



THE THIRD UNITED NATIONS CONFERENCE ON HOUSING AND SUSTAINABLE
URBAN DEVELOPMENT (HABITAT III)

REPUBLIC OF MOLDOVA

NATIONAL REPORT



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National commission for elaboration of National Report for United Nations Conference on Housing and Sustainable Urban Development HABITAT III

Ministry of Regional Development and Construction, coordinator
Ministry of Economy
Ministry of Finance
Ministry of Foreign Affairs and European Integration
Ministry of Agriculture and Food Industry
Ministry of Transport and Roads Infrastructure
Ministry of Environment
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Ministry of Education
Ministry of Labor, Family, and Social Protection
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Tourism Agency
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City hall of municipality of Balti
Executive Committee of Gagauzia
Academy of Science of Moldova
National Federation of Trade union "SINDICONS"
Congress of Local Authority from Moldova
National council for Participation
Parliamentary Commission "Committee for public administration and regional development"

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LIST OF ABBREVIATIONS AND ACRONYMS

RDA	Regional Development Agency
LPA	Local Public Administration
NBS	National Bureau of Statistics
NCPD	National Commission for Population and Development
UNFCCC	UN Framework Convention on Climate Change
EBRD	European Bank for Reconstruction and Development
ESCo	Energy Savings Company (Energy Conservation Company)
NRDF	National Regional Development Fund
former USSR	The former Union of Soviet Socialist Republics
GHG	Green House Gas
GIZ	GmbH Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Development)
SADI	Small Areas Deprivation Index
IDIS "Viitorul"	Institute for Development and Social Initiatives "Viitorul"
NIRD "Urbanproiect"	National Institute of Research and Design "Urbanproiect "
MDI "Chisinauproiect"	Municipal Design Institute "Chisinauproiect"
INSPIRE	Infrastructure for Spatial Information in the European Community
MRDC	Ministry of Regional Development and Construction
nZEB	Nearly zero-energy buildings (buildings with almost zero energy consumption)
NGO	Non-Governmental Organization
OSCE,	Organization for Security and Cooperation in Europe
PARE	Program to attract remittances into the economy
GDP	Gross Domestic Product
NPGE	The National Program for Gender Equality in the Republic of Moldova
RES	Renewable Energy Sources
SIDA	Swedish International Development Cooperation Agency
NRDS	National Regional Development Strategy
VAT	Value Added Tax
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
ATU Gagauzia	Administrative-territorial unit of Gagauzia

FOREWORD

In 1996 the Republic of Moldova has adopted the National Action Plan and participated in the UN Habitat II Conference to engage into global efforts directed towards the goals of the Habitat Agenda: "Adequate Shelter for All" and "Sustainable Human Settlements Development in an Urbanizing World".

As this Report demonstrates, Moldova has achieved noticeable progress. A new legal framework on housing and settlements development was created. The foundation for urban and spatial planning based on local wider competence and communities' real needs has been laid. The concept of territorial cohesion through a balanced regional development is being promoted. The level of ensuring the population with housing and basic services has increased. The legislation, development strategies and concrete measures related to housing and settlements are based on general principles promoted by the UN on human rights, social equity and cohesion, environmental protection. The settlement development problems are assigned a very important role in the global socio-economic processes in the Government policies.

However, the economic crises characteristic to the transition period, common for all ex-communist countries in the region, have prevented the implementation of some measures from the National Action Plan for the implementation of the Habitat Agenda. As the Report states, not all plans and strategies have been implemented to full extent. Like in other countries, further actions are needed to address imbalances and inequalities between urban and rural areas, to improve access to adequate housing for vulnerable groups, including the poor. More projects on building local capacity, developing infrastructure and improving the quality of services, increasing energy efficiency in housing sector and urban economy, efficient waste management have to be implemented. In the future, we expect challenges and problems associated with climate change, ageing of population, the need to raise the competitiveness of Moldovan towns within regional economic systems and encourage a more dynamic development of rural areas. Finding solutions to these problems requires strengthening of efforts towards the public-private partnership in preparing and implementing development projects, more active participation of all stakeholders in decision-making and implementation monitoring.

The Ministry of Regional Development and Construction of the Republic of Moldova, responsible for formulating and promoting policies under a New Urban Agenda will make efforts for its implementation. Local authorities are the main actors in implementation of sustainable urban development policies and they will be financially and technically supported through capacity building in planning and management of inclusive and sustainable development.

Octavian CALMAC
Deputy Prime Minister, Minister of Economy
President of National Commission for elaboration of National Report
for UN Conference Habitat III

INTRODUCTION

In the Republic of Moldova the UN Habitat III Conference is seen as an opportunity to globally assess the effectiveness of housing and sustainable human settlements development policies and efforts of the country. Moldova participated in the UN Habitat II Conference in Istanbul and had an action plan for implementing the Urban Agenda 1996. Over the past two decades since Habitat II, profound changes in Moldovan society and economy took place. The transition from the politically and economically centralized Soviet-type system to a rule-of-law-state with market economy has been completed. The institutional system of a sovereign state has been established, privatization of state owned property, including housing, has been completed. The Moldovan legislation has been cardinally revised and developed in line with the human rights, democracy and free market principles.

However, the armed conflict in the eastern districts of the country in 1992 and the unconstitutional regime establishment in these districts inhibited the functional relationships in the national network of settlements and economic structures. This, along with the almost total dependence on imported energy resources, low competitiveness of the old-style industry on the free market, as well as the cases of mismanagement during the transition process, had serious repercussions for the economy and living standards of the population, entailing emigration and threats to sustainable development. Implementation of Urban Agenda in Moldova faced major challenges. Urbanization slowed down and differences in the development rates of small towns versus the capital city Chisinau became vivid. Construction of housing slowed down, the quality of basic services provided to population, especially in small towns and rural areas, declined. Financial constraints and lack of human resources capacity were the main obstacles for the Government policies on housing and human settlements development.

The track record of the National Action Plan, developed during preparation for the UN Habitat II Conference, reveals both successes and shortcomings. Development and adoption of national legislation provided in the National Plan, of concepts and development plans, may be mentioned as accomplishments. A new legal framework on housing and basic services, spatial and urban planning activities, and real estate market has been established. Privatization of the state owned housing stock and establishment of privatized homes owners associations created the background for the development of the participative attitude of people towards maintenance of homes and common areas. The powers related to settlement development were devolved to local authorities. An institutional system based on a new approach to regional development has been established and mechanisms to encourage improvements of energy performance in buildings are in place. All these developments had palpable, though modest, results which expressed themselves in better provision of housing and basic services, improved quality standards for new housing and decreasing number of sub-standard dwellings in terms of sanitary and safety requirements.

The backlog of measures planned in 1996 includes creation of financing mechanisms and implementation of projects requiring investment. Unfortunately, some problems and challenges outlined in the 1996 National Report, have exhibited to full extent over the two following decades, while measures to prevent and mitigate the consequences were inadequate. In addition, demographic decline and urbanization slow down, which were not identified as major challenges in 1996, influenced the entire development process of the country. A New Urban Agenda for Moldova should generally address the same problems, but in a broader context, new conditions and sometimes from a new conceptual perspective.

The authorities, expert community and representatives of Moldovan civil society have reached consensus on the concept of sustainable urban development. It will be secured through implementation of the overall objectives of the national strategies on economic growth, demographic security, administrative decentralization, equity and social inclusion. In turn, a polycentric and balanced urban network has to unlock the potential of cities as engines of growth and employment, of centers providing services to rural areas. This requires a balanced land-use management, targeting

the sectorial policies and financing towards local urban challenges. Sectorial strategies and projects should support territorial cohesion through promoting the convergence of economies and infrastructures of the more developed and less developed territorial units. This will contribute to a more equitable access to opportunities, regardless of the place of residence, a more efficient management of centre - regions and urban - rural linkages. This report sets out a number of objectives and concrete actions falling under the generally accepted concept, and implementation of which will be provided in the new Action Plan under the New Urban Agenda for Moldova.

Secure housing possession rights are guaranteed in Moldova and there is no discrimination of any kind for access to housing. Most people own their homes. There are no problems neither with tendencies for marginal neighborhoods formation, nor with numerous groups of people without permanent dwelling place. However, improving quality of housing and availability of basic services, securing housing for vulnerable social groups, adapting the dwellings to the needs of people with disabilities, remain current challenges for the coming years. Ensuring security of dwellings and urban environment, disaster prevention, is also a challenge for Moldova which is prone to natural phenomena risks.

International cooperation has had a great importance for Moldova in meeting the assumed goals. Responsibilities and tasks to which Moldova has committed by joining numerous agreements and declarations under the UN aegis, serve as benchmarks for state policies. The UN program based assistance essentially contributes to development and modernization. The EU - Moldova relationships enhancement policy allowed the Republic of Moldova to benefit from the experience of Community states in the institutional system at central and local level, regional development, spatial planning, energy efficiency, technical standards in construction. The principles and approaches promoted by the EU directives are followed by the Moldovan authorities in the process of improving the legislation on housing and basic services. The EU assistance for Moldova is broad, diverse and of great importance. The Moldova-EU Association Agreement signed in 2014 opened new opportunities to enhance such cooperation.

This report has been prepared on the basis of government policy documents, sectorial development strategies, official statistical data, and analytical reports from various studies conducted by national and international experts with the support of international organizations. The *Country Profile on Housing and Land Management* developed with the support of the UN Economic Commission for Europe and the materials of the International Conference "*Strengthening National Capacity for Sustainable Housing and Urban Development*" held in Chisinau in 2015, should be particularly mentioned in this context. Drafting of this report was organized by the Ministry of Regional Development and Construction (MRDC) under the aegis of the National Commission for drafting the National Report of the Republic of Moldova for the UN HABITAT III Conference, created by the Government. The assistance provided by the Czech Development Agency contributed to the quality of the report. The draft report was reviewed by representatives of various central and local government agencies, as well as independent experts at the conference organized by the MRDC on 28 July 2016. The report preparation process contributed to the formation of a common vision of the public administration and civil society on the objectives of the New Urban Agenda for the Republic of Moldova.

I. URBAN DEMOGRAPHIC PROBLEMS

1. The demographic issues in human settlements development

The current territory of the Republic of Moldova, as a territorial unit, was established after the Second World War. Since then, two periods featuring different trends in demographic evolution and urbanization, stand out. The period in between 1950-1990 features an intense urbanization due to population growth. Numerically, the total population increased by 90%, while urban population has increased by 5.4 times. The main drivers of the growth were:

- rural-urban migration within Moldova;
- managed migration of the population from other regions of the former USSR towards the Moldovan towns;
- natural population growth
- changes of administrative nature, when a significant number of large villages have been assigned the status of urban settlement.

The period after 1990 was characterized by a demographic decline caused by the drop of the natural population growth rate to negative values and massive emigration. In between 1999-2014, the stable population of Moldova decreased by 94.8 thousand (2.6%)¹. In 2015 it accounted for 3.55 million inhabitants (52% women and 48% men). The share of urban population decreased from 41.5% in 1999 to 40.9% in 2006, then increasing to 42.5% in 2015².

The demographic situation is strongly influenced by emigration, which is caused by internal economic factors and external shocks. The armed conflict in the eastern districts of the country in 1992 and the financial crisis in 1998 in Russia yielded serious economic consequences for Moldova. In 1992-1993 people started to leave the country in search of jobs and this process reached its climax in 1998-2007. It is estimated that 25% to 40% of the active population have been or are involved in migration processes.

In between 2000-2012 the changes in the age structure of population had a temporary positive effect. Less numerous generations born during the war and social disasters of 1940-1950 reached the retirement age, while numerous generations of 1980-1990 reached their active age. The demographic load index has reduced from 65.8 in 2000 to 50.4 in 2012. However, this "window of opportunity" offered by the demographic structure could not be fully used due to emigration. According to the forecasts, another phase is on the way - depopulation without demographic dividend. The active population will continuously shrink, and this will cause the growth of the demographic load. The consequences are already visible. In between 2006 and 2014 the economically active population decreased by 9%.

Demographic decline and emigration have stopped the process of urbanization and posed threats to sustainable development of communities. The Government is trying to respond to this challenge. The *National Commission for Population and Development* was created in 2007 as a consultative body of the Government. In 2011 the Government approved the *National Strategic Program on Demographic Security for 2011-2025*. The overall objective is consistent improvement of the demographic situation while addressing economic and social problems. The set of measures envisaged in the Strategy

¹ Here and further in the Report all statistical data after 1998 do not cover the eastern districts of the country, which, *de facto*, are under non-constitutional administration.

² As of 1 January 2011 the total population in the eastern districts of the country was 518.0 thousand people, by 201.7 thousand (28%) less as compared to 1989. (Source: *National Strategic Program on Demographic Security of the Republic of Moldova for 2011 - 2025*).

include adaptation to the new conditions in the education system and health, migration management, supporting the family as a fundamental social institution.

2. The settlement network and urban-rural linkages

Administratively, Moldova is organized in villages, towns, districts and the Autonomous Territorial Unit of Gagauzia. Two or three small villages may be associated in a *commune*, with a single administrative center. A *district* is an administrative–territorial unit composed of villages (communes) and towns united by economic and socio-cultural relations. Currently there are 32 districts in the country. In conformity with the law some cities with a significant economic, social, cultural and political role may be declared *municipii* (urban areas of special importance). Currently, there are 5 urban areas of special importance: Chisinau, Balti, Comrat, Bender and Tiraspol³. A *municipiu*, besides the city itself, may include adjacent settlements (Chisinau *municipiu* comprises 35 localities).

The Moldovan network of settlements includes 65 urban settlements and 1704 villages. The capital city, Chisinau with a population of 814 000 inhabitants, and Balti with 150 thousand inhabitants, stand out. Both have a multilateral economic profile. Other towns, with a population between 6 and 40 thousand inhabitants, have mostly agricultural -industrial and economic profile, and have developed as administrative centers of districts or / and agricultural products processing centers. Densely populated rural areas are characteristic for Moldova. The average population of a village is 1400 inhabitants, the largest villages featuring a population of 8 to 12 thousand. Generally, the network of settlements has a balanced territorial distribution, though functionally it is excessively dominated by the capital city Chisinau.

Ensuring functional connections between rural and urban areas has always been a challenge. Even in the Soviet times of centrally planned economy there were disparities in the development rate of large cities and smaller towns, as well as between the urban and rural areas. After the liberalization of the economy these disparities have increased, while the response from the authorities was long in coming.

Chisinau, accounting for 23% of the country's population, generates half of the GDP and at the same time is the main recipient of investments. In between 2011-2014 the per capita investment in long-term tangible assets were 2.5 times higher in Chisinau than in Balti and 9 times higher than in a district with medium development indices. The regional production structure is dominated by agriculture (about 43%), while the share of services (about 37%) is twice lower than in the economy of the capital city. Once the share of agriculture in the national economy has dropped, the importance of small towns as rural areas has diminished and their growth has stopped. The recent years feature internal migration from the regions to Chisinau.

In rural areas, basic services and social infrastructure are scarce and combined with lack of jobs and poverty it affects quality of life, contributing to the demographic decline and migration. In 2014 the natural population growth in some districts in the northern region of the country had negative rates, between (-4) and (-7) per 1000 inhabitants, compared with the average (-0.2) per country and (1.1) in Chisinau.

The National Action Plan adopted during preparation of the Habitat II Conference provided for the development of the *Concept of Sustainable Development of Settlements in the Republic of Moldova* and the *National Spatial Plan* that were meant to inform balanced regional development policies.

The Concept and the Plan were developed in 1996 and 2007, respectively. These documents have assessed the potential of regions and settlements. The following have been proposed as the main directions of development (i) openness to integration into regional and international macroeconomic systems, and (ii) functionally complementarity based cooperation within settlements network.

³ Bender and Tiraspol are in the eastern region of the country which is, *de facto*, administered by the non-constitutional authorities

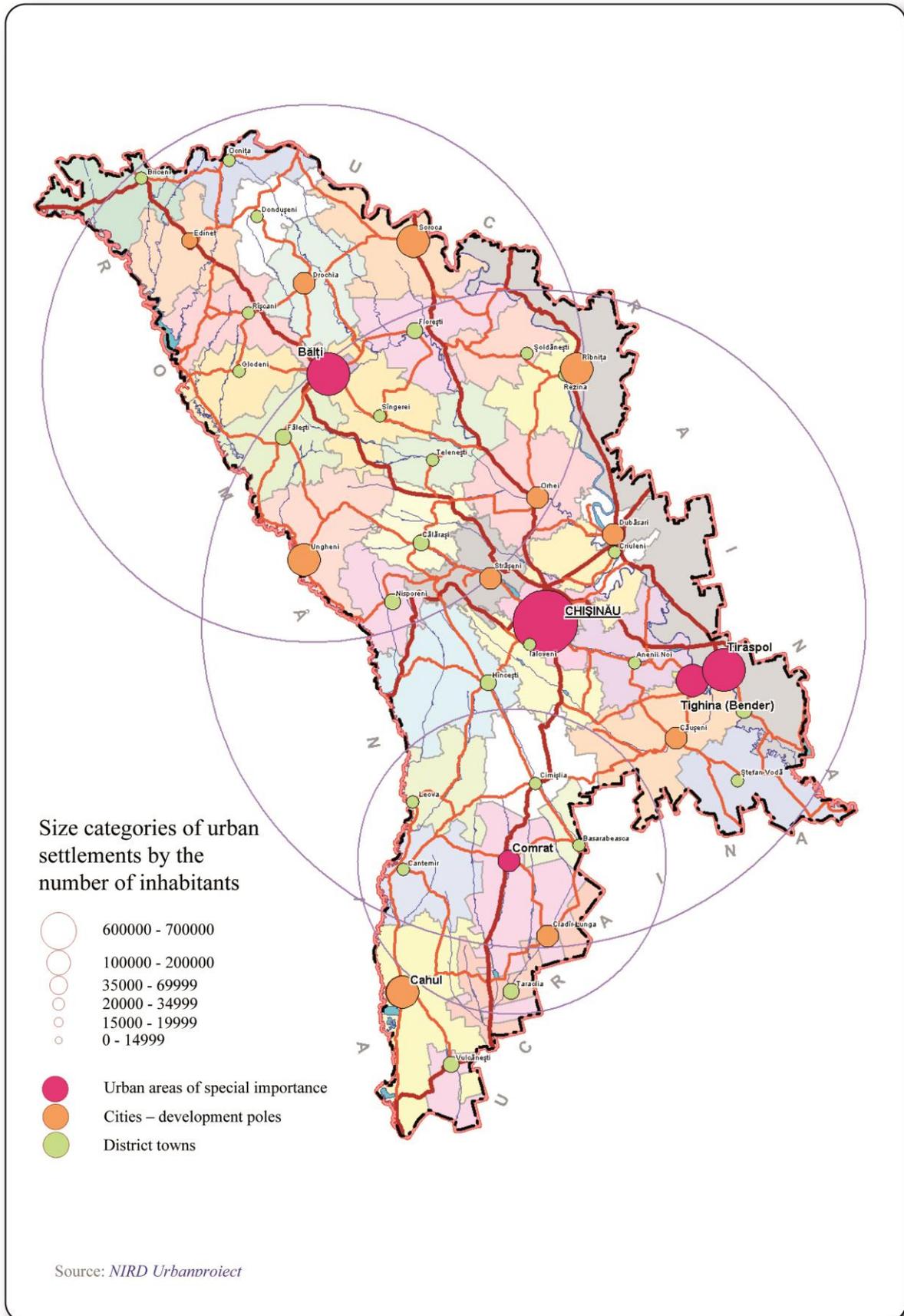


Fig.1. The network of settlements of the Republic of Moldova

In 2006 the *Law on Regional Development in the Republic of Moldova* was adopted, establishing 6 development regions: North, Center, South, the Autonomous Territorial Unit of Gagauzia, Chisinau municipiu, Transnistria.⁴ The institutional framework for promoting policies in this area includes: the National Regional Development Coordination Council, regional councils, the National Regional Development Fund (NRDF), regional development agencies (RDAs). The *National Regional Development Strategy (NRDS)* developed by MRDC and approved by the Government, is the core document for regional development planning at national level. The NRDS underlies the development of strategies and operational plans at regional level, which are implemented through programs and projects. In recent years a number of projects in water supply and sewerage, roads, environmental protection, energy efficiency, private sector development support, etc. were implemented with funding from NRDF. Pilot projects were carried out with the assistance provided by the development partners of Moldova (GIZ, USAID, etc.)

