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CONCEPT
of Sustainable Urban Development
of the Republic of Moldova

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1. INTRODUCTION: CHALLENGES OF THE TRANSITION

The transition period brought considerable changes to the Republic of Moldova: independence, openness to the world, democratization of the society, the ownership reform and formation of the private sector, the land reform, trade liberalization, freedom of religion, mass media and other. However, these positive changes were attended by some negative costs in the social life: expansion of the poverty zone and deepening of inequality, reduction of employment and mass labour migration, destruction of social infrastructure, stagnation of the ecosystems.

The majority of these problems demonstrate the apparent territorial character, inasmuch as very territories - regions and towns - are the spatia where the population, economic entities, infrastructure and natural environment interact. Thus, the deindustrialization process has primarily injured the employment in cities and the depth of poverty is more evident in small towns. In the 90's there was actually a process of de-urbanization of Moldova which became apparent not only in the reduction of the share of the urban population from 47.4% in 1990 to 41.0% in 2004 (January 1) but in "ruralization" of the style of life and employment in many small towns and in Chisinau's suburbia as well.

Spontaneity of transition processes including and the territorial one were at the bottom of disparities arose in the regional development of the country:

- contrast between the economic activity in the metropolis Chisinau and stagnation in the rest of Moldova;
- depression of the most towns with the population less than 15 thousand people, especially of the ones where there were one or two big enterprises which now are practically bankrupts;
- distressed agro-industrial areas in the Prut, Codru and the Southern zones of the country.

The unfavourable situation in the most of the towns and adjacent areas becomes apparent through a low level of income, regress of the key industries, reduction of the population, migration, the imbalance in age and professional structure of the population, bad condition of the social service.

Based on these conditions the Government of the Republic of Moldova, while developing the *Economic Growth and Poverty Reduction Strategy (2004-2006)*, determined as one of the priorities: "regional development, the improvement of conditions for sustainable growth throughout the country." It is recognized that "during the transition insufficient attention was paid to regional aspect of reforms. In most cases policies were essentially macro-economic. No mechanisms were created to promote the institutional and legal framework, which were necessary for the development of regional and local self-administration."¹

¹ Economic Growth and Poverty Reduction Strategy (2004-2006), Government of Moldova, www.scers.md

Thus, the Government has the task to develop the state regional policy and in its framework the policy of sustainable urban development based on the axiom of the interconnection between urbanization and the level of economic and social progress.² This policy on the one hand should be guided by the realities of the Republic of Moldova (legal base, administrative governing system, financial and human resources, space planning and management) and on the other hand by the EU standards related to sustainable regional and urban management that is recommended by the EU in its regulations and program documentation to all applicant countries.

In accordance with the common practice in the EU countries these regulations cover both spatial planning and different sides of routine life of cities: construction and maintenance of housing and infrastructure, environment, labour market and training, health, tourism, trading policies, leisure, etc.

Urban Europe is enormously diverse. National differences in the economic structure and functions, social composition, population size and demographical structure and geographical location shape the challenges which urban areas face. There is no simple model of a European city. However, in all the European countries there is a general requirement to the cities – they should be comfortable for life providing for employment, education, housing, public transport, social services and high quality urban environment. In aggregate these characteristics form sustainability of the urban development.

According to the European Commission Communication³ “*economic prosperity, social inclusion and environmental protection need to be complementary self-reinforcing goals of an urban sustainability strategy that will:*

- a) *improve the economic vitality of cities, especially in the regions lagging behind, by encouraging innovation and entrepreneurship, raising productivity and exploiting new sources of employment in smaller and medium sized as well as in larger cities in order to promote a polycentric, balanced European urban system;*
- b) *organize access to the benefits of increased productivity and competitiveness in a fair way and reduce social exclusion and improve safety; the scale and intensity of exclusion blights the lives of those involved and threatens social integration, competitiveness and sustainability of towns and cities;*
- c) *make cities more environmentally sustainable and avoid imposing the costs of development upon their immediate environment, surrounding rural arrears, regions, the planet itself or future generations;*
- d) *encourage innovative and flexible decision-making processes and urban institutions that will extend participation and integrate the actions of partners in the urban public, private and community sectors, from the European to the local level, increase synergy and co-operation between existing institutional processes and resources.”*

² Levels of Urbanization (2003): World – 51%, more economically developed countries –74%, less economically developed countries – 34% (See: www.geography.urbanization)

³ Sustainable Urban Development in the European Union: a Framework for Action. Communication from Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, 1998: <http://www.inforegio.cec.int/uban/forum>

The European orientation of the Republic of Moldova expressed in the *Action Plan EU-Moldova* implies cooperation and partnership in political, economic and social areas, including “promote balanced regional development; educe economic and social disparities across the country.”⁴

The present Concept is prepared as a component of developing the state policy of the Republic of Moldova to provide for sustainable urban development of the country in accordance with the EU standards in this field.

2. CURRENT STATUS. MAJOR PROBLEM AREAS

*Basic information:*⁵

(for the Republic on the whole)

➤ Index of urbanization (urban population rate in the total number), %	
i. for the Republic on the whole (01.01.2002)	45.3
ii. except left-bank territories and Bender town (01.01.2002)	41.3
iii. Transdnistrian territory (01.01.2002)	68.5
➤ % of areas of urban lands in the total area except left-bank territories and Bender town, 01.01.2004)	7.4
➤ Urban population, thousand people:	
1950	388.0
1959	643.0
1970	1130.1
1989	2036.4
1999	1976.3
01.01.2004	
except Transnistria	1495.6
left-bank territories and Bender town	438.1
➤ Towns with population of	
more than 0.5 million people – 1 (Chisinau)	
more than 0.1 million people – 3 (Balti, Tiraspol and Bender)	
20 – 50 thousand people – 10	
up to 20 thousand people – 49	

By the level of urbanization the Republic of Moldova is situated in a group of developing countries (index of world urbanization is 51%, and of undeveloped countries it makes up to 34%). Moldova transition period was marked by a decrease in urban population. It was

⁴ Draft Action Plan EU-Republic of Moldova, November 2004

⁵ Department of Statistics and Sociology of RM, Ministry of Economy, Transnistria’s Statistical Office

mainly reasoned by the economy recession, especially in industry; infrastructure stagnation and depopulation. In preceding decades, mainly in 60-80s, the country active urbanization, as one of manifestations of the planned economy, took place by putting on its territory of more than 300 enterprises of manufacturing industry with an adequate development of urban infrastructure. In Moldova within 1961 – 1990 the urban population increased from 670 thousand up to 2.1 million people i.e. by three times. 21 towns (1 metropolis, 3 middle and 17 small towns) and 45 urban-type communities formed the urban framework of the country.

Research and design support of urbanization was based on “Comprehensive Regional Planning of the MSSR”, “Regional System of Settlement of the MSSR”, general plans of development of agglomerations (Chisinau, Tiraspol-Bender) and towns. Towns were arranged by following 4 levels depending on their sizes and functions:

- *multifunction centres* of group systems of settlement (the northern system – Balti; the central – Chisinau; the south-eastern one – Tiraspol and Bender; the southern one – Comrat);
- *inter-regional centres* that influenced a number of administrative regions – Soroca, Edinet, Ungheni, Orhei, Ribnita, Dubasari, Hincesti and Cahul);
- *town-centres* of an administrative-territorial region;
- *local small towns*.

In the transition period in 90’s and later, the economic, social and other interrelations within the urban network of Moldova transformed due to new conditions and factors: administrative structure of the country, market economy, and changes in specialization and organizational form of subjects of production and social areas. At the same time a number of *problems* that required corrective actions within state-centralized urban planning and decision-making system emerged in urban development:

- obsolescence of general plans of town’s development, inadequate level of monitoring and coordination of construction of enterprises and houses, expansion of “illegal building”;
- lack of the state programme of house-building, need of reconstruction of existing housing stock;
- gap in evolution of social infrastructure;
- increase of load on technical infrastructure – main traffic arteries (individual motorization), systems of energy and water supply; problem of waste products;
- inefficiency in consumption of natural resources and increases in pollution;
- shortcoming of development cooperation and correlation between municipalities, towns and the respective surrounding area.

The problem solving is complicated both by lack of state-centralized urban planning programmes and procedures and by limitation of financial resources, both public and private available for urban investment.

The legislation that regulates urban development in Moldova is at the conceptual stage and includes the Law on Urban Planning and Territory Arrangement Bases (1996),

Concept of Sustainable Development of Settlements of the Republic of Moldova (2001). The Plan of National Territory Arrangement is being worked out, general plans of urban planning of a number of municipalities and towns are being renewed.

3. OBJECTIVES

The Concept of Sustainable Urban Development is a constituent part of a long-term programming of development of urban system of the Republic of Moldova that will be carried out in the framework of the Regional Development Policy as one of effective directions of implementation of EG PRSP and Action Plan of EU-Moldova. Main objectives of the Sustainable Urban Development are the following:

- balanced development of towns in correlation with a sustainable social and economic development in the whole country's territory;
- expansion of legal, institutional and resource potentials for urban problems solving;
- support of local public administration in their activities targeted at social and economic development on the basis of principles of European Charter of Local Self-government – effectiveness, subsidiarity, planning, coordination and partnership between bodies of central and local public administration, public and private sectors as well as institutions of civil society.

The principle of effective and sustainable development of the whole system of the population settlement on the territory of the Republic of Moldova becomes a unified coordinating criterion of activities in urban planning and territory arrangement that is reflected both in the Plan of National Territory Arrangement and in practice of planning and development of municipalities and towns.

4. SUSTAINABLE URBAN MANAGEMENT

4.1. KEY DIRECTIONS AND INSTRUMENTS

Sustainable development of the National Urban System is provided for in the following directions:

- a) application of legal, economic and administrative norms and procedures that correspond with the standards of EU, especially taking into consideration the principles of local autonomy and subsidiarity;
- b) coordination of planning and development of national, regional and local urban systems;
- c) integrated versus sectoral planning and management;
- d) concentration of financial resources (state, municipal and private) for key problems solving of urban development;
- e) improvement of territorial (regional and urban) statistics;

- f) public information and participation in all critical areas for urban management.

The important instruments to provide sustainable urban development are the *state policy* of regional and urban development that relies on a corresponding legal basis (the Law on Regional Development, Law on Urban Planning and Territory Arrangement Bases) and *institutional structures* of central government and local public administration bodies.

In terms of national urban system Moldova's spatial organization is seen through the major national centres (poles of growth) that dominated secondary (regional) centres, in the hierarchical structure.

4.2. GROWTH POLE CONCEPT AS KEY ELEMENT OF THE URBAN DEVELOPMENT STRATEGY

The Government strategic objective for a medium-term outlook is to provide a sustainable economic growth and to reduce poverty.⁶ This task may be solved only by an active use of territory resources (regions and towns) – human resources, enterprises, infrastructure and natural environment. Heading for the rise and equalizing of levels of social and economic development in the whole country's territory (employment, per capita income, availability of social sphere services etc.), in terms of practice for the near-time outlook, *the growth pole concept* will be the most acceptable basis of the state policy for urban planning.⁷

In regional theory and practice *the concept that considers nodal or pole regions that are formed around towns as centres of crystallization of administrative, social and economic activity* is universally recognized. After its initial approval in Europe in the framework of the national plans of France (plans IV and V, in 1960-s) the growth pole concept was implemented in more than 30 countries including Ireland, Great Britain and Italy as well as in development countries of Latin America, south-eastern Asia and Africa.

