

## *Chapter III*

# **INSTITUTIONAL FRAMEWORK**

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### *Introduction*

The term ‘institutional framework’ has become a widely accepted umbrella term in the housing sector covering all the different organizations that either are or should be involved in housing throughout the country. The term includes organizations with very different origins, purposes and constitutions – governmental and other public bodies, commercial and charitable organizations, or those representing private individuals’ interests in associations, professional bodies, etc. This chapter comments on the viability and sustainability of housing organizations in Romania and, more generally, on the whole organizational structure of housing in Romania.

Any attempt to describe or understand housing policy in Romania, and its institutional framework must take into account the way in which both the public and the private sector representatives act in relation to it. An important development in Romanian society has been the number of new organizations which have been created, or evolved, to liaise between the central Government and its national policies on the one hand, and the individual citizen and household on the other. This is much more complicated than the previous relationship between the citizen and a monolithic State, and all involved in the future of housing in Romania will have to adapt to it.

States in transition are finding that the effective operation of the housing sector requires newly created institutions to do the work needed by the sector and by society in general. Several new actors have appeared on the housing scene since the end of the communist regime: new private owners, builders, maintenance companies, banks, property developers, local councils, cooperatives and other not-for-profit organizations, and providers of housing services, all of whom can be considered as potential protagonists in ensuring an appropriate housing environment. Some of these organizations may have been on the

housing scene during the former regime, but their roles have now changed with the new business environment. Governmental organizations in particular have to play completely new roles, and this demands adjustment by individuals and operating cultures alike.

The activities of all these organizations are closely interrelated, and from outside appear to have a common goal, implementing a national housing policy, reflecting the goals of society as a whole. Undoubtedly, the organizations are nowadays considered vital ‘transmission’ mechanisms, to assist, transform or hinder policy formulation and implementation; and this is a major issue in Romania, which is embarking on a radical transformation of its economy and society. However, whether the organizations see themselves in the same way is a moot point. They are likely to identify with “national” policy goals only insofar as these goals and the strategy to achieve them are fully articulated, that they have a clear role in implementing them and, indeed, that they feel they were properly consulted in their formulation at the outset.

Every society has its basic rules and conventions constituting a “social contract” defining the relationship between State and citizens. The assurance of decent housing conditions is one of the issues identified here, and is implicit in Romania’s Constitution (see also Chapter IV), adopted by referendum in December 1991: ‘The State must ensure the creation of all necessary conditions to increase the quality of life’ [art. 134]. This implies certain obligations for the different organizations – private or public – as the institutional actors in society. For example, while the housing-related institutional framework and legislation always infringe on private property rights, they also place obligations on landlords and tenants irrespective of any contractual arrangements.

According to the Constitution ‘The State shall protect property’ [art. 135] and ‘Private property shall be equally protected by the law, irrespective of its owner’ [art. 41].

These constitutional principles oblige the Government to pursue a housing policy that will provide long-term guarantees for all citizens. Alternative housing policies lead to variations in the institutional framework and will inevitably result in unequal housing quality and satisfaction among consumers. In comparison with the previous, totally regulated and constrained life of individuals in Romania, the present range of housing conditions is, at least in theory, much wider. Today choice has become almost obligatory and substantive for everyday life, in all areas of social activity – including housing. Yet an individual’s opportunity to exercise choice is very often determined by his practical opportunities and resources. Moreover, as will be seen later, limited opportunities and resources also restrict many individuals’ ability to assume the wide range of responsibilities laid down in legislation.

Romania’s institutional framework can be understood by comparing it to a typical organizational pyramid. At the top is the State with its parliamentary structures, ministries and other governmental authorities. At the bottom are the individual households, the basic units of the whole housing-related institutional framework, together with the consumers for whom it was developed. The intermediate levels contain all the other actors, not necessarily in any clear relational hierarchy, but certainly dependent to various degrees on their relationship with the base and the apex.

It is worthwhile here to highlight one group within the hierarchy, the non-governmental organizations (NGOs), which has become a significant institutional constituent grouping smaller, less powerful organizations with like interests. NGOs are a voluntary element whose main mission is to defend the interests of the smaller actors in the market. In most cases, neither the NGOs themselves nor those with whom they might deal have yet to

realize their potential for improving the functioning of the housing market.

This chapter focuses primarily on issues related to organizational changes and the relationship among the various actors. It starts with the special role of the individual households, for whom the housing sector exists. However, the intention is not just to see how other actors go about satisfying the household as a consumer. It is equally important to see whether and how households themselves act in their own interest. Specifically, does the institutional environment in Romania help individuals to adapt to the new conditions, to recognize their choices and make decisions in line with their own individual housing strategies. There is no universal institutional model for housing which can guarantee reliable results in any setting whatsoever, so the analysis seeks to take full account of the reality in Romania.

#### **A. Governmental structures**

State intervention in housing - influencing and regulating the sector - was the norm in Romania from the Second World War up to the early 1990s. Since then, society has changed considerably, and the role of central Government has gradually changed, even if it still remains considerable. Even in areas where the Government has tried to escape direct responsibility by creating a free market, there is still a legitimate tendency to look to the Government for leadership. This applies equally to the need to ensure a well-functioning free market, and also to those cases where State intervention is needed to support those without effective access to the market.

It is important to acknowledge the legal aspects of State intervention in housing, as set out in the next chapter, and to recognize the crucial roles which the Romanian Constitution and parliamentary legislation play in establishing the institutional framework for State action in housing. The Parliament has two chambers: the Senate and the Chamber of Deputies. Parliamentary legislative procedures

are enshrined in the Constitution, but the initiative lies with the Government, which can introduce bills in the chambers. In the case of the Senate, housing-related bills are passed to its Permanent Commission for Public Administration and Regional Planning, while in the case of the Chamber of Deputies they are submitted to its Permanent Commission for Local Administration and Environmental. The Ministry of Public Works, Transport and Housing is responsible for housing, and coordinates consultation on parliamentary bills with other ministries before the bills are submitted to the specialized permanent commissions. Through their permanent commissions, the two chambers have developed their international housing activities with the Global Parliamentarians for Habitat and its European Regional Council for Habitat.

The current Housing Act sets out the Government's role in housing (see chap. IV), and establishes two major obligations for the Government when establishing the institutional framework for housing:

- “The Government is responsible for the coordinated implementation of housing development policy throughout the country.
- “The housing construction programme shall be drawn up by the Ministry of Public Works, Transport and Housing on the basis of evidence submitted by interested bodies in the public administration and local councils, in accordance with the legally approved urban and regional planning documents (art. 67).

The Housing Act also echoes the sentiments of many local officials by emphasizing quite strongly the role of government in providing social housing for disadvantaged groups. It also defines tenant-landlord relationships and establishes the legal framework for condominium associations.