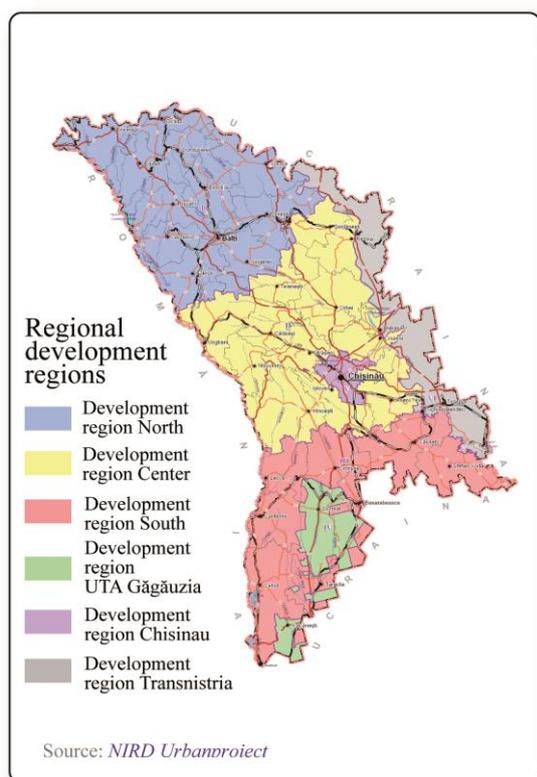


Fig.2. Regional development regions

3. Addressing urban youth needs

The Law on Youth of 1999 identifies as young people aged 16 to 30 years. The share of young people in the total population has dropped from 27.5% in 2006 to 26.5% in 2014. The structure of this population by sex is 50.9% men and 49.1% women. Statistically, 42.8% of young people live in urban areas. However, as it is common practice that young people live in towns, while having their official residence in the rural areas, this proportion will be higher. They are actively engaged in internal and external migration.

Moldovan young people belong to social groups vulnerable to poverty and social exclusion. Four out of ten unemployed are young people. Often young people with professional training cannot find a job due to lack of work experience. Furthermore, they cannot afford their own housing. The rent and other costs for an apartment is approximately equal to the monthly wage of a young professional. Student hostels have low accommodation capacity.

Generally, young people have access to education, but it is limited by financial constraints. After graduating from secondary school, which is free and compulsory, students can continue their education in high school, vocational school or college (post-secondary non-tertiary education). High school graduates can opt for a university. High schools are usually free, while other educational institutions may provide state grants, but most often charge a tuition fee. Hence young people need financial support to continue their education. In conditions when the family institution is affected by migration of parents, divorce, and social control from the community has significantly decreased, the risk and antisocial behaviors of youth are spreading.

Moldova joined the international and regional treaties looking at youth: Youth White Paper, the European Youth Pact Charter on youth participation in community life at local and regional level.

⁴ The Transnistria Development Region includes the eastern districts of the Republic of Moldova, which are, *de facto*, administered by the non-constitutional authorities

They were transposed into national legislation. The Ministry of Youth and Sports provides institutional support to activities responding to the young people needs. A series of nationally promoted public policies target young people, including youth from groups with fewer opportunities. In the *National Development Strategy "Moldova 2020"* young people are seen as beneficiaries in the light of career relevant education (priority I). The state aims to match the education system to labor market requirements. The *"Education 2020" Strategy* proposed by the Ministry of Education provides for the educational system development from the perspective of access, relevance, quality and use of information technologies. During 1999-2015 the youth problems were reflected in a number of Government decisions on: economic empowerment of youth; free housing to young professionals employed in public institutions in villages; employment policies etc.

In response to the need for youth services, since 2003 the concept of youth centers organized with the support of local public authorities, the European Commission, UNICEF, UNDP, SIDA, the Social Investment Fund of Moldova, a number of international organizations and NGOs started to be applied. Different types of centers were promoted: (i) resource and information for participation, (ii) information and health, (iii) social assistance with psychological and legal support for social and professional integration. Thus, an informal network of services for young people has developed, which, according to the original concept, are defined as "youth-friendly services". The activity of the centers has revealed a number of new needs and opportunities for this network development.

4. Responding to the needs of the aged

The Republic of Moldova is no exception among the European countries, facing the worrying phenomenon of population ageing. In the past 20 years the average age of the population has increased by almost 5 years. Life expectancy increased from 68.4 in 2006 to 71.5 in 2015 (67.5 for men and 75.5 for women). In urban areas life expectancy is about 3 years higher than in rural areas. Since 1988 the ageing factor (proportion of population over 60) has exceeded the critical threshold of 12%, reaching to 21.5% in 2015.

As of 1 January 2015 the Republic of Moldova was inhabited by more than 576 thousand people aged 60 years and over, of which 60.4% were women. Circa 40% of the total number of elderly people live in urban areas. According to demographic projections, the number of pensioners will annually increase by 2.0% - 2.6% and by 2050 will account for 30% of the total population. Demographic changes are more intense in urban areas, but are more dramatic in the villages, where aging and feminization produce a more pronounced social effect.

Despite the efforts and achievements pertaining to provision of social assistance, elderly people are mostly prone to the risk of poverty. The public pension and social services system only cover the minimum needs of the elderly, but do not provide for a decent living. Health related expenses are an extra burden for families with elderly members. According to surveys, 58% of people aged 50 and higher are suffering from one or more chronic diseases. The number of people with disabilities and functional limitations which reduce labor activity and lessen the chances for living independently, is growing.

Virtually all seniors in Moldova have living space; most of them have it in private ownership. However, the quality of housing and utilities is quite low, especially in rural areas. The main reasons are poverty and poor development of communal infrastructure in rural areas.

The Republic of Moldova has a complex legislation regarding the system of providing social services to elderly in need; however, due to the pressure of the constantly growing number of applicants, it cannot fully meet all the needs. At the same time applicants have high paternalistic expectations towards the state policies on compensation, subsidies and other forms of financial support. Social paternalism cannot be accepted as a basic concept for the future of an ageing society. There is a need

to improve the public system of social services provision in conjunction with enhancing the role of the family and society in supporting the elderly.

In 2002 the Republic of Moldova joined the Regional Strategy for the Implementation of the Madrid International Action Plan on Ageing thus confirming its commitment to contribute to solving the problems of elderly people. Over the last decade special attention has been paid particularly to defining strategies and actions regarding aging and aligning national socio-economic policies to the relevant regional and international framework. In 2014 the Government approved *The Program for Integrating the Problems of Aging into Policies*. The program sets forth the targets for strengthening the society for all ages and promoting active aging. The objectives of the Strategy involve, first of all, preparing the society by changing perceptions and stereotypes, a new approach to the needs, taking actions to initiate lasting, systemic changes in a number of sectors.

5. Integrating gender in urban development

The Constitution and the laws of the Republic of Moldova do not allow gender discrimination. Internationally, Moldova has acceded to a number of declarations, conventions and relevant actions in the field of gender equality and largely has harmonized its national legal framework to modern standards. However, there are multiple problems concerning practical implementation of the principle of gender equality.

The opportunities for participation of women in the labor market are limited by inadequate services for women with small children and latent discrimination by age and gender at the time of hiring. Occupational segregation and the discrepancy between the female and male remuneration persists, which in turn entails pension discrepancies. The employment rate in young women aged 25 - 34 is much lower than in men of the same age group. This suggests that young women find it difficult to reconcile family responsibilities and child rearing tasks with their duties at work. Women spend 4.9 hours per day on unpaid work, while men spend only 2.8 hours. The share of female entrepreneurs nationwide is as much as 27%, being significantly lower in rural areas (14.9%). Analysis of public expenditure shows that the budget process does not provide for the implementation of gender-sensitive social standards and financial norms. The society as a whole and professionals are insufficiently aware about the essence of such budget.

The migration phenomenon contains elements that can be viewed from gender perspective. International studies show that Moldovan women involved in international labor migration are usually employed as unskilled labor force in a limited number of occupations, without consideration of their education and training. They also face the risk of becoming victims of violence or trafficking, both in the process of migration, and on the labor market in the destination countries.

There is a positive trend in raising the people's awareness about the importance of ensuring genuine gender equality. The Government improves and diversifies instruments to promote this principle. The *Law on Equal Opportunities for Women and Men* that has changed the emphasis in policies from women's rights protection to ensuring gender equality was adopted in 2006. In 2009 the Government approved *The National Program on Gender Equality in Moldova for 2010-2015 (NPGE)* which identified priorities, outlined implementation plans and for the first time identified the costs and funding sources for a series of actions. In 2015 the NPGE implementation was evaluated with the support of the OSCE Mission to Moldova which noted some progress. For example, the difference in remuneration of women compared to men has reduced from 28% to 12.8%, multiple actions on women's economic empowerment were organized, and assistance actions on assisted voluntary return of women from groups of vulnerable migrants in the country, gender expertise of legislation etc. were carried out. A positive but modest and unstable development has been noted in terms of women representation in decision making positions.

6. Challenges experienced and lessons learnt in urban demographic issues

Moldova faces serious challenges concerning demographic development and its effects on human settlements development. The population is shrinking. Demographic ageing is accelerating and produce negative impact on the demographic structure. It is estimated that in the near future demographic problems will worsen.

At its start, uncontrolled migration of active population looking for jobs was perceived as a temporary phenomenon and was underestimated. Now, when the problem is acknowledged as a threat to sustainable development, the search for solutions faces the scale that this trend has acquired.

The family, as a social unit, reveals features of instability and disruption: the average age at first marriage, as well as the mother's age at first birth is rising, the divorce rate, the number of cohabiting couples / common-law marriages, number of children born out of wedlock, the number of mono-parental families is growing.

The state institutions were not sufficiently prepared to quickly and effectively respond to demographic changes. Social security, education, health systems created in different economic conditions and demographic situation require essential changes to be able to respond to new challenges. The reform of such systems started, but it proved to be a difficult task. Despite the fact that demographic issues have become an important topic in the decision making agenda and a series of policy documents have been adopted to improve the situation, the achievements were modest.

Contrary to global trends, urbanization in Moldova has stopped in the last decade of the twentieth century, as a direct consequence of the demographic decline and currently shows only modest recovery signs. The development gap between towns and villages, the capital city and the regions, persists. Although this problem has always been identified, including in the National Action Plan adopted by Moldova during the preparation for the UN Habitat II Conference, the further regional policies failed to stop or mitigate the effects of this gap. Low wages and limited number of jobs created persistent models of rural poverty. In between 2001-2014, urban households have increased the actual subsistence level threefold, while the living standards of the rural population remained the same. Poverty, together with the low level of development of rural infrastructure and services are a threat to the sustainable development in villages and a major challenge nationwide.

Despite some achievements, the state policies addressed to youth do not yet fully respond to the needs and problems perceived by the young generation: financial constraints in access to education and training and inefficient education policies; latent discrimination on the labor market; housing affordability; limited number of socio-cultural programs for youth. Financial and institutional capacities in the field of youth are insufficient. The partnership between the young and public institutions is weak. On the other hand, the social character of youth in Moldova shows little involvement in socio-economic life, low level of information, widespread emigration intentions.

Demographic ageing poses specific development issues: the cost of pensions, adapted housing, special medical care, changes in the social assistance system. This phenomenon occurs in connection with economic, social and political challenges characteristic of the times of radical changes of society. It is one of the important factors that constrain economic growth and the process of urbanization.

The need to integrate gender, though not perceived by society as a serious problem, is still a challenge. Actual inequality in terms of the wage income gap between women and men, lack of quality and affordable childcare infrastructure not only violates women's rights, but also has repercussions on demographic situation. Limited access of women to economic activities and decision making, patriarchal attitudes in society diminishes the opportunities to fully capitalize on the professional potential of the labor force.

Demographic and social structures are of somewhat inert nature and changes in this area have a slow progression. However, political and economic shocks can trigger wide processes with long-term consequences. The task of authorities is to track trends and promote policies to prevent unwanted

consequences. *The lesson learned is that is not enough to identify problems, address them in legislation and provide public policies general guidelines. Effective institutional mechanisms, adequate funding, achievable and measurable targets, permanent monitoring are needed.*

7. Future challenges in urban demographic issues that could be addressed by the New Urban Agenda

Demographic problems are determined by global factors and trends that one cannot change, but the way the situation is managed will determine the extent to which these factors and trends will affect people's lives and development prospects. In the last two decades Moldova has witnessed gradual institutional development related to population issues. Population and sustainable development became the subject of complex studies and demographic factors considered as an important condition of socio-economic development. The *National Strategic Demographic Security Program of the Republic of Moldova for 2011-2025* identified the priority targets for demographic policies of the Republic of Moldova, among which the following can be mentioned:

- implement a single demographic estimates development mechanism and comprehensively use such estimates in development programs and planning;
- monitor and manage migration, development of a demographic and migration map based on a functional address system;
- new approaches to the problems of demographic ageing, integration of the goals to adapt to changes in the structure of population and to improve human capital quality indicators, into development strategies;
- multilaterally promote family related policies and solidarity between generations.

It is estimated that demographic decline will worsen in the coming decades, thus creating threats to sustainable development at national and local level. The shrinking of the share of economically active population and demographic ageing will affect economic growth, will add to the burden of the social assistance system, and will test the solidarity and social cohesion.

Migration will continue to play an important role in demographic processes but one can expect a relative decrease of external migration and higher internal mobility of population. Economic reason remains the main cause of migration while development in conditions of population mobility imposes new visions and approaches to the problems of migration impact on demography and labor market development. Internal and external migration can jeopardize the development prospects of some villages or / and small towns, amplifying the regional imbalance. Monitoring of migration flows, both external and internal, should become an important prerequisite for demographic policies. The mechanisms of tracking migratory flows have to be streamlined to provide accurate and multilateral data. This will help to correctly inform regional development policies. Activities abroad should ensure orderly migration, as well as protection of workers living abroad. Thus, a condition for efficient migration management is enhancing cooperation with countries of destination, bearing in mind that the support provided by the respective states is needed to achieve the goal of returning.

Family policy should target a set of activities developed in line with the UN recommended principles to promote family through organizational capacity and sufficient budgeting to develop priority family policies and to ensure that all legislation take account of the roles and rights of the family.

Youth-friendly health services models which are already in place, have to be further developed and strengthened to maintain the health and development potential of adolescents and youth.

Social assistance has to be channeled towards the specific needs of the elderly taking into account general and formal features of this social group, as well as the specific situation and prospects of life of the elderly people (gender, level of wellbeing, the type of household where the elderly person lives, functional limitations, etc.)

Housing policies should respond to demographic challenges. Action need to be taken to facilitate access to adequate housing for young families, change the technical regulations and standards to take account of the specific needs of the elderly.

Disproportionate development along the capital - regions and urban - rural axes, its impact on the demographic situation has to be addressed in the regional development policy. Promoted by MDRC this policy takes into account the provisions of EU Cohesion Policy and the provisions contained in the EU - Moldova Association Agreement. The Regional Development Strategy for 2016-2020, pending approval by the Government in 2016, will have the balanced and sustainable development of all regions of Moldova as its main objective. The specific objectives of the strategy are:

- boosting social and economic development and increasing competitiveness of regions;
- ensuring conditions to enhance social cohesion;
- ensuring territorial cohesion.

Each specific objective will be supported by a system of indicators that will allow to monitor the proposed measures. The Programs and projects financed from NRDF will be linked to local socio-economic development strategies approved by the local public administration (LPA) and special planning and urban development plans.

II. LAND AND URBAN PLANNING

8. Ensuring sustainable urban planning and design

During the Soviet times, spatial planning was one of the tools of centralized distribution of resources. All towns and a large number of villages in Moldova had land use master plans. However, the role of local communities in the planning process was minimal, as the local plans had only to comply with the centrally developed documents. After independence, a new approach was needed, based on territorial decentralization of responsibilities and harmonization of nationally and locally developed policies.

According to the *Law on Urban and Spatial Planning Principles* adopted in 1996, spatial planning has the following ranking:

- a) spatial development plans for three territorial levels: national, regional and local;
- b) urban development plans, including: master plans of settlements, zonal urban development plans and detailed urban development plans.

The Government is responsible for developing the National Spatial Development Plan (was developed in 2006), as well as regional plans covering several administrative territorial units.

