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Development

South Regional Development Agency



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***SOUTH  
Development  
Region***

***Regional  
Development  
Strategy***



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## **Preface**

In order to achieve the national objectives of economic and social development of the Republic of Moldova, it is necessary to develop dynamic and competitive regions.

Regional development is important in the context of EU integration aspirations of the Republic of Moldova, aiming at achieving a balanced and sustainable development of the country by decreasing disparities between and within regions.

The strategy aims at ensuring the most efficient use of human, material and financial resources with the view to activate and optimize the work in areas that are relevant for regional development.

South Regional Development Strategy, the main strategy paper of the region, developed in 2010 in a participatory way, identified the main areas of intervention which will ensure a balanced and sustainable development of the region and prosperity for its inhabitants. The strategy period was defined for 2010-2016.

A number of achievements were made since the beginning of strategy implementation: a number of investment projects were implemented in the region, supported financially both by the National Fund for Regional Development and other national and international funds.

During 2 years of activity, the RDAs proved good institutional capacities of integrated strategic planning for their regions, focusing on sector planning, correct and efficient management of the RD budgets, responsible and transparent use of foreign direct investments in this area.

During the same period new areas were identified that require urgent interventions to ensure a good operation of the efficient regional development.

All these actions led to the need to review the South RDS with the view to improve this strategy paper, align it to the new direction of country's development, make it more lucrative and more focused on the main challenges of the region and areas of interventions for the fulfilment of the strategic vision presented in the Strategy.

Dear friends!

In its new structure, South RDC continues and develops the actions initiated by the RD players from the SDR for 2010-2012.

In this context, we will support all initiatives of first and second tier LPAs, in our position of regional structure responsible for the implementation of the Government's RD policy in the regions, establishment of partnerships aimed at integrated strategic planning, focusing on regional sector planning, development and implementation of RD projects.

Therefore, all of us have to join our efforts to ensure continuity of the RD direction promoted by the Government of R.Moldova, so that SDR becomes a prosperous region, with a developed economy, an appropriate physical infrastructure, favourable environment attractive for investors and tourists, and inhabitants satisfied with their level of living.

Good luck!

Sincerely,

Efrosinia Grețu  
Chair of the South Regional Development Council

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## Executive Summary

The Regional Development Strategy (RDS) for the South Development Region (SDR) represents a public policy document aimed at devising medium-term development paths for the region. It is consistent with the main national policy documents on regional development (RD):

- National Development Strategy (NDS) for 2008–2011, which identifies regional development as one of the five national priorities and expresses the responsibility undertaken by the Government for implementing state policies in the area of regional development. During the implementation period of this strategy, the institutions framework for regional development was set up, the National Fund for Regional Development (NFRD) was established, regional development strategies were developed. The new National Development Strategy of the Republic of Moldova for 2012-2020 sets a series of major development objects for the country, focused primarily on regional development.
- *The National Strategy for Regional Development (NSRD)* is the main sectoral policy document on regional development, produced under the responsibility of the Ministry for Construction and Regional Development (MCRD), which promotes and integrated economic and social development at the regional level and aims at achieving the regional medium-term development objectives.

The South RDS is grounded on a thorough economic, social, and environmental appraisal of the potential of the South region, based on the findings of numerous background documents, including Economic and Social Studies, an Environmental Report, a Private Sector Development Study, a Roads Sector Study, SADI, and other statistical data.

The principle of active participation of local and regional stakeholders has been embodied throughout the development of the initial version of South RDS. Regional working groups (WG) have been established, bringing together government and non-government stakeholders, creating sustainable partnerships in establishing regional development priorities, which will be promoted and further applied in regional development projects. The average representation of women in WG was 21%. Conferences and workshops were organised for WG, to which the mass media and experts from the regions and Chisinau were also invited, to ensure a smooth dissemination and clear understanding by all stakeholders of the main regional development objectives, financial schemes, and the current situation at the regional and intra-regional levels, and to involve all parties in the drafting of strategic documents and in public consultations.

The development of the SDR, as with that of the other development regions, is strongly affected by the policies implemented at the national level. The influence of national policy is especially important where local authorities in the region have insufficient revenues, and effective policy implementation depends on transfers from the state budget. The National Decentralization Strategy provides opportunities for LPA's financial autonomy in setting priorities and allocating resources for various local competences, coupled with the freedom to use fully the financial resources with a view to improve the standards of living and foster economic development.

The SDR plays an important role in the context of development perspectives and ensuring the access of the Republic of Moldova to Black Sea Basin countries. The region has all means of transport (river, railway, air, and road). Through the International Giurgiulesti Port located in the SDR, the Republic of Moldova has access to the Black Sea and is connected to international sea routes. Due to its geographical position and weather conditions, the SDR has suitable conditions for viticulture: the region provides about 50% of the national production of grapes. Nevertheless, the SDR ranks third in terms of regional GVA and GVA per capita, exceeded by the NDR and CDR. Mineral resources represent a considerable advantage for entrepreneurs in the region. Bentonite, petrol, natural gas, brown coal, oolitic carbonate of lime, limestone, breccia, marl, quartz sand, loess clay, gravel, and gritting material can provide a foundation for business, drive the region's economy.

The promotion of regional development policies and the focus of the Government on decentralisation open new perspectives for the region's development. In this context, the priorities defined by the RDS are:

- a. Rehabilitation of physical infrastructure**
- b. Economy diversification and support to private sector development**
- c. Improvement of the environment and attractiveness to tourists**

As a result of South RDS review, a new area of interventions was identified - Energy Efficiency (EE). Thus, these priorities are complemented by energy efficiency measures and the use of renewable energy sources, which is an objective laid down in the National Development Strategy of the Republic of Moldova 2012-2020.

Harmonization of the Moldovan policies to the EU ones opens up new opportunities both for companies and for public authorities in the region, which will obtain direct access to EU cross-border cooperation funding programmes. The use of national and external funds for the rehabilitation of regional infrastructure, implementation of programmes to support businesses, and improvement of the environment will eliminate constraints to economic growth and accelerate the development of the SDR.

SDR will become a dynamic and prosperous region, with an efficient and sustainable economy based on an innovatory approach, with a modern physical infrastructure, with developed human capital, attractive for investors and tourists, ensuring a high level of living for all inhabitants of the region.



## Acronyms

WSS	Water Supply and Sanitation
RDA	Regional Development Agency
LPA	Local Public Authorities
ILO	International Labour Organization
NBS	National Bureau of Statistics
RDC	Regional Development Council
NCRD	National Council for Regional Development
RD	Regional Development
HSW	Household Solid Wastes
SPD	Single Programme Document
EE	Energy Efficiency
NFFM	National Farmers' Federation of Moldova
NFRD	National Fund for Regional Development
GD	Government Decision
SADI	Small Area deprivation Index
FDI	Foreign Direct Investments
SME	Small and Medium-sized Enterprises
MCRD	Ministry of Constructions and Regional Development
MoF	Ministry of Finance
NGO	Non-Government Organizations
GDP	Gross Domestic Product
ROP	Regional Operational Plan
CDR	Centre Development Region
CHDR	Chisinau Development Region
NDR	North Development Region
SDR	South Development Region
TDR	Transnistria Development Region
UTAGDR	Gagauzia Territorial Administrative Unit Development Region
RM	Republic of Moldova
RDS	Regional Development Strategy
NDS	National Development Strategy
NSRD	National Strategy for Regional Development
PS	Public Sector
EU	European Union
GVA	Gross Value Added

## 1. Introduction

### 1.1. The importance of regional development

Any country needs dynamic and competitive regions to reach its national objectives for economic and social development. Regional development is a complementary policy to any macroeconomic and structural policies.

Globalisation provides enough arguments for a regional approach in finding solutions to socio-economic development problems, by operating at the intermediary level between local companies and the national economy. It is universally recognised that a coherent, credible regional development policy, well-adapted to the special features of the region, can neither be promoted efficiently by the government alone, nor by any individual local authority. Partnerships are necessary to generate the required synergies. Being closer to the communities, these would make more effective proposals to correlate the efforts of central and local public authorities to address the problems related to region's development.

Sustainable regional development is an imperative for the Government of the Republic of Moldova, which has confirmed its commitment to the equitable distribution of development opportunities throughout the country. This commitment is confirmed both within the legal framework and at the level of strategic planning. The successful implementation of regional policies will give impetus and will accelerate the development of the country in general, with the ultimate aim of improving quality of life in all areas within the territory of the Republic of Moldova.

### 1.2. Strategic context

The South Regional Development Strategy (South RDS) is the final output of an extensive process of consultations and debate related to the sustainable and balanced development of the regions. The South RDS represents a public policy document aimed at outlining medium-term development of the SDR.

Evolutions in all policy areas tend to have an impact on other policy areas. Thus, it is important that public authorities find solutions for integrating sectoral policies in order to ensure the coherence of development measures. For these reasons, the South RDS is correlated with national-level development policies and strategies.

Law No. 438-XVI on Regional Development of the Republic of Moldova of 28 December 2006 defines the main objectives and principles, and sets out the institutional framework and planning tools for regional development. Under that Law, the National Strategy for Regional Development (NSRD) is developed at national level, while the Regional Development Strategies (RDS) are developed at regional level. These documents identify priorities and implementation measures of regional development policy within the development regions.

The NDS is an intra-sector document, which includes measures on regional development, carried out by a number of central public authorities and represents the responsibility assumed by the Government to implement the state policy in the priority area of the regional development.

As opposed to the NDS, the NDSR is a sectoral document for regional development policy planning, under the responsibility of the Ministry of Constructions and Regional Development (MCRD). Accordingly, the funding sources for these two documents are also different. In the case of the NDS, the source is the entire state budget while in the case of the NSRD, By virtue of the Law No. 438-XVI on Regional Development of the Republic of Moldova of 28 December 2006, the main source is the National Fund for Regional Development and other optional sources.

The regional development strategies offer a wider "horizontal" context to development, which should allow a more efficient coordination and concentration of the sector expenses managed by different ministries and donors in regions. Thus, the regional capacity for efficient absorption of investment funds will increase, and the Republic of Moldova, in conformity with European practices, will accede to 'integrated governance' and synergy between national ('vertical') and regional ('horizontal') programmes. Thus, the RDS becomes an important vehicle for interconnecting actions at national, regional, and local levels.

The RDS helps mobilise the development of regional partnerships to develop a viable project pipeline to be included in the regional operational plan (ROP), which governs the implementation of the RDS. It covers a three-year period, comprising programmes, projects, and priority activities. Projects, programmes, and specific regional development activities contained in the ROP should be based on the main RDS priorities for that period. In accordance with the decision of the Regional Development Council (RDC), the ROP has to be periodically updated – generally, on an annual basis.

In the current version, the South RDS 2010-2016 represents a revised document with updated statistical data used for the social-economic analysis of the region, analysis of the progress registered in initial period of strategy implementation (2010-2012), identification of new areas of intervention.

### 1.3. Process and principles for strategy development

The regional development strategies in the Republic of Moldova were developed based on a uniform model, which has allowed for analysis of the specific development features of each region, and for identification of priorities and mechanisms for supporting development of the region. When developing the South RDS, six working groups were created focusing on:

- Development of the private sector, and small and medium-sized enterprises;
- Industry and tourism;
- Agriculture and the processing industry;
- Infrastructure;
- Environment;
- The social sphere: health, education, protection of socially vulnerable groups.

In addition, to support the empirical background to the South RDS, a number of comprehensive studies were made in regarding economic development, problems related to environment, social aspects, physical infrastructure, and the infrastructure for supporting business development in the RDS.

The format of the groups has ensured an equitable representation of local public authorities from all rayons of the region, the private sector, and civil society – through the presence of NGOs and business associations. Gender and social groups were equitably represented. Seven sessions of the working groups took place; the outputs of these sessions were a finalised sectoral SWOT<sup>1</sup> analysis, a strategic vision, identified priorities, and development measures for South Region, which were used as a basis for developing the South RDS. The South Regional Development Agency (RDA) became involved at the finalising the Strategy.

The revised strategy version was developed by the South RDA with the methodological assistance of the Czech Development Agency, specifically experts from the Czech consulting company DHV, as part of the „Updating of the Regional Development Strategy in Moldova, Region South” project financed by Czech Ministry of Foreign Affairs. Additionally, German Development Cooperation (GIZ) provided support in including the energy efficiency component into the South SDR. During the revision process of this document, the South RDC and LPAs of the first and second tier were involved. As part of the consultation process with the relevant stakeholders, the preliminary revised strategy version was put forward for public debate by posting it on the official South RDA website and the updated strategy was discussed during a public hearing session

The RDS development process was grounded on observing the following key principles:

- **Consistency.** The South RDS is consistent with the main policy documents, which reflect regional development, especially with the Law on Regional Development, the NDS, and the NSRD. The methodology and processes for reviewing the strategies over the subsequent stages of regional development, as proposed by the RDA, should comply with the guidelines of the Ministry of Constructions and Regional Development and should be accepted by RDC.
- **Comprehensive analytical approach.** The South RDS is based on a conscientious economic, social, and environmental evaluation, which describes the potential of the region. Special attention will be paid to analysing results and experience in the area of regional development and providing equitable opportunities, irrespective of gender or social group.
- **An active participatory process.** Consultations were organised both in the area of new methodology approaches and in developing the RDS, thus strengthening the role of civil society and the private sector in regional development through the equitable representation of all stakeholders. This process has allowed a wide range of opinions to be collected, reviewed, and incorporated into the RDS.
- **Local and regional partnerships.** Stakeholders from state entities and NGOs were included in the working groups to encourage effective partnerships, both for prioritising measures within the strategies and for subsequent analysis of specific projects.
- **Transparency and publicity.** The RDAs will ensure the organisation of extended public consultation by the South RDS at each phase of actualisation. The South Development Agency will have the role of leading the process of developing and amending the Strategies at each stage, according to the methodology and processes accepted by the RDC by guiding the various activities to the point of finalisation and approval of the RDS (including the public consultations and presentation of draft Strategies to the RDC for approval).

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<sup>1</sup> A SWOT analysis is a strategic planning tool focusing on assessment of Strengths, Weaknesses, Opportunities and Threats of the RDS.

## 1.4. Principles for supporting regional development

The basic principles for supporting regional development are outlined in the Law on Regional Development of the Republic of Moldova and the NSRD:

- **Efficiency:** efficient use of natural, human, financial and production resources across the entire territory of the Republic of Moldova;
- **Equity:** all citizens of the Republic of Moldova will have equal rights and access to economic, social and cultural values, irrespective of their place of residence;
- **Sustainability:** all measures, programmes and projects funded with the aim of supporting regional development should be technically, financially and institutionally viable;
- **Planning:** all measures, programmes and projects aimed at supporting regional development should be developed and implemented in compliance with national and regional development strategies, and should have clearly defined objectives, priorities and mechanisms;
- **Coordination:** all measures, programmes and projects aimed at supporting regional development should be agreed both nationally and regionally;
- **Partnership:** planning, development and implementation of measures aimed at supporting regional development should be based on a partnership between central and local public authorities, the public and private sectors, as well as civil society organisations;
- **Transparency:** The process of allocation, distribution, and use of resources aimed at implementing the strategies, programmes and projects should be clear.

## 2. Situation analysis

### 2.1. General data

The situation analysis is a broad chapter designed to create a comprehensive overview of the economic and social trends of SDR development, and covers the following fields:

- Geographic location and spatial development represent the administrative structure and environment aspects, such as the hydrological network, natural protected zones, available mineral resources, and climate characteristics the region, etc.;
- Connectivity, accessibility, and infrastructure, which gives information on the inter- and intra-regional roads network, water supply and sewage systems, gas, electricity and power supply, infrastructure for the collection of household solid wastes, and internet coverage;
- Demography, which shows the structure of the SDR population by gender and age, and presents migration trends, analysis of the occupational sector and labour market;
- Economic development, which includes sectoral profile of the region, referring also to tourism, entrepreneurship and industrial activity in the SDR;
- Social condition, which focused on poverty level and deprivation indexes analysis based on SADI indexes; description of education, health care and social assistance sectors;
- Region's institutional capacities, which provides profiles of all significant regional social partners – LPAs, RDAs, RDCs, local councils, and mayors' offices.

Each section of the socio-economic analysis of the region has been further extended by including a new analysis component, based on deprivation indices (identification of regional disparities).

All sections are supported by maps attached to the RDS and serve as source of background information for the analytical parts of the RDS, such as the SWOT analysis.

The main development indicators of the region are given in Table 1. A benchmarking of these indicators is described in relevant subsections.

**Table 1. General data on development regions (2011)**

	NDR	CDR	SDR	UTAGDR	CHDR	Total
Area, km <sup>2</sup>	10015	10636	7379	1848	568	30446
<b>Share, %</b>	32.9	34.9	24.2	6.1	1.9	100
Population <sup>2</sup> , 000 persons	1002.6	1062.0	538.9	161.2	794.8	3,559.5
<b>Share, %</b>	28.3	29.9	15.1	4.5	22.2	100
Rural population, %	64.6	80.7	74.8	59.7	8.9	58.4
Urban population, %	35.4	19.3	25.2	40.3	91.1	41.6
Density, inhabitants/km <sup>2</sup>	100.1	99.9	73.3	86.9	1390.0	116.9

<sup>2</sup> All data regarding the number of population presented in the report consist of data related to population from the right bank of River Nistru



	NDR	CDR	SDR	UTAGDR	CHDR	Total
Gross value added, thousand lei (2008)	7221	7059	3320	1158	16147	40785
<b>Share, %</b>	21	20	10	3	46	100
GVA per capita <sup>3</sup> , lei (2008)	7476	6899	6330	7442	21381	9855
Investments in fixed capital per capita thousand MDL (2010)	2.098	1.975	2.067	2.098	9.413	3.678
As % of the national average	57	53.6	56.1	57.0	2.559	100
Monthly per capita available income, lei	1,320.9	1,254.4	1,208.1	1,211.3	2,031.2	1,444.7
Absolute poverty rate, %	23.7	29.6	27.7	-	5.3	21.9
Second tier local public authorities, units	12	13	8	1	2	36
First tier local public authorities, units	315	329	187	18	25	896

Source: NBS, Powel

## 2.2. Geographic location and spatial development

### General data

The SDR covers the south and south-east territory of the Republic of Moldova. In the south-west, the region borders with Romania, and in the south-east with Ukraine. The southern-most district is Cahul, with the administrative centre in Cahul town. The total area of the region is 7379 km<sup>2</sup> (24,2% of the total area of the country), being the smallest region out of the three main regions of the Republic of Moldova.

The SDR includes eight rayons: Basarabeasca, Cahul, Cantemir, Causeni, Cimislia, Leova, Stefan-Voda, and Taraclia. The population of the region is 540,700 people (15.1% of country's total population). The region comprises 10 towns: eight of which are rayon centres, but none of which has municipal status. Most rayons of the SDR are component parts of two Euro-regions: the Lower Danube and the Siret–Prut–Nistru.

The region comprises 187 first tier local public authorities and 8 second tier local public authorities, which include 284 rural communities and 10 towns. Most of the population (67,6%) lives in communities with fewer than 5000 people, 25.6% of the population lives in towns and villages with populations between 5,000 and 20,000 people, and only 6,8% of the population lives in communities of over 20,000 inhabitants (Table 2).

3 Gross Value Added (GVA) and GVA per capita were calculated in 2006 prices. The calculation of GVA per capita was based on 2006 data on the population offered by the National Bureau for Statistics based on the Labour Force Survey.

Table 2. Distribution of population by communities

Inhabitants	Administrative territorial units	%	Population, persons	%
0 -500	1	0.53	491	0.09
501-1000	20	10.70	18215	3.4
1001-2000	60	32.09	86876	16.05
2001-5000	89	47.60	260029	48.1
5001-10000	11	5.88	66069	12.2
10001-15000	3	1.60	38591	7.13
15001-20000	2	1.07	31812	6.23
20001-45000	1	0.53	36784	6.8
Total	187	100	538867	100.0

Source: NBS. Statistical Yearbook 2011

By the average number of the population, the towns can be classified as follows: (I) Under 5,000 inhabitants - 2 towns (Iargara and Cainari); (II) 5,000–15,000 inhabitants: 5 towns (Basarabeasca, Cantemir, Leova, Stefan-Voda, and Taraclia); (III) 15,000–25,000 inhabitants: 2 towns (Causeni and Cimislia); (IV) 25,000–35,000 inhabitants: 0 towns; (V) 35,000–45,000: 1 town (Cahul). The total number of communities in the region is approximately 17.5% of the total number of communities in country; the proportion of towns is about 17%. The network of urban communities and distribution of population by districts is given in **Annex A**.

On 1 January 2012, the population of the region was 538,900 people. A decrease in the population by 4,100 was registered during the period 2008 to 2012. The main reason for this decrease is the negative natural growth and migration of the population.

## Environment

**The topography** of the SDR comprises fields at an altitude of up to 250 m; this altitude falls from the north towards the south and south-west. The maximum registered altitude is 301 m (Larguta Hill), which is the highest and most hilly area in the region. The SDR is located on the Southern Moldova Plateau and the Tigheciul Plateau, while the north-east of the region (the districts of Causeni and Stefan-Voda) gradually enter the Lower Nistru Plateau. The Lower Prut Plateau is a large valley fragmented by smaller valleys and slopes, and is subject to active soil erosion and landslides.

**The climate.** The region is the warmest and most arid region of the country, the daily temperature being two to three degrees higher than in other region. The climate is characterised by many sunny days – about *190 days per year or 2354 hours of sunlight per year*. The volume of precipitation is not uniform; sometimes there are periods of droughts. Climate change in recent years has brought about soil degradation, and a higher frequency and degree of climatic phenomena. This situation is due to air pollution, inefficient energy consumption, and insufficient development of local energy resources. The average wind speed in the SDR is *3.1 m/s*, in order to use wind power to generate energy, it is necessary to have a wind speed of not less than *4.5 m/s*.

These climatic conditions influence the development and specialisation of agriculture. The SDR specialises in viticulture, cereals, sunflower, sheep, and cattle.

**The hydrological network** includes the Basin of the River Prut, sections of the Rivers Ialpuș and Nistru, and the basins of small rivers (the Salcia, Cahul, Botna and Cogîlnic). The largest reservoirs in the Republic are to be found in the country - the Beleu, Dracele, Rotunda, and Nistru Vechi. The River Prut, at a width of 40–60 m, meanders along its lower course but, from Cantemir the Prut flows into the River Danube, the flow suddenly widens to 10–11 km. The River Prut forms a natural border with Romania for a distance of 130 km. However, the general characteristics of the South Region are the highest level of water pollution, and limited access to water resources for irrigation and qualitative potable water.

**Air.** The most important sources of atmospheric pollution are: transportation, industrial facilities, and power plants. The SDR does not have power plants, thus transportation and industrial facilities remain the main polluters. According to the data, submitted by the State Ecological Inspectorate for 2010, there is a single town in the SDR, the town of Cahul, that was included in the top 10 settlements in Moldova with the highest level of air pollution from road traffic emissions. As the report on air pollution by the same institution indicates, the list of 35 industrial agents in the country with the highest level of atmospheric emissions includes 5 enterprises from the SDR. The lower level of air pollution by industrial objects is determined by the fact that the SDR is the less industrialized region of the country. We are also at the opposite extreme with the "Forest strips", the main source of ozone emission in the air.

**Soil.** Compared with other development regions and country average, the SDR has the lowest level of industrialisation. The soil is one of the region's main mineral resources; agricultural land accounts for 76% of the total area of the region. Typical slightly clayey and carbonate (steppe) chernozem are widely spread throughout the SDR. A separate complex of alluvium soils has formed in the flood plain – swamp soil and waterside soil. These soils are favourable for agriculture. But the use of environmentally unfriendly agricultural practices, soil degradation and pollution, erosion, landslides have a significant affect on the quality of soils in the region, damaging the crops and agricultural products, and adversely affecting the population's health. Eroded areas in the SDR account for 2110.0 km<sup>2</sup> or 24% of country's eroded areas. 21% of the country's lands subjected to landslides are located in the SDR. Moreover, Cantemir rayon is the most affected rayon in the country, with 3509 ha of lands subjected to landslides, accounting for 70% of the affected areas in the SDR and 1.4% of all country's area.

**Mineral resources.** There are useful non-metal mineral resources (sand, calcareous stone, clay, and bentonite), limited quantities of natural gas have been discovered in Ciobalaccia (Cantemir) and also petrol (Valeni village, Cahul); there are also forest and mineral water resources in Cahul and Gotești village, Cantemir rayon. Valiexchimb company, which has the exclusive pumping right, obtains monthly about 10-12 thousand m<sup>3</sup> of natural gas and about 1 thousand tons of crude oil. At the same time, in Valeni, the company pumps monthly about 1 thousand tons of crude oil, which are processed at the refining plant built in Comrat. The low potential of regional and local environmental management and control does not allow efficient and sustainable management of the available natural resources in the region.

**Natural reservations.** According to the Law of the Republic of Moldova No. 1538-XIII on Natural State Protected Zones of 25 February 1998, the most important protected natural zone is the state-owned nature reserve of the Lower Danube; a tourist attraction, the reserve has an area of 1691 ha, and is located in the district of Cahul, near Slobozia Mare. The waters of Beleu Lake comprise two thirds of the reserve, and

the remaining one third is covered by flora characteristic to the meadows of a flood plain.

The LOWER PRUT scientific reservation is located in the lower reaches of the Prut river. It covers an important sector of meadow, comprising the Beleu lake and a network of swamps and form together an unique ecosystem of national and international importance.

The vegetation is represented by a wide variety of species from the community of vascular plants. In total there are 270 species of vascular plants.

The fauna is specific to aquatic ecosystem that serve as a nestling place for birds, and during the seasonal migration period this water ecosystem serves as a place of resting and food for migratory birds. Some bird species, such as swan, gray goose, gray and reddish egret, pelican, great white egret and others are under state protection.

The aquatic ecosystem of the reservation is appreciated unanimously as one of the most important wetlands of the Republic of Moldova, which besides the status of scientific reservation also has the status of wetland of international importance.

**Natural monuments.** The SDR has the following site of natural interest (geological and paleontological): (i) Ciurari, an area of steppe landscape extending for 2.5 km and intersected by six gullies, is located within the district of Taraclia. Steppe flora in this area comprises species with economic potential: for example, medicinal plants – 21.1%, ethero-oleaginouse plants – 12.6%, and oleaginous plants – 7.8%, etc.; (ii) the Manta Lake has an area of over 2000 ha and is formed by the merging of several small lakes, being a relic of the Danube Bank; (iii) the White Swan aquatic ecosystem to the north-west of Leova; (iv) the Togai swamp to the east of the village of Crocmaz, 100 m from the bed of the River Nistru, in the Stefan-Voda rayon; (v) Leuntea Park, the Gradinita village, Stefan-Voda rayon; (vi) the flood plain of the River Danube to the south of Cantemir town; and (vii) the Tigheci, Flamanda, Chioselia forests. A map of the natural state-protected areas is given in Annex B.

The extension of agricultural areas, as a result of entropic activity (deforestation, fallowing, and draining of humid lands in river beds), has lead to the considerable reduction of natural habitats and, consequently, endangered the biological diversity of this zone.

The towns of Leova and Cantemir and some rural communities are located in immediate proximity to the Prut valley, that is why these territories are intersected by deep gullies and flood throughout the year, especially in springtime. This is a severe environmental issue for the central part of South Development Region. Poor management of solid and liquid waste, and a lack of modern technologies and recycling practices throughout the region, cause an alarming state of affairs in the field of environment.

## 2.3. Connectivity, accessibility, infrastructure

### Connectivity

The SDR has direct connection with the European Union and Romania through two border-crossing points: Cahul-Oancea and Giurgiulesti–Galati, including a rail-crossing point Cantemir–Falcu. To the east, the SDR is connected with Ukraine through four border-crossing points: Palanca–Maiaki Udobne; Tudora–Starokazacie, and two rail-

crossing points: Basarabeasca–Serpneve 1 and Giurgiulesti–Reni. There are also seven road border-crossing points, where a simplified regime is applied.

To the north-east, the SDR is connected to the Transnistria Development Region through the town of Bender and by the Rascaleti and Chiscani bridges over the River Nistru. To the north, the SDR is connected with the CDR by an international road (the M3 Chisinau–Giurgiulesti) and also by many public and local routes, including: the R30 Chisinau–Stefan-Voda; the R3 Chisinau–Basarabeasca, and the R34 Chisinau–Cahul.

The SDR has access to the Black Sea through the international port of Giurgiulesti, and is connected with international sea routes. The distances to the main cities are: Chisinau – 30–190 km; Iasi, Romania – 70–300 km; Galati, Romania – 20–220 km, Constanta, Romania – 160–320 km, Odessa, Ukraine – 50–160 km, and Istanbul, Turkey – 600–800 km.

The component rayons of the SDR are parts of various Euro-regions. The rayons of Cimislia, Leova, and Basarabeasca are members of the Siret–Prut–Nistru Euro-region; Cahul and Cantemir are members of the Lower Danube Euro-region; and the rayon of Cahul is the only district in the SDR that is a member of the Black Sea Euro-region. The participation in Euro-regions offers greater opportunities for social and economic development of the SDR, and bringing the Republic of Moldova close to EU, in general.

## Accessibility

All forms of transport are available through the transport network of the SDR: air, road, river, and rail. Cahul International Airport offers access to the SDR, but is not yet in use. Access by sea and river is provided by the Giurgiulesti international free port. The region has the most diversified railway network in the country. There is only one international route: the Giurgiuleshti–Briceni Corridor (GBC) of 460 km in length, which is not operational.

The international and national transport routes that cross the SDR are:

- to the North, towards the cities of Chisinau–Balti–Cernauti–Jitomir–Lvov–Warszawa: M3 - Giurgiulesti–Comrat–Cimislia–Chisinau; R3 Basarabeasca–Chisinau; R34 - Cahul–Chisinau, and R30 – Stefan-Voda–Chisinau.
- to the South, towards the cities of Galati–Tulcea–Constanta–Varna–Istanbul: M3 - Chisinau–Giurgiulesti–A2 and European route E80.
- to the South-East, towards the cities of Odessa–Nikolaev–Herson–Yalta: R30 - Causeni–Stefan-Voda–Ukraine border and beyond on European route E581.
- to the west, towards the cities of Focsani–Buzau–Brasov–Cluj–Oradea–Budapest: European route E581.

