

# Housing Ecosystem Assessment and Options for Social and Affordable Housing in the Republic of Moldova

Prepared by Habitat for Humanity International  
and Metropolitan Research Institute



The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the International Organization for Migration (IOM). The designations employed and the presentation of material throughout the report do not imply expression of any opinion whatsoever on the part of IOM concerning the legal status of any country, territory, city or area, or of its authorities, or concerning its frontiers or boundaries.

IOM is committed to the principle that humane and orderly migration benefits migrants and society. As an intergovernmental organization, IOM acts with its partners in the international community to: assist in meeting the operational challenges of migration; advance understanding of migration issues; encourage social and economic development through migration; and uphold the human dignity and well-being of migrants.

---

Publisher: International Organization for Migration  
17 route des Morillons  
P.O. Box 17  
1211 Geneva 19  
Switzerland  
Tel.: +41 22 717 9111  
Fax: +41 22 798 6150  
Email: [hq@iom.int](mailto:hq@iom.int)  
Website: [www.iom.int](http://www.iom.int)

This publication was issued without formal editing by IOM.

Cover: General B-Roll of Chisinau, Moldova. © IOM 2022/Muse MOHAMMED

Required citation: International Organization for Migration (IOM) (2024). *Housing Ecosystem Assessment and Options for Social and Affordable Housing in the Republic of Moldova*. IOM, Geneva.

---

ISBN 978-92-9268-946-9 (PDF)

© IOM 2024



Some rights reserved. This work is made available under the [Creative Commons Attribution-NonCommercial-NoDerivs 3.0 IGO License](https://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode) (CC BY-NC-ND 3.0 IGO).\*

For further specifications please see the [Copyright and Terms of Use](#).

This publication should not be used, published or redistributed for purposes primarily intended for or directed towards commercial advantage or monetary compensation, with the exception of educational purposes, e.g. to be included in textbooks.

Permissions: Requests for commercial use or further rights and licensing should be submitted to [publications@iom.int](mailto:publications@iom.int).

\* <https://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>

# Housing Ecosystem Assessment and Options for Social and Affordable Housing in the Republic of Moldova

Prepared by Habitat for Humanity International  
and Metropolitan Research Institute

Team Members:

Jozsef Hegedus, Eszter Somogyi – lead expert (MRI)  
Victor Buzu (local consultant)

in cooperation with  
Annika Grafweg (HFHI)

Research assistants:

Balazs Bekker, Kata Kepes, Bencze Orkeny  
March 2024





# CONTENT

|  |     |
|--|-----|
| LIST OF FIGURES AND TABLES.....  | v   |
| ABBREVIATIONS .....  | vii |
| EXECUTIVE SUMMARY.....   | ix  |
| INTRODUCTION.....  | 1   |
| 1. ECONOMIC AND SOCIAL CONTEXT OF THE HOUSING SYSTEM .....   | 3   |
| 1.1. Demographic trends.....   | 3   |
| 1.2. Economic context .....  | 5   |
| 1.3. Employment and income situation .....   | 7   |
| 1.4. Social inequalities .....   | 10  |
| 1.5. Governance system in the republic of moldova .....  | 12  |
| 1.6. Conclusion: Critical economic and social factors affecting housing inequalities .....                                     | 13  |
| 2. HOUSING ECOSYSTEM ASSESSMENT .....  | 15  |
| 2.1. Institutional and legal framework of housing policy .....   | 15  |
| 2.1.1. Main provisions and shortcomings of the Housing Law .....   | 16  |
| 2.1.2. The lack of institutional arrangements for effective housing management .....   | 17  |
| 2.2. Drivers of housing inequalities .....   | 17  |
| 2.2.1. Main characteristics and quality problems of the housing sector .....   | 17  |
| 2.2.2. Privately owned stock and the transition of the multi-family<br>urban housing sector .....                              | 18  |
| 2.2.3. Public housing sector .....   | 19  |
| 2.2.4. Private rental sector .....   | 20  |
| 2.2.5. Vacant housing .....  | 21  |
| 2.2.6. Housing market .....  | 21  |
| 2.3. Housing affordability .....   | 25  |
| 2.4. Housing-related programmes of the central government .....  | 27  |
| 2.4.1. Social housing programme .....  | 27  |
| 2.4.2. Prima Casa programme: Guaranteed loans for first-home buyers .....  | 28  |
| 2.4.3. Energy-efficient renovation of existing housing stock .....   | 29  |
| 2.4.4. Housing allowance .....   | 29  |
| 2.5. Housing programmes of municipality of Chisinau .....  | 30  |
| 2.6. University student programmes .....   | 31  |
| 2.7. Conclusion: Main components of the housing ecosystem that hinder access<br>to adequate and affordable housing .....       | 32  |
| 3. PROFILE OF REFUGEES FROM UKRAINE AND HOUSING SOLUTIONS<br>PROVIDED SO FAR .....   | 33  |
| 3.1. Number and profile of refugees from Ukraine .....   | 33  |
| 3.2. Cash assistance programme for refugees .....  | 34  |
| 3.3. Forms of housing and accommodation of refugees .....  | 35  |
| 3.4. Refugees' position in the rental market and current rental market trends .....  | 36  |
| 3.4.1. Refugee Accommodation Centres (RACs) .....  | 37  |
| 3.4.2. Rental assistance programme .....   | 38  |
| 3.4.3. Support for host families .....   | 39  |
| 3.5. Conclusion: Main barriers to secure housing for refugees .....  | 40  |
| 4. POTENTIAL TARGET GROUPS .....   | 41  |
| 4.1. Analysis of the need for affordable housing .....   | 41  |
| 4.2. Conclusion: Social groups needing affordable housing .....  | 43  |
| 5. INTERNATIONAL EXAMPLES OF SOCIAL AND AFFORDABLE<br>HOUSING PROGRAMMES .....   | 45  |
| 5.1. Structure of individual social and affordable housing programmes –<br>Methods according to international experience ..... | 45  |
| 5.2. Critical elements of social and affordable programmes .....   | 47  |
| 5.2.1. Organizational form of service provider .....   | 47  |
| 5.2.2. Target groups .....   | 48  |

|        |  |    |
|--------|--|----|
| 5.2.3. | Allocation rules/procedures  | 49 |
| 5.2.4. | Rent/price-setting   | 50 |
| 5.2.5. | Subsidies  | 51 |
| 5.2.6. | Funding and financial schemes  | 52 |
| 5.2.7. | Beneficiaries' contracts   | 53 |
| 5.2.8. | Risk management  | 53 |
| 5.2.9. | Sustainability   | 54 |
| 6.     | PROPOSAL FOR SOCIAL AND AFFORDABLE HOUSING PROGRAMMES  | 55 |
| 6.1.   | Key conditions for a long-term social and affordable housing strategy                                      | 55 |
| 6.2.   | Overall institutional framework: Key institutions  | 56 |
| 6.3.   | Public rental programmes   | 58 |
| 6.3.1. | Organizational forms   | 58 |
| 6.3.2. | Target group   | 58 |
| 6.3.3. | Allocation methods   | 58 |
| 6.3.4. | Rent setting   | 59 |
| 6.3.5. | Subsidies  | 59 |
| 6.3.6. | Funding  | 59 |
| 6.3.7. | Contract   | 60 |
| 6.3.8. | Risks  | 60 |
| 6.4.   | Social rental agency model   | 60 |
| 6.4.1. | Organizational forms   | 61 |
| 6.4.2. | Target group   | 61 |
| 6.4.3. | Allocation   | 61 |
| 6.4.4. | Rent setting   | 61 |
| 6.4.5. | Subsidy  | 61 |
| 6.4.6. | Funding  | 62 |
| 6.4.7. | Contract type  | 62 |
| 6.4.8. | Risk management  | 62 |
| 6.5.   | Homeownership programme  | 62 |
| 6.6.   | Phasing-in strategy  | 63 |
| 6.7.   | Proposed pilot project   | 64 |
| 6.7.1. | Selection of the property for the pilot project  | 64 |
| 6.7.2. | Pilot project funding options  | 65 |
| 6.7.3. | Options for the forms of housing management  | 66 |
| 6.7.4. | Target group definition  | 66 |
| 6.7.5. | Income level of the target groups  | 67 |
| 6.7.6. | Financing model: rent setting and subsidies  | 68 |
| 7.     | MAIN FINDINGS AND RECOMMENDATIONS  | 73 |
| 7.1.   | Challenges with the housing system   | 73 |
| 7.2.   | Challenges related to the regulatory and institutional framework<br>and current housing related programmes | 74 |
| 7.3.   | Opportunities related to the housing system  | 75 |
| 7.4.   | Main recommendations   | 76 |
| 7.4.1. | Recommendations for the main elements of long-term housing policy  | 76 |
| 7.4.2. | Recommendations for long-term housing programmes   | 76 |
| 7.4.3. | Shorter term recommendations   | 77 |
| 7.4.4. | Recommendations for the pilot project  | 77 |
| 8.     | APPENDIX: INTERNATIONAL EXAMPLES   | 79 |
| 8.1.   | United States public housing sector  | 79 |
| 8.2.   | Danish social housing: private non-profit housing  | 81 |
| 8.3.   | Housing associations in the Kingdom of the Netherlands – public rental sector                              | 83 |
| 8.4.   | Low-rent housing cooperatives in France  | 84 |
| 8.5.   | Social rental agencies in Belgium  | 86 |
| 9.     | REFERENCES   | 89 |

# LIST OF FIGURES AND TABLES

|            |  |    |
|------------|--|----|
| Figure 1.  | Population of the Republic of Moldova (usual residents, in thousands) . . . . .  | 3  |
| Figure 2.  | Yearly change in population (usual residents, in thousands). . . . .   | 4  |
| Figure 3.  | Natural population change and migration balance (usual residents, in thousands) . . . . .  | 4  |
| Figure 4.  | The population of the municipality of Chisinau and city of Chisinau<br>(usual residents, in thousands) . . . . .   | 5  |
| Figure 5.  | GDP per capita of the Republic of Moldova compared to that of the European Union<br>average between 1995 and 2022 . . . . .  | 5  |
| Figure 6.  | GDP annual growth of the Republic of Moldova and the European Union. . . . .   | 6  |
| Figure 7.  | Annual consumer price indices (previous year = 100) of the Republic of Moldova<br>and the European Union. . . . .  | 7  |
| Figure 8.  | Growth of salaries, disposable income, subsistence level, and inflation<br>(Previous year = 100) . . . . .   | 9  |
| Figure 9.  | Distribution of employees by gross salary in 2022 (%) . . . . .  | 9  |
| Figure 10. | GINI index and the share of income of the lowest and highest earning 20 per cent<br>of the population between 1997 and 2021. . . . .   | 10 |
| Figure 11. | Composition of the average monthly disposable income according to its sources<br>among the poor and the non-poor households . . . . .  | 11 |
| Figure 12. | Connection of dwelling stock (total area, m <sup>2</sup> ) to utilities. . . . .   | 18 |
| Figure 13. | Tenure structure of inhabited housing stock in 2022. . . . .   | 18 |
| Figure 14. | Share of households living in rented dwellings by region . . . . .   | 21 |
| Figure 15. | Average apartment price in Chisinau. . . . .   | 22 |
| Figure 16. | House price index in Chisinau (2019 = 100). . . . .  | 22 |
| Figure 17. | Housing construction (number of dwellings put into use). . . . .   | 23 |
| Figure 18. | Monthly average asking rents of one and two-bedroom, and all advertised dwellings<br>on the website www.999.md in March and November 2023 . . . . .  | 24 |
| Figure 19. | Number of dwellings advertised for rent on website www.999.md<br>in March and November 2023 . . . . .  | 25 |
| Figure 20. | Housing affordability index (household with two net annual salaries<br>acquiring a 70m <sup>2</sup> apartment in Chisinau). . . . .  | 25 |
| Figure 21. | The monthly income of a household with two average salaries from Chisinau<br>necessary to pay a mortgage (credit: 20-year period, own contribution 30%,<br>new apartment 70 m <sup>2</sup> ) . . . . . | 26 |
| Figure 22. | Distribution of refugee households according to the degree<br>to which they cover the costs of accommodation. . . . .  | 36 |
| Table 1.   | Employment-related data for the population over 15 years old in urban and rural<br>areas between 2019 and the first half of 2023 . . . . .   | 8  |
| Table 2.   | Trends in residential gross income between 2014 and 2022 . . . . .   | 8  |
| Table 3.   | Disposable income per household members of the nonpoor and poor households<br>and subsistence minimum level (MDL/month) . . . . .  | 11 |
| Table 4.   | Rent quintiles in the private rental market and their affordability in Chisinau . . . . .  | 27 |
| Table 5.   | Key features of affordable housing options . . . . .   | 46 |
| Table 6.   | Possible distribution of apartments created in the pilot projects . . . . .  | 64 |
| Table 7.   | Main characteristics of the refugee households whose members are employed<br>by the municipality of Chisinau . . . . .   | 68 |
| Table 8.   | The main parameters of the model for one building . . . . .  | 70 |
| Table 9.   | Results of the model calculation (MDL/m <sup>2</sup> ) . . . . .   | 71 |
| Table 10.  | Total yearly cost of the pilot project to the municipality (MDL) . . . . .   | 72 |
| Table 11.  | Sensitivity analysis: yearly cost of the pilot project to the municipality<br>in relation to the change of loan interest rate and equity contribution . . . . .  | 72 |





# ABBREVIATIONS

|        |  |
|--------|--|
| APRA   | Assistance for the Cold Period of the Year                                     |
| CEB    | Council of Europe Development Bank   |
| EUR    | Euro   |
| GDP    | Gross Domestic Product   |
| HLM    | Habitation a Loyer Modéré (Low-Rent Housing)                                   |
| HUD    | Housing and Urban Development  |
| IOM    | International Organization for Migration                                       |
| LSHA   | Local Social Housing Agency  |
| MDL    | Moldovan Lei   |
| MIRD   | Ministry of Infrastructure and Regional Development                            |
| MLSP   | Ministry of Labour and Social Protection                                       |
| MPCA   | Multi-purpose Cash Assistance  |
| MSNA   | Multi-Sectoral Needs Assessment  |
| NGO    | Non-Governmental Organization  |
| NHA    | National Housing Agency  |
| NHF    | National Housing Fund  |
| NRC    | Norwegian Refugee Council  |
| ODA    | Entrepreneurship Development Organization                                      |
| PIU    | Project Implementation Unit  |
| RRRP   | Regional Refugee Response Plan   |
| RRP    | Refugee Response Plan  |
| SRA    | Social Rental Agency   |
| TBS    | Towarzystwo Budownictwa Społecznego (Non-Profit Housing Enterprises in Poland) |
| TCN    | Third Country National   |
| UNDP   | United Nations Development Programme   |
| UNHCR  | United Nations High Commissioner for Refugees                                  |
| UNICEF | United Nations Children's Fund   |
| USD    | United States Dollar   |
| VAT    | Value Added Tax  |



# EXECUTIVE SUMMARY

The Republic of Moldova, one of Europe's least developed countries, has a Gross Domestic Product (GDP) per capita of 15 per cent of the European Union average, as well as 40 and 35 per cent of Bulgaria's and Romania's, respectively.<sup>1</sup> The informal sector contributes 40 per cent to the total GDP.<sup>2</sup> Regarding the labour market, there is a low participation rate for those 15–64 years of age (50%), with 22 per cent having only informal employment, indicating widespread job and income insecurity.<sup>3</sup> Although income inequality is insignificant, and the average wage has doubled in the last decade, wages are still meagre, and many households struggle to meet their basic needs. Urbanization is low at 42.4 per cent, which is 11 percentage points less than Romania and Slovakia, the European Union's two least urbanized countries.<sup>4</sup> Territorial inequalities persist due to a lack of jobs, infrastructure, and services in rural areas. Due to emigration and natural population decrease, the population declined from 2.9 to 2.5 million between 2014 and 2023.<sup>5</sup> At 14.1 per cent of GDP in 2022,<sup>6</sup> remittances somewhat contribute to GDP and raise living standards.

Due to the Russian Federation's war on Ukraine, the Republic of Moldova currently hosts 113,132 refugees,<sup>7</sup> comprising four per cent of the domestic population, the largest share in Europe. Most refugees, primarily women, children, and older people, are concentrated in cities, particularly Chisinau, and regions along the Ukrainian border. The majority of refugees (97%) stay in private rentals or with host families.<sup>8</sup> Humanitarian agencies have provided substantial support to ensure accommodation for refugees, but as the war continues, there is a need to move toward more sustainable, long-term solutions.

However, the Republic of Moldova has been in the midst of a prolonged housing crisis for decades, the primary indication of which is a low level of housing affordability, which affects not only people with low incomes but also the middle class. Although housing affordability has improved significantly over the last 15 years (the house-price-to-average-salary ratio dropped from 43 years in 2006 to 10 years in 2022), it is still a significant problem. A major challenge to delivering affordable housing solutions is the distorted tenure structure; due to the mass privatization of the public housing sector, its share has shrunk to 1.5 per cent of the total stock, and homeownership has become the dominant tenure form. The private rental sector is growing significantly, especially in big cities (in Chisinau, representing around 15% of the total stock). Still, the sector is under-regulated, and half of it operates in the grey economy. The urban vacant stock, which is of significant size, is a potential reserve for the private rental sector.

House prices, peaking in the mid-2000s, slumped after the 2008 economic crisis and began to rise only in 2020. The decline in prices, in addition to wage growth, improved housing affordability. The easier accessibility of mortgage loans, the number of which started to grow in 2015, increased households' opportunity to purchase a home. However, taking out mortgage loans implies a risk for households with average salaries, as in times of higher inflation, they may become insolvent.

<sup>1</sup> World Bank, 2023.

<sup>2</sup> World Economics, 2024.

<sup>3</sup> National Bureau of Statistics, 2023a.

<sup>4</sup> World Bank, 2024a.

<sup>5</sup> National Bureau of Statistics, 2023a.

<sup>6</sup> The GlobalEconomy.com, 2023.

<sup>7</sup> UNHCR, 2023a.

<sup>8</sup> UNHCR, 2023b.

Another major housing-system-related challenge is the deteriorated condition and low energy performance of the housing stock. In addition, in rural areas, the small share of those connected to basic utilities is an enduring problem; in an urban context, the need for more management of privatized multi-family buildings hampers renovation, a problem the new Condominium Law approved in 2022 addresses.

Despite the prolonged housing crisis, the Government does not have an up-to-date housing policy strategy. Several housing policy strategies were adopted before 2010, but their implementation largely failed. Two programmes attempted to address the problem of housing affordability, but they have remained on a small scale. The “Prima Casa” programme helped 8,000 young couples buy their first home through State-guaranteed loans. In the CEB-supported social housing programme, less than a thousand units have been built so far, and another 500 units are planned in the upcoming third tranche. A pilot phase of an energy-efficient housing renovation programme is going to be launched in the near future. The two forthcoming programmes try to address several barriers in the housing and institutional system by providing capacity-building for beneficiaries (local governments and condominiums, respectively) in addition to financial support.

Housing-related social benefits seem weak in their present form, as the country needs a specific housing allowance for maintenance costs. The “social aid benefit” supports low-income vulnerable households, and during winter, the benefit is supplemented to alleviate the burden of increased energy costs. It is mainly vulnerable groups in rural areas who receive these benefits, so local governments also run their schemes. The municipality of Chisinau has also introduced programmes to address housing affordability problems.

The arrival of refugees caused major changes in the housing market. Market rents rose rapidly, but due to the cash and rent subsidies provided by international organizations, the supply of privately rented housing also increased, and the number of unoccupied dwellings decreased. Humanitarian organizations and local NGOs have developed and run several innovative programmes, primarily in the private rental sector. The important housing policy implication of this is that it has demonstrated the potential of the private rental sector to deliver affordable and social housing solutions, in addition to the need to increase public rental housing.

Recommendations have been made concerning the main elements of a longer-term national housing policy based on lessons from international examples. Conceptually, the proposal assumes that it is socially and economically justifiable to develop affordable housing programmes that target a broader group of people affected by housing affordability problems. The intensity of the support varies according to the income situation of the households, with the target group being households that do not have access to the market. The main rule is that public subsidies cannot be capitalized by beneficiaries and that subsidies remain in the sector in the long term.

To operate the programmes effectively, their institutional framework needs development on both the central and local levels. Thus, a National Housing Agency should be established to manage programmes and monitor their local implementation. Local social housing agencies would implement the programmes that can be established by local governments, NGOs, and the State. It is recommended that three main types of programmes be introduced: public housing programmes, where the stock is owned by the municipality or the State; a social rental agency programme, which utilizes the private rental sector to deliver affordable housing; and a third type of programme, which is a limited equity ownership programme that targets the lower middle class. The establishment of a National Housing Fund aims to secure long-term resources.

# INTRODUCTION

The Republic of Moldova is one of the countries affected by the Russian Federation's war on Ukraine. Due to war proximity and the country being a landlocked economy with a high level of dependency on natural gas imports from the Russian Federation as well as energy supplies and food from Ukraine.

Well-located as a transit country for refugees and TCNs seeking refuge in the European Union, the Republic of Moldova has also become a destination for many fleeing the war. However, as the war continues to unfold in neighbouring Ukraine, the Republic of Moldova is seeing a sharp rise in the average cost of living and inflation associated with food and basic commodities, leading to additional strain on the housing system. Like many other post-socialist countries, the Republic of Moldova's housing system is characterized by the consequences of rampant privatization, problems with running privately owned apartment buildings, an unregulated private rental market, and a less developed housing credit system. The arrival of Ukrainian refugees and related housing assistance programmes have disrupted the urban housing market and, in many respects, have worsened housing affordability by increasing prices and rents. The International Organization for Migration (IOM), and Habitat for Humanity International collaborated to (a) analyse the Republic of Moldova's housing system and policies to identify the bottlenecks in the provision of affordable housing for refugees from Ukraine and vulnerable groups in host communities and (b) design a pilot housing project to explore how affordable housing solutions can be delivered to the identified target groups. The pilot project is based on the main housing policy recommendations presented in this study. It proposes the development of a property owned by the municipality of Chisinau by repurposing unused buildings into social and affordable housing for a diverse target group, including refugees affected by the housing affordability problem. The research was conducted between September and December 2023. The methodology included stakeholder interviews, literature and secondary data analyses to assess the current housing context and review ongoing housing-related programmes. In addition, a workshop was held to verify the research findings and test the preliminary recommendations. A comparative overview of European affordable housing programmes was conducted to support the development of a housing pilot initiative as well as the main elements of a long-term housing policy.

The structure of the study is as follows – after the Executive Summary and Introduction – Chapter 1 gives an overview of the social and economic context of the housing system in the Republic of Moldova. Chapter 2 contains an assessment of the housing ecosystem focusing on the factors that contribute to the development and perpetuation of housing inequalities and affordability problems. Also presents the impact of ongoing housing programmes. Chapter 3 summarizes the main characteristics of refugees arriving from Ukraine and the housing-related support programmes provided so far to accommodate them. Chapter 4 presents the analytical results about the main pillars of international examples of social and affordable housing programmes. In Chapter 5, recommendations for social and affordable housing programmes are developed, including the proposal for the pilot project. Chapter 6 summarizes the main findings and recommendations.

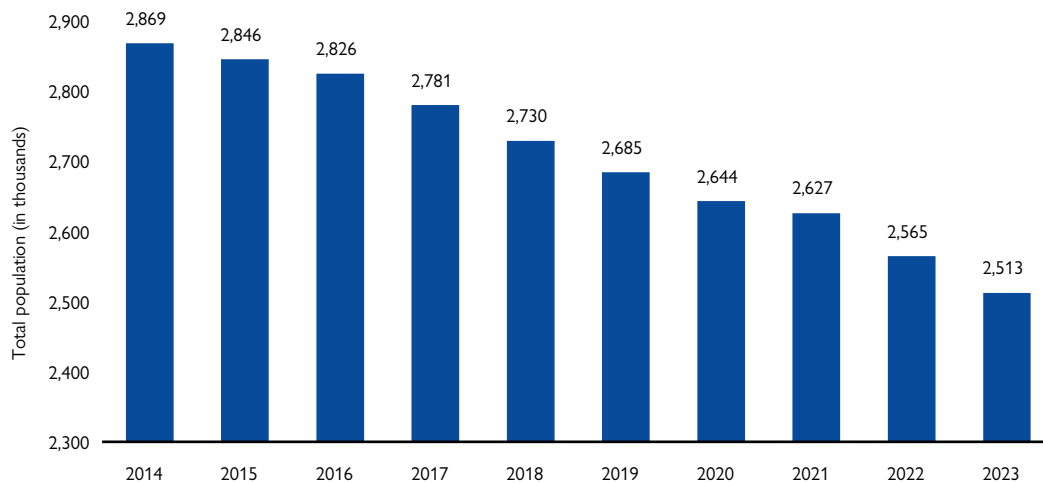


# 1. ECONOMIC AND SOCIAL CONTEXT OF THE HOUSING SYSTEM

## 1.1. Demographic trends

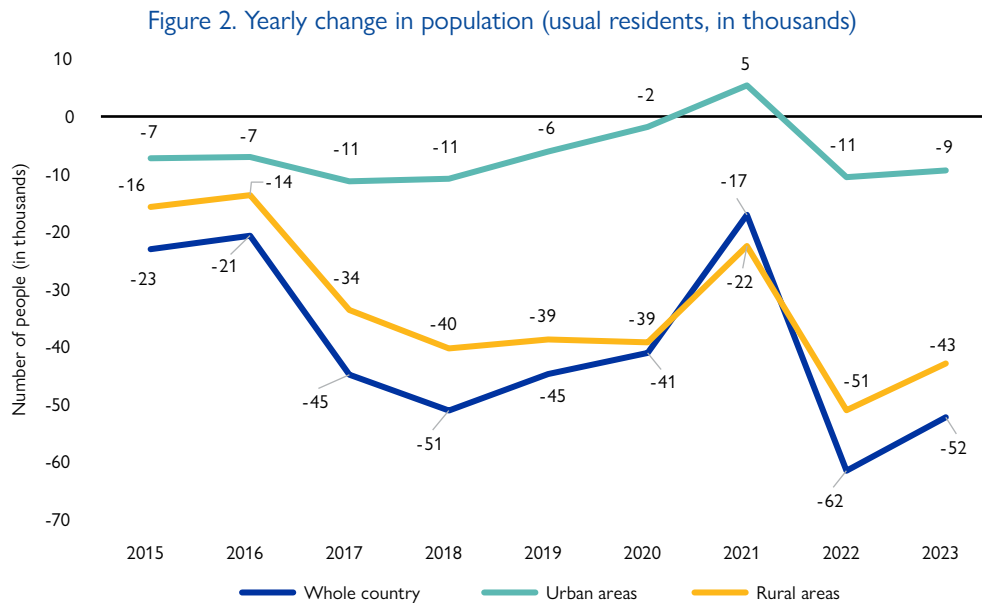
The Republic of Moldova has been experiencing a significant loss in its population over the last decade due to significant emigration and increasing net natural decrease. The population fell from 2,869 million to 2,513 million between 2014 and 2023. This means that the number of usual residents in the country declined by 12.4 per cent (356,000 people) in the last ten years (Figure 1).

Figure 1. Population of the Republic of Moldova (usual residents, in thousands)

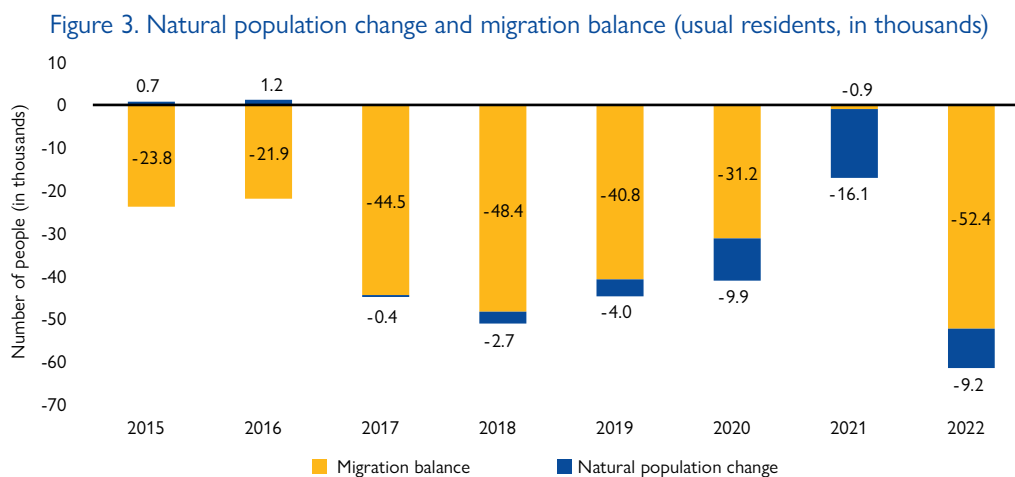


Source: National Bureau of Statistics, Statbank.

As Figure 2 shows, the population decline accelerated from 2016, when it fell by 45,000 people. The decline rate did not slow until 2021, due to the COVID-19 pandemic, when more people returned home because they had stopped working abroad. However, the following year, the decline tripled to 62,000 people. The population decline affected mainly rural areas, where the total of fell by 30–40 thousand people per year after 2016 (except 2019), while the population decrease in urban areas was more modest, around 10,000 people per year. Nevertheless, the rural population still outnumbers the urban population, albeit at a decreasing rate. In 2022, the share of urban residents was 42.4 per cent of the country's population, still well below the European Union average of 74.2 per cent.



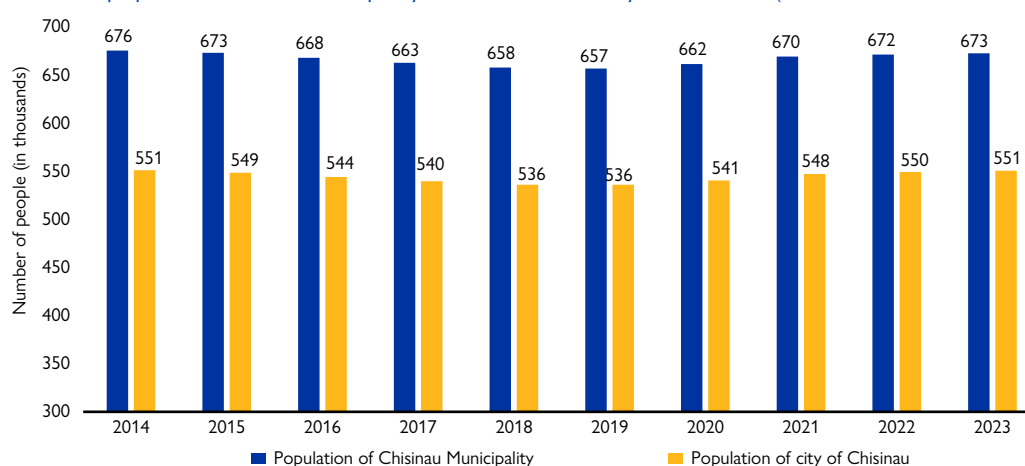
The main driver of the population decline was emigration (Figure 3), as the natural population change (the balance of live births and deaths) was still slightly positive between 2014 and 2016 and only turned negative from 2017 onwards. The natural population decrease peaked at 16,000 persons in 2021 due to the pandemic. The migration balance can be calculated as the difference between the total and the natural population change. If the migration balance is negative, it means that the number of emigrants is higher than the number of immigrants. Looking at Figure 3, it can be seen that the migration balance was negative throughout the period. Although emigration fluctuated, outward migration reduced the population by an average of 33,000 people per year between 2016 and 2022.



The capital city, Chisinau, and its surroundings have been exceptions in terms of the population decrease. Although the city's population declined before 2019, it started to grow from 2019 onwards, peaking in 2020 with a surplus of 8,000 inhabitants compared to the previous year. This growth was linked to the impact of the epidemic, which led to more expatriates returning home than usual. Since then, however, population growth has gradually slowed down (Figure 4).



Figure 4. The population of the municipality of Chisinau and city of Chisinau (usual residents, in thousands)

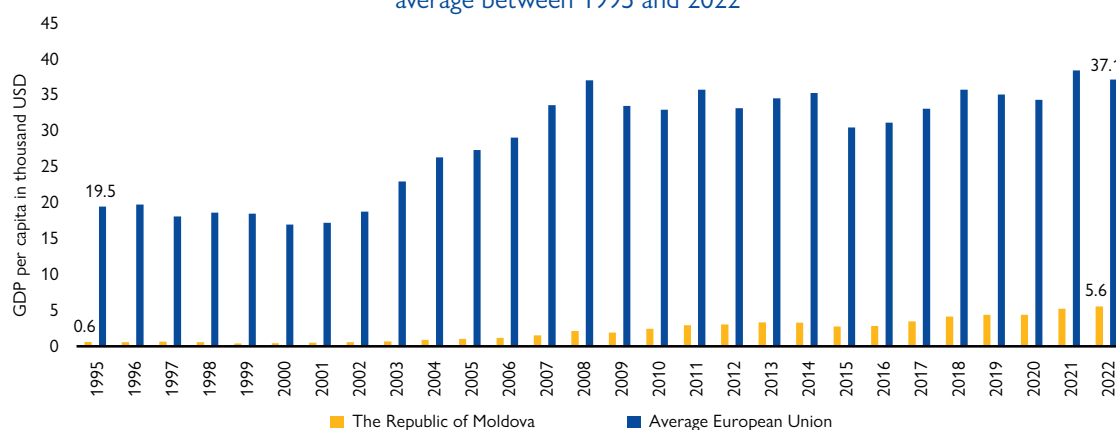


Source: National Bureau of Statistics, Statbank.

