

Management Improvement
and Quality Standard Challenges

Local Government and Housing in Romania

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1. INTRODUCTION

Romania is located in the South-Eastern region of Central Europe, with the Ukraine neighboring to the North, the Republic of Moldova and the Black Sea to the East, Bulgaria to the South, the Republic of Yugoslavia to the South-West and Hungary to the West. Territorial distribution is 31% mountains, 36% hills, and 31% is covered by plains. Almost 62% of the total territory is agricultural land, with forests covering 26% of the land mass. No significant changes have been registered for the land use since 1990, with the exception of an increased built-up in areas at the edge of the main cities.

The country's surface is over 238 thousands km² long, being ranked by size as 12th among the European countries and 2nd among EU accession countries. With a population over 22 million inhabitants, Romania is ranked as the 9th in population size in Europe and, again, 2nd among the accession countries.

The population of Romania steadily decreased after 1991 (Census data, January 1992) from 22,810,031 inhabitants to 22,458,022 inhabitants in 1999. Most of the significant decrease was due to the natural negative increase of the population as a result of the lower birth rate.

After 1990, the birth rate decreased from over 1.6% to 1.0%, whereas mortality increased slightly from 1.1% to over 1.2% by the end of the decade (1999). Naturally, the percentage of the aged population has consistently increased. The population rates are estimated to continue on with the trends of the last decade. The population decrease is expected to continue for the next 10 to 20 years.¹ The major factors, which might help the present trend reverse itself, are considered to be economic.

The decrease in the population is also due to emigration. Between 1990 and 1999, over 300,000 people have left Romania.² The main destination countries were Germany—47%, Hungary—11% and the USA—9%. According to their declaration of nationality, emigrants were mainly Romanians (53%), Germans (33%) and

Hungarians (12%). Within the same period of time, almost 60,000 people repatriated to Romania, more than 80% declared as Romanians. Among the repatriated, almost 40% were Moldavians emigrating from the Republic of Moldova, from Germany, the USA, and Israel.

The internal migration (mobility) decreased to a level of 25–30% of the total internal migration in 1990. Whereas, 786,471 people changed their residence in 1990, less than 300,000 people moved annually between 1991 and 1999. The number of emigrants from urban areas became higher than the number of emigrants from rural areas in 1996. The year 1990 can be noted as the time of the last rural exodus into urban areas. Over 616,000 people left rural areas to settle in urban ones.³

In the period between 1991–1999, internal migration reached a certain level of stability between the various origins and destinations, with the mobility flows becoming almost equalizing at the mid-term interval (at around 75,000). However, the most spectacular change was the reversal of the traditional mobility trends in 1995, from rural to urban, into urban to rural mobility.

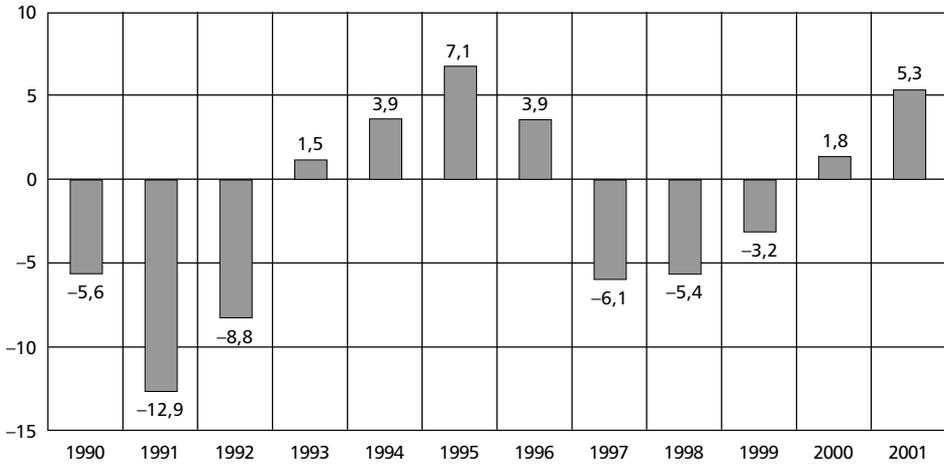
Romania is amongst the most rural countries in Europe. The urban population forms only 55% of the total population. The case of Romania can be compared to that of Portugal, amongst the EU countries, which has one of the lowest levels of urban populations in Europe. During the last decade, the share of the urban population slightly varied with a decreasing tendency by the end of the interval.

The evolution of the GDP during the last decade divides the transition period into three intervals: 1990–1992, 1993–1996 and 1997–1999 (see Figure 5.1). The slow recovery of the economy, which seemed to begin in 2000, may represent its 4th stage of economic evolution after 1989. The most spectacular change in the GDP structure was due to the contribution of the private sector (from 16.4% in 1990 to over 61.5% in 1999).

In terms of urban and rural infrastructure, there are some significant gaps. While, in most of cities, there is a rather extensive water distribution and sewage system, only 2,735 (20%) of the villages have a central water distribution system and less than 500 have a sewage system.⁴ Gas works are distributed in 993 localities, out of which 167 are towns and cities.⁵

Over 200 towns, and about 60 other localities, have central heating distribution systems. However, the last decade proved that central heating is not efficient and is actually very expensive. It has become a burden for most of the urban households. Changing the system is not easy, but already there are examples of best practices in some areas where small local heating centers were set up (e.g. in Baia Mare, Maramures County) or where individual meters were installed in the apartments to measure household consumption.

Figure 5.1
Annual GDP Growth Rate [%]



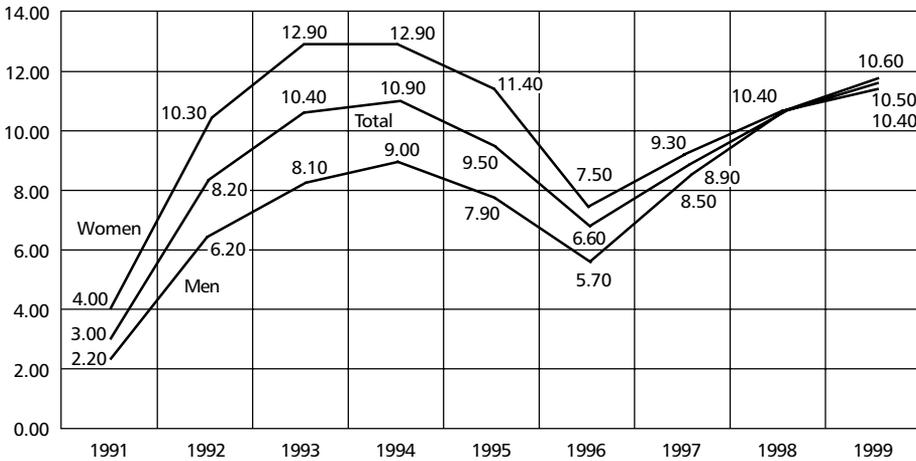
SOURCE: The National Commission for Statistics, Statistical Yearbook 2000 and National Bank Reports.

The major urban infrastructure problem is that it is outdated and most of it has to be replaced. The number of leaks in the urban water distribution system is estimated to be over 50% in some areas. There is now a national strategy to improve the water distribution system and to protect water resources, as expressed in Section II of the National Physical Territorial Plan—Water (Law 171/1997).

Living standards have dramatically decreased over the last decade and this has led to an acute phenomena of poverty⁶ concentrated in some of the more remote rural areas, as well as in the areas of industrial decline (mining areas, for instance). Between 1989 and 1999, employment dropped by more than 2.9 million jobs in the declining industrial sectors, construction and transport. Yet, less than 1.0 million new jobs were created during the same period, mostly in agriculture (400,000), trade, real estates and other services. Some authors considered that, after 1992, a double process of “re-agrarization” and “re-ruralization” begun.⁷

Unemployment, which was unheard of in Romania before 1990, became an indicator used to characterize the state of the social and economic environment. Small cities, under 30,000 inhabitants, which have typically depended on mono-industrial activities, have been mainly affected by the sharp drop in employment during the last decade.

Figure 5.2
Evolution of Unemployment Rate [%] by Gender



SOURCE: National Human Development Report—Romania 2000.

2. HOUSING AND NATIONAL HOUSING POLICY DURING THE TRANSITION

2.1 General Housing Conditions

The present conditions of the housing stock, from a quantitative point of view, can be seen in Table 5.1. The total stock, including almost 7.9 million dwellings, is mainly represented by small and very small dwellings: Over 56% of the dwellings have only one or two rooms and less than 14% have four or more rooms. The discrepancy is even higher in urban areas where over 90% of the present stock consists of dwellings with less than three rooms. On the other hand, in rural areas, there is almost double the number of dwellings with more than four rooms than in urban areas.

If compared to the 1991 stock (census data 1992), the structure of the housing stock has changed very little. The increase in the share of larger dwellings, in general and in rural areas particularly, may be noted. A significant number of villas, built by the “nouveau rich” at the edges of cities and in some rural neighborhoods, may offer an explanation of this trend.

Table 5.1
Dwellings by Number of Rooms in 1999

	Number [Thousands]	[%]	Number of Rooms in Dwelling				
			1	2	3	4	5 or More
Urban	4,176	53	580	1,922	1,264	338	72
Urban (Share)			13.9%	46.0%	30.3%	8.1%	1.7%
Urban	3,707	47	457	1,509	1,119	449	173
Urban (Share)			12.3%	40.7%	30.2%	12.1%	4.7%
Urban	7,883	100	1,037	3,431	2,383	787	245
Total (Share)			13.2%	43.5%	30.2%	10.0%	3.1%

SOURCE: National Commission for Statistics, 2001.

After the 1992 census, the major housing stock indicators were a clear expression of the authoritarian regime of the past 40 years, characterized by an impressive development of the collective housing (block of flats) in the urban areas. The rural areas have been less affected by this type of intervention with the exception of some villages around the capital which have been subject to the important process of “*sistematizare*” (the Romanian physical planning system) during the last decade of the former regime.

It is the fact that Communism had been successful in providing a uniform living standard. This reflects why the differences in surface space and number of rooms in dwellings between urban and rural areas, bigger and smaller cities, are insignificant. Yet, major differences remained in respect to access to a centralized water distribution systems, central heating, gas supply, and quality of the building materials.

The major contrasts between urban and rural areas can be summarized as follows: whereas urban areas are dominated by collective housing (the national urban average is about four dwellings per building) with generally good access to major utilities (water, sewage, central heating, gas supply), rural areas preserved the traditional type of housing (family houses), but scarcely benefited from modern utilities.

Between 1990 and 1999, over 325,000 new dwellings were built and more than 60% of them were built from private funds. The annual average of 32,000 construction launches was much lower than the annual construction rate during the previous four decades, when the annual average had reached over 180,000 launches.

However, the dwellings built during the last 12 years could not significantly change the main housing indicators: the living space floor area per dwelling increased to 34.4 m², the living space floor area per person went up to 11.9, the number of persons per dwelling decreased to 2.91, with persons per room down to 1.18. These changes contributed to the growth in the main housing indicator: the number of dwellings per 1,000 inhabitants (see Table 5.3).