A map of main international, national, and local routes is given in Annex C.

## Infrastructure

**Network of inter-regional traffic.** Connection of the SDR with the Centre Development Region is made around the city of Chisinau (routes M3 Chisinau–Cimislia–Giurgiulesti, R3 Chisinau–Cimislia–Basarabeasca, R34 Chisinau–Leova–Cantemir–Cahul–Giurgiulesti, R30 Chisinau–Stefan-Voda–Palanca). Connection with the North Development Region is made through Chisinau on the same national and international routes, the most busy being the R3 and R34.



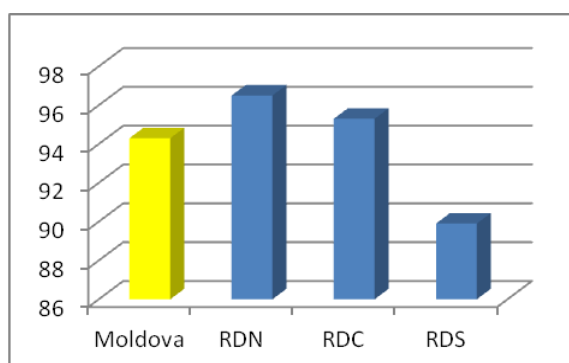
**Network of intra-regional roads.** The maximum distance between SDR communities from North to South is about 180 km and, from East to West, is about 200 km; and the connection is made through the cities of transit: Cimislia, Cantemir, and Basarabeasca. The distance between the main urban centres (Cahul, Cimislia, Causeni, and Stefan-Voda) is greater than 200 km.

Connections between SDR cities are made using a dense road network of national roads. The main urban centres have direct connections (Cahul–Leova–Cantemir; Cahul–Taraclia–Basarabeasca; Causeni–Stefan-Voda; and Causeni–Cimislia) or access can be made through the regional centre at Cimislia, which handles traffic between the districts in the southern part of the region and the south-eastern area. The Causeni–Cimislia–Leova route is in chronic disrepair and heavy haulage vehicles avoid using it. The connections between Cahul and Stefan-Voda are made through Chisinau, which restricts regional development, consequently directly affecting SDR development.

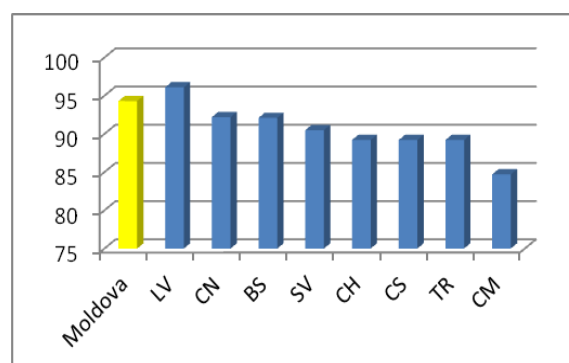
**Local road network.** The total length of public roads in the SDR is 2091.5 km, constituting 22.3% of the total length of roads in Moldova. Of them, 37.7% are national roads, and 62.3% are local roads. 100% of the national roads and 89.9% of the local paved roads.

The biggest share of paved roads are in the rayons of Leova (96.1%), Cantemir (92.2%) and Basarabeasca (92.1%). At the opposite extreme are the rayons of Cahul (89.2%), Taraclia (89.2%) and Cimislia (84.7%).

**Figure 1. Share of paved roads in all public roads (%) by regions 2010**



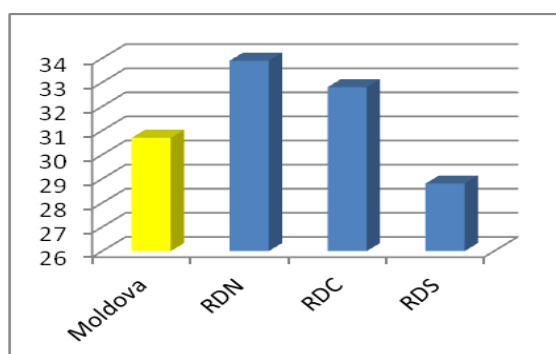
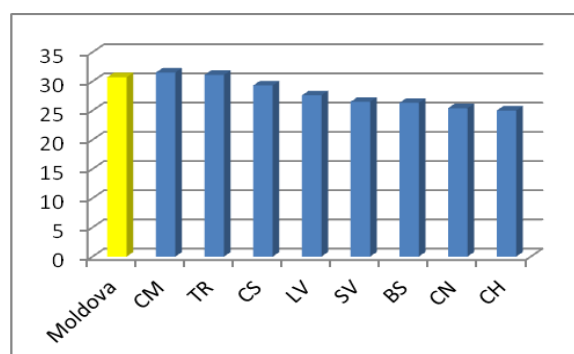
**Figure 2. Share of paved roads in all public roads (%) by rayons 2010**



Source: NBS, 2011

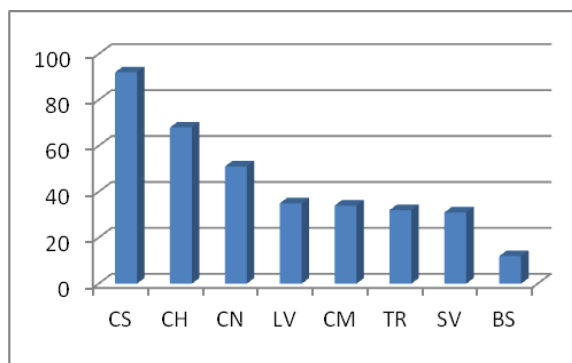
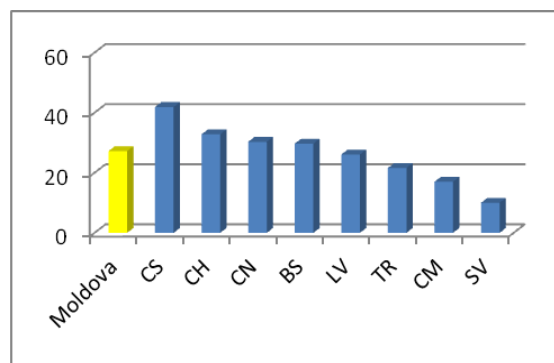
The density of public roads in the SDR is 28.8 km/100 km<sup>2</sup>. The SDR has the lowest indicator in this regard compared with the CDR and NDR, this indicator also being lower than national average (30.7 km/100 km<sup>2</sup>). The greatest road density of public roads is in the rayons of Cimislia (31.5), Taraclia (31.1) and Causeni (29.3). At the opposite extreme are the rayons of Cantemir (25.4) and Cahul (25).



**Figure 3. Density of public roads, km/100 km<sup>2</sup> by regions 2010****Figure 4. Density of public roads, km/100 km<sup>2</sup> by rayons, SDR 2010**

Source: NBS, 2011

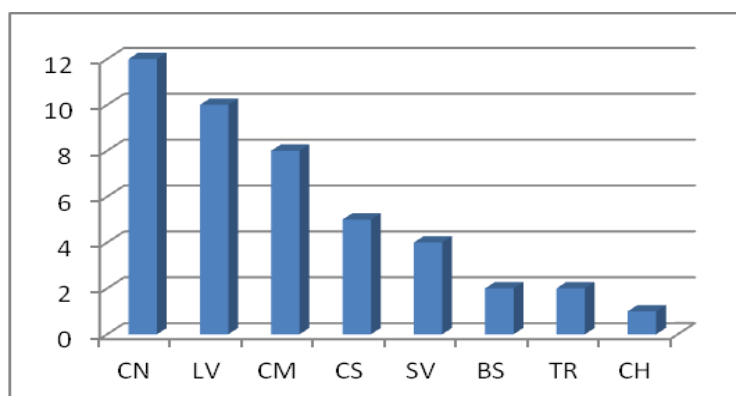
The length of the paved roads repaired or built over the past 5 years in the SDR is 355 km. This indicator has the highest value in Causeni (92 km), Cahul (68 km) and Cantemir (51 km), and the lowest values are in Stefan Voda (31 km) and Basarabeasca (12 km).

**Figure 5. The length of paid roads repaired or built over the past 5 years (km) by rayons, 2009****Figure 6. The share of the paved roads repaired or built over the past 5 years (%) by rayons, 2009**

Source: IDAM 2009.

There are 44 settlements in the SDR that do not have paved roads of access to the public roads network. Most of them are from the rayons of Cantemir (12), Leova (10) and Cimislia (8), and the least are in the rayons of Basarabeasca (2), Taraclia (2) and Cahul (1).

**Figure 7. Number of settlements that do not have paved roads of access to the public roads network - total settlements, by rayons, 2009**



Source: IDAM 2009.

**Logistics and transport.** The volume of goods transported by road by specialised freight companies in the SDR amounted to 223,4 thousand tonnes in 2010. In 2011 the road freight volume increased by 22,7% and reached the value of 274,2 thousand tonnes, which represents 5,3% of the total volume on the national level. Taraclia and Căușeni rayons hold the highest share from the road freight volume and account for 72% of the total volume on the regional level. In 2011, over 8.6 million people were transported by buses and minibuses, by 11.7% more than in 2010, accounting for 7.5% of the country's total.

**Railway transportation.** The density of the railway network in the SDR is 4.7 km/100 km<sup>2</sup>, which is the highest indicator compared with the national average of 3.3 km/100 km<sup>2</sup> and similar indicators in other regions. The railway infrastructure is a part of the former Soviet networks, the length of which has changed only slightly until present. The railway track that crosses the SDR represents one-third of the national network. The main railway junction in the SDR is Basarabeasca. This junction connects Basarabeasca with Reni City (Ukraine); Basarabeasca and Ackerman (Belgorod-Dnestrovsk, Ukraine); and Basarabeasca–Tighina and Basarabeasca–Iargara–Prut (Cahul). The presence of railways in the region is an advantage, since the railway junction Basarabeasca–Cahul connects the extreme points of the SDR and, at the same time, is an access route for the river port of Reni and areas with high economic and industrial potential.

The main trans-regional railway route connects the following locations: Cahul–Cantemir–Tigheci (Leova)–Bugeac (ATUG)–Basarabeasca–Selemet (Cimislia)–the territorial sector of Ialoveni–Cainari (Causeni)–Bender (Transnistria)–Merenii Noi (Anenii Noi)–Chisinau–Straseni–Calarasi–Cornesti (Ungheni)–Ungheni–Iasi (Romania). There are also two networks of local importance: Basarabeasca–Ceadir Lunga–Taraclia–Vulcanesti–Etulia (Vulcanesti)–Reni (Ukraine); and Cantemir–Falcu (Romania), this latter route is not in use. A map of existing and future railway networks is presented in Annex D.

The degree of deterioration of the railway system grows each year. The execution of maintenance and extension work is subject to available funding from the Moldova Railway State Company budget. The railway section between Revaca and Cainari was built in 2005; this connected the European lines CE 95 and E560. The railway section between Cahul and Giurgiulesti, running for 54 km along the Romanian border on the Prut River was completed in 2008, which was intended to connect to the Giurgiulesti port. Currently, this railway segment is closed due to technical reasons. Neither of the

segments has proved yet its economic efficiency and contribution to the territorial development.

The current situation regarding usage of Moldova's railway system shows a decrease in the number of passengers and goods transported because of its poor quality. Advantage is not taken of the trans-border opportunities, and modernisation of existing lines is still lagging behind. There is no highway in the region; out-of-date wagons and locomotives are in use, and the procurement of new systems that would assure qualitative service provision and the good performance of railway transportation is being delayed.

**River transportation.** The SDR is the only region with access to the River Danube. Though put into operation in 2006, the Giurgiulesti terminal and maritime hub were not used in full capacity. Only in 2011, after the oil and passenger terminals, the cereal terminal with the capacity of 500 thousand tonnes was tested. It was provided with Swiss laboratory equipment, which measures the quality of stored production. These actions will foster the economic activity and will augment the significance of these equipment for the national economy. This port has a preferential fiscal and customs regime, that is why we expect that the prices of services, products and merchandise will be lower. Currently, the port offers connection to Turkey. This port can provide access to the Black Sea - Mediterranean Sea - Suez Canal - Red Sea - Indian Ocean. Besides, it is possible to access the Russian market without transiting Ukraine. Due to its strategic location and capacity, the port could become shortly a pole of development and significantly affect development trends in the region.

**Air Transport.** Cahul International Airport, the only regional airport in the country holding the status of an international airport, is a development opportunity for the SDR, which has not been utilised so far. The operation of the airport was discontinued in 2004 and, thus, presently there is no air transportation available in the region.

### **Analysis of intraregional disparities in the field of connectivity, accessibility and transport infrastructure**

The lowest density of public roads is registered in Cantemir - 25.4 km and Cahul rayons - 25 km/100 km<sup>2</sup>. At the same time, Cantemir district has the highest number of settlements (12) disconnected from the public road network, followed by Leova district – 10 settlements.

Even though Cimislia rayon exhibits the highest density public roads (31.5km /100 km<sup>2</sup>), being the regional centre and transit area between Southern and South-Eastern rayons, it also has the lowest ratio of paved roads (84.7%). 8 settlements in Cimislia rayon lack a paved access road to the public road network. Stefan Voda rayon has the lowest share of paved roads repaired or built over the last five years -16%, closely followed by Cimislia district - 17% (2009 data).

The biggest problem of public roads is that they are in an intensively degraded state, due to the insufficient funding of maintenance and rehabilitation works. The road condition has improved over the past few years (2009-2011), when the Cimislia-Comrat and Causeni-Stefan-Voda road segments were repaired.

Stefan Voda is the only rayon from SDR that does not have access to the railway network. The most advantaged rayon is Basarabeasca, which is the biggest railway hub from the South of the Republic of Moldova. Besides, Cahul rayon is advantaged to

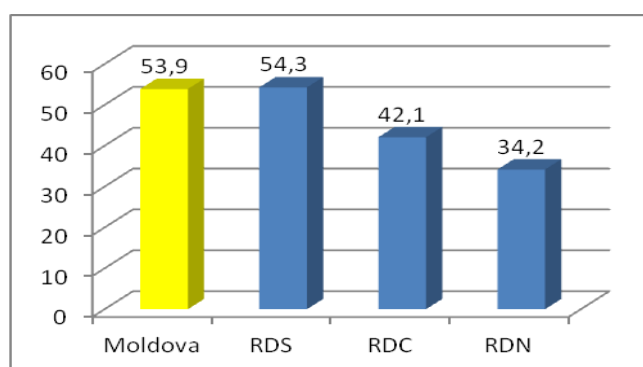
have river infrastructure, specifically the maritime terminal of Giurgiulesti and air infrastructure, specifically Cahul international airport.

The rayons of Cimislia, Leova and Taraclia do not have border crossing points, like the rayons of Cahul, Cantemir, Basarabeasca, Căușeni and Ștefan Vodă. An opportunity for border rayons is to develop as an area for transit services for the products to and from Romania and Ukraine. Annex K

### Water supply and sewage

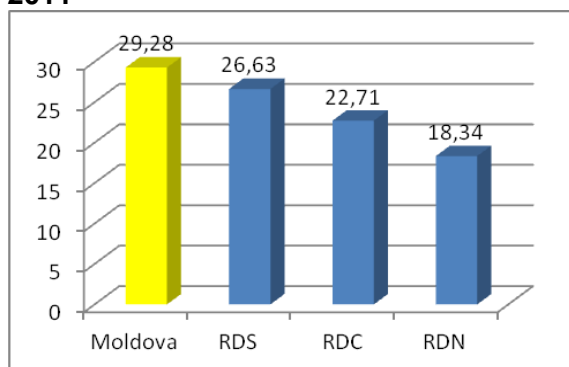
**Water supply.** The water supply in the SDR is provided mainly by capturing underground water (artesian wells, springs, draw wells) and from the Rivers Prut and Nistru. In 2010, the proportion of communities with potable water supply networks was 54.3%, if compared with CDR (41.1%) and NDR (34.2%). The density of water supply networks in 2011 was 26.63 km/100 km<sup>2</sup> (if compared with 20km/ km<sup>2</sup> in 2008 ), an indicator that places the SDR ahead of the CDR (22.71) and NDR (18.34), but below the national average (29.28). There is significant difference between urban and rural in this respect. Piped supply is available in 81% of the area covered by urban development; in rural areas, the proportion is 13%. The rayons of Basarabeasca (52.5) and Taraclia (43.92) enjoy the highest coverage by piped water supply; the rayons of Cantemir (10.83) and Leova (7.52) are the least well-served. A map of water supply systems is presented in **Annex E**.

**Figure 8. Share of settlements that have drinking water networks by regions, 2010**

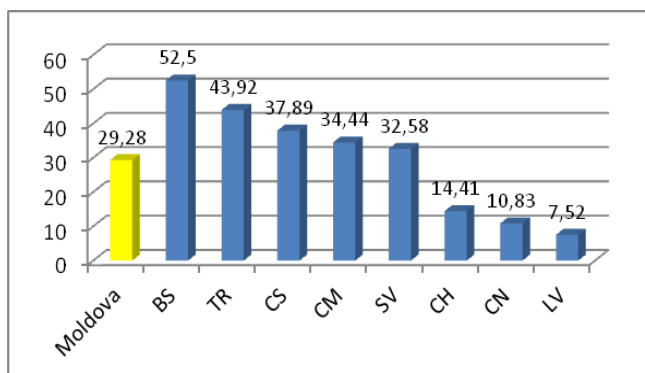


Source: NBS, 2011

**Figure 9. Density of water supply networks, km/100 km<sup>2</sup> by regions, 2011**



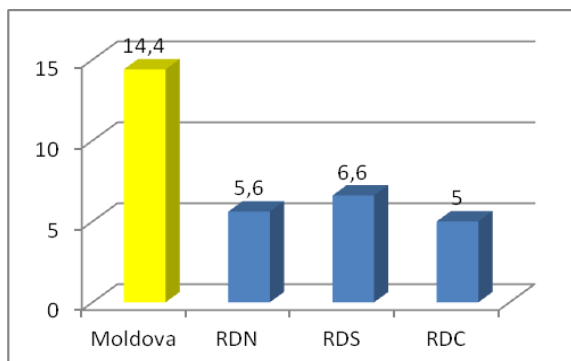
**Figure 10. Density of water supply networks, km/100 km<sup>2</sup> by rayons, 2011**



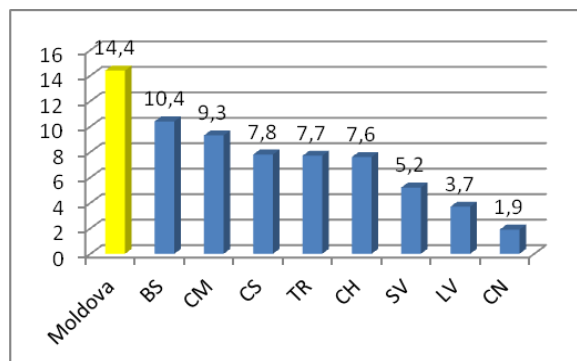
Source: NBS, 2011

The water consumption per capita in SDR ranges from a maximum of 10.4 m<sup>3</sup>/day in Basarabeasca rayon to a minimum value of 1.9 m<sup>3</sup>/day in Cantemir rayon, with a regional average of 6.7 m<sup>3</sup>/day.

**Figure 11. Water consumption per capita m<sup>3</sup>/day, by regions, 2011**

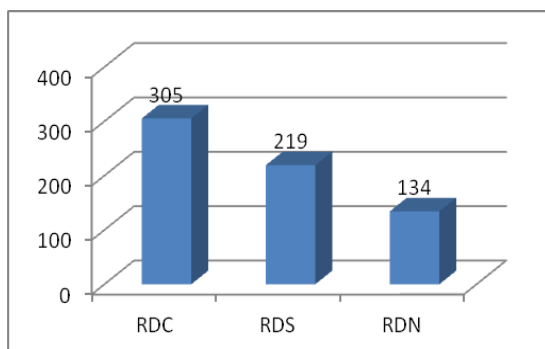
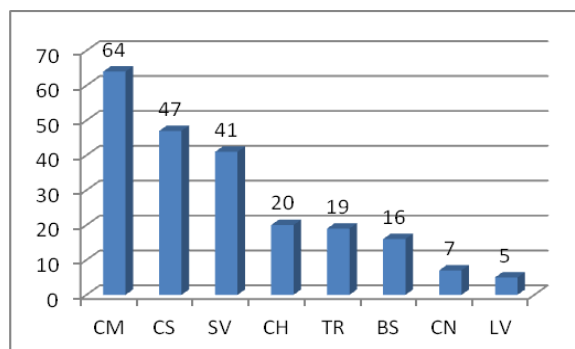


**Figure 12. Water consumption per capita m<sup>3</sup>/day, by rayons, 2011**

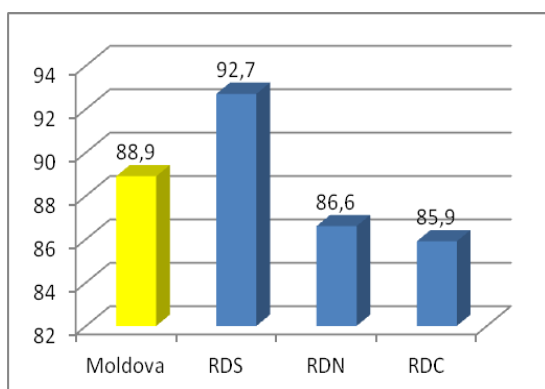
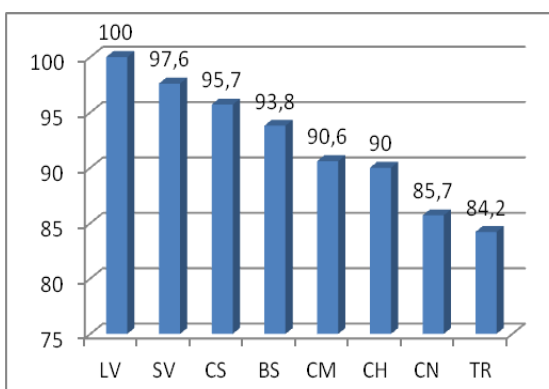


Source: NBS, 2011

As for the water supply system by rayons, Chimislia has 64 units and Causeni 47 units, while the minimum level for other rayons doesn't exceed 7 units for Cantemir and 5 units for Leova.

**Figure 13. Water supply systems, units by regions, 2011****Figure 14. Water supply systems, units by rayons, 2011**

Source: NBS, 2011

**Figure 15. Share of water supply systems in operation by regions, 2011, %****Figure 16. Share of water supply systems in operation by rayons, 2011, %**

Source: NBS, 2011

The share of non-functional systems in the total number of water supply systems ranges between 7.3 and 14.1 at the level of regions, and between 1 and 15.8% within the region. Taraclia has the biggest problems in this respect.

**Period of use.** According to the local public authorities from the SDR, most (about 47.2%) of the water supply system on the territory under their management is older than 29 years, and other 19.6% of the system has been used for 20 to 29 years, about 12.9% of network was put into operation 10 to 19 years ago and about 20.3% of the total have been in operation for at least 10 years. This system, currently quite inefficient, is formed of outdated equipment, consumes large quantities of energy, has non-operational automated systems, located on large areas with a low work efficiency, which do not meet the environmental requirements and do not contribute to the enhancement of people's level of living, failing to provide proper water supply and



sanitation services. The wear and tear of equipment has reached high quotas in some settlements (from 30% to 70 %), characterized by losses of water (the number of accidents exceed 10-100 times the similar indicators from developed countries). Over the past 20 years due to the lack of funds and investments the water supply and sanitation systems were not maintained and used appropriately. The capacities of water supply and sewerage systems are used in proportion of only 25-30%.

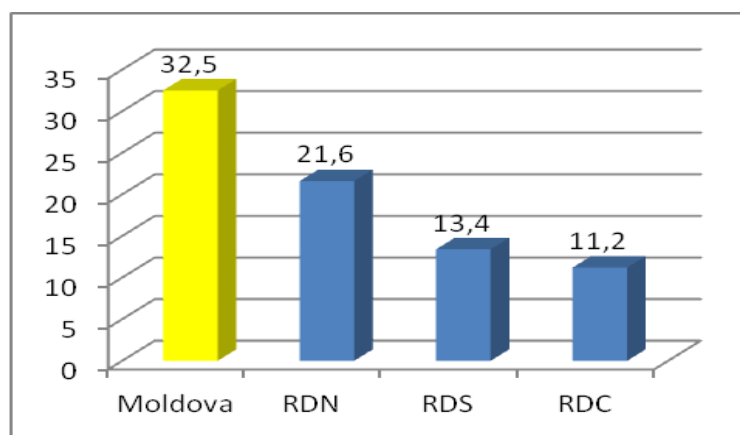
The quality of water in the SDR is very poor. The drinking water does not always conform to the existing sanitary norms for drinking water; the water from many pipes can be used only for technical purposes. The main issue related to the deep waters are the high content of fluoride, sodium and ammonia, hydrogen sulfide, iron, and ground water - the content of nitrates, sodium, and total hardness dry residue. The high mineralization of water is caused by high concentration of ions of calcium, magnesium, sulfur, sodium and chloride. In the rayons of Basarabeasca and Taraclia there is the lowest quality of water in the drinking water sources and distribution systems. Thus, the very high level of water pollution, and limited access to water resources for irrigation and qualitative potable water are the main problems of the SDR.

As a conclusion: In terms of coverage of the settlements with water supply systems, Leova and Cantemir are the most deprived rayons. As a result, the water consumption per capital is the lowest in these rayons. Regarding the operability of the existing systems, the rayons of Taraclia and Cantemir are in the most difficult situation. In terms of the captured/delivered water, the rayons of Basarabeasca and Taraclia are in the worst position. Thus, the rayons of Leova and Cantemir, though the Prut river passes through their administrative territory, are the most underprivileged rayon from the SDR in terms of water supply infrastructure.

It is worth mentioning that in 2012 Cahul updated the WSS component the Socio-Economic Strategy of Cahul Rayon with the support of its development partner GIZ. The updated strategy was approved by the Cahul RC.

**Sewage.** The SDR sewage system is poor, and the waste water treatment technologies in use are obsolete. The proportion of houses in the SDR that have sewage systems was of 20.1% in 2010 (if compared with 12.8% in 2008), by 12.4 p. lower than the national average.

**Figure 17. Share of households connected to the sewerage system by regions, 2010**



NBS, 2011

Though the connection to sewerage systems is relatively low, most of the waste water produced by some rayons in SDR is produced by households, and only one third by industrial sources. Technically, the current condition of water waste treatment is unsatisfactory and, in most localities, this service is unavailable.

Period of use. The sewerage system from the 8 rayons of SDR is very old. Thus, about 82% of it has been in use for more than 20 years and only 6% was put into operation less than 10 years ago. The missing sewerage systems has a negative impact on the environment, as the uncleaned waste waters from households and farms penetrate the soil and pollute the groundwaters, springs, lakes and rivers.

Thus, the units and households from this region are under the limits of a decent and civilized living, the sanitation facilities fail to meet the requirements, which can be explained by the data that show people's access to water sources, sewerage and other utilities. The map of waste water discharge networks and cleaning plants is presented in **Annex E**.

**Waste management.** The main regional polluters of the environment are still the unauthorized dumps, as well as a large number of storages authorized by the local authorities, but which are neither developed nor managed appropriately. Major sources of pollution are animal waste from households, which are often stored together with ordinary household waste, land contaminated with pesticides around the devastated pesticide storages, inoperable wastewater treatment plants that discharge untreated water, etc.

The region has a poor infrastructure for collecting solid and liquid waste, including toxic and lacks advanced technologies and recycling practices.

The SDR is a pilot region in the RM with a regional sector strategy - "Integrated Solid Waste Management Strategy "(2012-2025), developed with the support of the Spanish International Consulting Company EPTISA as part of the EU project "Waste Governance - ENPI East "and approved by South RDC at the meeting of 27.12.2011. The estimated cost of strategy implementation is €42.3 million.

The draft strategy was developed on the basis of the mapping of HSW storages, aiming at both pointing out the location and limits of household solid wastes storages, and establishing their actual area, including estimation of the storage capacities and the quantities of accumulated wastes. Maps were developed on the location of household solid wastes dumps and a register of dumps, containing information on their impact on human health and/or environment. Besides, a reference study was conducted on the current situation with waste management and estimated needs of waste management development. The study revealed that the problem of wastes in the region could be solved by a joint and integrated effort of all rayons in the region, focusing on an accepted and coordinated inter-rayon effort.

In the region there are over 200 waste disposal sites, most of which were evaluated under the "Waste Governance - ENPI East" Project. There are waste dumps that are classified as dumps that need to be closed and rehabilitated immediately and dumps that can be modernized and used further as inter-municipal dumps or transfer sites. The most advantageous option, accepted also by LPAs, is the gradual regionalization of dumps. For this purposes the South Region was divided in the following three sub-regions:

Subregion 1: Consisting of Leova, Cimişlia and Basarabeasca rayons

Subregion 2: Consisting of Causeni and Stefan Voda rayons

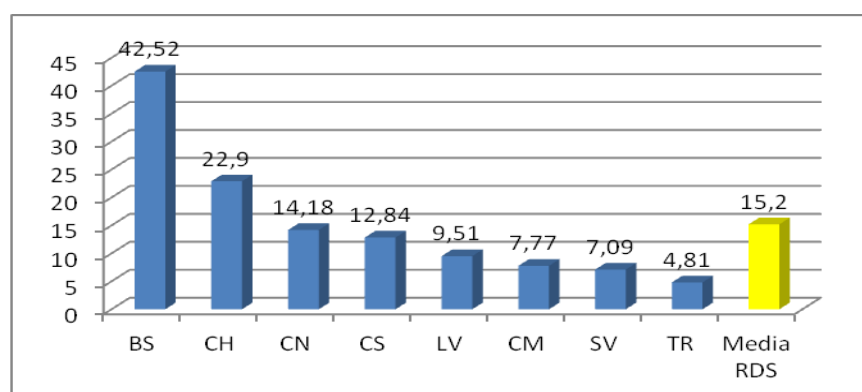
Subregion 3: Consisting of Cantemir, Cahul and Taraclia rayons

Thus, for each subregion three alternative scenarios were defined on the basis of the following model:

- 1 or 2 regional dumps to be located in the vicinity of an important town from the subregion
- At least one transfer site of medium sizes to be located in the close vicinity of a large town
- The distance to the closes transfer site should not exceed 30 km

At the level of SDR the waste management services are organized only in urban settlements. Thus, each rayon center has a Municipal Enterprise for Households Management. As about 25% of the region's population lives in urban settlements, the number of beneficiaries of such services is low. The diagram below presents the coverage with sanitation services by rayons and regional average.