## 1.2. Economic context

The Republic of Moldova is one of the least developed countries in Europe, as reflected in the low GDP per capita, lagging behind Georgia and Armenia and only exceeding that of Ukraine and Kosovo<sup>9</sup>. The Republic of Moldova’s annual GDP per capita has grown significantly since 1995, from USD 594 to USD 5,563 in 2022, resulting in a narrowing gap with the European Union average (Figure 5). While in 1995, the country’s GDP per capita was three per cent of the European Union average, by 2022, it represented 15 per cent. Although the country is gradually catching up, the rate of growth has not been sufficient to change Moldova’s economic position in Europe (in terms of GDP per capita). The main reason for this is the underdeveloped economic structure – namely, that growth has largely depended on two volatile factors, remittances, and agriculture, whose shares of the country’s GDP are among the highest in Europe. Remittances, which represent a declining but still significant share of GDP (14% in 2022), have helped to increase domestic consumption and alleviate poverty but have not contributed to improving economic productivity, making GDP growth unsustainable in the long term.<sup>10</sup> On the other hand, agriculture, characterized by low productivity and accounting for 10 per cent of GDP and 35 per cent of total employment, is highly exposed to natural phenomena, such as droughts, and thus represents a significant risk factor in economic performance.<sup>11</sup>

Figure 5. GDP per capita of the Republic of Moldova compared to that of the European Union average between 1995 and 2022



Source: World Bank, World Development Indicators

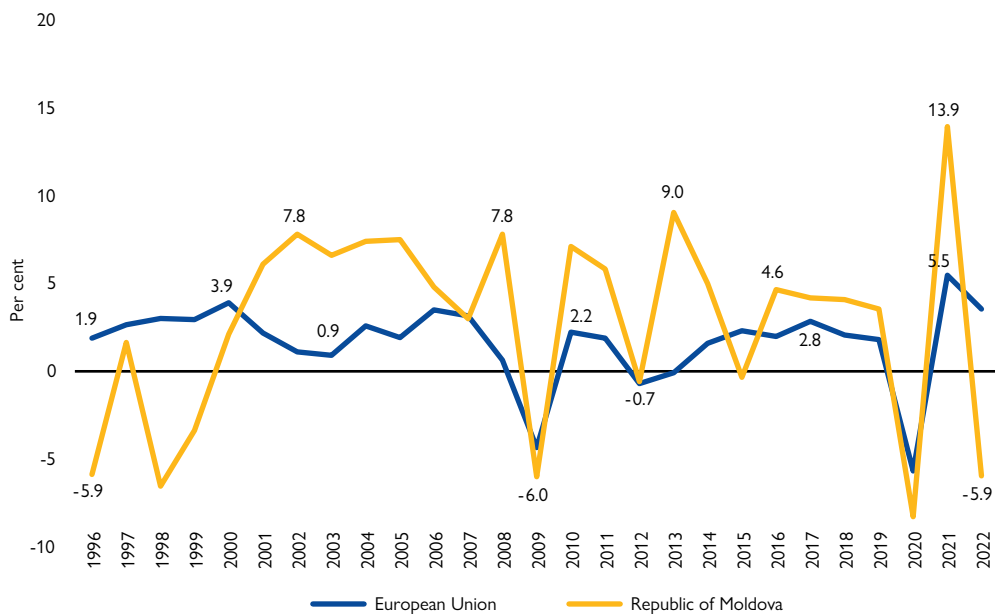
<sup>9</sup> References to Kosovo shall be understood to be in the context of United Nations Security Council resolution 1244 (1999).

<sup>10</sup> World Bank, 2024b.

<sup>11</sup> Augustin, 2023.

Since its independence in 1991, the country's economic development has been heavily influenced by global economic trends, its significant exposure to the Russian Federation's economy, and internal political conflicts. This is reflected in the wide-ranging fluctuation in annual GDP growth (Figure 6). After a period of economic growth in the 2000s, annual GDP growth fell by six per cent in 2009 due to the Global Financial Crisis. In contrast, the downturns in 2010–2015 were more related to internal political crises, including a bank fraud in 2012–2014, which amounted to 12 per cent of the country's GDP and, together with the drought, led to a decline of 0.5 per cent of GDP in 2015. The COVID-19 economic crisis hit the country hard in 2020, leading to an 8.3 per cent decline in GDP. After a brief recovery in 2021 due to the Russian Federation's gas price hike and the war in Ukraine, GDP fell again by 5.9 per cent in 2022.

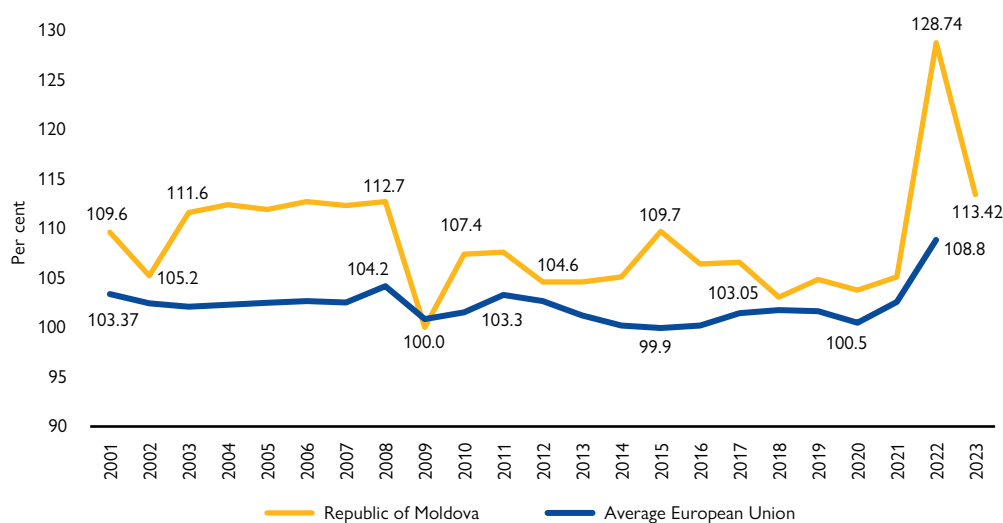
Figure 6. GDP annual growth of the Republic of Moldova and the European Union



Source: World Bank, World Development Indicators

Since 2001, inflation in the Republic of Moldova has remained above the European Union average, but it slowly declined until 2022, with some fluctuations. It was around 11–12 per cent in the first decade of the 2000s, falling below 10 per cent after 2010 and below five per cent in the second half of the decade. This downward trend was interrupted by the rise in energy prices from October 2021, which continued in 2022 and was closely linked to the Russian Federation's war on Ukraine. In addition to energy prices, global food prices also rose in 2022 and because of the drought in the same year, the country had to import significantly more food than usual at very high prices. All this led to a spike in inflation, which rose to an annual average of 28 per cent (Figure 7). However, food price inflation was even higher, at 32 per cent in 2022, while gas prices more than tripled, causing a cost-of-living crisis for Moldovans. In 2023, inflation gradually declined, reaching 5.5 per cent in December 2023, while the average annual inflation was 13.4 per cent.

Figure 7. Annual consumer price indices (previous year = 100) of the Republic of Moldova and the European Union



Source: National Bureau of Statistics, Statbank and Eurostat.

### 1.3. Employment and income situation

The country's employment situation is characterized by a low labour force participation rate, a high share of informal employment, and low wage levels. The latter is the case despite significant efforts to increase wages in recent years. Low wages and a lack of decent jobs contribute significantly to the outflow of workers from the Republic of Moldova, especially younger workers. The importance of working abroad is reflected in the fact that remittances account for a significant share of household income.<sup>12</sup>

The official labour force participation rate for the population aged 15 and over was 42.3 per cent in 2019, rising to 45.4 per cent in the second quarter of 2023. The rate of the working population (aged 15–64 years), the rate was slightly better, reaching 50 per cent in 2022, but still very low compared to the European Union average of 79.4 per cent in the same year. Consequently, a large share of the working-age population is outside the labour market, leading to a high 58 per cent inactivity rate in 2022.

The rural–urban divide also persists in terms of employment: the employment rate is 12 percentage points lower in rural areas (37.1% in 2022) than in urban areas, where almost half of the relevant population is active in the labour market. In the first half of 2023, the urban–rural gap narrowed somewhat as more people in rural areas entered the labour market, finding work (Table 1).

The main labour market challenge in the country is the high level of inactivity, which means that the majority of people who do not have a job remain outside the labour market and do not look for work. This influences the official data on unemployment, leading to the phenomenon of low unemployment rates. At the same time, the unemployment rate is high, a common phenomenon in post-socialist countries after the transition.<sup>13</sup> This is also the case in the Republic of Moldova, where the unemployment rate is relatively low, having remained below five per cent for most of the period between 2019 and 2022 (Table 1). Unemployment is higher in urban areas than in rural areas, which may be partly explained by the fact that more people enter the urban labour market searching for jobs. Many people also come from rural areas, where the economy is mainly

<sup>12</sup> ILO, 2021.

<sup>13</sup> Ibid.

based on agriculture, and the chance of finding a better-paid job requiring higher qualifications is low. Although there are jobs in agriculture, they are mostly low-paid, often only seasonal and non-reported jobs. According to the labour force survey, 22 per cent of the employed population worked in the formal sector in 2022, out of which 58 per cent worked in agriculture. In the agriculture sector, 63 per cent of the employees work informally.<sup>14</sup>

Table 1. Employment-related data for the population over 15 years old in urban and rural areas between 2019 and the first half of 2023

|                    |          | 2019 | 2020 | 2021 | 2022 | 2023<br>Quarter I | 2023<br>Quarter II |
|--------------------|----------|------|------|------|------|-------------------|--------------------|
| Participation rate | National | 42.3 | 40.3 | 41.1 | 41.8 | 44.5              | 45.4               |
|                    | Urban    | 49.4 | 46.5 | 47.1 | 49.1 | 51.1              | 49.1               |
|                    | Rural    | 37.6 | 36.3 | 37.2 | 37.1 | 39.6              | 42.7               |
| Employment rate    | National | 40.1 | 38.8 | 39.8 | 40.5 | 42.0              | 43.7               |
|                    | Urban    | 47.0 | 44.4 | 45.6 | 47.3 | 48.6              | 46.7               |
|                    | Rural    | 35.6 | 35.1 | 36.0 | 36.1 | 37.2              | 41.5               |
| Unemployment rate  | National | 5.1  | 3.8  | 3.2  | 3.1  | 5.5               | 3.8                |
|                    | Urban    | 4.9  | 4.5  | 3.2  | 3.6  | 4.9               | 5.0                |
|                    | Rural    | 5.3  | 3.3  | 3.2  | 2.7  | 6.2               | 2.8                |

Source: National Bureau of Statistics, Statbank.

The income situation of the population improved between 2014 and 2022 (Table 2). The average monthly gross earnings of employees increased by 2.6 times during the examined period, which is reflected in the growth of average disposable income per household member. The average monthly pension grew faster than wages, almost tripling; as a result, it somewhat exceeded the minimum subsistence level by 2021. In 2022, the monthly average disposable income per household member was 62 higher than the minimum subsistence level per capita. This means a significant increase compared to 2014 when disposable income exceeded the subsistence minimum by only six per cent. A similar positive change can be seen when other income data (disposable income and pensions) are compared to the minimum subsistence level (Figure 8). Except for 2022, growth in salaries and disposable income is above the annual inflation rate, which means that salaries have also grown in real terms. In 2022, salaries fell by 13 per cent in real terms due to high inflation.

Table 2. Trends in residential gross income between 2014 and 2022

|   | 2014  | 2019   | 2021  | 2022   | Increase<br>2014–2022 | Increase<br>2019–2021 |
|---|-------|--------|-------|--------|-----------------------|-----------------------|
| Average monthly gross earning per employee, MDL <sup>a</sup>                | 4 090 | 7 234  | 8 980 | 10 447 | 2.6                   | 1.4                   |
| Population disposable income (monthly average per member of household), MDL | 1 735 | 2 881* | 3 510 | 4 253  | -                     | 1.5                   |
| The average size of monthly pension (end-year), MDL                         | 1 088 | 1 901  | 2 579 | 3 155  | 2.9                   | 1.7                   |
| Minimum subsistence level (monthly average per capita), MDL                 | 1 627 | 2 031  | 2 154 | 2 628  | 1.6                   | 1.3                   |

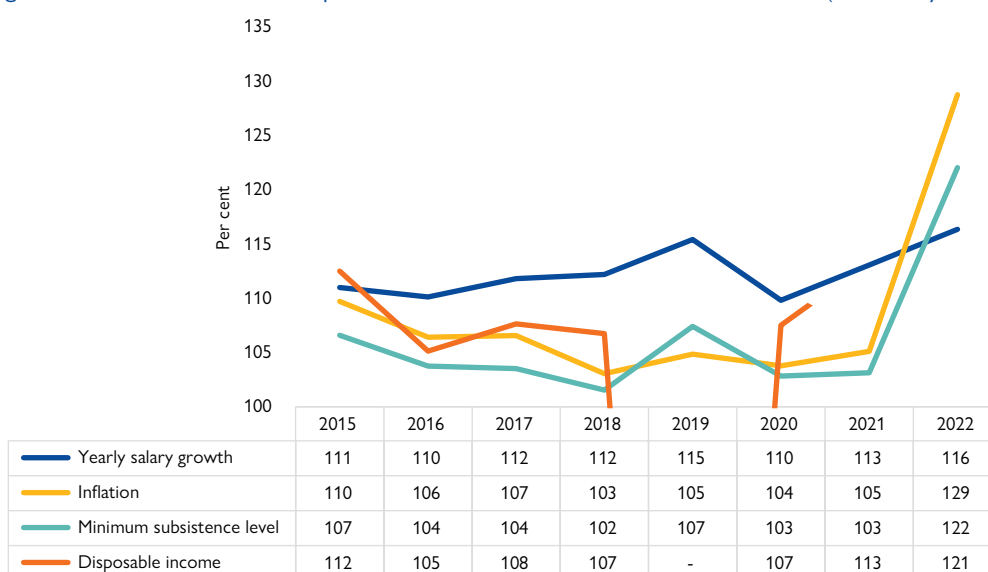
<sup>a</sup> 1 USD = 17.65 MDL May 2024.

Note: Data is not comparable to previous years, as the HBS methodology was modified.

Source: National Bureau of Statistics, Statistical Yearbook of Republic of Moldova, 2023.

<sup>14</sup> National Bureau of Statistics, 2023a.

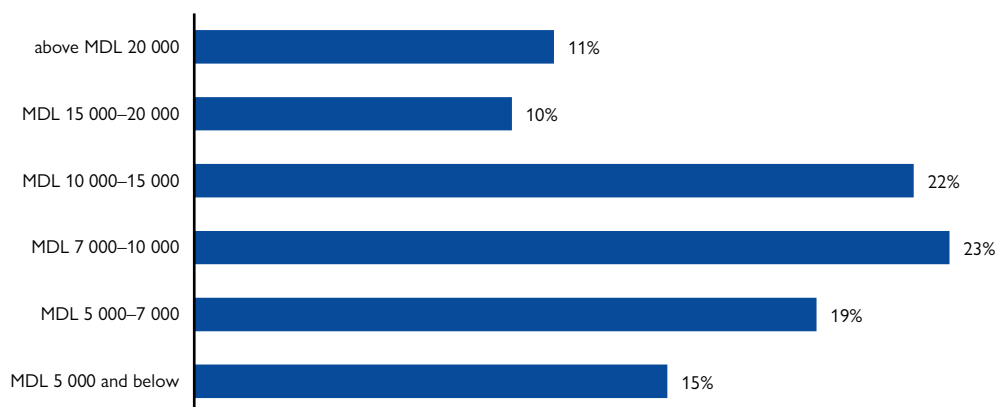
Figure 8. Growth of salaries, disposable income, subsistence level, and inflation (Previous year = 100)



Source: National Bureau of Statistics, Statistical Yearbook 2023.

The average gross salary was MDL 10,447 in 2022, which means MDL 8,800 net salary. However, there are significant differences in this area. The number of full – time employees in September 2022 was 443,900,<sup>15</sup> of whom 14.6 per cent earned only MDL 5,000 per month gross (MDL 4,230 net) or less. In total, one-third of all employees earn MDL 7,000 per month or less, and only 11 per cent earn more than MDL 20,000 per month (Figure 9).

Figure 9. Distribution of employees by gross salary in 2022 (%)



Source: National Bureau of Statistics, Statbank.

Average gross wages also vary considerably between sectors. The highest earners are those working in the ITC sector, with an average salary of MDL 27,776 per month, followed by those working in the financial sector, with a salary of MDL 19,796 per month. At around MDL 12,000 per month (MDL 10,152 net), average salaries in public administration, science, health, and social sectors are still slightly above average. However, people working in the education sector only receive an average gross salary of MDL 8,445 per month. At the lower end of the salary range are sectors such as agriculture, tourism, and arts and recreation, which are also characterized by a higher level of unreported income and irregular and seasonal work.<sup>16</sup> There is a 4.4-fold difference between the sectors with the lowest and highest average salaries.

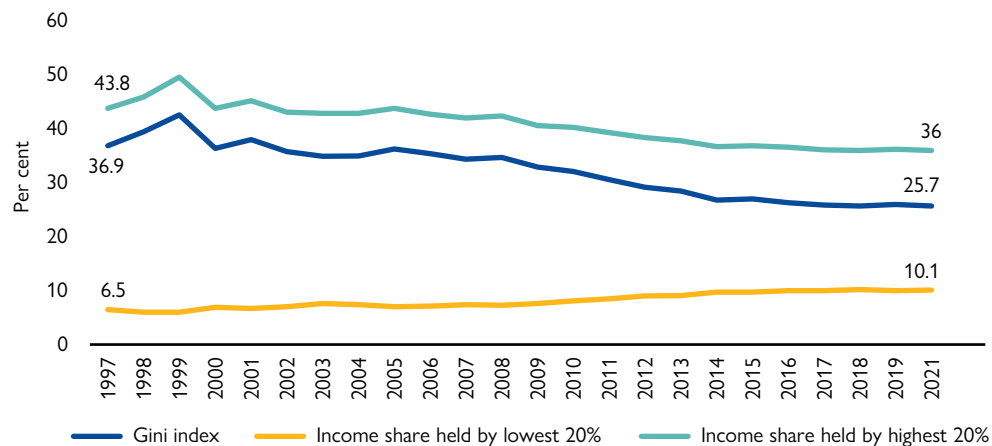
<sup>15</sup> Definition of National Bureau of Statistics: Data includes real sector economic units with four or more employees and all institutions in the budgetary sector.

<sup>16</sup> National Bureau of Statistics, 2023b.

## 1.4. Social inequalities

Indicators show that social inequalities in the Republic of Moldova have decreased over the long term. In the late 1990s and early 2000s, the GINI index was between 36 and 44 per cent, falling to a share of 25.7 per cent by 2021. The income shares of the lowest and highest quintiles also reflect this process, with the income of the lowest quintile increasing by 3.5 percentage points but the income of the highest quintile falling by a larger 7.8 percentage points, meaning that the middle class (the three quintiles in the middle) became slightly “stronger” (Figure 10).

Figure 10. GINI index and the share of income of the lowest and highest earning 20 per cent of the population between 1997 and 2021



Source: World Bank Databank, World Development Indicators.

The GINI index has limitations in the case of the Republic of Moldova, mainly because of the country’s significant informal economy and share of informal income. However, other income inequality indices show a similar trend. The ratio between the incomes of the lowest and highest quintiles decreased slightly between 2014 and 2022, from 5.66 to 5.31.

Poverty, as measured by the national poverty line,<sup>17</sup> affected 24.5 per cent of the population in 2021, which was an improvement compared to 26.8 per cent in the previous year. However, as a negative social impact of the war and inflation-related crisis, the poverty rate peaked at 31.1 per cent in 2022. These data confirm that although the significant increase in wages has undoubtedly had a positive impact on the reduction of poverty and inequalities, the population’s income level is still low. This makes a significant part of the population particularly vulnerable to economic changes.

Regarding disposable income per household member, poor households (below the national poverty line) average monthly disposable income in 2022 (MDL 2,739) was slightly higher than the subsistence minimum level (MDL 2,628) in the same year. However, this was an improvement compared to 2019, when it was 13 per cent below the then subsistence minimum. For the group of non-poor households, disposable income was 84 per cent above the subsistence minimum in 2022, an improvement consisting of 24 percentage points in 2019 (Table 3).

<sup>17</sup> 2,285 MDL as per National Bureau of Statistics, Statbank: Poverty lines by Indicators and Years.

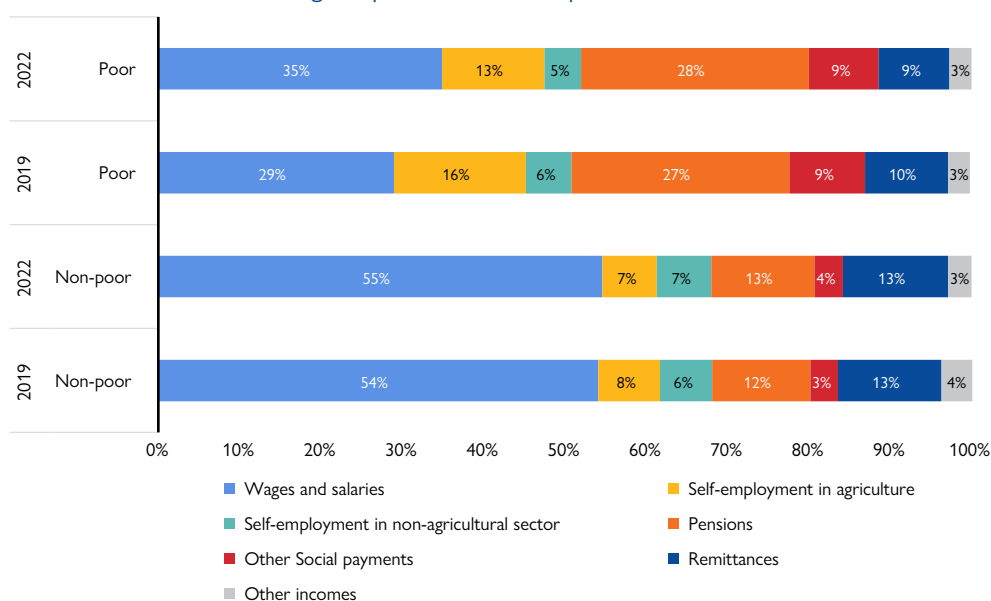
Table 3. Disposable income per household members of the nonpoor and poor households and subsistence minimum level (MDL/month)

|  | 2019  | 2022  |
|--|-------|-------|
| Disposable income of non-poor households | 3 254 | 4 937 |
| Disposable income of poor households     | 1 773 | 2 739 |
| Subsistence minimum                      | 2 031 | 2 628 |

Source: National Bureau of Statistics, Statbank

The income composition of poor households is less favourable than that of the non-poor households, with a smaller share of wages and salaries (35% versus 55%) and remittances (9% versus 13%) and a larger share of self-employment (18% versus 14%) and social payments (37% versus 17%). On the positive side, there was a significant rise (from 29% to 35%) in the share of employment income among poor households compared to self-employed income (which decreased from 22% to 18%). At the same time, the share of income from work (regarding both employees and the self-employed) also increased slightly, from 51 to 53 per cent. The large share of pensions in the income structure of poor households reflects the fact that older people make up a significant share of people with low incomes (Figure 11).

Figure 11. Composition of the average monthly disposable income according to its sources among the poor and the non-poor households



Source: National Bureau of Statistics, Statbank

Poverty is strongly linked to age and household size. The 2022 statistics show that the groups most likely to fall into poverty are people aged 64 and over (48.1%), households with five or more members (44.9%) and families with three or more children (33.9%).

Poverty and social inequalities have a clear territorial dimension. In rural areas, the share of people living in poverty is significantly larger than in urban areas (33% compared to 12% in 2021 and 40% compared to 17% in 2022), but social inequalities are greater in urban areas (the ratio between the lowest and highest quintile was 5.3 in urban areas and 4.5 in rural areas). However, the relationship was reversed in 2014, when rural areas were characterized by higher income inequality than urban areas (the ratios were 5.5 and 4.9, respectively), while the difference in the poverty rate was very similar to today's. The decline of inequalities in rural areas is most likely related to the substantial out-migration of younger and more qualified people from these areas.

Extreme forms of social inequality and exclusion affect two groups in particular: Roma communities and the homeless people. There is no reliable data on the Roma population in the Republic of Moldova; the 2014 census counted 9,000 Roma, while Roma leaders estimate their number to be around 250,000.<sup>18</sup> There is also no official data on the number of homeless people, although, in 2014, some NGOs estimated that there were around 5,000 homeless people in Chisinau.<sup>19</sup>

### 1.5. Governance system in the republic of moldova

Local authorities in the Republic of Moldova are organized in a two-tier administrative-territorial system. The first level comprises local authorities in villages, towns, and cities. Communes are made up of two or more villages. Larger towns are organized as municipalities. Municipalities are urban localities with a specific role in organizing public services (education, health, social, cultural) of regional/national importance and are administrative and economic centres. The second level of administrative-territorial units consists of districts, the municipalities of Balti and Chisinau, and the autonomous regions of Gagauzia and Transnistria.<sup>20</sup> There are 32 districts, 13 municipalities (including Chisinau and Balti) and two autonomous regions. Districts and municipalities comprise both urban and rural localities. The first and second-level administrative-territorial units are governed by elected bodies (councils), and elected mayors implement the decisions of the councils.<sup>21</sup>

Municipalities are financed by local taxes, income taxes, and general and special transfers from the State budget. First-tier municipalities retain all of personal income tax, while municipalities retain only 50 per cent. Special purpose transfers finance education, other public services, and the maintenance and development of local infrastructure and can only be used for their intended purpose. If they are not used, they must be returned to the State budget.<sup>22</sup>

Both local and district authorities face a lack of not only financial resources but also human resources. The emigration of higher-educated workers from the country has also severely affected the public administration. This has affected the ability of local and district authorities to absorb development resources. As the European Union-funded UNDP regional development pilot projects show,<sup>23</sup> municipalities need knowledge transfer and capacity-building to develop transparent and effective procedures for planning and implementing such projects, building partnerships, and communicating with local stakeholders (such as NGOs, private companies, and local communities). Establishing transparent public procurement procedures to avoid the misuse of public resources has proved to be a major challenge. Therefore, capacity-building training in various areas was an essential part of development projects, which also prepared the municipalities to take a greater, more active part in future projects. However, other stakeholders, such as local and national NGOs, also are in need of capacity-building as they face similar constraints and lack knowledge and human capacity for designing and implementing development projects in their areas of operation.

<sup>18</sup> MRG, 2018.

<sup>19</sup> Negura, 2019.

<sup>20</sup> This report does not deal with Transnistria (officially called Administrative Territorial Units of the Left Bank of the Dniester).

<sup>21</sup> IOM, 2023.

<sup>22</sup> Ibid.

<sup>23</sup> Stakeholder interview: UNDP, Programme Manager for EU4MOLDOVA: Focal regions Programme



## 1.6. Conclusion: Critical economic and social factors affecting housing inequalities

Housing inequalities are rooted mainly in the general economic and social situation of the country, the main factors being:

- The Republic of Moldova is among the poorest countries in the European Union, with a GDP per capita still only 15 per cent of the European Union average. The lack of jobs and low wages are causing significant emigration, especially among the educated and mostly younger generation, threatening the country's future economic development.
- Labour market participation of the working-age population is very low, while the informal economy is significant, leaving a large part of the population in precarious social situations.
- Social inequality and poverty have declined over the last decade thanks to government policies to raise wages. However, the economic crisis of 2021–2022 interrupted this process and caused a crisis of livelihoods for the population.
- The urban–rural divide persists in several respects. Poverty is more prevalent in rural areas, but social inequalities are more pronounced in urban areas, with the former triggering migration to urban areas.
- The country's governance system is fragmented and lacks human and financial capacity, which hampers the implementation of development programmes.



## 2. HOUSING ECOSYSTEM ASSESSMENT

### 2.1. Institutional and legal framework of housing policy

Addressing housing problems requires coordinated intervention from a wide range of actors, as housing is a crosscutting policy issue. However, the country's lack of an up-to-date housing policy strategy significantly hinders effective systemic interventions. This strategy should clearly define the housing problems, the programmes designed to address them, and related target groups. Further challenges are that the various housing issues are fragmented between different ministries and government levels, and there are no effective coordination mechanisms between the organizations concerned. At the same time, local public authorities often lack capacities to implement national housing programmes. Responsibility for the different areas of housing falls under the following governmental organizations and levels:

- The Ministry of Infrastructure and Regional Development (MIRD) is responsible for shaping housing policy and developing housing programmes, including public housing. Therefore, the Ministry has been responsible for planning and managing the implementation of the first two phases of CEB's social housing programme and the upcoming third phase. The second tranche of the programme has been managed, coordinated, and monitored by the Project Implementation Unit established under the Ministry in 2012.<sup>24</sup> However, another public agency was founded in 2023 to assume a more proactive role in planning national programmes and facilitating their local implementation in housing, construction, and regional development.<sup>25</sup>
- The development of general regulation and methodological guidance related to spatial planning also falls within the jurisdiction of the Ministry.
- The Ministry of Labour and Social Protection (MLSP) manages the social support system. This includes providing subsidies to help the lowest-income earners maintain their livelihoods and institutional and subsidized housing programmes for specific vulnerable groups. The Energy Vulnerability Reduction Fund, also managed by the Ministry, finances measures to alleviate energy costs.
- The Ministry of Energy is responsible for designing and implementing energy-efficient renovation programmes for the residential building stock. A public agency has been set up to manage the programme.
- The Ministry of Education is responsible for student accommodation.
- The Ministry of Finance is responsible for defining and coordinating the financial framework for the programmes.
- Local governments are responsible for implementing the national housing policy, including the maintenance and development of public social and service housing, and are also the stock owners. (See Chapter 2.3.3.) Local governments are competent to prepare spatial planning and local zoning regulations.

The different interpretations of the function and target group of public housing within the Government illustrate the lack of a housing policy strategy. The MLSP's view is that the target

<sup>24</sup> Government of the Republic of Moldova, 2012; Government of the Republic of Moldova, 2014.

<sup>25</sup> Government of the Republic of Moldova, 2023.

group for social housing should be more narrowly defined, with the leading target group being people with disabilities who are unable to work in the long term. At the same time, other disadvantaged target groups (e.g. young people leaving foster care) should be provided with transitional housing, accompanied by social services, which, among other things, will help them find suitable employment.<sup>26</sup>

In contrast, the MIRD approach to social housing includes a broader target group: the lowest-income group without housing. Public housing is also targeted at public employees (service housing), a target group of particular importance for local governments, as there is a significant shortage of skilled labour due to the still low wages and substantial outmigration of skilled labour abroad.<sup>27</sup>

If implemented, the initiative to provide additional support to poor households from the MLSP managed Energy Vulnerability Reduction Fund to enable them to participate in the ME's energy-efficient housing renovation programme could be considered a positive example of interministerial cooperation.

### 2.1.1. Main provisions and shortcomings of the Housing Law

The Housing Law (Law 75/2014) defines the forms of public housing, its target groups, and the main directions and responsibilities for the development and operation of the sector. The Housing Law has been amended in several aspects during 2023 to align with the upcoming CEB programme. The target groups for public housing have been expanded to include public employees. The eligibility criteria for each group have been clarified. The law prohibits the privatization of public housing.

However, some provisions of the law are defined in general terms, including the following:

- The law does not allocate a regular funding source for implementing government policy, relying instead on ad hoc projects and funding structures. In practice, the CEB social housing programme is the primary government initiative. However, local governments can also implement projects using other funding sources, such as grants and loans.
- The law limits the forms of involvement of private sources by stipulating that housing built with government or municipal funds must be publicly owned, which calls into question the feasibility of mixed financing and ownership schemes. Such schemes include limited equity housing programmes commonly used in developed countries (see limited homeownership models in Chapter 5).
- The maintenance of public housing stock is the responsibility of local governments. However, no resources are allocated for this purpose. The government will define the method of determining rents for social and service housing in an unknown regulation. The law does not specify whether different or identical rent determination methods will be developed for individual housing programmes and whether local governments can consider regional differences and the varying income levels of target groups.