The local government is responsible for funding the drafting and approval of local spatial development plans, as well as urban development plans for the settlements. In practice, only 61% of towns and 5% of villages have updated urban development plans. Lack of local government's initiative for drafting the urban planning documentation is explained by the scarce financial resources and low demand for urban development, associated with negative population growth rate and slow economic growth pace. Consequently, many local communities are deprived of an important tool to govern socio-economic development. They have to rely on ad hoc arrangements to solve development problems with respective negative repercussions. Lack of urban development plans makes it difficult to manage urban land and infrastructure elements, entails environmental damages, and especially makes it difficult to relate sectoral policies within a region, establish priorities and find ways to address malfunction.

There are problems related to methodological approach and contents of urban planning documentation. On the one hand the spatial and urban planning system provides for a multi-step

ranking and an impressive variety of documents, while on the other hand these provisions are not implemented. Spatial planning cannot always ensure cross-sectorial consistency.

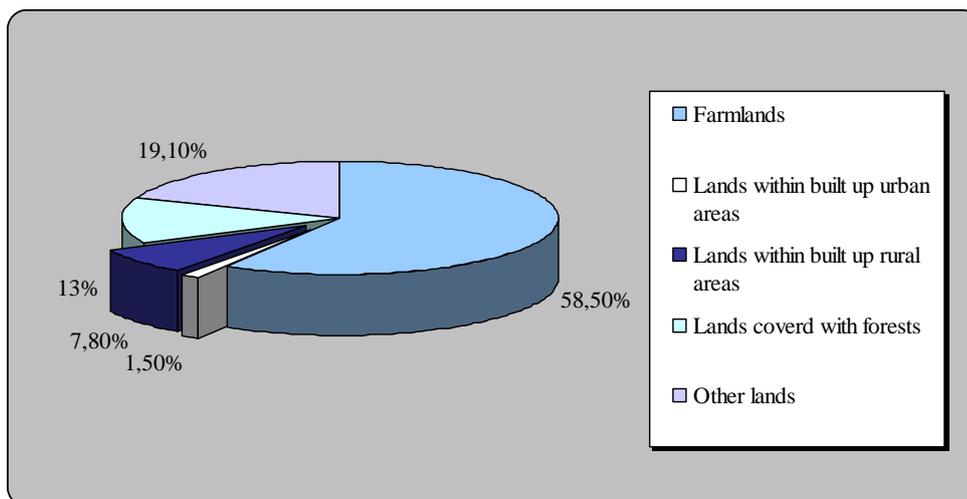
In 2013 the Government adopted an action plan to re-launch the urban planning process. A priority task was to update the urban development master plans of 6 cities as development poles. Other 27 urban areas will have drafted new urban development plans. The total investment for drafting urban development plans for all settlements in the country is estimated at 20 million US dollars, a significant amount for the Republic of Moldova. Besides the local public budgets the Government decision also suggests to use other sources of funding (international donors, PPP and other). These financial mechanisms have to be specified to ensure legality and lack of conflicts of interest. At the same time the Government has committed to amend the relevant legislation and technical regulations to harmonize it with EU legislation. The urban planning documentation methodology has to be revised.

Moldovan legislation provides for decision making transparency and public participation in the decision making process, including in the review and approval of urban and spatial development plans. However, the practice of public participation in urban planning in Moldova is in the initial phase due to the low interest for this process from the public. In this context public consultations during the preparation of the Terms of Reference for updating the urban development master plan of Chisinau *municipiu* can be regarded as a recent positive experience.

9. Improving urban land management, including addressing urban sprawl

For half a century the settlements of the Republic of Moldova have been developing in conditions of exclusive state ownership of land. The destination and the terms of use of land were established based on administrative orders. This facilitated the formation of planimetric structures of the settlements in line with the urban development plans, but entailed expansion rather than reconstruction driven development. As a result, Moldovan towns feature broad main streets and green spaces. At the same time, many small towns have central areas occupied by low buildings in bad technical condition. The average density of population in cities is 2.600 inhabitants / km². In Chisinau this indicator is 5500 inhabitants / km², in Balti - 3500 inhabitants / km². In urban residential areas the density of population varies depending on the type of constructions. It may be 20-60 people / ha in individual homes neighborhoods and 200-450 people / ha in apartment blocks areas. Overall, the urban density of Moldovan towns is quite high compared to other Eastern European countries.

Fig. 3. The structure of land in the Republic of Moldova

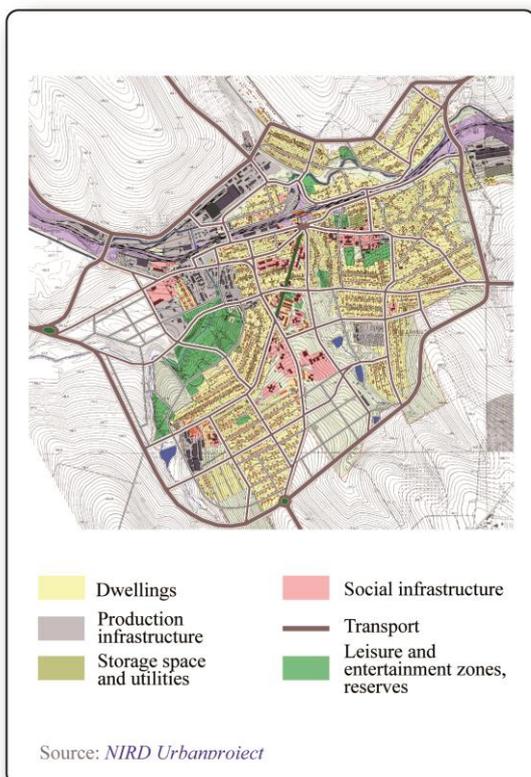


Source: National Bureau of Statistics

Urban plans provide for urban land zoning based on its core function: (i) housing; (ii) production, storage and communal infrastructure; (iii) social infrastructure; (iv) territories intended for transportation, (v) leisure and entertainment areas, reserves. Such zoning is generally observed, but it started to erode after much of the land had been turned into private ownership.

The right to private ownership of land in Moldova was proclaimed on 29 May 1991 by the respective amendment to the Constitution. In the subsequent years legal and institutional mechanisms to ensure operation of the real estate market, including the sale and purchase of land, were established.

Land taxation takes place concurrently with taxation of all other solidly earthbound real estate. Real estate tax is a local tax. In 2007 the "Fiscal Cadaster" Automated Information System became operational.



Source: NIRD Urbanproiect

The local public administration is required by law to ensure drafting the keeping the Functional Urban Cadaster - a database on functioning and development of settlements, including urban land management. However, due to lack of financial coverage and unavailability of qualified personnel functional urban cadasters are implemented partially and piecemeal.

Demographic decline and slowing urbanization processes have diminished the pressure of urban sprawl on the account of adjacent farmland. Nevertheless, purchasing land for construction in urban and suburban areas was an attractive investment and stirred the real estate market since 2000 until the financial crisis of 2008. Unfortunately, most of the land excluded from agricultural circuit during this period was used for the construction of housing with low density and rudimentary infrastructure. There were no policies to facilitate access to land for construction of housing for socially vulnerable groups of population. Switching of the land status from public to private ownership often

lacked transparency and was not used as an opportunity to generate significant revenues in local budgets.

Currently the towns of Moldova, and especially the capital city, have depleted the reserves of land for the expansion of built space. Developers set pressure on authorities to obtain authorizations for placing new buildings on the already formed urban sites or on lands intended for green space. These cases have public response in political discourse and cause social tensions. Depletion of land reserves will lead to the development through the regeneration of urban quarters with degraded housing stock and the outward expansion of urban area at the expense of agricultural land.

Fig.4. Example of functional zonification of urban lands

10. Enhancing urban and peri-urban food production

For centuries Moldovans were a nation of farmers. Agriculture formed the image of Moldova, its nature and culture. Agribusiness enterprises exist in almost all towns of Moldova. Some small towns used to be villages in recent history and acquired the status of towns while developing their functions as centers of agricultural production processing. The village - town linkages remain very tight both at macroeconomic level and at the level of human relationships within families. Due to these connections, density of the settlements network and small size of the territory of Moldova, the limits of peri-urban agricultural areas are so vague that one can speak of the entire area of the country.

The reform of the agricultural sector during 1991- 2000 through privatization of the main inputs entailed deep structural changes in this sector. However, alongside the positive changes the transformations caused disparities across sectors, a sharp decrease in high value added production.

In 2014, the contribution of agriculture to GDP was 12.3%. The employment rate in agriculture (29% in 2014) remains important, though it is decreasing. In between 2004-2014 the share of agriculture in total investments increased from 6% to 11%, but this capital increase is not enough to stop the depreciation of agricultural assets.

The organizational forms of agricultural activities are diverse: agricultural companies, peasant farms, individual households. In 2014 agricultural companies produced 50.4% of the total output of grain, 92.5% of sugar beets, and 72% of sunflower. The other extreme is represented by peasant farms and individual households which produced 85.8% of potatoes and 86.3% of vegetables. Gardening on plots adjacent to homes in the settlements to meet the needs of the family and for occasional sales, is common practice.

In the 2014, the self-sufficiency level of Moldova for grains, legumes, sunflower, potatoes, vegetables, fruits and berries, grapes, eggs, was about 100% and more (with exported surplus). The self-sufficiency level is lower for meat (65.4%) and milk (90.3%).

Moldovan food industry has maintained its importance. It contributes with about 30% to the total industrial production. Several hundreds of enterprises and specialized units operate in this sector. The leading companies are concentrated in wine production, fruits and vegetables processing, meat products, bakery and milling, dairy. However, food products produced at a small-scale in home conditions and marketed in the open markets have a significant share in the food consumption of the majority population.

Providing access of small producers to quality service of commodity trading is a challenge for the Moldovan agribusiness. For example, there are 23 retail agricultural markets in Chisinau, but there is no formally organized wholesale market. Small producers practically have no access to professional retail chains selling agricultural products. To improve the situation, the Government approved *The Program of Food Products Market Infrastructure Development*, providing for the establishment of "Chisinau Agricultural and Food Center". It should provide logistic and management services along the entire process of agricultural products wholesale trade: quality control, storage, packaging,

transport, and preparation of import / export documents. After some searching, land for the location of the facility has been identified and an investment tender is being organized.

11. Addressing urban mobility challenges

According to statistics, about one third of the population of the Republic of Moldova spends on average 1.1 hours per day for travelling to / from work. However, over a quarter of Moldovans spends about 50 minutes a day for shopping and services related travel. On average, the total time for daily travelling in Moldova is approximately at the same level as in other European countries.

Chisinau is the largest consumer of transport services. The share of the capital city in the total amount of shipped goods is over 55%, and in passenger transportation it is circa 60%. Operation of public transport, quality of roads, transport induced environmental pollution are perceived as "burning" problems of the city. A number of technical solutions to improve transport infrastructure are proposed in the *Urban Master Plan*, approved in 2007. The *Complex Transport Scheme of Chisinau Municipiu* developed in 2010 by the Municipal Design Institute "Chisinauproiect" contains the technical analysis of the freight and passenger flows and projections regarding their evolution, estimates of investments needed for the transport infrastructure development. However, it becomes increasingly evident that the growing complexity of people and goods mobility issues makes it impossible to address these issues traditionally, as technical problems.

A complex approach was attempted in the study "*Management of Urban Public Transport in Chisinau municipiu*" carried out with the financial support of the Local Government and Public Service Reform Initiative, affiliated with the Open Society Institute (LGI/OSI, Budapest). Not only technical issues were examined, but also legal and institutional framework, transport tariffs in the light of the social aspect of the problem and needs of transport operators, as well as the public-private partnership opportunities in public transport management.

The Municipal Transport Strategy of Chisinau developed with the support of the EBRD and approved by the City Council in 2014, is the first official document with a broader approach to the current state and prospects of public transport development. The findings of the Strategy and the studies draw attention to fundamental institutional and economic issues, for example:

- the General Directorate for Public Transport of the Municipal Council has operational tasks and lacks sufficient capacity for planning, regulation and monitoring;
- municipal transport operators (trolleybuses and buses) cannot cover their expenses from ticket sales, while the attempt to adjust the ticket prices to actually incurred costs will entail loss by the municipal enterprises of a considerable portion of passenger flows in favor of private minibuses;
- apparently, private minibuses are a "zero cost" for Chisinau *municipiu*, but lack of revenues from their operation is equivalent to expenditures incurred by the *municipiu* for the subsidies provided to the public transport companies.

The strategy proposes a series of measures to improve public passenger services, including:

- optimization of the public transport fleet structure within the public transport services by increasing the proportion of trolley buses and reducing the proportion of small capacity busses;
- redesigning the whole itinerary of all means of urban public transport and laying out the lines dedicated exclusively to trolley buses / buses;
- reducing the peak hours' pressure by diversifying the work hours of various institutions;
- reviewing the pricing policies and implementation of the electronic ticketing (e-ticketing).

The measures proposed will require about 216 million US dollars from the municipal budget and private investment for a period of 10 years.

12. Improving technical capacity for urban planning and management

The practice of territorial planning has a history in the Republic of Moldova. The structure and appearance of urban settlements indicates that they were developing according to the plans prepared by urban planners. Even though there are certain shortcomings and disparities, in most cases these are explained not by the designers' incompetence, but rather by the fact that their proposals were not implemented.

Currently the MRDC is the central government authority responsible for spatial planning policies. The spatial and urban planning documentation drafting activities are licensed and carried out in line with the legal requirements for purchasing services financed from central and local budgets. The State Institute "Urbanproiect" subordinated to the Ministry has the highest potential in terms of the availability of professionals and expertise in developing the spatial and urban planning documentation.

Locally, public services for current management of urban development and construction are offered by the specialized subdivisions set by municipal, district and some of the city councils. The powers of these units are governed by the legislation on LPA and regulations are approved by the LPA. In addition to the General Directorate on Architecture, Urban Planning and Land Relations of the Chisinau Municipality, the Municipal Design Institute "Chisinauproiect" is also subordinated to Chisinau Municipal Council.

In the last two decades all relevant central and local level institutions competent in urban development planning and managing, had limited opportunities to increase technical capacity due to financial constraints.

The Urban Development and Architecture Faculty of the Technical University of Moldova is the main university facility in the country dedicated to training professionals in architecture, urban planning and related services. Other educational institutions train young professionals in public administration management, cadaster and spatial planning. The course "Urban Development and Spatial Planning" is taught to students of Moldova State University, State Agrarian University of Moldova and the Academy of Economic Studies.

Designers and public services providers at local level are skilled in resolving current issues, but lack the knowledge on new methods and technologies in spatial planning and urban management. This is an impediment to achieving the objectives set by the government in spatial planning and regional development area. Young professionals need training programs to allow them acquire methods and processes of modern design. Endowment with necessary equipment is also needed. In this regard, international cooperation and knowledge sharing are very useful for Moldova.

The Twinning Project "*Capacity Building on Regional Development in Moldova*", carried out by the MRDC in 2014, was intended to propose an integrated planning system that addresses the needs of both spatial planning and regional development objectives. Experts from the EU together with Moldovan stakeholders have made recommendations on the implementation of modern spatial planning practices adapted to the conditions of the Republic of Moldova. Seminars, consultations, study visits were attended by professionals from central and local public administrations engaged in urban development special planning activities, regional development, project management, regional statistics, etc.

Action is taken to develop and modernize geodesy, cartography and geo-information services. The Land Relations and Cadaster Agency, assisted by the Government of Norway, Japan, Sweden, Croatia and others, is implementing a series of projects on development of mapping materials and high-resolution digital maps. Development of national spatial data infrastructure, which will supply reliable and quality data to stakeholders, including for use in urban planning and management, is on-going.

13. Challenges experienced and lessons learnt in land and urban planning

An efficient spatial planning system has a strategic role in supporting public policy coherence, coordination among different public and private actors of the development process. During the stormy political events and ample social-economic transformation that Moldova has undergone in the 1990s, the demand for spatial planning from decision makers decreased. Although the legal framework for urban planning based on new principles has been created since 1996, local authorities showed no initiative to develop urban plans. One of the consequences of lack of strategic planning in settlements management was running short of land allocated for new construction unaccompanied by significant urban development. A lesson that needs to be learned is that *urban planning is not just an activity for a certain circle of professionals, but an instrument of vital importance for ensuring sustainable development of communities.*

Broadening the local government powers in settlements development without substantial improvement of local capacities is an example of a reform with no resources coverage. Lack of financial support and unavailability of local specialists have created a negative synergy in spatial planning with direct impact on regional development. In addition, even if the government is already facing spatial restructuring and decentralization trends, urban development is perceived in a reactive way only, through the ad hoc reporting on real estate investments, without being the result of a strategic, consistent approach. The medium-term action plan for large-scale recovery of the urban planning process, adopted by the Government in 2013, helps to change the perception, however, a *public policy to integrate the spatial planning needs for a longer period of time, is needed.*

Moldova has made successful reforms to ensure ownership and registration of real estate, including land. The well-established legal and institutional framework and an extensive database are in place. The system of immovable property registration (Cadaster) provides the necessary information on ownership rights, location and value of the property, as basic information for urban planning and land management. Development of this system with the World Bank's support and its continuous improvement with assistance from development partners demonstrate a successful implementation of a policy with well-defined objectives.

Moldova has not faced challenges in providing the population with food, but the opportunities to encourage the food sector and confer it a weight in the national economy that would match the weight of employment in the sector, were missed. It is a lesson which shows that a development sector cannot be left alone with its problems. Appropriate public policies, funding programs, enabling business environment, logistical support are needed to support the farmers. *Agricultural development, in turn, would reduce disparities in regional development and declining demographic trends.*

Urban mobility is a challenge that requires complex approach. To date no sustainable solutions were found for the organization of urban transport in Chisinau, because the problems were given narrow, sector-based consideration: development of communication networks, public transport management, and operation of the municipal budget, municipal social policy. *The dialogue of the authorities with all stakeholders, including civil society, allowed to develop a strategy that promises a new approach to the organization of public passenger transport. But this approach has to be developed on the basis of sustainable urban mobility concept.*

Limited technical capacities of the institutions involved in spatial planning and land management, drafting of regional development plans and projects, infrastructure management has been and continuous to be a major challenge for Moldova. The problem has several aspects. Financial constraints limit the possibilities of modern technologies implementation. Pre-service training of professionals leaves much to be desired due to limited capacities of educational institutions. The slow and inconsistent development of institutions in the system and low wages do not provide incentives to improve the level of training. Comparing the last two decades evolution of technical capabilities in the field of spatial planning with the technical capabilities of the real estate cadaster, or the State Register system, which have progressed significantly, it becomes obvious that *improving technical*

capacity is directly dependent on the demand for that service from policy makers and society as a whole.

