MICROFINANCE CENTRE
for Central and Eastern Europe and the New Independent States

RESPONSIBLE FINANCE AND FINANCIAL EDUCATION IN MOLDOVA

Study conducted by the MFC – Microfinance Centre for Central and Eastern Europe and the NIS

Funded by EFSE – European Fund for Southeast Europe

In Country Analysis: April 2008

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Report: July/August 2008

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Acknowledgements

The MFC appreciates the time and attention of financial sector stakeholders willing to meet with the research team during their visit to Moldova. Given that many financial sector stakeholders cited confidentiality as a main concern, report findings reflect on balance the views of those interviewees able to engage in an open and constructive dialogue.

The MFC is grateful to the European Fund for Southeast Europe (EFSE) for financing the study and to Sylvia Richter and Martin Heimes for providing useful comments on the conceptual framework.

Special thanks to Mamuka Maisuradze and Vera Jerebetskaya of EFSE's Moldova office for setting up stakeholder meetings and for providing logistical support.

Abbreviations

ACSA - Agency for Consultations and Studies in Agriculture (Moldova)
AMCHAM – American Chamber of Commerce (Moldova)
CAPMU - Consolidated Agricultural Projects Management Office (Moldova)
CSR – Corporate Social Responsibility
EBRD – European Bank for Reconstruction and Development
EFSE – European Fund for Southeast Europe
FE – Financial Education
FSAP – Financial Sector Assessment Program
FSP – Financial Service Provider
IFAD – International Fund for Agricultural Development
IFC – International Finance Corporation
ILO – International Labour Organisation
IMF – International Monetary Fund
IOM – International Organization for Migration
JA – Junior Achievement
MLD – Moldovan Lei (national currency unit)
MFC – Microfinance Centre for CEE and NIS countries
MFI – Microfinance Institution
NBM – National Bank of Moldova
NCFM - National Commission on Financial Markets
NGOs – Non-Government Organisations
RF – Responsible Finance
RFC – Rural Finance Corporation
SCA – Savings and Credit Association
USAID – United States Agency for International Development

Executive Summary

International financial institutions and multilateral donor organizations have taken the opportunity provided by the current financial crisis to draw attention to the importance of responsible finance practices (or lack thereof) in countries targeted for investment. In this regard, MFC was requested by EFSE[1] to undertake a responsible finance study in Moldova. The main goal of the study was to prepare a preliminary analysis of various dimensions of responsible finance and to identify possible linkages with the levels of financial literacy in the Moldovan population. The outcome of the study was to develop tailored action-oriented recommendations targeting specific stakeholder groups (i.e. bank supervisory authority, commercial banks, savings and credit associations, MFIs and donors) to further advance the topic of responsible finance in Moldova.

Responsible Finance

Against the backdrop of Moldova's economic and financial sector, the study analyses the practices of financial sector stakeholders in the areas of product delivery, client relationship management as well as regulation.

In terms of *product delivery*, the analysis centers around fair and transparent lending practices, product sales, as well as advertising and marketing of financial service firms. Key findings include the following:

- Increased competition in the commercial banking sector is a major factor affecting all lending practices. In principle, fair and transparent pricing is supported by banks; however, facilitating appropriate financial product selection for clients and the full and transparent provision of pricing is not the priority.
- Aggressive marketing and advertising practices were observed. While information in marketing materials is usually comprehensive and detailed, it is not necessarily easy for clients to understand and compare products. Both in the communication with bank staff and public advertisements, the full costs associated with taking a loan are not fully disclosed.

With regard to *client relationship management*, the study team analysed client complaint mechanisms in place as well as the governance of the institution and the institutional understanding of and commitment regarding corporate social responsibility (CSR). The study concludes that:

- Although channels for complaint or redress exist (e.g. clients can turn to the National Bank or the National Commission on Financial Markets (NCFM)), such mechanisms do not work properly in practice. Since banks do not make these channels known to their clients, there is low awareness by the general public. Currently, there is not a third-party or association advocating for clients. The Consumer Protection Agency does not cover financial products, and there is no governmental agency to address and resolve complaints.
- Given the competitive dynamic of the market and high loan demand, responsible finance has not received the attention of senior management of financial service providers. While CSR budget lines are available at most financial institutions, a clear understanding of what constitutes socially responsible behaviour and linkages to responsible finance are often unknown. Most financial institutions limit the usage of funding to sponsoring events.

In terms of *regulation*, the study analyses the level of regulation of financial service firms, impact on consumer protection, as well as voluntary codes of practice and client compensation in the event of bank failure. The study concludes that:

[1] As a responsible investor EFSE promotes responsible lending practices in the target region and urges partner lending institutions to provide their services in a responsible manner. Through EFSE's Development Facility, the Fund offers complementary non-financial services to qualified partner lending institutions. Technical assistance includes consulting and training services to develop and implement responsible lending practices and prudent client advisory.

- The National Bank is positioned as a strong regulator, ensuring the soundness of the Moldovan banking system. However, there is room for the introduction of additional measures to foster an environment conducive to the implementation of responsible finance practices. The NCFM, a new regulator for non-bank financial institutions, is in the process of developing its regulatory and supervisory regime. This regime may include costumer protection principles.
- After several attempts, two credit bureaus were established in 2008, which are, however, not yet fully operational. As consumer lending is rapidly expanding, the establishment of the credit bureaus is well timed. It is crucial that banks have access to client credit history to make appropriate decisions, mitigate risk and avoid client over-indebtedness.

Financial Education

In addition to the analysis of responsible finance practices, the study assesses the role of financial education and possible links of responsible finance to the levels of financial literacy within the Moldovan population.

The low level of financial literacy that Moldova still faces[2] is characteristic of a transition economy at this stage of development. Against this background, the study analyses the involvement of different stakeholders in the promotion of financial education. Single initiatives such as a non-governmental program focusing on financial education and entrepreneurship education ("Junior Achievement") as well as some initiatives by MFIs and SCAs such as ad-hoc training programs were identified. However, the study concludes that Moldova lacks a systemic country-wide approach to increase financial literacy levels of the population.

The need for financial education was identified on the *demand side* and the *supply side*. Clients of financial services need to be well informed to make financial choices which are a prerequisite for the improvement of their quality of life and economic development. Moldova is in a unique position to promote such development due to large remittance inflows. Remittance receivers are a target group for financial education as they engage in various forms of financial activity. At the same time, financial service providers benefit from financially educated clients as they contribute to a more qualified demand for financial services and better portfolio quality.

The study concludes that a comprehensive *financial education strategy* should be developed on the country level with a *working group* comprising different financial sector stakeholders such as the regulator and government ministries, associations, financial service providers, IFIs and donors.

Action-oriented recommendations for financial sector stakeholders

The study concludes that a) there is a link between financial sector development, responsible finance and the level financial literacy in Moldova and b) that responsible finance and financial education would benefit from coordinated action of all stakeholders to strengthen responsible finance practices and to promote financial education throughout the country.

Relevant stakeholders identified comprise regulatory authorities and ministries, financial institutions including banks, MFIs and SCAs, associations and NGOs, IFIs and donors as well as international investors. The study details areas for improvements and provides action-oriented recommendations on supporting the promotion of responsible finance and financial education for each relevant stakeholder.

[2] Studies show that access to finance in Moldova is only 13% - equivalent to Sierra Leone.

With regard to *Responsible Finance*, the following main recommendations can be drawn:

Product Mix and Fair and Transparent Pricing

- Coordinated stakeholder action to engage all banking sector participants in responsible finance shall be promoted. The regulatory authority should be encouraged to introduce an appropriate enforceable legislation, which ensures the practice of responsible finance. This would include the disclosure of full borrowing costs to clients, comprising net effective interest rates of a loan, all the associated fees, charges, taxes and commissions.

- An initiative by commercial banks should be developed and established, through which the importance of precise legislation for fair and transparent lending practices is advocated to the regulatory authority.

- International financial institutions and donors shall continue their efforts in contributing to raising awareness about responsible finance through different projects and initiatives. Further demonstration effects to bring credibility to good lending practices shall be promoted.

Financial Service Firms' Client Relations and Complaint Mechanisms

- The nature and frequency of client complaints shall be studied in more depth. Public policies and procedures for dealing with complaints shall be established. Simultaneously, banks' institutional capacity for processing, investigating and alleviating complaints should be expanded. In this regard, staff incentives and accountability should be adopted. Management shall adopt a responsible finance mindset and good customer relations shall be further promoted.

- The development of an independent agent or body (e.g. a government administered department) where clients can pursue complaints if the bank's response is inadequate should be supported.

Corporate Social Responsibility (CSR), Governance and Leadership

- Socially responsible financial education trainings and workshops should be rather promoted than spending CSR budget on promotional activities. An idea could be to create staff incentives and sponsor contests to reward design and delivery of financial products with a social/environmental purpose targeted to vulnerable groups.

With regard to *Financial Education* the study concludes that:

- Commercial banks should promote better client communication, staff training and financial education programs for their clients. Banks should engage in a more service oriented vs. sales driven mentality. The role of the Banking Association as a coordinating representative body for the Banks should be strengthened.

- IFIs and multilateral donors (i.e. ILO and EBRD) should look into funding financial education research to estimate financial education needs and assess the suitability of best practices for different target groups. Donors should also consider integrating financial education in programmes targeting the improvement of basic education.

1. Study Goals and Objectives

The main goal of the study was to prepare a preliminary analysis of various dimensions of responsible finance in Moldova and to identify the possible links to the low levels of financial literacy within the Moldovan population. The intended outcome of the study is to develop specific action-oriented recommendations targeted at financial sector stakeholders in order to advance responsible finance and financial education.

Toward this goal, the research team pursued the following specific objectives:

- Analyze policies and perceptions by financial sector stakeholders toward responsible finance; consumer protection and codes of conduct; and to identify synergies with financial education.
- Analyze practical aspects of 'doing finance responsibly' including establishing appropriate complaint mechanisms, transparent pricing, clarity of marketing and advertising, product design and delivery, transparency of loan products and approval processes, HR policies, etc.
- Analyze financial education needs and estimate the scope of interventions for target groups.
- Map financial sector stakeholders by identifying institutions and organizations that support financial education and literacy schemes. Evaluate existing programs, stakeholder level of interest, potential for involvement and commitment.
- Provide targeted, action-oriented recommendations for financial sector stakeholders to advance the agenda for responsible finance and financial education at the country level.

1.1. Methodology

A three person consultant team comprised of Shaun Mundy, Margarita Lalayan and Valentin Suteu conducted 24 meetings to canvas financial sector stakeholders and gather relevant data during a 7-day in country mission. Staff at the KfW/EFSE office in Chisanau helped to set up stakeholder interviews, whereby the research team collected documents and material on responsible finance and financial literacy. Stakeholder interviews included bank management, the Banking Association, the National Bank of Moldova, donors, the government, private investors, insurers, microfinance institutions (MFIs), NGOs, credit unions and other financial sector apex bodies, the consumer protection agency, IMF, World Bank and selected bilateral donors.[3] (Appendix I: Detailed Stakeholders Interview List.) Given the exploratory nature of the study, the interview format was open-ended so as not influence respondents, though identified issues were explored in greater depth. The research team held a final debriefing for KfW/EFSE staff, partner organizations and stakeholders in order to gather feedback for draft recommendations (Appendix II: Study Results Shared at Debriefing).

[3] Although the research team was able to capture many dimensions of the financial sector relevant for advancing responsible finance and financial education, a 7-day study is insufficient for a comprehensive overview. A future study might target relevant mature NGOs (i.e. education, civic society, and economic development), the Ministry of Social Affairs, other relevant Ministries and the government. Due to concerns with confidentiality, not all stakeholders interviewed are listed.

Table 1: Summary of Stakeholder Interviews			
#	**Stakeholders Groups**	**# of interviews**	**Institutions**
I	Regulators	2	National Bank, National Commission of Financial Market (NCFM)
II	Government Agencies	3	Ministry of Finance, Ministry of Economy, and CAPMU-International Projects Management Unit
III	International Financial Institutions	3	IMF, EBRD, World Bank
IV	International Donor Organizations	2	SDC and USAID/ADB project
V	Associations	4	American Chamber of Commerce, Moldovan Banks Assoc., Credit Unions Federation, Consumer Protection Civil Org.
VI	Financial Institutions (including MFIs, banks, leasing companies, as well as one investment fund)	10	**4 Banks**: Agroindbank, Moldindconbank, Mobiasbanca, Fincombank **2 MFIs**: Microinvest, Prime Capital **1 SCA**: Rural Finance Corporation (RFC)[4] **2 Leasing Companies**: IMC Leasing, Total Leasing **1 Investment Fund**: Horizon Capital
VII	**Stakeholder Groups**	**24**	**Total Interviews**

1.2. Problem Analysis

In order to collect preliminary information on the state of responsible finance in Moldova and links to levels of financial literacy the research team interviewed key financial sector stakeholders to gather information, opinions and available data. Reports compiled by the team as well as financial institution's marketing and advertising material informed the problem analysis, the mapping of financial sector stakeholders and initiatives. The study revealed a clear need for further evolution of responsible finance and for financial education in Moldova. Nevertheless, additional fieldwork will be necessary to confirm and develop the initial findings.

[4] RFC is both an apex financial institution lending to SCAs and an association representing SCAs and providing training.

The analytical structure of this report follows the outline of the main research topics:

I. Responsible Finance

1. Product Delivery

- Responsible product mix: to what extent are products and services designed to meet consumer needs?
- Marketing and Advertising Material: how clear is consumer information outside the point of sale?
- Fair and Transparent Pricing: what are the fees, charges and commissions; are effective interest rates disclosed, etc.?
- Lending Principles: especially concerning consumer and housing lending, is there an exclusion list, analysis of debt capacities, analysis of portfolio-at-risk and write-offs, penalty requirements, rescheduling practices, debt collection practices, etc.?
- Staff Training: what is its scope and effectiveness; what are staff competences at financial service firms?
- Lending Practices: to what extent are purchases subject to a cooling off period?

