



REPORT

ASSESSING THE QUALITY OF LOCAL PUBLIC FINANCE OF THE LARGEST LOCALITIES FROM THE REPUBLIC OF MOLDOVA

2016–2017

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Acronyms

CPA	– Central Public Administration
LPA	– Local Public Administration
LPA I	– Local Public Administration of level I (villages, communes, towns)
LPA II	– Local Public Administration of level II (districts, Chisinau Municipality, Balti Municipality)
NPB	– National Public Budget
SB	– State Budget
BATU	– Budget of Administrative-territorial Unit
ECLSG	– European Charter of Local Self-Government
TC	– Tax Code
MTBF	– Midterm Budget Framework
BBF	– Budget Balancing Fund
IMF	– International Monetary Fund
LPF	– Local Public Finance
GFS	– Government Finance Statistics
LLPF	– Law on Local Public Finance
MLPF	– Management of Local Public Finance
OECD	– Organisation for Economic Cooperation and Development
GDP	– Gross Domestic Product
NDS	– National Decentralisation Strategy
ATU	– Administrative-territorial Unit
EU	– European Union
SGTU	– Self-governing Territorial Unit
GPTs	– General purpose transfers
EMTs	– Earmarked transfers

Executive summary

The present Report is aimed at assessing the Local Public Administration capacities in the area of local public finance in 50 largest localities in the Republic of Moldova. As information base served the data on BATUs aggregated at the national level obtained from the Ministry of Finance and the budgets of 50 localities.

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Transparency of budget revenues and expenditures of local public authorities in the Republic of Moldova during the period 2007-2016 is accessible online on the <http://localbudgets.viitorul.org/> portal. The purpose of this activity is to increase local financial transparency and involve the public in monitoring the spending of public money to reduce the risks of corruption.

Therefore, conclusions outlined below stemmed from the review of LPA capacities in the area of local public finance:

- in the context of Public Finance Management Reform, as of 2016, the National Public Budget (NPB), including the budget of administrative-territorial units (BATU), shall

be developed on the basis of the new (updated) Budget Classification and under the new Financial Management Information System (FMIS);

- the Local Public Authorities of the Republic of Moldova have few revenue sources in comparison with the Local Governments of other countries, which have developed democratic and financial systems;
- although the budget revenues and expenditures increased during the reviewed period, nonetheless, the BATU size is critically insufficient to ensure sustainable development of local authorities. Hence, a Moldovan citizen' share in the local budget revenues amounted to MDL 3 791 in 2017;
- the revenue sources associated with the centralised funding have grown both in absolute and relative terms. Thus, the revenue sources originating from the State Budget, namely transfers and outlays from the state taxes, held the largest share (88%) in the BATU total revenues during 2016-2017. Consequently, on the 2009-2017 time bands, the 2014-2017 timeframe is described by the lowest degree of financial decentralisation recorded at the ATU level in the Republic of Moldova;
- during 2016-2017, the local taxes and charges recorded immaterial values (circa 6%) in the context of challenges derived from the need to develop local economies and implement the National Decentralisation Strategy (NDS). The persistent lack of action and insufficient efforts made by Local Public Authorities to increase the contribution of own revenues while forming budget revenues, unfavourable political,

economic, social and demographic environment largely explain this decline;

- although the inter-budgetary relations were subject to reformatting (2014-2015), nonetheless, the issues related to the lack of transparency in allocating the public funds and favouring financially the LPAs as per the political criterion strongly persist;
- the lack of statistical indicators to measure different dimensions of the local economy creates difficulties in assessing the impact of local budgets on local economy;
- enhancing the base of own revenues at the LPA level, including via the full implementation of the NDS provisions under proper terms and conditions, represents the core solution for ensuring prerequisites condu-

cive to sustainable economic growth at the local level;

- based on the issues and challenges the Moldovan LPAs are currently facing in terms of local public finance, it is relevant to develop and use financial management techniques and tools at the level of Local Public Authorities;
- in the countries where there are too many sub-national entities (or they are too small to be viable), the issues related to the allocation of competences and sources for their funding cannot be tackled in a rational way when lacking some forms of territorial reorganisation by which the sub-national governments should be streamlined, refocusing their role.

1. Legal framework in the area of local public finance

The European Charter of Local Self-Government is the first binding international treaty, which secures the rights of local communities and of their elected authorities. Therefore, the *European Charter* is a single legal tool to protect the autonomy and independence of the European territorial communities and shall serve as foundation for further development of democracy at the local level. *The European Charter of Local Self-Government* is the first treaty to define the principle for transferring the competences to local communities, accompanied by a proportional transfer of financial resources. This principle, known as the *principle of subsidiarity*, shall enable the decentralisation of power toward the level, which is closest to citizens. By its core principles, the *European Charter* pursues the goal to ensure the compatibility of different local community structures within the Member States of the Council of Europe. The Republic of Moldova signed the European Charter of Local Self-Government in 1996, and the latter was enforced in 1998.

♦ **Article 9 of the European Charter of Local Self-Government** contains the principles and rules for funding the Local Public Authorities so that they have proper financial autonomy:

- Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers;
- Local authorities' financial resources shall be commensurate with the responsibilities provided for by the Constitution and the law;

- Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate;
- The financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks;
- The protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility;
- Local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them;
- As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction;
- For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

In the Republic of Moldova, the local public finance is governed by the following strategies:

- ♦ **The National Decentralisation Strategy (NDS)** represents the main policy document in the area of LPA, which determines the national tools for decentralisation and ensuring relevant autonomy to Local Public Authorities. The NDS lays down the midterm (3–5 years) goals and tasks aimed at implementing the power decentralization priorities and ensuring the local self-governing in compliance with the ECLSG principles. The decentralisation policy concept and goals are in line with the European countries experience, matching the European integration aspiration and the bilateral agreements signed by the Republic of Moldova with the European Union;
- ♦ **Law on Public Finance and Fiscal Responsibility** No. 181 dated 25.07.2014 determines the general legal framework in the area of public finance, in particular it: a) lays down the budget-fiscal principles and rules; b) determines the National Public Budget components and governs the inter-budgetary relations; c) governs the budget calendar and general budget process procedures; d) defines the competences and responsibilities in the area of public finance. The Law provisions shall apply to the development, approval, implementation, reporting and control of budgets and funds – components of the National Public Budget, as well as ensure financial monitoring over the activity of self-governing public authorities/institutions, of state-owned/municipal enterprises and of commercial companies with full or public shareholding majority;
- ♦ **Law on Local Public Finance**, No. 397-XV dated 16.10.2003 puts forward the financial autonomy guarantees, lays down the BATU revenues and expenditures, governs the allocation of revenues amongst BATUs, determines the way of computing the transfers, defines the loans the LPAs may contract,

governs the way of balancing the BATUs and setting up the LPA reserve funds, governs the BATU development, approval and implementation, the rights and responsibilities of budget executors, financial inspection and control, special funds of administrative-territorial units.

- ♦ **Public Finance Management Development Strategy for 2013-2020.** The Strategy goal is to provide a summary of the on-going reforms by stepping up all policy actions in a single document, as well as the on-going strategies by key public finance management component. The Strategy outlines the current situation and summarises the short-term and long-term objectives aimed at ensuring compliance of public finance management with the EU and international standards and practices. The Strategy general objective is to ensure efficient and effective allocation of public financial resources towards such activities, which would contribute to economic growth and development of the Republic of Moldova and maintain efficient management of public funds in all public administration areas and sectors.

In the context of public finance management reform, as of 2016, the National Public Budget, including BATUs, shall be developed on the basis of new (updated) **Budget Classification**, approved by the Finance Minister Written Order No.190 dated 31 December 2014 and under the new **Financial Management Information System** (FMIS).

The budget classification comprises the following components: Organisational Classification, Functional Classification, Programmes Classification, Economic Classification and Sources Classification.

The Financial Management Information System pursues the goal to integrate the set of finance management tools aimed at improving the finance management efficiency and transparen-

cy, as well as the public expenditure control. The latter, through the Web Platform, shall ensure the functionality of the budget planning process by the levels of budgets to be used by budget authorities/institutions under the ATU of both levels, ATU Finance Divisions, and by the Ministry of Finance as well.

The review carried out within the present Report shall follow the logics and structure of economic classification. In this context, we shall mention that the updated economic classification, subject to implementation as of 2016, was developed as

per the standards of Government Finance Statistics (GFS) 2001 phrased by the International Monetary Fund.

The economic classification comprises six types:

100000 Revenues;

200000 Expenditures;

300000 Non-financial Assets;

400000 Financial Assets;

500000 Debts;

900000 Change of Cash Balance.

2. General trends in the local public finance developments in the Republic of Moldova

Key terms and methodological matters associated with the new (updated) Budget Classification. The basic parameters describing the dimension and structure of local public finance, which have been used to develop the local budget (Economic Classification) are as follows: Revenues, Expenditures, Non-Financial Assets, Financial Assets, Debts and Change of Cash Balance (Table 1).

Table 1. Local Budget Economic and Financial Variables.

Name	Eco Code	Amount, thousand MDL
Revenues	100000	
Expenditures	200000	
Non-financial Assets	300000	
Financial Assets	400000	
Debts	500000	
Change of Cash Balance	900000	

As per the economic classification, **the revenues (100000)**, in an economic sense, indicate the increase of the assets net worth following the collection of taxes, charges and other payments by the budget components of the National Public Budget.

Budget revenues present the grouping of revenue resources of all budget levels of the Moldovan budget system, and are guided by the legal and regulatory acts determining the revenues customary framework.

Revenues are classified under the following **categories**¹:

- 110000** Taxes and Charges;
- 120000** Mandatory Social Insurance Contributions (CNAS) and Mandatory Health Insurance Premiums (CNAM);
- 130000** Grants Received;
- 140000** Other Revenues;
- 190000** Transfers received within the National Public Budget.

Expenditures (200000) represent the decline in the net worth of assets following the operations to pay the interests on debts, employees' remuneration, rendering public services, making payments as subsidies, making transfers amongst the budgets, etc. The operations that generate expenditures stem from the public authority functions to render services on a non-commercial basis (education, environmental protection, culture, etc.) or to reallocate the revenues via transfers.

Expenditures are classified under the following **categories**:

- 210000** Personnel Costs;
- 220000** Goods and services;
- 240000** Interests;
- 250000** Subsidies;
- 260000** Grants provided;
- 270000** Social transfers;
- 280000** Other expenditures;
- 290000** Transfers provided within the NPB.

¹ The Codes of economic classification are stated as well.

Non-financial assets (300000) represent the assets, which cannot serve as claim towards other Economic Operators, and, respectively, are not on the list of financial assets. Non-financial assets, just like financial assets, serve as accumulation means. Most non-financial assets generate benefits either from their use in the manufacturing of goods and services or as proceeds from property. Non-financial assets that do not belong to budget institutions and are not controlled by them shall not be included under this category. They shall be mirrored in accounting at the respective off-balance accounts.

Non-financial assets are classified under the following **categories**:

- 310000 Fixed Assets;
- 320000 State Reserves;
- 330000 Current Assets Stock;
- 340000 Work in-progress, finished products and production, young animals for fattening;
- 350000 Goods;
- 360000 Values;
- 370000 Non-productive assets.

Financial Assets (400000) represent a financial claim that entitles a budget institution – asset owner (Creditor) to get one or several payments from another budget institution or economic operator (Debtor) as per the terms and conditions stipulated by the agreement concluded by the Parties. The financial claim is an asset that enables the Creditor to get the economic benefit as an accumulation means. The Creditor may get additional benefits as interests or other payments of proceeds from the property.

Financial assets are classified under the following **categories**:

- 410000 Internal Claims
- 420000 External Claims
- 430000 Cash.

Debts (500000) represent the liabilities of all level budgets or of some budget institutions towards other institutions.

Debts are classified under the following **categories**:

- 510000 Internal Debts;
- 520000 External Debts.

The change in the Cash Balance shall be used to balance the budget, and comprises the following **categories**:

- 910000 Beginning Cash Balance;
- 920000 Correction of the Cash Balance;
- 930000 Ending Cash Balance.

Based on these budget categories the following basic indicators can be calculated, which are useful for local budget review:

- Revenues (100000) together with Financial Assets and Debts form the local budget resources:

$$\text{BATU Resources} = \text{Revenues (100000)} + \text{Financial Assets (400000)} + \text{Debts (500000)}$$

- The difference between the total revenues and expenditures represents the budget balance. The latter shall be defined depending on the needs and funding possibilities of the National Public Budget, having observed the budget principles and fiscal policy rules covered by the Law on Public Finance and Fiscal Responsibility.