The feasibility study for the third tranche of the Council of Europe Development Bank's social housing programme<sup>28</sup> proposed a rent-setting methodology with limited scope for adjusting rents according to the income status of the target groups. Under the proposal, rents would be adjusted for the very low-income social target group. Higher-income civil servants would pay a similar rent with only minor adjustments. Thus, the rents will only marginally cover the cost of loans taken for the investment, and the local governments will have to supplement them significantly.

<sup>26</sup> Stakeholder interviews with the representatives of MLSP.

<sup>27</sup> Stakeholder interviews with representatives of MIRD.

<sup>28</sup> CEB, 2023.

The Housing Law regulates the various forms of public housing and governs the whole housing sector, including the private rental sector.<sup>29</sup> One of the biggest problems for the private rental sector is the insufficient enforcement of existing regulations. According to realtors, the law requires tenancy agreements to be registered with the tax office, but this is not done in half or more cases.

### 2.1.2. The lack of institutional arrangements for effective housing management

Local governments lack an established organizational solution and operating mechanism for managing public housing. In the previous phase of the CEB programme, most local governments managed the programme internally through a designated administrator, often without sufficient expertise and capacity. Current legislation permits local governments to outsource management to a company established by the municipality or an external company. The establishment of an efficient ownership and management structure for privatized multi-apartment buildings has been a significant challenge for decades. The first legislation was introduced in the early 1990s, but the process of organizational change was complicated and expensive, and enforceability was problematic. Consequently, owners have not established condominiums in numerous multi-family buildings. The enactment of Law 187/2022 on condominiums could bring about a significant change in this regard, as the law sets a deadline for the creation of condominiums, which local governments are required to facilitate.

## 2.2. Drivers of housing inequalities

### 2.2.1. Main characteristics and quality problems of the housing sector

In 2022, the Republic of Moldova had 1,324,500 housing units, 573,000 (43.3%) of which were located in urban areas and 751,500 (56.7%) in rural areas. The stock consisted of 11,938 residential blocks with 421,000 units (32% of all units) and 903,200 individual houses.

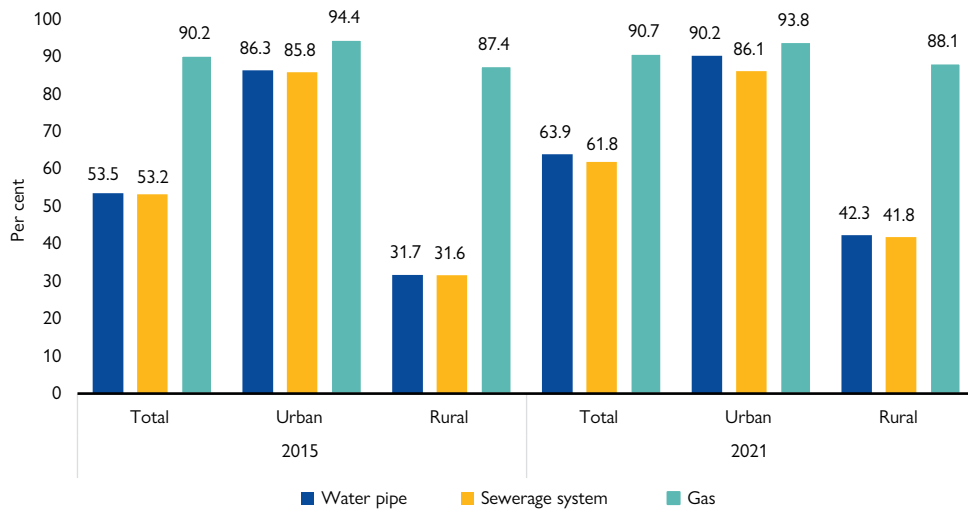
Between 1990 and 2020, 158,000 units were built in the country, representing 13 per cent of the total stock in 2020. New construction has been concentrated in urban areas, with the largest share in three urban districts (Chisinau, Criuleni, Ialoveni) amounting to 20–21 per cent of the housing stock, while, on the other hand, in districts in the northern region (e.g. Donduseni, Ocnita, Edinet), the share of units built in the last 30 years has only reached from four to seven per cent. This demonstrates the impact of the long process of the depopulation of townships in more rural areas, especially in the least developed regions. Between 2000 and 2021, the total area of the housing stock in m<sup>2</sup> increased by 19 per cent, which means that the average size of the newly built dwellings was larger than the existing ones. Again, most of the increase was in the urban stock, which grew by 44.5 per cent, while the rural stock grew by only four per cent.<sup>30</sup>

The connection of the housing sector to public utilities is lagging considerably, although there has been a significant improvement in the last 10–15 years. Currently, 39 per cent of dwellings are not connected to a drinking water network, and 41 per cent are not connected to a sewerage system, representing an increase of 10 and 8 percentage points, respectively, since 2015. However, it is clear that there is a divide between urban and rural areas. In rural areas, only 42 per cent of the housing stock (in m<sup>2</sup>) is served by the central water system and sewerage system, compared to 90 and 86 per cent, respectively, in urban areas. In terms of gas supply, the situation is generally much more favourable as 90 per cent of the stock is connected to the gas system, and the difference between urban and rural areas is only five per cent (Figure 12).

<sup>29</sup> The Housing Law regulates the contractual relationship between tenants and owners, including the content of the lease agreement, the duration and termination of the agreement, the criteria for paying rent and other services, the rights and obligations of the parties, the criteria for eviction.

<sup>30</sup> Sirbu and Cujba, 2022.

Figure 12. Connection of dwelling stock (total area, m<sup>2</sup>) to utilities



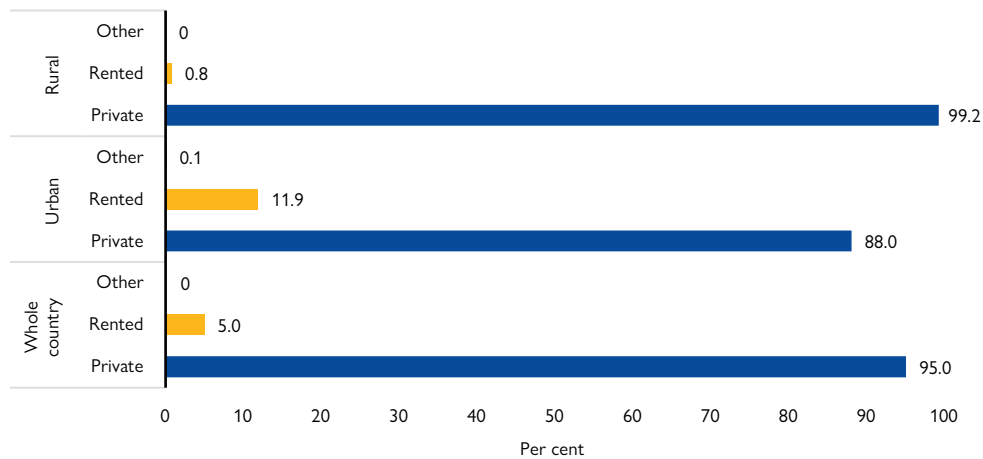
Source: National Bureau of Statistics, Statbank.

In addition to the low-level connection of water and sanitation utilities, the other major quality problem is the general deteriorated condition of the housing stock. However, the stock is relatively new, mainly built after 1960. The deferred renovation and modernization of the stock is mainly due to the low income of owners both in urban and rural areas, which appears to cause structural problems with the buildings, extremely poor energy performance, outdated equipment, and the lack of amenities. The extremely poor energy performance of residential buildings is a growing problem, especially with recent volatile energy prices. As a result, energy poverty has become a critical issue for most households in both urban and rural areas.

### 2.2.2. Privately owned stock and the transition of the multi-family urban housing sector

As in other post-communist countries, as a result of the large-scale privatization of the State-owned housing stock to sitting tenants, the predominant tenure form in the Republic of Moldova is homeownership. The owner-occupied sector accounted for 95 per cent of the inhabited sector in 2022. Still, in urban areas, the proportion was noticeably smaller at only 88 per cent, while in rural areas, it amounted to 99.2 per cent (Figure 13).

Figure 13. Tenure structure of inhabited housing stock in 2022



Source: National Bureau of Statistics, Statbank.

In the urban context, housing inequalities are exacerbated by inadequate legal regulation and the underdeveloped institutional arrangements of the management systems of multi-family buildings. Most privatized buildings have not been converted into condominiums and are, therefore, by law, managed by municipal housing companies. In Chisinau, for example, there are 1,500 such blocks with 160,000 privately owned apartments, more than half of all stock, managed by 23 public housing companies under the Housing Directorate of Municipality of Chisinau.<sup>31</sup> Management fees are set by the local governments, but they are very low and do not even cover the costs of maintenance, let alone renovation. In addition, a significant debt chain has developed between households, housing companies, and utility companies (particularly in the two largest cities). In Chisinau, 22 municipal housing companies have gone bankrupt as a result of the debt chain. Government action will likely be needed to resolve this problem.

Several new regulations have recently come into force, setting out the procedure for owners to form new condominium organizations, the operation of which must be supervised by the local governments. The new legislation<sup>32</sup> ensures much more effective decision-making and financing mechanisms for condominiums and enables them to obtain bank loans. The newly built blocks of flats have a well-established management system that operates more efficiently and transparently, managed by large private companies that charge much higher management fees.

However, the renovation of the multi-family housing stock is still largely hampered by the fact that banks are not willing to provide loans to homeowners' associations that have not been converted to condominiums in accordance with the new regulation, on the one hand, because of the accumulated arrears with utility fees and the lack of firm financial background of homeowners associations, and on the other, because of the improper land registration of the buildings.<sup>33</sup>

### 2.2.3. Public housing sector

Due to privatization, the publicly owned sector has shrunk to a minimal level (1.2% of the total stock in m<sup>2</sup>). The remaining public stock is not adequate to serve as the basis of a modernized social and affordable housing policy. It is still in State ownership and solely managed by the local governments.

Although a new Housing Law came into force in 2015,<sup>34</sup> until then, the stock was operated according to the old "Soviet" rules, which did not create a favourable context for a more effective public housing policy. The new law made local governments responsible for providing social housing for specific groups of public employees and vulnerable people. Still, target groups were not clearly defined, and despite the legal provisions, the State did not provide funding to local governments to enlarge the public housing stock. Currently, groups of people who were entitled to public housing according to the old regulation are supported by a court decision stating that local governments must provide them with housing.

The law also stipulated that the remaining tenants could privatize their apartments until May 2024, after which the stock will be transferred to the ownership of local governments. After a transition period of five years, current tenants must leave their flats if they do not comply with the new eligibility criteria. As a result, it is still uncertain what proportion of the current stock will be transferred to local governments and what funding they can rely on in the future.

<sup>31</sup> Stakeholder interview with the head of the Housing Directorate of Municipality of Chisinau.

<sup>32</sup> Parliament of the Republic of Moldova, 2022.

<sup>33</sup> Stakeholder interview with the Ministry of Energy.

<sup>34</sup> Parliament of the Republic of Moldova, 2015.

In 2023, a new regulation on social housing was adopted as an amendment to the Housing Law, defining more precisely some of the main conditions of social housing, such as eligibility criteria, rules of allocation, and rent setting. However, funding issues have not been resolved. An important regulation associated with Housing Law<sup>35</sup> is that public housing cannot be privatized.

The Housing Law stipulates two main forms of public housing:

- Social housing: allocated to individuals or families whose monthly income does not allow them to purchase or rent housing on the market;
- Service housing: allocated to public (State or municipal) employees for the period of their employment contract.

The main eligibility criteria for social housing are defined by the Housing Law as follows:

- Those households whose monthly income per household member does not exceed the subsistence minimum and who;
- Do not own housing or land for housing construction (including abroad);
- Have not sold a dwelling or participated in privatizing dwellings in the previous five years.

The law also defines priority groups for social housing as:

- People with severe disabilities who are not employed due to their health condition;
- Individuals caring for minors with severe disabilities;
- Young families who do not own a residence;
- Families in which triplets, quadruplets, or more children were born simultaneously;
- Young people leaving foster care who did not receive housing from the State.

The law stipulates that local governments must register households eligible for social housing. The decision on the allocation of social housing falls under the competence of the local governments' assembly. The priority order must be maintained by the local governments; they can allocate social housing units to public employees only if there are no registered applicants from the priority groups.

The eligibility criteria for publicly owned service housing are less strict. The law does not set income limits, and households can own property in other localities at the time they conclude a lease contract with the local government. However, they cannot acquire any additional property during the lease contract. Public service housing cannot be privatized or used for other purposes.

It appears that refugees' access to social housing is limited by eligibility criteria, which excludes those who own housing, including foreign ownership, from the target group. However, this is not a condition that applies to service housing; only public employees are eligible for this form of housing. As a result, refugees have access to service housing if they are employed by local governments or other public institutions.

#### 2.2.4. Private rental sector

In the last decade, the private rental sector has grown in importance, especially in cities, providing housing for those who cannot afford to become homeowners, many of whom migrate from villages to cities in search of better employment and livelihood opportunities. According to the official statistics, nationally, the share of the rental sector in the inhabited housing stock was

---

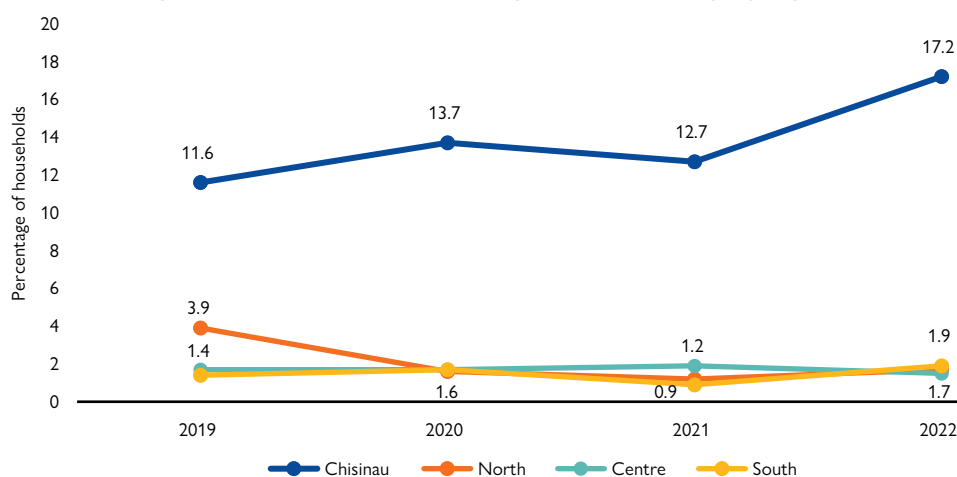
<sup>35</sup> Ibid.



5 per cent in 2022, of which three – four per cent was in the private rental sector.<sup>36</sup> The rental sector is concentrated in urban areas, where its share is 11.9 per cent, while it remains under one per cent in rural areas (see above Figure 13). In Chisinau, the private rental sector was estimated to represent around 15 per cent of the total stock in 2022.<sup>37</sup> Figure 14 shows a significant increase of five percentage points in the rental sector compared to 2021. This can be attributed to the sudden additional demand in the private rental market related to the arrival of refugees from Ukraine.

Officially, rental contracts must be registered with the tax authorities, and although the share of registered contracts is growing, only half are still registered. The sector is under-regulated in many respects, which does not allow it to become a safe form of tenure either for landlords or tenants.

Figure 14. Share of households living in rented dwellings by region



Source: National Bureau of Statistics, Statbank.

## 2.2.5. Vacant housing

A significant proportion of the housing stock is vacant due to large out-migration from the country and migration from rural to urban areas. The last official and available data is from the census in 2014, when 18 per cent of all the stock was unoccupied, and there was no difference between urban and rural areas. However, in Chisinau, this ratio was only 13 per cent. As far as the current situation in Chisinau is concerned, it is estimated that around 15–20 per cent of the dwellings in housing estates built in the Soviet era are not inhabited.<sup>38</sup> This empty urban stock serves as a kind of reserve for private rentals, which can be mobilized in the case of growing demand, such as when the Ukrainian refugees arrive.

## 2.2.6. Housing market

### 2.2.6.1. Housing prices and new construction

Market trends are described mainly based on experts' analyses, as no official statistics on house prices, rents, or the number of transactions or housing loans are available. The National Bank of Moldova publishes data only on the change in house prices (Residential Property Price Index) and only for Chisinau.

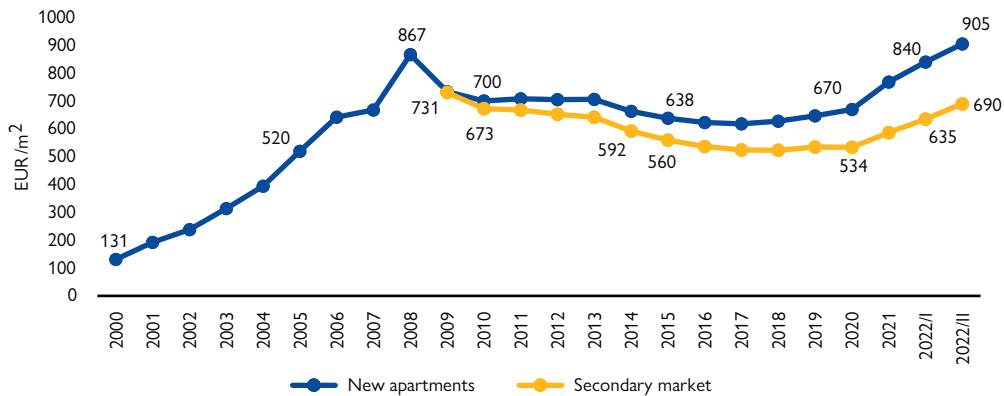
<sup>36</sup> Authors' estimation. Data from the National Bureau of Statistics concerning the share of households living in rental housing is not split between private and public rental sectors. Therefore, an estimation can be made based on the data on the size of the housing stock owned by public and private entities in m<sup>2</sup>. According to this data, the share of the public housing stock is 1.2 per cent in m<sup>2</sup>; however, it can be estimated that the average size of publicly owned dwellings is smaller than the stock average; therefore, in units, we estimate the share of the public stock at 2 per cent.

<sup>37</sup> Authors' estimation based on the method described in the former footnote and using data of Figure 13.

<sup>38</sup> Stakeholder interview with private housing management company, Eclob.

After a sharp increase until 2008, due to the Global Financial Crisis, house prices drastically dropped and remained low throughout the 2010s. Although prices began to rise sharply again in 2020, they reached the former price level only in 2022 in the case of new constructions. Compared to 2019, the average cost of newly constructed dwellings increased by around 40 per cent, while that of existing ones by 29 per cent in Chisinau (Figure 15).

Figure 15. Average apartment price in Chisinau

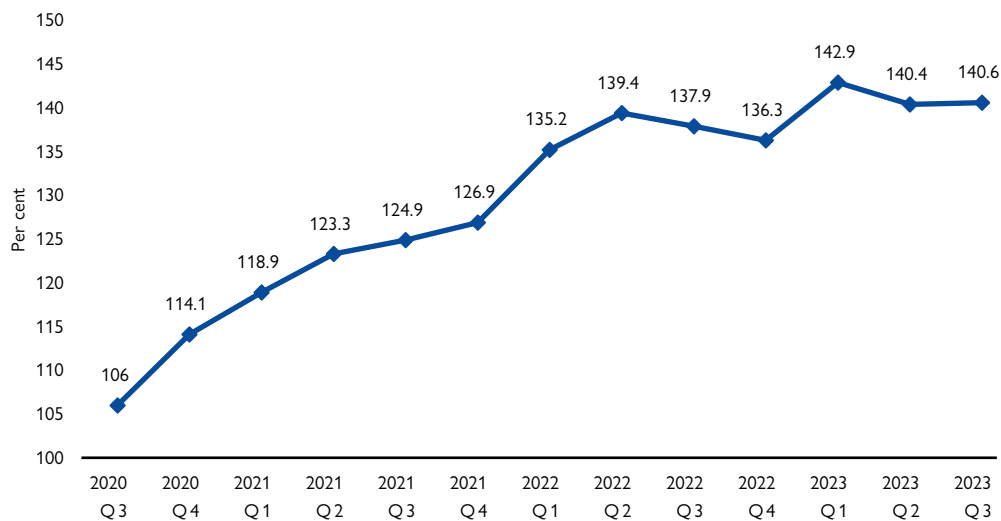


Source: Ionita, 2022.

Regional differences and the urban–rural divide are also significant in terms of house prices. In Chisinau, it is estimated that the average cost is around EUR 950–1,050/m<sup>2</sup>; in Balti, it is around Euro 750/m<sup>2</sup> and in other bigger cities, it is EUR 700/m<sup>2</sup>.<sup>39</sup> Therefore, housing prices in the municipality of Chisinau are 25–50 per cent higher than in other cities.

In 2022, the economic crisis, with its high inflation and increasing interest rates, had a negative effect on the housing market; the demand for housing and, thus, prices dropped from the spring of 2022 despite the arrival of refugees, which meant a short-term increase in demand. In 2023, after an initial rise, prices fell again. Only after inflation and interest rates fell did prices begin to rise again, according to expert estimations reaching (and according to some estimations, even exceeding) the level in 2021 before the war and high inflation-related crises.<sup>40</sup> However, this latest rise cannot be seen in the National Bank's statistics. (Figure 16).

Figure 16. House price index in Chisinau (2019 = 100)



Source: National Bank of Moldova.

<sup>39</sup> Gitlan, 2022.

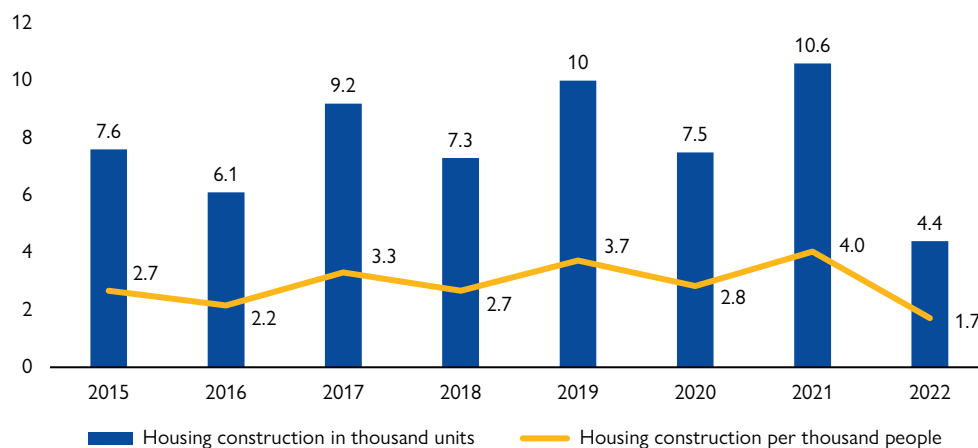
<sup>40</sup> Baciu, 2023.

The significance of real estate loans has grown considerably since 2017, as inflation and interest rates have fallen, mortgage loans have become more affordable for households, and banks have increased their mortgage loan supply. This positive trend was interrupted by the latest crisis in the autumn of 2021. By 2022, around 25 per cent of banks' loan portfolios were related to the real estate sector, which meant a 65 per cent increase compared to 2015.<sup>41</sup> In 2017, the monthly average value of newly issued loans was only MDL 70 billion, which grew to MDL 525 billion in September 2021, growing 7.1 times in four years. The issuance of new loans sharply decreased in 2022 due to high interest rates and general economic uncertainty; by the year's end, it was only MDL 103 billion. In 2023, as the interest rates of real estate loans fell below 10 per cent in July from a peak of 13.2 per cent at the beginning of the year, the issuance of loans gradually started to grow.<sup>42</sup>

As a result of the increasing interest rates of mortgage loans, the number of housing market transactions fell considerably, and the monthly payments of mortgage loans increased by 50 per cent.<sup>43</sup> To counteract market volatility trends, developers reduced downpayment requirements for residential purchasers from 50 to 10 per cent, which may cause them cash-flow problems and can endanger their ability to finance development projects.<sup>44</sup> However, newly constructed units only amount to 20 per cent of all transactions, and most transactions occur in the secondary housing market. In the urban secondary housing market, the problem of the inappropriate registration of multi-family buildings in the land cadastre hinders the banks from providing loans to finance transactions related to this segment of the housing sector.

The level of new construction is an average of 3.1 units per 1,000 inhabitants between 2015 and 2022 (Figure 17), representing a medium level of underperformance compared to the generally accepted four per cent. The vast majority of the new construction is concentrated in urban areas, particularly in Chisinau. As Figure 17 shows, there was a significant drop in newly constructed housing in 2022 due to the impacts of the COVID-19 pandemic and the war in Ukraine. Based on soft data from real estate experts, the number of started housing projects fell to 50 per cent in 2022.

Figure 17. Housing construction (number of dwellings put into use)



Source: National Bureau of Statistics, Statbank.

<sup>41</sup> Ionita, 2022.

<sup>42</sup> Ionita, 2023.

<sup>43</sup> Buruiana, 2022.

<sup>44</sup> Olsen, 2023.

### 2.2.6.2. Rent increase in the private rental market

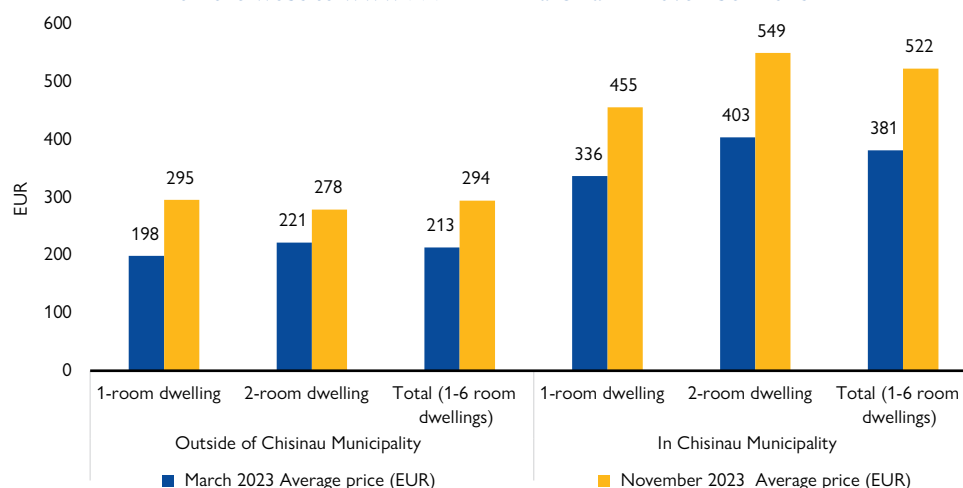
Demand for private rental housing in cities has increased due to growing migration from rural areas and refugees from Ukraine. The market has responded flexibly to the additional demand by mobilizing the urban vacant stock. Furthermore, a significant number of those who purchase newly constructed flats are investors, which means that new construction also contributes to the growth of the private rental sector. According to experts, most investors are Moldovans who are working abroad and investing their savings this way.<sup>45</sup> Some research indicates that the private rental market exists mainly in the two major cities, Chisinau and Balti (see below).

The growing importance of the private rental market in urban areas has impacted rent levels. As indicative data show (no official statistics are available on rents), rents significantly increased during the last two years. According to the interviews, the rent increases put local households in a less favourable position, as rent became unaffordable, forcing them to look for apartments in less central parts of cities.

In 2022, a one-bedroom apartment in Chisinau could be rented for EUR 170–400, while rents for two-bedroom apartments varied between EUR 320–675 depending on the districts' average rents. The average rent level in Balti is much lower, at EUR 150 for both one and two-bedroom apartments. Investors can achieve an average 7.64 per cent gross yield on their investment in Chisinau and 5.64 per cent in Balti.<sup>46</sup>

Asking prices on the supply side of the market also provides information on trends in the private rental market. Using the monthly dataset provided by REACH Moldova,<sup>47</sup> which processes the information from the advertisements on the rental advertisement website [www.999.md](http://www.999.md), it can be said that both the asking prices and the supply increased on the private rental market in and outside the municipality of Chisinau, between March and November 2023 (Figure 18 and 19). Asking rents increased by almost 40 per cent in both areas, while supply increased by nearly 30 per cent in the municipality of Chisinau and more than doubled in other regions. The latter indicates two trends: first, that the vast majority of rental housing supply is still located in Chisinau, and second, that as a result of the arrival of refugees, the rental market has started to develop, albeit modestly, in other large cities. However, it should be emphasized that online advertisements do not cover the whole market. Thus, the related data is distorted in several ways and can only be considered indicative information.

Figure 18. Monthly average asking rents of one and two-bedroom, and all advertised dwellings on the website [www.999.md](http://www.999.md) in March and November 2023



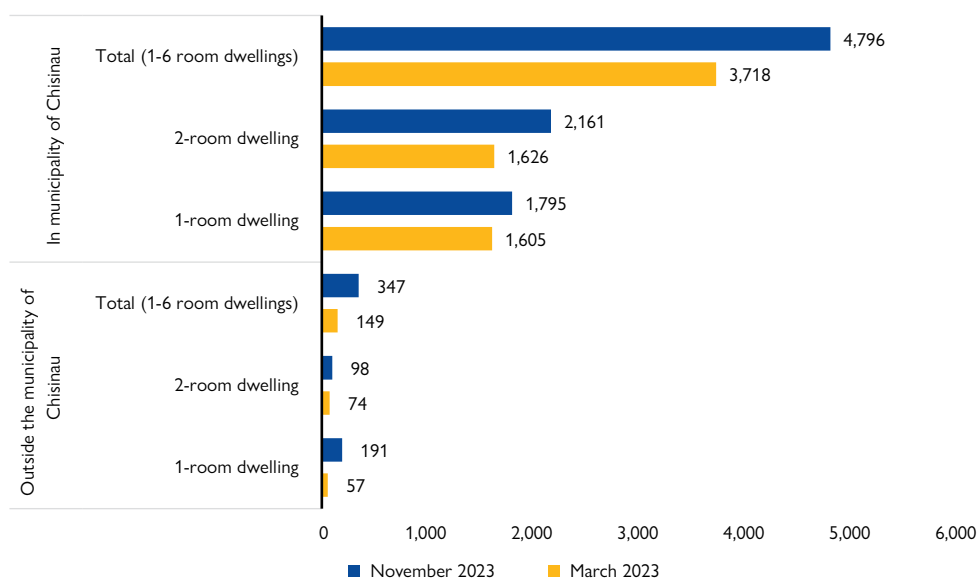
Source: Statistics REACH, 2023a.

<sup>45</sup> Interview with housing management company Eclob, and the National Association of the Real Estate Agencies

<sup>46</sup> Global Property Guide, 2022.

<sup>47</sup> REACH, 2023a.

Figure 19. Number of dwellings advertised for rent on website www.999.md in March and November 2023

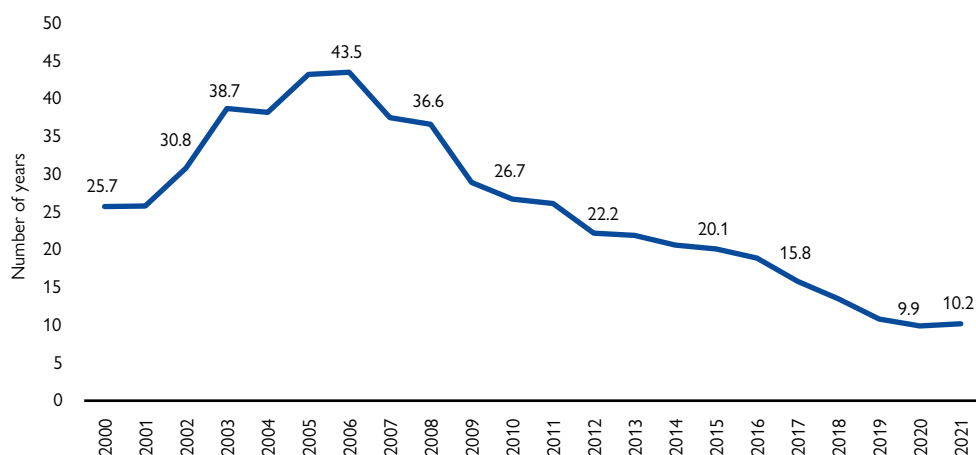


Source: Statistics REACH, 2023a.