2. Financial Service Firms' Client Relationship

- Complaint Mechanism: are there appropriate and cost effective means to address client complaints?
- Governance and Leadership: how long/short-term is the vision? Are staff held accountable, are there standards for ethical behavior, staff incentives, etc.?
- Good Corporate Citizenship: is there an understanding and practice of corporate social responsibility?
- Information: is product information clear and transparent so as to allow product comparison (provision of basic financial education; privacy of customer information)?

3. Regulations

- Regulation of Financial Service Firms: to what extent are financial service firms regulated and do clients know that they are regulated?
- Consumer Protection: what is the scope and effectiveness of regulation on supervised financial service firms?
- Voluntary Codes of Practice: do they exist and how effective are they?
- Client Compensation: what are the arrangements and procedures for compensating consumers in the event of bank failure?

II. Financial Education

1. Financial Education Needs

- Needs Assessment: overview of financial literacy levels and needs assessment based on research studies and qualitative data from interviews.
- Target Group Segmentation: identification, scale, scope and absorptive capacity of potential target groups among consumers of financial services.

2. Main Financial Sector Stakeholders

- Support for Financial Education: level of interest, potential commitment among stakeholders.
- Outreach strategy: existing financial literacy schemes and potential for future development.
- Opportunity Identification: current stakeholder capacities and potential for partnership.

1.3. Definitions

1.3.1. Responsible Finance

For the purpose of this study Responsible Finance (RF) is understood to mean financial practices where investment and business decisions take into consideration social, developmental, and/or environmental aspects consistent with high ethical standards, in addition to purely commercial logic of profit maximization and risk-return profiles. Responsible finance includes clear and transparent lending practices, responsible product sales suitable to client needs, fair and full information in financial product advertisements. Prudent review of a loan applicant's debt obligations and ability to repay loans on a scheduled basis, even accounting for a minor disruption in income, and a client complaint mechanism are responsible financial practices. RF includes fair and clear loan terms and conditions, opportunities to reschedule debt repayments, trained staff, access to an ombudsman in case of dispute, and existence of an independent agent. Thus, in addition to suitable client services, RF means appropriately tailored products presented in an easy to understand and comparable fashion combined with quality delivery.

The main stakeholders who play a role in RF include government, the regularity authority which attempts to prevent negative effects on the stability of financial systems, regulated financial service firms, shareholders and partners of those firms. Other stakeholders include the consumers of financial products, associations that represent financial sector stakeholders, non-government organizations (NGOs) and multilateral donor agencies active in the financial sector.

1.3.2. Financial Education

Financial education, which helps to improve financial literacy, allows individuals "to make informed judgments and to take effective decisions regarding the use and management of money"[5]. The purpose of financial education is to provide individuals and households with the necessary knowledge and skills to manage their finances in order to realize life-long financial goals. In developing and transition economies, financial literacy promotes financial inclusion by allowing individuals to understand the choices available to them for improving their quality of life, income and net worth through access to finance. While financial education improves money management skills and promotes personal savings as a financial cushion for individuals; smart use of financial resources increases productivity of factor inputs and stimulates growth for the economy as whole.

[5] Orozco report p.2; Schagen and Lines,1996.

2. Country Background

Moldova, with a population of 3.8 million[6], relies on the agricultural sector which constitutes 18% of GDP, 38% of exports, and 41% of employment for economic growth. 61% of the population (comprised of 78.5% Moldovans, 8.4% Ukrainians and 5.7% Russians and a number of small minorities) live in rural areas; while two urban areas, Chisinau, the capital city (700,000 people) and Balti, account for 21% of the population. Poverty affects one third of the people; extreme poverty is estimated to range from 5-16%, mainly in the rural areas. Life expectancy is 68 and 74 years for men and women, respectively. 73% of the population is between the ages of 15 and 64 years.

Table 2: Economic Activity by Sector			
#	**Sector**	**GDP contribution**	**Labor force**
1	Agriculture	17.8%	40.7%
2	Industry	21.7%	12.1%
3	Services	60.5%	47.2%

As with other transition economies of the former Soviet Union, Moldova, the poorest country in Europe (GDP per capita of USD 1,259 in 2007; for comparison, USD 950 in 2006; USD 890 in 2005; USD 766 in 2004; USD 540 in 2003).), is undergoing rapid change from a low economic base. After the collapse of the Soviet Union and declaration of independence in August 1991, Moldova endured a protracted economic crisis. GDP declined nearly three times from 1990 to 1999, compounded by the effects of the Russian ruble crisis in 1998. Growth recovered in recent years. Cumulative real GDP rose 43% over 2000-2005 and the gross national income (GNI) per capita reached USD 1,100 in 2007. Since July 2007, Moldova has been classified as a low middle income country (World Bank), enabling it continued access to concessional funds.

2.1. Economic Development Context

Although improved growth prospects provide an impetus to reform, structural reforms aimed at advancing the transition process and improving competitiveness are still pending. However, the government's goal of EU integration has resulted in some market-oriented progress. The authorities have established a positive track record of macroeconomic stability despite successive recent shocks in 2005 and 2006; including Russia's ban on wine and agricultural exports – recently removed – and doubling of the price of energy imports (natural gas) on which Moldova is highly dependent. The granting of EU trade preferences and increased exports to Russia will bolster GDP growth in 2008, after having returned to 6% real growth in 2007. Nonetheless, the economy remains vulnerable to higher fuel prices, poor weather affecting agricultural output and constrained foreign investment.

Remittances and related domestic demand continue to be the main growth driver. Moldova is one of the most migrant and remittance-dependent countries in the world as a result of the economic crisis in the 1990s when an estimated 30% of the population emigrated. Such a dependency exposes Moldavans to declining income and consumer expenditures, and to rising poverty should remittances drop.

[6] World Bank data, 2008.

Box 1: Remittances are Key to Moldova's Development
▪ At least 27% of Moldova's working-age population is employed abroad, often illegally. ▪ Annual migrant remittances add up to US$825 - 855 million. ▪ Remittances make up 20-30% of Moldova's GDP.

To address dependence on remittances, Moldova is pursuing a poverty reduction strategy based on development of the rural market economy comprised mainly of private family-owned and managed agri-businesses. Promotion of access to finance will be a key component in addition to building market linkages. Access to a full range of appropriate and mainstreamed financial services, including products that support the poorest groups in rural areas is a priority.

The authorities are committed to reform programs given the country's aspirations to join the European Union, and the prospects of financial assistance from the EU and international donors. However, Moldovan policy makers have fewer policy levers than other transition countries. Inflationary pressure on the currency from steep capital inflows due to remittance transfers, combined with fiscal constraints of low income and high development limit options. The National Bank of Moldova (NBM) raised reserve requirements from 10% to 15% to tamp 13% inflation end-2007, and accelerated reserves build-up, which reached USD 1.3 billion. The government increased social and infrastructure spending, but kept the budget deficit at 0.5% of GDP.

Given Moldova's poor performance by external measures – EBRD's transition and World Bank "Doing Business" indicators, and World Economic Forum competitiveness rankings where it fell from 86 to 97 in 2007 due to the weak business environment – authorities face pressure to increase market reform. The IMF's Financial Sector Assessment Program focused on strengthening the supervisory and regulatory framework for the financial system and promoting transparency of bank ownership. Establishment of the National Commission for Financial Markets (NCFM) and financial sector restructuring are among the regulatory and public administration reforms. (Appendix IV: IMF's Financial Sector Assessment Program (FSAP) 2008)

The NBM, an autonomous legal public entity accountable to the Parliament, supervises 16 commercial banks. Bank operations are primarily regulated by two Laws adopted in 1995: Law on National Bank of Moldova and Law on Financial Institutions. Also, the IMF noted that authorities should ensure that implementation of the new AML/CFT law is effective.

Non-financial sector reforms (IMF FSAP '08) focus on the investment climate, including regulatory reforms to streamline procedures for business licensing and registration, one-stop shops, and institutional structure and functions of controlling bodies to reduce business harassment; revision of insolvency legislation and development of bankruptcy procedures in accordance with best international practices; strengthening competition legislation and the effectiveness of the National Agency for Protecting Competition; implementation of the Strategy for Attracting Investments and Promoting Exports; and adoption of the law on public-private partnerships (PPP).

2.2. Financial Sector Overview

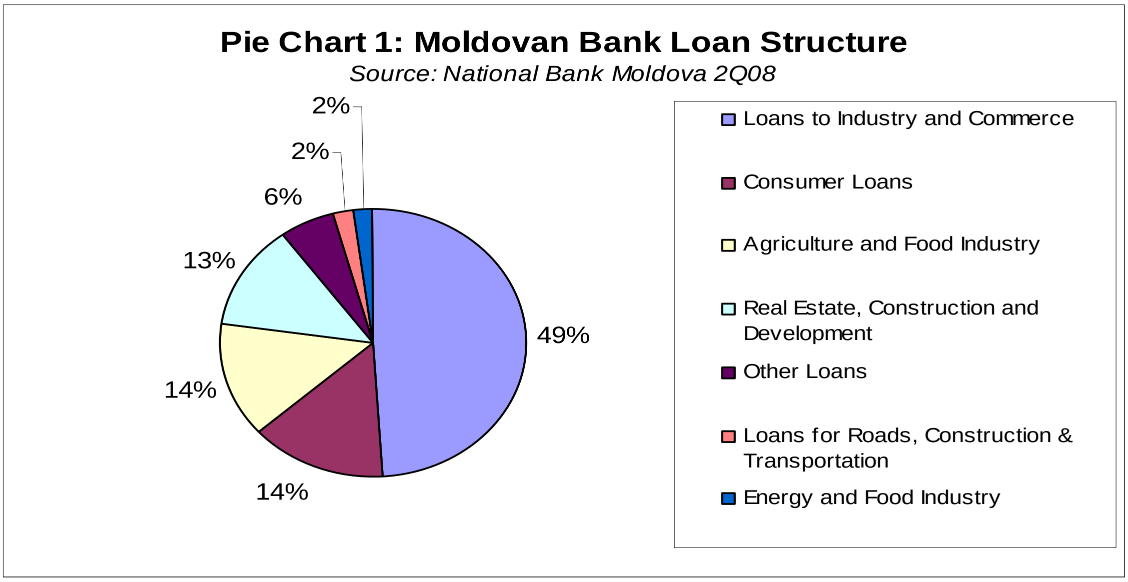
Moldova's stable and growing financial sector has been immune to effects of the recent global liquidity crisis due to weak integration with international financial markets. Although rapid credit growth needs to be monitored, strong capitalization and liquidity insulate the sector from shocks. High profit and interest margins suggest bank competition is inadequate. Reforms to promote financial sector deepening, increased competition and transparent bank practices are needed.

Table 3: Moldovan Financial Indicators[7]					
Economic Indictors	**2006**	**2005**	**2004**	**2003**	**2002**
Inflation	11.62%	13.11%	12.53%	11.75%	5.30%
Deposit Rate	11.88%	13.22%	15.12%	12.55%	14.20%
Lending Rate	18.13%	19.26%	20.94%	19.29%	23.52%
Interest Rate Spread	6.25%	6.05%	5.82%	6.74%	9.32%
Financial Depth	44.35%	42.03%	36.75%	30.86%	28.99%

2.2.1. Financial Sector Performance

While Moldova's financial sector performance is healthy, it lags behind its peers in intermediating savings. Despite doubling of total assets (54% of GDP) and private sector credit (31% of GDP) from 2001-2006, the share of the financial sector in the economy is small compared to Moldova's more advanced neighbors. Capital adequacy was 30% (minimum 12.0%) in 2007. Consolidation of control systems and internal procedures affecting loan provisioning improved credit quality. Total bad loans equaled 3.7% end-2007. However, limited long term liquidity in the banking system (ratio of 0.7) makes it difficult and expensive for SMEs to access medium and long term financing. Most loans with maturities of more than one year are financed by international donors. Loan structure reveals that industry and commerce capture 49% of loans vs. 14% each for consumer loans and agriculture. Banking system stability and high profits enabled total assets to reach USD 2,828.5 mn. (31,978.1 million lei at FX MDL/USD 11.306) end-2007, a 40.6% increase due to extensive bank activity (Appendix V: Financial Sector Market Share of Moldovan Banks).

Chart 1: Moldovan Bank Loan Structure



[7] Data from CIA World Factbook.

Table 4: Bank Structure in Moldova							
#	**Bank Name**	**Year of Creation**	**# of Outlets**	**Total Assets 2Q 07**	**Total Revenue 3Q 07**	**Net Profit 3Q 07**	**ROE % 3Q 07**
1	Agroindbank	1988 (1991)*	87	5,508,921,833	648,709,411	183,892,593	22.1%
2	Banca de Economii	1990	486	4,107,675,179	454,595,221	132,094,222	27.2%
3	Victoria Bank	1940 (1992)*	21	3,235,506,000	405,448,000	131,529,000	29.8%
4	Moldinconbank	1959 (1991)*	50	2,844,959,604	332,930,548	77,787,732	23.0%
5	Mobiasbanca	1990	69	2,198,040,525	301,698,313	67,493,510	22.3%
6	Gruppo Veneto Eximbank SA	1994	59	1,888,398,995	206,435,881	37,579,143	8.2%
7	Banca Sociala	1988 (1991)*	60	1,761,782,945	234,441,038	36,763,382	15.0%
8	Fincombank Banca de Finante si Comert	1993	31	1,229,848,105	164,491,600	32,241,457	16.7%
9	BCR Chisinau	1997	3	1,172,575,358	102,554,167	47,733,302	27.2%
10	Investprivatbank	1994	21	825,091,112	86,116,670	4,669,771	4.2%
11	Energbank	1997	58	760,254,953	102,678,693	33,623,019	21.7%
12	Unibank	1993	18	546,583,472	67,523,212	18,871,658	10.6%
13	Comertbank	1990	1	310,861,778	28,595,178	9,783,383	6.7%
14	Universalbank	1994	8	269,608,162	54,392,574	-5,366,382	-4.6%
15	EurocreditBank	1992	16	184,494,836	27,013,459	10,253,261	8.0%
	* Reorganized/renamed from Soviet-era banks; Ranked by total assets as of Jan 2007; Source: Bank's data						
	Source: National Bank of Moldova; all figures in Moldavian Leu						

2.2.2. Foreign Ownership in the Banking Sector

In 2007 the five largest banks – Agroindbank, Banca de Economii (in the process of privatization), Victoriabank, Moldinconbank, and Mobiasbanca – represented 64% of total assets. The share of foreign investment in banks' capital reached 72%. Three of Moldova's banks are fully foreign owned: Gruppo Veneto Eximbank, Pro-Credit, and BCR Chisinau (Mobiasbanca at 95,3%). Significant ownership changes occurred in 2007. Strategic investment by foreign banks had a dynamic effect on sector expansion. French based Societe Generale took over 95.3% of Mobiasbanca, while Erste Bank of Austria now owns and operates Banca Comerciala Romana Chisinau after acquiring the Romanian parent bank in 2006. An Austrian equity fund acquired Unibank, a small Moldovan bank previously owned by Petrocommerce of Russia. Gruppo Veneto Banca of Italy bought Eximbank, and Raiffeisen has a representative office. EBRD has both equity and debt stakes. IFC, EFSE, FMO and the Black Sea Trade and Development Bank have provided loans.

