



TECHNIUM
SOCIAL SCIENCES JOURNAL

www.techniumscience.com



Vol. 66/2024
A New Decade for Social Changes

PLUS
COMMUNICATION



International
Communication & PR

Expropriation of real estate - key tool in achieving sustainable cities and communities

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Abstract. This article presents an analysis of the issues related to the emergence of the need for expropriation of real estate as a principal instrument for the creation of sustainable cities and communities. Therefore, following the analysis, it can be concluded that with the signing of the Association Agreement with the European Union by the Republic of Moldova, it is necessary to develop the country according to European standards. Consequently, an important component of the Sustainable Development Objective is the development of infrastructure. The development of infrastructure inevitably entails the expropriation of real estate for the construction of technical and public utilities, as well as road networks. The quality of road infrastructure, the quality of water supply, and the quality of electricity supply at the international level were subjected to analysis. Given that all infrastructure development projects are financed with foreign funds, an analysis was conducted of the volume of investments allocated by the European Bank for Reconstruction and Development (EBRD) and their distribution. In order to gain insight into the current state of affairs in Moldova, an investigation was conducted into the provision of technical building infrastructure elements by the country's development regions. It was found that, at this time, investments are required for infrastructure development, as a significant proportion of localities lack the necessary water supply and sewerage networks, as well as natural gas (see Table 1). It thus follows that the principal instrument for achieving these objectives is the expropriation of real estate for public utility.

Keywords. Sustainable development, infrastructure, expropriation, risk of expropriation, foreign investment

1. Introduction

The Republic of Moldova is currently undergoing a significant phase of development. The signing of the Association Agreement with the European Union serves to illustrate this point. A significant condition is the development of the road network infrastructure, with the objective of aligning Moldova with European standards. In recent years, there has been a notable increase in the reconstruction and construction of new roads and engineering networks. In the majority of cases, this phase of the process necessitates the expropriation of land for the fulfilment of public purposes.

The significance and contemporary relevance of the subject matter under examination are further substantiated by the Sustainable Development Goals, particularly SDG 11:

Sustainable Cities and Communities (1). The principal objective of this aim is the advancement of road networks, engineering networks, electricity networks, gasification, and other infrastructure for the development of settlements. Currently, the population density in Moldova is significantly higher in rural areas than in urban ones. However, the majority of the country's economic investments are concentrated in urban regions.

2. Main tasks for achieving SDG 11: Sustainable cities and communities

According to data presented by the Local Public Authority (LPA), Chisinau is responsible for approximately 60% of the total industrial production in the same way as in the municipality. Approximately 70% of long-term investments and approximately 50% of employees in economic activities are concentrated in Chisinau. Consequently, this results in a situation in which the burden remains on urban areas, particularly with regard to the efficiency with which economic sectors are managed, the impact of urban areas on the environment, and the potential for an increase in poverty levels among the population in rural areas.

Similarly, following an analysis of the achievement of the Sustainable Development Goals, it was observed that one of the main issues hindering progress is the lack of adequate connectivity between localities, manifested in the form of inadequate road networks and, in some cases, inaccessible routes. Accordingly, the Global Competitiveness Report 2018 indicates that Moldova occupies the 130th position in terms of road quality and the 79th position in terms of general infrastructure quality. This ranking is analysed in comparison with 140 other countries.

The deplorable state of infrastructure, particularly the lack of adequate roads, has a detrimental impact on vulnerable groups, including the disabled and the elderly. This situation results in significant challenges in accessing essential public services.

In order to address these challenges, the European level has established a set of objectives. In alignment with the 2030 Agenda, the primary focus is on the advancement and enhancement of transportation networks, with the objective of achieving a higher quality of road infrastructure and optimal accessibility between localities. The objective of enhancing the quality of infrastructure is to ensure its financial accessibility and long-term sustainability, thereby enabling the entire population of the country to benefit from the urbanisation process.

In addition, the 2030 Agenda identifies the advancement of the urban system as a key objective, with the potential to generate employment opportunities and foster economic growth in rural areas. The capital city of Moldova, Chisinau. Concurrently, the conditions are established for the enhancement of urban organisation and management. The accessibility to green spaces and recreational areas is also a factor that will contribute to a reduction in the negative environmental impact per capita. In order to enhance the contribution of tourism to economic activity, particularly in rural areas, the objective of safeguarding the country's cultural and natural heritage, and in specific instances where necessary, its preservation, is set forth.