**Figure 18: Coverage of waste collection services in SDR (% of the population) in 2010**



Source: evaluation by experts under the "Waste Governance - ENPI East" Project

According to the diagram, Basarabeasca has the highest coverage with waste collection services in the SDR (42.52%), while Taraclia has the lowest coverage (4.81%), if compared with the SDR of 15.2%.

There are not waste disposal installations in the region, besides the wastes disposal sites. These sites are developed in an ad-hoc manner, without any environment protection measures. In total 256.6 ha are affected by the waste disposal sites, which are included in the register developed during the main analysis for the Strategy on Integrated Solid Wastes Management in SDR (Table 3).

**Table 3: Number and surface of waste disposal areas**

Rayon	Population 2012 (thousand)	Area of waste disposal sites/damps	Total area (ha)
SV	71.5	19	29.2
CS	92.0	27	54.6
BS	29.0	9	5.7
LV	53.6	24	24.1
CN	62.5	29	22.3
CH	124.9	39	49.7
CM	61.3	26	45.5
TR	44.1	18	25.5
SDR	538.9	191	256.6

Source: evaluation by experts under the "Waste Governance - ENPI East" Project

The Wastes Management Association in the South Development Region was established on 20 July 2012 as a managerial body of the enterprise responsible for waste management in the SDR, which will regulation and organize the management of wastes in all administrative-territorial units of the SDR.

Association membership consists of chairs of SDR rayons and mayors of all localities from the region. The Association will attract investments, will ensure an efficient cost-benefit ration and will extend the services for the rayon centers to the surrounding localities.

Once the strategy was developed and the managerial Agency was established, the next step will be development of a feasibility study that will identify the accessible areas for transfer sites and regional damps and will prepare the platform for project development.

### Housing stock

The total area of housing stock, according to the statistical data of 2011, is 12.28 million m<sup>2</sup>, or about 15.4% of the country's total area, out of which 24% represents the area of housing in urban regions. Of this, 68% is occupied. The region affords an average of 22.7 m<sup>2</sup> per inhabitant; the national average is 22.3 m<sup>2</sup>. Taraclia and Causeni have higher values than the regional average, with an average of 25.5 and 23.5 m<sup>2</sup> per inhabitant in 2011. At the national level, the housing stock, on average per inhabitant (in m<sup>2</sup>) for three consecutive years (2008–2011), recorded an insignificant increase from 22 m<sup>2</sup> to 21.3 m<sup>2</sup>. No buildings were constructed with public money during this period; construction was undertaken only by private investment. This fact underlines the existing crises, which primarily affects young people and families with a modest income.

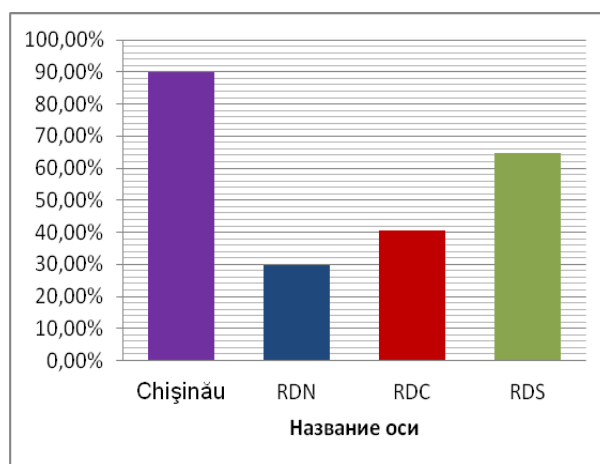
### Supply of natural gas

The provision of natural gas to communities in the SDR will be made from high-pressure main gas pipelines. The natural gas pipeline Grebenchi–Tocuz–Orlovka crosses the SDR, and also supplies the cities of Chisinau, Hancesti, and Leova. The proportion of the region's communities connected to gas pipelines was 76.8% which is higher than the national average of 56.5%. The share of the households connected to gas supply in SDR is 64.6%, exceeding the national average of 12.2%, and the Center and North regions by 24.1 and 34.9 percentage points respectively. In the SDR, all households in Taraclia and Stefan Voda are connected to the gas supply. Cantemir

and Leova have the lowest level of gas connection. Gas resources were discovered in the district of Cantemir, but this is in the initial phase of exploitation

A map of existing and projected natural gas networks is given in Annex G.

**Figure 19. Households connected to the gas supply, by regions, 2010, %**



Source: NBS

### Supply of electricity and heat

**Electricity supply.** The energy sector of the Republic of Moldova is different from other country's market, because Moldova does not have reserves of fossil fuel, therefore 98% of the energy and fuels are imported. This insufficiency is especially obvious in the south, because there are no hydro-electric or thermal electricity stations build in this area. Since 2000, the owner of electricity distribution networks in south region has been the Spanish Group Union Fenosa, which supplies 100% of electric power. A map of the energy system of the region is given in Annex H.

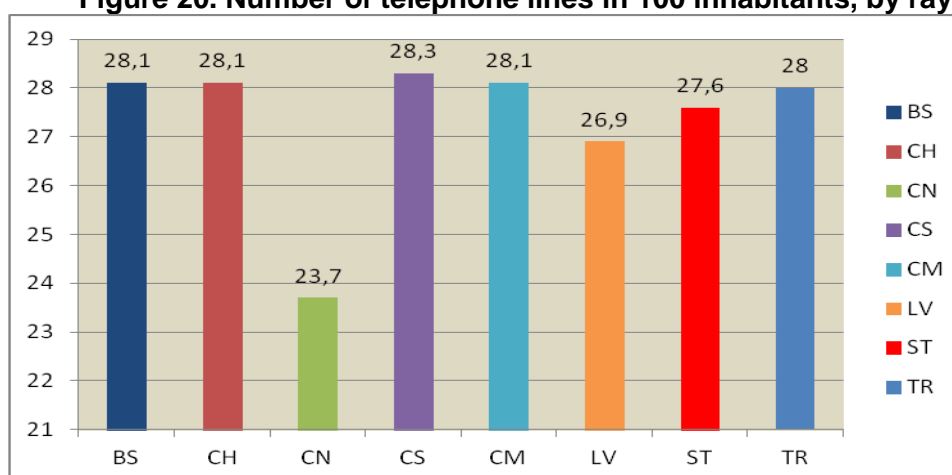
To improve the situation regarding the supply of electricity, including in the south, the Activity Plan on Alternative Electricity Supply was developed and implemented in 2004–2005. The high tension grid Anenii Noi–Causeni (covering 34 km) was constructed, and installation of an alternative electricity supply to consumers in the districts of Stefan-Voda (28 communities) and Causeni (22 communities) was carried out. Energy dependency can be minimised by connecting to the European energy supply system. A future project that could improve the energy supply in the SDR relates to the interconnection of the electricity grids of Moldova and Romania. Construction of a supply line between Falcu and Gotesti (Cantemir) is planned.

**Heat supply** is a problem for inhabitants and organisations in the region. The apartment blocks were connected to a central heating supply system, which is no longer functional. Thus, the inhabitants have built their own boiler houses; some inhabitants have built stoves in their apartments, while others still use electricity for heating during the cold season of the year. The situation is similar in public institutions, which have either built their own heating systems or have installed stoves. The owners of individual houses, both in urban and rural areas, make use of stoves, using wood and coal as heating resources. It is difficult to supply heating to educational institutions. The main problems within the heating sector are lack of funds to secure energy resources and

repair the outdated heating systems. Use of renewable energy sources is a possible solution to streamline the consumption of heating, by installing solar panels, boilers on biomass and other types of modern equipment.

Land lines in the SDR are provided by the affiliates of the Moldtelecom State Company. The national coverage with telephone posts is about 87%. The SDR ranks the second after Chisinau municipality with 89.6% of households connected to land line network, overcoming the country's average by 2.9%. The greatest frequency of telephone lines is in the districts of Cimislia and Stefan-Voda. The lowest figures relate to the districts of Leova and Cahul. The telecommunications network has been developing steadily over recent years, which is shown in both quantity and quality indicators. The automatic and manual exchanges were replaced by digital stations. Each district in the region has its own exchange and district communication line.

**Figure 20. Number of telephone lines in 100 inhabitants, by rayons**



Source: NBS, 2010

Mobile telephone services are provided by Orange, Moldcell and Unite, which cover the entire territory of the SDR. While services are expensive, over the last three years there has been a steady growth of the number of users, according to the data of mobile telephone operations. About 34% of households in the SDR have at least one cell phone, this figure permanently increasing. The national average is 41% in this respect.

Access to the Internet is underdeveloped in the SDR. According to a recent study of the Ministry of Informational Telecommunications and Communications, about 20% of the population has a computer connected to the Internet. The proportion of legal entities with an Internet connection is about 60%. Most public institutions are connected to the Internet. In urban communities, there are between one and three Internet cafes.

## 2.4. Demography

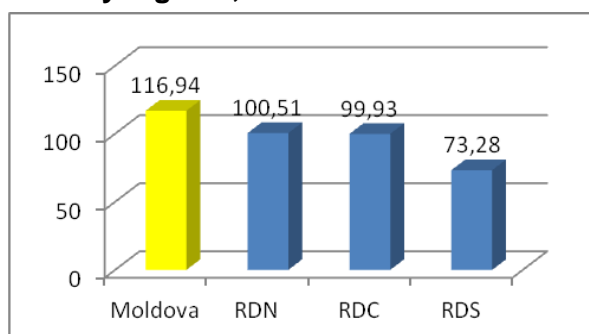
As of January,1 2011, the stable population of the SDR was 540,700 , which constitutes 15,2% of the country's population. This figure is decreasing constantly, affecting negatively the demographic situation in the region (we examined the period from 2008 to 2011). During this period the population decreased in all administrative-



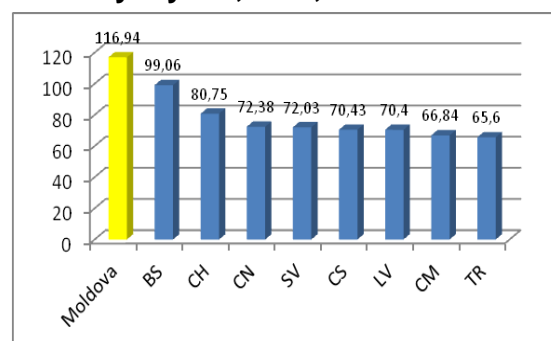
territorial units of the region, registering a diminution by 2800 people, which represents 0.5% of the population. The reason for this decrease was negative natural population growth and migration of the population.

The average density of the population in the SDR is 73.3 person/km<sup>2</sup>, the lowest density indicator compared with other development regions and, hence, also lower than the national average – 116.9. Maximum density in the region is found in the district of Basarabeasca, where the figure is 99 inhabitants/km<sup>2</sup>. The lowest population density is recorded in the districts of Taraclia (65 inhabitants/km<sup>2</sup>) and Cimislia (66 inhabitants/km<sup>2</sup>).

**Figure 21. Density of population, km/100 km<sup>2</sup> by regions, 2011**



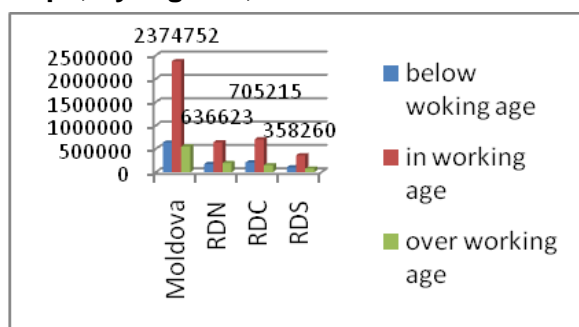
**Figure 22. Density of population, km/100 km<sup>2</sup> by rayons, SDR, 2011**



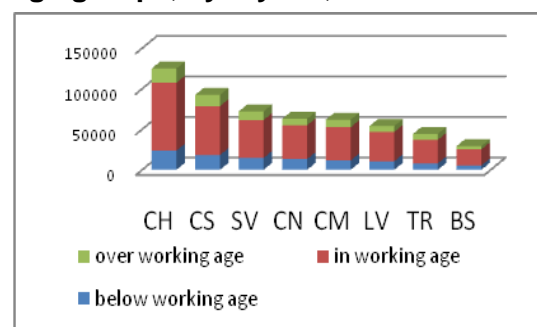
Source: NBS, 2011

The structure of the population does not show major gender imbalances. Thus, the male/female population is divided 49%/51%. The great majority of the population lives in the rural areas - 74.8%. By age group, the working age population has the largest share (66.2%), followed by the population under the working age (19.4%), the rest 14.4% are people over the working age.

**Figure 23. Structure of population of age groups, by regions, 2011**

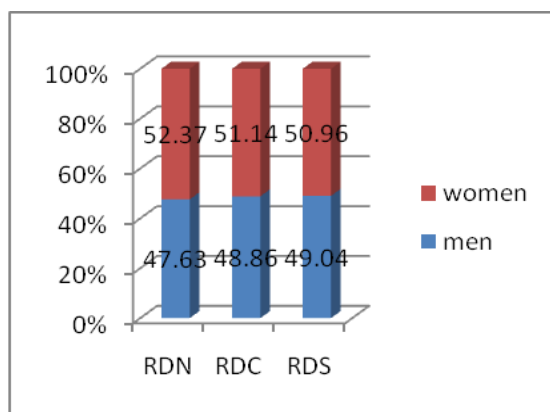
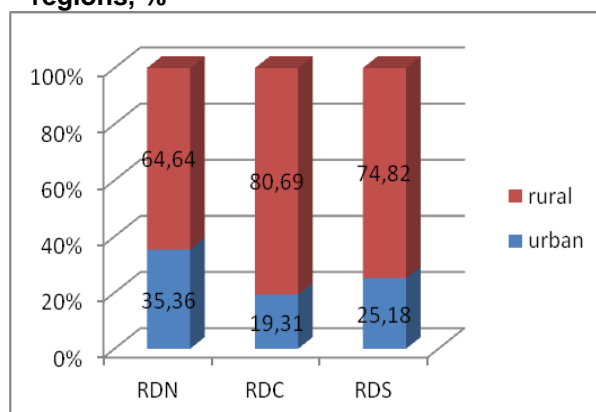


**Figure 24. Structure of population of age groups, by rayons, 2011**



Source: NBS

Current trends show a steady decrease in the size of the youngest age groups; this is as a result of a reduced birth rate, which means that the demographic ageing process will deepen in the coming years.

**Figure 25. Structure of population by gender, as of 1 January 2011, by regions, %****Figure 26. Structure of population by residence areas, as of 1 January 2011, by regions, %**

Source: NBS, 2011

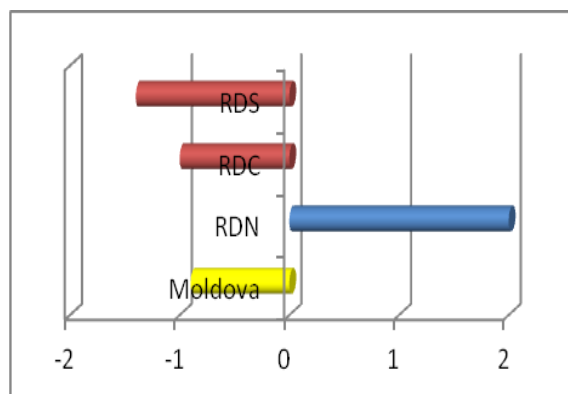
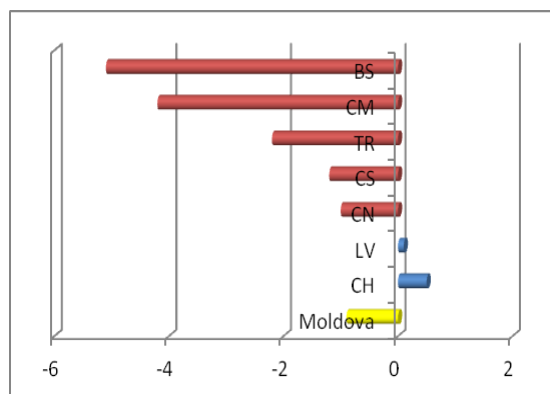
**Natural movement of the population.**

The negative natural growth of the population recorded in the region influences the population's fertility rate and ageing, thus increasing demographic pressure. In the examined period (2008-2011) this indicator varied from -0.8 to -1.4, reaching its maximum in 2011 (Table 4).

**Table 4. Natural movement of the population per 1000 inhabitants, regional average, %**

	2008	2009	2010	2011
Birth rate	10.9	11.1	11.3	11.4
Death rate	12.2	12	12.1	12.8
Natural growth	-1.3	-0.9	-0.8	-1.4

Source: NBS, 2011

**Figure 27. Natural growth per 1000 inhabitants, by regions, 2011****Figure 28. Natural growth per 1000 inhabitants, by rayons, 2011**

Source: NBS

In 2011, RDS had the highest negative natural growth, of (-1.4), being above the national average by 0.5 points, but over the period considered (2008 - 2011) the RDN had a positive natural growth. At the intra-regional level, only in the Cahul (0.5) and Leova (0.1) rayons we find positive natural growth. The most deprived rayon in this section is Basarabasca (-5.1) and Cimislia (-4.2).

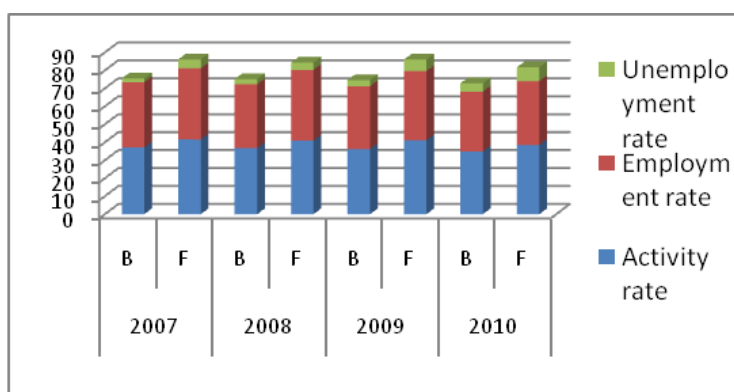
This indicator is strongly influenced by the socio-economic development of the national economy as a whole, and of the regions in particular. Moreover, traditions established in time within the historic area of the nation represent another significant factor.

Migration processes affect the demographic profile, and play an important role in the economic and social life of the SDR. Although there are no statistical data to provide a rigorous conclusion, there are three main migration processes of varying intensity: migration from rural to urban communities within the SDR, migration from the wider SDR to Chisinau (including many students that study at universities in Chisinau), and emigration (beyond the Republic of Moldova). The latter is the strongest migratory flow in the SDR. According to SADI in 2009, 42,076 SDR residents were temporarily absent, accounting for 7,7% of the region's population. This migratory flow is ranked second by intensity in the Republic of Moldova.

### Labour force

The demographic processes have a direct impact on employment in the national economy as they represent a fundamental basis for labor market. At the country level, the SDR holds the last rank, compared to other DRs in terms of activity rate and employment rate. Thus the activity rate for women in SDR is only 34.9%, lower than in the NDR and CDR, by 2.8 and 1.3 percentage points respectively. Among men the value of this indicator is just 38.5% similarly lower by 4% and 1.2% than those in CDR and NRD. The 2007-2010 period confirmed that there has been a steady decrease in these indicators at the regional level.

**Figure 32. Evolution of the activity rate in 2007-2010, by genders, in SDR, %**



Source: NBS, 2011

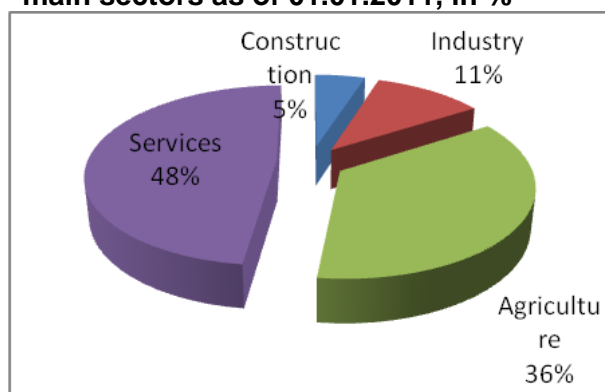
The economically active population in the SDR is 36.6% of the total population, of which the employed population represents 93.8% and the unemployed - 6.2%. The inactive population is 49% of the total. 32% of the employed population work in urban areas and 68% - in rural areas. To a large extent, this indicator is influenced by the engagement of village residents in working on their own land, usually very small plots, which provides employment in subsistence agriculture.

By economic activity, 36% of the working population in the DRS is active in agriculture, 11% in industry and 5% in construction. Thus, 52% of the employed population is engaged in the sphere of production and 48% in the service economy and other areas.

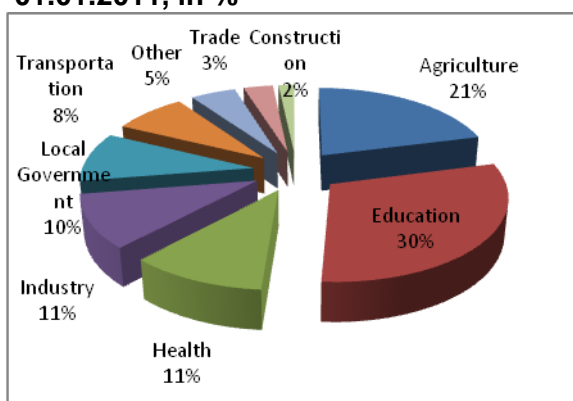
By ownership, 31.5% are employed in the public sector and 68.5% - in the private sector. The formal sector accounts for 74.4% of the total employment in the region, the informal sector – for 10.6% and 15% of the population is engaged in households.

The number of employees in the SDR at the end of 2010 comes to 62,400 persons employed in various branches of the national economy, which constitutes 31.6% of the total employed population. 54% of employees are women.

**Figure 33. Structure of SDR's economically active population in the main sectors as of 01.01.2011, in %**



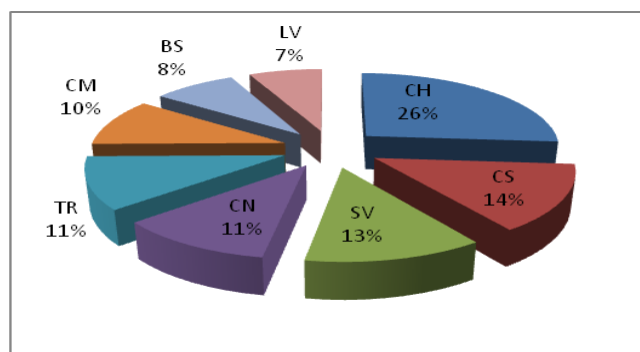
**Figure 34. Structure of SDR's employed population in the main sectors as of 01.01.2011, in %**



Source: NBS, 2011

In recent years there has been a shift in the occupational profile of the population. Whereas in 2006 the largest share of active population was employed in agriculture, in 2010 the number of people employed in services exceeds by 12% the number of people employed in agriculture. At the same time, 15 percent of people working in agriculture are self-employed. Of the total number of employees only 33.2% work in the sphere of production, this indicator being lower by 6.8% than in 2007. The breakdown of employed population by districts is presented in Figure 35.

**Figure 35. Share of rayon employed population, in % from the total employed population in the SDR on 01.01.2011**

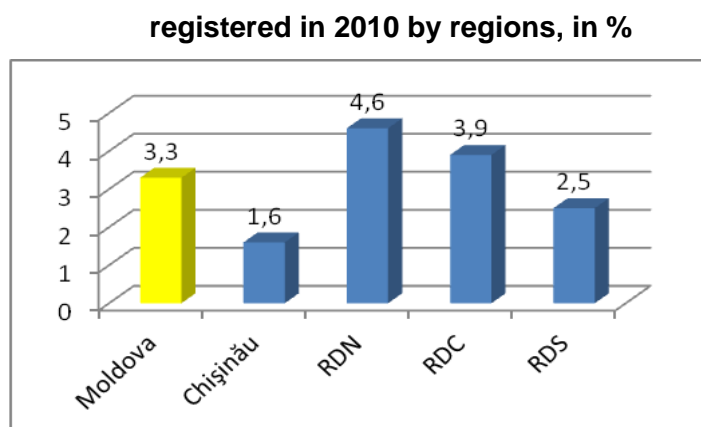


Source: NBS, 2011

Thus, Cahul, Causeni and Stefan Voda are districts with the largest share of employees from the total employed population in the SDR. The average monthly salary of an employee in the SDR in 2011 was 2102.1 lei, or 70.7% of the national average wage. At the regional level, the employees from Cantemir and Stefan Voda had the lowest wages (1983.7 and 2057lei per month). The highest salaries are reported in Basarabeasca district (on average 2755lei/per month).

In Moldova, indicators which reflect the unemployment situation in the country are calculated according to International Labour Organisation (ILO) data and the National Employment Agency (NEA). The labor force survey used for this purpose is collected in different areas, covering a wide range of selection criteria. However, totals, as well as conclusions, are made at the country level. Thus, these data are not disclosed for the regional level. At the country level, the unemployment rate according to ILO data for 2010 was 7.7% while the NEA had presented an unemployment rate at the country level of 3.3%.

**Figure 36. Official unemployment rate**



Source: NBS, 2011

The unemployment rate presented by the NEA is influenced by the social aid paid to registered unemployed persons. From the gender perspective, there is a higher unemployment rate among men. The rural inhabitants are more affected by unemployment.

## 2.5. Economic development

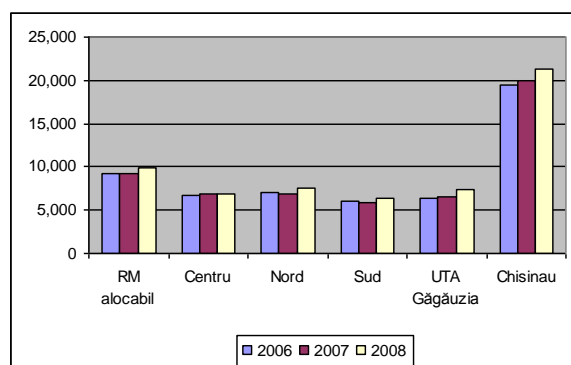
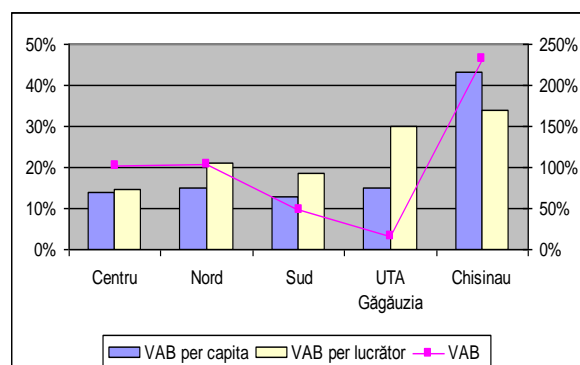
### Region's Gross Value Added<sup>4</sup>

The Gross Value Added (GVA) of the SDR in 2008 was estimated at MDL 3.32 billion, or 10% of the national GVA<sup>5</sup>. During the period between 2006 and 2008, GVA did not change significantly. GAV per capita was approximately €400 (64% of the national average).

<sup>4</sup> Due to the lack of statistical data at the territorial level, this text refers to the GVA data taken from Matthew Powell [1] for 2006-2008

<sup>5</sup> It was not possible to allocate the entire added value recorded on national accounts to the region (see Powell (2009), annex B). Particularly, there is neither an effective method with which to allocate financial services calculated indirectly to the field, nor the data necessary to allocate the revenues of state and non-profit organisations from services delivered to households. Thus, unallocated GVA represents about 12.5% of GVA for 2006 in 2006 prices and about 14.5% of GVA for 2008 in 2006 prices. The estimates for national GVA and GVA per capita used for comparison in this section represents VAB allocable for all regions does not include un-allocable GVA.

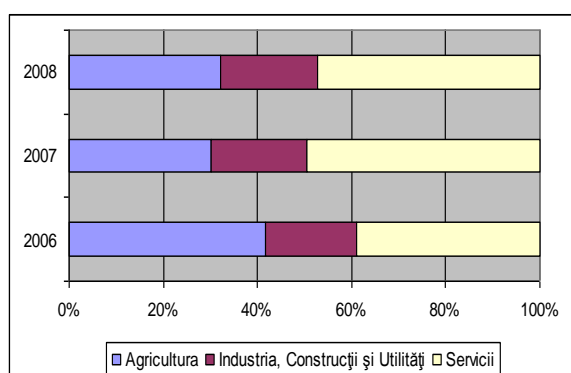


**Figure 37. GVA per capita, lei****Figure 38. Share of GVA per capital in the national GVA, 2008**

Source: Powell 2009 (Regional Statistics Report)

## Sectorial profile

Economic sectors contribute to regional GAV in different ways; the main proportion is still agriculture. Over recent years, a trend has been noted in the changing sectoral structure of the regional economy. Thus, in 2008, the share of agriculture in Regional GVA was 32%, having decreased by 10% compared with 2006. At the same time, the contribution of services has grown by the same amount and reached 47%, that of industry having increased to 21%.