Table 5.2
Main Housing Indicators According to the 1992 Census

	Dwellings per Building	Rooms per Dwelling	Persons per Dwelling	Persons per Room	Living Area per Dwelling	Living Area per Person	Water Works	Central Heating Equipment	Dwellings in Bad and Very Bad Condition
	No.	No.	No.	No.	[m ²]	[m ²]	[%]	[%]	[%]
Bucharest	6.97	2.37	2.71	1.14	34.3	12.9	93.1	82.5	—
Urban	3.88	2.36	3.03	1.28	33.8	11.5	88.4	71.2	10.0
Romania	1.63	2.45	2.97	1.21	33.6	11.5	53.7	38.7	25.0

SOURCE: Urban studies (project no. C 6958), INCD—Urbanproiect, 1992.

In 1998, the number of dwellings exceeded the number of households by more than 300,000. According to indicators, there is an available stock of vacant dwellings. Unfortunately, this stock is not distributed where the demand is. It is located mainly in rural areas or in small towns, where the population is decreasing, or in areas abandoned by German or Hungarian immigrants. Most of these houses are in a bad condition and basically obsolete.

Table 5.3
Housing Stock, Population and Household Size, 1995–1999

	1995	1996	1997	1998	1999
<i>Population [Thousands]</i>					
Romania	22,681	2,607	22,545	22,502	22,458
Bucharest	2,054	2,037	2,027	2,016	2,011
<i>Housing Stock [Thousands]</i>					
Romania	7,782	7,811	7,837	7,861	7,883
Bucharest	776	778	780	784	788
<i>Household Size</i>					
Romania	3.0	3.0	3.0	3.0	2.9
Bucharest	2.8	2.7	2.7	2.7	2.6
<i>Units/1,000 People</i>					
Romania	343	346	348	349	351
Bucharest	378	382	385	389	392

SOURCE: National Commission for Statistics.

Although, in terms of number of dwellings, Romania scores better than Poland, Slovakia, Lithuania, Slovenia or Croatia, it remains behind Hungary, Czech Republic or Bulgaria.⁸

The most relevant changes in the post-communist decade were related to the ownership structure and to investment initiatives. Until 1990, most of the new dwellings, mainly flats, were state owned. During the transition a massive process of privatization of the housing stock transferred most of the existing housing stock into the hands of private owners (former occupants/tenants). This process was accompanied, in the second half of transition period, by the restitution of nationalized houses to former owners, yet, in quantitative terms, the restitution was not significant.

At present, less than 5% of housing stock is formed by public housing. This is one of the lowest figures in Europe, however, still not far behind the statistics from other former communist countries. The maintenance/management of the housing stock is one of the most important issues for the present housing policy; mainly because a large part of state responsibilities, in relation to maintenance, have been transferred to new owners who have no real means and instruments to manage them properly.

Table 5.4
Existing Housing Stock by Number and Ownership

Year	Number at the End of Year				Annual Increase of the Housing Stock [%]
	Total [Thous.]	Public [%]	Private [%]	Other [%]	
1990	8,006 ⁹	32.7	67.3	0.0	n.a
1991	7,659	20.9	78.7	0.4	0.3
1992	7,683	11.3	88.3	0.4	0.4
1993	7,710	9.2	90.4	0.4	0.5
1994	7,749	7.9	91.8	0.4	0.5
1995	7,782	7.3	92.3	0.4	0.4
1996	7,811	6.6	93.0	0.4	0.4
1997	7,837	5.7	93.9	0.4	0.3
1998	7,861	5.2	94.3	0.4	0.3
1999	7,883	4.9	94.6	0.4	0.3

NOTE: According to the National Commission for Statistics, public ownership comprises dwellings owned by the public sector (local authorities); private ownership includes dwellings in the ownership of individuals and private economic and social agents; "other types of ownership" includes dwellings in the ownership of consumer and credit organizations, associations and religious societies.

SOURCE: The National Commission for Statistics, Statistical Yearbooks 1996–2000.

2.2 A Brief Historical Overview of Housing Policy Development

After 1950, industrialization and urbanization began. This was accompanied by an intensive, and extensive, housing sector and construction industry development. The existing towns and newly created ones (over 100 industrial towns were created during the 1960's and 1970's) attracted a huge flow of migration from rural areas. As a consequence, the demand for housing also increased. Between 1950 and 1989, over 5.5 million dwellings were built.

Table 5.5
Average Annual Housing Construction between 1951–1989

Period	1951–1955	1956–1960	1961–1965	1966–1970	1971–1975	1976–1980	1981–1985	1986–1989
Annual Average	86,612.2	172,169.8	181,124.8	129,533.6	150,379.2	168,128.8	141,346.0	81,438.6

SOURCE: The National Commission for Statistics, Statistical Yearbooks 1996–2000.

During 1977–1989, the housing policy focused on “reconstruction” of the old city centers. The major earthquake in 1977 became a good motivation for taking action. Between 1977 and 1987, a total of 182,500 dwellings were demolished; of these, 98,000 were in towns and 84,500 in villages. The annual average number of demolished buildings was 18,000. However, the housing construction rate was much higher—over 160,000 dwellings annually.

The main aspects concerning housing between 1950 and 1989 were:

- The continuous decrease in housing construction financed from the private funds, with a steady period between 1966 and 1970;
- The highest rate of housing construction during 1971–1982 (approximately 160,000 dwellings/year)¹⁰;
- After 1982, the general crisis in the Romanian economy had a direct impact on the housing policy, both in terms of quantity and quality.

Once the old economic system has been abolished following 1990, a new economic system—a market oriented system—began to be built. The housing policy (as well as the social policy in general) fell into a major deadlock, lacking both a strong legislative support and financial instruments. The State found itself without sufficient resources to face the painful economic restructuring process and unable to continue in the previous levels of housing construction.

The economic decline dropped so fast in 1990 that even the dwellings under the construction could only be partially finished, if at all. The responsibility to finish

them was passed to the local authorities that found themselves in a weak position and, in turn, tried to sell or lease the existing unfinished housing structures to the private sector.

Since 1990, the number of houses built or finished has quickly dwindled and the annual average significantly decreased in comparison to previous years. Public investment in the housing sector has constantly decreased. In fact, it was only due to the emergence of private capital that the number of houses completed stabilized to around 30,000 units per year. Still, this figure proved to be insufficient to cover the demand, especially in urban areas and for certain social categories (youngsters, young couples, households with lower incomes and pensioners).

The reduced number of houses built from public funds in this period indicates the drastic withdrawal of the State from the housing sector and the general lack of means for greater accessibility of housing in comparison to the population's needs. The share of public housing investments on the GDP has remained mostly under 1%.¹¹ The trend was to be reversed since 2000, following the establishment of the National Housing Agency (1998).

The period following 1989 will be remembered for a series of significant events relating to housing sector:

- Mass-privatization—sale of flats to tenants using an attractive low interest loan system (Law 61/1990);
- The restitution of the nationalized buildings (some of which were residential houses) to former owners, raising social problems in respect to the current tenants inhabiting the returned property;
- The creation of a new legislative and institutional frameworks after 1995 aiming to reactivate the housing sector and the construction activity;
- The development of the free market of real estates as well as the free market rental system;
- The emergence of private initiatives and larger investments in real estates in residential areas (though addressed to a limited number of people with higher incomes);
- The aging and degradation of large residential areas with block of flats, parallel to a general increase in maintenance costs;
- The general change of aspiration of the urban population, willing to leave the collective living arrangements in the cities and opt for individual housing (if possible outside the cities and in areas less affected by noise and air pollution).

2.3 National Housing Policy Objectives and Legislative Changes

2.3.1 Housing Legislation

The Romanian legislative system consists of acts, Government decrees and resolutions, and ordinances. The Acts (constitutional, organic and ordinary) are drafted by the Government, members of the Parliament, or by the initiative of 250,000 citizens. After debate in the Senate and the Chamber of Deputies, and its adoption by Parliament, the President promulgates it within 20 days after adoption. The President of Romania, in accordance with his constitutional prerogatives, issues the Decrees.

The Government, to regulate the execution of the laws, issues resolutions. Ordinances are issued on matters pertaining to the statutory laws, through a special sanction provided by the Parliament. They come into effect at time of their issue, but are subject to final approval by Parliament. Under special circumstances, the Government may issue the Emergency Ordinances; these come into force only after submission and adoption by Parliament. All legislation comes into force when it is published in the “Official Gazette”.

The development of a legal framework for housing was one of the reforms adopted to facilitate the transition to a market economy and was a key-component in changes within the housing sector.

The Housing Act 114/1996 (and subsequent) sets up the general framework for a national housing policy. Two major obligations for the Government of Romania were foreseen when building the institutional framework for housing:

- a) The responsibility to create a nation-wide, unitary housing development policy;
- b) Development of a housing construction program should be managed by the Ministry of Public Works, Transport and Housing. This is on the basis of evidence submitted by local councils, other interested bodies in the public administration, and also in accordance with the urban and regional planning documents (as adopted). The first National Strategy on Housing was issued by the Ministry for the period between 2001–2004.

The Act regulates the social, economic, technical and legal aspects of housing construction and utilization. It also defines and develops the typology of dwellings (public housing; official residence; intervention dwellings; protocol residences; emergency dwellings; holiday residences); prescribes the development of the housing construction; determines dwelling rental rules; establishes management procedures; and determines the rules for the organization and function of homeowners’ associations.

The Act defines social housing and, specifically, the main target populations for its allocation in the following order: young couples (under 35 years), youngsters (over 18 years) coming from social institutions, the beneficiaries of the Law 42/1990

(1989 Revolution heroes), the physically handicapped people, retired persons, war veterans and widows, other persons and families entitled by the local authorities. The Act states that local authorities are responsible for providing housing to those needy households/individuals. According to the Act, social housing is defined as “housing with subsidized rent, allocated to persons or families in a poor economic situation and without accessibility to property”. The goal of social housing is to provide shelter for a determined period (not permanently) through the social service system and help to assist the households/individuals in overcoming their dependence upon these social services.

The Housing Act is, however, not sufficient to solving the social housing problem. A lot of other instruments and institutions must be put in place. Only recently (since 2001) there has been commitment at the government level to create a complete legislative framework. Since 1994, investments in the “social housing and programs for youngsters” have been modest: 1,260 such public housing in 1994; 1,414 in 1995; and 3,910 in 1996.

The privatization of housing stock (sale of rental housing owned by public authorities and enterprises, including unfinished apartment buildings) was the result of the Decree-Act 61/1990. It enabled the privatization of housing units, built from state funding during the communist period, by selling them to the tenants who could make the down payment of 10% of the total dwelling price and repay the rest of costs through qualified loan with 25-year maturity period. Foreign nationals were eligible to purchase a housing unit by covering the unit price in foreign currency, while repatriated Romanian citizens were encouraged to pay in foreign currencies.

The annex to the Act determined sale prices depending on whether the construction was before the January 1st, 1977, between January 1st, 1977, and January 1st, 1989, or after January 1st, 1989. The law stipulates that a loan, with a 4% annual interest rate and 25 years maturity, will be provided by the Saving and Deposit Bank. Moreover, young married couples (under 35 years) were offered a loan with 2% annual interest and 30 years maturity from the Saving and Deposit Bank. The sale of dwellings was (and still is) processed by real estate agents and/or specialized agencies.

