www.statistica.md>)

Although it occupies the leading position in long-term investments, the local public authority registers failures in terms of investments in public infrastructure, which causes increased feelings of urban discomfort on the part of local residents.

During the years 2008-2015, the sustainable development concepts/strategies of Chisinau municipality were compromised, which generated a negative tint to the image of Chisinau today and positioned our capital in front of foreign partners, as well as potential investors in the municipality's infrastructure. as a captive capital, ruled by an authority you cannot trust. We will refer to a few aspects as well, such as.

### **I. Problems in the development and capitalization of the investment potential generated by the inefficiency of the strategic management at the municipal level:**

- the mechanism for implementing public-private partnership projects initiated in 2010, throughout the period up to and including 2015, was compromised and used only to take over publicly owned land - components of parks and green spaces. None of the 29 approved public-private partnership projects, including conceptual ones, were implemented;
- *The general urban plan of Chisinau*, developed in 2007 and used as a framework plan, is not approved in the final version, much less is not subject to implementation. Throughout the period, from the promotion in the first reading in the CMC until the current stage, the document underwent hundreds of changes, which distorted the fundamental concept of the document, its improvement, and approval being completely illogical;
- the concept of energy efficiency at the municipal level, developed with the support of LUND University in Sweden in collaboration with Technical University of Moldova in 2009, has not been capitalized on and implemented by even the most insignificant efforts, which has led to the inability of the municipality to implement under the Energy Financing Programs.
- the creditability capacity of a municipality exploited and exhausted for the implementation of only two projects - *Acquisition of trolleybuses and Streets and sidewalk rehabilitation, creating parking spaces, and modernization of public lighting systems in the central area of Chisinau, bd. Ștefan cel Mare și Sfânt, Constantin Negruzzi street, and Vasile Alexandri street*, by accessing the loans from the EBRD and the EIB - followed by legal cases as a result of tenders with serious violations, lobbying, illegal business/money laundering.
- several dozen of strategic documents placed on the official website of the Chisinau City Hall, widely disseminated at the time of their approval, not even 7% of which were implemented, become outdated during the last terms of Local Public Administration without knowing that norm of interest for implementation, at least 50%, known in South-Eastern European or CIS practice. A good example is one of the most important strategic documents developed with the support of external partners, *The institutional reform of LPA Chisinau*, ignored and rejected by group interests manifested with maximum representation at the level of deliberative public authority of the municipality;
- the concept of the integrated revitalization of the Historic Center of Chisinau, developed in 2008 with the support and efforts of external partners, through

neighborhood programs - compromise and lack of applicability and implementation, although its implementation would bring results in capitalizing on the tourist potential of Chisinau. As a result, we are witnessing an urban regression of the Historic Center of Chisinau by the demolition of historical monuments and constructions illegally authorized by the executive authority of the municipality, to which locals react desperately without a clear response to objections to competent bodies - bodies capable only to support abusive construction and illegal land grabbing schemes in this regard.

**II. Problems generated by the inefficient use of financial resources, intended for investments, lack of a concept subject to application with reference to participatory budgeting, transparent and based on performance criteria:**

- lack of transparency in identifying the objectives financed from the municipal budget. An example in this sense can be the allocation of budgetary sources immobilized in constructions under execution, (registered on 01.01.2012 and carried out during 3 consecutive years of budgetary management) in the amount of 480 million lei - constructions from the budgetary means and exploited by the private sector, the municipality not obtaining benefits, of which 80 million lei in the objects that were abandoned. Along with those found, increased attention requires solving the management of gas networks (64.8 million lei), electricity (9.7 million lei) and telephone (2.7 million lei), built at the expense of budgetary means and operated by the private sector, the municipality not obtaining benefits, although according to the legislation in force, the networks for the supply of energy resources to the beneficiaries must be built by the supplier (<http://www.chisinau.md>).
- increased inefficiency of the procurement process, as well as non-compliance with the legal framework, thus affecting the management of local public funds. An example in this sense is the derogation from the normative framework through which acquisitions of over 330 million lei were made - estimate made by the Court of Accounts by auditing the budget process for the 2012 management year. In this context, we may ascertain the lack of ensuring the application of the guarantee clauses of good execution in an amount exceeding 3 million lei, as well as the contracting of goods, as well as the contracting of goods (works, services) for about 9 million lei from economic agents, founders, and administrators of which they are identical, and the fact itself involves increased risks of fraud;
- failure to register the property right overall real estate at the cadastral institution - out of 1566 non-residential real estate local public property, 906 properties did not register the rights over them, which led to the loss of property rights over multiple real estate in the courts, as well as the decrease of the borrowing capacity of the municipality, due to the insufficiency of the assets on the balance sheet of the Chisinau LPA;
- access to loans for exorbitant interest on current budget expenditures, such as teachers' salaries in municipal educational institutions. The need to access credits for such a destination results from the lack of efficient and rational cooperation in time with the central authorities for the capitalization of the budgetary sources attributed to the municipality from the state budget of the Republic of Moldova;
- low professional and institutional capacity in attracting non-reimbursable funds from various public infrastructure financing programs.

