

Chapter 2 Policy and financial framework for housing

A. POLICY FRAMEWORK FOR HOUSING

1. Major housing policy reforms

The Law on Property of 22 January 1991 established the framework for private property, including private ownership of land, and has created a significant impact on the private housing market. After its adoption, buyers started to invest their savings in real estate, resulting in a significant increase in real sales figures.

The transformation process from free housing to market-priced housing was further promoted by the Law on Housing Stock Privatization (Law No. 1324-XII of 10 March 1993). Following this Law, a privatization programme began, which privatized 80% of all housing units⁵² in that same year. The private home ownership rate stood at 98% by 2012. Dwellings in unsatisfactory condition remained as public property, as well as dormitories not eligible for privatization.

Table 12. Privatized dwellings, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002
Total (000)	90.0	25.8	14.1	12.7	10.6	8.4	7.4	6.6
Cumulative total (000)	182.0	207.8	221.9	234.6	245.2	253.6	261.0	267.6
Privatized (% of total):								
- Free of charge	58.6	14.7	6.9	5.2	3.8	3.3	3.0	2.5
- For a partial payment	16.2	4.6	2.3	2.6	2.1	2.4	1.3	1.3
- Full payment	15.2	6.5	4.9	4.9	4.7	2.7	3.1	2.8

Source: Statistical Yearbook of the Republic of Moldova 2003, p.181.

The privatization process in the Republic of Moldova has its consequences, affecting both the new owners and the needy households who can afford only public housing.

For the new owners, the responsibility for the maintenance and repair of the property now lies with them. However, among the owners are vulnerable families who cannot even afford to pay the increasing cost of utilities, much less bear the responsibility for the maintenance and repair of their property.

The cash revenue from privatization was 20 times lower than the estimated value of the housing stock in 1998 and it generated only 6 million Lei (approx. USD 1.5 million at the 1994 exchange rate)⁵³. This was a lost opportunity to generate funds for housing the poor and other vulnerable groups.

At first, the income from privatization was used for the maintenance of the common spaces of the buildings, which were managed by municipal enterprises. As these areas were not included in the privatization of the apartments, they are considered as belonging to the

⁵² United States Department of State, "U.S. Department of State Background Note: Moldova", October 2007. Available from <http://www.infoplease.com/country/profiles/moldova.html#ixzz2j8BzD4D5> (accessed 13 August 2015).

⁵³ Vincent Gruis, Sasha Tsenkova, and Nico Nieboer, *Management of Privatised Social Housing: International Policies and Practice*. (Chichester, United Kingdom, Wiley-Blackwell Publishing, 2009) p.178. Available from <https://leseproub.buch.de/images-adb/80/09/80097f51-d4d2-4c09-8c18-5b1e207d039a.pdf>

municipalities. Therefore, maintenance expenses for these spaces are covered by their budgets. Privatization led to a massive depletion of assets below market value.

According to law, where homeowners register a homeowners' association, the common space becomes their property, and its maintenance their responsibility. However, homeowners are reluctant to fund an association because of unsatisfactory enforcement of the law. When established, homeowners' associations often remain weak and an unreliable partner for banks.

To address all these gaps, the existing Housing Code of 1983 will be replaced by a new housing law approved by Government Decision No. 656 of 29 August 2013 (see the discussion on the Law on Housing Condominiums in Part I).

The basic principles of the draft law are:

- Constitutional guarantees on housing
- Diversity and equality of all forms of housing ownership
- The right of citizens to choose a convenient way to meet the needs related to housing and dispose of it freely and in accordance with the legislation in force
- A distinct separation of the functions of central Government bodies, local government, businesses and individuals in the housing sector.

Compared with the Housing Code of 1983, the new law includes:

- Competences of Government and local government bodies in the field of housing in accordance with the Law on Local Public Administration, including the checking of the provision of housing services and utilities
- Clear stipulations related to public housing funds
- A special chapter on social housing
- Two chapters pertaining to the administration and payment of housing and utilities and the reconstruction of uninhabitable housing and residential premises
- A chapter on the use of housing under lease, giving the rights and obligations of the lessee and the lessor.

