

## VI. INSTITUTIONAL FRAMEWORK AND DECISION-MAKING PROCESSES

### A. General

The transition period in Bulgaria has, over the last six years, caused a great number of changes throughout the housing sector, including in its organizational and institutional framework. The new rules and requirements imposed on the way to a market economy and the achievement of a level of stability have underlined the need to reorganize the processes of construction, provision, redistribution and management of the dwelling stock.

During this six-year period Bulgaria has, however, gone through six Governments, each with its own political programmes for overcoming the economic and social crisis in the country.

Each of these Governments has had its own approach to the institutional framework. Some relied on the existing ministries, institutes and administrative structures, dismantling some and establishing others. The main aim of all these changes has been to bring the Bulgarian institutions closer to the European models, as part of the general process towards European integration. It is still too early to evaluate which of these changes have had the expected result, which have been really effective or delayed the development of the housing sector and the solution of the housing problems in Bulgaria. Moreover, all these institutional changes, combined with the execution of new laws, especially those concerned with the restitution of urban property, have resulted in problems with regard to the gathering of statistical data. This is the main reason for the lack of information on the processes actually taking place in the housing sector, such as the situation of the housing market, the number of homeless people, the provision of municipal land and municipal dwellings for the poor.

The continual and ongoing changes in the institutional framework during the transition period have, in conclusion, undermined the possibility of a coherent and continuous housing policy.

### B. Central government institutions

The Ministry of Regional Development and Construction is responsible for formulating and executing national housing policy (fig. XV). It defines and puts into practice the national housing policy and related programmes through its Department of Housing. The Department's main functions are:

- (i) To create an adequate legal and economic framework for the development of the housing market;
- (ii) To introduce a system of financial and credit mechanisms and subsidies for people with restricted financial means on the basis of a national compensation fund;
- (iii) To secure preferential conditions for attracting capital to the housing sector, including foreign investments;
- (iv) To provide financial aid to municipalities for the construction of municipal rental stock;
- (v) To develop and introduce a system of special tax, credit and rental mechanisms for stimulating the reconstruction and modernization of the existing housing stock and its effective management;
- (vi) To facilitate the decentralization and privatization of State construction companies, providing preferential conditions for housing construction on municipal land.

It also draws up a strategy to implement the current housing policy, including:

- Principles and social and technical parameters for the construction of social housing;
- Improving the legal basis of the Bulgarian housing policy either by introducing changes in the existing legislation or by drafting new regulations and legal acts on:
  1. housing finance and credits;
  2. price formation;
  3. taxation;
  4. rental relations;
  5. land provision for housing construction;
  6. distribution and sale of dwellings;
- Evaluation and proposals for an effective system of management, maintenance and modernization of the housing stock;
- Improving the quality of design for housing by technical rules and regulations;
- Creation of databases for system analysis of the processes in the housing sector;
- Organization of courses and workshops to provide professional help and assistance to local structures throughout the country as well as training of professionals in the housing sector.

In the execution of its main tasks and functions the Department of Housing maintains close and constant links with the other divisions of the Ministry, such as:

- (i) The Regional Development Department with which it draws up the regional housing policies, taking into consideration the characteristics of the regions;
- (ii) The Department of Administrative Structures and Local Self-Government with which it supports and coordinates the creation of new local structures and helps municipalities with severe housing problems;
- (iii) The Territorial Development Department with which it works on the process of elaborating and changing the legislative basis of the housing policy.

In the process of elaborating the regulative and legislative basis of the national housing policy, the Department of Housing works closely with all the ministries and organizations listed in annex II below. It is general practice for each document passed by the Council of Ministers of the Parliament to be agreed with these ministries and organizations.

### C. Local government institutions and responsibilities

#### 1. Responsibility for social housing provision

The social housing obligation at local authority level consists in fulfilling the *Regulation for the allocation of social dwellings*, issued by the Council of Ministers. It defines the responsibilities of the municipalities in these matters, the distribution, rental conditions, etc. related to housing owned by them.