According to this concept the poles of territories growth are either towns or formed on their basis new forms of concentrations of economic activities – free economic zones, large-size industrial or infrastructure projects, areas of cross-border cooperation.

An evaluation of conditions that indicate town-poles growth in the urban system of Moldova (demography, economy, infrastructure, flows of people, goods and services) would be efficient if it is made in the context of development of the National Plan of Territory Arrangement. A preliminary evaluation of advantages of town groups that can be considered to be potential poles of growth for adjacent areas and the whole of Moldova is provided in *Annexes B and D (Map-4)*.

The sense of regional policy, including sustainable urban development, is to reduce social and economic inequality between Chisinau and the other regions by stimulation of

⁶ Economic Growth and Poverty Reduction Strategy (2004-2006), Government of Moldova, www.scers.md

⁷ Richardson H.W. Growth Centres, Rural Development and National Urban Policy, International Regional Science Review, 3,1978

development in “poles of growth” which will make it possible to save resources and time, create zones of comfortable business climate and new jobs, pull up the economy of adjacent depressed territories. And on this basis the territorial statistics can be put in good. Accentuation of 10-12 town-centres – “development regions” will make it possible to introduce a European system of territorial statistics in Moldova which will help to obtain higher quality information for analysis and decision-making. This has been already provided for by the government in EG PRSP: “In accordance with the Nomenclature of Units of territorial Statistics used by EU, regions will be identified for development and support, each of which will comprise several existing administrative-territorial units (with the exception of the municipality of Chisinau).”⁸

4.3. CHISINAU MUNICIPALITY AS A DOMINANT OF THE COUNTRY’S URBAN SYSTEM

The administrative, economic, social and cultural functions of Chisinau, the metropolitan agglomeration with population of 780 000, extend over the whole country, thus accounting for the capital’s specific status. The municipality’s share in the GDP is about 45%, while it accounts for 60% of total exports and 80% of total imports and generates over 60% the country’s consolidated budget tax revenues.

In 60-80’s the capital experienced rapid growth, when its population increased 2.5 times, while its industrial employment increased 4.6 times. During the transition the capital’s population, like in most other towns of the country, did not decrease (i.e., 676.7 thousand in 1991 and 662.2 thousand in 2004), whereas its demographic and social structure changed. The share of small businesses, services sector, financial and export-import agencies, higher education increased whereas the industrial employment decreased. The agglomeration effect, however, remained due to the existence of major research and industrial potential, skilled human resources and developed engineering and social infrastructure.

The shortcomings are distorted power and water supply systems, overcrowded motor transport thoroughfares, uncontrolled construction, and waste management problems.

The key issues of the capital’s long-term sustainable development are integration and subsidiarity. Both the municipality and the city undergo a rapid system change, which calls for adequate changes in city-based planning and management areas.

The *General Plan of Chisinau’s Development till 2020* is an important step in this direction. The plan has to identify the ways and methods – with due regard to EU standards – for transforming the city of Chisinau and the whole municipality towards a balance urban system.

Strengthening the city’s social and economic prosperity involves:

⁸ Economic Growth and Poverty Reduction Strategy (2004-2006), Government of Moldova, 2004, www.scers.md

- a) A diverse and flexible local economy combining manufacturing, services, cultural industries, leisure and tourism and giving particular emphasis to entrepreneurship and SMEs, which provide a higher share of new jobs.
- b) A good supply of human capital to exploit the growth and innovation in the knowledge-based sectors of the economy and a capacity for life-long learning through strong links between supply of and demand for skilled human capital.
- c) A good communications infrastructure including information technology, transport links, which assure internal and external accessibility, and internationalization strategies that encourage exchange, networking and learning between different economic and social milieu.
- d) A good urban environment in terms of natural and physical resources, in turn dependent upon effective systems of pollution control, well-functioning environmental infrastructure and transport, and land use planning systems that foster mixed uses and an attractive urban ambience.
- e) A good quality of life in cultural and social terms including affordable housing and a secure environment.
- f) Good urban governance promoting integrated approaches and partnerships for urban social and economic development.
- g) Efficient and functional linkages with smaller urban places of the municipality including the capacity to build effective links with rural hinterlands.

These criteria lay at the basis of the *Concept of General Plan of Chisinau Municipality Development for the period to 2020*, which was approved by the Municipal Council on 6.04.2004.⁹

The strategy of development traced through the Concept presuppose *to transform this regional centre with limited international importance, into a modern metropolis connected to the international communications network and integrated with European economic and cultural space*. Due to its favourable geographic position at the crossroads of important human capital, material and financial flows, Chisinau is set to become a strategic multifunctional regional focal point, which will be able to provide the link between Central Europe, Balkans and CIS region. Attractive business environment, modern infrastructure and institutional background will be conducive of sustainable growth led by the development of sectors, which put the existing local potential to maximum use.

Further to the existing potential the city can exploit the opportunities offered by European integration as demonstrated by urban-based growth in sectors like international trade and retailing, communications, transport, cultural industries and tourism, design and research. Growth in these sectors offers a potential for creating jobs and improving the local quality of life.

The metropolis' development is a result of common initiative, to which the Government and municipality's authorities, civil society, private sector and the citizens will contribute their effort and resources. The habitat – including housing conditions, quality of

⁹ Conceptia planului urbanistic general al municipiului Chisinau, Primaria municipiului Chisinau, 2004

communal services and the environment situation - will improve due to implementation of certain measures. High quality health, education and social assistance services will be treated with due attention given their importance. Suburban localities will be harmoniously developed and integrated with the metropolitan agglomeration. The city – integrated with the national and European economy - shall foster the metropolis' qualities, shall provide a favourable and attractive milieu both for living and doing business.

In order to implement this approach *five strategic goals* have been identified:

- transforming Chisinau to a modern metropolis linked with the global communications network and integrated into the European cultural and social space;
- creating a social and cultural milieu characterized by a balance of individual and communal interests;
- Providing a habitat with lasting and comfortable environment for the municipality's citizens;
- Creating attractive business climate for investment and economic growth;
- Creating a metropolitan agglomeration of integrated and harmoniously developed localities.

The strategic goals determine the main thrust of the municipality's development. The strategic goals will be reached by implementing over *30 specific urban tasks*, each of which is a sector task and will contribute to the implementation of one or more strategic goals. According to the Concept estimates, the implementation of projects in pursuance of the strategic and urban goals will call for investment of over MDL 40 billion (USD 3.5 billion). About 40% of the investment shall be made in technical and management infrastructure and housing facilities, while the rest shall be invested in the territorial development and other projects. Given budget constraints, it is assumed that only 25-40% of the investment will come from the municipal budget. The major portion of the required resources needs to be mobilized from private sector, including foreign funds.

4.4. SMALL AND MEDIUM TOWNS DEVELOPMENT POLICIES

The majority of the Republic's of Moldova urban population live in small and medium towns. The 90's economic crisis affected the employment and living standards of these towns, in particular of those, which well-being depended on one or two large enterprises. The overcoming of small and medium towns' crisis is particularly difficult due to limited financial resources, non-developed business infrastructure, outflow of skilled labour, economic marginalization and social exclusion of the majority of the population, both young and old.

The viability and living standards of the small and medium towns can be restored basing on the coordinated state-centralized effort (legislation, fiscal decentralization, encouragement of investment, SMEs support, social assistance to those in need) on the one hand. While on the other hand, the local authorities' initiative in creating favourable business environment, tax collection, infrastructure renovation, organization of public

works, etc. is important. It is deemed expedient to make active use of the financial and technical assistance, which comes from the international organizations (UNDP, UNICEF, TACIS, USAID, SIDA, etc) and donor's countries by way of project support to SME sector, agro-business, micro-financing, environment and social local initiatives.

The Government Concept of Sustainable Developments of Settlements of the Republic of Moldova (2001) provides the following for small and medium towns:¹⁰

- To identify the categories of towns and villages and establish their functional hierarchy;
- Provide master town development and local development plans for towns and villages;
- Make research to identify, assess and rectify distortions; establish priorities for each town and village;
- To monitor town and local development, environmental protection work; apply the relevant international standards;
- Implement the integration of all sector programs at micro- and macro territorial levels;
- Provide for the economic, social and environmental linkages between cities and their surrounding regions;
- Involve civil society in decision-making on town and territorial development and environment protection issues.

Most of the effort will be coordinated at the country level. At the same time pursuant to European Charter on Local Self-Government, which was adapted By the Parliament of the Republic of Moldova (1997), local initiatives, partnership between neighbourhood towns and cross-border cooperation between neighbouring districts of Moldova, Romania and Ukraine are important.

4.5. URBAN DEMOCRACY, PUBLIC INFORMATION AND PARTICIPATION

The formation of the Republic's of Moldova statehood, transformation of the country's economy and social life brought about important changes in the structure of the national and local government and in the relations between the public, private and community sectors.

Due to budget constraints the level of public resources available for urban investment decreased. At the same time the role of private sector and individual resources in housing, welfare services, training and education, transport and communications, organization of tourism and leisure becomes increasingly important.

Under the new circumstances the cities face the challenge of extending democracy and local empowerment and involving all stakeholders, including citizens, in the formulation

¹⁰ Concept of Sustainable Developments of Settlements of the Republic of Moldova, Monitorul Oficial al RM, No.5-8, 10.01.2002

and implementation of integrated urban strategies for sustainable development. Relevant legislation should provide for public information and participation in these procedures including the following issues:

- The process of decision-making between state/ local authorities and civil society should base on the principle of partnership.
- Detailed procedures must be developed to formalize the integration of stakeholders' consultations into the mainstream of town planning and decision-making.
- Establishing regular platforms for participation of the third sector, networking, and round tables will improve transparency and strengthen public control during all phases of urban plan and project implementation.

Non-governmental organisations that work on sustainable urban development issues should be given a more active role with focus on quality of local self-government, employment, business climate, housing, health and safety problems, wastes of land and water, environment degradation.

4.6. RESTRICTIONS AND BARRIERS

The main restrictions and barriers to more effective sustainable urban development include:

- slow process of decentralization - in accordance with European Charter on Local Self-Government - and overlapping of competencies.
- lack of laws regulating sustainable urban development, planning and management, also EU adaptations.
- lack of integration, both vertical and horizontal, of urban planning; the absence of adopted sustainability indicators for monitoring and assessment;
- many urban plans and programs are outdated.
- towns budget limitations; lack of funding to investment in housing and to replacing outdated infrastructure; conflict between private investment pressures and sensitive areas; illegal building.
- barriers to more sustainable construction methods and techniques include expensive technologies and imported materials, slow progress in building industry, very limited energy and financial resources of towns and municipalities; absence of indicators for the assessment of sustainable construction, including assessment of seismic stability.
- weak public participation in urban management, insufficient transparency in decision-making at the local government level.
- Lack of awareness and information about EU sustainable urban development experience and about possibilities of getting foreign financial and technical assistance for sustainable urban development in Moldova.