14. Future challenges in land and urban planning that could be addressed by the New Urban Agenda

Setting up a sustainable spatial planning system remains a challenge for Moldova. The overall reform of local government and decentralization should become an opportunity for streamlining the activities in this area. Spatial planning and urban development should become a priority public service to ensure sustainable and inclusive development of the democratic society.

Spatial planning and regional development have many common objectives within a common institutional system, and should achieve a greater integration. It is necessary to correlate the specific spatial planning legislation with the regional development legislation. At the legislative level distinctions should be established between different types of development documents: strategies (national, sector, or local), spatial and urban planning documentation, action plans and investment programs at national and local level.

Legislation and practice should evolve from normative towards strategic planning, where a plan should not be the only tool used for territorial planning. Hence, planning will not be limited to drafting statutory plans, but will become an on-going activity endowed with operational tools. The functional urban cadaster is one of such tools that need to be developed. A clear regulation regarding the encoding of the functional urban cadaster data within a national information system has to be developed.

The national spatial data infrastructure shall be based on the EU INSPIRE Directive principles, what will allow adaptation of national standards to the European standards on geographic information, and help improve the quality of spatial and urban plans.

The Government Decision of 2013 on the medium-term urban plans development program has identified a wide range of funding sources (state budget, local government budgets, loans and grants, private investment and other sources). However, the responsibility for funding local authorities shall not be diminished. *Planning and Construction Code, adoption of which is expected in the near future will establish clear responsibilities and ways of involving stakeholders in developing urban plans,* to ensure process quality and eliminate the possibility of conflicts of interest.

Spatial and urban plans should clearly and obviously respond to the problems of the community, or region. It is very important that the highlights in the urban and spatial planning documentation meet the specific concerns of the country, e.g. environmental risk induced by geophysical, geological and hydrological processes; space for urban infrastructure development; concerns of the vulnerable groups of population. The situation when, due to lack of experience and capacity at the local level, the spatial planning process could be hijacked by the "sponsors" (developers and other stakeholders) and could result in opportunistic plans, detrimental to sustainable development, should be avoided. A mechanism ensuring cooperation between the public authorities of different levels, which will not affect the powers of local authorities, but will ensure the needed control and technical assistance, is required.

Transparency of decision making should be further improved. After the first actions focused mainly on access to information, communication with different categories of stakeholders should be improved, participatory attitude of the civil society towards the decisions concerning the future of the community should be stimulated.

Effective land management continues to be a challenge for Moldova. Agricultural lands are the main natural wealth of the country. The planimetric, relatively close-knit, structure of towns with green spaces, transport passageways and urban infrastructure, is an advantage for the urban settlements. Land management should not allow momentary interests prevail upon sustainable development goals.

The government should monitor the purchase and sale of land for investment purposes. Land investment should create a win-win situation for the investor and the community.

The concept of urban mobility drives the implementation of the new approach to urban transport problems in Moldova. The *spatial planning tools nomenclature will include the sustainable urban mobility plan* which will take account of the urban functional areas and propose that measures on urban mobility shall be part of a wider urban and spatial strategy. The objectives of such a plan should be, among other:

- providing options for safe travel and freight for population and businesses;
- improving the efficiency and profitability of urban transport services;
- reducing greenhouse gases (GHG) emissions, energy consumption and noise pollution;
- contributing to increasing the attractiveness and quality of urban environment.

The measures defined in the plan should cover all types and forms of transport, travel and parking in the entire city, which contribute to urban congestion.

Improving technical capacity in the field of spatial planning will have two major components: (i) ensuring adequate financing of the institutions involved in the planning process by increasing the demand for their services from decision makers and (ii) setting up a continuous training system for professionals. International cooperation could be of great importance in this respect.

III. ENVIRONMENT AND URBANISATION

15. Addressing climate change

Climate change is a national priority for the Republic of Moldova. It is approached from two directions: (i) reduction of greenhouse gas emissions and (ii) climate change adaptation and climate change related risk management.

In 1995 the Parliament ratified the UN Framework Convention on Climate Change, and in 2003 Moldova adhered to the Kyoto Protocol and associated with the Copenhagen Accord on global warming. The country consistently monitors GHG emissions by means of the national inventory of GHG emissions by sources and sinks. A series of evaluations were conducted in 2000, 2009 and 2013 for the National Communications of the Republic of Moldova to the United Nations Framework Convention on Climate Change (UNFCCC), as well as within the Regional Capacity Building Program on GHG emissions inventory (2005).

During 1991-2013 the GHG emissions at the national level were reduced by 70% - from 43.42 Mt / year of CO₂ equivalent to 12.84 Mt / year of CO₂ equivalent. In general, GHG emissions reduction during 1991-2000 was largely due to the economic crisis that followed the collapse of the USSR. In addition, this period was marked by changes in the fuels mix in the energy resources consumption pattern. Coal and fuel oil were replaced largely by natural gas, which reached about 40% of the total primary energy consumed. The decreasing amount of industrial and household waste explained by the economic downturn also helped reduce GHG emissions.

The minimum level of GHG emissions was achieved in 2000. Then, between 2001 and 2010, it grew by 33%. The increase was mainly due to increasing emissions from mobile sources (about 120%); energy sector (58%); combustion for heat supply in the residential, institutional and commercial sectors (43%). The energy sector has the highest contribution to national GHG emissions, by 70% in 1990 and 65% in 2013 of total emissions. Since 2005, there is an increasing trend in GHG emissions from the waste sector, which in 2014 reached 12% of the total emissions.

By association with the Copenhagen Accord, Moldova has assumed to achieve a GHG emissions reduction of at least 25% by 2020 versus the baseline values of 1990. To achieve this goal, as well as the commitments made under the Intended Nationally Determined Contribution (INDC) of the Republic of Moldova (submitted to the UNFCCC Secretariat in 2016), the Ministry of Environment

prepared the *Low Emission Development Strategy 2016-2030* which shows the reduction targets and specific actions to achieve them.

In 2014 the Government approved the *Climate Change Adaptation Strategy for 2014-2023*, and the associated Action Plan. It contains the assessment of climate risk and climate change impacts for different sectors: agriculture, water resources, health, forestry, energy, and transport. The Strategy provides for sector policies on management climate change related situations and views the increase of adaptation capacity and response to actual or potential climate change effects as the overall objective. It also contains specific, sectorial objectives. The first one, establishing the institutional framework for climate change is to be achieved by 2018.

16. Disaster risk reduction

The population, environment and economy of the Republic of Moldova are exposed and vulnerable to risks of disasters and natural hazards: earthquakes, landslides, heavy rainfall sometimes accompanied by hail and storms, floods, droughts. Climate change associated risks tend to increase.

The country is situated in a seismic area with intensity VI-VIII on the Mercalli scale. The epicenter of seismic activity is Vrancea sector in the Carpathian Mountains (Romania). Deep earthquakes in Vrancea can achieve a maximum magnitude of 7.6-7.7 points on the Richter scale. Statistically, strong earthquakes with a magnitude of 7.5 degrees have a repeatability of 80 years, the 6 degrees earthquakes of 10 years. The latest earthquakes with VI-VII intensity (Mercalli) occurred in 1977, 1986 and 1990 in which 460 people were injured, and two died. Homes of more than 12 thousand people were damaged or destroyed.

Many Moldovan settlements (47% of total number) are affected by landslides. Areas at risk of land sliding account for 14% of the territory occupied by human settlements. In 1997-1999 landslides have destroyed or damaged hundreds of houses in numerous settlements. For example, more than 350 houses were destroyed in the Leuseni village, more than 100 houses in the Ghiliceni village.

No less than 659 settlements (42% of total number) are at risk of flooding. The State Hydrometeorological Service provides forecasts on time, size and nature of flash floods in the two major rivers of Moldova - Nistru and Prut. With reference to other watercourses, as a rule, only general weather forecast is provided, because it is complicated to forecast short-term floods. Flash floods in small rivers Raut, Ciorna and Calmatui in 1991 and 1994 entailed the loss of 50 people and enormous material damage.

Prevention of serious consequences of disasters caused by geophysical and meteorological factors involve additional costs in construction of buildings, restrictions on land use, and land protection measures at local and national level. The technical regulations in construction and urban development take these risks into account.

The term "emergency situation" is used in Moldovan legislation for the events and situations that can be defined as a "disaster" according to the terminology of the UN official documents. The institutional framework for prevention, response and rehabilitation after disasters involves a number of governmental and nongovernmental institutions with diverse objectives, responsibilities and interests. Two institutions have a key role: (i) the Commission for Emergency Situations of the Republic of Moldova created in 2001 by the Government and (ii) the Civil Protection and Emergency Service of the Ministry of Interior.

The Commission meets as needed and its activities are governed by the *Law on Civil Protection of 1994* and the Regulation approved by the Government. It has the task to conjugate and coordinate the actions of various institutions of the central and local government to prevent and react to emergencies.

The Civil Protection and Emergency Service of the Ministry of Interior has two basic functions: (i) to respond to emergencies to save lives and goods (this function is implemented largely through the

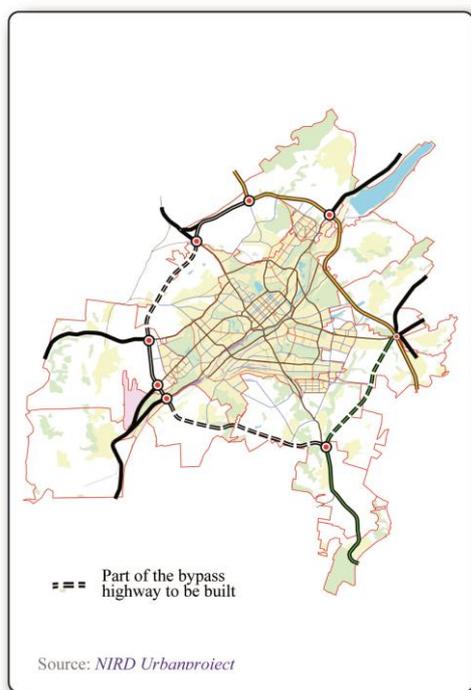
fire department and rescue services) and (ii) to ensure state surveillance and implementation of regulations concerning the prevention of emergency situations and risk management.

17. Reducing traffic congestion

In 2014 there were 694 119 vehicles registered in Moldova, including 512 561 passenger cars. The motorization rate, though increasing, is still modest. The average number of cars per 1000 inhabitants is 195 in the country and 335 in the capital city Chisinau. The total freight and passengers transport is continuously growing and at the same time there are structural changes in transportation arrangements. The railway traffic shrinks in favor of road transport. In between 2000-2014 the road transport freight increased by 4 times and the pkm (passenger-kilometer) rates by the road public transport doubled.

No traffic congestion common for rapid urbanization is observed in Moldova; however, there are specific road traffic related problems. The density of roads network is 314 km per 1000 km² and 2.6 km per 1000 inhabitants, and may be considered reasonable for a country like Moldova. However, after a long period of poor maintenance many roads are damaged. As much as 26% of national roads and 22% of local are in good technical condition.

The planimetric structure of small towns in Moldova has been formed in accordance with urban plans, without many constraints regarding the need to keep the historic streets network. Thus, the transport networks parameters correspond to the size and intensity of current road traffic in such towns. Moderate traffic congestion occurs only in city centers and largely is caused by illegal parking.



Chisinau, the capital of the country and a city with over 814 000 inhabitants, has a special role in the national transport network and a number of urban transport related issues. Streets and roads occupy 12% of the urban used territory. The city's average diagonal is estimated at approx. 15 km. The linear density of streets is 4.3 km / km², of highways is 1.99 km / km². A few radial roads connect the center with the periphery, while the links between the neighboring sectors remained underdeveloped due to natural barriers, railways transiting the city, and chronic lack of necessary investments. In the past 20 years the growing number of vehicles has doubled the road network load as compared to the one planned at the time of the main highways construction. Transport hubs and road sections with traffic congestion appeared. There are opportunities to streamline the traffic by regulating the parking and free the roadway of illegally parked cars. Nevertheless, these however necessary measures, will not radically change the situation.

Fig.5. Transport network of Chisinau municipiu.

The Urban Master Plan of Chisinau *municipiu* developed in 2007 sets forth a series of measures to improve the transport network parameters, including construction of a bypass highway, new viaducts over the railroad and Bic River transiting the city, systematizing the existing parking lots and construction of new ones. The possibility of building a high-speed tram line is being discussed. As projected, if new elements of the transport network are not built, the traffic load for the existing ones will grow by 50% by 2025.

Simultaneously with the redevelopment of the roads system requiring serious investment, less expensive but effective measures, such as better organization of the circulation and encouraging the use of public transport instead of cars for everyday travel, should not be neglected.

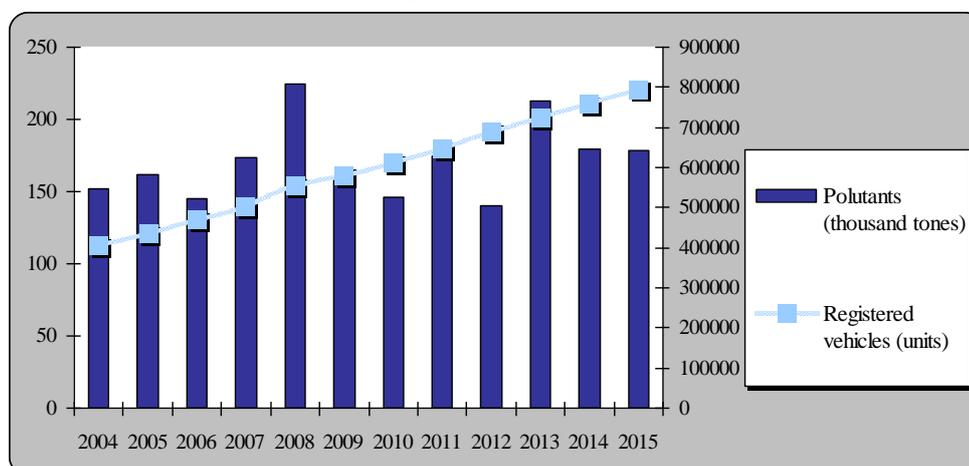
18. Air pollution

A number of international conventions to which Moldova is a part, as well as the Laws *on Environmental Protection of 1993*, *on Air Protection of 1997* and *on Environmental Pollution of 1998* constitute the core pillars of the air protection regulations system. The Ministry of the Environment is the main institution responsible for policies on ambient air quality. Monitoring is ensured by the State Hydrometeorological Service and Ecological Investigation Centers of the State Ecological Inspectorate.

Air pollution is generated by mobile sources (all types of transport), stationary sources (especially thermal power plants) and cross-border spread of pollutants.

Cross-border pollution is dominated by the problem of acid rains, conditional on sulphur dioxide and nitrogen dioxide pollution. There are over 5000 objects representing stationary sources of pollution. Harmful emissions from stationary sources have substantially decreased during the economic crisis which followed the collapse of the former USSR. Since 1999-2000 the emissions started to grow and reached their peak in 2005-2006, slowly declining afterwards. The reduction was achieved due to the replacement of old equipment with more efficient one, replacement of polluting fuels with less polluting natural gas, reduced heat demand due to energy efficiency improvements in buildings. In between 2005-2014 emissions from stationary sources have decreased by 25%. In 2014 the stationary sources produced 147 889 tones of harmful substances, of which about 90% were captured at source. Only 14 989 tones of pollutants were released into the ambient air. On the other hand, emissions from automobiles sector continue to grow with the increasing number of vehicles, and in 2014 accounted for 179 thousand tones. Total emissions from stationary and mobile sources in 2014 were about 200 thousand tons (about 56 kg per capita).

Figure 6. Emission of pollutants by the road transport (thousand tones) and registered vehicles (units)



Source: *National Bureau of Statistics*

The quality of ambient air in big cities (e.g. Chisinau, Balti) is mostly influenced by emissions from transport, power stations and heat plants, industrial enterprises, while in small towns and rural areas by emissions from local heat plants and household sources.

Monitoring shows that the average indicators of background concentrations of harmful substances in the air in cities are in line with the sanitary norms, but in some periods of time and under certain weather conditions, actual concentrations of pollutants by far exceed the maximum allowable concentrations. The most representative pollutants are carbon monoxide (CO), nitrogen oxides (NO_x), hydrocarbons (CH) and suspended solids. The main reasons for air pollution are use of obsolete vehicles in poor technical condition, shortcomings in traffic organization, low quality fuels, outdated technologies in industry.

Implementation of ambient air protection measures confronts with some impediments:

- technical rules on pollutants emission limit are out-dated and are not adjusted to EU standards;
- monitoring of emissions at source is lacking, inadequate size of compensation payments for damage to the environment;
- pollution fees do not produce the desired effect of discouraging the polluter and are not applied for many pollutants – the system should be revised to make it simpler and more efficient.

Overcoming these impediments fits the objectives of environmental policies promoted by the Government.

19. Challenges faced and lessons learnt in environment and urbanisation

The Republic of Moldova is vulnerable to climate change. In the last two decades severe droughts, floods, hail occurred with greater frequency and intensity than in the previous periods of hydrometeorological observations. Natural disasters associated with climate change have been challenging for Moldova both economically and in terms of communities safety. The country has proved to be less prepared to respond to disaster induced shocks. A functional system of compulsory insurance of immovable property and agricultural production is not in place, and voluntary insurance is not widely popular. Each time the Government had to seek emergency solutions to assist the victims (e.g. in case of flooding). *A conclusion for the future would be that the national budget cannot bear all costs related to disasters liquidation and climate change adaptation. A risk transfer mechanism, i.e. distribution of these costs in due time and between different stakeholders, is needed.*

Although the level of motorization in Moldova is modest, traffic congestion has already become visible in Chisinau, as the growth of the number of vehicles exceeds the municipal transport network development capacity. *Belated reaction to growing road traffic will impose additional costs when traffic congestion will become a critical factor for the development of the city.*

During 1995-2013 the Government has adopted a series of documents on strategic planning and environmental policies, however, implementation of national and sectorial policies cannot be imposed on local public administration authorities which are responsible for providing the basic services to population, including water supply and sewerage, sanitation, maintenance of green areas and spatial planning. The importance of local environmental planning is crucial but it's hardly doable due to lack of appropriate capacities within local government. *A conclusion which refers not only to environmental planning, but to all national and sector policy documents is that they should contain a section on evaluation of technical capacities intended to ensure implementation of the plans.*

The environmental performance review of Moldova, conducted by the United Nations Economic Commission for Europe in 2014 stated that Moldova has made moderate progress in compliance and enforcement of environmental standards and requirements. Environmental quality standards of the Soviet times are still used for water and air. Many standards do not meet current international requirements. Some regulations on pollutants cannot be applied due to insufficient actual monitoring capacities. *The lesson learned is that the air and water quality monitoring system has to be re-thought*

to comply with: (i) international requirements and (ii) actual capacity of the Republic of Moldova to apply technical norms.