The draft law provides for the development and approval of new documents by the Government, such as:

- Rules regarding the use, operation and management of all types of housing
- Regulations on proving social housing need, how to allocate it, and rules for its use
- Regulations on determining persons in need of housing in hostels, and the use and management of the latter
- Minimum requirements for housing
- Housing standards, etc.

According to the new housing law, homeowners' associations are mandatory for buildings with two apartments or more. This is only valid for new constructions and does not cover the existing housing stock.

It will also initiate the amendment of some existing laws (Law on Housing Privatization, Contravention Code, standards and norms, social housing regulations, etc.). However, the renovation and maintenance of the existing housing stock remains an issue and a key strategic goal. Together with energy saving, renovation of the existing housing stock is one of the seven priorities of the country.

2. Target groups of specific housing policies

The target groups of specific housing policies are:

- Low income households, to reduce the risk of poverty and to avoid social exclusion and multiple deprivation
- Vulnerable and disadvantaged families who are currently unable to access satisfactory housing conditions
- Young families with children, preferably graduates living in provincial cities, to ensure that they will reside there permanently. (This should also help retain and even attract people to provincial cities where the population is declining).

Targeted populations include teachers, technicians, nurses, etc., whose disposable income does not allow them to enter the property market to rent or to acquire their own dwelling. Indirectly, job creation in the construction sector is being targeted.

Other target groups:

- Citizens handicapped by war and those who participated in the Second World War and their families (Law No. 121-XV of 03 May 2001)
- Citizens who suffered from the Chernobyl disaster (Law No. 909-XII of 30 January 1992)
- Veterans of the Nistru conflict in 1992 and people who lost their homes because of it.

It can be concluded that the housing policy addresses a wide range of target groups. However, there is no data on the total applications for housing from these groups or on the number of beneficiaries of housing programmes. Therefore, it is difficult to estimate the efficiency and effectiveness of policies on such groups. Countries with economies in transition prioritize the restructuring of the economy, the privatization of State properties, and the reduction of public spending, mainstreaming them into areas of public interest. Housing does not usually fall under these priorities. It can be assumed that the housing policy of the Republic of Moldova may not be able to address all the target groups adequately. Some priorities should be established within the existing groups.

Picture 3. New social housing in Chisinau



Photo by: D. Andoni

3. Current housing policies, programmes and projects

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.

Some key factors that influence the performance of the housing sector are:

- The privatization of dwellings combined with the resulting housing maintenance problems
- The dramatic increase of energy prices together with high energy inefficiency of buildings
- The low income of people and the high poverty rate together with high inflation and unemployment. People cannot even finance their daily subsistence, let alone operating costs of flats, especially in wintertime.

In 2011, the Republic of Moldova's budget included 18 different allowances, including grants, indemnities and aids. 95% of these are paid through the State budget and only a small part through the LPA budget.

With the following programmes, the Government tries to address problem areas:

a. Social Housing Project

A Social Housing Project was proposed by the MRDC and supported by the Council of Europe Development Bank (CEB), to complete 15 unfinished construction projects in 12 local authorities. These projects consist of building 700 apartments in a 40,000 m² area that will accommodate 2,500 persons from poor and vulnerable families, who do not have access to satisfactory housing conditions. The average size of an apartment is 57 m². The schedule of works is from 2012 to 2018.

The project will reduce energy consumption for heating from the current level of 400 kWh/m²/year to 102 kWh/m²/year.

According to the Framework Loan Agreement signed in June 2012 between the CEB and the Republic of Moldova, the objective of the project is "to improve and increase the stock of rental housing to benefit families from socially-vulnerable segments of the population of Moldova".

