This report provides an analysis of the selection and prioritization mechanisms for housing and social infrastructure projects financed by the Romanian Government. Part A of this report contains a summary of the European and international policy context for housing in Romania, and a review of past and current housing programs in Romania, including commentaries on program drawbacks and results. Part B outlines the main elements for prioritization, both across different programs and within programs. It also includes a comprehensive Action Plan detailing recommended actions along with estimated budgets and timeframes, as well as a proposed list of projects for short term implementation by the Ministry of Regional Development and Public Administration.

Two other reports are also included in the overall package:
- “Towards a National Housing Strategy”, which includes a detailed assessment of Romania’s housing sector, and recommendations to inform the country’s forthcoming National Housing Strategy; and
- “Coordination of State and EU Funds”, which elaborates on how investments in the housing sector by the State can complement EU investments.

Harmonizing Public Investments Component 4: FINAL REPORT (3)
August 2015
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<tbody>
<tr>
<td>ANRE</td>
<td>National Energy Regulatory Authority (Autoritatea Națională de Reglementare în Domeniul Energiei)</td>
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<tr>
<td>BOT</td>
<td>Build Operate Transfer</td>
</tr>
<tr>
<td>CLLD</td>
<td>Community Led Local Development</td>
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<tr>
<td>DA</td>
<td>Development Agreement</td>
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<tr>
<td>ECE</td>
<td>Europe and Central Asia</td>
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<td>EE</td>
<td>Energy efficiency</td>
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<tr>
<td>EGO</td>
<td>Emergency Government Ordinance</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>EUR</td>
<td>Euro</td>
</tr>
<tr>
<td>FNCGIMM</td>
<td>National Credit Guarantee Fund for Small and Medium Enterprises (Fondul Național de Garantare a Creditelor Pentru Intreprinderile Mici și Mijlocii)</td>
</tr>
<tr>
<td>GD</td>
<td>Government Directive</td>
</tr>
<tr>
<td>GO</td>
<td>Government Ordinance</td>
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<tr>
<td>HOA</td>
<td>Homeowner association</td>
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<tr>
<td>INCERC</td>
<td>National Institute for Building Research</td>
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<tr>
<td>MARD</td>
<td>Ministry of Agriculture and Rural Development</td>
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<tr>
<td>MFB</td>
<td>Multifamily building</td>
</tr>
<tr>
<td>MLFSPE</td>
<td>Ministry of Labor, Family, Social Protection and Elderly</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoJ</td>
<td>Ministry of Justice</td>
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<tr>
<td>MRDPA</td>
<td>Ministry of Regional Development and Public Administration</td>
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<tr>
<td>NAR</td>
<td>National Agency for Roma</td>
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<tr>
<td>NHA</td>
<td>National Housing Agency</td>
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<td>NHF</td>
<td>National Housing Fund</td>
</tr>
<tr>
<td>OPAC</td>
<td>Operational Program “Administrative Capacity” (Programul Operational Capacitate Administrativă, POCA)</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-private partnership</td>
</tr>
<tr>
<td>RON</td>
<td>Romanian Leu</td>
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<tr>
<td>RSDF</td>
<td>Romanian Social Development Fund</td>
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<tr>
<td>SMR</td>
<td>Standardized Market Rent</td>
</tr>
<tr>
<td>SOP</td>
<td>Sectoral Operational Program</td>
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<tr>
<td>TA</td>
<td>Technical assistance</td>
</tr>
<tr>
<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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PART A: PROGRAM REVIEW
I. REVIEW OF PROGRAMS RELATED TO HOUSING

Introduction

The Government of Romania (GOR) has asked the World Bank to support its efforts to harmonize public investments financed by the European Union and from the State budget. The objectives of this work are to encourage synergies, deliver stronger impact, and promote Romania’s drive towards sustainable and inclusive development. This engagement is a follow-up to the World Bank’s Regional Development Program in Romania, implemented between November 2012 and March 2014, and is based on the January 2012 Memorandum of Understanding on Partnership and Support in the Implementation of EU Structural and Cohesion Funds in Romania and Modernization of Public Administration. This work includes the following four components:

i. Alignment and coordination of strategies and processes for public investments monitored and/or implemented by the Ministry of Regional Development and Public Administration (MRDPA) and other relevant public stakeholders

ii. Improvement of the assessment methodology for the portfolio of projects managed by the General Directorate for Regional Development for optimal prioritization and preparation of potential EU-funded investments for the 2014-2020 period

iii. Dissemination of more cost effective project designs through innovative technologies

iv. Support for defining a comprehensive strategy in the housing sector

The current work is part of the fourth aforementioned component – i.e., support for defining a comprehensive strategy in the housing sector. As part of this component, a detailed housing sector assessment has been carried out at a national scale. This report complements the main housing assessment, providing an analysis concerning proposed selection and prioritization mechanisms for housing and social infrastructure projects financed by the MRDPA (Output 21, as per the Terms of Reference). Part A of this report contains a summary of the European and international policy context for housing in Romania, and a review of past and current housing programs in Romania, including commentaries on program drawbacks and results. Part B outlines the main elements for prioritization, both across different programs and within programs. It also includes a comprehensive Action Plan detailing recommended actions along with estimated budgets and timeframes as well as a proposed list of projects for short term implementation by the MRDPA.

Two other reports are also included in the overall package:

- “Towards a National Housing Strategy”, which includes a detailed assessment of Romania’s housing sector, and recommendations to inform the country’s forthcoming National Housing Strategy; and

- “Coordination of State and EU Funds”, which elaborates on how investments in the housing sector by the State can complement EU investments.
I. REVIEW OF PROGRAMS RELATED TO HOUSING

1.1 Introduction

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- “Coordination of State and EU Funds”, which elaborates on how investments in the housing sector by the State can complement EU investments.
1.2 European and international policy context

Romania is a member of several European and international structures, having endorsed a series of charters and strategic documents with significant relevance for housing. Compliance with such overarching guidelines implies mainstreaming in national legislation and programs the principles and institutional actions to which it has subscribed. This section briefly presents the most significant of these.

1.2.1 Vancouver Declaration on Human Settlements (1976)

The Vancouver Declaration on Human Settlements\(^1\) was signed following Habitat I, the first United Nations Conference on Human Settlements, held in Vancouver, Canada in 1976. The conference was convened by the UN, as governments began to recognize the magnitude and consequences of rapid urbanization. The Conference covered the topic of physical and spatial organization of human life and actions needed at national and international levels to meet the challenges of population growth in urban and rural areas. The Vancouver Declaration on Human Settlements sets out some general principles, as follows:

- The demographic, natural and economic characteristics of many countries require policies on growth and distribution of population, land tenure and localization of productive activities to ensure orderly processes of urbanization and arrange for rational occupation of rural space;
- Human settlement policies and programs should define and strive for progressive minimum standards for an acceptable quality of life. These standards will vary within and between countries, as well as over periods of time, and therefore must be subject to change in accordance with conditions and possibilities. Some standards are most appropriately defined in quantitative terms, thus providing precisely defined targets at the local and national levels. Others must be qualitative, with their achievement being subject to the felt need. At the same time, social justice and a fair sharing of resources demand discouraging excessive consumption.
- Adequate shelter and services are a basic human right, placing an obligation on Governments to ensure their attainment by all people, starting with direct assistance for the least advantaged through guided programs of self-help and community action. Governments should endeavor to remove all impediments hindering attainments of these goals. Of special importance is the elimination of social and racial segregation, inter alia, through the creation of better-balanced communities, which blend different social groups, occupation, housing and amenities.

1.2.2 Istanbul Declaration on Human Settlements and the Habitat Agenda (1996)

The Istanbul Declaration on Human Settlements and the Habitat Agenda\(^2\) was part of HABITAT II, the second United Nations Conference on Human Settlements. The Heads of State or Government and the official delegations of countries assembled at Habitat II in Istanbul, Turkey in 1996, to endorse the universal goals of ensuring adequate shelter for all and making human settlements safer, healthier, more livable, equitable, sustainable and productive. The goals set where grouped into two major themes of the Conference: (1) Adequate shelter for all and (2) sustainable human settlements development in an urbanizing world, having been inspired by the Charter of the United Nations. The goals were designed to reaffirm existing partnerships and forge new cooperation for action at the international, national and local levels to improve the living environment.

\(^2\) Habitat, “The Habitat Agenda: Istanbul Declaration on Human Settlements” 3-14 June, 1996.
Representatives of participant states, including Romania, recognized that to be able to obtain safe and healthy shelter and basic services is essential to a person’s physical, psychological, social and economic well-being and should be a fundamental part of urgent actions for the more than one billion people without decent living conditions. The objective was to achieve adequate shelter for all, especially the deprived urban and rural poor, through an enabling approach to the development and improvement of shelter that is environmentally sound. As to the second theme, sustainable development of human settlements combines economic development, social development and environmental protection, with full respect for all human rights and fundamental freedoms, including the right to development, and offers a means of achieving a world of greater stability and peace, built on ethical and spiritual vision.

1.2.3 The United Nations Millennium Declaration (2000)

The United Nations Millennium Declaration was adopted by Member States of the United Nations in September 2000. It is based on eight Millennium Development Goals (MDGs), ranging from eradicating extreme poverty to combating HIV/AIDS, malaria and other diseases. The MDGs detail 18 specific development targets, each of which has a target figure, a time frame, and indicators designed to monitor the extent to which the target has been achieved. The United Nations system assigned UN-HABITAT the responsibility of assisting Member States to monitor and gradually attain the “Cities Without Slums” target, also known as Target 11, which is one of three targets under Goal 7, “Ensure Environmental Sustainability”. Target 11 is “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers”. UN-HABITAT has developed a household level definition of a slum household in order to be able to use existing household level surveys and censuses to identify slum dwellers among the urban population. A slum household is a household that lacks any one of the following five elements:
- Improved water (being able to obtain sufficient amount of water for family use, at an affordable price, available to household members without being subject to extreme effort);
- Improved sanitation (being able to use an excreta disposal system, either in the form of a private toilet or a public toilet shared with a reasonable number of people);
- Security of tenure (evidence of documentation to prove secure tenure status or de facto or perceived protection from evictions);
- Durability of housing (permanent and adequate structure in non-hazardous location);
- Sufficient living area (not more than two people sharing the same room).

1.2.4 Andria Report on Housing and Regional Policy

The Andria Report on Housing and Regional Policy, was approved by the European Parliament in 10th May 2007, being prepared by rapporteur, Alfonso Andria, of the Committee on Regional Development. Although the Treaty does not vest the European Union with any specific powers with regard to housing, a large number of Community policies (in particular those concerning the environment, energy, transport, social affairs and measures to benefit the common market) have a direct or indirect impact on housing conditions in the various EU Member States. Housing should also be seen from the wider perspective of the attractiveness of cities in terms of strengthening their growth and job creation potential, which thus also helps to implement the Lisbon Agenda. The European Parliament has expressed its views on this matter in a number of resolutions, advocating practical measures to boost the development of the urban environment and a greater sense of responsibility on the part of the local decision-makers responsible for drawing up management and urban transport plans to improve quality of life in their cities. Andria Report highlights a series of aspects concerning housing including:

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- The identification, at European level, of a series of quality indicators defining the concept of ‘adequate housing’;
- The importance for the EU of adopting a European housing charter based on the work of Parliament’s Urban Housing Intergroup and on the charter approved by the political groups represented;
- The need – in the context of the Lisbon Strategy – to strengthen the right to housing benefits and to other social rights, so that worker mobility can become a reality;
- The need for national and local decision-makers to adopt measures to help young people get their first home;
- The Commission should include housing in the debate on cities and sustainable regional development and in the work program of the inter-services task force set up to coordinate policies affecting the urban dimension;
- The importance of spatial management authorities to take into account the availability of housing and public services and urban transport for disabled people as well as to plan exercise and recreation areas for children and young people when framing spatial planning policies;
- National, regional and local authorities should identify the different circumstances of the cities and territories in the Member States and draw up and review their housing policies in accordance with the principle of sustainability.