The privatization (sale) of uncompleted or vacant dwellings is covered in Act 85/1992 and has subsequently been developed through Government Decrees 383/1992 and 678/1999. Local authorities are required to identify and monitor the stock of unfinished buildings. They are in charge of organizing public auctions for the sale of these dwellings. The bid starting price must cover the costs incurred up to the particular development stage of each dwelling. The amount received from the sale of units should be used for priorities, such as reimbursing the credit taken to do the work in the first place. Creditors, under development contracts, receive compensation directly according to the value of the work executed. The remaining resources, after credit reimbursement, should be used for financing further housing construction.

Dwellings can be paid for by installments, the first payment being 10% of the purchase price. Agencies are expected to guarantee payment by mortgaging the dwelling. In the case of arrears in the agreed installments, the customer is obliged to pay an annual interest rate of 8%. The dwelling cannot be resold or altered without the prior agreement of the agency until the mortgage has been repaid. Complete default on the loan repayment leads to the eviction; however, there are no statistics available on how often this occurs.

The restitution of expropriated housing is regulated by Act 112/1995, followed by Act 10/2001, which sets the legal status of houses nationalized, and buildings expropriated, by the State. These Acts refer to buildings formerly in private ownership that were nationalized between 1945 and 1949. Restitution can be made, in kind, if beneficiary already lives in the restituted property as a tenant, or in a form of a cash compensation if another household occupies the dwelling. When the housing property is in a multi-apartment building, the ex-owners or their heirs receive the appropriate share on a common property.

Maximum compensation levels are set according to the average salary, as reported by the Commission for Statistics, and are provided for a period of 20 years. The compensation (from the Ministry of Finance's extra-budgetary funds) is to be paid within 24 months of its determination. Tenants living in flats of former owners, or their heirs, benefit from legislative tenant protection.

The rental contract must be extended for an additional five year period, beginning from the definitive decision date concerning the restitution. Tenants can only be evicted if they have been offered suitable alternative housing (e.g. receiving a new dwelling from the landlord or local authority). The restitution procedure for dwellings should take no more than 95 days, and the claimant may appeal a decision within 30 days. Six months after the enforcement of the above-mentioned Acts, tenants of dwellings that had not been restituted could opt to purchase them according to the provisions of the Housing Act. There is no available data on the number of restituted housing units or on how many dwellings have been needed for tenants evicted from restituted properties.

The real estate registration tradition in Romania dates back to the Civil Code of 1864. However, it was applied only in western Romania (Transylvania). Act 7/1996 on Cadastre establishes a new unitary system (with complementary technical, juridical and economic elements) in order to ensure the identification, registration and monitor of all land and other real estate assets, regardless of their use and ownership status. The Act has been harmonized with general European requirements. Land book offices carry out registration under the law for each settlement (rural or urban).

Before the Housing Act, the responsibilities for management of the housing stock were stipulated in Act 5/1973. The Housing Act stipulates that the management of dwelling houses is the responsibility of the owner and it states that management may

be entrusted, from the owner, to physical or legal persons, associations, public agencies or specialized business.

In an apartment building or complex, the owners must establish the Homeowners' Association with the authority of a legal person. The main purpose of this statement is promotion of effective housing management. The Act provides detailed proposals regarding these associations: the creation and the registration; the constitution; the responsibilities of the owners; main activities; the executive board responsibilities. However, there are no restrictions on the organizational structure of the association (for example, they could be constituted over a group of buildings to assist efficient management; or services could be contracted independently from suppliers by each homeowner).

The typical organizational structure of the Homeowners' Association is as follows:

- General assembly of the members (homeowners);
- President (representing the association and assuming certain obligations in the name of the association; representing the association against third persons, including actions against a tenant or a homeowner);
- Executive committee (representing the association in a building management and use);
- Auditing committee (this function may be delegated to other juridical or physical person).

The Homeowners' Association is increasingly seen as an association with legal status not only for the control and monitoring of the private housing management, but also to represent the interest of homeowners in the decision making process (regarding planning/participatory activity for housing maintenance and modernization). It is estimated that there are actually about 300,000 homeowners in Romania who are now in the process of establishing associations. The most important advantages offered by the Homeowners' Associations are:

- The decisions regarding the building are taken through a pooling system;
- The association's budget is also decided via voting. Each association must have a bank account. All homeowners have to pay their contributions to the budget in advance. The Homeowners' Association may apply a penalty to each home-owner for failure to pay the contribution, if settlement is not achieved within 30 days after the specified date. An association can sue in court any homeowner who has not settled his/her payments within 90 days;
- There is a consistent management control of an association's financial situation;
- Homeowners may propose investments or expenditures for the benefit of an association;
- Homeowners may receive a financial report upon request.

Rental housing is based on a written contract between the landlord (public or private) and the tenant which must be registered with the territorial (local) body. The law prescribes how the rental levels are determined: “The rent paid for a dwelling shall cover the expenses related to management, maintenance and repairs, land and building taxes, the costs of investment according to the period determined, in compliance with the legal provisions, and as well the profit, which is negotiated by the parties”. Tenants have the right to form and join tenant’s associations, who will represent them in their relationship with the landlords, as well as with any other third persons.

Rental housing is mostly situated in public housing stock. However, for both private (restituted) and public housing, rental levels are regulated by legislation. The Housing Act 114/1996 provides the legal framework for rental housing (norms for all types of dwellings that are rented, including intervention housing, emergency dwellings and social housing). According to this Act, rent should cover “maintenance, repair, taxes and investment returned” which, if applied, would provide sufficient income to the landlords. However, the rental rates cannot be raised above the ceiling level stipulated in the Act; this is set at 25% of the household income. This level is deemed to be economic and yield an income stream that covers the expenditure recognized in Act as necessary. But, given the low income of the current tenants, it remains insufficient for proper maintenance and repair in most cases.

The situation is even worse for the public rental stock belonging to social housing. Tenants in social housing can be charged no more than 10% of the household income. The legislation assumes that the difference between rental income and expenditure will be covered from the local authority’s budget. In practice, the authorities have found that other urgent priorities prevent this subsidy being provided and, in turn, this suggests that the social housing stock will actually be deteriorating at an even faster rate than housing stock in the private sector.

The Government Emergency Ordinance 40/1999 establishes the protection of the tenants in relation to the problems associated with the restitution of dwellings and determined the rent levels. Thus, rental contracts for housing units are valid for another five years after restitution of property. Local councils are obliged to offer suitable accommodation to tenants losing their homes as a result of a restitution, within one year—as to anyone with a right to social housing—in cases where the average monthly gross income per family member is lower than the national average.

Rental levels (for both “general” public and restituted private rental housing) are also determined by this Government Ordinance, giving a monthly tariff by category/settlement/zone, etc. and calculated in accordance with the criteria for local taxes and fees, applying a coefficient to the basic rent. The basic monthly rental rate is updated each year on January 31st, depending on the annual inflation rate. However, the maximum rent for public or private housing units (including office dwellings and hostels for the employees of commercial and state organizations) cannot exceed 25% of

the family's monthly gross income or of the national average household income, whichever is lower (in public social housing 10% of the income).

"Public" housing was a concept created by the Housing Act. This is housing owned by the local authorities that is not subject to sale to tenants (privatization). It can be created by new construction (zoned according the town master plans) or by the purchase and rehabilitation of existing buildings. The law stipulates minimum norms for floor space and facilities, conditions of potential rental contract and possible beneficiaries. In allocating "public" housing, the local authorities must give priority to specific social groups: young married couples, young people exiting social care establishments, persons with handicaps, pensioners and others. At present, general priority is given to persons losing their homes through restitution. The rental contract is established for five years, with the possibility of renewal.

"Public" housing is financed by local budgets in accordance with Act 189/1998. The State assists in the construction of public housing by transfers from the national budget. Individuals or businesses may also assist in the construction of public housing through donations or financial aid.

2.3.2 Housing Policy Objectives and Housing Programs

The increase in the housing construction in Romania implies the creation of specialized institutions able to apply the housing policies at different levels. As previously mentioned, the first decade of the transition period was not a time of clear housing policies. On one hand, this was due to a very poor inheritance and, on the other hand, to lack of funds, management skills, overlapping and, finally, to the lack of political willingness.

The modest achievements were not equally applied at different levels and it can be said that it was not a working system in this sector. As in many other cases, individual/local leaders managed to make small changes at local level, despite the changes created within the legislative framework.

The state housing programs, relatively recent in Romania, should equally cover the whole nationally territory. The 2001–2004 National Strategy on Housing Construction was issued by the Ministry of Public Works, Transport and Housing in the context of decreasing dwellings built during the period 1999–2000. The Strategy goals are to increase the accessibility of decent dwellings to all the citizens and to attract private investments, which, in time, will relieve state budgetary investments.

Two major programs were developed within this framework:

- The construction of privately owned dwellings (through the National Housing Agency and mortgage credits);
- The construction of dwellings for youth in the rental sector.

Another important program, developed within The National Strategy for the Improvement of the Roma Situation (Government Ordinance 430/2001), aims at increasing the affordability of housing, avoiding social segregation and increasing the participation of Roma communities in the housing building sector.

Housing construction, through the Mortgage Credit Program (via National Housing Agency), allots the Government as the main credit granter. In this respect, the amount allocated for this program in 2001 was ROL 500 billion (USD 17,500,000), as opposed to 1999: ROL 113.5 billion (USD 7,402,335) and in 2000: ROL 97.5 billion (USD 4,494,745).

The Youth Rental Housing Construction Program was then promoted. For this purpose, the Romanian Government proposed the realization of 38,000 rental units for the period between 2001-2004. In 2001, 438 locations for 27,000 units were identified and, among these, 6,790 units in 111 locations were to be finalized in 2002. As main financial contributions, ROL 700 billion (about USD 25 million) was allocated from the state budget and USD 12 million has been received from the external funds (loan), in accordance to the agreement with the Central European Development Bank (CEB). Although the program begun in 2001, that year a number of 3,158 potential locations were already finalized (as compared to 1,301 in 2000).

Box 5.1

Central European Development Bank Social Housing Program

The Bank's "Social Housing Projects in South East Europe" program's main goal to provide support for realization of the national housing policies in the region. Furthermore, the Bank supports projects addressing access constraints to housing of vulnerable groups such as refugees (project in Croatia) and Roma (two projects in Bulgaria). The project approved for Romania is of EUR 71 million, and constitutes the building of rental flats in order to accommodate about 16,000 young people/families in the 18–35 age bracket living on low revenue. The beneficiaries of this target group are to be selected by social commissions of the municipal councils within the counties (local authorities) according to selection criteria.

Other important objectives of the Housing Strategy are:

- a) The finalization of construction of flats within unfinished apartment buildings, according to the provisions of Governmental Ordinance 19/1994.

In order to finalize the 2001 construction work, the total of ROL 240 billion (USD 8,260,775) was allocated from the state budget. A number of 3,986 of apartments (over 7,579 unfinished apartments), all considered being in advanced stage of construction, were included into the program. It also should be mentioned that lower costs per flat in 2001 when compared with those in 2000 shows more effective budgetary

allocations. Utilizing the local workforce (less or more specialized) creates jobs for local workers and stimulates the local economy.

Table 5.6
Number and Costs of Unfinished Apartments

Year	Finalized Flats [Number]	Average Price per Flat
2000	724	ROL 526.3 million (USD 24,260)
2001	1,332	ROL 344.7 million (USD 15,890)

SOURCE: Ministry of Public Works, Transport and Housing, 2001.