5. POLICY MEASURES

Increasing urban role and presence in the government policy and management needs to become a priority. Lack of consideration of the urbanization phenomenon and its advantages and disadvantages hampers the efficient implementation of both the Economic Growth and Poverty Reduction Strategy and Action Plan European Union-Republic of Moldova. A government policy of sustainable urban development including objectives, priorities, recourses and mechanisms needs to be developed and implemented.

The population should know more about the ways, in which the central government and local authorities impact, both directly and indirectly, municipalities and towns.

- a) For better *coordination between the national and local levels* it is important to
 - Carry decentralization processes forward in accordance with European Charter on Local Self-Government;
 - Improve the legislation regulating sustainable urban development, planning and management with due regards to EU legislation and practices.
 - Provide for the coordination, overseeing and monitoring of all urban initiatives taken in the context of the Economic Growth and Poverty Reduction Strategy.
- b) The following issues are seen as relevant for *urban authorities*:
 - Revision of all urban plans and programs (many of which are outdated) and accepted strategy for sustainable development.
 - Replacement of sector-based decision-making process with an integrated long-term approach.
 - Financial incentives to encourage community stake-holders (private sector, foreign companies) participation in planning and decision-making.
 - Reliable medium-term budget formulation and planning with view to providing the funding of planned urban management/ planning activities.
 - More efficient system of local taxes collection.
- c) The following has been identified to overcome the barriers to *public participation and information*:
 - Decision making process involving state/urban authorities and civil society based on the principle of partnership.
 - Detailed procedures to formalize the stakeholder consultants' integration in the mainstream of municipal /urban planning and decision-making.
 - A regular platform for the participation of the civil society, networking and round tables with improved transparency and strengthened public control during all the stages of urban plans and project implementation.

ANNEX A. LEGAL, INSTITUTIONAL AND FINANCIAL CONDITIONS OF URBAN DEVELOPMENT IN THE REPUBLIC OF MOLDOVA

With the purpose of a comprehensive presentation of legal, institutional and financial aspects, as a base for sustainable development of towns in the conditions of the Republic of Moldova, you may find below the overview of particular legal basis, organizational and financial principles of local authorities' activities, practice and practical implementation within the framework of valid legislation, the context of the Constitution of the Republic of Moldova and European Charter of Local Self-Government.

Legal and Institutional Aspects.

The normative base of regulation the activities of local public administration bodies, including towns is practically formed.

Main principles, determining the local communities and local public services legal state of affairs, are emerging from Article 109 of the Constitution of the Republic of Moldova and European Charter of Local Self-Government (1985), ratified by the Parliament of the Republic of Moldova (1997). Major and decisive principles are: local autonomy, including financial; decentralization of social (public) services; electivity of local public administration authorities; consulting the citizens on the most significant issues of local importance.

The most important *legal acts*, enlightening the situation of local public bodies and the sources of their financing, including towns, are the Law on Local Public Administration as of March 18, 2003 and the Law on Local Public Finances as of October 16, 2003. These legal acts state that any competencies of towns' authorities shall be ensured by human and material resources, including finances, which is a guarantee of towns' sustainable development.

Legal base establishes the competencies of towns' public administration authorities, determines the legal situation of towns, as a variation of local communities with legal persons' status, which has possessions in the form of public property.

According to the Law on Local Public Administration, *the competencies of towns* include the following directions of activities:

- Social and economic development, territory accomplishments and urban development;
- Building and maintenance of local roads, streets, bridges, road traffic management;
- Public service, within the limits, not interfering with the competencies of other levels administrative territorial units, passengers auto transportation, towns electrical transportation, buss stations within that territory;
- Building, servicing and exploitation of heating systems, water supply, sewage, water cleaning, sanitary maintenance of populated areas, management of production and household waste in conformity with the law;
- Rendering social assistance to population, including young families, families with many children, motherhood, children, old and single persons rights protection, not included in the competencies of other bodies;
- Building of houses for socially vulnerable layers of population and other categories, provided by valid legislation and exploitation of municipal housing fund;
- Preschool, out of school, primary institutions, gymnasiums, general schools and lyceums, other educational institutions, servicing the population of corresponding populated areas;

- Cultural institutions and cultural social activities (cultural centres and houses, other cultural and educational institutions), including libraries and museums;
- Physical education and sports, sports facilities and premises; local youth activities, meetings;
- Other competencies provided by law.

The following are considered objects of *public property*: budget and social and cultural organizations property (educational, healthcare, cultural institutions); property of local enterprises with public form of property, including the share in the statutory capital of enterprises with mixed and joint form of property; property of towns public administration authorities, towns land, towns budget resources, securities; housing fund (except individual, cooperative and social organizations, etc.); engineering infrastructure objects and others, on the territory of towns, necessary for economic and social development of towns and implementation by towns' authorities of their tasks.

In conformity with administrative – territorial reform (2003), 32 rayons and the Autonomous Territorial Unit Gagauzia (ATU) were formed, on the territory of which 65 towns, 5 municipalities and 1615 communes and villages are placed. The legal aspects are of primary importance for all these local administration authorities, due to the fact that non compliance with such principles as strict division of authorities leads to their duplication, and, therefore, to unstable financial situation; lack of mechanisms for transfer of property from public administration bodies on the level of the State or administrative territorial unit (rayon) to towns limits the local autonomy authorities, as it is provided in the Constitution of the Republic of Moldova and European Charter of Local Self-Government.

Competencies and Authorities Bodies

It is obvious from valid legislation, that towns and municipalities have similar competencies not only with rayons, but also with villages and communes almost on 30 directions of social life, regardless of the fact that towns are administrative territorial units more developed than villages from the economic, social and cultural aspects, and also considerably differ by their functions from rayons.

For example, according to the Law on Local Public Administration the competencies of towns include *social and economic development*, territory accomplishment and urban development. Similar competencies are provided for rayons and other administrative territorial units of the second level. According to the on Urban Planning and Territory Arrangement, as well as to the Concept of Sustainable Development of Settlements in the Republic of Moldova, the social and economic development of towns, rayons, and villages are included into the competences of both rayons and towns without clear distinction of powers between these local public administration bodies.

The authorities of towns with respect to social assistance to population, including young families, families with many children, motherhood, children, old and single persons rights protection, not included into the competencies of other bodies, are similar to the competencies of rayons public administration bodies. On the local level there are municipal Departments for social insurance and rayons Sections for social insurance and family protection, which are formed by corresponding Councils upon coordination with the Ministry of Labour and Social Protection, and which are reporting to both – respective bodies and Social Insurance Department of the Ministry of Labour and Social Protection. No such structures are provided for the level of towns, but they can deal with social assistance problems if they independently locate financial resources.

According to the Law on Local Public Finances the rights of local public authorities in the field of *housing* for socially vulnerable persons and other categories of population and *maintaining of available housing* as well as those described above are not supported by financial resources.

In preschool, out of school, primary institutions, gymnasiums, general schools and lyceums, other *educational institutions*, servicing the population of corresponding populated areas, as well as in the sphere of social assistance, the authorities of central branch public administration bodies are interconnected with those of rayons and local public administration bodies, which is impossible in the conditions of local autonomy. According to the legislation the Ministry of Education performs its activity through Education Departments, included in rayons public administration bodies and not through the des-concentrated administration bodies.

Educational institutions are financed from local budgets, but the Directors of educational institutions are appointed and dismissed by the Ministry or rayon Department of Education, after preliminary agreement with local public administration bodies, although this should have been vice versa – in the conditions of real local autonomy.

Educational institutions and cultural social activities are regulated by numerous legislative acts: Law on Culture, Law on Theatre, Circus and Concert Organizations, Law on Libraries, Law on Museums, Law on Folk Home-Crafts, etc. According to the Law on Culture cultural institutions could be established by the state, municipal or private body. So, the law in force doesn't provide such rights to towns or other settlements.

According to the Law on Libraries the budget of administrative territorial unit, including town, can't be adopted if it doesn't provide necessary funds for libraries development but there are no similar provisions in the Law on Local Public Finances and the Law on Local Public Administration, and, therefore, no conditions for their financing had been created.

According to the Law on Folk Home-Crafts, local public administration bodies, including towns shall provide to craftsmen, their organizations and enterprises under the procedures established by law, fiscal and other exemptions but these exemptions are absent in the tax law.

Physical education and *sports, sports facilities and premises; local youth activities, meetings*. These areas are also regulated by different legislative and other normative acts, which are not related with the Law on Local Public Finances and the Law on Local Public Administration. The Law on Physical Culture and Sports provides rather clear conditions for local public administration bodies with respect to financing sports organizations and providing them with sports facilities and necessary premises. Economic entities shall provide the expenses for cultural development in the amount not less than 1% of revenues, but in other legislative acts, including the tax law, such norms are not included.

Similar problems may be encountered with respect to other authorities, granted to local public bodies of towns in accordance with the law, regardless of the fact that permanent authorities, provided by the Law on Local Public Administration, should be ensured by corresponding structures, personnel, and necessary financial resources, provided by local budgets.

The conclusion, made on basis of the analysis of towns local public administration bodies competencies, is that the normative base of their activities requires improvement based on the principles of the European Charter of Local Self-Government.

Towns' Property

According to the Law on Public Ownership of Administrative-Territorial Units as of July 16, 1999, the town's public property comprises all movable and immovable property, placed on its territory before entering into force of the Law on the Administrative and Territorial Division of the Republic of Moldova as of November 12, 1998. However, in 2003 another administrative territorial reform was undertaken and based on this the implementation of provisions of the Law on Public Ownership of Administrative and Territorial Units is legally problematic.

This law includes contradictory provisions which are limiting the competencies of towns' public administration bodies in implementing the public property rights. According to the law "the list of property transmitted to the administrative territorial units' public property is established upon request of local public administration by corresponding central branch bodies".

This provision limits the competencies of towns in implementing the public property rights, a fact that is in contradiction with Article 4 of the European Charter of Local Self-Government. This Article provides that local administration bodies shall have full and exclusive authorities within the law, which can be disputed or limited by other body of the power only within the limits established by the law.

The principles of organization and functioning of local communities, including towns, are not completely taken into account by the on Public Ownership of Land and Land's Delimitation. According to this law, if lands in public property of the State are bounded with administrative territorial units lands, the representatives of the State and the administrative territorial unit coordinate the borders of such lands. If they are unable to come to a mutually suitable decision, the borders are established by the Government upon the proposal of the National Cadastre, Land Resources and Geodesy Agency. Meanwhile, Article 11 of European Charter of Local Self-Government states that local administration bodies "shall have the right to judicial protection to ensure free implementation of their authorities and observance of local administration principles established by the Constitution and legislation of the country".

