



# Local Government in Moldova

## Responses to Urban-Rural Challenges

edited by

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NALAS - Network of Associations of Local Authorities of South East Europe  
with the support of the Congress of Local Authorities of Moldova (CALM)





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# 1. The System of Local Government in Moldova

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## Types of Local Governments

The Republic of Moldova is organized in *rayons*, cities, villages and the Autonomous Region of Gagauzia. The administrative and territorial organization of the country is based on two levels: villages (communes), sectors (of the Chisinau municipality) and cities (municipalities) constitute the first level; *rayons*, Chisinau municipality and Balti municipality constitute the second level. Chisinau municipality is the capital city of the country and its status is regulated by the organic law. Urban localities are classified on four ranks according to a list of indicators that describe their level of social and economic development. Cities that meet specific requirements established by law could be assigned with the status of a municipality.

A total number of 32 *rayons* and 1495 localities (from which 32 are part of the Autonomous Region of Gagauzia) exist in Moldova (excluding the breakaway Transnistrian Region of Moldova). From the total list of localities, 66 are urban localities, including 53 cities and 13 municipalities and 832 are rural localities. 597 localities do not have own administration as they are part of a bigger administrative entity.

## Legal Status of Local Governments

In fulfilling their competences, the local public administration authorities have autonomy, enshrined and guaranteed by the Constitution of the Republic of Moldova, the European Charter of Local Self-Government and by other treaties to which the Republic of Moldova is a party. According to Article 109 of the Constitution of the Republic of Moldova, 'public administration in the administrative-territorial units is based on the principles of local autonomy, decentralization of public services, eligibility of the local public administration authorities and consultation of citizens in the local issues of special interest.'

The public administration authorities, through whom local autonomy is exercised in villages and cities, are the elected local councils and the elected mayors. Local councils and mayors act, under the conditions of the law, as autonomous administrative authorities and manage public affairs of villages and cities. The *rayon* council coordinates the activity of the village and city councils in order to realize the public services of district interest. The *rayon* council is elected and functions according to the law.



The relations between the local public authorities are based on the principles of autonomy, legality and collaboration in solving common problems. In order to ensure local autonomy, the local public administration authorities elaborate, approve and manage autonomously their budgets and have the right to implement local taxes and to establish their amount according to the law.

## (A) Symmetry of the Local Government System

For the first-level local authorities, the following own fields of activity are established:

- urban planning and management of green areas of local interest;
- collection and management of household waste, including the cleaning and maintenance of land for their storage;
- distribution of drinking water, construction and maintenance of sewage and wastewater treatment systems;
- construction, maintenance and lighting of local public streets and roads, local public transport;
- arrangement and maintenance of cemeteries;
- administration of goods from local public and private domains;
- construction, management, maintenance and equipping of pre-school and out-of-school institutions (nurseries, kindergartens, art schools, music);
- development and management of urban gas and heat distribution networks;
- cultural, sporting, recreational and youth activities, as well as the planning, development and management of the infrastructures necessary for these types of activities;
- arranging agricultural markets, commercial spaces;
- carrying out any other measures necessary for the economic development of the administrative-territorial unit;
- establishment and management of municipal enterprises and organization of any other activity necessary for the economic development of the administrative-territorial unit;
- the construction of houses and the granting of other types of facilities for the socially vulnerable population, as well as for other categories of the population;
- organization of territorial services (stations) of rescuers and firefighters, contributing, in accordance with the law, to the protection of the cultural heritage and monuments in the administered territory.

For the second-level local public authorities, the following own fields of activity are established:

- administration of assets in the public and private areas of the district;
- planning and administering the construction, maintenance and management works of some public objectives of *rayon* interest;



- construction, administration and repair of the roads of district interest, as well as of the road infrastructure;
- organization of passenger car transport, administration of buses and car stations of *rayon* interest;
- establishing a general framework for the development of the territory at *rayon* level and the protection of the forests of *rayon* interest;
- supporting and stimulating the initiatives regarding the economic development of the administrative-territorial unit;
- elaboration and implementation of the projects of construction of the interurban gas pipelines (including the medium pressure gas pipelines), of other thermo-energetic objectives with local destination;
- maintenance of primary schools, kindergartens and high schools, vocational secondary education institutions, boarding schools and boarding schools with special regime, other institutions in the field of education that serve the population of the respective district, as well as other methodical activities from the field;
- administration of cultural, tourism and sports institutions of *rayon* interest, other cultural and sporting activities of *rayon* interest;
- administration of municipal enterprises of district interest;
- administration of social assistance units of district interest;
- development and management of community social services for socially vulnerable categories, monitoring the quality of social services;
- contribution, under the conditions of the law, to the protection of the cultural heritage and monuments in the administered territory.

Local public authorities of the first and second levels, within the limits of the law, have full freedom of action in the regulation and management of any matter of local interest which is not assigned to another authority. Other competences specific to the local public authorities can only be assigned to them by law.

The competences pertaining to the central public authorities can be delegated to the local public authorities by the first and second levels, respecting the criteria of efficiency and economic rationality. The delegation of powers may be performed by the parliament. The delegation of powers may concern all local public authorities of the first and second levels (general delegation) or only some local public authorities. The delegation of powers shall be accompanied by the provision of the necessary and sufficient financial resources for their realization.

## Political and Social Context in Moldova

The resident population of the Republic of Moldova at the beginning of 2019 was 2.68 million, decreasing by 1.8 per cent compared to the same period of 2018. The main reason for the



decrease in the number of the resident population is negative net migration that increased from –24,600 people in 2014 to –48,600 people in 2018. As far as internal population movements are concerned, about 57 per cent of the population lives in rural areas. According to the 2014 census, about 17 per cent of the population lives in the capital city of the country, Chisinau municipality.

The general local elections, the 7th electoral exercise since the proclamation of the independence of the Republic of Moldova, took place in 2019 throughout the territory of the country, including in the localities of Gagauzia, except for the settlements under the control of the unrecognized administration in Transnistria. The highest number of mayors come from the social-democratic Democratic Party of Moldova (261), the former ruling party of Moldova, followed by the Party of Socialists of the Republic of Moldova (206) that are currently governing the country and representatives of the opposition electoral block ACUM (172) and SOR party (43). A total number of 112 city halls are led by independent candidates and a remaining 99 city halls are led by extra-parliamentary political parties.

## References to Scientific and Non-Scientific Publications

Constitution of the Republic of Moldova, 1994

Law no 764/2001 on Administrative-Territorial Organization of the Republic of Moldova

Law no 435/2006 on Administrative Decentralization

Law no 436/2006 on Local Public Administration





# Local Responsibilities and Public Services



## 2.1. Local Responsibilities and Public Services in Moldova: An Introduction

*Viorel Girbu, Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

Moldova has developed framework legislation that guides the regulation of the local authority's competencies in accordance with the principles specified in the European Charter of Local Self-Government. Article 1 of the Law on Administrative Decentralization in Moldova guarantees that local public authorities have the right and the effective capacity to regulate and manage, according to the law, an important part of public affairs under their own responsibility and in the interest of the local population. In this regard, the process of administrative decentralization is guided by the principles of subsidiarity, equity among local authorities, correspondence of resources with competences, financial solidarity, institutional dialogue, partnership, and responsibility of local authorities.

The current process of developing the regulatory framework tends to build a system of attributions/transfers of competencies between central administration and local authorities, characterized by functionality, clarity, stability, correlation with available resources and administrative capacity of the local public authorities (LPAs). The aim is to provide public services in an unrestricted (improved access), efficient (as low costs as possible) and effective manner (according to the needs and requirements of beneficiaries, including vulnerable groups), ensuring a minimum level of service quality.

As a rule, decentralized competencies, such as those relating to urban planning and management, maintenance of educational institutions and activities in the cultural and social protection domains, management of the municipal enterprises, and passenger car transport, are those responsibilities that are transferred to LPAs, to provide public services according to the specific local needs and preferences of the beneficiaries. In this situation, LPAs should enjoy autonomy in the management and provision of these competencies – central public authorities should no longer use direct management and decision tools, but only indirect tools such as the development of specific public policies, mandatory quality standards, the provision of incentives and penalties (especially financial), monitoring, control, law enforcement and evaluation.

In reality, however, the implementation of the principles contained in the Law on Administrative Decentralization is not straightforward. Many, if not all the problems in this respect stem from the historical inheritance of a very fragmented system of LPAs at the communal level, a fragmentation which has been compounded by high levels of both emigration and internal migration. This has left many communes extremely small and with limited resources and capacities. Indeed, despite a symmetric decentralization model, many rural local governments are not able to provide many of the services they are responsible for,



according to the nomenclature of local responsibilities. Notably, the provision of services related to the collection and management of household waste, including sanitation and maintenance of landfills; water supply distribution, construction and maintenance of sewerage and wastewater treatment systems; construction, maintenance and lighting of local public streets and roads; local public transport is mostly lacking in the vast majority of rural LPAs and only partially available in the urban-type LPAs in Moldova. 'This situation is mainly due to limited progress in the area of financial decentralization and overall limited level of the financial resources managed by the LPAs. In 2018 over 54 per cent of the state budget revenues in Moldova were destined for transfers to other components of the National Public Budget (BPN). Local budgets are highly dependent on transfers from the state budget, with over 70 per cent of local budget revenues in 2017-2018 coming from these transfers.'<sup>1</sup>

Though all of the public services and competences of the LPAs are part of the same list approved by law, the actual degree of local decision-making autonomy differs for each competence. A major criterion that influences the level of the competences exercised by LPAs is the source of funding for the service delivery. As a result, and particularly with respect to social sector functions, most public services are managed hierarchically and are still very centralized according to the secondary legislation. A recent assessment on the progress of decentralization in Moldova points on the fact that '[a]lthough the reform of local public finances started in 2013 aimed at implementing a mechanism for forming local budgets that would increase the degree of financial autonomy of local public authorities, in the period after the reform there was an opposite trend.'<sup>2</sup>

In the social domain the education sector is achieving best performance from the perspective of service access. The access to education has a relative uniform coverage throughout the territory of the country. This is possible because of the significant financial support provided from the central budget in form of categorical grants and high involvement of the central authorities in the overall management of the sector. However, the situation limits the degree of control by LPAs over the service provision that is in reality a deconcentrated service rather than decentralized competence of the LPAs.