The total amount of the programme is EUR 20.4 million, of which EUR 13.4 million (65%) is provided by the CEB and EUR 7 million (35%) by local authorities. Accepted contributions from local authorities are in-kind and investments, and include:

- Value of unfinished constructions
- Value of land
- Value of technical project.

b. Energy-efficiency policies and programmes

The National Development Strategy "Moldova 2020" states that reducing energy consumption by increasing energy efficiency and using renewable energy sources is one of the seven solutions for economic growth and poverty reduction. According to the strategic vision on energy efficiency, the Government aims to create, by 2020, a competitive and efficient energy sector and provide affordable quality energy resources.

c. The Energy-Efficiency Fund

The national Energy-Efficiency Fund (hereinafter, the Fund) was founded and financed by the CEB through Government Decision No. 401 of 12 June 2012. The main objective of the Fund is to attract and manage financial resources in order to finance and implement projects in the field of energy efficiency and harness renewable energy sources. The Fund will achieve its objectives through the promotion and financing of projects that are economically feasible and technically and environmentally sustainable, ensuring energy and reducing energy intensity in the economy and mitigating emissions of pollutant or greenhouse gases. In 2013, the Fund launched its first call for project proposals in energy efficiency (EE) and use of renewable energy sources (RES). The Fund has allocated 20 million Lei (USD 1,574,803), which is the total maximum amount available for financing eligible EE and RES projects⁵⁴. The establishment of the Fund is motivated by the high energy prices in the world market.

d. The Moldovan Residential Energy-Efficiency Financing Facility (MoREEFF)

MoREEFF⁵⁵ is a financial instrument set up by the EBRD in cooperation with Moldovan banks with the aim of assisting Moldovan households upgrade their houses and/or flats.

e. Housing allowances for families in need

Until July 2012 the Law on Social Protection of Population Groups (Law No. 933-XIV of 14 April 2000) was valid. Within this programme, allowances were provided to needy people to pay for utilities. Approximately 58,000 households were subsidized by municipalities to the tune of 200 Lei/month/household (USD 15.7) in 2012/2013, and were subsidized in the winter of 2013/2014 to the tune of 250 Lei/family (USD 19.7), which is almost 50% of the income of the poorest.

f. Law on Social Assistance, No. 133-XVI of 13 June 2008

Social aid is given to provide a minimum guaranteed monthly income to disadvantaged families. It was designed as a basic programme of the Government to support poor people and to eradicate poverty. At present, it has two basic components - social aid (730 Lei/month (USD 57.5)) and aid for the cold season (200 Lei/month (USD 15.7) paid from November to March). Granting of benefits is based on financial eligibility. The amount of the benefit is equivalent to the difference between the minimum guaranteed monthly income and the actual monthly income of a family. The selection of beneficiaries is based on the socio-economic situation of the family, welfare use criteria and eligibility conditions for people of working age.

g. Tax policy programmes

- i. Direct subsidies
 - No direct subsidies are paid for housing construction or renovation purposes at the moment. In the past there were some interest rate subsidies for cooperatives.
- ii. Indirect subsidies
 - Projects of local authorities/municipalities are exempt from VAT. Until 2008 all construction activities were exempt from VAT.

⁵⁴ The Energy-Efficiency Fund of the Republic of Moldova, "Call for Project Proposals No. 2 in Energy Efficiency and use of Renewable Energy Sources". Available from <http://www.fee.md/index.php?page=page&id=441&l=en> (accessed 11 August 2015).

⁵⁵ Details on this energy-efficiency programme is found in Chapter 1B, Part II of this study.

- No corporate tax for municipalities.