20. Future challenges in environmental issues that could be addressed by the New Urban Agenda

Environmental policies in Moldova will be aligned to those promoted by the UN and the European Community. These policies will be driven by Moldova's sustainable development needs and formulated in the context of the objectives set out in a series of international documents:

- The final document adopted at the Conference on Sustainable Development in Rio de Janeiro "The future we want";
- The Batumi Ministerial Declaration "Greener, cleaner, smarter";
- 26 principles of the Stockholm Declaration on Human Environment;
- Sustainable Development Goals and Agenda 2030
- The UN assistance program for Moldova for the period 2013-2017, which includes priority no. 3 "Environment, Climate Change and Risk Management".

The implementation of the EU-Moldova Association Agreement is a challenge for the environmental sector and includes two main implementation paths: harmonization of national environmental legislation with the *acquis communautaire*, and institutional reform which involves development of an institutional mechanism able to enact the newly adopted legislation.

The "Environment" Chapter of the Association Agreement includes the commitments and concrete actions of the Government in environmental protection, such as:

- drafting laws, norms and standards harmonized with the EU directives, as well as institutional capacity building and the establishment of new necessary structures;
- development of sectorial strategies on water, air, biodiversity conservation, climate change adaptation and mitigation, etc.;
- strict and clear division of responsibilities between environmental bodies at national, regional and local level;
- integrating the environment into other sectorial policies, promote green economy development and eco-innovations.

The Environmental Strategy for 2014-2023, approved by the Government is aimed at exactly these challenges and is the key document in the strategic planning of actions to be taken in the next decade. The specific objectives of the strategy, among other, include:

- integrating the principles of environmental protection, sustainable development and green economy development, climate change adaptation in all sectors of the national economy, setting up an integrated environmental quality monitoring system;
- improving the quality of at least 50% of surface waters and implementing the watershed management; ensuring access of about 80% of population to safe water supply systems and services and of 65% of population to sewerage systems and services by the year 2023;
- improving quality of soils and ecological restoration of degraded lands affected by landslides and farmland protection strips at 100% rate;
- setting up an integrated air quality management system, reducing pollutants emissions by 30% by 2023, and greenhouse gas emissions by at least 20% by 2020 compared to the baseline scenario;
- setting up an integrated waste and chemicals management system, which helps to reduce the amount of waste by 30%, and increasing the recycling rate by 20% by year 2023.
- expansion of the forest areas up to 15% of the total area of the country and of the state protected areas up to 8%, as well as ensuring effective management and sustainability of natural ecosystems;
- improving knowledge on environmental protection among students and employees and providing access to environmental information.

Specific environmental objectives are also set forth in other government policy documents. The *Waste Management Strategy for the years 2013-2027* provides for increased recovery and reuse of packaging by 20% by year 2027, building the waste composting and fermentation capacities; support production of energy from waste, safe for human health and the environment. Strategies and plans in the energy sector provide for increased consumption of renewable energy resources. It is expected that 20% of the total energy used will be provided from renewable sources by year 2020.

Climate Change Adaptation Strategy for the years 2014-2023 together with *Low Emission Development Strategy for the years 2016-2030* will determine the climate change related sectorial policies. In addition to setting up the climate change institutional framework, these policies will include development, by 2020, of a mechanism to monitor the climate change impact, social and economic vulnerability to climate change and manage the information on climate risks and disasters. This will require research and scenarios development, especially regarding critical thresholds for water resources, cultivation methods in agriculture, the anticipated impact on human health. National research on climate change will be joined with the international research efforts and will apply the knowledge gained at this level.

Developing resilience to climate change and natural disasters will require implementation of balanced and effective risk transfer mechanisms. A well-coordinated and active partnership between public institutions and the private insurance sector is the best way to manage the effects of disasters and extreme weather events. A legal framework for an insurance system with mandatory elements has to be created. Risk zoning and mapping, and ensuring access to this information for the public are essential elements of a robust insurance system. Conditions of compensation for incurred damages should be formulated in a manner to take into account the destination of lands, construction standards, and compliance with prevention measures.

Development of transport infrastructure and traffic flow should become a cross-sectorial objective underpinned by the concept of sustainable urban mobility. Implementation of the urban plans provisions on optimizing the municipal transport network in Chisinau, and of the sustainable urban mobility plan will contribute to achieving the targets on reducing environmental pollution and providing quality services to population.

IV. URBAN GOVERNANCE AND LEGISLATION

21. Improving urban legislation

The Republic of Moldova has a relatively modern and complex legislation that provides the necessary support to central and local government policies on sustainable development of settlements. A number of laws lay down the responsibilities and rights in relationships between central and local authorities:

- *The Law on Administrative-Territorial Planning of 2001*
- *The Law on Local Public Administration of 2006*
- *The Law on Administrative Decentralization of 2006*
- *The Law on the Status of Chisinau Municipiu of 1995.*

Urban and spatial planning activities, development and implementation of economic and social development programs and projects in the regions have the following legal basis:

- *The Law on Urban and Spatial Planning of 1996*
- *The Law on Regional Development in the Republic of Moldova of 2006.*

Regulations in the housing and basic services sector have the following legal basis:

- *The Law on Privatization of Housing Stock of 1993*
- *The Law on Condominium of 2000,*

- *The Law on Public Utility Services of 2002*
- *The Law on Housing 2015.*

The related legislation pertains to land relations and real estate market, protection of environment and cultural heritage, construction, transport, and other.

No less important is the secondary legislative acts approved by the Government and other authorities of central and local government: development programs and plans, regulations, instructions and other regulatory documents. As common practice, these acts give details on the principles set out in laws and are "working papers" for daily work in the respective field.

Moldovan legislation on housing and settlements development guarantees equal rights to all citizens regarding access to housing and land creates the necessary conditions for the proper functioning of market economy in this field.

The Law on Housing, which in 2015 replaced a number of older legislative acts, fills in some of the gaps and eliminates the ambiguities in the former legislation regarding social and corporate housing, interim housing, asylum-hotels and hostels, contained in the preceding legislative acts. Compared to previous legislation, the Law pays more attention to aspects of housing stock management and payment for services, reconstruction of premises in residential buildings. In the context of the new law enforcement, in 2016, the Government approved the *Regulation on technical and sanitary inspection of the housing stock aimed at acknowledging it as unsuitable for living, as well as on the maintenance, redevelopment or demolition regime*. This Regulation will underpin the work of committees to be set up by local authorities to determine safety compliance of housing conditions and preventing living in inadequate conditions.

The legislative system is being continuously augmented and supplemented depending on the identified needs and shortcomings in application of the existing laws, and as new challenges emerge in settlements and housing sector development. The main institution responsible for policies in this field and drafting the relevant legislation is the Ministry of Regional Development and Construction. Preparation of legislative acts includes inter-ministerial coordination and open public consultation. Drafting of the new version of the *Law on Condominium* and of the regulations on operation and administration of the housing stock, social housing requirements, and requirements for provision of corporate housing and so on is expected to be finalized in 2016-2017. The *Urban Development and Constructions Code* that will establish a single legal framework for spatial planning and urban development, authorization and execution of the construction, use and post-use of the buildings, state control, is underway. At the same time a range of regulations, practical codes and technical standards are also being developed.

22. Decentralization and strengthening of local authorities

The legislation stipulates that public administration in territorial-administrative units is constituted on the principles of local autonomy, decentralized public services, eligibility of local public authorities and consultation of population on local issues of particular interest. Local public administration authorities enjoy decisional, organizational, management and financial autonomy; have the right to initiative in all matters concerning administration of local public affairs, and exercise authority within the administered territory. An administrative-territorial unit is a legal person of public law and disposes of public goods which are distinct from the public goods of the state and other administrative units.

The Moldovan public administration system, which was formed soon after the independence, inherited some features of the Soviet system, especially the excessive concentration of functions and funds at central government level. Thus, the local public administration competencies are not proportionately supported in terms of institutional capacities and funding. In 1997 Moldova ratified the European Charter of Local Self-Government. Decentralization has become an objective of public

administration reforms and administrative-territorial planning, but inconsistency of reforms has slowed down the process. In an attempt to better distribute responsibilities between central and local government *the Law on Administrative Decentralization* was adopted in 2006, but it has drawn criticism from local and international experts, particularly for vagueness of implementation mechanisms.

In 2012 the Parliament approved the *National Decentralization Strategy* with the aim to furnish the LPA with the capacity and resources to provide effective and equitable public services according to the needs and requirements of beneficiaries, including from the vulnerable groups rights perspective. The concept and objectives of the decentralization policy are in line with the European countries experience, and bilateral agreements between the Republic of Moldova and the European Union. The institutional framework for dialogue and decentralization process coordination is in place:

- the Parliamentary Committee on public administration, regional development and climate change;
- the Special Committee on decentralization;
- the Parity Committee with working groups focused on: (i) organization and functioning of local public administration, (ii) decentralization of public services, competencies and functions, (iii) financial/fiscal decentralization, (iv) local development, property, infrastructure, (v) sectorial decentralization;
- local authorities, the Congress of Local Authorities of Moldova (nongovernmental union);
- State Chancellery.

The working groups assisted by development partners and civil society representatives have analyzed the current situation and proposed solutions. Sectorial plans on decentralization in different areas have been developed. The Government maintains the dialogue with local authorities and nongovernmental union Congress of Local Authorities. The assistance provided by the UNDP, USAID, the Governments of Sweden and Denmark through various projects contribute to the implementation of the National Decentralization Strategy. The principles of sustainable development, capacity building, effective local governance and participatory decision-making are promoted at the local level. The decentralization process is pursued by various NGOs and is always in the media's focus. Progress, as well as delays in concrete actions related to improving the institutional capacity and financial support locally, is being noted.

23. Improving participation and human rights in urban development

The rights and freedoms to participate in decision making are provided for by the Constitution and legislation of the Republic of Moldova. Generally, they can be classified as:

- access to information;
- the right and framework of participation in public affairs;
- the right to petition and appeal in courts.

The Moldovan authorities and society are aware that the administration exercise requires participation of citizens in decision-making which stands out as two basic aspects: (i) guiding a continuous information flow from the authorities towards the community, making publicly available the information regarding the economic development plans, planning and execution of budgets, capital investment projects, important local initiatives etc., and (ii) involving citizens in decision-making to ensure feedback and contribution to development.

The legal framework of participation in public affairs is based on the provisions of a number of laws, including:

- *the Elections Code of 1997*;

- *the Law on Assemblies of 2008;*
- *the Law on Local Government of 2006;*
- *the Law on Transparency in Decision-Making of 2008;*
- *the Law on Approval of the National Decentralization Strategy of 2012.*

Public authorities are required to consult the stakeholders on draft secondary legislation and administrative acts that may impact the livelihoods and human rights, culture, health and social protection, local communities, public services. Public authorities shall provide access to draft decisions and related materials. Public opinion is requested by means of informing the public at large about initiation of consultations. Expert judgment is requested by means of targeted information to stakeholders. Consultations may take place in various forms: permanent working groups, ad hoc working groups with the participation of stakeholders, public debates, opinion polls.

As recent examples of public consultations that have stirred the interest of experts and civil society, the following can be mentioned: consultations and public debates on the draft Code of Urban Development and Construction; the Environmental and Social Impact Assessment of Chisinau - Ungheni natural gas pipeline; the draft Chisinau municipal budget; the Terms of Reference for the updating the General Urban Master Plan of Chisinau. According to legal procedures, public consultations are a mandatory part of the process of urban and zoning plans approval.

Promotion of fundamental, democratic and pluralist values in Moldova encouraged the development of civil society. Currently there are over 8,000 registered civil society organizations, most of them (approx. 65%) being located in Chisinau. Non-governmental organizations (NGOs) have formed unions and networks dealing with policies aimed at development of the sector they represent (e.g. National Council of NGOs in Moldova; Alliance of NGOs in Social Protection of Child and Family; Alliance of Organizations for Persons with Disabilities, the Anti-Corruption Alliance; Women's Forum; Coalition to promote law and volunteering). Some of these networks have significant experience in working with public administration. In 2010 the Government of the Republic of Moldova established the National Participation Council. The General Directorate for Policy, Foreign Aid, Central Public Administration Reform Coordination of the State Chancellery assists the operation of this Council.

24. Enhancing urban safety and security

Fortunately, Moldova faces no threats related to intercultural, ethnic or religious conflicts, but it is not spared by the influence of risk factors common to countries in the region. Internally, security threats to citizens and communities belong to three general categories: (i) socio-political and economic threats, (ii) crime situation related threats, and (iii) risks to human health and life caused by technology-related factors or service deficiencies.

The legal framework needed to formulate and promote security policies is in place. The institutional system is also shaped: surveillance, prevention and intervention structures of the Ministry of Internal Affairs and Ministry of Health, a number of inspectorates overseeing security of buildings, transport, power grids, gas facilities etc. In the last 20 years these institutions have been strengthened, but they cannot be the only response to political, social and economic phenomena affecting the security.

The "frozen" conflict in the eastern districts of the country maintains an open source of crime, including related to illegal migration, human trafficking and cross-border crime. It affects the normal climate of order and public security. Smuggling of drugs shows a worrying spread. Alcohol and drugs consumption contribute to violence, both in public spaces, and in families. A significant proportion of perpetrators are young people who have little chance of getting a job.

According to the Ministry of Internal Affairs, the number of crimes recorded in 2015 was 39800, by 4.8% fewer than in the previous year, but by 13% more than in 2011. The average crime rate in 2015 was 111 offenses per 10 thousand inhabitants. In urban areas the crime rate is higher than in rural areas, while in Chisinau and Balti it is higher than in small towns. Of the total number of recorded

crimes, 16.0% are committed by people of working age, but with no occupation. About one thousand crimes or 2.5% of total registered offenses were committed by minors or with their participation.

Among man-caused risk factors traffic accidents and fires stand out. According to the Ministry of Internal Affairs, 2435 accidents occurred in 2015, of which 1156 in Chisinau. As a result of traffic accidents 269 people died and 2970 were injured. In 2014 there were 1890 fires which killed 118 people.

In 2011 the Parliament approved the *National Security Strategy of the Republic of Moldova*. The strategy addresses the security of the citizen and the community as the basic elements of national security. Social and economic phenomena such as poverty, economic underdevelopment, social polarization, political instability, and vices like alcoholism and drug addiction are identified threats and vulnerabilities. The actions proposed in the strategy should ensure protection from criminal attacks of life, health, honor, dignity, rights, freedoms, interests and property of citizens; ensure civil protection against fire and other technology-related accidents.

Central and local public administration authorities implement a number of projects, including through international cooperation and public-private partnership, which aim to improve the capacity of the technology-related accident prevention and emergency relief services. Expansion of traffic video surveillance systems, cooperation with Romanian authorities on extending the Mobile Emergency Resuscitation and Extrication Service (SMURD) should also be mentioned.

25. Improving social inclusion and equity

Social inclusion based on the principles of equality of all citizens regardless of ethnicity, gender, age, physical and mental disabilities and unfavorable circumstances is the focus of the state policies of the Republic of Moldova.

Although the problem has a number of aspects, poverty stands out as the most common risk factor and an obstacle to social inclusion. Achieving the objectives of poverty and inequality reduction is dependent on economic development as well as effectiveness of social assistance. The Ministry of Labor, Family, and Social Protection is the main institution that develops and promotes policies in this area. Municipal directorates and district sections on social assistance and family protection, established by the respective district or municipal councils operate at territorial level.

According to the *Law on Social Assistance* of 2003, the current system includes two forms of assistance that can be applied separately or jointly: social benefits and social services. Social assistance is provided to individuals and families who, due to economic, physical, psychological or social reasons, have no possibility to secure themselves a decent life, particularly:

- children and young people who, because of their health, development and physical, mental or moral integrity, are harmed in the environment in which they live;
- families that cannot adequately perform the parental duties related to caring about, providing for and education of children;
- families with no income or low income;
- people having no family who cannot sustain themselves, requiring care and supervision or are unable to cope with social and medical needs;
- families with many children and single-parent families;
- persons with disabilities, including children;
- the elderly and other individuals and families in need.

The Law on Social Aid of 2008 is aimed at guaranteeing a minimum monthly income to disadvantaged families by providing a social aid calculated based on the assessment of the overall average monthly income of the family and the need for social assistance. The size of the minimum guaranteed monthly income is determined by the Parliament in the Budget Law for the current year. In addition to the social aid, a compensation for heating during the cold season (November-March) was introduced in

2011 for families with an income lower than the established minimum income. In 2014 over 110 thousand families have benefited from this help, of which more than 50% were families with children and 57% were families with persons with disabilities.

Lack of adequate housing also creates adverse circumstances for social inclusion. The *Law on Housing* of 2015 stipulates that social housing is leased to individuals or families on file whose monthly income per family member does not exceed the national subsistence minimum and who cumulatively meet certain conditions that demonstrate the real need for housing. The priority right for social housing is granted to persons with severe disabilities, young families in conformity with the Law on Youth of 1999, families with triplets or more children born simultaneously, orphans who have come to full age.

International organizations and development partners of the Republic of Moldova have an important role in generating new social inclusion approaches and programs. However, practical implementation of legal provisions on social assistance and further development of numerous assistance programs is hampered by limited financial possibilities of central and local authorities.

26. Challenges faced and lessons learnt in urban governance

Since independence and the start of transition from the Soviet-style political and economic centralized system to a democratic political system and market economy, the Republic of Moldova faced the need to comprehensively revise the legislative system. Most of the new laws were governing different aspects of human settlements development, social and economic sector, relations between the different actors of the development process, between service providers and beneficiaries. Overall, *Moldova followed the principles underlying the European legislation and managed to adjust its national legislation to these principles*. It was more difficult to develop effective mechanisms for implementation of legal provisions and this is the reason for most drawbacks and inconsistencies regarding the declared goals and commitments made. Also, revision and upgrading of the regulatory secondary legislation (regulations, methodologies) and of the system of technical rules and standards proved to be a tough task. The main impediment for substantial progress in this direction was the limited capacities of the institutions responsible for these actions. *International cooperation, taking over and adapting the EU experience is an opportunity to overcome this impediment*.

