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THE ROAD FUND
AND THE DISTRIBUTION OF ITS MEANS AT THE CENTRAL LEVEL AND IN ATUG

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I. EXECUTIVE SUMMARY

Although governed by a special law, the Road Fund is becoming a mere expenditure line in the state budget. The principles laid down in the Road Fund Law are fading away more and more, and the idea of efficient management of road assets succumbs with each approval of the annual state budget law.

The present study aims to carry out a comparative analysis of the distribution of Road Fund resources over the last 10 years, both at central and local level. Given the activities of the organization "Pas cu Pas" in the southern region of the country and especially in ATU Gagauzia, this analysis refers to the way in which road maintenance funds are allocated and provides the necessary recommendations for both the central authorities and the ones from the autonomy.

Among the main findings of the analysis the following may be emphasized:

The Road Fund of the Republic of Moldova is under-financed compared to its forecasted level according to the Transport and Logistics Strategy 2013-2022. The level of financial resources actually allocated annually is lower by about 1 billion MDL (30 %) than forecast. The evolution of its volume is unpredictable and totally dependent on the discretion of politicians who approve the annual budget.

The structure of the Road Fund by type of works reveals that at both central and local level, the largest share is not accounted for by periodic maintenance works, as it would have been indicated, but by capital construction works or routine maintenance works.

At the central level, periodic maintenance and repairs account for a much lower share of total Road Fund resources than forecast in the strategy, and in some periods of time the share of other expenditures is as high as 25%, although the strategy document outlines the priority directions of the Road Fund: routine maintenance, periodic maintenance and repairs.

Annually, more than 1.3 billion MDL paid by road users while purchasing fuel do not get to be used for the roads, which increases the cost for road users and does not allow for proper management of road assets.

The chronic under-financing of the Road Fund together with the significant increases in the prices of construction materials totally compromises the aspirations about the good condition of Moldovan roads as stated in strategic documents. Bitumen prices more than doubled in 2022 and continue to remain at that level.

The evolution of road conditions cannot be analyzed for a longer time perspective, as the available data are not comparable and create doubts about their veracity. The road condition worsens on all types of national roads in 2023, however, the worst situation being recorded for regional roads, where the share of bad and very bad roads reaches about 60%.

The existence of a good sectoral strategy does not necessarily guarantee that it will be followed.

The austere management of the Road Fund also affects the business operators in this sector, that cannot adequately plan their investments and cannot accumulate the necessary experience to be able to participate in road rehabilitation tenders financed by loans from international financial institutions.

The Road Fund allocation programs, both at central and local level, use different classifications of expenditures, with a different degree of granularity, which makes it very difficult to analyze the dynamics of the allocation of these funds. The same applies to the report on the execution of the programme for the allocation of Road Fund resources, which has a different structure and degree of detail from year to year.

The lack of a methodology for planning the allocation of means for road maintenance at the local level limits the effectiveness of local authorities' interventions.

II. ANALYSIS OF ROAD FUND DISTRIBUTION

2.1. Dynamic analysis of the distribution of Road Fund resources at central level

Although designed to maintain roads and prevent their accelerated deterioration, the Road Fund's resources are also used for numerous other expenditure items, which are less aligned with the stated purpose. The Road Fund was set up to ensure that national and district (municipal) public roads are properly maintained, to extend the life cycle of these road assets, to increase their quality, and to increase the efficiency of the use of public money. Over time, the Fund's resources are also increasingly being used to purchase equipment for state-owned enterprise S.A. Drumuri, to pay arbitration costs and arbitration decisions taken in connection with externally financed road rehabilitation contracts, to finance the costs associated with the operation of the state enterprise that implements the state policy in the field of road maintenance, to carry out new construction, etc.

Contrary to the provisions of the Road Fund Law, public roads of district (municipal) importance are financed from earmarked transfers from the state budget, which does not allow the use of these funds in accordance with the provisions of the Road Fund Law. When the annual state budget law is approved, the amount of the Road Fund for that year is also approved. Despite the provisions of Article 1, paragraph a) of the Road Fund Law, which stipulates that the Road Fund is intended to finance national roads and roads of district (municipal) level, the size of the Road Fund approved annually in the state budget law only includes the amount intended for national public roads. Thus, roads of district (municipal) level are financed by earmarked transfers (according to Annex No. 7 to the draft state budget law). In such circumstances, tier-two local public authorities cannot use the funds received to finance expenditures associated with the management of road infrastructure, to hire and remunerate specialized road engineers in the district councils, to purchase the equipment necessary for road maintenance or to monitor the quality of roads, etc. This violates the provisions of the Road Fund Law and discriminates against local public authorities in relation to central ones.

Incorporation of the Road Fund into the state budget jeopardizes the implementation of multiannual investment projects. Given the principle of annuality applicable to the state budget, the Road Fund's resources are planned and need to be utilized within one calendar year. Such an approach does not allow the initiation of multi-annual investment projects financed from the Road Fund such as: i) contracts for the rehabilitation of larger stretches of roads, which would allow for the capitalization of economies of scale and increase the efficiency of the use of public money, ii) or performance-based multi-annual maintenance contracts, etc. The impossibility of financing multi-annual contracts from the Road Fund coupled with the under-financing of the Road Fund makes it impossible for local contractors to accumulate the similar experience required to be able to participate in tenders organized for the rehabilitation of roads financed by loans from international financial institutions.

The Road Fund is considerably under-funded both in relation to the accruals from fuel excise duties and in relation to the targets forecasted according to the Transport and Logistics Strategy 2013-2022[1] . The amount of the Road Fund in 2017 totaled 1.094 billion MDL, and in 2024 - 1.635 billion MDL. On 25.07 2024, in the run-up to the presidential elections in October, the parliament approved amendments to the annual state budget law and increased the size of the fund to the amount of 2.016 billion MDL. Leaving aside the electoral increases of the Road Fund, from 2017 to 2024 the amount of the Road Fund increased by only 49.5 per cent. Taking into account the inflation rate of 28 per cent in 2022 and about 13 per cent in 2023, the increase in Road Fund financing from 2017 to date does not even cover the annual inflation rate. If the road infrastructure financing strategy had been followed - with the annual growth rate of about 10 per cent - the Road Fund should have reached 3.5 billion MDL in 2024 (Figure 1), which is 322 per cent of its 2017 level. According to the calculations of fuel excise tax collections, from 2018 to 2024, just on the account of the non-payment of 80 per cent of the amounts collected from fuel excise taxes, the Road Fund was underfunded by 5 864 million MDL. And in relation to the targets set in the Transport and Logistics Strategy, the Road Fund was underfinanced annually by about 1 billion MDL. If we take into account the fact that every MDL not invested on time in road infrastructure maintenance costs from 3 to 6 MDL in rehabilitation and reconstruction works[2] , then we can conclude that underfunding the Road Fund in the period 2017-2024 by 1 billion MDL annually will turn into rehabilitation and maintenance costs from 21 to 42 billion MDL.

[1] Transport and Logistics Strategy for 2013-2022, approved by Government Decision no. 827 of 28.10.2013. Published in the Official Gazette no. 243-247/933 of 01.11.2013.
[2] Coment Concert Civil Engineering Civil Engineering Home Highway (Road) Maintenance, Repair, and Rehabilitation

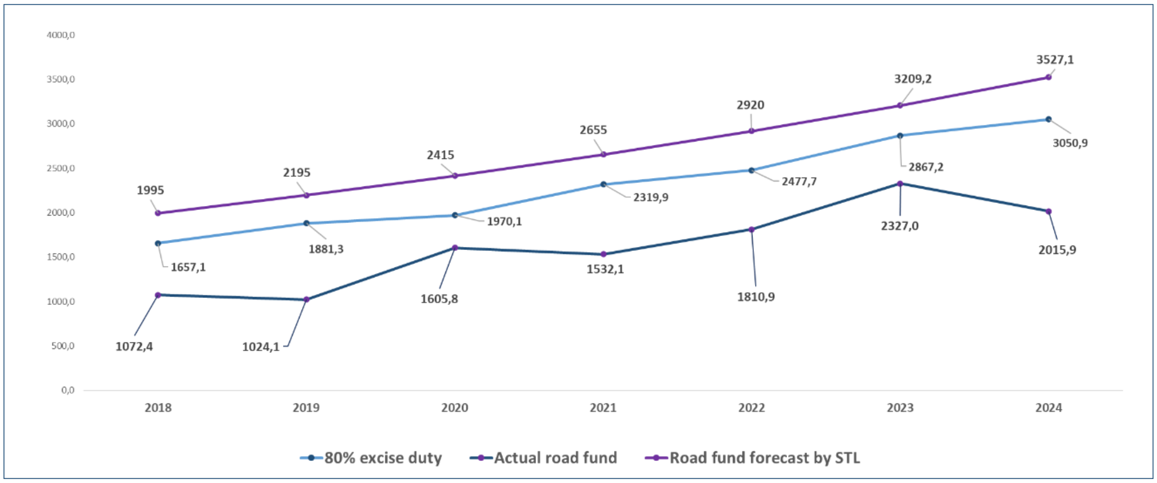


Figure 1. Evolution of fuel excise duty revenues, volume of Road Fund, actual and forecast according to STL, (million MDL)[3]

Source: drafted by the authors based on data from the Road Fund Means' Allocation Programs, the Transport and Logistics Strategy 2013-2022 and their own calculations of 80% of fuel excise duty accruals. The amount of fuel excise duty revenues for 2024 is estimated.

The evolution of budgetary allocations to the Road Fund is unpredictable and totally reliant on the political decision of those who approve the annual budget, which affects both the capacity for multiannual planning and private investment planning, discouraging economic agents from developing their production capacities. In order to secure the financing of road maintenance, since 2010, the law on the Road Fund has made it obligatory to allocate a certain proportion of the revenues from excise duties on fuel. Thus from 2012 onwards, 80 per cent of fuel excise tax revenues were to be earmarked for road maintenance, with road rehabilitation to be financed from foreign loans contracted for this purpose. As of 2015, the government stopped allocating to the Road Fund the funds collected in the amount established in the Road Fund Law and the sectoral strategy. Moreover, the government also started to accumulate arrears, which further jeopardized efforts to improve the quality of road infrastructure and make efficient use of public money. In order not to pass off the provisions of the Road Fund Law, since 2016, the annual state budget law was being promoted by derogation from the Road Fund Law. And in 2018, in order not to bother with derogations, the parliament amended the Road Fund Law and removed from Article 2 (1) of the Law the provision on the obligation to transfer 80% of the proceeds from excise duties on motor fuel to the Road Fund, by introducing the phrase: "in the amount established in the state budget law for the respective year"[4] . With the cancellation of the obligation to transfer 80% of fuel excise duties to the Road Fund, road financing has become highly unpredictable and vulnerable to other immediate politically decided priorities. The annually approved size of the Road Fund is also not in line with the medium-term budgetary framework (MTBF). For example, the MTBF for 2023-2025, foresaw a Road Fund for 2024 in the

[3] For the years 2023 and 2024, calculations have been made based on the average rate of change of 9.9 per cent calculated for the years 2013-2022.
[4] https://www.legis.md/cautare/getResults?doc_id=105529&lang=ro

amount of 2.9 bn MDL. In the medium-term budgetary framework for 2024-2026, the level of the Road Fund has already been modified to the amount approved in the State Budget Law for 2024: 1.67 billion MDL, 1.88 billion MDL for 2025 and 2.12 billion MDL for 2026. Given the approved amendments to the State Budget Law for 2024 and the increase of the Road Fund to the new amount of 2.016 bn MDL, the medium-term budgetary framework will have to be revised again. In this context, the business environment cannot trust the medium-term budget framework for investment planning to increase production and development capacities, and the usefulness of this strategic planning tool becomes questionable.