B. PRIMARY AND SECONDARY HOUSING REAL ESTATE MARKETS

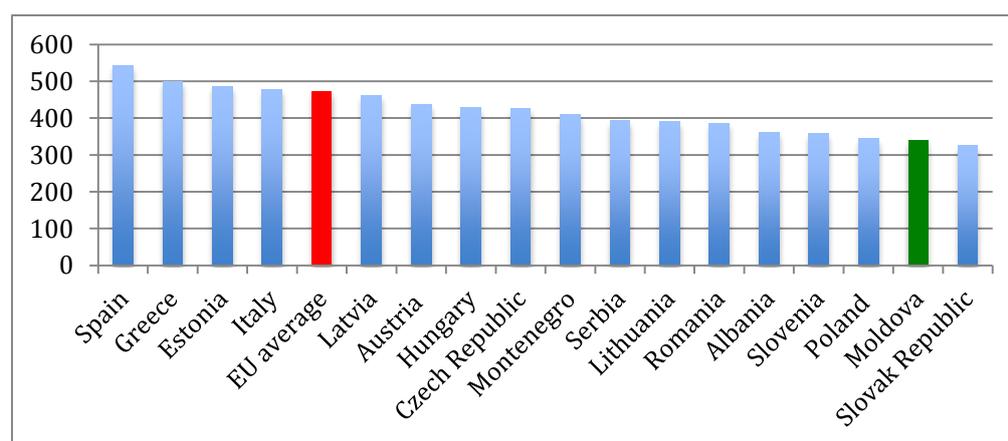
1. Availability of housing

According to the NBS, the country had a total of 79,860.3 thousand m² of housing at the beginning of 2012, which corresponds to 1,315.3 thousand dwellings. By the end of the year, the stock had increased by some 303 thousand m² (corresponding to 1,500 dwellings according to the NBS) reaching a total of 80,163.4 thousand m² (Table 2). 22% of the housing stock is located in Chisinau, which accommodates 23% of the country's population. The rest of the housing stock is equally distributed between 37 municipalities⁵⁶. The Moldovan population is still predominantly rural; consequently, the majority of the housing stock is located in the rural areas. Urban housing stock accounts for 39% of the total.

The ownership structure of dwellings is predominantly private, a legacy of the privatization process in the 1990s. At the national level, the private ownership rate has reached 97%, with 99% in rural areas and 92% in urban areas. The municipalities of Chisinau and Balti have the lowest level of private housing ownership at 89 and 88%, respectively. This indicates a trend in the diversification of tenure typology, and is a sign of the mobility of the population towards the most important cities.

One of the indicators used to measure the availability of housing stock is the number of dwellings per 1,000 inhabitants. At the moment, the Republic of Moldova has 386 flats/1,000 inhabitants. Assuming that the number of households will further increase because of the growing number of single households, there is a need to add a minimum of 100 flats/1,000 inhabitants more to the existing housing stock. This figure suggests a low housing density rate when compared with the EU average of 450 and means that, in the next 20 years, there will be a need for 350,000 more flats. Figure 7 compares the data on housing availability for some EU and non-EU Member States.

Figure 7. Housing per 1,000 inhabitants in some EU and non-EU Member States



Source: *Housing Statistics in the European Union 2010*. Ed. Kees Dol and Marietta Haffner. The Hague: Ministry of the Interior and Kingdom Relations, 2010.

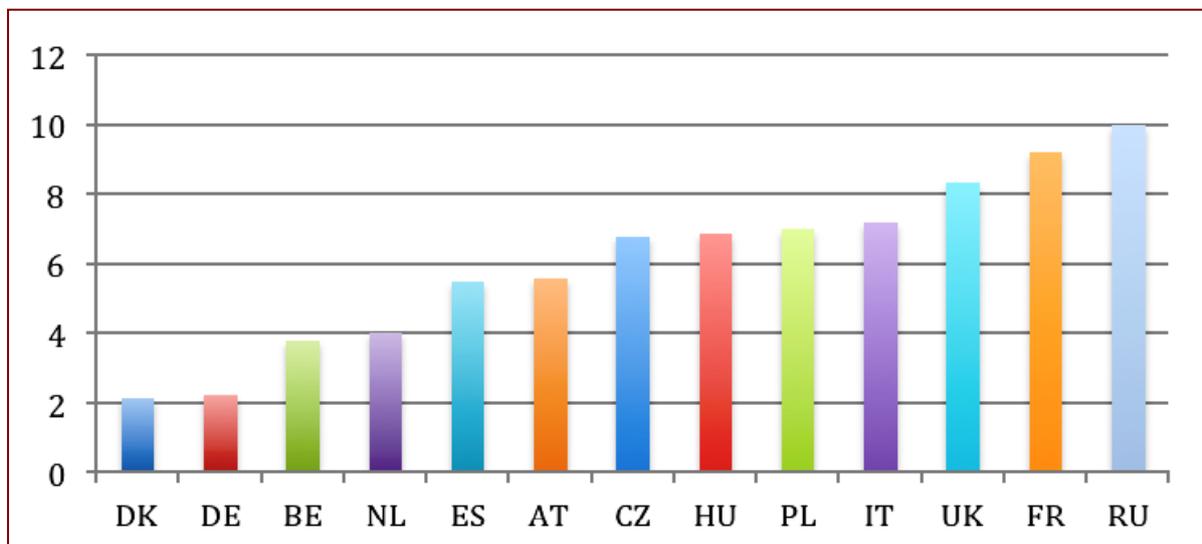
⁵⁶ A municipality includes a city and villages.