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<sup>1</sup> Dumitru Budianschi, 'Autonomia financiară în Republica Moldova: evoluția veniturilor bugetelor locale' (Expert-Grup 2019) <[https://www.expert-grup.org/media/k2/attachments/Autonomia\\_financiara\\_in\\_Republica\\_Moldova.pdf](https://www.expert-grup.org/media/k2/attachments/Autonomia_financiara_in_Republica_Moldova.pdf)>.

<sup>2</sup> Expert-Grup, 'Reforma descentralizării - spre centralizare: în perioada anilor 2016 – 2018 dependența autorităților locale de transferurile de la bugetul de stat a sporit, iar autonomia financiară s-a diminuat' (*Expert-Grup*, 26 June 2019) <<https://www.expert-grup.org/ro/activitate/comunicate-de-presa/item/1824-reforma-descentralizarii-spre-centralizare-in-perioada-anilor-2016-2018-dependenta-autoritatilor-locale-de>>.



## References to Scientific and Non-Scientific Publications

### Legal Documents:

Law no 764/2001 on Administrative-Territorial Organization of the Republic of Moldova

Law no 435/2006 on Administrative Decentralization

Law no 436/2006 on Local Public Administration

### Scientific and Non-Scientific Publications:

Budianschi D, 'Autonomia financiară în Republica Moldova: evoluția veniturilor bugetelor locale' (Expert-Grup 2019) <[https://www.expert-grup.org/media/k2/attachments/Autonomia\\_financiara\\_in\\_Republica\\_Moldova.pdf](https://www.expert-grup.org/media/k2/attachments/Autonomia_financiara_in_Republica_Moldova.pdf)>

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## 2.2. The Regulation and Financing of Local Responsibilities in the Education Sector

Viorel Girbu, *Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

### Relevance of the Practice

Social sector spending accounts for about two-thirds of total public expenditure in Moldova. Aside from spending on social benefits and health insurance, where financial resources are managed through specialized entities that have centrally determined budgets, much social spending is made from the budgets of the first and second-tier Local Public Administrations (LPAs). In 2019, spending on education represented 17.1 per cent of total public expenditure, with 14.8 per cent coming from local government budgets.

Financing social welfare represents a significant part of the total amount of the resources allocated to local budgets, but most of the spending (approx. 80 per cent in 2019) is for education. Mainly spending on education in local budgets is financed from categorical grants allocated by the national government. Majority of spending on education comes from *rayon* budgets. Nonetheless, 25 per cent of total spending on education comes from cities/commune budgets.

From this perspective, the management and financing of local government responsibilities in education constitute a major part of local government responsibilities and budgets and is therefore at the core of the urban-rural divide and interplay in Moldova. The practice is related to the other report sections in that it addresses issues of financing local authorities and the territorial and administrative organization of local governments.

### Description of the Practice

Moldova has two tiers of LPAs, municipalities, cities and communes (first-tier) and Chisinau and Balti municipalities, and *rayons* (second-tier). The degree of decision-making authority with respect to education functions differs significantly between them. Preschool education is an own responsibility for first-tier LPAs (cities, communes) and is financed from the conditional grants transferred from the central budget, while following tiers of the general education domain are a responsibility of the second-tier LPAs (*rayons*) and are also financed from conditional grants received from the state budget. Communes play a limited role in education, contributing whatever they can from their limited own revenues and are responsible for the



management of the education facilities. The situation with *rayons*, however, is different. The role of *rayons* with respect to education is perhaps best characterized as one of being representatives of the national government at the local level: *Rayons* allocate categorical grants provided by the national government for the provision of the education services at the local level. The management of the institutions responsible for the provision of the general education public services, including preschool units, is appointed by the *rayon* level authorities. *Rayon* authorities retain also competencies in the distribution of the conditional grants allocated for the capital investment of the education sector facilities. The mechanism of allocation of the funds for the capital investment required for the development of the facilities in the educational sector is also a tool for the reconfiguration/optimization of the educational sector network of institutions. Localities that reduce the number of educational sector facilities gain more for the investment in the development of remaining educational sector facilities. As such *rayons* are effectively responsible for ensuring that the policies of central authorities are realized by the organizations (e.g., schools) that provide educational public services at the local level.

The Law on Administrative Decentralization establishes that in education, first-tier LPAs are mainly responsible for the maintenance and development of the physical infrastructure. In this sense, cities and communes are responsible for the construction, management, maintenance and equipping of preschools and extracurricular institutions (nurseries, kindergartens, art schools, music). *Rayons* – which are significantly larger than communes – are responsible for the management of social affairs of *rayon* importance at the local level and in particular for education sector. According to the law, second-tier LPAs are responsible for the maintenance of primary schools and primary schools-kindergartens, gymnasiums and high schools, vocational secondary education institutions, boarding schools and boarding schools with special programs, other educational institutions serving the population of the district. They are also responsible for the administration of social assistance units of district interest; the development and management of community social services for socially vulnerable categories; and for monitoring the quality of social services.

Current management of social sector functions at the local level remains influenced by historical practices that differ significantly from the spirit of the Law on Administrative Decentralization. The national government still controls the standard structure and functioning of all schools and educational institutions through framework legislation. Categorical grants for preschool education are provided to local governments on historical patterns and not on any type of per pupil formulas. Historical spending is based on the amount of the spent resources in the previous year adjusted to the inflation rate and relevant changes in the legislation, leading to significant disparities among localities. Introduction of a per child formula could improve efficiency in the usage of the financial resources in this domain and avoid any political interference in the allocation of funds. A per pupil formula, governing the allocation of conditional grants for primary and secondary education, was introduced in 2014.



The main function of the *rayon* departments concerned with both education and social protection is the implementation of the policy set by the national government. For example, according to the information that can be found on one of *rayon's* web page: 'the Education Department is subordinated to the Ministry of Education in administrative and scientific plan - didactic, and to the district council - in matters of financial and material insurance.' This sentence reflects the state of decentralization in Moldova: Social sector competences are mainly delegated to *rayons* whose councils have some authority with respect to the maintenance and improvement of physical infrastructure, but whose functional departments are directly subordinated to the Ministries of education and social protection. As such, *rayon* governments in the social sector essentially play the role of deconcentrated units of the national government and are fully responsible for managing the grants and transfers provided to them by the national government.

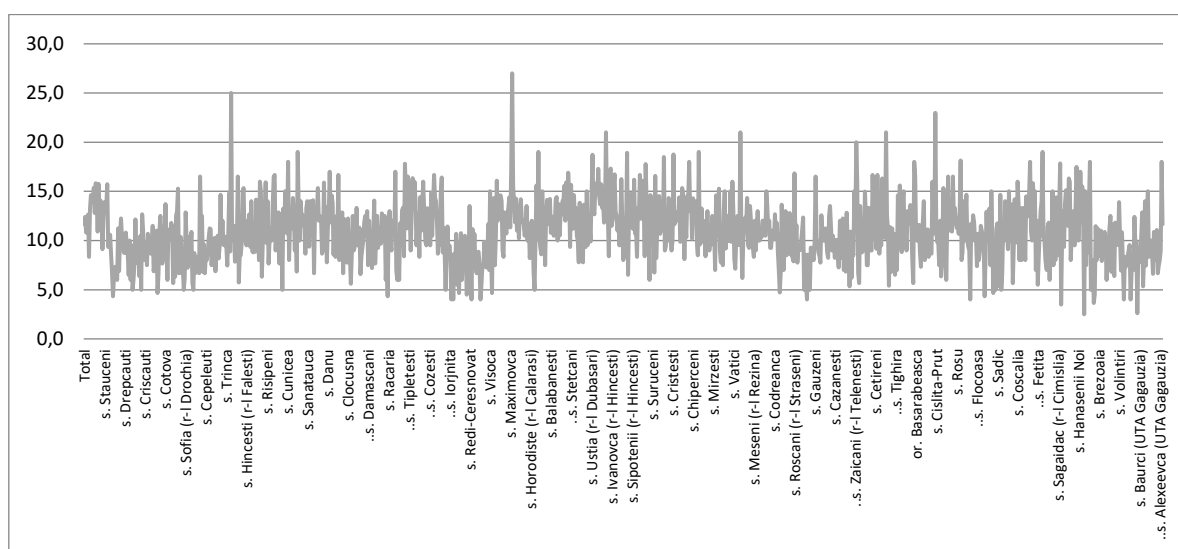


Figure 1: Average Class Size in Preschool Education in Moldova (preschool pupils per educator)<sup>3</sup>

The centralization in the policy promotion in the pre-school education area still does not contribute to homogenization of the provided public services. Despite Moldova has recently adopted a per pupil formula for the allocation of funding for primary and secondary education, still there are significant disparities across the country in terms of access and quality of education and specifically in the preschool education sector. These disparities are further exacerbated by strong demographic changes and social and economic developments of the past three decades across the country leading to different challenges faced by urban and rural localities. For instance, mainly urban localities are characterized by larger class sizes. This is certainly the case in the Chisinau municipality. Urban municipalities are also those who manage the higher amounts of own revenues for the financing of the educational sector. There are wide disparities across the country in terms of staffing patterns and pupil/teachers' ratios, as

<sup>3</sup> Data from the National Statistics Bureau.



shown by the figure above. In 2019, average preschool class size ranged from 2.5 preschool pupils per educator (teacher) to 27 preschool pupils per educator.