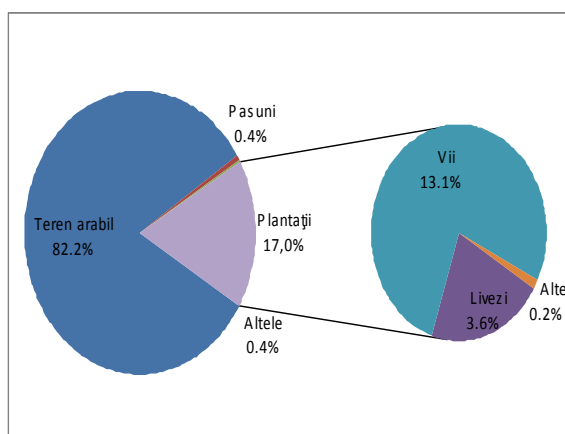
**Figure 39. GVA structure by branches, %****Figure 40. Industrial specialisation indicator by number of personnel, 2009**

Source: Powell 2009 (Regional Statistics Report)

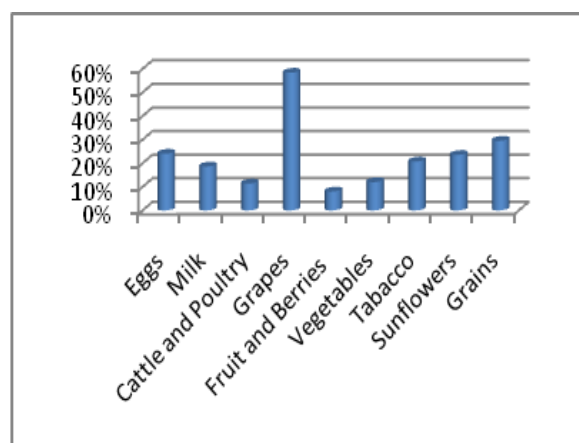
## Agricultural Sector

Although the region specialises heavily in agriculture, agricultural land represents only 42% of the total area of the SDR. 82% of it is agricultural land and 17% is multi-annual plantations. The main agricultural products are grapes, cereals, and technical and horticultural crops.

**Figure 41. Structure of agricultural land in SDR, in %, 2011**



**Figure 42. Structure of agricultural production per region, in %, 2011**



Source: NBS, 2011

Agriculture remains an important employment sector, which accounts for over 35% of the total economically active labour force of the region, whereas the first rank is held by the services sector with 48%. The existing infrastructure for collecting agricultural products is not operational, and their export is facing technical barriers.

The agro-industrial potential of the region consists of 37 production cooperatives, 23 joint stock companies, over 173 limited liability companies, and over 53,000 farms registered as individual companies. The largest economic agents in the SDR which operate in the agricultural sector are the following: SRL „Sadac-Agro” from Basarabasca rayon, CAP „Elita-Alexandrfeld” from Cahul rayon, CAP Glia from Cantemir rayon, CAP „Ciobalaccia” from Cantemir rayon, SRL „Ceteronis” from Cantemir rayon, SRL „Bogatmos” from Căușeni rayon.

The SDR accounts for about 30% of the total production of first group cereals and corn on the national level. Moreover, 23% of all sunflower production stems from the SDR. The most important crop in the SDR are grapes, in 2011 accounting for 58% of the whole yield in the country.

Within the region, leaders in the production of cereals and sunflower crops are the districts of Stefan-Voda and Cahul. The largest amount of grapes is produced in the districts of Cahul, Cantemir and Stefan Voda.

The animal husbandry is represented mainly by poultry. 25% of egg production and 18% of milk production in the country is done in the SDR. The sheep husbandry remains the main branch of the livestock sector in the SDR.

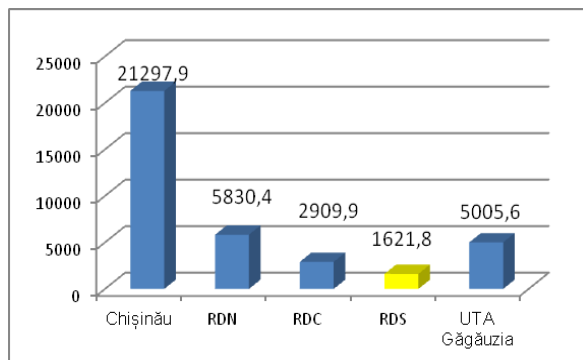
94% of egg production is performed in the districts of Cimislia and Taraclia. Sheep and goats are raised in all SDR districts. In terms of livestock numbers, Cahul, Cantemir and Taraclia districts are leaders in the region.

Given the increased potential for grapes production, favourable climatic conditions for growing this crop, the presence of 54 factories for grape processing, producing and bottling of wine in the region, the existence of a developed system of railways and the international port Giurgiulesti, the SDR can become the production and export centre for high quality wines. The wineries "Ciumai" and "Purcari" represent the business card of the SDR and are well known worldwide.

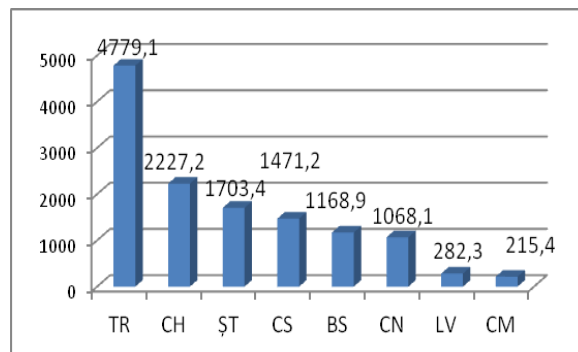
## Industrial Sector

The industrial sector of the region is underdeveloped. The share of products manufactured in the SDR in 2011, as part of the country's total industrial production, is 3.2%. Compared with the NDR and the CRD, this indicator is lower by 18.2% and 8.1% respectively. The value of the delivered production constitutes 89.9% of the total production. The share of exported goods constitutes 64.7% of sales, or 6% of the exports of the industrial products on the national level. The value of the industrial production per capita in the SDR is 1621.8 lei, which is 4.7 times lower than the national average.

**Figure 43. Value of manufactured industrial products per capita, by regions, 2011 (lei)**



**Figure 44. Value of manufactured industrial products per capita, by rayons of SDR, 2011 (lei)**



NBS, 2011

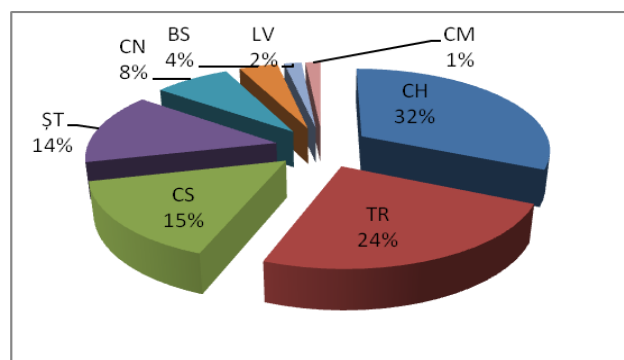
The main industrial branches are: (a) textile production; (b) the food and beverages industry; (c) water supply, waste and delivery; (d) wood processing and wood production; and (e) the production of clothing, and processing and dyeing furs. There are 54 wineries; 27 bakeries; 12 production units for the collecting and processing cereals; and 13 fruit and vegetable preserving, drying, and freezing factories.

The SDR holds the first place in the country in brandy production. Taraclia factories in 2011 produced 857,400 decaliters of brandy, that is 36% of all brandy production in the country. About 20% of wine produced in Moldova is produced in the SDR. The most

important wine production centres are located in Stefan –Voda, Taraclia and Cantemir rayons.

Cahul is the most important industrial centre in the SDR. In 2011, Cahul industrial companies produced 32% of all industrial production in the region, followed by the town of Taraclia with 24.1%. The rayons of Cimislia (1.5%) and Leova (1.7%) are at the opposite extreme.

**Figure 45. Share of manufactured industrial products by rayons, SDR, 2011 in %**



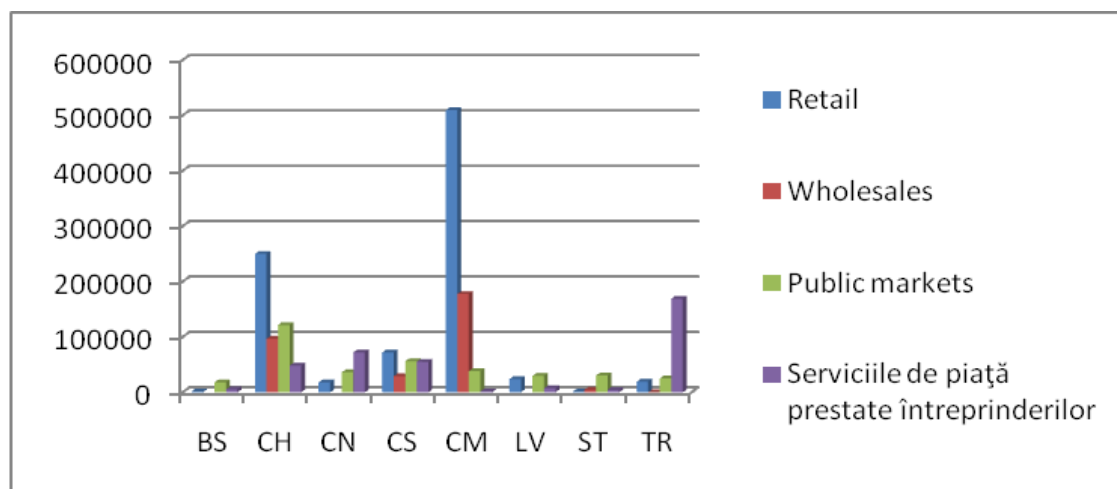
*NBS, 2011*

Together with the Free International Port Giurgiulești, the town of Cahul is the main candidate at the preliminary stage in the selection of cities with growth potential in the SDR.

The industrial potential in the SDR is represented by the following business entities: SA „Tricon” from Cahul, SRL „Tessile Mold” from Cahul, SA „Cahul Pan” from Cahul rayon, SA „Imperial Vin” from Cantemir rayon, Ciumai-Vin SRL from Taraclia, IM „Vinăria-Purcari” SRL from Stefan Voda rayon, etc.

### Services sector

The services sector is steadily growing, both in absolute terms and as a proportion of total activity at regional and national levels. The greatest contribution is made by trade, telecommunications, and financial services. The regional statistical data are enough to analyze 4 indicators related to: wholesale trade, retail trade, market services provided to the population and market services provided to business entities.

**Figure 46. Turnover, 2011, in territorial terms SDR (thousand lei)**

NBS, 2011

The service sector in the South Region is represented mainly by retail companies and paid services provided to the population. Retail trade is conducted mainly through the existing outlets (shops and booths), which are permanently growing in number. On 01.01.2010 there were 1208 shops and 134 booths in the region. The South region has the lowest number of shops, if compared with other development regions, accounting for 12.6% of all shops in the Republic of Moldova. The South region has the lowest number of booths, if compared with other development regions, accounting for 5.1% of all booths in the Republic of Moldova. Most of the outlets are located in Causeni (25.2% of all in the region), followed by Cahul rayon (17.7% of all in the region), with Basarabeasca rayon closing the list (5.8% of all in the region).

In 2011 the retail trade turnover amounted to 24.2 billion lei, where the South Region contributed with 894 million, or 3.7% of the national turnover. The wholesale trade in the region amounted to 308.1 million lei, or 0.99 % of the country's total value. The market services provided to the population in 2011 reached a turnover of 354.7 million lei, or 5.6% of the country's total value. The market services provided to business entities in 2011 amounted to 362.7 million lei, or 2% of the country's total value.

Though increasing continuously over the past years, in regional terms the turnover (sales revenues from all four separate activities) in the SDR is much lower than the national average, and much lower than the other development regions. The sales revenues in the SDR account for only 2.4% of the country's total value.

## Tourism

The tourism potential of the SDR is in the process of development. The region has good prerequisites for the development and the promotion of this profitable branch of economy.

The potential of this sector in the region is represented by, a) the most famous wineries across the country – the wineries "Purcari" and "Taraclia" included in the "Wine Road", b) the famous balneotherapeutic resort - "Nufărul Alb " with its mineral and thermal springs, Cahul c) the scientific reservation "Prutul de Jos" in Cahul rayon; d) the unique "green museum" in R. Moldova (Stefan Voda rayon); e) the historic architectural

monument from the XVI-XVIII centuries, the church "Adormirea Maicii Domnului" in Caușeni, which requires capital restoration.

Some other sights of great interest for tourists could be: the forest "Pădurea Turcească" (village of Talmaza); the oxbow lakes "Nistrul Chior" in Ștefan Voda district; over 15 local archeological and historical museums; „Valul lui Traian“ a historic monument, erected by the Romans during the 3rd century AD spanning a length of about 126 km, starting from the Prut river at the Valul lui Isac village, Cahul, to Caușeni and continuing to the Sasac lake (Tatarbunar, Ukraine); 6 monasteries, including the famous monastery from Codrii Tigheciului, the monastery of Capaclia (Cantemir), the monastery from Zloti (Cimișlia) and the convent in Caușeni.

The tourism infrastructure encompasses 20 operational hotels, of which the largest are: Hotel "Azalia" and "Codreanu" in Cahul, "Albasadorf" from Albota de Sus (Taraclia), the subsidiary of the "Codru" hotel (with main quarters in Chisinau), a 4 star hotel at the winery "Purcari" in Ștefan Voda, the inn located on the national route Chisinau-Cahul not far from the village of Sarata Nouă, Leova district, as well as a series of hostels and tourist camps. Furthermore, the region has not capitalised on its potential for agricultural tourism yet.

To make the region more attractive for tourists, a series of cultural events of regional, national and international scope are organised. Some of the most important are: the biennial international folk festival "Nufărul alb" from Cahul; the international folk festival for children "Bobocelul", Cahul; the international festival "Faces of Friends" ("Chipuri de prieteni") which has become a prestigious international music festival for youth, Cahul, the international folk festival „Duminica la flori” organised in villages located on the bank of the Prut river in Cahul district; the Bessarabian Bulgarians' theatre "Смешен петък" and the song and dance ensemble "Родолюбие".

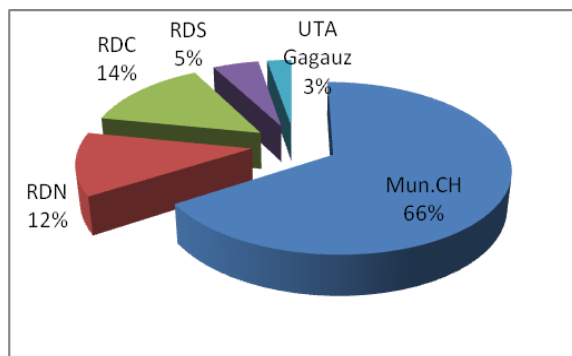
Tourism development and rural tourism in particular is a promising area. The capitalization on the existing tourism potential could boost the economic development of the region.

## Entrepreneurship

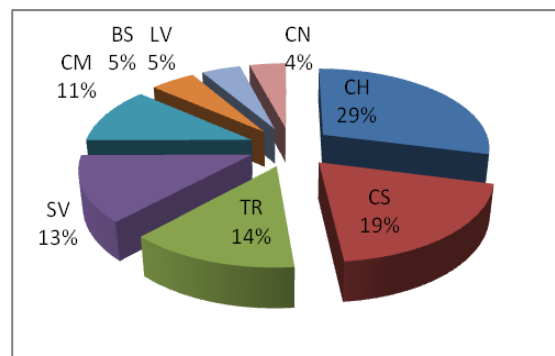
Entrepreneurship development is a main regional development objective.

In 2010, 2388 enterprises operated in the SDR, representing only 5% of the total number of enterprises in the Republic of Moldova. Although in the time period 2007-2010 the absolute number of enterprises increased by 15%, the number of enterprises per 10 000 inhabitants retains the lowest value in comparison with other regions.

**Figure 47.** Share of SMEs in territorial profile, countrywide, in 2010



**Figure 48.** Share of SMEs in territorial profile, countrywide, in 2010

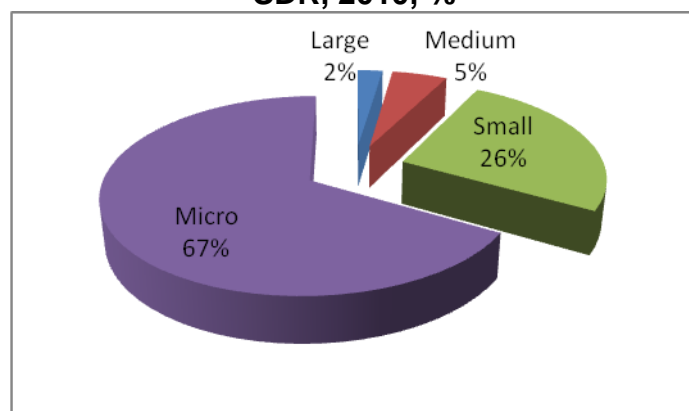


Source: NBS, 2010



Small and medium-sized enterprises (SME) account for about 97.7% of the total number of enterprises. This is fully consistent with the global trend of the increasing number of small businesses with few employees. Both on the national and regional level, the enterprises with a staff of up to 9 persons dominate the business sector, thus three out of four enterprises are classified as "micro". The share of medium-sized enterprises (50-249 persons) and large ones (250 persons or more) in the SDR is 5% and 2%, respectively.

**Figure 49. Breakdown of enterprises by sizes, SDR, 2010, %**



Source: NBS, 2010

The number of persons working in SMEs in the referenced period was 24,600 people, accounting for 64.9% of the total number of employees of enterprises. Revenues from sales in this period amounted to 3264.6 million MDL or 53.2% of total revenues from sales in the region's economy (see **Table 5**)

**Table 5 Results of the SMEs' activity, SDR, 2010**

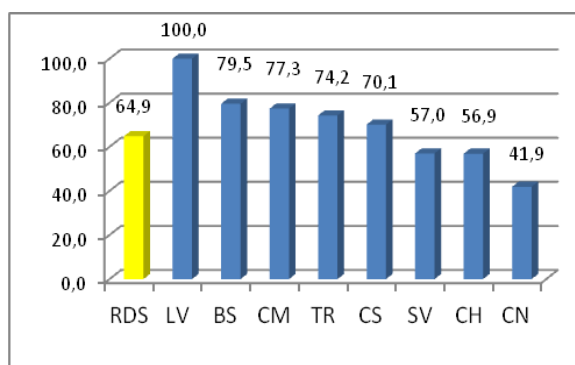
	Number of SMEs		Number of employees		Sales revenue (turnover)		Gross income
	Thousand units	in % out of total TAU	thousand persons	in % out of total TAU	Million MDL	in % out of total TAU	Million MDL
<b>SDR</b>	2.3	97.7	24.6	64.9	3264.6	53.2	204.5
BS	0.1	98.3	1.3	79.5	171.8	91.7	-0.6
CH	0.7	97.4	6.1	56.9	945.2	57.4	56.8
CN	0.1	94.2	1.7	41.9	219.5	48.9	23.5
CS	0.5	98.7	3.6	70.1	588.4	43.4	53.7
MC	0.3	97.4	3.5	77.3	383.1	41.1	20.8
LV	0.1	100.0	2.0	100.0	236.7	100.0	3.0
SV	0.3	96.8	3.0	57.0	301.1	56.8	47.4
TR	0.3	97.8	3.4	74.2	418.8	52.5	-0.3

Source: NBS, 2011

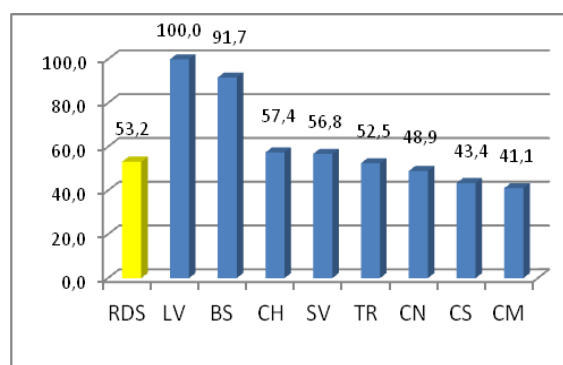
The analysis of SMEs reveals a tendency of an increasing efficiency within this sector. Thus, average sales revenues per one enterprise in the SDR amounted to 1,419,390 MDL, being 10,800 MDL (0.8%) less than the national average value. Moreover, SMEs sales revenues per employee constituted 132,700 MDL being 78,200 MDL (37%) less than the national average. The average number of employees per enterprise was 11 persons in 2010, equaling the 2009 value.

Only 5% of SMEs are concentrated in the SDR. The SDR companies achieved lower economic performance compared with other regions and the municipality of Chisinau.

**Figure 50. Share of SME employees in rayon profile, SDR, 2010**



**Figure 51. Share of SME revenues in rayon profile, SDR, 2010**



Source: NBS, 2010

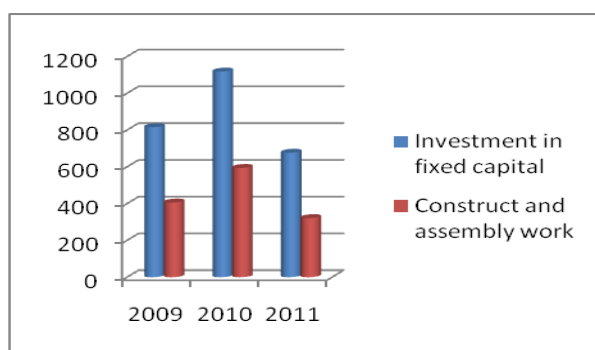
The number of SMEs, as share of all enterprises, ranges from 94.2% in Cantemir district up to 100% in Leova rayon. In terms of staff, the SMEs share in total business sector employment ranges between 41.1% and 100% in Cimislia and Leova, respectively. Thus, large companies constituting less than 5% of all enterprises, ensure circa 40% of jobs in the business sector. While the number of enterprises is steadily growing, their distribution is somewhat low, with 44 companies per 10,000 inhabitants in 2010, which is lower compared with the CDR and NDR and 2 times less than the national average. Similarly, the spatial distribution of enterprise sales is not uniform; the difference between districts is in decimal fractions. The most active districts, from the economic perspective, are Taraclia and Cahul, where 60 SMEs are reported per 10 000 inhabitants. By contrast, in Leova and Cimislia this indicator is less than 20.

Limited access to finance, reduced cross-border economic cooperation, and complex bureaucratic procedures are the main barriers in launching businesses and in the development of this sector.

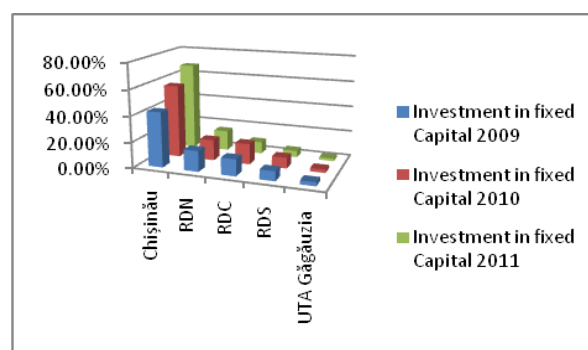
### Investment and investment process

The investment activity is distributed unevenly on the territory of the RM, concentrated mainly in one center, Chisinau municipality, where over the past few years the investments accounted for 59 to 66% of all volume of investments made in the country. It is worth mentioning that the investment activity declined in the South and North regions, whereas the investments in fixed assets in Gagauzia ATU have increased.

**Figure 52. Trend of capital investment in fixed assets and construction works in current prices per SDR, 2011 (million lei)**



**Figure 53. Share of capital investment in fixed assets, 2011**



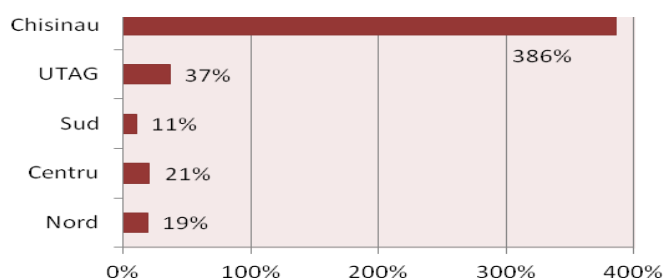
Source: NBS, 2011

Investments are funded primarily from private sources, with only 8-19% covered from the budgets of central and local public authorities. The constructions works are also distributed unevenly throughout the country.

In 2011 the biggest investments in fixed assets were made in the rayons of Cahul, Cantemir and Causeni. The rayons of Basarabeasca and Leova are at the opposite extreme.

Foreign investment represents an insignificant contribution to the region; the cumulative figure calculated per capita in the SDR amounts to a mere \$26 (approximately 10% less than the average for the country). This is largely due to the fact that foreign companies prefer to register in the capital city, even if a significant part of their activities are carried out in the region.

**Figure 54. FDI per capita (average for country 2007), %**



Source: NBS and BCI calculations, 2008

There are three free economic zones: "Tvardita" Free Economic Zone, "Taraclia Production Park", and Giurgiulesti International Free Port. Although the FEZs of Tvardita and Taraclia have been operational for between 8 and 10 years, their impact on the economy of the region is insignificant. Most residents in these zones carry out activities similar to those from the national territory, but with tax preferences. This has generated disloyal competitiveness in the region, and has led to losses to the local and state budgets.

Giurgiulesti International Free Port (GIFP) is located along a 133.8 km stretch of the Danube River, with a 120 ha area at the crossing of international trade and transport routes – for example, the river channel Rin–Main–Danube, which connects the Black Sea, 14 European states and the North Sea, and European railway systems as well as international routes. Thus, GIFP represents a regional logistics centre at the EU border with access to means of communication by land, rail, river, and sea. The port is managed by a general investor, Danube Logistics SRL, which signed an investment agreement with the GRM for the construction of an international port in 2004. The year 2009 saw the completion of an oil terminal (with a maximum capacity of over 2 million tons/year), a cereal terminal (1 million tons/year), and a passenger port (10,000 passengers/year). There are 22 resident businesses registered at the GIFP that undertake trading activities under the FEZ system and which invested over \$60 million.

## 2.6. Social situation

Living standards in Moldova are relatively low, except for Chisinau municipality. Thus, , 1/3 of the population in the region lives below the threshold of absolute poverty, 1/5 in relative poverty, and 4–6% in conditions of extreme poverty<sup>6</sup>.

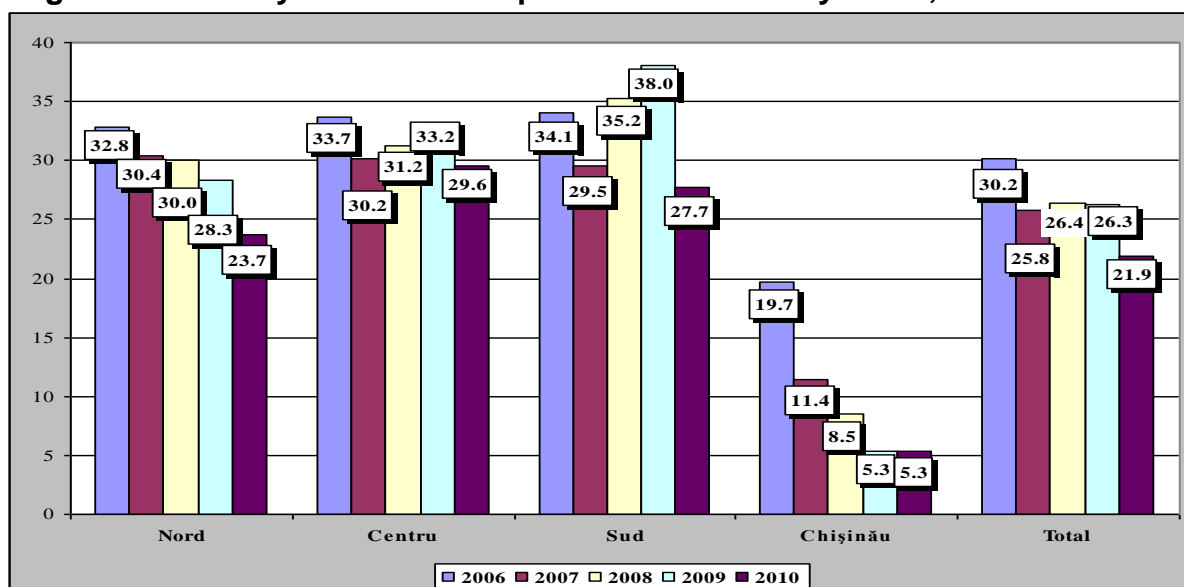
**As in the previous years, significant differences regarding incidence of poverty by regions were found in 2010.** Thus, statistical data show that the poorest region of Moldova in 2010 was Centre, followed by South and then North. About 28% of the population of the South region is poor. This index exceeds the country's average by 5.8 percentage points. It is worth mentioning that in 2009 South was the poorest region on the country (38% of the population), with a spectacular diminution by 10.3 percentage points in 2010. The huge gap between the welfare of the population of Chisinau municipality and the population from the rest of the country continued in 2010, though unlike the rest of the country here the poverty level remained the same as in 2009. Thus, only 5.3% of capital city inhabitants have a consumption which is under the poverty level.

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<sup>6</sup> *Absolute poverty* is represented by a lack of minimal conditions for life: food, clothing, and accommodation needed for simple survival in the conditions of the relevant society. From a long-term perspective, absolute poverty generates irreversible biological degradation.

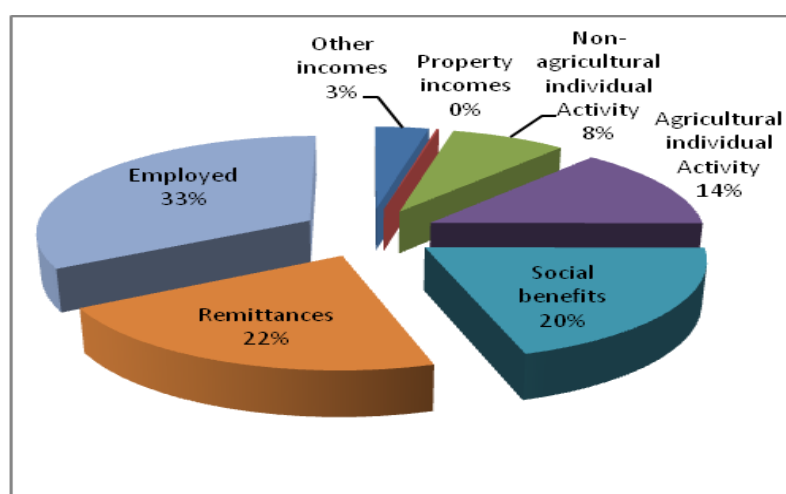
*Relative poverty* is defined as the inexistence of a minimal level of resources to ensure the normal functioning of a person in the relevant socio-cultural context. One may be under the relative poverty threshold with no long term change of capacities for normal social operation, but only for a limited period.