### 1.2.5 The European Housing Charter

The European Housing Charter, adopted by the ‘URBAN-Housing’ Intergroup of the European Parliament on 26 April 2006, defines housing as a central part of life, a fundamental social right underpinning the European social model and a source of human dignity. The report therefore identifies those factors which have an impact on housing, in order to implement a ‘socially responsible’ policy and make housing suitable for all. The report seeks to focus the housing debate on three key issues: The social dimension, the environmental and energy dimension, and the coordination dimension.

The Charter considers that the right to adequate housing at reasonable prices is an important fundamental right that is recognized in a number of international charters and constitutions of the Member States. The Charter also regards renovation of housing for social and energy efficiency purposes as not merely an urban issue and that the large-scale, housing-related challenges that rural areas currently face, especially in the new cohesion countries, must be appropriately addressed.

### 1.2.6 The Vienna Declaration on Informal Settlements in South Eastern Europe (2004)

The Vienna Declaration on Informal Settlements in South Eastern Europe was aimed to reach common agreements on actions that will (a) regularize (legalize) and improve informal settlements in a sustainable way and (b) prevent development of future illegal settlements. The signatory national and regional representatives from South Eastern Europe have agreed, among other things, to:

- Create an adequate legal and institutional environment allowing for the functioning of housing, real estate and land markets through (a) the formulation and implementation of respective regularization policies within the context of overall housing policies, (b) the adoption of specific and well-targeted programs, (c) a clear assignment of responsibilities to national and local authorities in line with the subsidiarity principle (decentralization) and (d) the promotion of sustainable urban management.

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- Achieve a complete regional resolution of informal settlements by the year 2015, with national targets to be set by January 2005.
- Undertake in-situ regularization and upgrading to the maximum extent (but only in cases that do not threaten proper urban development, i.e. contravening rights of way, environmental protection, cultural heritage protection).
- Prevent future informal development by a) reviewing and modifying, as appropriate, legal and regulatory framework and enforcing it b) changing planning processes, where appropriate, to provide adequate housing and/or serviced plots for all income groups and allowing wider public participation in the planning process and c) mounting an awareness campaign to build up trust and explain that illegal construction is not only against the law, but will seriously hamper economic development.

1.2.7 Leipzig Charter on Sustainable European Cities (2007)

The Leipzig Charter on Sustainable European Cities is a document of the EU Member States, adopted by the ministers responsible for urban development in the Member States and drawn up with the broad and transparent participation of European stakeholders. In the knowledge of the challenges and opportunities as well as the different historical, economic, social and environmental backgrounds of European cities, the Member States' Ministries responsible for Urban Development agreed upon common principles and strategies for urban development policy, including housing.

The Charter highlights the major problems of the cities and promotes development of integrated urban tools, as follows: Technical infrastructure, especially water supply, waste-water treatment and other supply networks, must be improved at an early stage and adapted to changing needs in order to meet future requirements for high quality urban living. Key prerequisites for sustainable public utility service are energy efficiency and economic use of natural resources and economic efficiency in their operation. The energy efficiency of buildings must be improved, which concerns both existing and new buildings. The renovation of housing stock can have an important impact on energy efficiency and the improvement of residents' quality of life. Particular attention must be paid to pre-fabricated, old and low-quality buildings. Optimizing the performance of infrastructure networks and energy efficient buildings will lower costs for businesses and residents alike.

In order to achieve the objectives of social cohesion and integration in cities and urban areas, well-conceived social housing policies are seen as effective tools. Healthy, suitable and affordable housing can make such neighbourhoods more attractive for both young and old people.

1.2.8 European Housing Ministers Meeting in Marseille (2008)

The European Housing Ministers meeting in Marseille (2008) represented the 17th meeting of European Union ministers with responsibility for housing as part of the informal Regional Policy Council. The ministers agreed that, given what is at stake, the impact of European Union policies on national housing policies must be a point on the agenda of all future meetings of EU housing ministers. For better follow-up and progress on these aspects, the ministers proposed establishing specific working groups. These were planned to bring together representatives of member states to discuss access to housing, energy efficiency and the impact of Community policies on national housing policies.

Ministers recommended that the European Commission a) conduct a study on the cost of housing compared to household budgets, as well as a study on the cost of poor housing and lack of housing,

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4 "Housing Ministers meeting agree on an ambitious declaration and commit to participate actively to EU policies" Marseille, France. 24 November, 2008.
b) promote the spread within the housing sector of new technologies and building materials which use less energy, c) strengthen research programs to increase energy efficiency, including that in existing housing, d) provide effective follow-up to pilot projects in the social housing sector as part of the SAVE program in order to highlight and select those projects which lead the way in energy efficiency. Ministers also recommended that the Social Protection Committee develop indicators for homelessness and inadequate housing, through transnational research and studies funded by the EU. This could include a series of qualitative indicators that could define, for example, “adequate”, “decent” and “attainable” housing bearing in mind national, regional and cultural differences.

### 1.2.9 The European Social Charter

The European Social Charter (Revised, 1996, European Treaty Series No. 163) was signed by Romania in 1997 and ratified by Law 74/1999. Part II (Article 31) of the Charter explicitly states the right to housing: “With a view to ensuring the effective exercise of the right to housing, the Parties undertake to take measures designed: 1. To promote access to housing of an adequate standard; 2. To prevent and reduce homelessness with a view to its gradual elimination; 3. To make the price of housing accessible to those without adequate resources.”

Article 30 stipulates the right to protection against poverty and social exclusion: “With a view to ensuring the effective exercise of the right to protection against poverty and social exclusion, the Parties undertake: a. To take measures within the framework of an overall and coordinated approach to promote the effective access of persons who live or risk living in a situation of social exclusion or poverty, as well as their families, to, in particular, employment, housing, training, education, culture and social and medical assistance; b. To review these measures with a view to their adaptation if necessary.”

Romania adopted the Charter provisions by issuing Law 74/1999 ratifying the Revised European Social Charter, thus assuming to take proper measures in order to comply with the Charter principles and aims. The law also defines a number of areas and target groups that should be particularly supported to attain the right to housing: People with disabilities (Article 15), families (Article 16), migrant workers and their families (at.19), the elderly (Article 23), those with low incomes, and the poor (Article 30).

### 1.2.10 Geneva United Nations Charter on Sustainable Housing (2014)

The Geneva United Nations Charter on Sustainable Housing (2014) was agreed by the UNECE Committee on Housing and Land Management at its annual session on 8 October 2014. The Charter recognizes that the countries of the United Nations Economic Commission for Europe (UNECE) face challenges in the housing sector that directly impact their citizens’ quality of life and the environment. The Charter thus promotes policies and actions to encourage international cooperation at all levels. The backbone of the Charter consists of its four principles: Environmental protection; economic security; social inclusion and participation; and cultural identity. These four principles are meant to support a housing sector in the UNECE region that is focused on: Promoting environmental sustainability; being the foundation of a vibrant economy; increasing access to decent, adequate, affordable and healthy housing; and better meeting the needs of all citizens, including the vulnerable.

The development of sustainable housing in the ECE region faces multiple challenges resulting mainly from globalization, demographic changes, climate change and the economic crisis. The goal of the Charter is to support Member States as they seek to ensure access to decent, adequate, affordable

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and healthy housing for all, with due attention to reducing the impact of the housing sector on the environment.

### 1.3 Umbrella programs

EU funds in the housing sector focus on supporting infrastructure (utilities such as water and sewage, road infrastructure as well as educational and health facilities). Such funds have been allocated so far under the Regional Operational Program for urban areas, and the National Rural Development Plan for rural areas.

#### 1.3.1 Regional Operational Program

The 2007-2013 Regional Operational Program (ROP) leveraged EUR 3.7 billion of EU funds together with EUR 658 million of national funds. Implemented by MRDPA, the aim of the program was to support sustainable development in urban centers and to improve Romanian regional and local transport, social infrastructure, and the business and tourism environment. The objectives of this investment were to create 15,000 new jobs by 2015 and to reduce interregional disparities in GDP through 2015. In 2012, the ROP opened a new funding line through Priority Axis 1.2 for energy efficiency interventions in apartment blocks built between 1950 and 1990.

The recently approved ROP for 2014 – 2020 will finance several types of investments relevant for the housing sector:

**Energy efficiency and upgrading investments in public and residential infrastructure (Axis 3).** This investment block will seek to determine energy savings through the reduction of primary energy consumption in public and residential buildings and public lighting systems in cities, with direct impact on greenhouse gas reduction. This funding is directed through Axis 3 (Supporting the transition to a low carbon economy), Investment Priority 3.1 – Supporting energy efficiency, smart energy management and renewable energy use in public infrastructures, including in public buildings and in the housing sector. This investment priority will support energy efficiency measures for public buildings, housing, and public lighting systems.

**Support for economic and social regeneration of marginalized communities (Priority Axis 9).** The projects funded under this Axis aim to be implemented in an integrated manner using the Community-led Local Development (CLLD) approach, targeting urban areas with a population over 20,000 inhabitants. The ROP budget for Axis 9 is of EUR 90 million for 2014-2020, which aims to reduce by 580,000 the number of people at risk of poverty and social exclusion. Eligible activities include:

- Social housing (construction/ rehabilitation/ modernization of social housing);
- Integrated health and social services (social-health integrated community centers; rehabilitation/ modernization of integrated community centers);
- Education (construction/ rehabilitation/ modernization of educational institutions);
- Investments in degraded urban space of disadvantaged communities: Construction/ rehabilitation/ modernization of buildings to accommodate different social, community, cultural, and recreational activities, etc.;
- Urban public spaces (creating/ rehabilitating/ modernizing urban public spaces, e.g. streets, including rehabilitation/ modernization of public utilities, undeveloped green areas, abandoned land, pedestrian and shopping areas, etc.).

**Development of health, social and educational infrastructure (Axes 8 and 10).** While most budgets allocated under these axes are expected to be spent on larger scale strategic projects (e.g. regional hospitals, higher education infrastructure, etc.), specific eligible activities include social and
community centers, protected housing (for disabled and former foster care beneficiaries), kinder gardens and schools, all falling under the overall frame of social infrastructure, complementary to housing investments.

1.3.1 National Programme for Local Development
The National Program for Local Development (PNLD), coordinated by the MRDPA, establishes the legal framework for the implementation of projects of national importance supporting regional development. The GEO 28/2013 defines three sub-programs as components of the PNLD: The modernization of Romanian villages; the urban regeneration of municipalities and towns; and the development of county-level infrastructure. The sub-programs do not directly finance the upgrading/rehabilitation or modernization of housing but rather implement projects related to roads, technical infrastructure and socio-educational infrastructure works with funding from the State budget.

1.3.2 National Rural Development Plan
The 2007-2013 National Plan for Rural Development (NRDP) invested EUR 2.76 billion to support the development of rural areas and is implemented by the Ministry of Agriculture and Rural Development. In the 2014-2020 period, NRDP will finance “renovation, development of villages, improving basic services for rural economy and population and capitalization of rural heritage.” The support for this measure aims investments in rural areas for:
- Creation and modernization of the rural basic physical infrastructure;
- Creation and development of basic public services for rural population;
- Preserving the local-interest cultural and natural patrimony in the rural area.

1.3.3 Romanian Social Development Fund
The Romanian Social Development Fund (RSDF), established by Law 129/1998, contributed to the administration of six grant schemes, targeting mostly poor and isolated communities, especially in rural areas, and participated in the actual projects implementation of local, sectoral, or national interest.

The main areas that RSDF’s activity targets are as following: Social inclusion (with focus on Roma communities), socio-economic development (including creation of new jobs), equal opportunities, poverty alleviation (especially in rural areas), and community development.

RSDF is an autonomous, non-profit organization, which supports communities and disadvantaged groups by promoting participatory approach, in which members of local communities identify issues, and choose to be supported through funding one that is considered a priority.

