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# COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE MOLDOVA

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## I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS

The principles for the decision process, from the project idea to the implementation, are set in Law Nr. 438-VI (28.12.2008) and relate to the regional development in the Republic of Moldova. The following factors should be considered:

- Efficiency: Good use of natural, human, financial and production resources throughout the whole territory of the Republic of Moldova;
- Equity: Equal rights to access economical, cultural and social values for all citizens of the Republic of Moldova, regardless of where they live;
- Sustainability: Technical, financial and institutional viability of measures, programs and projects of regional development.
- Planning: Preparing and implementing measures, programs and projects for regional development in accordance with National Development Strategy and Regional Development Strategy objectives; priorities and mechanisms should be well defined;
- Coordination: Coordination of measures and objectives to support regional development on both regional and national levels.
- Collaboration: Partnership-cooperation of local and central authorities, public and private sectors and civil society for planning, preparing and implementing measures to support regional development.
- Transparency: Transparency for Regional Development Strategy, programs and project development, and evidence to support the allocation, distribution and use of funds.

According to National Strategy of Regional Development the decision process is characterised by:

1. Bottom up and downwards approach: The program is based on the Regional Development Strategy, and works in accordance with operational plans priorities as established by National Development Strategy.
2. This process has to be adjusted continuously without requiring of a common approach to local and regional actors. Every participant will be encouraged to identify and review real needs, to propose best decision making methods and participate to assess and learn based on results. Participants should improve the organisation, planning and implementation and operate with prudent risk, realistically and rationally.
3. Local and regional participants will be encouraged to focus on the creation of conditions for economical development in different sectors, without excessive dispersion of resources.

### ***Example of decision making process.***

The National Coordination Council of Regional Development is made up of Ministers, local authority representatives and the business and civil society community. Based on information presented by Ministry of Construction and Regional Development, on 20 August 2010, the Council proposed Government funding for 56 priority development projects for the Central,

North and South regions to take place during 2010-2012.. These projects were selected by Regional Development Council from 135 presented projects. Project implementation will be coordinated and monitored by Regional Development Agencies and the Ministry of Construction and Regional Development. The proposed projects fit with the following regional development priorities: Infrastructure rehabilitation, the development of the private sector (especially in rural areas), environmental protection and the expansion of tourism facilities. The National Fund for Regional Development finances these projects with about 1.2 billion lei (approximately US \$ 100 million) over a period of 3 years. This program is a negotiation platform for investors and development partners to finance Regional Development Projects.

According to Infrastructure Land Transport Strategy 2008-2017 the most important policy areas are: road, railway and urban transport.

A signed Assistance Program for €1.936 billion, by Development Partners and the Moldovan Government for 2011-2013, will support the infrastructure development.

A variety of multilaterals projects support Moldova. For example, the Moldova Social Investment Fund benefits from the following donors: World Bank, Sweden (SIDA), Netherlands, Japan (JSDF), Great Britain (DFID) and Germany (KfW). Additionally, the Chisinau International Airport has loan agreements with EBRD and the European Investment Bank with total amount of € 47.25 million. Furthermore, water supply projects, with a total value of € 30 million, are financed by EBRD, European Investment Bank and European Union (Neighbourhood Investment Facilities).

***Different technical assistance programs exist between the infrastructure sections. For example, Moldova road sector program support project.***

The Government of the Republic of Moldova has received a credit in the amount of US \$ 16 million, which is equivalent to the International Development Association (IDA) for the Moldova Road Sector Program Support Project. This project, is jointly financed by the World Bank (Credit amount US \$ 16 million), the European Bank for Reconstruction and Development (loan amount € 12.5 million) and the European Investment Bank (Loan Amount € 12.5 million). Goods, works and consulting services to be procured under the project will include the following:

- Goods: An axle load control system and IT hardware and software;
- Works: Rehabilitation of approximately 200 km of road sections;
- Consulting services: Services for the purpose of:
  1. Developing a road maintenance financing system;
  2. Design and implementation of an axle load control system;
  3. Assisting the executing agency (the State Road Administration - SRA) in financial management, environment, procurement and other areas related to the management of the Road Sector Program;
  4. Supervision of construction works;
  5. Technical and financial audit.