Municipalities are obliged to draw up and continually update lists of citizens who satisfy the requirements for social housing. On the basis of these lists, specially appointed housing commissions carry out stipulated standard procedures to prepare lists for the allocation of municipal housing. These allocations are the basis for issuing accommodation orders and leases between municipalities and tenants. The level of rents is fixed by the Council of Ministers. Municipalities cannot rent their housing stock by any other locally decided procedure or at any other rent.

#### 2. Supply and development of land for housing

One way in which the municipality can provide land for housing development to private developers is on the grounds of the Old Savers Act. The final decision in this case is made by the municipal council.

#### 3. Housing construction

Housing construction by regional and municipal authorities is governed by:

- Legislation, which does not allow the municipalities or municipal companies to make a profit from housing construction;
- The responsibilities of the municipalities to allocate the flats according to nationally set allocation rules and nationally fixed rent levels;
- The financial resources within limited municipal budgets.

#### 4. Housing ownership and management of housing stock

Municipality-owned housing stock is managed by municipal companies (BKS). These are created and act according to the regulations of the Council of Ministers. These companies manage and maintain the municipal housing stock and collect the rent from tenants. There are 24 such companies in Sofia. The gap between the level of rents and the necessary resources for maintenance has led to a transfer of virtually all these activities directly to the municipal administration.

#### 5. Rent policies

The level of rents for all public housing is fixed nationally (see section 1 above). This severely limits the opportunities for the municipalities to develop their own rent policies.

#### 6. Housing subsidies and housing allowances

No housing subsidies or housing allowances are provided at regional or municipal level. The difference between State-fixed rent and market rent is a form of hidden subsidy, but this is a subsidy for the tenants, not the municipalities, as investors. In practice, this is yet another limit to the investment possibilities of the municipalities.

### D. The greater municipality of Sofia

According to the Act on local self-government and local administration, the Greater Municipality of Sofia is a specific administrative and territorial unit, combining the functions of a municipality and a region and carrying out State policy for the development of Bulgaria's capital.

The local authority is represented by Sofia Municipal Council, on the one hand, and by the Mayor of the Municipality and his administration on the other (fig. XVI). Sofia Municipal Council is a body of local self-government elected for a period of four years by the population of the municipality. There are 101 municipal councillors representing the political parties.

Sofia Municipal Council defines the municipal policy for building and development, solves local problems connected with the economy, protection of environment, health, social, educational, cultural and public services,

activities, territorial structure, municipal property, traffic safety and public order. The Municipal Council passes regulations, decrees and instructions on matters within its jurisdiction.

Its activities are managed by a Leader of the Council, who is elected by secret ballot among the municipal councillors. Only the Leader occupies a salaried position. The municipal councillors are employed elsewhere, but for the time spent in council meetings they are paid by the municipal budget. Decisions are made by simple majority with open ballot. Exceptionally there can be a secret ballot. The decisions made by the councillors are made public.

Sofia Municipal Council elects standing and temporary commissions, which can also include experts who are not councillors. It has already set up 13 standing commissions:

- (i) Commission on finance and budget;
- (ii) Commission on self-government, normative regulations and public order;
- (iii) Commission on health, social policy and sports;
- (iv) Commission on science and education;
- (v) Commission on culture and religion;
- (vi) Commission on investments and economic policy;
- (vii) Commission on municipal companies;
- (viii) Commission on transport and traffic safety;
- (ix) Commission on urbanization and engineering infrastructure;
- (x) Commission on architecture and city planning;
- (xi) Commission on environmental protection;
- (xii) Commission on problems and development of agricultural districts;
- (xiii) Commission on requests, claims and proposals by citizens.

Each commission is managed by a chairperson, a deputy-chairperson and a secretary, who are elected. Temporary commissions at the Municipal Council are formed to study specific cases and make decisions on them if so empowered.

There is at present no standing or temporary commission on housing policy. In the Greater Municipality of Sofia, responsibility for housing matters lies with:

(a) The Mayor. He manages all executive activity of the Sofia Municipality, as stipulated by law and within the authority given to him by the Sofia Municipal Council;

(b) *The municipal property, housing stock and restitution department* (fig. XVII). It is responsible for acquiring, managing and maintaining the real estate which is municipal property (documentation, accountancy and control) as well as for managing State-owned

real estate in Sofia, which is regulated by normative acts. It controls the distribution of the municipal housing stock, which must conform with the law. It gives information and legal advice in connection with restitution.