### *Central Government*

In 1992, the Romanian Government adopted the **Guiding Principles for the National Strategy for Housing**, which stated broad objectives for establishing market

mechanisms and providing a social safety net for disadvantaged households. The major activities promoted by these Guiding Principles include:

- (a) The maintenance and rehabilitation of the existing housing stock;
- (b) The development of a legal and institutional framework for a housing finance system;
- (c) The improvement of housing management;
- (d) The development of a private rental sector;
- (e) The construction of new housing;
- (f) The completion of unfinished units; and
- (g) The development of infrastructure.

The primary housing responsibilities of the national public institutions, most of which are part of or related to central Government, are:

- (a) Developing and implementing specific housing sector policies;
- (b) Developing and implementing a strategy for the sustainable development of human settlements;
- (c) Creating an institutional framework for housing;
- (d) Creating an environment for the functioning of the real-estate market;
- (e) Developing the necessary mechanisms for the development of the housing sector;
- (f) Ensuring safe and secure housing;
- (g) Enforcing urban planning and housing regulations and the uniform application of legal provisions.

These represent the governmental remit in providing the necessary leadership and framework for Romania's national housing sector. The list includes very different activities, and therefore demands well-balanced cooperation between the various central administration institutions with specific responsibilities. This means that not only the Ministry of Public Works, Transport and Housing, but also the Ministries of Finance, Justice, Employment and Social Solidarity, and

the Central Bank have to be involved when housing matters are considered on national level.

**The Ministry of Public Works, Transport and Housing (MLPTL)** handles construction, housing and urban matters and dates back to 1862. As well as preparing the relevant legislation, the Ministry currently has responsibility for providing ministerial services, and the principal management and planning functions in the country in its area of responsibility.

MLPTL has the following major housing subdivisions:

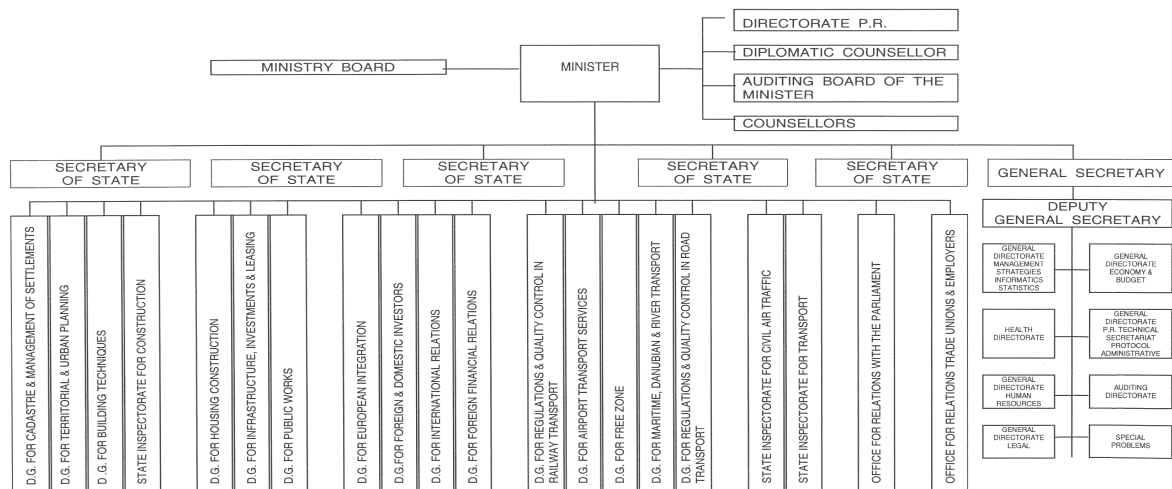
- The General Directorate for Housing Construction;
- The General Directorate for Urban and Territorial Planning;
- The General Directorate for Real Estate Cadastre and Urban Management;
- The State Inspectorate for Construction and Urban Development.

In addition to these subdivisions, MLPTL is responsible for State quality control during the whole lifecycle of all buildings. This obligation is carried out by officials of the State

Inspectorate for Constructions, Public Works, Urbanism and Land-use Planning (newly institutionalized in 1995 through the Act on Quality in Construction 10/1994; art. 20 and 30). State inspection of construction in Romania extends back to 1864, and its present role is to control the bearing capacity of buildings, the stability of structures, and their seismic performance. The service is government-appointed and financed, and accountable directly to MLPTL, and not to the local authorities. Being independent from local management structures, inspectors can use relevant measures even – or especially - when no building permits have been issued: a critical issue at present, especially for housing.

In preparing and implementing its national housing strategy, the Romanian Government has received wide international assistance, both technical and financial. The funds provided have been used to sponsor seminars and workshops on a variety of housing topics. Housing-related assistance has been provided by the United States Agency for International Development (USAID), the British Council, EU PHARE, and the World Bank.

**Figure XIX. Ministry of Public Works, Transport and Housing**



Source: Official Journal nr. 14 / 10.01.2001, Part II.

### *National Centre for Human Settlements*

In 1991 (Government Decision No. 515) the **National Centre for Human Settlements (NCHS)** was established, mainly to formulate a national habitat strategy, aimed primarily at ‘an adequate habitat for everyone’ and the identification of mechanisms to achieve this. NCHS is a specialized department within the MLPTL and reports directly to the Prime Minister, while the Minister of Public Works, Transport and Housing is its chairman. The membership of this Centre is composed of the director-generals of 21 different departments and ministries. With this membership NCHS is in a unique position, not only to create a strategic cross-government approach to the many challenges facing the housing sector in Romania, but also to ensure that the resulting policies and proposals are implemented. It has no mainstream dedicated resources to implement its policies and its function is restricted to policy generation and guidance.

NCHS has taken the lead in representing Romania in international relations in the field of housing, ensuring the relevant contacts with the Committee on Human Settlements of the Economic Commission for Europe and with the United Nations Centre for Human Settlements in Nairobi. The very first task of NCHS was to compile, within a few months of its foundation, the guiding principles for the national strategy for the United Nations Habitat Agenda. So far, NCHS has prepared the National Housing Strategy setting out the general principles for a market-orientated housing sector in Romania, and also the national report for the 1996 Istanbul Habitat Conference. This is essentially a broad statement of ‘habitat principles’; but at the present time, these have not become - nor are they sufficient in their own right to constitute a national housing strategy. However, the principles do provide a general direction for housing and the environment in the absence of other, more specific, national housing policies.

Following the prescriptions of the Housing Act, all NCHS activities involved only central Government representatives. However, in 1999, some non-governmental organizations (NGOs), the Federation of Municipalities, the Federation of Towns, the Federation of Communes and the Habitat Group, applied to join the Centre. Nonetheless, a wide range of organizations representing different interests in housing remain unrepresented in this national forum.

The absence of practitioners’ representatives within NCHS must be viewed as a significant weakness, at least when looking for an explanation for its limited success to date. As positive reactions to the international Habitat Agenda, and as expressions of aspirations for a future for housing in Romania with which the vast majority of the population could easily identify, the output from NCHS has undoubtedly been welcomed and praised. However, it suffers from insufficient information on the realities of the housing situation in the country, as reflected in this report. The national strategy documents pay very little attention to how they are to be implemented with the limited resources – human, financial and institutional – at the country’s disposal. They also appear to reflect an inadequate analysis of the urgency, scale and nature of the very real problems facing practitioners day by day.