### 2.3. Housing affordability

Housing affordability is still a severe and persistent problem, even though average salaries have doubled recently. In terms of access to housing, affordability has improved significantly since the early 2000s, when a couple earning two average net salaries had to spend more than 40 years of their income to buy an average-priced apartment of 70m<sup>2</sup> in Chisinau, while by 2021 it had fallen to 10.2 years of income (Figure 20).<sup>48</sup>

Figure 20. Housing affordability index (household with two net annual salaries acquiring a 70m<sup>2</sup> apartment in Chisinau)



Source: Ionita, 2022.<sup>49</sup>

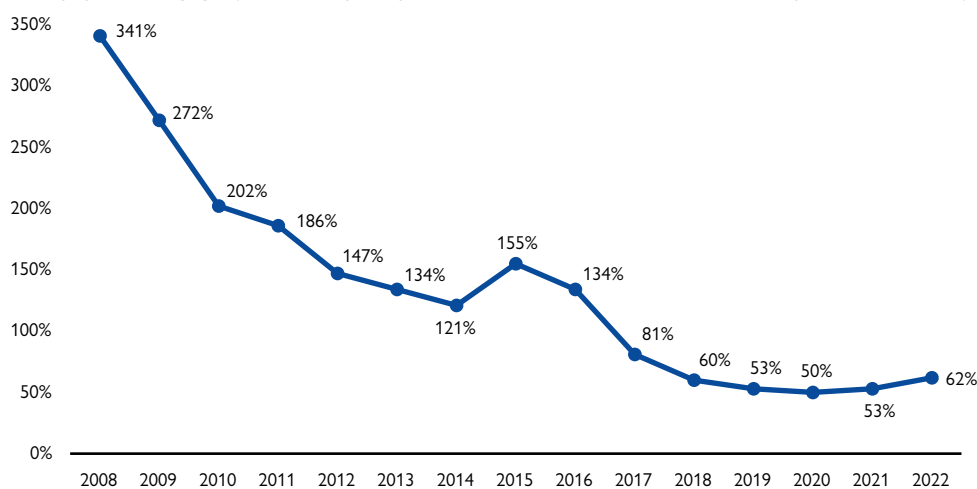
Besides the house-price-to-household-income ratio, housing affordability (in terms of access to housing) largely depends on the availability of cheap (affordable) loans (and other loan conditions such as repayment period, the proportion of the value of the housing required as downpayment, etc.). As the interest rate on real estate loans had declined to less than 10 per cent after 2016 (8.1%

<sup>48</sup> Ionita, 2022.

<sup>49</sup> Ibid.

in 2017 and 6–7% between 2018 and 2021),<sup>50</sup> loans became more affordable. This is suggested by the indicator that shows the percentage of an average household income required to cover the monthly payments for the purchase of an average-priced dwelling. Under the same condition (couples with two average net salaries purchasing an average-priced 70m<sup>2</sup> dwelling in Chisinau), the value of the indicator fell from 341 per cent in 2008 to 50 per cent in 2020, meaning that in the latter case, “only” one salary has to be spent each month to pay the mortgage. As the inflation and interest rates rose in subsequent years (2021–2023), the share grew to 63 per cent in 2022 (Figure 21). Compared to the internationally accepted 30–40 per cent ceiling that households should spend on housing, 50 per cent is still very high, and this does not even include monthly utility and other housing maintenance costs. In other parts of the country, housing prices are considerably lower, which increases affordability. However, wages and salaries may also be somewhat lower.<sup>51</sup>

Figure 21. The monthly income of a household with two average salaries from Chisinau necessary to pay a mortgage (credit: 20-year period, own contribution 30%, new apartment 70 m<sup>2</sup>)



Source: Ionita, 2022.

Similar calculations can be made regarding the affordability of rents. Considering a two-bedroom flat rented out for MDL 8,000 (EUR 400)<sup>52</sup> to a household with two average salaries (MDL 19,400 by adding a 10% increase to the 2022 data) which means that the household has to spend 41 per cent of its income on monthly rent. Adding to the rent an average MDL 1,600 (EUR 80) monthly utility costs, the monthly housing-cost-to-household-income ratio increases to 49 per cent. In other parts of the country, rents are considerably lower. Considering an MDL 4,220 (EUR 221) rent level and the same household income and utility costs as in Chisinau, the rent affordability indicator is 21 and 30 per cent with utility costs, which meets the affordability requirements.

To examine the composition of the rental market in Chisinau, rent quintiles were created, defining the average rent level for each quintile (the quintiles are compiled based on the total rent for each advertised apartment, not on unit (m<sup>2</sup>) price). In Table 4, for each rent level quintile, the maximum rent-to-household-income ratio was defined, assuming that lower-income households rent apartments at a lower price. The maximum rent-to-income ratio is raised for higher rent quintiles as higher-income households can spend a larger share of their income on housing. The result shows that a household earning two average salaries can afford to lease in the lowest-priced quintile sector from the rental market at a rent-to-household-income ratio that puts considerable strain on the household budget. To rent an apartment in the second lowest rent quintile, households need two salaries 30 per cent higher than the average income.

<sup>50</sup> Ionita, 2023.

<sup>51</sup> Ionita, 2022.

<sup>52</sup> REACH, 2023a.

Table 4. Rent quintiles in the private rental market and their affordability in Chisinau

| Quintiles according to total rent | Average rent (MDL) | Average rent per m <sup>2</sup> (MDL) | Average size of dwellings | Maximum rent-to-household income ratio | Minimum household income required (MDL) |
|-----------------------------------|--------------------|---------------------------------------|---------------------------|--|---|
| I                                 | 4 833              | 116,4                                 | 46,1                      | 25%                                    | 19 330                                  |
| II                                | 7 527              | 151,7                                 | 52,9                      | 30%                                    | 25 089                                  |
| III                               | 9 665              | 180,1                                 | 56,8                      | 30%                                    | 32 215                                  |
| IV                                | 12 283             | 200,8                                 | 64,9                      | 40%                                    | 30 708                                  |
| V                                 | 15 782             | 228,4                                 | 73,9                      | 40%                                    | 39 456                                  |

Source: Statistics REACH, 2023a.

## 2.4. Housing-related programmes of the central government

The Republic of Moldova has formulated several housing policy concepts (in 1994, 1999 and 2006), including one by the city of Chisinau in 2004. However, none of these concepts have been implemented.

Some important but still smaller initiatives with progressive elements have been launched recently.

### 2.4.1. Social housing programme

The CEB programme is a notable housing policy initiative. The Government received a preferential loan to initiate a social housing programme launched in 2009. The two tranches of the programme implemented so far involved the construction (renovation) of apartments for local governments, producing 926 units. The third tranche of the programme is currently being prepared, with an additional 500 social housing units to be built.

Regarding its organizational structure, the Ministry of Infrastructure and Regional Development has been responsible for the programme, under which a project implementation unit is in charge of its management. The implementation of the constructions was organized by the PIU of the MIRD. At the same time, local governments decide on the location, the rent, and the allocation of the apartments based on the provisions of MIRD Decree 75/2014.

This decree refined the eligibility criteria for the second tranche of the programme compared to the criteria defined in the Housing Law. The regulation defines five target groups, four of which may practically be designated vulnerable groups. At the same time, the fifth one, public employees, can be seen as a specific lower-middle-class group. The regulation also defines the shares of the target groups among the beneficiaries (quotas) as follows: 50 per cent of flats go to public employees, 10 per cent to persons with disabilities, 10 per cent to deinstitutionalized persons (young people leaving foster care), 15 per cent to families with three or more children and another 15 per cent to families with a child with severe disabilities. The income ceiling is set at 75 per cent of the average monthly salary equalized using the Oxford scale for household size, and another main criterion is that none of the household members can own real estate. The amortization period of the rent is 60 years, and rent cannot exceed one-third of household income. Local governments who participated in the programme had to compile a waiting list after they announced the social housing programme.

A feasibility study has been undertaken for the third tranche of the programme, and some significant changes are being planned. The target groups and the types of investment will be broadened as homes of older persons and students will also be eligible categories. Local governments, universities and elderly institutions will receive the loans to organize the investments.

However, the implementation of the first two tranches was associated with several problems. Local governments, especially smaller ones, have no expertise in administering the programme and allocating flats, and corruption and fraud were also encountered during implementation. The adverse developments brought into question the whole programme. The MLSP also criticized the fact that more than half of the social housing built went to public employees with considerably higher incomes than the vulnerable groups. However, according to MIRD, this problem should be managed by increasing the rent charged to public employees.

#### **2.4.2. “Prima Casa” programme: Guaranteed loans for first-home buyers**

A homeownership-related programme is “Prima Casa”, which provides State guarantees for loans with floating interest rates for young families’ first homes. The interest rate is tied to the National Bank’s basic interest rate plus a maximum of a three per cent margin, although currently, some banks have reduced the margin to one per cent. The maximum loan period is 25 years, and the amount specified in the contracts cannot exceed MDL 1,000,000 (EUR 50,000). Among other criteria, the borrower has to have employment in the Republic of Moldova for at least six months, the monthly payment of the loan cannot exceed 50 per cent of household income, and only the official incomes of the family can be taken into account. However, income from work abroad also counts if it can be proved by a contract and a bank account.

The Government contracted an intermediary organization (ODA) to guarantee the loans. The loan assessment is still done by the bank that issues the loan; ODA only verifies the data (age, income, etc.) the banks collect.

Since the launch of the programme in 2017, a total of 8,000 loans have been issued, which is a relatively small number. There are two main limitations of the programme. On the one hand, the price ceiling set by the programme is too low to buy a two-room apartment in Chisinau, as since the programme started there has been a substantial increase in house prices. On the other hand, if the price ceiling is raised, the higher loan amount would increase the monthly loan payment, significantly worsening the loan’s affordability. Then, affordability could be increased by extending the loan period by another five years. Such a dilemma suggests that house prices are not affordable for many young couples.

During the high inflation period from the second half of 2021 until the end of 2022, the inflation increased to 28 per cent, and as a consequence, monthly payments significantly increased for borrowers. The Government had to intervene and compensate families for half of the increase in the interest payment. As a result of the inflation, the number of new contracts dropped. Currently, two to three contracts are signed per month, whereas at the beginning, the number was 40.



### 2.4.3. Energy-efficient renovation of existing housing stock

A comprehensive programme is set to be launched in the near future aimed at the energy-efficient renovation of the existing housing stock concerning both individual houses and multi-family buildings. The programme is based on the matching fund model, involving household contributions and a grant and preferential loan for renovation. The programme will have a pilot phase first for 80 blocks of flats. In the pilot phase, the proportion of the grant will be 70 per cent of the investment cost, but later on, this will be reduced, and the proportion of preferential loans will be increased. The basic principle of the programme is that households should be able to repay the loan from the money they save on energy costs due to the renovation.

The programme aims to overcome the shortcomings in current governance, financing, and institutional systems. In terms of the organizational structure, an agency will be set up by the Ministry of Energy, which will be governed by a board. To address the local lack of technical expertise and capacity and the shortcomings in the financing system (namely, that banks are reluctant to provide loans for condominiums and households), the programme will apply standardized solutions involving technical and financing arrangements. The Ministry has reached an agreement with three banks that will provide standardized loans for condominiums. In this respect, it is important that only those multi-family buildings that have already been converted into condominiums, according to the latest legal provisions, can participate, which may also accelerate the transformation of condominiums. The other key financing measure is for banks to make long-term loans available. Currently, banks provide short-term loans for a maximum of five years, but this would not allow for repayment of the costs as the monthly loan payments would be higher than the amounts saved on the energy bill. With full renovation, including the insulation and modernization of buildings' heating systems, among other elements, 50 per cent of energy costs can be saved.

As most multi-family buildings are prefabricated, with a limited number of prototypes, the technical plans and associated cost calculations for refurbishment could also be developed in the preparatory phase of the programme. This will allow the Agency to provide the condominiums with ready-to-use contracts and technical assistance, saving time and human capacity (essentially non-existent at present).

To finance the subsidy part of the programme, the Government will set up an energy efficiency fund, which will have revenues from taxes imposed on all kinds of energy consumption (gas, electricity, fuel). Currently, there is no VAT on electricity and only eight per cent on gas, which should be changed in the longer term and could be partly used to finance this fund.

Vulnerable, low-income households will get an extra grant of 10–20 per cent of the investment cost to be able to participate in the programme. The proportion of the extra grant will depend on their income level. The so-called Energy Vulnerability Reduction Fund would finance the extra grant for vulnerable, low-income households, which the MLSP manages. Currently, the fund provides subsidies for low-income households to cover a part of their energy costs based on their vulnerability level.

### 2.4.4. Housing allowance

No housing allowance benefit in the Republic of Moldova specifically supports housing maintenance costs. The most significant social benefit is the so-called social aid benefit that is provided to low-income vulnerable households (pensioners, disabled people, people taking care of a disabled person in the household, adults taking care of a child under three years old, registered unemployed, people commuting for work) whose income is under the guaranteed minimum monthly income.

The subsidy supplements household income to the amount of the guaranteed income. In addition, there is a monthly allowance (APRA) for the same groups of vulnerable households to cover the extra energy costs associated with winter. Under APRA, the income limit for eligibility is somewhat higher than in the case of social aid benefits. The recipients of social benefits are typically pensioners and people with disabilities located in rural areas. Moreover, during the high inflation period at the end of 2021 and in 2022, the Government compensated all households for the energy price increase, which moderated the debt accumulation of households but could not prevent the impact on living costs. Overall, the social benefit system can avoid the further marginalization of vulnerable groups but cannot effectively improve the life chances of vulnerable groups.

Last year, when energy prices suddenly spiked, a significant proportion of households (most probably 80–90%) received subsidies from the fund, but now, as prices are falling, the number and proportion of households receiving support has fallen.

## 2.5. Housing programmes of municipality of Chisinau

The municipality of Chisinau has been running several housing-related programmes for various target groups. The main target groups are vulnerable households, including families with children and municipality employees. The municipality does not have social housing in the classical sense; the public housing stock has to be used for specific groups defined in the housing law, still according to the old regulations. The current housing programmes are:

- a rent subsidy programme for young professionals employed by the municipality and living in the private rental market, and
- assisted housing programmes for vulnerable groups.

The rent subsidy supports young municipal employees with a flat-rate subsidy of EUR 100 per month to rent in the private rental market. Currently, 336 young employees are benefiting from this programme. Employees must show their rental contract to prove they are actually renting an apartment to receive the subsidy. The subsidy is allocated by the municipal departments that employ young professionals, and the department transfers the money together with salaries. The average salary of the young professionals is around EUR 400 per month, and the employees receive an additional EUR 100.

The assisted housing programme supports young people living in foster care after they reach the age of 18 who are without any family support. This is a new programme that has been running for five months only. The programme uses private rental apartments as the city has no empty social housing stock. So far, they have rented five apartments in which 24 young people are housed, in addition to three refugees who were unaccompanied minors before entering the programme. The target is 120 young people from the same target group, which means 20 apartments will be required for the programme. Six persons maximum can live in a flat together; they receive mentoring, and the programme is monitored. In the programme framework, young people are enrolled in studies or work to prepare them to become self-sufficient before they leave the programme. The programme is managed by a unit at the General Directorate of Child Protection. The municipality also rents apartments from the private rental market to temporarily house mothers with children who are in difficult social situations (e.g. survivors of domestic violence) and have nowhere to live.

A forthcoming programme called “Your House in Chisinau” is backed by a feasibility study and is currently under public consultation. It will support young families and families with many children from the general population by paying a part of their monthly housing costs, including regular monthly maintenance costs and monthly mortgage payments.

The municipality also plans to establish municipally owned social housing for vulnerable groups and municipal employees. The newly created stock cannot be privatized. An initiative was prepared in 2021 but was put on hold because of the COVID-19 pandemic and the war in Ukraine. The municipality has very little land that could be used for social housing constructions. Thus, it may use two ways to develop social housing: repurposing pre-existing dormitories owned by the municipality (they own three dormitories) and purchasing land in the suburbs where land prices are considerably lower (e.g. they considered purchasing one plot of land 20 km from the city with good transportation). They are also looking for support to establish municipally owned housing stock. They intend to participate in the third tranche of the CEB-financed social housing programme, but they are also interested in other possibilities (e.g. cooperating with IOM in a pilot project).

Another important initiative of the municipality is the complex programme of linking the complete renovation, including energy-efficient refurbishment) of condominiums by selling the rooftops of buildings with the potential for additional stories. The target multi-family buildings are in shared ownership with the municipality (e.g. the municipality owns the land or the common spaces). The selling price, to be shared between the homeowners and the municipality, would cover the renovation costs. A pilot project is already under design.

## 2.6. University student programmes

Dormitories play a crucial role in providing accommodation for university students. Universities own dormitories, which are very important because there is significant competition among students at universities. Recently, the number of university students in the country has declined as many young people are leaving to study abroad. Universities try to replace them with international students.

The Senate sets the fee for dormitory accommodation, but it is legally regulated, and universities cannot profit from this. Dormitory fees are low, especially compared to rental market prices, and do not cover the cost of maintenance, including repair. The main problem has been the deteriorated condition of dormitories and their outdated equipment and amenities, especially regarding access to bathroom facilities. Government funding has been available to renovate and modernize student dormitories. To cover the programme's cost, the government also relies on the resources of international donor agencies, which provide preferential loans that the government pays back.

The State-owned technical university, for example, owns eight dormitories, four of which have already been renovated and modernized, and two others will be renovated shortly with government funding. There are three categories of dormitory fees according to the comfort level of the rooms: MDL 400, 700 and 900 per month per person. In the renovated dormitories, where every two-room accommodating five people has its own bathroom and kitchen facilities, the fee is MDL 900 per month. International students pay double the price in each fee category.

## 2.7. Conclusion: Main components of the housing ecosystem that hinder access to adequate and affordable housing

The main components of the country's housing ecosystem that hinder access to adequate and affordable housing for vulnerable and low-income households are as follows:

- The predominant tenure form is homeownership, accounting for 95 per cent, while public housing – the only affordable housing option available – has shrunk to one or two per cent of the occupied stock.
- The significance of the private rental stock has increased in the last decade, especially in Chisinau and Balti, reaching around 15 per cent of the total stock in Chisinau by 2022. Private rental is the only housing option for those who cannot afford home ownership, but the sector is still under-regulated.
- The housing stock is generally dilapidated and characterized by low energy performance. In urban areas, the inefficient management system of privatized multi-family buildings hinders the renovation of the stock.
- After a decade-long slump, house prices started to rise significantly in 2020, but mostly in urban areas. However, mortgage loans became more affordable for households as inflation fell in the second half of the 2010s, and as a result, the number of mortgage loans rose sharply (albeit from a very low level) along with the number of housing transactions.
- High inflation and rising interest rates interrupted this trend during the economic crisis of 2021–2022, but the housing and mortgage market is slowly recovering in 2023.
- Access to homeownership through mortgages is only a viable option for households with an income level of at least two average wages or those with intergenerational support. However, the majority of households have incomes below this level as wages remain low and many are outside the formal labour market.
- Rents in the private rental sector have become increasingly unaffordable as demand has increased significantly following the arrival of refugees from Ukraine.
- The central and local governments run only small-scale housing programmes aimed at improving households' access to housing. The programmes are mainly targeted at specific groups: young people, public employees and the most vulnerable groups. The lack of a national housing strategy, among other factors, hinders the establishment of systematic funding for long-term programmes and cooperation between public sector actors and between the public and private sectors.
- Recently, several legal and institutional measures have been implemented that can improve the efficiency of housing programmes in the future.

## 3. PROFILE OF REFUGEES FROM UKRAINE AND HOUSING SOLUTIONS PROVIDED SO FAR

### 3.1. Number and profile of refugees from Ukraine

As a result of the Russian Federation's war on Ukraine, there are currently 113,132 recorded refugees in the Republic of Moldova<sup>53</sup> amounting to four per cent of the domestic population, which is the largest share of any European country. It can be anticipated that approximately the same number of refugees will remain in the country in the mid-term, especially since March 2023, when Ukrainian refugees have also been able to apply for temporary protection in the Republic of Moldova. Based on the UNHCR cash assistance take-up data, most of the refugees (42%) reside in the municipality of Chisinau (the city and its surroundings), 12 per cent in the Ocnita districts, and 4.4 per cent in Balti, Rezina, and UTA Gagauzia. The remaining 34 per cent are dispersed across the country.

There have been almost 980,000 border crossings from Ukraine since the outbreak of the war and 690,000 crossings to Ukraine, which implies that most refugees left for other countries or returned to Ukraine.<sup>54</sup> The large majority of those who currently reside in the country plan to return to Ukraine, but as the war has been prolonged, refugees have started to settle down for the longer term in the Republic of Moldova, also aware that reconstruction after the war will take a long time. Those with longer-term plans typically have language skills and/or job opportunities.

Meeting the basic needs of a large number of refugees and ensuring accommodation and housing has posed a huge challenge to the government and the society of the country, which can be met only with the significant contribution of international donor agencies, especially since the country was already experiencing a significant economic downturn due to effects of the COVID-19 pandemic and surging energy prices. Despite the challenges, the arrival of refugees has positively influenced the country's economy in several ways, as it has led to additional demand in consumption, freight, and passenger transportation and boosted the export of goods and services, considerably raising the revenue of the national budget.<sup>55</sup>

The profile of the refugees is similar to that of other host countries; the majority of them are women, children, and older persons, although the proportion of men is somewhat higher in the Republic of Moldova. According to the latest multi-sectoral needs assessment (MSNA),<sup>56</sup> two-thirds of the refugee population is female, and only one-third is male (half of the men are minor-aged). The reported average household size of refugees consists of 2.36 persons; 54 per cent of households have at least one child, 33 per cent have a chronically ill member, while 33 per cent of the whole refugee population are children and 17 per cent older (60+) people. Regarding the working age population (16–64 years old), 40 per cent of them were participating in the labour market, though seven per cent were unemployed. Almost threequarters of children and young people (aged 3–24 years old) were enrolled in school during the school year 2022/2023,

<sup>53</sup> REACH, 2023b.

<sup>54</sup> Ibid.

<sup>55</sup> IPN Press Agency, 2023.

<sup>56</sup> REACH, 2023b.

and 54 per cent of those who enrolled in schools were attending Ukrainian schools (distance learning), while 45 per cent went to school in the Republic of Moldova (including kindergarten). Of those who spent more than six months in the Republic of Moldova, 29 per cent reported that their financial situation had worsened. As a coping strategy, the large majority of them used their savings to cover the higher costs of living (and only 7% said that their situation had improved). Furthermore, 54 per cent of households were covered by the social protection system in the country, while 25 per cent received help from the Ukrainian State.

To legally work in the Republic of Moldova, people must have legal refugee status. With temporary protection status available from March 2023 for Ukrainian citizens and eligible third-country nationals (TCNs), the job market has become more accessible for refugees. However, there are severe limitations in this regard, as most jobs require knowledge of the Romanian language. Furthermore, the large share of women who are heads of households and have the responsibility of taking care of dependent household members means they are often not able to take on full-time work or work that requires commuting. A further barrier is the limited capacity of kindergartens and childcare facilities. Refugees with a higher level of education have more chances of getting a job, but they may even face difficulty finding a job that corresponds to their qualifications. Hence, many of them take lower-prestige jobs. As the MSNA shows, the jobs most frequently reported were in the beauty and trade service sectors, followed by other types of services, and then jobs in the Information and Communications Technology and construction sectors. Despite such limitations, half of the respondents, working-age household members, said they had no difficulty finding a job in the country.

### 3.2. Cash assistance programme for refugees

In cooperation with the government, the UNHCR coordinates the support system for refugees. In parallel, vulnerable households in the host communities also receive help to meet their basic needs. UNHCR provides multi-purpose cash assistance (MPCA) and multi-purpose voucher assistance to support refugees and host communities in meeting their basic needs. The support is allocated through international and national NGOs. The target groups are those who arrived from Ukraine after 24 February 2022 and currently live in the Republic of Moldova. Qualifying households have at least one dependent family member, are headed by a single parent, older or a minor-aged person, or a member with specific needs. The amount of MPCA is MDL 2,200/person/month. During the winter (between 1 November and 31 March), MPCA beneficiaries receive an additional monthly payment of MDL 700 per household. Hosting community households are eligible if they accommodate refugees; the transfer amount depends on the number of refugees they host.<sup>57</sup>

Until October 2023, 374,426 MPCA payments and 37,222 vouchers were allocated to refugees, while host communities received 98,566 MPCA payments and 15,122 vouchers.<sup>58</sup> Regarding MPCA, this form of support helped 120,500 refugees between March 2022 and October 2023, while 75,000 received winter cash support) in addition to regular cash assistance payments. In total, USD 123.5 million (MDL 2,223 million) was paid out.<sup>59</sup>

According to the UNHCR's rapid socioeconomic profiling based on data from the latest surveys, "it is estimated that around 70 per cent of the total refugee population requires support to cover their basic needs, with approximately 15 per cent classified as extremely vulnerable due to multiple layers of vulnerabilities within their households". The initial results of the analysis show that among

<sup>57</sup> UNHCR, 2022.

<sup>58</sup> UNHCR, 2023c.

<sup>59</sup> UNHCR, 2023d.

the refugees, bigger families (with four or more members) and groups with specific needs (older people, people with disabilities, single parents) are more likely to experience vulnerabilities.<sup>60</sup>

For 2024, UNHCR, in its Regional Refugee Response Plan (RRRP), estimates that 90,000 refugees from Ukraine will stay in the Republic of Moldova, of whom 63,000 will need support to cover their basic needs. Regarding host communities living in areas affected by the refugee influx, it is estimated that 55,000 people will need support.

### 3.3. Forms of housing and accommodation of refugees

The majority of the refugees arriving in the Republic of Moldova have found housing in the private sector via various arrangements, although refugee accommodation centres have also been set up. Refugees tend to live in one of four types of accommodation:

- refugee accommodation centres (RACs),
- self-accommodated housing in the private rental market,
- with host families, partly through organized arrangements and partly through family and personal networks or
- in private rentals with the help of a rental subsidy.

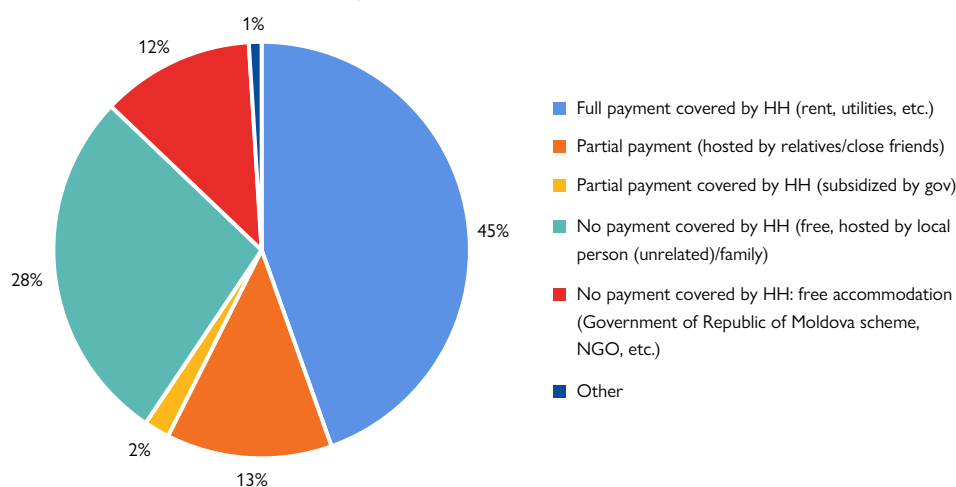
No data are available on the exact distribution of refugees among the different types of accommodation; however, the most recent MSNA indicates this.<sup>61</sup> According to the MSNA survey, 83 per cent of refugee households were residing in private accommodation, nine per cent were living in shared accommodation (hosted or shared with other refugees), seven per cent were staying in accredited RACs, and one per cent were in a hotel/hostel. The regional difference is strongest in the case of shared accommodation; in the Centre and the South, the proportion of the latter is 20 and 17 per cent, respectively, which may imply a shortage of available private rentals at affordable prices.

The MSNA survey shows that more than half of the surveyed households were living in some form of supported accommodation, as the households were covering the cost of their accommodation to varying degrees (Figure 22). Less than half (45%) were covering their full housing cost (rent, utilities, mortgage, etc.). Of these, 85 per cent reported that they had had no difficulty paying on time in the three months prior to the survey. Fifteen per cent were paying part of their accommodation costs, the majority of whom (87%) were being hosted by relatives or friends, while others were living in government-subsidized accommodation. However, 40 per cent of households were not paying for their accommodation; again, more than two-thirds of them (70%) were being hosted by family/friends, but also by unrelated local people, and the remaining one-third of households were accommodation supported by the government and NGOs, among others. Consequently, 45 per cent live in market housing (presumably most in private rentals), 41 per cent in hosted accommodation, and 14 per cent in other types of supported accommodation. In terms of housing security, almost two-thirds felt they could stay for more than six months, and five per cent thought to stay for another 3–6 months. However, a quarter of responding households felt uncertain about the length of their stay in their current accommodation.

<sup>60</sup> UNHCR, 2023c.

<sup>61</sup> REACH, 2023b.

Figure 22. Distribution of refugee households according to the degree to which they cover the costs of accommodation



Source: REACH, 2023b.

### 3.4. Refugees' position in the rental market and current rental market trends

The Rental Market Assessment, a qualitative study conducted by REACH,<sup>62</sup> provides more detailed, albeit still indicative, insights into the availability and affordability of private rental housing in the Republic of Moldova and potential conflicts between refugees and host communities in the private rental market. The research was carried out in two urban (Chisinau and Balti) and two semi-urban (Ialoveni and Orhei) districts between March and April 2023 and included interviews with both refugee households and rental service providers (real estate agents and landlords), as well as key informant interviews with local stakeholders and experts. In addition, the prices of private rental market offerings were analysed based on the most popular advertising website, [www.999.md](http://www.999.md). The most relevant findings are as follows:

- The private rental market is very uneven according to the size of the localities, as reflected in the very different number of advertisements of dwellings for rent. The size of the rental market is considerable in the two large cities of Chisinau and Balti but almost non-existent in other cities and towns. However, as the research shows, other, more informal, direct ways of finding private rentals prevail in the latter type of localities. In addition, it can be assumed that the supply side may have expanded in smaller cities in response to the increase in demand.
- Despite the rental market constraints, most of the interviewed refugee households faced no difficulty finding rental accommodation.
- Except for Chisinau, the average rent paid by refugees corresponded to the average market rent in the examined areas – approximately EUR 200 to EUR 250.
- In Chisinau, refugees could rent private dwellings for significantly less than the average market rent (EUR 275 versus EUR 418 per month). This suggests that refugees can find rental apartments at the lower end of the market.
- Data on rents paid by refugees suggested that the sum of EUR 275 paid through the rent assistance programme is sufficient to cover the cost of rent, and the study even suggests applying a more differentiated subsidy scheme outside of Chisinau.
- Utility costs were very similar in all locations; the average was EUR 163 per month.

<sup>62</sup> REACH, 2023c.



- Only half of households paid a deposit (the average amount was EUR 301).
- The arrival of refugees triggered rent increases in the market, which led to conflict with the host population seeking affordable housing solutions. Such conflicts were reported from the summer of 2022 onwards and were expected to occur in the summer of 2023, especially as the RACs were to be closed down and more refugee families would appear on the private rental market in parallel with students who also look for accommodation at this time of year.
- The private rental market is not affordable for many refugees, especially those without work and who rely only on cash assistance or for older persons and pensioners. Unaffordability is also indicated by the fact that some refugees pay rent fully or partially in kind (mainly through doing household chores).
- Groups particularly affected by unaffordability are women with children, refugees with disabilities, older people, and Roma households. Their situation is worsened by biases from rental service providers, who view them as a higher-risk for property damage or non-payment. As a result, they are often charged higher rents than members of the host population.
- Deposits are an additional barrier to refugees entering the rental market, as they require savings and may be increased for refugees.
- The Government and international cash assistance programmes do not provide sufficient financial help to secure rental housing after refugees exit the rental assistance programme.
- A significant legal barrier in the private rental market is the unwillingness of rental service providers to provide official rental contracts, which also hinders access to temporary protection. On the part of the refugees, the lack of legal documentation (passport, ID, birth certificate) can further impede the establishment of legal contracts and temporary protection, particularly concerning children and Roma refugees.
- Most households were afraid of eviction, and many did not know where to seek legal remedy if eviction occurred.
- Nevertheless, most refugee households and rental service providers reported good tenant-landlord relationships.

### 3.4.1. Refugee Accommodation Centres (RACs)

At the time of refugee arrivals, the government established 136 RACs, but by November 2023, only 44 remained active, with a capacity of around 2,600 places, 80 per cent of which were occupied.<sup>63</sup> The RACs are collective sites that only provide mass accommodation for Refugees and, as such, are not adequate for offering longer-term accommodation. Therefore, the refugees stayed in RACs for only a limited period, and if they remained in the country, they moved to some form of private housing. Currently, the Government's strategy is to gradually close down the RACs (RAC consolidation strategy), partly because they were considerably underused (only around half of the capacity was occupied) and partly because they are costly to maintain. In addition, several RACs do not comply with the minimum quality standards, despite efforts to upgrade them. Therefore, in the consolidation process, those RACs that did not meet minimum standards were first closed down. Refugees staying in RACs are recommended to participate in rental assistance programmes, or if they are ineligible for these or want to stay in RACs, they are referred to other ones. The main aim is to provide durable solutions integrated into the host communities and enable refugees to develop more independent living. In the consolidation process, the Government has been working closely with the humanitarian sector and international and national NGOs. Humanitarian agencies' priority is also shifting from providing an immediate humanitarian response toward more complex support for refugees, aiming at their more effective social and labour market integration.