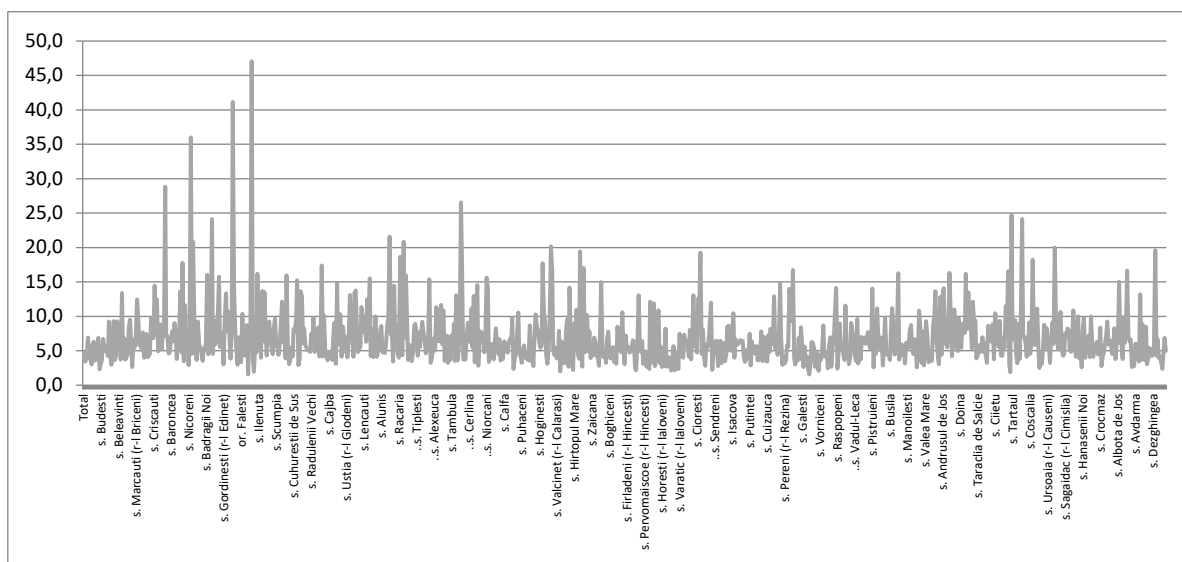


Figure 2: Class room surface per student in primary and secondary education.<sup>4</sup>

Like in the case of preschool education, there are high disparities among localities across Moldova in terms of classroom surface per student in primary and secondary education, with the indicator ranging from 1.6 m<sup>2</sup> to 47.1 m<sup>2</sup> per pupil, as shown in the figure above.

## Assessment of the Practice

Despite of the provisions of the framework law on administrative decentralization, decisional and financial autonomy of first-tier LPAs (communes) in education is limited. The content of the relevant secondary legislation follows the historical institutional mechanism in the provision of public services at the local level. This tradition rests on a high level of centralized decision-making. The process of administrative and financial decentralization in Moldova is hindered by the high fragmentation of LPAs and the resulting limited capacity of communes to manage public services in the social domain, specifically in rural localities. Improving the financial autonomy of first-tier LPAs, fostering voluntary amalgamation and enforcing cooperation among them for the final benefit of the citizens is the major precondition in order to achieve progress in the area of decentralization of social sector responsibilities in Moldova.

There are also deficiencies in part related to (the lack of a) clear division of competencies between central and local administration and within the two tiers of local governments themselves. A 2019 report<sup>5</sup> evaluating the education sector in Moldova finds that '[t]he

<sup>4</sup> Data from the National Statistics Bureau.

<sup>5</sup> UNICEF, 'Comprehensive Education Sector Analysis' (2019).





mandates of central authorities, local public authorities (LPAs) and educational institutions are not clearly defined, which leads to confusion especially regarding decentralized levels'. The same report finds that 'there is a high level of inequality between urban and rural areas in terms of access to education'.

The high emigration rate and internal migration, specifically for the rural communities is also exercising a significant influence on the educational sector. Enrolment in schools has decreased significantly in the general education system, but especially in rural schools. Optimization of the school facilities network has a positive effect, but the optimization efforts are outweighed by quick population decline, leading to increasing inefficiencies.

## References to Scientific and Non-Scientific Publications

Legal Documents:

Law no 435/2006 on Administrative Decentralization

Scientific and Non-Scientific Publications:

UNICEF, 'Comprehensive Education Sector Analysis' (2019)



# Local Financial Arrangements



## 3.1. Local Financial Arrangements in Moldova: An Introduction

**Viorel Girbu**, *Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

At first glance Moldova has a highly decentralized public sector with second and first level local authorities responsible for preschools, primary and secondary education, social assistance etc. Local governments in Moldova are responsible for about a fourth of total public revenue, the highest levels in South-East Europe. However, this picture may be misleading. In practice, the central government and its deconcentrated structures continue to hold substantial decision-making powers over local functions and finances. Considering that freely disposable grants and local own revenue together constitute about a fourth of total local revenues, most local governments' functions, besides being severely underfunded, remain de-facto delegated, rather than decentralized.

Given the significant (delegated) responsibilities that Moldovan local governments have to carry out, the budgetary system in Moldova is dominated by intergovernmental transfers. The current framework for own local government revenue mobilization remains largely ineffective because it provides little incentives to local governments for improving revenue collection. The educational sector receives the lion's share of the intergovernmental transfers (77 per cent). Other local government functions, although quite expensive, like the collection and management of household waste, including sanitation and maintenance of land for their storage, or, water supply, construction and maintenance of sewage and wastewater treatment systems, do not get any significant financial support from the state budget.

Shared tax revenues are allocated directly to local governments based on the residence of the employer, in different proportions: 100 per cent for villages, cities (excepting capital cities of *rayons*) and municipalities (excepting Chisinau and Balti); 50 per cent for the capital of Moldova - Chisinau municipality, Balti municipality and cities and municipalities that are also capital cities of a *rayons*; 25 per cent for *rayons*.

The remaining part of the shared tax revenues is withheld and transferred to the Balancing Fund,<sup>6</sup> which is the source of the General-Purpose Transfer received by local governments. Both, cities and villages (Local Public Administration level 1 [LPA1]) and municipalities (excepting Chisinau and Balti municipalities) and *rayons* (Local Public Administration level 2

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<sup>6</sup> A recent legislative initiative approved by Parliament presumes the allocation of additional resources for the Balancing Fund, through a share of revenues generated by the income tax. However, the precise share of the revenues generated by the income tax that are directed into Balancing Fund will have to be determined by the annual state budget law as it is not prescribed by the law on local finances, leading to even more confusion in the local budgets' formation.



[LPA2]) can benefit from general purpose transfers, which are allocated from the balancing fund, 45 per cent in favor of LPA1 and 55 per cent in favor of LPA2. General purpose transfers are distributed to local governments on the basis of fiscal capacity per inhabitant data, multiplied by a coefficient of 1.3 and then on the basis of the population and size of territory of each LPA1. Fiscal capacity per inhabitant is determined by taking into consideration incomes generated only by the wage tax, regardless of the type of the locality (rural, urban). For LPA2, the allocation criteria refer to population and territory (except for the municipalities of Chisinau and Balti that cannot benefit from general purpose transfers). General purpose transfers are limited to the total amount of the balancing fund. Rules for the general-purpose transfers' distribution do not take into consideration the total amount needed in order to meet the average fiscal capacity per inhabitant for all local public authorities (LPAs) which can lead to a situation when available funds are lower than needed.

The third, and larger, type of intergovernmental transfer is the Special Purpose Conditional Transfer, financed directly from the central government budget. These transfers are allocated to local governments to fund expenditure needs of the educational sector, road infrastructure, delegated functions and capital investment. These transfers do not finance *rayon* or local level social protection services provided by municipalities and *rayons*. Additionally, LPA1, have no competences in the distribution of the funds allocated for the development of the road infrastructure, which limits local financial decentralization.

## References to Scientific and Non-Scientific Publications

Law 397/2003 on Local Public Finances



## 3.2. General Purpose Transfers as a Key Feature of the Local Financial System

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### Relevance of the Practice

General purpose transfers represent one of the major sources of freely disposable income for local authorities. For 2018, they constitute about 10 per cent of total local revenues. The current system of allocation of general-purpose transfers across local authorities in Moldova can be characterized as been two-fold. Specific regulations are applied for Local Public Administration level 1 (LPA1) and level 2 (LPA2). We intend to assess how this practice influences development and autonomy at local level and whether current settings of the system are sensitive enough to existing differences between large and small localities in Moldova and how it affects the urban-rural divide and interplay.

General purpose transfers are particularly important for smaller and more rural communities, and therefore they play a crucial role in the ability of such municipalities to provide services to citizens. The general-purpose transfer provides for differentiation of the financing of local governments based on their fiscal capacity.

### Description of the Practice

The new legislation adopted in 2013 introduced significant changes to the allocation of transfers to local governments. The new system is focused on incomes at the level of locality, although little has been done since the introduction of the new system in order to empower local authorities with improving their constituencies' income opportunities. The principle of balancing local expenditures to a certain minimum level, established nationwide, was replaced with a new formula focusing on local fiscal capacity, measured by the actual per capita revenues generated in each locality by the wage tax solely. On the other hand, local governments' powers over taxes on economic activities, (income and wage taxes), have been removed, eliminating local governments' interest and incentives on improving the business enabling environment at the local level.