Total Expenditures are obtained by summing up all actual expenditures and non-financial assets:

$$\text{Budget Balance} = \text{Revenues (100000)} - [\text{Expenditures (200000)} + \text{Non-financial Assets (300000)}].$$

The Budget Balance could be either positive or negative. A positive balance mirrors a budget surplus, while a negative balance – a budget deficit.

- The financial assets plus the debts and the change in cash balance represent the sources for funding the budget balance.

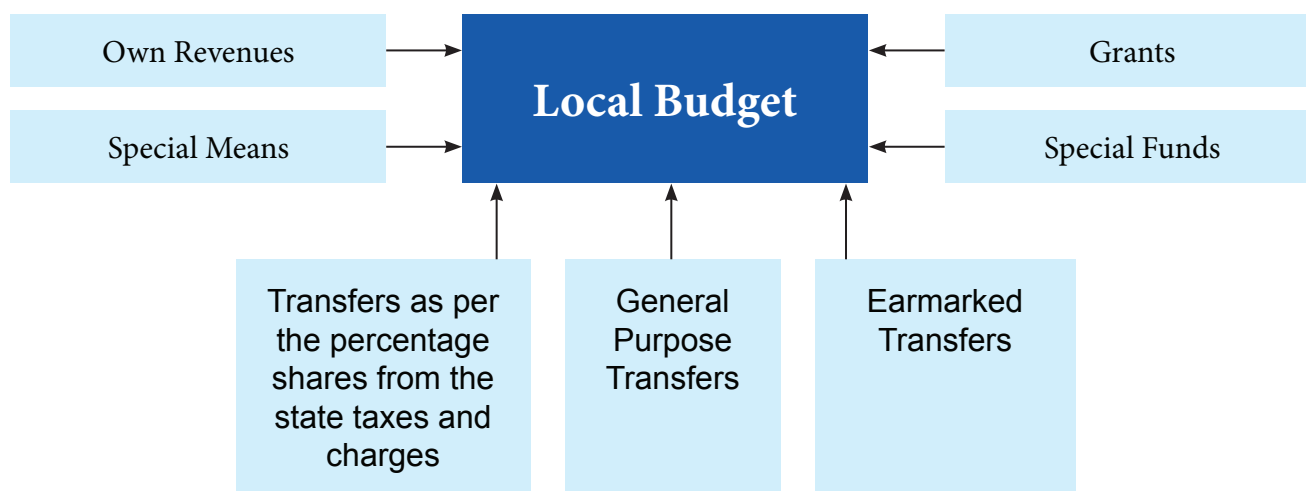
**Sources for Funding the Budget Balance =
Financial Assets (400000) +
Debts (500000) +
Change of Cash Balance (900000).**

The basic parameters that describe the local budget structure² are as follows: revenues, expenditures, non-financial assets, financial assets, debts and change of cash balance.

In the Republic of Moldova, according to the Law on Local Public Finance, the BATU revenues are created out of the sources represented in Figure 1.

At the same time, the sources specified in Figure 1 differ by their structure and proportions depending on the level of the local budget concerned.

Figure 1. Sources of BATU Revenues.



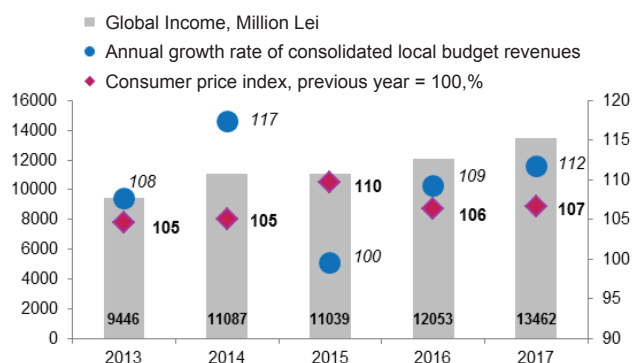
Source: Developed on the basis of the Law on Local Public Finance.

The BATU size aggregated at the national level is shown in Figure 2 and Figure 3. Hence, in 2017, the BATU size aggregated at the national level for Revenues was equal to MDL 13 462 million or 112% as compared to 2016. Taking into account the CPI in 2017 (107% relative to 2016), **the real increase of BATU aggregated revenues (having considered inflation)** amounted to 5% at the national level. Over 2013-2017, the most detrimental situation in terms of local budget revenues aggregated at the national level was recorded in 2015 and 2016 (the real increase of local budget revenues was negative in 2015 (-10%), having just a 3%-real increase in 2016).

An important quality indicator that describes the relative size of local budgets is the ratio of budget parameters to population. To this end, Figure 3 represents the development of BATU revenues aggregated at the national level and the population size of the Republic of Moldova. As the graphic shows,

² According to the new, updated, Budget Classification enacted in 2016.

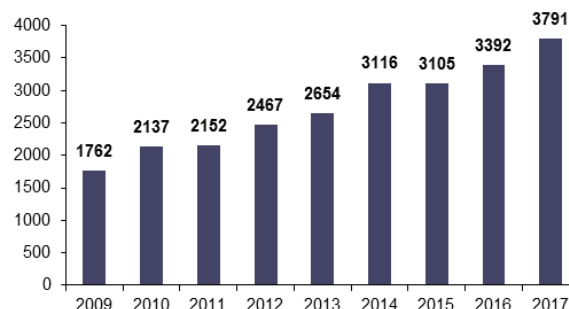
Figure 2. Evolution of BATU revenues vs. CPI dynamics.



Source: developed on the basis of the MoF and NBS data.

in 2017 a Moldovan citizen' share in the local budget revenues amounted to MDL 3 791. This finding shows the insufficient size of local budgets to launch sustainable economic growth processes at the local level. The role, proportion and quality of financing the local economic development processes out of local public funds may be evaluated by using the indicators represented in Figure 4. Hence, the share of BATU aggregated at the national level in terms of revenues in the GDP recorded the lowest value (7.61%) in 2017 over the 2009-2017 timeframe. The continuous withdrawal of local budgets from the financing of local economies became more evident as of 2014. At the same time, the share of local budgets in the NPB structure is shrinking; in 2017 the

Figure 3. Dynamics of BATU revenues per capita, MDL.

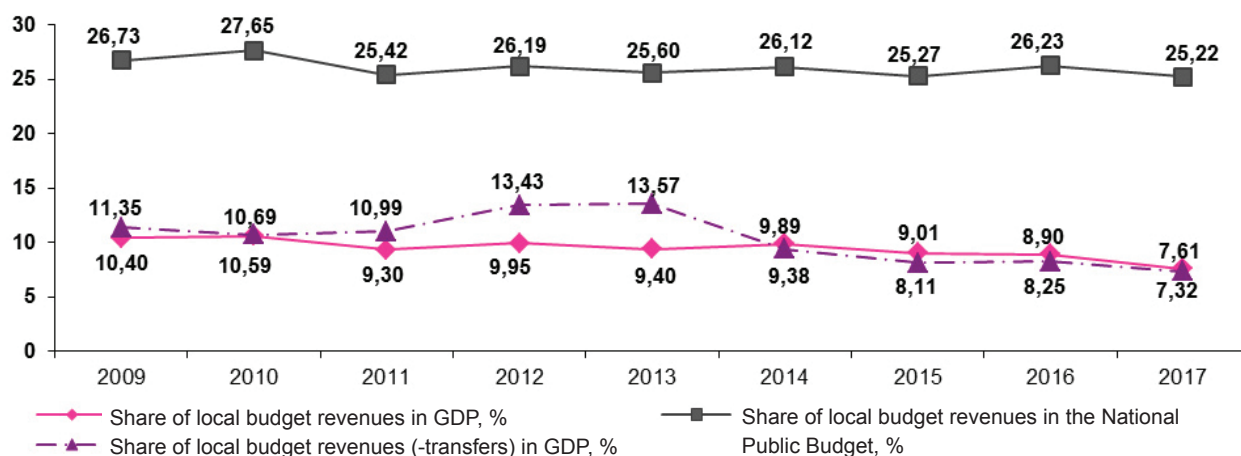


Source: developed on the basis of the MoF and NBS data.

share of BATU aggregated at the national level in the NPB (revenues part) reached the lowest value (25.22%) within the timeframe subject to consideration.

Such situation points to the conclusion that the CPA decision-makers failed to consider the local economic development as a solution aimed to curb poverty and enhance the sustainability of economic growth processes in the Republic of Moldova. The trend shown by the ratio of BATU revenues aggregated at the national level, without transfers from the State Budget and the NPB revenues is critical. Hence, as shown in Figure 4, this indicator has recorded continuous decline: from 10.59% in 2010 to 7.32% in 2017.

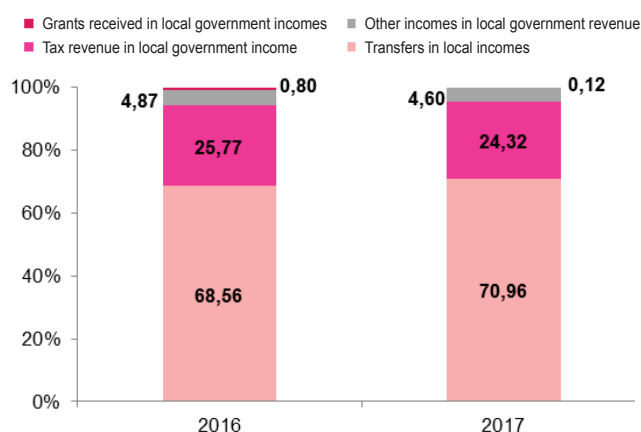
Figure 4. Evolution of local budget revenues aggregated at the national level in the GDP and NPB, %.



Source: developed on the basis of the MoF and NBS data.

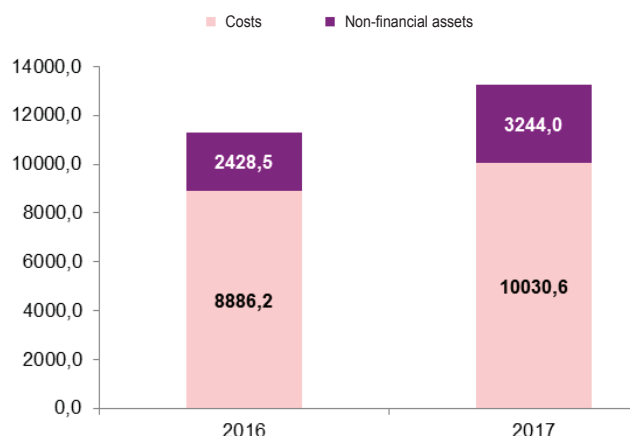
In the BATU revenues structure, the largest part is held by transfers (Figure 5). In 2017 this indicator increased by 2.4 p.p. relative to the previous year, while other budget revenues components recorded declines.

Figure 5. Breakdown of BATU Revenues, %.



Source: developed on the basis of the MoF and NBS data.

Figure 6. Breakdown of BATU Expenditures, million MDL.



Source: developed on the basis of the MoF and NBS data.