- To achieve the national regional development policy, allocations from the state budget to the National Fund for Regional Development (NFRD) are provided annually. Based on Law no. 438-XVI of 28.12.2006 on regional development, the distribution of the Fund's funds is carried out by the National Council for the Coordination of Regional Development (table 2).

**Table 2. National Council for the Coordination of Regional Development**

	Total					of which, financed from the account:									
						The state budget					Budgets of administrative-territorial units				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
<b>Total country</b>	13804,4	16449,5	17153,9	19 132,2	20849,2	703,4	775,9	1196,7	1412,8	2306,7	518,5	727,2	549,7	784,6	1049,7
<b>Chisinau Municipality, %</b>	9783,3	10869,8	11692,1	12 694,7	12955,1	176,2	400,8	730,1	819,7	1178,6	104,9	288,8	186,3	274,9	325,8
	<b>70,87</b>	<b>66,07</b>	<b>68,16</b>	<b>66,35</b>	<b>62,14</b>	<b>25,05</b>	<b>51,66</b>	<b>61,01</b>	<b>58,02</b>	<b>51,1</b>	<b>20,23</b>	<b>39,71</b>	<b>33,89</b>	<b>35,04</b>	<b>31,04</b>
<b>North</b>	1758,8	2713,7	2400,7	2828,1	3044,8			123,5	198,7	339,2			99,3	136,3	189,1
<b>Centre</b>	1278,6	1676,7	1832,5	2211,7	3077,9	370,0	136,7	226,6	229,7	496,8	191,5	226,5	177,8	231,6	356,4
<b>South</b>	772,3	889,4	906	1103,4	1478	74,1	104,7	102,1	159,3	267,2	79,7	80,3	75,1	120,4	154,9
<b>ATA Găgăuzia</b>	211,7	299,8	322,6	294,4	293,3	18,2	17	14,4	5,5	24,9	23,4	13,2	11,2	21,4	23,5

Source: Developed the author based on data (<http://www.statistica.md>)

Throughout the reference period 2010-2015, the successes of Chisinau municipality in aggregating funds from NFRD are zero. For 2015, 95.35% or 162 million lei of the total allocations allocated to NFRD are intended for the implementation of investment projects. Following the regional development priorities, the allocations provided for the implementation for 24 investment projects for 162 million lei were made by areas of intervention as follows:

- road infrastructure - 101.3 million lei;
- water supply and sanitation - 21.0 million lei;
- Improving environmental factors - 2.95 million lei;
- tourist attractiveness - 11.0 million lei;
- business support - 25.66 million lei.

From the analysis of the NFRD distribution, we identify that Chisinau as a development region did not benefit from funds for the implementation of investment projects, the sources being distributed between North RDA (27 procurement procedures and 5 contracts), Center RDA (21 procurements and 16 contracts), South RDA (11 procurement procedures and 8 contracts).

Analyzing the report of the Energy Efficiency Fund on the cash flow, of which 325.0 million lei were related to public sector projects and 125.0 million lei related to private sector projects, in the context of commitments totaling about 450.0 million lei, for the year under management In 2014, Chisinau did not attract any project to capitalize on public infrastructure. The municipality showed the ability to apply the framework in the competition of the Energy Efficiency Fund only for one project Construction of the public lighting network on bd. Dacia, an estimate of the investment for which it did not meet the energy efficiency standards as well as the return on investment within a reasonable time of the energy savings obtained (<http://www.chisinau.md>).

According to the information of the State Chancellery of the Republic of Moldova with reference to the financing of projects carried out with external assistance on public

authorities, only for the period 2009-2012, the public authorities capitalized 1,585.2 million euros. Chisinau municipality as a development region and capital of the country has not demonstrated its absorption capacity for external assistance projects to the extent of obvious investment needs. The share of financial resources in the total non-reimbursable funds per country attracted by the municipality is 1%, although the stringent investment needs of Chisinau are estimated with the contribution of international financial institutions to tens of billions of lei - in 2010, others.