Thus, despite the need for further improvements in the legal framework for banking supervision and proper application of standards, strategic investors continue to enter the market, facilitating consolidation and competitiveness. In 2006, total FDI in the banking sector increased three times to USD 40.6 million. The National Commission for Financial Markets (NCFM), formed in July 2007 to regulate non-bank financial entities (MFIs, Savings and Credit Associations (SCAs), leasing companies and insurance firms) enhances financial sector sophistication.

Table 5: Foreign Ownership or Foreign Leverage in Moldovan Bank Sector[8]

#	Bank Name	Assets 2Q07 (NBM Data in Leu)	Sector Assets	Foreign Ownership/Equity	Loans (Past or Present)
1	Agroindbank	5,508,921,833	20%	Slovenian group of funds 19.7%	EBRD (past), EFSE
2	Banca de Economii	4,107,675,179	15%		
3	Victoria Bank	3,235,506,000	12%	EBRD (15%); Alphabank Romania (12.5%)	EBRD (past), IFC
4	Moldinconbank	2,844,959,604	10%		EBRD (past)
5	Mobiasbanca	2,198,040,525	8%	Societe General, French (95.3%)	EBRD, EFSE, IFC, FMO, BSTDB
6	Eximbank SA Gruppo Veneto	1,888,398,995	7%	Gruppo Veneto Banca, Italian (100%)	EBRD
7	Banca Sociala	1,761,782,945	6%		EBRD, EFSE, BSTDB
8	FINCOM - Banca de Finante si Comert	1,229,848,105	4%		EFSE, IFC (past)
9	BCR Chisinau	1,172,575,358	4%	Erste Bank, Austria via BCR Romania (100%)	

[8] Special thanks to Nadejda Litvac of EBRD's Moldova Office for providing the most recent foreign investment information.

10	Investprivatbank	825,091,112	3%		
11	Energbank	760,254,953	3%		
12	Unibank	546,583,472	2%	Austrian Equity Fund (100%)	
13	ProCredit Bank*	511,298,792	2%	ProCredit Holding AG, Germany (100%)	EBRD
14	Comertbank	310,861,778	1%		
15	EurocreditBank	184,494,836	1%		
16	Universalbank	269,608,162	1%		
Total Assets		**27,355,901,649**	**100%**		
ProCredit Bank Estim. Assets 2Q07; actual end-'07 Leu 566,788,599 and end-'06 Leu 455,809,025.*					
Banks with Foreign Ownership % of Total Market					**57%**
NBM reports the share of foreign investment in bank capital					**72%**

The EBRD has played a leading role in developing Moldova's financial sector, investing a total of Euro 69.8 million between 1991 and 2007 (Table 5 and Appendix VI). The EBRD has lent funds to financial institutions for on-lending to micro, small and medium enterprises, and has provided capital and guarantees. The EBRD has taken direct equity stakes in banks, supporting the largest banks; including Agroindbank, Victoria Bank, Mobiasbanca and Moldinconbank, in addition to non-bank financial institutions such as the ProCredit (debt and equity), MicroInvest and Rural Finance Corporation (RFC). As a result of its significant investment, any collective stakeholder engagement related to responsible finance should involve the EBRD.

2.2.3. Non-Bank Financial Institutions

Although the non-bank financial sector comprises insurance companies, leasing agencies, microfinance institutions and SCAs, it remains underdeveloped. It plays a major role in rural areas through outreach to the non-banked population (Appendix VI: Overview of Non-bank Financial Institutions). The largest MFIs are ProCredit, which obtained a banking license in 2007 and has targeted the SME sector since its founding in 1999, RFC which lends directly to micro entrepreneurs and on-lends to SCAs, and MicroInvest, founded in 2003, which competes with financial institutions by lending to lower income households in rural and urban areas. Table 6 presents an overview of the three largest MFIs (Appendix VIII: Funds Investing in MFIs).

Table 6: Microfinance Institutions in Moldova						
Institution Name	**Type of Institution**	**Date of Founding**	**Gross Loan Portfolio US$**	**# of Active Borrowers**	**Total Assets US$**	**Foreign Investors: IFIs and Donors (incomplete data)**
ProCredit Bank	Bank	1999	36,468,493	15,267	50,131,661	EBRD, ProCredit Holding
MicroInvest	Non-Bank FI	2003	10,594,413	2,691	24,228,641	Soros, EFSE, Oxfam Novib Fund, Triodos-Doen Foundation
Rural Finance Corporation (RFC)*	Non-Bank FI	1997	3,223,390	1,416	4,230,018	Soros, World Bank. CGAP, IFAD, USAID/CNFA, SIDA, DFID, WOCCU, GTZ

Source Data: Mix Market as of 12/31/07; RFC Data: March 2006 in Planet Rating GIRAFE*

Agroindbank is the one commercial bank active in microfinance lending, a high cost low margin business. The microfinance sector can handle increased competition, which could also arise from regulated banks. However, given their need for collateral to securitize a loan and client data to meet reporting requirements of the financial supervisory authority, banks have been reluctant from targeting micro and small enterprises.

In addition to MFIs, a network of 530 SCAs – set up under the "Law on SCAs" – exist to take deposits from individual members and grant credits to its members.

Although the insurance sector is small and underdeveloped (only 1% of GDP) compared with other CIS countries, demand for insurance is growing. The relatively high number of insurance companies (roughly 32), relative to the small market size constrains margins. There is scope for even further consolidation following what occurred in 2004 when the minimum charter capital for insurance companies was raised. The largest insurance firms are Moldasig, Asito, Donaris-Grup, Carat, Moldcargo and Grawe. Total Leasing has foreign investment from FMO. In April 2005 Parliament adopted a leasing law developed with the Bank's assistance. Presently, there are 8 leasing companies operating in Moldova, but the leasing market is actively developing. Several banks started leasing companies mainly in response to the demand for car leasing.

3. Responsible Finance: Findings and Recommendations

3.1. Product Delivery Issues and Analysis

In addition to stakeholder interviews, the primary means of research for this study, marketing and advertising materials from financial sector institutions were analysed to review the five main product delivery topic areas. The key findings with regard to each topic area are presented in Table 7 below (See Appendix IX for actual product advertising samples). Importantly, some Product Delivery issues attracted more stakeholder attention than others and this is reflected by the degree of analysis.

Table 7: Product Delivery Key Findings

#	Topic Areas	Commercial Banks [Foreign & Domestic] (MFIs & SCAs where noted)	Regulatory Authorities (National Bank of Moldova, NCFM)	Associations, NGOs, IFIs, Donors, and Investors
1	<u>Responsible Product Mix</u> ▪ Availability of appropriate products ▪ Suitability of products for client ▪ Internal bank procedures	Products mainly collateral driven, though some tendencies start to change toward cash-flow. Communication with clients usually not pro-active. Internal systems often bureaucratic, **fair** treatment of customers is not a core value. Risk assessment is often a sole practice, suitability of products is rarely discussed (exceptions apply). Product mix: term deposits, bank cards, savings, money transfers etc.	No specific instructions, regulations or rules in operation. Regulations on microfinance and SCAs a hot topic under discussion. New regulations for SCAs introduced to foster development.	This is not the main issue for these stakeholder groups, though with growth, product cross-selling from RCA (loosely an association) would add value. Many products remain inaccessible to clients except for consumer loans.
2	<u>Marketing & Advertising</u> ▪ Clarity of consumer information ▪ Accuracy of product information ▪ Non-overly aggressive advertising	Information is usually comprehensive and detailed, though not necessarily easy to understand and compare products. Aggressive advertisements and relatively easy access to consumer loans for employed people (relative exceptions – MFIs and SCAs for MSMEs)	Regulations on disclosure of all costs related to the loan exist. However, disclosure regulations focus on providing complete information which may not be presented in an easy to understand and straight forward manner for the typical loan client.	n/a

3	Fair and Transparent Pricing ▪ Disclosure of effective interest rates ▪ Fees, charges and commissions	Main concern is competition, though in theory banks support fair and transparent pricing. Strong emphasize on nominal interest rates, rather than full costs, in order to stay competitive.	The Central Bank has chosen not to impose a law enforcing the display of net effective interest rates. It is currently observing the experience of Russia, where a law on effective interest rates has been introduced and benefits to financial sector competition have yet to manifest.	Strong support from donors and IFIs and common agreement that this needs to be addressed. Banking Association – rather passive.
4	Lending Principles[9] ▪ Client credit review ▪ Exclusion list ▪ Avoiding over indebtedness	Credit review policies and practices exist, heavy reliance on collateral (exceptions apply). Several publish black lists on their web sites.	Left up to financial institutions the setting of separate standards and criteria for targeted groups.	Credit bureaus established, not yet actively in operation.
5	Staff Training ▪ Competence in RF issues ▪ Accountability for RF ▪ Compensation or RF Reward	Usually not in place or often in place on paper only (exceptions apply). Slow progress being observed.	No specific involvement or regulation in operation.	n/a

3.1.1. Overview of the Situation

Effect of Increased Competition from Foreign Owned Banks

Increased competition in the commercial banking sector is a major factor affecting all lending practices. The arrival of strategic foreign investors in the market has raised concerns among domestic institutions over loss of market share and erosion of margins. Over time, foreign owned and operated banks are positioned to perform better in the long run, and may be (should be) instrumental in bringing more transparent practices to the market. However, at the moment, given the sales-driven mentality of bank management and staff, facilitating appropriate financial product selection for their clients is not the priority, nor is full and transparent provision of pricing. Getting business vs. “doing business responsibly” is the norm when the perception is that of a finite pie being sliced up. Although enlightened bankers know that growing market share is more sustainable than grabbing market share and responsible finance helps to retain clients, education is needed to make this point.

[9] While Lending Principles and Practices are important issues to be addressed, there was insufficient time for the research team to delve into these areas during a one hour interview.

Marketing Practices

The research team observed aggressive marketing and advertising materials that were widely available and displayed liberally on street signs, buildings and bank windows and in leaflets. Even when full information was available, it was not accessible to the typical bank borrower either because the information was not presented in language easy to understand, or because critical information was missing. When a client met with a bank officer in person, full information was often not provided unless specifically requested.

Both in the communications from bank staff to potential borrowers, and in public advertisements, the full costs associated with a loan were not made clear. The headline interest rate might have been mentioned, but additional administrative fees, charges and commissions were not always presented in a user-friendly way. When bank managers were asked about the practice of not disclosing the full costs of a loan in one figure, the argument was more or less that none of the other banks do it, so why should we? There was a general feeling among domestic banks that due to competitive pressures they could not afford to employ “responsible finance” practices because it would raise their costs and they might lose customers to the competition. Increased transparency was often equated with increased costs.

On the whole, foreign banks are better positioned to operate in open and transparent manner, while the domestic banks might suffer from exposing the real costs of doing business. Foreign owned banks benefit from greater operational efficiencies, resources – both financial and human – from the home institution and practices more in alignment with responsible finance. Nonetheless, foreign firms operating in the local environment abide by local practices. While they can leverage more advanced IT systems to track consumer incomes and repayment, and staff may be better trained, there is no motivation to operate differently from the other banks if it might appear to put them at a competitive disadvantage by actually revealing the full costs of a loan.

Policy and Practice Gaps Exist

Domestic banks often have gaps in their policies, as well as in implementation of bank rules. Even if the bank has a rules-bound lending principle on paper according to official procedures, it may not be implemented. Lack of control mechanisms to ensure proper communication between the loan officer and the client do not exist. Absent accountability, there is no way to measure performance of loan officers (except for sales), to train and develop staff, or to guarantee fair treatment of clients. There is a limited possibility to know what percent of the time loan officers convey loan terms to the credit applicant accurately and transparently.

As stated, bank service is often not client oriented. Complaint mechanisms, peer review, and client forms - while they may exist – have a limited function in reality. More training is required to raise the level of awareness needed to serve customers ethically based on mutual interest – both the bank’s and the client’s – rather than simply the self-interest of the bank to capture business.

3.1.2. Recommendations

1. RF, seen as a public good, would benefit from coordinated action of all stakeholders to ensure responsible banking practices, including improved communication and IT systems, customer-oriented lending policies and procedures, and improved systems to control or ensure accountability of bank staff in client interactions. The Banking Association constitutes the key stakeholder to promote RF among its members and to co-ordinate sector wide RF initiatives (refer to 3.2.2).

2. Foreign strategic investors and shareholding IFIs share a particular responsibility in promoting RF within their banks through leadership training, technical assistance and exposure to good RF practices. Improvement of governance and leadership involves ethical behaviour, long-term vision and staff incentives.