In the years 2017 and 2019 we note that the actual size of the Road Fund is lower than the approved one, as the structure of the Road Fund expenditure also includes the payment of debts for the volumes of works capitalized on the maintenance of national public roads. In 2017, the size of arrears was 219 million MDL or 20 per cent of the volume of resources allocated to the fund, and in 2019, the amount of debts from previous periods was 102 million MDL or 10 per cent of the volume of resources of the fund. Arrears are likely to be in place in 2024 either. Thus, in the informative note to the draft government decision on the amendment of the Road Fund programme for 2024[5] , it is stated that the increase by 74.6 mil MDL of the expenditure for the maintenance of national public roads in winter "is also necessary to cover the expenditure for the winter period 2023-2024".

The programme for allocating Road Fund resources has a different structure and different expenditure lines from one modification to another, which makes it extremely difficult to analyze and compare data. In addition, there is no tabular information on the open data portal on Road Fund accruals, neither on the Road Fund programme nor on the Road Fund programme execution reports. A comparison of the Road Fund allocation programs reflected in the Road Fund decisions shows a lack of consistency in the reflection of expenditure lines within the programme. Thus, from year to year, the names of the entry fields (expenditure headings) vary, as does the level of granularity, which makes it extremely difficult to analyze the evolution of expenditure by category. Moreover, the reports on the implementation of the programs for the allocation of Road Fund resources also differ from year to year in terms of both volume and structure, and in some cases the statistics presented for previous periods also differ. In this context, it should also be noted that there is a lack of methodological documentation explaining how both the Road Fund allocation programme and the report on its implementation are to be drawn up.

Routine maintenance is contracted directly, without competition, to S.A. Drumuri, and it is extremely difficult to verify the quality of the work and the quantities reported. Given that the Road Fund is earmarked for the maintenance of road assets, most of its resources have to go for periodic maintenance. Periodic maintenance refers to larger scale activities aimed at maintaining the structural condition of roads. These activities include preventive, rehabilitation measures. Examples of periodic maintenance include sealing/plugging cracks, milling and laying

[5] https://particip.gov.md/ro/document/stages/proiectul-de-hotarare-a-guvernului-cu-privire-la-modificarea-programului-privind-repartizarea-mijloacelor-fondului-rutier-pentru-drumurile-publice-nationale-pe-anul-2024-aprobat-prin-hotararea-guvernului-nr-902024/13033

of new pavement layers (wearing layers), application of bituminous treatments to preserve the quality of the roadbed and extend its life cycle, etc. Periodic maintenance works have the greatest impact on extending the life cycle of road assets. These works are contracted under competitive conditions, which allows market prices to be obtained, and the volumes and quality of the works can be easily verified. In contrast to periodic maintenance works, routine maintenance works have a much lower impact on the quality of the road infrastructure, they are aimed at slowing down the degradation of road assets, and are contracted to state-owned companies S.A. Drumuri for their execution on national roads. Payment for these works is based on the volumes invoiced by S.A. Drumuri. These volumes are difficult to verify, as is the quality of execution of these works. As for new constructions, according to the provisions of the Road Fund Law, they should not be financed from the Road Fund but from other sources (e.g. external loans, state budget, etc.), the Road Fund being intended only for maintenance works. Good management of the Road Fund is achieved not only through its adequate financing, but also by allocating as much as possible of the fund's resources to periodic maintenance works and contracting maintenance services on competitive principles, including routine maintenance works.

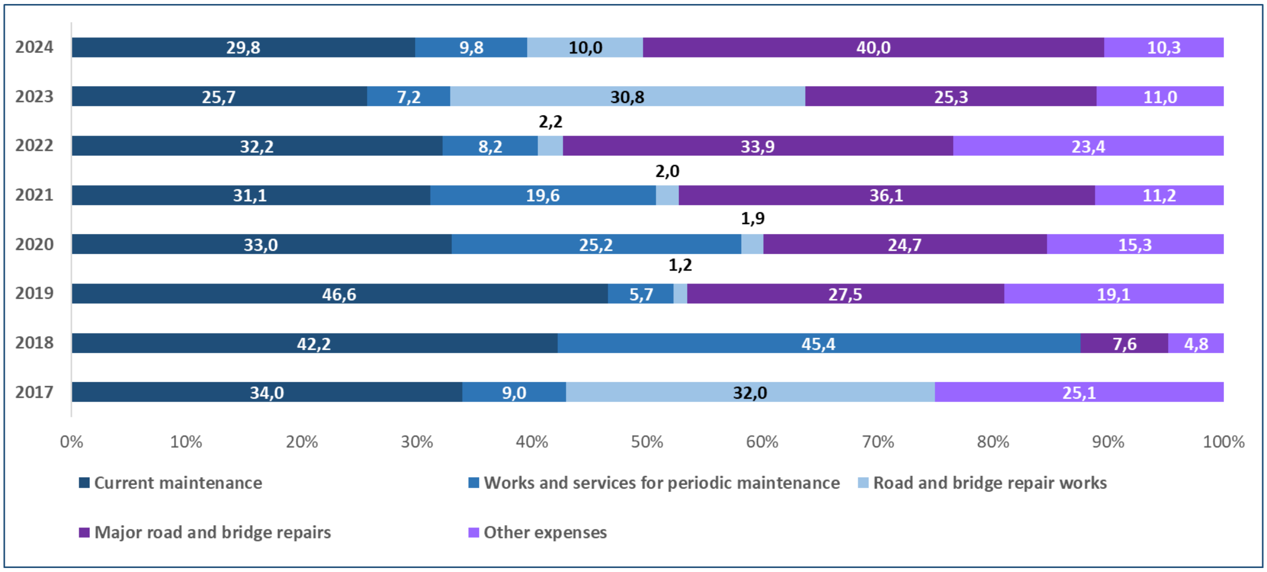
The structure of Road Fund expenditures by type of works reveals that in the period 2020-2024, the largest share is accounted for by capital repairs of roads and bridges, while in the period 2017-2019 the largest share of Road Fund expenditure was allocated to routine maintenance. The structure of the Road Fund evolves unevenly, and a clear trend of decreasing share of routine maintenance works and increasing share of periodic maintenance works is not observed. According to the Transport and Logistics Strategy for 2013-2022, the amount of resources allocated to routine maintenance was to remain relatively constant and the share of routine maintenance was to decrease, so that in 2022 it would not exceed 21.9 per cent. However, the actual data shows that the share of current maintenance work reached 32.2% in 2022, and in the following year it decreased to 25.7% and increased by 4.1%, reaching a share of 29 .8% in 2024 (Figure 2). In the same context, we note a malpractice of additional allocation of resources for routine maintenance during the budget year through decisions to amend the programme of the Road Fund's resource allocation. Thus, in 2017, in addition to 216 million MDL there were allocated an additional 135 million MDL for routine maintenance[6] , and in 2020, in addition to 371 million MDL there were allocated an additional 45 million MDL. Also, in this election year (2024), through amendments to the Law on the State Budget for 2024, the size of the Road Fund has been increased by 380 million MDL, and from this amount, according to the draft programme for the allocation of the Road Fund means, 144.3 million MDL is to be allocated for routine maintenance works[7] , while the allocations for periodic maintenance works are planned to increase by only 12.2 million MDL.

Periodic maintenance and capital repairs are much lower as a share of total Road Fund resources than forecast in the strategy. According to the Transport and Logistics Strategy, the level of resources allocated to periodic maintenance and capital repairs should increase in

[6] GD No 72 of 23-01-2018 amending the Programme on the distribution of road fund means for national public roads in 2017. https://www.legis.md/cautare/getResults?doc_id=102103&lang=ro

[7] https://particip.gov.md/ro/document/stages/proiectul-de-hotarare-a-guvernului-cu-privire-la-modificarea-programului-privind-repartizarea-mijloacelor-fondului-rutier-pentru-drumurile-publice-nationale-pe-anul-2024-aprobat-prin-hotararea-guvernului-nr-902024/13033

proportion to the growth of the Road Fund, reaching a share of around 78% in 2022. However, these works show uneven dynamics, registering a share of only 44.3% in 2022, 63.3% in 2023 and around 60% in 2024.



[Current repairs / Periodic maintenance works and services / Repair works for roads and bridges / Capital repairs of roads and bridges / Other expenditures]

Figure 2. Evolution of Road Fund structure by type of works and expenditure, %

Source: drawn up by the author on the basis of the Programs on the distribution of Road Fund means

The transport and logistics strategy envisaged splitting Road Fund financing only for: routine maintenance, periodic maintenance and capital repairs. However, in the structure of Road Fund allocations we identify other expenditures, which have considerable shares, in some budget years, between 5 and 25 per cent of the total.

Annually, resources from the Road Fund are allocated for the management of public roads, which are utilized by the State Road Administration - these funds ranged between 20 million MDL (2017) and 157 million MDL (2022), arising to 70 million MDL in 2023 and 80 million MDL in 2024. At the same time, we note that national roads are managed by the State Enterprise "State Road Administration" (ASD), and their management expenses are covered from the Road Fund (earmarked expenditure line in the programme), while local authorities finance the management of local roads from the local budgets, and this is on the grounds that transfers to LPA II are not made from the Road Fund, but through earmarked transfers from the state budget. According to 2022 reports, ASD received 1.63 billion MDL from the Road Fund for the maintenance and repair of national roads out of which 147.9 million MDL or about 9 per cent of the Road Fund[8] for the performance of the administration function. This means that ATUG and the other districts administer the roads on the account of the operating expenses of local public authorities, while the Government administers the national roads through the ASD and finances its activity not from the state budget but from the Road Fund. Although ASD performs some typical agency functions, it is organized as a state enterprise, and in the years in which a state

[8] https://www.asd.md/wp-content/uploads/2023/10/Darea-de-seama-anuala-2022-.pdf

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enterprise makes a profit, at least 50% of it must be paid into the state budget[9] . Under such circumstances, the resources of the Road Fund collected from road user fees end up being used not for road maintenance and repair, but are transferred to the state budget. This situation raises serious questions about the organization of the State Road Administration as a state enterprise instead of a public authority implementing state policy in the field of road infrastructure.

The Road Fund also includes resources for the co-financing of road rehabilitation projects, allocated annually, with the exception of 2018, the level of which varied from 5.1 million MDL (0.46%) in 2017 to 183 million MDL in 2022 (10.1%).

Annually between 20 million MDL (1.87%) and 75 million MDL (5.04%) is allocated for: drafting and adaptation of normative documents, regulations and technical specifications, etc.; execution of design works, evaluation of roads and bridges, land procurement; as well as for the execution of scientific research, technological transfer, applied to experimental sectors of roads and bridges.

In addition, resources are allocated annually from the Road Fund for the purchase and maintenance of machinery and equipment - up to 15 million MDL (1 per cent), except in 2018 and 2019, when no resources were allocated for this category of expenditure. In 2024, 15.6 million MDL has been allocated for the development of the production base of the units performing road maintenance works (S.A. "Drumuri"), as well as for the procurement of their equipment and machinery. It is therefore important to note that through this measure, road users are directly participating in the investment in state-owned road maintenance enterprises, and it is interesting that the Competition Council has not yet notified the state aid granted to S.A. Drumuri from the Road Fund.

Finally, during the years 2017-2019, about 8 million MDL were allocated for the procurement of the computerized system for issuing, management, monitoring and control of the electronic vignette. Also, in 2017 and 2019, about 320 million MDL were allocated for the payment of debts for the volumes of works capitalized on the maintenance of national public roads (arrears that led to the actual decrease in the size of the Road Fund).