The Sofia Municipal Privatization Agency organizes, carries out and controls the privatization of municipal enterprises and activities.

The Mayor of the Greater Municipality of Sofia is also elected directly by the population of Sofia for a period of four years. The Mayor has the most important individual position. He is a representative of the executive authorities. His functions include:

- (i) Governing all executive activity of the Municipality;
- (ii) Directing and coordinating the activity of the specialized bodies;
- (iii) Safeguarding public order;
- (iv) Applying the municipal budget;
- (v) Carrying out long-term programmes;
- (vi) Carrying out the decisions of the Municipal Council;
- (vii) Carrying out the tasks connected with laws, the President's and the Council of Ministers' acts;
- (viii) Liaising with political parties, public organizations and movements as well as other bodies of local self-government in the country and abroad.

The Mayor takes part in the work of the Sofia Municipal Council and has a casting vote. As a representative of the executive power, the Mayor carries out his functions through the municipal administration.

To make the administration of the Greater Municipality of Sofia more efficient, its territory is divided into 24 territorial municipal administrations, headed by district mayors. The main purpose of the territorial municipal administrations is to solve local, everyday problems in connection with administrative services, urbanization and sanitation, for instance.

Although the municipal administration is divided into these 24 separate units, part of the municipal administration is concentrated in the Greater Municipality of Sofia itself for coordination and control.

Following a proposal by the Mayor, Sofia Municipal Council elects deputy-mayors, who are responsible for the operative management and control through the respective departments. The Mayor appoints a secretary who organizes the municipal administration and its activities. Urbanization and architecture in the municipality are the responsibility of the Chief Architect of Sofia, who is also appointed by the Mayor.

The legal relations between the municipality as employer and the employees in the municipal administration are regulated by the Labour Code, which applies to the whole country.

FIGURE XV  
The Ministry of Regional Development and Construction—Organizational chart

