

# EXECUTIVE SUMMARY

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This summary provides an overview of the housing, urban development and land management situation in the Republic of Moldova, covering general characteristics, challenges and policy recommendations.

## *Overview*

The Republic of Moldova has been exhibiting strong economic performance, and posted a gross domestic product (GDP) growth of 8.9% in 2013, the highest since independence in 1991. Remittances play an important role in the country's economic growth, consistently accounting for over 20% of GDP every year. The agricultural sector is also a big contributor, comprising 12.2% of GDP; however, this sector is highly vulnerable to external shocks.

The Government affirms that heavy reliance on remittances and agriculture for economic progress is not sustainable in the long run. This was reflected in the country's National Development Strategy "Moldova 2020", where a change in the country's growth model to one based on investments and goods and services industries was recommended.

The Republic of Moldova is one of the top performers in reducing poverty, having lowered its poverty ratio from 26.4% of the population in 2008 to 12.7% in 2013. Despite this, the country remains one of the poorest in Europe. In addition to economic growth, poverty reduction continues to be a priority of the Government and it is one of the objectives of "Moldova 2020".

The population of the Republic of Moldova has been decreasing, and it is consistently in the top five countries with a declining population. Emigration contributes to this decrease. The downtrend is also highly attributable to the decreasing birth rate and the increasing death rate. Due to an ageing population, this trend is expected to continue, and it is estimated that, by 2050, the population will fall by 30%.

## *Legal framework for housing, urban development, and land administration and management*

The Republic of Moldova has a comprehensive legislative base for transitioning to a market economy. Several laws and regulations were adopted in recent years including the Law on Housing (2015), the Law on Energy Performance of Buildings (2014), the Law on Insolvency (2012), the Law on Condominiums (2000), the Law on Real Estate Cadastre (1998), etc.

It is clear from the extensive legal reform that has been carried out that the country is committed to filling in any gaps in the legislation. What is important now is effective implementation. Cooperation with international organizations like the UNECE is recommended to ensure plans of action are in place to implement the priority recommendations of this Country Profile.

In support of the legislation on local public administration, a national decentralization strategy was elaborated to establish the immediate tasks needed to assure local autonomy for local public authorities (LPAs) in accordance with the principles of the European Charter of Local Self-Government. In providing authentic local autonomy to LPAs, it is important that these authorities are ready to handle the task. Training programmes, if needed, should be developed.

Several government institutions shape government policies related to the housing sector, such as the: Ministry of Economy; Ministry of Finance; Ministry of Labour, Social Protection and Family; Ministry of Justice; and the Agency of Land Relations and Cadastre. The responsible authority for housing and urban development at the central level is the Ministry of Regional Development and Construction (MRDC).

### ***Existing housing stock***

The Republic of Moldova has a relatively new housing stock but its condition in general is very poor. The existing stock lacks maintenance and capital repairs.

Most of it (67%) is individual housing, but this ratio differs in Chisinau and Balti, where multi-family housing amounts to 63% and 62% of the total, respectively. With new housing developments, the trend is towards smaller apartments with one and two rooms in multi-apartment buildings.

Housing in the Republic of Moldova is characterized by low access to water and sanitation. In 2012, about 1.5 million people were served by the public water supply system. This represented 42.1% of the population (68.9% urban and 22.7% rural).

The population having access to sanitation is low, at 21.4%. The situation is much worse in rural areas, with only 1% of the population having access to sanitation and water, although the situation is improving. For the Roma communities, more than 80% of households do not benefit from basic housing amenities such as potable water, water closets, bathrooms and canalization.

Some 11% of Moldovan families live in overcrowded housing. This figure is below the European Union (EU) average of 16.5%. However, the vacancy rate in Moldova is high and affects the calculation of this indicator. Availability of sufficient space in dwellings is one of the key factors in assessing the quality of housing conditions. According to the 2004 census data, 56.6% of the population lived in houses with a surface area of between 50m<sup>2</sup> and 90m<sup>2</sup>, with an average of 22m<sup>2</sup> per person.

### ***Management and refurbishment of the housing stock***

The management of multi-family houses faces a number of social, technical, financial, legal and operational challenges. Despite improvements introduced by the law on condominiums for housing stock, the management and maintenance situations have not improved.

The Republic of Moldova has some 6,888 buildings of multi-family houses. 70% of these are administered by local government; 7-8% (approx. 264 buildings) by condominium associations; and 17-19% by cooperatives and homeowners' associations. Some 50-66% of the common properties of privatized housing stock still remain in the ownership of local authorities.

In improving the management of housing stock, several things should be considered: an awareness-raising and capacity-building strategy for homeowners, on the management of common properties; training for condominium managers; a school curriculum at different educational levels that incorporates discussion on the concept of common property and homeowners' responsibilities; promoting good practices of effective homeowners' associations by LPAs; and the privatization of municipal enterprises.

### ***Public utilities***

The utility infrastructure for water supply has not been upgraded for many decades; its operational efficiency is low. It is estimated that modernizing pumping equipment in water supply and sanitation networks could reduce electricity consumption by 25-30%.

In 2012, 761,000 persons had access to sanitation - 50.1% in urban areas and only 1.0% in rural areas.