As per the European Charter of Local Self-Government (Article 9), the financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks. At the same time, one of the most evident deficiencies in funding the local development processes in the Republic of Moldova (in particular, the need for capital investments) is the lack of quasi-absolute access of LPAs to capital markets. Tables 1A and 2A from Annexes show that during 2016-2017, the share of loans provided to LPAs in the total amount of loans provided by the banking system reached circa 0.1%, while funding through the issuance of bonds and operations with securities are not used at all in the Republic of Moldova. It is needed to recall, in this context, that according to the European Charter of Local Self-Government, for the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

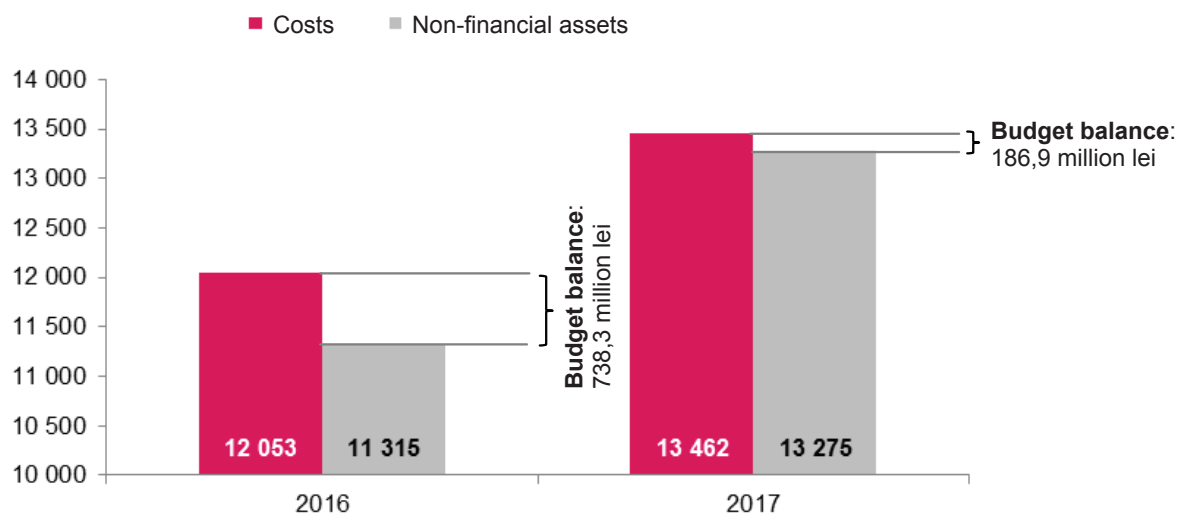
The total expenditures of local budgets represent the sum of actual expenditures and non-financial assets. In 2017, the total expenditures of local budgets aggregated at the national level amounted to MDL 13 274.6 million or 117.3% relative to 2016. Figure 6 shows the breakdown of total expenditures in 2017 (based on economic classification). Thus, it included 75.6% of actual expenditures and 24.4% of non-financial assets. We should mention, in this context, that relative to the previous year, the share of non-financial assets in the total expenditures increased by 2.9 p.p., while the actual expenditures declined by 2.9 p.p.

The core components of actual expenditures include the personnel costs and the costs of goods and services. In their turn, the non-financial assets are represented in the local budgets aggregated at the national level by the expenditures associated with fixed assets and the current assets stock.

³ Methodological Toolkit for budget development, approval and amendment. Annex to the Finance Minister Written Order No. 209 dated 24.12.2015, p. 58.

According to *the Law on Local Public Finance*, the annual BATUs shall not be approved and implemented with budget deficit. This provision does not apply to borrowings, sales and privatisation of ATU public property and using the cash balances to finance the public expenditures exceeding the budget revenues.

Figure 7. Budget balance at the BATU aggregated level, %.



Source: developed on the basis of the MoF data.

Figure 7 shows that during 2016-2017, the local budgets aggregated at the national level ended with significant budget surpluses. The means making the difference between the BATU revenues and expenditures were used to change the cash balance and repay the loans contracted by Local Public Authorities. At the same time, the budget surplus indicates that the Moldovan LPAs are encountering complex issues in the area of local public finance management: insufficient skills to plan the budget parameters, poor capacity to spend the public money properly, excessive tax burden on population and private sector. Hence, Table 3A from the Annexes shows that if the level of implementation of local budgets consolidated at the national level, in

terms of revenues, was equal to 99.2% relative to the amended planned level, it means that the budget surplus was obtained due to the failure to achieve the planned level of budget spending: i.e. the local budget money was not spent as planned. According to the calculations performed, the spending level of public money out of the local budgets represented 89% in comparison with the planned level. The most prominent local budget planned targets, in terms of expenditures, which were not met, include environmental protection (67.4% of the planned amount), dwelling management and public utilities (77.8%), economy-related services (78.7%) – all of these being categories related to the LPA own competences.

3. Assessing the financial sustainability of Moldovan LPAS

The evolution of BATU revenues covered by the Study during 2014 - 2017 may be followed by looking at the diagram displayed in Figure 1A. As per this drawing, within the timeframe subject to review, only 14 ATUs recorded consecutive increases of budget revenues, of which Cahul, Soroca and Edinet Municipalities are worth mentioning.

Figure 8 represents the dynamics of local budget revenues during 2016-2017, when the local budgets were prepared as per the new (updat-

ed) Budget Classification. The most prominent evolutions recorded in 2017 as compared to 2016 were related to the budget of Cahul (MDL 81 million or 115.3% relative to 2016), Ungheni (MDL 77 million or 111.5% relative to 2016) and Orhei Municipalities (MDL 59 million or 127.7% relative to 2016).

At the same time, the most adverse developments of budget revenues during 2016-2017 were noticed in Nisporeni Town, Sangera Town, Truseni Commune and Talmazza Village.

Figure 8. Dynamics of local budget revenues: 2017 vs. 2016.

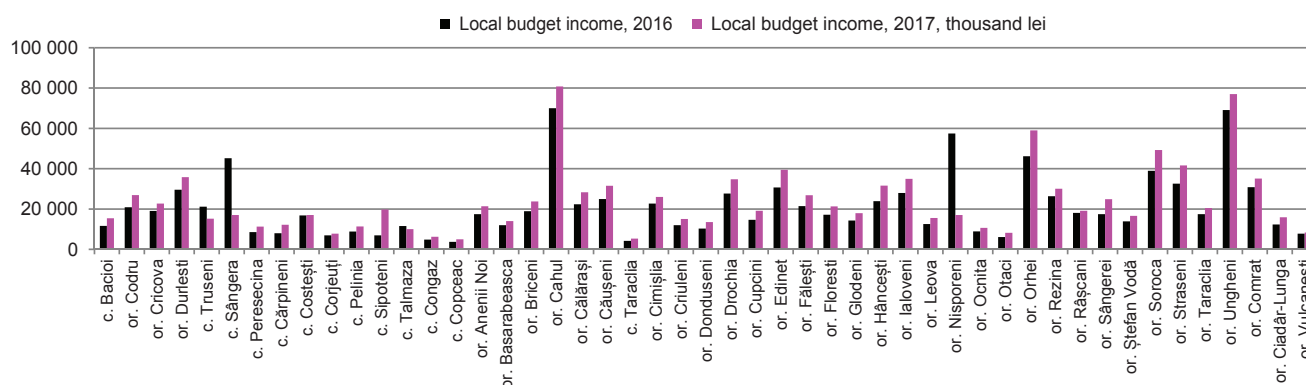
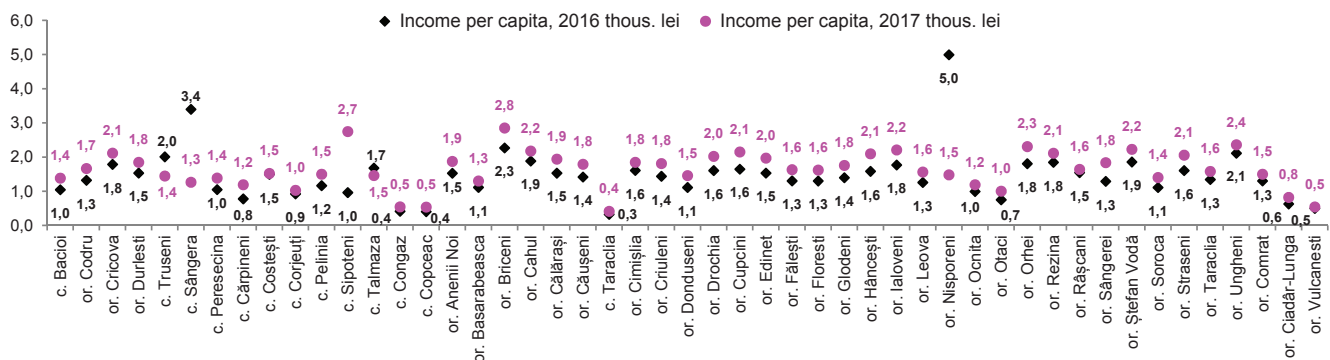


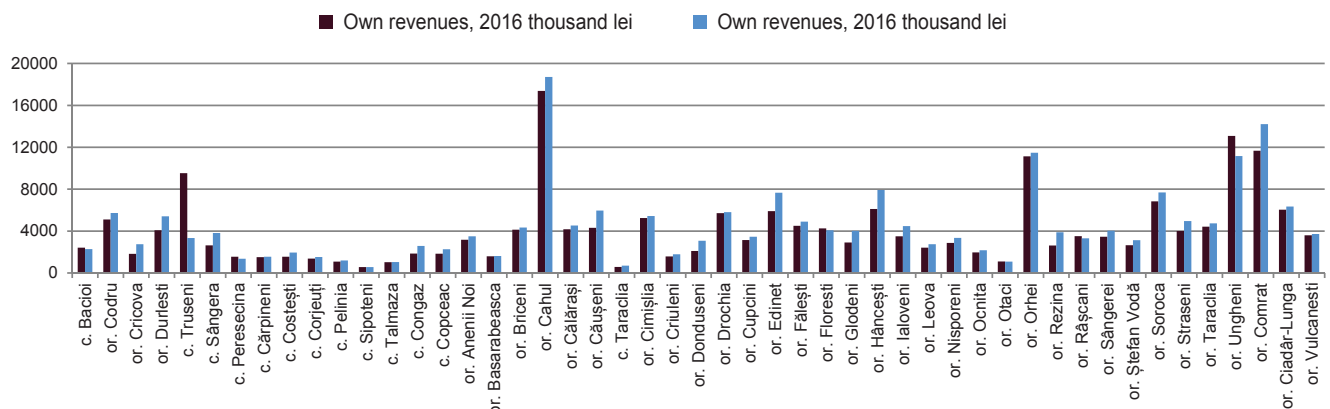
Figure 9 puts additional light on this review, representing the revenues of local budgets per capita. In 2017 none of the localities covered by this Study exceeded the national average ratio of total budget revenues to population (MDL 3.8 thousand). At the same time, using a comparative approach relative to the considered ATUs, the largest amount of budget revenues per capita was recorded in Briceni Town (MDL 2.8 thousand), Sîpoteni Commune (MDL 2.7 thousand) and Ungheni Municipality (MDL 2.4 thousand). The lowest values were recorded in Vulcanesti Town, Copceac and Congaz Villages.

Figure 9. Dynamics of local budget revenues per capita: 2017 vs. 2016.



Efficient financial management requires the Local Public Authorities to ensure budget revenue sources stability, while this target could be attained primarily by developing the own sources of revenues. With no relatively stable revenue sources in place the local budget revenue part cannot be considered sustainable from the financial standpoint. To this end, Figure 10 represents the dynamics of local budget own revenues covered by the Study.

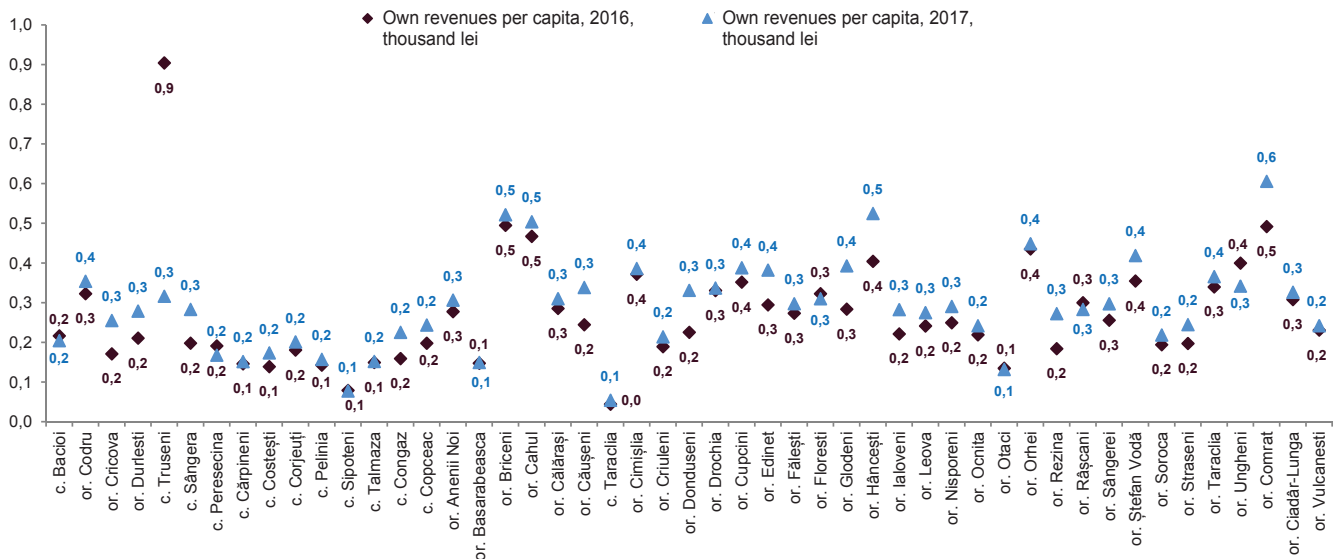
Figure 10. Dynamics of own budget revenues: 2017 vs. 2016.



