

Republic of Moldova
(January 24 - February 14, 1996)

DESIGN OF REAL ESTATE REFORM STRATEGY

Aide-Memoire

1. A World Bank Mission composed of **Claudio Acioly Jr.**, housing and urban development specialist, consultant from the Institute for Housing and Urban Development Studies, The Netherlands, visited Moldova for a period of three weeks to carry out a series of preparatory activities related to the real estate reform program. The Minister of Housing and Municipal Services (MHMS), Mr. Mihai Severovan, and some of his closest assistants were the direct counterparts of the mission. By the time the mission visited Moldova, the grant provided by the Institutional Development Fund had already been approved by the Bank but had not been undersigned by both parties yet. The preparatory mission was only possible due to the financial support provided by the Dutch government.

2. The main purpose of the mission was to assist the Ministry of Housing and Municipal Services in the creation and establishment of a National Real Estate Services Bureau (NRESB) and its advisory committee. This advisory committee was originally formed by the MHMS, Ministry of Economy and Ministry of Privatization. The Terms of Reference (TOR) of the mission also included the drafting of survey questionnaires - first task to be carried out by the NRESB - to identify the profile of the occupants of the existing housing stock, their housing preferences and define affordability indicators; these surveys must provide information about the supply and demand in the incipient housing market, reveal private sector activities and real estate transactions, etc. It also implies the formulation of TORs to guide the inputs of foreign consultants, the identification of local experts with relevant experience in the housing and land development sectors - who will eventually undertake assignments for the NRESB - and to formulate a draft format and agenda for the first real estate reform workshop.

3. The mission carried out a series of meetings with Minister Severovan and his staff; specific meetings were arranged with the future members of the Advisory Board in order to discuss the concepts and the procedures necessary to establish the National Real Estate Bureau. The mission also met several middle level, senior and high ranked governmental officials from central and local governments, private sector entrepreneurs who are active in the real estate and housing sectors and a few representatives of foreign organizations posted in Chisinau (see the list in the annex). The mission appreciates the availability, kindness and assistance of all those people whose knowledge and experience collaborated to the mission's work. It is also important to

mention the assistance of Mrs. Eleonora Rusnac, interpreter and translator, who efficiently act as a truly communication "conduit".

4. The mission discovered that practically no preparatory works preceding the mission had been carried out in relation to the real estate reform program by neither the World Bank office in Moldova nor the Ministry of Municipal Services and Housing as they were not fully informed about the arrival and the TOR of the mission. This meant that the first meetings were used to explain the objectives and the TOR of the mission. A summary of the TOR was translated to rumanian in order to inform Minister Severovan about the content and the different tasks to be undertaken by the mission while staying in Moldova.

5. According to Minister Severovan, the result of this program should not only lead to a clearly developed real estate market strategy but should also define a housing policy strategy. He argues that the population has been waiting patiently for an alternative to have access to housing but the government has been unable to give a response during the last four years. The situation is deteriorating very rapidly. The development of the housing component was emphasized by him during all the discussions carried out with the mission.

6. The mission argued that the real estate sector has a multi-sectoral facet. It covers housing, land and related residential infrastructure. A well functioning real estate market implies the existence of a series of regulatory, institutional, policy and financial requirements which is beneficial and essential for the development of the housing sector as well. It will stimulate the development of financial mechanisms, credit and laws on collateral; it will strengthen land registration and transactions with land and immovable properties, and will stimulate provision of residential space through private mechanisms.

7. The mission was much encouraged to hear from several individuals from the public and private sectors that such an agency, with the mission of the NRESB, is highly needed because it creates a perspective and an opportunity for drawing a strategy and normative acts necessary for the existence of a market-driven housing and real state sectors. It was also mentioned that the NRESB should help the government to define mechanisms for the management of the existing housing stock as well.