The central targets of SDG 11 include a number of objectives that require expropriation to be achieved in reasonable terms:

- *„By the year 2030, it is the goal of this initiative to ensure that all socially vulnerable persons and young families have access to adequate, affordable, and safe housing and basic services.*
- *By 2030, the concept of safe transportation should be developed and access provided to a growing share of the population at fair, affordable and sustainable prices for all. In addition, road safety should be improved and public transport networks expanded.*

- Support the sustainable development of the regions, ensure a polycentric urban system and provide localities with urban planning documentation.
- Strengthen and financially support efforts to preserve and safeguard Moldova's cultural and natural heritage.
- By the year 2030, the objective is to reduce the direct economic losses caused by disasters.
- By the year 2030, the objective is to reduce the negative environmental impact per capita in urban areas, with particular attention paid to air quality and municipal and other waste management.
- By the year 2030, it is imperative that universal access to safe, inclusive and accessible green and public spaces is ensured.
- Create and promote positive economic, social and environmental relations between urban, pre-urban and rural localities at national and regional levels” (1).

3. Analysis of the current situation regarding infrastructure development in Moldova

A review of national and international practice reveals that expropriation of real estate, particularly land, is a common occurrence.

Given that the majority of infrastructure investments are financed on an international scale, this study will analyse Moldova's position in accordance with the findings of international reports.

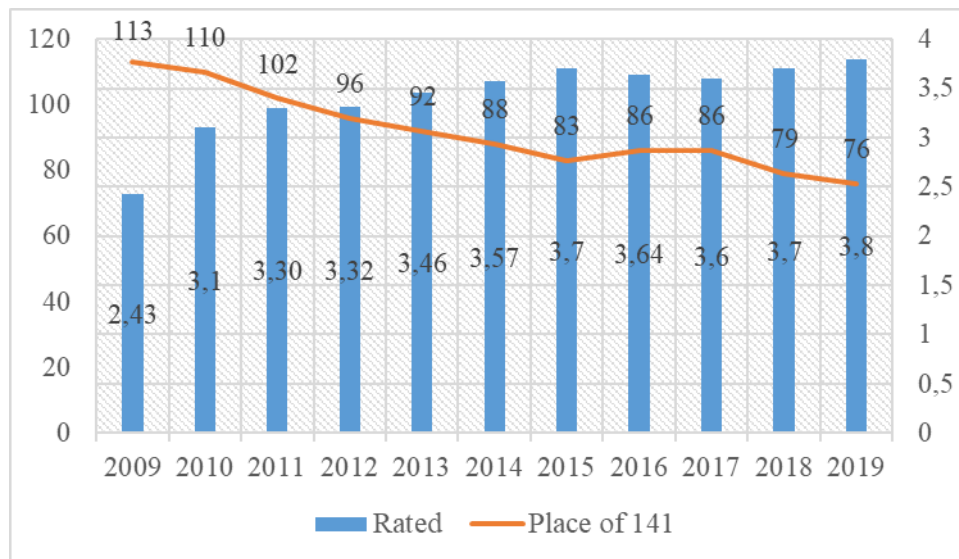


Figure 1 Infrastructure level in Moldova, 2009-2019

Source: author

As indicated in the Global Competitiveness Report 2019, the Republic of Moldova is rated 3.7 on infrastructure, according to a scale of 1 to 7 (Figure 1) (2). A comparison of the rankings over the past decade (3) reveals that Moldova has made significant strides, advancing by 37 positions from 2009 to 2019. This underscores the crucial importance of infrastructure development in Moldova (4).

At the time of writing, the most recent Global Competitiveness reports for the years 2020-2023 are not yet available. Consequently, the analysis was based on the reports for the years 2016-2019.