As it is shown in the Figure above, the largest receipts from the own sources of revenues were recorded in 2017 by the budgets of Cahul (MDL 19 million), Comrat (MDL 14 million), Orhei (MDL 11.5 million) and Ungheni Municipalities (MDL 11.1 million).

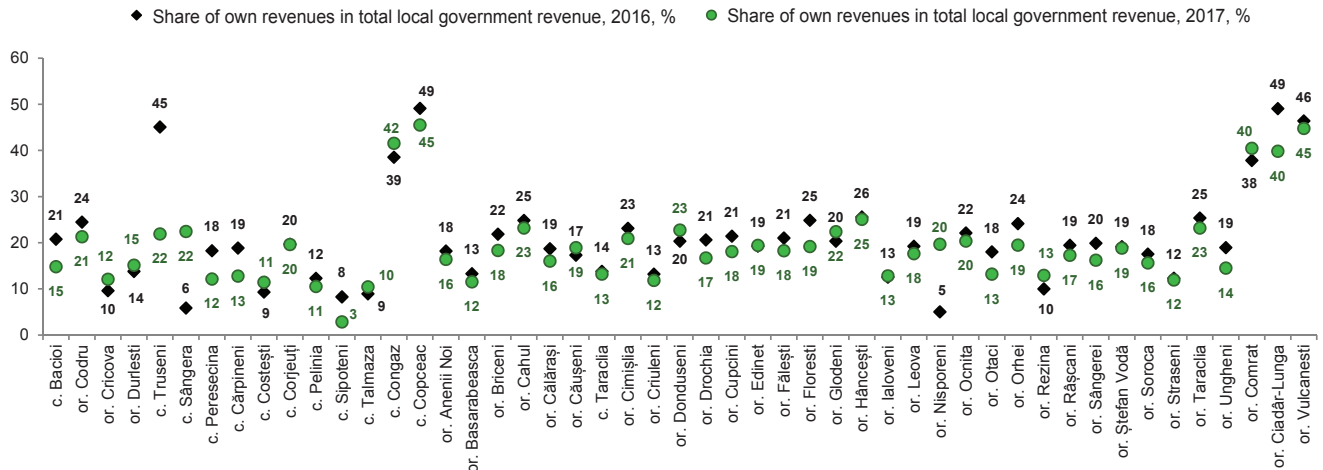
To perform an in-depth analysis of this matter, Figure 11 shows own budget revenues per capita. Hence, in 2017 the best values of this indicator were recorded by the budget of Comrat Municipality (0.6 thousand MDL), Hancesti Municipality and Briceni Town (MDL 0.52 thousand each) and Cahul Municipality (0.5 thousand MDL). As shown in Figure 11, most ATUs (27 out of 50) failed to record increased values for the indicator *Own Revenues per Capita* in 2017 relative to 2016, this parameter remaining at the level of 2016.

Figure 11. Dynamics of own revenues per capita: 2017 vs. 2016.



In its turn, Figure 12 emphasises the importance of own revenues for the budgets of localities covered by the Study. This matter has been assessed based on the indicator that shows the share of own revenues in the total local budget revenues.

Figure 12. Share of own revenues in the total local budget revenues: 2017 versus 2016.



This parameter recorded in 2017 the highest values in the case of Vulcanesti Town and Copceac Village budgets (45% each), Congaz Village (42%), Comrat and Ciadar-Lunga Municipality budgets (40% each). Among the localities subject to review, the share of own revenues in the total budget revenues increased in 2017 relative to 2016 only in 12 localities.

The own revenues-related situation shows the LPA endeavours to enhance the prerequisites for local economic development. The current Methodology of transfer calculation (on the basis of ATU tax capacity, population and area) does not make the amount of transfer for the next year conditional on the LPA effort to identify and employ own sources of revenues to augment the

financial potential of the local budget (a provision applied up until 2014/2015). Although the annulment of this dependence creates strong incentives for the LPA to increase the contribution of their own sources of revenues in the formation of local budget revenues, the share of own revenues in the total local budget revenues is not only insufficient, but is also declining continuously. One of the possible explanations of such developments is the LPA reluctance to show its initiative and activism in the context of the increased number of mayors and district chairpersons found currently under the scrutiny of law enforcement bodies. Hence, according to the *Centre for Investigative Journalism*, **“within five years, i.e. from 2013 through 2017, prosecutors filed more than 100 criminal cases against mayors and district chairpersons. Most frequently, the elected local politicians representing the opposition parties fall under the scrutiny of law enforcement”**⁴.

The large number of criminal proceeding cases prepared against the local elected politicians under the cloak of fight against corruption is considered by the *Mission of the Congress of Local and Regional Authorities of the Council of Europe* as problematic and contradictory as per the European standards⁵. To this end, *Recommendation 411 (2018)* issued by this Mission stated the significant deterioration of local democracy in the Republic of Moldova, showing the need to identify a proper balance between the local public interest and the fight against corruption in order to maintain a good level of local governance in the light of the European Charter of Local Self-Government and of other European standards.

The conclusion stemming from this Study is that although *the National Decentralisation Strategy* was passed in 2012, financial centralization in the Republic of Moldova is becoming more and

more evident. This trend is affecting, *inter alia*, the independence of Local Public Authorities to make decisions at the local level, generating distorted prerequisites for the development of certain localities to the detriment of others, frequently induced by political reasons, having determined, in the end, the emphasized decline of local economies.

We shall mention, in this context, that from the perspective of efficiency, *“the decentralization theorem”* of Oates⁶ claims that: *“each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision”*. According to this principle, the functions of taxation, spending and regulation should be exercised by the lower level of governance if their assignment to higher level of governance cannot be persuasively proved. Similarly, the European Union adopted the general principle of *“subsidiarity”* to define the areas where the Member States shall have the right to act independently, where the *Acquis Communautaire* does not apply.

At the same time, we shall mention that in its Report, the Monitoring Committee CG/MON/2015(29)⁴ from the side of the Congress of Local and Regional Authorities of the Council of Europe believes that the NDS should be implemented in full by the end of 2018. Also, the package of measures aimed to enhance the foundation of own local revenues and the decision-making autonomy on their spending, with some exemptions, has not been implemented.

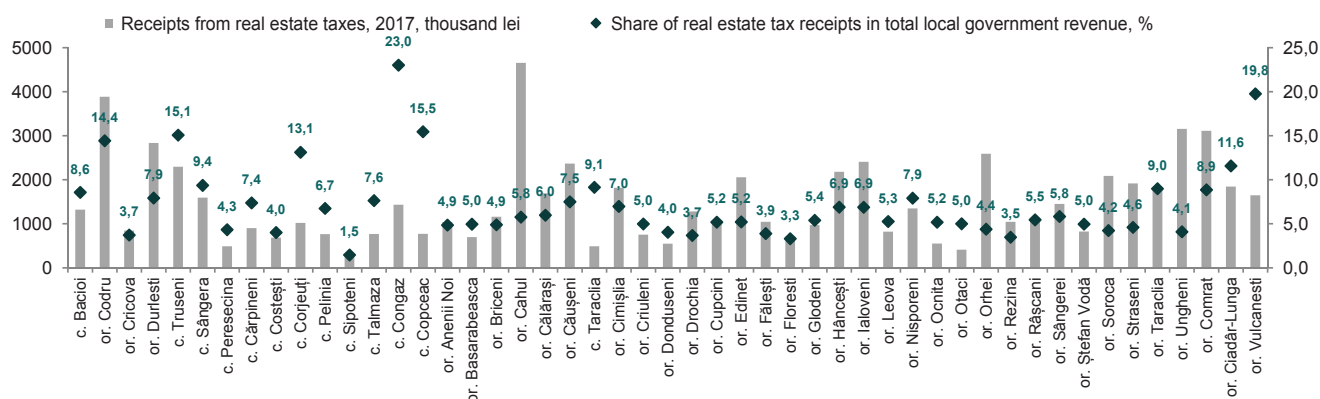
Out of the sources of own revenues fuelling local budgets, the immovable property tax is deemed to be a source with the highest financial and stability potential.

⁴ <https://anticoruptie.md/ro/investigatii/justitie/primari-penali>.

⁵ Recommendation 411 (2018).

⁶ Oates W.E., *Fiscal Federalism*, Harcourt Brace Jovanovich, New York, 1972; Shah A., *The Reform of Intergovernmental Fiscal Relations in Developing and Emerging Market Economies*, Policy and Research Series No. 23, World Bank, Washington D.C., 1994.

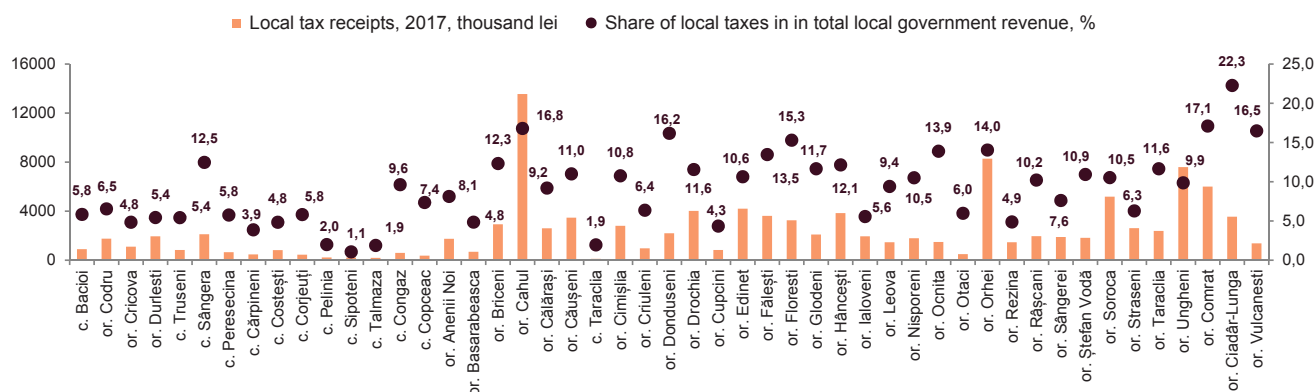
Figure 13. Receipts from the immovable property tax (the axis from the left side) and their share in the total local budget revenues.



To this end, Figure 13 represents the receipts from the immovable property tax in absolute expression (thousand MDL) and relative expression (% as a share of total local budget revenues). As shown in the graphic representation, this source generated the highest revenues for the budget of Cahul Municipality (MDL 4.7 million), Codru Town (MDL 3.9 thousand), Ungheni and Comrat Municipalities (MDL 3.1 million each). The role of immovable property tax measured by the share of receipts from this source in the total local budget revenues was the most significant for the budget of Congaz Village (23%), Vulcanesti Town (19.8%), Copceac Village (15.5%), Truseni Commune (15.1%) and Codru Town (14.4%).

Local charges are another source of own local budget revenues. To this end, Figure 14 shows their absolute (thousand MDL) and relative (% as a contribution to the formation of local budget revenues) shares.

Figure 14. Receipts from local charges (the axis from the left side) and their share in the total local budget revenues.