The size and the method of distribution of the general-purpose transfers to local governments is prescribed by law, which makes the system immune to subjective political involvement, and



in theory, also more predictable over time, although the changes in the macroeconomic and fiscal environment and the income tax policies may generate vulnerabilities.

Simulations based on 2018 data show that the revenues received by smaller (and more rural) communities from the general-purpose transfer are up to 63 times higher than the revenues they receive by the shared tax revenues that are allocated directly to them. On average, revenues that small communities with population up to 2000 inhabitants, constituting more than half of the localities in the country, receive from the general-purpose transfer are about 7 times higher than the revenues they receive from the shared taxes allocated directly to them. The described situation is a consequence of the concentration of economic activities in the capital city of Moldova, Chisinau municipality and other larger and more urbanized local governments. About 62 per cent of the wage tax is collected solely in the Chisinau municipally and is partially redistributed to the rest of the country through the general-purpose transfers system.

The allocation system does not make direct differential treatment to urban or rural localities. However, in relative terms, considering that smaller and more rural local governments have smaller fiscal capacities (and therefore smaller direct revenues from the shared wage tax), on average, they are 'compensated more' than the other medium to larger sized municipalities through the general purpose transfers. Chisinau and Balti municipalities are excluded from the system and so is the autonomous region. Still, reference to just one dimension in part related to determination of the fiscal capacity per inhabitant looks simplistic and is questionable.

## Assessment of the Practice

The purpose of the financing system is to assign to local governments sufficient financial resources so that they may comply with their obligations. The method of determination and allocation of general-purpose transfers in Moldova seems not to be able to respond to this major objective. The main reasons are the following. First and foremost, the size of general-purpose transfer is simply inadequate, when compared to the expenditure needs and functional responsibilities of local governments in Moldova, as compared to their counterparts in South-East Europe.<sup>7</sup> Secondly, the way in which the size of the general-purpose transfer is determined, as a residual of the revenues of a single tax, does not guarantee the stability and predictability of funds, necessary for local governments to plan and implement effectively local services. Instead, it increases the vulnerability of local governments to the slightest change in both internal and external factors affecting the revenues from the wage tax. Thirdly, the allocation system is designed over criteria such as population and territory that in theory 'measure' local governments needs and actual per capita revenues from the wage tax, which in theory 'measures' fiscal capacity. The fact that fiscal capacity is measured on the results of

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<sup>7</sup> NALAS, 'Fiscal Decentralization Indicators of South East Europe' (9th edn, 2019).



a single tax only is a major weakness of the system. Ultimately, the system of allocating general purpose grants produces high disparities across local governments, when compared to the revenues that local governments receive directly from shared taxes. In this respect, the system can be regarded also as disincentivizing the development of localities with existing economic potential and providing a quasi-irrelevant financial incentive to vulnerable localities which are assisted to ‘survive’ but that are not able to develop.<sup>8</sup>

There are also huge disparities and inequalities in the revenue options for autonomous region. In fact, with reference to Local Budgets, in the Republic of Moldova there are practically two parallel local budgetary systems. The autonomous region can benefit from an enlarged list of shared taxes that include also income tax, VAT and excise, although are not covered by general purpose transfers. From this perspective, the autonomous region benefits from more revenue raising options, which are denied to the other local governments in the country. The evolution of revenues compared to 2014 clearly shows that the income formation system for Gagauzia (autonomous region) is more advantageous than that applied in the rest of the country as it provides a broader fiscal base for the local authorities, specifically with respect to the taxes on economic activity. A direct link is created in this respect between the effort to economically develop a locality and subsequent potential financial benefits for the local authorities.

Finally, shared taxes represent a major source of income for the small municipalities in Moldova. Nevertheless, the system presents numerous shortcomings that refer mainly to its simplicity, disconnection from the realities of the municipalities, specifically small ones and inability to provide incentives to local governments and strengthen the link between efforts to improve the business enabling environment and actual financial benefits.

## References to Scientific and Non-Scientific Publications

Legal Documents:

Law no 397/2003 on Local Public Finances

Scientific and Non-Scientific Publications:

Budianschi D, ‘Autonomia financiară în Republica Moldova: evoluția veniturilor bugetelor locale’ (Expert Group Centru Analitic Independent 2019) <<https://www.expert-grup.org/ro/biblioteca/item/1835-autonomia-financiara-in-republica-moldova-evolutia-veniturilor-bugetelor-locale&category=184>>

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<sup>8</sup> Dumitru Budianschi, ‘Autonomia financiară în Republica Moldova: evoluția veniturilor bugetelor locale’ (Expert Group Centru Analitic Independent 2019) <<https://www.expert-grup.org/ro/biblioteca/item/1835-autonomia-financiara-in-republica-moldova-evolutia-veniturilor-bugetelor-locale&category=184>>.



NALAS, 'Fiscal Decentralization Indicators of South East Europe' (9th edn, 2019)





# Structure of Local Government



## 4.1. The Structure of Local Government in Moldova: An Introduction

**Viorel Girbu**, *Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

Local public administration reform and territorial and administrative reform is a sensitive subject in Moldovan politics. Since the onset of its independence, Moldova saw a major territorial reform implemented in 1998 which proved to be unsuccessful and reversed during the next political cycle with a new political establishment in 2001.

The 1998 territorial and administrative reform brought two important changes. Firstly, the number of second-tier local public administrations (level 2 LPAs) was reduced from 40 *rayons* to ten counties, while the number of first-tier local public administrations (level 1 LPAs) was reduced from 912 to 662 which was later considered insufficient to give a boost for development of LPA level I. Secondly, the functions related to public services were concentrated at the level of the county administration, managed by the Prefect — the representative of the government. The second change was not welcomed by citizens, because it increased the distances between public services and citizens.<sup>9</sup>

The 1998 territorial and administrative reform was basically reverted in 2001, given the new political context in the country. The new regulation re-established a fragmented second-tier LPA administration based on *rayons*, and increased again the number of first-tier LPAs to 971 units, including 26 in the Autonomous Territorial Unit of Gagauzia (ATUG) and 70 localities in the breakaway Transnistrian region. Returning to *rayon* administration meant returning to a number of first-tier LPAs almost as in 1998, and therefore to the situation before the territorial and administrative reform. Second-tier LPA boundaries also changed, but the lower number of *rayons* was the consequence of the creation of the ATUG (which includes three former *rayons*, currently named *dolai*).

Changes in the administrative-territorial structure involved the creation of an additional institutional level – eight territorial offices of the State Chancellery. The main purpose of the territorial offices was to ensure the management of decentralized services, together with the ministries, which held the status of founders of decentralized regional services. This approach led to increased costs of providing services, which were accessible mainly in some of the cities which were also a *rayon* residence. First-tier LPAs were not yet able to provide most of the services to the population. The territorial offices of the State Chancellery were subsequently

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<sup>9</sup> Ion Beschieru and others, 'Studiu privind scenariile de reformă administrativ-teritorială' (publisher 2018) <[https://cancelaria.gov.md/sites/default/files/studiul\\_privind\\_scenariile\\_de\\_reforma\\_administrativ-teritoriala\\_elaborat\\_in\\_decembrie\\_2018.pdf](https://cancelaria.gov.md/sites/default/files/studiul_privind_scenariile_de_reforma_administrativ-teritoriala_elaborat_in_decembrie_2018.pdf)>.



reformed and transferred to the management of the former Ministry of Local Public Administration. In 2009, the territorial offices were transferred back to the State Chancellery.

Since 2009, administrative decentralization has been managed in the framework of the National Decentralization Strategy for the period 2012-2015, latter extended until 2018. This document aimed at transformation in a few areas, covering decentralization of services and skills; financial decentralization; patrimony decentralization and local development; administrative capacity of LPA; democracy, ethics, human rights, and gender equality.

According to the evaluation Report published in 2018 on the progress in the implementation of the strategy, '[t]he main policy documents and commitments in the field of decentralization and local self-government have expired and remain largely unimplemented.'<sup>10</sup> Main achievement of the strategy is a progress in the local finances domain with the amendment of the Law no 397 on Local Public Finances that has introduced the general and special purpose transfers for the LPAs and subsequently the fiscal capacity principle for the distribution of the general purpose transfers.<sup>11</sup>

Currently, the administrative and territorial organization of Moldova, apart from the Autonomous Territorial Unit of Gagauzia (ATUG), is based on two levels: villages (communes), sectors (of the Chisinau municipality) and cities (municipalities) that constitute the first-tier local public authorities (LPAs) and *rayons*, Chisinau and Balti municipalities that constitute the second-tier local governments. Urban localities are classified on four ranks according to a list of indicators that describe their level of social and economic development. From the total number of localities, 66 are urban, including 53 cities and 13 municipalities and 832 are rural. It is also important to mention that 597 localities, with very small population, do not have their own administration as they are part of a bigger administrative entity.

Territorial and administrative reform remains a key priority of the government in Moldova, and therefore is a sensitive subject in Moldovan politics. The government views the territorial and administrative fragmentation as one of the key challenges that needs to be addressed in order to strengthen local governments, reduce territorial disparities and improve service delivery.