8. The mission observed that the role of the NRESB is perceived in different ways by different people from inside and outside of the government. However, the great majority with whom the mission discussed agreed that it is necessary to establish the basic conditions for a housing and real estate market to develop and that there is a need to overthrow the major institutional, bureaucratic, financial and legal obstacles. Some staff from the Ministry of Municipal Services and Housing emphasized that the NRESB should complement the ministry mission and concentrate in the requirements of the market, the development of finance mechanisms and construction works. In this respect, it was noticeable that some people have difficulties to see the policy and strategy orientation of the Bureau.

9. The mission discovered that there is a great disappointment with the 1987 National Housing Program which set ambitious and practically unachievable targets for the year 2005. The National Housing Program aimed at the renewal of 2 million square meters of residential space and the construction of 20 million square meters of new residential space, the equivalent to 400,000 flats of 50 m². An average of 22,223 residential units per year, an annual target never accomplished by the state sponsored production. The mission confirmed findings of earlier works done in this sector which revealed not only a decrease in state housing provision but also a continuous process of deterioration of the existing housing stock. This may explain why a reform program sponsored by foreign funds tend to raise false expectations about the production of new residential space. There seems to exist high concerns for solving the present housing crisis within government circles. This concern was also echoed among private sector entrepreneurs.

10. A key question that emerged during the discussions is related to the official status of the NRES Bureau. Whether it would be subordinated to the government or not. There was a general consensus about the principle that the NRESB will become automatically a formal government institution like many agencies created recently by the Moldovan government since resources are expected to be allocated directly from the state budget (the government contribution). This issue is dealt with in a specific advice given by the mission to Minister Severovan (see the annex). Besides the status of the NRESB, the mission finds even more essential to define the level of autonomy and the prospects of continuity for the NRESB. The name "bureau" was also an issue in the discussions since a few people preferred to call the new entity as an agency instead of a bureau.

11. The meetings carried out with government officials clarified the needed procedures to establish such an entity and provided the mission with an insight about the most appropriate manner to officialize the bureau. The establishment of the bureau should be done through a government decision but one should be aware that the allocation or creation of public personnel positions, salaries, tax exemption and the opening of special bank accounts to manage foreign funds may require an act of the Parliament. This may create some delays in the approval procedure. This was a message given by several interlocutors of the mission.

12. The mission was warned that government taxes and social benefits contribution represent serious burden in the budget of many projects. There is a risk that a large percentage of the grant will be used to pay import taxes levied on the equipments to be purchased if duty tax exemption is not issued in favour of the NRESB. It was also said that income tax and social benefits may consume 70 to 80% of salaries, a fact that seriously hinders the NRESB to recruit good professionals. Altogether this may represent a grave obstacle for the establishment of the NRESB. First, because being a legal entity, the NRESB can only be granted with tax exemption through a decision of the Parliament which may imply delays and political negotiations. Second, if salaries are not attractive, there will be difficulties to recruit good professionals from the private sector. This message was passed to Minister Severovan.

13. The mission discussed thoroughly two main options to establish the NRESB. The first option was to establish the advisory committee or advisory board through a simple and direct government decision. This decision would empower or give the mandate to the board to establish the NRESB through a "ministerial" decree. The text of the government decision should explicitly describe membership, tasks and responsibilities of the board. The second option was to establish both the board and the bureau simultaneously through one government resolution. However, by the time the mission left Moldova, there was no consensus among the provisory members of the board - MHMS, Ministry of Economy, Ministry of Privatization - about the best option to take. A third variant was suggested which included the nomination of the director in the government decision as proposed in option two. Minister Severovan wished to have these options carefully evaluated by a legal advisor in order to avoid unnecessary delays. The mission assumed the second option as a point of departure to formulate a draft text of such a resolution (see annex).

14. The mission also advised Minister Severovan not to enlarge the membership of the advisory board in order not to loose efficiency and accountability of its performance. However, the mission found pertinent the participation of the State Department of Architecture and Construction, the National Agency of Geodesy, Cartography and Cadastre-NAGCC and a representative of the private sector. The work being carried out by the Department has a direct linkage with the the sort of work to be executed by the NRESB. The Department is presently involved in the formulation of a national plan of action in relation to the United Nation's Habitat II conference, is formulating some basic legislation in the fields of physical planning and housing which should be incorporated in the work of the NRESB. The participation of the NAGCC will provide the board with an essential technical and legal support in issues related to property registration and value assessment. A private sector representative would certainly bring a business insight and peculiar interests inherent of private sector activities. The participation of these three entities is likely to give a certain technical balance to the profile of the board. In relation to the size of the board or advisory committee, it was noticed that Moldova has a culture of extended committees which the mission tried to avoid and therefore preferred to call it advisory board. Minister Severovan agreed with this principle.