<sup>63</sup> REACH et. al., 2023.

Currently, the most vulnerable households reside in RACs, as indicated by the fact that the average time of stay is more than three months; however, the profile of current RAC users is not significantly different from that of the whole refugee population: 40 per cent are children (under 18 years old), and 14 per cent older than 64 years old, while working-age people account for 46 per cent. The share of persons with disabilities is 6.2 per cent, while 1.7 per cent have severe medical conditions.

Vulnerable refugee households with members who require constant care due to disability or long-term illness or who are elderly may require more sheltered accommodation in the longer term, with specialized equipment. In addition, households that are unlikely to earn income, such as single-parent households with young children, will need longer-term assistance with their accommodation. The Norwegian Refugee Council (NRC)'s current initiative to upgrade one of its shelters to provide more independent living spaces instead of the current mass accommodation is a good example of creating such facilities of higher quality and dignity. This solution involves building private rooms for households with shared facilities and also modernizing the heating system.

### 3.4.2. Rental assistance programme

To ensure decent and secure accommodation for refugees, rental assistance programmes have been running in the Republic of Moldova, providing cash-for-rent support for refugee households. UNHCR cooperates with four organizations in allocating rent subsidies to refugee households: ACTED, Catholic Relief Services (CRS), IOM, and NRC.

No data is available on how many households have benefitted from cash-for-rent support. In the Regional Response Plan 2023 of UNHCR, USD 7 million was budgeted to support the independent renting of refugee families, targeting 5,546 people.<sup>64</sup> The organization's experiences illustrate the financial support provided in urban areas where the rental market is in place, especially in Chisinau. The available documents show that CRS has provided cash for rent to 763 households in 17 districts, while IOM has assisted 587 households in six locations.<sup>65</sup> During programme implementation, organizations use an area-based approach, largely relying on their regional staff and regional/local institutional network (public institutions and civil organizations). The programme supports refugees for six months to pay their rent and other related costs; for example, it contributes to the move-in cost and additional furnishing and household items that are needed. Programmes run by different organizations vary slightly according to their target groups and support arrangements. The main target groups are Ukrainian citizens or TCNs who fled Ukraine after 24 February 2024, families leaving RACs/hostels, those at risk of eviction or with other urgent housing needs, and those who wish to enter longer-term housing. However, for example, IOM prioritizes households that are more likely to retain their housing after the support period, in addition to vulnerable families (women single-headed households and families with four or more children).

Regarding the concrete schemes run by the organizations, CRS, for example, provides a standardized amount of support, calculated as 85 per cent of the average rent for a 1–3-bedroom apartment (EUR 191–276), which includes an additional amount (EUR 50–100) to help to cover utility costs. The support is paid in three tranches and consists of a phase-out element, meaning that the last tranche amounts to 90 per cent of the original subsidy amount. The scheme pays for the deposit as well. An average of USD 2,158 was paid for six months per household.

The IOM scheme pays the full rent for households, although a EUR 275 monthly ceiling is applied. The latter has been based on a rapid market assessment with rental agents and local authorities.

<sup>64</sup> UNHCR, n.d.

<sup>65</sup> IOM (2023). Presentation of the IOM Moldova Rental Assistance Programming, November.

In addition, the organization occasionally provides extra support for utility costs and supports expenses related to move-in. IOM has emphasized reaching out to property owners and engaging them in the programme as it was revealed that many are hesitant to lease their apartments to refugees. To this end, workshops were organized locally with property owners to understand their concerns and discuss how to overcome them. Programme orientation sessions were also organized to inform property owners and refugees about how the programme works and eligibility criteria, minimum housing standards, and contractual security requirements.

The implementing organizations check and, if needed, help ensure that both parties meet the required criteria. Minimum housing standards mean that apartments must be equipped with basic amenities (water and sanitation, electricity, adequate heating, a bathroom, and a kitchen) and the property is safe (quality of walls, windows, waterproofing, and posing no health risk). If the property does not meet the minimum requirements, the households are advised to look for another property. Organizations also check contractual conditions and provide legal counselling for property owners and prospective tenants if needed. It is also checked whether households have the necessary documents and, if they do not, whether they need assistance to get them. Although rental contracts are concluded between property owners and tenants, IOM also signs an agreement with both owners and tenants in which they agree to meet IOM programme requirements. IOM, as well as other organizations, check the property's condition during the support period, which guarantees the owners that their property is kept in good condition. In addition to standard monitoring procedures (visiting tenants and regularly calling owners), IOM operates a hotline and info centres that tenants and owners can contact in case of any problems or conflicts. Organizations provide additional support to tenants and refer them to other services to enable them to retain their housing or move to other adequate accommodations after support ends.

### 3.4.3. Support for host families

Several organizations (including CRS and NRC) provide cash grants to Moldovan property owners who are hosting refugee families from Ukraine to carry out minor repairs to their properties to ensure the latter live in a safe and dignified condition. This programme operates mainly in rural areas, especially in larger villages, and is justified by the general deterioration of housing conditions.

The CRS Small Repair Programme has so far reached 200 families (the target is 230 households), and 80 repairs have already been completed, with an average grant of EUR 1,500. The rehabilitation process is facilitated by the CRS project team. During community outreach activities, potential beneficiaries are informed. After verifying the application, the project team undertakes a technical assessment of the property and then agrees with the host households on the improvement plan and the amount of support to be paid in two instalments. An agreement is then signed between CRS and the owner, including a schedule of work. The work starts after the first payment has been transferred, and the team then monitors whether the materials have been purchased and sufficient progress has been made. Monitoring can be physical or remote. The second instalment is paid after the first monitoring event, while an external engineer performs a second round of monitoring upon completion of the refurbishment. The most common types of work are replacing windows and doors, upgrading heating systems, building bathrooms, eliminating dampness, and installing sewage and drainage systems.<sup>66</sup>

NRC is in the process of launching a similar programme to repair private houses in rural areas, so they are fit to house refugees, with a target of 200 properties. NRC works in two regions (South

<sup>66</sup> CRS (2023). Interview and presentation of Transitional Accommodations for Vulnerable Refugees from Ukraine in Moldova, September.

and North), and each runs a community centre that works on a regional level. They are currently carrying out a detailed needs assessment for their rural housing programme in the regions. The potential beneficiaries are mainly the clientele of their community centre and outreach services. They are concentrating on the northern region as it is the least developed area, where some of the local host communities are more disadvantaged than the refugees. As a result, rather than focusing solely on housing rehabilitation, they take a broader regional development approach, addressing issues such as agricultural development, water supply, and waste management. They also use tailored, personalized case management with an integrated service delivery approach to help individual refugee families. They ensure that children participate in education and help adults find work. The housing-repair element of the programme focuses on improving the winterization of homes, including upgrading heating systems. This includes properties owned by host families who rent their homes to refugees, but as some refugees own homes in villages, they are also eligible for the programme. Their legal department, ICLA, provides information and advice to ensure that all legal paperwork and contracts are appropriate for host and refugee families (e.g. rental contracts). NRC emphasizes cooperation with other international and local NGOs, public institutes, and public institutions to avoid overlapping activities (e.g. NRC does not support the insulation of properties, unlike other NGOs). Based on its experience, Moldovan NGOs require considerable capacity-building.<sup>67</sup>

### 3.5. Conclusion: Main barriers to secure housing for refugees

The household profile of refugees (majority women, children and elderly) and the lack of capacity in childcare facilities partly explain the low participation of refugees in the labour market: only one third of them have a job. Other factors are the language barrier and the inability to find a job that matches their qualifications.

The low employment rate of refugees has a negative impact on their income and their ability to find independent accommodation. This reflects the fact that 70 per cent of refugees require assistance to meet their basic needs. Households are still not self-sufficient after receiving social assistance.

In terms of housing, a significant share of refugees (estimated at around 50%) live in some form of assisted accommodation (RACs, hosted accommodation, assisted private rental accommodation), while others reduce their housing costs by sharing accommodation. However, a more permanent housing solution can only be provided by the private rental market, but refugees face several barriers in this respect:

- The arrival of refugees has triggered rent increases in the market, exacerbating households' affordability problems, especially for those with no or low-paid jobs.
- Paying a deposit is another barrier, as it requires savings from households that many do not already have.
- Landlords often discriminate against refugees, especially families with children, older people, people with disabilities, and Roma families, charging higher rents and/or deposits.
- After the period of assistance (e.g. rent subsidy from humanitarian organizations), there is not enough support for refugees to secure housing.

---

<sup>67</sup> Interview with Norwegian Refugee Council.

## 4. POTENTIAL TARGET GROUPS

### 4.1. Analysis of the need for affordable housing

A basic, generally accepted definition of target groups for social and affordable housing in international practice is households whose income is insufficient to access (own or rent) a home on the housing market. Median household income and median house price or rent are usually used to define groups according to this criterion, often considering regional differences. Commonly used housing affordability indices include:

- The house-price-to-yearly-household-income ratios show how many years of household income are needed to buy an average-priced dwelling. The generally accepted value of the index is 5–6 years.
- The monthly mortgage-payment-to-household-income ratio shows the percentage of income the household has to spend on the repayment of a mortgage loan. This is generally considered unaffordable when the share exceeds one third of income.
- All housing-related costs (maintenance costs plus rent/mortgage loan) to-household-income ratio. The most commonly used thresholds are between 30 and 40 per cent, sometimes involving distinguishing between the lowest and highest income groups (according to the disposable income remaining after paying housing costs). Extreme housing unaffordability is defined as when the value of the index exceeds 50 per cent.

In the Republic of Moldova, however, there are no reliable statistics on house prices and market rents, and the high level of informal employment also questions the reliability of income statistics. Consequently, it is difficult to calculate accurate affordability indices, and eligibility criteria can only be based on estimates. In the study, we have tried to illustrate the evolution of housing affordability using different estimates. On this basis, the following conclusions can be drawn:

- Housing affordability indices show that even with members earning average salaries, housing is barely affordable for households. Taking into account that household incomes that include two average salaries (MDL 17,600) are significantly higher than the average household income in the general population, we conclude that the affordability problem is more severe than the examples have shown. Based on the average disposable income per household member (provided by NBS), which was MDL 4,253 in 2022, and considering that the average household size was 2.2 persons in the same year, the average household income can be estimated at a monthly MDL 9,357.
- The regulation of the Housing Law sets the income limit of households eligible for social housing at the subsistence minimum, which was MDL 2,628 in 2022. Households of average size (2.2 persons) are eligible for social housing if their monthly income is below MDL 5,782.
- This means that a group of considerable size is not eligible for social housing nor can acquire a home on the market (the literature calls this group the 'missing middle'). This problem is primarily an issue in Chisinau.

The Housing Law defines groups that enjoy priority in the allocation of social housing if they meet the main eligibility criteria (in practice, this includes those who are unable to work for health reasons, but even these groups are very narrowly defined). The law does not exclude that other groups below the income and asset threshold do not have access to social housing. However, it contains an exception to the income limit (but not the asset limit) – namely, if the needs of

registered households belonging to the priority groups are met, the remaining social housing can be allocated to public employees with a per capita household income higher than the subsistence minimum. The CEB programme (second tranche) defined wider target groups as it allowed families with three or more children and households with financial support needs to participate. It should be noted that the target groups of the CEB's programme are well-defined and in line with the statistics on the groups who are most at risk of poverty. Even though quotas were defined in the second tranche of the CEB programme and the allocation method was defined (by a local board), the regulation was locally abused in several cases, calling attention to the need for the establishment of more well-established and transparent procedures even at the stage of compiling the waiting list.

Although it is appropriate to define priority groups in the allocation of social housing, the list included in the Housing Law is not exhaustive enough as it does not include groups such as homeless individuals and families, families living in extremely overcrowded or inadequate housing, or those who are unable to work because they are caring for other non-minor family members or those with health issues (older parents, disabled adults, etc.). The Roma population is particularly affected as many of them live in illegal settlements and are strongly discriminated against in the housing and labour market.

Based on the above findings, it can be recommended that the target groups of social and affordable housing programmes should be broadened, ensuring that:

- (Very) low-income households are made eligible and get access to social housing regardless of whether they belong to any priority groups.
- If they are unable to pay housing market costs, other middle-income households should be eligible for affordable housing programmes in addition to public employees.

Broadening the target group also means using a more diverse rent system, as rent subsidies should be made means tested. A more socially mixed tenant group has the advantage that the rental income of local governments (or other social landlords) will be higher, creating more opportunities to expand the public stock more quickly. It is also important that income eligibility criteria be defined in a way that considers regional differences and differences between smaller and larger cities.

While the profile of refugee households shows that many of them would be eligible for social housing and another significant part for affordable housing as their income is below the average, the current regulation largely excludes them from this. The following regulations pose constraints:

- Regarding social housing, the most important restriction is the criterion that social tenants cannot own property abroad.
- The second, though less stringent, restriction is that only residents of a given municipality can apply for social housing. This requirement can be met by those refugees who have already been granted temporary protection status, as this status requires refugees to have a registered address.
- Regarding access to service housing, refugees must be employed by a municipality or a State institution, which is a limitation. However, in the case of Chisinau, the municipality has indicated that there are refugees employed by the municipality.

Legislative changes would be needed to increase the chance of refugees being able to access public housing: on the one hand, the eligibility criteria for social housing should allow refugees with temporary protection status to own property in their home country, and on the other hand,

refugee households with income from work but not enough to rent an apartment on the private rental market should be allowed to rent service housing (for example, refugees could be allowed to remain in the public housing sector if their income rises above the social housing income threshold because they get a job). The share of refugees receiving service housing, regardless of whether they are public employees, may be limited by a quota.

## 4.2. Conclusion: Social groups needing affordable housing

Based on the analyses, the following groups are in need of urban social and affordable housing.

Regarding Moldovan households:

- Marginalized groups: homeless people and families living in institutional or transitory accommodation or the street, in illegal improvised housing, among them Roma families;
- People with severe disabilities/health problems and families taking care of a family member with severe disabilities/health problems that hinder them from fully participating in the labour market;
- Households living in unhealthy, deteriorated dwellings that cannot be repaired at a reasonable cost;
- Households living in overcrowded conditions, often together with other households. The latter often are young families or large families;
- Households migrating from rural areas to cities to find jobs and are without savings;
- Households with stable but low income, which is not sufficient to rent or buy an apartment.

Regarding refugee households, the following groups are in need of more permanent affordable housing:

- Households that have to leave RACs or hosted accommodation provided by Moldovan households;
- Households participating in the rental assistance programme but whose support is terminating.

and cannot afford to rent on the private rental market. These households most likely consist of women with at least one minor-aged child, older people with disabilities, or a combination of these groups. Another group with a high level of vulnerability is the Roma population.





## 5. INTERNATIONAL EXAMPLES OF SOCIAL AND AFFORDABLE HOUSING PROGRAMMES

### 5.1. Structure of individual social and affordable housing programmes – Methods according to international experience

The common feature (definition) of social and affordable housing programmes is that housing below market price is provided for certain groups of households according to *specific allocation rules*. The official definition in each country may differ; there may be a more restrictive definition, but there may also be programmes with other names that can be interpreted as affordable housing programmes according to the above definition. The housing sector is embedded in the socioeconomic structure, where the starting point for analysis is the income and wealth inequalities caused by economic position, which gives rise to housing inequalities through the mediation of a system of housing interventions. The housing regime is an interpretation of the system of housing positions and interventions.

A country's housing policy is typically the result of a long history of development. As a result, it is made up of several different programmes, which can have very different structures. We are convinced that complete housing systems cannot be transposed to the Moldovan legal and institutional environment and that programmes that work well in other environments can only be applied with modifications adapted to local conditions. Therefore, we describe programmes developed in European countries and their specific elements (organizational structure, allocation method, price settings, etc.) to make effective proposals that combine elements of different programmes.

Affordable housing policies have used three general models. The first model is the public rental housing model, in which, as a result of State regulation and subsidies, tenants of the public rental sector pay below-market rents, i.e., affordable rents. The second model involves private rental housing in affordable or social housing programmes. The model makes it possible for tenants living in housing owned by private individuals or institutions to pay affordable rent through the State or State-regulated entities (intermediaries such as the social rental agencies in Belgium) or simply with a targeted rent allowance system operated in the private rental sector (like in Germany, or Czechia). The third homeownership based model provides subsidies for home ownership to ensure housing for families unable to obtain housing under market conditions. However, within these main typologies, there are numerous variations. For example, Vienna's municipal public rental scheme differs from the Danish one, as the latter is implemented through private non-profit cooperatives. However, even within a single country, there can be more than one public rental scheme, as in the case of the United Kingdom, where there are two public rental schemes, one run by the municipality and the other by private housing associations. However, the same is true of the other two major types, within which there can be significant differences.

Successful elements of different programmes can only be incorporated into a country's housing policy if the structure and functioning of the programmes are well understood. To this end, we have defined a set of criteria that can be used to understand how the programmes work. The analytical framework below, summarized in a table, presents the key components of the three

main housing models to understand their applicability to the Moldovan context. The columns of the table that summarize international experience present the three models, and the rows present the solution and alternative decisions according to each analytical criterion.

Two important points should be highlighted here. First, the details of the models are very important so that, in principle, there may be considerable variation within the same type. The context (e.g. political and power relations) plays a vital role. The division of responsibilities, staff capacity, etc., also play an important role in the different organizational arrangements of the programmes. Second, each model has its history (path-dependence) and can change in the short term due to political or economic cycles. For this reason, the analysis does not attempt to provide a relatively comprehensive description of all countries but rather to describe the functioning of some of the relevant programmes in detail according to each model, as presented in this publication.

Table 5. Key features of affordable housing options

| Analytical criteria  | Model 1: Public rental   | Model 2: Private Rental Schemes  | Model 3: Homeownership   |
|--|--|--|--|
| Organizational structure and responsibilities at the Government level. | Office in Ministry/Municipality<br>State/Municipality-owned company or agency<br>NGOs and cooperative (non-profit organizations)                           | State, municipal government agency, or company<br>Individual landlords (voucher, rent allowance)<br>NGOs and cooperative (non-profit organizations)<br>Profit organization (real-estate companies) | Condominiums<br>Cooperatives<br>Real estate companies<br>Individual homeowners                                       |
| Target groups  | Less than median income position or vulnerable groups  | Typically, low-middle-class or impoverished/vulnerable households  | Self-selections (with income criteria)   |
| Allocation rules/procedures  | Choice-based Service providers (cooperatives)<br>Waiting list or tender based<br>Other (for example, "lottery")  | Selection of (or competition for) landlords<br>Waiting list, self-selection  | State/Municipal-Choice -Service provider - a combination   |
| Rent/price setting rules   | Rent setting based on market prices<br>Cost rent (different "pooling" rules)<br>Point system<br>Politically negotiated system<br>Based on household income | With landlord: Market rent minus the cost of the risk or negotiated<br>With tenants: rent setting based on market prices or based on household income  | Market price<br>Cost price with limited profit   |
| Subsidy form   | Subsidy for service provider (grant, soft loan, tax advantages, etc.)<br>Subsidy for tenants (housing allowances)  | Tax expenditure (reduced tax to landlords)<br>Housing allowance<br>Subsidy for the organization  | Subsidy to the service provider (grant, soft loan, tax advantages, etc.) "Relaxed" building codes, provision of land |
| Funding and financial schemes  | State/Municipal budget based<br>Housing Fund Scheme (Revolving Fund) with or without income from outside revenue   | State/municipal support, civil donations, etc.   | Project-based finance<br>Common risk fund for individual members (condominiums, owners, etc.)                        |
| Beneficiaries' contract type   | Limited time contract or fixed contract  | Landlord: minimum period<br>Tenant: typically, fixed period  | Special "leaving" options based on formula (assessed value, market value)  |
| Risk management  | State-Municipality- Service Provider-Financial Institution- Tenant, Privatization drive  | Landlord - State/Municipality/<br>Social Agency - tenants,<br>Unmanaged risks  | Members of the housing organization - Financial Institution - State/Municipality, Capitalization of the subsidy      |
| Sustainability, stability, scaling-up potential                        | Financial support does not follow market trends, options for new construction, buying existing units, or energy-efficiency renovation.                     | Incentives to renew low-quality units or invest in a specific submarket  | Loan market and construction market conditions, Public-private partnership partners' market strategy                 |

## 5.2. Critical elements of social and affordable programmes

### 5.2.1. Organizational form of service provider

European housing systems have very diverse organizational forms. The three basic organizational forms of public rental housing<sup>68</sup> are the following: housing department within the municipality/government, company owned by the municipality, and non-profit, non-governmental organization (typically a cooperative or even a privately owned company, like a housing association) with more or less independence. One question of organizational structure is which level of the government system is responsible for housing policy; from this point of view, there are centralized and decentralized systems. Over the last 10–15 years, the trend has been to move the responsibility from the central government to the regional levels (like in Italy and the United Kingdom).

Whatever solution a country adopts, the Government's unit responsible for housing policy and the legislature have an important regulatory and guiding role. The centralized and decentralized models are two extremes, but it is more appropriate to see these as a continuum along a spectrum.

Country examples:

- In the United States, the Department of Housing and Urban Development (HUD) (with virtually ministerial responsibilities) administers federal public housing programmes. The public housing stock is managed locally by around 3,000 local Housing Agencies, the decentralized units of HUD whose operation is monitored and supported by the HUD.
- In the United Kingdom, council-owned rental housing is managed by a department of the local authority, similar is in Bratislava, where the management of municipality-owned housing is direct.
- Housing associations from Denmark and the Kingdom of the Netherlands are autonomous private organizations, but their operation is regulated in many ways by municipalities and the central government.
- The French Habitation à Loyer Modéré (HLM, meaning low-rent housing) social landlord is also dependent on the State and municipalities, although there can be many different types of organizations behind HLM (municipalities, cooperatives, developers, etc.).

A variant of the French model has essentially been developed in Poland, where non-profit housing associations – TBS – can be backed by a municipality, a cooperative, or a developer.

For schemes within the private rental sector, the simplest option is providing a rent subsidy or a subsidy to a landlord, which makes rent affordable. However, as effective risk management and combating discrimination in the private rental sector play an important role in housing vulnerable groups, intermediary organizations (e.g. social rental agencies) have been utilized to mediate challenges, to link landlords and tenants more effectively. Examples of all three forms of intermediary organizations can be seen in the case of public rental housing.

Country examples:

- In Hungary, in the city of Szombathely, the Social Housing Agency (SRA) is part of the municipal housing department.
- In the first district of Budapest, the municipality established a separate company (Ltd.) owned by the municipality to operate as an SRA, and the situation is similar in Bratislava.

<sup>68</sup> According to our approach, non-profit rental housing is included in public rental housing category as its development and operation largely depend on public funding, and legislation sets out detailed rules for its operation.

- In Belgium, SRAs are non-profit organizations that address the housing needs of vulnerable and poor households. Their programmes are regulated on a regional government level. SRAs rent property from the private market, which they sublet to households.

In the case of homeownership programmes, some solutions do not require intermediary organizations (the technical checking of eligibility criteria is often carried out by financial organizations). To develop affordable options for the homeownership sector, different kinds of limited ownership models (Limited Equity Corporation, Land Trust, co-housing forms) are becoming common besides the traditional condominiums and cooperative forms. The former helps ensure that State subsidies remain in the affordable sector in the long term. Thus, these limited ownership models do not allow individual households to capitalize on State subsidies. Governments often prioritize the homeownership direct subsidies typically managed through financial institutions, but their social efficiency is questionable.

Country examples:

- Under the French HLM programme, cooperatives can be developed and operated as an alternative form of affordable limited homeownership programme.

### 5.2.2. Target groups

Each programme has very different target groups as beneficiaries. In the public housing sector, a general trend is to try to ensure a mixed social composition. However, this is only viable if the available housing supply is broad enough and allocation criteria do not exclude the poorest. It can be observed that the smaller the share of housing included in social and affordable housing programmes, the more the poorest are targeted. This, in turn, increases the risk of ghettoization, which all housing policies seek to avoid; because ghettoization is a self-perpetuating process, housing, and housing quality deteriorate, those who can afford it flee, and ghettoization increases.

Countries examples:

- Danish housing associations do not apply an income limit; in principle, the non-profit housing sector is open to everyone.
- The French HLM social housing system targets a large proportion (around 60%) of the population, and accessibility to the sector is defined by an income ceiling set by the ministry, taking into account regional income differences.
- In the United States, the target groups for public rental housing are defined by HUD as families with low income, older people, and persons with disabilities with household incomes below 80 per cent of the area's median income. However, within this framework, local Housing Agencies can define some local preferences.
- The target group of the Kingdom of the Netherlands housing associations is lower-income households (an income ceiling is applied), but the associations can operate a smaller part of their stock on a market basis, for which they do not have to apply any income limits.

Social rental agencies initially targeted the most vulnerable households, such as homeless people/families and migrants, who did not have access to either private or social housing. However, as housing prices and rents have started to soar and market housing has become less accessible for mid-income households, some SRAs began to include them in their target groups.

Country examples:

- In Belgium, SRAs' target groups are households with an income level below that defined by the regional governments. However, NGOs that run SRAs typically target the most vulnerable groups with their programmes.
- The NGO Habitat for Humanity Poland started its SRA programme targeting people experiencing homelessness and migrants. However, it later broadened its target group to include lower-middle-class people who cannot afford to rent on the private rental market.
- The municipality of Szombathely in Hungary uses its SRA programme to provide affordable housing to households registered on their waiting list with stable and somewhat higher incomes.

The limited homeownership programmes typically target lower-middle-class households.

- The centrally defined income ceiling of the HLM sector also applies to HLM cooperatives, so only households with income below the ceiling can become members of the HLM cooperative. However, another condition is that they must contribute their savings to the development.

### 5.2.3. Allocation rules/procedures

The allocation methods primarily affect the chances of each target group receiving affordable housing and thus significantly impact programme effectiveness. There are two general methods of recruiting applicants: waiting lists and tendering. Selection among applicants for housing can be based on the level of needs (typically involving a scoring system), on a first-come, first-served basis, or on a random selection (lottery). The latter is justified by the fact that there are too many applicants for the few available flats, and it is not possible to distribute them fairly. However, it is also common to set a quota for each target group to ensure a fairer distribution among the different target groups (e.g. allocation based on needs may largely exclude households with higher income or prioritize certain groups that otherwise have a particularly small chance of accessing housing (e.g. disabled people). In recent decades, an important aspect of allocating social rented housing has been the attempt to create communities with a mixed social composition.

Countries examples:

- In the United States, local Housing Agencies use a combination of waiting lists based on the "firstcome, first-served" principle and a quota system. The quota specifies that 40 per cent of the allocated flats must go to the poorest households with income below 30 per cent of the area's median income. Local agencies are also committed to avoiding concentrations of the lowest income groups. From time to time, HUD audits the distribution practices of local agencies.
- In Denmark, municipalities allocate 25 per cent of the housing (35% in Copenhagen). Otherwise, the waiting lists maintained by housing associations are used to allocate housing on a first-come, first-served basis.
- In the Kingdom of the Netherlands, there is a waiting list of territorial units where the income range is quite wide.
- The municipality of Szombathely in Hungary selects the participants of the housing agency model from the municipality's social housing waiting list, but the selection is based on face-to-face interviews, not on a point system. The Hungarian ULE (NGO housing agency) allocates flats through tender, and selection is need-based, although without applying an objective point system (instead, face-to-face interviews are used).

- In Belgium (Flanders), SRAs prioritize poor households with urgent housing needs. Allocation, regulated by the regional government, is carried out using a point-based waiting list system with compulsory priorities (housing need, net disposable income, dependent children) and two optional priorities (time spent on the waiting list, local connection to city/town). Recently, there has been considerable debate about prioritizing households with local connections as this affects migrants/refugees needing housing.
- In the case of HML cooperatives in France, allocation is choice-based. Residents can apply to join a cooperative, and selection is based on a lengthy process of participating in community activities to see whether the applicant fits into the community.

#### 5.2.4. Rent/price-setting

The setting of rents and the control of their increase play vital roles in housing affordability and financial/physical sustainability. In addition, rents are regulated centrally by law in many countries. It is not uncommon for social and affordable housing systems to be underfinanced, which often results in the deterioration of the housing stock.

There are different rent-setting methods.<sup>69</sup>

- Income-based: rents can be defined relative to the assessed means of individual households to pay. This means that the rent paid by a household might not be sufficient to cover the cost of actually provided housing.
- Market-based: rents can be set relative to “market” rents. For example, the social rent could be set at a fixed proportion of the rent the home would cost if rented on the private market.
- Utility-based: when the rent is set in correlation with the characteristics of the home, such as size, location, orientation, and available amenities.
- Cost-based: Rent can be set at a level that allows the social housing provider to meet the costs of provision, e.g. repayment of loans/subsidies, maintenance, and insurance.

Setting rents within models linked to the private rented sector is a bit more complex because social rental agencies (or other intermediaries) have to compete with real estate agents to find landlords willing to work with the agency and offer a price that the target group will be able to pay (from their income and rent allowance). In addition, the agency’s costs have to be covered, either from collected rents or through a targeted subsidy from the State or regional/local government.

In the case of limited homeownership models, the financial conditions for leaving the organization (e.g. a housing cooperative) need to be defined. There are several solutions for deciding how much of the market price the exiting household should leave in the organization.

Countries examples:

- In the United States, rent is income-based, meaning that households have to spend 30 per cent of their income on rent. However, HUD requires local housing agencies to allow families residing in public housing to utilize the “choice of rent” option on an annual basis. The “choice of rent” is based on either the family’s income or a “flat rent”; the latter is generally based on the 80 per cent fair market rent for the local housing agency’s jurisdiction, as determined by HUD.
- In Denmark, tenants pay around three per cent of the construction cost adjusted to inflation, and they pay this amount of rent even after the loan is amortized. The amount used to cover the loan repayment goes to the National Building Fund.
- In the Kingdom of the Netherlands system, rent is based on a point system that reflects the social situation of the tenant; the government determines the maximum annual rent increase and maximum rent level.

<sup>69</sup> Pittini, et al., 2012.

- In Belgium, SRAs use the subletting model, where rents paid to landlords are based on negotiations between the SRA and the landlord and are usually determined by the market rent minus the cost of the risk and maintenance/refurbishment of the dwelling. With tenants, the rent is determined based on the reduced market rent, and additional allowances are available (usually depending on the household income).
- In France, the rent rules of HLM cooperatives are cost-based. The rent (monthly payment) consists of two parts: the “rent” part covers the maintenance costs and the repayment of interest on the loan taken out for the investment to the bank. In contrast, the “savings” part enables the cooperative to repay the capital to the bank. When residents leave, they sell their share to the next (future) resident. As the future resident moves in, they start paying their monthly fees, part of which also goes towards repaying the capital to the bank. When the instalments of the future resident reach the same amount as the previous resident’s, the previous resident can get their savings back. To ensure enough time for this, the limited equity company (HLM cooperative) locks in all savings for 30 years.

### 5.2.5. Subsidies

Subsidies are designed to bring housing costs down to an affordable level. They take many forms. First and foremost, a distinction can be made between subsidies financed from the central or local government’s budget and subsidies granted by regulation, where there is no direct cost, and the amount is borne by other actors in the housing market. Regarding the latter, examples include different planning interventions, like density bouncing, inclusionary zoning, alternative development standards, streamlining planning procedures,<sup>70</sup> the regulation of the banking system, and the much-debated rent controls (the latter, for example, involves transferring resources from owners to tenants.)

Typical forms of subsidies involving budgetary expenditure are capital grants, land subsidies, interest rate subsidies and credit guarantees, tax breaks, etc. Designing an effective subsidy system and understanding its impact is one of the most challenging tasks of housing policy.

Subsidies are usually available in the form of a housing allowance for low-income households or to finance the move to better-quality housing. “Supplements” may be possible in the form of downpayment grants, monthly grants, deposits and rental guarantees, preferential loans, etc., and similar subsidies available for the renovation/construction of houses.

Country examples:

- In the United States public rental sector, a subsidy is built into the rent-setting system as tenants pay affordable rent (which cannot exceed 30% of household income). In turn, to cover the reduced revenue, the HUD pays operation subsidies to local Housing Agencies.
- In Denmark, 25 per cent of total rent is financed using a subsidy (rent allowance), which is paid by municipalities but reimbursed by the government.
- In the Kingdom of the Netherlands system, tenants can receive a rent allowance paid directly by the government. Households paying an excessive proportion of their income on rent are eligible. Although there is no income ceiling, the maximum rent is determined. Furthermore, the value of household assets, including savings, is maximized.
- The Belgian Federal Government determines the legal framework for the private rented sector. At the same time, the regional government is responsible for funding the SRA sector (wages of staff, working credits, etc.), which is usually done through an umbrella/collective organization, providing renovation grants for landlords and paying a housing allowance to eligible tenants.

<sup>70</sup> Tsenkova and Franch, 2011.

- HLM cooperative members can also receive support from the mainstream rent allowance system if they are eligible, which depends on their income level and the cost of rent. The eligibility criteria take into account regional differences.