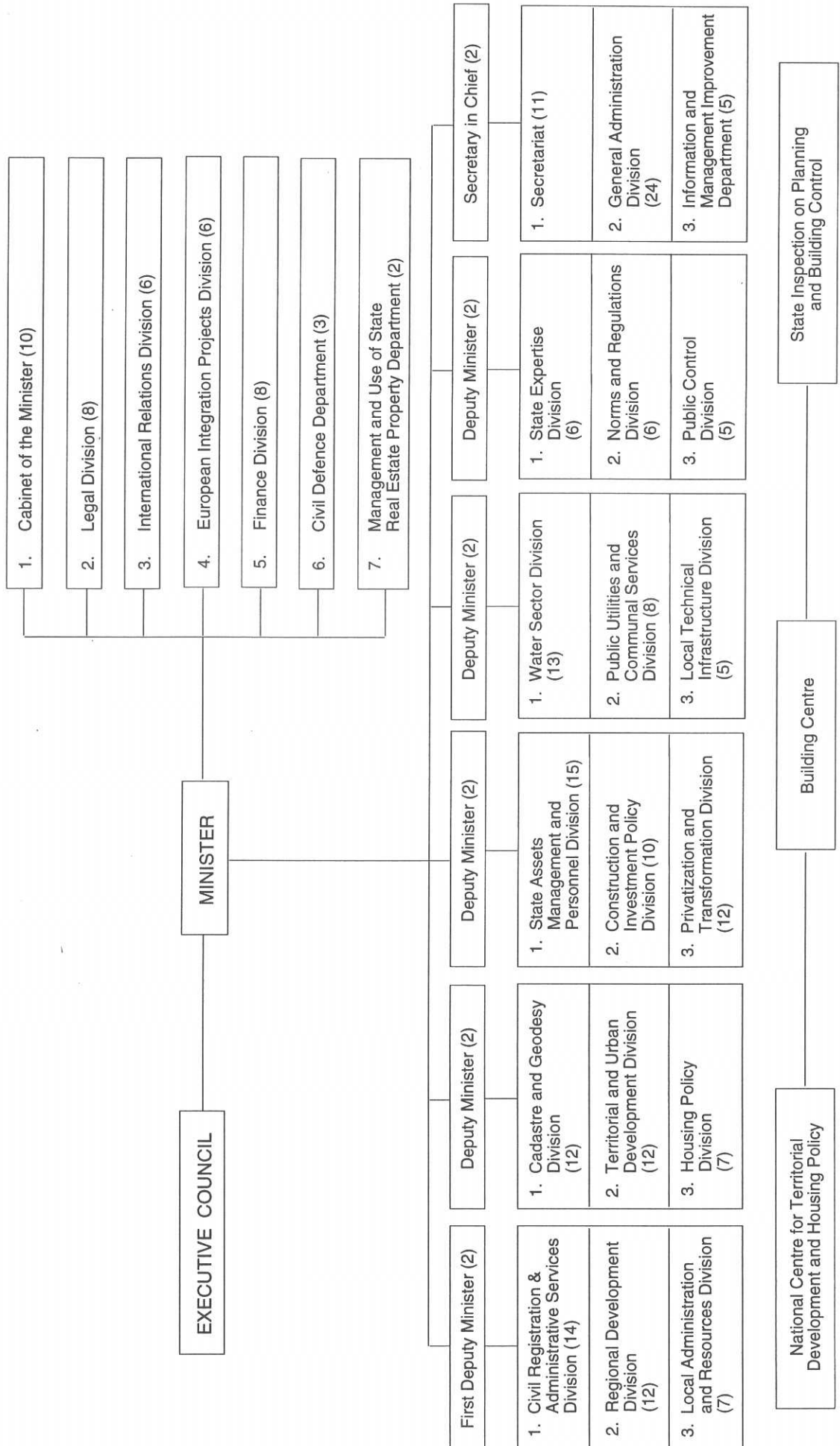


FIGURE XVI  
The Greater Municipality of Sofia—Administrative structure