15. These institutional and legal difficulties to establish a government agency were reported during meetings carried out by the mission. The mission checked these matters with the GAU-Guarantee Administration Unit, the UNDP office and the ARIA-Agency for Restructuring Enterprises Assistance. The heavy taxation of local salaries can become a bottleneck which means that technical assistance funds are being used to pay local personnel. It was said that the formation of public employee positions and the allocation of public and foreign funds cannot be defined by an advisory committee like the one implicit in the IDF proposal. It means that a government decision and even an act of the parliament might be necessary to establish the bureau.

16. The UNDP Moldova recalled a meeting with the formulation mission of the IDF proposal and reinforced its position to collaborate with the program. The UNDP

Moldova is ready to assist both the Ministry of Housing and Municipal Services and the World Bank to overcome these bottlenecks. The UNDP resident mission showed experience in dealing with nationally executed projects meaning that the projects are executed by Moldovan experts recruited by the UNDP through which UNDP rules and regulations are applied. This is a way to overcome institutional barriers. In case difficulties emerge, the UNDP resident representative assumed a preliminary compromise to assist the execution of the program on a cost-share basis for a charge between 3 and 4% of program costs. A memorandum of agreement between the UNDP and the World Bank that allows the UNDP to execute World Bank projects was recalled during a meeting of the mission with the UNDP and could be applied in this situation.

17. In this agreement, the UNDP may implement World Bank funded projects with the consent of the recipient country government. The government remains as an executing agency while the UNDP acts as the implementing agency. This results in a three party agreement. The World Bank acts as the funding agency. The resources are officially granted to the government. The UNDP provides the managerial capacity to implement the program and uses its mechanisms to do procurement of goods, to recruit local and foreign specialists and provide all logistic and office support to the program. Besides there is no need to open a bank account and no worries about imported equipments. In case Minister Severovan encounters difficulties to launch the program and recruit well qualified personnel, the mission finds the option offered by the UNDP as a valid alternative to be considered since it facilitates institutional procedures while offering opportunities to train local professional cadre and build national capacities in program implementation.

18. The counterparts of the mission - officials from the Ministries of Municipal Services and Housing, Economy and Privatization - emphasized the need to define a preliminary statute of the Bureau, its tasks and responsibilities and the functional structure of the advisory board. This was developed by the mission and presented for discussion to Minister Severovan and later to the other members of the Advisory Board (see annex). During the preliminary discussions, the need to establish coordinating mechanisms with other government agencies, departments and ministries whose intrinsic activities are directly or indirectly affecting the real estate sector was emphasized. The principle of continuity arose during the discussions as well and became a major concern of the mission. In a specific advice to Minister Severovan, the mission elaborated some views about the possible services through which the NRESB could use as a self-finance strategy (see the annex). It is necessary to foresee a basis for the continuation of the work once the IDF fund is over.

19. The mission got acquainted with a large scale land development scheme, called real estate Crenoble, situated in the periphery of Chisinau, sponsored by Neftegasgroup, Ltda. from the Group MOLCON. In an area of 25 ha, the Neftegasgroup is constructing a first phase of the project composed of 200 houses/cottages of 300 to 500 m² of built-up area in plots of 600 m². Units are sold at an indicative price between US\$150,000 and US\$300,000. The first phase is expected to attend a population of 3,000 people. All infrastructure and community facilities will

be implemented by the group on a self-contained basis and it was said that on-site energy production will be capable to attend 100,000 people. The mission was very much interested to find out the mechanisms used for land acquisition and the market strategy used to sell the project. It was possible to discuss some details of this plan with the management of the group and the chief architect of Municipality of Chisinău.