1.3.4 Sectoral Operational Programs - Environment and Big Infrastructure Programs for 2014-2020
The Sectoral Operational Program (SOP) Environment is an EU-funded operational program which finances projects related to improving the quality and access to water and wastewater infrastructure, development of sustainable waste management systems, reduction of negative environmental impact caused by urban heating plants etc. Under SOP Environment 2007-2013, some 42 major projects for water and wastewater systems in urban and rural areas have been approved by the Management Authority, and seven projects contracted for Iași, Timișoara, Bacău, Botoșani, Focșani, Oradea and Râmnicu-Vâlcea for rehabilitation of district heating systems.
The recently approved SOP Big Infrastructure 2014-2020 is a distinct EU-funded program which will finance "big infrastructure". This includes TEN-T and other types of roads, and also environment projects (water supply and sewerage). Investments related to water supply and wastewater in urban and rural areas, heating systems (projects started in the previous period will continue in Bacau, Botosani, Focsani, Iasi, Oradea, Ramnicu Valcea and Timisoara) and also modernization of the heating system in Bucharest are relevant to the housing sector.

### 1.4 Government programs

Housing programs in post-communist Romania started to be implemented at the beginning of the 1990s. The first significant investments were targeted to complete the public housing stock left in different stages of completion upon the fall of the communist regime. However, most housing programs were initiated and implemented during the last decade since Romania joined the EU – as a consequence of developments in the legal framework, increased awareness and importance attributed to the housing sector, and exposure to related policies and practices of other European countries.

Currently, there are 22 housing-related program tracks in Romania in different stages of implementation. The largest outreach is registered by housing finance programs, such as the Prima Casa program (currently providing 126,200 beneficiaries with favorable mortgage terms) and the BauSpar scheme, which is expected to have 330,000 contracts by 2015 since its commencement in 2006.

Energy efficiency programs have also been largely successful in terms of outreach, with a significant number of beneficiaries. Such programs partially address the need to make housing improvements on the deteriorating stock of multi-story housing blocks built in the communist era. These initiatives have benefitted from the EU’s prioritization and consistent allocation of funds towards improving energy efficiency in order to reach Europe 2020 targets on CO₂ emissions.

A number of housing programs have been temporarily suspended or have had limited outputs to-date. Lack of political support, limited funds, and in some cases, inappropriate program design have all contributed to this outcome.

The program review contained in this report is divided into two sections: The first section focuses on programs supporting access to housing (rental stock and instruments for housing purchase). The second section reviews programs designed to support improvements to the housing stock, the most significant of which are those dedicated to energy efficiency.
1.4.1 Youth Housing

**Description.** The most important public housing program in terms of the number of units developed is the Youth Housing Program administered by the National Housing Agency (NHA). This program was envisioned as a rental housing program to attract young professionals. Started in 2001 under the purview of the NHA, this program involves construction of rental housing for the youth between the ages of 18 and 35 years. Some 31,831 dwellings have been completed nationwide to date.\(^{11}\) Rental housing can also be sold to sitting tenants in order to generate funds to construct more youth housing units.

The Government, through the NHA, initiated this extensive program of rental housing for young people, a specific category of public housing not included in the Housing Law. Even if youth are an eligible category for social housing, the publicly funded housing units built through this program for rental housing for youth are not “social housing” units.

Law no. 152/1998 on the establishment of the NHA builds on terminology, mechanisms and public actors in a parallel logic as that instituted by the Housing Law 114/1996. The level of rent for youth housing was regulated by the GD 962/2001 approving the Methodological Norms for the application of Law 152/1998. Government Ordinance no. 6 of July 23, 2014 further amended and supplemented Article 10 of Law no. 152/1998 on setting up the NHA, and made new stipulations for the calculation of rent and selling price for youth housing.

The housing units are built (usually by developers for NHA) on sites provided by local authorities, in accordance with the town planning regulations. In situations where the local authority has additional demand for social housing (for example, to accommodate those displaced by restitution), 20% of the total youth housing units built may be reserved as social housing.

Youth Housing is relatively good quality housing and considered much better than the average housing stock in Romania, both for single-family and multi-family structures. The cost of these units averages about EUR 40,000 per unit. Youth Housing includes two major underlying subsidies: The houses are built by NHA (with funds from MRDPA) on serviced land provided free of charge by the local authority. Once construction is complete, the units are handed from the NHA to the local authority to administer and manage, and the rents and selling prices of the units are generally below market rate and do not take into account the underlying cost of land.

The most recent Youth Housing Program undertaken by the NHA was largely financed by a loan from the Council of Europe Development Bank. As of July 2015, the Executive Committee of the Council of Europe Development Bank approved a loan of EUR 175,000,000 to the NHA. The aim of this loan is to complete 6,990 units over the course of the next 7-8 years. Repayment of the loan is to be made by the Government of Romania through the MRDPA.

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\(^{11}\) Most of the units are in Bucharest (2,392 units), Constanta (1,592 units), Neamt (1,496 units), Bacau (1,381 units), Bihor (1,300 units), and Iasi (1,296 units). The counties with the lesser number of housing units are Giurgiu (252 units), Buzau (262 units), Satu-Mare (321 units), Salaj (327 units), Calarasi (337 units), Covasna (357 units), Ialomita (372 units), and Arges (389 units).
The lease contracts for the youth housing units are signed for five years, with the possibility of extensions on an annual basis thereafter. The rental housing units are allocated by lease contract and follow a set of criteria established and adopted by the local and central authorities that administer them (and consented by MRDPA), including the framework criteria for access to housing and for prioritizing housing allocation, updated by GD592/2006.

Rents are calculated on a yearly basis by the relevant local or central public authorities. In the past, the rents for youth housing have typically been a small fraction of the market rents – irrespective of the cost of construction, the prevailing market-based rent of the unit, or the income of the beneficiary (so long as it is below the national average income). According to a recent amendment to the Youth Housing Law, rents have now been revised to cover management, maintenance and repair expenses, investment recovery (determined on the lifetime of the project). The monthly rent is first determined by location based on locality rank coefficient ranging from 1 in Bucharest to 0.8 in villages making up communes, municipalities, and towns. The monthly rent is then determined by a coefficient based on household income, ranging from 0.9 for households with an income per capita less than or equal to gross national minimum wage (RON 1050 or EUR 236 per month per capita), and 1.0 for those with income per capita exceeding 200% of the gross national minimum wage. The regressive nature of this subsidy can be illustrated by an example of a 4-member household with 2 income earners. This household can qualify for the lower co-efficient (0.90) if they earn below EUR 944 per month, or for

<table>
<thead>
<tr>
<th>Locality rank</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>I (Bucharest)</td>
<td>1</td>
</tr>
<tr>
<td>II</td>
<td>0.95</td>
</tr>
<tr>
<td>III</td>
<td>0.9</td>
</tr>
<tr>
<td>IV</td>
<td>0.85</td>
</tr>
<tr>
<td>V (Villages making up communes, municipalities, towns)</td>
<td>0.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income per family member less than or equal to gross national minimum wage</td>
<td>0.90</td>
</tr>
<tr>
<td>Income per family member between gross national minimum wage and 200% the gross national minimum wage</td>
<td>0.95</td>
</tr>
<tr>
<td>Income per family member exceeding 200% the gross national minimum wage</td>
<td>1.00</td>
</tr>
</tbody>
</table>

12 Government Ordinance no. 6 of 23 July 2014 amending and supplementing Article 10 of Law no. 152/1998 on setting up the National Housing Agency. 29.7.

13 Ibid.

Rental coefficient by location

Rental coefficient by household income
the higher coefficient if they earn above EUR 1,888 per month.\textsuperscript{14} This is a simple illustration to show that this program is highly regressive – such households, in the country’s top most income decile, do not, under any circumstances, need a government subsidy for housing, especially in a context where there are many other more needy households requiring government assistance.

The rent is recalculated on an annual basis, and is increased when the tenant crosses the age of 35 years. However, it is reported that in practice, rents are increased only marginally, at the discretion of the local authority that manages the units, and that there are no limits to the renewal of leases.

According to Law 152/1998, these rental housing units may be sold to the holders of contracts upon their request, and after a minimum of one year of continuous rental, notwithstanding the applicant’s age. This sale aspect of the program came into realization in 2012-13. The average income per family member of the leaseholder at the time of the sale should not exceed the national average. The revenue from the sale of the housing unit has to be directed to the NHA – much like a revolving fund – to finance and build additional youth housing units across the country.

The selling price of the unit is established by local public administration authorities (or central authorities in the case of housing built for young specialists in education and health), in accordance with article 10 of Law 152/1998. The sale value is determined according to the replacement value per square meter, multiplied by the built-up surface area, less the depreciation of the house since its commissioning date. This final sale price is then determined using a coefficient based on the population of the locality in which the unit is located. This ranges from Bucharest with a coefficient of 1.40 to villages making up communes with a coefficient of 0.80 as outlined below.\textsuperscript{15}

<table>
<thead>
<tr>
<th>Rank of the locality</th>
<th>Weight coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – Bucharest</td>
<td>1.40</td>
</tr>
<tr>
<td>I – National significance municipalities</td>
<td>1.00</td>
</tr>
<tr>
<td>I.1 – Over 400,000 inhabitants</td>
<td>0.99</td>
</tr>
<tr>
<td>I.2 – between 300,001 and 400,000 inhabitants</td>
<td>0.98</td>
</tr>
<tr>
<td>I.3 – Between 200,000 and 300,000 inhabitants</td>
<td>0.97</td>
</tr>
<tr>
<td>II – Inter-county significant municipalities</td>
<td></td>
</tr>
<tr>
<td>II.1 – between 150,001 and 200,000 inhabitants</td>
<td>0.96</td>
</tr>
<tr>
<td>II.2 – between 100,001 and 150,000 inhabitants</td>
<td>0.95</td>
</tr>
<tr>
<td>II.3 – between 50,001 and 100,000 inhabitants</td>
<td>0.94</td>
</tr>
<tr>
<td>II.4 – up to 50,000 inhabitants</td>
<td>0.93</td>
</tr>
<tr>
<td>III - Towns</td>
<td></td>
</tr>
<tr>
<td>III.1 – more than 30,000 inhabitants</td>
<td>0.92</td>
</tr>
<tr>
<td>III.2 – between 10,001 and 30,000 inhabitants</td>
<td>0.91</td>
</tr>
<tr>
<td>III.3 – up to 10,000 inhabitants</td>
<td>0.90</td>
</tr>
<tr>
<td>IV – Commune capital villages</td>
<td>0.85</td>
</tr>
<tr>
<td>V – Villages making up communes and villages pertaining to municipalities and towns</td>
<td>0.80</td>
</tr>
</tbody>
</table>

\textsuperscript{14} A simplified calculation is used here, using equal weight for all household members to calculate per capita income. This might not be the way it is actually calculated, but it provides a ballpark estimate of who qualifies for this government-subsidized rental program. It is irrefutably people in the top most income decile.

\textsuperscript{15} Government Ordinance no. 6 of 23 July 2014 amending and supplementing Article 10 of Law no. 152/1998 on setting up the National Housing Agency. 33.d and 34.d.
**Program budget and beneficiaries.** According to NHA, across the country there are 123,000 requests for housing units recorded by local authorities. The NHA database currently registers files for 81,000 housing units.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget ('000 RON)</td>
<td>192,938</td>
<td>166,227</td>
<td>216,950</td>
<td>335,750</td>
<td>409,171</td>
<td>229,322</td>
<td>251,886</td>
<td>96,729</td>
<td>60,174</td>
<td>78,255</td>
</tr>
<tr>
<td>Housing units completed</td>
<td>3,435</td>
<td>2,773</td>
<td>2,671</td>
<td>2,166</td>
<td>3,455</td>
<td>1,602</td>
<td>1,778</td>
<td>1,501</td>
<td>308</td>
<td>719</td>
</tr>
<tr>
<td>Housing units sold</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>3</td>
<td>51</td>
<td>184</td>
<td>159</td>
<td>214</td>
<td>605</td>
<td>79</td>
</tr>
<tr>
<td>Budgets from selling h.u. (share, '000 RON)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>106</td>
<td>3,631</td>
<td>22,876</td>
<td>18,036</td>
<td>20,836</td>
<td>54,797</td>
<td>7,088</td>
</tr>
</tbody>
</table>

Source: MRDPA / NHA

For 2015, the program has a budget allocation of RON 2.14 million, which will be used for different stages of construction of 3,281 housing units.16

**Commentary.** The Youth Housing program is a good tool to attract youth to growing cities, in principle. However, while the youth are a valuable sector of the population, allocating large resources into youth housing is a questionable use of public resources: (i) Massive subsidies in the form of below-market rent for a segment of the population that does not need them; and (ii) large resources being channeled into an area of relatively low priority compared to the much more imminent and pressing problems such as seismic risk, and one which could be served better by the private sector anyway.