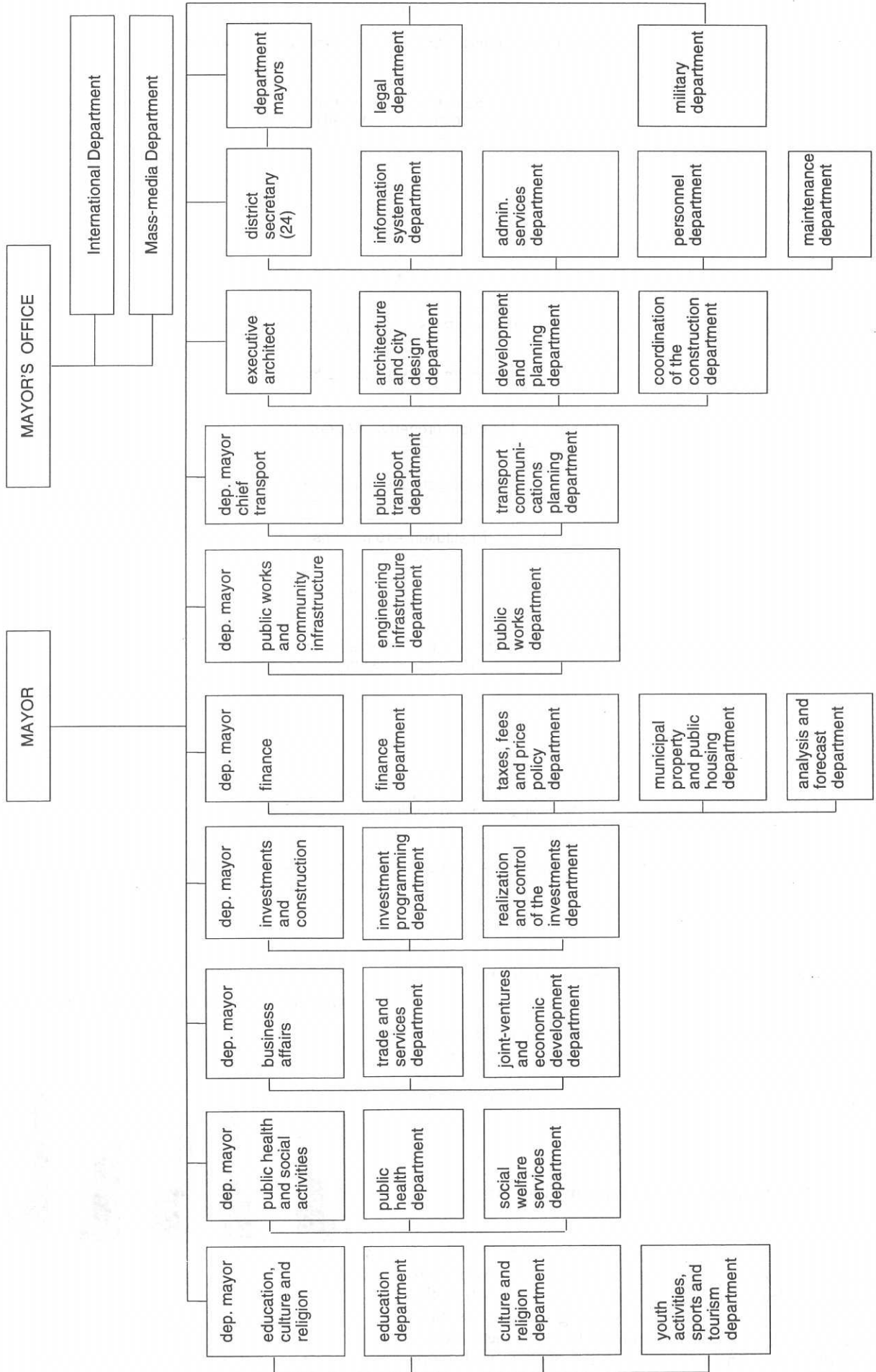
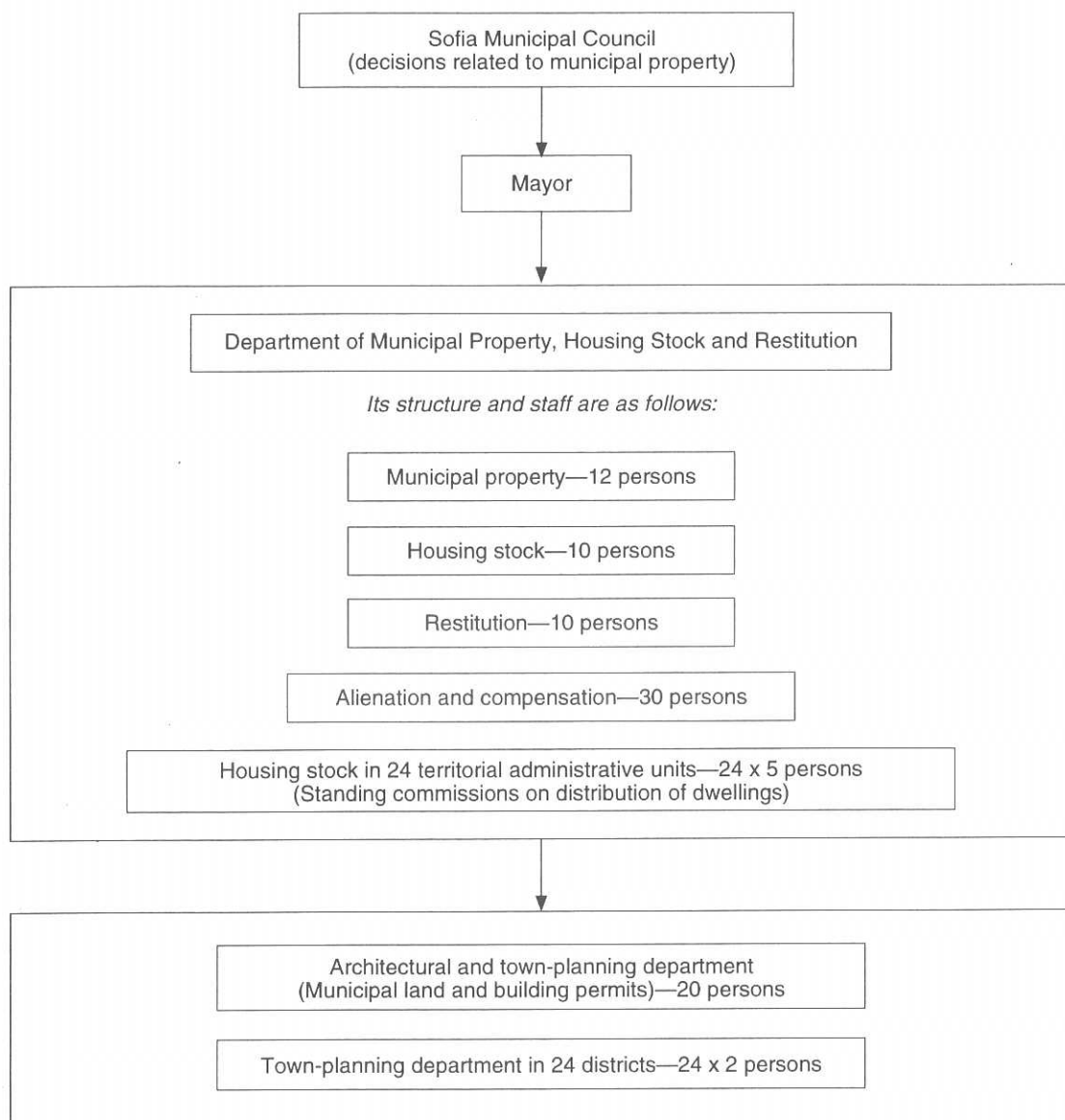