The Law on Public Ownership of Land and Land's Delimitation includes the same discriminatory principle – administrative territorial units own the lands that are not included into the public property of the State.

For example, forests fund lands, including the list of natural protection lands, which represent the public property of the State, is approved by the Government.

According to the Law, the Government has amended and modified the legislation in the field, taking or not into consideration the opinion of local public authorities.

The Government Decision on Delimitation of Land Ownership of Some Administrative and Territorial Units of the Republic of Moldova # 959 as of August 4, 2003 sets up only the total area of lands are in public ownership, including those are in state ownership. However, according to the Article 4 and 5 of the European Charter of Local Self-Government in the process of planning and adoption of any decisions, directly related with local administration bodies, it is necessary to consult these bodies, as early as possible and under the corresponding form. And while delimiting local territories, it is necessary to consult the corresponding local administration bodies, possible, where the law provides, by referendum.

The decision to delegate authorities with respect to privatization of housing fund of towns, villages and communes to rayons councils, and the privatization of housing fund in Chisinau and Balti municipality to remain to the Department of Privatization, doesn't correspond to local autonomy principles.

According to another change in the legislation, to local public administration bodies of administrative territorial units of the second level (i.e. rayons, Chisinau municipality, ATU Gagauzia) are delegated the authorities regarding “privatization of state agricultural enterprises property, land plots adjoining to private enterprises, other objects, land plots adjoining to privatized or to be privatized enterprises, which cost is not included in their statutory capital, housing fund, that is the property of the State or administrative territorial units, non housing objects, except those under the competencies of other public administration bodies”.

This legal norm doesn't delimit the public property of the State and the public property of the administrative territorial unit (for example, housing fund), while the latter is under the exclusive competence of the local body and can't be the object of delegation.

Thus, the existing normative base, which is delimiting and determining the public property of towns and other administrative territorial units, is rather vague and creates conditions for different interpretations, while it should be legally more unambiguous and more accurate from the point of view of implementation mechanisms.

Financial Issues.

According to the European Charter of Local Self-Government, local public administration bodies have the right to possess enough own financial resources, which they can freely spend in the process of their functions implementation. Financial resources shall be co-measured to the authorities extended to them by law, and subsidies, extended to local public administration bodies, upon possibility, shall not be directed on certain projects financing, i.e. used to the detriment of main freedom of policy choice in the sphere of local administration. We also consider that local public administration bodies shall have access to the national equities capital in the sphere of capital investments.

Financial resources of towns represent the totality of all monetary resources and financial assets, which all economic entities possess, placed on their territories.

Territorial financial resources are formed of attracted and own funds and assets. Attracted funds are formed of state revenues collections, which are regulating sources of the budgetary system, transfers from the fund of territories financial support, created within the State Budget, special funds.

Receiving towns' revenues, their accumulation and distribution is made by the financial system, including the budgetary and credit-financial components, extra-budgetary funds, insurance system and other.

Planning of towns finances is a component part of the financial policy of the State. While drafting towns' financial plan (budget) its financial policy is taken into account depending and based on priorities determined on the macro level and not as the sum of necessities of different directions for expenditures of towns.

The rayons are the main subject of the inter-budgetary financial relations within the existing financial system of the Republic of Moldova. Specifically, they have the right to form the budget of towns and villages, specifically, on them depends the transfers of money to the budget of towns for implementation of authorities established by legislation. It is rather complicated to construe the inter-budgetary relations between rayons, towns and villages, in the conditions of indistinct determination of authorities in the law, limited own resources, lack of expenditures planning on local level medium term perspective, as well as taking into account the existing situation with labour force, economy development imbalance on the territory of the country.

The rights of towns are limited, both on the stage of budgetary planning and on the stage of financing in implementing their authorities. If on the state level there is budget expenses

planning and forecasting upon programs and results, that allows to consider the perspectives of budgetary spheres development, on the level of towns planning is made only for one year and financing depends on the rayon.

The existing regional structure of economic activity in Moldova is of such a nature that Chisinau municipality generates 27% of all fiscal and other collections, that only two municipalities Chisinau and Balti have financial sources, ensuring the formation of their budget, without any financial support on behalf of the State. The financial situation of other towns totally depends on the financial policy of the State and rayon.

Based on the existing distribution of labour force and acting system of finances management on the State level, (according to which the rayon has the function of the distributor of local communities financial resources), the development of towns, with rare exceptions, is slow and unstable.

In 2003, for example, no more than 13% of the budgets of all administrative territorial units (without transfers, and without Chisinau) were allocated to financing of towns. Most assured from the point of view of financial sources (without transfers) in 2003 were the towns of Ungheni (30,3%), Ocnita – (24.9%), Leovo - (22.8%), Calarasi – (22.5%), Riscani – (22.4%), and Basarabasca - (20.2 %).

Taking into account the transfers, the most assured in 2003 were Ungheni -38.5 %, Cahul - 26.9%, Briceni - 26.9%, Taraclia - 24.7%, Ocnita - 20.3 %.

The least financially assured are the towns Falesti, Ialoveni, Stefan Voda, where the share of financial resources, which in the budget of rayon administrative territorial units with and without transfers fluctuates within the limits of (10%).

Evaluation of budget expenditures of administrative – territorial units (rayons) on elaboration of budget for one year is made upon 9 authorities, while according to the legislation the local bodies perform their authorities in more than 30 directions; the other expenses being represented by one line as “other”.

Towns are also limited not only in full rights management of budgetary resources, but also in the right to get short term and long term loans for capital expenditures by issuance of bonds. This right according to the legislation belongs only to rayons. and municipalities Chisinau and Balti.

The fiscal basis of administrative territorial units of Moldova (towns and rayons) is characterized as follows: budgets own revenues for 2005 are forecasted in the amount of 1127.4 million lei or by 18% more than in 2004. In the total amount of administrative territorial units revenues for 2005, the share of Chisinau municipality is 50.2% of own resources, Balti – 6%. The administrative territorial units revenues, taking into account the transfers, are forecasted in the amount of 1817.8 million lei, or by 10.1% more than in 2004. These revenues constitute 4.95% of GDP, and their share decreased by 0.23%, as to 2004. The administrative territorial units revenues in the total volume of National Public Budget constitute 14.4%. As to towns, their main financial indices are not stated in any official document.

Neither the state statistics, nor the state financial system allows to trail the financial situation of towns, notwithstanding the fact that the legal status of towns and rayons is of equal importance.

Formation of monetary resources in towns is not limited to budgetary resources, it depends on other financial structures and instruments: banks and their branches, insurance companies, participants of securities market, audit and consulting companies.

According to the statistics, the banking system of the country is demonstrating a steady growth on all indices. Banks general assets increased in 2004. They increased by 17,3% that added to the stability of banks; growth of liabilities by 18,6% let behind the growth of assets liquidity (37,9%) and deposits (21,9%). But, instead of crediting more actively the real sector of the economy, including in towns, the banks prefer Government Securities. For 9 months of 2004 the volume of purchased Government Securities increased by 75,6%, and credits and financial leasing claims by 10,4%.

This practice of the banks can't but influence the availability of monetary resources in towns keeping in mind the fact that an acute problem is attracting the population savings kept outside the circulation flux in the economy and their direction to the improvement of the standards of life in towns, solution of production and social problems.

Development of insurance system in towns is important not only from the point of view of perspective reduction of budget expenses on liquidating natural, economic or political risks, but also as a serious source of attracting investment resources of insurers and through them the monetary resources of the population. Positive results have not yet been manifested on this market in Moldova, because in 2003, as compared with 2002, insurance payments total in Moldova upon types of voluntary insurance increased only by 2 % in towns and obligatory insurance – 1,5 times. The statistics on the development of insurance market in towns, as well as in the whole financial system is missing.

Thus, the existing in the country system of financing towns doesn't meet the requirements of the European Charter of Local Self-Government and doesn't contribute to the creation of conditions for ensuring towns' stable development.

Policy recommendations for urban sustainable development

To create the conditions for the development of local administration in towns and real financial autonomy is necessary:

To improve certain provisions of the legislation in the area of local public finances;

To ensure the balance (proportionality between the volume of towns' public administration bodies authorities and necessary, for that volume, of human and financial resources), including delegation of authorities by the state;

To establish an effective control over the performance of officials, excluding ungrounded interference of rayons and central public administration bodies into the activity of towns;

To recover the state statistics, (including financial) permitting public administration bodies to formulate the policy in the sphere of towns development, to commensurate the standards of life in towns, as compared to European standards, to promote a balanced financial policy in towns ;

To change the system of relations between the state budget, budget of administrative territorial unit and towns, by creation in the fields of financial Departments reporting to the Ministry of Finance, which would coordinate and implement separately the financing of rayons and towns budgets.

ANNEX B. ADVANTAGES OF THE TOWNS – POTENTIAL GROWTH POLE ON THE TERRITORY OF THE REPUBLIC OF MOLDOVA

The world history gives many examples of the stimulating and organizing role of towns in the development of regions and countries. A prove to that are the towns-states of the Ancient Greece, Hanza-cities of the Medieval Germany, towns colonies on the Mediterranean and Black Seas coast. Moldova is not an exception, on its territory, the same as in others' European countries, traditionally, from the Middle Ages; the towns appeared as crystallized centres of administrative and economical activity of a region, and country as a whole. The key towns of the Republic of Moldova sprang up in XIV-XV centuries (Chisinau, Bender, Soroca, Ungheni, Orhei, Causeni, Cahul and others) as the administrative and trade centres of the country. Another group of towns (Tiraspol, Balti, Ribnita, Comrat, Taraclia) sprang up later, in the XVIII-XIX centuries, when the scaled processes of region colonization and foreign capital inflows happened.

In theory and practice of the regional development is generally recognized three types of regions: *homogenous* - regions identical by specialization, demography, natural conditions, *nodal* or *polarized* regions formed around towns as core centres of administrative, economic and social activities, and, finally, *programmed* regions built up for the reasons of future development on the base of investment projects, free economic zones, cross-border cooperation, etc.

In the practice of regional planning of the MSSR in 70 – 80's were distinguished 4 economic integral sub-regions (North, Centre, South-East, South) and, correspondingly, 4 groups of settlements system (with the centres in Balti, Chisinau, Tiraspol-Bender and Comrat) and 8 planned settlement zones (Edinet, Balti, Ribnita, Ungheni, Tiraspol-Bender, Comrat and Cahul)¹¹.

At the beginning of the 90's the Moldova's settlement system included 21 towns, 45 urban villages and more than 1.6 thou villages. Depending on the complexity of their functions, towns were divided into 4 levels: multifunctional centres of group settlement system (North, Centre, Southeast and South); inter district centres, whose influence extended to several low-level districts; cities – centres of low-level districts and local centres.

In the Republic of Moldova the scientific and project background of regional and urban policy was not modernized since 1991. This lead to the situation to get worse firstly locally than taking virtually equal degree spread throughout the country. That is why it is entirely reasonable to use the research output of the predecessors (NiipianirovaniA, KievNIIgiprograd, Moldgiprostroii and Moldgiproselstroii) approved by the Government in the 80s' at the initial stage of the elaboration of the National Plan of Territory Arrangement and the Concept of Sustainable Urban Development.