There are several problems with the underlying approach:
- The implicit subsidy includes serviced land provided at zero cost by the local authority. The provision of serviced land at zero cost involves an implicit subsidy equal to the value of the donated property.
- Rents are set below market rate and the program has no revolving principle to allow for future beneficiaries to use the same units.
- The program relies on capitalized subsidies gained from selling units (again, at below market rate, and not fully factoring in the cost of the serviced land which is provided by the local authority) to build new units.
- The revenue generated from the sale of these units goes to the NHA to build more units. However, the local authority that put in the land and infrastructure gets no share of the proceeds.
- Selling youth housing units according to coefficients determined by the locality’s population could severely under-value properties in small villages on the periphery of Bucharest or other large cities because the relatively high value of land in these “satellite” towns is not included in the sale price.
- Moreover, making the public sector the decision-maker as to what type of building should be constructed on a specific property essentially places the public sector into what is typically a risky private sector developer role. It is a role in which the public sector is particularly less able to take and one that echoes back to the decision making process of the old regime.

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16 As mentioned above, as of July 2015 the Executive Committee of the Council of Europe Development Bank approved a loan of EUR 175,000,000 to the NHA for the construction of 6,990 youth housing units – which will constitute its budget over the next 6-7 years.
Some local authorities appear to lean toward the sale of these houses largely due to the underlying incentives. At least part of the reason for this is that the rents they receive are too low to cover the maintenance costs, and thus, this public housing stock is more of a ‘liability’ than an asset. Other local authorities prefer to hold on to the housing units, as is the case in Cluj-Napoca Municipality, which considers that this is a valuable stock of public housing that needs to be retained. This, in turn, has generated discontent from current tenants who are interested in purchasing.

Even so, despite this heavy subsidy, only 1,259 units out of a total of 31,204 have been sold so far, representing 4% of the total youth rental stock. This may be attributed in part to market uncertainty and the current economic situation, but perhaps the most important factor is that the rents paid by the tenants, especially in the larger cities and towns where market rents are high, represent a much smaller financial commitment than even the subsidized sale price. It is also possible that tenants might have incomes much higher than the national average, which excludes them from purchasing these units. Notwithstanding, the exorbitantly low rents together with the lack of a cap on the number of years one may rent means that the units are, in effect, being offered for an indefinite period even after tenants have the means to buy their unit or purchase a different dwelling altogether. The standard five year rental contracts, and the possibility of extensions thereafter, predispose tenants to sit on the property for long periods even when the unit could be more prudently allocated to a lower income or younger tenant. Furthermore, the lack of public oversight and pent-up demand for rental housing has encouraged some tenants to unofficially sublet their units to other renters at market prices.

The initial approach adopted by the NHA was similar to that adopted by institutions in Canada, France, and Belgium where housing companies, benefiting from the status of public interest, were building, renting and selling some completed dwellings. The difference is with reference to the territorial level in which these respective companies operated (mainly at the local level, rarely at the national level) and autonomy of their funding system. Law 152/1998 does specify that the NHA is a public institution that coordinates different funding sources in the field of housing, and has financial autonomy. Indeed, the initial budget of the institution, which funded the first housing projects (both youth and mortgage housing), was constituted through public subscription by selling of application files to interested youth (theoretically, the future beneficiaries of the NHA programs). However, in the subsequent years of operation, the largest share of the NHA budget began to primarily constitute allocations from the state and local budgets (84.52%), bringing its autonomy into question. Self-financing mechanisms based on revenues from housing sales have proven insufficient; experience over the past years indicates that the sale of a housing unit is not generating sufficient funds to construct new units. Therefore, the argument of economic efficiency and sustainability of the NHA’s policies and programs need to be reviewed.

Finally, the share of public housing in Romania’s housing stock is a mere 3%, placing it last among the EU countries in this regard (the EU 27 average was 29.6% in 2012). While this number indicates a severe shortage of public housing stock more generally, it implies that the little public housing that does exist should be much better targeted to those who need it most – i.e. the poor and vulnerable groups that local authorities are legally obligated to serve (e.g. evicted tenants as per EO 74/2007 and marginalized groups as per Law 116/2002 etc.). It would thus be prudent to retain youth housing units as potential public housing stock (to be used as social housing or even necessity housing), rather than selling the units and not recovering enough to meaningfully invest back into the program.

Finally, in the context of ongoing decentralization of public services in Romania, maintaining and essentially strengthening the role of the NHA as a centralized – and publicly funded – monopoly in rental housing (see new institutional objectives of NHA as amended and supplemented by Ordinance No. 121-2011), needs to be reconsidered. This should be seen in light of the future harmonization of
programs of public rental housing construction with the framework law of decentralization (no. 195/2006), which stipulates that "the local government in the towns and cities shares competence with the central public administration authorities with regard to social and youth housing" (Article 24).

Recommendations regarding the Youth Housing Program:
It is recommended that the Youth Housing program be discontinued. Abolishing this program needs to first take the form of ceasing construction of new Youth Housing, and stopping the sale of any Youth Housing units. Selling these units effectively removes stock from the already too small pool of public sector housing, while continuing to rent them for extended contracts means that the same residents benefit from the subsidy year after year.

The current Youth Housing stock should likewise be integrated under the framework of “Public Housing”, as recommended in the accompanying Housing Report, and retained as public housing stock to be used as one or more of the following: (i) Revenue generating assets with market-price rents that can help cross-subsidize the cost of existing social housing or raise funds to construct new social housing; (ii) rental housing targeted to lower income households who can pay the current (social) rents; (iii) housing for the youth at subsidized rates, but with a cap on the number of years it can be occupied by any single household (e.g. 3-5 years); or (iv) ‘transition’ houses for residents of buildings undergoing seismic retrofitting.

If possible, the EUR 175 million approved in June 2015 for Youth housing construction should be redirected towards retrofitting of structurally deficient buildings. Also, to the extent that the provisions in a new Housing Law would allow for the unification of currently disparate types of public housing in to one category, the current stock of Youth Housing could be reallocated to those most in need based on income and other vulnerability criteria.

Recommendations regarding NHA as an institution and its roles:
Given the proposed policy reforms outlined above and in the accompanying Housing report, the current role of the NHA – to implement Youth Housing projects – may become redundant. However, because the NHA has significant technical capacity, its role and function needs to be fundamentally reviewed and re-targeted towards a new portfolio of projects in the housing sector.

While the largest NHA program, the Youth Program, has succeeded in terms of delivering a relatively large number of rental homes for middle income households, it is a program that can be undertaken by the private and non-profit sectors (Cooperatives and Housing Associations). As an arm of the government, the NHA should ensure that its initiatives are not substituting or competing with the private sector, even if the full potential or capacity of the private sector is still to be realized.

The establishment and operationalization of the proposed National Housing Fund will serve some of the NHA’s key social responsibilities in the housing sector through the disbursement of co-financing, loan guarantees, and grants for a number of initiatives targeting poor and vulnerable groups. That said, there are some programs such as development of necessity housing, retrofitting of housing at risk to earthquakes, rental housing, and PPP schemes in which the NHA could be encouraged to play a role.

The NHA would be ideally positioned to undertake public sector programs that local authorities lack the skills to design or implement, and/ or in which the private sector is unlikely to step in. This includes three potential areas of focus:
- A technical and implementation role in the seismic retrofitting of buildings, including the construction of necessity housing to temporarily house residents of those risky structures during the retrofit period;
- Providing technical assistance to local government in in-situ upgrading and incremental housing programs; and
- Rental housing and PPP schemes. To the extent that the provisions relating to housing cooperatives mentioned by Law no. 1/2005 on the organization and functioning of cooperatives will be implemented, the Youth Housing program could be adapted to the production of housing for certain categories of low-to-middle income groups, but based on partnership with and investment from future-owners/private individuals.

With its past experience in executing large construction initiatives, the NHA is uniquely positioned to undertake the construction of necessity and rental housing for those living in seismically risky structures and to retrofit or rebuild those structures for inhabitation. In addition, the NHA can be a partner in technical assistance activities across a range of newly proposed programs (see section 3).

It is proposed that the NHA operate through offices in each of the 8 administrative regions, which would be staffed by architects, engineers and surveyors. In addition to such technical skills it would have a staff of community workers who would take the lead in managing its programs, calling on the technical staff as and when required. These regional teams would report to the head office in terms of procurement and management decisions, but would operate as largely autonomous units, thus reducing the management burden on the head office.

Under this new structure, the role of the head office would be to liaise with local and national government in terms of selecting projects and assuring funding for them, as well as providing specialist input as required, for example legal services.

### 1.4.2 Social Housing

**Description.** The general legal framework for housing in Romania is Housing Law 114/1996, which regulates the social, economic, technical, and legal aspects regarding the construction and use of dwellings. Social housing is defined under the Housing Law as a dwelling allocated by a public authority with a rent subsidy (subvention) to individuals or families who cannot otherwise afford to buy or rent a house on the market.

The Social Housing Construction program under this Law is administered by the MRDPA and aims to construct housing units with subsidized rents. This multiannual program began in 1997 and it is funded from both the state and local budget. According to Law 273/2006 on local public finances, budget transfers from the State to the local authorities for the construction of Social Housing and Necessity Housing are established annually and are included in the budget of the MRDPA. The amounts are transferred by MRDPA to the local budgets in special deposits, opened at the territorial units of the State Treasury. Local Authorities are thereby responsible for building new dwellings or refurbishing old buildings to use as Social Housing.

The construction of social housing can be implemented at the local level, as per the provisions of GO no. 19/1994 for stimulating investments for the development of public works and housing. These housing units are built with revenues from interest collected from the sale of publicly owned housing stock, including formerly nationalized housing units which were not sold or transferred during the post-Communist privatization process.

Housing units built according to the provisions of GO no 19/1994 for which no distribution decision was issued and no pre-contracts or sale/purchase contracts were concluded until their completion,
may be distributed and contracted pursuant to provisions of Articles 7 and 10 of the Housing Law no 114/1996, as republished, with the subsequent amendments and additions. Local public authorities, within the scope of authority provided by the Law of local public administration no 215/2001, may approve that housing units mentioned at paragraph 1 should be part of the social housing or necessity housing stock, in order to solve special social problems, or of the youth housing stock, used for rental purposes.

Plate 1.2 Urban social housing

This is a public housing building in Brăila that houses orphaned/abandoned children from public residential care centers. The City has a plan to resettle these children to another place, and convert this into a social housing. The rooms are roughly 22 m², and there are two shared toilets and two shared showers on each floor.

The social housing stock is under the control and responsibility of the local councils located in the respective territorial-administrative units. The lease contract with the beneficiary of the social housing is signed by the mayoralty. According to the Law, the term of the rental is 5 years, with a possibility of extension; however, there are many cases reported where local governments decide to lease these units for much shorter terms (as little as 3 months) to make it easier to evict renters who do not pay their rents or utility bills, without having to go through a lengthy court trial. (The leases are simply not renewed.)

**Program budget and beneficiaries.** Eligible beneficiaries of social housing include households with an average net monthly income per person, earned in the last 12 months, lower than the national average monthly per capita net income (RON 1,866). Based purely on income criteria, a two-member household with a net income of approximately RON 3,732 per month can qualify for social housing. In practice, the national average income is above the 90th percentile. While the other eligibility criteria outlined below bar some of these individuals from obtaining social housing, the income eligibility criteria alone does not target the subsidies well to those who need it.