20. The land was acquired preliminarily on a lease basis. There is no property rights but the right to use the land for an unlimited period of time. The Municipality of Chisinău has withdrawn itself from claiming back the area. The procedure through which the land was developed showed that there are mechanisms to carry out real estate development schemes despite the existing legal constraints implicit in the land code and land regulations. At first a decision was made to include that piece of land within the boundaries of the city, than to convert it from arable land - agriculture use - to non agricultural land so that the land would be taken out of the agricultural circuit. Through a government decision, the Primaria agrees to convert the use of the land and authorizes the formulation of the settlement design that was made by the Urban Projects Agency. Another government decision defines that the land is clear for construction. Residents are not recognized as physical persons for land property matters but each one will receive a real estate ownership through a special government act once housing constructions/allocation of the plots will be materialized.

21. The Neftegasgroup has a minor interest in the real estate sector but it is acquiring real estate properties to use as guarantees for their investments in other sectors. The group is formulating a series of proposals, drafting suggestions and submitting them to both the government and the parliament in order to dismantle institutional and legal barriers in this sector of activity. It was announced that the group is discussing the establishment of a municipal bank together with the Municipality of Chisinău and will provide banking services to the city, finance city projects and offer banking products to juridical and physical persons.

22. As in other meetings of the mission, the issue of unfinished buildings was also raised during the discussion with the management of the Neftegasgroup. There is a particular interest to make a careful valuation of these buildings and assume the finalization of the constructions and sell part of the residential units on a commercial basis. The group has created a construction company and is agreeing with the municipality of Chisinău to carry out an experimental project of this nature. According to the Municipality of Chisinău, there are about 3,000 flats in unfinished buildings that were started by cooperatives in the city. Data provided by the State Department of Architecture and Construction reveals that there are a total of 180 unfinished apartment blocks. Assuming an average of 60 flats per block, one comes to the conclusion that these buildings can offer a total of 10,800 residential units. The completion of these buildings is likely to stimulate the housing market and offer alternatives for accommodation on a city-wide basis; and the continuity of abandoned constructions represent a significant loss in the Net Material Product of Moldova. If no solution is found within a short-term period, it is worth to assess whether the NRESB can coordinate the formulation of a common strategy with public and private organizations.

23. The mission got acquainted with the existence of several companies operating in the incipient real estate market. Companies such as PRINT Real Estate, Mold Privat Invest, GLIA Ltda., LARA Ltda., TRIADA and Inforimservice. The mission had meetings with the last four companies and could draw a profile of these real estate exchange operators. Most of them have started with the process of privatization and are looking for a "niche" in the real estate market. There is a wild competition among them. They first initiated by conducting auction of buildings and companies and later got involved in the privatization of flats. They act as brokers and mediators between the purchase and sale of flats and houses. They provide assistance to those willing to acquire or sell residential and office spaces. It implies the materialization of the sale/purchase act, registration at the BTI, assistance in the notary office and during registration of ownership title, contract formulation and so forth. One broker got specialized in providing information to the population and giving assistance to those going through a divorce meaning that they assist solving the conflicts and clearing final ownership of the residential units. It was argued that the population is not well informed about procedures, legal requirements and fees related to private ownership of houses and flats.

24. The brokerage activity is booming. Some companies report an average of 60 requests for new houses per month from which only 40% can be satisfied. Besides that, individuals are announcing flats, houses and even plots for sale in the daily newspapers like the russian paper Makler. On January 30, this newspaper was advertising the sale of 290 properties -flats and houses - and 36 plots (despite the fact that the law prohibits sales of land). In Chisinău, a two-room apartment (50-70 m²) is being sold for US\$7,000 to US\$9,000 but those situated in the centre can reach even higher prices. The same flat is being rented furnished for US\$200 to US\$250. Based on market prices, it is already noticeable a certain price gradient in relation to the city centre where the demand is very high. A two-room flat in Ciocana for example is 40% cheaper than in the centre while the same flat in Botanica is only 10% cheaper. These price differentials are motivating these companies to enter in the market of flat renovation since the demand for larger flats cannot be satisfied. It was reported that adjacent flats are being bought and turned into one big renewed flat to be sold for a much higher and profitable price. Some are even buying old houses in the centre to be demolished and replaced by a modern and larger building. Profits are expected to be extremely high.