Based on these and recent projects (Urban Project, 1999-2004) one can conclude that there is a group of 10-12 towns on the territory of the Republic of Moldova, and theirs vital capacity maintained within various historical epoch (including the transition period of 90's). And just these viable towns maintained the population and economics could be considered as growth poles to stimulate the economic growth and social development of surrounding regions and country as a whole. These are:

1. Chisinau Agglomeration
2. Balti Municipally
3. Edinet-Cupcini Agglomeration

¹¹ Gudim Anatol. Economic Sub-regions of Moldova, Chisinau, Stiinta, 1983

4. Soroca town
5. Ungheni town
6. Ribnita-Rezina Agglomeration
7. Orhei town
8. Dubasar town
9. Tiraspol-Bender Agglomeration
10. Comrat town
11. Taraclia town
12. Cahul town

In sum about 1.5 million people or 40% of total population of the Republic of Moldova inhabit in these agglomerations and towns, and about 2/3 of the country's industrial potential (industries, construction, transport and telecommunications), social infrastructure (public health, science, education and culture) are concentrated here also.

The main characteristics, advantages and weaknesses of potential 'growth poles' on the territory of the Republic of Moldova are presented below:

Chisinau and Chisinau agglomeration (the spring up year - 1436) - The influence of Chisinau agglomeration spread out on the whole territory of the country, this is linked to the administrative and socio-economic functions of Chisinau-city as the metropolis and its central geographical situation. In Chisinau are registered 76% (2002) of total number of economic entities registered in the country and the volume of attracted foreign investment amounted to USD 518 million. Main types of economic activities are the following: industry (226 enterprises – light and food industry, furniture, machinery, constructing materials industry, construction, transport and services. Agglomeration of Chisinau makes up about 50 settlements, including 5 towns, its total population is 800 thou people, of which Chisinau with 660.7 thou people. The metropolis is the major donor of the consolidated budget and is quite in conformity with European standards in respect to its capability of self-governance and self-financing.

Agglomeration of Tiraspol (1792) and Bender (III B. C.) - Tiraspol and Bender agglomeration takes second place in size of the country but it has the most diversified structure of economy: electro-power station (Cuciurgani), machinery (Tiraspol, Bender), light and food industry. It takes the priorities of transit geographical position towards CIS-Balkans (transit and transportation of gas and electrical energy), closeness to Odessa - the biggest port on the Black Sea; here is concentrated about 40% of country's groundwater resources; it is the most aseismic part of the country; and it is the real opportunity for tourism development. Shortcomings: temporary brake (after 1990) of production cooperation relations with other regions of the country, crisis in the agriculture and social depression.

Municipality Balti (1421) - Together with neighbouring regions Falesti, Glodeni Riscani and Singerei makes up 505.1 thousand population, including Balti town - 145.9 thousand inhabitants (2002). The municipality is used advantages of its central position in the north of the country: three-directions railway, five-directions highways, diversified industry – machinery, light and food industry, constructing materials industry (based on gypsum) Problems: lack of investments in reconstruction of main enterprises (12) and infrastructure, deficit of water resources.

Edinet-Cupcini agglomeration (1431) is relatively small in respect of the population number (about 50 thousand) but has a number of effective enterprises (canneries, sugar production, tobacco, dairy production, grain storage and flour-and-cereals industry) adapted to the market conditions. The volume of attracted foreign investment is rich to USD 17 million. The territory is included within the Euro-region "Upper Prut".

Soroca town (1499) is one of the oldest towns of Moldova with 38.9 thousand of inhabitants. It has the developed industries (60% of export-import transactions are oriented to EU), premises for the tourism development (history, geography, ethnography, spas), it is one of the active centres of business undertakings and used the benefits of bright transport position. But it feels the extreme need in investment.

Ungheni town (1430) - Its population is 240.0 people. And it is the most enterprising town in the modern Moldova in respect to attracting projects, grants and investment. Among them could be mentioned TACIS cross-border cooperation project “Ungheni-Iasi” construction of the gas pipeline “Calarasi-Ungheni”, construction of town’s autonomous system of heating supply, etc. The Free Entrepreneurial Zone as well as joint stock companies with Belgium, USA and Romanian investments are created. The town is transport and customs “window” to Central Europe. There are opportunities of developing environment-friendly agriculture. Drawbacks: the shortage of professionals requested by the market economy.

Orhei town (1531) is one of the oldest settlements on the territory of Moldova (*Old Orhei – 1352*) with 37.0 thousand of population. It is industrial centre bricking up the surrounding agricultural area in the central part of the country. The region offers the real opportunities for tourism development (museums, monasteries, river canyons, and the biggest country’s forestland). Drawbacks: the absence of railway, low-quality of potable water.

Agglomeration of Ribnita (1657) – Rezina (1470) with 60.0 thousand of population. Historically, it appeared at the trade routes (crossing point on the Dnestr river) from Basarabia to Podolie (grain, cattle, fruits). Then, it became the main country’s zone of cement production: the annual output of two cement works (both in Rezina and Ribnita) is about 1.5 million tones. In 80’s in Ribnita was set the electro-metallurgical works used as raw materials scrap of ferrous imported from the neighbour Eastern European countries. The works’ annual output is about 1.0 million tones of steel destined mainly for export. Shortcomings: heightened pollution of the environment (air, sewage), respiratory diseases of the population, as the result of the metallurgical and cements works activities.

Dubasari town (1702) is the oldest urban settlement on the left bank of the Dnestr river (about 20.0 thousand inhabitants). It takes the priorities of its transport position (Dnestr river, inter-state high- road “Poltava”, the way connected the north part of Transnistria with its south part) in the region located the hydroelectric power station (40.0 thousand kWh capacity), premises for tourism. The town has for Transnistria as a nexus between north (Camenca, Ribnita) and south (Grigoriopoli, Tiraspol, Slobozia) parts of the region. Drawbacks: low-income population, high level of unemployment.

Comrat town (1443) is located in the south-eastern part of the country in the centre of Budjac (25.7 thousand of inhabitants in 2003). It is the capital of ATU Gagauzia includes Comrat, Ciadir-Lunga and Vulcanesti raions as its constituent parts. It takes the priorities of transit position as the cross-point of Chisinau-Djurjulesti highway (Danube river), Budjac railway station. Both the region’s local authorities and business society bend every effort to diversify the economy and attract foreign investments (Turkish, Russian and Italian) now-time mainly in wine-making and light industry. Troubles: lack of water resources, high level of agricultural land erosion, shortage of qualified specialists.

Taraclia town (1813) is the centre of Bulgarian community in Moldova. Advantages: effective working Free Economic Zone (another one in the neighbour Tvardita), the high quality wine making enterprise, close economical and cultural relations with Bulgaria and with contiguous region of Ukraine (Bolgrad town). Drawbacks: the need of irrigation because of the regularly draughts, absence of natural construction materials.

Cahul town (1452) – historically, it is the most known urban settlement in the south of the country and takes the priorities of its transport position – class-A-airport, of an A level, five-directions highways, Prut river, the customs-point Cahul–Oancea, food and light industry, health resort complex based on local mineral springs. The regional importance of the town will increase when the construction of the port/ terminal “Giurgiulesti” (40 km in the south direction on the Danube-bank) has completed. Drawbacks: the need of investments in reconstruction of the town’s and region’s infrastructure (water-supply, highways, services).

The vital capacity of these towns (*see Annex D*) is affirmed by age. And they really are on the base of urban (load-bearing) skeleton of the Republic of Moldova. So, each of the potential growth poles, mentioned above, have their own specific advantages and problems caused by the natural conditions and antecedent development. And for the mid-term period the realization of the Sustainable Urban Policy based on the skeleton of towns – growth poles seemed to be the most efficient.

The methods to define the potential of these regions and theirs further institutionalization as “growth poles” which would be determined within the National Plan Territory Arrangement of the Republic of Moldova. Among these methods are: accumulation of a statistical basis for evolution of potential towns and proposals for improvement of the potential; provision of the respective legal support, creation of bodies and instruments inter-ministerial and inter-regional coordination, preparation of proposals on the mechanism of financial relations of the centre and the supporting towns, etc. The mid-term Government policy on sustainable urban development should be considered as a part of the Economic Growth and Poverty Reduction Strategy including institutional and financial support of its implementation and monitoring.

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Political and Cultural Thinking on Urban matters

Cities and their culture have formed the foundation of European civilization. Europe has a long tradition of urban culture. At the present time, the European Union is the most urbanised region in the world, with 80% of population lives in cities, around 20% of Europeans live in larger conurbations of more than 250 thousand inhabitants, a further 20% in medium-sized cities (50-250 thousand) and 40% in towns of 10-50 thousand inhabitants.

It is possible to identify a clear cycle of urban change in the European system during the post-war period, from urbanisation to suburbanisation, then de-urbanisation (also called counter-urbanisation) and, most recently, re-urbanisation, with close links between population shifts and changing economic fortunes.

The emergence of a new approach to spatial and urban development can be traced to two main documents marking the break between the spatial and urban policies of the 80's and the new policy outlook that began to emerge in the early 90's. These are the White Paper on Growth, Competitiveness, Employment - The Challenges and Ways Forward into the 21st Century, and the European Community Programme of Policy and Action in relation to the Environment and Sustainable Development.

The publication of the Green Paper on the Urban Environment in 1990 was the start of a new focus at the European level on urban issues. The recognition of the importance of cities and towns in offering quality of life for European citizens initiated an in-depth consideration of the ways cities were developing, and stressed the need to make the quality of the urban environment and the well-being of city dwellers a key objective of socio-economic development.

Since that time the European institutions have shown a growing interest in urban matters: Sustainable Cities Project (1993), implementation of Community Initiative Urban (1994-1999) followed by the European Commission Communication "Towards an Urban Agenda in the European Union" (1997) and then the Communication on "Sustainable Urban Development in the European Union: A Framework for Action" (1998). The latter for the first time took a true *sustainable development approach, with 4 interdependent policy aims:*

- Strengthening economic prosperity and employment in towns and cities;
- Promoting equality, social inclusion and regeneration in urban areas;
- Protecting and improving the urban environment towards local and global sustainability; and
- Contributing towards good governance and local empowerment.

In *Lisbon* (March 2000) the EU defined a strategy, the principal goal of which was to make the EU "the most competitive and dynamic knowledge-based economy in the world" by 2010 and also set targets for employment, economic reform and social cohesion (*the 'Lisbon process'*) and cities are the key element in making development policy fully consistent with policies designed to achieve economic excellence and social equity.

The experience gained from Urban Initiative (programmes in a total of 118 urban areas) and the urban pilot projects (59), the interest in urban issues shown by the national governments, scholars and civil have fed into continuation of this approach. So, in 2000 the new urban initiative concerning economic and social regeneration in urban areas - Urban II – has started.