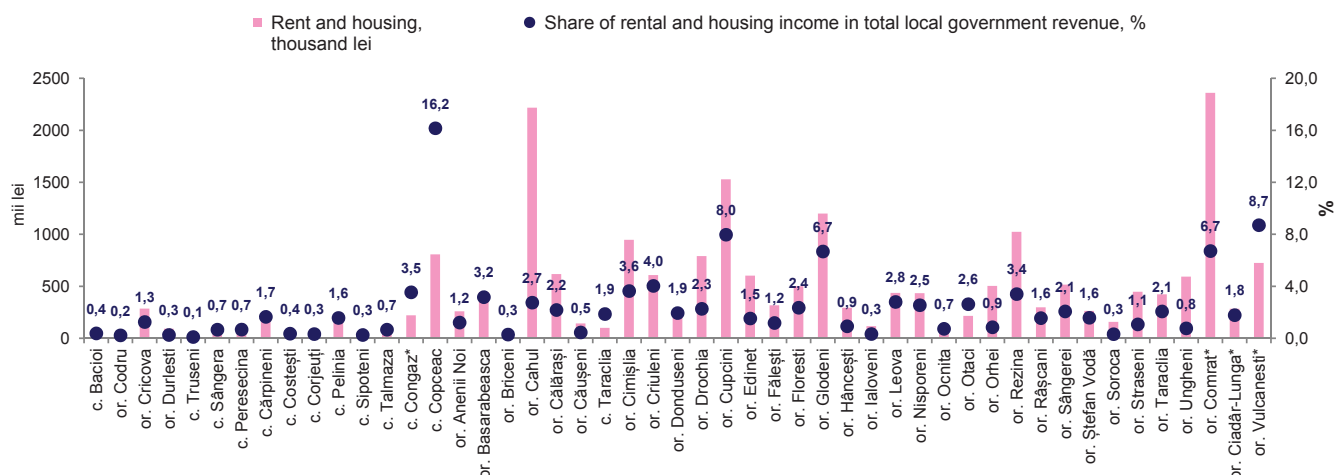


The largest receipts from local charges were recorded by the budget of Cahul (MDL 13.6 million), Orhei (MDL 8.3 million), Ungheni (MDL 7.6 million), Comrat (MDL 6.0 million) and Soroca Municipalities (MDL 5.2 million). Local charges made the largest contribution to the formation of local budget in the case of Ciadar-Lunga (22.3%), Comrat (17.1%) and Cahul Municipalities (16.8%).

According to Figure 15, the most substantial receipts from the lease of lands, natural resources and public assets were recorded by the budget of Comrat Municipality (MDL 2.4 million), Cahul Municipal-

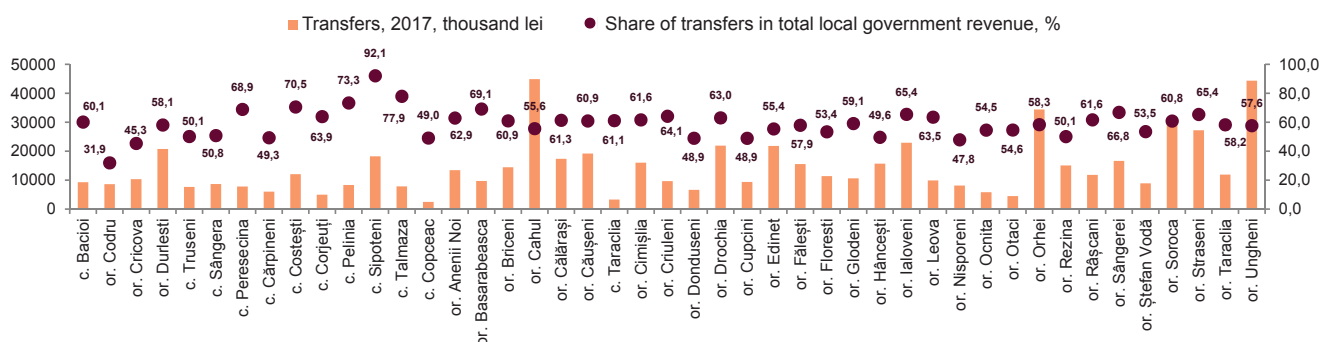
ity (MDL 2.2 million), and Cupcini Town (MDL 1.5 million). As a percentage of local budget revenues, the lease operations represented the most significant contributions for Copceac Village (16.2%), Vulcanesti Town (8.7%) and Cupcini Town (8.0%).

Figure 15. Receipts from leasing operations in the structure of local budget revenues, 2017.



Although own revenues represent a parameter associated with financial decentralisation and independence of Local Public Authorities, the largest share in the total local budget revenues is held by the transfers from the State Budget.

Figure 16. Transfers from the State Budget in the total local budget revenues, 2017.



This statement is corroborated also by the graphic representation (Figure 16). Amongst the ATUs subject to review, the largest amounts of transfers were recorded by the budget of Cahul (MDL 44.9 million), Ungheni (MDL 44.4 million), Orhei (MDL 34.4 million), Soroca (MDL 30 million) and Strășeni Municipalities (MDL 27 million). Concurrently, the transfers made the largest contribution to the formation of local budget revenues in the case of Sipoteni Commune (92%), Pelinia Village (73%), Costesti Village (71%), Basarabasca Town (69%).

The Law on Local Public Finance outlines two types of transfers made from the State Budget to BATUs, namely: general purpose transfers and earmarked transfers.

General purpose transfers represent the financial means allocated definitively according to the legal provisions, in absolute amount, from the State Budget to BATUs to finance the activities carried out by LPAs. General purpose transfers are made from the ATU Financial Support Fund, which is formed from the income tax, which was

not shared as transfers with BATUs, and the LPAs have the discretion to spend them as the legislation stipulates no provisions regarding their specific spending.

Earmarked transfers are the financial means allocated as per the legal provisions, in absolute amount, conditionally, from the State Budget and/or from other budgets to BATUs, intended to ensure the exercise of public functions or for other specific purposes. Earmarked transfers from the State Budget shall be allocated to BATUs for financing the pre-school, primary and general secondary education, as well as the special and complementary (extra-curricular) education, the competences delegated to LPAs by the Parliament upon the Government proposal, and for funding the capital expenditures.

The Law on Local Public Finance stipulates that the volume of such category of transfers shall be set expressly by the State Budget Law for each ATU. In the cases expressly provided by legislation, the aforementioned transfers may be allocated also based on other regulatory documents.

The Law clearly outlines the formula to calculate the general purpose transfers made from the ATU Financial Support Fund. The Methodology for calculating the categorized transfers allocated to schools, lower and upper secondary education institutions is governed by the Funding Methodology based on standard cost per pupil.

Likewise, the existence of so many categories of transfers (Table 4A from Annexes represents the categories of transfers allocated during 2016-2017) in the structure of local budgets, which are explained and governed by various regulatory documents, hinders significantly their assessment, having generated deep confusions and determined the lack of transparency in the allocation of these public funds.

The way of allocating the transfers from sources other than the State Budget is even less transparent. Hence, the Law on Local Public Finance stipulates that by the decision of representative and deliberative authorities, earmarked transfers can be made amongst BATUs for common interest purposes. We shall name, to this end, the following categories of transfers (the figures show the code of such transfers as per the Economic Classification):

193100 Transfers received amongst the *level II* local budgets and the *level I* local budgets within an administrative-territorial unit;

193300 Transfers received amongst the *level I* local budgets within an administrative-territorial unit;

193400 Transfers received amongst the institutions of *level II* local budgets and the institutions of *level I* local budgets within an administrative-territorial unit;

193600 Transfers received amongst the institutions of *level I* local budgets within an administrative-territorial unit;

193700 Transfers received amongst the institutions within a *level I* local budget;

194100 Transfers received amongst the *level II* local budgets and the *level I* local budgets amongst different administrative-territorial units;

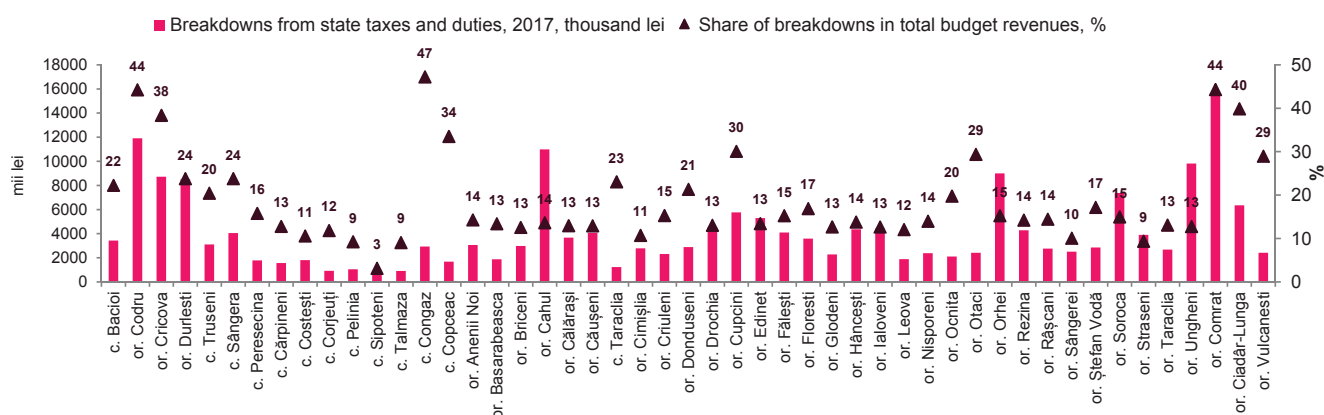
194300 Transfers received amongst the *level I* local budgets from different administrative-territorial units;

194400 Transfers received amongst the institutions of *level II* local budgets and the institutions of *level I* local budgets from different administrative-territorial units;

194600 Transfers received amongst the institutions of *level I* local budgets from different administrative-territorial units.

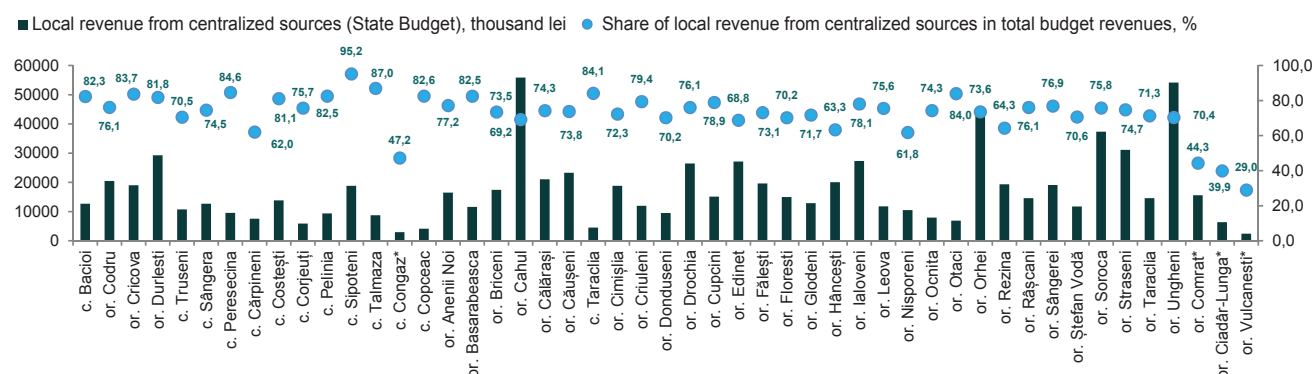
The next source stemming from the State Budget that fuels the local budgets is represented by the shares of state taxes and charges.

Figure 17. Local budget revenues stemming from the shares of state taxes and charges, 2017.



As shown in Figure 17, the largest receipts from this source were generated in the budget of Comrat Municipality (MDL 15.6 million), Codru Town (MDL 11.9 million), Cahul (MDL 11 million), Ungheni (MDL 9.8 million) and Orhei Municipalities (MDL 9 million).

Figure 18. Local budget revenues stemming from the State Budget sources (transfers and shares from state taxes), 2017.



Consequently, as shown in Figure 18, the largest budget revenues stemming from the State Budget sources (transfers and shares from state taxes and charges) were recorded by the budgets of Sîpoteni Commune (95%), Talmază Village (87%), Peresecina Village (85%), Cricova Town (84%), Copceac Village and Basarabeasca Town (83% each).

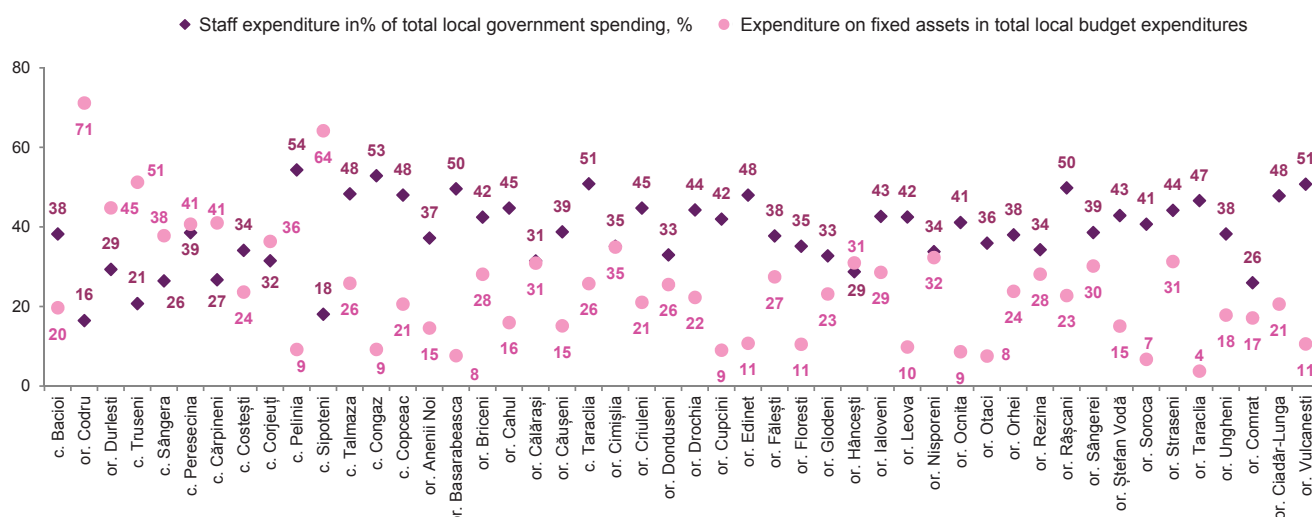
Budget expenditures represent the second component of local budgets. The *total expenditures* are obtained by summing up the actual expenditures and non-financial assets.