These banks then act as trend setters for more RF practices in the Moldavian financial market and raise RF issues at the Banking Association.

3. There is also a role for the regulatory authority (i.e. National Bank of Moldova) to play in promoting RF (refer to 3.3.2).

3.2. Financial Service Firms' Client Relationship

The same factors that affect product sales and suitability of product mix – the drive for client capture and market share – determine commercial banks' relationship with their clients. MFIs and SCAs operate on a different less competitive business model. Table 8 below summarizes the main findings in the four topic areas of interest with regard to client-financial institutions relations.

Table 8: Financial Service Firms' Client Relations Key Findings

#	Topic Areas	Commercial Banks (except where noted MFIs or SCAs)	Regulatory Authority	Other
1	<u>Complaint Mechanism</u> ▪ Appropriate and cost-effective ▪ Gets Results	The opportunity for redress exists but not effective in practice.	Have hotlines, but w/ low efficiency and public awareness. Not among the main priorities currently.	Consumer Protection Agencies so far do not include financial products.
2	<u>Governance and Leadership</u> ▪ Management Buy-In RF ▪ Culture of CSR and RF	Financial institutions rely on the regulator, vs. setting their own agenda for responsible finance internally. Given the competitive dynamic of the market and loan demand, RF has not gotten the attention of management. CSR budget lines exist for nearly all financial institutions, however, practice limited to sponsorship events.	Is limited to agreement that the topic is important, but not necessarily urgent, due to stability of the financial system. Regulators have more compelling issues to address on the reform agenda.	
3	<u>Good Corporate Citizenship</u> ▪ People ▪ Planet	MFIs and SCAs claim to be doing social business (working with poorer client), but social performance management systems are not in place to assess accurately the verity of statements. Some emergency savings & loan products are available. CSR budget lines at most institutions.	n/a	Socially oriented investments by IFIs.

4	Available Information[10] ▪ Basic financial product education ▪ Customer Privacy	"Learning by doing" is the overarching practice, some exceptions apply. Customer privacy sometimes broken when banks publish back lists on their web site.	n/a	Some international NGOs and donors involved in financial education programs.

3.2.1. Overview of the Situation

Lack of Information about Client Complaint Procedures

The passive approach to customer service is evidenced by the fact that banks do not make known the channels for complaint or redress; however, they will investigate a complaint once filed. Given that clients may not know how to submit a complaint, or the system lacks credibility, clients may never file a complaint. National Bank and NCFM are places, where customers can complain about negative treatment, however it is commonly agreed that such a mechanism does not work properly due to low awareness of the general public about this channel. No third-party or association exists to advocate for the client since the Consumer Protection Agency does not cover financial products, nor is there a governmental agency to address and resolve complaints.

Weak Governance

Governance and Leadership, more commonly found in advanced industrial nations with many years of experience in open market economies is a new concept in Moldova. Given the only recent influx of foreign strategic investors one may not expect a ready or steady embrace of good governance. Nonetheless, the trend is in the right direction. Moldova's desire to join its European neighbours is positive motivation toward reform. Furthermore, increased competition has highlighted the importance of a strategic long-term outlook for commercial banks; yet management may not have an idea of what such a strategy looks like. There is little experience in this area and competition is threatening.

Corporate Social Responsibility (CSR)

Most commercial banks have a budget line item for CSR, however, there is no clear understanding of what constitutes socially responsible behaviour toward the client and links to responsible finance are unknown. Most banks employ their CSR budget to sponsor cultural or sport events, though a few focus on vulnerable groups. In terms of CSR activities linked directly to the core business of banking, one MFI promotes energy efficient housing loans to improve windows and doors. MFIs and SCAs assume that they are "doing social business" based on their target market, product, terms and businesses practices; however, results are unclear given the absence of systems to track, monitor and measure social performance. There are no social ratings.

3.2.2. Recommendations

1. Banks are encouraged to take a number of measures to improve their customer service quality: (1) clarify and make public policies and procedures for dealing with complaints; (2) build institutional capacity for processing, investigating and alleviating complaints; (3) introduce systems to increase staff accountability; (4) set benchmarks to track and monitor bank - client relations; (5) develop incentives for good staff performance related to fair and

[10] See comments in the previous section for relevant details on the availability of clear and transparent product information to allow product comparison, provision of basic financial education, and customer privacy.

client-oriented treatment.

Banks benefiting from the expertise of their foreign strategic investors and shareholding IFIs should play a leading role in improving customer service quality thereby setting positive signals for improving RF in the banking sector.

2. A contact point for client complaints is required which receives complaints and forwards them to the banks concerned on behalf of the clients and requests feedback. The Banking Association could assume this important task in setting up a Client Call Centre with technical support from an IFI or donor. The NBM assuming this task would be another institutional option (refer to 3.3.2).
3. The Banking Association is encouraged to set up a working group on RF with technical and financial assistance from an IFI, a bilateral donor or the EFSE DF. Among others, such a working group would promote RF among its members through joint training and exchange programmes.
4. Donors should support Moldovan MFIs and SCAs in social performance management through exposure programmes at comparable MFIs in the region (e.g. Agroinvest in Serbia that has identified measurable indicators, adopted data collection methods, and established social performance objectives for employees) as well as training and technical assistance through social performance initiatives and networks, such as ProsperA/Cerise and ImpAct.

3.3. Regulation

The main findings related to regulation – the legal obligation to advertise fair and transparent loan terms, including net effective interest rates, and an independent complaint mechanism – are shown in Table 9 below, followed by an overview of the situation and recommendations.

Table 9: Regulation: Key Findings11

#	Topic Areas	Role of the Regulatory Authority	Commercial Banks	Other
1	Regulation of Financial Service (FS) Firms ▪ Extent FS firms regulated ▪ Ability to confirm if firm is regulated	National Bank positioned as a strong regulator, ensuring soundness of banking system. NCFM as a new mega-regulator for non-bank financial institutions is in the process of building capacity.	Perceive regulation as “sound”, with some “overregulation” in place.	
2	Consumer Protection (CP) ▪ Scope of CP ▪ Effectiveness of CP re. regulated FS firms	Prudential regulation for deposit taking activities (banks, savings and credit associations, MFIs) operating. Complains management system within both regulators exist, though not fully effective and efficient.		Consumer Protection Agencies do not deal with financial products yet. Law on protection of consumer

[11] Voluntary Codes of Practice and Client Compensation in case of bank failure were not raised by stakeholders interviewed for the study. As such, these issues are not extensively addressed in the text.

				rights exists. Law on Credit Bureaus approved.
3	Voluntary Codes of Practice ▪ Existence ▪ Effectiveness		Code of Ethics mentioned as existing, but not very actively referred to in practice.	
4	Client Compensation in the Event of Bank Failure	Related regulations and law exist, amounts still relatively small, public awareness not high.	Clients' awareness is not pro-actively built.	

3.3.1. Overview of the Situation

Bank Regulation and Consumer Protection

As in the case of other transition economies, bank regulation is affected not only by those rules imposed by the supervisory authority – the National Bank of Moldova (NBM) – but through the awareness and understanding of those rules by banks, their actual implementation, and enforcement. Furthermore, banking supervision is one area among many and disclosure of consumer credit terms a sub-area requiring the attention of authorities. Given lack of experience, authorities look to their neighbouring countries. Russia's laws, which have been influencing Moldova's authorities, and Romania's laws, currently in compliance with the EU, provide two different examples.

The NBM has instituted regulations on bank transparency that address publication and availability upon request (including a website) of the banks quarterly financial statements. Banks must also make available three-year historic financial data (annual report, balance sheet, income statement, audit opinion, risk management statements and accounting policy). Although the NBM requires the banks to make loan terms and costs available to the client, banks are not obligated to make the information clear and easy to understand. Banks are also not required to make the net interest rate explicit to customer. As noted in the earlier section on fair and transparent pricing, interest rates quoted by banks are often misleading. Full disclosure of relevant costs and explanation of the calculations used to derive the cost of the loan are not made clear to the client. Bank customers often do not understand the costs of the loan, and are unable to make a fair determination or choice among alternatives for the best product.

Case Study 1: Moldovan and Romanian Banking Regulation in Comparison	
Moldova	**Romania**
Case regulation NBM 15.2	**Law on Effective Interest Rates**
The Bank shall disclose within each bank's office as well as on internet sites, information on the conditions of credit extension to individuals. The disclosure shall include, but shall not be limited: • Sum of the credit (min/max); • Term of the credit (min/max); • Interest rate paid by the client (min/max), as well as the absolute interest calculation method; • Other payments to be paid by the client and not included in the interest rate (min/max); • Method (annuity rate, full) and the frequency of payments; • Documentation necessary for obtaining credit; • Credit insurance forms accepted by the bank.[12]	Before the contract is signed, the creditor has the obligation to present: • Article 6, point a.: the credit contracts that it offers, the type and total amount of the most adequate credits, taking into consideration the financial position of the consumer, the advantages and disadvantages associated with the proposed product as well as the purpose of the credit;... • Article 6, point c3.: a description of the credit conditions, including the credit value, the DAE (effective interest rate), the interest rate, the repayment schedule and the debtor's purpose or reason for soliciting the loan.

The Romanian Law, in contrast to Moldova, relevant for disclosing credit terms to borrowers requires that the net effective interest rate be made clear to the client prior to signing the contract. While there has been debate among stakeholders as to the merits of an enforceable law on net interest rates, authorities may have been influenced by a ruling in Russia where commercial bank disclosure of net interest rates was non-binding until recently. One authority interviewed for the study noted that the existence of the Russian Law has made little difference on market practices.

Case Study 2: Russian Recommendation on Effective Interest Rates
The Bank of Russia's Letter No. 78-T from 1 June 2007 clarifies the procedure for the calculation of the effective interest rate and the ways to convey this information to the borrower. The list of costs for mandatory inclusion in effective interest rates are: ▪ several types of commissions, ▪ various types of service fees, ▪ interest on loan,

[12] *Official NBM Monitor, No 163-165*. Regulation on publishing information on financial activity by authorized banks of the Republic of Moldova: http://www.bnm.md./en/regulations_surveillance

- payments to third related parties (e.g., insurance companies or notaries).

Information on calculation of effective interest rates for bank cards was also given. The list of costs which can occur on the side of the borrower (e.g., repayment costs, or cost of ATM service if the credit is covered by cash withdrawn from ATM machine, and others) are given as well – these can be avoided when effective interest rate is calculated. The Letter also provides sample calculations of the effective interest rate for different types of loans. The procedure however carried only a recommendatory character.

The Russian experience is telling because it shows how a non-binding letter recommendation with respect to effective interest disclosure evolved into a law. Although the "letter" issued by the Central Bank (CBR) in June 2007 only recommended vs. enforced disclosure of net effective interest rates to borrowers, including an explanation for the types of costs and cost calculation, there was an impact on the banking sector. Banks began to apply the recommendation and as a result, banks were prepared when in July 2008 the CBR made disclosure of total cost of credit mandatory. Nevertheless, research published by The National Agency of Financial Research in September 2007 showed that only 50% of relevant financial sector stakeholders were aware of the recommendation, 16% reported a better understanding of bank credit conditions, and 11% said they would no longer borrow due to distrust related to the "disclosure campaign". Moreover, there were challenges in implementing the disclosure recommendation because the formula for calculating the effective interest rate was complicated and not easily understood by the client. Some banks used creative means to circumvent the law or lacked staff competence to implement it. Banks avoided complete inclusion of costs by signing two contracts with the client: the interest rate was put in one contract, and other fees and commissions in another.

Non-Bank Financial Institution Regulation and Rules

The National Commission of Financial Market (NCFM) – a new "super-regulator" – was recently created to regulate/monitor/supervise non-banking financial institutions (i.e. MFIs, SCAs, insurance and leasing companies and securities markets). The NCFM is still developing its regulatory and supervisory regime, practices, institutional capacity and reputation.

Case Study 3: National Commission of Financial Market Sample Rules

- A set of main points for inclusion in agreements, including fees and commissions, are being developed for the securities market.
- A deposit guarantee fund is in place, although the size of the guarantee is relatively small (4500 MLD per person per bank).[13]
- Insurance brokers are required, by regulations enforced by the NCFM, to ensure that a product is suitable for the client and to provide the client with a choice of products.
- There is a 20 day cooling off period after contract signing for certain insurance products.

Credit Bureau

The Moldovan Law on Credit Bureaus (effective July 29th 2008) is waiting for approval in Parliament. After several attempts, two credit bureaus were finally established in 2008 – lack of agreement, relatively high costs, and challenges in complying with data submission standards made this process difficult.[14] The first credit bureau was established by IMC Infocredit, a

[13] Moldova Financial Sector Assessment, WorldBank, p12, 2005. Since the deposit guarantee fund is not well known it is not serving as many clients as possible and is not reassuring those who are wary about depositing money in a bank.
[14] According to stakeholder feedback, a credit bureau existed for two years, but only on paper.

Moldovan company partnering with Creditinfo Group (Island), which was involved in setting up credit bureaus in Georgia, Kazakhstan and Ukraine. The Moldovan Banking Association established the second Credit Bureau. Both initiatives are private.

Establishment of a credit bureau is well timed since the consumer lending market is developing rapidly. It is ever more critical that banks have access to client credit history in order to make appropriate decisions, to mitigate risk, and to avoid client over-indebtedness. (Appendix X: World Bank Doing Business Credit Indicators Romania and Moldova) In the absence of credit bureaus, several banks had published black lists of non-paying clients on their web-sites. Banks had been conservative in making client information available to other banks for the following reasons: over-reliance on internal risk management practices, the market was considered small and information about potential clients relatively available, distrust and a desire to function independently. The cost of service was considered unnecessarily high.[15] Although several banks had signed agreements with the credit bureau when the research team visited Moldova, both were at a nascent stage of development and had yet to become fully operational (expected as of end 2008). Other service providers such as mobile connection and insurance companies are expected to sign agreements to submit information to the credit bureau.