2. Housing needs, housing demand and affordability

Data from the NBS suggest that, on average, a household in the Republic of Moldova in 2013 spent 45% of its income on food and beverages, and 19% on housing maintenance. The average housing cost for the overall EU-27 population in 2010 amounted to an estimated 22.5% of disposable income. Data from the Household Budget Survey of the Republic of Moldova shows a better housing affordability rate than the EU average. However, for EU Member States, the data for expenditure on housing include mortgage payments and other utility costs. In the case of the Republic of Moldova, the number of households with mortgage debt is very low, which means that the category of “housing consumption” includes expenditure for utilities and housing maintenance. If the cost of mortgage debt servicing was included, the ability to afford the housing costs would be seriously threatened. Moreover, the expenditure for maintenance as established by local governments is MDL 1/m² or MDL 70 (USD 3.5) for an apartment, which represents 1.3% of the average household income.

In 1996, the methodology used by the United Nations Human Settlements Programme (UN-Habitat) to calculate housing market affordability measured the ratio between the median price of apartments in the free market and the median yearly family income. According to UN-Habitat, this ratio is regarded as the best measure of pressure on housing markets, and ratios of 3 to 5 are regarded as “normal” or satisfactory.⁵⁷ With a per m² cost of EUR 500–600, a 60 m² flat will cost EUR 36,000, which is equivalent to 10 years’ salary of the average Moldovan earner (monthly average income = EUR 300). This figure indicates a high unaffordability ratio in the housing market (Figure 8 compares housing affordability in some countries, with Denmark having the best ratio of 2 and Russia the worst).

Figure 8. Affordability* of own housing in selected countries



* Criterion: Number of annual gross salaries required to buy a standard-size new dwelling (70 m²).
Source: Deloitte (2013) Property Index: Overview of European Residential Markets, European housing 2012, 2nd edition, May 2013, pp.10-11.

Even buying a home with a mortgage is unaffordable for an average income family in the Republic of Moldova. A loan of EUR 36,000 with a term of 20 years at a 12% interest rate would mean a monthly burden of EUR 396/month, which is more than the monthly salary of an average earner. This clearly reflects the non-affordability of housing for the majority.

⁵⁷ *Global Urban Indicators Database*, version 2. (UN publication HS/637/01E). Available from http://www.cityindicators.org/Deliverables/Global%20Urban%20Indicators%20Databa_12-4-2007-1028705.pdf

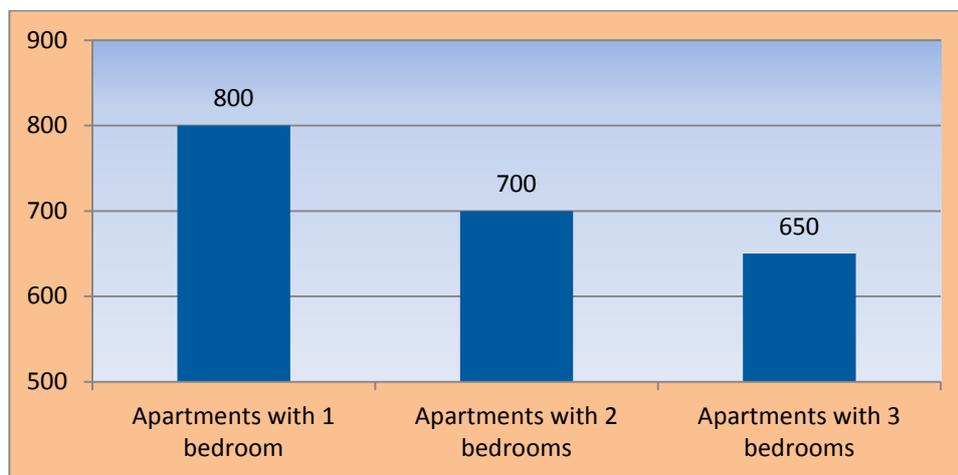
The rental market is also unaffordable for a Moldovan household. The project implementation unit (PIU) for social housing referred to a monthly rent level of approximately EUR 250-300 per apartment in Chisinau and EUR 100-150 in other regions. These figures suggest that rent is comparable to a mortgage instalment. Rent accounts for 60-80% of a renter's average income, which is unaffordable for most. The resumption of economic growth, the lowering of inflation, the recovery of real wages, and employment stability for the majority of the population must be the focus of Government policies to improve housing affordability.