Table 6A from Annexes contains the data about the amounts of actual expenditures and non-financial assets related to the budgets covered by the review.

As per the Table data, the largest actual expenditures were recorded in 2017 by the budget of Codru Town (MDL 76.5 million), Cahul (MDL 63.5 million), Comrat (MDL 58.6 million) and Ungheni Municipalities (MDL 55.3 million). At the same time, inappropriate management of local public finances determined the failure to meet the actual expenditure planned values for

all budgets covered by the review. Hence, we shall mention the budgets of Cricova (where the amount spent from the local budget to provide public services reached 80.1% of the planned target), Otaci (80.8%), Drochia (88.1%) and Floresti Towns (89.9%), which failed to meet the planned actual expenditure targets; thus, having an adverse impact on the quality of local public services. It is worth mentioning the components of actual expenditures, i.e. personnel costs, goods and services, interest costs, subsidies, provided grants, social benefits, etc.

Figure 19. Personnel costs and fixed asset costs, in % of the total local budget expenditures, 2017.



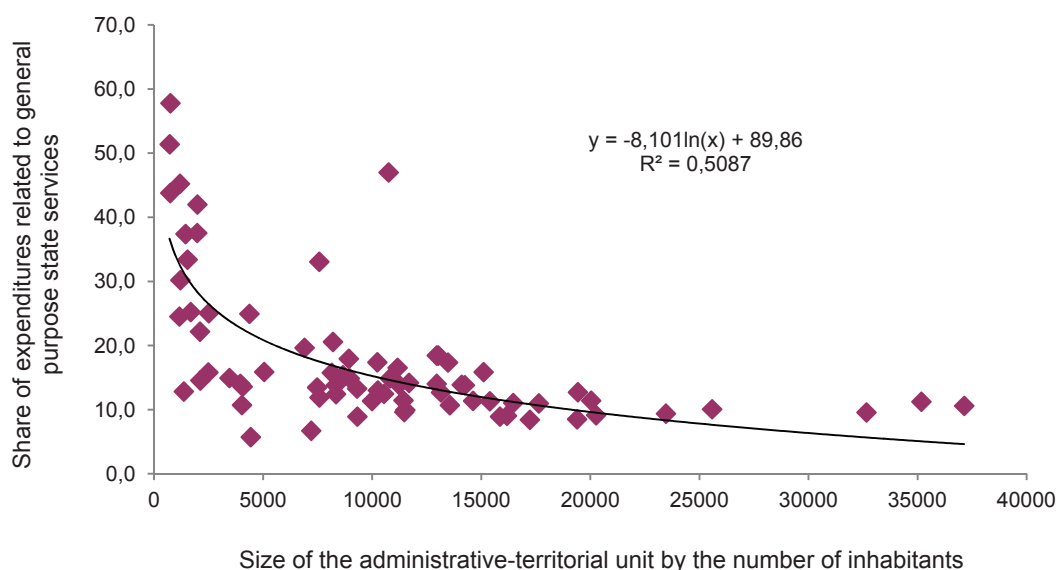
Non-financial assets reached the highest level in 2017 in the case of the budget of Codru Town (MDL 22.4 million), followed by Ungheni Municipality (MDL 20.8 million), Durlăști Town (MDL 19.5 million), Cahul and Comrat Municipalities (MDL 19.4 million each). Likewise, inappropriate management of local public finances determined the failure to meet the planned values for non-financial assets practically by all budgets covered by this review. Hence, we shall mention the budgets of Cricova Town, Sângera Town (where the amount spent from the local budget to purchase and repair fixed assets, etc. reached 35.1% of the planned target), Otaci Town (44.7%), Edinet Municipality (63.6%), Ocnita Town (67.1%), which failed to meet the planned non-financial asset targets; thus, having an adverse impact on the quality of local public services. It is worth mentioning that the components of non-financial assets include, besides fixed assets, current assets stock, etc.

The larger the share of personnel costs in the structure of actual budget expenditures the less flexible the budget⁷.

Hence, the largest personnel costs in the structure of total budget expenditures were recorded by the budget of Pelinia Village (54%), Congaz Village (53%), Taraclia Town and Vulcanesti Town (51%). The largest budget expenditures for fixed assets (procurement, capital and current repairing, etc.) were incurred by Codru Town, Sîpoteni and Truseni Communes (Figure 19).

⁷ Flexibility is an important matter in the process of expense allocation. Governments, in order to protect themselves against shocks, shall have enough flexibility when deciding upon annual allocations. If some spending positions are protected (non-discretionary: personnel costs and interest payments) and if the share of non-discretionary expenses in the total expenditures is high, the adjustments during adverse periods could be difficult to make or may reduce proportionally the unprotected expenses, which are important for the economic growth in the long-run.

Figure 20. Relation between the size of expenditures related to general purpose state services and the ATU size, 2017.



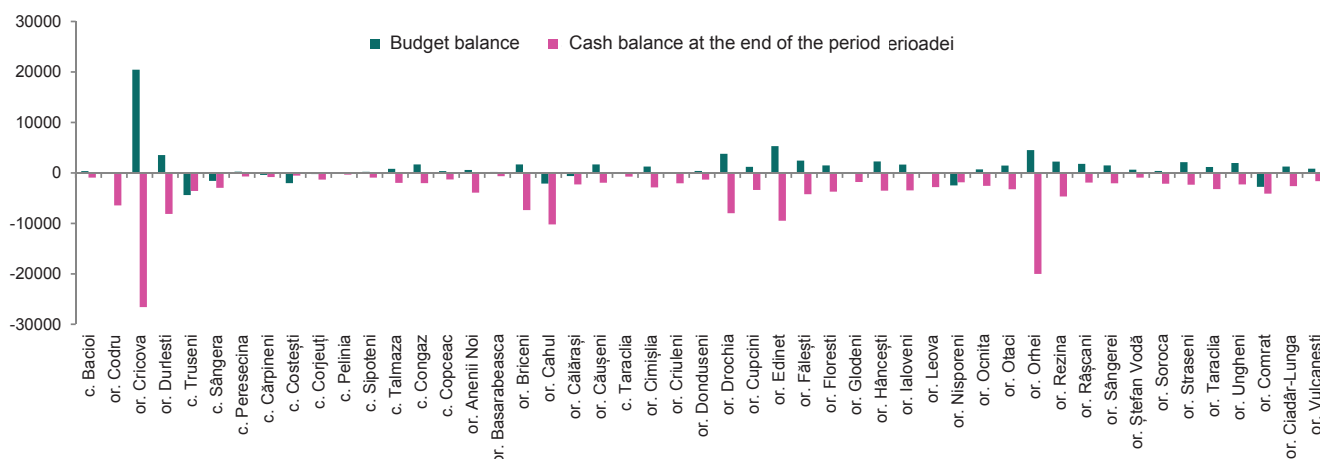
The local public finances represent an area subject to the economy of scale phenomenon. To this end, Figure 20 measures the relation between the size of expenditures incurred for general purpose state services and the ATU size (population). The conclusion stemming from the review of these two variables evolution is that the relative size of expenditures incurred for general purpose state services in % of the actual expenditures of level II BATU declines with the increase of ATU size (population).

Table 7A from the Annexes contains the data referring to the budget balance and the sources of its funding.

As shown in this Table, ten LPAs of those covered by this review ended the fiscal year with budget deficit, while the other 40 – with budget surplus.

The beginning cash balance represents the most important source for funding the negative budget balance.

Figure 21. Local budget balances and ending cash balance, 2017, thousand MDL.



There are four Local Public Authorities, which budget deficit was partially and modestly covered from sources provided by “Financial Assets”. In particular, they sold apartments to citizens. In some cases, financial advantages were derived from the positive exchange rate differences.

The other four LPAs that ended with budget

surplus in 2017 (Orhei, Hancesti, and Ungheni Municipalities, and Taraclia Town) used the surplus to serve their debt-related obligations.

The Local Public Authorities covered by this review, which had budget surplus at the end of 2017, transferred their surplus to the account of cash balance at the end of the period.

Identified issues and recommendations

Issues:

- Although the budget revenues and expenditures increased during the considered period (2016-2017), nonetheless, the BATU size is critically insufficient to ensure sustainable development of local authorities. At the same time, the limitations imposed on local budgets in terms of funding the local economies have mounted;
- Financial centralization, resulting in the limitation of own revenue share in the total budget revenues and concurrent increase of the share of transfers, follows higher and more alarming proportions. Such trends affect, *inter alia*, the independence of Local Public Authorities in making decisions at the local level, generating distorted prerequisites for the development of certain localities to the detriment of others, frequently induced by political reasons, having determined, in the end, the emphasized decline of local economies. Moreover, the reduction of own revenues shall mean for the LPA less expenditures incurred at their own initiative.
- The LPA reluctance to show its initiative and activism in the development of local economies is determined by the increased number of criminal proceeding cases prepared against the local elected politicians under the cloak of fight against corruption, which is considered by the *Mission of the Congress of Local and Regional Authorities of the Council of Europe* as problematic and contradictory as per the European standards;
- Although the National Decentralisation Strategy should be implemented in full by the end of 2018, the package of measures aimed to enhance the foundation of own local revenues and the decision-making autonomy on their spending, with some exemptions, has not been implemented;
- During 2016-2017, the local budgets aggregated at the national level ended with significant budget surpluses. As a rule, the budget surplus indicates that the Moldovan LPAs are encountering complex issues in the area of local public finance management: insufficient skills to plan the budget parameters, poor capacity to spend the public money properly, excessive tax burden on population and private sector;
- The reviewed BATUs have insufficient financial potential (i.e. the ratio of *budget revenues to the ATU population*), while the local economies are not capable to generate revenues in the required amounts. These are limited and do not allow the local taxpayers to hold the LPA accountable;
- *The share of own revenues in the total budget revenues* is relatively modest for most of ATUs subject to review: the LPAs do not have significant own revenue sources; therefore, they are not able to decide and address independently many of the arisen issues. The local taxes and charges generate small amounts, which make up a low percentage in the *local budget revenues* (reduced return of local taxes and charges);
- The LPAs have limited capacity to: (i) change the rates of immovable property tax or the base of local taxes and charges covered by the Tax Code; (ii) re-assess periodically the immovable property; (iii) determine own tax facilities for the local taxes and charges;
- The tax base is continuously eroded by granting lots of tax facilities and exemptions (in particular, for the immovable property tax). Such facilities and exemptions lead to the tax base shrinking, reducing own local revenues

and a level playing field for tax purposes by favouring certain economic operators or social categories;

- Local Governments have no real rights and leverages to influence the taxpayers to pay the local taxes and charges in full;
- The BATUs subject to review are described by high volatility of the whole local finance system (revenues, expenditures, budget procedures) from one year to another. This does not only mean that it changed several times over the reviewed period, but also that such changes were unpredictable and affected the already weak capacity of local authorities to plan their resources. As a general rule, the parameters of local finance policy (sources of revenues, expenditures, procedures), although outlined by the law, can be easily amended on a yearly basis by the State Budget Law. Such situation makes it difficult to produce multiannual budget plans and the overall financial management at the LPA level;
- Financial/budget planning is weak in the ATUs covered by the Study: frequently, the values of budget lines either exceed or are much lower

than the forecasted level, having a significant negative impact on the development of local economies. Consequently, the budget process in the Republic of Moldova, not just the one covered by the Study, does not produce credible budgets. Simplistic techniques are used to develop local budgets and make revenue and expenditure projections. Underestimated or overestimated revenues show the deficiencies in their projection and collection;

- Many BATUs subject to review ended the 2016 fiscal year with important cash balances. Such situations shall be a reminder for the LPAs and the Ministry of Finance, which is the supreme oversight public authority, to provide training to LPAs in the area of local finance management, in particular, on liquidity management;
- Matters related to financial favouring of LPAs according to the political criteria strongly persist;
- The lack of statistical indicators to measure different aspects of local economy creates difficulties in assessing the impact of local budgets thereon.