3.3.2. Recommendations

1. An enforceable regulation of the NBM on the mandatory disclosure of full borrowing costs to the client, loan terms and conditions and effective interest rates would be an important instrument to promote RF.

   IFIs and EFSE could facilitate this through a dialogue with NBM and an exposure of the NBM to best case practices. The exchange with other central banks may be the most effective approach to sensitise the NBM for promoting RF despite its other regulatory priorities.

2. The enforcement by the NBM of existing rules, such as those that require banks to reveal their management and board structure, and to make their financial statements available, is important to promote effectively RF.

3. Both a contact point for client complaints and a unit for consumer protection addressing irresponsible lending practices and the non-publication of bank statements are recommended (refer to 3.2.2). The National Bank of Serbia offers a good case example with its Call Centre and Centre for Financial Service Consumer Protection.

   The EFSE DF could facilitate an exchange between the National Bank of Serbia and the NBM as well as other central banks under its RF Programme.

4. The Banking Association is encouraged to set up a working group on RF with technical and financial assistance from an IFI, a bilateral donor or the EFSE DF. Among others, such working group would collaborate closely with the NBM on RF related regulation and consumer protection issues.

5. Advice and technical assistance from an IFI or bilateral donor would be essential in setting up a single credit bureau shared by all financial institutions in close dialogue with all stakeholders (the two established credit bureaus, the Banking Association, the financial institutions and the NBM). The credit bureaus in Romania and Poland could serve as good references.

[15] The investment into IMC Infocredit CB is around USD 2,000,000 to date.

The task of implementing responsible finance practices falls to the financial sector stakeholders. The preceding analysis, findings, recommendations, and mapping excise are summarized in Table 10 below.

Table 10: Summary of Responsible Finance Stakeholder Roles and Responsibilities

Stakeholders	Current Good Practices, Policies and Perceptions	Areas for Improvement	How to Implement Changes
National Bank of Moldova	• A developed regulator • Prudential regulation for deposit taking activities (banks, savings and credit associations, MFIs). • Deposit warranty law (for up to 4500 MLD) and Deposit Guarantee Fund is in effect. Some regulations on transparency and information disclosure by financial institutions are in place. Law on credit bureaus.	• RF is not perceived as a priority yet. • Need to introduce disclosure rules which require full consolidated costs of a loan be revealed to the borrower. • Rules for management of bank client relations, communication and fair treatment. • Increased activity and visibility for the National Bank as an independent agency responding to consumers complaints.	• Raise awareness about the importance of the topics with the National Bank leading the effort to develop and implement rules. • Regulators need to be on board, supported by international organizations in identifying optimal solutions.
National Commission for Financial Markets	• Work in progress to research and apply good regulatory practices for MFIs and SCAs. • Several relevant laws and regulations exist to support a framework for responsible insurance and securities markets. • Rules on best execution in securities market. • Law Prevention of Insider Trading.	• New regulator, still in the process of building capacity. • RF seems not to be a priority; but rather the attention is to establishing the right regulatory foundation. • Insurance, securities and microfinance markets still underdeveloped.	• Raise awareness through involvement in responsible finance activities as a member of a working group.
Banks	• Introduction of reputable foreign banks to the market have influenced communication practices. • Several banks slowly becoming more pro-active vis-a-vis open communication and transparency with clients in response to changing market conditions and demands. • Detailed informative marketing materials are	• Although marketing materials are detailed and abundant, they are not user-friendly, nor do they make clear the full cost of the loan to facilitate consumer choices. • Banks lack a visible and effective customer complaint system. • Internal systems and procedures are often do not promote fair	• Support needed to develop policies, procedures and systems for building bank capacity in the areas of human resource management, marketing, communication, customer service and internal control.

	usually available. • Few institutions have strong marketing, human resource systems or management accountability for instilling RF.	treatment of customers, or only in theory, not practice. • Many banks link responsible finance to higher costs per customer.	
Savings and Credit Associations (SCAs) and Microfinance Institutions (MFIs)	• Appear more open and transparent. • SCAs are based in local rural communities, have personal client contact. The perception is that they treat their members well, providing information in an open manner; in terms of transparent product details and client support for suitable financial product selection. • Have a simple, limited and understandable menu of products.	• Most credit unions (> 80%) are relatively weak and may continue to provide only credit. • The limited number and scope of deposit taking organizations restricts access to these financial products for the majority of the rural population. • Only two visible MFIs are operating in urban areas, and with limited coverage.	• To facilitate access to simple, understandable microfinance products, the development of SCAs and microfinance market is needed. • NCFM requires stronger regulatory muscle and capacity building.
Associations	• The Moldovan Banking Association has all 16 Moldovan banks as members. • The MBA hold the National Bank accountable for introducing RF under one of its several relevant regulations. • One credit bureau was recently established by the Moldovan Banking Association. • A network of consumer protection associations exists in the country.	• MBA does not seem to be involved in the researched issues and does not envision a role in responsible finance for now. • Neither of the two credit bureaus is operational yet. • The Consumer Protection Agency does not cover financial products and services.	• Raise awareness and increase involvement in responsible finance activities as a member of a working group. • Staff at the Consumer Protection Agency should be trained in financial service products to protect the financial consumer.

4. Financial Education: Findings and Recommendations

Financial education plays a complementary role to the development of responsible finance. The purpose of financial education is to provide individuals and households with knowledge and skills to manage their finances in order to realize life long financial goals[16]. Financial education empowers people to make prudent financial choices to optimize income and have better control over household finances. Such skills and knowledge are particularly important in transition economies, such as Moldova, where full and fair information may not be disclosed.

Table 11 below summarizes the key findings regarding stakeholder involvement in financial education in Moldova, followed by a more detailed analysis and recommendations.

Table 11: Financial Education Key Findings

Stakeholders	Current Good Practices, Policies and Perceptions	Areas for Improvement	How to Implement Changes
National Bank of Moldova	• There are no major activities; nonetheless plans include raising awareness about the role of the National Bank and its actions. • Financial Education needs to be introduced in a structured and comprehensive way. • There is insufficient capacity inside the country to implement structured changes.	• Lack of support for programs as of now.	• Raise awareness and involve in responsible finance activities as a member of working group.
National Commission for Financial Markets	• Since the NCFM is at an early stage of development, it is focused on other priorities.	• Lack of program support for now.	• Raise awareness and involve in RF activities as a member of working group.
Government	• Financial education is seen as important. • Ministry of Economy is well positioned to lead any national level project/activity. • Ministry of Economy is suited to promote Financial Education given its mandate to develop Moldova's human resources. • Several agencies in addition to MOE exist. • Competitiveness and Productivity Centre of Moldova "ARIA" can be involved potentially. • Ministry of Economy announced	• A national strategy for financial education is not in place. • In addition, Moldova lacks the capacity to develop and train staff for such an endeavor without the assistance of foreign donors.	• Ministry of Economy to becoming a national leader in the area of financial education. • Work with Ministry of Economy, its staff and related affiliates to develop a national strategy. • Build commitment among other

[16] Fox, Bartholomae, Lee 2005.

	an action plan for the development of remittance recipients, including financial education. • Ministry of Education partnering currently with Junior Achievement on financial education for youth.		stakeholders and partners. • Ministry of Education leading the change in school program.
Banks	• Educate clients through experience. • Some educational activities (i.e. presentations to large groups) are often biased and linked to new product promotion. • Several banks were involved in a project with ILO/IOM providing impartial counseling for remittance recipients. • Ad-hoc trainings by foreign banks in the context of their social responsibility activities. • Some banks insert leaflets on financial products with brief information on personal money management in popular local newspapers or in their own publications.	• Banks can pro-actively help to develop the nation's financial management skills through direct or indirect involvement; though they may request funding. • Neutral and unbiased information provision and knowledge transfer should be the norm.	• Work with banks, training their staff / representatives to transfer materials. • Work with Moldova Banking Association on promotion of financial literacy issue.
Saving & Credit Associations (SCAs) and Microfinance Institutions	• Educate clients through experience. • Up to 5 SCAs were involved in a project with ILO/IOM and providing impartial counseling for remittance recipients.	• SCAs and MFIs can pro-actively develop financial management skills of the population through direct or indirect involvement (funding). • Neutral and unbiased information provision and knowledge transfer should be the norm.	• SCAs can engage in educational activities since they are a natural delivery channel for knowledge in rural areas. • Staff should be trained.
Associations	• Moldova Banking Association does not consider financial education within its scope. • SCAs federation's functions are being transferred to the Rural Finance Corporation (RFC). RFC considers financial education an important and needed intervention and is willing to support the initiative; however national leadership must be secured.	• The SCA and Banking Associations can coordinate financial education activities of their respective SCA bank members.	• Need to raise awareness of the MBA and advocate for financial education. • RFC appears ready to become an active player.

4.1. Financial Education Needs

The lack of data prevents exact mapping of financial education needs; nevertheless, the research team found a link between financial sector development, responsible finance and the level of financial literacy in Moldova based on interview findings and analysis. Two recently published reports further confirm the link between increased access to finance and financial education.

1. Manuel Orozco (sponsored by ILO), "Planting the Seeds of Financial Inclusion: Financial Literacy for Remittance Recipients in Moldova", 2008.
2. EBRD, "Moldova National Public Opinion, Survey on Remittances, 2007.

A phone interview and email correspondence with Junior Achievement of Moldova, the only organization that offers complex economic and entrepreneurship activities (teacher trainings, didactic materials, hands-on activities) in schools to students, confirms such a link.

Basic information on the level of financial literacy and needs assessment for target groups is available:

- Urban dwellers and young people have a relatively higher level of financial literacy.
- Remittance recipients have a relatively higher level of financial literacy.
- Returned migrants have a higher level of financial literacy then non-migrants.
- Financial literacy is lower among people in rural areas (61% of the people) and older folks.
- Financial education is not addressed systematically in schools or by banks.
- Except for Junior Achievement, NGOs, associations, donors and IFIs are not involved in financial literacy programs or campaigns.
- Neither the Banking Association nor the Consumer Protection Agency, which does not represent financial products, promotes financial education.
- Despite the obvious link to long term business development, commercial banks have played no role in promoting financial education except to provide occasional training to existing clients on new products. Thus far, the aim of bank financial education is short term sales development, not client or community outreach. This is consistent with the banks' perceived role as sales vs. service organizations.
- MFI and SCAs offer hands-on learning opportunities for targeted client groups due to their: 1) lending practices, 2) location in rural areas, and 3) loans to micro and small enterprises. Some of them offer training programs on an ad hoc basis.

4.2. Target Groups and Stakeholders

The low level of financial literacy among target groups in Moldova is characteristic of a transition economy at this stage of development. Financial education has an important role to play in building trust in the formal financial sector, especially given that its reputation was damaged due to the economic crisis of the 1990s. The need for financial literacy, and thus financial education, can be tracked on both the demand side (potential clients) and supply side (financial service providers, including mainly banks, MFIs, SCAs, leasing, mortgage and insurance companies).

Demand Side – Potential Clients

4.2.1. Demand Side: Consumers of Financial Products

Given the very low level of access to finance in Moldova, both human resource potential and national productivity are constrained. People lack information to make financial choices which are prerequisites for improving their income and quality of life. Poorer people and vulnerable groups that lack savings or the ability to manage their finances, let alone accrue wealth, are even more susceptible to shocks and disruptive events. Better educated target groups such as young people or employees (as well as in general those living in Chisinau) need to be able to make full and efficient use of the financial means available to them. Individuals need to be able to assess their personal financial situation to reach their financial goals.

The link between financial education and responsible finance is all the more apparent in light of the passive attitude of banks toward customer service, the lack of clear and concise information on lending terms, and lack of transparent disclosure of net interest rates. First, potential bank customers need to know what questions to ask, then they need to understand the answer, and finally, they need to demand service to defend their right to access finance. Consumers of finance (i.e. bank clients) need confidence in their understanding of finance to be able to pursue a complaint with the bank or third party agent.

Thus, current and potential bank clients require financial education to 1) manage their money better, 2) create savings and build wealth, 3) make informed financial decisions, and 4) to be able to demand customer service. In an open economy they also need to be able to advocate for themselves through an association or member of community group to ensure their interests. Individual consumers can have greater financial security through money management skills.

4.2.2. Demand Side: Remittance Recipients

Due to the fact that nearly a third of GDP comes from migrant remittances and over a quarter of the population receive remittances, Moldova is in a unique position to promote local economic development. At a critical turning point in its development strategy, Moldova is now supporting more investment driven growth then consumer spending. Remittance receivers are particularly ripe for financial education as potential banking clients and consumers of financial products. Remittance receivers need to be able to save their money and put it to productive use to increase assets through building or repairing a house, or through investing in a business. Also, educated remittance recipients can make prudent choices with their financial inflows and demand increased availability of non-credit products (i.e. leasing products, savings accounts and insurance policies). An informed financial consumer is likely to keep remittance receipts in the formal economy.

The Orozco report reveals that remittance receivers engage in all forms of financial activity more than non-remittance receivers and have a higher level of awareness and knowledge of financial concepts including: saving, borrowing, budgeting, insurance and remittances.

Case Study 4: Financial Characteristics of Remittance Recipients[17]
1) More recipients who pick up money at the bank (and not elsewhere) have a bank account (20%). 2) A majority (72%) of those picking up money at banks put their money in savings. 3) The amount of money saved increases incrementally with the frequency of money received. 4) Account ownership is heavily associated with savings and investing: 58% of those who save and 31% of those who invest have bank accounts. 5) Female recipients save more money than men (US$2,400 vs. US$1,800), but have half as many bank accounts as men. This is particularly important because two-thirds of remittance recipients are female.

An EBRD study shows that remittance recipients are different from the general population, which is valuable information for designing a financial education strategy for remittance receivers (a program is already being developed through ILO/IOM). Whereas 14% of the general population has a bank account, 19% of remittance recipients have one. Still 20% of remittance recipients have a bad or distrusting view of the banks and cite the following reasons for their negative opinion: bad experience with banks (36%), banks charge too much (25%), their money is not safe in a bank (23%), not familiar with banks (8%), and banks do not treat people well (6%). Another 20% of remittance recipients do not know how to rate the banks' service.