3. Real estate market costs and prices

The housing market in the Republic of Moldova has fluctuated over the last 20 years, reflecting the socio-economic situation in the country as well as the global economic crisis. In early 2000, housing markets grew tremendously, due to a combination of increased demand and the inability of supply to keep up with demand. The prices of houses in the free market before 2008 doubled or tripled compared to 2003 prices, reaching an average of EUR 900 per m².⁵⁸

Towards the end of 2008, house prices started to decline, a pattern that continued in 2009. During 2009, prices fell by 16% on average, compared to 2008, reaching EUR 710 per m².⁵⁹ In 2010, the decline persisted, dropping from EUR 700 per m² at the beginning of the year to EUR 630 per m² at the end.

Figure 9. Average price per m² of housing, first quarter 2009, in Euro



Source: NIKA Imobil website, “Chisinau Real Estate Market: Overview for 2009”, available <http://nikaimobil.md/en/analitic.php?year=2009> (accessed on 19 June 2014).

The crisis of the real estate market led to a reduction of real estate enterprises. According to Lara Real Estate Agency (hereinafter, LARA), before 2008 around 60-90 real estate enterprises were in the market. In 2013, there were only 8 serious companies left. The real estate market experienced a price decrease of 20% from 2008 to 2013 and a reduction of transactions of 30% in units and 50% in volume. These have caused the decline of real estate companies.

⁵⁸ Global Property Guide, “Moldova’s property market at a standstill”, 24 January 2014. Available from <http://www.globalpropertyguide.com/Europe/Moldova> (accessed 10 March 2015).

⁵⁹ NIKA Imobil, “The dynamics of price changes in 2007-2012 (Value of 1m² total area), 2012. Available from <http://nikaimobil.md/en/analitic.php?year=2009> (accessed 10 March 2015).

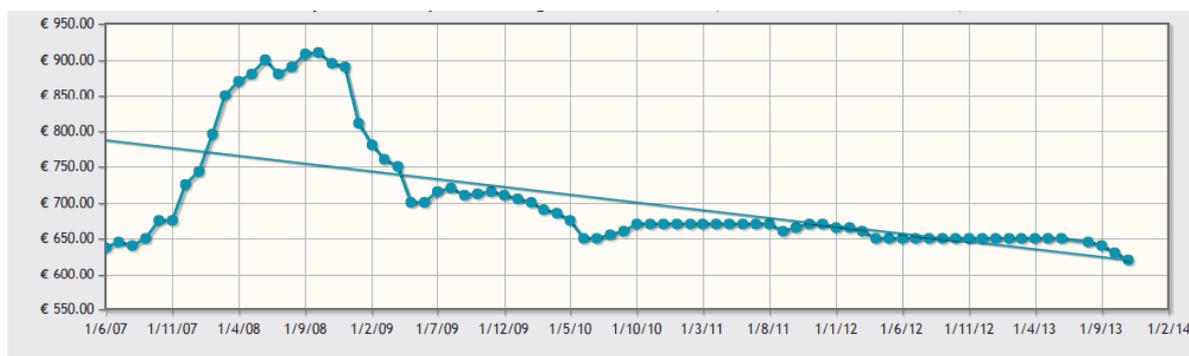
The price of land is between EUR 70-80 per m². The price for 1 m² of apartment decreased from EUR 604 to EUR 583. The reason is the completion of semi-finished buildings supported by the CEB.