Lack of income leads to an extension of poverty in all areas of life. This final state in the poverty chain is what is called *Extreme poverty*.

**Figure 55. Poverty level in the Republic of Moldova by areas, 2006 - 2010**

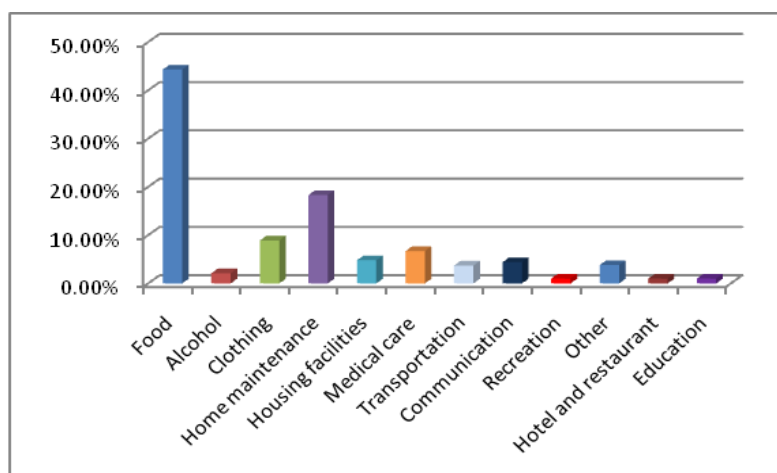
Source: ME, on the basis of HBS

The place of residence is a factor very strongly correlated with people's welfare. About 80% of the poor live in rural settlements. Over the past years the revenues from social allowances have increased. The remittances sent by emigrant workers also have a major impact on the level of living, especially in villages.

**Figure 56. Structure of average monthly disposable income per person, RDS, %, 2011**

The NBS presents the following distribution of average monthly disposable revenues per person in the SDR: 33% are wage revenue, followed by remittances (22%) and social allowances (about 20%).

**Figure 57. Expenses by categories in territorial terms, SDR, 2011, %**



Source: NBS, 2011

The consumer expenses have the following breakdown: expenses for food (46%), non-foods (21%) and services (33%). We underline the low share of health expenses (6.7% of the total) and particularly for education - only 1%. For comparison, in 2008 in SDR the food expenses accounted for 51% of the household budgets, followed by expenses for non-foods - 31% and for services - 12%.

### **Education, health care and social assistance.**

According to the data presented by the NBS for the 2010-2011 school year, in the SDR there were 543 educational institutions, of which: 2 universities, 2 colleges, 10 vocational schools, 259 schools and 270 preschools.

The number of school students is decreasing continuously, on the average by 4% annually. During 2008-2010 the number of students decreased by 7.2 thousand persons, or by 12 % if compared with 2008. The main causes affecting the education in the region are characteristic for the entire Republic of Moldova: massive emigration, including of teachers, decreasing birth rate, insufficient funds for education, etc. According to the estimations, the share of expenses for education accounts for 14 - 15% of the first tier LPA budgets, except for teachers' salaries, which are paid fully from the national budget.



**Table 6. Trend of the number of educational institutions in SDR and the number of students in 2008-2011**

	2008/2009	2009/2010	2010/2011
Number of preschool institutions	270	270	270
Number of schools (day schools, secondary schools, high schools)	264	260	259
Number of school students	70581	66775	63344
Diminution of the number of students vs the previous year,		-3806	-3431
Number of vocational schools	10	10	10
Number of colleges	2	2	2
Number of higher education institutions	2	2	2
Number of educational institutions (total)	548	544	543

Source: NBS, 2010

According to the RM Government Decision on the efficiency of educational institutions' expenses, hub schools will be established that will provide services for a number of neighboring settlements. Thus, the Ministry of Education suggests to create 30 hub schools in the SDR on the basis of the existing institutions. The biggest number will be created in the rayon on Causeni, 10 institutions.

In the SDR there are capacities for HR training, represented by 2 universities in the rayons of Cahul and Taraclia, 2 colleges and 10 vocational schools that provide training on various crafts and have a pool of well-trained didactic staff.

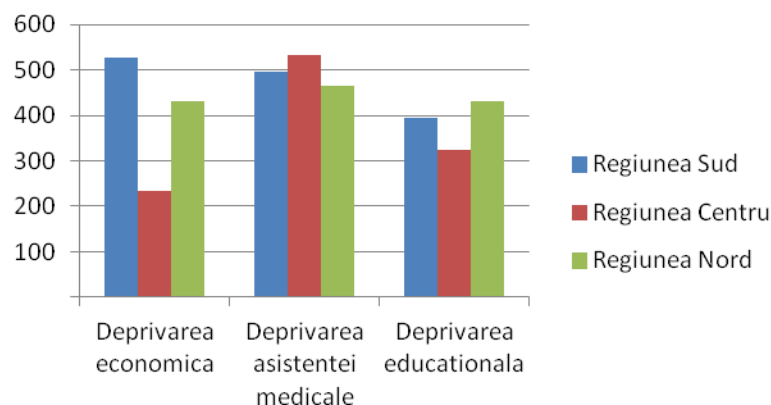
The health care sector of the SDR is represented by 8 rayon hospitals, 8 Family Doctors Centers and 6 Private Health Centers specialized in various medical areas. Besides there is a large network of Dentist Offices in a number of localities in SDR. In 2010 there were 33.3 hospital beds per 10000 inhabitants, accounting for 54% of the country's average. There are 14.8 doctors per 10000 inhabitants in SDR, if compared with the country's average of 35.9.

There are 15 asylums for the elderly, 21 child protection institutions, 8 centers for persons with disabilities. In 2010 there were 150 institutionalized persons with disabilities, which is much lower than the number of applications.

About 99% of the educational, health care and social assistance institutions are public. The expenses for heating account for 38.5% of the total expenses. As 80% of the buildings were built at least 20 years ago, their heating systems are outdated, the ventilation systems are either lacking or out of operation; besides, the buildings need to be modernised to increase their energy efficiency. This will improve the conditions for beneficiaries and will save public money. Therefore, it is worth supporting the energy efficiency and renewable energy projects, implemented by LPAs.

Deprivation levels by area show that access to education and health care in SDR communities is average compared with the CDR and NDR. However, the level of economic deprivation is no better compared with those two regions.

**Figure 58. Poverty level by area**



Source: SADI Report, 2009

## 2.7 Regional development institutional capacities

The SDR provides a format for regional cooperation between local public authorities and significant regional stakeholders for: (i) achieving balanced and sustainable socio-economic development throughout the territory of the region; (ii) reducing discrepancies in internal levels of socio-economic development; (iii) strengthening financial, institutional and human opportunities for socio-economic development; and (iv) supporting the efforts of local authorities and local entities focused on socio-economic development.

The SDR comprises eight rayons, second-tier level units, and **187** territorial administrative units at first-tier level. Taking into account the results of socio-economic analysis, the SDR has optimal premises on which to base development, given the development potential and opportunities. Each second administrative and territorial tier in the SDR has its own administrative organisation to coordinate the local public administrations of territorial communities. Rayons consist of urban (towns) and rural communities (villages).

The institutional framework for coordinating development processes consists of a Regional Development Council assisted by the Regional Development Agency, rayon councils, local councils and mayors' offices, as well as the NGO sector represented by civil society organisations and representatives of the private sector.

Based on the Law on Regional Development, the Regional Development Council has no legal status, consisting of rayon chairmen, mayors, and representatives of the private sector and civil society. The RDC operates according to an approved regulatory framework and has the following competences: a) approve the Strategy for Regional Development and the Regional Operational Plan, developed by the RDA; b) approve and promote regional development projects; c) represent the region and its interests in

the NRDC; d) identify disadvantaged areas; e) monitor the use of funds allocated by the NFRD for the region; f) evaluate the impact of regional project and programme implementation and the achieving of regional development objectives; g) promote inter-regional and intra-regional cooperation with public institutions and private organisations.

The RDC is assisted by the RDA, a public non-commercial institution with legal status that operates in compliance with a regulatory framework approved by the Ministry of Constructions and Regional Development. The RDA has the following competences: a) to carry out analysis of socio-economic development, develop regional development strategies, plans, programmes and projects; b) to coordinate the processes for implementing regional development strategies, plans, programmes and projects; c) to monitor and evaluate implementation of regional development strategies, plans, programmes and projects; d) to submit annual reports on the implementation of regional development strategies to the RDC, MCRD and NRDC; e) to attract non-budget funds from the implementation of regional development strategies, plans, programmes and projects; f) to provide informational, methodological and consultancy assistance to the RDC and local public authorities with regard to the balanced and sustainable development of the region; g) to provide clerical services to the RDC. During 2010-2012, the RDAs proved good institutional capacities of integrated strategic planning for their regions, focusing on sector planning, correct and efficient management of the RD budgets, responsible and transparent use of foreign direct investments in this area.

The Rayon Public Administration comprises the rayon council, as deliberative authority, the staff of the Chairman, and operational services. The main tasks of the district councils as administration forums of associated territories and communities are: (i) management of district budgets; (ii) management of district public and private property; (iii) coordination of local councils of included communities; (iv) coordination of district public services; (v) establishment of general guidelines on urban organisation and development in the district; (vi) the institution and imposition of district-level taxes and dues; and (vii) managing construction, management and upgrading of district-level physical infrastructure.

Local councils and mayors' offices are basic administrative units that coordinate development processes at the local level. The main competences of local councils and mayors' offices as regional development stakeholders are: (i) planning and managing local budgets; (ii) managing local public and private property; (iii) planning territory development and organisation; (iv) coordinating local public services; (v) establishing and imposing local-level taxes and dues; and (vi) organising construction, management and upgrading of local physical infrastructure.

In order to carry out the competences and tasks allocated to them, first- and second-tier local public authorities may develop partnerships with other public or/and private institutions, either local or foreign. The most important impediments to regional development, identified by LPAs are the shortage of funds to support specific activities and investments, such as trainings to increase the qualification of the LPA staff. With the implementation of the regional development policy in the country and establishment of the RDA as territorial structures responsible for this policy area, the investments in building the capacities of regional development stakeholders have increased. With the support of development partners, funded by EU, USA, and others trainings were organized during 2010-2012 for representatives of the first and second tier LPAs in the following areas: strategic planning and programming, partnerships in the development and implementation of RD projects, management of programme and project cycle, funding opportunities for regional projects, inter-community cooperation in the provision of public services, etc.

An important opportunity in regional development is the allocation by the EU and other international financial institutions of funds for encouraging investment in the regions and in programmes for regional development. Bearing in mind the low capacities of local public authorities, most of the funding is provided to various development projects through NGOs. Over the past years the foreign donors have become interested to channel a part of investments in the RM through Government agencies set up to implement the RD policies.

### 3. SWOT Analysis

SWOT analysis is a strategic planning method used in the SDR to evaluate the Strengths, Weaknesses, Opportunities, and Threats related to SDR. The main purpose of the SWOT analysis is to identify each factor, either positive or negative, in order to develop a structured comprehensive understanding of all the factors that determine the development of the SDR.

**Table 8. SWOT Analysis of SDR**

STRENGTHS	WEAKNESSES
Access to Danube and the existence of Giurgiuilești International Port	Absence of big cities and reduced degree of urbanization
Common border with the EU through Romania, common border with Ukraine and the existence of 7 border checkpoints	Underdeveloped industrial potential
Diversified transport network: by road, railway and river	Reduced foreign direct investments in the region
Existence of main electricity and natural gas pipelines	Insignificant energy resources and dependency on energy imports
Developed network of gas pipes in the region	Poor quality of existing infrastructure (roads, railways, water supply and sewerage networks)
Mineral resources (oil, natural gas, mineral water)	Reduced coverage of water supply and sewerage services
Favourable weather and pedological conditions for livestock breeding, wine and fruit growing	Inefficient management of public services
Existing network of agricultural processing plants (canning, dairy, meat, dehydrated fruit and flour products)	Unsustainable waste management; reduced share of recyclable waste and collected gas emissions
3 free economic zones in the region	Existing water supply infrastructure unadjusted for extensive use of surface water courses
	A low rate of localisation of economic agents in the region

<p>Existence of human potential including educated and low cost labour force</p> <p>The State University B.P. Hasdeu in Cahul as a research and innovation centre in various areas</p> <p>Network of professional schools featuring diverse programs for a wide range of trades, where labour force can be instructed according to market demands</p> <p>Regional sector strategy for the integrated solid waste management in the SDR and the newly established regional organisation "Association for solid waste management in the SDR"</p> <p>Favourable climate and geological conditions for development of health spa facilities (such as the widely known health facility Nufărul Alb, Cahul)</p> <p>The existing network of consulting service providers in the agricultural field</p>	<p>The use of old technologies In the agro-industrial sector</p> <p>Low capacity of local business to undertake development investments</p> <p>Inefficient use of land resources (high rate of land plots abandoned or lying idle)</p> <p>Underdeveloped infrastructure for collecting, storing and marketing agricultural goods</p> <p>High capital cost and limited access to funding for economic agents</p> <p>Lack of an efficient training and requalification system for the labour force</p> <p>Reduced own revenues of local public authorities and dependency on transfers from national authorities</p> <p>Reduced capacity to access funding sources</p> <p>Underdeveloped tourism infrastructure</p> <p>Large share of public buildings exhibiting a low energy efficiency profile</p> <p>Insufficient feasible regional statistical data and low capacities to conduct profound regional analyses</p> <p>Excessive fragmentation of peasants' farms and weak cooperation among agricultural producers</p> <p>Weak promotion of the region as a good destination for investments and tourism, lack of systematic publicity activities and communication, as well as lack of a tourism management system.</p>
OPPORTUNITIES	THREATS
<p>European Union proximity</p> <p>Inclusion into three operational Euro-regions and eligibility for EU cross-border cooperation programmes (Moldova–Ukraine–Romania, 2007–13; Black Sea</p>	<p>Negative demographical situation, caused by the negative natural growth and emigration</p> <p>Unfair competition generated by imported low quality goods which are marketed at</p>

<p>Cooperation, Eastern Partnership) Location of the General Consulate of Romania in Cahul.</p> <p>High priority assigned by the Government to regional development reforms and decentralisation</p> <p>Potential to develop and strengthen the wine-making industry on the basis of the local raw material and reach tradition in this area</p> <p>Establishment of clusters (sheep breeding, wine, fruit and vegetable growing, tourism) and technological incubators</p> <p>Favourable climate conditions for the production of essential oils</p> <p>Favourable legal framework for the establishment of industrial parks</p> <p>Development of connections with international road networks</p> <p>Use of natural reservations and protected areas as tourist and leisure resources</p> <p>Promoting investments on the basis of remittances</p> <p>Developing the sector of alternative energies</p> <p>Opportunity for association among economic agents within existent Euro Regions, with the view of developing and expanding supply and outlet markets</p> <p>Development of public-private partnerships</p> <p>Mounting demand for ecological agricultural goods on the European market</p> <p>Developing networks of handicraft and craftsmanship with the view of promoting tourism</p>	<p>dumping prices</p> <p>Lingering unfavourable image of the region as perceived by potential investors and tourists</p> <p>Political instability at the national level expressed through inconsistent regional development policies and/or frequent changes in the legal framework</p> <p>Fluctuating energy prices</p> <p>Continuous migration of the economically active population, including competent and highly qualified labour force</p> <p>Aridization and increased frequency of natural hazards and extreme weather conditions as consequence of the climate change</p> <p>Degradation of agricultural lands</p> <p>The lack of a clear vision on the national level which would ensure an efficient synergetic use of available development funds.</p>
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### 3.1 Strengths

*Access to Danube and the existence of Giurgiulești International Port.* The SDR has access to the Black Sea through the international port of Giurgiulesti, and is connected with international sea routes. The Port has an area of 120 ha at the crossing of international trade and transport routes, as well as river channel Rin–Main–Danube, which connects the Black Sea, 14 European states and North Sea, and European standard railway systems, as well as international road network. The Petrol Terminal (with maximum transportation capacity of over 2 million ton/year), the Cereal Terminal (1 million ton/year) and the Passenger Port (10,000 passengers/year) were finished before 2009.

*Common border with the EU through Romania, common border with Ukraine and the existence of 7 border checkpoints* The SDR has direct connection with the European Union and Romania through two border-crossing points: Cahul–Oancea and Giurgiulesti–Galati, including a rail-crossing point Cantermir–Falcu. To the east, the SDR is connected with Ukraine through four border-crossing points: Palanca–Maiaki Udobne; Tudora–Starokazacie, and two rail-crossing points: Basarabeasca–Serpneve 1 and Giurgiulesti–Reni and seven road border-crossing points, where a simplified regime is applied. This allows simple access of local products to foreign markets, facilitates the transit of goods and trips in both directions. The inhabitants of neighboring communities, neighboring on Romania, from the rayons of Cahul, Cantermir and Leova benefit of the facilities stipulated in the bilateral agreement on small border traffic.

*Diversified network of road, railway, and river transport.* All forms of transport are available through the transport network of the SDR: air, road, river, and rail. Cahul International Airport offers access to the SDR, but is not yet in use. Access by sea and river is provided by the Giurgiulesti international free port. The region has the most diversified railway network in the country. The SDR has direct railway connection to Romania and Ukraine. One of the most important railway junction is Basarabeasca, connected to localities with a high economic potential, as well as the river port Reni and Belgorod-Dnestrovsk of Ukraine.

*Existence of electricity and natural gas transportation main pipeline.* The natural gas main pipeline Grebenchi–Tocuz–Orlovka and its branches to Chisinau, Hancesti, and Leova cross the territory of the SDR. The high tension grid Anenii Noi–Causeni, running for a length of 34 km, was recently constructed. The interconnection of electric power grids from Moldova and Romania through the Falcu–Gotesti (Cantermir) line would diversify the electricity supply.

*Developed network of gas pipes in the region* The proportion of the region's communities connected to gas pipelines was 76.8% which is higher than the national average of 56.5%. The share of the households connected to gas supply in SDR is 64.6%, exceeding the national average of 12.2%, and the Center and North regions by 24.1 and 34.9 percentage points respectively. In the SDR, all households in Taraclia and Stefan Voda are connected to the gas supply. The access to gas pipes facilitates the development of industrial branches that use heating as part of the production technologies.

*Mineral resources.* Mineral resources represent a considerable advantage for entrepreneurs in the region. Bentonite, petrol, natural gas, brown coal, oolitic carbonate

of lime, limestone, breccia, marl, quartz sand, loess clay, gravel, and gritting material can provide a foundation for business, drive the region's economy. Besides, gas resources were discovered in the district of Cantemir, but this is in the initial phase of exploitation.

*Favorable climate and pedological conditions for the development of livestock, viticulture and fruit growing.* The climate conditions and fertile soil from the SDR are favourable for the development of organic agriculture and livestock, as well as for the utilisation of local sources of renewable energy, especially wind and sun energy and biofuel. The excessive fragmentation of the landscape in the region requires strict compliance with crop rotation rules and environmental-friendly agricultural technologies to avoid soil erosion and progressive contamination.

*Existing network of agricultural processing plants* (canning, dairy, meat, dehydrated fruit and flour products) The industrial potential in the SDR is represented by 54 wineries; 27 bakeries; 12 production units for cereals collection and processing; 6 canneries, 7 enterprises specialised in fruit and vegetable drying and freezing, 2 cheese factories, 2 dairy factories, 1 meat processing company. Though physically in place, most of the canneries, dairy and meat factories from Cimislia town have not been in operation for more than 10 years. This industrial potential can be harnessed if direct foreign investments are identified and promoted in the region.

*3 free economic zones in the region.* There are three free economic zones: "Tvardita" Free Economic Zone, specialized in the production of alcoholic beverages, "Taraclia Production Park", specialized in the production of ceramic piles and Giurgiulesti International Free Port. Since the beginning of its operation until 2011 the volume of investments in Taraclia FEZ constituted \$15.1 million, in Tvardita FEZ - \$12.7 million. Since 2010 Taraclia FEZ is practically not operating. In 2011 Tvardita FEZ had 282 employees, and Taraclia FEZ - 15 employees. Although the FEZs of Tvardita and Taraclia have been operational for between 8 and 10 years, their impact on the economy of the region is insignificant.

*Existence of human potential including trained and relatively inexpensive labour force.* The SDR is considered to be a traditional vine and sheep growing region. The well-known wineries (53 wineries), wine, and qualitative sheep cheese produced in the SDR are in great demand in internal and external markets. The labour force involved in these processes is highly qualified and is relatively inexpensive compared with other development regions, and is significantly less expensive than the cost of labour in Romania and Ukraine.

*The State University B.P. Hasdeu in Cahul as a research and innovation centre in various areas.* "BP Hasdeu" University has three departments: Department of Philology and History, Department of Law and Public Administration and Department of Economy, Computer Science and Mathematics. These departments have 19 areas of specialisation for the BA cycle and 6 areas for the MA cycle. The University has well equipped laboratories and promotes researches and innovations.

*Network of professional schools featuring diverse programs for a wide range of trades,* where labour force can be instructed according to market demands. In the SDR there are capacities for HR training adjusted to the labour market needs, represented by 10 vocational schools, 2 in the rayons of Cahul, Causeni and Stefan Voda and 1 in the rayons of Cimislia, Leova, Cantemir and Taraclia. About 1700 workers are trained annually in these vocational schools with training programs in various crafts and with the contribution of well-trained didactic staff.

*Regional sector strategy for the integrated solid waste management in the SDR* and the newly established regional organisation "Association for solid waste management in the SDR". The SDR is a pilot region in the RM with a regional sector strategy - "Integrated Solid Waste Management Strategy "(2012-2025), developed with the support of the Spanish International Consulting Company EPTISA as part of the EU project "Waste Governance - ENPI East "and approved by South RDC at the meeting of 27.12.2011. The estimated cost of strategy implementation is €42.3 million. The Wastes Management Association in the South Development Region was established on 20 July 2012 as a managerial body of the enterprise responsible for waste management in the SDR, which will regulation and organize the management of wastes in all administrative-territorial units of the SDR.

Association membership consists of chairs of SDR rayons and mayors of all localities from the region. The Association will attract investments, will ensure an efficient cost-benefit ration and will extend the services for the rayon centers to the surrounding localities.

*Favourable climate and geological conditions for development of health spa facilities (such as the widely known health facility Nufărul Alb, Cahul).* The region has significant resources of hot wells (Gotesti, Cantemir, Cahul) with obvious curative features but which are still not harnessed, very attractive and diverse landscapes, afforestation areas and wetlands with a relatively well preserved biodiversity, which allows developing various projects in the area. The SDR is famous for its scientific reservation Beleu, landscape reservations: Chioselia, Flamanda, multifunctional steppe areas: Bugeac, Dezghingea, Vranesti, Andriaseuca, Vinogradovca, various geological and paleontological monuments: Lucesti, Etulia, Cismichioi, Hadjimus, Farladieni, multi-layer paleolithic and neolithic settlements, plenty picturesque monasteries, etc.

*The existing network of consulting service providers in the agricultural field.* There are many national and local NGOs active in the South regions. ACSA network of consultancy and training service providers in agriculture offers continuous training and free counseling, thus ensuring a more efficient use of agricultural lands via the use of modern technologies. This support is a huge advantage for farmers.

### 3.2 Weaknesses

*Absence of big cities and reduced degree of urbanization.* There SDR doesn't have any municipality in its structure. Most of the population (75%) lives in urban settlements. As a consequence, about 36% of the active population is working in agriculture.

*Underdeveloped industrial potential.* The region has undeveloped industrial potential. The city of Cahul represents the most important industrial centre. The most important industrial agglomerations are clustered in the following fields: (i) production of textiles; (ii) food and beverages industry; (iii) impounding, treatment and water supply; (iv) timber felling and the manufacture of wooden items; and (v) clothes manufacture, and fur processing and dyeing.

*Reduced foreign direct investment in the region.* Foreign direct investments calculated cumulatively per capita in the SDR represent only \$26 (ten times less than the national average). Even though a many of their activities are undertaken in the region, friendly foreign companies prefer to register in the capital city.

*Insignificant energy resources and dependency on energy imports.* As about 98% of energy resources are imported, there is a full dependency on the external energy sources. The fluctuation of energy costs influence significantly the cost of production and competitiveness of local products. The danger is even higher for the SDR, as it

doesn't have any hydro- or thermal power plant. Energy dependency can be minimised by connecting to the European energy supply system. A perspective project refers to the construction of the Falciu-Gotesti line (Cantemir), which would connect the Moldovan power network to the Romanian one.

*Low quality of existing roads.* The total length of public roads in the SDR is 22.4% of the total length of roads in the Republic. Of these, 37.7% are paved national roads, and 62.3% are local roads, of which 89.9% are paved roads. The density of public roads in the SDR is 28.8 km/100 km<sup>2</sup>, the lowest indicator compared with the CDR and NDR, which is lower than the national average. The condition of the roads is deplorable and needs urgent attention. Although some communities have access to paved roads, the access to those is practically impossible during rainy weather.

*Reduced coverage of water supply and sewerage services* In 2011 the density of water supply pipes constituted 26.63 km/100km<sup>2</sup>, exceeding the Centre and North Regions, but still under the national average. The sewerage system covers only 20.1% of the system. In terms of coverage of the settlements with water supply systems, Leova and Cantemir are the most deprived rayons. As a result, the water consumption per capital is the lowest in these rayons. Regarding the operability of the existing systems, the rayons of Taraclia and Cantemir are in the most difficult situation. In terms of the captured/delivered water, the rayons of Basarabeasca and Taraclia are in the worst position. Moreover, the water quality in the SDR is low. According to the tests conducted during the past years, in 75-80% of the water samples collected from the wells and springs of the region the content of nitrates exceeds the admitted norms for drinking water. The water supply networks, cleaning plants and sewerage systems for waste waters are old, incomplete, based on outdated technologies, unfriendly to the environment.

*Inefficient management of public services.* In the SDR the waste management system covers only urban areas, and the collection rate for the entire region is about 25%. Besides, the lack of a clear and accurate waste management monitoring prevents its optimal operation. Most communities from the SDR, that have water supply and sewerage systems need to reorganize and upgrade the legal forms of the respective operators. That is why it is necessary to set up regional operators to manage both the water supply and sanitation service, and waste managements; they will manage funds more efficiently and will be more trustworthy in relation with foreign donors.

*Unsustainable waste management;* reduced share of recyclable waste and collected gas emissions. In the SDR the infrastructure and management of solid domestic waste is underdeveloped, both quantitatively and qualitatively. Soil, water, and air are heavily polluted, mainly due to the lack of systems for integrated waste management and an underdeveloped system for the collection of solid and liquid waste, including toxic waste, low rates of waste recycling. The region has a very high share of toxic waste buried in the soil and subsoil. Decontamination of these areas with fertile soil requires the promotion of projects to plant walnut trees on them to produce valuable wood resources, or other appropriate species.

*Existing water supply infrastructure unadjusted for extensive use of surface water courses.* The rayons of Leova and Cantemir, though the Prut river passes through their administrative territory, are the most underprivileged rayon from the SDR in terms of water supply infrastructure. In the SDR the water supply and sewerage systems are used only in proportion of 25-30% of their capacity, the water intake capacity and water cleaning plant is used in proportion of less than 30%. Actions are recommended to extend the network beyond Cahul in order to use the currently unused capacities.



*A low rate of localisation of economic agents.* While the number of enterprises is steadily growing, their distribution is somewhat low, with 44 companies per 10,000 inhabitants in 2010, which is lower compared with other regions and 2 times less than the national average. Similarly, the spatial distribution of enterprise sales is not uniform; the difference between districts is in decimal fractions.

*The use of old technologies in the agro-industrial sector.* RDS is an agricultural area, with the highest number of people involved in agriculture in the country. But the technologies used for the production and marketing of agricultural products are outdated and not efficient any more. Due to the lack of a proper infrastructure for the collection, processing, storage, packaging and procurement of agricultural products, those 36% of the population have very low revenues. The presence of the needed infrastructure would increase the prices for agricultural produce, would generate value added that would stay in the region and would offer job opportunities throughout the year.

*Low capacity of local business to undertake development investments.* The SME sector is underdeveloped in the SDR. This is determined by the insufficient business support infrastructure, business incubators, industrial parks, technological centers, etc.; high start-up costs, insufficient cooperation between the LPAs and business entities from the region; administrative barriers encountered by SMEs when starting up and extending their businesses.

*Inefficient use of land resources* (high rate of land plots abandoned or lying idle). The agricultural producers and farmers encounter difficulties in marketing their products and maintaining a constant level of revenues. This makes many farmers decide to quit their farming business. As a result, according to the agricultural census of 2011, 14% of the agricultural lands are not used.

Underdeveloped infrastructure for collecting, storing and marketing agricultural goods. The agri-food sector is not used sufficiently, at the full production capacity of the SDR. This situation is determined by the absence of an appropriate infrastructure for the collection, storage and marketing of agricultural produce, inefficient distribution chain, limited access of producers to sales markets, lack of cooperation between agricultural producers from the SDR.

*High capital cost and limited access to funding for business entities.* According to data from National Bank of Moldova, in July 2012 the banks extended loans to business entities in Moldovan lei at an average interest rate of 13.20%, the cheapest being the loans for a period of 6 to 12 months with an average interest rate of 12.29% and over 12 months of 12.53% respectively. High interest rates limit the access of companies, especially SMEs, to financial resources and, thus, impede the development of the private sector.

*Lack of an efficient training and requalification system for the labour force.* The vocational schools train young people on the basis of outdated curricula, and the specialties and qualifications do not meet the labour market requirements. There are no training courses in entrepreneurship. All these influence negatively and directly the social sector.

