

# »» Project Information

Implemented by:



## Social Infrastructure and Energy Efficiency – Moldova

Strengthening municipalities, promoting transparency

Moldova is one of Europe's poorest countries. Families are reliant upon remittances from relatives working abroad, often illegally. Especially in rural areas the quality of life is often low, while the municipal infrastructure is dilapidated. KfW Development Bank helps the municipalities in Moldova to implement small-scale infrastructure projects. An important prerequisite is the participation of citizens.

revenue used by municipalities to finance themselves is very low. Allocations from the national budget are just enough to cover staffing and energy costs. Corruption is still widespread, meaning that many citizens do not trust the public authorities. At present Moldova cannot cope without assistance from abroad.

### Project approach

This is why as long ago as 1999 the government and the World Bank jointly established the Moldova Social Investment Fund (MSIF). Besides KfW, many other international donors are involved. The Fund finances

### Context

Half of Moldova's population has no regular and reliable access to clean drinking water. There are also significant energy supply bottlenecks. Moldova only has the resources to cover a third of its energy needs. At the same time a lot of energy is wasted: the supply systems for heat, power and hot water are outdated and inefficient, buildings are inadequately insulated. For years the infrastructure has been neglected and now investments are needed everywhere – in the health system, schools and kindergartens.

The rural population in particular faces tremendous challenges. Young and capable Moldovans move to the cities or abroad in the hope of better opportunities and a higher quality of life. Those who are left behind are pensioners, children or people in need of care. This results in demographic and social problems.

Investments in the social and economic infrastructure could solve this problem. This is often a gargantuan task especially for small municipalities. There is a shortage of experience, but also of funds. The local tax

<b>Project name</b>	Promotion of the Social Infrastructure in Moldova
<b>Commissioned by</b>	Federal Ministry for Economic Cooperation and Development (BMZ)
<b>Country/Region</b>	Moldova
<b>Lead executing agency</b>	Moldova Social Investment Fund (MSIF)





Orhei maternity hospital with over the MSIF installed solar collectors  
Source: KfW / Dumitru Roscovan

infrastructure projects in villages and small towns with up to 20,000 inhabitants. Citizen participation is the key prerequisite: projects have to be proposed, planned and implemented directly by the citizens of the respective municipality. Generally speaking, grants for specific measures may not exceed EUR 75,000 and 15 % of the cost of the project is borne by the citizens. Once a project has been completed successfully, the municipality concerned can apply for a new one. However, the own contribution then increases to 30 %. MSIF employees and external specialists review the proposals and manage the construction and renovation measures until their completion.

Great store is set by transparency. For the projects to be implemented, the citizens must establish what is termed an implementation agency that issues the tenders for the work, places orders and undertakes the construction supervision. They are also responsible for the operation and maintenance of the renovated properties.

Since its establishment the MSIF has provided a total of EUR 110 million financing for 2100 projects in about 75 % of Moldova's municipalities. The German Federal Government made an overall contribution of almost EUR 12 million. EUR 7 million of this is being invested in the "Social Infrastructure and Energy Efficiency" project, which is currently under implementation. The municipalities are providing an additional EUR 1.6 million. The funds are intended to benefit ten municipalities in the north of the country in particular, where schools, kindergartens and hospital wards are being renovated, water and gas supply systems repaired, roads built and illuminated, and solar panels installed. As a pilot pro-

ject, a kindergarten is being built according to passive house technology in the town of Calarasi.

However, in all projects the focus is on energy efficiency: heating systems are replaced and buildings insulated. Community members are additionally taught about energy efficiency issues so that they can pass on that expertise.

Additionally, community centres and retirement homes are being constructed in the breakaway region of Transnistria as a contribution to conflict resolution and cross-community understanding.

### Impact

KfW Development Bank is promoting no fewer than 82 small projects, 78 of which have already reached completion.

The project not only contributes to bettering the lives of people in the municipalities of Moldova. It also strengthens local civil society and boosts awareness of energy efficiency in the municipalities. Women gain the most as it is often they who bear sole responsibility for a large family.

Experience from the already concluded projects shows that the citizen participation increases. MSIF projects also serve as models. Other municipalities not financed by the MSIF take over the procedures for their projects.



#### Contact

KfW Group  
KfW Development Bank  
Urban and Regional Development Eastern Europe  
Palmengartenstrasse 5-9  
60325 Frankfurt am Main, Germany

KfW Office Chisinau  
c/o GIZ  
66 Bernadazzi St.  
Chisinau, MD-2009  
Moldau  
kfw.moldova@kfw.de