In absence of adequate implementation mechanisms ineffectiveness of legal provisions has manifested itself during the implementation of the decentralization policy. Moldova has accepted European principles of local autonomy, has included them into national legislation and started the decentralization process. However, the main goal, building the capacity of local public administration to fulfill the functions and duties and ensure community's economic, social and institutional development, has not yet been achieved. While some decentralization actions have been undertaken, they were rather sporadic, selective and unsystematic. Exclusive of political factors, problems come down to very low capacities of local government and limited ability of the central government to assist in building these capacities. *Decentralization should be seen as part of the big picture of territorial-administrative organization, regional development and public administration capacity building at national and local level*.

Although significant progress has been made in implementing the legislation on transparency of decisions, independent reviews report cases when some government authorities formally comply with the law, but fail to provide the best conditions for information and consultation with the stakeholders. Development of cooperation with civil society is a complex activity, implying a cross-sectorial and inter-institutional approach. *Weak participation of civil society in decision-making can be explained by a number of reasons, including legislative shortcomings related to transparency of decision-making, poor institutional practices at central and local level, poor capacities of the civil society organizations*.

Regarding the situation with human rights, it remains very serious in the eastern districts, de facto administered by unconstitutional authorities. Despite positive commitments, the constitutional law enforcement authorities proved to be helpless in arresting and amercing the persons responsible for human rights violations in the region due to lack of control over the respective territory. *Thus, the constitutional authorities have not identified any effective remedy for protection of human rights in the eastern districts. In this context, the most serious violations relate to liberty and security of person, the right to life and the right not to be subjected to ill-treatment.*

Urban safety Moldova is largely dependent on specific factors that threaten the security countrywide: poverty, economic underdevelopment and energy dependence, the conflict in the eastern districts, the tensions and the foreign military presence, external pressure, criminogenic factors, natural disasters, environmental pollution, technology-related accidents, informational insecurity, banking system instability. *The lesson learned over the years of independence of the Republic of Moldova is that security cannot be ensured by specific law enforcement actions only. It is closely connected to all aspects of political, economic and social development.*

Social inclusion and equity are principles assumed under Moldovan law. In this context the Action Plan on the implementation of measures to ensure accessibility of social infrastructure to people with disabilities, containing short term concrete actions, the responsible authorities and well defined indicators, should be mentioned. Preliminary assessment by the National Institute of Ombudsman found that the extent to which this Plan is implemented leaves much to be desired. Ensuring the *functionality of the approved laws, and their implementation monitoring is a challenge that requires consolidated efforts from public authorities.*

27. Future challenges in urban governance that could be addressed by the New Urban Agenda

In the context of decentralization policies, spatial planning and regional development, the need to streamline the administrative-territorial organization of the country is being increasingly discussed. The current districts are small sized administrative territorial units with limited capacity to provide service to population. They are often regarded as an impediment to the successful implementation of the decentralization policy and regional development. There are arguments in favor of a different territorial-administrative organization that would replace the current 32 districts with a smaller number of territorial units, what will allow enhancing their capacities.

Initiation of broad and transparent consultations with all stakeholders and adoption of a new Law on Administrative-Territorial Planning can be a challenge for the near future. Together with this, in the context of decentralization, adoption of legislation that would strengthen the local competencies related to changing the destination of agricultural lands, penalizing, management of natural resources and public goods, is expected.

In the field of urban planning and housing adoption of the Urban Development Code and revision of the Law on Condominium is pending. The approved Code will establish the legal framework that will regulate the relations in the field of spatial and urban planning, authorization and execution of construction works, quality of construction, state control on observance of discipline in urban planning and construction authorization and execution regime, as well as uniform enactment of legal provisions on the use and post-use of constructions in the Republic of Moldova. The new Law on Condominium should contribute to essential improvement of privatized apartment blocks management. It will eliminate deficiencies in condominium legislation; clarify the relations and property rights within the condominium and their proper registration, owners' responsibilities for exploitation and maintenance of individual and common property, as well as relationships with service providers.

Public administration reform is a prerequisite for the implementation of any other reforms in any sector and for implementation of important commitments undertaken in the Government Activity

Program, the Moldova - EU Association Agreement, National Development Strategy "Moldova 2020", and Sustainable Development Goals. Continuity, sustainability and impact of all reform initiatives, involving considerable human and financial resources, is uncertain without a body of motivated public servants and professionals capable to follow good governance procedures in their the work. Decentralization will continue in accordance with the European Charter of Local Self-Government. There is a need to create prerequisites for a complex, systemic, planned and visionary approach to public administration reform.

Along with capacity building at the local level, involvement at the local level of all stakeholders, including the population, in formulation and implementation of urban strategies for sustainable development should be encouraged as well. Participation and public information about these processes should include:

- detailed procedures to formalize the involvement of stakeholders in the planning process;
- decision-making based on principles of partnership between the authorities and civil society;
- transparency and public control during all stages of project preparation and implementation.

Government policies on urban safety are based on the concept that sustainable socio-economic development standing on the principles of social cohesion has a decisive role in preventing criminal behavior. However, the specific measures to combat crime should not be neglected. Implementation of provisions of the National Security Strategy of the Republic of Moldova on capacity building of national security structures vested with functions to combat criminogenic factors is underway. The efforts against organized crime, including the cross-border crime, illegal migration and human trafficking, drugs smuggling will continue, and the opportunities offered by Interpol, Europol and other law enforcement organizations for international cooperation will be used, including through more intense cooperation with the law enforcement agencies in the neighboring states. Public order measures will include implementation of the community policing and takeover of the public order functions by Carabineri all over the country. To ensure security of information technologies, competent institutions will develop technical solutions to increase the reliability of communications networks in critical cases. Regulations on electronic documents, digital signature and protection of personal data will be implemented. Archives and stocks of electronic documents will be created for secure storage of database of national importance, in accordance with the legislation concerning storage, maintenance and accounting of documents.

Strengthening a balanced and democratic society will be achieved by implementing the European criteria in conformity with the commitments made by the Republic of Moldova in the Council of Europe and other international organizations. Guarantees of the rights of ethnic minorities and representatives of various social minority groups will be further promoted. Policies on social inclusion of socially vulnerable groups, in particular people with disabilities have to become complex, linked to other sectorial policies and secured by implementation mechanisms.

V. URBAN ECONOMY

28. Improving local public finance

According to the National Decentralization Strategy and the local authorities' financial consolidation policy, in 2013 the Parliament has amended the Law on Local Public Finance of 2003 and the Tax Code of 1997. A new system of local budgeting was established, characterized by:

- general purpose allocation from the state budget to local budgets, calculated based on formulas set by law, are transferred directly to administrative-territorial units, both of the II level and the I level (thus replacing the old hierarchy transfer system "center - II level - I level");

- general purpose (budget balancing) allocations to local budgets are revenue based rather than per capita normative expenditures estimated at the central level, as it used to be in the old system;
- deductions from taxes and state fees to local budgets are established by law;
- the competencies delegated to local public administration authorities by law are funded by special purpose transfers, other competencies are financed from own revenues, deductions from taxes and state fees, general purpose transfers calculated based on the formula;
- decisions on priority use of available financial resources belong exclusively to local public authorities.

The new system was tested in 2014 in several administrative units, and from 1 January 2015 is applied in all administrative units. Implementation of the new local budgeting system yielded the following results:

- the financial subordination between administrative units of the first and second level were eliminated and the political factor in distribution of transfers and setting the quotas for deductions from taxes and state fees was excluded;
- there is predictability for strategic planning, transparency and stability (taxes and fees less sensitive to changes in economic circumstances were left as the basis for local budgets revenues);
- the subjective factor in calculation of general purpose transfers was eliminated;
- local public administration is interested to develop and use the local tax base, to much better collect local taxes;
- local public administration has the possibility to allocate costs according to local priorities (thus, the local autonomy in setting spending priorities has increased).

The quantitative results of local finance improvement as result of new local budgeting system implementation will be evaluated in at least two years following full implementation of this system.

At the same time, action is taken to improve the public finance management. In 2015 the local budgets of the second level were developed and approved as program and performance based budgets, and starting 2016 this methodology is to be extended over the LPA authorities of the first level. The UNDP Integrated Local Development Program provides methodological support in implementing new budgeting principles. In the context of improved public finance management, a new web based financial management information system integrating a set of financial management tools is being used since 2016 to improve efficiency and transparency of the financial management process, as well as the public spending control.

29. Strengthening and improving access to housing finance

The problems related to financing construction or purchase of housing in Moldova are generated, on the one hand, by the low income of most of the population, and on the other hand, by imperfect legislation and rather limited role assumed by authorities in this area.

The action plan approved in Moldova during the preparation of the UN Habitat II Conference provided for development of legislative framework for housing finance mechanisms, loan facilities for housing construction, prior technical planning of land allocated for construction of individual houses, development of the social housing stock, granting subsidies for payment of housing services to socially disadvantaged families. These measures created a financial support which was difficult to provide in the conditions of economic crisis, and thus they were implemented only partially, late and had limited effect.

Access to finance has two aspects: access for developers who intend to build housing and access for the buyer who wants to buy the housing.

During 1999-2008, once the economy started to recover and the demand for new housing increased, different forms of financing appeared on the real estate market. In some cases, developers have used their own financial means to build and sell new homes, but this was an exception rather than a rule. Although loans for housing are taken from commercial banks, it is not a widespread practice. The banks rate the investments in housing for sale as risky and credit terms are less favorable.

Most often developers attract the future owners' own means. The relations between a construction company and buyers of housing are based on the "Housing Investment Contract". The buyer advance 40% of the cost and pay the remainder in installments during the construction period. This mechanism works successfully when development companies fulfill their obligations honestly. Unfortunately, sometimes housing investment contracts resulted in litigation in court due to failure of companies to meet their obligations. Lately, this type of financing is less used for two reasons: buyers' confidence in this payment mechanism has dropped, and the demand for new housing after the 2008 financial shock has decreased. Due to higher competition the development companies have started to sell housing under leasing conditions, in installments with deferred long-term payment (after commissioning of the house.)

Talking about the access to finance for families who want to improve their living conditions, the situation is complicated. In the period in between 2000-2014 the nominal mortgage rate ranged from 7.5% to 22%. In January 2014, according to the National Bank, the average rate was 9.7%. All banks require collateral for mortgage loans, so the purchased property is used as loan collateral. The interest rate is even higher for loans for renovation or upgrading of housing which already belongs to the beneficiary. Real estate loans account for less than 5% of the total amount of loans on domestic market. They are not popular because of high costs.

In Moldova no direct subsidies for construction or renovation of housing are granted and individuals who invest in housing do not benefit of income tax deductions, however, tax allowances may be granted. For example, there is no profit tax for municipalities and in 1997-2008 construction works under the program of finishing the unfinished residential buildings remaining from the Soviet time were exempt from VAT. Financing of housing from the state budget and local government budgets is pursued in special cases stipulated by the Law on Housing of 2015 which provides for the use of public finance for the construction of social housing.

30. Supporting local economic development

Moldova's economic performance is modest. Protracted political and administrative reforms, hesitation about reducing the dependence on the Eastern market have aggravated the existing problems turning them into constraints for sustainable development. The relatively good economic growth in the first decade of the XXI century was due to external factors (growth of remittances)

rather than internal capacity development. Consumption based growth deepens the economic development gap between the capital city and the regions, urban and rural areas, and creates serious threats to the entire society.

The National Development Strategy "Moldova 2020" approved by the Parliament in 2012 provides for the change of the growth model. The inertial, consumption based model fueled by remittances should be replaced by a dynamic model based on attraction of investments and development of goods and services exporting industries. Thus, economic development at the local level will become vital for the economy and the social climate of Moldova. There is a number of directions of actions that influence local economies:

- economic capacity building of local government, including through decentralization of public property;
- improving local services and infrastructure, in particular through development projects;
- programs to encourage the population, especially young people, on starting business in small towns and rural areas;
- improving access to finance for local development;
- improving general climate in business environment.

The public ownership right of the territorial administrative units is recognized and protected by law. The decentralization policy provides for the devolution of a significant number of goods from the central to local authorities. However in practice, the ownership status of some goods is uncertain due to protracted during the inventory and registration with the Real Estate Cadaster because of lack of money in local budgets for inventory. The costs of these works are influenced by the availability or absence of topographic and geodetic materials.

The overall objective of regional development policies promoted by the MRDC is to create conditions for socio-economic development of regions. In the period 2010-2015 the programs and projects financed by the National Regional Development Fund and with the support of the German Government through the German International Cooperation Agency, accomplished visible results in different areas: roads rehabilitation, water supply and sanitation, energy efficiency, rehabilitation of the infrastructure needed for the operation of industrial parks, renovation of buildings of historical and cultural value.

An important role in the planning of socio-economic development of administrative-territorial units and settlements is played by the urban sustainable development strategies prepared by the UNDP supported project "Local Agenda 21 in Moldova" and socio-economic development strategies for 32 towns developed by the Local Authorities Support Project financed by the USAID. Urban master plans produced in recent years, are correlated with these papers and contain an assessment of the economic potential, infrastructure and development proposals.

The Loans State Guarantee Fund, managed by the Organization for Development of Small and Medium Enterprises is the state's instrument to improve access to finance for small businesses, which have sufficient capacity for loan repayment, but cannot get it due to lack of collateral acceptable to the bank. The basic mission of the Fund is to improve the dialogue between banks and enterprises concerned, remove the impediments created in the creditor - entrepreneur relations and enhance opportunities to obtain the necessary financial resources. Financial guarantees are issued at the request of commercial banks for loans to micro enterprises, small enterprises and peasant farms.

31. Creating decent jobs and livelihoods

The Republic of Moldova has ratified the main international conventions on employment, cooperates with the International Labor Organization and tends to adjust its relevant legal framework and policies

to the international standards. At the same time, the national labor market is an inseparable part of the economic system as a whole and reflects its problems. It is rigid and generates strong structural, territorial, occupational and professional misbalances.

The employment rate in Moldova is low, being also considerably marked by low labor force participation rate which is continuously dropping from 53 to 41% in the last ten years, being slightly higher for men (44.1%) than for women (38.6%). The low labor force participation rate is explained largely by emigration. Despite the fact that wage incomes over the last decade have increased by about 14% annually, they are still too small to provide for a decent living.

The government has taken steps to increase the employment rate and to encourage jobs creation. Such measures are targeting young people in the first place: concessional loans from the Unemployment Fund, boosting labor mobility, incentivizing employers to hire graduates of educational institutions, whose studies were funded from the state budget, paid public works etc.

Strategic policies and sectorial development plans with direct impact on the labor market are being implemented. The strategies on development of small and medium enterprises, investment attraction and export promotion, reform of the regulatory framework of entrepreneurial activity, the Roadmap to Competitiveness Enhancement, the Concept on Cluster Development of industrial sector, the innovative strategy "Innovation for Competitiveness" are worth mentioning in this context.

Complex measures on creating jobs by encouraging economic activities, especially at the local level, proved to be effective.

Remittances Attraction Program "PARE 1+1" has the main objective to inform migrant workers about business development opportunities at home, in Moldova, and to contribute to financing the businesses according to the 1+1 principle. Besides the financing component, the Program contains information, communication, and training and entrepreneurial support component. During 2010-2015 the Program provided funding to 717 enterprises, including 213 enterprises created by women and 358 enterprises created by young people up to 35 years. About 1330 jobs were created and 380 migrants have returned home. Most businesses were created and operate in rural areas.

The National Program for Economic Empowerment of Youth is designed for people aged 18-30 years who want to develop their entrepreneurial skills. During 2008-2015 more than 4.000 young people were trained and advised, among which 40% were women. The program has encouraged creation of more than 1700 new enterprises, of which about 30% were set up by women and about 2400 jobs were created.

Business incubators are instruments designed to support development of startups or enterprises in their early phase of development. Overall, nine business incubators encompassing 155 active companies and 611 created jobs were established in all regions of the country.

32. Integration of the urban economy into national development policy

The fact that GVA in industry and services sector is 6 times higher than the one in agriculture, speaks about the economic weight the towns have in the country's economy. Chisinau, the capital city accounting for more than 50% in economic activities, dominates the economy of the Republic of Moldova. Balti, with a huge gap relative to Chisinau, is the second largest economic center. In 2014 Chisinau accounted for 56.5% of industrial production and 62% of fixed capital investments, while Balti produced 9.6% of industrial output and 3.7% of investments in fixed capital. Chisinau boasts about 70% of total sales in the country. Also, most Moldovan enterprises are concentrated in Chisinau, and has a relatively high level of human capital and infrastructure.

Regionally, more than half of the enterprises fall into the small business category and have trade as the core activity. Though numerous, small businesses in the regions have a disproportionately low contribution to creation of jobs and to producing added value at the country level.

For a comparative analysis of the development level of various regions and settlements, the Ministry of Economy uses the Small Areas Deprivation Index (SADI). This composite indicator is calculated based on 48 relative indicators for eight sectors (economics, education, health, infrastructure, environmental conditions, etc.). SADI allows identifying development problems at different territorial levels and of the areas that require more attention in the development plans.

To make the most of the economic potential of small towns and to mitigate the effects of misbalanced development of settlements is a big challenge for Moldova. Regional development is an important tool to promote policies in this direction. Specific objectives of this activity have been identified in the *Law on Regional Development*, adopted in 2006. The Law aimed at achieving a balanced socio-economic and sustainable development throughout the country. The institutional framework for promoting relevant policies includes:

- The National Coordination Council for Regional Development – a cross-sectorial coordination body at national level;
- The Regional Development Councils - regional coordination bodies;
- The MRDC – a regional development policy implementing authority;
- Regional Development Agencies - non-commercial public institutions subordinated to the MRDC, created to implement development projects.
- The National Regional Development Fund – the source of funding programs and projects;

Among effective tools to stimulate growth in the context of regional development are the free economic zones (FEZ) and industrial parks (IP) created on the basis of the *Law on Industrial Parks* of 2010. FEZ resident companies and IPs enjoy facilities at the launching and deployment of economic activity, have the technical and production infrastructure. Over the last 5 years, 10 industrial parks can boast investments amounting to US\$ 46.4 million, which allowed to create circa 2000 jobs.

Regional development is an important part of the Association Agreement between Moldova and the EU. The Government has committed to distribute chances for sustainable development throughout the country fairly, as small towns are extremely important elements in promoting economic and social territorially balanced development, particularly due to their role of a link between urban and rural areas.