*Reduced own revenues of local public authorities and dependency on transfers from national authorities.* Due to generally inefficient economic activity in the rayons, due to a large number of enterprises that are active in the region being registered and paying taxes in Chisinau, and due to the deficient system of tax distribution between the government and the regions, in 2010 the proportion of own revenues in the budgets of all districts from the region was less than 50%. The remaining of necessary expenditures of regional public authorities is financed from transfers from the state budget. This limits the flexibility of local and regional authorities to direct resources to local priorities and to finance expensive infrastructure projects. Between 2004 and

2008, the average public expenditure per capita<sup>7</sup> in the SDR was about MDL 1147 (about \$100/€70). For comparison, in 2008 the total public expenditures of Galati County were RON 256,884,500, which represents almost €1000 per capita (10 times more than in the SDR).

*Reduced capacity to access funding sources.* The requirements of the regional and EU funding programs are very complex, and require specific knowledge and abilities. As a result of the survey conducted in 2011 among representatives of local authorities by the Institute for Development and Social Initiatives (IDIS) "Viitorul", most administrations do not have experience of inter-communication cooperation. Thus, 71.8 % of the interviewed respondents declared that their community is not part of any consortium that could implement a joint project. Thus, a critical area of interventions is enhancement of the capacity of inter-community cooperation by supporting joint regional projects covering a number of communities and enhancement of the legal framework to facilitate cooperation among local administrations. Another problem is the limited number of staff available in the local authorities (ranging from 4 to 11 persons, depending on the number of inhabitants). As the financial resources are limited, there is no doubt that the human resources are a key element for the capacity of local authorities to develop project proposals, as well as their capacity to implement projects.

*Underdeveloped tourism infrastructure.* Though some rayons of the region (Cahul, Stefan Voda, Causeni) have a touristic potential, it is not harnessed fully, mainly due to the lack of proper supporting infrastructure.

*Large share of public buildings exhibiting a low energy efficiency profile.* Most public buildings are based on old designs, with a high consumption of heating, i.e. low energy efficiency leading to high maintenance costs.

*Insufficient feasible regional statistical data and low capacities to conduct profound regional analyses.* A series of statistical indicators are computed only at the national level. When data are collected on the basis of samples, these samples are not structured by regions. Besides, in many cases the feasibility of statistical data is not ensured, which makes it more difficult to interpret the data and establish cause-effect relations between the socio-economic phenomena. At the same time, the access to the public databases is oftentimes limited. The above-mentioned aspects constitute a significant barrier to the development of quality regional studies.

*Excessive fragmentation of peasants' farms and weak cooperation among agricultural producers.* The small agricultural plots, predominant in the SDR do not allow economies of scale and hinder large-scale investments, which could contribute to the enhancement of the technological state and modernization of the primary sector of the SDR economy. However, the small agricultural producers has a weak negotiation power with the business entities specialized in the distribution and sales of agricultural products. The lack of a developed storage facility limits even more the possibilities of placing the agricultural products on the regional markets. At the same time, the measures carried out by NGOs to promote cooperation and association of farmers failed to achieve the expected effect.

*Weak promotion of the region as a good destination for investments and tourism,* lack of systematic publicity activities and communication, as well as lack of a tourism management system. Currently, the SDR does not have an efficient system for the management of touristic sites, neither at the regional nor at the rayon level. They didn't develop any regional database, which would allow a full inventory counting of touristic sites, an evaluation of their potential and establishment of the needed measures to harness this potential. The activities carried out to promote the region are not

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<sup>7</sup> These expenditures do not include the non-refundable finance and other sources of funding received from the projects, or from grants offered by international finance organisations.

systematic and have had a limited impact. As a result, the SDR is very little known on the international arena as a potential target for investments and tourism.

### 3.3 Opportunities

*European Union proximity.* Geographical proximity to Romania, an EU member state, could bring important commercial, economic, and social benefits. Moreover, over the last few years, new opportunities have been found for cross-border cooperation. There are two cross border points with Romania in the SDR (Cahul–Oancea and Giurgiulesti–Galati), as well as a railway junction at Cantemir–Falcu.

*Inclusion into three operational Euro-regions* and eligibility for EU cross-border cooperation programmes (Moldova–Ukraine–Romania, 2007–13; Black Sea Cooperation, Eastern Partnership). Most rayons of the SDR are members of three Euro-regions – the Lower Prut, the Siret–Prut–Nistru, and the Black Sea. The rayons of Cahul, Cantemir, and Leova are also part of the Prut Cross-border area. This allows for participation in certain joint projects and for the attraction of investments in different areas – social, economic, environmental, and infrastructure. Opportunities for funding some projects, including infrastructure projects, are provided by two large programmes: the Joint Operational Programme Romania–Ukraine–Moldova, 2007–13 (€126 million) and the Black Sea Basin Programme (€17 million).

*Location of the General Consulate of Romania in Cahul.* An opportunity for the SDR refers to the organization by the consulate of a number of educational and cultural activities and establishment of economic partnerships through economic forums, etc.

*High priority assigned by the Government to regional development reforms and decentralisation.* The Government prioritised in September 2009 the regional development reforms and decentralisation; these subjects are prominent in the governmental programme. Moreover, the Government is reforming the institutional framework responsible for decentralisation, by transferring authorities to the State Chancellery. If properly implemented, decentralisation – especially the decentralisation of public finance – could significantly strengthen the capacity of the regions to allocate resources to local development priorities.

*Potential to develop and strengthen the wine-making industry on the basis of the local raw material and reach tradition in this area.* Thanks to the geographical location and climate, the South Development Region is appropriate for grapes harvesting. The region provides about 50% of the raw materials to the country's grapes processing facilities. In 2011, the SDR produced 58% of the country's grapes volume. Given the increased potential for grapes production, favourable climatic conditions for growing this crop, the presence of 54 factories for grape processing, producing and bottling of wine in the region, the existence of a developed system of railways and the international port Giurgiulesti, the SDR can become the production and export centre for high quality wines. The wineries "Ciumai" and "Purcari" represent the business card of the SDR and are well known worldwide.

*Favourable legal framework for the establishment of industrial parks.* Law no. 164 of 13 July 2007, approved by the RM Parliament regulates the establishment and operation of industrial parks, as well as the modality of funding their technical and production infrastructure.

*Development of connections with international road networks.* More projects can contribute to region's integration in European and world international flows: the construction of a highway between Criva and Giurgiulesti would ease road traffic and carriage transports – in particular, it would connect the north and the south of the



country where the oil terminal, sea, and passenger port is located. This project would also include the construction of three bridges over the Prut River.

*Develop the infrastructure supporting the entrepreneurial environment* (industrial areas, business incubators, free economic zones). Though there are 3 free economic zones in the SDR, 2 in Taraclia rayon and 1 in Cahul, their potential is not yet harnessed fully. The two business incubator, opened in 2011 in Stefan Voda and Leova are part of the efforts of business infrastructure development in the SDR. Now they are working to identify potential donors who will fund the establishment of an industrial park in Chimislia.

*Establishment of clusters (sheep breeding, wine, fruit and vegetable growing, tourism), industrial parks and technological incubators.* Clusters represent an entrepreneurial grouping, a union of companies from related sectors that interact vertically and horizontally in the value chain in a common infrastructure located in a common geographical area, and having the purpose of finding common buyers and suppliers, or using common technologies. There is potential for cluster development in certain fields in the SDR such as viticulture, sheep, fruit and vegetables growing, and tourism. Additionally, the railway junction in Cantemir could be established as a successful industrial park.

*Favourable climate conditions for the production of essential oils.* The SDR with the steppe conditions and semi-arid climate conditions represents a potential for the development of oil cultures, which are easy to take care of, very scarce on the local market and in high demand on the international markets. The Leova and Cantemir rayons used to be leaders in the production of these cultures. The industrial potential used to consists of 3 specialised factories, 2 in Leova and 1 in Cantemir. Currently all factories are not in operation. As essential oils are in high demand on the European markets, these cultures represent an unused potential of the SDR.

*Use of natural reservations and protected areas as tourist and leisure resources.* The tourist potential of the region is undeveloped, but there are epotential resources for that. The tourist infrastructure includes: 20 functional hotels, over 15 museums, two stations for young biologists, one 'green museum' that is unique in the Republic of Moldova (Stefan Voda district), six monasteries, Purcari and Taraclia wineries included in Wine Road, a spa resort at Nufarul Alb with thermal mineral springs, Valul lui Traian, Valul lui Isac, architectural historic monuments from the sixteenth, seventeenth, and eighteenth centuries, and Adormirea Maicii Domnului Church in Causeni. The development of tourism, especially rural tourism, is a priority for the SDR, especially due to its proximity to international railways (for example, the Danube Delta).

*Promoting investments on the basis of remittances.* Investments can be attracted to develop the economy in the region through the pilot programme "PARE 1+1", which aims at attracting investments in the economy. The financial, human and social capital, accumulated by migrants abroad could impact considerably the economic and social development through investments in new revenue generating businesses.

*Developing the sector of alternative energies.* In the current conditions focus is laid on the use of alternative energy sources, also know as renewable energy sources. In the SDR there is potential to use son energy, biofuel, etc. thanks to the existing advantages: unlimited availability, can be used locally, are econogical, do not generate CO2 and are energy efficient.

*Opportunity for association among economic agents within existent Euro Regions, with the view of developing and expanding supply and outlet markets.* Associations offer the advantage of saving costs and mitigating risks. Cooperation is an advantage for individual producers, who are subjected to market risks. Association facilitates the incorporation of small agricultural and non-agricultural producers in the national and

international economic flows, acting for the purpose of promoting the economic interests of their members.

*Development of public-private partnerships.* To attract private investments for the implementation of projects of public interest, enhance the efficiency and quality of services, public works and other activities of public interest and use efficiently the public property and public money, the RM Parliament approved the Law on Public-Private Partnership no. 179 of 10 July 2008, which establishes the main principles of public-private partnerships, forms and ways of implementation, launching and implementation procedure, rights and obligations of the public and private partners. Practical examples of the implementation of this Law are the investment projects on territory development, rehabilitation of social and cultural objects, particularly schools and kindergartens, as well as a number of social projects.

*Mounting demand for ecological agricultural goods on the European market.* The organic agriculture system has the role of producing cleaner food, which is more appropriate for the human metabolism, in full correlation with environment conservation and development. The objectives, principles and norms applicable to organic products are stipulated in the EU legislation. Organic agriculture is a dynamic sector in the EU, which developed significantly recently, both in plant and animal production areas.

*Developing networks of handicraft and craftsmanship with the view of promoting tourism.* The existing customs, occupations and traditions, which are well kept in our history, especially in the rural area, represent a potential for the development of craftsmanship and handicraft, in parallel with the local traditions and products, that can be made available to tourists.

### 3.4 Threats.

*Negative demographical situation, caused by the negative natural growth and emigration.* The population of the SDR account for 13% of the total population of the Republic of Moldova. The natural growth rate is declining moderately, being the lowest among all development regions. The density of the population in the region is 73.3 inhabitants/km<sup>2</sup> on the average, the lowest among the development regions.

*Unfair competition generated by imported low quality goods which are marketed at dumping prices.* The important products are cheaper, but of lower quality. This is an impediment for the local producers, who cannot promote the local products, though they have a higher quality.

*Lingering unfavourable image of the region as perceived by potential investors and tourists.* This situation is caused by the lack of a proper physical and economic infrastructure to support entrepreneurship, failure to harness fully the agricultural and touristic potential, lack of qualified human resources due to the migration of economically active population, failure to promote the existing potential of SDR. The increasing competition among the countries, regions and localities to attract investments and tourists penalizes the regions perceived as instable, dangerous or uninteresting, with negative repercussions on the social and economic situation. Currently the SDR ranks the last in the country in terms of volumes of foreign direct investments per capita, this indicator being almost 10 times lower than the country's average. The touristic sector is only at the initial stage of development.

*Political instability* at the national level expressed through inconsistent regional development policies and/or frequent changes in the legal framework. The financial and economic crisis may worsen significantly the social and economic situation of the region through lower investments and exports, and higher unemployment rates, etc. The political instability in the country, including legal instability, may be a severe obstacle for investment attraction and enhancement of the region's competitiveness.

The delays with the implementation of the Law on Regional Development in the Republic of Moldova (of 28 December 2006), delays with the development of the institutional framework and implementation of the funding mechanism generate the mistrust of regional players, foreign donors, and as a result, lead to losses of important development funds

*Fluctuating energy prices.* As about 98% of energy resources are imported, there is a full dependency on the external energy sources. The fluctuation of energy costs influence significantly the cost of production and competitiveness of local products. The danger is even higher for the SDR, as it doesn't have any hydro- or thermal power plant. Energy dependency can be minimised by connecting to the European energy supply system. A perspective project refers to the construction of the Falcui-Gotesti line (Cantemir), which would connect the Moldovan power network to the Romanian one

*Continuous migration of the economically active population, including competent and highly qualified labour force.* Migration is still a major problem and affects the development of the region. Lack of new jobs and a decrease in the number of pre-existing jobs limits the employment opportunities of the labour force. The lack of work experience of the young members of the labour force reduces their chances of finding employment, which causes their migration to other countries in search of better-paid jobs.

*Aridization and increased frequency of natural hazards and extreme weather conditions as consequence of the climate change.* The SDR is the warmest and most arid region of the country, the daily temperature being two to three degrees higher than in other region. Climate change in recent years has brought about soil degradation, and a higher frequency and degree of natural hazards. Force-majeur conditions are factors that may endanger the agricultural sector and, implicitly, the population's level of living.

*Degradation of agricultural lands.* This situation is caused by the arid climate conditions, soil erosion, abandonment and failure to work the agricultural lands, excessive fragmentation of the land, lack of irrigation systems, practice of subsistence agriculture, which is unfriendly to the environment.

*The lack of a clear vision on the national level which would ensure an efficient synergetic use of available development funds.* The existing budgetary funds in the priority RD areas (Road Fund, Ecological Fund) should be managed in an integrated manner, on the basis of co-funding principles (when needed). Currently there is no synergy in using these funds.

### 3.5. Conclusions

The SDR is the smallest development region of Moldova, and it has the lowest Gross Value Added (GVA) per capita. However, during the last few years, and because of the development of the International Giurgiulesti Free Port on the River Danube and its related infrastructure, the SDR has started to apply the advantages offered by its favourable geographical location between Romania and Ukraine, near the ports of the Black Sea, to become an important access point for the Republic of Moldova.

The SDR has a diversified transport network (road, railway, river, and air). Besides its proximity to the river port, the SDR has some important railway junctions connected to locations with high economic potential, as well as the river ports of Reni and Belgorod-Dnestrovsk, Ukraine. This facilitates the movement of goods, services, and human resources, and can serve as a solid instrument for future trade development.

The SDR is very specialized in agriculture. The warm climate and high fertility of the soil are favourable for the production of goods with high added value and for the development of some activities with important economic potential, such as viticulture,

and the breeding of sheep and cattle. Additionally, the SDR has an extended infrastructure of wineries and rich wine traditions.

Though industrial capacities for agricultural products processing are in place, they are not harnessed fully. All canneries from the region have been out of operation for a long while already. None of the 4 dairy factories is in operation, either. The meat processing factory of Cimislia, one of the largest and most modern factories from the 1990's has been out of operation since 2001. About 90% of the grapes processing factories are underused.

There are 3 free economic zones in the region: two in Taraclia and Giurgiulesti International Free Port. But none of these zones uses fully their status to carry out profitable economic activities for the prosperity of the SDR.

The agricultural production is low and subsistence (consumption oriented) agriculture is predominant. Agricultural surplus is not collected and processed; the market for local agricultural products is undeveloped; agricultural planting is not diversified to consolidate the regional food products and to become attractive to urban markets. These processes happen mainly because of the use of obsolete technologies, the growing of weak seed materials, undeveloped commodity markets, and poor entrepreneurship traditions. At the same time, high capital cost and limited access to financing together with regulatory constraints and risks do not favour investment in equipment and modern technologies, and limit business development and new job creation.

As in other regions, a constant lack of public investment has led to significant deterioration in the roads, railways, and public utility infrastructure. This situation causes the increase of transport costs; restricts the movement of goods, services, and human resources; and not only affects economic activity, but also human development. The degradation of small towns that today are no longer points of attraction at any level, and the lack of a clearly profiled town as a centre of regional development have led to a spontaneous, chaotic, and unbalanced development process. The gaps between the living standards in the regions and Chisinau, as well as the territorial development of the region (especially between urban and rural areas) are worsened by these circumstances. Consequently, the migration flow has intensified and, together with a negative demographic rate and an ageing population, contributes to growth of a deficit of skilled labour.

The activities of public administration, intended to promote internationally the region as an appropriate place for investments and leisure time are limited and not systematic. The region does not know how to present itself on the world arena as a proper place for investments, benefit for both sides: both investors and SDR inhabitants. The touristic services are underdeveloped and the arrival (destination) management is practically non-existent.

The infrastructure for secondary education is enough, however it fails to produce the qualifications required by the labor market. This area is in need of alignments that can be achieved through the cooperation of the private sector with educational institutions on the development of curricula, organization of internships and practical courses for students of vocational schools, etc.

The lack of statistical data in a number of areas limits the possibilities of local public authorities to analyze the real situation in a number of economic sectors for targeted interventions and a more efficient management at the regional level

Recently the extreme weather conditions have recently intensified. These damage the economic activity, especially in the agricultural and agro-industrial sectors, and sometimes even paralyse the activity of some areas for a period. A desertification process has been noticed in the SDR, which seriously limits the competitive

advantages in the development of some agricultural branches and has severe consequences on the region's population. In the absence of mechanisms for adaptation, these events could severely affect the region's development.

Promotion of a regional development policy and the enhanced emphasis of the government on decentralisation can create favourable conditions for the implementation of projects at regional level, which would eliminate the weaknesses the SDR experiences. Moreover, proximity with the EU opens up new opportunities, both for economic agents in the region and public authorities that have direct access to cross-border cooperation programmes financed by the EU. Use of national and external funds for the rehabilitation of regional infrastructure, implementation of business support programmes, and the development of environmental conditions will eliminate the impediments to economic development and will accelerate the multilateral development of the SDR.

The analysed weaknesses can be transformed into opportunities by developing the services in agriculture, promoting new technologies and the organisation of commodity markets, formation of a favourable entrepreneurial environment supported by the efficient functioning of centres for assistance and local support to SME development, cooperation between districts and creation of a common development network based on partnerships (between towns, districts), as well as establishment of industrial zones, technological parks and business centres.



## 4. Strategic vision

### 4.1 Vision

The strategic vision of the South Development Region shows a realistic, credible, and attractive prospect for the region. The strategic vision describes a set of basic ideals, priorities, principles and values on which the development of the region is based, as well as the elements that differentiate the region as a separate entity.

The strategic vision of the SDR coincides with the strategic vision of the entire country, set in the Constitution and the National Development Strategy for 2012–2020, as well as in the National Strategy for Regional Development.

The strategic vision of the SDR reflects the consensus and aspirations formulated by different stakeholders interested in the development of the region, who are the representatives of the public authorities, private sector, and civil society.

SDR will become a dynamic and prosperous region, with an efficient and sustainable economy based on an innovatory approach, with a modern physical infrastructure, with developed human capital, attractive for investors and tourists, ensuring a high level of living for all inhabitants of the region.

To fulfill the strategic vision of the SDR, an overall objective and a set of specific objectives were formulated:

#### Overall objective:

Develop a prosperous region with a balanced economic growth by:

- implementing modern, innovatory and environmental-friendly strategies,
- extend and modernize the public infrastructure and promote inter-community cooperation,
- comply with the principles of sustainable development,

thus enhancing the attractiveness for investors and tourists, ensuring a high level of living for inhabitants, regardless of their place of residence on the territory of the South Development Region.

#### Specific objectives:

- Rehabilitate and develop the public infrastructure, to enhance the investment attractiveness and offer better living conditions to the population of SDR
- Develop the economic potential of the SDR to foster employment and decrease the emigration of the population
- Enhance and protect the natural environment through appropriate waste management, protection of natural habitats, development of alternative sources of energy and protection against natural disasters
- Develop the touristic potential by modernizing and rehabilitating the touristic and cultural infrastructure and promoting touristic attractiveness

- Improve the energy efficiency of public buildings and use renewable energy sources to minimize the maintenance costs and protect the environment
- Support the community with a growth potential and exclude marginalization of deprived areas
- Encourage regionalization of public utility services by supporting the inter-community cooperation and developing partnerships for the provision of quality services in the community
- Foster cross-border and euro-regional cooperation in the context of European integration aspirations by establishing partnerships between local collectivities from the border regions and implementing joint projects in the region

## 4.2 Identification of priorities

The economic analysis of the region, as well as the SWOT analysis, indicates a number of factors, which influence the development of the region. These factors either act as constraints to growth or point to certain advantages for the region compared with other development regions, both inside the country and in the immediate neighbourhood. The strategic vision, on the other hand, offers a long-term perspective for the development of the region. Combining the analysis of the situation at present and the vision for its future, one can identify certain guidelines that the region is seeking to follow in its development.

Identification of priorities, however, will not respond only to the multiple needs of the region. It is necessary to admit that the public resources are limited compared with the projects that could be implemented. Therefore, regional efforts need to be focused on activities capable of eliminating the most fundamental constraints and achieving the greatest benefits with multiple effects across many sectors.

The analysis clearly reveals significant disparities between Chisinau and the regions, and between the urban and rural settlements in the region. The poor condition of physical infrastructure appears to be a fundamental factor, which generates and deepens this disparity by increasing transportation costs and limiting the movement of goods and people. At the same time, the economic potential is limited by reduced opportunities to initiate other economic activities, both in urban and rural regions. Therefore, increasing the efficiency of the agricultural and the agro-industrial sectors, together with encouraging greater diversity of economic activities that would bring alternative revenues, appear to be of critical importance.

It is important to improve the energy efficiency of public buildings, as well as use renewable sources of energy to minimize the maintenance costs of public buildings and protect the environment.

Besides, economic development should not damage the environment. Environmental conditions can have a significant effect on livelihoods and the attractiveness of the region, both for the local population and for visitors.

Consequently, the priority activities were identified for the implementation of the Strategy's objectives:



- 1. Rehabilitation of physical infrastructure**
- 2. Economy diversification and support to private sector development**
- 3. Improvement of the environment and attractiveness to tourists**

Each of the identified priorities will be complemented with energy efficiency measures. These priorities are inter-connected and their consistent implementation will accelerate the development of the region.

#### **4.3 Regional partnerships**

Achievement of the strategic vision of the South Development Region and implementation of these priorities will not be possible without the active participation of the entire society in the implementation of the Regional Development Strategy. The strategy has been developed in a participatory way, with substantial participation from private enterprises, NGOs, different tiers of public authority and ordinary interested persons. This needs to be followed by a transparent, equitable, and efficient implementation of the programmes agreed in the RDS.

The culture of cooperation among different regional actors needs to be promoted at all levels. The Regional Development Council is composed of locally elected officials representing different parties, business people, social workers and experts in various areas. It is anticipated that such regional partnerships will be also created during the implementation of other regional development projects. The achievement of the Strategy objectives can only be achieved through a combination of efforts working within regional partnerships.

## 5. Priorities

The social and economic analysis of the region allowed identifying a number of areas for interventions, needed to achieve a sustainable and balanced development. Taking into account, however, the funding possibilities and the strategy implementation period, a number of priority areas were identified. The measures, rationale and priority areas for investments are presented below.

### Priority 1. Rehabilitation of physical infrastructure

#### Measure 1.1. Rehabilitation, modernisation and extension of water supply and sanitation systems.

Enhanced access to WSS systems will not only improve the quality of life for SDR inhabitants, but will also create the needed preconditions for a higher productivity and competitiveness, especially in agriculture. Access to WSS systems is higher in the SDR than in other regions. The connection rate to WSS systems reaches 54%. Besides, the water consumption in SDR is higher than in other regions. However, there are different differences within the region. The Cantemir and Leova rayons rank the last in terms of density of water supply and sanitation networks and water consumption. Therefore, the two rayons are in need of more investments in the WSS infrastructure. The share of operational WSS systems in the region is quite high, reaching 93 % of all networks, exceeding the country's average of 89%. However, it is necessary to modernize certain portions of the system, especially in the rayons of Taraclia and Cantemir, where only 85% of the existing system may be deemed as operational. The quality of water is lower in the rayons of Basarabasca and Taraclia. Regarding the sources of drinking water, it is recommended to target the investments towards using the surface waters, such as the Prut and Nistru rivers.

Regionalization of the WSS services, which could be a solution, needs to be promoted among LPAs. Service regionalization is a seldom procedure in the region. The WSS systems are fragmented, especially in Causeni and Cimislia.

Existence of a strong WSS operator should be viewed as a precondition for sustainable investments. The interventions in this sector should be aligned to the Strategy on Waster Supply and Sewerage Services for the Communities of the Republic of Moldova, which stipulates:

- utilization of surface waters (for SDR - the Prut and Nistru rivers)
- promotion of principles of market economy for the water supply and sewerage services,
- extension of the centralized water supply and sewerage system and enhancement of people's access to these services.

#### Measure 1.2. Construction, rehabilitation and modernisation of regional and local roads.

Investments in road infrastructure are essential for the attainment of this priority goal, as well as of the specific objective to "rehabilitate and develop the public infrastructure, to enhance the investment attractiveness and offer better living conditions to the population of SDR". The density of public roads is the lowest in the region. The SDR is in general well connected to the Centre Development Region and the capital city. However, the poor condition of the roads that cross the region from the West to the East (R47, R26, R30) contribute to the fragmentation of the region. A high number of communities do not have paved roads of access to the network of public roads. Most of the communities without paved roads of access are in the rayons of Cantemir (12%), Leova (10%) and Cimislia (8%). The local roads are in a poor condition and require

rehabilitation. In terms of the repaired and newly built roads, the most underprivileged rayons are Stefan Voda and Cimislia, where the share of roads repaired or built over the past 5 years is under 20%.

The interventions in road infrastructure need to increase:

- connectivity of communities with a growth potential
- connectivity of the communities located in the vicinity of communities with a growth potential
- accessibility to objects of strategic importance, such as the airport of Cahul, Giurgiulesti port, Nufărul Alb healthcare facility of Cahul, etc.

### Measure 1.3. Rehabilitation of access ways to border crossing points.

The South Region borders directly on Ukraine and Romania, which was identified as a strength of the region. However, to harness fully this potential it is necessary to have the border crossing points well connected to the network of public roads. The interventions made under this measure will focus specifically on the rehabilitation and modernization of the access roads to border crossing points.

### Measure 1.4. Enhancing the energy efficiency of public buildings.

The costs of heating public buildings account for 38.5% of all maintenance costs. Taking into account that 80% of the public buildings were built at least 20 years ago, the heating systems are outdated and there is limited insulation, most public buildings have low energy efficiency. The interventions made as part of this measure will decrease the maintenance costs and will improve the beneficiaries' level of comfort. Energy efficiency projects will aim at increasing the efficiency of energy consumption via different methods, or will install solar panels for hot water.

Implementation of projects focused on **Priority 1** will be monitored on the basis of the following output indicators:

Output indicators

Indicators	definition and unit of measurement
Number of projects implemented in the construction/rehabilitation of physical infrastructure	No.
Length of rehabilitated / constructed water supply and sanitation network	km
Number of wastewater cleaning plants rehabilitated / constructed	No.
Number of regional WSS services created	No.
Capacity of the water supply and sanitation systems	(m3/day)
Length of rehabilitated/constructed roads	km
Rate of rehabilitated/constructed roads in the total length of roads	%
Length of roads (access ways) to border crossing points constructed / rehabilitated	km

Number of public buildings with an enhanced energy efficiency profile	No.
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## Outcome indicators

Indicators	definition and unit of measurement
number of natural and legal persons having access to improved water supply /sanitation services;	No.
Volume of investments attracted in physical infrastructure	thousand lei
Average number of communities served by one WSS operator;	No.
Number of beneficiary communities connected to a constructed/rehabilitated road	No.
Number of passengers	persons/km/year
Volume of transported merchandise	tons/km/year
Enhanced access for visitors, tourists and potential investors in SDR	%
Rate of energy expenses decreases	%

## Impact indicators

Indicators	definition and unit of measurement
Low poverty level (absolute and extreme) in the SDR	%
Low emissions of greenhouse gas, CO2 equivalent	CO2eq/MJ (grams)

**Priority 2. Economy diversification and support to private sector development****Measure 2.1 2.1. Development of business infrastructure by establishing and consolidating business incubators, consulting and business development centres, regional exposition centres and industrial parks.**

The industrial sector in SDR is less developed than in the other regions. As an example, the industrial output per capital in SDR constitutes about 7% of the indicator in Chisinau and about 32% of the industrial output per capital in Gagauzia TAU. Only 11% of the economically active population of the region are employed in industry. The rayons of Taraclia, Cahul, and Stefan Voda are the most advanced in terms of industrial development. Leova and Cimislia are at the opposite extreme. SME sector is underdeveloped in SDR. SMEs account for only 5% of all SMEs in the country. However, the SME sector is represented better in Cahul, Taraclia și Causeni. Taking into account the development of the industrial sector and SME activity, the investments in business infrastructure will have a stronger impact if they are made in the rayons of Cahul and Taraclia. In the case of Cimislia rayons, through it ranks among the last rayons in terms of industrial output, the diverse existing infrastructure, which currently is not harnessed, represents an opportunity to develop the industrial sector in the SDR.

**Measure 2.2. Developing the infrastructure for the collection, processing, storage and marketing of commercial goods.**

The agricultural sector in SDR is more developed mainly thanks to the production of grapes, fruit and cereals (the production of grapes covers 50% of the total production of grapes in the Republic of Moldova). Nevertheless, the industrial infrastructure does not have enough capacities to produce good with high value added, but only fresh fruits and vegetables and as raw materials (except for wine, even if the wineries do not process the entire harvest of grapes from the region). This limits the producers' opportunities to sell their products on the market, as most products are perishable and need to be sold immediately after harvesting, i.e. at a lower price. The region does not have the needed infrastructure for the collection, processing, storage and marketing of agricultural produce.