25. The brokers report a peculiar seasonal behaviour of the real estate market in Chisinău. People tend to be involved in income generation activities during the spring and summer and in the autumn and winter they seem to be prepared to pay for a flat or house. The prices and the supply of apartments in the market are also accompanying this behaviour. It was reported that a significant part of potential buyers are not permanently employed and are often involved in trade business and commercial activities where they earn their living. Tourism shopping in neighbouring countries was reported to be a source of income for quite a lot of people who brings in goods and merchandise from Turkey, Germany and other Eastern European countries. There is a noticeable disbalance in the supply and demand of residential space through which prices are reaching levels that are not compatible with the local power of purchase.

Expatriate experts who are much eager to rent a flat are contributing to this phenomenon by renting flats at absurdly high prices in hard currency.

26. Some real estate exchange operators are earning the respect and recognition of the population but are charging good fees for their services. According to information provided by the BTI, an exchange operator is earning 10% of the transaction cost. For example, a US\$8,000 flat generates US\$80 to a broker while the BTI only earns US\$1.5. On the other hand, notary taxes are said to be exorbitant, a fact that inhibits the new owners to report the exact figures of the transactions.

27. The brokers report the existence of several ambiguities and constraints in the real estate market. There is a lack of basic legislation to discipline their activities; the absence of regulation and mechanisms to protect consumers impedes a sound development of the real estate entrepreneurship; some report the existing difficulties for ownership clearance and the need to have double registration in district notaries, the Pretura (submunicipality office) and the BTI as major barriers to speed real estate transaction. It was also said that the system of two notaries per district, one for odd and even numbers (house numbers) and the absence of one database or property registry allows even flats to be sold twice in one day by perverse businessmen.

28. The BTI informs that there are 150,000 house owners only in Chisinău. According to information provided by the municipality of Chisinău, 80% of the housing stock of the city has been privatized. In theory, only the management of 20% of the housing stock still remains under the responsibility of the municipality. However, in practice, the municipality still continues as the entity responsible for major maintenance tasks and management of the total housing stock of the city. This involves structural repairs, roofing, lifts, utility networks, sanitary questions, entrance and staircases. Despite massive privatization and the increase of private home ownership, very little has changed in terms of management and maintenance responsibilities. The discrepancy is that the occupants have become owners of their flats but the rest remains municipal property. There is no association or condominium that can take over the maintenance tasks of the municipality over the communal sphere. It was said that the Ministry of Municipal Services and Housing is working on a legislation to regulate the establishment of these condominium. For some interlocutors of the mission, this is a work that the NRESB can coordinate as well. The budget request to cover major repair works for 1996 is 42 Million Lei but in February 1996 the municipal department responsible for that had only got 4 million Lei.

29. The mission visited the USAID Pilot Project to Develop Land and Real Estate Markets in order to assure that the works developed by this project would be attuned with the mission's objectives and vice-versa. Although this project has a small scale character - it is only dealing with a selected group of privatized enterprises that as a result of project implementation may acquire the right to subdivide and sell their plots/adjacent land - it might provide interesting precedents and resourceful experience for the NRESB. The project will indicate mechanisms to materialize transactions with urban land, it will reveal lessons about how to surpass the bottlenecks in the present land regulations and offer procedural guidelines in property valuation, registration and

property titling that are worth to be considered in the future by the NRESB. The mission noticed that despite fruitful personal contacts between the staff of the project, the mission and the World Bank office, the project is being implemented within a certain degree of isolation from a series of local initiatives towards the development of a real estate market. It was noticed that if coordinating mechanisms would exist it would bring benefits and strengthen both the USAID project and the establishment of the NRESB. This point is dealt with in the specific advices provided by the mission (see annex).