Supply-Side

4.2.3. Supply Side: Financial Institutions

One would assume that managers of commercial banks, who have the largest share of the financial market, would recognise their stake in supporting and promoting financial education. Informed customers may demand better service and be able to conduct cost and product comparisons; however, financially solvent clients are also repeat clients and are good for the bottom line. Banks want to deal with informed customers because it makes their job easier. Loan officers can spend less time with a financially educated client than one who lacks basic financial knowledge. Also, banks are at less risk for lending to over-indebted clients if educated clients self-select and understand the need for full and transparent information on loan terms. Finally, as the market becomes increasingly dynamic due to the entrance of foreign strategic investors in the commercial bank sector, top performing firms will compete for the better clients. Since financial literacy can be acquired through training and education, the market can expand.

4.2.4. Supply Side: Regulatory Authority and Government

Authorities and government ministries should support financial education for two reasons: 1) a financially literate population poses less risk to the long term viability and solvency of the financial system, and 2) financially literate people are more productive and less dependent on the state. Given the fiscal burden faced by the state due to the need for funding to support infrastructure development and social assistance programs, government may be tempted to think short term. Nonetheless, the pay back for financial education and financial literacy programs is clear. Countries that have higher literacy attract more foreign direct investment. On a national level, financially literate people also contribute to savings, which fuels investment and growth.

[17] Orozco Report, p. 4.

4.3. Key Stakeholder for Program Building

Non-Government Support: Junior Achievement (JA) enterprise and education programs are designed for young people ages 6-25 and are implemented through a partnership between local businesses and schools. JA programs teach the principles of the market based economy, stimulating entrepreneurship through hands-on learning, and provide economics and personal finance courses to prepare young people to compete in the global economy. JA is well represented in Moldova, having been in operation for over 10 years since, 1995. Its programs are spread throughout the country: North 35%, South 22%, Center 20%, and Capital 23%. (See below for Moldova Map: Deprivation Indicators and Junior Achievement Program Representation)

Annual JA enrollment for elective courses is around 13,000. To maintain and increase the number of participants at each level, JA has developed a series of programs that respond to the needs of various target-groups. Schools in all 35 rayons and 3 municipalities of Moldova have the same courses proposals which are presented to all Rayon Education Departments at the beginning of each school year. Interested schools send motivated teachers to be trained in entrepreneurial education and, afterwards, to provide courses for children in their schools. The program is open to all interested: teachers, primary, middle and high school pupils, parents, and business community representatives.

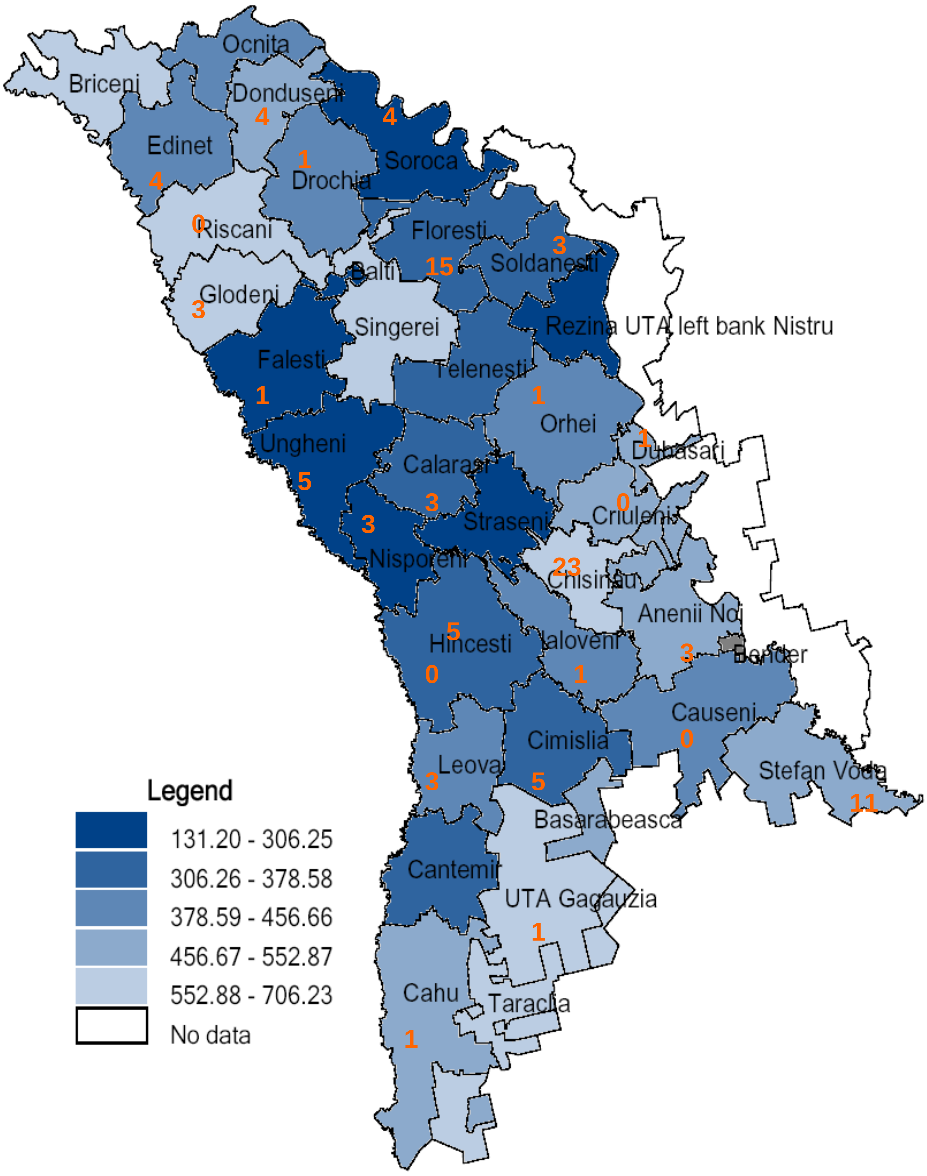
JA's current penetration rate is about 3.13% (14,400 pupils out of a total school population of about 460,000) compared to JAs European average in 2005 of about 2%. JA-Moldova aims to reach 7-8% penetration by 2010 to serve about 30,000-35,000 students a year. A unique feature of JA Moldova is that it can facilitate participation of its beneficiaries in European and worldwide special events and competitions thru its network and thus, provide rewards and inspiring tools.

Chart 2: Moldova Map - Deprivation Indicators and Junior Achievement Program Representation

The “multiple deprivation indicator” is a calculation by the Ministry of Economy and Commerce that compares the economic development of rural communities, and is based on six deprivation factors: income, demography, medical assistance, education, living conditions and location.

- Moldova’s administrative divisions: 32 Rayons, 3 municipalities, 1 autonomous territorial unit, and 1 territorial unit.
- The legend shows the most deprived regions are concentrated in the central-eastern and central-western parts of Moldova bordering Transnistria, with the least deprived in the upper north, the south and southeastern regions.
- The red numbers show the share of Junior Achievement education programs from grade school to university in the rayon.

Source: Report on Poverty and Policy Impact, Ministry of Economy and Commerce, Republic of Moldova, 2005. IFAD Report: The Republic of Moldova, Country Strategic Opportunities Program, December 2007.



4.4. Recommendations

1. The Ministry of Finance, Ministry of Economy and Ministry of Education need to work together and decide on the importance of financial education.

2. There needs to be improvements in basic education (economics and mathematics) to raise awareness of the financial sector, increase trust and product understanding. Knowledge of macroeconomic policy and public programs such as taxation, insurance and health care allow people to better plan and manage their finances and minimize risk of indebtedness. Several stakeholders have a role, including the state, the schools and the universities, the NGOs etc.

3. An emphasis on savings deposits is an important component of a financial education platform.

4. Junior Achievement, an organization exceptionally experienced in financial education around the globe, should be engaged by the Government as well as banks and NGOs as a partner. With the benefit of donor funds and Ministry of Education JA should conduct a national financial education survey. JA should work with partners to design appropriate programs for target groups.

5. Financial education programs should be designed to address the concerns and issues of target groups: students, employees, low income families and remittance recipients etc. Financial education classes can be offered through schools, universities, associations and community centers.

6. Commercial Banks need to adapt better communication methods and staff training for product specific transfer of knowledge. For more general financial education, banks, as part of their CSR budgets should help to build trust in Moldova's financial services by educating the consumer on deposits and non-credit products, money management and personal finance. Banks can partner with organizations such as Junior Achievement and SCAs to expand outreach to target groups.

7. SCAs, with some financial support from the State and donors, should expand their financial education programs/trainings because they have access to the rural areas outside of Chisinau. Rural Finance Corporation is a potential leader in developing financial education in Moldova.

8. The Banking Association should coordinate the financial education program for its 16 member banks through meeting with the government, IFIs, NGOs, and other associations to identify the priorities of a financial education program for the adult population needing practical information.

9. International Finance Institutions and donor programs should fund research and assessments (i.e. the ILO and EBRD studies) to estimate the need for and scope of financial education, and to survey target groups to discover which best practices can be transferred effectively.

Table 12 provides an overview of action oriented steps each stakeholder group can take toward promoting financial education, focusing on specific target groups, utilizing relevant tools in specific delivery channels. Further, the contents of the table elaborate match stakeholders with specific action-oriented recommendations.

Table 12: Financial Education: Overview and Initiatives for Action

Stakeholders	Target Segment	Potential Involvement Tools	Channels	Current Initiatives/Activities	Recommendations
National Bank of Moldova	Total population; current and potential financial service clients.	Educational campaigns. Support development of national FE strategy.	NB staff/funding; Mass media	No visible activities	Support on a country level - promotion of financial education and support financial institutions.
National Commission for Financial Markets	Total population; current and potential financial service clients.	Educational campaigns; Support in developing national strategy.	NCFM staff/funding; Mass media	No visible activities	Support on a national level - Promotion of financial education and support financial institutions.
Government	Entire population as well as specific groups such as SMEs, unemployed, low-income socially dependent, employees at workplaces, students and schoolchildren.	1. Developing a national FE strategy and leading its implementation. 2. Providing training to targeted groups (entrepreneurs, unemployed, low-income socially dependent, and employees at workplaces). 3. Inclusion of FE in schools/ high school programs.	1. Staff/funding. 2. ARIA (Agency for Enterprises Restructuring and Assistance) named as a potential institution. 3. ANOFM - National Employment Agency (with branches across country - 35 offices). 4. Social workers, visiting vulnerable families. 5. Schools/universities.	1. JA offers country-wide programs in entrepreneurship and economics, with some personal money issues. MOE is involved as a stakeholder. 2. MOE announced a draft action plan to address migration issues (i.e. financial education for remittance recipients).	1. Ministry of Education: Inclusion of financial education in relevant subjects (i.e. mathematics), leverage and expand JA model to cover more schools and high-schools. 2. Ministry of Economy with ARIA and ANOFM to target employed, unemployed, low-income, SMEs.

Stakeholders	Target Segment	Potential Involvement Tools	Channels	Current Initiatives/Activities	Recommendations
Banks	Current and potential users of financial services, entrepreneurs, employees at workplaces.	Conduct client counseling and training, or support other providers of financial education (i.e. recruit potential participants or provide funding).	1. Bank branch staff or separate training centers. 2. Bank news bulletins, posters and other printed material.	1. Presentations to large clients groups or company employees linked to new product promotion. 2. Several banks were involved in project with ILO/IOM and providing remittance training.	1. Inclusion of financial education in CSR programs either through doing or sponsoring, 2. Already done by foreign banks in their home institutions.
Savings & Credit Associations (SCAs) and Microfinance Institutions	Current and potential users of financial services, entrepreneurs, employees at workplaces.	Conduct client counseling and training, or support other providers of financial education (i.e. recruit potential participants or provide funding).	1. SCAs, MFIs or separate training centers. 2. Newspapers, posters and other printed material.	1. Up to five SCAs were involved in project with ILO/IOM advising remittance recipients. 2. Usually teaching clients specific financial products, "learn by doing" and thorough explanations.	National financial education program w/support of RFC and CAPMU, their partners (NGOs -- ACA, CCA, CDR and MEGA involved in rural development agribusiness consulting and training) as well as Microfinance.
Associations	Clientele of entities - members of association (currently clients of SCAs, banks, and business entities).	Coordinating/leading bodies support developing an educational strategy for their members, as well as direct provision of training and educational campaigns.	Own training centers and printed materials. RFC can be involved to provide financial education for SCA members and rural population in general. AmCham is a potential partner as well.	No visible activities. Bank leaders make presentations on weekly TV programs where they discuss general trends in financial markets.	Inclusion of the financial education in CSR programs either through doing or coordinating.
NGOs, outreach projects, development projects targeting SMEs and start-ups	Target groups of various NGOs: vulnerable and low-income population, entrepreneurs and other wide range of groups.	Provision of trainings and FE campaigns.	Training courses; popular television and radio programs; newspaper and magazine articles.	Training on entrepreneurship and business development skills by NGOs and development centers. Basic skills in personal finance, savings and budget management, and financial products (credit or leasing).	Provision of stand-alone financial literacy courses, including skills development as well as behavior and attitude toward financial choices. Development of educational web-site, as well as campaigns in mass media.