Indeed, there are significant disparities across the spectrum of urban and rural first-tier LPAs in Moldova. Currently, 30 per cent of first-tier LPAs have less than 1,500 inhabitants, although, according to the legal provisions, for the formation of an administrative-territorial unit the number of population must be at least 1,500 inhabitants. At the same time, about 89 per cent of first-tier LPAs has a population of less than 5,000 inhabitants. In accordance with the legal provisions, administrative capacity is defined as adequate for an LPA if its administrative

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<sup>10</sup> 'Local Democracy Situation and the Degree of Implementation of Decentralization Policy Documents in the Field of Decentralization in the Republic of Moldova' (monitoring report, CALM/IDIS Viitorul 2018) <[http://www.viitorul.org/files/Local%20Democracy%20Monitoring%20Report\\_Moldova.pdf](http://www.viitorul.org/files/Local%20Democracy%20Monitoring%20Report_Moldova.pdf)>.

<sup>11</sup> 'Implementarea Strategiei naționale de descentralizare, discutată în cadrul Comisiei administrație publică' (*interlic*, 15 November 2017) <<http://www.interlic.md/2017-11-15/implementarea-strategiei-natzionale-de-descentralizare-discutata-in-cadrul-comisiei-administra-iei-pu-51458.html>>.



expenses do not exceed 30 per cent of the total amount of its own revenues. An analysis of the financial reports for 2017 reveal that not even one first-tier LPA met this legal criterion. On average, the administrative costs of first-tier LPAs are about 2 times higher than their own revenues. Moreover, only about 89 first-tier LPAs can cover their administrative expenses with their own revenues. The administrative expenditures in per capita terms in smaller first-tier LPAs (less than 1,500 inhabitants) are almost twice the national average. In larger first-tier LPAs (more than 5,000 inhabitants), administrative expenditures are 2.5 times smaller than in those LPAs with less than 1,500 inhabitants.

Along with administrative capacity, fiscal capacity per capita approximates the level of economic development of an LPA, being defined as the ratio between the amounts of income collected from Personal Income Tax (PIT), related to the number of inhabitants. Based on the data for 2017, only about 12 per cent of first-tier LPAs has a higher fiscal capacity per inhabitant than the national average (lei 697.14).

The share of capital investments in the total expenditures of first-tier LPAs is limited, being largely financed from special purpose transfers of the state budget, investment funds managed at the national level (energy efficiency fund, the ecological fund, the regional development fund, the social investment fund, etc.), as well as from external grants. The distribution of the funds allocated for capital investments is made in a highly non-transparent manner as there are no formula or any transparent rules or formulas governing the allocation. As a result, these allocations are considered as highly politicized. Also, there is no representation of the LPAs in the management of the investment funds created at the national level.<sup>12</sup>

It has to be mentioned that the situation regarding the provision of two essential local public services, the supply of drinking water and the collection, transport and storage of household waste, is very problematic. According to official statistics, in 2017 only 54.4 per cent of the country's population benefited from drinking water supply services. Also, the analysis in territorial profile shows the existence of large areas in the north, center and southeast of the Republic where less than 20 per cent of the population has access to the public drinking water supply system. In 2017, only 23.1 per cent of the total population had access to sewerage services, with a major difference between urban and rural areas, of 50.6 per cent and only 2.3 per cent, respectively.

Regarding the collection, transport and storage of household waste, according to the National Bureau of Statistics, in 2017, only 30.9 per cent of the population is served by sanitation services, the degree of coverage in urban areas being 64.1 per cent and only 6.0 per cent in rural areas. These figures are reinforced by the audit of the Court of Accounts carried out in

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<sup>12</sup> Ion Meleştean, 'Clientelismul politic în alocarea resurselor publice din Bugetul de Stat către autoritățile publice locale' (Expert Grup 2018).



2017,<sup>13</sup> which shows that 723 localities do not have access to public drinking water supply system and 1,378 localities, out of 1,521 in total do not benefit from sanitation services.

Nonetheless, there is little political or social consensus in Moldova related to the territorial and administrative reform. Voluntary amalgamation is a rather new concept in Moldova. While this form of bottom-up territorial and administrative reform has a high potential for success, still it lacks the development of a clear set of incentives for local communities and the necessary institutional framework.

Several analyses show that the lack of financial and administrative capacity of first-tier LPAs to provide a minimum amount of public services for the population remains a key challenge. From this perspective, the amalgamation of first-tier LPAs through a territorial and administrative reform is the major solution discussed and proposed by the central government. However, in Moldova there is little political or social consensus related to the administrative-territorial reform that would (or should in theory) lead to an improvement in the provision to the population of cost efficient and high quality public services. The issue of the identification of a proper balance between owned competencies and capacities to perform the mandatory functions still did not find a widely supported solution. The approaches to the resolution of these problems range between significant reductions of the administrative costs of the LPAs with subsequent risks related to limitation in the access of the population to the public services and centralization to the higher administrative level of the LPAs' competences.

Territorial reform against the background of high political instability and polarization raises significant concerns for local democracy and autonomy. Secondly, there are no sustainable grounds to believe that the administrative-territorial reform will bring any economies of scale. Even if the average size of Moldovan municipalities is increased, this will not necessarily prove to be more efficient and effective. Currently, there are towns with significantly higher population compared to small rural communities that are less efficient and there are many small municipalities with fairly high performance in the delivery of public services.

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<sup>13</sup> Court of Accounts, 'Eficiența gestiunii economico-financiare și administrării patrimoniului de către întreprinderile care prestează servicii de aprovizionare cu apă a populației' (2017).



Beschieru I and others, 'Studiu privind scenariile de reformă administrativ-teritorială' (2018) <[https://cancelaria.gov.md/sites/default/files/studiul\\_privind\\_scenariile\\_de\\_reforma\\_administrativ\\_teritoriala\\_elaborat\\_in\\_decembrie\\_2018.pdf](https://cancelaria.gov.md/sites/default/files/studiul_privind_scenariile_de_reforma_administrativ_teritoriala_elaborat_in_decembrie_2018.pdf)>

Osadci A, Congress of Local Authorities from Moldova, 'Status Report on Local Public Administration Reform in Moldova' (NALAS, PLATFORMA and CALM 2021)



## 4.2. An Integrated Bottom-up Alternative Model to Territorial and Administrative Reform

Viorel Girbu, *Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

### Relevance of the Practice

The practice describes the integrated model for territorial and administrative reform in Moldova, proposed by CALM, the Congress of Local Authorities from Moldova. The model is proposed as an alternative to the top-down approach proposed by the national authorities in earlier years. The model is based on three basic elements defined as priorities: Administrative Decentralization (DA), Inter-municipal Cooperation (CI) and Voluntary Amalgamation (A). The DACIA model comes as an alternative to the top-down approach of territorial reform discussed and proposed by subsequent central governments in Moldova over the past two decades.

From this perspective, this practice cuts across with the key issues elaborated in the other report sections, as regards local government functions and service delivery (section 2), local government finance (section 3), intergovernmental dialogue (section 5) and citizen participation (section 6). The practice shows relevant disparities in terms of service provision and local administrative management across the spectrum of smaller and larger local public administrations in Moldova.

### Description of the Practice

From June to October 2017, CALM organized a broad consultation process with its members at the regional level in about 20 *rayons* regarding local government and administrative-territorial reforms, in order to develop its own vision and model of such complex reforms. As a result of these consultations, with about 500 mayors, presidents of the *rayons* and other local government representatives, CALM has defined the concept of the reform model called DACIA. This is a theoretical model that still requires adjustment of the normative framework in order to promote and make possible its application.

The model is based on three basic elements defined as priorities: Administrative Decentralization (DA), Inter-municipal Cooperation (CI) and Voluntary Amalgamation (A).

The DACIA model of local government (LG) reform suggested by CALM is a comprehensive one including several important, closely correlated and interdependent factors and areas. The model proposes a visionary, step-by-step approach, grounded in Moldovan realities and in the



needs of the LG system in Moldova. At the same time, taking into account the importance of the political factor and the previous experiences, the concept tries to touch upon less sensitive approaches aiming at a broad national consensus needed to ensure sustainability and continuity of the reforms in this area. In particular, the following main directions are proposed:

- delimitation of the areas of competence and attributions of the central public administration and the local public administration with the main goal for LPAs to become the exclusive holders of most areas of competence of local and/or regional importance;
- spatial planning, recalibration and territorial organization of public services (administrative, communal, and social) and development of the voluntary amalgamation institution, and development of the inter-municipal cooperation institution;
- organizational and institutional decentralization to ensure real and total autonomy for local public administration authorities to organize their activity, by establishing their own structure and organization chart; ensuring the autonomy and the right of LPA to their own remuneration systems;
- financial decentralization to increase and consolidate the LPAs own income base and establishing by organic law of a minimum level of fiscal revenues, estimated as a share in the gross domestic product to be provided annually to LPA; but also enlarging the fiscal capacity concept that would take into account the available economic resources, geographical location, simplification of the real estate taxation system (focusing it on a national minimum, multiplied by coefficients set for geographical areas at the level of locality or region, determined on the basis of the degree of access to public infrastructure – implicitly the stock and current expenses financed annually for its operation);
- patrimonial decentralization with the main goal to achieve clear delimitation of state public property and its taxation at the same rate with private property;
- economic decentralization in order to create a healthy competition environment between LPAs and the development of a stimulating budget system that would reward performance by changing the distribution of the funds of the balancing fund to encourage in particular the localities that make the best use of existing resources and ensure a high degree of utilization of available resources;
- local e-government by implementing one-stop-shops in the provision of public services and ensuring LPAs access to government databases;
- administrative control by the elimination of excessive administrative, political, judicial control over LPAs;
- the institutional framework of the reform by creating a broad, inclusive and permanent platform at CALM, which will discuss all important aspects in the process of developing a generally acceptable reform concept closely connected with the realities and needs of the Republic of Moldova in modernizing public administration.