30. Discussions carried out with the Department of Architecture and Planning of the Municipality of Chisinău revealed that the municipality/primaria is actively involved in land conversion in the city centre from where a significant number of enterprises are being removed or are being planned to be removed. The municipality is reviewing land use zoning and is discussing the "new" profile that these enterprises should eventually assume or new uses that prime land should be assigned. The municipality acts as intermediary between a group of enterprises and help them to develop new sites on a cost sharing basis. There are some internal discussions about land provision in the city centre in order to generate revenues. The municipality seems to be drafting some legal mechanisms to proceed and it was stated that the institution is not in a hurry to get rid of the land stock it controls

31. It was stated that the municipality already possesses a mechanism to allocate land in the city core. However, this is not being put into practice due to a lack of a good and transparent land and property valuation system that can assist in the assessment of the real market value of urban plots. The land code also hinders the municipality to proceed with land supply on a commercial basis in the city centre but in the 14 villages under its jurisdiction, land is being privatized and sold to individuals. The lack of an appropriate methodology for land and property valuation seems to be the major barrier. The mission believes that initiatives undertaken by local governments should be supported and integrated with all the other initiatives. A supportive role that can be played by the NRESB.

32. Analysis of several processes and requests submitted to the Municipal Department of Architecture and Planning shows interesting informal mechanisms of plot subdivision in Chisinău. An individual who has financial resources to build a house makes a deal with another one who has the right to use a particular plot but has no money to build on it. They agree to build a house that is built in such a way that it can be split in two, and sometimes even three parts. This happens after the construction is finished and the act of delivery has been issued by the municipality. Afterwards, legal procedures in the notary office are completed and a request to legalize the plots is submitted to the municipal department. Although the legal/judicial department formally objects this procedure - it is in conflict with the present land laws - the new plots are usually recognized by the municipality.

33. The mission met the Bureau of Technical Inventory in order to assess its potential role in the real estate market. The land property title is being issued by the Ministry of Agriculture but it is expected that the World Bank sponsored cadastre project will prove the viability to transfer this responsibility to the BTI. Traditionally,

buildings are measured, valued and located according to local coordinates and stored in the registry of the BTI. There used to exist a periodic assessment of the conditions of the building stock. Property of buildings were dissociated from the plot in the BTI registration procedures. The pilots of the cadastre project will help to define criteria and methodologies to establish a legal and fiscal cadaster in a coordinated manner. The National Agency of Geodesy, Cartography and Cadastre-NAGCC will lead this process and will be a means to guarantee cohesion in the procedures. It is essential for the NRESB to establish clear linkages with the BTI and the NAGCC in order to attune the steps and developments directly affecting the housing and real estate sectors.

34. The BTI has experience in building valuation which is not being utilized by the municipality. The Chamber of Commerce also reports the experience of 200 experts who are entitled and officially registered as people capable to carry out building/property valuation. These experts have followed courses abroad and charge a fee of 9 Lei/hour for their services. The Chamber informs that they are drafting documents to regulate this activity but it is recognized that there is practically no guidelines to do property valuation. Once more it was noticed that some positive steps could be accomplished if a little coordination among these different entities would exist.

35. The mission received a positive reaction from the company Moldconinvest, a holding representing the interest of 50 large companies in Moldova. They express their prompt attitude to cooperate with the real estate reform program and utilize their expertise in the benefit of the program. The group is formulating a series of proposals, normative acts, legislation, etc. to guide the development of the housing, construction and real estate sector. The management of Moldconinvest expects the program to come out with a clear strategy, concepts and action plans to be carefully implemented. The mission was encouraged to hear their willingness to participate in the investment plans that may eventually emerge from the IDF program.

36. The appraisal of the mission about the responsiveness to the program is positive. Many interlocutors of the mission have expressed a clear intention to participate in the real estate workshops and to carry out contracted tasks for the NRESB if they are publicly announced. However, the mission found difficulties to assess the skills and capabilities of experts from private and public agencies which are necessary to guarantee the quality of the program outputs.