Heating, for the majority of cities and towns, is centralized (district heating system). Heating supply companies face increasing technical and structural challenges, such as an outdated and ageing infrastructure, and a poor system for collecting fees.

Termocom estimates the loss of energy in its networks (prior to entering buildings) at 21%, of which 2% is due to leakages and 98% to bad insulation. Modernization of the main networks and of heat distribution has been one of the major challenges for Termocom.

Municipal solid waste (MSW) appears to be a major problem for almost all settlements in the Republic of Moldova, including the capital Chisinau. The legal provisions for MSW management are rather weak; there are no mandatory provisions at the LPA level.

Developing specific programmes that will ensure the provision of basic services such as safe water and sanitation should be looked into by the Government. Relocation of small communities into denser-populated areas equipped with the necessary infrastructure could also be taken into consideration.

### ***Energy efficiency of the housing stock***

The Republic of Moldova is highly dependent on foreign energy resources, importing 95% of its energy needs. The residential sector is the highest consumer, with approximately 30% of the total energy usage. The average household spends between 15% and 50% of its total budget on heating.

Therefore, enhancing energy efficiency is crucial. Doing so will contribute to energy security, economic competitiveness, and will have a positive impact on the environment. Enhanced energy efficiency will improve housing conditions and reduce energy costs in the future, thus reducing energy bills for households.

The goal of the Government is to reduce energy consumption in buildings by 10% before 2020. Several measures will contribute to achieving this goal, including: the reduction of energy intensity in the residential, industrial, transport and agricultural sectors; the modernization of the energy system; the implementation of efficient energy technologies; etc. The Moldovan Residential Energy Efficiency Financing Facility (MoREEFF) was established by the European Bank for Reconstruction and Development (EBRD) and has dedicated EUR 35 million to support energy-efficiency investments in the Moldovan residential sector.

The Government may consider participating proactively in a UNECE task force on the development of standards for energy efficiency in buildings.

### ***Policy and financial framework for housing***

The housing policy of the Republic of Moldova addresses a wide range of target groups and it may not be able to adequately address all. There is no clear information on the total number of applications for housing from these target groups, nor on the number of beneficiaries of housing programmes.

The Republic of Moldova has no comprehensive housing strategy covering the whole housing cluster. Government policies are driven by problem areas, mainly generated by the transition process from a command-driven economy to a market-orientated one.

House prices in the free market dropped after the 2008 crisis. In 2010, house prices were 25% lower compared to 2008. Despite this, a family with an average income still cannot afford a house in the free market. Moldovan banks are well capitalized and have enough equity available to expand their lending business, but their terms for housing loans are unaffordable.

It is expected that the improved stability of the economic sector will lead to amelioration in banks' lending conditions.

### ***Spatial planning and urban development***

The development of updated Master Plans for the country is a major challenge for the Republic of Moldova. In most cases, Master Plans do not even exist and, where they do, most are outdated. These date back to Soviet times and, with the move to a market economy, they no longer reflect current development needs and realities. 33% of urban settlements and 1% of rural settlements have updated Master Plans.

A mid-term programme for the development of Master Plans for human settlements for 2013-2016 was approved. In proceeding with these, the Government must consider funding, strategic planning and the capacity to implement the programme.

There should be clear guidance on how their development will be funded. There is also a need for strategic planning to make sure that country-specific concerns, like environmental risk due to geological processes; allowance of space for infrastructure development; and concerns of vulnerable groups, are not overlooked during their development. The programme for the development of Master Plans stipulates that local authorities are responsible for their implementation. Therefore, LPAs should have the necessary experience and knowledge to deal with the developers of Master Plans.

### ***Land administration and land registration***

The Republic of Moldova has a well-established institutional and legal framework for real estate registration. The State Enterprise Cadastru (or Cadastru), within the Agency of Land Relations and Cadastre (ALRC), is the only agency that has the mandate to register land.

The country has been successful in the registration of properties, having registered 85% of real estate objects. All citizens, notaries and public authorities have access to the land register. The real estate registration system is expected to provide: security of ownership rights, for property owners; bank-secured loans against real estate; necessary information on ownership, location of the property, and property values, to the real estate market; and basic information, to government institutions for urban planning and land management. With all that the register could offer, its completion is recommended.

The Republic of Moldova is a non- EU member state but, to ensure that its spatial data infrastructures are harmonized with those of EU Member States, it has to comply with the requirements of the EU INSPIRE Directive.

### ***Real estate markets and land policy***

In the Republic of Moldova, land and property are taxed separately. A reform aimed at modernizing taxation, which will levy a single tax for property, was introduced in 2007. The reform involved a mass appraisal system for all property types. Completion was targeted for

2012, but a delay meant it has been pushed back to 2020. In order to move to a unified taxation system, the mass appraisal of properties should be completed. Once this is done, taxation of properties will be based on assessed market values.

This again emphasizes the importance of completing the real estate registration. The new tax system applies mass appraisal procedures to all properties registered in the real estate register. For those properties not yet registered in the cadastre, the old system of taxation still applies. Until the register is completed, real property assessment for taxation purposes cannot be concluded.

The ALRC is responsible for the implementation of State land policy. However, its mandate overlaps with that of the Ministry of Agriculture and Food Industry (MAFI) where policies for rural lands are concerned. This overlap could create conflict in the implementation of policies.