### *National Housing Agency*

**The National Housing Agency (NHA)** is a public-interest institution, created in September 1999 to stimulate new housing construction, and the rehabilitation and consolidation of existing buildings. At present, its main objective is new housing, currently considered to be most important and explicitly mentioned in the Romanian Government’s programme for 1997–2000.

The agency has a National Coordinating Council of 13 members, and a Board of 7 members. The total staff of the NHA is currently 60; but when implementing its current business plan the staff should be doubled. It will act through a central administration and branches throughout Romania. Each year, the NHA management has to report to Parliament on its activities.

The NHA represents cooperation between the State, the commercial banks, and the potential clients for new homes. It proposes housing-related financial products for the Romanian market and manages their use as packages (see chapter V). It also acts as a consultant: compiling technical, economic, legal and financial reports on aspects of homeownership. All these activities are well covered with a system of contracts and professional advice provided for the clients.

### *Urbanproiect*

**Urbanproiect** is the short title of the **National Institute of Research and Development for Urban and Regional Planning**, which offers expertise in spatial planning at all levels – national, regional and local – and also deals with the complex problems of urban development, housing policy, and the special needs of local government in urban and regional development. The specialists of the Institute have been involved in projects for:

- The spatial planning of the national territory;
- Regional studies and spatial planning for counties;
- Urban development;
- The sustainable development of the built environment;
- Urban housing, including performance indicators for the housing sector, and the rehabilitation of large housing estates;
- The transfer of know-how, mainly for housing-related competencies to local authorities.

### **INCERC**

**The National Institute for Research and Development in Building and Construction Economics (INCERC)** was founded in the 1950s, and today its research has won international recognition. Its main fields of activity are, *inter alia*, earthquake engineering, building rehabilitation, structural stability and durability, energy saving and insulation, and professional training. These all have practical relevance for the national housing sector.

### **B. Local authorities**

The changes which have taken place in Romanian society are not the result of organic change and constant development, but rather a complex interaction of economic and social forces with very strong policy direction from central to local government. The basic administrative units are counties, municipalities and communes. Romania is divided into 41 counties plus the municipality of Bucharest. Each of these units has its own local council, as do the municipalities and communes into which each county is divided. Bucharest is divided into urban quarters, each with its own council. Consequently, there are nearly 3,000 directly elected mayors and councils, 265 are in cities.

The scale of this local administration and the rate at which it has had to change since 1990 inevitably raise questions as to the adequacy of the necessary skills and competence. Certainly, the pace of change in society suggests an acute lack of understanding of local government responsibilities. According to a survey published in Bucharest Business Weekly on 15 May 2000, 85 per cent of French entrepreneurs who have started a business in Romania found the local authorities “uncooperative”. Some 30 per cent of those questioned gave “bureaucracy” as the main reason for the lack of cooperation, while 16 per

cent simply deemed the officials in question “incompetent”.

The powers and duties of local authorities are laid down in legislation. According to art. 119 of the Constitution their powers are based on the principle of local autonomy and independence. They are, however, highly reliant upon central Government, not least for subsidies and funding controls. The national Government also appoints each county’s Prefect, who represents national interests.

### ***Regional bodies***

The Law on Regional Development in Romania (151/1998) created eight development regions (fig. IV). The main aims of regional development policy are to:

- Decrease the existing regional imbalance;
- Harmonize the institutional framework to correspond to EU membership criteria;
- Balance central government policy for sectoral development with regional and local resources and the need to stimulate local initiatives; and
- Stimulate cooperative links between authorities for interregional, internal and international projects.

To achieve the goals stated above, this Law establishes the relevant institutional structures:

- The National Council for Regional Development;
- The National Agency for Regional Development; and
- The National Fund for Regional Development.

The Fund finances the programmes using money from either the State budget or international sources, whereas the Council – regional board representatives – decides general policy and the Agency implements it.

The development regions were established by voluntary cooperation among the counties, and have no legal status as administrative units. County councils do not have direct responsibility for housing and regional strategy pays little attention to local housing-related issues. This may represent a missed opportunity, when “regional” projects – particularly spatial strategies – are being drafted without housing being taken into account either as part of the economic development infrastructure or as a potential beneficiary within wider development planning. Current regional planning for the Bucharest city region, for example, recognizes that more land is needed for housing, but provides little evidence that existing housing issues are being taken into account.

### ***Local councils***

The powers, duties and responsibilities of local authorities are laid down in parliamentary acts. Recently, the Government transferred considerable obligations to the councils, a move “unprecedented in Romanian history” (Oxford Analytica Brief, 10 May 2000). This was an attempt to restructure the local authorities into institutions which are better placed to deal with local housing problems among other things. Currently the competencies of local councils in housing-related issues are to:

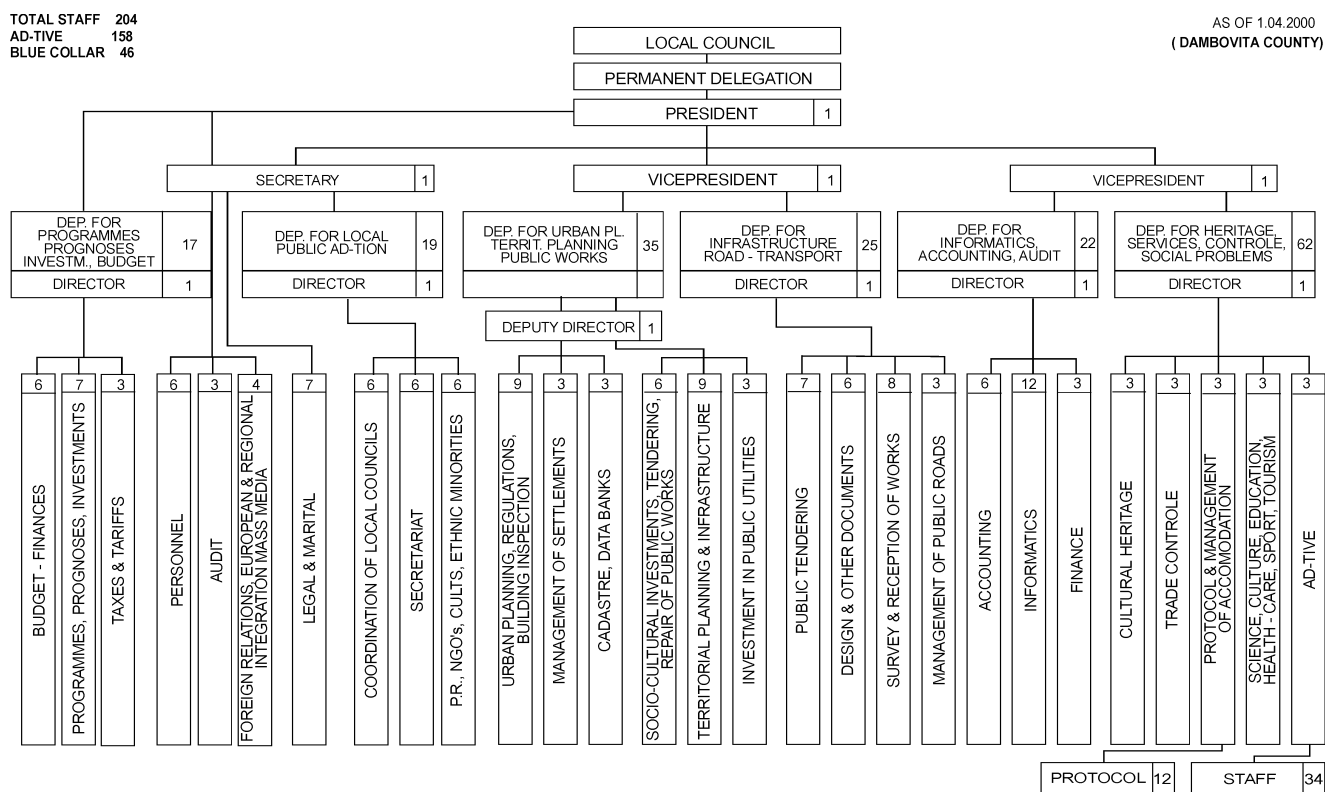
- Develop, implement and monitor local policies according to the general principles of national policy;
- Monitor the local housing market by careful evaluation of supply and demand;
- Facilitate access to housing for specific categories of families and individuals, and establish their own priorities;
- Secure special funds for new housing for socially disadvantaged individuals and households;
- Provide land for new housing;
- Develop land for new housing, providing the basic infrastructure;