FIGURE XVII

## Sofia Local Authority/Administrative structure for housing



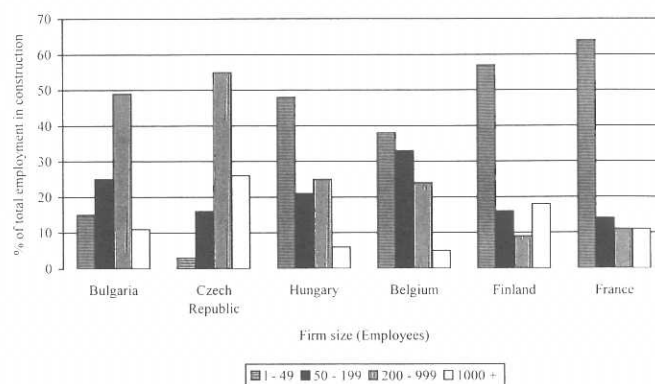
## E. Owners and tenants associations

Bulgaria has no organized structure for these groups to influence the housing sector. Moreover, there are no housing cooperatives, which in other countries have traditionally exerted a strong influence on the housing sector.

## F. Structure of the building industry

Due to massive State intervention in the production of goods and services, Bulgaria's building industry was dominated by large, State-owned enterprises before the transition period, as was the building industry in most other centrally planned economies. In 1980, there were a total of 47 building companies, most of them with more than a thousand employees. The companies operated as

FIGURE XVIII

Structure of the building industry in European countries  
(share of employment by firm size, 1992)

Source: Annual Bulletin of Housing and Building Statistics for Europe and North America, 1995, UN/ECE.

TABLE 20

**Output of the construction materials industry**  
(in million leva/million dollars)

	1990	1991	1992	1993	1994
Output	1,986/699	4,773/248	6,181/265	5,795/210	8,223/225
Index	100	41.9	51.2	49.1	55.5

Source: Statistical Yearbook, 1995, NSI.

TABLE 21

**Building and construction industry output by sector**  
(in million leva/million dollars)

	1990	1991	1992	1993	1994 <sup>a</sup>
Public sector	6,234/2,195	13,435/700	18,475/792	21,680/786	
Private sector	43/15	61/3	118/5	150/6	
Cooperative	605/213	2,383/124	5,833/250	9,570/347	
Index	100	40.7	41.4	36	30
Total	6,883/2,424	15,879/827	24,426/1,046	31,400/1,138	23,500/830

Source: Statistical Yearbook, 1995, NSI.

<sup>a</sup> Estimates.