Recommendations:

- Enhance the base of own revenues at the LPA level, including by full implementation of the NDS under appropriate terms and conditions;
- Increase the transparency of allocating all transfer categories, including the transfers amongst different levels of Local Public Authorities;
- On the basis of issues and challenges encountered by the Moldovan LPAs in the area of local public finance, the LPA employees' needs for training in the area of local public finance management to enable them to apply properly the financial management tech-

niques and tools have become evident;

- Increase the return of local taxes and charges, including through their more efficient administration;
- Revise the tax facility system and provide specific incentive mechanisms for economic operators to pay the local taxes and charges in due time;
- Grant the Local Public Authorities (of level I and II) the freedom to introduce new local taxes and charges or additional rates to the taxes and charges already in place;
- Implement financial management tools and techniques at the level of LPAs (management of local public revenues and expenditures, liquidity management, etc.).

Table 1A. Loan Portfolio Structure (provided in MDL) of the Banking Sector of the Republic of Moldova.

Nr. d/o	Industry	2015		2016		2017	
		MDL	% of the total	MDL	% of the total	MDL	% of the total
1	Loans to Agriculture	1 813 078 338	8,2	1 541 023 909	8,0	1 557 658 356	8,0
2	Loans to Food Industry	1 501 949 304	6,8	1 321 135 191	6,8	1 388 658 667	7,1
3	Loans to Constructions	876 512 921	4,0	549 629 909	2,8	378 838 403	1,9
4	Loans for Consumption	3 051 157 361	13,8	3 347 735 222	17,3	4 133 510 388	21,2
5	Loans to Power Industry	796 492 055	3,6	491 415 435	2,5	406 266 952	2,1
6	Overnight and overdraft loans to banks	0	0,0	0	0,0	0	0,0
7	Loans to banks	0	0,0	0	0,0	0	0,0
8	Loans to institutions financed from the State Budget	0	0,0	0	0,0	0	0,0
9	Loans to CNAS/CNAM	0	0,0	0	0,0	0	0,0
10	Loans to the Government	0	0,0	0	0,0	0	0,0
11	Loans to ATUs/institutions subordinated to ATUs	361 133 708	1,6	46 145 160	0,2	22 397 138	0,1
12	Loans to Production Industry	790 551 235	3,6	660 027 430	3,4	497 923 122	2,5
13	Loans to Trade	5 449 531 608	24,7	4 395 112 248	22,7	4 254 260 988	21,8
14	Loans to Non-banking financial sector	627 736 106	2,8	583 893 488	3,0	512 349 912	2,6
15	Loans for buying/building immovable property	2 294 960 042	10,4	2 254 553 065	11,6	2 630 724 116	13,5
16	Loans to non-commercial organisations	1 370 000	0,0	124 002 348	0,6	952 062	0,0
17	Loans to individual entrepreneurs	1 059 299 623	4,8	788 752 465	4,1	691 438 779	3,5
18	Loans to Transportation, Telecommunications and Network development	1 083 692 087	4,9	993 764 178	5,1	931 747 555	4,8
19	Loans to Service Rendering Units	1 376 949 668	6,2	1 074 893 392	5,6	941 659 287	4,8
20	Other loans	1 015 494 275	4,6	1 191 789 527	6,2	1 181 443 117	6,0
	Total	22 099 908 331	100,0	19 363 872 966	100,0	19 529 828 842	100,0

Source: developed on the basis of the National Bank of Moldova data.

Table 2A. Loan Portfolio Structure (provided in foreign currency and recalculated in MDL) of the Banking Sector of the Republic of Moldova.

Nr. d/o	Industry	2015		2016		2017	
		MDL	% of the total	MDL	% of the total	MDL	% of the total
1	Loans to Agriculture	1 182 587 394	7,4	1 011 167 922	6,6	929 291 571	6,7
2	Loans to Food Industry	2 053 509 128	12,8	2 193 661 062	14,2	2 125 764 637	15,2
3	Loans to Constructions	451 376 110	2,8	384 085 495	2,5	232 473 234	1,7
4	Loans for Consumption	11 226 142	0,1	6 083 183	0,0	1 110 495	0,0
5	Loans to Power Industry	308 238 874	1,9	336 606 593	2,2	353 664 790	2,5
6	Overnight and overdraft loans to banks	0	0,0	0	0,0	0	0,0
7	Loans to banks	19 658 500	0,1	19 981 400	0,1	19 022 027	0,1
8	Loans to institutions financed from the State Budget	0	0,0	0	0,0	0	0,0
9	Loans to CNAS/CNAM	0	0,0	0	0,0	0	0,0
10	Loans to the Government	0	0,0	0	0,0	0	0,0
11	Loans to ATUs/institutions subordinated to ATUs	31 594 399	0,2	30 564 563	0,2	7 145 349	0,1
12	Loans to Production Industry	1 921 938 055	11,9	1 878 455 148	12,2	1 799 131 206	12,9
13	Loans to Trade	6 199 007 221	38,5	5 888 352 066	38,2	5 482 841 189	39,3
14	Loans to Non-banking financial sector	827 333 555	5,1	873 510 688	5,7	785 932 492	5,6
15	Loans for buying/building an immovable property	48 733 700	0,3	49 107 211	0,3	5 132 785	0,0
16	Loans to non-commercial organisations	1 811 567	0,0	1 044 475	0,0	2 040 990	0,0
17	Loans to individual entrepreneurs	109 621 625	0,7	80 378 181	0,5	54 078 788	0,4
18	Loans to Transportation, Telecommunications and Network development	1 141 623 148	7,1	1 005 328 119	6,5	638 052 322	4,6
19	Loans to Service Rendering Units	1 377 971 281	8,6	1 199 475 994	7,8	1 016 563 833	7,3
20	Other loans	401 472 643	2,5	439 594 989	2,9	491 215 335	3,5
	Total	16 087 703 342	100,0	15 397 397 091	100,0	13 943 461 043	100,0

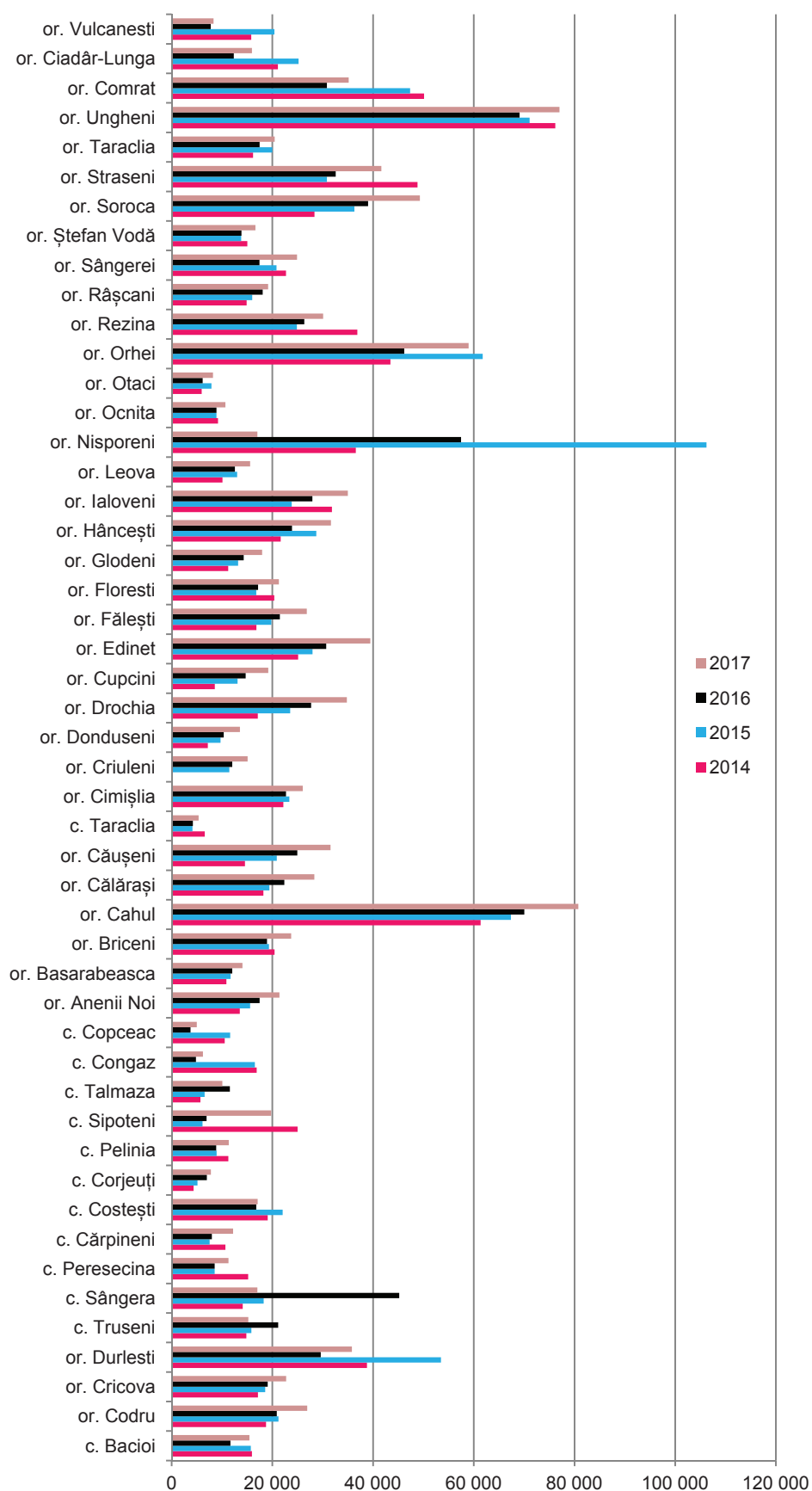
Source: developed on the basis of the NBM data.

Table 3A. Local Budgets aggregated at the National Level, 2017, million MDL.

Indicator	Approved	Amended	Implemented
Revenues	12 049,0	13 573,3	13 461,5
Taxes and Fees	3 113,1	3 029,2	3 274,3
Income taxes	1 984,5	2 032,0	2 181,4
Immovable property taxes	419,8	448,9	500,9
Taxes and charges levied on goods and services	708,8	548,3	592,0
Grants received	5,0	16,9	15,9
Grants received from the Governments of other countries	1,4	1,8	3,1
Grants received from international organizations	3,6	15,1	12,8
Other revenues	533,1	703,1	618,8
Revenues from immovable property	97,8	101,5	105,2
Revenues from the sale of goods and services	359,6	396,7	380,3
Fines and penalties	17,2	10,1	7,6
Voluntary donations	44,3	174,3	106,2
Other revenues and non-identified revenues	14,2	20,5	19,5
Transfers received within the National Public Budget	8 397,8	9 824,1	9 552,5
Transfers received within the National Public Budget	8 397,8	9 824,1	9 552,5
Expenditures and Non-financial Assets	12 416,7	14 917,6	13 274,6
<i>according to the Functional Classification</i>			
General purpose state services	1 381,6	1 445,9	1 242,7
National Defence	10,6	11,8	10,8
Public Order and National security	10,1	24,6	20,4
Economy-related services	1 147,3	1 724,1	1 356,3
Environmental Protection	46,1	80,9	54,5
Dwelling Management and Public Utility Services	772,5	1 466,3	1 140,2
Healthcare	102,0	161,7	141,3
Culture, Sports, Youth, Religious Affairs and Leisure	784,7	968,8	836,3
Education	7 132,7	7 946,6	7 468,9
Social protection	1 029,1	1 086,9	1 003,2
Balance (deficit (-), surplus (+))	-367,7	-1 344,3	186,9

Source: Ministry of Finance.

Figure 1A. Dynamics of Local Budget Revenues during 2014-2017, thousand MDL.



Source: developed on the basis of the MoF data.

Table 4A. Transfers provided to Local Budgets out of the State Budget sources, thousand MDL.