This measure refers mainly to the development of the industrial infrastructure, in particular in the area of fruit and vegetable production. The investments will be made specifically in the areas specialized in fruits and vegetables harvesting, particularly Stefan-Voda, Cahul and Cantemir.

**Measure 2.3. Supporting the adaptability of labour force to current market demands.**

The SDR faces a shortage of qualified labour force, which is not aligned to the needs of the labour market. In this context, it is necessary to study the labour market needs and promote a stronger cooperation between vocational schools and the business sector. This measure corresponds to priority no. 1 "Education: relevant for the career" from the National Development Strategy of the Republic of Moldova for 2012-2020. According to the above-mentioned strategy, the human capital of Moldova, including from the SDR, will be harnessed only if the labour force specialisation meets the employers' needs.

**Measure 2.4. Increasing cooperation capacities of producers at the regional level and promotion of their products on external markets.**

67% of the business entities from SDR are micro-enterprises, mainly from the agricultural sector. Small producers do not have enough capacities to market efficiently their products, have a weak negotiating power with the large distributors of agricultural

products and cannot make major investments in the sector. All these factors lead to a weak performance of the local producers.

The interventions as part of this measure will support the establishment of business clusters, associations that will carry out marketing activities, exchange know-how, beneficial investments for a number of producers.

The interventions will be focused specifically in those areas that are subjected to a high fragmentation of the local producers. To obtain the expected result it is essentially to involve the beneficiaries in the implementation of projects related to this measure. Besides, the cooperation opportunities generated by such projects should be open to all interested producers from various branches of the economy.

#### **Measure 2.5. Developing the entrepreneurial capacities and supporting business start-ups.**

The entrepreneurial activities are less developed in the SDR than in other parts of the country. The interventions under this measure will stimulate the entrepreneurs from all rayons of the region by organizing trainings, consultations and providing assistance in such areas as legal issue to consider for starting up a business, accounting, marketing, access to loans, development of business plans, etc.

#### **Measure 2.6. Promoting energy efficiency in the business sector.**

The business sector in the SDR is characterised by a high energy consumption. As a result, the production costs are higher, which affects negatively the competitiveness of local business entities. Interventions under this measure will include:

- studies on the application of energy efficiency measures in the business sector;
- awareness raising campaigns on energy efficiency for business entities;
- trainings and consultations for business entities on energy efficiency.

Implementation of projects focused on **Priority 2** will be monitored on the basis of the following output indicators:

##### Output indicators

Indicators	definition and unit of measurement
Number of projects implemented to diversify the economy and support the private sector	No.
Number of m2 of constructed / rehabilitated area	m2
Number of business support structures established / upgraded	No.
Length of utilities networks constructed / rehabilitated to business structures (road, water supply pipes / sewerage systems / electricity / telecommunications)	km
Number of studies/researches carried out in order to assess the labour market	No.
Number of businesses registered	No.

##### Outcome indicators

Indicators	definition and unit
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	of measurement
Basic infrastructure created for supporting business	km
Volume of investments attracted to diversify the economy and support the development of the private sector (value in thousand lei)	thousand lei
Number of associations / clusters established	No.
Number of people trained/consulted	No.
Number of SMEs with a positive economic result	No.
Number of SMEs that benefited from consulting services	No.
Number of events organised (forums, exhibitions, fairs, etc.) involving all stakeholders from this sector	No.
Industrial output	thousand lei
Number of created jobs	No

## Impact indicators

Indicators	definition and unit of measurement
Low poverty level (absolute and extreme) in the SDR	%
Rate of employment.	%

**Priority 3. Improvement of the environment and attractiveness to tourists****Measure 3.1 increasing the environmental security in the region by promoting activities counteracting soil degradation and by elaborating programmes to anticipate and respond to extreme weather conditions.**

Over the past few years the climate in the SDR has become more arid, with more frequent extreme weather conditions. The region is subjected to the risk of flooding in the meadow of the Prut river and is affected by landslides and soil erosions. 24% of the eroded lands and 21% of landslides of the country are located in the SDR. An environmental risk factor for the entire region are the pesticide storages. 9 pesticide storages were not included in the National Program on the Liquidation of Pesticide Storages. (3 in Cimislia, 2 in Leova, 2 in Causeni, 2 in Cantemir).

As a result, the interventions under this measure will aim at:

- mitigating the risk of landslides and soil erosions. Such interventions are particularly necessary in Cantemir rayon
- mitigating the risk of floods. Most communities exposed to this risk are located in the meadows of the Prut river, particularly Cantemir and Leova rayons.
- closing the pesticide storages, particularly in Cimislia, Leova, Causeni and Cantemir.
- developing programs to prevent and respond to natural hazards



**Measure 3.2 Efficient solid waste management through the development of integrated solid waste management systems.**

The Wastes Management Association in the South Development Region was established in the SDR. It is recommended that the investments in this areas to be aligned to the Integrated Solid Waste Management Strategy, approved by South RDC. Besides, under this measures awareness raising campaigns can be supported.

**Measure 3.3 Establishment, modernisation and rehabilitation of touristic and cultural infrastructure.**

The touristic potential of the region is neither evaluated nor harnessed. No study was made in this respect. A series of difficulties hinder the development of tourism in the SDR, such as:

- poorly developed / low quality touristic services
- many touristic sites need to be developed and rehabilitated
- the region is promoted weakly as a touristic destination
- there is neither regional, nor local management of touristic sites.

The interventions under this measure should focus on the sites with a high touristic potential, such as Nufărul Alb healthcare facility, wineries of Purcari, Ciurari, Ciurari, scientific reservation "Prutul de Jos", Beleu lake, etc.

**Measure 3.4 Promoting the SDR as a touristic destination and supporting the establishment of partnerships in the touristic sector.**

The measure focuses on soft interventions in tourism in order to enhance the attractiveness of SDR (or its sites) as a touristic destination. The following will be supported in particular:

- Promoting the SDR (or its sites) as a touristic destination, by developing and distributing promotional materials (for the entire region, selected localities, selected activities, etc.);
- Presence of the SDR (or its sites) at foreign fairs and exhibitions on tourism;
- Developing marketing studies and analysis;
- Establishing and facilitating partnerships among tourism companies (providers of tourism services) and public institutions;
- Establishing internal partnerships, as well as with foreign tourism agencies and similar institutions;
- Developing, distributing and selling touristic products with a higher value added ("packages" of services, etc.);
- Training and educating in tourism services and tourism management.

**Measure 3.5 Promoting the use of renewable energy resources.**

The region depends fully on foreign energy resources. Therefore, utilization of renewable energy sources will improve its energy security. This includes production of energy from biomass, use of the solar and wind energy, closed-loop water systems, etc.

The creation and use of renewable energy sources will have a positive impact on the environment of the region, providing opportunities to launch new businesses. This will create proper environment to exercise and accumulate experience in the cooperation between private businesses and educational/research institutions with the purpose of developing the regional economy. The measure aims at promoting the use of

renewable energy sources, contributing to the development of businesses and enhancement of the environment.

This measures can be implemented via the following interventions:

- Organization of awareness raising events on the benefits of renewable energy sources;
- Promotion of "environmentally-friendly technologies" via the educational and private sector;
- Dissemination and promotion of the experience with renewable energy sources (solar, wind, biomass).

Implementation of projects focused on **Priority 3** will be monitored on the basis of the following output indicators:

#### Output indicators

Indicators	definition and unit of measurement
Number of projects implemented with the view to improve the environmental state and enhance the touristic attractiveness	No.
Areas subjected to natural risks developed	No.
Number of regional waste management services created	No.
Number of new polygons for waste storage developed	No.
Number of closed unauthorised dump sites	No.
Length of utilities constructed / rehabilitated to the touristic site	km
Capacity of renewable energy production (in MWh / annual growth rate)	%
Number of installations operating on renewable energy applied	No.

#### Outcome indicators

Indicators	definition and unit of measurement
Volume of investments attracted with the view to improve the environmental state and enhance the touristic attractiveness	Thousand lei
Population with improved access to sanitation services	No.
Number of persons covered by awareness raising campaigns	No.
Constructed / rehabilitated touristic destinations	No.
Number of promotion campaigns conducted in the area of environment / tourism	No
Reduced frequency of erosion and improved soil quality	No/year
Number of beneficiaries of solid waste management services	No
Facilities for the collection of solid waste in the region	No
Volume of waste collected and stored on specially arranged sites	Tons/year
Number of tourists / visitors attracted in the region	No/year
Decreased consumption of electricity/heating	MWh/year

#### Impact indicators

Indicators	definition and unit of measurement
Higher attractiveness of the received investments	thousand lei
Rate of employment	%

## 6. Monitoring, reporting, and evaluation

Monitoring and evaluation (M&E) of strategies or programmes funded from public sources is compulsory. This refers to the regional development activities, funded from public funds of the Republic of Moldova, EU or bilateral donors. In all these cases it is necessary to appraise if the programme reaches the expected results and if the obtained benefits justify the investments made.

According to the Law of the Republic of Moldova no. 438-XVI of 28 December 2006 on Regional Development, the monitoring and evaluation functions in the regional development context are shared by a number of authorities (Table 9).

**Table 9. Functions and duties of the authorities involved regional development, referring to monitoring and evaluation (M&E)**

Name of the authority	M&E related functions
Ministry of Constructions and Regional Development (MCRD)	M&E of NSRD implementation
	Monitoring of regional development indicators
	Monitor, in cooperation with RDC, the development of regional development strategies and programmes
	Evaluate the implementation of RDS
	Evaluate the RDS and actions plans to determine the measures that correspond to national planning documents
Regional Development Councils (RDC)	Monitor the utilization of the financial resources allocated from NFRD to the relevant development region
	Evaluate the impact of regional programmes and projects in accomplishment of regional development objectives
Regional Development Agencies (RDA)	M&E the implementation of RDS, plans, programmes and projects
	M&E the implementation of RDS and suggest relevant changes

Regarding RDS, the M&E responsibilities were assigned to all above-mentioned regional and national bodies. As the high level monitoring requires appropriate lower level data, monitoring is a bottom-up approach.

The relationship between RDA and NFRD in the M&E framework is stipulated in the *Operational Manual on the Use of NFRD Means - approved through the Decision of the National Council for Regional Development Coordination no. 4/12 of 23 February 2012*.

Monitoring is done both at the quantitative level on the basis of a number of indicators, and qualitative level on the basis of the available information. Though the law prescribes M&E functions to RDA, these functions are limited to monitoring.

All indicators are measured in two ways: (i) in absolute figures ("km of road built") and (ii) as a rate, reflecting the changes produced this year in comparison with the changes produced last year. These indicators may be compared during the implementation

period of the regional development strategy and between the development regions. The main task of data collection for purposes of M&E belongs to RDA.

Most of the indicators are contained in the project reports and can be, therefore, classified as progress of outcome indicators. The action plan for regional development, which will be based on this regional strategy, will ensure accomplishment of all these indicators during the project implementation process.

The project impact will be evaluated on the basis of corresponding methodology developed by MCRD. For that participatory surveys with beneficiaries will be conducted, on the basis of project results. For larger projects, especially where benefits will be visible in a longer while, evaluation will be conducted during the project implementation period, if needed.

The Regional Development Agency will also carry out periodical surveys on the perception by local population of the RDC work and implementation of the Regional Development Strategy. The results of those surveys will be reported in quarterly reports, as well as in separate reports submitted to the Regional Council together with the reports on the implementation of the RDA work plan.

Reporting on the Regional Development Strategy is part of an overall monitoring and evaluation system that includes the NSRD and other national policy documents. The M&E system will be developed in a way that is consistent with MCRD reporting to the Government on national policy documents. The elements of the monitoring system will be evaluated simultaneously with the evaluation of the M&E system.

The Regional Operation Plan covers a three-year period. Reporting on its implementation is also part of the M&E system. The regional development monitoring and evaluation system will be updated in accordance with the Operational Plan.

## 7. Resources and financing framework

### 7.1 Existing financing commitments

#### The financing needs

Recognizing that the financing needs of all potential development projects are enormous, while the public resources available for the implementation of such projects are limited, the Regional Development Strategy envisages a restricted number of priorities with the largest impact on the social and economic development of the region. However, the measures included in the Strategy can be implemented on a smaller or wider scale, depending on the volume of resources that can be directed towards the implementation of regional projects and the capacity to capitalise on the available funds. In this context, the financing needs for each priority should be calculated, together with the available funding. Specific projects will be identified and included in the Regional Operational Plan. The annual financing application and the financing needs according to priority will be presented in the Operational Plan.

#### Sources of financing

##### The National Fund of Regional Development (NFRD)

According to the Law on Regional Development in the Republic of Moldova of 28 December 2006, the main source of financing for programmes and projects focused on the achievement of the regional development objectives is the National Fund for Regional Development. The Fund is formed from the annual allocations from the state budget, as a separate line for the regional development policy, as well as from other sources, in particular resources offered by foreign partners. The NFRD amounts to at least 1% of the state budget revenues for the respective year, except for earmarked revenues envisaged by the legislation. The Fund can attract other financial resources from the public sector and the private sector at local, regional, national, and international levels, as well as the means offered by the assistance programmes of the European Union.

The NFRD stipulates funds for all development regions. According to the Law, the distribution of the funds by region will be based on the principle of priority allocation to the disadvantaged areas from the development regions. At the same time, the allocation of resources will depend on the conformity and quality of the submitted projects.

Starting from 2008, the state budget provided annual allocations for regional development. The allocations to the NFRD for the years 2008 to 2012 are presented in Table 9. However, as yet the available funds cannot be utilised due to delays in the creation of the institutional and strategic framework for regional development. The actual implementation of projects started only in 2011.

**Table 11. Quantum of the National Fund for Regional Development in 2008-2012 (thousand lei)**

	2008	2009	2010	2011	2012
<b>Planned budget (million lei)</b>	130	156	135.4	163.8	174.7
<b>Amended</b>	0	0	113.75	134.26	160.7
<b>Executed</b>				122	

## Other public sources

In order to finance the priorities in the Regional Development Strategy, other public sources can also be used. However, as local authority resources cover only 50% of basic expenditure and the local authorities depend on transfers from the state budget, the ATU budgets cannot serve as a significant source of financing for regional development projects.

Nevertheless, the earmarked transfers from the state budget, which represent about 15% of the total transfers and are normally directed to the implementation of construction/capital investment projects could be focused on financing regional development projects. Under existing conditions, when the allocation of these transfers during the previous years has been less transparent, and the local priorities were frequently preceded by the projects identified at the national level, based on projects identified at the central level, and efficient coordination and orientation of resources towards regional development projects will require a certain degree of decentralisation by the central authorities.

Additionally, the local authorities could direct resources from the ATU budgets towards co-financing of some projects. In particular, this could apply to external assistance projects where such co-financing is compulsory or to supporting the preparation of priority projects (for example, performance of initial studies, employment of certain consultants, and so on).

## External assistance

An important source of financing for regional development projects can be the assistance provided by external donors, through cooperation programmes with the Government of the Republic of Moldova, as well as by means of programmes available to regional and local authorities. Along with the creation of the institutional and strategic regional development framework and the practical implementation of regional development policies, the external donors could contribute by providing assistance in the form of direct budget support to the NFRD. In 2010, the funding programmed by the Government of the United Kingdom of the Great Britain and Northern Ireland amounted to about 60,000.00 thousand lei. The mobilisation of additional resources directly to the NFRD will depend on the efficiency and effectiveness of the NFRD's implementation and the quality of the identified regional development projects.

During 2010-2016, the German Development Cooperation (GIZ), in cooperation with the MCRD and the three Regional Development Agencies, are implementing the "Modernization of Local Public Services in the Republic of Moldova" Project, with the overall goal to improve the population's access to local public services. The project intervention areas include investments in the physical infrastructure, enhancement of the public service management and planning and programming activities. The project budget reaches about 7 million euro.

Additionally, many of the external assistance programmes and projects implemented in cooperation with the Government of the Republic of Moldova and central authorities have a spatial regional or local dimension. The projects focused on the rehabilitation of the social infrastructure, water and sanitation systems, roads, and the like are implemented in many localities and regions. Once the functionality of Regional Development Agencies is ensured, they could play an important role in mapping the external assistance projects, and in identifying the sectors and localities into which the external funds can be directed in future, according to the priorities stipulated in the Regional Development Strategy.



The regional authorities can also directly access funds from the cross-border cooperation programmes. Currently, two major programmes can be accessed by authorities and organisations from the Republic of Moldova:

- the Joint Operational Programme Romania–Ukraine–Moldova, 2007–2013 (€127 million– EU contribution<sup>8</sup>);
- Black Sea Basin Programme (€ 17 million<sup>9</sup>).

The cross-border cooperation programmes envisage the establishment of a partnership with stakeholders in Romania, as well as co-financing 10% of the cost of the selected project.

### **Other sources**

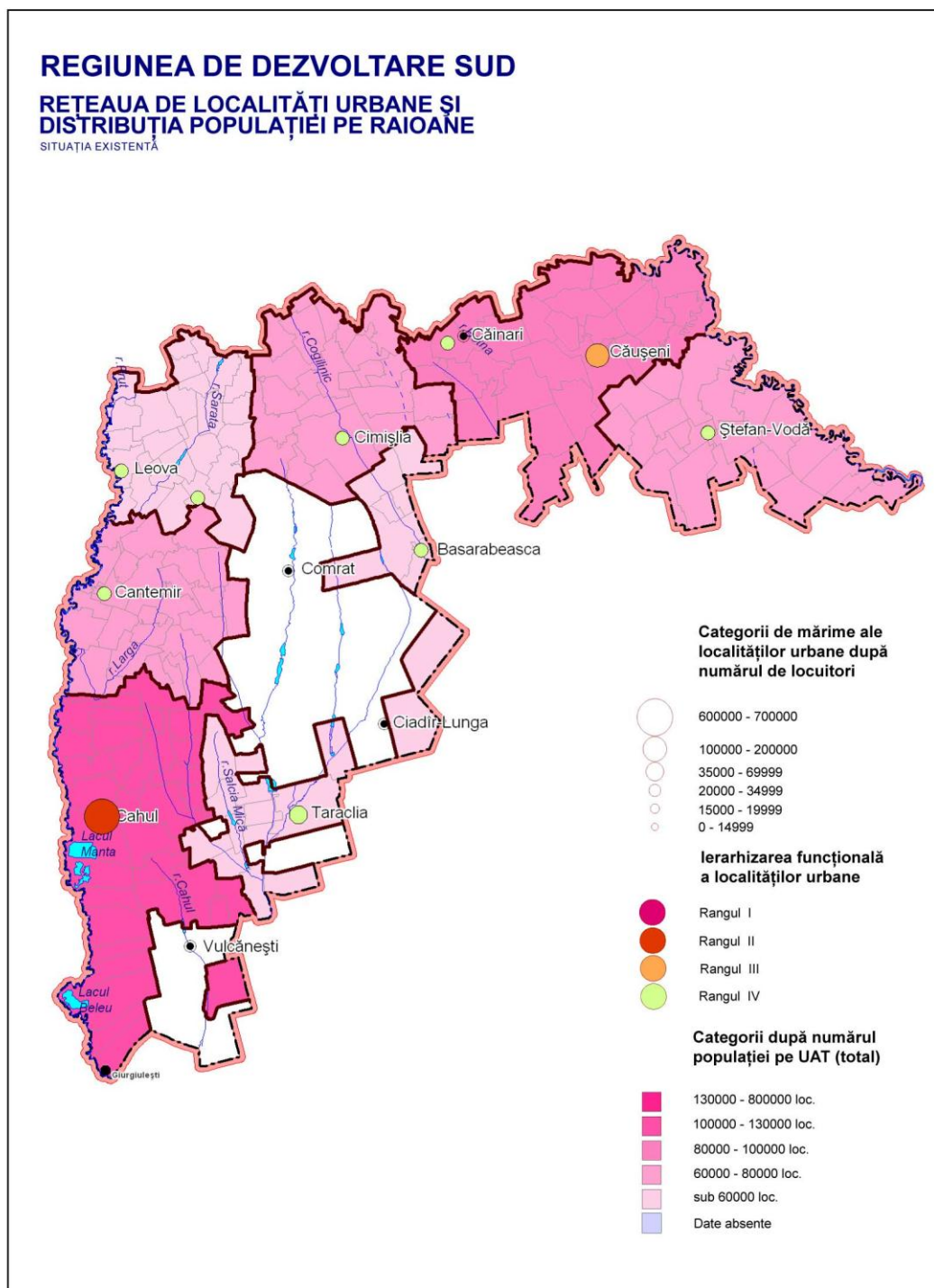
The regional and local authorities will undertake efforts for the mobilisation of other sources, including private resources for the financing of regional development projects.

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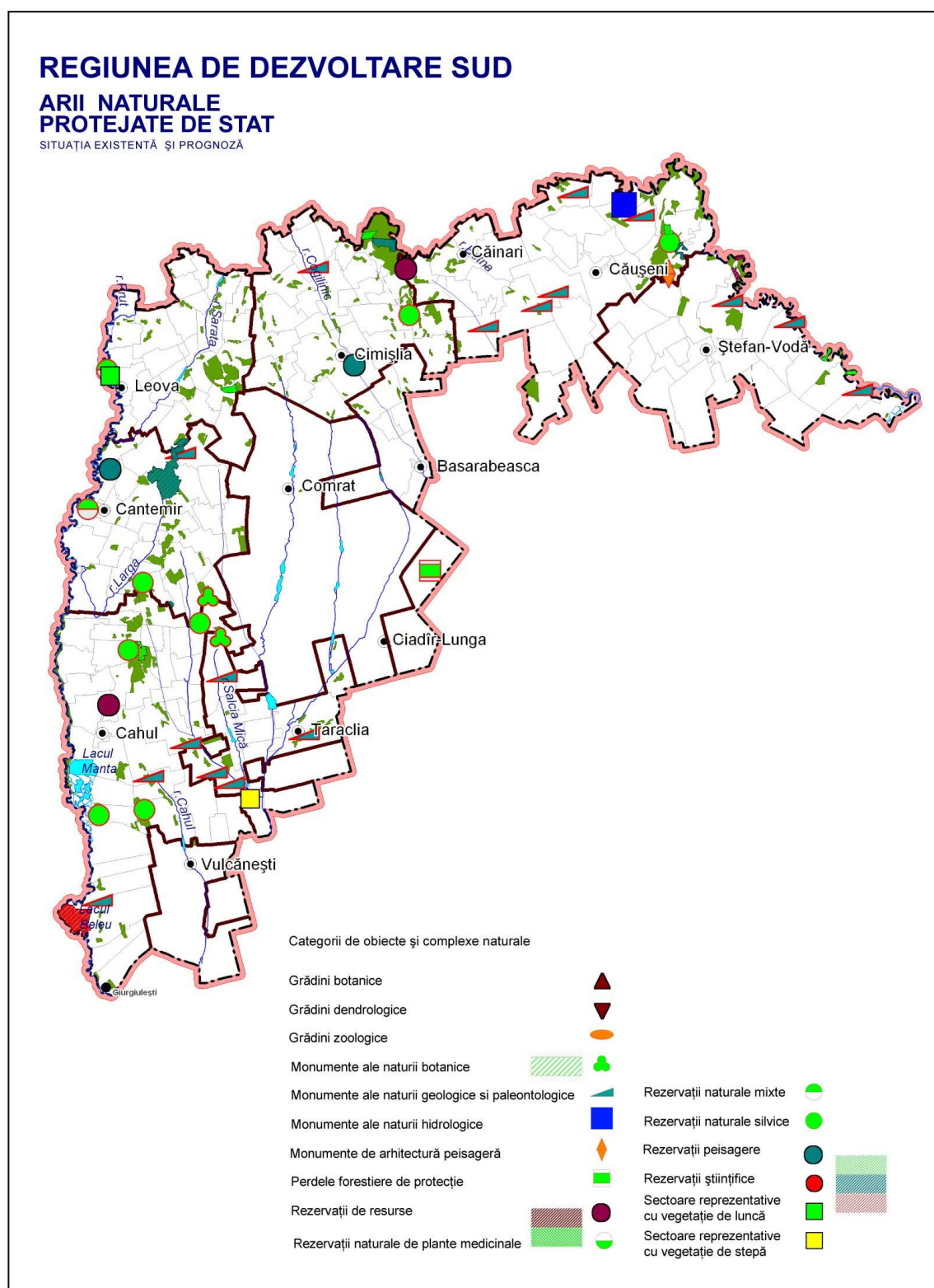
<sup>8</sup> Joined Operational Programme Romania-Ukraine-Moldova, 2007–13, [http://www.ro-ua-md.net/index.php?option=com\\_content&view=article&id=1&Itemid=57](http://www.ro-ua-md.net/index.php?option=com_content&view=article&id=1&Itemid=57)

<sup>9</sup> Black Sea Basin Programme, [http://www.blacksea-cbc.net/index.php?page=PROGRAMME\\_OVERVIEW](http://www.blacksea-cbc.net/index.php?page=PROGRAMME_OVERVIEW)

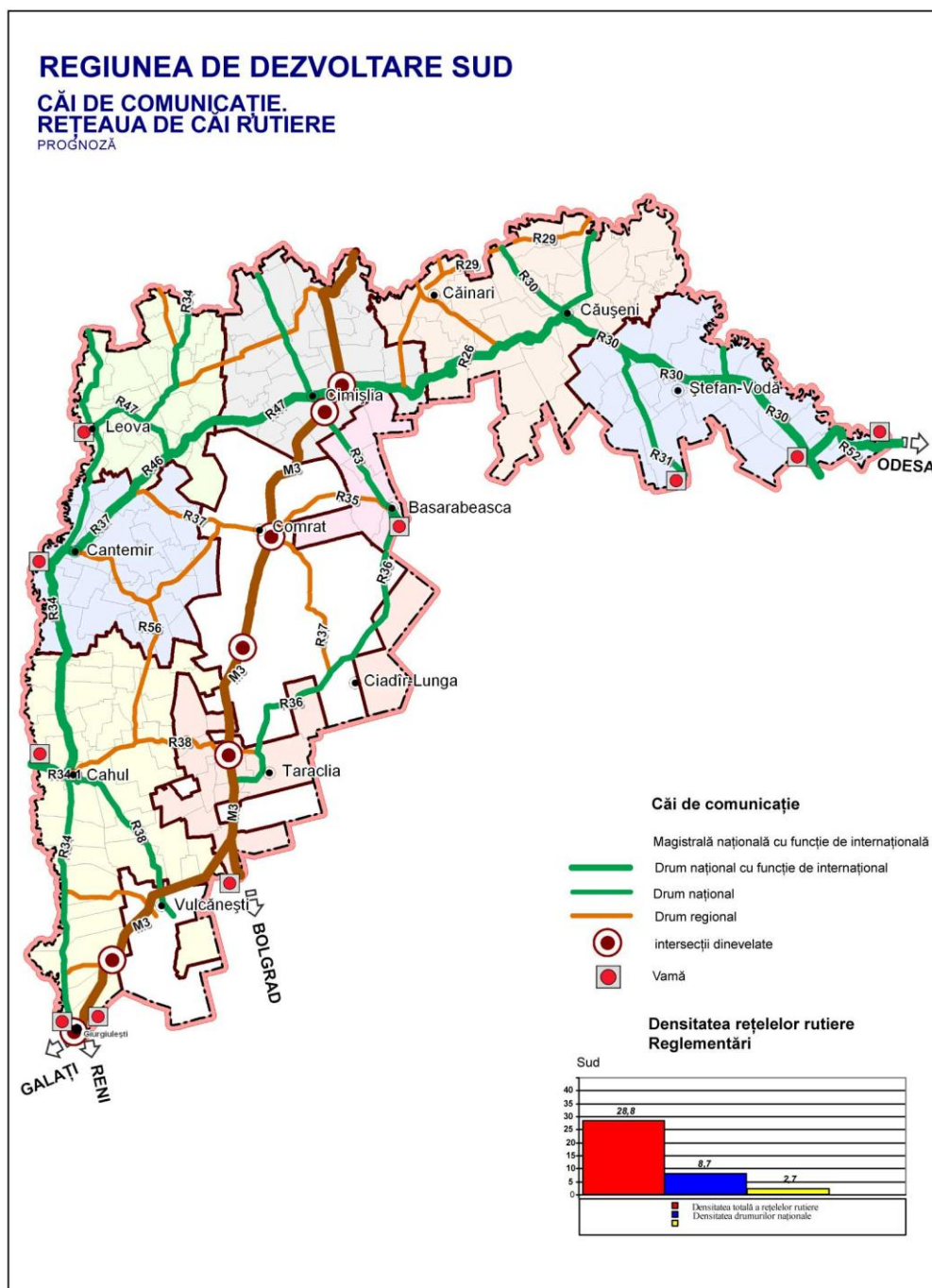
## Annex A Network of communities and distribution of the population by rayon