Contrary to the legal provisions[10], road construction works and art works are also included into maintenance, repair and reconstruction works. Thus, annually, starting from 2017, resources are allocated from 15.6 million lei in 2017, up to 256.9 million lei. lei in 2023 and 175.2 million lei in 2024. The share of these construction works in resources allocated for periodic maintenance, current and capital repairs reaches the level of 26.8% in 2022, 17.4% in 2023 and 14.5% in 2024, which actually represents between 9% and 12% of the total road fund (figure 3).
The 797.6 million lei allocated for construction were allocated to the following projects:

- Construction of the bridge and the passage over the railway (Chisinau-Dubăsari-Poltava) – 46.5 million lei in the period 2017-2019;
- Construction of the Chisinau-Ungheni-Sculeni-border footbridge with Romania – 12.8 million lei in 2017-2019;

[9] https://www.legis.md/cautare/getResults?doc_id=142024&lang=ro
[10] Road Fund Law, Art.1, https://www.legis.md/cautare/getResults?doc_id=137562&lang=ro#

• Construction of the bridge and the passage over the railway at the border with Romania–Leuseni–Chisinau–Dubăsari– the border with Ukraine – 228.2 lei in 2020-2024;
• Construction of the road, R-30, Anenii Noi–Căuşeni–Ştefan Vodă–border with Ukraine (Troita Nouă bypass road) - 184.9 million lei;
• Construction of the access road from the state border crossing point Leova – Bumbăta, to the national road G99, bypassing the town. Leova – 325.2 million lei.

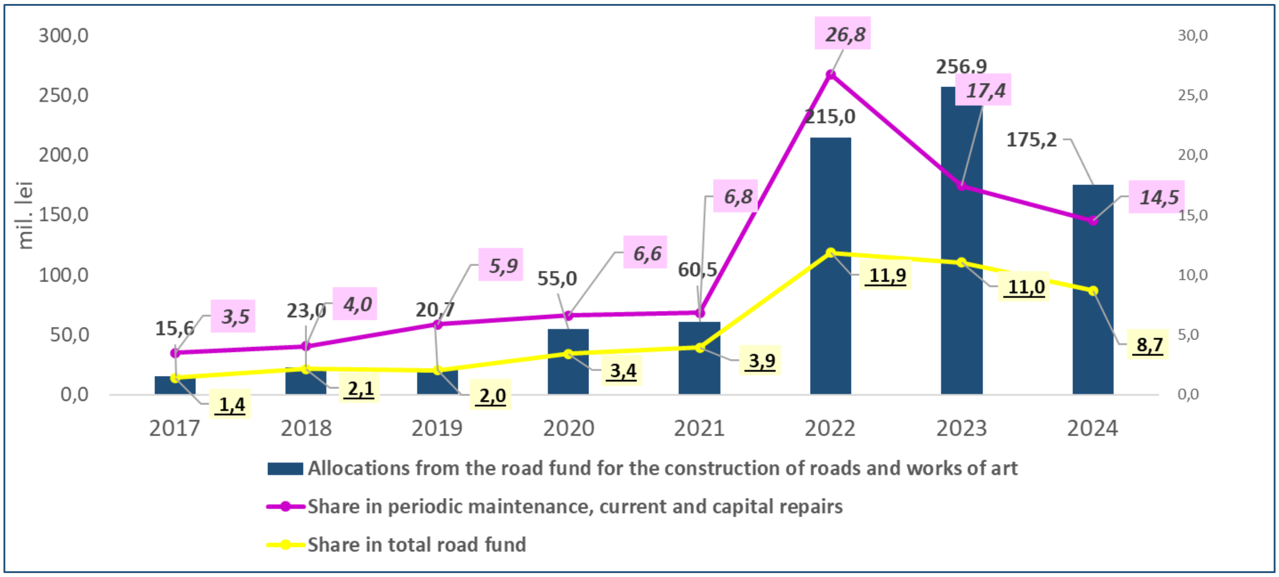

Figure 3. Evolution of allocations from the Road Fund for road construction and art works

Source: drawn up by the author on the basis of the Programs on the distribution of Road Fund means

2.2. Dynamic analysis of the distribution of Road Fund means in ATUG

Transfers for public road infrastructure of district interest to the tier II authority in ATUG account for 26.6 million MDL in 2024, which is 22% more than in the previous year and 80% more than in 2018. In the period 2018-2024 the size of transfers for public road infrastructure of district interest for ATUG developed unevenly, registering, on average, an increase of 10.3%, this trend being explained by the directly proportional dependence of the size of transfers on the change in the allocations to the Road Fund. The amounts of earmarked transfers to tier-two local budgets for local road infrastructure are calculated according to the number of equivalent kilometers administered by them and are to be updated after the determining of of the Road Fund allocations on the basis of the proposals of the Ministry of Infrastructure and Regional Development[11] .

The earmarked transfers for road infrastructure for the ATUG were allocated in 2018-2020 mainly for routine works (83% - 96%) and then mainly for capital repairs, not for periodic

[11] Budget circular 2024-2026

maintenance works. In 2018, 13.7 million MDL were allocated for routine works, for which the public authority of the ATUG carried out the procurement procedure, unlike the central public authorities, which assign these works directly to S.A. Drumuri without organizing any competition. Also, in 2018, 1 million MDL were allocated for technical supervision services, execution of project documentation, payment of debts for technical documentation and for the management of local road infrastructure by the "Sud-A-Con" S.E. (now liquidated). In 2019, 12.5 million MDL were allocated for routine works, 2.3 million MDL for payment of debts for the volumes of works performed and about 160 thousand MDL for technical supervision services. In 2020, the increase in transfers from the Road Fund was similarly used for routine maintenance works, with precisely 24.3 million MDL allocated for this purpose, and the remaining 0.85 million MDL covered the following: technical supervision services - 223 thousand MDL, laboratory testing services - 20 thousand MDL, execution of design works - 314 thousand MDL, and for the settlement of debts for winter maintenance - 298 thousand MDL (Figure 4).

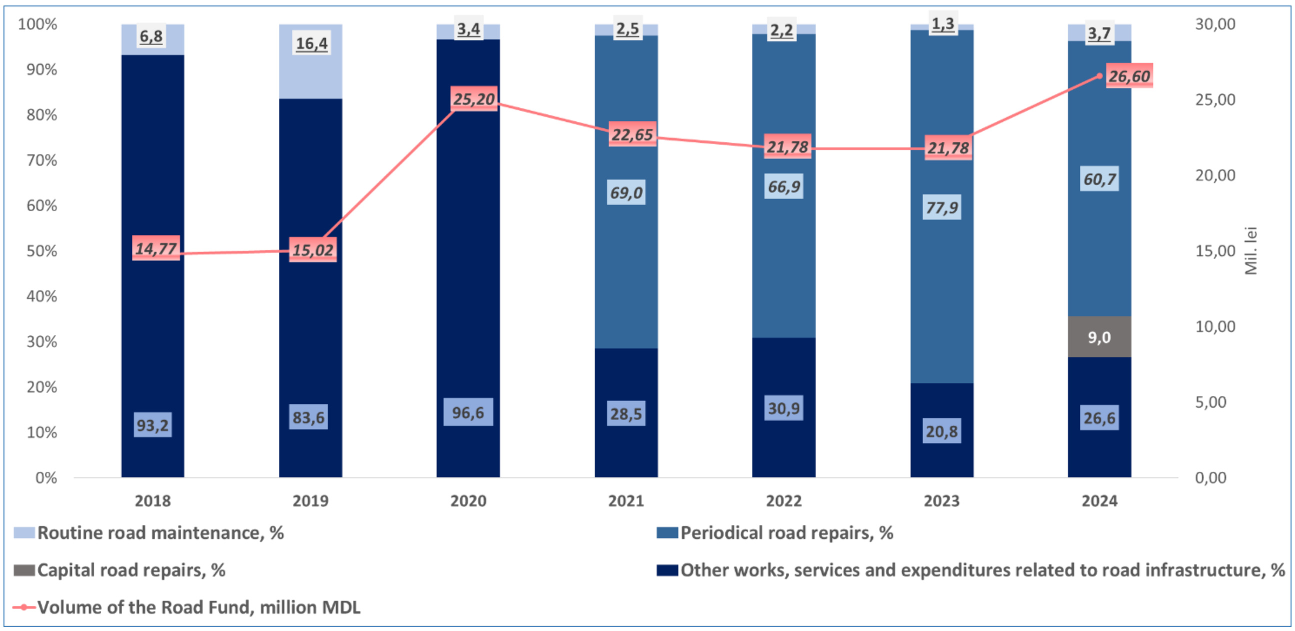

Figure 4. Evolution of the volume and structure of the distribution of earmarked transfers for road infrastructure in ATUG for 2018-2024

Source: compiled by the author on the basis of data provided by the Main Directorate for Construction and Infrastructure of ATUG (ANNEX 2)

In the period 2021-2024, transfers from the Road Fund were mostly allocated for capital repairs (60.7%-77.9%). In 2021, 15.6 million MDL were allocated for capital road repairs, 6.4 million MDL for current works and 278 thousand MDL for technical supervision and laboratory testing services, also 292 thousand MDL were allocated for the settlement of debts for winter maintenance. In 2022, 14.5 million MDL were allocated for the capital repair of roads, 6.7 million MDL for routine works, 211 thousand MDL for technical supervision and laboratory testing services and 271 thousand MDL covered the execution of design works, road assessment and land procurement. In 2023, 16.9 million MDL were allocated for capital repairs, while the remaining 4.7 million MDL covered the following: current maintenance works - 4.5 million MDL, technical supervision and laboratory testing services - 213 thousand MDL and execution of design works - 80 thousand MDL. In 2024, 16.1 mill. MDL were allocated for capital repairs, 2.4 mill. MDL for periodic repairs and the remaining 8 mill. MDL for other works and services (Figure 4).

Only from 2024, from the earmarked transfers granted to tier II public authorities for public road infrastructure in the ATUG, resources started being allocated for periodic repair. In the period 2018-2024, no resources were allocated for periodic maintenance. In 2024, 9% of the Road Fund, about 2.4 mil. MDL, have been allocated for periodic maintenance to ensure road safety, which implies the allocation of resources for the provision and installation of new road signs, brackets, portals, traffic signals, metal barriers, reflective elements, pedestrian crossings, road markings, etc.

In 2024, 4.8 million MDL were allocated from the Road Fund for filling potholes, repairing cobbled roads and rehabilitating the asphalt surface, and in 2020 just 22.6 million MDL. In 2018-2020, the amount of financial resources from the Road Fund allocated for filling potholes, repair of gravel roads and asphalt surface rehabilitation varied between 10.7 million and 22.6 million MDL. With the allocation of resources for capital repairs as of 2021, the amount of resources for pothole filling, repair of paved roads and asphalt surface rehabilitation decreased considerably, ranging from 3.3 million to 5.2 million MDL.

Maintenance works, routine repairs of civil engineering works (bridges, culverts) were financed with only 60 thousand MDL in 2024, which is 10 times less than in 2019. The budget for these routine works varied unevenly over the analyzed period, registering an average decrease of 29.5 %. In 2018-2021, between 381.3 thousand and 700 thousand MDL were allocated for routine maintenance of bridges. As of 2022, the amount of resources directed to these works dropped down to 102.6 thousand MDL, and in 2023 it amounted to 66.2 thousand MDL and in 2024 - 60 thousand MDL.

The programme for the allocation of resources from the ATUG Road Fund does not clearly indicate the sections of local roads for each type of work. Thus, we note a number of local roads benefiting from several types of works in the same period and, as it turns out, on the same stretches of road: L623 (R28 - access road to Comrat), L634 (M3 - Vulcanesti - R32.1), L635 (M3 - access road to Vulcanesti station), L637 (M3 - Vulcanesti - Vadul lui Isac), L638 (M3 - Cismichioi - Etulia) - filling of potholes and rehabilitation of asphalt surfaces; L627 (R29 - Joltai - Besghioz - R36) - filling of potholes and rehabilitation of asphalt surfaces, then filling of potholes and capital repairs.