- Allocate land in local government ownership to social housing;
- Finance the development of social and emergency housing from local budgets;
- Provide technical assistance, finance and consultancy for the consolidation of the housing stock against seismic damage;
- Support urban renewal and rehabilitation policies, including housing;

- Implement specific programmes to support local action and community management.

Figure XX depicts the organization chart of a randomly selected county showing its major fields of activity and the hierarchy of responsibility.

**Figure XX. Dambovita county council**



Source: Ministry of Public Works, Transport and Housing

A look at the organization chart (Fig. 3.2) reveals that councils have departments to plan investments and construction in all of its phases. They are also in a position as a public body to fulfil their obligations regarding property ownership. This is true of most municipalities and counties, but not of the communes much larger in number. It is normal for the communes to buy services from their county council. Additionally, municipalities are still responsible for providing most of the utilities through local companies.

At the same time, it would appear to be normal for councils to have no “housing” department or office directly and fully responsible for all housing issues. Even the letting, management, maintenance, sales and purchases, and utility provision of a council’s own housing stock are likely to be in the hands of different departments. Land zoning, infrastructure provision, building permits, and other functions related to housing outside the council’s stock are similarly dispersed among administrative departments. Regardless of the capability of a council’s staff, there is normally

no institutional structure grouping all the elements of the local housing situation which can provide a clear picture for decisionmakers; yet this is indispensable if councils are to exercise properly their roles strengthened by the delegation to them of greater responsibilities.

A city praised as one of the leading housing authorities offers an illustration. It has a register of the thousands of households requiring new homes. This register is used effectively as a waiting list, with a fatalism reflecting the inability of the council to offer homes to more than a few dozen households each year. Despite relevant data being collected through administrative procedures, there are no analyses available to indicate the urgency of the need of those on the register, nor their financial circumstances, nor the suitability of the property currently occupied by others. There are therefore no data to feed into the local property and land development plans. Not surprisingly, local housing strategies are effectively unknown in Romania.

It is important to emphasize that, in addition to their obligation to manage public properties, local councils also have responsibilities in private sector housing: they have to provide site infrastructure, and building inspection and check whether the existing housing stock is fit for habitation. Specifically, local councils are responsible for the creation of a general urban development plan (landuse) for their municipality or commune, which has a lot to say as to how these issues can be tackled; the plans are then checked by MLPTL and submitted for approval to the local authorities. The plans should provide for the medium-term development of the area, including land zoned for new housing, redevelopment, infrastructure provision, and so on. Yet there are no indications of any assessment of future housing need or demand which can influence the scale of land provision for future housing, and the Ministry does not seem to expect it.

Urban renewal is the responsibility of local councils, but, since they lack the funds,

they cannot undertake large (or even small) regeneration projects. Again, this appears to be a sufficient reason to ignore the need for renewal in urban development plans, and for it not to be expected by the Ministry. There are still no reliable incentives to channel private funds into urban renewal and housing modernization. It is tempting to see this as a consequence of so little attention being paid to the problem.

### C. Private individuals and associations

‘Romania’s economy is a free market economy’ (Constitution, art. 134) and private individuals – more properly households, in the context of housing – have been institutionalized as consumers within that free market, and as such are expected to make their own choices based upon their personal preferences in order to achieve their personal levels of satisfaction. Property rights and their concomitant responsibilities are also granted to the individual and are critical aspects of the institutional environment.

At the same time, the Government has responsibilities towards the individual. Through formal organizations, and with the help of other institutional actors, the State as the supreme public institution has to set up a legal framework for society, and which also has to clarify the role and performance of all the individual actors. All the numerous housing-related laws passed in Romania during the last decade of the 20<sup>th</sup> century have gradually created the framework for the new institutions in society.

In Romania, individual households have been seen as the key actors in assuring the quality of housing services acceptable to every single inhabitant in the country. As individual actors – real or potential property owners - households have been viewed as the perfect and only solution for taking decisions to maximize their own housing utility. However, the observer of Romania today cannot fail to be struck by the lack of experience of households in playing their role.

The most radical change has been for former tenants of public housing, and particularly those in apartment blocks, who are now owners of apartments in condominiums. These households may have over 20 years' experience in their apartment block's tenants' association, but though their present status may seem similar, it is fundamentally different. There are strong indications that many of them have not yet fully understood the change of the 90s. These households were individuals for whom the State was an abstract and impersonal landlord and institutional owner responsible for the property. Now these same households have become the real legal owners of the property and their role is very different: they are apartment owners and joint owners of the building structure and common areas. In other words, the owner-occupiers of nearly half the dwellings in Romania (i.e. those in condominiums) have become property owners without any preparation or warning to help them fully assume their new responsibilities and, where necessary, change their mentality. It is clear that these marked changes in attitudes also require educational institutions and action.

### ***Responsibilities of the property-owning household***

There are two major institutional relationships which officially bind each single property-owning household:

- Legal obligations created by society giving full responsibility for the property; and
- Contractual obligations to private sector organizations which provide households the different services affecting housing quality.

The 1995 Law on construction quality establishes the major duties and responsibilities of all the parties involved. These duties distinguish between the owners and the occupiers of buildings. However, since some 94% of Romania's housing stock is owner-occupied, most households have to respect both types of duties. As owners they have to:

- Organize due maintenance and repair for the building;
- Update the technical record book for the building, handing it over to any new owner;

- Act on any official recommendations on the status of the buildings;
- Strictly follow the design documents compiled by professionals when carrying out any type of construction work;
- Ensure that all the work done to the building respects the regulations;
- Respect all regulations when using the building.