- b) The construction of social housing for low-income families drawing the allocation from a national budget allocation of ROL 138 billion (USD 4,748,800) in 2001. An indicative table shows:

Table 5.7
Social Housing Program

Year	Finalized Flats [Number]	Average Price per Flat
2000	341	ROL 473 million (USD 21,805)
2001	695	ROL 364 million (USD 12,525)

SOURCE: Ministry of Public Works, Transport and Housing, 2001.

In the context of insufficient financial sources for social housing at the local level, this program did not engage in new objectives.

2.4 Housing Finance

Several government resolutions in 1990, 1991, and 1992 provided the mechanisms for loans to be obtained to finance housing. The traditional source of funding is a loan from the Savings and Deposit Bank. The Romanian Government channeled resources through this Bank, specifically to facilitate housing construction or purchase by the citizens.

The Act on Mortgage Credit for Property Investment (190/1999) enabled the introduction of the conventional mortgage loan. According to the loan's terms, the credit banks, the National Housing Agency, the Saving and Deposit Bank and other

financial institutions (including any special mortgage funds) are entitled to grant mortgage credits.

The National Housing Agency

The National Housing Agency was established under Law 152/1998 is a public interest institution. It was created to stimulate new housing construction and rehabilitate and consolidate existing buildings. Aiming to co-ordinate the financial resources for housing construction in Romania, the Agency's main objective is to create financial packages and attract management resources for the construction, purchase, rehabilitation, consolidation and extension of dwellings, including those for rent.

The Agency's National Coordinating Council acts through a central administration and branches throughout Romania. Each year, the Agency's management has to report to the Parliament on its activities. The Agency is a "manager-mediator" between banks, developers and individuals and concludes five types of contracts: two contracts with the client (applicant); one with the developer; and contract concluded between the bank, client (applicant) and Agency.

The Agency acts both as a developer and a loan-funding institution. As a developer, the Agency approves contractors, supervises the construction process and, finally, sells the units to eligible households. In order to qualify, the prospective homeowner has to obtain an application form, complete it and send it to the Agency who then pre-selects the eligible applications and forwards them to the bank. The bank analyses the applicant's ability to repay the loan and issues a "solvency certificate".

The applications with solvency certificates are returned to the Agency. The Agency beneficiaries are divided into three groups according to a number of criteria including: loan parameters, the applicant's personal situation and the applicant's credit history. The Agency contracts the construction work on a public tender basis. The contractors must provide their own designs and financial packages.

The period of construction cannot exceed 12 months. The maximum profit margin for the contractor is 5%. The final price is set in the contract and includes a fixed estimation for inflation, which forms an incentive to finish the construction quickly. In multi-household buildings, no construction can begin before 70% of the apartments are pre-sold. There are arrangements that enable Agency dwelling prices to be kept (relatively) lower than market prices. The Agency is obliged to arrange agreements with the respective local authorities in support of its housing schemes. Under such arrangements, for example, serviced plots of land are to be provided free of charge by the authority. Legislation stipulates that the financial beneficiary is granted ownership, or the right to use the land, for the entire existence of the building under preferential conditions. The beneficiary will also be exempt from property taxes during the loan repayment period. Also, the cost of the building permit issue is covered by the Agency.

Despite the tremendous change in the housing policy and public expenditures after 2000 (due to the National Strategy and significant raise in budgetary allocations), judging on the actual size of these budget allocations, housing still is not an important political priority neither at the national nor local government level. In the context of relatively low level of budget allocations directed towards housing (see table below), a very substantial volume of public resources can actually be seen as flowing into housing through an indirect route.

Table 5.8
Housing Expenditures of Local Authorities (1998–2000)

	1998	1999	2000
Local Expenditures [Billion ROL/Million USD]	156.8/ 17.657	966.2/ 63.012	167.8/ 7.735
Local Expenditure as a Proportion of Total Local Expenditure [%]	1.09	4.22	3.31
Proportion of Local Expenditure Covered by Specific Grants [%]	2.25	9.54	3.31
Proportion of Total Local Expenditure Covered by Untaxed Revenue [%]		83.91	78.46

SOURCE: Ministry of Finance, 2001.

Public spending on housing became more concentrated after 2000 in order to:

- stimulate the population who would not have otherwise invested in housing (but with very modest results);
- provide housing (or services) to those not in a position to afford suitable housing (services) on the market (again, with reduced results);
- promote housing activities through the National Housing Agency and work in partnership with local authorities, in this respect.

The main problem in financing the housing sector is the weak targeting of the allocation of subsidies (subsidies—including either on rent or on utilities—is applied across the board, irrespective of the household's income). It is estimated that 90% of all new housing construction is financed by private funds. Considering the almost complete withdrawal of the public sector from rental housing construction, that percentage is not particularly high.

The National Housing Agency program and other government programs directed at support for homeownership are responsible for only a fraction of newly built owner-occupied dwellings. The construction of single-family houses in rural areas is the initiative of prospective owners, without any public assistance. In contrast, market-based developers usually provide new homes in urban areas. Unlike some publicly supported

construction programs, private sector housing projects are not subject to sophisticated patterns of financing.

The initial project capital, sometimes funded by short-term loans, buys the land and covers the administrative costs of acquiring the necessary permits (construction permit, urban permit, utilities use, etc.). Before any actual construction work starts, the developer pre-sells some or all of the future dwellings, in order to obtain the financing necessary to cover the costs of the construction work. A standard initial installment for each prospective buyer is 15% of the agreed purchase price of the property. Installments are indexed to a foreign currency, typically USD, and customers often offer to pay much more up front to protect against inflationary effects on the exchange rates. Such payments may be treated as credit to the developer and bring interest of 10% p.a. and, consequently, late payments will be treated as credit to the customer, for which the developer will charge something like 14% p.a.

The development company additionally insures against losses as a result of late payments. The money for installments can come either from the purchaser's savings or from a loan, but housing investments are still primarily financed with cash.

2.5 Evaluation of National Housing Policy and Legislation

Romania possesses a legislative framework that regulates activity in the major sectors related to housing. The mechanisms and instruments are oriented towards a market economy and have all been created within a short period of time.

Some weaknesses have been identified within the Country profiles on the Housing Sector:¹²

- Despite legal provisions, the problem of uncompleted housing blocks are still significant after 10 years;
- The great number of legislative documents in this sector still does not create a clear and easily intelligible perspective on how to obtain land for construction. The implementation of the new property registration system is slow and the proposed legislation does not include an instrument for guaranteeing enforcement;
- Although the legal framework for the function of the Homeowners' Associations was set up almost six years ago, among new owners, there are general mis-understandings of all the advantages offered in the Homeowners' Association form. A remaining problem is that the Housing Act does not specify the relationship between co-owners (individuals and legal owners/entities) within the same building;
- The housing services supply sector has not yet been covered by legislation almost at all and it is not regulated;

- Although the legal framework for establishing the National Housing Agency and the mortgage credit mechanism is in place, the investments themselves have not been developed.

In summary, the success of establishing legislation that empowers actions has not been matched by the other mechanisms and measures needed to secure that the desired actions take place.

The general conditions of the housing stock in Romania have not yet been the subject of a core survey and costs for repairs, remodeling, refurbishment and renovation have not been assessed. Despite several attempts during the last decade (such as consolidation of the buildings affected by the 1977 earthquake), there have been no national action programs oriented towards improving and consolidating the qualitatively low standard of the housing stock.

Physically, a large segment of the housing stock needs to be, at the least, assessed for repairs, consolidation and rehabilitation. Around 40% of the total urban housing stock is made from prefabricated kits and have insulation problems, whereas a significant share (over 50%) of rural houses are made of non-durable materials.

The problems related to the housing sector mustn't be divided from that of public utilities such as water works, sewage, electricity, gas works, central heating systems, telecommunication and waste collection. Finally, housing standards are related to access to other basic services such as primary education, health care, shopping centers, green areas, as well as good roads and parking areas, especially in the case of apartment buildings. If one adds the matter of urban integration of the big collective quarters, or the chaotic sprawl of new residential developments to previous aspects of roads, or agricultural lands, the complexity of the housing issue can be seen.

This present housing stock situation is also aggravated by its bad maintenance and by the low level of investment during the last two decades. If the refurbishment of buildings is taken over by the emerging Homeowners' Associations,¹³ the public services will need significant improvement in their standards.¹⁴

The mass privatization has resulted in an increase of private ownership in the housing stock from 67.3% in 1990, to over 90% in 1993 and finally 94.6% by the end of 1999. The public sector (in ownership of local authorities) is responsible today for the management of less than 350,000 dwellings, most of them in urban areas, in apartment buildings.

Mass privatization brought many advantages and disadvantages. The main advantages could be seen in the short-term. The former tenants became owners, exerting minimum effort, and the majority of households were able to face the economically brutal changes occurring during the first part of the transition. Moreover, the state collected a significant sum of money to finish the existing housing structures. Yet, due to extremely high inflation and the drawn out building process, few structures were finished.

In the long term, the disadvantages were more numerous: lack of maintenance; weak sense of ownership awareness; reduced capacity for maintenance and improvements; reduced involvement of local authorities in the rehabilitation process; mixed juridical status within the same apartment complex, etc. In terms of market value, the potential to take advantage of a property is very different based on location: in big cities, the price of a flat is set up reasonably in relation to its location and the general state of the building; in small and medium sized towns, areas going through restructuring processes, the prices of the apartments are generally extremely low.¹⁵

Access to a decent house is a problem for most households. The price of a new dwelling is accessible only to a small percentage of the population. The price of a new, average standard, two-room flat is between USD 12–18,000. A two-room flat costs USD 12,000, if built by the National Housing Agency, but this price is excluding the costs of land,¹⁶ infrastructure, profit, taxes and financing costs.

On the free market, the price of a two-room flat in Bucharest can go from USD 7,000 to USD 60,000! The cost for single-family houses (villas) is much higher and can reach over USD 150,000 around Bucharest and other big cities.¹⁷ In urban areas, high-income households have built a relatively small number of villas recently.

Current conditions and management of the housing stock under the framework of the housing decentralization process faces following challenges:

- *Institutional aspects* (in the last decade, the decentralization process meant that the major housing issues were passed over to local authorities, without being supported by the necessary instruments);
- *Physical aspects* (the poor conditions of the existing housing stock, including construction standards, low quality of public utilities and poor environmental conditions especially in the collective high-rise estates and on the edge of cities);
- *Social aspects* (lack of partnership and community spirit in respects to housing management issues; a process of polarization and social and spatial segregation; underdeveloped infrastructure in the sphere of social services; a significant range of problems for social groups: youngsters, old people, disabled, homeless people, etc.);
- *Political aspects* (housing does not represent a political priority equipped with adequate funds and programs both at central and at local levels. There are reduced activities to alleviate the free market economy inconveniences and a lack of co-ordination between sector strategies for improvement of the housing situation);
- *Economic aspects* (such as economic decay, inflation, low income and high unemployment rates, underdeveloped banking saving systems, etc.);
- *Urban planning aspects* (the difficulty of applying concrete and adequate proposals for the restructuring of derelict urban areas or large housing estates).