	Code	2016	2017
Earmarked current transfers received between the State Budget and the level II Local Budgets for pre-school, primary and secondary education.	191111	4 866 076,4	5 084 926,2
Earmarked current transfers received between the State Budget and the level II Local Budgets for social insurance and social assistance.	191112	163 248,2	184 712,8
Earmarked current transfers received between the State Budget and the level II Local Budgets for sports schools.	191113	134 071,9	141 431,9
Earmarked current transfers received between the State Budget and the level II Local Budgets for other delegated competences.	191114	3 024,4	2 985,8
Other earmarked current transfers received between the State Budget and the level II Local Budgets.	191115	10 132,4	
Earmarked current transfers received between the State Budget and the level II Local Budgets for road infrastructure.	191116		432 596,2
Earmarked current transfers received between the State Budget and the level II Local Budgets.	191120	13 581,0	84 172,4
General purpose current transfers received between the State Budget and the level II Local Budgets.	191131	595 414,2	666 112,5
General purpose current transfers received from the Compensation Fund between the State Budget and the level II Local Budgets.	191132	69 022,9	56 304,1
Other general purpose current transfers received between the State Budget and the level II Local Budgets.	191139	85 182,2	14 450,2
Earmarked current transfers received between the State Budget and the level I Local Budgets for pre-school, primary and secondary education.	191211	1 402 872,0	1 584 778,5
Earmarked current transfers received between the State Budget and the level I Local Budgets for social insurance and social assistance.	191212		494,6
Earmarked current transfers received between the State Budget and the level I Local Budgets for sports schools.	191213	20 145,2	20 218,9
Earmarked current transfers received between the State Budget and the level I Local Budgets for other delegated competences.	191214	2 343,1	2 327,8
Earmarked current transfers received between the State Budget and the level I Local Budgets for road infrastructure.	191216		267 459,1
Earmarked current transfers received between the State Budget and the level I Local Budgets.	191220	18 936,2	133 043,2
General purpose current transfers received between the State Budget and the level I Local Budgets.	191231	487 158,5	545 001,1
General purpose current transfers received from the Compensation Fund between the State Budget and the level I Local Budgets.	191232	31 032,3	28 020,9
Earmarked current transfers received among the State Budget Institutions and the Institutions of level II Local Budgets.	191310	84 242,6	82 500,0
Earmarked current transfers received among the State Budget Institutions and the Institutions of level II Local Budgets.	191320	10 455,7	12 170,7
General purpose capital transfers received among the State Budget Institutions and the Institutions of level II Local Budgets.	191340	241,9	
Earmarked current transfers received among the State Budget Institutions and the Institutions of level I Local Budgets.	191410	6 748,7	274,8
Earmarked current transfers received among the State Budget Institutions and the Institutions of level I Local Budgets.	191420	258 314,7	208 532,0
Total		8 263 673,7	9 552 513,7

Source: developed on the basis of the MoF data.

Table 5A. Receipts from Donations and Grants in the BATU Revenues Breakdown, 2017

	Donations, thousand MDL	Share of received donations in the total budget revenues, %	Grants, thousand MDL	Share of received grants in the total budget revenues, %
Bacloi Commune				
Codru Town				
Cricova Town	140,4	0,6		
Durlesti Town				
Truseni Commune				
Sangera Town	60,6	0,4		
Peresecina Village				
Carpineni Village	2301,1	18,9	387,5	3,2
Costesti Village			200,8	1,2
Corjeuti Village				
Pelinia Village	462,7	4,1		
Sipoteni Commune				
Talmazia Village	18,1	0,2		
Congaz Village*	14	0,2		
Copceac Village	194,6	3,9		
Anenii Noi Town				
Basarabasca Town				
Briceni Town				
Cahul Municipality			196	0,2
Calarasi Town	377,6	1,3		
Causeni Town	252,2	0,8		
Taraclia Town				
Cimislia Town	92,4	0,4		
Criuleni Town	27,4	0,2		
Donduseni Town				
Drochia Town				

	Donations, thousand MDL	Share of received donations in the total budget revenues, %	Grants, thousand MDL	Share of received grants in the total budget revenues, %
Cupcini Town	72,9	0,4		
Edinet Municipality	577,2	1,5	2052,7	5,2
Falesti Town	39	0,1		
Floresti Town				
Glodeni Town	3,5			
Hancesti Municipality	1593	5,0		
Ialoveni Town	991,3	2,8	674,3	1,9
Leova Town	198,7	1,3		
Nisporeni Town	1592	9,3		
Ocnita Town	11,2	0,1		
Otaci Town				
Orhei Municipality	125	0,2		
Rezina Town	4593,3	15,3		
Rascani Town				
Sangerei Town	472,5	1,9		
Stefan Voda Town				
Soroca Municipality	56,4	0,1		
Straseni Municipality	418,5	1,0	732,3	1,8
Taraclia Town	8,1			
Ungheni Municipality	2268,7	2,9	2443,2	3,2
Comrat Municipality*	597,4	1,7		
Ciadar-Lunga Municipality*	19,3	0,1		
Vulcanesti Town*	236	2,8		

Source: developed on the basis of the MoF data.

Table 6A. Actual Expenditures and Non-financial Assets, 2017

	Actual Expenditures		Non-financial Assets	
	thousand MDL	Actual versus Planned, %	thousand MDL	Actual versus Planned, %
Bacloi Commune	12405,0	99,5	5473,4	105,1
Codru Town	76483,0	90,7	22411,6	95,1
Cricova Town	10058,8	80,1	-5882,4	-38,0
Durlesti Town	17044,3	88,7	19547,7	75,2
Truseni Commune	9484,4	90,0	12345,0	76,0
Sangera Town	10596,6	92,6	8489,7	35,1
Peresecina Village	6109,1	97,4	4933,4	97,9
Carpineni Village	5321,8	94,1	7295,4	93,4
Costesti Village	12223,1	96,3	7863,6	39,2
Corjeuti Village	4323,7	92,4	3690,6	89,1
Pelinia Village	8887,7	99,7	2650,7	94,7
Sipoteni Commune	5445,4	94,1	14097,1	95,5
Talmaza Village	5856,9	93,0	3429,8	71,7
Congaz Village	16795,9	93,1	6010,1	81,5
Copceac Village	13329,2	95,5	6814,5	91,8
Anenii Noi Town	15729,0	94,8	5193,2	86,8
Basarabasca Town	11296,0	98,9	2562,1	96,3
Briceni Town	14116,7	91,5	8815,1	70,5
Cahul Municipality	63483,6	97,3	19414,3	79,1
Calarasi Town	17079,1	90,6	11874,9	91,4
Causeni Town	22839,2	97,4	7256,9	82,9
Taraclia Town	3134,3	96,7	2175,6	93,0
Cimislia Town	15007,3	86,4	12015,8	76,7
Criuleni Town	11123,9	92,5	4844,3	75,3
Donduseni Town	9372,2	95,5	3848,9	88,3

	Actual Expenditures		Non-financial Assets	
	thousand MDL	Actual versus Planned, %	thousand MDL	Actual versus Planned, %
Drochia Town	19712,0	88,1	11315,4	75,6
Cupcini Town	14775,5	97,0	3188,0	70,8
Edinet Municipality	28894,7	91,0	5891,3	63,6
Falesti Town	14255,1	94,4	10158,9	85,7
Floresti Town	15485,3	89,9	4438,9	82,9
Glodeni Town	11548,5	96,8	6313,8	103,4
Hancesti Municipality	20219,4	92,8	9878,8	85,8
Ialoveni Town	20268,4	95,3	13815,6	83,4
Leova Town	12806,3	90,5	3798,5	93,1
Nisporeni Town	13499,1	94,3	6534,1	75,6
Ocnita Town	7882,9	92,8	2078,9	67,1
Otaci Town	5094,8	80,8	1657,1	44,7
Orhei Municipality	38216,6	90,6	16242,3	81,1
Rezina Town	19511,2	90,3	8322,5	79,5
Rascani Town	12390,7	98,6	4973,8	75,5
Sangerei Town	14624,1	99,6	8786,1	90,5
Stefan Voda Town	11630,4	97,8	4347,7	96,6
Soroca Municipality	37028,9	96,8	12087,7	94,6
Straseni Municipality	25023,9	98,0	14517,6	97,5
Taracalia Town	16963,0	93,5	3129,0	85,6
Ungheni Municipality	55299,9	94,1	20806,6	93,9
Comrat Municipality	58583,5	93,0	19414,0	80,5
Ciadar-Lunga Municipality	25576,2	91,3	11822,2	80,3
Vulcanesti Town	22719,1	96,4	5460,1	72,5

Source: developed on the basis of the MoF data.

Table 7A. Budget Balance and Funding Sources, 2017, thousand MDL.

Mayorality	Budget Balance	Funding Source				Ending Cash Balance
		Total	Financial Assets	Debts	Beginning Cash Balance	
Bacloi Commune	354,9	-354,9			590,4	-945,3
Codru Town	96,4	-96,4			6334,3	-6430,7
Cricova Town	20436,8	-20436,8			6138,1	-26574,9
Durlesti Town	3536,8	-3536,8	-1,5		4592	-8127,3
Truseni Commune	-4384,1	4384,1			7961,1	-3577
Sangera Town	-1576,8	1576,8	31,4		4490,7	-2945,3
Peresecina Village	255,9	-255,9			450,5	-706,4
Carpineni Village	-412,4	412,4			1228,4	-816
Costesti Village	-2029	2029	7,8		2551,1	-529,9
Corjeuti Village	-231	231			1558,8	-1327,8
Pelinia Village	-94,8	94,8			451,9	-357,1
Sipoteni Commune	231,9	-231,9			688,6	-920,5
Talmazza Village	806,3	-806,3			1173,8	-1980,1
Congaz Village	1691,5	-1691,5			340	-2031,5
Copceac Village	372,5	-372,5			912,7	-1285,2
Anenii Noi Town	595,7	-595,7			3323,3	-3919
Basarabeasca Town	184,8	-184,8	39,5		421,6	-645,9
Briceni Town	1677,6	-1677,6	-18		5705,5	-7365,1
Cahul Municipality	-2123,2	2123,2	10,4		12315,6	-10202,8
Calarasi Town	-612,2	612,2	7,6		2892,3	-2287,7
Causeni Town	1671,7	-1671,7	9,4		274	-1955,1
Taraclia Town	150,5	-150,5	1,6		584	-736,1
Cimislia Town	1264,3	-1264,3			1621	-2885,3
Criuleni Town	168,4	-168,4			1880,7	-2049,1
Donduseni Town	387,6	-387,6	2,3		936,3	-1326,2

Mayoralty	Budget Balance	Funding Source				Ending Cash Balance
		Total	Financial Assets	Debts	Beginning Cash Balance	
Drochia Town	3781,5	-3781,5	67		4125,2	-7973,7
Cupcini Town	1209,9	-1209,9			2171,1	-3381
Edinet Municipality	5315,3	-5315,3	85,3		4085,4	-9486
Falesti Town	2426,2	-2426,2	2,7		1781,3	-4210,2
Floresti Town	1493,3	-1493,3	1025		1206,3	-3724,6
Glodeni Town	97,9	-97,9			1713,8	-1811,7
Hancesti Municipality	2279,8	-2279,8	-295	-600	2126,5	-3511,3
Ialoveni Town	1638,0	-1638	54,6		1763,4	-3456
Leova Town	87,5	-87,5	1178,1		1550,5	-2816,1
Nisporeni Town	-2473,2	2473,2	-1,6		4323,3	-1848,5
Ocnita Town	705,7	-705,7	18,2		1829,7	-2553,6
Otaci Town	1455,6	-1455,6	9,4		1760,9	-3225,9
Orhei Municipality	4510,9	-4510,9		-2282,6	17796,4	-20024,7
Rezina Town	2240,4	-2240,4	12,8		2406,9	-4660,1
Rascani Town	1797,9	-1797,9	9,6		119,3	-1926,8
Sangerei Town	1473,2	-1473,2			587,5	-2060,7
Stefan Voda Town	651,5	-651,5	18,3		256,2	-926
Soroca Municipality	374,6	-374,6	500		1258,7	-2133,3
Straseni Municipality	2131	-2131			199,1	-2330,1
Taraclia Town	1175,4	-1175,4	11,5	-500	2535,7	-3222,6
Ungheni Municipality	1961	-1961	178	-25,1	158,2	-2272,1
Comrat Municipality	-2755,5	2755,5			6850,6	-4095,1
Ceadar-Lunga Municipality	1247,4	-1247,4	16,1		1346,3	-2609,8
Vulcanesti Town	839,5	-839,5	0,7		794,2	-1634,4

Source: developed on the basis of the MoF data.