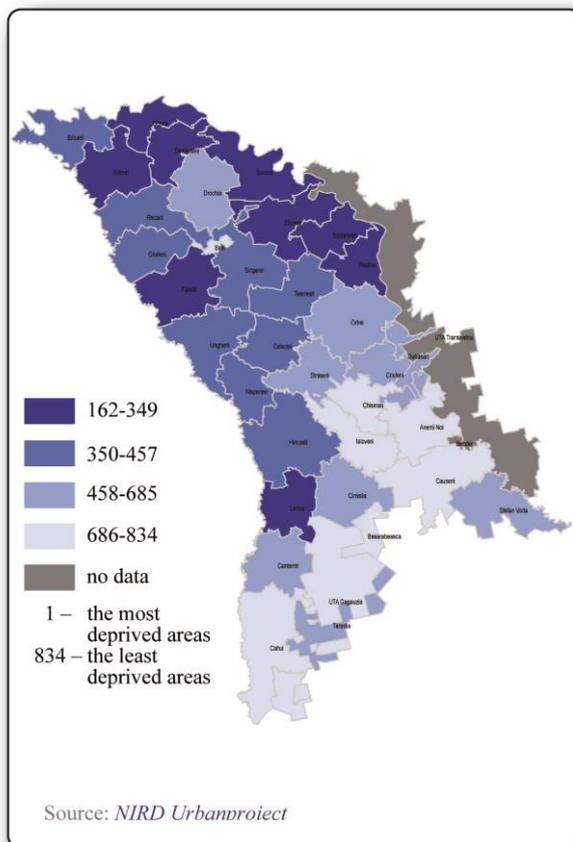


Fig.7. Regional differences in small areas infrastructure deprivation index.

33. Challenges experienced and lessons learnt in urban economy

European Charter of Local Self-Government highlights great importance of the financial autonomy of local authorities. According to the Law on Administrative Decentralization of the Republic of Moldova of 2006, an administrative territorial unit is considered administratively viable if it has material, institutional and financial resources for the management and efficient execution of its responsibilities. The process of decentralization started in 2006 demonstrated that some powers may not be exercised by local government authorities due to their low administrative capacity. Since 2015 some budgeting rules granting greater fiscal autonomy to local government, have changed. *Lack of effective mechanisms to implement the legislation and imperfect management of local public administration financing were the main reasons for slow progress in decentralization policy.*

Setting up an efficient and sustainable mechanism that would facilitate access to financing of housing construction was a challenge for the authorities in Moldova since the early years of independence. Despite numerous attempts this challenge could not be met. Mortgage loans are considered risky; they have an insignificant share on the financial market and are granted on adverse terms. Funding of construction from private capital is also risky and vulnerable to changing circumstances. The involvement of authorities in the problem was minimal and did not change the situation. *A fragile economy cannot provide a sustainable housing financing mechanism unless the state effectively regulates this sector and provides certain guarantees for investments.*

Misbalances and disparities in development of urban and rural settlements, and between the capital city and the regions are obvious in many areas, but primarily in the economic aspect. Many settlements have entered a vicious circle of economic decline and lack of jobs caused backflow migration and degradation of infrastructure elements, and this in turn made it difficult to attract investment into the local economy. Protraction of decentralization and broadening the financial base of local governments, lack of development programs was also detrimental to local economies. The local development policy promoted by the Government in recent years has the overall goal to change this situation. *Local economic development is closely related not only to the economic and social policies, but also to decentralization, regional development, and spatial planning policies.*

The economic crises, and major changes which have occurred in the structure of Moldovan economy with market opening and restructuring of foreign economic relations decreased the demand for labor. The massive emigration of the working population has diminished the effects of unemployment, but has created a challenge for Moldova in terms of demographic trends and economic recovery possibilities. The measures undertaken by the Government to raise the employment level are still limited. However, the successfully implemented programs and projects demonstrate that there are real possibilities to achieve positive results in this area. *Central and local government policies on providing assistance through information and training, and by providing investment guarantees, can substantially contribute to job creation.*

Cities are the engines of economic development process. The problem is that in Moldova, some small towns, as a result of deindustrialization, have lost the functions of economic centers for the adjacent rural areas. They failed to acquire other functions and now have developed uncertain prospects. Economic and social consequences of these developments affect both the towns and rural areas. Sustainable development of settlements cannot be ensured through market mechanisms only. Local communities need development policies that would help them integrate into the national economy.

34. Future challenges in urban economy that could be addressed by the New Urban Agenda

Along with the measures to improve local finance, provided for in the Decentralization Strategy, an important reform to improve the local budgets management - implementation of performance budgeting principles - is underway. Locally, the executive and representative authorities should define strategic development objectives, resources, indicators and the criteria that will determine whether the objectives have been achieved and resources effectively spent. All this should be done with the direct involvement of the authorities concerned from the local government, civil servants from different institutions, broad public and NGOs. Central public administration authorities shall assist by preparing training materials and methodologies, conducting professional development training, providing practical support to the staff involved in budgeting, etc.

Improving access to housing finance is important in terms of ensuring the right to adequate housing, but also for stimulating the construction sector which can create a considerable number of new jobs. Resolute action need to be taken to improve the legal framework for housing to make the finance mechanisms more effective. Institutional capacity in the housing sector also needs strengthening. *In this sense the initiative to create a National Housing Agency which will aim at developing and delivering programs to fund affordable housing construction, including with funding from the state budget, can be promoted.*

The possibility of creating a specialized bank supported by the state, which would provide loans for housing renovation and construction of new housing needs to be considered. The bank could propose a model of bank deposit that would motivate individuals to store personal savings to then turn them into housing loans. An option for housing owners associations could be paying the maintenance fees to a savings bank specialized in construction, which in turn would provide loans for housing renovation and energy efficiency improvements.

Overall, housing finance mechanisms should pursue:

- extended payment term for the purchased housing;
- lower bank interest rate on housing improvement loans;
- increasing the number of people who can access the financial resources for living conditions improvement.

The policy pursued by MRDC aims at interventions to boost the development of towns and regions that have economic potential and therefore would lead to overall development of the country and countering of disparities. At the same time, it does not intend to limit the development of Chisinau and Balti, and does not supersede other state policies mitigating regional disparities. Both, the Regional Development Strategy 2016-2020, and the Law on Regional Development provide for the need to accelerate the development of towns as "growth poles" that implicitly contribute to the development of regions. At the first stage of regional development policy implementation, the focus was on some social assistance programs which were aimed to assisting disadvantaged areas, while at a later stage the emphasis will be laid on strengthening the efforts to boost growth rates in areas with economic potential.

The strategies and policies of the Government of the Republic of Moldova on labor force have the overall objective to ensure as full, sustainable and productive occupation of labor force as possible, and ensure a decent level of labor remuneration. This goal will be achieved by accomplishing three tasks harmonized with the European employment strategy: increasing the number of jobs; enhancing labor productivity; strengthening social cohesion and inclusion, particularly by combating all forms of discrimination in employment, reducing gender disparities and employment differences between regions. Economic development and facilitating creation of competitive job are the goals set forth by the Government in the National Development Strategy "Moldova 2020", the Government Action Plan

2016-2018 and a set of policy papers aimed at improving business environment, simplifying the regulatory framework of entrepreneurial activity, creating an attractive and predictable investment environment.

The Free Deep and Comprehensive Trade Agreement signed in 2014 between Moldova and European Union provides new opportunities for economic development of settlements in the national economy context. Use of European transport corridors, the cross-border cooperation can help to attract financial and material flows for development projects, including transnational ones.

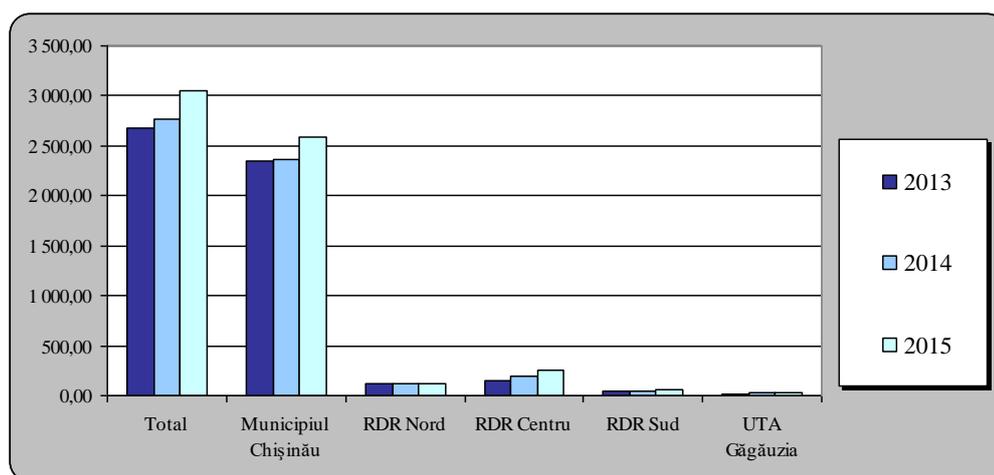
Switching to new development paradigm proclaimed in "Moldova 2020" Strategy will imply investment attraction, development of exporting industries, promoting knowledge-based society, including by strengthening the research and development, innovation and technology transfer oriented towards efficiency and competitiveness. Under these conditions, integration of Moldovan cities into the regional system of economic relations is the main development factor. The local government capacity building policies, the National Regional Development Strategy, local development strategies, special and urban development plans will help to assess the economic potential of the settlements, identify priorities and promote sustainable economic development projects.

VI. HOUSING AND BASIC SERVICES

35. Provision of housing

The right to dwelling is recognized in the Republic of Moldova as a fundamental right that is a part of a person or family's right to decent life. Housing legislation provides for different forms of ownership and tenure, and different construction types. There are minimum requirements set for a dwelling.

Figure 8. Investments in housing construction by areas (million lei)



Source: National Bureau of Statistics

According to statistics, about 1318 thousand dwellings with a total area of 81 million m² existed in Moldova in 2014. About 42% of all dwellings were urban housing stock and about half of it was the housing stock of Chisinau *municipiu*. The number of dwellings per 1000 inhabitants is 370, which is significantly lower than the EU average.

Along with political and economic reforms of the 1990s, publicly owned dwellings were massively privatized by tenants. The *Law on Privatization of Housing Stock of 1993* defined the basic principles

and conditions for the housing stock privatization. The aims of the Law were: (i) to give the citizens the right to choose the way to meet their need for a dwelling, (ii) to ensure the maintenance of the dwelling by those who lived in it, and (iii) to create prerequisites for the formation of the housing market. Currently, the national average rate of privately owned housing reaches 96%, with 99% in rural and 92% in urban areas. Chisinau and Balti have the lowest rates of privately owned housing, 89% and 88% respectively.

There are no informal housing neighborhoods. The system of real estate and property rights registration covers the whole country. There are procedures for approving construction of new buildings and reconstruction of the existing ones, and technical supervision services are available at central and local levels, aimed at maintaining legality, safety and sanitation requirements. In the period 2012-July 2015 the State Construction Inspection detected 2068 cases of unauthorized construction, including 1058 cases in Chisinau. This figure includes 27% of new buildings, 39% of annexes and ancillary spaces, 34% of re-developed premises. The identified cases are dealt with in court, and penalties are imposed.

Suburban neighborhoods of holiday homes with small agricultural plots of 600 m² are a phenomenon specific to Moldova. Such neighborhoods appeared in 1987-1991 following the decision of the Soviet authorities' to distribute land outside cities and towns to encourage residents to practice gardening for their own needs. Some of these constructions, initially intended as vacation accommodation, gradually turned into permanent lodgings. Where possible, such neighborhoods are assigned the status of a part of the nearby village and thus are included in the administrative, social and technical network.

Over the past 12 years, the housing stock has grown by about 8%, at a quite slow pace. The number of new dwellings is not enough to replace the housing stock which is to be removed from service for various reasons - disasters, deterioration caused by lack of maintenance.

The problem of substandard housing not meeting minimum requirements persists. According to a survey conducted by UNDP in 2007, about 7% of Moldovan population lived in dilapidated or meagre homes. According to the Ministry of Health, in 2014 the share of population living in dwellings that did not comply with sanitary norms was 5.7% (2013 - 6.7%). MRDC has identified 468 homes with considerably deformed or damaged structural elements in urban areas. Such housing often requires major repairs or has to be demolished, what means that accommodation needs to be found for 772 tenants. Currently, examination of dwellings to determine their compliance with the minimum requirements is done upon request of the tenants or the LPA, usually in relation with some emergencies. A general inventory of the housing stock is needed, at least in urban areas, to assess the needs for renovation and rehabilitation.

36. Improving access to adequate housing

In Moldova there are no approved quantitative indices that characterize the accessibility of housing. However, one should admit that the main obstacle in obtaining adequate housing is the gap between its costs and income of people. It is estimated that in Chisinau the ratio between the cost of a new apartment and the annual income of a family earning two average wages is 7.5: 1. A major crisis in terms of housing availability is avoided due to demographic decline and that most of the population own their dwellings either by inheritance or privatization.

According to statistics, about 20% of average income is spent by Moldovans for maintenance and endowment of housing. This index does not cover the rent paid by people who do not own their dwelling. Although there are no statistics on the rental payments size, it can be estimated at US\$ 150-300 in Chisinau and US\$ 100-150 in other towns, while the average salary is about US \$ 225. Low income of the population explains the limited mortgage financing of housing construction.

The indicator of living space available to population (m^2 / person) has grown during 2006-2014 from 18.9 to 22.6 m^2 in urban areas and from 21.9 to 26.9 m^2 in rural areas. Nevertheless, there are no special surveys or statistics on the number of families living in overcrowded conditions. An estimate based on 2004 census data would suggest that about 11% of families live in poor conditions because of overcrowding. Provision of housing, the quality and availability of housing services is in close correlation with the household income level. For example, 34% of households in the first quintile group (the poorest) live in space-limited conditions – in dwellings with a living area up to 9 m^2 / person. In the V quintile group (with the highest incomes) only 15% of families have dwellings with an area of less than 9 m^2 / person. Running water, sewage system in the dwelling/ house is available to 25% of low-income households (quintile I) only and 80% of high income households (quintile V). A similar situation can also be reported about other services and conveniences.

Another problem is access to adequate housing for people with disabilities. Moldova inherited a large number of apartment blocks built during the Soviet period without any facilities for people with disabilities. Lack of lifts, the small sized bathrooms, high thresholds between the apartment and balcony space are typical factors that make lives of people with disabilities more difficult. In new buildings the situation is better, but the technical standards require further improvements.

Block of flats in Chisinau built under the social housing construction project



Dwelling house with 4 apartments, built in Hancesti town under the social housing construction project



Source: [MDRC](#)

In general, unsatisfactory access to adequate housing for many categories of citizens affects people's lives and creates social problems. There is direct correlation between access to housing and the age of women at first birth, as well as the total number of children. Scarcity of affordable housing, a heavy financial burden and waiting too long before you get it is another reason for emigration.

The problem of accessible housing is visible and is an important issue to address in the state policies. In 2008 the Government issued a special decision "*On free housing for young professionals employed in rural public institutions*". The *National Strategic Program on Demographic Security of the Republic of Moldova for 2011-2025* identifies provision of social housing to people with low and middle income, including young people, families with many children, invalids, the elderly, and homeless, as one of the main objectives. However, due to limited financial possibilities, the objectives of these policies are implemented only partially.

The MRDC estimated the need for social housing (in terms of the *Law on Housing 2015*) being no less than 10626 units, including: 8000 for young families; 2476 for invalids, 50 families with triplets or more children born at the same time. In 2008, the Ministry launched the project on *Construction of social housing for vulnerable families*. The construction is financially supported by the Council of Europe Development Bank and local authorities. In the first phase of the project 4 apartment blocks with 249 apartments were built in different towns of the country, thus housing was provided to no

less than 581 people. In phase II, which began in 2013, a total of 700 dwellings for 2500 people will be built.

37. Ensuring sustainable access to safe drinking water

The Republic of Moldova has a complex legal framework regulating the use of water resources and water supply services. The main authority of the central government which promotes policies on water and sanitation is the Ministry of Environment. Water supply and sewerage services are the competency of the LPA.

Groundwater is the main source of drinking water. Underground sources provide drinking water to 100% of rural population and 30% of urban population, or 65% of the entire population. Among the surface water sources, the most important are the Dniester river, which provides water to 32% of the population, and Prut river providing water to 2.8% of the population.

In 2015 there were 1044 functioning centralized water supply systems, which covered 88% of towns and 40% of villages of Moldova. About 1.8 million people (51.5% of the population) benefit from centralized water supply services, with the biggest share in Chisinau and ATU Gagauzia - 69.0%, followed by the South - 64.5%, Center -41.9% and North – 37.5%. In 2015 specialized water supply facilities delivered 79.5 million m³ of water through their networks, including 57.3 million m³ for the population. On average, it makes 16 m³/ person. During 2010 - 2014 the rate of dwellings having running water increased from 82.8% to 85.6% in towns and from 20% to 29% in villages⁵.

Most of the water supply pipelines are in unsatisfactory technical condition. The typical problems are obsolete equipment, energy inefficiency, lack of automatic control devices. In 2015 the number of technical failures that occurred in the networks was 31 800, by 3000 more than in 2014. Continuity of water supply service in most urban areas is 100%, while in many villages water supply services are provided with interruptions (9-12 hours per day).

Water quality at source is a major problem. The State Public Health Surveillance Service monitors water quality in underground sources - about 3000 artesian wells and more than 112.000 tubular wells and springs, and from the surface sources at 60 checkpoints. Surface waters are monitored by the State Hydrometeorologic Service as well. According to monitoring data, about 44% of Moldova's population has no access to safe drinking water in terms of quality. Virtually, the problem of excessive groundwater mineralization persists across the entire country. Most frequently higher content of fluorine, sodium, ammonium, strontium hydrogen sulphide is detected. Microbiological pollution is also a cause of poor water quality. On average, 9% of control samples collected from water supply systems in rural areas and 16% in urban areas do not meet microbiological parameters of quality.

Financial reliability of water supply services is also an issue. The tariffs for water, approved by the LPA in compliance with the law often do not allow water supply operators to accumulate funds to invest in the rehabilitation and retrofitting. Low tariffs are an impediment to receiving loans for investment, but the decisions on raising tariffs are socially and politically sensitive, given the low incomes of the population.

Improving drinking water supply is a challenge and a priority of the central and local public administration. In 2014 the Government approved *The Water Supply and Sanitation Strategy for the years 2014 - 2028*. Many of the projects carried out in the regional development context including with external assistance, were focused on water supply. 110 new drinking water supply systems were put into operation in between 2013-2014.