As users – but also as administrators of the facilities – they have to:

- Carry out all the maintenance and repair work required by the occupation contract;
- Carry out all the officially recommended work required to improve the structure;
- Implement recommendations on the status of the building as indicated in the technical book;
- Inform the public authorities (State inspection service) of any technical accidents in the building.

In short, both these lists require the owner-occupier to use highly skilled professionals to manage and maintain the blocks properly. The Housing Act (art. 35), states that '...in those dwelling houses with more than one dwelling, the owner is responsible for the proper functioning of the dwelling of which he is the sole owner, or which is held in common.'

### ***Owners' associations in condominiums***

#### ***Housing management, tenants' associations and utility companies***

Under the former communist regime, municipally-owned management companies were responsible for repairs to and maintenance of State-owned housing, and had contractual arrangements with tenants' associations for private properties. This system has gradually broken down over the past decade as management organizations' subsidies have been withdrawn, leaving them to 'face the market'. Some of these organizations have

gone bankrupt, others have split up. A large number have been absorbed by other ventures during privatization, whilst yet others have moved into more lucrative markets, such as new construction at the very 'top end' of the market or the very limited State-funded construction business.

The 'condominium-type' associations, now a legal obligation for homeowners in multi-family units (see chap. IV), should become essential to the management of multi-family units. However, their functioning and actual number are open question.

A precondition for a successful organization is a clear target and/or collective interest, and the transformation of individual actors into institutional ones has often been initiated by the recognition of common problems. By privatizing blocks of flats in Romania and selling them to sitting tenants, the State created the conditions for the new owners to identify their mutual interests, and hence to engage in the joint management and maintenance of common spaces, structures and facilities. "For this purpose, the owners shall form an association with the capacity of a legal person", as the Act states; and the Act's definition of an owners' association is a non-profit-making company for improving and managing the block.

Under the Housing Act, condominiums may be managed by natural or legal persons, associations, public agencies, or specialised companies. In each case, however, the management is to be appointed by and under the control of the joint owners, in whose interest it operates. The major obligations of the housing manager of a multi-apartment block are to:

- Administer the goods and funds;
- Prepare the contracts with all suppliers of services;
- Inform all inhabitants in the block of the regulations governing their cohabitation;
- Represent the owners' interests in contracts signed with the public authorities; and
- Fulfil any other legally contracted responsibilities.

The first version of the Housing Act required owners' associations to be established in all privatized blocks within 12 months from the date at which the legislation came into force. This deadline was omitted from later enactments, even though these associations are still considered the only recognized institutional entity for the blocks of flats. According to the official guidelines published by the Ministry (MLPTL), the benefits, for the owners, of creating owners' associations are:

- The association will act as a legal person on the market-place, representing the owners as a body;
- Each owner (representing the household) can participate in planning the work on the block, or any investment, and judge the effectiveness of these expenditures;

All owners have the right to check the financial status of the association, to vote for different priorities, budgets, and financing

- options for services, or on regulations to be applied on the premises.

The same guidelines also stress that ownership entails certain responsibilities and restrictions:

- Every owner and household is singly and collectively responsible for the technical repair and quality of the building and for any jointly accepted obligations;
- In sharing the block and common spaces, all residents have to follow the relevant rules and regulations guaranteeing normal social relations; and
- All obligations are subject to contract, and every party has to be informed of their cost (otherwise the parties are not responsible for them).

Despite these advantages, the number of owners' associations is still relatively small and they are not playing the role expected. It has been suggested that they number about 8,000—i.e. about 20% of the condominiums. There is in fact no reliable information available about the number of associations, not even for Bucharest. This shows just how little the Government and authorities are interested in these owners' associations and their activities;

yet their success or otherwise could prove to be the single most important factor in determining the future of the country's housing stock.

Problems shared by households living in condominiums – the poor condition of apartments and their technical services, and the need for a common approach to the utility providers – have been identified and highly publicized in the Romanian media. Yet, there is no great enthusiasm for forming active owners associations to tackle these problems directly within the condominiums. The following have been highlighted as the major reasons for this relatively low level of interest:

- The official procedure for registering an owners' association is lengthy and complicated;
- The real benefits the association can offer them are not very clear and understandable for most households, who liken them to the former tenants' association;
- The change of status from tenant to owner was rapid for most individuals and, more importantly, was undertaken without much consideration of the consequences; hence, generally speaking, many new owners do not realize just how much their circumstances have changed.

Currently the role of the owners' associations is still limited, sometimes restricted to that of representational bodies when negotiating – especially with the utility companies - the payment due for the quality of services provided. Most owners' associations manage the blocks themselves since it is cheaper to do so. Although the official guidelines recommended a comprehensive housing management service, this has rarely emerged in practice. The housing manager is usually a retiree - a volunteer – willing to collect payments from residents of the block: he is certainly not a professional. Consequently, this activity hardly represents the professional service and responsibilities required by the relevant acts. The result is shortfalls in the activity of the owners' associations, especially regarding compliance with the requirement for an annual report on

incomes and expenditure. What is more, when associations plan or undertake construction, repair work, or similar structural alterations to their blocks, they do not always apply for the necessary building permit.

Many commentators expressed a belief that the owners' associations would be as successful as the relatively well organized tenants' associations of the past. However, if this were true, it should have been evident already. Moreover, these two types of association are not really similar, and the roles of their members are totally different, especially in terms of the legal responsibilities of the individual household. Tenants' associations can never be simply turned into owners' associations without a change in the mentality of individuals.

The picture is even more complicated when not all of the households in a block are owners– i.e. when some are tenants. The Housing Act actually provides for this possibility by recognizing tenants' associations also. Their role, as stated in the law is: to 'represent their interests in relation with the owners as well as with any other natural or legal persons' (art. 37). However, this very general statement proved to be insufficient to protect individual tenant households, so Emergency Ordinance (40/1999) was issued to provide them with additional protection.

#### ***Contractual relations of the households to the private sector***

Contracts are one of the major means of formalizing the relationships between the institutional elements in the market economy. Traditionally, homeowners had to contract directly with the utility companies for services – heating, water, electricity, rubbish collection, gas, telephone, cable TV, etc. - this list may differ considerably depending on the locality. (In Romania 96.7% of all dwellings are connected to an electricity supply, whereas only 11.4% in rural and 87% in urban area are connected to a water supply and sewage.) Each of the service companies has its standard contracts covering the basic obligation to

provide the service and maintain the installations. Often the beneficiaries must pay for the services they are offered, even if redundant and whatever their quality, or be fined.