The social housing units are allocated by the local public authorities according to a list of criteria established annually. Only certain categories of persons can be beneficiaries of social housing, as

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19 See Article 42 of Law 114/1996.

The National Average Monthly Income for 2013 and 2014 reported by the National Institute of Statistics is as follows:

2013: EUR 357 – RON 1760 (Dec 2013, net); EUR 489 – RON 2430 (Dec 2013, gross)

20 In case the average net monthly income per household for two consecutive fiscal years surpasses the mentioned level by 20%, the contract is terminated.
defined by the Housing Law. In addition to these requirements, there are other stipulations for eligibility established at the national level; for example, one must not own another home.

There are 122,538 social housing units (Romanian translation: locuinta proprietate de stat) in Romania. The budget allocation for the Social Housing program was irregular during the last 10 years, and the amounts were limited, as shown in Table 1.3.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget ('000 RON)</td>
<td>3,235</td>
<td>9,950</td>
<td>20,529</td>
<td>16,700</td>
<td>71,399</td>
<td>28,250</td>
<td>33,583</td>
<td>16,300</td>
<td>10,800</td>
<td>23,500</td>
</tr>
</tbody>
</table>

Source: MRDPA

Commentary. It is recommended that the Social Housing program be discontinued and that additional, new social housing be constructed through the adaptive reuse of old structures and construction of new buildings by private developers, as explained in chapter 3. The legal concept of "social housing" was defined with the adoption of the Housing Law in 1996. Other categories of housing with similar meanings (i.e. subsidized rental housing made accessible to low-income groups) had already existed under communism in the form of housing built using the state budget or by state enterprises. The new concept introduced by the Housing Law is equivalent to the legal concept of social housing in other European states and beyond. However, unlike other countries, the new concept in Romania did not automatically become equivalent to the concept of public housing. The social housing stock was to be developed separately, in accordance with the social housing construction program initiated as per the provisions of the Housing Law no. 114/1996, whilst already existing public housing stock retain their different statuses. However, in the context of economic challenges of the transition period, the social housing program did not receive the expected budget allocations. By contrast, the establishment in 1998 of the NHA and targeting of its investments to rental housing for the youth reshaped the landscape and focus of public housing away from programs and products targeted to those most in need (in terms of income and social standing) to the youth, many of whom did not necessarily need such a heavy public housing subsidy. For central and local authorities as well as the general public, the focus on NHA youth housing over the social housing program was catalyzed by a greater interest in the potential beneficiaries of youth housing rather than a policy targeting those most in need. This is evidenced by the limited achievements of and reduced funding for the social housing program, at least compared with the youth rental housing program.

It is important here to note the significant difference in implementation mechanisms between the two programs which has dis-incentivized the construction of social housing: Youth housing is fully funded from the state budget whilst social housing construction is co-funded and built at the initiative of local authorities. In both cases, the cost of the underlying land, utilities and infrastructure is covered by the local authorities. Social housing rents are lower than youth housing, being capped at 10% of the net monthly income of the tenant household. The difference between the rent paid and the nominal value of the rent is subsidized from the local budget of the territorial-administrative unit in which the social housing is located. Since these residents are typically poor, such rent may barely cover maintenance costs. The net effect is that social housing is a major drain on local finances. As a result, there has been almost no new social housing constructed in the last decade. Accordingly, most local authorities have

21 Further, each Local Authority sets its own criteria for allocation of social housing units under its management (See Article 43 of Law 114 / 1996; Service housing, as well as necessity housing, are based on the same allocation regime as social housing).
not prioritized the construction of social housing, but preferred to register and wait to benefit from the investments made by the state budget for youth housing.

The year 2001 brought about new legal developments which further highlight the lack of an administrative structure to support social housing and local authorities’ lack of interest therein. The accelerated restitution of nationalized housing resulting from the application of Law no. 112/1995 (for regulating the legal status of residential properties owned by the State) increased pressure on public authorities to provide housing to families facing eviction. Accordingly, a Fund for Social Housing was constituted, funded by 2% of the proceeds of privatization.22 The Fund was to provide the financing to build social housing for evicted families – with priority given to households earning less than the national average income, as well as disabled and retired tenants. However, despite consistent revenues from privatization since the beginning of the 2000s, this provision was not applied until 2007.23 A parliamentary commission set to investigate the implementation of Law no. 112/1995 reported that the Law’s provisions had not been applied due to incoherence and contradictions between different normative acts, as well as lack of requests for budget support from the local authorities.24 While the conclusions of the investigation did not spur Law no. 112/1995 into effect, they led to the establishment of a program for housing for evicted tenants, further detailed below (per GO 74/2007).

High construction costs, the cost of utility and infrastructure provision, the need for co-financing from local budgets, as well as budgetary pressure to administer the resulting stock has rendered social housing programs unappealing to local authorities. There are also anecdotal accounts of popular resistance to social housing on the grounds that it would house less desirable elements of society – in particular the Roma who suffer prejudice in many different ways. It is, therefore, not a popular program, either politically or financially, and indeed there are multiple disincentives under the current legislation to construct new social housing.

1.4.3 Housing for Resident Physicians

Description. The housing for resident physicians program represents a sub component of the youth housing program, managed by NHA as per Law no. 152/1998 on the establishment of the NHA, with subsequent amendments. There are a number of other relevant underlying laws and regulations, which all inform and guide program implementation:
- Ministerial Order of the Ministry of Public Health for approving the priority criteria for allocating housing units built by NHA for resident physicians and other young specialist in the health sector;25
- GD no. 339/2008 for approving the norms of managing the housing units built by NHA for the benefit of resident physicians and other young specialists in the health sector.

The MRDPA coordinates program implementation through the NHA. However, decisions regarding budget allocations are made in coordination with the Ministry of Public Health, with support from the

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22 As provided in Art. 44 para. (2) of Law no. 10/2001 regarding the legal status of buildings abusively taken over during 6 March 1945 - 22 December 1989
23 Notes of the Parliamentary Commission of inquiry for investigating and clarifying the expenditure of the Fund for Social Housing, constituted based on 2% of the proceeds of privatization, as per the Parliamentary Decision no 52/2007.
24 There are many cases of failed social housing programs which are a source of great frustration for the LAs – there are examples of social housing that were vandalized as soon as they were allocated to beneficiaries, etc. This is a reflection of a poor understanding and capacity on part of the LAs to implement social housing projects, or to work with these population groups. In contrast, the Youth Housing construction is fully paid by NHA, so there is less budgetary pressure on the Local Authorities. Also, NHA youth housing tenants pay higher rents, and are more likely to pay their dues on time, unlike social housing tenants. And finally, youth housing, as well as allocation of land lots, are an easy way to reward political supporters. So the Local Authorities are naturally inclined to take on Youth Housing rather than Social Housing.
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county level Directorates for Public Health. This program is aimed specifically at doctors and specialists in the health sector whose income bars access to house purchase or rent at current market rates.

By the end of 2012, 534 housing units were completed under this program. In November 2012, a new protocol for collaboration between the MRDPA and the Ministry of Health was signed. New construction works were planned to start in March 2013 to create 400 new housing units – 150 in Bucharest and 50 housing units each for Iași, Craiova, Cluj, Târgu Mureș and Timișoara.\(^\text{26}\)

**Program budget and beneficiaries.** The budgets for this specific component are subsumed under the overall youth rental housing program; a disaggregation of the budget share was not made available for this report. The NHA website counts 534 housing units finalized under this program by the end of 2012 in 7 locations throughout the country. There is no data on the number of actual beneficiaries (i.e. whether all these housing units have been allocated or not). The 2015 budget allocation is targeted towards an extra 185 housing units.

Data and reporting provided by the NHA suggests that none of these housing units have been sold so far.

<table>
<thead>
<tr>
<th>No.</th>
<th>County</th>
<th>Locality</th>
<th>Location</th>
<th>Height regime*</th>
<th>No. of housing units</th>
<th>Year of completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cluj</td>
<td>Cluj-Napoca</td>
<td>Oncology Institute, Str. Gh. Bilașcu nr. 34-36</td>
<td>S+P+3E</td>
<td>26</td>
<td>2003</td>
</tr>
<tr>
<td>2</td>
<td>Iași</td>
<td>Iași</td>
<td>Str. Bucium nr. 36</td>
<td>P+2E+M</td>
<td>165</td>
<td>2007</td>
</tr>
<tr>
<td>3</td>
<td>Sibiu</td>
<td>Sibiu</td>
<td>Str. Independentei nr. 1</td>
<td>D+P+5E+M</td>
<td>95</td>
<td>2011</td>
</tr>
<tr>
<td>4</td>
<td>Suceava</td>
<td>Fălticeni</td>
<td>Str. Cuza Voda fn, Building D of the Municipal Hospital of Fălticeni</td>
<td>S+P+6E</td>
<td>56</td>
<td>2009</td>
</tr>
<tr>
<td>5</td>
<td>Suceava</td>
<td>Rădăuți</td>
<td>Str. Calea Bucovinei nr. 34A</td>
<td>P+3E</td>
<td>24</td>
<td>2012</td>
</tr>
<tr>
<td>6</td>
<td>Timiș</td>
<td>Timișoara</td>
<td>Clinical Hospital no. 1</td>
<td>P+3-4E</td>
<td>68</td>
<td>2007</td>
</tr>
<tr>
<td>7</td>
<td>București</td>
<td>Sector 2</td>
<td>Colentina Hospital, B-dul Stefan cel Mare nr. 21</td>
<td>P+4E</td>
<td>100</td>
<td>2006</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>534</td>
<td></td>
</tr>
</tbody>
</table>

(*) Note: S = Basement; P=Ground Floor; E=Floors; M=Attic

Source: NHA

**Commentary.** It is recommended that this program be discontinued due to poorly targeted resources and high vacancy rates in smaller towns and villages. Upon signing the 2012 protocol, the program was described by the Ministry of Health as highly beneficial to resident physicians.\(^\text{27}\) Poor access to housing has been deemed as one of the main reasons behind residents’ requests to transfer from the hospitals to which they were assigned.

The average net monthly wage of resident physicians in their first year of activity is RON 800 (less than EUR 200 per month). During the last 6 years, it is estimated that more than 14,000 doctors have

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\(^\text{27}\) Ibid.
emigrated abroad (especially to Western Europe) in search of higher wages. In this context, the Romanian College of Physicians estimates that the deficit of physicians in Romania now exceeds 40%.

While there is undoubtedly a need for better and more affordable housing for physicians, the supply of such housing remains minimal. Many of the over 3,000 medical school graduates in Romania leave the country due to low domestic wage prospects.

Apart from its slow delivery, another drawback is that the program also allows for the sale of the limited rental stock – similar to the Youth Housing program discussed earlier. The fact that such housing can be sold to tenants implies that, over time, their use may be transferred to owners with different occupations, and as such, removed from a rotating pool of rental housing for physicians needing temporary accommodation. By selling the units, local authorities cannot control whether such units are used by physicians practicing in the same town, since home-owners may well change jobs, commute further afield, or move entirely and rent their property to other tenants in the housing market. Another shortcoming of the program is that some of these housing units are built inside hospital perimeters/courtyards, which are not necessarily well endowed for long-term residential use.

The allocation of funds does not seem to be correlated with the local need for health personnel, health infrastructure expansion plans, housing market prices. These are all important criteria for prioritizing allocations based on physicians’ income levels and housing needs. For instance, market rental prices differ considerably from location to location, while the starting wage for resident physicians is universal. This makes some cities less affordable than others, meaning that the need for housing is geographically uneven.

Alternatives to this program may well be considered. In some towns, subsidizing rents (through rental vouchers, for example) may be more cost-effective than building new rental housing units. In addition, the adaptive reuse of publicly owned buildings or rehabilitation of vacant private units could provide the necessary housing without the need for new construction.