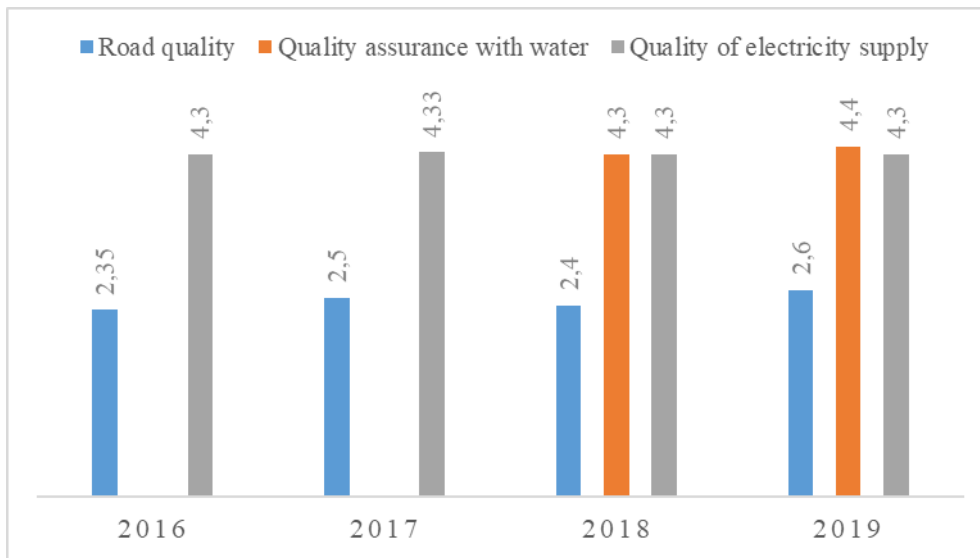


Figure 2 Quality of Moldova's infrastructure, 2016-2019
Source: author

As showed in the Global Competitiveness Report 2019 (5), the infrastructure components are distributed as follows: the most problematic aspect is the condition of the roads, while the most favourable situation is that of the quality of electricity and water supply (Figure 2). In examining the trends over the past four years, it is evident that Moldova has witnessed an improvement in the quality of its road infrastructure, with a notable increase of approximately 10% between 2016 and 2019. Conversely, the quality of electricity and water supply has remained relatively consistent (6, 7).

At the time of writing, the most recent Global Competitiveness reports for the years 2020-2023 are not yet available. Consequently, the analysis was based on the reports for the years 2016-2019.

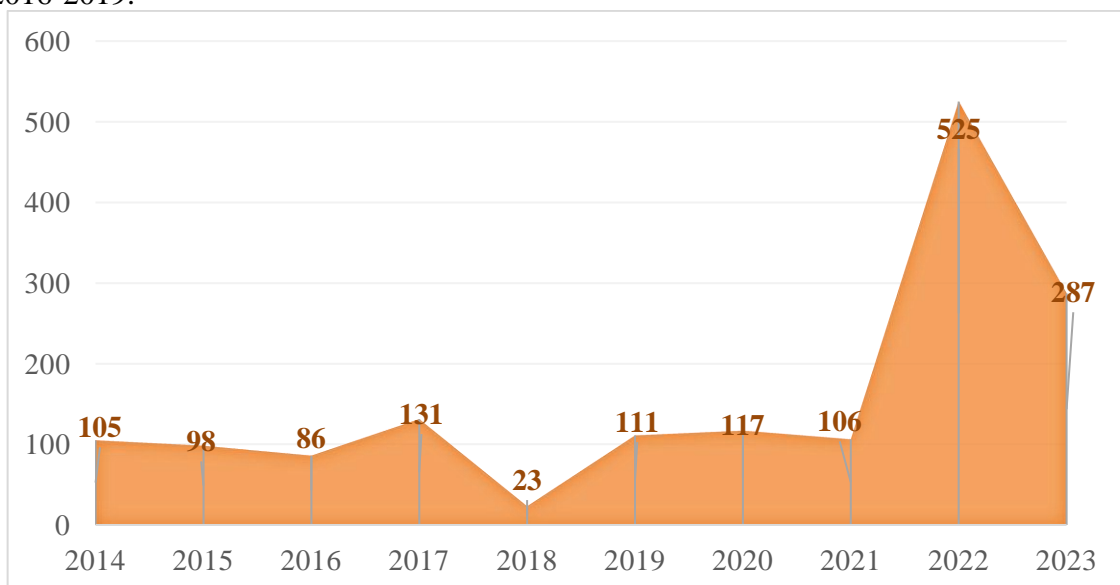


Figure 3 Annual volume of EBRD investments in Moldova, 2014-2023, mln. euro
Source: based on (8)

The investments made by the EBRD are of great consequence in the attainment of the country's developmental objectives. Figure 3 illustrates that the lowest level of investment was recorded in 2018, with a total of €23 million allocated over the course of the observation period from 2014 to 2023. This can be attributed to the prevailing political instability in the country. Conversely, in 2022, the highest level of investment was recorded, with a total of €525 million allocated, representing the highest figure in the period under review (8).