TABLE 22

**Output of basic products in the construction materials industry**

	Unit	1990	1991	1992	1993	1994
Steel	1000 tons				1,941	
Bricks	1000 units	959,000	646,000	633,000	584,864	461,379
Cement	1000 tons	4,170	2,374	2,132	2,006	1,454
Doors and windows	1000 sq metres				848	605
Wall tiles	1000 units				315,656	245,992
Roof tiles	1000 units	39,000	31,000	25,000	22,000	16,493
Lime	1000 tons	1,557	1,034	729		464
2 mm sheet glass	1000 sq metres				7,874	7,685
Prefabricated concrete	1000 cu metres	2,086	905	841	151	
Waterproof material	million sq metres	9.9	6.1	3.6	2.2	

Source: Statistical Yearbook, 1995, NSI.

TABLE 23

**Gross building and construction industry product and its share of GDP**  
(in million leva/million dollars)

	1990	1991	1992	1993	1994
GDP	45,901/ 16,161	131,058/ 14,270	195,000/ 13,457	286,134/ 13,457	12,800
B & C output	3,159/ 1,112	5,831/ 635	10,065/ 695	13,705/ 617	550
GDP growth rate	-9.1	-11.7	-5.7	-4.2	-0.7
B & C growth rate	..	-4.3	9.4	-11.2	-11.0
B & C share of GDP, per cent	6.9	4.4	5.2	4.8	4.3

Source: Statistical Yearbook, 1995, NSI.

monopolies dominating housing supply. The supply system was driven by production targets, based on floor space indicators with little attention to quality or user satisfaction.

In 1989, Bulgaria initiated a number of reforms to restructure the building industry. Considerable success has been achieved in promoting Bulgaria's small building companies. Between 1991 and 1992 the number of building

firms with fewer than 50 employees increased from 4 to over 2,000 (State enterprises, private firms and cooperatives). The number of firms employing over 1,000 workers declined during this period from 23 to 14. However, small- and medium-sized firms are finding it difficult to procure building materials, and are confronted with conflicting regulations, distorting economic relations and hindering building industry reforms.

### Summary of core issues

Any national housing policy must have a consistent and reasonably stable basis. A precondition to achieve this is the existence of a clearly structured institutional framework, and a clear distribution of responsibilities within this framework.

The continuous changes imposed on the institutional framework influencing the housing sector by successive governments during the transition period have not been conducive to stability.

It seems paradoxical that during the transition period the State has relinquished most practical and financial responsibilities, yet has maintained an extremely centralized decision-making and regulation policy on all major aspects of housing which are the responsibility of local governments.

This paradox is particularly obvious and harmful for public sector housing. The policy has also contributed to the very weak or non-existent political and administrative structures for formulating and carrying out housing policy at local authority level. This is even the case for the capital, Sofia.

The lack of formal structures and real responsibilities for housing at local level, with no freedom to formulate or execute local housing policies, means that there are no coherent or consistent local proposals for changes in the central policy. This lack of flow of information and practical proposals within the public sector from the levels actually experiencing the practical problems to the central, regulating level, is not conducive to practical, viable housing policy formulation or execution.

The present central government institutions and processes working within the housing sector seem adequate for the tasks ahead. The major State priority now should be to propose an overall strategic housing policy, stating the Government's main goals within the housing sector for the short and medium term.

As indicated above, the lack of political and administrative structures and processes within the housing sector at local authority level is seen as a fundamental weakness of the Bulgarian housing sector.

At present local housing policy is in fact reduced to allocating vacant public housing units according to State-regulated criteria and at State-regulated rents to households on a State-regulated waiting-list.

The limited economic resources available are the second most important factor hampering local authority activity in the housing sector. As the central Government does not provide funds to local authorities for:

- New construction of public rental housing;
- Major repair and renovation of the existing public sector housing stock;
- Housing allowances,

local authorities cannot be expected to perform such work themselves. Central government framework conditions and active participation are seen as absolute prerequisites for local authority restructuring and increased responsibility and activity.

The particular tenure structure of Bulgarian housing underlines the need to establish a national association, with local branches, of condominium owners. Such an association should be able to act as representative of this special form of tenure in central and local discussions on housing policy and practice. It should also be used by the public sector to train and educate condominium owners and managers about the realities of market-oriented housing practices and responsibilities.