The objectives of the new Community initiative are:

- *to formulate and implement innovative strategies* for sustainable economic and social regeneration of small and medium-sized towns and cities or of distressed urban neighbourhoods in larger cities;
- *to enhance and exchange knowledge and experience* in relation to sustainable urban regeneration and development in the areas concerned.

Urban II is providing support for 70 urban areas. The population in each area should be around 20 thousand people, but may be as few as 10 thousand in some cases. Moreover, each city, town or urban neighbourhood should be a coherent geographical or socio-economic entity. *These areas are in a situation of urban crisis or in need of economic and social regeneration.* And they must meet at least three of the following conditions:

- a low level of economic activity and a specific need for conversion due to local economic and social difficulties;
- a high level of long-term unemployment, poverty and exclusion;
- a low level of education, significant skills deficiencies and high drop-out-rates from school;
- a high number of immigrants, ethnic and minority groups, or refugees;
- a high level of criminality and delinquency;
- precarious demographic trends;
- a particularly degraded environment.

The local authorities in their turn, where necessary in collaboration with the regional and national authorities, draw up a Community Initiative programme (CIP) to implement an innovative urban development strategy. Each programme concerns a coherent geographical and socio-economic urban area or several urban areas.

All the general rules laid down in the general Regulation on the Structural Funds apply to CIPs. CIP content should include:

- an *ex ante* evaluation analysing the strengths and weaknesses of the area concerned;
- a description of the programming process and the arrangements made to consult the partners;
- a statement of the strategy and priorities for the development of the urban area in accordance with the general Community guidelines;
- a summary description of the measures planned to implement the priorities and required to prepare, monitor and evaluate the CIP;
- an indicative financing plan for each priority and each year;
- the provisions for implementing the CIP: the authorities and structures set up (managing authority, monitoring committee and, where applicable, paying authority and steering committee); arrangements for managing the CIP (calls for proposals, selection of operations); arrangements for financial control, monitoring, checks and evaluation.

The European city in its region: a threatened balance

As long as cities exist, they depend on their surrounding regions. Not only for water, food production and raw materials for manufacturing, but also for labour. No city could, or can, exist without its surrounding areas. On the other hand, regions have long depended on their central cities. Cities provide different facilities (commerce and trade, leisure, education, art, health care, etc.) as well as being a source of work and income for many inhabitants of the surrounding

regions. Now time the interdependence of rural and urban areas is even increasing, due to suburbanization, infrastructural works, strongly intertwined economies, etc.

Therefore, the EU formulates urban policy based on the level of the so-called *functional urban region* (FUR): networks of cities and surrounding areas that are closely interrelated in terms of local and regional economy, the (daily) mobility of their citizens. The concept of the FUR offers opportunities for regarding urban phenomena beyond the borders of the central city, and can also provide solutions to urban problems on an appropriate scale. However, FURs can vary widely, depending on the type and size of the city that is involved, in scale and number of inhabitants: from FURs around small and medium-sized cities in predominantly rural areas to metropolitan regions.

Although the interdependence of cities and surrounding regions is increasing, it has also become more problematic and vulnerable. In the first place, the issue of suburbanization causes many environmental, transport and safety problems in numerous European urban areas: towns and cities continue to expand, often relatively uncontrolled, because of the European populations' growing need for space. As a result of this, the central city government is faced by financial problems of both tax-income and a reduced spending power for the city's economy.

In the second place, many European cities are faced with a transition towards a service-based economy. In particular, the category of older industrial cities needs to make a marked shift towards an almost completely new economic structure, based on services, knowledge, leisure and tourism. New jobs in the city do not always provide work for those made redundant from traditional industry. The service industry and knowledge-based economy demand highly-educated and specialized workers, while many of the unemployed have a lower level of education, and lack the necessary training.

The economic, demographic and spatial changes can be very drastic. Many cities are unable to adapt themselves fast enough to the changing circumstances. The required investments are too high, the budgets under too much pressure to bear the inevitable social costs. When the efforts fall short, cities can lose their vitality and lapse into an urban crisis scenario. Investments aimed at the future will have to give way to tackling the immediate acute social needs, leaving the city further behind. For many cities a process of structural change is thus required. This process takes many years and is be accompanied by long-term structural measures.

Urban development and employment

It is obvious that most of so-called urban problems (unemployment, social fragmentation, strains on the quality of life, etc.) are the outcome of these considerable changes.

It should be mentioned that most of the unemployed live in urban areas and that, while economic development does not automatically boost employment levels, social cohesion and quality of life, there is no doubt that over the longer term, employment and quality of life will not improve without economic development and thus without improving the productivity and competitiveness of urban areas.

It is therefore worth stressing that boosting employment requires the intermeshing of two different types of policy. On the one hand, an environment must be created that will attract new economic activities or extend existing ones, either indirectly (by improving infrastructure and services, accessibility and mobility, the urban environment, safety, etc.) or directly, by fleshing out the opportunities which cities can offer businesses. On the other hand, economic development potential should be steered towards sectors and forms which provide new jobs that match supply to demand.

Selective migration processes from the city to surrounding regions are responsible a high proportion of lower income groups in the cities. Expensive urban facilities such as hospitals, high schools, theatres and museums are often heavily subsidized by the local government but used by people in a large surrounding area stretching far beyond the administrative borders of the city. This leads to further financial problems for the city. That is why the quality and the future value of certain urban districts is particularly alarming. In these urban areas in difficulty, economic, social and physical problems cumulate, resulting in a lack of social cohesion and the social exclusion of the population.

A framework for local urban policies

Today a “bottom-up approach”, i.e. the point of view of local authorities is behind European urban policy as well as the national ones. The growing awareness of cities and the problems and challenges they face, has resulted in setting up of several action programmes benefiting cities in particular and adapting to better suit urban needs.

In spite of the fact that every city has a unique combination of problems and possibilities, the underlying trends being largely the same. Many cities identify their opportunities and threats and set out a strategy for improving their vitality. Therefore local urban policies are grouped together in various ways. The following reflects the twin challenge to urban policy “... maintaining its cities at the forefront of an increasingly globalised and competitive economy while addressing the cumulative legacy of urban deprivation ...” and the need to pay more attention to the citizens:

- developing a strong city;
- creating valuable districts;
- improving citizens' participation.

From the above analysis, it is clear that cities are threatened by suburbanization and the movement to the countryside. Cities lose inhabitants and businesses, experience a continued selective migration and face a decline in the number of urban functions. Local authorities try to reverse the trend by improving competitiveness and creating a stronger and more vital city. The key for vital cities is re-urbanization. Cities’ policies are geared towards creating diversity and support, and the development of attractive living and business environments. On the one hand, these policies are aimed at a more efficient use of the urban area by developing a compact city. On the other hand, liveability is improved by more high-quality public space. Through a balanced approach to urbanization, cities give priority to the building of new houses in existing urban areas before developing new estates.

A strong city is very dependent on a strong economy as a basic condition for employment. New jobs must primarily be created by the market sector. With companies becoming increasingly footloose, policies are being aimed at creating favourable location factors.

Cities’ efforts seem to be concentrated on acquiring mainly the small and medium-sized companies that serve the local or regional market. They are fundamental for economic growth. So, local governments are act as incubators, promoting entrepreneurship and innovation, supporting the setting up of new businesses and making sure they do not take their business elsewhere. Increasing attention is being paid to entrepreneurship and to the development of new businesses in the most deprived neighbourhoods. Local and regional development thus is created primarily from within.

In attracting inhabitants, visitors and companies to the city, the city’s image is becoming more and more important. Image is important for both an historic city and a city with modern architecture, for a tourist city and a business city. One aspect of a more strategic approach to urban development is therefore to build on the specific character and image of the city. Through city marketing, local authorities propagate their image; be good and tell everyone about it.

National and European Dimension of Urban Development

In spite of the fact that the urban issues, especially the role of European cities, attracts growing attention, there is no single set of policies which can be applied equally to all European cities. Clearly, the legal and organisational basis for actions oriented to sustainable urban development varies between Member States, in part reflecting differences in the responsibilities assigned to different tiers of government. Nevertheless, only a few Member States (such as Britain, France, Germany and the Netherlands) have explicit urban policies targeted at selected urban areas, and these may offer practical opportunities for the application of sustainable development principles.

Most urban policies and programmes are most appropriately developed and implemented by Member States and the cities themselves. Some Member States regard it as particularly crucial that cities continue to have the prime responsibility for policy and action in their local areas and that the identification of appropriate forms of action at different governmental levels should be further debated.

It is clear from the above that the more general aspects of urban development policies, namely those related to the capacity to combine economic development, social cohesion and quality of the urban environment, have a European dimension not because they involve supranational measures, but because such policies concern principles, factors and conditions which are of strategic importance for the development prospects of the whole EU and for the quality of life of the European public.

Hence the need to give urban policies a European dimension does not derive from the need to encourage action in a specific area of infrastructure or improve the quality of urban life or even to protect and enhance the cultural heritage of Europe's cities. These aspects, while extremely important, can be handled at local, regional or national level, according to the systems of each Member State.

The European dimension of urban policies stems from the need to facilitate the framing and dissemination of integrated urban development strategies based on the key principles which the EU has adopted to tackle the challenges of the 21st century. In this context, policies for developing Europe's urban areas are crucial for social development, for improving economic conditions and, in particular, for improving the quality of life of EU citizens. These policies can assist needy urban areas by responding to the requests and needs voiced by the Member States and local and regional authorities.

Map 1. "Formation of Moldavian Urban Network"