2.6 Distribution of Housing Policy Tasks between State and Local Governments

As stated in the Constitution, public administration is founded on the principle of local autonomy and decentralization of public services. The present administrative structure has lasted since 1968 (Act 2 /1968¹⁸) with some change in the administrative boundaries between counties. The county, the town, and the commune are traditional administrative structures in Romania. Between 1950 and 1968, districts and regions have replaced the county level following the imposition of the soviet model in the economic, social, political and administrative life.

The structure of Romanian self-government has two tiers: judets (counties), and communes/towns. Communes and towns are considered to be the basic administrative units. There are 41 judets, including the Municipality of Bucharest (the capital), and 2,951 communes and towns. There are over 13,000 localities, most of them rural, this means that there is an average of three to four localities per basic administrative unit.

Table 5.9
Administrative Structure of Romania

	Counties	Basic Territorial Administrative Units (BTAU)		Villages ¹⁹
		Municipalities and Towns	Communes	
Number	41 + 1 ²⁰	263 (85 + 178)	2,687	13,094
Average/County	—	6.4	65.5	319
Average/BTAU	—	—	—	4.9

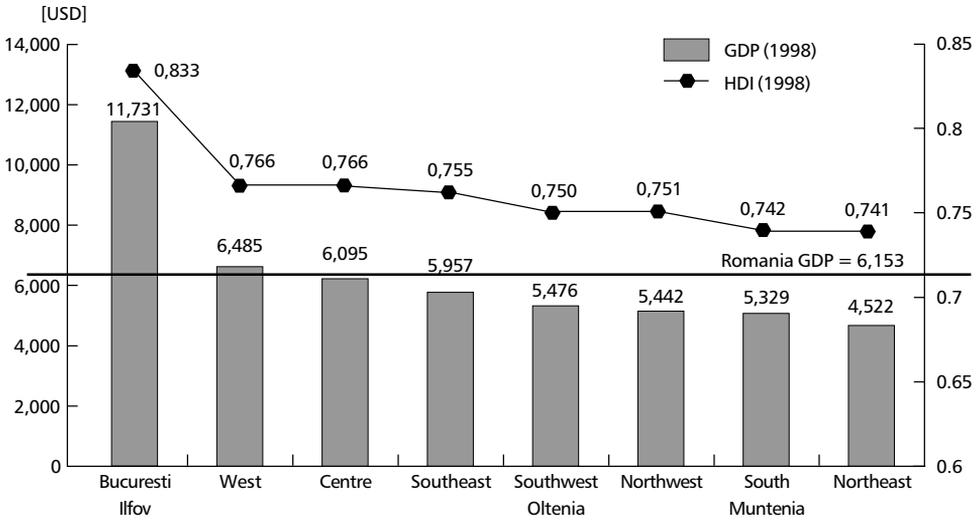
The first Act for public administration issued after 1990 (Act 69/1991, then modified by Act 24/1996) stated the new qualities and responsibilities of the local administrations. The newly created self-governments were Local Councils, at the commune and town level, and County Councils, at the judet level. Local communities elect the members of these councils by a universal, equal, direct, secret and free election process (art. 5 in Act 69/1991).

At the local level, the executive authority hold the Mayor election by universal polling. At the judet level, the executive authority is the President, who is elected in turn by the elected councilors. The Judet/County Council has a coordinating role in respect to the Local Councils.

Statistics shows that there are significant regional disparities (in regions created mainly for the purpose of resources allocation of European Union funds, and that do not hold any actual significant competence) between the 8 territorial entities, in respects to economy, social development and infrastructure. The aggregated GDP indicator

and the Human Development Index, firstly illustrates the large gap between the capital region and the rest of the territory as well as the slight advance of three other regions. A strong correlation between the level of development and the urbanization level should also be noted, the most rural regions also being the most underdeveloped.

Figure 5.3
The Regional GDP and the Regional Human Development Index



SOURCE: National Human Development Report—Romania 2000.

The attributes and responsibilities of local authorities are established by Act 215/2001 on Public Administration, which replaced the Act 69/1991 and its follow-ups, and by Act 189/1998 on Local Public Finance. County Councils do not have direct responsibility for housing and corresponding county strategies pay little attention to housing related issues. This may represent a weakness, as “territorial projects”—particularly spatial development strategies—are being drawn up without particular concern towards housing. Although the major attribute of the County Council is to co-ordinate the development of the basic territorial units, their involvement in housing policies has been significantly reduced.

At the town and commune level, Local Councils represent the local power and are responsible for local economic and spatial development. Considerable responsibilities have been transferred to the local level, this includes housing policies. Article 38 of Act 215 sets up 26 major attributes; particularly significant for housing is the right to approve the repartition criteria for social housing. The UN report on Romania²¹

recommends another 11 responsibilities of local councils in the field of housing. These responsibilities include:

- 1) to develop, implement and monitor local policies according to the general principles of the national policy;
- 2) to monitor the local housing market with careful evaluation of demand and supply;
- 3) to facilitate access to housing for specific categories of families and individuals, and establish their own hierarchy of need;
- 4) to secure special funds for more housing construction for socially deprived individuals and households;
- 5) to provide land for housing construction;
- 6) to develop land for new housing construction projects, providing the basic infrastructure;
- 7) to allocate local government-owned land to social housing;
- 8) to finance the development of social and emergency housing from the local budgets;
- 9) to provide technical assistance, finance and consultancy for the consolidation of the housing stock against seismic damage;
- 10) to support urban renewal and rehabilitation policies, including housing;
- 11) to implement specific programs in support of local actions and community management.

Despite the explicit and implicit legal provisions, the institutional and financial capacities of local councils have been considerably reduced and they cannot properly accomplish the allocated tasks, especially in small and medium sized towns and communes.

3. EFFICIENCY AND EFFECTIVENESS OF LOCAL GOVERNMENT HOUSING POLICIES

It is not an unusual situation for local authorities to not have a specific department or office bearing the title “housing”, nor to not have a department directly and primarily dealing with all housing issues either. Even management, maintenance, sales and utility provision concerning council’s own housing stock, are likely to be handled by different departments.

This section analyses the situation of the local housing management practices/policies from the perspective of their efficiency and effectiveness, including regional differences. The utilized indicators for this chapter are pure data/information, as well

as the results of the Local Government and Housing Survey (LGHS) realized under this project. The questionnaires were mailed out in November 15, 2001, to 263 towns and municipalities with populations over 5,000 inhabitants. The rate of return of the questionnaire survey was 28.8% (valid, completed questionnaires).

Table 5.10

Return Rate for the LGH Survey in Romania by Urban Settlement Size

Type of Urban Settlement by Population Size	Urban Settlements in the Country		Urban Settlements in LGH Survey		Weight
	Number	[%]	Number	[%]	
Towns less than 9,999 inhabitants	70	26.7	16	21.1	1.27
Towns with 10,000–24,999 inhabitants	103	39.2	30	39.5	0.99
Cities with 25,000–49,999 inhabitants	43	16.3	14	18.4	0.88
Cities with 50,000–99,999 inhabitants	23	8.7	8	10.5	0.83
Large cities with 100,000 or more inhabitants	24	9.1	8	10.5	0.86
Total	263	100.0	76	100.0	

SOURCE: National Commission for Statistics and LGH Survey 2002.

Small towns were under-represented in the survey and, therefore, weight was placed to assure the representative nature of the answers, according to the size of municipality. Also, small towns are not balanced throughout the entire territory of the country but, rather, are concentrated within the Transylvania region.²² The weighted averages were thus counted and will be presented in the following sections.

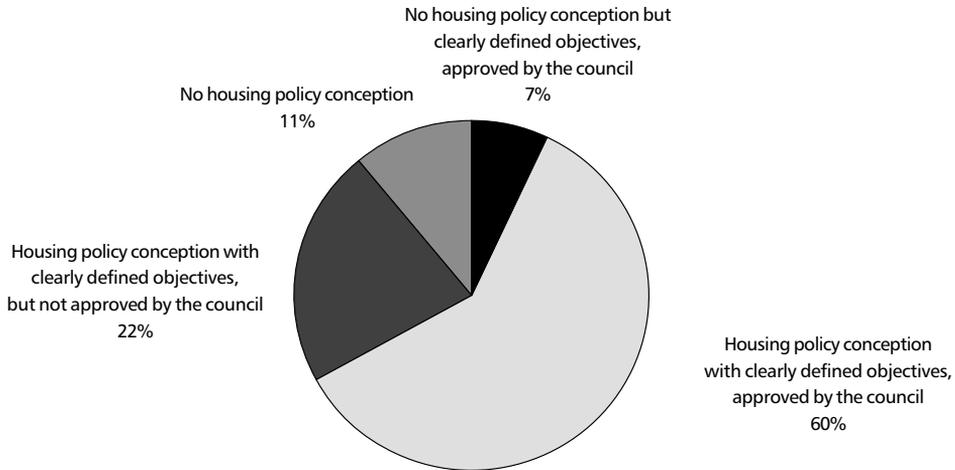
3.1 Local Housing Policy Strategies and Objectives

Most local governments have their own housing policy strategy, with clearly defined objectives to be achieved. Moreover, their policies have already been approved by the Municipal Council and are operational (60%). Due to the small number of cases, there are no significant differences between cities of various population sizes.

The housing policy objectives of local authorities, written by municipalities themselves, placed the necessity of a larger rental housing stock (the actual share is only 4.8 % of total housing stock) as first priority. The responses to the questionnaire indicate large local support for the new housing construction agenda and its allocation amongst the most needy and low-income households. There is also support for housing construction programs (for sale or for rent) geared towards the young specialists, in

partnership with the National Housing Agency via the National Program of the Ministry of Public Works, Transport and Housing. This shows how much importance is paid to those social categories that are able to participate directly in municipal development.

Figure 5.4
Strategies and Objectives for the Local Housing Policies
of 76 Romanian Cities



NOTE: The figure in brackets shows the frequency of objectives on particular ranking place.

SOURCE: LGH Survey 2002, N=76 (weighted data).

There is also concern in regards to the improvement of technical infrastructure and maintenance management (including Homeowners' Association involvement), completion of unfinished dwellings and establishment of strategic partnerships (especially with possible investors/donors).

Significant differences between various categories of size of municipality have not been recorded and it seems obvious that, despite their willingness to build and provide local support for the housing sector, they need external partners (and funds) to be able to participate on this front. The Homeowners' Associations are considered potential and necessary partners for improvement in housing maintenance. The answers, ranked in accordance to their importance, are presented as follows:

- Providing support for housing construction projects and priority allocation of (rental) housing among low-income households and other disadvantaged categories (22.5%);

- Rental housing construction for young specialists in partnership with the National Housing Agency via the national governmental program (17.8%);
- Improvement in the quality of the existing social housing stock's technical infrastructure (13.7%);
- Improvement in housing maintenance management at the local level, and establishment of a local rental system (10.9%);
- Establishment of strategic partnerships (10.1%).

Regardless whether the local governments have their own objectives or not, the respondents were asked to rank a series of nine fixed objectives in accordance to their importance. Each of the nine objectives was assigned a number; 1, being the most important, and 9 being the least important. The consensus reached among the local representatives, regarding the order of the nine objectives, is presented below. Increased affordability of housing for middle and low-income households, as well as better access to housing for homeless people, are at the top of the hierarchy.