1.4.4 Rebirth of the Romanian Village - 10 Housing Units for Specialists

**Description.** The program “Rebirth of the Romanian village - 10 housing units for specialists” (Romanian translation: "Renașterea satului românesc - 10 case pentru specialişti") was issued and approved by GD no. 151/2010. The housing units built through this program were financed by the MRDPA and implemented by the NHA. The program was designed to support the construction of housing units for young specialists in rural areas, including public sector workers including teachers, doctors, nurses and police officers.

The planned dwellings consist of two or three-rooms, not exceeding 100 m² and 120 m², respectively, on land plots of 500 m², with a maximum of 10-15 houses per commune, which are then transferred to the respective local authorities. All in all, MRDPA expected to build up to 25,000 housing units nationwide. The value of the rent should not exceed the administrative expenses borne by the municipality for the respective housing unit.

Priority of residency is given to applicants who are below 35 years of age. Public workers can rent the units only during the duration of their job contract in the respective locality. Management of the units is the responsibility of the local authority, which must provide necessary public utility infrastructure. These dwellings cannot be sold.

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28 Note that in Romania there are 2,859 communes (rural administrative units). Therefore, the program initial target may have taken into account that not all communes would require such support.
Program budget and beneficiaries. According to data received from MRDPA, there have been no budget allocations for this program to date. According to MRDPA at the time of program initiation, the cost was expected to reach EUR 1 billion. Half of these funds were expected to be collected by selling NHA rental youth housing units.29 The program did not receive any funding in the year of its initiation (2010) because it was approved after the budget approval,30 and the program did not receive any budget support in the subsequent years see Table below).

Table 1.5 Budget allocations for the Rebirth of the Romanian Village program

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (RON)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

By January 2015, the NHA had received 12,475 requests from local public administrations for such housing units. The first set of 100 units were slated for completion in 2011, given the target budget allocation for that year. However, the program was abandoned at some point during 2011 and has not received support under new ministerial leadership since (a new Minister came to the MRDPA at the beginning of 2012). There are no budget allocations for this program for 2015.

In this context, rural mayors’ requests for housing units under this program were not addressed. For instance, mayors in Timiş County filed requests for 714 units, most of them for professionals in the education system (458 units).31 These requests implied mobilizing land reserves totaling some 51 Has. The mayors had formally designated land lots for this program (through local council decisions) as well as incurred specific costs (cadastre, land parcelling etc.). Due to program delays, mayors have complained that other potential land developments are on hold until the delivery of these units is clarified.

Commentary. It is recommended that this program be discontinued and its services provided by adaptive reuse of public and vacant private buildings as well as rental vouchers, as opposed to the new construction of rental dwellings. The need to support housing for such categories of public sector workers in rural communities is necessary. The program has been welcomed by syndicates of workers in the education and health systems. Indeed, low wages in these sectors are perceived as a main disincentive for qualified individuals to choose such professions as career paths. School teachers, for instance, have a net monthly wage of approximately EUR 200-300 per month, which puts them among the lower income percentiles. Such professionals would have difficulty paying for adequate housing as well as other costs such as transportation. Rural settlements are least attractive for qualified personnel in education, health and policing. Therefore, such housing support programs have the potential to incentivize individuals to pursue these fields as career options, and alleviate financial pressure for expensive urban housing for those currently serving in these roles.

It is also important to mention that the aim of attracting and retaining professionals in rural areas is not new, as numerous similar public investments were undertaken in the 1980s in rural settlements which were considered quite sustainable. Housing units developed with such investments were classified as service housing and were targeted to healthcare professionals, teachers and other

professionals and staff of the Ministry of Interior. It is thus important to note that there is an existing public stock for this use, which was not privatized or sold after the fall of the communist regime (as per Art. 7 of Law no. 85/1992 regarding the sale of houses and other buildings with different uses built with state funds or by state-owned companies).

However, since many communes face depopulation, it is expected that housing vacancies in rural areas are increasing. This implies that other more cost-effective alternatives may be considered such as subsidizing rents or purchase and refurbishing existing public stock or vacant housing units to be further used for rent rather than constructing new dwellings.

Also, rural demographic decline implies lower school population in many communes of Romania. It is therefore common that public sector workers may be able to serve multiple administrative units (e.g. a teacher serving schools in multiple communes). In such cases, this housing program will require cooperation and cost-sharing among several mayors, and may not have a significant impact in lowering commuting costs. In any case, a more detailed analysis on the scale of (new) housing needs as well as typology of communes which justify such support is necessary for a better calibration of the program.

Finally, however, maintaining this program without budgetary commitments and with limited predictability implies incurring costs at the local level and contributes to the diminishing credibility of national government initiatives.

### 1.4.5 Necessity Housing

**Description.** The provision of necessity housing is regulated by Housing Law no. 114/1996 and is not specifically a stand-alone central governmental program. The law provides the framework whereby different local authorities can allocate funds for Necessity Housing.

The implementing entities of necessity housing are, therefore, the local authorities, namely the City Halls in urban areas and Mayoralties in rural communes. However, in cases of large-scale disasters resulting in a need for necessity housing, the central government intervenes with financial assistance and implementation capacity (usually working through the NHA).

According to the Housing Law 114/1996, necessity housing is defined as housing for temporary accommodation for individuals and families whose homes have been rendered unusable due to natural disasters or accidents or whose homes are subject to demolition in pursuit of public works or rehabilitation works that cannot be made while the buildings are inhabited (Art. 2, Par. f). Art. 55 of the same law stipulates that necessity housing is financed and developed under the same conditions as social housing.

The designation of housing units as necessity housing is in principle flexible, based on need – units originally designated as necessity housing may become social housing if they are available, and likewise, social housing units may be used as necessity housing in cases of emergency. The lease contract is signed by the Mayor or his/ her representative based on the local council’s decision for the duration that necessity housing is needed, based on legitimate need in accordance with the Law. That said, once a social housing contract has been signed, it cannot be discontinued based on need for units as necessity housing.

Necessity housing can also be funded using revenues collected from the sale of units built by NHA or based on the provisions of GO no. 19/1994 to stimulate investments for the development of public works and housing (using a share of the selling price of housing units in blocks of flats initiated before 1989, whose completion and sale was supported based on this GO).
Examples of necessity housing programs / projects:

- **Necessity housing for flooded areas.** 2005 was a year of severe floods affecting different areas of Romania. Under the current legal provisions, a special necessity housing program was introduced for people affected by floods, managed by the NHA. Under this program 1,617 houses were rebuilt while 16,076 households have been provided with building materials to renovate their dwellings. The budget allocation for construction materials to be delivered by the NHA was RON 78.5 million. NHA contracted construction companies to build necessity housing in areas affected by floods; Banat Region received an allocation of EUR 24 million. Local authorities contributed land and other support, as available resources allowed.

While the scale of mobilization seems significant, the National Association of Insurance Companies in Romania estimated that between 2005 and 2010, floods caused losses of over EUR 3 billion, affecting 62,000 housing units, out of which 15,600 were completely destroyed. This implies that while the program rehabilitated a significant number of housing units, the vast majority remained unaddressed following flooding disasters.

The unfortunate events of 2005 led to several strategic and regulatory developments. The national strategy for managing flood risks was issued and approved by end 2005 (GD 1854 /22.12.2005) and a project law imposing mandatory insurance for houses was issued, approved in 2007. The local authorities were obliged, as part of planning regulations, to keep a clear and up to date evidence of floodable areas and limit building permits within their perimeters.

- **Necessity housing in Bucharest.** As illustrated in the analysis of the seismic retrofitting program, the lack of necessity housing is considered to be a major impediment to the implementation of seismic retrofitting works. This is most prominent in Bucharest, with the highest number of persons in Romania exposed to seismic risk (approximately half of the seismically risky buildings nationwide are in Bucharest).

There have been a few projects aimed at developing necessity housing in Bucharest. One of the largest, in terms of housing stock developed, is the development of Gemeni blocks. The construction of these two blocks of flats was initiated at end of the 1980s and was halted following the transition from Communist rule. Construction was resumed after 2000, with governmental support, after the project assets were purchased from a private investor, and the finalized blocks were subsequently transferred to the Bucharest City Hall in 2008. The 128 housing units were set to be allocated to households whose housing units where targeted for retrofitting works but also to evicted tenants. Despite the high level of demand from both categories of beneficiaries, the units were left unoccupied for years due to various bureaucratic hurdles.

This project generated controversy on several grounds, stemming from the fact that the buildings are situated in a prime location (next to the Old City Center, within walking distance from the House of Parliament). Critics have, therefore, claimed that renting such blocks at market prices would have leveraged resources to support a higher number of subsidized rental flats in a different

area of the city. In addition, the extended time span of the project from construction initiation to unit allocation demonstrates insufficient engagement of authorities in such programs.

Plate 1.3 Gemenii towers in Bucharest, Piața Națiunile Unite, used for necessity housing

Source: Google Street View

- **Necessity housing in Bistrița.** Necessity housing programs sometimes have different usage by different Local Authorities. Bistrița City Hall plans to develop Necessity housing to relocate several households from existing social housing units. The targeted families, mostly belonging to the Roma minority, have outstanding payments for utilities, thus endangering service provision to the rest of the families in the collective housing structure. Also, Roma are perceived as neglecting maintenance of their social housing units. According to media reports, the Mayor argued that relocating these families to individual housing units (designed as modular necessity housing) would avoid further problems with their neighbors.

This case generated a strong public reaction covered by the local press. The village in which the necessity housing units where first planned strongly opposed this initiative, as they did not wish to become neighbors with relocated Roma families. The City Hall is currently looking for other locations for the proposed Necessity Housing.36

**Program budget and beneficiaries.** Necessity housing is largely built by local authorities, except during emergencies when the national government steps in. Hence, budget estimates for necessity housing or the number of beneficiaries are not available.

**Commentary.** It is recommended that the current Necessity Housing program be discontinued and replaced with a combination of proposed program outlined in chapter 3 aimed at increasing the stock of public housing that might be used as necessity housing stock when the need arises. The need for necessity housing, be it due to different natural hazards (floods, earthquakes, etc.) or due to planned, temporary resettlement of tenants due to restitution of housing to former owners is a considerable challenge for many local authorities in Romania. While the legal framework allows for local authorities to make investments in necessity housing, there is little incentive or monitoring of how local authorities pursue this option. More necessity housing is required and should be taken as a pre-emptive, not reactive measure.

The urban planning system requires that the county councils should draft, as part of the county spatial plans (Romanian translation: “planuri de amenajare a teritoriului județean”), natural hazard maps. These are meant to inform local authorities on areas prone to floods, landslides, and earthquakes. In addition, the National Spatial Plan (translated as: “Planul de amenajare a Teritoriului Național”) also includes a section especially dedicated to natural hazards (Section V – Areas of Natural Hazards, as approved by Law 575/2001). The need for necessity housing could be substantiated based on these spatial plans and local authorities could be accordingly supported and monitored taking into account the specific conditions.

Upon the discontinuation of the current Necessity Housing program, proposed programs for the adaptive reuse of public buildings as public housing as well as the construction of new social housing by private developers can meet demand for necessity housing. Encouraging local authorities to develop property management strategies may ensure better evidence of existing properties and how they can be temporarily used in case of emergencies. It is common for various public institutions to own properties in different cities (e.g. unused military dormitories, unused educational facilities etc.), which may be converted to temporary shelters.

In any event, first and foremost, a strategic plan needs to be developed for the proposed Program for Seismic Risk Mitigation in Residential Buildings. This plan would outline a range of interventions that could be used under different scenarios – for example, historic/ non-historic buildings, severity of risk etc. together with a participatory process to engage with resident communities (to create awareness and ease the process of relocation). The plan should quantify the needed interventions in terms of budgetary requirements, phasing, prioritization, and sequencing.