Out of about 30 local roads administered by ATUG, only 3 benefited from capital repair during the analyzed period. The local road L624 (M3 - access road to s. Besalma) received resources for current repair and rehabilitation of the asphalt surface in 2019 (700 thousand MDL) and 2020 (5334.76 thousand MDL), and in 2021 this road received 2154.86 thousand MDL for capital repair. Local road 625 (Access Road to Cotovscoe village) 850,92 thousand MDL were allocated in 2020 for current repair and rehabilitation of asphalt surface, as well as 3298,53 thousand MDL in 2021 and 1850,71 thousand MDL in 2023 for capital repair. The local road L627 (R29 - Joltai - Besghioz - R36) benefited from resources from the ATUG Road Fund for 4 types of works:

- for current repairs and rehabilitation - 1770,82 thousand MDL in 2018, 1600 thousand MDL in 2019, 914,53 thousand MDL in 2020;
- for capital repairs - 7397,36 thousand MDL in 2021, 14569 thousand MDL in 2022, 14824,8 thousand MDL in 2023;
- for the maintenance and repair of paved roads - between 177 thousand MDL and 256 thousand MDL in 2018-2021;
- for filling potholes - between 11 thousand and 340 thousand MDL between 2020-2023.

80 % of contracts for maintenance and repair works on local roads in ATUG were awarded to S.A. Drumuri Comrat following open tenders. The General Directorate of Construction and Infrastructure of ATUG has carried out 11 procurement procedures, out of which, the winner S.A. "Drumuri Comrat" was chosen 9 times on the basis of "lowest price" (8 procedures) and only once the criterion "Best price-quality ratio" was applied.

III. ANALYSIS OF THE EVOLUTION OF FUEL EXCISE DUTY RECEIPTS IN RELATION TO THE EVOLUTION OF ROAD FUND RECEIPTS AND THE EVOLUTION OF BITUMEN PRICES

The Road Fund is made up, for the most part, from annual breakdowns of the volume of excise duties on petroleum products subject to excise duties, excluding liquefied gas. Other sources of funding for the Fund also include: road taxes levied (vignette for motor vehicles not registered in the Republic of Moldova and other road taxes) with the exception of the tax for the use of roads by motor vehicles registered in the Republic of Moldova; fees for the issuance of permits for international carriage of goods and occasional passenger transport by road; fines imposed for non-compliance with the rules of passenger transport, damage to roads, road constructions and equipment, road-related plantations and the tax for the sale of natural gas intended for use as fuel for motor transport units, as well as the tax for the siting of targets in the area of public roads, etc. From 2023 onwards, road use taxes paid by road users, owners of motor vehicles registered in the Republic of Moldova, are not earmarked for road infrastructure, and are transferred entirely to tier-I LPAs for general use. This situation creates a paradox: the money collected from road users does not necessarily go to road maintenance.

The money paid by road users when buying fuel does not go into the Road Fund. The 2010 version of the Road Fund Law stipulated that "not less than 50% in 2010, 65% in 2011, 80% in 2012 and subsequent years of the total amount of excise duties on petroleum products subject to excise duties" shall be transferred to the Road Fund. Based on these provisions, the strategic planning of the volume of resources of the Road Fund was accomplished. In 2018, however, a key amendment to the Road Fund Law[12] took place, whereby "80 per cent share of excise duties" was replaced by the phrase "in the amount determined in the state budget law for the respective year". This change politicized the transfer of funds to the Road Fund and affected the amount of financial resources actually allocated to the Road Fund. In 2020-2024, the share of excise duties on petroleum products allocated to the Road Fund did not exceed 67.01% (2020), and in the following years it only decreased to 54.5% in 2021, 58% in 2022, 50.67% in 2023 and 54.45% in 2024. The volume of excise duties on petroleum products collected is increasing, which makes the discrepancy between the actual level allocated to the Road Fund and the level originally envisaged in the Road Fund Law until the 2018 amendment ever widening. Thus, the Road Fund was underfunded: by 326 million MDL in 2020, 739 million MDL in 2021, 377 million MDL in 2022, 1057 million MDL in 2023 and 974 million MDL (projected) in 2024 (Figure 5).

The under-financing of the Road Fund together with the significant increase in the prices of raw material (bitumen) and materials, totally compromises the aspirations stated in the strategic documents on ensuring the good condition of roads in the Republic of Moldova. A dynamic analysis of bitumen prices for 2019-2024 reveals a dramatic increase in the price of this raw material in 2022. The inflated price for bitumen is still being maintained. In 2022 the average price of a tone of bitumen increased from 9.8 thousand MDL in 2021 to 19 thousand MDL . This development can be explained by the manifestation of exogenous risks of geopolitical and economic nature, the influence of which had to be taken into account when deciding to underfinance the Road Fund. Thus, in the presented context, the financing of the Road Fund demonstrates a missed opportunity to make good roads at lower prices[13] , causing a further delay in the attainment of strategic objectives regarding the rehabilitation, modernization, repair and proper maintenance of all public roads in the Republic of Moldova.

[12] https://www.legis.md/cautare/getResults?doc_id=105529&lang=ro
[13] https://achizitii.md/

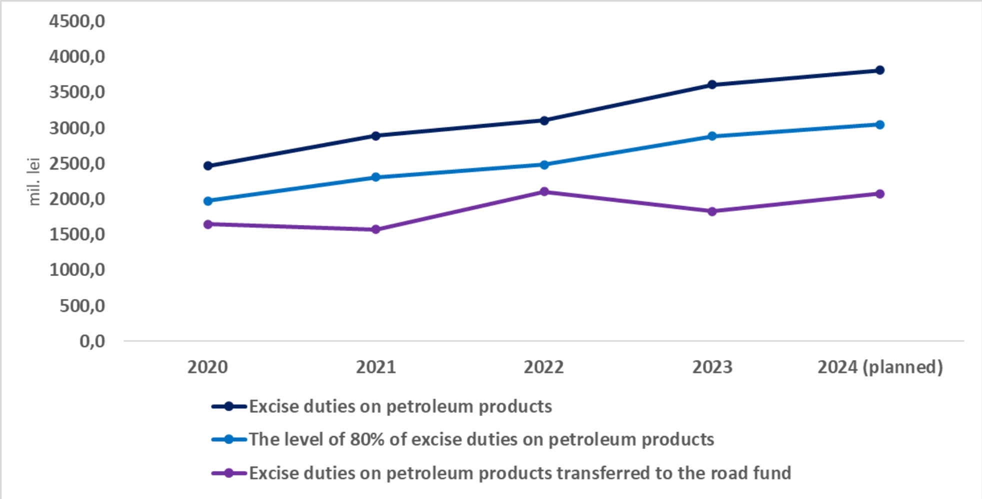

Figure 5. Evolution of excise duties on petroleum products (total collected, transferred to Road Fund, 80 % of total)

Source: compiled by author based on information available on https://date.gov.md/

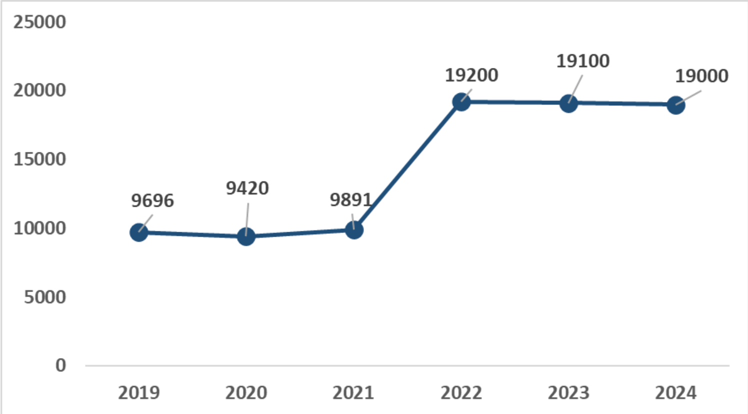

Figure 6. Evolution of bitumen price per 1 ton, RON

Source: compiled by author based on information available on https://achizitii.md/

IV. ANALYSIS OF THE EVOLUTION OF THE CONDITION OF ROADS FINANCED FROM THE ROAD FUND

The evolution of road condition is a key indicator of the effectiveness of maintenance and rehabilitation works. If the condition of roads improves and the share of roads in the "bad" and "very bad" categories decreases, then we can say that we have good road asset management.

Analyzing the evolution of road condition is jeopardized by the quality of the data provided by the responsible authorities. Information on road condition is presented in relative indicators, i.e. as weights of road categories according to their condition. However, the length of the roads, for which the average index of evenness has been measured, varies from period to period. Thus, the first presentation of this information is given in the report on the use of the Road Fund in 2012, which presents a comparable situation for the years 2009, 2010 and 2012 for a length of 1600 km of national roads. In the report for 2013, the information for that reporting year is also added, thus, we can see that in the period 2009-2013 the condition of roads improved considerably, the share of roads in "good" condition increased from 9.78% to 41.26% (Figure 7).

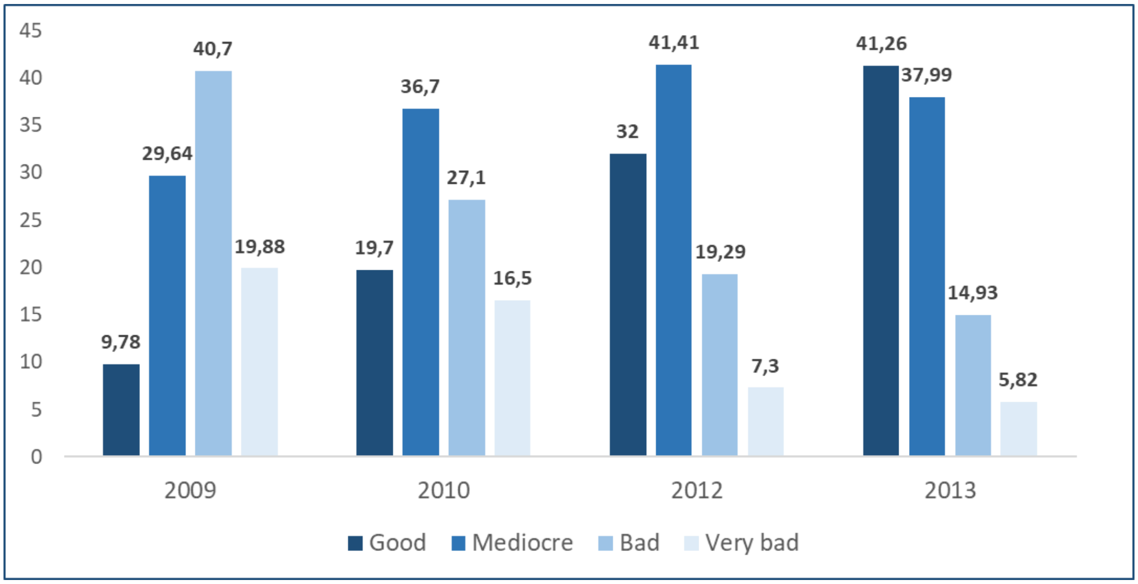

Figure 7. Evolution of national road condition 2009-2013, %

Source: compiled by the author on the basis of the Report on the use of the Road Fund in 2013 //Official Gazette 53-59/311, 07.03.2014[14]

The report on the use of the Road Fund in 2014 presents the state of road conditions estimated on a sample of 3068 km of national roads. Compared to the previous year, the proportion of roads in good condition increased by 11 % to 38 % (Figure 8). In 2015, the technical condition of the road network, estimated on the basis of the IRI International Road Index, is presented for a length of 3058 km, noting that the road condition improved compared to the previous year, although the data are presented only for spring and autumn 2015[15] . In the report for 2016, road condition estimates are already presented for a length of 3139 km of road for two consecutive years (2015 and 2016). In this report a new category of road condition appears, namely "excellent condition". The data show that the share of roads in excellent condition increased insignificantly by 0.83 % from 11.57 % to 12.40 %, while the share of roads in good condition decreased considerably - by 9.39 %. At the same time, we note that the share of roads in bad and very bad condition increased significantly - by 8.06% and 6.66% respectively. The report for 2017 shows an improvement in road condition, with a 6% increase in the proportion of roads in excellent and good condition, but from this year onwards the reports on Road Fund utilization no longer specify the length of roads for which the average road levelling index has been estimated[16] . For the years 2018 and 2019 the reports on the utilization of the Road Fund have not been prepared and not published, in violation of the legal provisions, and therefore the