### 5.2.6. Funding and financial schemes

The effective combination of different elements ensures the functioning of a model. To evaluate the financial functioning of the affordable housing scheme, it is very important to understand the sources of the subsidies, whether they are part of a one-off budget or a recurrent expenditure, whether they are financed from general revenues, and whether specific revenues are attached to the subsidy. The various housing funds, for example, often use the solution of assigning a specific revenue to the fund.

Country examples:

- In the United States, local Housing Agencies have contracts with the federal government in which they agree to administer their stock according to federal rules and regulations. In exchange, they receive federal funding through operating and capital grants. With federal financial contributions, their own rent revenue, and other investment income, they can sustain the stock. The capital funds are meant to help pay for modernization needs, but the Housing Agencies can also apply for competitive HOPE VI revitalization grants, which are used to demolish and rebuild or renovate severely distressed public housing.
- In Denmark, the National Housing Fund (LBF) is a cornerstone of an affordable and social housing model for delivering high-quality housing stock. After mortgages taken out for housing investment are repaid, tenants pay the same level of rent, and the amount used to cover the loan monthly payment is transferred to the LBF as savings for the whole social housing system. This fund finances the expansion of new social housing and the renovation of existing properties. The LBF is thus a valuable mechanism for ensuring a self-financing social housing sector by providing a closed funding loop, thus reducing the need for the government to reinvest in new social housing and facilitating long-term planning for social housing finance. It also helps to smooth out the differences in the financial strength of different social housing associations, the development costs of different properties, and, hence, the rents that reflect development costs.
- The financial scheme of SRAs in Belgium depends mainly on the regional governments that finance the functioning of most SRAs. Different housing funds are also available on a regional level for organizations or private persons. However, the functioning of SRAs aims to generate at least part of their financing from the lease agreements/rent collected. It is also important to note that, historically, SRAs have not always been institutionalized, and several non-subsidized SRAs are still operating in Belgium.
- The construction of HLM dwellings is financed by special loans for social housing, usually from Livret A, which is a financial scheme in France that permits citizens to open a savings account at any bank that is regulated by the State and, therefore, whose interest is exempt from income tax and social security contributions. Social housing loans are distributed by Caisse des dépôts et consignations or CDC (a public sector financial institution under the control of parliament) or banks that have signed an agreement with CDC. This law also finances HML cooperatives' housing construction activities. However, an initial "own" share is paid through cooperative members' contribution, the amount being defined by the cooperatives (e.g. 20%). An important element is that the newly established cooperative should sign an agreement with another well-established cooperative or other type of HLM organization that supports and monitors the development process and acts as a kind of guarantor for the bank, proving that the budget and the development deadlines will be respected.



### 5.2.7. Beneficiaries' contracts

An important element of the schemes is how long beneficiaries can benefit from the scheme and what happens when they no longer need support and do not comply with the eligibility criteria. Programmes vary according to whether tenants have to leave the sector.

Country examples:

- In the United States public housing programme, tenants may stay in public housing as long as they comply with the lease. If the household income increases to such a level that the household can pay market rent, then the local Housing Agency decides whether the household can stay in public housing or has to leave.
- In the universal public housing models (e.g. in Denmark and Sweden), tenants can stay in the sector as long as they wish.
- In Belgium (Flanders), private landlords usually lease their property for a longer period to be managed by the SRA (usually nine years). SRAs also operate with more permanent contract types, aiming to provide a more permanent residence to people from vulnerable groups.
- In France, the cooperative society owns the property (building and land) and remains the owner. The HLM cooperatives are limited equity cooperatives, a specific form of housing cooperative collectively owned and controlled by residents, and there are restrictions on the resale value of individual units (shares). Thus, they can stay in the cooperative housing as long as they wish, although the conditions related to leaving the cooperatives are regulated: members can sell their shares only to the value of their contribution (initial one-time contribution and the sum of monthly payments adjusted for inflation).

### 5.2.8. Risk management

Affordable housing programmes reflect a pre-existing economic and housing market context, and the consequences of interventions are not readily foreseeable. There are risks associated with subsidies “leaking” out of the system (e.g. being built into prices), beneficiaries being unable to pay the expected revenue towards the project (rent and loan repayments), and governments not paying the costs of the programme because of changes in the economy. The question is whether and how the programme is prepared for these risks.

Country examples:

- In the United States, to mitigate risks, HUD annually assesses the performance of local Housing Agencies. The current public housing programme administration assessment is called the Public Housing Assessment System (PHAS). PHAS includes reviews of indicators pertaining to the physical condition of an agency's housing stock, the financial condition of the agency, the agency's management performance, and their spending of capital funding.
- In Belgium, to minimize risks involved with SRAs, strong cooperation is needed between SRAs and the regional government. Regional governments must be mindful of maintaining the balance of the private rental markets while also weighing the importance of providing subsidies and regulations for SRAs. SRAs are especially vulnerable since they take over many of the responsibilities and risks associated with leasing and renting. Therefore, SRAs have to weigh the financial situation of potential tenants, the available subsidies and financing from the regional government, and the demands and situation of the private housing market (such as availability of flats and rent level). However, with proper legislation and socioeconomic Considerations, these risks can be mitigated, and SRAs have already been successfully implemented in other European countries.

- Financial risks can include unexpected expenses, for which reason HLM cooperatives include provisions for major repairs and maintenance to ensure the security of the project. Further financial risks include when members face financial challenges. However, the cooperatives make provisions for vacancies and unpaid rent in the form of joint loans, and all contributions are aggregated. Potential conflicts between members can also pose a risk to the cooperative. However, cooperatives aim to create a community associated with numerous social activities, promoting effective cooperation among members.

### 5.2.9. Sustainability

Finally, taking the different features of the programme together, a key question is how sustainable the programme is in both political and economic terms. In other words, whether the difficulties of running the programme do not encourage policymakers to change the conditions or even to discontinue the programmes. An equally important question is whether the behaviour of participants changes and some politically powerful participants decide to leave the programme or persuade policymakers to terminate the programme.

Country examples:

- In the Kingdom of the Netherlands, the increasing de-regulation of the rental sector has been going on, which allows the privatization of the regulated social rental stock, encouraging private homeownership. However, social units that are sold are rarely bought by the previous tenants. In recent years, big corporate landlord companies have appeared and gained significant ground in the Kingdom of the Netherlands, posing a considerable challenge to the social dynamics of neighbourhoods.
- In the United States, HUD-managed public housing is financed by the federal government budget. The operating and capital funds targeted at the development and renovation of the stock are determined by Congress on a yearly basis. However, insufficient funding levels cause a decline in the physical State of the public housing stock, leading to deterioration and further segregation.
- In terms of sustainability, there is a great variability between SRAs. The main challenges for sustainability are (a) finding landlords willing to work with the SRA and (b) negotiating rates below market for rents. The picture is complicated in Belgium by the differences in available housing stock, funds, etc., between regions. Overall, SRAs often have to rely on regional subsidies and funds for their adequate functioning; however, there are cases in Belgium (and other European countries) where SRAs have been fully or almost entirely self-sufficient. In Belgium, SRAs begin as “grass-roots” organizations along with other bottom-up initiatives in the 1960s – 70s in direct response to the changing socioeconomic landscape, increased housing needs, an insufficient private rental market, and a political crisis in addressing these issues. This resulted in new social movements designed to socialize the private renting market. Therefore, in the beginning, SRAs were not subsidized; their institutionalization began later in the 1980s when they achieved wider regional and federal support. This proves that SRAs may also be introduced in a bottom-up manner.
- In France, members of the cooperative do not own their homes but hold shares in the cooperative. These shares are regulated and disconnected from the value of the property. This ensures that there is no price speculation in the event of inheritance. The price restrictions built into the resale formula limit the equity that residents can obtain when they sell their ownership share (they only get back the value of their initial shares); this feature also helps maintain affordability, especially in strengthening housing markets. Moreover, building, renovating, or buying a bigger house with several housing units may be cheaper than an individual one after dividing up costs, not to mention social areas that can save money for members. Last, due to the cooperative nature of the organization, members can support each other financially and in other ways.

## 6. PROPOSAL FOR SOCIAL AND AFFORDABLE HOUSING PROGRAMMES

### 6.1. Key conditions for a long-term social and affordable housing strategy

In the case of building a long-term social and affordable programme in the Republic of Moldova, we will base our proposal on an analysis of the housing ecosystem and changes in the housing market caused by the Russian Federation's war on Ukraine and the arrival of refugees to the Republic of Moldova, in addition to considering successful experiences in Europe. Obviously, a ready-made model cannot be transposed from one country to another, but good examples can positively influence the development of a country's own housing programmes and institutions. Before going into the details of the programmes, however, some lessons should be drawn from international practice. Consequently, first, a recommendation is made about the structure and main elements of long-term social and affordable housing programmes that may eventually form the main pillars of a future housing strategy.

Long-term programmes should be based on the following principles:

- (1) A period of 10–15 years should be envisaged as a minimum. The limited success of housing policy in the new Member States is linked to the failure of key political and economic stakeholders to agree on a longer-term institutional framework. The details of programmes and the form and elements of subsidies may change, but the institutional system needs stability because if this is not given, the system will be unstable, rules unenforceable, and actors focused on short-term gains rather than long-term strategic objectives.
- (2) The analysis has shown that the nature of the housing problem is substantially different in urban and rural areas and that, in fact, affordability problems are concentrated in urban areas, with housing quality being more of a problem in rural areas with a declining population. For this reason, this paper focuses on the urban environment, but this does not mean that rural programmes are negligible (in developed countries, “regions left behind” have led to social conflicts that society has to deal with).
- (3) Affordability is a serious problem in cities, where migration from rural areas and abroad appears as continuous surplus demand; thus, at least 15–20 per cent of urban housing should be affordable or social housing, employing a 15–20 year perspective.
- (4) A broad political consensus on the respective principles should be developed and enshrined in law. This does not imply a direct budgetary commitment (as this depends on the annual macroeconomic situation), but it is important that the basic institutional arrangements are not changed and that the fundamentals of the system are predictable in the long term.
- (5) Housing policy (if it supports the concept of “housing for all”) should operate along the lines of the three models already discussed: public housing, social housing agencies, and limited ownership programmes (complemented by housing renewal programmes for the existing housing stock). It is essential that the programmes operate under the same institutional framework, as this creates the possibility for greater transparency, capacity-building, and monitoring and for the programmes to build on each other more effectively.

## 6.2. Overall institutional framework: Key institutions

Each housing programme is based on at least three basic types of organization/procedure:

- (1) A policy-setting unit;
- (2) Control and management of financial processes;
- (3) Implementation of programmes.

It is essential that the effective functioning of these institutions is supported by a system of governance and political actors.

The establishment of a National Housing Agency (NHA) responsible for the management of housing programmes is a key element of the institutional framework. The Republic of Moldova has the capacity to set up an NHA, but this is expected to be a gradual process, with skilled staff taking time to acquire the skills needed to prepare and design programmes. From an organizational point of view, there are several options: the agency could be positioned under a ministry or the Prime Minister's Office. It is essential that the agency is a centralized housing policy implementation body, and it is also necessary to ensure that the different policy areas and ministries have a say in the design of housing policy programmes. For example, the Ministry of Education should be able to influence housing policy to ensure affordable accommodation for students. The Ministry of Labour and Social Protection has an interest in providing housing for vulnerable groups, such as people leaving institutional care, which is a demand that should be reflected in housing programmes. This means that the design of housing policy and related regulations should be carried out in an interdisciplinary way, while the implementation of the actual programmes should be based on effectiveness, transparency, and accountability.

The other important organization is the National Housing Fund (NHF), which we propose to make part of the central public budget (as in Slovakia, for example, or with the Polish State Bank). There are systems with relative independence from the public budget, but such "private" Housing Funds have evolved over a long period (for example, in Denmark and the Kingdom of the Netherlands). The National Housing Fund channels grants and subsidized loans into the system, but there should also be "pockets" (special "windows") for financing specific programmes. The Slovak Housing Fund combines several programmes. Denmark has also used the fund to finance a number of social programmes, and in the case of Austria, the housing association fund is used to finance urban development programmes as well. For each programme, the fund must not only have current budget resources. The NHF should be a revolving fund, with revenues coming from loans repaid by social landlords (see below), transfers of tax revenue (e.g. levying tax), and loans or grants from international organizations. Its expenditure will consist of grants and loans for ongoing programmes, rent subsidies to LSHAs and tenants, and loan repayments to international organizations.

The third key actor is the Local Social Housing Agency (LSHA) (social landlord), which manages local programmes, mainly through NHA grants and its resources. LSHAs can take many forms, as shown by many international examples. They may differ in legal form, size, internal rules, etc. For example, the Polish TBS may be backed by several different types of organizations (a cooperative, construction company, municipal company, etc.). Similarly, the Austrian housing associations may have various organizational forms. In general, it is important that the local housing agencies involved in the schemes operate transparently, respect the rules, and do not violate the rule of law. Thus, the NHA (or an organization appointed by the NHA) typically registers the LSHAs. This is very important because if the system includes companies that pose an uncontrollable economic risk, the whole system could be rendered unworkable. In the Republic of Moldova, local governments,

especially larger cities, may be a good starting location for setting up LSHAs as they face the most serious affordability problems and have the greatest capacity to implement housing programmes.

Homeowner associations (condominiums) set up under the new law can also become local social housing agencies. If, for example, a condominium builds an extension, it can take possession of some of the newly created apartments subsidized by the government and rent them out to the target groups defined in the Housing Act.

However, if there is initially no local capacity or insufficient interest, the NHA can set up its own deconcentrated organizations to act as local housing agencies, similar to the United States public rental programme. The operation of a national agency is particularly important in countries where local actors lack the capacity and knowledge/practice to implement housing programmes and where the rule of law is weak. Another key issue is the degree of autonomy and competence of the agency. International experience shows that, in principle, agencies can function effectively if they have sufficient authority and autonomy to manage and monitor programmes, combined with a well-established legal framework and monitoring.

The LSHAs must be registered by the NHA and checked to see if they meet the conditions. It is a very important rule that the local housing agency cannot sell dwellings to tenants or any other actors (privatization is not allowed). Any portfolio restructuring must be approved by the NHA (e.g. selling poorly located dwellings and reinvesting the revenue in dwellings in areas of high demand). Portfolio restructuring may be an important strategy but associated with the danger of a privatization agenda, contrary to the long-term objectives of the programme.

Several government housing-related initiatives point in the same direction. The MIRD has created an agency to deal with housing and urban development projects, among them the CEB-financed social housing programme. Another example is the agency the Ministry of Energy established to manage, facilitate, and monitor the renovation projects of residential buildings and public institutions. Both agencies have broader competencies and greater independence than a department but are still supervised by the public bodies. However, the NHA should have a broader role, as it should not only be a development agency but should also have competencies regarding the operation of the programme, such as the responsibility for the allocation of operational subsidies and monitoring.

Social and affordable housing programmes are created by these three organizations (NHA, NHF, and LSHAs) working together, and their effectiveness is ensured by their cooperative collaboration in achieving their objectives. However, it should be taken into account that organizations have vested interests (political and economic), which should be moderated within programmes otherwise they could easily block each other's activities. Furthermore, the role of external stakeholders, like financial institutions, ministries with housing responsibility (education - student dormitories), associations of realtors, etc. must be considered, creating incentives that help, or at least do not hinder the programmes.

Considering the interplay of these three actors, we are looking at what type of programmes the country should pursue in the longer term. We also recommend a short-term (pilot) programme (the details of which are set out in a separate document), with the aim of providing lessons about the development of a longer-term housing strategy.

In the following, we will explore the details of the three basic models (public rental, private rental scheme and homeownership programmes) presented earlier in this review of international examples, suggesting that there may be more than one option at many decision points. The decision points are for local stakeholders to agree on, and our role (as an analytical and advisory

organization) is to draw attention to the interrelationships and possible contradictions. Of course, we will take a position based on our research experience and limited local knowledge, but the choice between long-term and short-term alternatives is a matter of local stakeholder consensus.

## 6.3. Public rental programmes

### 6.3.1. Organizational forms

The rental housing programme is based on a partnership between the NHA and the LSHAs, recognizing that there are no LSHAs that could build or buy social or affordable rental housing without central funding. Municipalities, in the first instance, and when there is no municipal capacity or willingness, deconcentrated organizations of central organizations could be partners in the programme. LSHAs should be autonomous organizations with balanced income and expenditure to create a sustainable system in the long term. Profits must be reinvested in programmes (i.e. non-profit or limited profit-making organizations can only be approved by local social housing agencies). Furthermore, they may only be eligible for NHA subsidies if they apply cost rents that do not exceed 80 per cent of market rents. This will ensure that there is a demand for these apartments and they are not a waste of public money. The NHA should consult public statistics on market rents that reflect territorial differences in order to set realistic rent limits for the programme.

### 6.3.2. Target group

Analysis has shown that we can distinguish between two broad groups of families who are unable to afford urban housing or only at great sacrifice. The first group has insufficient income due to social, labour market and other individual-level conditions, while members of the second group have a stable income, but this income from public sector employment is typically insufficient for the purchase of decent urban housing. This principle is fully accepted in the Housing Act, and the affordability study of the CEB programme, but the ratios that are employed therein are arbitrary, and we do not have statistics that can be used to develop more objective ratios. Although some argue that need is the most important criterion in terms of targeting, modern social and affordability programmes explicitly seek to create mixed social composition solutions according to income, vulnerability, and ethnicity to ensure the greater social and financial sustainability of the sector and avoid segregation (e.g. in Denmark, the number of families who receive social rent subsidies in a housing estate is prohibited from exceeding some threshold).

In addition to the two larger target groups, vulnerable groups must be defined. The latter face not only affordability problems but also specific disadvantages due to their living situation, such as people with disabilities, ethnic minorities, Roma, older people, people with mental health needs, autistic people, orphans, and people experiencing homelessness. Special programmes should be established for them, integrating them as far as possible into mainstream programmes.

### 6.3.3. Allocation methods

In modern systems, local social housing agencies should have a role in selecting tenants, as they must take financial responsibility for the safe and secure operation of the organization. However, even in the case of strict regulation, local social housing agencies tend to select better-placed applicants in certain categories. We, therefore, propose that LSHAs should allocate 50 per cent of vacant flats and the municipality the other 50 per cent. This quota should be respected at the municipal level, so if there are several LSHAs in a municipality, it is not necessary for each LSHA to meet the exact quota required by law. At the same time, a ghettoization process should be

avoided. The Central National Housing Agency should define the quotas in each area and ensure that the quotas are not exceeded by the programme as a whole.

#### 6.3.4. Rent setting

The two target groups are associated with different rent definitions. It is proposed to use two types of rent-setting methods according to the target group category: a cost-based approach for public employees and an “affordable” rent-setting method (defined as a proportion of household income) for vulnerable groups. For public employees, a downpayment requirement (e.g. three months’ rent) may be applied in addition to cost-based rent. It would be worth following the logic of the Danish model, which sets the basic rent as a gross percentage of the acquisition cost (e.g. 2.8%), to which maintenance and running costs are added. The amount of rent then increases each year in line with inflation. After the loan is repaid (which takes at least 10–15 years), the rent level remains the same (although inflation-adjusted). This is an important element of the Danish system as it ensures its sustainability in the long term. An interesting question here is how the cost of land is calculated in the scheme. If the municipality gives land free for certain types of investment, then the ratio that is employed for building-level cost rents will be biased, and rents will not reflect the quality of the housing. The rent system must be proportionate, consistent, and transparent. Any unjustified rent differential between dwellings of the same quality inevitably distorts the behaviour of both supply and demand side actors. This is why, in Denmark, it is forbidden for municipalities to give land for free or with a large subsidy. In the Kingdom of the Netherlands, because subsidies have been adjusted to local market rent levels, a point system is being developed that takes into account the quality and location of each dwelling in a city. For social rents, it is worth following the model in the United States, which sets housing costs at 30 per cent of income (including overheads), but even households with a very low income are expected to pay a minimum rent.

#### 6.3.5. Subsidies

The LSHA can achieve an affordable rent level if it receives subsidies for establishing/increasing its stock, whether in the form of equity grants, guarantees, or interest rate subsidies. As a non-profit organization, this support will make the cost of rent affordable for public employees. However, it may also be the case that lower-income public employees may not be able to afford rent. In this case, the public employee will receive an income-related rent subsidy, which should be channelled through the municipality’s social services department. However, there are other ways to do this. It is advisable to entrust this task to organizations that have experience providing support and assistance. The assumption for the majority of tenants in the public employee group is associated with supply-side subsidies, rents can be reduced to an affordable level. For social housing, a different approach should be adopted, as there is a shortfall in Subsidy Level between the cost of rent and the rent paid by social tenants (30% of their income). This difference should be transferred from the NHA to LSHA by the NHF to compensate for the financial loss related to social tenants.

#### 6.3.6. Funding

A public rental scheme is sustainable if the income and expenditure of LSHAs operating in accordance with the rules are in balance. The income is the rent (cost rent for public employees, subsidized reduced rent for social tenants), supplemented by an amount from the NHF to compensate for the loss of income due to social housing. If the supply subsidies are sufficient, there is no need for a rent subsidy for public employees, but it can be expected that at least 5 to 10 per cent of public employees will need a rent allowance. The cost of the public employees’ rent allowance is not included in the budget of the LSHAs, only in the budget of the NHF.

In the long term, it is expected that after loans are repaid (15–20 years), LSHAs will have surplus income. There are two solutions here. One is that the extra revenue is put into the NHF (as occurs with the Danish system), and the other is that LSHAs can keep this revenue but must spend it on housing programmes. The Danish system seems to be more efficient, but its management would also be more bureaucratic. These systems have been in place for decades, with many adjustments due to various economic and political changes, but the basic structures have not changed. The Moldovan macroeconomic policy must be prepared for this, too, by ensuring its stable structure, but one must be prepared that, over several decades, many elements will change with experience and new challenges. It is worth noting that the current housing crisis in Europe is forcing many systems to adapt and change. The other solution is that LSHAs and the NHA could take this item into account in their annual negotiations and even create a special “pocket” within the NHF from the surplus paid by individual LSHAs and redistribute it to LSHAs in greater need.

### 6.3.7. Contract

The question is how long people can benefit from social rented housing, and what happens if their income situation changes. There are many ways of dealing with this (see case studies in the Appendix), but our proposal is to allow public employees with higher incomes to stay in the sector. It should be remembered that this sector is of average housing quality, so if participants have a high income and want to move up to high-quality housing, the rule is that they can only get back the downpayment at most. This is essentially the way the American system works with flat-rate rent, while other systems do the same. In the case of social tenants, if the household’s income increases above the threshold income limit, they may simply be reassigned to the rent category of the public employee group. The tenancy of the dwelling can be transferred to a family member living with the tenant in the event of the tenant’s death.

### 6.3.8. Risks

LSHA’s financial stability is the biggest risk, and the NHA should audit their operations annually. If the support system is stable and predictable, LSHAs have every opportunity to improve their financial equilibrium. However, it cannot be ruled out that organizations are mismanaged. The rule is that the LSHA cannot sell the dwellings on the market. In the case of bankruptcy, the NHA or the LSHA established or appointed by the NHA can take over.

## 6.4. Social rental agency model

The analysis of the housing ecosystem demonstrates that there is potential for the SRA model, there are unoccupied properties, the private rental market is functioning (albeit in a weakly regulated way), and supply is flexible. The question is how to convince private landlords that the SRA model is a safe, predictable and financially advantageous solution. There is real competition with estate agents for market-related opportunities, but specific market niches can be found, as examples in other countries show (e.g. older people are willing to rent their extra properties to SRAs in Greece, as are owners of dwellings in need of renovation but in acceptable condition in Hungary). Here, there is no question that the intermediary should pay a price close to the market level (market price minus the risk cost of renting), which may be acceptable to some key-worker families, although, for low-income households, programmes without subsidies are not feasible. However, the lower end of the market associated with still reasonable compromises regarding the location and quality may offer rental opportunities at a below-average price.



### 6.4.1. Organizational forms

Social rental agencies can be public or private entities. An important lesson from the social rental agency models is that organizations also need access to municipality-owned or low-rent (or donated) housing that generates stable cash flow and supplements LSHAs income from time to time. For this reason, we propose that private housing rental for a social and affordable housing programme could be an additional activity for organizations established under the public rental model.

However, as current housing programs for refugees show, international and national NGOs have already gained considerable experience in utilizing private rental housing for social purposes, e.g. in terms of establishing procedures and communicating with private owners. The SRA programmes to be developed should build on this experience, and the NHA should allow NGOs to establish SRAs as registered LSHAs or allow LSHAs to cooperate with NGOs in an institutionalized way, e.g. by contracting out some specific tasks.

### 6.4.2. Target group

The structure of the programme depends very much on the target group, but here, the model used in public rental programmes can also be followed. Two major programmes can be defined, one for public employees and one for socially deprived families, as described in the previous model. In the case of LSHAs run by NGOs, the NGOs should be allowed to deal only with one or some of the target groups (e.g. the more vulnerable groups). In this way, they can contribute to meeting the local quota requirements set by the NHA and, in turn, receive the related subsidies.

### 6.4.3. Allocation

Allocation can also follow the logic of the public rental model, but here, it is better to give more freedom to LSHAs because the risks are higher. This would mean that at least 50 per cent of the beneficiaries would be from the municipality's waiting list, but the LSHA would have the possibility to choose from among potential candidates.

### 6.4.4. Rent setting

Rent setting is a matter of rental agreements between the LSHA and homeowners. The only risk to be avoided here is that the LSHA does not negotiate below-market rent with the property owners. The LSHA should have a shopping incentive, i.e. renting the flat at the lowest possible rent. For those in the public employee group, the rent will be approximately 25 per cent less than the market rent, which may be higher than the affordable rent for public employees. In this case, rent subsidies will be needed. For social tenants, the same principle applies as in the public rent model, i.e. the limit may be set at 30 per cent of income, and the NHA will pay the difference between the rent agreed with the owner and the social rent. Control over LSHAs is very important here to avoid perverse behaviour.

### 6.4.5. Subsidy

Individual agreements between LSHAs and the NHA are needed at the start of the programme, but the aim is to develop normative funding formulae for the two groups so that the costs of the programme are predictable. LSHAs' operating costs and the cost of social work and rent subsidies must be included in the grant contract between the LSHAs and the NHA.

#### 6.4.6. Funding

Funding will initially depend on individual negotiations between the LSHA and the NHA, but in the longer term, a normative system will be developed capable of calculating the per capita cost of housing support for the two groups while taking into account the territorial differences in market rents. This will allow the NHA to develop a longer-term programme, the costs of which will be distributed on a flat-rate or normative basis among the LSHAs concerned. An important task is reconciling the cost of this programme with the cost of the public rental programme, which could adjust the funding ratios of the two programmes.

#### 6.4.7. Contract type

It makes sense to have long-term contracts with owners, as this promotes organizational stability. However, the reality is that 2–3-year contracts may be appropriate initially; it is unlikely that the seven-year types of contract used in Belgium can be adopted. For the two target groups, short-term contracts should be used to ensure the financial security of the LSHA. But, as will be discussed later in the summary of this chapter, it is worth considering transferring well-performing tenants (in terms of regular rent payments, appropriate maintenance of apartments, etc.) to the public rental sector. For this reason alone, running the two programmes within one company may be worthwhile.

#### 6.4.8. Risk management

The risks are twofold. On the one hand, tenants need to be assured of the long-term security of tenure, which is at risk if only short-term contracts can be signed with property owners. This risk can be mitigated by the SRA monitoring the expiry of contracts with property owners. If the owner does not wish to extend the contract, other apartments may be acquired from the market in a timely manner. However, a risk also arises when a tenant leaves a dwelling before the contract with the owner expires. In this case, SRA must find a new tenant as quickly as possible to minimize its financial loss due to the vacancy. On the other hand, there is a risk associated with the willingness of tenants to pay and maintain their housing. SRAs can manage this risk by closely monitoring housing payments and the condition of the dwellings.

In the case of social tenants, social work often needs to be provided to households to address their complex social problems in a multidimensional way (health, employment, education, and training services required to complement social interventions). To this end, the SRA – if it is not an NGO working with disadvantaged groups – needs to cooperate with social services providers, and even if the SRA is a specialized NGO, it needs to develop a referral system associated with other relevant service providers. The NHA must consider the cost of providing social services when calculating subsidies for the SRA (LSHA).

### 6.5. Homeownership programme

Homeownership programmes that do not allow beneficiaries to capitalize on subsidies require the most preparation and are likely to become important later in the programme. Homeownership programmes that provide subsidies without any conditions regarding the purchase and construction of owner-occupied housing are relatively simple (see the “Prima Casa” programme for first-home buyers). Many countries use these to encourage households to access homeownership and generally support investment into housing. These programmes typically target lower-middle-class families with a stable income and savings (mainly due to intergenerational transfers). In such cases, the latter may be eligible for a capital grant, a loan guarantee, or cheaper long-term loans

(under programmes related to family policy, first homes for young people, entry into retirement homes, etc.). However, if the amount of subsidies exceeds a threshold, it is worthwhile developing conditions that keep the public resources in the housing system and do not allow households to capitalize the subsidies when their income situation stabilizes, i.e. to turn the subsidy into a private asset.

However, more complex and efficient solutions have become popular in the wake of the crisis in recent years, such as Land Trust and Limited Equity models. In reality, in the Republic of Moldova, these models will become realistic at a later stage when the condominium sector is consolidated and becomes transparent and sustainable due to the new law. In the meantime, mixed-ownership models (when a share of the equity is owned by the public agency) may be developed to encourage new housing construction. However, a similar approach could be taken if, in the case of major building energy renovations costing up to 25–35 per cent of the market value of the dwellings, the government regulates the subsequent re-selling of the property, as described earlier, so that at least part of the subsidy is also used to help new home buyers to enter housing. Another option may be for LSHAs to facilitate the creation of new condominiums and a limited equity model, but this would require significant legislative preparation.

## 6.6. Phasing-in strategy

The phasing strategy must start from two different directions. First, effective central institutions (NHA, NHF) must be built up to launch more efficient programmes that the government's current expert apparatus can manage efficiently after proper retraining. Second, there is a need to build up the potential units of local social housing agencies. This can be done most effectively by upgrading existing organizations, such as the housing departments of larger municipalities or property management companies, but new non-profit companies can also be established by local governments solely dedicated to this task. It is essential to prepare these departments and companies for their new tasks, to train their staff and, as it is a requirement in all modern systems, to put them through a Certification process. Regular monitoring of the operation of LHSAs by the NHA should become an integral part of the programmes.

The scope of local social housing agencies can be progressively extended, but it is worth preparing housing agencies to develop programmes adapted to local housing conditions (demand and supply). These programmes should consider new construction and housing purchase, renovation, private rental schemes and even, under certain conditions, more simple versions of homeownership programmes.

Furthermore, local housing associations may combine the programmes described in the proposal. Of course, this would be a gradual development; obviously, the NHA and NHF should first develop the programme elements and define the conditions and options. However, it is optimal for a larger (non-specialized) LHSA to operate a public rental housing programme as described in the proposal and to obtain rental housing from the private rental sector; these two programmes integrated into the LHSA will provide greater financial security for the organization. Two other reasons for combining the models are that the social and affordable sector can be expanded more rapidly through the involvement of the private rental sector, as this does not require a costly and lengthy investment process, and that even public social landlords tend to have biases against some vulnerable groups with high support needs (e.g. homeless people, marginalized Roma families, refugees). To address the latter challenge, as the Belgian practice shows, some SRAs run by NGOs are specialized in working with specific social groups.

By linking the three models, families can be supported more effectively to move between the different forms of tenure according to their social and financial situation. One way of linking the models is that if a family (either from the social or the public employee target group) living in a subsidized and guaranteed private rental unit for a longer period of time demonstrates their ability to pay, they can be transferred to the more stable, public rented sector where the housing units are under the ownership of the LHSA. This mobility path strengthens the financial stability of the organization. Among those renting publicly owned housing, those in a better financial situation and wishing to buy private property can receive a homeownership subsidy, which serves as an incentive to free up the available rental unit for the next household on the waiting list. In this way, a kind of special multi-step pathway can be developed, starting with the family moving from the waiting list to the private rental scheme, then to the stable LHSA-owned rental unit and from there to the owner-occupied sector.

## 6.7. Proposed pilot project

The aim of the pilot project is to expand affordable housing opportunities for refugee households and to provide a good example of how social and affordable housing can be developed and managed for vulnerable groups and low-income households in the host community. The pilot project will be located in Chisinau, as this is where most refugees are concentrated and where the arrival of refugee families has caused the greatest change in the affordability of market rental housing.

### 6.7.1. Selection of the property for the pilot project

The municipality of Chisinau has expressed interest in participating in the pilot project and offered a possible property in this regard. The currently unused empty property used to be a dormitory for high school students and consists of three identical buildings, which can be repurposed into housing in the framework of the pilot project.