## 1.1 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE

There are some legislative and regulatory frameworks for infrastructure investment:

- ***Foreign Investment in the Republic of Moldova law*** (Nr.998-XII dated 01.04.1992)
- ***Public-private partnership law*** (Nr. 179-XVI dated 10.07.2008)
- ***Regional Development in the Republic of Moldova law*** (Nr. 438-XVI dated 28.12.2008)
- ***Attracting investments and export promotion strategy for 2006-2015*** (Government Decision Nr. 1288 dated 09.11.2006)
- ***National Regional Development Strategy*** (Government Decision Nr 662 dated 13.06.2007)
- ***Water supply and sewerage for Moldavian localities strategy*** (Government Decision Nr. 662 dated 13.06.2007)
- ***Transport infrastructure strategy for 2008-2017*** (Government Decision Nr 85 dated 01.02.2008)

## II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT

There is a political will to enhance private sector involvement. A Public-Private Partnership law (Nr. 179-XVI dated 10.07.2008) was implemented in Moldova and a Public Private Partnership Direction within the Public Administration Agency has also been implemented. So far concrete projects have not been signed. There are no direct restrictions for private sector participation, apart from in the Public Private Partnership law.

Currently there are few PPP projects in operation. For example, land concession (20 years) for parking and other facilities near Chisinau Airport; also, construction, financing and equipment of a radiotherapy centre and equipment of diagnostic centre. Projects under consideration include construction of an apartment complex (Balti city) and a garbage burning plant (Edinet City).

### ***Establishing policies, creating required legislative and regulatory framework are tasks of Ministry of Transport and Road Infrastructure (Direction Road Development)***

The State Road Administration was founded by the Ministry of Transport and Communications (former name of the Ministry) with the object of administration, maintenance, repair, modernisation, development and exploitation of public roads in order to ensure safe, fluent and continuous traffic conditions. The Administration has the following functions:

- It holds the title of ownership and beneficiary of construction, rehabilitation, repair and maintenance of the roads and it is the distributor of all resources allocated for these matters from the State Budget and the Road Fund;
- It ensures an efficient and economic use of financial and material resources, allocated for the development and maintenance of Moldova's public roads branch;

- It ensures the maintenance of roads' vital functions and their administration;
- The State Road Administration organises tender for road construction and capital reparation.

Procurement of contracts financed by credit and loans will be conducted through the procedures as specified in the World Bank's Guidelines: Procurement will take place under IBRD Loans and IDA Credits, May 2004 (revised October 2006), and is open to all bidders from eligible source countries as defined in the guidelines. Consulting services will be selected in accordance with the World Bank's Guidelines: Selection and Employment of Consultants by World Bank Borrowers, May 2004 (revised October 2006).

Specific procurement notices for contracts to be bid under the World Bank's International Competitive Bidding (ICB) procedures will be announced as they become available, in UN Development Business, dgMarket and in the local official gazette, «Экономическое Обозрение» (Economic Review). In addition, all Invitations to Bid will be published on the web-site of the National Procurement Agency ([www.tender.md](http://www.tender.md)) and on the website of the State Road Administration ([www.asd.md](http://www.asd.md)).

Currently, the government does not have a great deal of experience with PPP. The government adopted amendments in the Concession Law, Investments in Entrepreneurship Law to promote PPP entered into force on 3 September 2010. The partners usually are International Institutions like International Finance Corporation (medicine) or European Commission (garbage burning plant). Government guaranties are not well defined yet.

### III. SOURCES OF FINANCING

Selection of established IFI's and government agencies that provides financial service and support in Moldova:

- National Fund for Regional Development;
- Social Investment Fund;
- Road Fund;
- European Bank of Reconstruction and Development;
- World Bank;
- European Investment Bank;
- Millennium Challenge Corporation;
- International Fund for Agricultural development- IFAD III;
- EU;
- Romanian Government;
- Netherlands Government;
- Sweden SIDA, Japan JSDF, Great Britain DFID, Germany KfW etc.

The governmental co-financing is usually available for land, buildings and other assets, no frequently financial resources. The budget resources for investment is limited due to priority for social expenditures and because the 2010 budget deficit has to be up to 5.4 % of GDP according to the IMF Agreement.