This model helps creating a system for reform that is dynamic, adjustable and constantly evolving that can be continuously complemented by concrete proposals and draft legislative modifications within current and potential future governmental timeframes. However, the DACIA model is challenged by several factors – lacking political will and commitment at the central level to advance political and financial decentralization, political instability and diverted focus due to the pandemic crisis.

## Assessment of the Practice

The model proposed by CALM reflects the vision of local constituencies and it provides for an alternative to the top-down approach proposed in earlier years. At the end of 2018, a Report on Administrative-Territorial Reform Scenarios<sup>14</sup> was developed (and informally backed by the government) proposing three scenarios for local administration reform: (i) moderate consolidation with a final number of 231 first-tier LPAs, (ii) intermediary consolidation – 154 first-tier LPAs, and (iii) compact consolidation– 93 first-tier LPAs. The report takes into account several indicators to describe the benefits of the proposed reform scenarios such as population; proximity to administrative centers (estimated between 8 and 12.5 km); average number of staff units; the degree of professionalization/specialization of the staff; and the reduction of administrative expenses.

The report, however, does not make any specific reference to any methodological guidance for the assessment of the situation in the local public administration in Moldova. Nor does it include any theoretical assessment of good practices or any scientific arguments or substantiation. There are also concerns that the principals and provisions of the European Charter of Local Self-Government are not considered as a guidance framework for the Report. Overall, the model is focused on cost reduction scenarios rather than on best available option for high quality public services delivery settings. CALM assesses that the report ignores the dimension of intergovernmental relations in Moldova, including findings of the Congress of Local and Regional Authorities of the Council of Europe with respect to the situation of local and regional democracy in Moldova. Ultimately, the spatial scenarios for the territorial and administrative reform are based on few parameters that aim primarily to significantly reduce the number of LPAs, through a top-down approach. The decentralization domain and major problems faced in this area by Moldova seem to be neglected at this stage by local policymakers. While there certainly is room for improvement in the operational efficiency of first-tier LPAs, it must be recognized that the key challenges that Moldovan LPAs face are the incomplete political, administrative and fiscal decentralization reforms that have resulted in an inconsistent distribution of responsibilities across levels of government, inadequate funding

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<sup>14</sup> Ion Beschieru and others, 'Studiu privind scenariile de reformă administrativ-teritorială' (2018) <[https://cancelaria.gov.md/sites/default/files/studiul\\_privind\\_scenariile\\_de\\_reforma\\_administrativ-teritoriala\\_elaborat\\_in\\_decembrie\\_2018.pdf](https://cancelaria.gov.md/sites/default/files/studiul_privind_scenariile_de_reforma_administrativ-teritoriala_elaborat_in_decembrie_2018.pdf)>.



and excessive interferences and controls from higher levels of government. All these dimensions play a fundamental role in determining the ability of first-tier LPAs to provide services to their citizens. Without adequate resources, simply changing the number and boundaries of first-tier LPAs may end up simply creating clusters of former small but still poor LPAs.

Additionally, a top-down approach to territorial reform, in the background of high political instability and polarization, and therefore developed without sufficient consensus between policymakers at national and local level would jeopardize the sustainability of the reform itself. Furthermore, high polarization does not allow for an effective consultation with local communities, which will be mostly affected by the changes.

The argument of the simple reduction in the number of first-tier LPAs without addressing the more fundamental challenges that Moldovan local governments face is very simplistic. It is important that the discussion on the territorial reform should be linked to considerations of the overall distribution of public resources at and from the national level and the size of public investment necessary for the effective delivery of the local public services that currently present significant territorial disparities. Given these shortcomings, the implementation of top-down amalgamation measures under the central government guidance may result even a hazardous exercise.

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# Intergovernmental Relations of Local Governments



## 5.1. Intergovernmental Relations of Local Governments in Moldova: An Introduction

**Viorel Girbu**, *Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

Intergovernmental relations in Moldova are regulated according to the Law no 436/2006 on Local Public Administration. According to Article 6 of this law, the local and district councils, mayors and district presidents are autonomous administrative authorities, solving the public affairs of villages (communes), cities (municipalities) and districts. The relations between the central and local public authorities are based on the principles of autonomy, legality, transparency and collaboration in solving common problems. There is no relation of subordination between the central and local authorities, and between the first level and the second level public authorities, except for the cases provided by law. Any administrative control exercised over the activity carried out by the local public authorities must not pursue another purpose than ensuring the observance of legality and of constitutional principles, and the control of opportunity may aim only at achieving the competences delegated to local public authorities (LPAs), under the law. The central public administration authorities consult the representative associations of the LPA authorities in the issues related to the local public administration.

The principle of consultation on the issues related to the local public administration is an important reference in the intergovernmental relations in Moldova. This principle is stated also by the Law no 435/2006 on Administrative Decentralization that refers to the principle of institutional dialogue, as a situation which involves informing and consulting, in due time, local public authorities, in the planning and decision-making process, through their associative structures, on any issues that concern them directly or are related to the process of administrative decentralization.

To facilitate intergovernmental dialogue and consultations, the Law on Administrative Decentralization prescribed the creation of the Joint Decentralization Commission. Such a parity commission in the area of decentralization with the participation of the representatives of LPA associations was created in 2008.<sup>15</sup> The Commission is composed of representatives of the national and local governments, to ensure communication and institutionalized dialogue between the central government and LPAs. Nevertheless, for a long time, the lack of a unified voice of local authorities has negatively influenced advocacy for local government reforms.

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<sup>15</sup> Government Decree no 93/2008, substituted by the Government Decree no 608/2010.



The Congress of Local Authorities from Moldova (CALM) plays a fundamental role in intergovernmental relations in Moldova. CALM was constituted in March 2010,<sup>16</sup> by territorial administrative units organized under the law as towns and villages and by their professional associations. This level of membership provides both capacity and political consolidation. Nowadays CALM is the largest and most representative association of local authorities in Moldova. It provides legal advice and supports local autonomy and decentralization. CALM represents 800 LPAs as members with full rights out of the 898 existing in Moldova. Even after the establishment of CALM, it took many years before the voice of local authorities became sufficiently important, heard and taken into account by central authorities.

Despite CALM being an active player in the area of decentralization and having now a high degree of representability of first level LPAs, dialog and intergovernmental relations between local and the central governments remains challenging. Due to political instability and the lack of political commitment to advance reforms, the Joint Decentralization Commission has not been able to serve as a successful platform for intergovernmental relations. Following an opinion expressed by CALM, '[u]nfortunately, all communication, consultation and dialogue between LPA/CALM and the government has disappeared. And the current legal format of communication and dialogue between central and local authorities has proven to be non-functional, selective and formal.'<sup>17</sup> Recent Post-monitoring assessments developed by the Congress of Local and Regional Authorities of the Council of Europe enforced this ascertainment, stating that '[o]f special concern was the fact that no appropriate consultation mechanisms could be identified between central government and local authorities.'

During 2017, in spite of the fact that this was a decisive year for the implementation of the Decentralization Strategy and other commitments in the field of decentralization and strengthening local autonomy, the Joint Decentralization Commission has not convened at all. Intergovernmental relations over the past three years continued to be formal, with central authorities preferring to unilaterally promote their political vision, through the development of the legislation without proper consideration of the interests of the LPAs, in the areas that target also the interests of the local communities.

Overall, intergovernmental consultation mechanisms are not sufficiently institutionalized and consolidated in Moldova. However, some progress in the institutionalized dialogue between CALM and the government is observed. CALM obtained the right to attend the weekly meetings of the Government Cabinet and the meetings of the Committee of General Secretaries of the Government (the structure which initially examines the draft normative acts before their approval by the government). Similarly, dialogue with parliamentary commissions

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<sup>16</sup> 'About us' (*Congress of Local Authorities from Moldova*, last updated 2021) <<https://www.calm.md/despre-noi/>>.

<sup>17</sup> 'Congresul Autorităților Locale, extrem de îngrijorat de starea democrației locale' (*Stiri MD*, 1 December 2017) <<https://stiri.md/article/social/congresul-autoritatilor-locale-extrem-de-ingrijorat-de-starea-democratiei-locale>>.



has been consolidated and institutional dialogue with ministries and public agencies has been established.

## References to Scientific and Non-Scientific Publications

Legal Documents:

Law no 435/2006 on Administrative Decentralization

Law no 436/2006 on Local Public Administration

Scientific and Non-Scientific Publications:

Congress of Local and Regional Authorities of the Council of Europe, 'Post-Monitoring Report on the Republic of Moldova' (2020)



## 5.2. Inter- and Intragovernmental Relations through the Professional Networks of the Congress of Local Authorities from Moldova

*Viorel Girbu, Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

### Relevance of the Practice

While achieving consensus on major policy areas between levels of government has proven quite challenging, yet, there are also cases where it is easier to find a common ground for both, central and local authorities to achieve a workable solution for local communities. In order to overcome difficulties at the strategical level, and to boost cooperation and communication between central and local constituencies, during 2019 the Congress of Local Authorities from Moldova (CALM) has developed professional networks of local authorities. These networks are represented by professionals from both the urban and rural local administrations. This provides fertile ground for mutual cooperation and effort in order to achieve solutions, regardless the differences that exist between urban and rural local governments in terms of needs and priorities.

The professional networks of CALM play an important role in intergovernmental relations with regard to specific thematic areas such as local public finance management, local tax administration and land management. Also, being member of the network provides the opportunity to share experiences and gather new knowledge in a continuing changing environment. The functions of the network of professionals therefore include the preservation of collective experience, communication and mutual assistance among members as one of the major goals of the network.