[14] https://www.asd.md/storage/topic/thumbs/files/R_MO_13.pdf
[15] Report on the use of the road fund in 2015 / / Official Gazette 114-122/700 of 29.04.2016, available at: https://www.asd.md/storage/topic/thumbs/files/R_MO_15.pdf
[16] Reports on road fund utilisation. Available online: https://www.asd.md/fondul-rutier/

fund expenditures become non-transparent and susceptible to inefficient use of the fund means.[17]

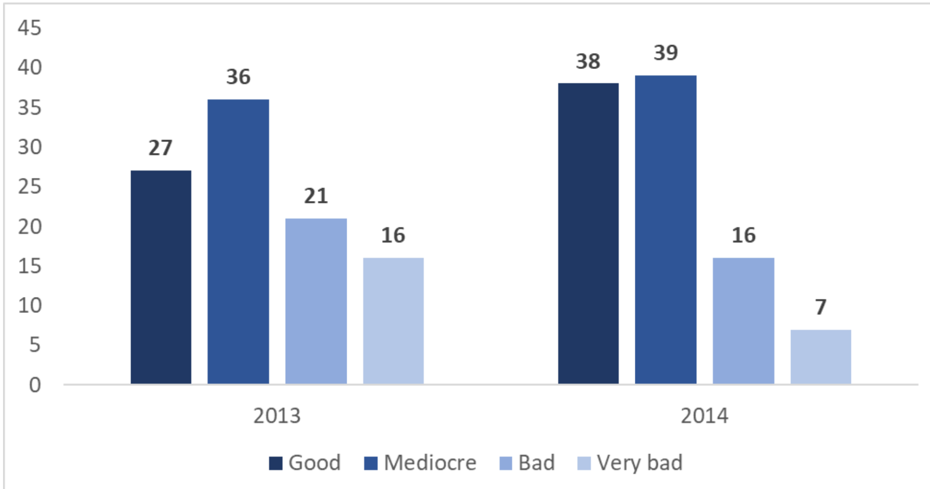

Figure 8. Evolution of national roads condition in 2013-2014, %

Source: Report on the use of the Road Fund in 2014 //Official Gazette 124-130/805 of 22.05.2015[18]

The information on the condition of national public roads presented in the reports on the use of the Road Fund for the period 2020-2023 raises doubts about the veracity of the data. The report for 2020 presents a development of the state of the roads for a 6-year period (2015-2020), stating that "the state of the national public roads for 2017, 2018 and 2019 was calculated as a weighted average of the state of the express roads and republican roads, which allows comparison of the state of the national public roads over a 6-year period starting from 2015".

The report for 2021 only adds the data for 2021, with no clarity on the methodology used or the length of roads measured. In the reports for 2022 and 2023, the condition of the roads is compared from 2018 onwards, stating that "a representative comparison of the technical condition of the road network can be made according to the data collected since 2017 after the reconfiguration of the public road network". Thus, the reports for the years 2020 and 2021 and those for the years 2022 and 2023 present different information on the condition of the roads for the years 2018, 2019, 2020 and 2021 (Figures 9 and 10). In the 2022 and 2023 reports the shares of roads in excellent and good condition are visibly lower. The lack of consistency and clarity regarding the sample, and grading scale of the results of the flatness tests, seriously affects the credibility of the data.

[17] They are not available on the ASD website in the reports section, nor are they in the official monitor

[18] https://www.asd.md/storage/topic/thumbs/files/R_MO_14.pdf

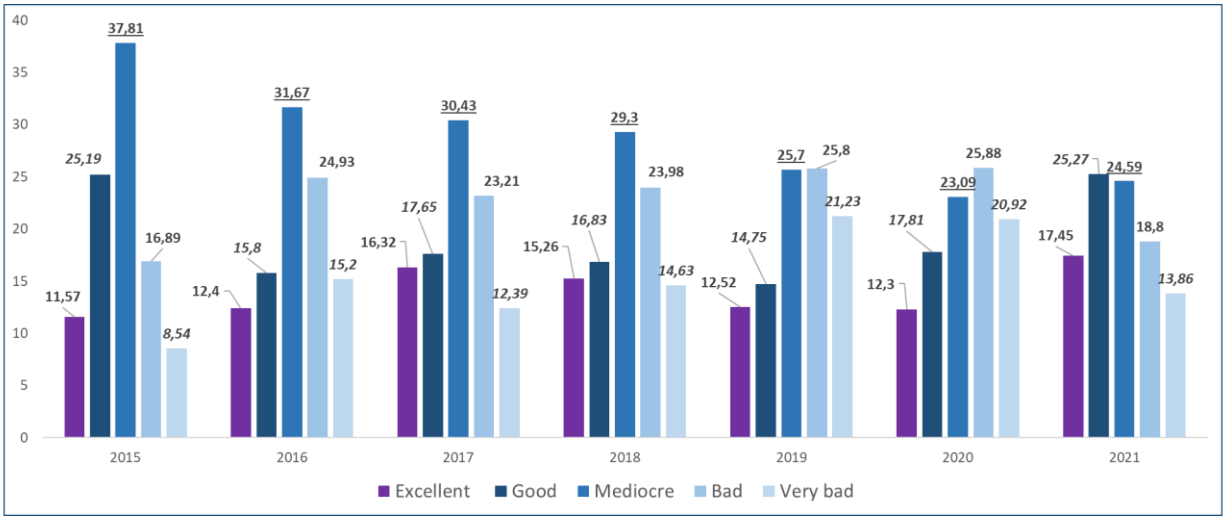

Figure 9. Evolution of national road condition 2015-2021, %

Source: Report on the implementation of the Programme on the distribution of Road Fund means for national public roads for 2021// Official Monitor No 129-133 (8173-8177) of 22.04.2022[19]

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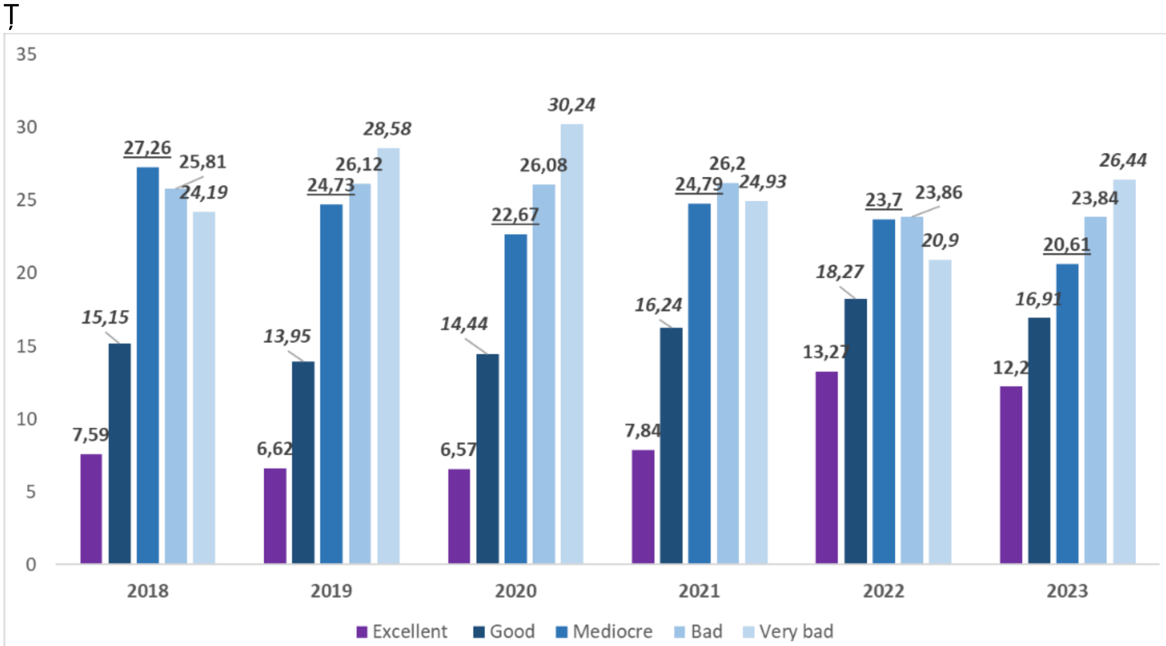

Figure 10. Evolution of the condition of national roads in 2018-2023, %

Source: Report on the use of the Road Fund in the period 2023 //Official Gazette 219-222/(9157-9160) of 23.05.2024

[19] https://www.asd.md/wp-content/uploads/2023/01/Raport-fondul-rutier-2021.pdf

Road condition worsens on all types of national roads in 2023, and the worst situation is on regional roads, where the share of roads in bad and very bad condition reaches about 60%. A significant emphasis was put on express roads, thus in 2022 the share of roads in excellent condition increased from 2% to 20% due to the completion of rehabilitation works for 210 km from external and budgetary sources. Other significant changes in the condition of national roads are not observed, they continue to deteriorate, especially the regional roads (Figure 11).

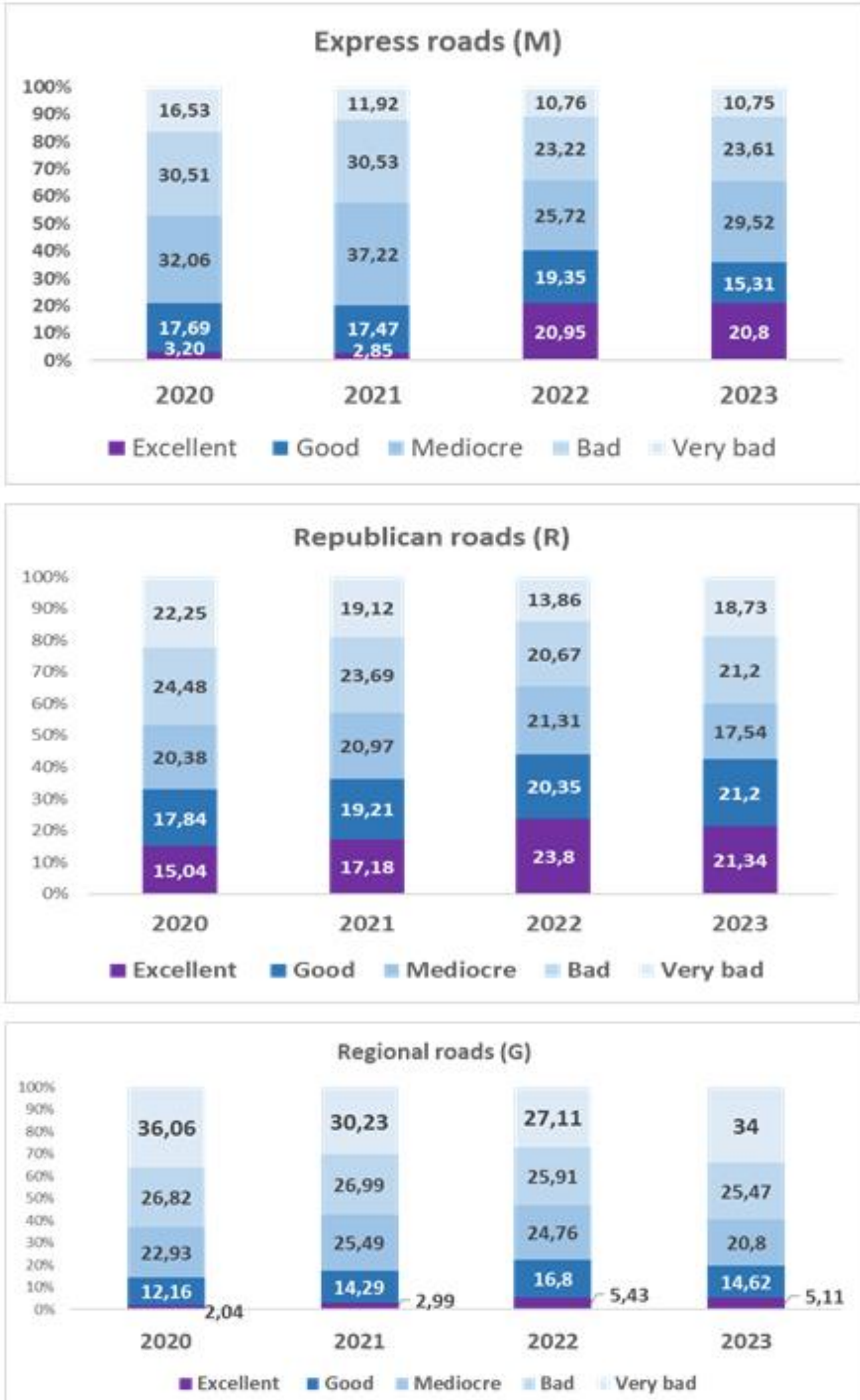

Figure 11 .