The urgent need for seismic retrofitting will require the temporarily resettlement of residents from dangerous buildings into transitional shelter. This shelter will need to be provided by the state in the form of public housing or rental vouchers. Since it will take some years to build up an adequate stock of public housing as part of the programs proposed in section 3, other alternatives may be considered in the interim: The government might consider offering other more flexible incentives to households to vacate the premises so that improvements can be undertaken - for example, rental vouchers for displaced households, with special assistance focused on the poorest and more vulnerable groups. The rental voucher can be designed as a progressive subsidy – for example, those earning below the median income could get a voucher equivalent to 100% of the standardized market rent; those in the 50-75 income percentile could get a voucher equivalent to 50% of the standardized market rent; and those in the top 25 income percentile could get a voucher equivalent to 25% of standardized market rent. (Note: These are illustrative figures and the income brackets; the corresponding subsidy amounts may be changed to reflect a more linear progressive subsidy.)

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27 Mandatory military service in Romania has been discontinued in 2007, leaving behind a substantial amount of infrastructure (including accommodation facilities) obsolete. The Ministry of Defense can opt, and has opted in many cases, to transfer these properties to local authorities.  
28 Once the buildings are vacated, they will need to be retrofitted, or demolished and reconstructed – based on a thorough technical analysis. Financing for such retrofitting should come largely from the government, with a small-co-financing element from the resident households, depending on their income levels. Again, as in the case of housing vouchers, the subsidy should be progressive – for example, owner contributions could constitute 10-20% of the total retrofitting cost, and the cost burden split proportionately across all home owners. However, very importantly, care should be taken to ensure that this does not impose a disproportionate housing burden on poor households living in these buildings. To this effect, contribution amounts from poor households should be supplemented with grants: for example for households in the 0-30 income percentile, the contribution amount should not exceed 10% of household income, and any money owed in excess of this amount should be supplemented with a grant from the Housing Fund (under window 9). Similarly, for those in the 30-50 income percentile, the contribution should not exceed 15% of HH income; anything above and beyond should be supplemented through a grant. Households earning above the median income may be expected to pay their fair share in full, without any subsidy element on their share of the contributions. This type of progressive subsidy will ensure that all owners contribute their share of the cost of retrofitting, and at the same time, target special financial assistance who need it most.
The central government should ensure the emplacement of a proper system to monitor the need for investment in public housing (necessity housing). The need could be evaluated against the risk exposure (as per the above mentioned spatial plans) as well as by restitution cases on the roll. This would also allow the central government to better target financial support to those communities most in need. Monitoring necessity housing stock may also provide an understanding of how such housing offered by local authorities is used and minimize leakages in the proposed program for public housing provision.

1.4.6 Housing for Evicted Tenants

Description. The program for developing housing for evicted tenants is based on several legal acts. The main provisions are found in EO 74/2007\(^39\) aimed at ensuring social housing for tenants evicted or about to be evicted from housing units restituted to previous owners. Prior to EO 74/2007, GO No. 68/2006 on measures for the construction of housing nationwide (approved by Law no. 515/2006) first regulated this field. The Ordinance stipulates that housing for evicted tenants could include:
- Housing stock for rent as per the provisions of EGO 40/1999\(^40\) (approved by Law 241/2001);
- Housing stock built as part of the NHA youth housing program (but not more than 20% of such stock);
- Social housing built under the provisions of the Housing Law 114/1996.

Per the provisions of the law, such rental housing stock must be provided by all local public authorities which register more than 10 requests for housing by tenants about to be evicted. The local councils are obliged by law to respond to these requests by offering housing units to these tenants within one year from the filing date of the request.

Program budget and beneficiaries. As per data provided by MDRAP, the budgetary allocation for social housing for tenants evicted due to restitution were constant and significant from 2008 onwards.

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (’000 RON)</td>
<td>65,741</td>
<td>110,000</td>
<td>36,000</td>
<td>45,826</td>
<td>25,000</td>
<td>9,000</td>
<td>31,500</td>
</tr>
</tbody>
</table>

Source: MRDPA, Budget for the social housing program for tenants evicted from nationalized houses

According to the law, funding for building this rental housing stock should be allocated by the government from the MRDPA, local budgets, or other sources (donations for private or legal persons). In this context, it is impossible to estimate the total allocation of funds, including those from local level administrations.

Support from this program is offered to individuals who are or have been rental contract holders or whose purchase contract has been cancelled, by law, as the properties were restituted to initial owners. To be eligible, the individual should not: (i) Own a house, (ii) have sold a house after the date of 1st of Jan 1990, or benefitted from state support for loans or construction of a house, and (iii) rent

\(^39\) Emergency Ordinance 74 of 28 June 2007 for ensuring the social housing stock for tenants evicted or about to be evicted from housing units restituted to initial owners.

\(^40\) GEO 40 / 1999 on protecting the tenants and establishing the rent for the areas assigned as dwellings, with the subsequent amendments and additions.
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another public housing unit. Priority is given to individuals with income lower than the net national monthly average income, and to disabled or retired persons.

The number of beneficiaries under this program is unknown due to the lack of a proper central monitoring system.

Commentary. It is recommended that this program be discontinued and the beneficiary needs met through other proposed programs (e.g. the provision of public housing or rental vouchers). Unlike (other) necessity housing for emergencies – for which circumstances triggering need are unpredictable – restitution and non-emergency resettlement, processes unfold over years, allowing adequate time for response measures to be taken and for proper housing to be allocated. As such, unresolved cases of evicted families in Bucharest may have been avoided by better planning and targeting of resources to expand the public housing stock.

Tenants facing eviction due to restitution are often not be aware of the risks they are exposed to, or their rights. Even when they do receive court decisions announcing restitution or resettlement, communication and counseling – to make tenants aware of next steps and to undertake appropriate actions – is often lacking. Better process management includes communication to and counseling of tenants occupying houses planned for restitution, planning investments to expand social housing stock, as well as offering integrated assistance involving social inclusion measures to reduce exposure to risk. Proper case management is essential and should commence at the moment when a housing unit is slated for restitution. This process should imply better coordination among asset management departments and social assistance departments within City Halls.

Although the law clearly stipulates that local authorities with at least 10 requests for such housing should act within 1 year to meet those requests, such action is sometimes not taken for various reasons, including lack of sufficient funds. Better monitoring of this processes, from the central level, is essential to inform a better targeting of both State and EU funds. In order to better target funding support, it is important that the central government has transparent, up-to-date evidence of local authorities’ obligations and actions.

There is also unnecessary and confusing sub-categorization of the types of housing to be built by local authorities. Housing for evicted tenants is subject to at least four different laws - EGO 40/1999, EGO 74/2007, EGO No. 68/2006 and the Housing Law 114/1996 and can fall under necessity housing, social housing, or the stock built as rental youth housing. A program specifically designed for evicted tenants is unnecessary, as this group may be grouped with those benefitting from social housing.

1.4.7 Social Housing for the Roma Community

Description. The Program on Social Housing Construction for the Roma community (translated as: Programul de construcții sociale pentru comunitățile de romi) is based on GD no. 1237/2008. The program is implemented by MRDPA through NHA, in line with the objectives of the Strategy for the Conditions of Roma, approved under GD 430/2001.

The program aims to build 300 housing units distributed across each of the country’s eight development regions. The responsibility for infrastructure works (water supply, road paving, as required) lies with MRDPA. The local authority is responsible for providing land, for the construction/extension of electricity and street light networks, as well as for charges associated with issuing location permits, technical approvals, and tariffs for electricity connection.

The housing must meet the minimum standards stipulated in the Housing Law. The number of residential units (number of rooms) for each location has to be determined according to the number
of applicants and the structure/ size of their families. These housing units cannot be sold. In case the dwellings become vacant and no other requests from Roma families and households are registered, the units may be offered for rent to large, low-income, non-Roma families.

The Roma households applying for this housing must meet the eligibility criteria for social housing. Prioritization is based on: the living conditions of the applicants, the number of children and persons living with the applicant, the health of the applicants and family/ household members, and the date of the application.

**Program budget and beneficiaries.** The program has received several budget allocations from the government: RON 10 million was committed in 2013) per the State Budget Law 356/2013, and an additional RON 6.5 million was committed under GO 9/2014. However, these allocations were later adjusted, as reflected in Table 1.7.

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget allocations (RON)</td>
<td>121,131</td>
<td>8,481</td>
<td>0</td>
<td>0</td>
<td>152,290</td>
<td>31,500,000</td>
</tr>
</tbody>
</table>

Source: MDRPA and NHA

The first contracts were signed at the end of 2014 for 28 social housing units in Baia de Arama (Mehedinti County), with an estimated cost of RON 4.9 million. The next investments are expected in the design works for 28 housing units in Nocrich (Sibiu County) and 21 housing units in Budacu de Jos (Bistrita-Nasaud County).

All in all, the seven-apartment module dwellings target 11 localities in the following counties: Arad (49 dwellings), Bihor (28 dwellings), Bistrita-Nasaud (21 dwellings), Brașov (21 dwellings), Constanța (49 dwellings), Iași (49 dwellings), Mehedinți (28 dwellings), Olt (28 dwellings) and Sibiu (28 dwellings).

**Commentary.** It is recommended that this program be discontinued and the needs of the Roma community be met through the allocation of social housing and rental vouchers based on income eligibility. The program outreach is expectedly limited: Compared to the need, the approximately 300 proposed units spread across 11 localities seems to be a very small number. Moreover, the program has experienced significant delays in implementation, having yet to realize any housing completions.

At a more fundamental level, it is not advisable to build social housing exclusively for the Roma, given the implied segregation and risk of further social exclusion of the Roma community.

Further, as discussed in the companion housing report, the housing standards stipulated in the Housing Law are excessively high. In particular, in the case of the Roma who have relatively larger households, applying this standard will imply building rather large houses – that can be a huge cost burden to the government. For example, a household of 6 persons will require a house of 144 m², and one with 8 household members will require a house of 171 m².
The rent amount takes into consideration a 60 year asset life, the estimated cost of administering the building, as well as mandatory property and insurance taxes. The rents collected are to be split as follows: State budget - 50%, NHA - 20%, and private investor - 30%. Besides the rent share, the private investors would also receive annual unitary payments.

The amounts collected by the NHA are to be used to further fund additional housing construction programs as well as underwrite the administrative costs incurred from unoccupied housing units. Investment for necessary public works and utilities are to be supported by the local authorities and/or the private investor, based on the contracts signed by the NHA with these parties.

The rent should not exceed a third of the national net average income, but not be less than the amortized value of the unit during its normal life span.

### Program budget and beneficiaries

According to data received from MRDPA, there have been no budget allocations for this program, to date.

#### Table 1.9 Budgets allocated for the program of rental housing by attracting private capital

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (RON)</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
</tbody>
</table>

Source: MRDPA

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*The terminology used in Law 114/1996 is “area for having lunch”.*
According to the underlying substantiation note elaborated by the MRDPA, the local authorities have made over 100,000 requests for NHA-built (subsidized) rental housing units.42 The note mentions that between 2001 and 2012, only 28,000 rental housing units were completed due to insufficient funds from both local and central authorities. It was in this context that this program was initiated to create the legal framework whereby private funds could also be leveraged for rental housing construction.

According to GD 352/2012, applicants for these rental units must be over 18, not own a house, and not be the beneficiary of another public housing program. In addition, he/she must have an employment contract for at least one year, and the average income per family member must be between 50% and 100% of the national average income. The criteria for prioritizing the applications: Age (younger people are prioritized), study level and/or professional level (higher levels of academic achievement are prioritized), civil status (married people are prioritized), number of children (the greater the number of children, the higher the priority), and special cases (e.g. people evacuated from nationalized houses or people from orphanages are prioritized).

**Commentary.** It is recommended that this program be discontinued due to the lack of budgetary allocations and overlap with other programs. The program was expected to raise private funds of up to EUR 40 million to build the first set of 1,000 rental housing units, with an estimated construction cost of EUR 450/m². The program included a provision to allow investments to target both green field development but also unfinished constructions owned by local authorities that could be converted into rental housing units.