38. Ensuring sustainable access to sewerage and basic sanitation

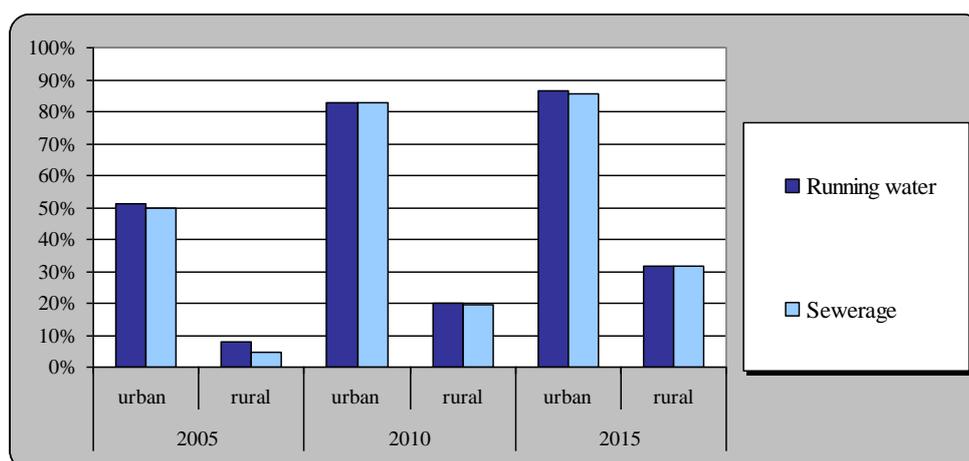
In 2015 approximately 790 thousand persons had access to centralized sewerage services, which is 22.2% of the total population, including 51% in urban areas and only 1.0% in rural areas. The largest

⁵Calculated for the total area of the housing stock

share of the population having access to improved sanitation services is in the North - 23.4%, followed by the Center -10.2%, South - 6.7% and Gagauzia - 2.2%. The total amount of collected wastewater was 67.6 million m³, or 85% of the water delivered through the water supply systems. Wastewater collected from population account for 55.5% of the total. The wastewater treatment plants have treated 63.4 million m³, or 93.8% of collected water.

The problem of wastewater collection and treatment is as serious as the water supply problem. Some sewer systems built in the Soviet times, especially in small towns and rural areas, worked poorly or did not work at all even at the time when just built. The situation worsened even more after a long period of inadequate maintenance and lack of improvements. In 2015 of all water supply systems only 171 were coupled with sewerage systems, of which only 131 were operational (by 10 units more than in 2014). Wastewater treatment plants were available to 103 water supply systems, of which 81 facilities were operational. During the year 17 500 failures occurred at sewerage systems and treatment plants, which was by 900 more than in 2014. One of the technical problems is inconsistency of operating parameters of the old systems with actual conditions. Currently the amount of water consumed and discharged is considerably smaller than the capacity for which the sewerage was built during the Soviet times. The issue of low tariffs that do not allow accumulation of funds for rehabilitation and retrofitting is similar for sewerage and water supply systems.

Figura 8. Endowment of housing stock with utilities (% of the total)



Source: *National Bureau of Statistics*

Lack of sewerage systems and poor operation of wastewater treatment plants within the existing systems affect the sanitary condition of communities and are one of the reasons of environmental pollution, including groundwater. Chisinau municipiu has a serious problem on its agenda, related to the urgent need to retrofit the wastewater treatment plant.

In 2015, the sanitation services were available to approximately 60.7% of urban population and 4.3% of rural population, which accounts for a national average of 28.3%. Solid waste collection services were rendered in 133 communities, including 3 municipalities, 49 towns and 81 villages. Lately, these indices have been growing; nevertheless the problem of waste disposal and storage persists as a difficult one in all settlements. The technological level in the sector is rudimentary. In most cases household waste is collected without being separated at source and is stored on the landfill platforms. In 2015, the total area of landfills was 170.7 ha. About 2.9 million m³ of solid waste (24% more than in 2010) were transported to landfills. About 66% of the total waste is collected from households.

In development policies and plans sewage and sanitation issues are addressed together with the water supply issues. The Water Supply and Sanitation Strategy for 2014-2028, approved by the Government in 2014, contains an analysis of current situation and sets out development objectives for this sector.

39. Improving access to secure and sustainable sources of energy

Virtually all homes in Moldova are connected to power grids. Natural gas from the pipelines is available to 653 000 homes of the total 1.318 thousand. Chisinau and Balti have urban district heating systems providing heat from thermal power stations. In other towns heat supply systems supply heat from local heat plants. Heating of individual homes with gas from the pipeline, or solid fuel is widespread practice. Largely, these energy sources are dependent on energy imports, which in 2014 accounted for 88% in the energy balance of the country. Buildings account for 40% of the total energy consumption, of which 65% is the residential sector.

Access to energy is limited by its cost, the proportion of which is too big for the budget of many families. The average share of heating costs ranges from 15% to 50% of total expenditures of a household. At the same time, most buildings have low energy performance because when they were built (1950-1990) energy efficiency was not a priority.

Improving the energy performance of buildings and increasing the share of local energy in the consumption structure is an imperative for energy and housing policies. Since 2010 Moldova has progressed in energy efficiency regulatory framework and funding. The National Energy Efficiency Program for 2011-2020 set the following general objectives:

- reducing primary energy consumption by 20% by year 2020;
- increasing the share of renewable energy in the gross final energy consumption to 17% by year 2020;
- increasing the share of biofuels to at least 10% of all fuel mix.

The process of adaptation to EU requirements on energy efficiency, which began after 2010, has intensified with the conclusion of the Moldova-EU Association Agreement. The *Law on Energy Performance of Buildings* was adopted in 2014 and *The Law on Promoting the Use of Renewable Energy* was adopted in 2016. Two important institutions were created in 2010 – the Energy Efficiency Agency, responsible for implementing policies on energy efficiency and renewable energy, and Energy Efficiency Fund - a financial instrument in the field, was created in 2012. The MDRC is running a technical standards review program in construction to adjust them to the EU directives on energy performance of buildings. Thus, the tools necessary for concrete action to improve energy performance of existing buildings and better use the existing potential of renewable energy are in place.

The share of renewable energy in the energy balance of the country is growing. In 2014 it accounted for 13.2% in the gross final consumption of energy resources. Biomass is the most widely used renewable energy source for decentralized supply of heat. There are attempts to use solar collectors and photovoltaic systems in the residential sector.

An example of cooperation with EU bodies in financing energy efficiency and improving access to clean energy is the "Residential Energy Efficiency Financing Facility in Moldova" project (MoREEFF). The project is promoted by the EBRD in partnership with a group of local banks. The project provides loans to homeowners, homeowners associations, housing stock management companies, energy service companies and private developers wanting to improve energy efficiency or implement solutions using renewable energy in the residential sector.

40. Improving access to sustainable transport services

The Republic of Moldova has a road, railway, air and waterways infrastructure. There are no settlements that are not connected to public interurban transport network. Intra-urban public transport, more or less developed, depending on the size of the settlement, the demand for service and cost of service, operate in cities and towns. Access to international transport networks is also ensured. Passenger transport at national and local level is dominated by buses. In Chisinau and Balti trolleybuses are widely used.

The transport services market enables the activity of both private companies and municipal and state enterprises. Public and private carriers operate based on the legislation on entrepreneurship, and special regulations, such as the *Law on Transport of 1997, the Motor Transport Code of 1998, Regulation on road transport of passengers and luggage, approved by the Government in 2006*, regulations issued by LPAs. The Ministry of Transport and Roads Infrastructure approves tariffs for inter-urban travels. Local public authorities regulate the activity of the urban public transport, and set the tariffs.

Moldovan carriers provide relatively good quality services on international air lines and on land. However, local transport services are of unsatisfactory quality. Former freight vehicles re-equipped in small capacity buses are widespread. Overcrowding and passengers in excess of the vehicle allowed capacity are frequent. Transport services are hardly accessible for the elderly, children and people with disabilities. This is demonstrated by statistical data showing that persons with disabilities use urban transport 2 times less than the rest of the population.

Transport involves high risks. A total of 3401 people were killed in accidents during the period of 2007-2014, when 2400-2900 accidents produced annually. Although in recent years the number of accidents and deaths decreased, road safety continues to be a problem. 269 people died in road accidents in 2015, what makes 7.6 cases per 100000 inhabitants.

The fares in urban public transport (about US\$ 0.1 in trolley buses and about US\$ 0.15 in buses) correspond to the payment capacity of low-income citizens, but do not allow the transport companies to get the funds needed for development. The need to bring the tariffs to profitability level is a sensitive topic for political discussion. At the same time, lack of reforms is expensive: in the period of 2011-2014 Chisinau spent over 1 billion lei (about US \$60 million) to keep alive the current system of public transport.

Transport issues are on the agenda of central and local authorities. In 2013 the Government approved the *Transport and Logistics Strategy for the years 2013-2022*, with an overall objective to ensure efficient transport services to support the mobility needs of citizens.

41. Challenges experienced and lessons learnt in housing and basic services

Overall, the right to housing is honored in Moldova. Most families own or rent their home. The real estate market and the system guaranteeing property rights are in place. There are no crisis elements in terms of provision of housing. In the early 1990s of last century devolution of the state owned urban housing stock into private property was a challenge for Moldova. The apartments were privatized in a short time by the tenants at a low price. The results of the reform were ambiguous. On the one hand, tenants have become owners and thus proper maintenance of the apartments was ensured, on the other hand, the associations of homeowners of privatized housing stock proved a very poor self-organization capacity. The financial viability of these associations is jeopardized by the refusal of some of its members to participate in joint expenses. *The lesson learned is that the transfer of responsibilities from the state to the private sector is a complicated process that requires careful preparation, and the state should retain some regulatory functions in the homeowners associations' activity.*

If access to housing is considered in terms of compliance with the UN criteria of adequate housing, it appears that most of Moldovan population lives in inadequate housing:

- many households, especially in rural areas, do not meet the requirements for access to safe water, sanitation, waste disposal systems;
- most often people with disabilities cannot benefit of housing adapted to their needs;
- a great number of homes, especially in rural areas, are isolated from employment opportunities, social service, or are located in contaminated or dangerous areas.

The main obstacle in access to adequate housing is poverty. Statistical data demonstrate that along with the poverty rate which decreased from 30.2% in 2006 to 11.4% in 2014, the level of endowment with utilities increased proportionally and living conditions have improved.

Provision of socially vulnerable groups and young families with adequate housing has been and remains a challenge. Although steps have been taken to overcome this problem, the demand cannot be satisfied due to lack of necessary resources. There are arrears in ensuring equality and social inclusion in access to adequate housing for people with disabilities. Recent amendments to legislation on construction of housing will allow widening social housing construction programs. *Although the main way to improve access to adequate housing is economic development and higher incomes of households, state intervention is needed to help vulnerable social groups.*

Provision of population with water of appropriate quality and sanitation services are some of the most pressing problems in Moldova. Over several decades, both in Soviet times and in the years of independence no solutions were found to radically change the situation. Construction of artesian wells and aqueducts cannot be a viable solution due to unfavorable chemical characteristics of groundwater. Access to drinking water of adequate quality can be improved through the development of integrated water supply and sewage systems for groups of communities with common drinking water treatment and wastewater purification plants. This is a solution that requires major investment. While investments to build water and sewer systems in small communities are costly, they can have high social impact. The microbiological characteristics of water in tube wells can be improved once soil and water pollution is reduced. The problem is further aggravated by faulty collection and processing of waste. The statistics show that the area occupied by landfills decreased by 67.93 ha in 2014 compared to 2009. Despite this improvement, sanitation of settlements and urban waste management remains a challenge. *Water supply and sanitation are directly connected with a multitude of challenges related to regional development, environmental protection, and sustainable economic growth.*

High energy intensity of Moldovan economy, almost total dependence of the national energy-system on external energy sources, energy prices fluctuations are factors that determine the importance of energy efficiency and use of renewable energy sources. Besides, Moldova will have to take into account changes occurring in energy efficiency and renewable energy internationally, fulfilling its international commitments to promote alternative energy sources, and at the same time responding to internal challenges: energy security and affordability of energy tariffs for the population and sectors of national economy. *Moldova has responded to the challenges in the energy sector and has progressed in preparing the legal and institutional framework to capitalize on the benefits of energy efficiency improvements and use of renewable energy sources.*

Moldova's population has access to transport services, but the quality of these services is not satisfactory. The poor quality of transport services results in limited access to transport services for persons with disabilities, limited access of rural population to urban services and labour market, and a big number of traffic accidents. *Modernization of transport services remains a challenge.*

There are differences in the level of basic infrastructure development between regions and settlements. According to SADI, the infrastructure problem is deeper in the North development region, with 7 of the 10 most deprived districts by infrastructure criterion. Within the regions differences between districts and settlements can be noticed.

42. Future challenges in housing and basic services that could be addressed by the New Urban Agenda

Provision of housing and basic services is closely linked and is even the outcome of the whole set of sustainable development policies. The New Urban Agenda will be linked to the strategic objectives in the political, economic, social and environmental areas, with Moldova's commitments under

international agreements. *The housing and basic services provision policies will be based on the human rights principles promoted by the UN such as the right to adequate housing, and on the adequate housing evaluation criteria regarding possession guarantee, availability of utilities and services, access to services, affordability.*

The opportunities offered by the Moldova - EU Association Agreement will allow adapting the solutions proved by the experience of European states to Moldovan conditions. The legal framework on housing, which is already quite consistent, will be improved to provide for the declared principles and objectives implementation mechanisms, which would provide for rational delimitation of vertical and horizontal functions and responsibilities within the public administration, establishing mechanisms for institutional and dialogue bridging with stakeholders from civil society and business environment.

Housing policies take into account the data and conclusions from the studies and analytical reports produced lately in the housing sector, especially the "*Country Profile on Housing and Land Management*" drafted in 2015 by the UN Economic Commission for Europe. Accomplishment of proposed goals will require capacity building of central and local government subdivisions, which are responsible for strategic planning and implementation of concrete projects in the field.

Improving the standards and technical regulations on housing and general inventory of the housing stock are the two actions that should be highlighted among the numerous technical measures to ensure policies implementation. New technical regulations should ensure implementation of energy efficiency requirements in the residential sector and meet the specific needs of people with disabilities. General inventory of the housing stock will provide a database on:

- technical condition of buildings and compliance with safety requirements regarding risks in case of natural disasters (earthquakes, floods, landslides);
- compliance of housing and utilities with technical and sanitary requirements, energy efficiency standards;
- quality of buildings management and the risk of degradation as a result of poor maintenance.

The methods and terms of the inventory will be correlated with the objectives of policies concerning social housing, improving the energy performance in residential blocks, local socio-economic development strategies.

Securing sustainable drinking water and sanitation services will remain a major challenge for the coming years. Moldova is ranked in the category of countries with scarce water resources (available only 500 m³ per capita per year). These resources are susceptible to climate change, both in terms of quantity and quality of water. It is estimated that the resources of surface waters will decrease by 16-20% by 2020 and this will jeopardize water supply safety. Resolute and consistent actions are needed to develop water supply systems to include modern drinking water treatment and wastewater treatment plants, as well as policies to streamline water consumption, and separate consumption of process water and drinking water. *The Water Supply and Sanitation Strategy for 2014-2028* provides that the requirements towards improving the effective and realistically costed water supply and sanitation services will be met by:

- accomplishing the Millennium Development Goals targets for safe drinking water of at least 65% of the population by 2020;
- accomplishing the MDGs targets to connect 65% of the population to sewerage systems by 2025 at the latest;
- implementation of water safety plans and compliance with the quality requirements of the Directive 98/83 / EC on water intended for human consumption;
- progress in implementing the urban wastewater treatment in accordance with the requirements of Directive 91/271 / EEC.

Access to safe and sustainable energy sources, improving energy performance of buildings will remain a challenge for a long time and a permanent concern of central and local public administration

authorities. The strategic objectives are: increasing energy security, long-term energy development focused on environmental protection and climate change mitigation. Among sectorial targets the following can be highlighted:

- implementing energy labeling of energy-related products;
- creating the necessary legal framework for ESCO companies and implementing energy performance contracting;
- creating incentive mechanisms (legal, financial) for the construction of buildings with almost zero energy consumption (nZEB);
- achieving 20% of RES in the energy consumption balance by 2020.

Regional development projects will be among the tools to promote these policies.

The main challenge concerning transport services, especially in Chisinau, is to integrate transport issues in a complex vision of urban mobility which would underlie optimization and development decisions. A broad view of the issue will include cardinal reorganization of the capital city transport system by constructing new elements of transport infrastructure in accordance with urban plans.

Alleviation of regional gaps on SADI by services infrastructure criterion should be a general objective of the regional development policies, as well as of strategies and sectorial plans for each type of service.

URBAN INDICATORS

Urban indicators	1996	2006	2014
Percentage of people living in slums	0	0	0
Percentage of urban population with access to adequate housing (estimates)	75.5	78.2	86,1
Percentage of people living in urban areas with access to drinking water	77.2	79.3	86,6
Percentage of people living in urban areas with access to adequate sanitation	75.5	78.2	86,1
Percentage of people living in urban areas with access to regular waste collection	No data	57,5	60,7
Percentage of people living in urban areas with access to domestic clean energy*	100	100	100
Percentage of people living in urban areas with access to public transport	100	100	100
The level of effective decentralization for sustainable urban development measured by:			
- percentage of policies and legislation on urban issues the wording of which was formulated with involvement of local and regional governments since 1996 until now;	100	100	100
- percentage of revenues and spending on local and regional governments from the national budget;	No data	26.9/28.2	26,1/25,6
- percentage (share) of local spending funded from local revenues.	No data	58.7	41,3
Percentage of towns, regional and national authorities, that have implemented urban policies supporting local economic development and creation of decent jobs and livelihoods	9	22	45
Percentage of towns and regional authorities that have adopted or implemented policies and strategies on urban safety and security	11	32.7	65,5
Percentage of towns and regional authorities that have implemented plans and projects for sustainable and resilient towns, to be included and to adequately respond to urban population growth	11	32.7	65,5
The share of Gross Domestic Product (GDP) which is produced in urban areas	No data	No data	No data

Note: Statistics on access of population to domestic clean energy are not available. The table shows the percentage of people having access to secure and sustainable energy sources.

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⁶The list is drawn up in the order of the data use or the document's reference in the Report.

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