Appendix I: Stakeholder Interviews

Stakeholder Interviews					
#	**Company/organization**	**Interviewee**	**Title/ Position**	**Institutional type**
1	National Bank of Moldova	Victor Cibotaru	First Deputy Governor	Regulator
2	National Commission of Financial Market	Alexandra Puscas,	Member of Commission (Securities Markets)	Mega-Regulator
		Alina Cebotariov	Member of Commission (Supervision of Microfinance Institutions)	
		Angela Popil	Deputy Director of the Insurance Department	
		Elena Pui	Member of Council of Administration (Supervision of SCAs)	
		Andrei Darie	Head of Foreign Relations Directorate	
3	Moldova Consolidated Agricultural Projects Management Office	Liviu Gomovschi	Director	Government
4	Ministry of Economy and Trade, General Division of Foreign Economic Cooperation	Tatiana Udrea	Head Division for Cooperation with Development Partners	Government, Ministry of Economy
		Andrei Ivanov	Project Officer	
5	Ministry of Finance, Credit Line Directorate	Cantemir Raisa	Director	Government, Ministry of Finance
6	IMF	Johan Mathisen	Resident Representative	International Financial Institution
7	EBRD	Libor Krkoska	Head of Office	International Financial Institution
		Nadejda Litvac	Principal Banker	
8	World Bank, Private and Finance Sector Development	Victor Burunsus,	Proejct Officer	International Financial Institution
9	SDC Swiss Agency for Development and Cooperation	Thomas Kugler	Country Director	International Donor Organization
10	USAID ADB (Agribusiness Dev't Project), implemented by CNFA (Citizens Network for Foreign Affairs)	Conrad Fritsch	Chief of Party	International Donor (USAID) Project,
11	American Chamber of Commerce and Horizon Capital	Cristina Harea	Board Member of AMCHAM & Investment Manager of Horizon Capital	Business Association
		Mila Dodon	Project Manager	
12	Moldovan Banking Association	Dumitru URSU	Chairman	Association
13	Horizon Capital	Marina Poneatovschi	Finance Analyst	Investment Fund
14	Fincombank	Victor Hvorostovschii	Board Chair	Commercial Bank
		Olga Naconecinaia	Director of Support Department	
15	Mobias Banca	Sergiu Bulbas	Director of Retail Banking & Network	Commercial Bank

16	Moldindconbank	Alexandru Sveriniuc	Head of Foreign Communication Department, Deputy Chairman of the Managing Board	Commercial Bank
		Anton Ursu	Chief of Retail Credit and International Institutions Relationship Division	
17	Moldova Agroindbank (MAIB)	Natalia Vrabie	President	Commercial Bank
18	Rural Finance Corporation	Ion Gangura	President	SCAs Apex, Microfinance Insitution
19	Credit Unions Federation	Nicolae Olaru	President	SCAs Associaton
20	Microinvest	Artur Munteanu	CEO	MFI
21	Prime Capital	Carmina Vicol	Director	Financial Company, MFI
22	IMC Leasing	Sergiu Zbanca	Financial Director	Leasing Company
23	Total Leasing	Nina Rafalovici	Financial Manager	Leasing Company
24	Consumer Protection Civil Organization,	Gutul Petru Tudor,	President	NGO

Appendix II: Study Results Shared at Debriefing

As a conclusion of the field work, the research team presented their findings and recommendations to stakeholders at a debriefing session organized by EFSE. While there was strong stakeholder **interest** among those at the luncheon (a self-selected audience-the stakeholders that participated came voluntarily), the level of **commitment** was low. Excluding the research team and EFSE staff, eight individuals representing 10 organizations attended the debriefing, with about 1:3 proportion of local:foreign. No representatives of the Government of regulatory agencies were present at the final meeting, which was attended by junior staff from only two banks – Moldova Agroinfbank and Banca Sociala. Mobiasbanca, the Banks Association and the Federation of SCAs were among the eight stakeholders invited, but absent.

Knowledge about responsible finance varied among the stakeholders, with foreign institutions having a stronger understanding, including the EBRD and the American Chamber of Commerce. MFIs and SCAs think that they already contribute to responsible finance among their clients. Given the circumstances, a clear action plan was not a viable outcome from the meeting. In the future, a more in-depth study should confirm stakeholder commitment after first obtaining buy-in of government authorities and official bodies in addition to the regulated banks (the main target for responsible finance), through advocacy, awareness raising and an education component.

Composite Level of Stakeholder Interest (High/Med/Low) Groups					
Stakeholder Groups	**Interest Level H/M/L**		**Commitment Level H/M/L**		**Summary Comments**
	Resp Finance	**Finc'l Educ**	**Resp Finance**	**Finc'l Educ**	
Regulators	L/M	L/M	L/M	L/M	While there was a lively discussion of RF/FE, there were no signs that either regulator was willing to take a lead on any of the initiatives. Other priorities dominate at present.
Government Agencies	L/M	L/M	L/M	L/M	The Ministry of Economy expressed slightly more interest, but not commitment, in financial education during the discussion. However, given the relatively junior level of staff that the research team met, and the fact that no government agent attended the final de-briefing session, interest appears low to med.
International Financial Institutions	H/M	H/M	M/H	M/H	IFIs are the most active stakeholder group, Though they are not local institutions, IFIs are significant shareholders of Moldovan banks, particularly EBRD.
International Donor Organizations and Projects	H/M	H/M	H/M	H/M	Although only two international donor organizations participated in the study, one assumed that other donors would share the same high level of interest and commitment, and take a similar approach to RF and FE consistent with standards in the West.

Associations	very diversified, no general pattern can be seen				There were very active associations with H interest and close to H commitment (i.e. RFC and AmCham) as well as L or M (i.e. Banking Association or Consumer Protection Agency), although the latter was not representative.
Financial Institutions (including MFIs, Banks, leasing companies, as well as one investment fund)	L/M	L/M	L/M	L/M	Accounting for a few exceptions, financial institutions were not enthusiastic. This seems to be a major trend. FIs agree that RF is important, but do not see how the situation can be improved other than though a third-party (regulator and government). MFIs and SCAs have L to M interest in RF due to the fact they consider themselves to be addressing needs.

Appendix III: Financial Sector Penetration – Access to Finance

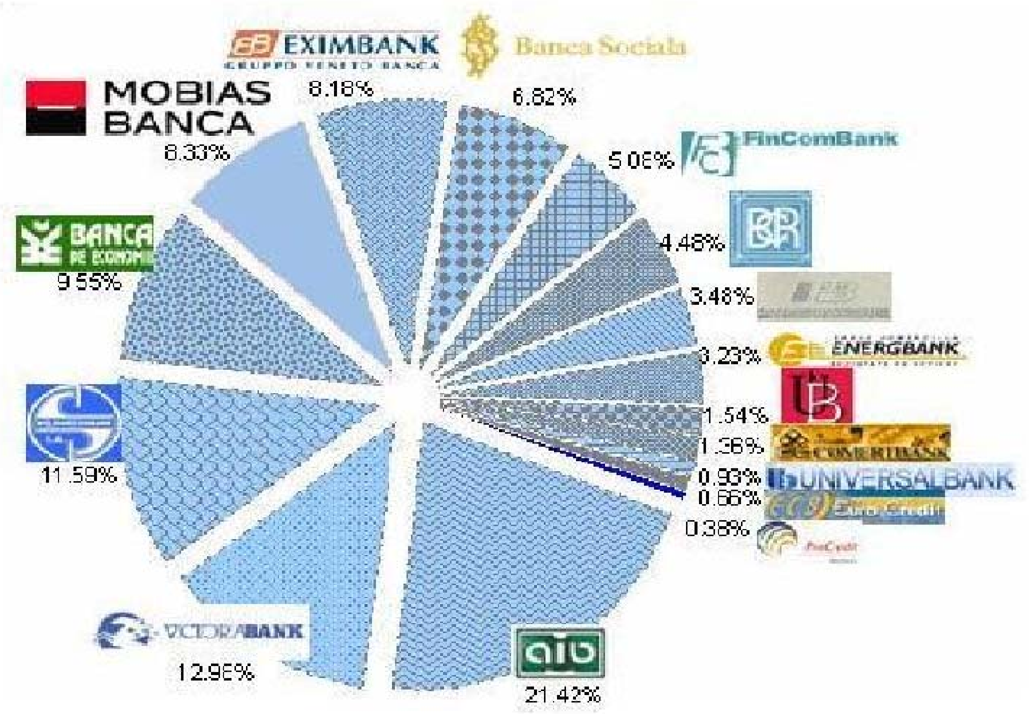
Access to Finance sample of 35 countries (out of total 157 country sample)		
Rank	**Country**	**Percent with access**
19	Estonia*	86
21	Czech Republic*	85
22	Norway	84
23	Portugal*	84
24	Greece*	83
25	Slovak Republic*	83
26	Italy*	75
27	Lithuania*	70
28	Russian Federation	69
30	Hungary*	66
31	Poland*	66
32	Latvia*	64
41	Bulgaria*	56
42	Mauritius	54
46	Turkey	49
49	India*	48
50	Kazakhstan	48
104	Mexico*	25
105	Mongolia	25
106	Cameroon	24
107	Ukraine	24
108	Romania*	23
109	Rwanda	23
110	Mali	22
111	Gambia, The	21
112	Madagascar	21
113	Malawi	21
114	Yugoslavia, former	21
144	Kyrgyz Republic	14
145	West Bank and Gaza	14
146	Yemen, Republic of	14
147	Moldova	13
148	Sierra Leone	13
150	Mozambique	12
151	Pakistan*	12

Source Data Note: The composite indicator measures the percentage of the adult population with access to an account with a financial intermediary. The indicator is constructed as follows: for any country with data on access from a household survey, the surveyed percentage is given and designated by an *. For other countries, the percentage is constructed as a function of the estimated number and average size of bank accounts, as discussed in box 1.4 and Honohan (2007). These numbers are subject to estimation error. This is a "live" data set, and figures will be replaced as survey data become available for each country. See http://econ.worldbank.org/programs/finance for updates.

Appendix IV: IMF's Financial Sector Assessment Program (FSAP) 2008

Summary of Key FSAP Update Recommendations	
Create the framework for effective cooperation between the supervisors	(i) Sign Memoranda of Understanding between the NBM and the NCFM and separately between the central bank and all subsectoral supervisors.
	(ii) Develop the joint handling of some of the supervisory databases
Improve the effectiveness of bank supervision	(i) Issue guidelines for the implementation of consolidated accounting requirements. (ii) Continue to make efforts to identify the beneficial owners of banks. (iii) Improve the capacity in the NBM to adapt stress testing scenarios to the changing circumstances.
Improve liquidity management	(i) Develop the capacity to better forecast and manage liquidity. (ii) Further increase the transparency of monetary operations.
Start the effective operation of the NCFM	(i) Review and redefine, as needed, the licensing process for intermediaries under the NCFM. (ii) Ensure the necessary NCFM funding through the government budget, as needed. (iii) Upgrade existing staff technical capacity to implement and enforce insurance legislation. (iv) Move to a modern Central Securities Depository structure, including the registrar functions (and RTGS payments) for at least the listed companies.
Implement, with the leadership of the NBM, the National Net Settlement Service for leu transactions	

Appendix V: Financial Sector Market Share of Moldovan Banks (total assets) Feb. 01, 2008



Appendix VI: EBRD Financial Sector Investment in Moldova 1991-2007

EBRD Financial Sector Investments Moldova 1991-2007										
	Type of Investment	**EBRD Project Name**	**Description**	**Sector**	**Year of signing**	**Project Value**	**Loan**	**Equity**	**EBRD guarantee**	**Total EBRD Finance**
1	Direct Investment	Banca Sociala - Credit Line for SMEs (II)	Credit Line for on-lending to SMEs	Bank Lending	2005	5,000	5,000	0	0	5,000
2	Direct Investment	Banca Sociala - Credit Line for SMEs (II)	Second credit line for on-lending to SMEs	Bank Lending	2005	5,000	5,000	0	0	5,000
3	Direct Investment	ETC Non-Bank Micro Finance Institution Framework: sub-project Rural Finance Corporation	Financing for SMEs	Small business finance	2005	680	510	0	0	510
4	Direct Investment	ETC Non-Bank Micro Finance Institution Framework: sub-project MicroInvest	Credit Line for on-lending to micro and SMEs	Small business finance	2007	680	680	0	0	680
5	Direct Investment	Medium sized Loan Co-financing Facility	Credit Line for on-lending to medium sized enterprises, through Victoria Bank	Bank Lending	2004	1,359	1,359	0	0	1,359
6	Direct Investment	Medium sized Loan Co-financing Facility: Mobiasbanca	Credit Line	Bank Lending	2005	2,039	2,039	0	0	2,039
7	Direct Investment	Microlending project: Mobiasbanca	Financing for micro and SMEs	Small business finance	1996	883	462	0	0	462
8	Direct Investment	Microlending project: Moldova-Agroindbank	Financing for micro and SMEs	Small business finance	1996	1,665	855	0	0	855
9	Direct Investment	Microlending project: Universal Bank	Financing for micro and SMEs	Small business finance	1997	1,381	462	0	0	462
10	Direct Investment	Microlending project: Victoria Bank	Financing for micro and SMEs	Small business finance	1996	1,223	462	0	0	462
11	Direct Investment	Mobiasbanca Credit Line II	Credit Line for on-lending to SMEs	Bank Lending	2006	4,112	2,073	0	0	2,073
12	Direct Investment	Moldinconbank Credit Line (MICB)	Credit Line for on-lending to SMEs	Bank Lending	2004	985	985	0	0	985