This indicates that, in most cities, poverty and increase in people at risk of losing their housing (due to debts relating to the maintenance fee for apartments in apartment buildings) represents social problems that need intervention. Yet, in a great majority of cases, participatory and social segregation issues was placed at the bottom of the housing agenda.

The hierarchy of objectives is not dependent on the size of the city. The changes that can be observed do not differ to statistically significant degrees. However, in larger cities where homelessness is more acute, local representatives tend to place primary importance on the corresponding issue. In contrast, cities where no housing policy strategy has been formulated, objectives related to the homeless issue are placed down to fourth position.

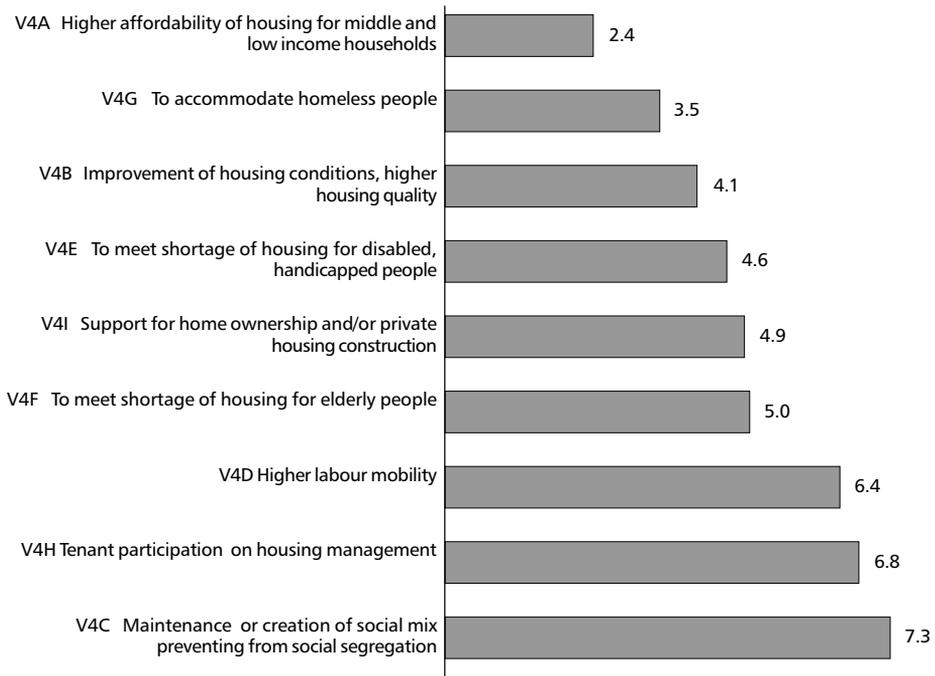
Certainly, one key issue regards the finalization of unfinished dwellings (for sale or rent) and the establishment of strategic partnerships with important national stakeholders (for instance, the National Government and the National Housing Agency) as well as with local actors from the private sector.

The housing system has changed and new actors have appeared; the old players (local and central authorities, government housing agencies and state enterprises) are changing their roles. For the typical housing sector actors, transitions in the housing sector mean radical changes in their behavior—in their norms, interests and attitudes.

The new actors in the housing sector are: developers, construction companies and real estate agencies as well as Homeowners' Association and banks. Analyzing the respective roles of most the institutional groupings, thus related to the Romanian housing sector, reveals the great difficulty in establishing working partnerships between them. This is despite the fact that the housing sector, and the solving of housing

problems, is the collective responsibility of all society's invested interest groups. The actual situation makes clear that the institutional framework has to be flexible and capable of step-by-step changes parallel to the results reached and new goals identified. But the major issue is that all organizations forming the housing institutional environment have to integrate and acknowledge each others role when seeking to fulfill the jointly accepted goals.

Figure 5.5
Hierarchy of Housing Policy Objectives,
as Defined by Local Governments' Representatives



NOTE: The graph presents the average rank of each objective.

SOURCE: LGH Survey 2002, N=76, (weighted data).

At the same, at the local level, a strategic housing partnership would be the best approach for overcoming such difficulties. This will also enhance the separate potentials and resources of the partners. Despite the decentralization process, the current situation shows enormous difficulty in establishing such partnerships. The main challenges, in relation to this situation, are:

- implementation of a housing strategy (at the central and/or local level) is based mainly on homeowners' involvement as main tool, despite their quite weak financial power;
- the different schemes for cooperation and participation in the housing sector did not make precise and perceptible the various relationships and benefits for each social group/organization/level interested in the housing sector;
- the allocation of most housing responsibilities have been handed over to the local level without being accompanied by relevant resources;
- generally, housing strategies/policies (where available) were done without sufficient consultancy of the numerous organizations involved in the building, financing, selling, letting, repairing and maintaining of the housing property in Romania.

3.2 Municipal Housing

3.2.1 Overview

The housing stock consisted of 7,907,000 of dwellings in 2000 (about 22,500 more dwellings than in 1999); 4.8% of the stock is in the public ownership of the local authorities. Compared to 1999, the total share of housing built from private funds increased, representing 93.7% of the total number of finished dwellings in 2000.

Table 5.11
Local Authority's Rental Dwellings by City Size

Inhabitants	Number of Rental Dwellings					Share of Local Authority's Housing in Regards to Total Number of Municipal Dwellings				
	Number of Cases	Mean	Standard Deviation	Min.	Max.	Number of Cases	Mean	Standard Deviation	Min.	Max.
Less than 9,999	13	311.9	559.9	3	1,581	12	2.6	1.8	0.4	6
10,000–24,999	29	146.3	139.7	4.0	600	28	4.5	4.7	0.0	19
25,000–49,999	14	304.7	325.2	3.0	1,100	13	5.3	4.5	1.0	15
50,000–99,999	8	1,001.4	650.9	197.0	2,115	8	4.6	2.9	1.1	9
More than 100,000	8	1,553.6	1,239.2	563.0	4,020	8	2.6	1.2	1.4	5
Total*	72	428.4	674.0	3.0	4,020	69	4.0	3.8	0.0	19

* Weighted data.

SOURCE: LGH Survey 2002, N=76 (with 4 cases missing).

The number of rental dwellings varies significantly according to city size. The average number of rental dwellings is significantly greater in the larger cities. However, the estimations concerning housing under local authority do not seem to be reliable. Multiplying the number of dwellings by its share within the municipality and dividing the result by the estimated number of households (population divided by 3.1) results in anomalous products (e.g. in 15% of the instances, more than 100 households correspond with one dwelling). The following table demonstrates the main characteristics of municipal housing. The average size is equal to 44 square meters and a typical dwelling consists of two inhabitable rooms.

Table 5.12
Characteristics of Municipal Dwellings

Characteristics	Simple Average	Standard Deviation	Weighted Average	Standard Deviation	Weighted Average per Inhabitant	Missing Cases [% of Total Sample]
Residential size of LA dwellings [m ²]	43.8	13.8	43.6	14.1	44.1	5.3
Number of rooms per LA dwelling (rooms)	1.99	0.33	1.99	0.33	2	3.9

SOURCE: LGH Survey 2002, N=76 (weighted data).

3.2.2 Management of Municipal Housing

In most cities, the municipal administration manages and maintains the municipal housing. We would point out that, in Romania, the possible answers are not exclusive, as municipal administration is itself a budgetary organization (according to Act 27/1995 Concerning Local Taxes and, subsequently, Act 198/1998 on Local Public Finance).

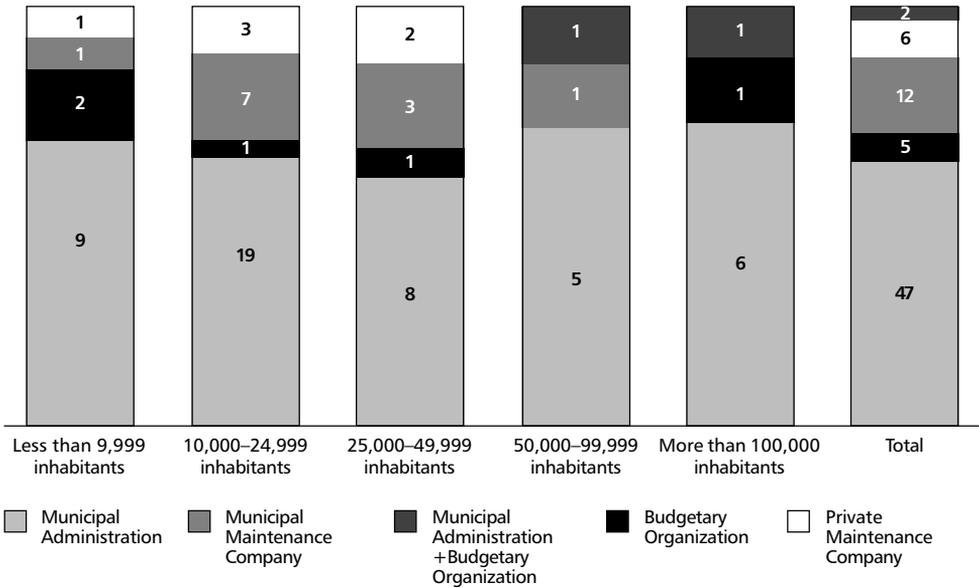
According to existing comparative figures and latest statistics, more than 95% of the total existing housing stock is in private ownership. This represents a major issue both due to its important allocation and the critical situation of most the dwellings, but also because of the new management conditions.

Before the Housing Act of 1996, responsibilities concerning housing stock management were stipulated in Act 5/1973 including the status, organization and function of tenants' associations. The Housing Act specifies that the management of dwelling houses is the responsibility of the owner and it states that the owner may entrust management to an individual or legal entity, an association, public agencies or specialized businesses. Housing managers have the following responsibilities:

- a) To administer goods and financial funds;

- b) To conclude contracts with the suppliers of the necessary services and to follow-up on the way these services are provided, minding the proper function of the building;
- c) To make sure that the cohabitation regulations are recognized and observed;
- d) To represent the owner’s interest in relation to the public authorities;
- e) To fulfill any other obligations as provided by the law.

Figure 5.6
Management and Maintenance of Local Authority’s Housing Stock



SOURCE: LGH Survey 2002, N=76 (with 2 cases missing).

There are no specifications as to the maintenance of individual houses in rural areas. Under the former regime, municipally owned management companies were responsible for repairs and maintenance of state-owned housing. As for private properties, they maintained contractual arrangements with tenant’s associations. As management subsidies have been withdrawn, the system has broken down gradually over the past decade, leaving companies “faced with the market”.

Some of these organizations have gone bankrupt, others have split up. A large number have been absorbed by other ventures during privatization. Still others have moved on to more lucrative markets, such as new construction projects for the very “top scale” market or the, rather limited, state-funded construction business. The role

of the Homeowners' Associations is still limited, sometimes restricted to the role of representational bodies when negotiating—especially with utility companies—the utility payments. Most associations manage their apartment buildings themselves, since it is cheaper to do so. Although the official guidelines recommended a comprehensive housing management service, this has rarely put into practice. Consequently, this activity does not yet represent a professional service including consequences for the responsibilities, as required by the relevant act.