Evolution of the condition of express (M), republican (R) and regional (G) roads 2020-2023, %

Source: based on reports on the utilization of the Road Fund in 2020-2023

V. SECTORAL STRATEGY - GUARANTEEING EFFICIENT USE OF THE ROAD FUND?

5.1 Implementation of the logistics and transport strategy: objectives and results

The approval of the strategic plan is not a guarantee that the stipulated objectives will be attained. An eloquent example of this is the Transport and Logistics Strategy for 2013-2022, which, although it foresaw the attainment of major objectives for road infrastructure development, was not implemented.

At least for 310 km of national roads were to be rehabilitated annually in order to complete the rehabilitation of the entire national road network by 2022. The Transport and Logistics Strategy foresaw the rehabilitation of about 3 thousand km in the period 2014-2022, but the Road Fund utilization reports indicate an uneven development of the physical volume of rehabilitation works. No Road Fund utilization reports have been published for 2018 and 2019, which makes it impossible to include information from these years in the cumulative volume of rehabilitation works. However, the data show a volume of about 1.9 thousand km of national roads (Figure 12).

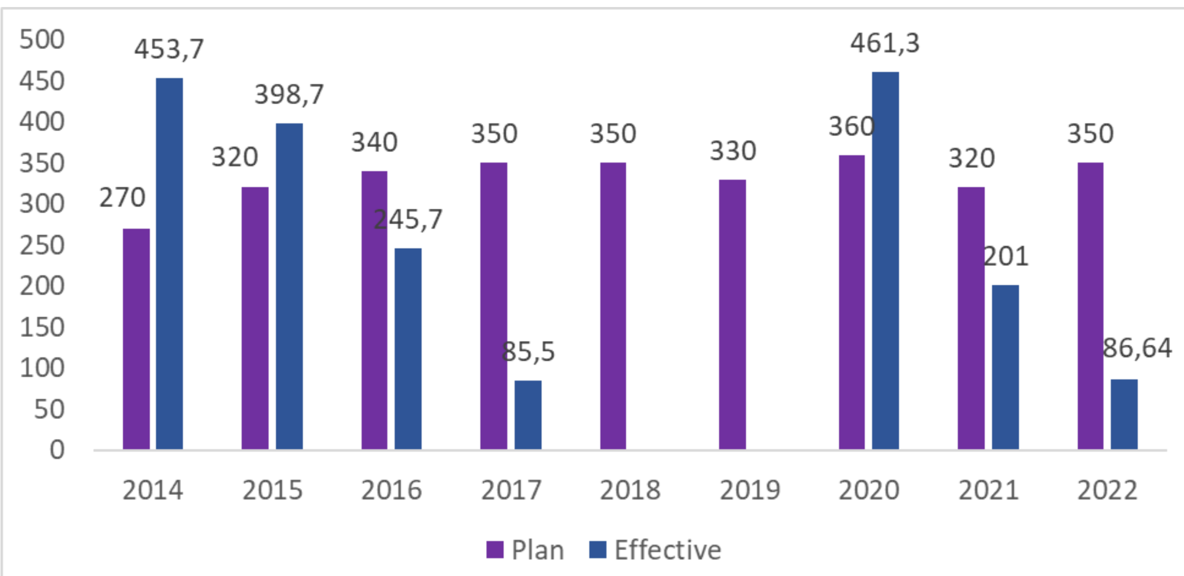

Figure 12. Evolution of physical volume of road capital repair, km
Source: based on reports on the use of the Road Fund in 2014-2022

All national roads should be in at least mediocre condition by 2022. The road condition data for 2022 shows that about 44% of national roads are in bad and very bad condition, and the situation in 2023 is even worse, with 50% of national roads in bad and very bad condition.

Increasing the funding allocated to road infrastructure was a prerequisite for ensuring the achievement of the objectives stipulated in the strategy on road rehabilitation and improvement of road condition. In 2022, the Road Fund was approved at the level of 1.48 billion MDL, and by Law No 260/2022 of 08.09.2022, the volume of the fund was increased to 1.81 billion MDL. In 2023, the level of the Road Fund was approved at 1.48 bn. MDL, which was amended during the year to 2.32 bn. MDL. In most of the cases, the changes are due to political decisions on the allocation of the Road Fund (e.g. repair of the Bulboaca route in the context of the European political community meeting on 1 June 2023, or construction of the Leova-Bumbata road and pontoon bridge, etc.).

The Mobility Strategy for the years 2023-2030[20] recognizes the systemic deficiencies in the development of the transport system and the dependence of the road fund on the budget process. The Mobility Strategy was recently approved, which will transpose the road infrastructure development objectives until 2030. This strategic document claims that "the dependence of the Road Fund on the annual budget process has created unpredictability and shortcomings in terms of the volume of financial resources required for the works of repair" and that "the current road fund in the Republic of Moldova remains part of the first generation of road funds, without financial autonomy". **The Mobility Strategy for the years 2023-2030 proposes as its objective - ensuring the predictability and resilience of the financing of the transport infrastructure correlated with the needs of the population.** In the vision set out in the strategy, the Road Fund should no longer be part of the State Budget, and the collected funds should be allocated with special purpose to the road infrastructure. The road fund must be of a new generation to ensure the achievement of road infrastructure objectives, i.e. be much more autonomous from the annual budget processes of the Government and with a multi-year planning approach to financing, budgeting and accounting to make the annual allocations of the Fund's expenditure more useful road. The strategy also claims that improving the management of road assets through strategic planning policies, increasing the efficiency of the activities of the Road Fund, both at the central and local level, together with improving the quality of data collected from road traffic, should be priority objectives for the sustainable development of the road infrastructure and the field as a whole.

5.2. Strategic plan for the development of road infrastructure in ATU Gagauzia

The Road Fund in ATU Gagauzia has been utilized so far without strategic planning. The resources from the national Road Fund obtained through allocation by equivalent kilometer were used on the basis of the annual Road Fund utilization programme. In November 2023, the People's Assembly of Gagauzia approved Local Law No. 32 of 17 November 2023[21] on the use of road infrastructure funds. In accordance with the provisions of this law, the financing of resources for road infrastructure at the district level is to be carried out by the Executive Committee on the basis of the Annual Programme for Financing Local Road Infrastructure, prepared by the Executive Committee and approved by the People's Assembly of Gagauzia by 1 March of the

[20] The Mobility Strategy for the years 2023-2030 approved by Government Decision no. 589 of 28.08.2024
[21] https://halktoplushu.md/archives/14499

budget year. At the same time, the Annual Financing Programme for road infrastructure at the district level shall be elaborated in accordance with the strategic plan for the development of road infrastructure, elaborated by the Executive Committee and approved by the People's Assembly of Gagauzia.

The ATUG Road Fund Allocation Programme for 2024[22] was approved late, once with the approval of the strategic plan. The draft decision on the approval of the distribution plan for 2024 was included in the agenda of the meeting on 29 March this year, but it was removed from the agenda, the decision being based on the fact that the strategic plan on the development of road infrastructure is not developed and approved. The firm stance of MPs led to both the strategic plan and the annual programme being put forward for approval at the sitting on 3 May.

The strategic plan for the development of road infrastructure conditions a more rigorous allocation of financial resources from the Road Fund allocated to ATUG[23] . The ATUG programme for the use of Road Fund resources for the year 2024 provides, for the first time in the period from 2018 to the present, for the distribution of financial resources for periodic maintenance and repair. Thus, about 60 per cent of the resources are allocated for capital repairs, 9 per cent are allocated for periodic maintenance and about 26 per cent are allocated for routine maintenance.

The elaboration of the strategic plan required public authorities to analyze the condition of local roads in ATUG. In the context of the elaboration of the strategic plan, the public authorities of ATUG analyzed 30 local roads under their management. The results reveal that about 58 % of the local roads have a capital or transitional road surface, with data on the mileage per local road by type of road surface: asphalt - 58 %, gravel - 14 % and earth - 28 %. These data are relevant for planning periodic maintenance and capital repair works. The strategic plan also presents the situation regarding the condition of local asphalt concrete surfaced roads: 31 % are in bad and very bad condition; 41.5 % are in mediocre condition and only 27.5 % are in good condition. In this context, it was found that 25 km of local roads are in urgent need of capital repair and a further 37 km require capital repair in the medium-term perspective.

The strategic plan stipulates performance indicators for the period up to 2027. Thus, 5 km of local roads are planned to be rehabilitated annually. In addition, by 2027, 100 per cent of priority local roads (8 out of 30) are expected to be in good or mediocre condition, and 100 per cent of local roads are expected to be at least in mediocre condition. In the same context, the plan aims to reduce road accidents by 50 per cent. However, the annual programme for the use of the Road Fund includes only financial data, without indicating the names of the roads included in the capital and periodic repairs and the kilometers planned for repair.

[22] https://halktoplushu.md/archives/15310
[23] https://halktoplushu.md/archives/15308

The realization of the strategic plan for road infrastructure is based on the changes in state budget funding. The strategic plan stipulates the problems and the action plan, as well as the terms of realization and result indicators. Thus, in order to solve the problem related to the poor condition of local roads, it is stipulated that 250 million MDL should be allocated for the rehabilitation of priority local roads, and the size of state budget transfers for road infrastructure in ATUG should be 1 billion MDL. The formulation of the result indicator is ambiguous, as it is not clear whether the size of the allocations is calculated cumulatively for the realization period (2024-2027) or are proposed as annual values. However, in relation to another issue related to under-financing of modernization and rehabilitation of roads in localities, listed in the action plan, where it is planned as result indicators - 1 bn MDL annually attracted from external funds, as well as 100 % co-financing on these grants should be provided either by the central government, ATUG or local authorities. Also in this regard, it is specified that the size of the ATUG Road Fund must constitute 1 bn. MDL. In the presented context, we note that the Road Fund for ATUG in 2024 constitutes only 26.59 million MDL.

VI. CONCLUSIONS

Conclusions for central authorities:

1. **The Road Fund is chronically under-funded compared to its projected level in line with the Transport and Logistics Strategy 2013-2022, but also in relation to its accruals.** Despite the accumulations in the road fund, accumulations that exceed the amount of receipts and the values planned in the transport and logistics strategy, the level of financial resources actually allocated annually to the Road Fund are lower than those forecasted, on average by about 1 billion lei. The funding sources of the road fund have been gradually eliminated: excise duties on liquefied gas were eliminated in 2012; the volume allocated in the road fund of the tax for the use of roads by motor vehicles registered in the Republic of Moldova decreased by 50% in 2017, so that from 2022 it will be completely eliminated from the financing sources of the road fund; the clause regarding the 80% share of excise duties on petroleum products, excluding liquefied gas, was removed in 2018.