## Annex B Natural State protected areas

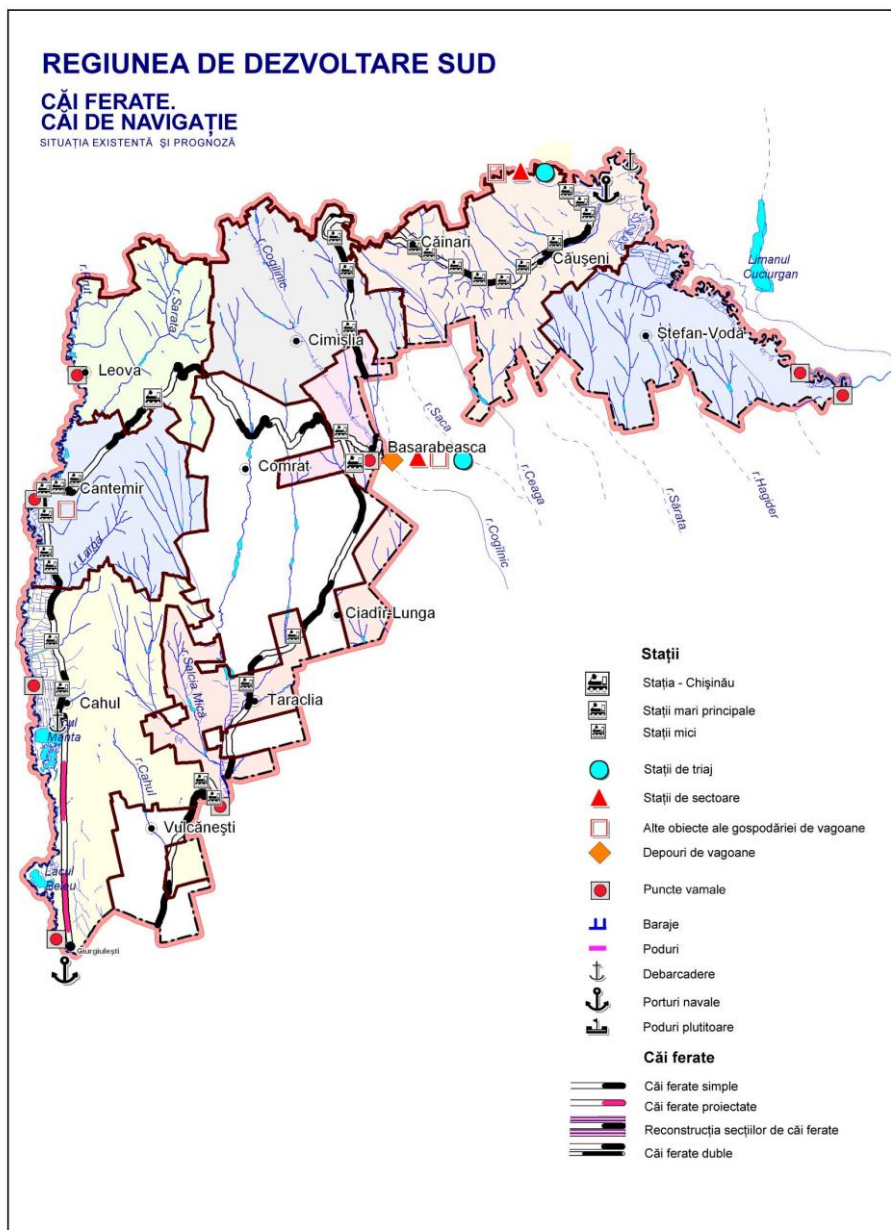


## Annex C Network of roads

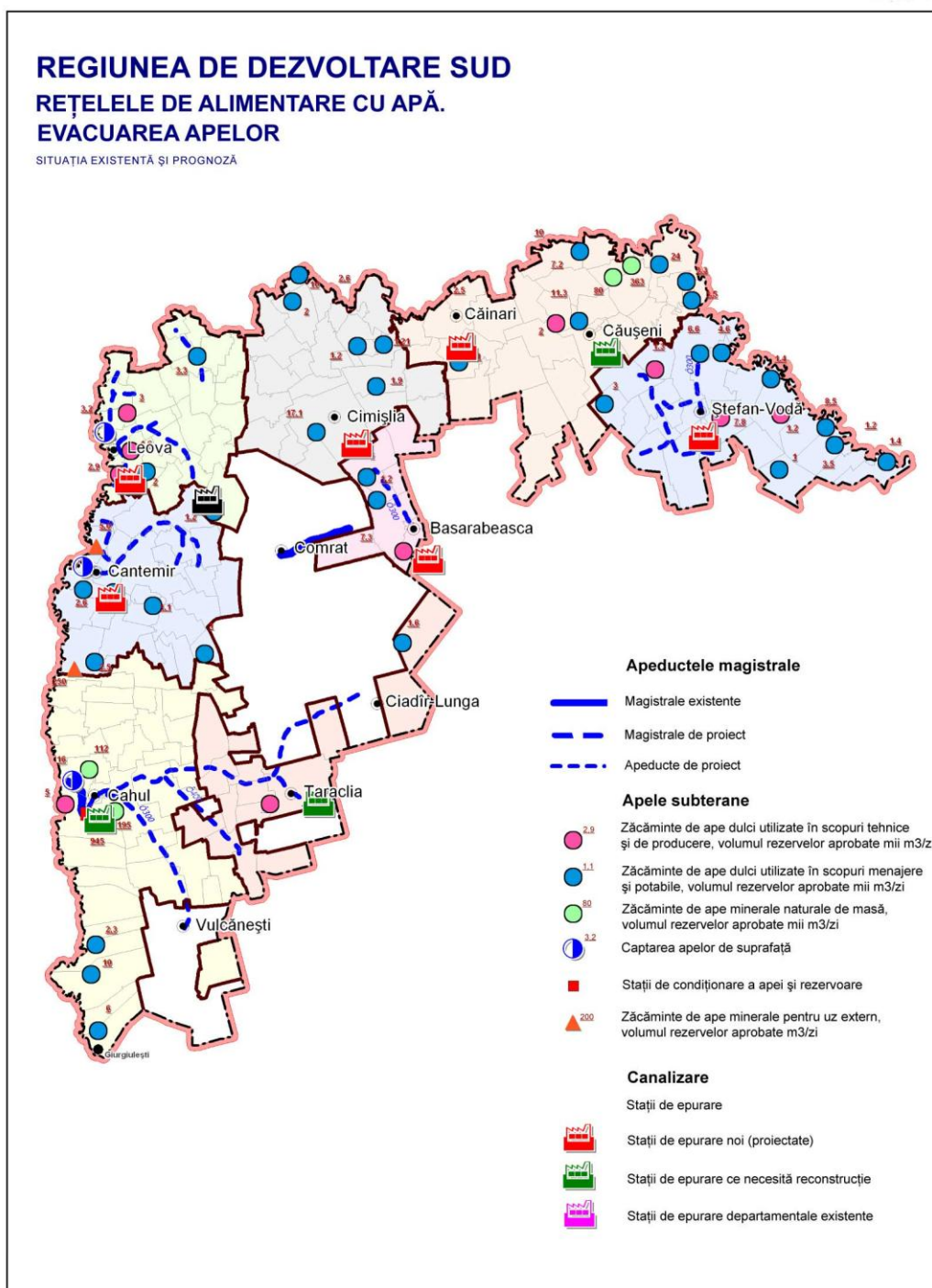




## Annex D Railways and waterways

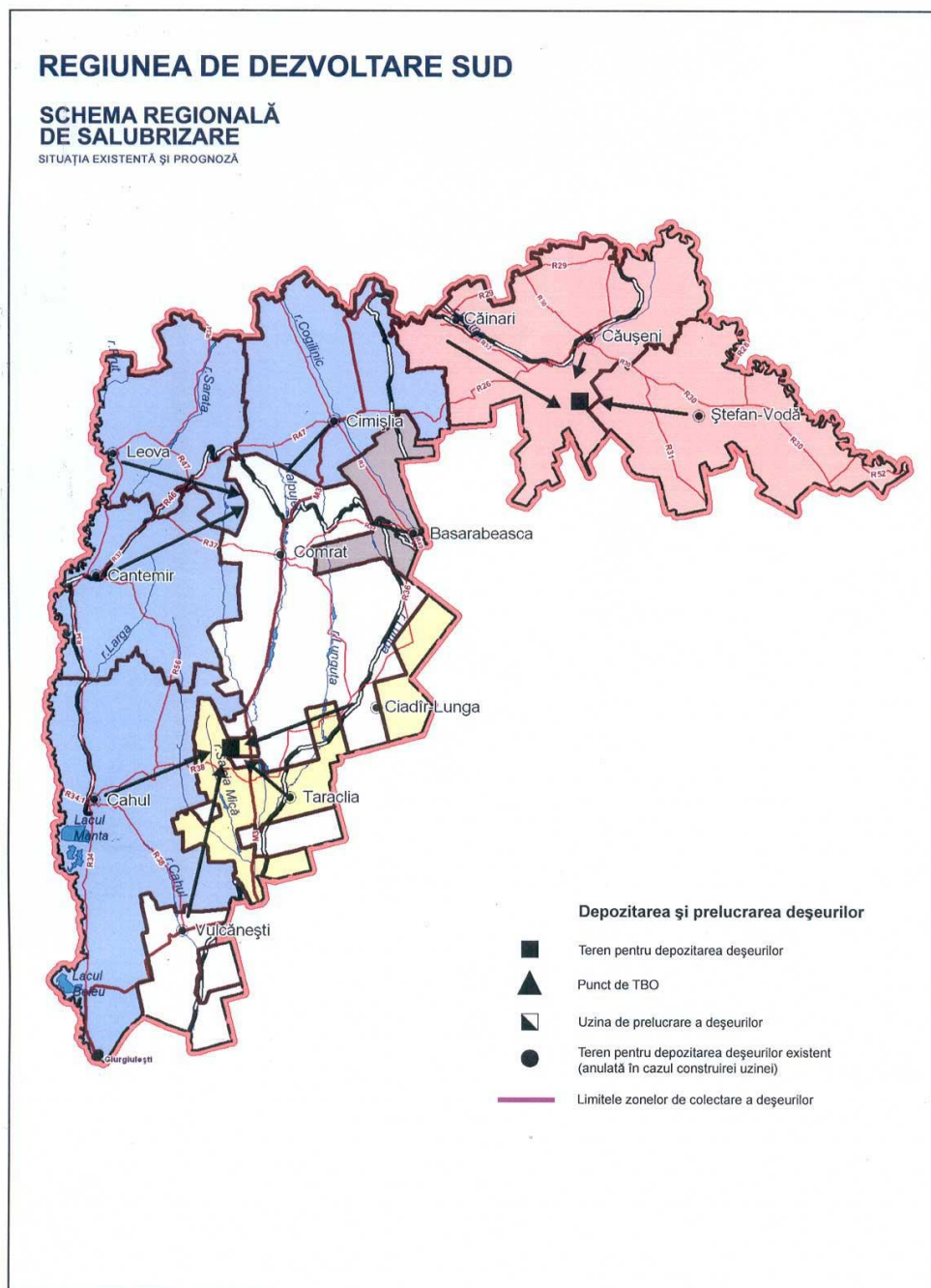


## Annex E Water supply, sewerage and waste water disposal networks

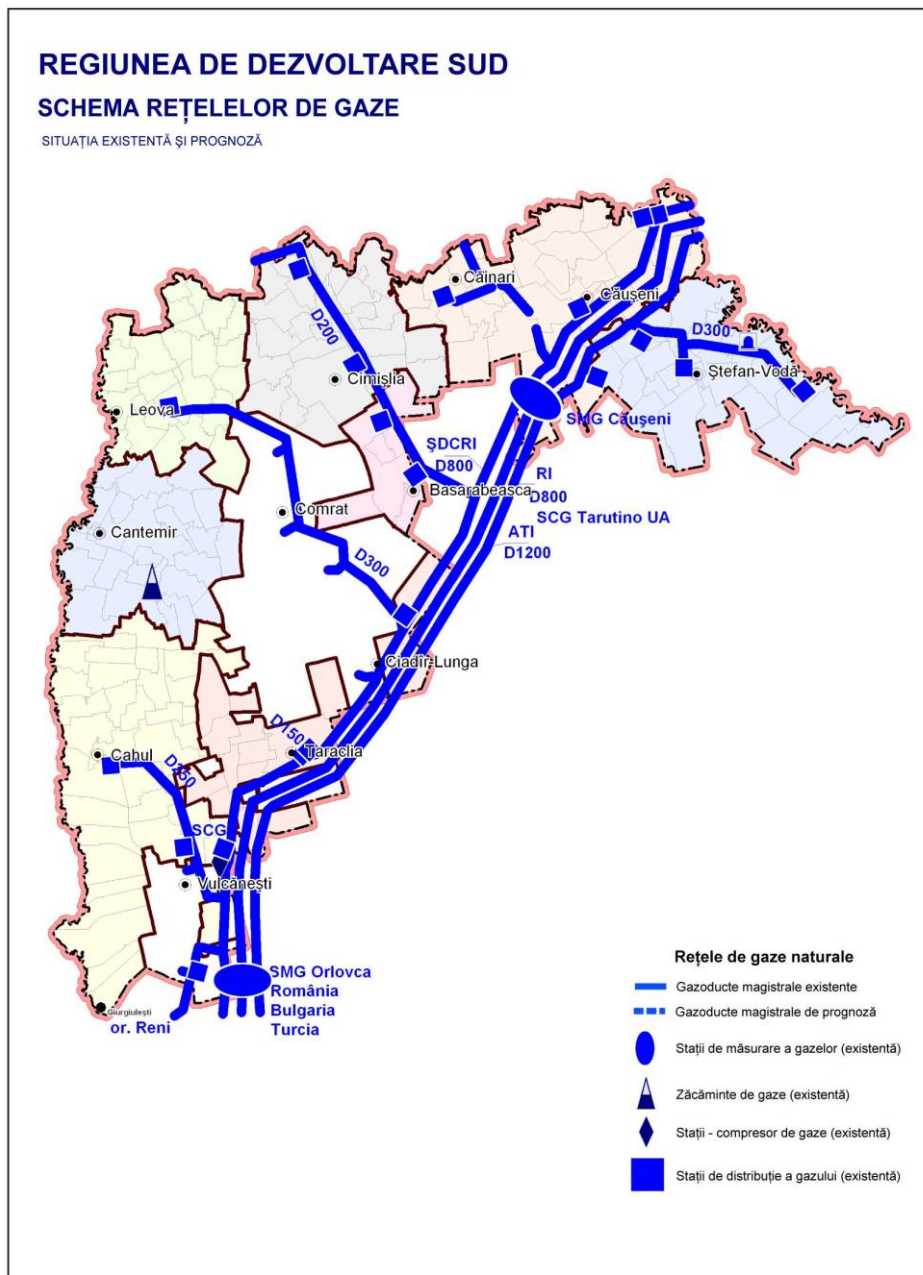




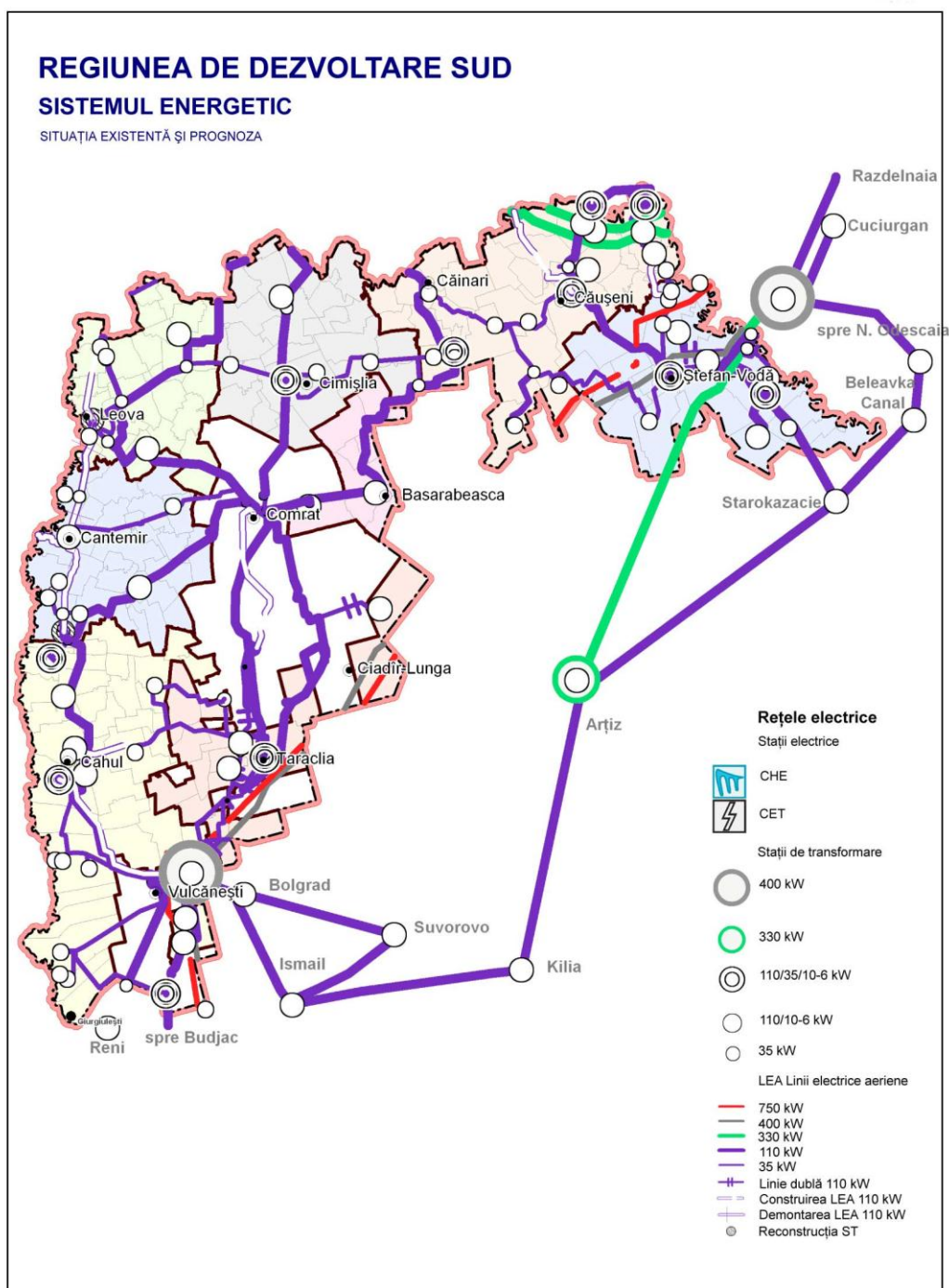
## Annex F Regional sanitation scheme



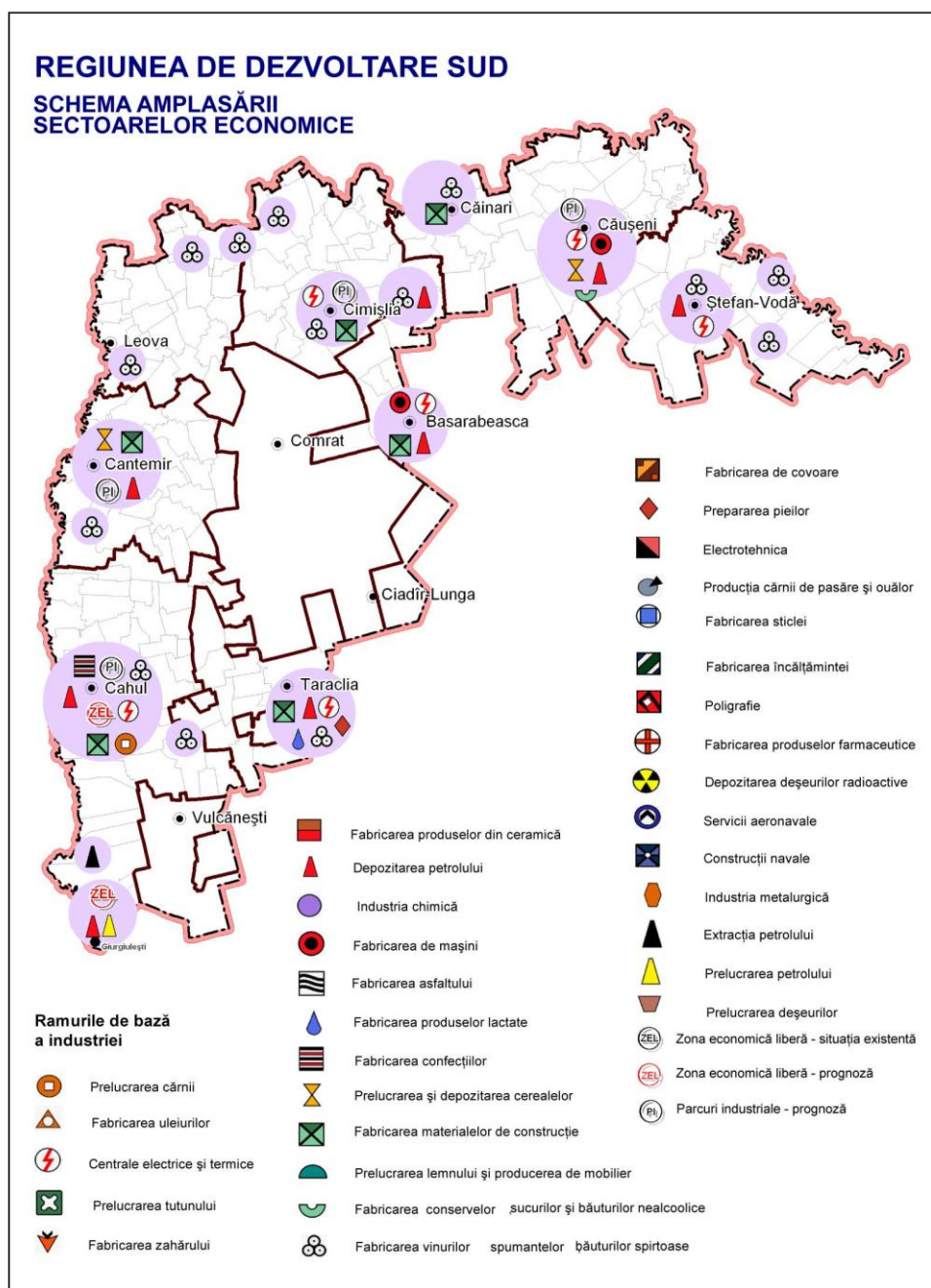
## Annex G Gas network scheme



## Annex H Energy system

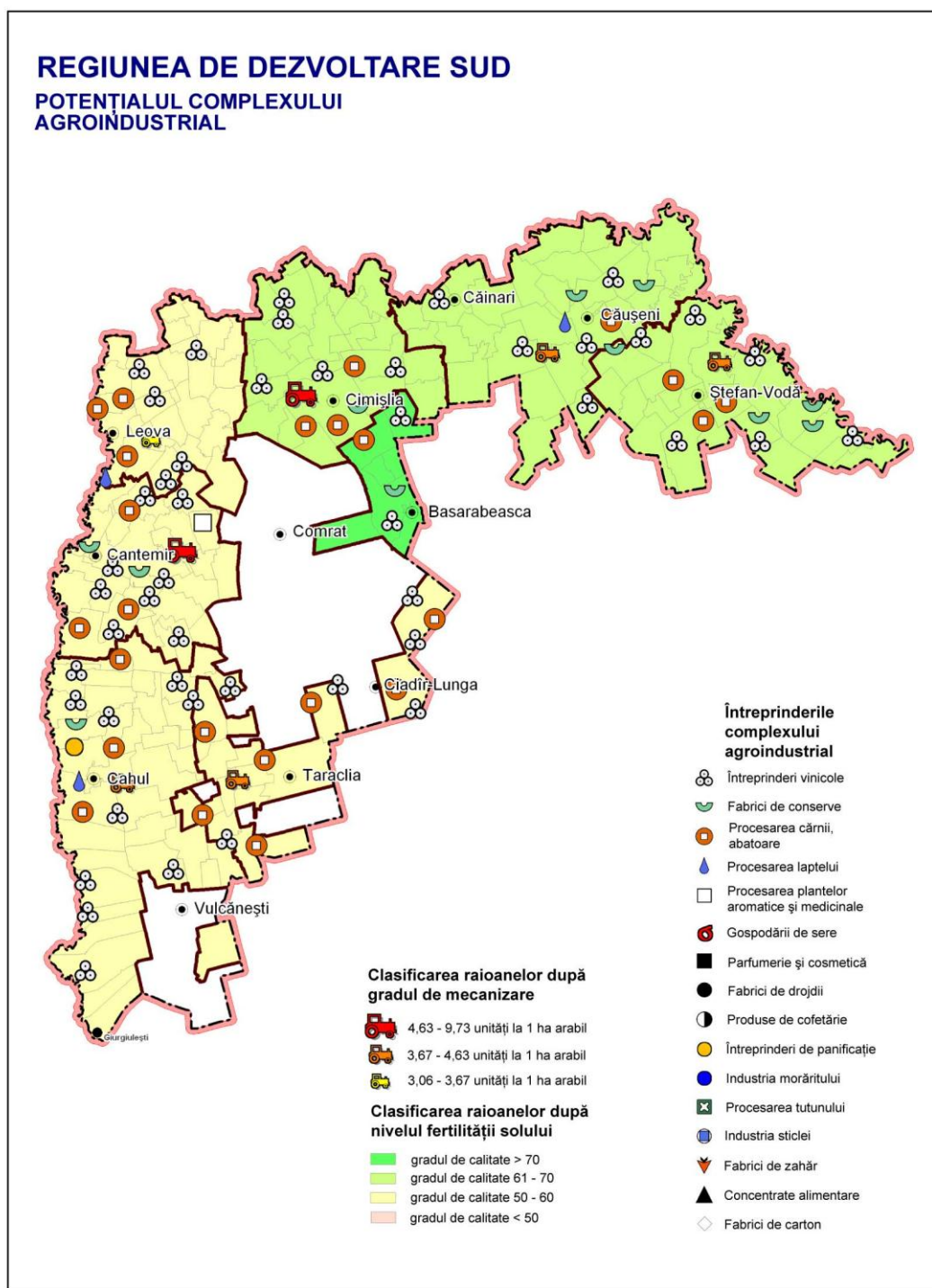


## Annex I Scheme of economic sector location





## Annex J Potential of the agro-industrial system



**Annex K Main indicators of SDR socio-economic development**

INDICATORS	SDR	Rayons								Moldova
		BS	CH	CN	CS	CM	LV	SV	TR	
1. GENERAL DEMOGRAPHIC DATA										
Number of stable population as of 1 January 2011 (thousand people)	540.7	29.2	124.8	62.8	92.3	61.7	53.8	71.9	44.2	3560.4
Average population density in rayons as of 1 January 2011 (inhabitants / km2)	73.3	99.0	80.7	72.4	70.4	66.8	70.4	72.0	65.6	116.9
Percentage of female population feminine (1 January 2011) (%)	50.9	51.5	51.8	50.0	50.9	50.9	50.1	50.6	51.4	51.9
Percentage of urban population (1 January 2011) (%)	25.7	42.4	32.7	9.5	26.8	25.7	29.4	12.0	33.7	41.4
Natural movement of the population in the region in 1,000 inhabitants (1 January 2011)	-1.4	-5.1	0.5	-1.0	-1.2	-4.2	0.1	-1.7	-2.2	-0.9
II. LABOUR FORCE										
Percentage of active population in relation to the total population, 2010 (%)	36.6	-	-	-	-	-	-	-	-	47.2
Population employed in industry, 2010 (%)	9.8									12.8
Population employed in agriculture, 2010 (%)	36.0									27.5
Population employed in services, 2010 (%)	54.2									59.7
III. SOCIAL INDICATORS										



Number of hospital beds in 2010 per 10,000 inhabitants	33.3	36.6	36.5	35.0	31.6	32.4	35.3	30.6	26.7	61.8
Number of doctors in 2010 per 10,000 inhabitants	14.8	17.5	17.2	11.0	14.8	12.8	12.6	15.7	15.6	35.6
Day schools, gymnasiums and lyceums, 2011	259	11	57	37	35	34	34	30	21	1484
Preschool institutions, 2010	270	12	54	49	30	34	37	31	23	1381
Colleges, 2010	2		2							48
Number of college graduates, 2010	290		290							6794
Universities, 2010	2		1							33
Number of university graduates, 2010	570		501						69	28408
IV. UNEMPLOYMENT										
Unemployment rate, 2010 (%)	6.2	-	-	-	-	-	-	-	-	7.4
V. INFRASTRUCTURE										
Density of public roads, km / 100 km <sup>2</sup> , 2010	28.8	26.3	25.0	35.4	29.3	31.5	27.6	26.5	31.1	30.7
Density of paved public roads, km / 100 km <sup>2</sup> , 2010	25.9	24.2	22.3	32.7	26.2	26.7	26.5	24.0	27.7	28.9
Paved roads in relation to total public roads, 2010 (%)	89.9	92.1	89.2	92.2	89.2	84.7	96.1	90.5	89.2	94.3
Density of potable water supply networks, km / 100 km <sup>2</sup> , 2010	26.6	52.5	14.4	10.8	37.7	34.4	7.5	32.6	43.9	29.3
Density of sewage networks, km / 100 km <sup>2</sup> , 2010	4.3	2.4	4.1	2.3	6.8	5.4	2.3	6.5	4.4	8.4
Communities connected to gas, 2010 (%)	76.8%	-	-	-	-	-	-	-	-	56.5%

Number of telephone lines in 100 inhabitants, 2010	27.4	28.1	28.1	23.7	28.3	28.1	26.9	27.6	28.0	31.7
VI. SECTOR RESTRUCTURING										
Evolution of the number of employees in industry in 2010 (2007 = 100) (%)	98.0	-	-	-	-	-	-	-	-	92.2
Evolution of the number of industrial enterprises in 2010 (2007 = 100) (%)	-	-	-	-	-	-	-	-	-	101.7
Evolution of the number of service providing enterprises in 2010 (2007 = 100) (%)	-	-	-	-	-	-	-	-	-	120.0
Evolution of the number of enterprises in agriculture in 2010 (2007 = 100) (%)	-	-	-	-	-	-	-	-	-	107.8
Share of enterprises in agriculture, which bore losses in 2010 (%)	-	-	-	-	-	-	-	-	-	36.6
VII. SME SECTOR										
Number of SMEs, 2010	2332	119	676	97	453	264	104	303	316	45631
Micro-enterprises (0–9 employees) (%)	68.3	63.9	70.4	57.7	72.2	61.7	52.9	73.3	69.0	76.5
Small enterprises (10–49 employees) (%)	26.4	32.8	25.1	32.0	23.2	32.6	35.6	21.5	25.9	20.0
Medium enterprises (50–249 employees) (%)	5.3	3.4	4.4	10.3	4.6	5.7	11.5	5.3	5.1	3.5
VIII. ASSOCIATIONS AND RESEARCH AND DEVELOPMENT ORGANISATIONS										
Number of organisations, associations	134	5	25	3	45	8	3	30	15	5134
Number of employees in organisations, associations	499	23	105	25	138	44	14	95	55	37071
Budget expenditures per inhabitant, MDL	1147.8	1293.9	1119.3	1193.5	1088.3	1089.62	1209.3	1167.1	1165.7	1330.8

Source: NBS, SADI Report, 2009,