The utility companies have prepared new standard contracts for apartment blocks with registered owners' associations; yet, in most buildings, the former contracts with individual owners are still valid. The key difference between individual and association-based contracts is that, in buildings without registered associations, the owners cannot file legal claims. So, registering the ownership of the flat and the owners' association can be an effective tool for dealing with households not paying their charges. Anyhow, households can turn to the State Office for Consumer Protection to seek remedy for poor service.

The rapid and massive privatization of housing in Romania has not been supported by a similar privatization of the support and service systems needed for privately owned housing units. In practice, the old district-based utilities and service companies largely enjoy a monopoly situation, although the Office of Competition supervizes the tariffs for basic services. There are now no municipal housing maintenance companies to act – even temporarily – as buffers between suppliers and household-consumers. So difficult local problems are transferred from the local to the national level, and the single service users find themselves facing large and powerful service providers.

#### **D. Private sector organizations**

In its market-based approach, Romanian housing policy relies on private-sector companies to provide the major services for all households. The private commercial organizations in the housing market fall into one of the following:

- Financial institutions providing mortgages and housing loans;
- Entrepreneurs in the construction and property market;
- Municipal utility companies;

- Consultancy and research companies.

In any developed economy, most households rely on the private sector to provide housing. At the same time, normal competition has to guarantee the quality and affordability of these services.

#### ***Financial institutions***

The whole banking sector is developing and changing. This sector is dealt with in more detail in chapter V in terms of its role in the economy and in providing housing finance. The banks have a wider institutional remit, however, to help provide relevant finance instruments and a more conducive environment for a contract-based service economy for housing services, and for the arrangements between households and owners' associations.

For example, meeting the terms of a contract will be easier if consumers pay their dues. For this reason, extending the banking infrastructure to every settlement and household would be extremely beneficial. In addition to the traditional banking system, new private initiative-based financial institutions have emerged to serve the Romanian housing sector.

**The Community Financial Institution (CARA)**, founded with support from the Cooperative Housing Foundation (CHF) (see below) in 1998. CARA is established under Romanian law (122/1996) as the equivalent of the credit union in western democracies: a community financial institution offering members both depository and lending services. Its capitalization is based primarily on members' deposits. CARA is an association organized around the collective membership of small business and homeowners' associations with whom CHF has worked in partnership. The CARA lending policy is geared to individual home improvements.

**The Romanian Loan Guarantee Fund (FRGC)** is a commercial institution targeting the new middle class seeking new homes for owner-occupation. The beneficiaries will be

Romanian citizens, and the first development schemes are currently under way.

### *Construction sector companies*

The Law on Quality in Construction (10/1995) determines the role of all the different building professions and companies in Romania. The construction industry is based on private entrepreneurship and plays the key role in housing by producing buildings and the necessary infrastructure. In addition to 'traditional' construction work, the sector covers the development of technology, civil engineering, and also repairs and maintains built structures. All these areas are experiencing technological changes which also

affect society – an aspect which requires all relevant information to be collected and properly analysed.

The construction industry has been influenced by significant changes since public developers dominated housing construction in the early 1990s. During the transition period a large number of small construction firms appeared on the market being either of private or mixed ownership. By 1998 the share of private and mixed ownership construction had increased to 97.5% and the relatively large number of small companies created the preconditions for normal market competition. (table 11).

**Table 11. Construction companies by ownership and size, 1995 – 98**

Distribution by type of ownership	1995	1996	1997	1998
TOTAL	8288	5494	8042	8263
incl. State	520	370	236	204
private	7675	5010	7656	7943
Mixed	93	114	150	116
Distribution of private companies by number of employees				
very large (1000+)	22	21	21	19
large (500-1000)	37	45	46	44
medium (100-500)	382	365	426	425
Small (50-100)	323	300	397	424
very small (<50)	6911	4271	6717	6986

Source: Ministry of Public Works, Transport and Housing.

At the same time an analysis of turnover (the construction work done) on the construction market reveals that in spite of a decrease in the number of State-owned

increased more rapidly than that of the private sector (table 12). This shows that they are still relatively strong on the construction and property market.

**Table 12. Construction companies turnover, 1997 – 98**

	1997		1998	
	Turn over in billion lei	Share in %	Turn over in billion lei	Share in %
<b>TOTAL</b>	<b>2609</b>	<b>-</b>	<b>3385</b>	<b>-</b>
By State-owned companies	3.5		8.8	
By private companies	1		8	
By mixed companies	8.7		7.2	
	7		8	
	3244.	12.4	6009.	17.7
	1908	73.2	2641	78.0
	3760.	14.4	1431.	4.2

Source: Ministry of Public Works, Transport and Housing.

The data on the construction output of the past decade shows that there have been ups and downs (**Table 13**). A marked increase in volume during 1994-96 changed to a steep fall in the construction sector at comparable prices.

According to the EEDB Executive Summaries, in the first nine months of 1999 the sharpest declines were reported in construction, where output fell 15.1%.

**Table 13. Role of the construction sector and its output (1990 - 99)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1999
Share of construction in GDP (in %)	3.1	.4	0.7	.5	0.7	2.0	2.6	.1	.7	.8	.7
Current prices in billion lei	12.4	08.2	42.4	900.1	341.7	691.2	3791.4	2860.5	9367.5	0825.2	4
Compared to 1990 in %	00.0	3.5	6.9	5.7	10.6	25.2	29.8	8.1	0.4	0.6	7

Source: Ministry of Public Works, Transport and Housing.

In recent years the share of construction work in GDP has fallen below 10%, but interviews and data provided on the construction sector do not include data on the amount of renovation work done. It is not possible, then, to plot the structural changes in the construction sector – the general trend in countries in transition has been a marked increase in the amount of reconstruction undertaken to improve the quality of the built environment.

Nor is here any information on the activities of specialized maintenance companies on the construction market. Most construction companies may have the necessary technology and know-how, and they can also work on well balanced contractual schemes and do repair work. But in the longterm they cannot guarantee reliable planned maintenance for the built environment, including the national housing stock, since the basic economic incentives for construction and maintenance work are different.

The construction sector is also closely related to the utilities companies. Since they operate the service lines, these companies are responsible for repairing these engineering facilities, and carrying out the necessary work on them. Electricity and gas companies are State owned. Water and sewage, and district-heating companies are managed by the municipal authorities which dictate these companies' operational policy. The lack of

financial resources means that the major problem for these companies is covering development costs. The general opinion reflected in interviews or reports, is that the services provided by these companies are of 'poor quality'. The quality of housing already suffers from this, but it will become a critical issue in the longterm and influence the Romanian housing sector. For more details about these companies, see the descriptions of the activities of the professional bodies below.

### **Research institutions**

All housing sector institutions –be they public or private – require reliable background information on demand for housing. There are two research institutions undertaking surveys in the housing sector, in particular looking for household preferences.

**The Centre for Urban and Regional Sociology (CURS)** is a private research agency where research activities are carried out in the following four departments:

- Public opinion polling;
- Sociological research in housing, urbanism and community development;
- Marketing research;
- Advertising and audience research.