The selling prices of new and existing houses in Chisinau do not differ much. The range is between EUR 400 and 1,000/m² for primary housing and between EUR 500 and 800/m² for secondary housing.⁶⁰

The situation in the rental market is quite different. Rental costs range from EUR 120/monthly for a single room apartment in a multi-storey building to EUR 2,500 for an individual house. The highest rent is 20 times more expensive than the lowest one. This difference probably comes from the fact that individual houses are rented out to foreigners.

In the real estate sector there is no formal education for employees. Each company trains its employees on the job. No license or trade permit are necessary. Any real estate transaction between a seller and a buyer is only possible through a notary. The rates of notaries are criticized by the real estate sector, but they are very important for consumer protection.

Figure 10. Variation of market prices for a m² of the total area of an apartment, 2007-2013, in Euro



Source: NIKA Imobil website, “Chisinau Real Estate Market: Overview for 2009”, available <http://nikaimobil.md/en/analitic.php?year=2009> (accessed on 19 June 2014).

C. PRIVATE HOUSING FINANCE

This section addresses the challenges of private financing for housing, focusing on the banking system and mortgage financing.

Private housing finance in Moldova is bank-based. Currently, the Republic of Moldova has 14 licensed commercial banks.

The refinancing of all banks is deposit-based. A high percentage originates from remittances of emigrants. It is also supported by programmes of financial institutions like the World Bank, the European Investment Bank, the EBRD, the CEB, the International Financial Corporation, SIDA, etc. These sources of refinancing from international financial institutions are important to start housing finance reforms but it is necessary to ensure the continuity of the reform and the continued functioning of the financial sector even when these sources are gone.

The performance of the banking sector and the confidence of the population in it need to be

⁶⁰ Ibid., footnote 57.

improved, as only 18% of the population have bank accounts. The interest on deposits is tax-free for residents, which is a good incentive, and banks should promote it to attract clients. Non-residents pay 10% tax.

Table 13. Annual rates of new loans granted and new deposits attracted

Moldova	The average rate on new loans granted in the banking system						The average rate on new deposits attracted in the banking system					
	in national currency			in foreign currency			in national currency			in foreign currency		
	Total	Including		Total	Including		Total	Including		Total	Including	
		Legal entities	Individuals		Legal entities	Individuals		Legal entities	Individuals		Legal entities	Individuals
2003	19.18	18.97	23.24	10.85	10.85	11.03	12.68	10.38	13.57	3.13	2.05	3.53
2004	20.96	20.77	23.32	11.39	11.39	11.90	15.16	12.99	16.03	5.01	4.09	5.16
2005	18.93	18.67	20.73	11.07	11.07	12.20	12.99	10.08	13.78	5.15	3.90	5.32
2006	18.18	17.84	19.48	11.06	11.03	16.68	11.93	9.31	12.46	5.17	4.52	5.30
2007	18.85	18.74	19.15	10.88	10.87	13.32	15.13	12.50	15.66	6.01	4.97	6.16
2008	20.96	20.84	21.43	13.02	12.02	13.05	18.09	15.52	18.86	9.64	7.51	9.96
2009	20.31	19.65	24.05	12.51	12.33	21.89	14.66	9.10	17.12	7.61	6.70	7.72
2010	16.25	15.62	19.01	9.91	9.82	15.24	7.56	4.69	9.42	3.34	3.92	3.36
2011	14.37	13.85	16.68	8.75	8.70	11.83	7.54	5.13	9.42	3.69	3.42	3.73
2012	13.34	12.81	15.29	8.28	8.25	9.61	7.59	4.95	9.62	4.30	3.83	4.49

Source: National Bank of Moldova.

Mortgages (including foreclosure) and the use of land as collateral

A legal framework for the lending business exists, that is, mortgage finance legislation is in place.