Box 5.2

Pilot Program for the Homeowners' Association in Brasov

Since 1993, the USAID's branch has developed a pilot program in Romania that promotes the benefits of the Homeowners' Associations versus traditional lodgers' associations. Firstly, they are more dynamic and more capable of conducting general building(s) administration and effective management. The program was initially conducted by the Urban Institute in Washington, DC, under the framework of Act 21/1924, on associations' establishment, as a proper law is lacking in this respect to date. Later on, the Resource Center was established (1994) in order to enhance citizens' participation and the role of the citizen in the community as a key voice in the local development process. The services provided by the Center, especially for Homeowners' Associations, include:

- *Consultancy regarding the establishment of Homeowners' Associations;*
- *Consultancy regarding juridical, technical, and financial issues; relations with public institutions, public utilities services providers, amongst association members and with local authorities;*
- *Data collection, problem identification, experience in media coverage; problem solving processes;*
- *Facilitation of linkage with NGO's that are developing Homeowners' Association projects/ activities;*
- *Establishment of Citizens' Information Centers.*

3.2.3 Voids, Rent Arrears and Allocation of Public Housing

Only twelve local representatives answered the question concerning the number of voids in housing under their local authority. Noteworthy, nine of the twelve answers came from local authorities that have formulated a housing policy strategy and have had it approved by the Municipal Council.²³

All politicians focus on newly built dwellings (in order to gain political capital) without paying attention to the existing stock (including apartment buildings begun before 1989, still unfinished). This stock, in the meantime, is continuously deteriorating. The government strategy is rather to engage in discourse focused on new dwellings. In

light of this, the neglect of voids and lack of data concerning this situation, as well as the incapacity to estimate their numbers at the local level, is all in line with the situation and the ideology promoted at the national level.

The rental issue represents an important problem for local authorities in relation to their housing stock. Due to rent regulation (“standardization”), according to the Act provisions (see the previous within the chapters on legislation), rental rates are not subject to local decision, do not cover maintenance and repair costs, and are collected in a very tedious manner.

Table 5.13
Rent Arrears

Inhabitants	Sum of Rent Arrears as a Percentage of Gross Rent Roll for Last Year (2000)					Expected Sum of Rental Arrears as a Percentage of Gross Rent Roll in 2001				
	Number of Cases	Mean	Standard Deviation	Min.	Max.	Number of Cases	Mean	Standard Deviation	Min.	Max.
Less than 9,999	11	44.3	35.5	5.00	104.77	10	48.6	42.0	10.00	139.47
10,000–24,999	23	41.1	33.9	3.00	133.00	24	45.4	33.7	5.00	136.00
25,000–49,999	11	24.5	18.5	1.10	54.00	12	22.7	16.7	2.00	63.00
50,000–99,999	7	43.5	27.3	5.00	96.50	8	39.3	35.0	5.00	114.00
More than 100,000	7	30.0	20.4	3.00	53.00	7	31.2	23.3	3.00	60.00
Total	59	37.5	29.8	1.10	133.00	61	39.0	32.2	2.00	139.47

SOURCE: LGH Survey 2002, N=76 (weighted data).

Table 5.14
Rent Arrears—the Averages

	Simple Average	Standard Deviation	Weighted Average	Standard Deviation	Weighted Average per Inhabitant	Missing Cases [% of Total Sample]
Sum of rent arrears as % of gross rent roll last year	37.5	29.8	38.2	30.5	26.9	22.4
Sum of expected rent arrears as % of gross rent roll in 2001	39	32.2	40	33	28.7	19.7

SOURCE: LGH Survey 2002, N=76 (weighted data).

Rent arrears account for around a quarter of the gross rent roll for those cities with populations of 25–50,000 and about less than a third of large cities with more than 100,000 of inhabitants. In some cities rent arrears outweigh the gross rent roll.

On one hand, it is generally recognized that most of tenants in municipal dwellings are lower income families with many children and adults in long-term unemployment. Thus, tenants have low capacity to pay rent. On the other hand, it is also the result of weak collecting capacity of the local authorities, who do not succeed in developing effective mechanisms and arrangements in this regard. Additional evidence suggests that there is also a lack of information on rent loss through voids.

The answers related to the number of re-lets (tenant turnover) are highly heterogeneous, thus, they are difficult to interpret. Taking a look at the non-responses reveals that most of them come from small towns (less than 24,999 inhabitants).

Table 5.15

The Allocation System for Municipal Housing Dwellings [%]

Number of Cities	Is There a Waiting List for Those Applying for Local Government Dwellings?		Is There a Clearly Defined Point System on Social Need Measurement in Allocation of Municipal Housing Dwellings?		Are Different Types of Allocation Policies Used?	
	No	Yes	No	Yes	No	Yes
Less than 9,999 inhabitants	37.5	56.2	12.5	81.2	56.2	31.2
10,000–24,999 inhabitants	16.7	83.3	10	90	33.3	67.7
25,000–49,999 inhabitants	14.9	85.7	14.9	85.7	28.6	64.3
50,000–99,999 inhabitants		87.5		87.5	12.5	75
More than 100,000 inhabitants		100	12.5	87.5	25	75
Total	17.1	80.3	10.5	86.8	34.2	59.2

SOURCE: LGH Survey 2002, N=76 (note: total % per size do not always cover 100%, due to the missing cases).

A majority of the cities surveyed (small or large, with or without formulated housing policies, approved or not, by the council) have waiting lists for those applying for local authority dwellings. They also have a clearly defined point systems for determining social need.

3.3 Current Trends in the Housing Market

The sales boom was facilitated by an emerging brokerage industry. By 1996, 500 (out of 2,000) real estate companies in Bucharest listed a brokerage as their main activity. The National Romanian Association of Realtors was established in 1994. Since that time, it has become a leader in the real estate industry. Brokers represent both buyers and sellers, and typically receive commission from both. While commissions are negotiable, a broker might receive 6% on an average sale, and perhaps 3% on larger sale (with the percentage of commission split evenly between the buyer and seller). For land sales, the commission ranges from 4% to 6%.

A rental market has also developed, although it is difficult to define its size. Significantly, it is widely believed that much of the market is hidden because of widespread tax evasion. A very recent survey (The Institute for Quality of Life, 1999) indicates that about 3% of households in Bucharest rent units from private owners. Figures for other urban and rural areas are estimated to be lower (Bucharest figures are influenced by a large number of students and other inflowing non-local persons, i.e. business people with families, who lived for long periods in the town).

Brokers from two segments of the population currently divide the rental market: a small luxury market that caters to the international community and a second, larger market for Romanians. To some extent, the first segment, the luxury market, partly determines a share of the new construction.

The mass rental market primarily consists of existing apartments, mostly on the outskirts of the cities, and offers a range of options. Young people, who want to move away from their parents' homes, can share apartments. Some families may share with other individuals (mostly old people) or move into a second home somewhere outside the city (generally in a rural area), so they can gain a cash income by renting their apartments. Rental in the luxury market deals with hard currencies (especially USD or DEM (or did until 2002, especially in western Romania, which was actually called the "DEM area"). The latter type accepts payments in ROL or in hard currencies. Brokers participate in the rental market, typically receiving a month's rent as a commission (split between the tenant and the landlord).

The rental market is proving capable of supporting a greater amount of flexibility in providing a variety of options for households desiring to improve, or merely to adjust, their housing situation. For example, households can "trade up" by selling their existing home and paying the difference between the value of their current dwelling and the better one. Others may opt to pocket some of their home equity by "trading down" for less expensive dwellings.

Despite the very low share of actual rental housing under the charge of local authorities, most municipalities are interested in new rental housing construction and not only for providing for the social needs. They consider it necessary to use this asset

in order to rent dwellings (apartments) to those people who can directly contribute to the local development: young adults, young married couples, and elevated specialists and professionals. In this respect, under the programs envisaged, the municipalities (in all adopted categories) intend to make partnerships with the central government either for the construction of rental housing or to help identify potential strategic partners to pair with in order to begin these kinds of developments.

4. CONCLUSIONS AND POLICY RECOMMENDATIONS

4.1 Main Findings

The amount and quality standards of the housing stock are considerably weak against both the population demand and the required Europe-wide standards. The general picture suggests a lack of decent housing but also a small percent of dwellings/houses having an extremely high-level of comfort as well. About 20% of the total Romanian population lives in overcrowded conditions.

During the last decade, the construction rate was small and inconstant. Starting in 1993, most of the houses were built from private funds (87.4%), mostly in the rural areas as the opportunity for public funding declined. Beginning in 2001, public funds significantly increased, but still remained insufficient accordingly to the present need level.

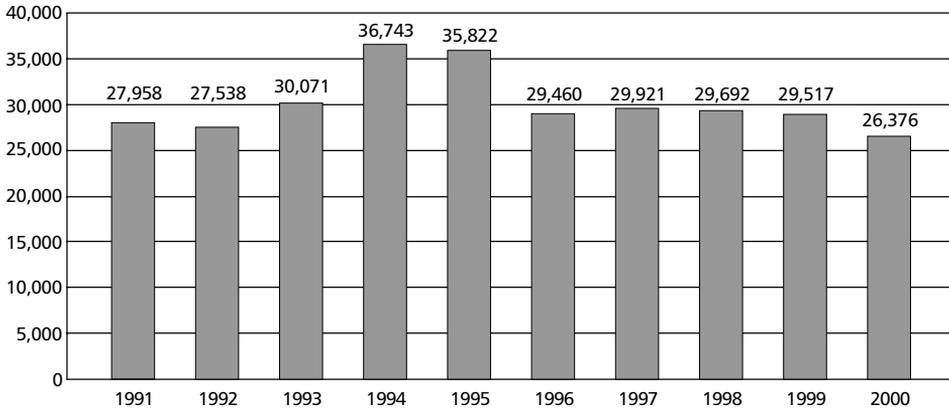
Most of the houses built during the last decade are of a mono-familial type (housing built during the past few years is being characterized by a fundamentally different living style. There is a now a return to a single-family dwelling model or small buildings accommodating a reduced number of families), and of relatively small area in size (in 1997, only 17% of newly built houses have more than one floor, compared to 75% in 1991).

There are a large number of dwellings (2.5 million) that need reconstruction of their thermal insulation protection and over 400,000 buildings, affected by earthquakes, that need (urgent) consolidation works. The housing stock, whose normal period of worry-free function time has been exceeded, is being replaced at very low speeds. Consequently, in the last decade, the overall housing stock has diminished from 8 million to 7.8 million dwellings (see Figure 5.7).

The newly built dwellings have brought a slight improvement to the level of comfort, in terms of both increased inhabitable surface space and a greater average number of rooms per dwelling, from 2.6 in 1991 to 3.3 in 2000. Nonetheless, access to utilities (water supply, sewage system, central heating networks) in the newly built houses is similar to that of the existing stock. Therefore, propagating a minimal share of houses endowed with the necessary equipment for a decent living standard.

A total of 48.5% of dwellings have access to a private or public water supply, 48.5% to sewage, 44.7% are fitted with bathrooms and 33.9 % with central heating. This is due to the fact that most dwellings are built in rural areas from the population’s own funds. Access to utilities depends on available financial resources, the region and the type residential area (rural/urban).

Figure 5.7
Evolution and Number of Completed Dwellings



SOURCE: National Statistics Institute.