2. **The size of the Road Fund is unpredictable and totally dependent on the decision of those who approve the annual budget.** Decisions to approve the size of the Road Fund are unpredictable and are taken in the context of the annual approval of the national public budget, and the volumes approved do not correspond to the medium-term budgetary framework. Also, during the course of the budget year, decisions may be taken to change the volume of resources allocated to the Road Fund in general and by type of works in particular. There is also the problem of arrears, which reduce the effective value of the Road Fund.

3. **The structure of the Road Fund by type of works reveals that, in the period 2020-2024, the largest share is accounted for by capital repairs not to be carried out from the Road Fund earmarked for maintenance only, and in the period 2017-2019 the largest share of Road Fund allocations was made for routine maintenance works.** Routine maintenance does not allow an objective measurement of the volumes realized, the works being less efficient but costly, with an increased risk of embezzlement of Road Fund money given that they are not tendered works, but are allocated by direct contracting to S.A. Drumuri. Thus, the increased allocation of resources for these works is evidence of poor planning and inefficient management of road infrastructure.

4. **Periodic maintenance accounts for a much lower share of total Road Fund resources than predicted in the strategy, which does not allow the creation of a market for periodic maintenance works and the specialization of companies in this type of works.** According to the Transport and Logistics Strategy, the level of resources allocated to regular maintenance should increase in proportion to the increase in the Road Fund. Regrettably, however, these works show an uneven dynamic, accounting for around 11% of the total volume of resources allocated to the Road Fund.

5. **The transport and logistics strategy envisaged splitting Road Fund financing into only two broad categories of expenditure, routine maintenance and periodic maintenance and**

repairs, however, other expenditure is also financed from the Road Fund. Analyzing the structure of the Road Fund by type of expenditure, other categories of expenditure are also identified, with a share of up to 25 %, affecting the ability of the Road Fund to fulfil its main objective - improving the condition of roads. This category of expenditure also included debts for works carried out in the previous period, so that the volume of actual resources allocated to road infrastructure maintenance was even lower than the approved level.

6. **The State Enterprise "State Road Administration" (ASD) annually obtains resources for the management of public roads from the Road Fund, while ATUG and other tier-II LPAs manage roads from the account of local public authorities' operating expenses.** The State Road Administration (S.S.) has obtained between MDL 20 million (2017) and MDL 157 million (2022), recording in recent years levels of MDL 70 million in 2023 and MDL 80 million in 2024 for the management of road infrastructure. The state enterprise status of the ASD determines that the profit realized by the ASD is allocated to the state budget[24], thus the resources of the Road Fund are not used for road maintenance and repair, but get into the state budget.

7. **Annually more than 1.3 billion MDL paid by road users to purchase fuel does not get to be used for the roads which increases the cost to users.** The amendment of the Road Fund Law of 2018 replaced the phrase "80 per cent share of excise duties" with the phrase "in the amount established in the state budget law for the respective year". This amendment has affected the amount of financial resources actually allocated to the Road Fund, and consequently its ability to ensure the rehabilitation, modernization, repair and proper maintenance of all public roads by 2022 and bring them to a good condition.

8. **The under-funding of the Road Fund through the significant increase in raw material (bitumen) prices jeopardizes the aspirations stated in the strategic planning documents.** The prices of bitumen used in asphalt mixes increased more than twice in 2022 and continue to remain at this level. With raw material prices increasing and the Road Fund remaining underfunded, the risk of accelerating the rate of degradation of road assets increases.

9. **The evolution of road condition cannot be analyzed over a longer period of time as the available data are not comparable and the information on the condition of national public roads presented in the reports on the use of the Road Fund for the period 2020-2023 raises doubts about the veracity of the data.** The reports for the years 2020 and 2021 and those for 2022 and 2023 present different historical information on the condition of roads for the years 2018, 2019, 2020 and 2021. In the 2022 and 2023 reports the shares of roads in excellent and good condition are visibly lower.

10. **The road condition worsens on all types of national roads in 2023, and the worst situation is on regional roads, where the share of roads in bad and very bad condition reaches about 50%.** A significant emphasis has been put on express roads, thus in 2022 the share of roads

[24] https://www.legis.md/cautare/getResults?doc_id=142024&lang=ro

in excellent condition has increased from 2% to 20% due to the completion of rehabilitation works for 210 km from external and budgetary sources. Other significant changes with regard to the condition of national roads are not observed, they continue to deteriorate, especially regional roads.

11. The **Transport and Logistics Strategy for the period 2013-2022 has** largely **not been respected**, as rehabilitation works have been carried out on less than 1000 km and the condition of roads is worse than expected - national roads in at least mediocre condition, although more than 50% of roads are in bad and very bad condition. The Road Fund is under-financed annually, which does not contribute to meeting the road condition and rehabilitation targets.

Conclusions for local authorities (II):

1. The targets set by ATU Gagauzia in the local strategic planning documents are not achievable. According to the strategic plan, the size of allocations from the Road Fund for ATUG should reach the amount of 1 billion MDL in order to ensure the attainment of all the objectives stipulated in the strategy, however, the programme does not indicate the source of covering the deficit in order to cover that gap.

2. The analysis of the use of resources received as earmarked transfers for road infrastructure in the ATUG reflects a low degree of efficiency of their utilization. Thus, before 2020, earmarked transfers for road infrastructure were mainly allocated for routine works (83%-96%). 22.6 million MDL were allocated in 2020 for filling potholes, repairing paved roads and asphalt surface rehabilitation. From 2021, more than half of the resources were allocated for capital repairs, and it was only as of 2024 that the resources were allocated for periodic maintenance (about 9%).

3. The programme for allocating resources from the ATUG Road Fund does not clearly indicate the sections of local roads for each type of work. A number of local roads benefit from several types of works in the same period and, as it appears, on the same stretches of road: pothole filling and asphalt surface rehabilitation, then pothole filling and capital repairs.

4. Transfers for road maintenance in ATU Gagauzia have been used without being anchored in any strategic planning document, which has affected the efficiency of the use of financial resources for road infrastructure in ATU Gagauzia. With its approval in 2024, a more rigorous allocation of financial resources from the ATUG Road Fund has been ensured, as the programme for the use of Road Fund resources for 2024 for the first time in the period from 2018 to the present provides for the allocation of financial resources for periodic maintenance and repair. Thus, about 60 per cent of the resources are allocated for capital repairs, 9 per cent are allocated for periodic maintenance and about 26 per cent are allocated for routine maintenance.

5. Strategic planning requires analyzing the current situation regarding the state of

local roads and approving a multi-year planning. In the context of the elaboration of the strategic plan, the public authorities of ATUG carried out an analysis of the 30 local roads under their management. The results reveal that about 58 % of the local roads have capital or transitional coverage, with data on the mileage on each local road by type of road surface.

6. **The strategic plan stipulates performance indicators for the period up to 2027, but without explaining how their attainment will be ensured.** Their realization is based on changes in the financing of the Road Fund from the state budget. A major financial coverage is envisaged for several objectives, namely: Road Fund from ATUG in the amount of 1 bn. MDL (of which 25% will be allocated for rehabilitation), external funds attracted annually in the amount of 1 bn. MDL and 100% guaranteed co-financing of projects (the source of coverage is not stipulated).

VII. RECOMMENDATIONS

For central public authorities:

1. Ensuring the predictability of financing the road fund by reinstating in the law on the road fund the breakdown of at least 80% of fuel excises into the fund.

2. In the same context, we recommend reconsidering the destination of the road fund, which, at the moment, not only covers the maintenance and repair of roads, but also the construction of new ones and the administration of existing ones. The road fund must be earmarked for maintenance.

3. Implementation of the new generation Road Fund, which should be autonomous from the budgetary process, with clear and stable sources, the volume of which is able to evolve in a predictable manner, allowing for long-term planning of public road infrastructure development.

4. Improving the governance of the Road Fund and ensuring data-driven planning of Road Fund allocations and efficiency of interventions.

5. Elaboration of a multiannual programme for the development and rehabilitation of road infrastructure, 3-5 years, which will ensure the uniform improvement of the condition of roads both in terms of geographic and road categories (express, republican, regional).

6. Development of a methodology for planning the distribution of Road Fund resources by invariable categories and sub-categories of expenditure, which would allow comparability and analysis of programs for different years.

7. Standardization of the content of the report on the execution of the programme for the distribution of Road Fund resources and of the statistical data reflected therein.

8. Increase the resources allocated to regular repairs, which actually maintain the road infrastructure and improve the condition of the roads.

9. Avoiding the financing from the Road Fund of new construction works, which would have to be provided from the state budget or external loans.

10. Reducing the share of expenditure other than road maintenance and repair in the expenditure structure of the Road Fund, while ensuring that the priorities for the use of the Road Fund are respected.

11. Reconsider the status of the State Road Administration and the way it is financed from the Road Fund. This entity should operate as a public authority financed from the state

budget.

12. Reflection of transfers to tier-II LPAs in the programme for the distribution of Road Fund means as transfers from the Road Fund.

13. Ensure the achievement of the strategic objectives through efficient use of the Road Fund at national level by including the analysis of the achievement of the strategic objectives in the annual report on the use of the Road Fund.

14. Developing methodological guidelines for tier-II LPAs on how to plan allocations for the maintenance of roads of district (municipal) interest.

15. Evaluation of the impact of the change of transfers from the state budget to local authorities of level I for road infrastructure from transfers with a special purpose to transfers of a general nature, allocated from the tax for the use of roads paid by the owners of vehicles registered in the Republic of Moldova.

For tier- II local public authorities in ATUG:

1. Allocation of at least 50 % of the resources from earmarked transfers for road infrastructure to tier-II local authorities in ATUG for periodic maintenance works and to identify other sources of funding for capital repairs.

2. Making allocations transparent and mentioning in the annual programme for the allocation of funds for road maintenance the list of roads, the type of works on each local road and the section for which maintenance and repair works are carried out.

3. Review the performance indicators reflected in the sector strategic planning document.

4. Accomplish an inventory of road assets and ensure data-driven planning and intervention effectiveness.

5. Ensure the comparability of the annual planning documents and the report on the execution of the maintenance programme of the roads of district interest.