The analysis allows us to validate deviations and imbalances of sustainable development of Chisinau as a development region and capital of the country, both in terms of balanced socio-economic and throughout the Republic of Moldova, but also the lack of capacity to consolidate financial, institutional and professional opportunities. for the socio-economic development of the region. The practice of supporting local authorities, including by external partners, in most cases is the result of an interest in taking action and implementing sustainable tactics for urban development or LPA Chisinau over the last decade demonstrates the opposite, including coordinating their interaction with strategies and national, sectoral and regional development programs.

## 8. Conclusion

In order to optimize the governance of Chisinau, in our vision, sustainable tactics and actions must be implemented, systematized by the author in figure 1.

<p><b>I. PROFESSIONALISM IN URBAN MANAGEMENT</b></p> <p>A new Urban Plan for Capital Constructions of Chisinau, Sectoral Urban Plans for Capital Constructions, for each of the 5 sectors of Chisinau;</p> <p>Appointments only on a competitive basis.</p> <p>Implementing the electronic mechanism for managing the flow of documents and resolving petitions</p> <p>The municipal budget based on performance principles developed by qualified professionals.</p> <p>The personal responsibility of each employee of the town hall or the price.</p> <p>Organizing open meetings with citizens at the level of each sector</p> <p>Fairness and transparency in the management of the municipal patrimony</p> <p>Strengthening administrative and institutional capacities</p> <p>Capitalizing on the investment potential of Chisinau municipality by including the municipal patrimony in the process of attracting investments.</p>	<p><b>II. CHISINAU - ECONOMIC CAPITAL</b></p> <p>Promoting investment opportunities and efficient communication between the business environment and the Municipality</p> <p>Creation of the "Investment Passport of Chisinau"</p> <p>Agro-Logistics Center Chisinau - connecting the agricultural sector to the "industry-distribution-consumption" system of the capital</p> <p>Elaboration and implementation of an Energy Efficiency Strategy</p> <p>Strict control of participatory expenditures in the formation of tariffs for communal services.</p> <p>The mechanism for contracting beneficiaries/households in the delivery of communal services following the law and common sense. Efficient management of municipal assets and reduction of financial risks at the municipal level.</p> <p>Active involvement of the internal audit service in monitoring the budgetary management, at the level of each entity and structure. Performance-based budget management.</p>
---	---

<p style="text-align: center;"><b>III. THE CITY FOR A MORE COMFORTABLE LIFE</b></p> <p>Inspection of all documents regarding the initiation of constructions and identification of their legality. Stopping the construction of all "problematic construction objectives" Municipal control. Introduction of the institution of "municipal controllers" for notification and collaboration of the competent bodies</p> <p>Chisinau-the city of children. Installation of children's playgrounds in each neighborhood.</p> <p>Renovation and redevelopment of inter-district sports fields for sports enthusiasts</p> <p>Chisinau-green capital.</p> <p>Multifunctional sports complexes in each sector to ensure optimal conditions for playing sports and organizing competitions at the municipal and national levels.</p> <p>Outdoor spaces intended for the activity of Amateur Chess Clubs</p>	<p style="text-align: center;"><b>IV. CHISINAU- THE CITY OF SUSTAINABLE SOCIAL DEVELOPMENT</b></p> <p>Ensuring accessibility in kindergartens in each neighborhood</p> <p>Parks and recreational areas designed for the healthy growth of children, the development of young people, and the rest of the elderly.</p> <ul style="list-style-type: none"> <li>- Young families - social apartments.</li> <li>- Implementation of municipal social programs for doctors, teachers, military, law enforcement officers, firefighters, and social workers.</li> <li>- Established special municipal aids for gifted children (pupils - awards, scholarships).</li> <li>- Maintaining public medical institutions with the provision of free annual medical examinations for each inhabitant of the capital.</li> <li>- Improving the social assistance mechanism, eliminating bureaucratic barriers to receiving social assistance.</li> </ul>
---	--

**Figure 1. Sustainable tactics and actions for the development and good governance of Chisinau municipality**

*Source: Developed the author*

## References

Law no. 438-XVI of December 28, 2006, on regional development in the Republic of Moldova Government Decision no. 158 of 04.03.2010 regarding the approval of the Strategy

<http://www.statistica.md>

<http://www.chisinau.md>