CURS is the only Romanian institution participating in the European Network for

Housing Research (ENHR). The most important housing-related research projects have been:

- ‘Habitat social indicators’ (setting indicators for measuring housing quality, environment quality, housing stock and the type of housing desired);
- A ‘social map of Romania’ (looking for interrelationships among housing, demography, urbanization, social structure, inter-ethnic relations, and the population’s political behaviour) it is the most important work of CURS in community development;
- ‘Romanian village revisited’ a study about villages in Romania.

**The Research Institute for the Quality of Life** was established in 1990 and today has a wide range of scientific cooperation in its main fields of research, i.e.:

- *Quality of life.* Special attention is paid to development in the population’s living standard, income and consumption patterns. Starting in 1990, its "Diagnosis of the Quality of life" has been conducted annually, on representative national samples;
- *Social policies.* It undertakes comparative analyses and evaluations of the social policy adopted and issues prognoses of the effects of a certain social policy; it also investigates alternative solutions for Romania’s social and economic problems.

Two housing-policy-related surveys were carried out for the Ministry of Public Works and Territorial Planning in spring 1999: ‘Housing need in Romania’ and ‘A perception of local problems and housing need in Romania’.

### **E. Non-governmental organizations**

In democratic societies non-governmental organizations (NGOs) play an important role in solving problems of public interest. They are the ‘new actors’ and as institutions have to develop their own skills. Potential activities can

be encouraged or discouraged by the society, but their institutional role cannot be dictated by law.

Their strength and their importance for society are earned by representing certain organizations or social groups as fairly as possible, offering professional advice, expertise and help. The NGOs active in the housing sector can be classified as:

- Citizens’ initiative and interest-based associations;
- Professional bodies representing the interests of different business communities related to housing; or
- Other organizations representing the public sector and promoting awareness of housing issues.

#### *Citizens’ initiative-based associations*

Households active on the housing scene may have very different interests and so they wish to defend them in society. In most cases they are concerned with property ownership and rights, and with other rights commonly accepted in civil societies. It is mainly the desire for adequate housing services which mobilizes the different groups.

**The Civic Action Foundation (FAC)** is a non-governmental and non-profit organization that was established in 1989. Its aim is to promote human rights, democracy and civic values through cultural activities. The Foundation includes the **Resources Centre for Condominium Associations (CRPAP)**, which has the following goals:

- (a) To create well informed and organized condominium associations, which will help structure civil society;
- (b) To provide a model for other associations;
- (c) To collect and systematize information on life in apartment buildings;
- (d) To train condominium associations managers.

The Centre systematized information on fair procedures for condominium associations, on proof of ownership and on the technical documentation defining the condominium, and they have established a permanent information kiosk for citizens. The Centre provides assistance for setting up condominium associations and solutions to the current problems encountered by associations (relationship with their own members, with the local administration, with the utilities providers, etc.).

At the citizens' request, the Centre's activity has been extended through weekly seminars on:

- Legal news about condominium associations;
- Ownership and safety in the apartment buildings;
- Silence and public order observance;
- Assistance for setting up and operating condominium associations;
- Facilitating the relationship between associations and the local authority;
- Facilitating the relationship between associations and local service providers.

These free seminars are intended for the representatives and members of condominium associations in Bucharest. Counsellors from Bucharest City Hall and decisionmakers from the companies providing local services are invited to these meetings, as are representatives of the companies interested in offering their services to associations. The Centre is fully self-funded and is dependent of the projects initiated and approved since it is funded by different international organizations supporting citizen involvement in community life. Funding has been received from PHARE and SOROS and also from the Foundation for Civil Society Development.

### ***Professional bodies***

Professional bodies are institutions representing the interests of professionals employed in either the public or the private sector. A professional would like the field of

activities he is representing to have excellent prestige and a good image in society. This demands 'fair play' and respect for the relevant principles of competition and competence. These professional bodies, then, should be considered reliable partners in solving any of society's profession-related problems.

In this context national housing policy creates a framework for households to attain their individual aspirations and solve their problems. When households take housing decisions and fix their preferences they always require professional advice and reliable and affordable services. Households which own property –and have to meet legal obligations – are mainly faced with construction and built-environment-related problems. Furthermore, since the housing unit and the land related to it might well be the household's most valuable asset, real-estate and property-related advice and services are also required.

Consequently professional bodies have a multi-fold role to play in society and for households:

- Advising central and local government when preparing legal acts and strategic development plans for housing;
- Stating the 'fair norms' of action for private companies providing housing-related services for private individuals.

Their position, then, is mainly one of an intermediary between the State and the private sector and between the central State authorities and the local population. Professionalism is the word to describe their independence when dealing with the problems of differently motivated actors on the housing market.

**The Romanian Association of Real Estate Agencies (ARAI)** was officially recognized in 1995. Today it has links with several international associations. Its aim is to:

- Identify and solve the problems of the property market;
- Issue professional and ethical standards;
- Focus on training;

- Improve its public image.

Government Ordinance No.#3/2000 created a **National Union of Real Estate**

**Agencies** (UNAI) in Romania. All property companies wishing to continue on the property market have to join this association and the Ordinance lays down the rules for private-sector companies. This shows that this union represents certain government interests in the field. Membership of this union entails following special courses for representatives of local property companies, giving it a clearly defined role in developing professionalism.

In this way, central Government is using the voluntary sector to prolong its direct control over housing programmes.

**The National Association for Managers and Professionals in Local Public Services in Romania (ANPPGCL)** founded in 1990, was the first non-governmental organization created after the revolution. Today the Association has 230 corporate members and represents the main autonomous administrations and specialized trading companies, as well as specialized services in town halls and county councils. It now includes 35 other specialized research and design units, equipment, outfits and materials suppliers, as well as contractors selected from companies working with the municipal management units.

In accordance with its statutes, the Association acts to maintain, support and protect its members professional interests. An association of professionals and managers, it represents the specialized companies in Romania and was created to solve the problems that can arise in public services, communal administration and housing, and to coordinate present and future needs and concepts in this specific area.

The Association has the following goals and objectives:

- It represents its members in relations with Parliament, the Government of Romania, ministries, and other central and local public administrations;
- It represents its members in relations with trade union confederations or federations;
- It negotiates collective work contracts with the unions that represent local public service employees;
- It initiates consulting and promotion activities with the entities legally involved in reconciling standards and norms with public requirements and members' interests;
- It undertakes studies, designs, technical and specialized examinations, and offers consulting services to its members;
- It provides specialized assistance in the transformation of the autonomous regies into joint-stock companies and subsequently in their privatization.

As a professional organization:

- It contributes actively and efficiently to the development of all areas and activities of local public services;
- It initiates and carries out measures for developing and improving the professional skills of its members by its own means and through higher education institutions;
- It supports technical and scientific progress throughout local public services and ensures environmental protection;
- It ensures the exchange of information, communication and cooperation in its field of interest through its specialized Bulletin;
- It promotes the development of specific data-processing ;
- It organizes conferences, symposiums and exchanges of professional know-how through different publications and teaching.