### Description of the Practice

To address technical issues that concern local public authorities (LPAs), CALM has established four professional networks covering the domain of public accounting, tax collection, land management and mayors' secretaries. These professional networks were based upon experience accumulated by CALM in managing the network of women mayors and the network of cities that were previously developed. The issues addressed by the professional networks refer to domains like organization of the work of the respective professionals, legal regulation, IT solutions and systems etc. Identification of bottlenecks and malfunctions, and the final



improvement of performance, through a joint cooperation across levels of government is the common goal of all the networks. From this perspective, the network addresses also issues related to the urban/rural divide, given specificity of mostly small rural communities in Moldova.

The members of the networks are professionals employed in the domain that concerns the respective network. Expertise in the thematic area is one of the key criteria for membership in the network, regardless of the size of the represented community. This proves to be an efficient way of organization to overcome the problematic realities of the urban-rural divide and interplay.

The networks are organized according to the statute of CALM. Each locality, which is a member of CALM, regardless of size, can decide on delegation of professionals from the local administration to take part in activities of the respective professional network. There are no additional requirements. Each network is entitled with the right to elect its leadership. The networks in this respect have full autonomy regarding their own organization and activity. Local authorities that are not represented in CALM can also delegate their representative professionals to be part of the network, although without the right to vote.

The professional networks are oriented to tackling specific challenges encountered by LPAs in the delivery of services to citizens. Once a problem is identified, a short survey is organized to gather the experience of other members of the network on the topic. Frequently, obstacles faced in daily activity can be solved by sharing the experience of the most versed members of the network. In the case of a systemic problem, members of the network, with the support of CALM's secretariat, develop a detailed description of the problem which is then sent to the competent central authority in order to find a solution. This approach obtained a positive assessment also from the central authorities.

The major goals of the network relate to:

- promoting, defending and representing the general professional rights and interests of its members, in relations with public authorities and national and international organizations, through CALM;
- ensuring the protection of the rights and interests of its members; defending and promoting the specific professional rights and interests of its members in the decision-making process at national level;
- addressing issues of importance to local public administrations;
- submitting appropriate policy recommendations to CALM governing bodies, government decision-makers and service delivery institutions;
- ensuring the connection with the governing bodies of CALM, with reference to the subjects that affect the activity of its members;
- assisting its members in the planning and implementation of programs, which address important issues affecting their work in local communities;





- increasing the professional capacities of its members through the development of study and training programs, as well as professional development courses; establishing a mentoring system for its members with little experience and, in particular, providing the necessary training and assistance;
- establishing partnerships with other organizations and public institutions, for the promotion of professional rights and interests;
- organizing study visits and exchanges of experience, including at international level;
- fostering and facilitating the cooperation of its members with professionals from similar organizations at national and international level;
- establishing a communication network for its members, as a means of disseminating information and exchanging views, including at international level;
- ensuring regular information about the activities of the network, as well as contributing columns or interviews to CALM's newspaper 'Voice of Local Authorities'.

During 2020, the network of accountants and network of tax collectors organized two meetings bringing together about 100 professionals from each of the networks and representatives of the state organizations, including the Ministry of Finance, State Chancellery, Agency of Public Services and State Fiscal Service. The exchanges have proved very effective in providing an opportunity to both levels of government to speak about challenges faced by first-tier local governments and measures approved by the national government.

While the Ministry of Finance of Moldova has an established practice of institutional exchanges with second-tier local governments, there is no practice of coordination and exchange with first-tier local governments, which are in this way neglected and forced to resort to second-tier LPAs for coordination with the Ministry. From this perspective, CALM professional forum meetings provided an opportunity for first-tier LPAs to better present the situation in local communities, specifically in small, remote rural localities, to the central government authorities.

## Assessment of the Practice

There are already a few events organized by each of the networks. This practice initiated during 2019 and continued since then. The usage of the common online and virtual communication platforms by the members of the network is encouraging. The participants of the platforms share their opinion, experiences and provide advice on the questions raised by its members. The platform is used almost on a daily basis proving its utility as a tool for exchanging experiences and communicating deficiencies in its domain. Some of the problems that emerged through discussions on the communication platform have already found a solution, as it is for example improving functionality of the 'E-DOCPLAT' program that is mandatory in the activity of accountants within the LPAs in Moldova.



The experience of communication based on the virtual platforms proved efficient during the current epidemiological crisis. Throughout 2020, there have been several virtual meetings between the members of the network and representatives of the central authorities. Following these meetings professionals from the local administration found guidance on how to find a proper solution on current issues that emerged as a result of the crisis. Similarly, central authorities used these platforms in order to get better understanding on the challenges faced by local communities and thereby inform decisions at the national level.

## References to Scientific and Non-Scientific Publications

Website of the CALM Accountants Network, <<https://www.calm.md/categorie/reteaua-contabililor-din-cadrul-calm/>>

Website of the Professional Network of Specialists in Tax Collection, <<https://www.calm.md/categorie/reteaua-profesionala-a-specialistilor-in-percepere-fiscala/>>

Website of the Professional Network of Specialists in the Field of Land Ownership Regulation within CALM, <<https://www.calm.md/categorie/reteaua-profesionala-a-specialistilor-in-domeniul-reglementarii-proprietatii-funciare-din-cadrul-calm/>>

Website of CALM Secretaries, <<https://www.calm.md/categorie/reteaua-secretarilor-din-cadrul-calm/>>



# People's Participation in Local Decision-Making



## 6.1. People's Participation in Local Decision-Making in Moldova: An Introduction

*Viorel Girbu, Congress of Local Authorities from Moldova, NALAS - Network of Associations of Local Authorities of South-East Europe*

The Constitution of the Republic of Moldova states the right of citizens to participate in the administration of public affairs directly, as well as through their representatives. The legal provision on citizens' participation in decision-making is provided by Law 239/2008 on Transparency in the Decision-Making Process. According to Article 6 of the law, citizens, associations established in accordance with the law, other stakeholders have the right to: to participate, under the conditions of this law, in any stage of the decision-making process; to request and obtain information regarding the decision-making process, including to receive the draft decisions accompanied by the related materials, under the conditions of the Law on Access to Information; to propose to the public authorities the initiation of the elaboration and adoption of decisions; to present to the public authorities recommendations regarding the draft decisions under discussion. The public authorities are obliged to take the necessary measures to ensure the possibilities of participation of citizens, of the associations established in accordance with the law, or of other interested parties in the decision-making process.

The National Council for Participation (hereinafter - Council) was created at the initiative of the Government of the Republic of Moldova as an advisory body, without legal status, to ensure the participation of civil society and the private sector in elaboration, implementation, monitoring, evaluation and revision of strategic policy documents. The Council aims to develop and promote a strategic partnership between public authorities, civil society and the private sector in order to strengthen participatory democracy in the Republic of Moldova, by facilitating communication and stakeholder participation in identifying and achieving strategic development priorities at all stages, creating the institutional framework and capacities to ensure the full involvement of stakeholders in the decision-making process. The Council is formed with broad participation of the members of the civil society organizations, 25 in total, representing different domains of interest.

A public consultation mechanism is regulated by Government Decree no 967/2016 and according to internal procedures of public authorities. Information on the decision-making process is provided through general information, for an indefinite general public, and through targeted information, for defined stakeholders. General information implies the obligatory publication of the information on the official web page of the public authority, on the portal [www.particip.gov.md](http://www.particip.gov.md), in a space accessible to the public, as well as by dissemination of a press release in central or local media. Public authorities initiate a public consultation to inform and receive recommendations from stakeholders. These consultations could be organized in different forms that may be in form of soliciting the opinions of civil society, experts,



professional associates, academia; setting up permanent or ad hoc working groups; organizing public debates; conducting public hearings; conducting public surveys etc.

Despite the legal framework in Moldova provides for an extensive set of opportunities, yet, implementation is far from satisfactory. Many citizens show indifference to political participation while others lack the knowledge needed to set democratic processes in motion. Given the poor economic situation in the country, specifically in the rural areas, the level of economic development is very limited. A significant part of the active members of the local community left for a better life abroad, which further hindered popular participation in local decision-making. Additionally, the strong legacy of repressive institutions continues to discourage citizen activism and open consultation.

Moldova's State Chancellery Report<sup>18</sup> on transparency in the decision-making process finds that the legislative framework lacks a methodology on the consultation process, the web portal <[www.particip.gov.md](http://www.particip.gov.md)> is not well structured, and that additional legal instruments are needed to help contesting the actions of public authorities in case of non-compliance with the law, while the format of the National Council for Participation could be reviewed to ensure greater transparency and representativeness of the associative sector in cooperation with the central public administration. At the local level the situation is even more challenging. While there is a register of the acts of local public authorities (LPAs), the platform <[www.actelocale.md](http://www.actelocale.md)> publishes the final and approved decisions only, not the drafts or other accompanying documents which could facilitate the participation of civil society organizations and their constituents in the decision-making process. At the same time, not all LPAs publish their decisions on the mentioned web page.

A recent study on the involvement of citizens in the life of their communities<sup>19</sup> revealed the following reality: '85% of the population did not participate at all in any meeting of local councils in the locality (although, according to the law, local council meetings are public); It should be noted that the vast majority of the population (91%) did not write a complaint about a local problem; 79% stated that they had not contacted any local, district, deputy or minister elected in the last twelve months; therefore, we can emphasize the absence of any communication with the elected representatives of the people/state representatives. Only 7% of respondents contacted at least one media institution to report a local issue to. Survey participants do not frequently use social media networks as a tool to discuss a community problem. In the last year, 91% of respondents did not make any posts about any issue to them in the community.'