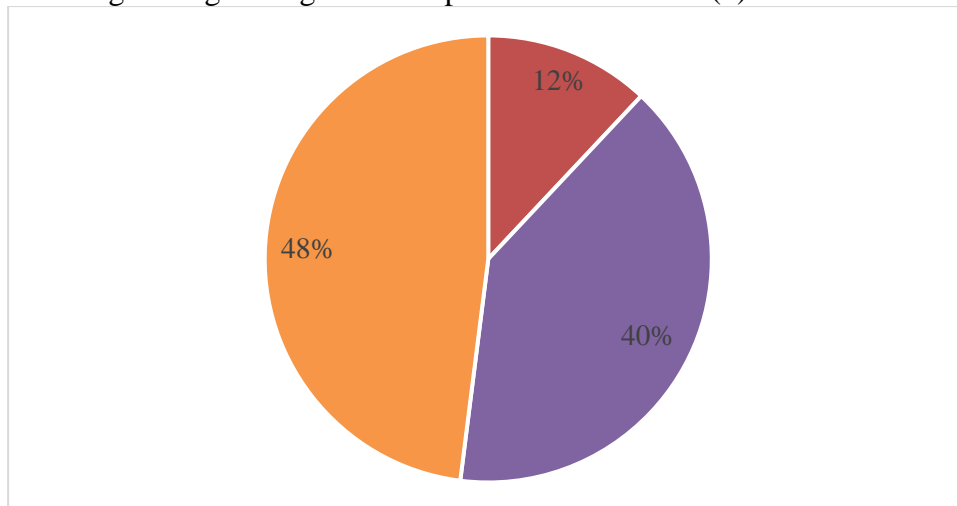


Figure 4 Share of current investments by EBRD in sectors of the Moldovan economy, 2023, %

Source: based on (8)

An analysis of the distribution of investments for the year 2023 (Figure 4) reveals that approximately 48% was allocated to infrastructure development, 40% was allocated to industry, trade and agribusiness, and 12% was allocated to financial institutions (8).

In general terms, the expropriation of real estate may be defined as the taking of land intended for housing construction from the state fund, as well as buildings in the fields of education, health, culture, social assistance and other social buildings that are the property of both local and central public administrations, and which are intended for use as part of public utility works. In addition, the term encompasses buildings intended for use as judicial offices, representative offices of countries and international organisations, and embassies. Furthermore, the construction of public parks and cemeteries, as well as the establishment of nature reserves, are regarded as forms of public utility works.

The mitigation of the consequences of natural disasters, including earthquakes, floods and landslides, is also regarded as a public utility. In addition, activities pertaining to the preservation and protection of architectural heritage, as well as those aimed at safeguarding the nation, are also regarded as works of public utility. The aforementioned works are designed to facilitate the development of infrastructure, thereby contributing to the broader objectives of sustainable development. A review of the historical development of infrastructure at the national level reveals a notable increase in the number of roads, electricity and gas pipeline networks that have been constructed in recent years.

Table 1

Housing endowment by development regions of Moldova, 2022, %

| Nr. d/o | Title | Chisinau | | North | | Center | | South | |
|---------|------------------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | | housing equipment | missing networks | housing equipment | missing networks | housing equipment | missing networks | housing equipment | missing networks |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Electric lighting | 100,0 | 0 | 100,0 | 0 | 100,0 | 0 | 100,0 | 0 |
| 2 | Water supply public network | 97,8 | 2,2 | 58,4 | 41,6 | 66,6 | 33,4 | 82,2 | 17,8 |
| 3 | Network gas | 84,0 | 16,0 | 42,5 | 57,5 | 48,5 | 51,5 | 67,2 | 32,8 |
| 4 | Sewage system public network | 90,2 | 9,8 | 21,8 | 78,2 | 12,2 | 87,8 | 12,5 | 87,5 |

Source: based on (9)

From the aforementioned analysis, in addition to the data presented in Table 1, it can be observed that in the vast majority of the North, South and Centre regions, the construction of water, sewerage and gas networks is a necessity in order to provide access to these networks for the entire population. Therefore, it can be concluded that the expropriation of real estate is a necessary measure to address this issue, which serves to confirm the necessity of sustainable local development.