However, the mortgage market operates under challenging conditions for households. The maximum loan-to-value ratio for residential mortgages is currently 70% of the property's value, and typical interest rates are around 12%, but can go up to 15.29% for loans denominated in the local currency and down to 9.61% for those in foreign currency. This makes mortgages unaffordable for many Moldovan residents. However, the large number of citizens who have moved abroad to find work have kept the mortgage market relatively stable since the economic downturn resulting from the 2008 economic crash. It is not currently possible to obtain a mortgage on unregistered land.

The banks' risk-weighted capital adequacy ratio indicates a very stable and well-capitalized banking sector.

The total loans to total deposits ratio of approximately 87% indicates room for expanding the lending business.

Banks' outstanding loans for real estate are very low in comparison to total bank deposits (14%).

Mortgages which go into arrears, and foreclosure

The National Bank of Moldova reports that the share of non-performing loans versus total loans is approximately 12.7% (Table 15). This figure indicates a high ratio of non-performing loans, which results either from weak underwriting procedures and/or doubts concerning borrowers.

Banks confirmed that they have procedures for handling loans which go into arrears. It is clear that procedures for sharing information on default loans with other parties are not well entrenched, and default information is not shared with other credit institutions. It is possible for banks to examine credit reference agency data but this data does not extend to personal bankruptcy.

Should a mortgagor default, the bank acting as mortgagee can initiate proceedings to repossess the property. The proceedings for instigating foreclosure can be set out in the purchase contract or, alternatively, the mortgagee can go to court for permission to foreclose when all other avenues have failed.

Despite the high percentage of non-performing loans, the banks' net interest margin of 4.6% is satisfactory compared to international rates.

Legal bottlenecks for the lending business

Some restrictions to the lending business are:

a. Some specific aspects of the Moldovan real estate law

In the Republic of Moldova the principle *superficies solo cedit*⁶¹ does not apply. Hence, the owner of the plot of land may not be the same as the owner of the building. If both real estates are owned by the same person, both the plot and the building are recorded on the same Ownership Certificate. This is mostly the case when buildings are erected on State land. Homeowners may register only the building, without the land.

It is recommended that the principle of *superficies solo cedit* be introduced into Moldovan legislation. The Government, through legal provisions, should allow homeowners to buy the land. This will increase the value of the property, and homeowners will be more likely to be granted a loan.

b. No acquisition of real estate in good faith

Under Moldovan law, the persons registered in the Real Estate Register are presumed to be the owners of the real estate. However, this presumption may be rebutted. In cases where the information in the Real Estate Register is different from the genuine owner, the latter is always the decisive one. If a person wishes to challenge the validity or accuracy of the registered information, such claim must be proven (for instance, before a court).

As a general rule, a purchaser who acquires real estate from a person who is not the registered owner in the Real Estate Register will not become the legal owner of the property.

According to prevailing Moldovan legislation, the registered owner (considered as the legitimate owner) enjoys the absolute protection of ownership rights ahead of any other person who acquires the property in good faith. If a person loses his ownership title, he can sue the Cadastre Office or the State. It is important to note that the ownership right is not statute barred, and therefore the legitimate owner can claim his/her right at any time.

⁶¹ According to ancient Roman law, if someone builds on land that someone else owns, the building belongs to the owner of the land. According to this principle, a building is a dependent component of the land on which it is built.

c. Limited public belief in the Real Estate Register

All registrations and information included in the Real Estate Register are considered correct, unless proven otherwise.

Future outlook

Moldovan citizens are hesitant to deposit their savings in banks; only 18% have bank accounts. If more individuals put their savings in banks, the latter would have more funds available for lending. This is a question of building up more confidence and experience between customers and banks. A wider variety of housing finance products and access to housing finance is necessary. A savings model to motivate individuals to save their money in banks for generating housing loans is a solution, as in many other European countries. This should be performed by specialized banks, e.g., construction savings banks, focused on lending for housing renovation and new housing construction.

Moreover, banks can encourage homeowners' associations to deposit the fees collected for maintenance purposes. As depositors, these associations would be entitled to a loan for renovations and energy-efficiency improvements. This activity could be supported by Government policies to stimulate deposits for housing purchase and/or renovation.

Picture 4. Social housing construction in Chisinau



Photo: Cecil Batac