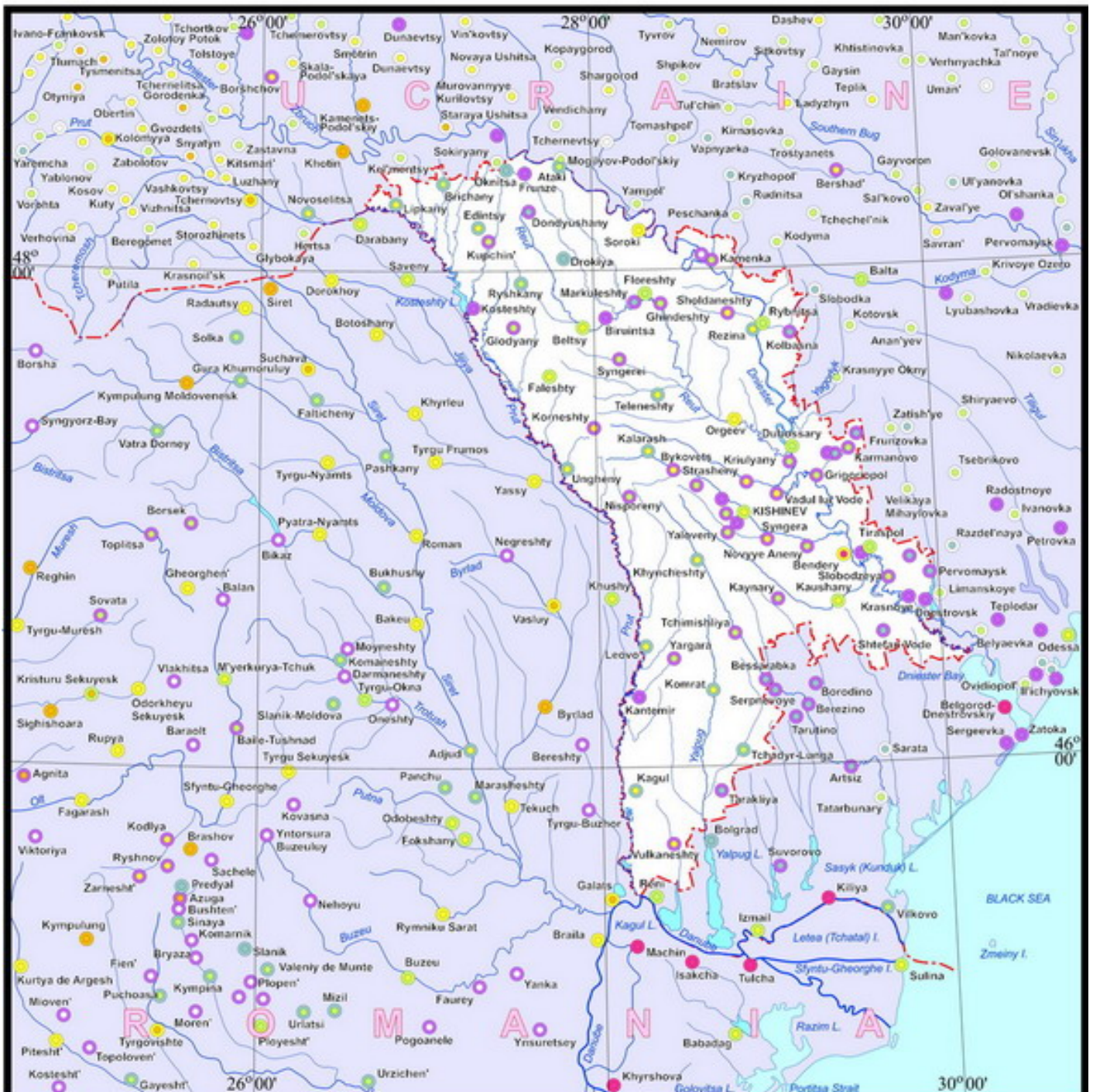
The map represents the network of urban settlements not only in Moldavia, but also in the neighbour regions of the Ukraine and Romania, altogether borrowing a whole region of East Carpathians and Northwest Black Sea Coast. According to the legislation in force the definition of "*urban settlements*" covers all cities (including those of republican, regional, district importance, municipalities) and urban villages. Their colour shows a settlement's spring up year and its institutionalisation as a borough, urban village or city (town).

Apparently, formation of the Moldavian urban network has passed a long way from the ancient Greek cities-colonies in antiquity to occurrence on the country map some small settlements in the second half of XX century, which subsequently have received the status of a town.

Not all urban settlements have kept the status: the medieval cities of Baya, Vama, Tyrgu-Trotus, Tyrgu-Putney, Shtefaneshty, Kotnary, Falchiu, Lapusna, Raskov, Perescino, Costeshty or towns Mihayleny, Vadul-Rashkov, Gura-Galbena, Bayramcha have turned to villages; archeological excavations have shown, that the urban process in Dnestr region proceeded both in antiquity and in the early Middle Ages, however urban settlements found out at modern villages Rud', Alchedar, Ekimoutsy, Butuceni, Calfa, Cobrucci and even in the late Middle Ages Scherbaka, Sarata disappeared from the map of the region for long centuries. Some settlements, such as Ciliya, Orgeev, under influence of the certain factors (trade and defence, etc.) changed their sites, but kept the population and the city status.

FORMATION OF MOLDAVIAN URBAN NETWORK

Map developed and executed by Andrew A. Herzen (2004)



LEGEND

Reut	Waters	State borders	SETTLEMENTS	
Rivers			Functions	Period of urban status acquisition
Lakes			KISHINEV capital	until V century AD
freshwater			Belys city, town	VI - XIII centuries
salty				XIV - XV centuries
				XVI - XVIII centuries
				XIX century
				XX - XXI centuries
				no data

SCALE 1 : 2 500 000

Map 2. „Moldavian Urban Network, 1991”

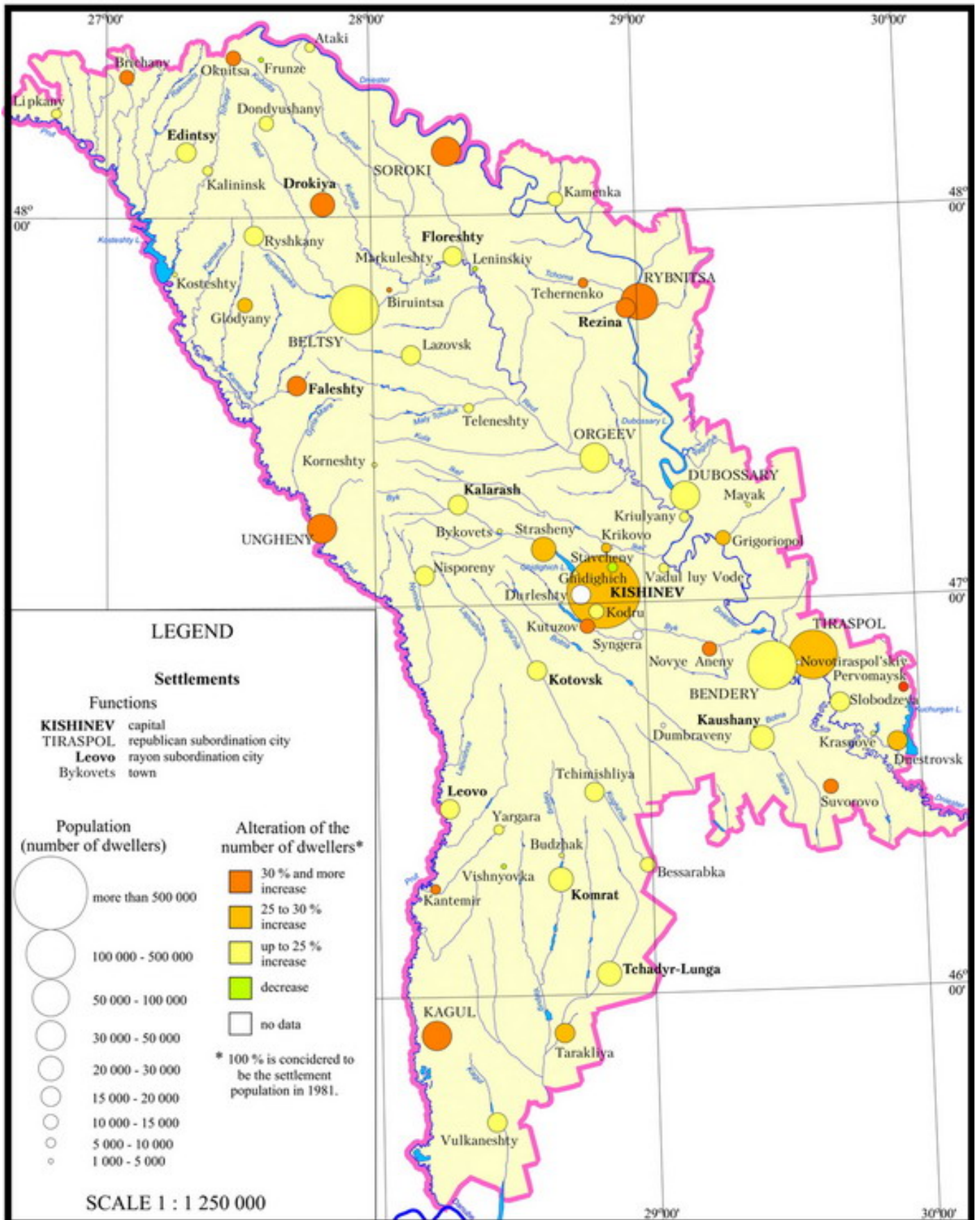
The map shows the situation of the urban network in the year of declaration of the Republic of Moldova independence. The size of the city map symbols is directly proportional to size of settlement (to a quantity indicator expressed in number of inhabitants), and colour gives the qualitative characteristic, showing changes in population within a decade. The year of 1981' population is taken as the basis (100%).

So, in 1991 the country had 4 big cities with more than 100 000 inhabitants, started with Chisinau metropolis - 676.7 thousand population and ended with Ribnita followed by 5 mid-size towns with population between 30-50 thousand persons: Cahul, Soroca, Ungheni, Orgeev and Dubossary. There were 5 towns with the population more than 20 thousand: towns of rayon subordination Comrat, Ciadir-Lunga, Drociya, Causani and Straseni. There were 27 small urban settlements in the country, 15 of which had the population more than 15 thousand and also 27 very small towns with the population less than 10 thousand.

The analysis of the map shows, that at the heart of demographic process in 80's was both the growth of urban population and the territory of majority of urban settlements. The number of urban population in 1991 was 2073.6 thousand person. The general growth in comparison with 1981 has made 26.8%. In some settlements in the North and the West of the republic (Soroca, Drociya, Rybnita, Rezina, Falesty, Ungheny, Cahul, etc.) the total number of population increased by 30% and more. It has made 25-30 %, i.e. approximately the same as the average growth, in Chisinau, Tiraspol, Straseni, Grigoriopol, Dnestrovsc, Taracliya, Cricova and Glodeni. There was observed decline in population only in 4 towns - Vishnyovka, Stavcheny, Leninskiy and Frunze.

MOLDAVIAN URBAN NETWORK, 1991.