13	Direct Investment	Moldova Microlending Framework: Sub-project Banca Sociala	Credit Line for on-lending to micro and SMEs	Small business finance	2006	3,000	3,000	0	0	3,000
14	Direct Investment	Moldova Microlending Framework: Sub-project Mobiasbanca	Credit Line for on-lending to micro and SMEs	Small business finance	2006	2,062	2,062	0	0	2,062
15	Direct Investment	Moldova-Agroindbank	Financing for SMEs	Bank Lending	1995	13,881	13,881	0	0	13,881
16	Direct Investment	Moldova-Agroindbank	Financing for SMEs	Bank Equity	1998	7,211	4,807	2,404	0	7,211
17	Direct Investment	Moldova-Agroindbank	Financing for SMEs	Bank Lending	2002	4,077	4,077	0	0	4,077
18	Direct Investment	ProCredit Bank Moldova	Financing for micro and SMEs	Small business finance	2000	6,557	360	360	0	720
19	Direct Investment	ProCredit Moldova	Financing for micro and SMEs	Small business finance	2005	1,359	1,359	0	0	1,359
20	Direct Investment	Regional Trade Factilitation Program: sub-project Mobias Banca	Support for foreign trade	Bank Lending	2002	4,721	2,360	0	2,360	4,721
21	Direct Investment	Regional Trade Factilitation Program: sub-project Banca Sociala	Support for foreign trade	Bank Lending	2005	2,728	0	0	2,728	2,728
22	Direct Investment	SME Credit Line: sub-project Mobias Banca	Credit line to Mobia Bank for on-lending to SMEs	Bank Lending	2004	1,359	1,359	0	0	1,359
23	Direct Investment	Victoria Bank	Credit Line to assist SMEs	Bank Lending	1995	2,924	1,949	975	0	2,924
24	Direct Investment	Victoria Bank	Equity investment in one of Moldova's largest private commercial banks	Bank Equity	1997	1,443	0	220	0	220
25	Direct Investment	Victoria Bank	Equity investment in one of Moldova's largest private commercial banks	Bank Equity	1999	1,136	0	185	0	185
26	Direct Investment	Victoria Bank	Credit Line to assist SMEs	Bank Lending	2001	5,436	1,359	0	1,359	2,781
27	Direct Investment	Victoria Bank	Credit Line to assist SMEs	Bank Lending	2003	2,718	2,718	0	0	2,718
	Total					**85,619**	**59,178**	**4,144**	**6,447**	**69,833**

Appendix VII: Overview of Non-Bank Financial Institutions

ProCredit, formerly Micro Enterprise Credit, was founded in 1999 with financing from EBRD, IFC, Western NIS Enterprise Fund, ProCredit Holding AG and the DOEN Foundation. ProCredit Moldova supports development of micro and small enterprises by offering small loans of up to US$ 50,000 and micro loans (51-60% of the portfolio) of up to US$ 10,000 on commercial terms. ProCredit, which offers loan terms with maturities from 3 months to 2 years, intends in the long-run offer MSMEs a full range of financial services, including a current account and savings and time deposits. International donors intend for ProCredit Moldova to provide a demonstration effect. In 2007 ProCredit converted from a non-bank financial institution to a regulated bank.

MicroInvest, founded in 2003 by the Soros Foundation, a non-bank financial institution which provides development finance to small business initiatives in rural and urban areas, took over MMA's (1997-2003) regional staff and branch network of 235 SCAs. MicroInvest's mission is to provide advisory services and financial tools to create and develop micro and small enterprises and cooperatives to stimulate private initiative. Microinvest is expanding its on-lending to MSMEs and diversifying exposure in the rural areas, particularly to saving and credit associations. Finance support is being accompanied by technical cooperation for strengthening management capacity, training for lending officers and improving IT systems.

Rural Finance Corporation, founded in 1997, is a non-bank financial institution whose strategic mission is to promote poverty alleviation and rural economic development through providing financial services to farmers and entrepreneurs at favorable conditions. Originally created to serve as a central finance facility for rural savings and credit associations (cooperatives), it soon developed direct lending operations. RFC, which is owned by rural SCAs, is profitable and growing. As a non-regulate non-deposit taking institution RFC relies on outside funding (World Bank and International Fund for Agricultural Development (IFAD)) and retained earnings, to grow.

Savings and Credit Associations (SCAs)
Over 500 SCAs throughout the rural areas of Moldova and two urban centres serve 110,000 members. As a result of restructuring from January 2008, three categories of SCAs will exist: Category A – which can offer only loans; B – which can take deposits; and C – which can have corporate entities as members. Prudential requirements will vary based on the type of SCA; with the strictest requirements applying to Category C. Ultimately, few more than 50 SCAs are expected to evolve to Category B and C. A centralized SCA, whose functions will include representation, training, lending to SCAs and mopping up excess liquidity, will operate as of 2009.

Appendix VIII: Funds Investing in Microfinance in Moldova

Funds Investing in Microfinance in Moldova		
#	**Name of Fund**	**Country of Incorporation**
1	ASN-Novib Fund	Netherlands, The
2	BIO	Belgium
3	Deutsche Bank Microfinance Development Fund (DBMDF)	United States
4	DEG	Germany
5	Dexia Microcredit Fund	Luxembourg
6	Dignity Fund. L.P.	United States
7	DOEN	Netherlands, The
8	Dutch Microfund	Netherlands, The
9	EBRD	United Kingdom
10	EFSE	Germany
11	Envest	United States
12	Gray Ghost	United States
13	IFC	United States
14	Incofin – Rural Impulse Fund	Belgium
15	Incofin – VDK MFI Loan Portfolio	Belgium
16	KFW	Germany
17	KIVA	United States
18	MICROFIX	Netherlands, The
19	MicroVest I	United States
20	Minlan Microfinance Fund	United States
21	Oikocredit	Netherlands, The
22	Oxfam Novib Fund	Netherlands, The
23	Partners for the Common Good	United States
24	responsAbility Global Microfinance Fund	Luxembourg
25	RFC	Moldova
26	St. Honore Microfinance Gund	Luxembourg
27	Triodos-Doen Foundation	Netherlands, The
28	USAID Credit Guarantees	United States

Appendix IX: Samples of Bank Marketing Material with Translations

Banca de Economii

Companies can easily and simply contract a loan from Banca de Economii for business development

The minimum activity period of a company is not limited

Prerequisites for contracting a loan within the "Development" program:

Loan amount – from 50,000 to 500,000 Moldavian Lei

Maximum loan duration – 36 months

Commission – 2% of the loan amount (is paid upfront)

Mortgage – fixed assets, equipment, agricultural machinery (including machinery acquired using the contracted loan), transportation vehicles (not older than 7 years), cash equivalents deposited at Banca de Economiii, current assets

Loan repayment – monthly, in proportional installments, starting with the 2nd month after the loan is contracted

Loan purpose – completing current assets, investments in fixed assets, payment of short term liabilities

Interest rate – 19% annually

Period of examining the documents for contracting the loan – up to 3 days

Necessary documents - the request, company documents and various other documents regarding the loan request, business plan for the credit duration, certificate to demonstrate there are no state tax liabilities, documents regarding the purpose of the credit, documents or title deeds confirming ownership rights over mortgaged assets.

Banca de Economii

The "A car for you" product grants you the possibility of acquiring the dream car without immediately paying for it

Financing period – up to 3 years

Interest – 17% annually (in Lei)

Amount financed by the bank – up to 85% of the car's cost (the amount will vary according to the client's revenues)

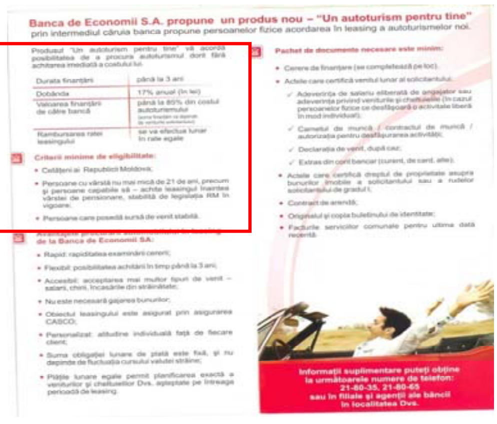
Repayment of leasing installment – will be paid monthly in equal installments

Minimum eligibility conditions:

Moldavian citizens

Age at least 21 or older, as well as individuals being able to – pay the leasing before retirement age, according to the Moldavian legislation

Individuals that have a stable revenues source



ProCredit Bank (please see scanned copy on next slide)

Examples of loan repayments

Develop your business together with ProCredit Bank!

ProExpress Credit up to 75,000 Lei

Client eligibility conditions:

Mortgage → not necessary
Loan approval → just 1 day
Duration → up to 2 years

Duration (months)	6		12		15		18		24	
Amount, Lei	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount
10000	1792	10752	952	11424	784	11760	673	12114	535	12840
20000	… .	… .	… .	… .	… .	… .	… .	… .	… .	… .
30000	… .	… .	… .	… .	… .	… .	… .	… .	… .	… .

Develop your business together with ProCredit Bank!

ProRapid Credit from 75,001 to 250,000 Lei

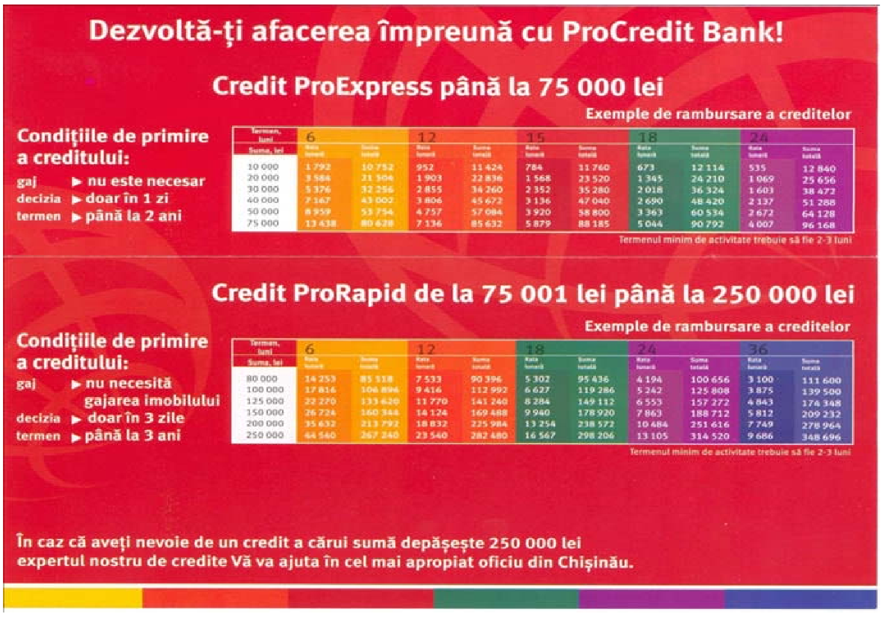
Client eligibility conditions:

Mortgage → not necessary
Loan approval → just 3 days
Duration → up to 3 years

Duration (months)	6		12		15		18		24	
Amount, Lei	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount	Monthly rate	Total amount
80000	14253	85518	7533	90396	5302	95436	4194	100656	3100	111600
100000	… .	… .	… .	… .	… .	… .	… .	… .	… .	… .
125000	… .	… .	… .	… .	… .	… .	… .	… .	… .	… .

Examples of loan repayments

ProCredit Bank



Dezvoltă-ți afacerea împreună cu ProCredit Bank!

Credit ProExpress până la 75 000 lei

Condițiile de primire a creditului:
gaj ▸ nu este necesar
decizia ▸ doar în 1 zi
termen ▸ până la 2 ani

Exemple de rambursare a creditelor

Termen, luni	6		12		15		18		24	
Suma, lei										
10 000	1 792	10 752	952	11 424	784	11 760	673	12 114	535	12 840
20 000	3 584	21 504	1 903	22 836	1 568	23 520	1 345	24 210	1 069	25 656
30 000	5 376	32 256	2 855	34 260	2 352	35 280	2 018	36 324	1 603	38 472
40 000	7 167	43 002	3 806	45 672	3 136	47 040	2 690	48 420	2 137	51 288
50 000	8 959	53 754	4 757	57 084	3 920	58 800	3 363	60 534	2 672	64 128
75 000	13 438	80 628	7 136	85 632	5 879	88 185	5 044	90 792	4 007	96 168

Termenul minim de activitate trebuie să fie 2-3 luni

Credit ProRapid de la 75 001 lei până la 250 000 lei

Condițiile de primire a creditului:
gaj ▸ nu necesită gajarea imobilului
decizia ▸ doar în 3 zile
termen ▸ până la 3 ani

Exemple de rambursare a creditelor

Termen, luni	6		12		18		24		36	
Suma, lei										
80 000	14 253	85 518	7 533	90 396	5 302	95 436	4 194	100 656	3 100	111 600
100 000	17 816	106 896	9 416	112 992	6 627	119 286	5 242	125 808	3 875	139 500
125 000	22 270	133 620	11 770	141 240	8 284	149 112	6 553	157 272	4 843	174 348
150 000	26 724	160 344	14 124	169 488	9 940	178 920	7 863	188 712	5 812	209 232
200 000	35 632	213 792	18 832	225 984	13 254	238 572	10 484	251 616	7 749	278 964
250 000	44 560	267 240	23 540	282 480	16 567	298 206	13 105	314 520	9 686	348 696

Termenul minim de activitate trebuie să fie 2-3 luni

În caz că aveți nevoie de un credit a cărui sumă depășește 250 000 lei expertul nostru de credite Vă va ajuta în cel mai apropiat oficiu din Chișinău.

Appendix X: World Bank Doing Business Report Credit Indicators (Romania and Moldova)

Moldovan Information is out of date due to approval by Parliament of the Credit Bureau Law effective July 28, 2008.

Getting Credit Indicators	**Romania Indicator**			**Moldova Indicator**		
Credit Information Index	**Private credit bureau**	**Public credit registry**	**Private credit bureau**	**Public credit registry**	**Private credit bureau**	**Public credit registry**
Are data on both firms and individuals distributed?	No	Yes	1	No	No	0
Are both positive and negative data distributed?	Yes	Yes	1	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0	No	No	0
Are more than 2 years of historical credit information distributed?	Yes	Yes	1	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	No	1	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1	No	No	0
Coverage	10.9	4.1		0.0	0.0	
Number of individuals	2,000,000	682,018		0	0	
Number of firms	0	75,223		0	0	
Legal Rights Index	7			6		
Does the law allow all natural and legal persons to be party to collateral agreements?	Yes			Yes		
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?	No			No		
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?	Yes			Yes		

Does a unified registry exist for all security rights in movable property?	Yes	Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No	Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes	No
Does the law authorize parties to agree on out of court enforcement?	Yes	No
May parties have recourse to out of court enforcement without restrictions?	Yes	Yes

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