From these findings one may argue that citizens have limited confidence that local authorities will be able to solve community problems. At the same time, the data indicates also a state of

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<sup>18</sup> State Chancellery of Moldova, 'Privind asigurarea transparenței în procesul decizional de către autoritățile administrației publice centrale' (Report, 2019).

<sup>19</sup> Doru Petruți, Viorelia Zaharco and Alexandru Crivițchi, 'implicarea cetățenilor în viața comunităților' (imas 2018) <<http://imas.md/pic/archives/12/implicarea%20cetatenilor%20in%20viata%20comunitatilor.pdf>>.



indifference of the population or ignorance of civic involvement tools. It could be also concluded that existing civil involvement institutional framework is still burdensome for an ordinary citizen and may require further improvement.

The real total number of active civil society organizations (CSOs) in the Republic of Moldova is not known. Most registered CSOs (about 65 per cent) are located in Chisinau, although this territorial-administrative unit represents only about 25 per cent of the total population of the country. According to some studies, only about 25 per cent of the total number of CSOs are sufficiently active and develop various projects and initiatives, and among the causes is both the inadequacy of funding within the country and the lack of revenue generation mechanisms through services.

Civil society development is one of the concerns of the political class in Moldova. For the period 2018-2020 Parliament has approved a strategy with a goal to contribute to the development of the civil society that substitutes a similar strategy approved for the period 2012-2015.

## References to Scientific and Non-Scientific Publications

Legal Documents:

Constitution of the Republic of Moldova, 1994

Law no 239/2008 on Transparency in Decision-Making

Law no 51/2018 on the Approval of the Development Strategy of Civil Society for the Period 2018–2020 <[https://www.legis.md/cautare/getResults?doc\\_id=105436&lang=ro](https://www.legis.md/cautare/getResults?doc_id=105436&lang=ro)>

Government Decree no 11/2010 on the Creation of the National Council for Participation

Government Decree no 967/2016 on the Mechanism of Public Consultation with Civil Society in the Decision-Making Process

Scientific and Non-Scientific Publications:

pbp – Good Practice Programme of Local Public Authorities of Moldova, ‘Împreună pentru performanțe în guvernarea locală 2017–2018’ (pbp Moldova, undated)  
<[http://viitorul.org/files/bune%20practici/Programul%20Bunelor%20practici\\_2019%20site.pdf](http://viitorul.org/files/bune%20practici/Programul%20Bunelor%20practici_2019%20site.pdf)>

State Chancellery of Moldova, ‘Privind asigurarea transparenței în procesul decizional de către autoritățile administrației publice centrale’ (report, 2019)



## 6.2. Participatory Budgeting Process in Chisinau

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### Relevance of the Practice

Participatory budgeting is a relatively new experience for Moldova. This tool that provides ground for a greater involvement of the citizens in the administration of the local public affairs was introduced in Chisinau municipality in 2016 with the participation of activists from the Urban Civic Network, the Information Center for Local Authorities, the Polish Solidarity Fund, the European Endowment for Democracy and the representatives of the European People's Party of Moldova. About the same time this experience was implemented in the Balti municipality. Fast enough this experience was taken over by many other municipalities and rural localities in Moldova and equally represented an area for involvement as a result of communication and capacity building campaigns of the nationwide relevant civil society organizations.

In this sense participatory budgeting is an example of urban/rural differences, specifically among big municipalities, the capital City of Chisinau and Balti municipality that dispose of the highest human and economic potential in the country, and the rest of the country, that brought improvements in the consultation processes and direct popular participation in local decision-making in many smaller communities. In this respect participatory budgeting improved implementation of the core principles of good governance (accountability, rule of law, transparency, equality and non-discrimination, responsiveness) in both urban and rural local governments in Moldova.

The participatory budgeting practice in Moldova is therefore a new dimension that holds the promise to decrease discrepancies among local communities in Moldova, specifically between Chisinau municipality and rest of the country, in part related to civil society involvement in decision-making, being a tool with the potential to improve in many ways civil society involvement in the management of local public affairs.

### Description of the Practice

Legal norms on Public Finances and Budgetary-Fiscal Responsibility require public budgets to be transparent, meaning that the drafts of normative acts in the field of public finances are subject to public consultation; the budgets shall be elaborated, approved and administered in a transparent manner; and the approved budgets and the reports on their execution shall be



made public. Participatory budgeting is implemented as an initiative that is often promoted by civil society organizations and that is supported by the local authorities. Participatory budgeting is not yet a common practice in local public authorities (LPAs) in Moldova.

The rules and principles of participatory budgeting, although similar, differ from city to city as these rules are approved by the local regulations. It is generally valid that the participatory budgeting model is co-created by the municipal public authority together with the citizens who are mainly represented by well informed and highly motivated citizens, in a formal framework created by a dedicated project. Citizens that participate in the process are the ones who approve the final form of participatory budget and all the changes that have occurred along the way.

The participatory budgeting practice in Chisinau municipality was designed to follow few major steps:<sup>20</sup>

- the municipality is divided into regions to facilitate meetings with the community and the distribution of resources;
- meetings sponsored by the municipal authority are held regularly throughout the year to cover various aspects of the project development cycle: distribution of information, proposed projects, debates of proposals, selection of projects, supervision of implementation of selected projects;
- an index of quality of life is developed by the authority to serve as a basis for the distribution of resources. Regions with a higher poverty rate, a denser population, lacking the necessary infrastructure or services benefit from a higher proportion of resources than more prosperous neighborhoods. Each municipality creates its own model for the equitable distribution of resources;<sup>21</sup>
- citizens who are willing to participate in the process map the neighborhood and the community in the neighborhood, identify the problems it faces and propose solutions to apply in the participatory budgeting program;
- public discussions and debates are organized about projects and resources both between participants who are interested to participate in the process and between these participants and authorities;
- projects are exposed to (informal) community voting. Residents of the region in which the project is to be implemented are eligible to vote;
- from each region two councilors are delegated who will form the municipal council of participatory budgeting. They analyze the final projects and intervene with recommendations regarding the budget;

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<sup>20</sup> 'Procesul de bugetare participativă în Chișinău' (RCU, undated) <<https://urbana.md/bugetare-participativa/>>.

<sup>21</sup> This approach relates exclusively to problem formulation and aims at allowing LPAs to potentially improve budget allocation and systemic planning. The participatory budget is in fact covering a small amount of available resources.





- projects voted as important by the community are carried out by the municipal authority, even though the authority is not bound by the list of selected projects;
- participatory budgeting participants monitor the implementation of the project;
- an annual report is published in which the stages of project implementation are presented.

A large group of stakeholders is involved in the participatory budgeting process, including local administration, citizens, civil society and entrepreneurs. Local administration informs citizens on the process, organizes public meetings and ensures inclusion of the proposed projects in the budgetary process. Citizens choose projects for the implementation by the LPAs and participate in their implementation.

The process of participatory budgeting is more or less similar across the country in the localities where it is present. Active citizens come up with ideas and projects, and, within their budget constraints, LPAs come up with the money. Yet, the level of resources provided by local authorities, available technical requirements to facilitate the process – for instance the web page of the local administration for a smaller community, but also the level of professional preparedness of the local authorities and awareness of citizens in the part related to budgetary issues differ, especially among small and rural localities and municipalities.

According to the opinions of those who were involved from the beginning in the participatory budgeting in Chisinau municipality, not everything is so favorable. Currently this practice implementation is hindered in the municipality for several reasons:

- absence of additional financial resources to promote the project (information, development of explanatory guides and training);
- lack of a dedicated online platform (a participation site) to present, in an accessible form, the projects and to allow their discussion;
- participatory budgeting is almost entirely devoid of an offline infrastructure. In other words, activities related to the participatory budgeting process take place in an online format, using a suitable platform, with participation of a limited number but well informed and motivated citizens of the locality.

For better development, participatory budgeting would have needed a special law or adjustments to the legal framework in the field of budgetary planning. Most of the time, completing the whole process in one year is difficult or impossible with the available human and financial resources. Information and voting campaigns must last long enough (at least a few months) so that citizens can participate fully. At their conclusion, the projects are assigned to municipal departments that must implement them. Some projects require new acquisitions which, as it is public money, must be made through tenders. These can last from a few weeks to several months.



## Assessment of the Practice

The participatory budgeting practice aims at securing a better usage of public funds in order to fulfil urgent needs and priorities of citizens according to their own perception. Although the expected results of the practice are simple, achieving the anticipated impact is not so straightforward. As a rule, this instrument proves to be functional when democratic processes, from both authorities and citizens are maintained at a high level. As the practice shows, willingness of a large part of the population to get involved in a deeper way into the management of public affairs at the local level is limited. This is also influenced by the fact that quite often local administrations show a lack of interest to increase the degree of involvement of citizens in the administrative processes at the local level. Positive involvement of other stakeholders such as members of the local council, political parties or civil society organizations is important to enforce the practice.

Willingness, but also capacity of local authorities to provide a meaningful amount of funds are important success factors. For many authorities, the level of funding is very limited. It is also important to have active participation of the local decision-makers in the implementation of the participatory budgeting process from its onset, as at the end of the process, the approved proposals need formal approval by the local constituency, which often is a political issue.

## References to Scientific and Non-Scientific Publications

Legal Documents:

Law no 181/2014 on Public Finances and Budgetary-Fiscal Responsibility

Scientific and Non-Scientific Publications:

— — ‘Procesul de bugetare participativă în Chişinău’ (*RCU*, undated)  
<<https://urbana.md/bugetare-participativa/>>

Vitalie Sprînceană, ‘When the Mayor’s Office does not Want and Therefore Cannot: About Participatory Budgeting in Chisinau’ (*Platzforma*, 20 February 2020)  
<<http://www.platzforma.md/arhive/388508>>



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