The main activities of the Association's members are:

- Water supply;
- The production and distribution of district heating;
- Local passenger transport;
- Sewage and waste-water treatment;

- Urban refuse collection and disposal;
- The management, maintenance and repair of State-owned housing;
- The maintenance of streets, gardens, greenhouses, public facilities, etc.

The Government Department for Local Public Administration has given the Association a mandate to draw up criteria for the examination of management candidates, and test candidates in accordance with the provisions of Law No. 66/1993. The Association has proposed ideas to improve the organization and operation of local public services, and to help prepare them for privatization. In 1997-98 the Association was directly involved in drafting the Municipal Services Bill, which is now before Parliament.

The Association has established several national professional committees: the **Romanian Water Association**, the **National Committee of the Romanian Heat Producers and Suppliers**, the **National Committee of Sanitation, Hygiene and Urban Environment Protection**, and the **National Dwelling Committee**. The major goal of the last one – created at the end of 1999 – is to ensure an optimal background for collaboration between NGOs and central and local administrative bodies, so as to support the local units and organize and improve collaboration between the Association's members and experts in design, repair, rehabilitation, consolidation and housing-fund administration.

Romanian has many professional associations and each has or can have some input for housing.

**The General Association of Engineers in Romania (AGIR)** is an apolitical, fully independent, professional organization, with legal personality. It dates back over 100 years and at present represents and defends the social and professional interests of engineers in Romania. AGIR is a federative organization with speciality-based societies and local

branches. In accordance with its statutes, AGIR has to strengthen the authority and prestige of the engineering profession.

**The National Association of Romanian Valuers (ANEVAR)** was founded in 1992 and since 1996 its members have started real-estate valuation, and so become part of the business community. The Association promotes professionalism through training schemes and membership standards. Today ANEVAR is recognized internationally. Its assessments are in line with European valuation standards and accepted by the banking sector when granting funds.

**The Romanian Association of Construction Entrepreneurs (ARACO)** represents the interests of the large number of construction companies. **The Association of Management, Consulting and Technology in Construction (CMCTC)** represents those professionals who manage construction activity and advise the client on costs. **The Association for Promoting Fast Technology Housing (APROCOR)** – founded in 1999 – promotes alternatives to classical ways of building from the point of view of price and seismic resistance.

All these associations have different memberships and histories, but they cover very specific areas of the built environment. The know-how provided by these associations will be helpful in developing national housing strategy and implementing its guidelines.

#### *Other actors on the housing scene*

**The Romanian National Centre for Sustainable Development (NCSD)** advocates sustainable development. It does not emulate government work nor exercise executive or legislative authority. Its role is to catalyse action by others. The Centre has been successful in grouping an impressive number of Romanian institutions when compiling the National Strategy for Sustainable Development in 1999. The document, however, does not attribute a clear role to housing in sustainable development.

**The Federation of Towns, the Federation of Communes and the Federation of Municipalities** mobilize the local authorities for joint action, especially in developing utilities programmes, but also in solving planning issues.

**Habitat for Humanity International (HFHI)** is a non-profit, international and ecumenical Christian housing service. It seeks to eliminate poor housing and homelessness, and to make decent shelter a matter of conscience and action. There are three HFHI affiliates in Romania, in Beiuș, Arad and Cluj-Napoca, mainly in the Transylvania region.

HFHI activities in Romania do not have a very long history, but has completed about 20 houses in Beiuș, and during one single year some 10 houses were built by the Cluj-Napoca affiliate. HFHI does not accept government funds for the construction of new houses or for the renovation or repair of existing houses. It does accept government funds for the acquisition of land or houses in need of rehabilitation and for streets, utilities and administrative expenses, so long as the funds come with no conditions that would violate the organization's principles or limit its ability to proclaim its Christian witness.

**Cooperative Housing Foundation/Romania (CHF)** is a non-profit international development organization for communities, habitat and finance. It has been active in western Romania since 1994, targeting multi-faceted development, integrating alternative credit mechanisms, small and medium-size enterprise development, and quality-of-life improvements for low and moderate-income families. Since beginning operations in Romania, CHF has worked with 16 local organizations and disbursed over US\$1.4 million in loans to local businesses, homeowners' associations, non-governmental organizations and agricultural cooperatives.

## Conclusions

The current chapter has tried to list and analyse the roles of most of the institutional

groupings involved in Romania's housing sector. In addition to the description of the current roles of the central and local authorities, considerable attention is devoted to other organizations, in particular to those based on individual initiative or private-sector entrepreneurship. The chapter makes it clear that some organizations have appeared only recently, so that their roles in the Romanian society, and sometimes even for themselves, are not yet very clear.

The housing sector and its problems are the collective responsibility of any society. They require a clear understanding of the issues, effective action by the actors-institutions and coordinated interaction in meeting the goals planned.

In much broader terms it is never possible to answer the question –does the national housing sector have the right set of organizations? Different countries have different everyday problems and priorities to solve, both strategically in the long term, and in the short term too. So the institutional framework has to be flexible and able to change step by step as results are gained and new goals modified. It is important, however, for all the organizations in the institutional environment to integrate and acknowledge the role of the others in attaining the common nationally accepted goals.

Consequently, in this chapter we have tried to find out whether there are reliable and adequate relationships to ensure the efficient and effective delivery of affordable housing that meets commonly accepted standards in Europe.

Decentralization has been the leitmotif in Romania, where the major housing issues were quickly devolved to local and individual levels. At the same time decentralization has to be backed up by action to train and inform the institutions and individuals who have to continue with roles, very different as far as obligations and responsibilities are concerned, from those of previous periods.

A general understanding of housing issues and their resolution is today essential for the development and building of new dwellings. Information on developing newsites and building new housing is relatively well managed throughout the public administration and the private sector. There are, however, no reliable data on improvements to, and the action and funds needed to keep the existing stock habitable and the institutions which could take responsibility for these activities are lacking on the Romanian housing market.

The central authorities have formulated general principles for a national housing policy and the appropriate guidelines to implement it. This was done without sufficient consultation with the numerous organizations that actually build, finance, sell, let, manage, repair or maintain the homes in Romania. Many of these organizations have (re-)mobilized themselves only recently and are ready to be accepted as social partners by the central authorities in the housing sector.

The national Government considers homeownership as a universal, and the only effective, way of achieving national housing policy objectives. It has been supported by a general awareness that it permits reductions in

public expenditures on housing, and in the obligations and responsibilities of the public authorities in this sector.

Implementation of the preferred housing strategy in Romania is fully based on homeowner participation – based on interest, mentality and willingness. But currently the financial weakness and dependency of most homeowners means that they can be manipulated either by the State or by the private sector.

The housing stock – despite its ownership – can always be considered the national property that any society needs for its own sustainable development. Housing quality is a term implying legal, economic, social and technical aspects. Hence it follows that only cooperation among institutions with relevant professional competence will produce housing meeting nationally and internationally required quality standards.

Currently the demand is for a more intensive management service in housing, especially in its multi-ownership sector. The importance of this function for society is not widely appreciated.