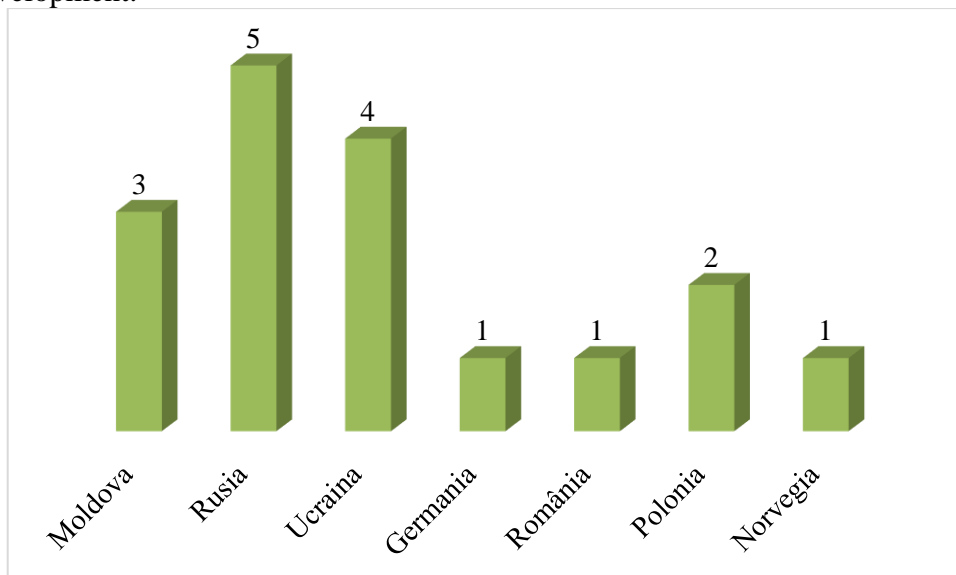


Figure 5 Level of expropriation risk, 2021

Source: based on (10).

The risk of expropriation (Figure 5) encompasses all discriminatory measures taken by a host government that deprive the investor of their investment **without any adequate**

compensation. In order to analyse the expropriation risk, events such as embargoes, changes in legal regimes and the denial of justice are included (10).

This indicator encompasses not only the risk of expropriation in and of itself, but also the functionality of the legal institutions within the host country and the probability of a detrimental shift in attitude towards foreign investment.

The expropriation risk is available for the year 2021. Countries are classified into seven categories, ranging from 1 (low risk) to 7 (high risk). It can be observed that the lowest risk is present in Germany, Norway and Romania, while the highest risk is present in Russia, followed by Ukraine and Moldova (10).

The necessity for a transparent and impartial expropriation process is also contingent upon the fact that the probability of expropriation exerts a direct influence on the inflow of foreign investment. This indicator encompasses not only the risk inherent to expropriation, but also the efficacy of the host country's legal institutions and the probability of a detrimental shift in the climate for foreign investment. The risk of expropriation encompasses any discriminatory measures taken by a host government that deprive the investor of their investment without adequate compensation.

In order to analyse the potential risk of expropriation, this study incorporates a number of key factors, including events of embargo, legal regime change and the denial of justice. In this chapter, the Republic of Moldova, according to the results for 2021, has overtaken Russia and Ukraine, but is subsequently overtaken by Romania, Germany and Norway.

4. Conclusions

In conclusion, it can be stated that in the vast majority of cases, the expropriation process occurs in the context of infrastructure development. Following an examination of the international context in relation to the development of Moldova's infrastructure, it becomes evident that this continues to represent a significant challenge, with a considerable proportion of Moldova's territory exhibiting a lack of adequate infrastructure. (11)

Similarly, an analysis of the expropriation risk indicator, which is an important indicator for the competitive development of countries, reveals that Moldova continues to be classified as a country with a high risk indicator. In order to mitigate the expropriation risk, it is essential to guarantee the transparency of the process and provide fair and adequate compensation commensurate with the circumstances (12).

In the context of globalisation, sustainable development and Moldova's accession to the European Union, there is a need to harmonise the legislative-procedural and methodological framework in accordance with international best practice regarding the expropriation of real estate.

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