The property is located in the Botanica neighbourhood and well integrated into the city structure having good public transport connections to other parts of the city as well as adequate accessibility to public and commercial services.

The floor area of each building is 1,623 m<sup>2</sup>. A multiplier of 0.85 was used to calculate the total net floor area of the apartments (assuming that 15% of the buildings are common areas). Based on this, it was assumed that 46 units could be built in each building with an average size of 30 m<sup>2</sup> with a capacity to house 139 people. This would result in a total of 138 apartments for up to 417 people in the three buildings. A possible composition of future apartments is shown in Table 6, which ensures some diversity in terms of size to avoid segregation and overcrowding while also meeting the requirement of the Municipality that the share of smaller apartments should be higher in the project.

Table 6. Possible distribution of apartments created in the pilot projects

|              | For one building                        |                      |                      |                          | For three buildings  |
|--------------|---|----------------------|----------------------|--------------------------|----------------------|
|              | Size of the apartment (m <sup>2</sup> ) | Number of apartments | Total m <sup>2</sup> | Maximum number of people | Number of apartments |
| 1-room units | 24                                      | 31                   | 744                  | 62                       | 93                   |
| 2-room units | 40                                      | 12                   | 480                  | 56                       | 36                   |
| 3-room units | 52                                      | 3                    | 156                  | 21                       | 9                    |
| Total        |   | 46                   | 1 380                | 139                      | 138                  |

The total investment cost for 2024 is based on the municipality's calculation for 2021, updated by an expert for this model calculation. The total value of the building is determined as the acquisition cost of an average-priced newly built apartment (based on 2022 prices and adjusted by an estimated 10% price increase for 2024). The current (pre-renovation) value of the existing property is calculated as difference between the estimated value of the renovated property and the construction cost. (see Table 8).

### 6.7.2. Pilot project funding options

The Housing Law stipulates the development of public housing projects can be financed by State and municipal sources in line with their financial capacity. These sources can be supplemented or substituted by additional resources such as loans and grants provided by external partners.

Three main options for financing the pilot project seem to be feasible under the current conditions:

Option 1: Municipality's in-kind contribution (land and existing building) and government loan in the framework of the CEB social housing programme.

- The advantage of this option is that it provides cheap financing sources in the form of preferential loans and when the programme is launched the funding is relatively easy to get access to.
- The disadvantage is that the municipality has to operate the created stock according to the legal regulation on CEB funded social housing programme, which would limit the room for manoeuvre of the municipality in terms of the target groups. The Municipality has to comply with the allocation rules of the programme (e.g. quota system) limiting the extent to which public employees (e.g. income limit) and refugees could be involved as tenants.

Option 2: Municipality's in-kind contribution (land and existing building), loan and grant, or only grant from international donor organizations. In this scheme, the households' contributions may also be involved to reduce the amount of investment costs financed from loans. The already mentioned Government (Ministry of Energy) programme (preferential loan or grant) to improve the energy performance of the building stock may contribute to the programme (however currently it cannot be used for public housing only for public institutions, thus it may be a reasonable solution to start negotiations with the Ministry of Energy).

- The advantage of this option is that it gives the municipality more flexibility in determining eligibility and allocation criteria. It also provides a more flexible solution for incorporating the donor's capital contribution into the funding and, in turn, incorporating the donor's target group preferences into the housing allocation system.
- The disadvantage of this option is that the actual availability of the external resources depends on the negotiations with the funding institutions (donors, ministries).

Option 3: IOM leases the building (or buildings) in its current State from the Municipality for a definite time (for example three years), carries out the renovation of the building with funds raised from donors and then uses the building to accommodate refugees. The renovation plan would be negotiated with the Municipality in order to meet the requirements of both parties.

- The advantage of this option is that the building would not be operated as a public housing building, so IOM could select tenants and define eligibility criteria without any restrictions. The advantage for the Municipality is that they do not have to deal with the renovation but after a few years, they get back a renewed building.

- The disadvantage is that IOM has to organize and manage all the renovation investment, although the task can be shared with the Municipality. For the Municipality, the disadvantage is that they cannot use the building for a while.

### 6.7.3. Options for the forms of housing management

There are several options for the organizational structure of the management of the public housing stock. The Housing Law stipulates that it is the responsibility of local governments to administer the public housing stock. The municipality can keep the management within its institutional system or appoint an external manager through competition.<sup>71</sup>

Based on this, the municipality has three options for organizing the management of the pilot project:

- Outsourcing the management to an external company. As the target groups consist of low-income households with a high share of vulnerable groups, it is recommended to outsource the management to a company that has experience with such social groups; for example, the company can be a social entrepreneur. As the current regulation does not allow NGOs to manage municipal housing stock themselves, a viable solution may be for an NGO to set up a non-profit company for this purpose.
- A public housing management company set up by the municipality. This can be another viable option, especially if the municipality wants to expand its public housing stock in the long term. However, working with NGOs can still be important, as they have experience working with vulnerable groups and can provide more flexible services, including channelling additional resources (for example, donations). A closer form of cooperation with an experienced NGO can be the establishment of a joint venture in which the municipality is the majority shareholder. Some international experiences show that this solution can effectively combine two main factors: the municipality keeps the strategic management of the sector, while the NGO brings the social approach into the management.
- Keeping the management within the administrative structure of the municipality. This option is not recommended, as it has often been shown that it is more difficult to organize and secure skilled human resources dedicated solely to housing management tasks within the administrative framework of the town hall.

If IOM leases the building from the municipality and carries out the renovation of the building(s) then they will be able to operate the developed buildings as transitional accommodation for refugees and not as public housing, as the buildings currently fall under the category of public institution.

### 6.7.4. Target group definition

Based on the consultation with the municipality, three main target groups can be defined:

- Social tenants: low-income vulnerable groups that fall under the legal criteria for social housing. Within this target group, the main priority is young people leaving foster care at the age of 18. Young people would be provided with social housing for a limited period, accompanied by personalized social work to enable them to find employment with sufficient income that supports them to become independent and self-sufficient. The municipality estimates that a period of two to three years of supported housing is needed to achieve self-sufficiency. However, other vulnerable groups may be included in this category as defined by the Housing Law, including those who will need social housing on a more permanent basis, for example, families with disabled children.

<sup>71</sup> Parliament of the Republic of Moldova, 2015.

- Public employees: who cannot afford to rent in the private rental market or buy their own home. The priority will be given to young couples, who will also be supported by social workers to increase their income and build up savings. The planned duration of the service housing provided to public employees is also two to three years.
- Refugee households employed by the municipality or other public institutions. The aim is to help refugee families get better jobs and raise their income while staying in public housing. The municipality currently employs about 25 refugees. Of these, 20 households have at least one underage child, while there is only one single household. However, many other refugees who are not public employees, meet the eligibility criteria for social housing, for example, they take care of a disabled person or are single parents with at least two children. It would be important to include them in the target group, although the regulation on social housing excludes people having property abroad from the target group. As it was mentioned, IOM could initiate negotiations with the MIRD to make an exception in the regulation in favour of refugees with temporary protection.

It is recommended that the newly created public housing units should be divided equally between the three target groups so that each of them would benefit from the offered units. According to the current plan of the municipality, the public housing would be provided as a kind of transitional housing for the target groups from very different social backgrounds, helping them to move on to other forms of housing, even with other forms of municipal support, after their tenancy ends. However, it would be important to rent at least 15–20 per cent of the units (20–27 units) on a more permanent basis to households whose vulnerability justifies this, for example, those caring for a disabled child/person.

### 6.7.5. Income level of the target groups

For social tenants the regulation<sup>72</sup> sets a very low income ceiling defined as the subsistence minimum level per household member, which was MDL 2,628 in 2022. Examining the average disposable income per household member in the income quintiles, only the average of the lowest quintile, MDL 2,360 in 2022, falls under the subsistence minimum.<sup>73</sup> As the main target group of social housing is the young people leaving foster care, and it is planned to put two young people into one apartment, the disposable income of the lowest quintile is doubled and used as the average household income of social tenants. Its value is MDL 4,720 (rounded to MDL 4,700). As for the target group of public employees the average household income is estimated at MDL 10,970. For this, the average wage in the education sector was taken, as this sector is represented with the highest share (around 30%) among public employees being also the largest group that has a lower average wage than that of the whole public sector.<sup>74</sup> It was assumed that the share of households with one and two earners is 50–50 per cent in the group of public employees.

The median household income is estimated at MDL 5,500 per month in the case of refugees. The estimation is based on a prompt short survey among the 26 refugees (living in 24 households) who are employed by the municipality. Table 7 shows that most of the households consist of 3 persons, with an average income from work of MDL 6,238 however, the median income is lower, only MDL 5,500.

<sup>72</sup> Parliament of the Republic of Moldova, 2015.

<sup>73</sup> National Bureau of Statistics, 2023a.

<sup>74</sup> The average net salary in the education sector was MDL 6,697 in 2022, assuming a growth rate of 17% based on the average income growth for the whole economy in the first three quarters of 2023, the wage is estimated at MDL 7,836.

The median rent paid by the refugees is MDL 3,200 which is largely unaffordable for the households as they spend an average of 63 per cent (the median is 59%) of their household income to pay the rent.<sup>75</sup>

Table 7. Main characteristics of the refugee households whose members are employed by the municipality of Chisinau

|                               |       |
|-------------------------------|-------|
| Total number of households    | 24    |
| Average/median household size | 3     |
| Average household income      | 6 238 |
| Median household income       | 5 500 |
| Average income per capita     | 2 426 |
| Median income per capita      | 2 175 |
| Average rent                  | 3 611 |
| Median rent                   | 3 200 |
| Average rent to income ratio  | 63%   |
| Median rent to income ratio   | 59%   |

## 6.7.6. Financing model: rent setting and subsidies

### 6.7.6.1. Rent setting method

It is recommended to use the so-called “affordable” rent-setting method in the pilot project, which sets the (maximum) ratio of the household income that can be spent on rent payments. The ratio should be lower for the lowest household income group to leave sufficient amounts to cover the costs of other basic goods and services, such as food and transportation.

### 6.7.6.2. Main components of the model

In order to examine the financial impact of the rent setting and subsidy methods proposed for the pilot project, a model was developed to calculate the total cost of the programme to the municipality. The model is based on the following main elements:

- The model uses three basic types of target groups: social tenants, refugees and public employees.
- As the value of the land and the current building are not available, the value of the municipality’s contribution is calculated as the difference between the estimated total market value of the rehabilitated apartments and the cost of renovating and repurposing the building as apartments.
- Financing the total cost of the project has two types of sources:
  - The equity investment, which is a non-refundable capital grant. In addition to the contribution of the municipality (which is an in-kind contribution), the model calculates the contribution of donor agencies in exchange for housing refugees.
  - The other part is a loan equal to the renovation cost minus the equity contributions. The assumption is that the loan will be provided by donor agencies on terms that are preferential to market loans.

<sup>75</sup> The cash support received by some households, was not calculated into the household income as it was provided for a limited period.



- The model calculates with a 25-year loan period and with a fixed interest rate of two per cent. The monthly repayment of the loan has to be paid from the rent and the rent subsidy (when calculating the rent subsidy, the maintenance cost is also taken care of).
- In sensitivity analyses, the effects of different loan conditions and different degrees of capital subsidy on the ongoing cost can be studied.
- Each of the target groups is represented by a share of one third of the total number of beneficiaries. This means that 46 flats are allocated to each target group, given that all three buildings are included in the project.
- The next step is the calculation of the rent. For the three target groups, different rent to household income ratios are defined.
  - For the social tenants and refugees, the rent is defined as 10 per cent of the household income (regardless of the parameters of the apartment).
  - For public employees, the model applies a 15 per cent rent to household income ratio.
- Subsidies are defined for the three tenant groups, providing the difference between the rent amount calculated by the “affordable” rent setting method and the cost of rent that is needed to pay for the monthly loan payment and the maintenance cost.
- The maintenance cost is set as MDL 5 per m<sup>2</sup>.

The financial model calculates the cost-based rent and the total annual subsidy required to finance the project. Technically, the calculation is based on one m<sup>2</sup>, which is used to calculate the total cost categories according to the parameters of the project.

### **6.7.6.3. Results of the model calculations**

Several scenarios for the model calculation are presented in this chapter based on the different financing options. The first model calculation is based on a preferential loan with an interest rate of two per cent when no capital grant contribution is provided by donors. The second option calculates with the same loan conditions and with a capital grant contribution from donors covering 25 per cent of the renovation cost. Further financing options are presented through the sensitivity test.

Table 8 summarizes the above-defined parameters of the model for two options: whether the pilot includes one or three buildings.

Table 8. The main parameters of the model for one building

| Model parameters  | One building | Three buildings |
|---|--------------|-----------------|
| Total estimated renovation cost in MDL (2024)   | 21 079 300   | 63 237 900      |
| Investment cost (net floor area) MDL/m <sup>2</sup> in 2024                                     |              | 15 280          |
| Total floor area (m <sup>2</sup> )  | 1 623        | 4 869           |
| Total net floor area (m <sup>2</sup> )  | 1 380        | 4 140           |
| Total value of the renovated building   | 26 097 180   | 78 291 540      |
| Value of the renovated building (MDL/m <sup>2</sup> )   |              | 18 911          |
| Total contribution of the Municipality (MDL)  | 5 010 780    | 15 032 340      |
| Contribution of the Municipality MDL/m <sup>2</sup> (per net floor area)                        |              | 3 631           |
| The average floor area of the apartments (m <sup>2</sup> )                                      |              | 30              |
| Average household income of social tenants (Target group I)                                     |              | 4 700           |
| Average household income of refugees (Target group II)  |              | 5 500           |
| Average household income of public employees (Target group III)                                 |              | 10 970          |
| Affordable rent criteria for social tenants and refugees (rent to household income ratio)       |              | 10%             |
| Affordable rent criteria for target groups of public employees (rent to household income ratio) |              | 15%             |
| Share of the three target groups  |              | 33%             |
| Case I: Share of Donors' equity contribution (in the percentage of the renovation costs)        |              | 0%              |
| Case II: Share of Donors' equity contribution (in the percentage of the renovation costs)       |              | 25%             |
| Case I: Amount of loan needed for renovation  | 21 079 300   | 63 237 900      |
| Case II: Amount of loan needed for renovation   | 15 809 475   | 47 428 425      |

Table 9 shows the results of the calculation on the unit (m<sup>2</sup>) level in the case of the three target groups using the two financing options when there is no capital contribution from the donors, and when they provide a grant equal to 25 per cent of the renovation cost. However, some elements of the model are independent of the capital grant contribution, such as the municipality capital contribution, the maintenance costs and the rent that is paid by the tenants (as this is calculated as a percentage of the household income-affordable rent).

The charged monthly rent is MDL 16 per m<sup>2</sup> for social tenants, MDL 18 for refugee households and MDL 55 for public employees in case of an apartment of 30 m<sup>2</sup> (defined as the average size). If the apartment is bigger and the same MDL/m<sup>2</sup> rent level is used, then the total rent for tenants living in bigger apartments will be less affordable.

The amount of the cost-based rent covers all the costs that arise for the municipality: the monthly payment to pay back the loan and the maintenance cost of the apartments. However, if the affordable rent that is paid by tenants is lower than the cost-based rent then the municipality has to pay (an implicit) rent subsidy. In the case of the first financing option when no donors grant the cost-based rent is higher than the affordable rent in all the tenant categories. In the second case, when the donors' contribution covers 25 per cent of the renovation cost, the amount of cost rent is lower and the Municipality does not have to pay subsidies for tenants in the public employee category, but it still has to subsidize the rent of the other two target groups.

However, it is important to note that the model adapts a simplified approach as it calculates the rents, costs and revenues to square metres using the average size of the apartments and the average household income of the three target groups. The reason for this is that there is no information about the household composition and income distribution of the future tenants, basic information was received only in the case of the refugee households. Using the average income, it is assumed that the income distribution inside each target group is even, and with the affordable rent method, households with higher income will pay higher rent, and will need less subsidy, while in the case of households with lower income it is other way around. In the model, if there is no capital grant in the financing scheme then the municipality has to pay MDL 54 to social tenants and MDL 15 to public employees as rent subsidy. As the average household income of the refugees is very near to that of the social tenants, they should be supported by MDL 51 monthly. In practice, tenants do not receive this rent subsidy; it is paid to cover the development and maintenance costs.

Table 9. Results of the model calculation (MDL/m<sup>2</sup>)

|   | Social tenants | Refugees | Public employees |
|---|----------------|----------|------------------|
| <b>Model elements independent from the capital subsidy</b>                |                |          |                  |
| Equity contribution of the Municipality (MDL/m <sup>2</sup> )             | 3 631          | 3 631    | 3 631            |
| Maintenance cost (MDL/m <sup>2</sup> /month)                              | 5              | 5        | 5                |
| Affordable rent based on rent-to-income ratio (MDL/m <sup>2</sup> /month) | 16             | 18       | 55               |
| <b>Model elements depending on the capital subsidy</b>                    |                |          |                  |
| Case I: Donors' contribution 0%   |                |          |                  |
| Rent to cover the loan cost (MDL/m <sup>2</sup> /month)                   | 65             | 65       | 65               |
| Cost-based rent (including maintenance cost) (MDL/m <sup>2</sup> /month)  | 70             | 70       | 70               |
| Rent subsidy (MDL/m <sup>2</sup> /month)                                  | 54             | 51       | 15               |
| Case II: Donors' contribution 25%   |                |          |                  |
| Rent to cover the loan cost (MDL/m <sup>2</sup> /month)                   | 49             | 49       | 49               |
| Cost-based rent (including maintenance cost) (MDL/m <sup>2</sup> /month)  | 54             | 54       | 54               |
| Rent subsidy (MDL/m <sup>2</sup> /month)                                  | 38             | 35       | 0                |

Table 10 shows the actual annual costs to the municipality when the pilot includes all three buildings with a total of 138 apartments. The total annual cost equals the costs of the subsidy as it is calculated from the sum of the loan payment and maintenance minus the revenues. The table shows the needed annual subsidy for all three target groups besides the total cost. In the model with the given parameters, the annual cost of the 138 apartments to the municipality is MDL 1.992 million if there is no grant support to the project, and MDL 1.21 million if the grant support is 25 per cent of the capital cost.

Table 10. Total yearly cost of the pilot project to the municipality (MDL)

|  | For Social tenants | For Refugees | For Public Employees | Total     |
|--|--------------------|--------------|----------------------|-----------|
| <b>Case I: Donors' contribution 0%</b>   |                    |              |                      |           |
| Loan cost                                | 1 071 074          | 1 071 074    | 1 071 074            | 3 213 223 |
| Maintenance costs                        | 82 690             | 82 690       | 82 690               | 248 071   |
| Rent revenue                             | 259 096            | 303 197      | 907 112              | 1 469 405 |
| Total cost of the subsidy                | 894 668            | 850 567      | 246 653              | 1 991 888 |
| <b>Case II: Donors' contribution 25%</b> |                    |              |                      |           |
| Loan cost                                | 803 306            | 803 306      | 803 306              | 2 409 917 |
| Maintenance costs                        | 82 690             | 82 690       | 82 690               | 269 187   |
| Rent revenue                             | 259 096            | 303 197      | 907 112              | 1 469 405 |
| Total cost of the subsidy                | 626 900            | 582 798      | 0                    | 1 209 698 |

The annual costs to the municipality can be reduced if the grant contribution is higher and/or cheaper loans are available. The annual cost of the project can increase if the municipality is going to access a loan only with a higher interest rate, or if the capital grant is going to be lower. Table 11 presents a sensitivity analysis using these two factors as independent variables and examines how the change in their values affects the level of the annual cost of the pilot to the municipality (dependent variable). The sensitivity analysis shows that if the loan interest rate stays at two per cent and the equity contribution of donors is increased to 75 per cent of the renovation cost (MDL 47.4 million), then the municipality's annual burden is reduced from MDL 1.21 million to MDL 0.139 million. In contrast, if the capital grant stays at 25 per cent of the renovation cost but the loan interest rate is raised to five per cent, then the municipality has to contribute to the project costs with MDL 2.1 million yearly.

Table 11. Sensitivity analysis: yearly cost of the pilot project to the municipality in relation to the change of loan interest rate and equity contribution

|   |     | The interest rate of the preferential loan<br>MDL thousand |         |         | Donors' capital grant<br>MDL million |
|---|-----|--|---------|---------|--------------------------------------|
|   |     | 2%   | 3%      | 5%      |                                      |
| Donor's equity contribution <sup>76</sup> | 25% | 1 209.7  | 1 474.9 | 2 102.5 | 15.8                                 |
|   | 50% | 801.4  | 1 080.3 | 801.4   | 31.6                                 |
|   | 75% | 138.6  | 202.2   | 341.7   | 47.4                                 |

<sup>76</sup> Donor's equity contribution is given in the percentage of the renovation cost (MDL 63.24 million).

## 7. MAIN FINDINGS AND RECOMMENDATIONS

The study analyses the current housing ecosystem in the Republic of Moldova, highlighting the main challenges and bottlenecks, aiming to identify opportunities for viable solutions for delivering housing to vulnerable groups, including refugees. This chapter first summarizes the main findings of the research in the form of challenges and opportunities and then presents recommendations, which also capitalize on the lessons from international examples.

### 7.1. Challenges with the housing system

**Insufficient capacity of current public housing stock:** The public housing sector shrank to 1.2 per cent due to large-scale privatization in the 1990s, with homeownership becoming the prevailing form of tenure. The stock is managed by local governments, who are also tasked by law with providing housing to specific groups in housing need. However, local governments lack the housing stock to fulfil their responsibilities and develop effective local housing policies as the remaining public stock is occupied by long-established tenants, and the State has not provided sufficient funding to expand public housing.

**Poor housing quality and low energy efficiency:** Most of the housing stock in the Republic of Moldova is relatively new, built after 1960, but due to deferred renovation, is generally in a deteriorated condition. The extremely poor energy performance of residential buildings poses a growing problem, exacerbated by recent volatile energy prices. In rural areas, much of the housing stock is lagging in terms of the connection to basic utilities. Although numerous significant improvements have been made, only 43–44 per cent of the stock is served by piped water and sewerage systems. With rural housing stock, the main obstacle to the modernization of individual houses is the low income of owners.

**Ineffective management of the multi-family urban housing sector:** Privatized multi-family buildings struggle with the underdeveloped institutional system for managing multi-story buildings. Privatized buildings, not converted to condominiums, are managed by municipal housing companies. The low management fees defined by local governments do not cover maintenance costs, let alone renovation costs. A significant debt chain has accumulated involving households, housing and utility companies, which may require government intervention.

**Large vacant housing stock:** A considerable portion of the housing stock remains vacant due to extensive out-migration and rural-to-urban migration. Although official vacancy data is not collected, it is estimated that 15–20 per cent of dwellings in Soviet-era housing estates in Chisinau are uninhabited. The high vacancy rate in multi-family buildings contributes to the further decay of buildings and hampers effective decision-making concerning their management. The vacant urban housing stock has decreased as refugee households rent on the private rental market.

**Increasing but insecure private rental sector:** In the past decade, the private rental sector in cities has become vital offering housing to those unable to afford homeownership. The sector has great importance in terms of housing refugees, it is estimated that around 60,000 refugees found accommodation in the private rental market. The sector represents four per cent of the total housing stock nationally and about 15 per cent in Chisinau in 2022. However, around half of the

sector still operates in the grey economy. The under-regulation of the private rental sector hinders its establishment as a secure form of tenure for both landlords and tenants.

Increasing house prices and market rents with significant territorial differences: After a pre-2008 surge followed by a decade-long slump, house prices have sharply risen since 2020. The National Bank of Moldova only publishes data on changes in Chisinau, making it difficult to estimate the level of house prices in other parts of the country. However, based on advertisements, it appears that prices in other urban centres are at least 30–40 per cent lower, while the housing market in rural areas suffering from depopulation is practically non-existent. Long-term mortgage loans have grown in importance in the housing market. Interest rates peaked above 13 per cent during 2022 due to high inflation but returned to below 10 per cent by mid-2023, creating favourable conditions for a revival of residential lending. However, this is inaccessible to many due to low household income, high housing prices, and shortcomings in the land registration system in the privatized sector.

Housing affordability remains a key challenge: As wages grew faster than house prices during the 2010s, housing affordability has significantly improved since the mid-2000s: in 2021, it took an average of 10.4 years of salary to buy an average home in Chisinau, down from over 40 years in 2006. However, households earning less than twice the average wage cannot afford to buy and are forced into the private rental market. The arrival of refugees from Ukraine led to a significant increase in rents in the private rental market in 2022 and 2023. Research has shown that refugee households often compete with Moldovans for the more affordable part of the market.

## **7.2. Challenges related to the regulatory and institutional framework and current housing related programmes**

The lack of a housing strategy and long-term, sustainable source of funding for housing programmes hampers the proper identification of target groups and the effective design of housing programmes tailored to the needs of the target groups. The Housing Law stipulates that the State is responsible for developing housing policy and providing funding within the limits of available resources and that local governments, as owners of the public stock, are responsible for implementation. However, housing policy consists of ad hoc projects and funding, and no long-term funding is available for local governments to rely on. In addition to public employees, low-income households are the target group of public housing, but in the latter case, the law uses a rigorous definition. This means that a large group of households not able to enter the housing market are left out of public housing programmes.

The only available tool for expanding the public housing sector is the CEB-supported housing programme, which does not include the potential for the future expansion of the sector. The proposed method of setting rents allows only very limited differentiation according to household income, thus placing a financial burden on local governments to repay the loans financing the investment.

Provisions of the Housing Law limit refugees' access to public housing: refugees, similarly to Moldovan citizens, are eligible for public housing if they are public employees or, in the case of social housing, they do not own property in the Republic of Moldova or abroad.

The private rental sector is still under-regulated, and the proper enforcement of pre-existing regulations is not ensured: The Housing Law requires tenancy agreements to be registered with the State, but there are no effective mechanisms to monitor this, and contracts are often not

registered. Furthermore, the regulation allows the length of leases and rent changes to be left entirely to the parties to agree, which can be unfavourable to tenants.

The lack of effective organizational arrangements for housing management: Local governments have not developed management organizations to maintain the public housing sector, and it seems that they need capacity-building in this respect, especially smaller local governments. In the private sector, owners of many multi-family buildings still have not established condominiums and set up management arrangements that comply with the latest regulations (Condominium Law).

Local governments' lack of capacity and knowledge to implement housing projects: As the first two tranches of the CEB-supported social housing programme have shown, local governments, particularly smaller ones, do not have sufficient human capacity and know-how to plan and manage housing development projects.

The social welfare system is weak and does not provide sufficient financial support for households with housing-related difficulties. There is no housing allowance, but there is support for those living with less than the minimum income to cover the cost of heating in the wintertime.

Refugee households lack exit strategies from supported housing arrangements. At the current stage, only one third of refugees are employed, but many have low wages and unreported jobs. The number of households with dependent members (e.g. elderly persons, young children) is high, which may prevent women from taking up full-time employment, especially single mothers. It appears that a significant proportion of refugees will need housing and livelihood support in the longer term, even if refugees are provided with more intensive help to find employment.

### 7.3. Opportunities related to the housing system

The legal framework for the operation of multi-family houses and social housing has been improved despite the weaknesses pointed out here, which may provide a basis for the development of the sectors.

There have been developments in the institutional framework of the housing programme management system. At the central level, agencies with greater competence and independence have recently been created to manage, facilitate and monitor housing programmes, such as the agencies for the energy efficiency renovation programme and the social housing development programme.

Housing programmes and related subsidies tend to be more diversified according to the needs of target groups. For example, the energy-efficient renovation of the housing programme includes an additional subsidy for vulnerable and low-income groups, and the CEB-supported social housing programme includes a quota system to ensure the participation of target groups, from the most vulnerable to public employees with a moderate income.

The energy-efficient renovation of residential buildings is a good example of creating long-term funding for housing programmes. The main source of covering government subsidies to households is the new tax on energy consumption built into the energy tariffs (a small percentage of the tariff).

The private rental sector has flexibly reacted to the arrival of refugees, and the supply has substantially expanded, although market prices have also risen. This is important, as the private sector remains the main form of housing provision for refugees.

Humanitarian agencies and local governments are already using the private rental sector to support housing solutions for a variety of social groups, including vulnerable households. In some programmes, they act as intermediaries in the private rental market, matching both private owners and refugees (tenants); in others, they rent apartments from the market and sublet them to the target groups.

## 7.4. Main recommendations

The study proposes a longer-term housing policy, its main elements and the programmes that should be launched to develop a longer-term housing policy. Conceptually, the proposal is based on the assumption that it makes sense to develop a housing policy that targets a broader group of people affected by the housing affordability problem through programmes diversified by the ability to pay, at the same time ensuring better sustainability and growth potential of the affordable housing sector. However, this is a political issue: if the policy is to create a narrow public housing sector in the long term, then targeting should primarily involve those most in need.

### 7.4.1. Recommendations for the main elements of long-term housing policy

The study proposes the development of three key institutions as the main components of the overall institutional framework for the implementation of national housing policy:

- The National Housing Agency (NHA) would be responsible for managing housing programmes at the central level. It can be located under a ministry or the Prime Minister's Office. Policy setting would remain a governmental responsibility.
- The establishment of a National Housing Fund (NHF) would ensure long-term resources for housing programmes. As a revolving fund, on the one hand, it would channel grants and subsidized loans into the system and allocate them in the forms of grants and loans for ongoing programmes, also providing rent subsidies to both social landlords and their tenants. On the other hand, it would collect repayments of loans from social landlords (see next points).
- Local Social Housing Agencies (LSHAs), as local social landlords, would manage local programmes funded by NHA grants and its resources. The LSHAs can take many forms (e.g. municipal companies, private non-profit companies, cooperatives), and may differ in legal form, size, and internal rules. LSHAs would be registered and monitored by the NHA.

### 7.4.2. Recommendations for long-term housing programmes

The study proposes the establishment of three kinds of housing programmes:

- Public housing programme: LSHAs can build or buy social or affordable rental housing with central funding provided by the NHF. Local governments (or where there is no municipal capacity or willingness, the State) could establish LSHAs. Target groups consist of two main groups: the first includes households living in poverty (social housing tenants), while the second has a higher income than the first (e.g. public employees), which is still insufficient to acquire housing on the market. In the case of social housing tenants, housing provision should be complemented with tailor-made services to improve the situation of tenants. Different rent-setting methods may be applied: for social tenants, rent may be defined as a specific percentage of the household income (10–15%); for tenants in affordable housing, rent may be set as a cost-based rent. NHA can compensate LSHAs for the lower rent revenue associated with social housing tenants and pay rent subsidies for tenants in the



affordable sector if they are overburdened by housing costs. The sustainability of the public housing programmes will be ensured if, after the preferential loan is paid back by LHSAs, a part of the surplus of the latter's income is paid to the NHF in order to finance new developments

- Social rental agency (SRA) programme: SRA's main function is to quickly increase social and affordable housing provision through utilising private rental stock. SRAs could be established by local governments and non-profit organizations. SRAs are a good opportunity to utilize the vacant urban housing stock and contribute to whitening private rental stock. The target groups are the same as in the public housing programme, but individual SRAs can be specialized for specific groups. SRAs can rent apartments from private property owners at below-market prices as they take over the management tasks and risks from the owner, then sublet them to their target groups at a rent adjusted to the target income. SRA tenants will receive means-tested rent subsidies from the NHA, while the NHA can also contribute to the operation costs of the SRAs - Limited equity homeownership programme: The programme targets households with a stable income and some savings but insufficient to enter the housing market (lower-middle class). NHA and local governments can support the programme (grants, preferential loans, land from the municipality), which also utilizes household savings. The crucial point is that the housing stock remains in the affordable sector in the long term as households, when moving out, cannot capitalize on the subsidies and the increase in the market value of the property.

#### 7.4.3. Shorter term recommendations

The phasing-in strategy proposes starting the implementation with the public housing and SRA programme and launching the limited equity homeownership programme later, especially since it needs specific legislation. Funding for social and affordable housing programmes can be supplemented with European Union sources if the target groups are well-defined.

#### 7.4.4. Recommendations for the pilot project

Following consultation with the municipality of Chisinau, one site was identified as a realistic option for the pilot. The site, which consists of three identical buildings with the potential to create 138 units, is well integrated into the urban structure.

There are three options for the financing scheme. The option of using external donor contributions rather than relying on the CEB-supported State Social Housing Programme seems to be more advantageous for the municipality, as it implies more opportunities to take advantage of capital grants from donor agencies, as the target groups and allocation rules can be better adapted to their preferences. Including more grants in financing will reduce the future burden of servicing loans, which is an important consideration for the municipality. The third option is for IOM to undertake the renovation and in return, they gain the right to use the building for a certain period (e.g. for three years) with full authority to manage the building and designate beneficiaries. In this case, the property would not be classified as public housing.

If the right of the usage of the building(s) is not transferred temporarily to IOM, then it is recommended for the municipality to involve NGO with experience in dealing with vulnerable groups to manage the newly created housing stock. In this case, there are two general scenarios. Either an NGO sets up a management company with which the municipality can conclude a contract through a competitive process, or the municipality can set up a joint venture company with an NGO.