ANNEX 1

Table A 1.1. Breakdown of the Road Fund by type of works and expenditure for national roads, thousand MDL

N/A	Types of works and expenditure	2017	2018	2019	2020	2021	2022	2023	2024
1	Routine summer maintenance of national public roads	261753	303622,5	367211,1	478477,6	421 670,80	513 952,40	499 105,30	436 400,5
2	Routine winter maintenance of national public roads	110 000	148775,1	110 000	51 300	55 400	70 000	98 400,00	165000
3	Regular maintenance works and services	98007	486 777,70	58 160	404 366	300 404	148 888	167 851,20	196 855,0
4	Repair work on roads and bridges	350 327		12 000	30000	30 000	40000	717 422,80	202 231,8
5	Capital repairs to roads and bridges		81 681,60	281 626	395 921	553 585	613452	588 189,50	807 035,0
6	Development and adaptation of normative documents, regulations and technical specifications, etc.	2 500	5 204,10	4 100	3 000	3 000	2100	260,00	1 095,0
7	Management of public roads	20 000	22 487,90	32 000	58 500	60 000	157064,5	109 717,00	80 000,0
8	Execution of design works, assessment of roads and bridges, land acquisition	18 000	23 900,40	20 000	35 000	40 000	68443	101 060,00	80000
9	Development of the production base of road maintenance units of S.A. "Drumuri", procurement of road maintenance equipment and machinery	0	0	0	0	0	0	0	15 650,0
10	Implementation of scientific research, technology transfer applied to experimental sections of roads and bridges	0	0	0	0	0	0	3 000,00	3 500,0
11	Co-financing of road rehabilitation projects	5100	0	33 500	145 225	60 000	183000	39 606,60	12 600,0
12	Procurement and maintenance of machinery and equipment	7 000	0	0	4 000	8 000	14000	2 400,00	15 579,0
13	Purchase of a computerized system for issuing, managing, monitoring and controlling electronic vignettes	2500		2 883	0	0	0	0	0
14	Debt repayment for the volume of works capitalized on the maintenance of national public roads, total	219037	0	102 609	0	0	0	0	0
	TOTAL	**1094224**	**1072449,3**	**1024089,1**	**1 605 789,6**	**1 532 059,8**	**1 810 899,9**	**2 327 012,4**	**2 015 946,3**

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ANNEX 2

Table A 2.1. Breakdown of the ATUG Road Fund by type of works and expenditure, thousand MDL

	Types of works	2018	2019	2020	2021	2022	2023	2024
1	Routine maintenance of roads (filling potholes, road resurfacing, maintenance of embankments and drainage systems, maintenance of artwork, etc.);	12019,9	10730,0	22636,7	4454,0	5238,5	3365,8	4874,674
2	Road traffic safety works	531,4	400,0	566,9	572,8	487,3	672,6	1347,332
3	Maintenance works, routine repairs of civil engineering works (bridges, footbridges)	381,3	700,0	447,2	588,5	102,6	66,2	60,0
4	Winter road maintenance (snow clearance, ice control)	387,9	400,0	321,4	80,4	268,5	418,9	800,784
5	Ensuring the aesthetics of the roads (profiling of the carriageway, pavements, mowing, etc.)	447,2	317,3	368,8	753,7	632,0		
6	Regular road repairs							2404,789
7	Capital road repairs				15635,1	14569,0	16963,2	16146,267
8	Technical surveillance services	110,4	167,4	223,8	240,0	200,0	201,6	250,0
9	Laboratory testing services			20,0	38,0	11,1	12,0	20,0
10	Execution of road design, evaluation and land acquisition works	571,3		313,4		271,4	80,0	510,0
11	Payment of debts for the volume of works carried out, preparation of technical documentation for winter maintenance	124,4	2302,3	298,2	292,1			183,164
12	Local road infrastructure management (ÎS "Sud-A-Con")	200,8						
	Total	**14774,7**	**15016,9**	**25196,4**	**22654,5**	**21780,4**	**21780,4**	**26597,0**

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ANNEX 3

Table A 3.1. Breakdown of the Road Fund by local roads and types of works in Comrat district

Local roads managed by Comrat district		2018		2019		2020		2021		2022		2023	
		KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL
L619	R35 - Sadic - Taraclia	0.00-3.40	160,51	0.00-3.40	170	0.00-3.40	260,36	0.00-3.40	208,41	0.00-3.40	91,69		
L620	R23 - access road to Cioc-Maidan village	0.00-4.50	452,91	0.00-4.50	500	0.00-4.50	521,01						
						0.00-4.50	871,07					0.00-3.00	142,48
L621	Cioc-Maidan - Avdarma	0.00-14.00	485,689	0.00-14.0	1000	0.00-14.00	252,034						
L622	R28 - access road to Comrat station	0.00-2.20	101,89	0.00-2.20	70	0.00-2.20	60,87	0.00-2.20	40,69				
L623	R28 - access road to mun. Comrat	0.00-5.80	644,76	0.00-5.80	251,01	0.00-5.80	2223,14	0.00-5.80	1630,78	0.00-5.80	451,14	0.00-5.889	303,05
		0.00-5.80	1696,34	0.00-5.80	796,29	0.00-5.80	437,66	0.00-5.80	427,55				
		random	1134,47	0.00-5.80	149,1	0.00-5.80	130,20						
L623.1	R23 - access road to mun. Comrat	0.0-1.515	177,9	0.0-1.515	150	0.0-1.515	264,02	0.0-1.70	81,44	0.0-1.70	401,88	0,00-1,515	347,02
								0.0-1.70	1431,47				
L623.2	R29 - access road to mun. Comrat	0.0-2,267	364,57	0.0-2,267	50	0.0-2,267	351,55	0.00-2.45	256,08	0.00-2.45	1523,13	0.00-2.267	388,82
				0.0-2.267	250			0.00-2.45	925,29				
L623.3	R35 - access road to mun. Comrat			0.00-2.049	300								
		0.00-2.049	98,84	0.00-2.049	50	0.0-2.049	131,62	0.00-3.70	46,66	0.00-3.70	72,01	0.0-2.049	74.43
L624	M3 - access road to Besalma village	0.00-3.20	170,08	0.00-3.20	300								

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				0.00-3.20	700	0.00-3.20	5334,76	0.00-3.20	2154,86				
L625	Access road to Cotovscoe village					0.00-3.50	850,92	0.00-3.50	3298,53			0.00-3.50	1850,71
		0.00-3.50	207,25	0.00-3.50	200	0.00-3.50	159,99	0.00-3.50	150,51	0.00-3.50	151,14	0.00-3.50	52,80
L626	Congaz - Russian Kiosk	0.00-7.00	222,59	0.00-7.00	100								
Total Comrat			**5917,83**		**5036,4**		**11849,2**		**10652,3**		**2691**		**3084,89**

LEGEND:

Pothole filling	**Paved road maintenance and repair**	Repair and rehabilitation of asphalt surface	Capital repair	Cleaning and restoring ditches, installing gutters	Installing gutters and kerbs

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Table A 3.2. Breakdown of the Road Fund by local roads and types of works in Ceadir-Lunga district

Local roads managed by Ceadir-Lunga district		2018		2019		2020		2021		2022		2023	
		KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL
L627	R29 - Joltai - Besghioz - R36					0.00-20.60	340,5	0.00-20.60	147,11	0.00-20.60	209,37	0.00-20.60	11,71
		16.60-20.60	1770,82	0.00-20.60	1600	0.00-20.60	914,53	0.00-20.60	7397,36	0.00-20.60	14569	0.00-20.60	14824,8
		0.00-10.6	177,53	0.00-20.60	200	0.00-20.6	230,83	0.00-20.60	256,76				
L627.1	Access road to Joltai station	0.00-1.90	23,65	0.00-1.90	50								
L629	R29- access road to the station Ceadir-Lunga-R36	0.00-5.00	279,62	0.00-5.00	300	0.00-5.00	268,06	0.00-5.00	336,07	0.00-5.00	412,32	0.00-5.00	239,71
L629.1	Ceadir-Lunga - station Ceadir-Lunga	0.00-1.6	190,03	0.00-1.60	150	0.00-1.60	178,61	0.00-1.60	26,80	0.00-1.60	35,42	0.00-1.60	16,86
L630	Corten - Baurci	0.00-8.62	59,00	0.00-8.62	50	3.67-8.62	42,68						
L631	R37 - access road to Cazaclia village	0.00-2.54	199,60	0.00-2.54	300	0.00-2.54	251,48	0.00-2.54	196,31	0.00-2.54	187,23	0.00-2.54	99,46
L632	R37 - Cazaclia - Cazaclia station	0.00-2.00	58,56	0.00-2.00	70								
L641	R29 - access road to s. Valea Perjei	0.00-1.3	51,13	0.00-1.3	100								
L642	Ceadir-Lunga - Taraclia- L646	0.00-1.00	533,23	0.00-7.55	200	0.00-7.55	179,24			0.00-7.55	117,7	0.00-7.50	68,293
		1.00-7.55	50	0.00-7.55	50	0.00-7.55	949,57	0.00-7.55	131,75	0.00-7.55	56,52	0.00-7.50	54,06
Total Ceadir-Lunga			**3393,196**		**3070**		**3355,54**		**8492,17**		**15587,6**		**15314,9**

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Table A 3.3.3. Distribution of the Road Fund by local roads and types of works in Vulcanesti district

Local roads managed by Vulcanesti district		2018		2019		2020		2021		2022		2023	
		KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousand MDL	KM	thousan
L633	Access road to s. Carbalia	0.00-0.80	66,12	0.00-0.80	20	0.00-0.80	16,832					0.00-0.80	287,7
L634	M3 - Vulcanesti - R32.1			0.00-1.80	100	0.00-1.80	87,92	0.00-1.80	69,6			0.00-1.701	137,5
		random	773,87	0.00-1.80	800	0.00-1.80	1773,41			0.00-1.80	115,87		
L635	M3 - access road to Vulcanesti station	0.00-6.90	200,56	0.00-6.90	200	0.00-6.90	128,39	0.00-6.90	82,43	0.00-6.90	117,7		
						0.00-6.90	3850,89						
L637	M3 - Vulcanesti - Vadul lui Isac	0.00-10.00	400,37	0.00-10.00	100	0.00-10.00	88,02			0.00-10.00	97,17		
				0.00-10.00	500								
L637.1	Vulcanesti - M3	random	966,6	0.00-4.177	300	0.00-4.177	132,04	0.00-4.80	199,97	0.00-4.80	482,23	0.00-4.177	144,4
L638	M 3 - Cismichioi- Etulia					0.00-15.48	886,33						
		0.00-15.48	156,21	0.00-15.48	250	0.00-15.48	308,11	0.00-15.48	514,09	0.00-15.48	596,42	0.00-15.48	591,8
L638.1	Access road to the border with Ukraine	0.00-1.5	96,17	0.00-1.50	150								
L639	M3 - access road to the Ukrainian border	0.00-0.5	48,99	0.00-0.50	100								
L677	Access road to Iujnoe village							0.00-3.60	80,524	0.00-3.60	119,53		
Total Vulcanesti			**2708,91**		**2520**		**7271,95**		**946,63**		**1528,92**		**1161,5**

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ANNEX 4

Table A 4.1. Resources allocated per kilometer for filling potholes in the ATUG in 2018-2024

Local roads managed by ATUG		2018	2019	2020	2021	2022	2023
L619	R35 - Sadic - Taraclia	47,21	50	76,58	61,3	26,97	
L620	R23 - access road to Cioc-Maidan village	100,65	111,11	115,78			
L621	Cioc-Maidan - Avdarma	34,69					
L622	R28 - access road to Comrat station	46,31	31,82	27,67	18,5		
L623	R28 - access road to mun. Comrat	111,17	51,72	383,3	281,17	77,78	51,46
L623.1	R23 - access road to mun. Comrat	117,43	99,01	174,27	53,76	236,4	229,06
L623.2	R29 - access road to mun. Comrat	160,82	22,06	155,07	104,52	621,69	171,51
L623.3	R35 - access road to mun. Comrat	48,24	24,4	64,24	12,61	19,46	36,33
L624	M3 - access road to Besalma village	53,15	93,75				
L627	R29 - Joltai - Besghioz - R36			16,53	7,14	10,16	0,57
L629	R29- access road to the station Ceadir-Lunga-R36			53,61	67,21	82,46	47,94
L629.1	Ceadir-Lunga - station Ceadir-Lunga			111,63	16,75	22,14	10,54
L642	Ceadir-Lunga - Taraclia- L646			23,74		15,59	9,11
L634	M3 - Vulcanesti - R32.1		55,56	48,84	38,67		80,89
L635	M3 - access road to Vulcanesti station	29,07	28,99	18,61	11,95	17,06	
L637	M3 - Vulcanesti - Vadul lui Isac	40,04	10	18,61	11,95	17,06	
L637.1	Vulcanesti - M3		71,82	31,61	41,66	100,46	34,58
L638	M 3 - Cismichioi - Etulia	10,09	16,15	19,9	33,21	38,53	38,23
L638.1	Access road to the border with Ukraine	64,11	100				
L639	M3 - access road to the Ukrainian border	97,98	200				
L677	Access road to Iujnoe village				22,37	33,2	

Source: Drafted by the author, based on data from Annex 2

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