37. The success of the real estate sector reform program is partly depended on its capacity to mobilize the active participation and responsiveness of the major stakeholders from the state, private and community sectors and few foreign delegations posted in Moldova. The mission advises the Ministry of Municipal Services and Housing to use the workshops as a tool to mobilize their participation. The workshop(s) can become a policy tool instead of a solely informative forum. It can become a catalytic instrument that can help to develop a sense of ownership among the major stakeholders. The mission believes that the NRESB can use the first workshop to stimulate the formation of working groups that will assist the formulation of the real estate strategy and the housing policy framework. This is dealt with in depth in a specific advice given by the mission to Minister Severovan (see the annex).

38. The mission considers that it would have been an ideal situation to have the director of the NRESB appointed before or during the stay of the mission in Moldova. That would have given a chance to take some decisions and to discuss content matters related to the surveys and questionnaires, define the concept of the workshop program and elaborate a list of possible participants, and finally define a preliminary list of potential consultants who could have been interviewed by the mission. The questionnaires and TOR should be considered as indicative. Specially because the mission could not make an assessment in depth about the viability and the procedures normally used to carry out household surveys in Moldova. The mission established contacts with the Indicators Programme of the United Nations Centre for Human Settlements/HABITAT in order to assess their availability and possibility to provide assistance to the NRESB in building up the housing indicators and the national housing information system. By the time the mission left Moldova there was no response from UNCHS/HABITAT yet.

39. At this moment, the mission assesses that there are major factors that hinder the establishment of a well functioning housing and real estate markets in Moldova to which the NRESB should pay attention:

- (1) the lack a clear mechanism and methodology for residential land/building and property valuation;
- (2) the absence of mortgage finance, collateral legislation and juridical backup to regulate eviction, defaulting, etc.;
- (3) undefined urban land property titling and the absence of land subdivision regulations, standards and norms;
- (4) the absence of a legislation and a code of conduct to discipline real estate exchange operators/brokers which could protect both consumers and producers of residential space;
- (5) the absence of a housing policy with defined strategies for housing provision through different mechanism, with priority action plans and investment plans;
- (6) the lack of an efficient institutional framework with precise roles and responsibilities of public and private agencies; and
- (7) the absence of basic complementary legislations in the fields of housing and land development

GENERAL RECOMMENDATIONS

40. The mission made specific suggestions to Minister Severovan and to the other two members of the provisory advisory board. They are included in the annex of this report. One provides advices on the nature and future of the bureau, the other one on matters related to coordinating mechanisms and the last one on the nature and organization of the workshops. All these three advices have been translated to rumanian and delivered to Mr. Severovan, Mr. Cucu and Mr. Cheptine. Some of these issues were discussed in the last meeting of the mission with them.

41. The mission would like to stress the urgent need to establish a clear mechanism of coordination which can be exercised by the NRESB when it is officially created. This will maximize the effects of efforts and actions being presently undertaken. It would be desirable to establish a institutional channel in the decision making sphere of the government, giving the mandate to the NRESB to act as a vehicle and the coordinator of all initiatives associated to the real state reform program.

42. The efficacy of the work of NRESB will rely very much in the role played by the director of the Bureau. It is essential that the recruiting of this post are based on clear selection criteria. Experience, managerial capability, acquaintance with policy and institutional development and sense of entrepreneurship must be taken into consideration. It is recommended to have a selection procedure through public announcement and if necessary, the World Bank could provide assistance to the process.

43. The advisory board must consider the offer of a competitive salary for Moldovan standard in order to attract skilled personnel. The simple transfer of public employees from within the state apparatus is unlikely to accomplish the expected results unless some sort of extra allowance is offered. This is an issue that needs to be carefully looked at.

44. The recruiting of the NRESB staff depends on the government contribution. By the time the mission left Moldova it was still unclear how the members of the advisory board would resolve the problem considering that there is a strict control over government expenditure. Besides office space and supplies, basic furniture and general accommodation offered by the Ministry of Housing and Municipal Services, there was a noticeable difficulty to guarantee the resources implicit in the IDF proposal. The mission would recommend the Bank to look very seriously at the present difficulties faced by Minister Severovan to guarantee the resources designated as government contribution.