Three target groups have been identified: social tenants, refugees, and public employees. One-third of the units may be allocated to each group. The average income for each target group has been estimated at MLD 4,700, MLD 5,500 and MLD 10,970, respectively. It is recommended to apply the so-called “affordable rent” method, which defines the amount of the tariff in relation to household income. In the case of social tenants and refugees, the proportion is defined as 10 per cent, while for civil servants, it is 15 per cent.

A model has been constructed to calculate how much the municipality will have to contribute from its own resources to repay the annual cost of the loan taken out for the project. It is assumed that the project will be financed by capital grants and a preferential loan. If only a preferential loan with an interest rate of two per cent is used, the annual burden on the municipality will be MDL 2 million, while if 25 per cent of the renovation cost is covered by capital grants, the annual burden can be reduced to MDL 1.2 million. A sensitivity test was done to show the cost implications for the municipality of different combinations of loan products and capital grants.

## 8. APPENDIX: INTERNATIONAL EXAMPLES

### 8.1. United States public housing sector

|                              |   |
|------------------------------|---|
| Organizational structure     | Modern-day public housing is controlled by the United States Department of Housing and Urban Development, also known as HUD. Presently, approximately 1.3 million households are living in public housing in the United States and they are monitored by over 3,350 public housing authorities (PHA)  |
| Target groups                | In the United States, public rental housing – as defined by HUD – targets low-income families, the elderly, and persons with disability. In general, low-income families have to be below 80 per cent of the area median income to be eligible. Due to large demand, PHAs operate with waiting lists. In addition, local Housing Agencies can set some local preferences within this framework.   |
| Allocation rules/ procedures | <p>Today’s public housing programme is meant to assist low-income families, so families must meet certain income standards in order to be eligible to live in public housing. In general, families must be low-income – having gross income at or below 80 per cent of Area Median Income (AMI) – at the time they apply to live in public housing. “Income” is defined in federal statute as income from all sources from all members of the household, including imputed income from assets, with some exceptions. Families’ household composition and income are re-examined annually for rent determination purposes.</p> <p>The demand for public housing is greater than the supply in most communities; as a result, a family is typically assigned to a waiting list once it applies for public housing. Waiting lists can be several months long, several years long, or even closed to new applicants. PHAs must establish policies related to how they will administer their waiting lists and include those policies in their annual plan. As a part of their waiting list management, PHAs may set local preferences, as long as those preferences are not in violation of federal civil rights law. Examples of allowable preferences include preferences for working families, families who are elderly or disabled, or veterans. Once a PHA has established preferences, it can then choose whether to apply, among families of the same preference category, a first-come, first-served selection policy or a random selection process.</p> <p>PHAs are charged with balancing two competing priorities in their public housing programmes: serving the neediest families and deconcentrating poverty. Federal law requires that PHAs ensure that at least 40 per cent of families admitted to public housing in a year are extremely low income (defined as income below 30 per cent of the area median income). At the same time, federal law also prohibits PHAs from concentrating very low-income families in public housing dwelling units in certain projects or buildings within projects. PHAs are required to submit to HUD plans that explain how their admissions policies promote decentralization of poverty and income mixing by bringing higher-income tenants into lower-income properties and lower-income tenants into higher-income properties. In addition to ensuring that families meet income eligibility standards, PHAs are also required to screen families to ensure that they are “suitable” for tenancy.</p> |

|                               |  |
|-------------------------------|--|
| Rent/price setting rules      | <p>Federal housing law has generally defined housing as “affordable” to lower-income families if it costs no more than 30 per cent of family income. To ensure low-income families in public housing are paying affordable rent, federal law bases tenants’ rent on family income.</p> <p>Each year, PHAs must provide each family living in public housing the option to pay a flat rent in EUR of an income-based rent. Flat rents are market-comparable rents established by each PHA.</p>  |
| Subsidy form                  | Low affordable rent under market price   |
| Funding and Financial schemes | <p>PHAs have contracts, called Annual Contributions Contracts (ACCs), with the federal government. Under the terms of their contracts, PHAs agree to administer their properties according to federal rules and regulations, and in exchange, they receive federal funding in the form of operating and capital grants. PHAs sustain public housing through a combination of federal funding, tenant rents, and other investment income. Congress typically appropriates several streams of funding to PHAs to help make up the difference between what PHAs receive in rent from tenants and what it costs to operate and maintain public housing. Operating funds are meant to fund the day-to-day operations of public housing (administration and staffing, utilities, routine maintenance, etc.). Capital funds are meant to help pay for modernization needs, such as replacing a roof or a heating and cooling system, or remodelling units. Both operating funds and capital funds are allocated to PHAs based on a formula. PHAs can also apply for competitive HOPE VI revitalization grants. HOPE VI grants are used to demolish and rebuild, or substantially rehabilitate severely distressed public housing.</p> |
| Beneficiaries’ contract type  | <p>There are no federal time limits governing how long a family can live in public housing. As long as a family wishes to remain in public housing, and as long as they continue to pay their rent and comply with programme rules, they can continue the residency. The public housing programme does not impose limits on the length of time a family can live in public housing. Once a family is leasing a public housing unit, the family can continue to renew that lease until it is no longer eligible, either because the family’s income increases too much to maintain eligibility or because the family violates programme rules in some way.</p>  |
| Risk management               | <p>HUD annually assesses the performance of the local PHAs that are administering the public housing and Section 8 Housing Choice Voucher programmes. The current assessment of public housing programme administration is called the Public Housing Assessment System (PHAS). PHAS includes reviews of indicators pertaining to the physical condition of an agency’s housing stock, the financial condition of the agency, the agency’s management performance, and their spending of capital funding.</p> <p>According to HUD data from May 2012, 48 per cent of PHAs administering public housing were considered high performers, 26 per cent were considered standard performers, and 23 per cent were considered substandard, most frequently for management reasons. About two per cent of PHAs were considered troubled (with an overall score below a certain threshold and substandard scores on at least two indicators).</p>  |
| Sustainability, stability     | Insufficient funding levels cause the declining physical State of the public housing stock.  |
| Source                        | McCarty, M. (2014). <a href="#">Introduction to Public Housing</a> .   |

## 8.2. Danish social housing: private non-profit housing

|                              |  |
|------------------------------|--|
| Organizational structure     | Denmark has a total housing stock of 2.5 million housing units. 19 per cent of housing units belong to social housing associations, and about one per cent belongs to public authorities. Although the social housing associations are formally private organizations, they are legally regulated and monitored by the government and local governments because they receive economic subsidies. Neither the social housing associations nor the independent housing sections make profits. There are approximately 700 social housing associations, primarily located close to an urban environment. Each association is divided into individual housing sections, of which there are close to 7000. Non-profit associations are organized in small self-governed units in which local tenants enjoy a high degree of democratic decision-making, representation and self-management. While non-profit housing associations are responsible for developing social housing, the day-to-day 'administration' can sometimes be handled by a third party. Local authorities provide capital, guarantees and subsidies to housing associations. They also approve rent schemes, administer rent subsidies, organize the production and maintenance of schemes and have a key role in monitoring and regulating associations. (Supervision, economic inspection). |
| Target groups                | In Denmark, there is no income limit on entry to the social housing system. Therefore, in principle, it is a highly open system for everyone.  |
| Allocation rules/ procedures | Municipality allocates 25 per cent of the vacant housing units (33% in Copenhagen), but there are other settlements, as well. (Control 100% of the flats reserved for elderly, handicapped, and nursing homes). There are no income limits on entry to social housing and young people aged 15 and over can register on waiting lists, these are extremely open social housing systems. Administers waiting lists on the basis of which homes are distributed. The Waiting list is based on the principle of "first come first".   |
| Rent/price setting rules     | They use "rental balance" principle for non-profit housing, which means income and expenditure within the social housing system must balance out. The rent charged is the amount necessary to cover all expenses of the non-profit housing providers, including the cost of administering the system. Because the financing is almost entirely from government-backed, low-interest-rate loans, the rents for social housing can be set based on actual operating costs and do not fluctuate based on market conditions. The rent is set at around three per cent of the investment cost adjusted for inflation. The tenants pay this rent after the loan is repaid; the revenue of this rent goes to the National Building Fund. Tenants exert some control over the operating budget, repairs and overall maintenance, which are overseen by non-profit housing organizations.   |
| Subsidy form                 | Municipal housing allowances subsidies are available to renters in all rental tenures, the municipalities are reimbursed by the Government.  |

|                               |   |
|-------------------------------|---|
| Funding and financial schemes | <p>The private non-profit housing financial model furthermore accumulates rents and then reinvests them in renovations, infrastructure, new construction, and social activities within the housing estates. Renovations and developments in the existing stock can be supported by The National Building Fund, which works as a saving for the entire social housing sector. The savings begin when the mortgage loan is paid off. Instead of decreasing the rent with the amount used to pay off the mortgage, this amount contributes to the savings. Two-thirds of the amount is paid to The National Building Fund. The system is a closed circuit and ensures that future renovation expenses are covered in the start-up phase of financing new social housing. The Fund's level and areas of investments are laid down in political agreements made every four years by the Danish Parliament. The National Building Fund is regulated by law but financed by the tenants. Investment financing for new construction: 88–91 per cent is a private, index-linked loan; seven – 10 per cent is from the municipality and two per cent is from tenant deposits (which may be financed by local authorities for low-income households), 80 per cent of dwelling subsidy is from central government and 20 per cent from municipalities. Restrictions on the acquisition costs are set by the State and regulated every year.</p> |
| Beneficiaries' contract type  | <p>Social tenancies can be passed on to children when their parents die, provided the children live in the dwelling. Tenants also have the right to exchange dwellings with other tenants in the same housing association, different housing associations, and indeed, in the private sector. Tenants may also sublet their dwellings for a limited period if they need to temporarily relocate for work.</p> <p>In terms of the potential to alter one's home, tenants in the non-profit sector do have some opportunities in this regard. If a tenant wants to make improvements to their home, and these are approved by the housing association, then they can do so. The tenant will then be able to receive a reimbursement for any investment costs incurred when they move out. This reimbursement depreciates over time, however, with improvements carried out many years ago compensated at a lower rate than those completed more recently. This write-down is based on the expected lifespan of the upgrades made by the tenants. Purely aesthetic changes to homes can also be approved (e.g. changing the colour of a room), but as these do not upgrade the overall quality of the home, they are not reimbursed when a tenant moves out.</p>   |
| Risk management               | <p>The relatively reducing socioeconomic status of social housing tenants vis-à-vis society as a whole; between 1970 and today the sector has come to house a disproportionately high share of very young and old households, the unemployed and single parent families;</p>  |
| Sustainability, stability     | <p>It is thus that the State has drawn funds out of the National Building Foundation to pay for politically motivated projects, which – whether good or bad – differ from the priorities of the private non-profit housing sector itself. It is thus that the State has exerted control over which tenants can be accepted by non-profit housing organizations.</p>   |
| Source                        | <p>The National Building Fund (n.d.). <a href="#">The Danish social housing model</a>.</p>  |

### 8.3. Housing associations in the Kingdom of the Netherlands – public rental sector

|                               |   |
|-------------------------------|---|
| Organizational structure      | <p>There are over 450 housing associations in the Kingdom of the Netherlands. These associations are private non-profit companies, that own and manage about 90 per cent of the social rental stock. Although their operations are mostly profitable, they have to reinvest any profit they make into housing development and their own operations. Their operation is regulated at both national and municipal level. There is a share (92.5 per cent) of stocks that they have to allocate to people with an income below a pre-set level (EUR 44,035 for a one-person household or EUR 48,625 for a multi-person household). In areas where the need for housing for people with higher income is very high, municipalities can grant permission to housing associations to let up to 15 per cent of their stock to people with incomes over the nationally set boundaries.</p> <p>The housing associations maintain their operations from their income, however, if they were to face financial hardships, they can make use of the WSW (Waarborgfonds Sociale Woningbouw) scheme, which is a AAA rated loan repayment fund allocated by a nationally subsidized company in order for housing associations to be able to access the best conditions for loans.</p>  |
| Target groups                 | Households with yearly income below EUR 44,035 for a one-person household or EUR 48,625 for a multi-person household.   |
| Allocation rules/ procedures  | The allocation of the social housing units is not in the hands of the housing associations. The potential tenants apply through regional third-party portals, and the portal matches the tenants with available and fitting social rentals in the area. In bigger cities due to the limited available units, there can be several years long waiting lists.   |
| Rent/price setting rules      | <p>There are no specifically social rental units in the Kingdom of the Netherlands. All units that have a net rent under EUR 808/month are considered a social rental regardless of whether private or housing association owned.</p> <p>In the case of social rental units, the rent is determined by a point system. Each unit is given a point based on the market value of the unit (determined by the municipality yearly); the energy efficiency and energy label of the unit; the size/ number of rooms of the unit; and the age, condition, and quality of the unit. Each point given has a value in EUR, which in the end determines the rent. Currently, the EUR 808 threshold coincides with approximately 136 points.</p> <p>Any building where the rent based on the point system exceeds the EUR 808 threshold is considered part of the free market where the rent is not regulated and can be any amount the landlords set. The only regulated part is the increased amount on the yearly rent. The maximum increase in rent share for social housing is 3.1 per cent if the net rent is EUR 300 or more per month, and a maximum of EUR 25 if the net rent is less than EUR 300 per month. There is a rent increase regulation even on the free market: max. inflation + 1 per cent/year - since 2023 wage development + one per cent (if wage development is lower than inflation).</p> |
| Subsidy form                  | Each household who lives in a unit with a rent rate below the social rental threshold is entitled to housing benefit (huurtoeslag), which is received directly from the government, and is determined based on the social and economic situation of the household. Its maximum monthly amount is around EUR 200.  |
| Funding and financial schemes | Housing Associations receive 'subsidy' from the government in the form of the WSW (which is private but is regulated by the government) and in the form of land discounts – where the government zones land designated for social housing as a special zone that bears less price. There is no other direct financial support that housing associations receive from the government anymore.  |

|                              |  |
|------------------------------|--|
| Beneficiaries' contract type | Can be fixed term or indefinite. The eligibility is reviewed yearly, if someone falls out of the scope of their initial contract requirements due to changing circumstances, the contracts have to be updated with immediate effect – however, falling out of the eligibility criteria for social rent does not mean the household have to leave the unit – although there is a high chance of their contract not being renewed.   |
| Risk management              | There are very long waiting lists for social rental units in major metropolitan regions. Due to the liberalization of the rental sector and the increasing support of homeownership by the government, the size of the rental stock cannot keep up with the increasing demand. There are some schemes that is aimed to help the housing associations provide enough social housing, such as the WSW loan guarantee fund, and the municipal land discounts but the overall size of the social rental market has been decreasing for the past couple of years. |
| Sustainability, stability    | There is an increasing de-regulation going on regarding the rental sector – which allows the stock to decrease, especially the rent regulated social rental stock and encourages private homeownership.<br><br>The social units that are sold are rarely bought by the previous tenants, however in recent years big corporate landlord companies appeared and gained significant ground in the Kingdom of the Netherlands which poses a significant challenge in the social dynamic and composition dimension of the neighbourhoods in question.            |
| Sources                      | Government of the Kingdom of the Netherlands, (n.d.). <a href="#">Rented housing</a> .   |
|                              | Huurteam Nederland, (2023). <a href="#">Points system for rent in the private sector</a> , 15 October.<br><br><a href="#">Waarborgfonds Sociale Woningbouw (WSW)</a> (n.d). Home (accessed 6 September 2024).  |

#### 8.4. Low-rent housing cooperatives in France

|                              |   |
|------------------------------|---|
| Organizational structure     | Social housing in France is provided by low-rent organizations (HLM by the acronym in French), which are specific actors entrusted by the State. There can be many different types of HLM organizations, which can be public or private. One type of HLM organizations is HLM cooperatives, whose construction are financed by one of the loans available for HLM dwellings.  |
| Target group                 | The French HLM social housing system targets a large part (around 60%) of the population. They are intended primarily for low-income households whose income does not exceed established ceilings, taking into account the regional income differences.   |
| Allocation rules/ procedures | The construction of HLM dwellings is financed by social housing loans, which have an income ceiling for residents. However, apart from that, the allocation is choicebased. Residents can apply for cooperatives they want to live in and see if they get approved by the cooperative. Cooperatives might invite the applicant to take part in meetings, weekend get-togethers, open-door events, trade fairs, etc. to get to know the project and future neighbours better, both in terms of cooperative work and relaxation. Cooperatives might also ask for financial transparency and a motivational letter before the purchase of shares in the cooperative. |



|                                     |   |
|-------------------------------------|---|
| <p>Rent/price setting rules</p>     | <p>The rent/price rules of cooperatives can usually be divided into two main components: the shares (an initial contribution) and a monthly fee. The exact rules can be set by the cooperatives. Cooperatives can ask every member to make – if possible – a financial contribution equivalent to a certain percentage (e.g. 20%) of the cost of his or her future home. As a joint loan is taken out by the cooperative, these contributions are aggregated: some cooperators therefore bring more than they need to, allowing other households to join the cooperative without the theoretical 20 per cent. In addition to the initial contribution, residents have to pay a monthly fee, which can be calculated for example according to the surface area of the accommodation occupied. It consists of “rent” and “savings”. The rent includes the cooperative’s expenses (maintenance, accounts, charges for common areas, etc.) and covers the repayment of interest to the bank. The “savings” enables the cooperative to repay the capital to the bank. The savings are locked in for a certain number of years e.g. 30 years.</p> |
| <p>Subsidy form</p>                 | <p>Cooperatives provide affordable housing by maintaining ownership shares at a low level, with the additional costs only being the monthly fees. Moreover, local communities can also provide direct financial assistance to those who are below the income ceiling.</p>   |
| <p>Financial schemes</p>            | <p>The construction of HLM dwellings is mostly financed by special loans for social housing usually from Livret A, a financial scheme in France, where citizens in any bank can open a savings account regulated by the State. Social housing loans are distributed by “Caisse des dépôts et consignations” or CDC (a public sector financial institution that is under the control of the parliament) or banks that have signed an agreement with CDC. One such loan is PLS (social rental loan) which can be received if landlords sign a housing benefit agreement with the State (represented by the Conseil Départemental or County Council). PLS is a loan at a preferential rate granted for the construction, purchase, or renovation of housing intended to be let as social housing, and therefore enables them to benefit from reduced-rate VAT (5.5%) and an exemption from property tax for 25 years.</p>  |
| <p>Beneficiaries’ contract type</p> | <p>The cooperative society owns the property (building + land) and remains the owner. A joint loan is taken out, with monthly installments paid from the fees of the cooperative residents. Limited equity cooperatives are a specific form of housing cooperative where residents collectively own and control the cooperative, and there are restrictions on the resale value of individual units (shares). Therefore, cooperators do not own their own homes but hold shares in the cooperative. When a member leaves, he or she recovers the value of his or her shares (usually adjusted for inflation).</p>   |
| <p>Risk management</p>              | <p>Financial risks can include unexpected expenses, for which reason cooperatives can include provisions for major repairs and maintenance to ensure the security of the project. Further financial risks can be when some members face financial challenges. However, due to the joint loan and all contributions being aggregated, the cooperatives have provisions for vacancies and unpaid rent. Moreover, as a management risk, a lack of effective governance can lead to operational issues and impact the overall well-being of the cooperative, for which the cooperative’s democratic nature can counterbalance. In cooperatives, decisions are usually taken by all members. Lastly, potential tension between members can also pose a risk to the cooperative. However, cooperatives aim to create a community with numerous social activities, allowing for effective cooperation.</p>   |

|                           |   |
|---------------------------|---|
| Sustainability, stability | Cooperators do not own their homes but hold shares that are regulated and disconnected from the value of the property. The price restrictions built into the resale formula limit the equity that residents can gain when they sell their ownership share (in some cases, they only get back the value of their initial shares); it is this feature that also helps to maintain affordability. Moreover, building/renovating/buying a bigger house with several housing units can be cheaper after dividing the finances than an individual one, not to mention the social areas that can save money for the members. Lastly, due to the cooperative nature of the organization, members can support each other financially and in any other way. |
| Sources                   | Housing Europe (2010). <a href="#">Social Housing in Europe: France</a> .<br>CECODHAS Housing Europe and ICA Housing (2012). <a href="#">Profiles of a Movement: Co-operative Housing around the World</a> . CECODHAS Housing Europe, ICA Housing, Brussels.<br>Mas coop Participatory housing, (n.d.). <a href="#">The project</a> . Toulouse (accessed 6 September 2024).   |

## 8.5. Social rental agencies in Belgium

|                              |  |
|------------------------------|--|
| Organizational structure     | Social Rental Agencies (SRAs) are non-profit institutions targeted to address the housing needs of vulnerable and disadvantaged people. SRAs operate in all three major regions of Belgium: Wallonia, Brussels and Flanders. While they share similarities in the main organizational structure, there are also some considerable differences between the regions. Generally speaking, SRAs provide an in-between organization between landlords and people in need of housing. Most SRAs rent property from the private market that they later on sublet to target households. SRAs negotiate a lowered rent with the landlords in exchange for a stable and long contract (circa 9 years) and they guarantee the maintenance of the quality of housing. They also offer subsidies and programmes for the renovation of the rented property. SRAs carry out all the management and administrative tasks related to the leasing and subletting. Most SRAs also provide additional tenant support – from linking tenants to additional support organizations, general assistance, or mediation in cases of conflict. Since the 1990s SRAs have been institutionalized in Belgium. |
| Target groups                | SRAs prioritize poor and disadvantaged households with urgent housing needs. The allocation (regulated by the regional government) is usually carried out by a point-based waiting list system with different categories of priorities.  |
| Allocation rules/ procedures | In terms of allocation, there is a considerable difference between the regions. Generally, SRAs in all regions prioritize poor households with urgent housing needs. SRAs in Flanders operate based on a point-based waiting list system, which includes four compulsory points of priority (housing need, net disposable income, dependent children, existing tenant contract with SRA) and two optional points of priority (time spent on a waiting list and local connection to city/town). There has been considerable debate in recent times regarding the issue of allocating priority based on time spent where the SRA is located – this can especially affect migrants/refugees in need of housing. In Wallonia similarly, applicants have to register with the local authorities based on several criteria (such as income, household size, and lack of property a home) and there is a considerable waiting list. Finally, in Brussels, they operate based on a computerized waiting list system (with a special emergency system) based on a similar criterion list.   |

|                              |  |
|------------------------------|--|
| Rent/price setting rules     | <p>The Belgian federal government determines the legal framework of the private rental sector (including regulations for rent setting, contract termination, length of lease, etc.). On the other hand, regional governments are in charge of the conditions/regulations of subsidies of SRAs and setting the eligibility criteria for the tenants. Thus, this creates a fragile balance, where regional governments have to be careful in intervening to avoid effects that would negatively affect the private housing market. The regional government is responsible for the funding of the SRA sector (wages of staff, working credits, etc.), usually done through an umbrella or collective organizational structure, e.g. in Flanders through Wonen in Vlaanderen and partners. SRAs rents are based on negotiation with the landlord, usually determined by the market rent minus the cost of the risk plus the maintenance and refurbishment of the dwelling. For the tenants, rent is determined based on the lowered market prices. Depending on household income, additional subsidies and allowances are available.</p> |
| Subsidy form                 | <p>Subsidies are usually available in the form of housing allowance for low-income households or to finance the move to a better quality of housing. There are also possible 'supplements' in the form of installation grants, monthly grants, deposits and rental guarantees, loans, etc., depending on the region. In some regions, there is also the possibility to purchase the housing. There are also subsidies available for the renovation/construction of houses, etc., again a greater variance based on the region.</p>   |
| Financial schemes            | <p>The financial structure of SRAs in Belgium primarily relies on funding from the regional government, which supports the operations of most SRAs. Additionally, various housing funds at the regional level are accessible to organizations or individuals, whether public or private. Nevertheless, SRAs strive to generate a portion of their funding through lease agreements and rent collection. It is crucial to highlight that historically, SRAs haven't always been formalized, and there are still several non-subsidized SRAs actively functioning in Belgium.</p>  |
| Beneficiaries' contract type | <p>Landlords usually lease their property for a longer period to be managed by the SRAs (usually nine years). SRAs also operate with more permanent contract types, aiming to provide more permanent residence to people from vulnerable groups.</p>   |
| Risk management              | <p>To mitigate the risks associated with the operation of SRAs, close collaboration is needed between SRAs and regional governments. When providing subsidies and regulations for SRAs, regional governments have to be careful not to overload the private rental markets. Given their unique position, SRAs bear significant responsibilities and risks related to both leasing and renting. Consequently, SRAs must assess the financial circumstances of potential tenants, available subsidies and financing from the regional government, and the demands and conditions of the private housing market. However, by implementing appropriate legislation and considering socioeconomic factors, these risks can be alleviated, as evidenced by successful SRA implementations in multiple European countries.</p>  |

|                           |  |
|---------------------------|--|
| Sustainability, stability | <p>There is a great variance in sustainability between different SRAs. There are two major interrelated challenges for sustainability. First, find landlords willing to work with SRA; second, negotiate with those landlords a land price sufficiently below the market rent prices. The differences in available housing stock, funds, etc., between regions further complicate the Belgian model. Due to these factors, SRAs often have to rely on regional subsidies and funds for their adequate functioning. Nonetheless, there are also cases in Belgium – and in other European countries) where SRA has been fully or almost fully self-sufficient.</p> <p>Social rental agencies began in Belgium as a “grass-roots” organization to address housing needs in the 1960s–70s. They were a direct response to the changing socioeconomic landscape, such as increased housing needs, insufficient private rental market, and the failure of politicians to address the crisis. For this reason, new bottom-up initiatives and social movements were born. These precursors of SRAs were aimed at socializing the private renting market, and they were not subsidies in any form and had to function in a fully self-sufficient manner. The institutionalization began in the late 1980s when they achieved wider regional and federal support. This makes the implementation of SRAs in different countries more interesting, as they can be conceived in an institutional manner (current SRAs in Belgium) and the context of social movements (1960–80s Belgium). Depending on the socioeconomic setting of the country that enabled the social housing to flourish in Belgium, SRAs could also be introduced in a bottom-up manner to different regions and 675 countries.</p> |
| Sources                   | <p>Belgian Federal Public Service (2023). <a href="#">Social housing companies</a>.</p> <p>De Decker, P. (2002). On the Genesis of Social Rental Agencies in Belgium, <i>Urban Studies</i> 39(2):297–326. Antwerp.</p> <p>De Decker, P. (2009). Social Rental Agencies: Still a Splendid Idea? In: <i>European Journal of Homelessness</i>. Steunpunt Beleidsrelevant Onderzoek Ruimte en Wonen (2007–2011), pp. 215–230, Brussels.</p> <p>De Decker, P., Sint-Lucas School of Architecture, FEANTSA (2012). <i>Social Rental Agencies: An Innovative Housing-led Response to Homelessness</i>. European Federation of National Organisations Working with the Homeless, Brussels.</p> <p>Digitaal Vlaanderen (2023). <a href="#">Flemish Housing Loan</a>.</p> <p>Housing Europe (2010). <a href="#">Social Housing in Europe: Belgium</a>.</p> <p>Logement social-sociale huisvesting (SLRB) (2023). <a href="#">Society of the Housing some Region from Brussels-capital</a>.</p> <p>The Wallonia (2020). <a href="#">Société wallonne du Logement (SWL)</a> [Walloon Housing Society].</p>   |

## 9. REFERENCES\*

- Augusztin, A., A. Iker, D. Cerovic, and D. Vavra  
2023 [Socio-economic Impact on the Moldovan Economy since the War in Ukraine](#). Norwegian Refugee Council. NRC Moldova & Romania.
- Baciu, A.  
2023 [Interview with experts S. Ghiletschi and A. Ermurachi, experts at the Institute for European Policies and Reforms](#). 23 November.
- Buruiana, D.  
2022 [In 2023, apartments will become cheaper by 10-20%](#). Gazeta de Chisinau. 9 December.
- Council of Europe Development Bank (CEB)  
2023 [Social housing in the Republic of Moldova](#). December 2023.
- Gitlan, V.  
2022 [Real Estate Sector In The Republic Of Moldova And Property Prices In 2022](#). *Mondaq*, 9 August.
- Global Property Guide  
2022 [Moldova: excellent yields in Chisinau](#). 7 November.
- Government of the Republic of Moldova  
2012 [Decision No. 988 of 24 December 2012 on the Housing Construction Project Implementation Unit for the Socially Vulnerable Strata II](#) (updated 2018).  
2014 [Decision No. 75 of 3 February 2014 on the framework of Regulation on the organization and operation of the social service “Family placement for adults” and the minimum quality standards](#) (updated 2020).  
2023 [Decision No. 633 of 30 August 2023 on the organization and operation of the Public Institution Office of Territorial Planning, Urbanism, Construction and Housing](#).
- International Labour Organization (ILO)  
2021 [Decent Work Country Programme 2021–2024, Republic of Moldova](#). ILO Office for Central and Eastern Europe.
- International Organization for Migration (IOM)  
2023 [Migration Governance Indicators Local Profile 2023 – Municipality of Cahul \(Republic Moldova\)](#). IOM, Geneva.
- Ionita, V.  
2022 [Economic Analysis: The real estate market](#). Author’s blog, num. 063. 5 September.  
2023 [In July 2023, Interest on mortgages fell below 10% per annum, which led to the revival of mortgage lending, but the market is still stagnant](#). Author’s blog. 15 September.
- IPN Press Agency  
2023 [Ukrainian refugees positively influenced Moldova’s economy, analysis](#). 24 March.
- Minority Rights Group (MRG)  
2018 [Roma in Moldova](#) (updated November 2023).
- National Bureau of Statistics of the Republic of Moldova  
2023a [Statbank](#). Data set (updated October 2023).  
2023b [Statistical Yearbook of the Republic of Moldova](#).

\* All hyperlinks were working at the time of the writing of this publication.

- Negura, P.  
2019 [The State Policy towards the Homeless in Moldova between the 'Left Hand' and the 'Right Hand'. The Case of Chisinau Shelter. \*Südosteuropa: Journal of Politics and Society\*, 67\(2\):175-195.](#)
- Olsen, A.  
2023 [Impact of Geopolitical Situation on Moldovan Real Estate Market in 2023. Reinvest24. 1 June.](#)
- Parliament of the Republic of Moldova  
2015 [Law No. 75 of 30 April 2015 on Housing \(updated 2024\).](#)  
2022 [Law No. 187 of 17 July 2022 on Condominium \(updated 2024\).](#)
- Pittini, A.  
2012 [Social housing in the European Union. \*TECHNE - Journal of Technology for Architecture and Environment\*, \(4\):21–34.](#)
- REACH  
2023a [Moldova Rental Market Assessment 2023. Data set \(accessed February 2024\).](#)  
2023b [Moldova Multi-Sector Needs Assessment 2023. UNHCR, UNICEF, Chisinau.](#)  
2023c [Moldova Rental Market Assessment. Round 1 \(September 2023\).](#)
- REACH, United Nations High Commissioner for Refugees (UNHCR) and National Social Assistance Agency  
2023 [Moldova Refugee Accommodation Centres \(RACs\) Monthly Needs Monitoring. 6 November.](#)
- Sirbu, R. and V. Cujba  
2022 [Housing quality in the Republic of Moldova. \*Acta Sci. Pol., Administratio Locorum\*, 21\(1\): 139-151. Chisinau.](#)
- The GlobalEconomy.com  
2023 [Moldova: Remittances, percent of GDP. June.](#)
- Tsenkova, S. and M. French  
2011 [Affordable land and housing in Europe and North America. United Nations Human Settlements Programme \(UN-HABITAT\), Nairobi.](#)
- United Nations High Commissioner for Refugees (UNHCR)  
n.d. [Operational Data portal.](#)  
2022 [Cash Working Group Meeting Minutes. 1 December.](#)  
2023a [Daily Population Trends – Republic of Moldova. 1 April.](#)  
2023b [Refugee Response 2023: Partners' Achievements. January 2023.](#)  
2023c [Cash Working Group – 2024 RRP Sector Consultations. 1 November.](#)  
2023d [Request for proposal – Financial Services for Delivering Cash-Based Interventions for UNHCR in Moldova \(RFP/RBE/002/2023\).](#)
- World Bank  
2023 [World Development Indicators. Data set \(accessed December 2023\).](#)  
2024a [World Development Indicators. Data set \(accessed May 2024\).](#)  
2024b [Overview Moldova. 9 April.](#)
- World Economics  
2024 [Moldova's Informal Economy Size. 2 February.](#)





International Organization for Migration (IOM)  
17 route des Morillons, P.O. Box 17, 1211 Geneva 19, Switzerland  
Tel.: +41 22 717 9111 • Fax: +41 22 798 6150 • Email: [hq@iom.int](mailto:hq@iom.int) • Website: [www.iom.int](http://www.iom.int)