Map developed and executed by Andrew A. Herzen (2004)



Map 3. "Moldavian Urban Network, 2001"

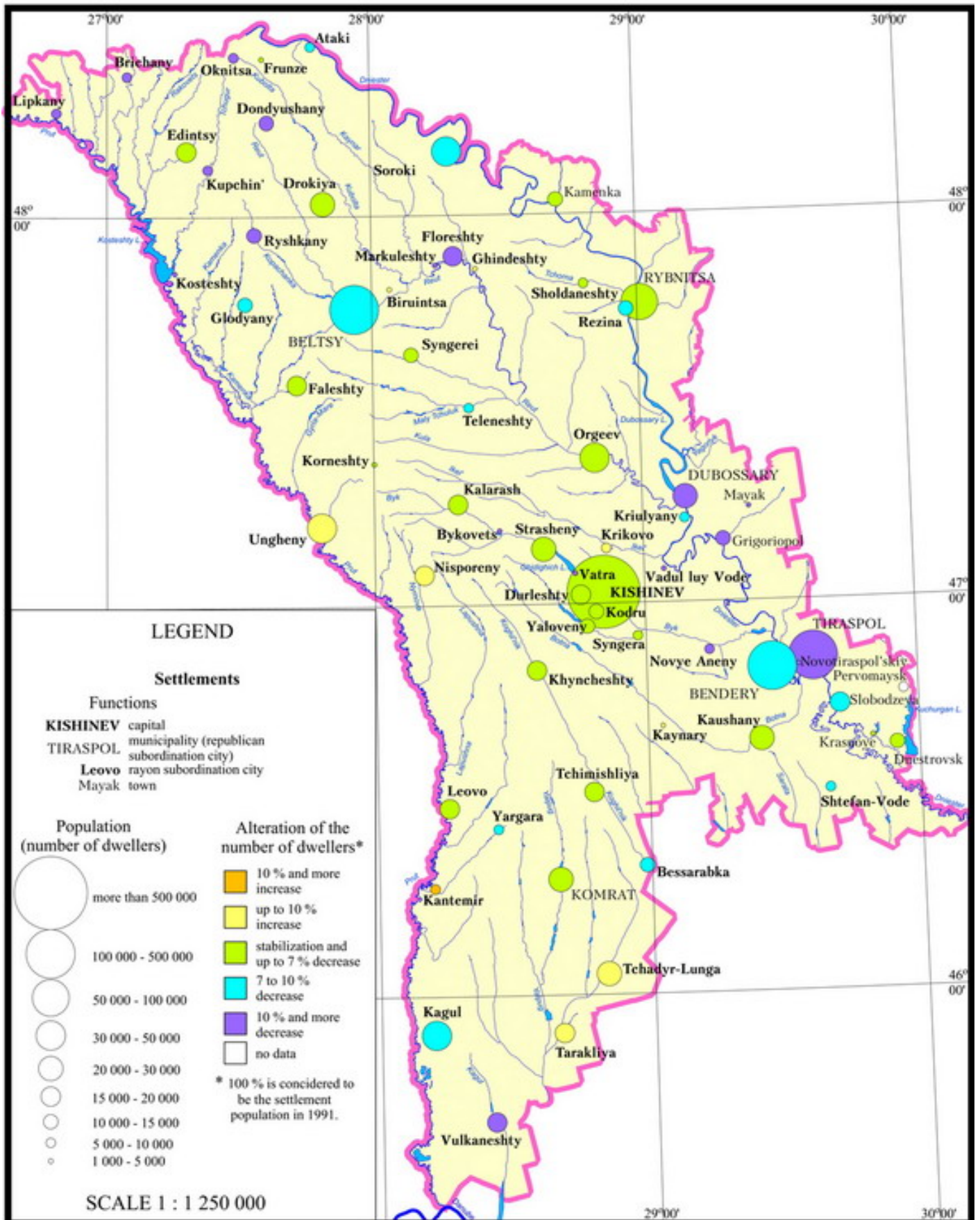
Within the decade of 90's significant changes in prevailing demographic processes were observed. Though in general Moldavian urban network has kept its structure, there was a qualitative shift from the general increase of the number of urban dwellers to extensive decrease of the number. The Dubossary town was disappeared from the number of medium-size towns due to the change of its administrative borders. Dnestrovsc, Synjerei, Bricany, Ocnitsa, New Aneny, Stefan-Voda and Vadul Iuj Voda "lowered the rank" also. 3 towns lost their status - Stavceny, Budzhak and Vishnyovka.

The whole number of urban population has decreased by 6.7 % and ran down to 1933.9 thousand persons (together with Pervomaysc, according to Transnistria's classification it considered as town - more than 1940.0 thousand). Slight increase of the population is registered only in 9 of 66 urban settlements, namely Ungheni, Chadir-Lunga, Nisporeni, Tarakliia, Cricovo and Cantemir. In 24 towns stabilization, or reduction of the population up to 7% was observed, i.e. no more than the country's average. Firstly, these are Chisinau and its suburbs, Ribnita, Orgeev, Comrat, Causani, Drocia, Edineti, Calaras, Cimislia, Hincesti, Leovo, Falesti, and a number of smaller towns also. In many towns such as are Balti, Bender, Cahul, Soroca, Slobodzea, Bessarabca, Rezina, Glodiani, Criuleni, Ataci, Telenesti, Stefan-Voda and Yargara registered decrease in population up to 10% that is more than the country's average. And in 19 urban settlements (towns in the north of the country, Dnestr region and Vulcanesti)

It should be mentioned, that the main reason of the reduction of the general number of townspeople and the population the most part of urban settlements was the economic crisis, caused both reduction of the natural increase, and amplification of the mechanical decline in population.

MOLDAVIAN URBAN NETWORK, 2001.

Map developed and executed by Andrew A. Herzen (2004)



Map 4. “Sustainable Urban Development Supporting Framework of Moldova”

The map shows growth potential of Moldova’s urban system and also neighbouring territories of the Ukraine and Romania.

Using colour shades *4 developed agglomerations* (Chisinau, Lower-Dnestr, Balti and Ribnita-Rezina), *6 developing agglomerations* (Edinet-Cupcini, Soroca, Ungheni, Orgeev, Dubossari-Criuleni and Cahul) and *11 springing-up agglomerations* (Middle-Dnestr, Drocia, Riscani, Glodeni, Falesti, Calaras, Nisporeni, Scinosa, Comrat, Ciadir-Lunga and Taracliya) are shown. There is a specific type of agglomerations so called *polycentric (conurbations)* agglomerations. There are 6 such agglomerations on the territory of Moldavia. Because of the raised population density in the region on the whole the congestions of towns form *cross-boundary agglomerations*, namely, Soroca-Yampol, Socireani-Ocnita-Ataci-Moghilyov-Podolskiy, Cimislia-Besarabca-Serpnevoe-Berezino, Taraclia-Bolgrad on Moldova-Ukrainian border, and also Ungheni-Sculeni-Iasi and Cahul-Oanca on Moldova-Romanian border.

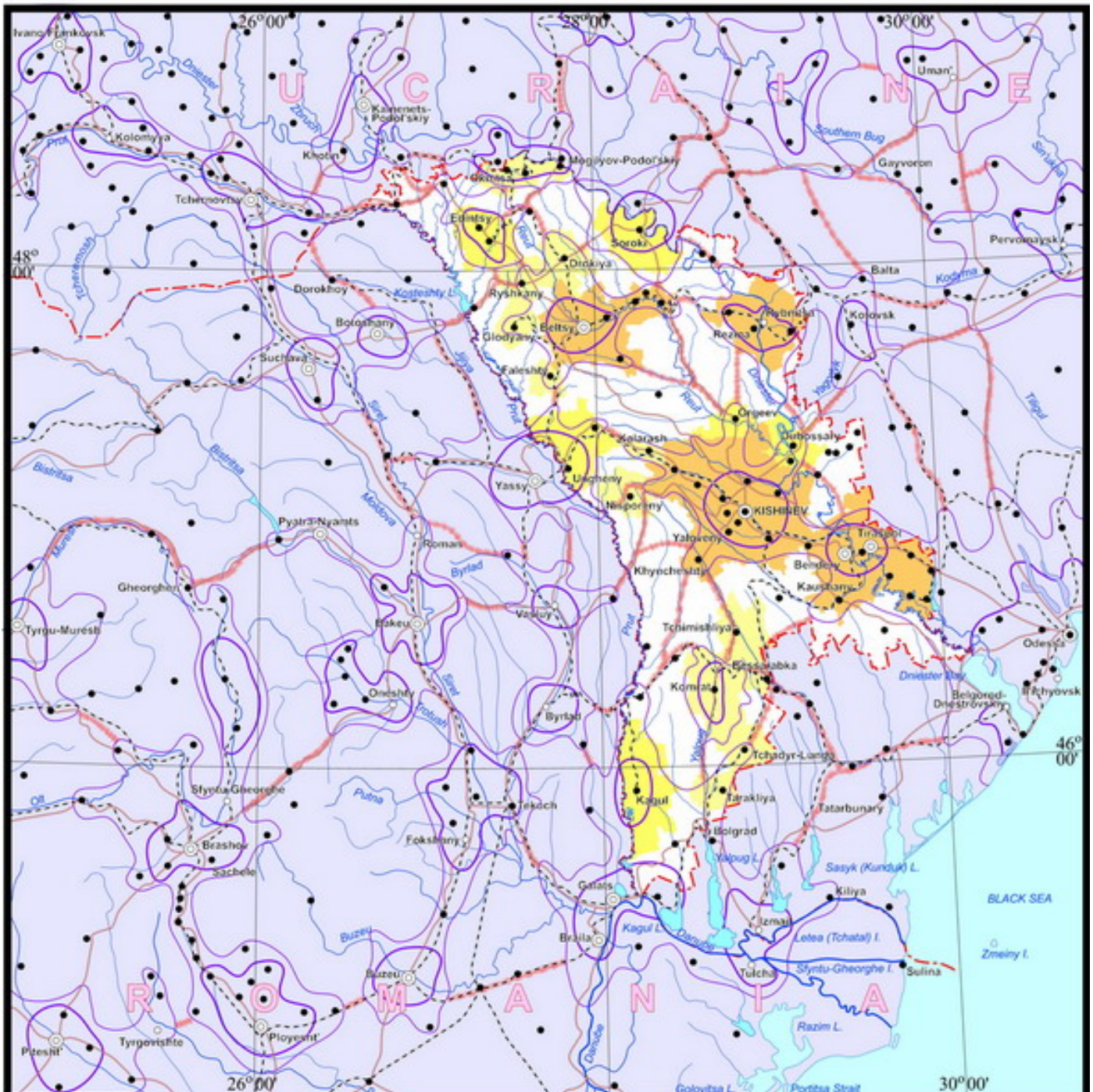
Agglomerations as well as industrial and transport junctions form the skeleton of sustainable urban development. The skeleton is based on core-points, core-points area of influence and transport-axes; and the corridors of connections are forming between these areas of influence.

One could define 6 internal and 5 cross-border core-points on the territory of the Republic of Moldova. Thus, three “belts” of urban settlements cross the country: in the Centre from Iasi (Romania) to Odessa (Ukraine); in the North from Balti to Ribnita and in the South – the new Danube core-point bridging Romanian and Ukrainian big sea-ports Braila, Galats, Reni, Izmail, Tulcea, Ciliya, and neighbour towns of the Republic of Moldova (Gurgiulesti, Cahul, Cantemir, Vulcanesti, Taraclia and Cadir-Lunga).

From the economic point of view the core-points could be considered as growth poles – subjects of targeted state policy for sustainable economic development and poverty reduction.

SUSTAINABLE URBAN DEVELOPMENT SUPPORTING FRAMEWORK OF MOLDAVIA

Map developed and executed by Andrew A. Herzen (2004)



LEGEND

Waters	State borders	AGLOMERATIONS*	PRINCIPLE SCHEME OF SUSTAINABLE DEVELOPMENT SUPPORTING FRAMEWORK
Rivers		having formed	sphere of influence
Lakes		being formed	nuclear of the framework
freshwater	SETTLEMENTS	arising	connection corridor
salty	Population	* Shown only at the territory of Moldavia.	
ROADS	more than 500 000	KISHINEV capital	
railways	100 000 - 500 000	Beltzy city, town	
motorways	50 000 - 100 000		
	less than 50 000		

SCALE 1 : 2 500 000