45. In case the government faces difficulties to establish a competitive staff, the mission would advise Minister Severovan and the World Bank to discuss viable alternatives such as the one offered by the UNDP. The present situation in the housing and real estate sectors demand a quick solution and the immediate start of the program.

46. The NRESB has a major task to produce a final document in which a real estate strategy is clearly formulated. It is imperative that the document assumes the character of a policy document that is not only centred in the real estate problems but it should also appoint directions and mechanisms to develop the housing sector meaning that issues related to the management of the existing housing stock and new housing production should be tackled by the document. It is also essential that the document brings forward action plans that are accompanied by realistic investment plans which can be used to mobilize local and foreign investors.

47. The mission stresses the opportunity offered by the real estate workshop. This event should be programmed and implemented in such a way that it can stimulate the stakeholders to participate and be part in the process of formulating a national strategy for the real estate and housing sectors. The principle of mutual benefits should be the driving force. The formation of working groups can stimulate this and help the NRESB to build a sense of ownership of the program among the major stakeholders. In this respect, the mission advises Minister Severovan and the Bank to translate this report to rumanian, preferably using the services of E. Rusnac, and to spread it among the people met by the mission. This feedback would provide a feedback to their inputs, get the program known and strengthen their expectations for the follow-up actions.

Annex

1. List of People met by the Mission
2. Draft Government Decision creating the NRESB and the Advisory Committee
3. Draft Annex I of the Government Decision, about the goals and objectives of the NRESB
4. Draft Annex II of the Government Decision, about the statute of the Advisory Board of the NRESB
5. Advice on the Future of the Bureau
6. Advice on Coordinating Mechanisms
7. Advice on the National Real Estate Workshops
8. Draft questionnaire Household Survey
9. Draft questionnaire Market Survey
10. Draft questionnaire Transaction Survey
11. TORs of consultants
12. Working Program of the Mission

Annex 1

List of People met by the Mission

GOVERNMENT AGENCIES

Ministry of Housing and Municipal Services

Minister Mihai Severovan

Vice-Minister Alexandru Burbulea

Chief Housing and Energy Supply, Ion Cebotari

Mrs. Zinaida Chistruga, Minister's Assistant

Primaria Chisinau, Municipality

Serghiei Munteanu, Deputy chief-architect, Department of Architecture and Planning-DAP

Alexei Cebaneco, deputy-director Land Administration Service-LAS

Eduard Smirnov, Vice-Mayor Chisinau (Residential Space)

Jorge Rotaro, deputy chairman Use/Distribution Residential Space

Wladimir Modărcă, Chief Architect Primaria Chisinau

Department of Architecture and Construction

Aurel Burciu, Chief Dept of Housing and Construction

Valeriu Isaico, Deputy Director

National Agency of Geodesy, Cartography and Cadastre

Ion Stratulat, general director

Ministry of Agriculture

Ion P. Paliy, Vice-Minister

Ministry of Economy

Andrei I. Cheptine, vice-minister of Economy

Ministry of Privatization

Andrei Cucu, first deputy minister of Privatization

Nicolae V. Croitoru, chief direction of housing privatization of the Ministry

Bureau of Technical Inventory-BTI

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Gheorghe Efros, Executive Director

Agency for Administration of Guarantees for Pre-export Financing

Olga Shklosvskaia, national counterpart

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World Bank

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USAID Pilot Project to Develop Land and Real Estate Markets

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Constantin I. Solonenko, deputy director

Commercial Bank for Construction and Industry-MOLDINDCONBANK

Mr. Turcan, director and general manager

Vasile Cuhai, vice-manager and former minister of Construction

NGGroup-Neftegasgroup

Gregory Koushnir, Chief of Representative Offices of the Company for the CIS and Romania

TRIADA Real Estate Exchange Office

Alexandru Velcev, director

Inforimservice Real Estate Services

Mrs. Reabuhina, Chairlady

Mr. Glebor, Deputy chairman

Chamber of Commerce and Industry

Alexandru Chislari, Deputy Director

Moldconinvest-Company for Investment on Construction

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Georghe Cucu, Vice-President

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GLIA Stock Exchange Co. Ltd.

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