The housing stock exceeds the number of households (by about 300,000), especially in rural areas. Despite a stagnant urban population, there is growing pressure concerning the housing demand and a housing crisis has manifested, especially in the big cities, generated by:

- The formation of new families (exceeding growth in the housing stock);
- The degradation of the multi-family housing stock (in high-rise estates);
- The increasing demand for high quality housing.

At the same time, a secondary market was stimulated but without a clearly regulated framework for the (private) rental housing stock. This has permitted both speculations and tax evasion.

The slow pace of construction has stimulated the development of a secondary housing market, based on sale of existing stock. However, there is no clearly defined framework of rental regulations. In this respect, private supply has prevailed and the rent fees are speculative, manifesting as a source for tax evasion. The discrepancy between the market-purchasing price for dwellings and the population’s purchasing power, particularly for the younger segment of the population, was mainly generated by:

- the change in the legal status of many buildings. At the end of 2000, 95.2% of Romania's dwellings were privately owned and 4.8% were under public ownership. The latter have not been privatized, due to the high level of physical and time deterioration and/or the existence of a variety of unsolved legal situations;
- state withdrawal from investment activities. In 2000, only 6% of all new dwellings were built from public funds;
- limited or complete absence of private investments, due to deficient, non-stimulating policies.

Most of the housing stock in Romania is under private ownership. Of this, 36% are apartment buildings in generally poor conditions. This determines the level of difficulty in providing maintenance, repairs and management activities. In this respect, the main challenges are in relation to:

- The antiquity of housing stock built before 1990, aggravated by the chronic lack of maintenance and current repairs, coinciding with lack of forthright responsibility acceptance/commitment for its management;
- The continuing lack of an adequate legal framework concerning new ownership relations under the framework of cohabitation within apartment buildings.

In order that the housing beneficiaries (owners and tenants) are able to face the high costs of necessary repair work, the maintenance of apartment buildings' stock has an important number of locative units with many owners, including many common obligations and responsibilities that need specific regulation and specific financial support.

Since 1990, the actors that participate in the housing environment are diverse in number and in interests, both at the central and local level as well as in the state and/or the private sector.

Within the private sector, the most important actors are: private individual associations (Homeowners' Associations), private sector organizations (financial institutions providing mortgages and loans, Communal Utilities Companies, consultancies and research companies), non-governmental organizations (citizens' initiative-based associations, professional bodies), and other actors (i.e. the Federation of Local Authorities in Romania, the Cooperative Housing Foundation, etc).

The greatest challenge is the definition of the central and local authorities' roles in the housing sphere, as well as the communication, cooperation and coordination of the work tasks and their benefits.

Local authorities' competency covers a variety of fields: land-use strategy, the housing stock, central heating provision, road maintenance, public transportation, water supply and the sewage system, the collection and the management of solid urban waste, the green areas and the parks, civil protection, pre-primary and primary education, sports and leisure, and cultural institutions. The local council adopts the local budget, approves

the guidelines for local development, decides on the local policies for socio-economic development and land use strategies, and establishes and collects local taxes.

All these aspects indicate that Romania is confronted with a severe housing crisis.

4.2 Policy Recommendations

Most of the following recommendations apply, to a great extent, specifically to Romania. So, it is understandable that policy recommendations follow both “Romanian” findings as well as regional ones (maybe also, to a smaller degree, the Refugee issue).

Issues to be Dealt	Policy Recommendations/Remarks
<p>1) Citizenry unable to buy or rent appropriate accommodation</p>	<ul style="list-style-type: none"> • Identification, definition, finalization and implementation of a social housing system (having a strong local determination, based on local needs, involving local authorities, and clarifying each actor’s task and responsibility); • Provision of a (local) rent subsidy system, well thought out and equitable; • Improvement/revision of legislation concerning local authority’s finance so that funding for the housing sector becomes a priority for local authorities; • Raising public awareness on the need for housing renewal projects and full participation; • Decentralization/relaxation of rental controls; • Improvement of temporary accommodation conditions; • Redirection of the NHA’s strategy for the construction of social housing and/or rental housing; • Housing allowances provided to low-income households with various degrees of tenure accepted to cover overall housing costs.
<p>2) Decline in the current housing fund and the incapacity of many families to contribute to capital renovation and maintenance works</p>	<ul style="list-style-type: none"> • Implementation of consolidation works projects (to protect against disasters, mainly earthquakes), supported by the state and monitored by local partners/authorities; • Adoption of legislation regulating budgetary financial support to persons who have lost dwellings due to natural disasters; • During emergencies, the state should react quickly and offer subsidies (cash grants, low-interests loans, interest subsidies, special purpose guarantee schemes, etc.) to individuals for the reconstruction of their homes, or to the municipality for acquiring social housing for the victims; • Avoid shortages as much as possible, as these can cause significant obstructions; • Identify solutions for regeneration of declining stock conditions in the owner-occupant sector, including appropriate measures for supporting general urban renewal and rehabilitation policies.

Issues to be Dealt	Policy Recommendations/Remarks
3) Difficulties in covering the running costs of housing maintenance	<ul style="list-style-type: none"> • Elaboration of a coherent policy to solve the problem of rent arrears (in relation with accelerated price increases, especially for energy, as well as by involving tenants in the housing management process) for the condominiums in the apartment building regarding the cooperation, coordination and co-financing aspects.
4) Unclear distribution and commitment in assuming roles in the housing sector	<ul style="list-style-type: none"> • The central government should consider the need for legislation to support and/or enforce a wider housing role for local authorities as recommended; • Consultation (participatory planning process) of the other actors involved in the housing sector, and proposing clear, transparent policies.
5) Lack of housing managerial capability at the local governmental level	<ul style="list-style-type: none"> • Coordination of the departmental work on dealing with the housing issue in municipal departments; • Facilitating the work with interested people.
6) Poor (or) complete lack of capacity to establish strategic partnerships	<ul style="list-style-type: none"> • Establishment of co-operation between local authorities and local communities (associations), including groups of households in the Homeowners Associations; • Development of programs to support local action and community management and, hence, utilization of the potential for self-help and investment of residents' own financial resources.
7) Lack of coordination between housing policies and other related fields	<ul style="list-style-type: none"> • Cooperation between governmental, voluntary and private institutions to create effective management networks.
8) Difficulties in the efficient use of existing resources	<ul style="list-style-type: none"> • Monitoring of the housing market; • Better aim for the resources: a housing allowance regime could be established to cover the service charges of utility companies, helping them to improve performance and reduce the burden of the state in covering their losses.
9) Poor coordination of the central and local governmental levels, and other actors, in housing	<ul style="list-style-type: none"> • Correct coordination and communication from the beginning of the coordination and participation; • Improvement education as a precondition of a decent and sustainable housing.
10) Lack of housing programs	<ul style="list-style-type: none"> • Increase in funding (from the local and central budget) to support the housing activities of local authorities and vice versa; • The local taxes, land sales, charges for infrastructure provision should be correctly founded, not to add new problems to the affordability of local households.
11) Chaotic urban development	<ul style="list-style-type: none"> • Preparation and/or adoption of the laws on land-use planning, local public utilities and property restitution, with immediate implementation.

Recently, the Council of Europe and the Council of Europe Development Bank prepared an essay called “Towards a Housing Strategy for South Eastern Europe” (January 2002) in the frame of Working Table II, the “Social Cohesion Initiative”.

The document identified “The classic approach of housing policy”, determined to be:

- i) housing development;
- ii) establishment of a legal framework that respects property and housing regulations;
- iii) creation of financial instruments for housing and pro-housing tax measures;
- iv) distribution of housing in accordance with geographic criteria and the types of beneficiaries.

The areas of action, specific to social housing are:

- i) accessibility to the greatest number of people;
- ii) security of tenancy;
- iii) housing units supply provided to low-income groups;
- iv) assistance to homeless persons and other vulnerable groups (refugees, minorities such as Roma, single women, single-parent families, etc).

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ENDNOTES

- ¹ See Romania 2020, a complex study compiled by an interdisciplinary team of professionals.
- ² National Commission for Statistics, Statistical Yearbook 2000.
- ³ An explanation for this phenomenon can be found in the elimination of the administrative restrictions, created immediately after December 1989. A lot of people were only temporary residents in urban areas and were not allowed to get a permanent house in big cities such as Bucuresti, Timisoara, Constanta, Cluj, Iasi, etc. (see Ianos, I., and Talânga, C.—The city and the Romanian urban system within the market economic conditions, 1994).
- ⁴ The National Commission for Statistics, Statistical Yearbook 2000.
- ⁵ The National Commission for Statistics, Statistical Yearbook 2000.
- ⁶ See World Bank studies, Sandu, D & all.
- ⁷ See Stanculescu, M & all.
- ⁸ Hegedüs, J., Mayo, K. and Tosics, I. (1996). Transition of the Housing Sector in CEE Countries.
- ⁹ This figure is probably unrealistic, due to the reporting system during the communist period. The 1992 census provides more credible figures. The 2002 census will confirm, or not, the credibility of the numbers reported after 1992.

- ¹⁰ This period was named the “Socialist State of Welfare” as record of the “great achievements of the regime”.
- ¹¹ In some of the Western European countries, such as France or Netherlands, the public funding is close to 5% of the GDP. In other former communist countries, the trend was similar after 1989. In most of them, the state contribution decreased under 1% of the GDP. However, this was more quickly reversed in countries like Poland, the Czech Republic or Hungary.
- ¹² UN, 2001, Country Profiles on Housing Sector—Romania, New York and Geneva.
- ¹³ Decree 139/N issued by the Ministry of Public Works and Territorial Planning in 1997.
- ¹⁴ Act 326/2001 for local public services has set up this legal framework.
- ¹⁵ In the former industrial city of Hunedoara, facing high unemployment and closure of industrial sites, the price of a 3-room flat is less than 1/3 of the price of a garsonniere in Bucharest.
- ¹⁶ From their own properties, the local authorities, provide the land freely for houses built by the NHA.
- ¹⁷ Still, it is possible to buy a modest villa with basic utilities at the periphery of Bucharest for USD 25,000 to 30,000.
- ¹⁸ Revised and replaced by Act 2/1989.
- ¹⁹ Villages in communes. There are also over 700 small localities within the urban administrative units, which are not counted in this table. Most of them are suburbs of the city proper.
- ²⁰ Bucuresti municipality.
- ²¹ UN, 2001, Country Profiles on Housing Sector—Romania, New York and Geneva.
- ²² Small towns in Transylvania have a series of specific features, distinguishing them from other Romanian towns of the same size population. These are rather historical settlements, which were declared towns based on other criteria than purely administrative (the last phase of socialist industrialization focused on small towns and rural settlements intending to become agro-industrial centers). They are significantly better endowed with urban facilities than other small towns. Furthermore, it should not be overlooked that, in many of these towns, the Saxon ethnic group represented a significant section of the population. After 1989, the Saxon ethnic (nearly all) migrated to Germany and many of their houses became the local authority dwellings. Thus, these local authorities have very specific problems related to housing compared to other towns with more stabile populations. Given

all these data, correction by weighting should be carefully considered. Consequently, we weighted the data only when we refer to the whole sample.

- ²³ Nevertheless, these nine respondents account for only one fifth of the local authorities that declared a clearly defined local housing policy. In fact, each Romanian government launched a pompous dwelling program, which dropped dead before starting.