However, no budget has yet been allocated to this program to date. In addition, the beneficiaries of the program greatly resemble those of the youth housing rental program, also under the purview of the NHA. While an increase in the stock of rental housing is necessary, private investors have still to step up to the plate. Discussions with NHA reveal that the conditions set by this program are not considered attractive by private investors.

It is important to highlight here the need to eliminate programs that are not delivering anything or are too slow to deliver. This is because such programs might create a negative perception of the implementing agency’s capacity, use resources without realizing economies of scale while eating up funds that could be allocated to other public programs, and tend to discredit other programs and initiatives. Indeed it will be difficult to attract private investors if the NHA is perceived as having too many ‘ghost’ programs or as being too political or unreliable.

### 1.4.9 Land Lots for Youth

**Description.** Land lots for youth are allocated based on Law no. 15/2003 on support for young people to build their houses. The associated methodological guidelines are approved by GD 896/2003.

The land lots are distributed by local councils by local council decisions. Law no. 12/2003 provides the legal framework for locally implemented programs. The land plots are prescribed by law to be 150-300 m² in cities (translated as: municipii) and sectors of Bucharest, 250-400 m² in towns and 250-1000m² in rural communes. Beneficiaries are obliged to start the construction of their unit within a year from receiving the land, or it may be revoked.

The provisions provide the possibility of local councils to allocate such land plots to youth 18-35 years old using public land reserves for the building of privately owned houses. The land is attributed for free use (“în folosință gratuită”) for as long as the built house stands on the respective plot. Once the

42 [http://www.mdrap.ro/userfiles/consultari_interministeriale/06_03_12_1/nf.pdf; the requests came from youth below the age of 35 years but also from other categories of persons.](http://www.mdrap.ro/userfiles/consultari_interministeriale/06_03_12_1/nf.pdf)
construction works are finalized, the local council can decide to sell the land to the owner of the house, in which case the land value is estimated by a certified surveyor. The owner of the house may be exempted from paying property tax for 10 years. The beneficiaries of this program can also apply and benefit from loans offered based on the housing law 114/1996.

The methodological norms, as approved by GD 896/2003, stipulate that mayors form commissions, which set up inventories of such public land reserves that can be distributed for the purpose of residential development. The norms also stipulate the condition that the parents of the applicant also declare that they do not own more than a certain amount of land (500 m² for urban settlements, and 5000 m² for rural settlements).

Examples of land lot programs implemented by Local Authorities:

Land lots offered by Ploiești Municipality. In 2004, soon after the law was passed, the Ploiești Municipality identified 31 land parcels. The local council decision no. 134/2004 enumerated the available land reserves, the approved criteria for allocation and the designated beneficiaries. The eligibility criteria issued by the local council included:

- Net monthly income/family member (max 5, 10 or 15 points, based on income bands; a higher income received a higher score)
- Civil status of the applicant (5 points if unmarried, and 10 points if married) and number of children (3 points for 1 child, 6 points for 2 children)
- Belonging to one of the following categories (10 points): repatriate, formerly institutionalized youth, tenant evicted from nationalized houses, high performing sportsmen or university teachers
- Youth requiring housing in the same area where parents or close relatives reside (10 points).

Based on these criteria, 77 beneficiaries were allocated land lots. An analysis of the pool of beneficiaries revealed that 48% of the land lots (37 out of 77) where attributed to un-married individuals with no children. Only 3 of the 77 requests came from individuals under one of the categories mentioned in the third bullet above, which may imply that the relevance of this criteria was minimum or this program was not promoted to these target groups. The difference in scoring, as shown by applicants topping the priority list, was largely made by criteria pertaining to income (favoring higher income) and proximity of the land lot to relatives. The latter criteria is certainly difficult to qualify as substantive argument for directing public resources.

Land lots offered by Slatina Municipality. Slatina Municipality allocated its 28 lots in 2007-09. The municipality is currently preparing another area in the Satu Nou neighbourhood for parceling and allocation to youth. The eligibility criteria set and published by the local council are as follows:

- Civil status (10 points if married, 5 points if unmarried)
- Number of persons in care (1 point for each child or other dependent persons)
- Education level: 1 point for no or primary studies, 2 points for mandatory school, 4 points for vocational school, 5 points for secondary school, 10 points for post-secondary or short term university, 15 points for higher education
- Income level: one point for minimal income, 5 points for minimal to national average income, 10 points for over national average income;
- The date of submitting the request: 5 points for less than 1 year, 10 points for over 1 year.

It is recommended that this program be discontinued due to the poor targeting of resources.
The City Hall has also financed, with its own resources, the zonal urban plan for the area as well as planning to make all investment necessary for utilities and public services. The allocation criteria favor more educated and higher-income individuals who were also fastest to respond and file requests for this facility.

**Program budget and beneficiaries.** Since the programs based on this law are initiated and implemented by local authorities, the resources invested, in terms of either land or budgets for servicing the respective land, are difficult to estimate. The law does require local authorities to report to prefectures their monthly progress in implementing the provisions of the law. This may imply that prefectures may hold data relevant for program monitoring.

**Commentary.** It is recommended that this program be discontinued due to the poor targeting of subsidies (in the form of land lots). Land lot distribution programs generated by the implementation of this law by different mayoralties in Romania have resulted in the use of significant public land reserves with almost no targeting to groups who are poor and require the use of public resources. In fact, the income eligibility criteria in several cities studied (e.g. Slatina, Ploiești) favor those with higher income, awarding the maximum number of eligibility points to those in the highest income percentiles.

Allocation criteria largely depend on the local council decisions; the law imposes only the age requirements. Some mayoralties may not take income into consideration at all while others may give higher rankings to higher wages (as is the case in Slatina or Ploiești). Indeed, building a house requires a certain revenue stream or savings. However, the awarding of these lots and the importance given to income eligibility could at least be capped so as to avoid diversion of public resources to higher-income individuals. Savings, including contributions from relatives, may also be considered in addition to income levels, as beneficiaries may opt for incremental, self-built homes, according to their cashflow and affordability.

This is not to say that supporting the retention of educated youth should not be addressed by public programs. However, this segment of the population can be served in other ways (e.g. though private sector involvement in the production of affordable rental housing) and is in any case the target of other programs described above.

In the context of limited public land reserves, there is a significant opportunity cost for City Halls in allocating land under this program. Especially in urban areas, such land may be used for denser developments and not necessarily single family housing units; other options might include much
smaller land parcels (e.g. 80-100 m²) or collective social housing units. In this context, this program should be considered for termination.

1.4.10 Support for Young People Living in Rural Areas

Description. This initiative is based on Law 646/2002 for state support offered to youth in rural areas. The law includes auxiliary provisions, as per Law 435/2004. The implementation of the law is detailed in methodological norms as approved by GD 401/2003.

The initiative is meant to contribute to attracting and retaining people in rural areas through programs and projects aimed at exploiting the natural resources and local traditions, as well as reviving agriculture, non-agricultural activities and services.

Beneficiaries receive up to 1,000 m² of land free of charge to construct housing. They also receive up to 10 hectares of agricultural land, provided they live and work in the respective rural locality. The land for housing construction cannot be sold for up to 10 years, counted from the end of construction (though this does not apply for the agricultural land received as part of this program).

The law requires local authorities to provide inventories of available land to county councils, including land resources owned by the state or the respective mayoralty, as well as any available land remaining after the reconstitution of property rights to agricultural land. The land reserves that can be allocated though this law also include abandoned orchards, vineyards or other such agricultural lands.

The local councils inventory and group the land resources available, but analysis and allocation decision are made by county councils, through specially designated commissions that oversee the implementation of this law. The Ministry of Agriculture and Rural Development supervises the application of the law at the central government level.

Program budget and beneficiaries. The initiative is aimed to a loosely defined target group. In brief, beneficiaries should be families with at least one member below the age of 40, residing or intending to relocate to a rural area and bearing different professional qualifications which allow them to undertake agricultural or non-agricultural activities in the area of residence (beneficiaries might include farmers, civil servants, medical or educational specialists as well as religious workers).

Note: There are no data on the total resources allocated based on the provisions of this law.

Commentary. It is recommended that this program be discontinued due to overlap with other programs. Although no data are available on the impact of this program, the overlap with other laws and programs is evident. In particular, the land lots for youth program, regulated by law 14/2003, provides a similar scheme allowing local authorities to allocate land to beneficiaries based on eligibility criteria. The implementation mechanisms are different, however, with a more pronounced role reserved for county councils in the former, and local councils in the latter, and different overseeing central ministries. However, both programs utilize the same resource, namely land reserves of local authorities, and distribute them to beneficiaries based on either loose criteria (in the case of this program) or criteria that favor middle and high-income households (in the case of the land lots for youth program). At the same time, the restitution process is still unfolding, with a new ordinance passed in 2013 extending the deadline for file resolutions. Such lack of coordination creates too much room for imprudent land management.

It is also important to mention overlap with another EU-funded program aimed to settle young farmers (Measure 112 of the National Rural Development Plan for 2007-2013), which together with
other funding lines under the same program provided generous support to individuals intending to pursue different economic activities (agricultural or non-agricultural) in the rural environment.

### 1.4.11 Combating Marginalization through Housing

**Description.** Law 116/2002, for preventing and combating marginalization, aims to increase access to fundamental rights, namely the right to work, housing, healthcare, and education. These measures were designed to combat social marginalization caused by privation of such rights, and mobilize institutions with attributions in the field. The law is accompanied by methodological norms as approved by GD 1149/2002.45

The institutions mandated to implement the law provisions are the Ministry of Labor, Family, Social Protection and Elderly as the main entity together with the National Agency for Employment, County and Local Councils, Health Insurance Agency, the Ministry of Education and Research and educational institutions.

Chapter II, Section II of the law is dedicated to access to housing but there are also complementary provisions in Chapter III on measures for preventing and combating social exclusion. Chapter II mandates county councils to support access to youth housing for those below 35 years of age who cannot access housing at market prices. The law provides the possibility for county councils to fully cover payment advances for housing purchases or construction, but also rent for a period of up to 3 years. The value of a payment advance that can be covered through such an instrument is to be established at the beginning of each year by the county council (and the General Council of Bucharest Municipality, respectively), based on the provisions of the methodological norms, and may be adjusted from time to time according to trends in consumption and housing prices.

Chapter III provisions mandate local councils to ensure access of marginalized individuals and families to basic public service provision (i.e. water, electricity, natural gas, heating, etc.). For this purpose, local councils can sign special agreements with the service providers to cover the debts of the marginalized individuals and families.

The law adds that the government must act to institute measures necessary for preventing the eviction of individuals from collective housing units as a result of unpaid dues to the housing association. It stipulates that such measures should include adjustments to processes regulating house sales in order to eliminate the possibility a buyer exploiting the vulnerable situation of the seller (although no mention is made of how such measures might be instituted).

Local councils are obliged to identify individuals and families at risk of social exclusion as well as offer free counseling through the social assistance departments based on the financial support they can access through this law.

The Government is also obliged to report to the Romanian Parliament on a yearly basis the status of measures implemented according to this law.

**Program budget and beneficiaries.** As per the provisions of the law, the budgets for such investments constitute a share of the central budgets re-distributed to county councils, a share of county councils’ own revenues, a tax for individuals which own housing units that lie vacant, as well as donations, sponsorships or other sources approved by the law. These budgets are managed by the county

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45 HOTĂRÂRE Nr. 1149 din 17 octombrie 2002 pentru aprobarea Normelor metodologice de aplicare a prevederilor Legii nr. 116/2002 privind prevenirea și combaterea marginalizării sociale
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councils. As for the budgets used to ensure access to basic public services, this is to be allocated by local councils, either through own revenues or state budget support.

The eligibility criteria are established by the county councils, though the law’s provisions clearly target youth including young people from placement centers and orphanages, and young families aged up to 35 years with or without children. The law also mentions that other categories of individuals aged up to 35 years may be considered, which leaves the possibility of a relatively diverse target group. That said, this law is stricter in targeting than other laws, due to its implementation mechanism. All beneficiaries are identified based on a social inquiry (i.e. field work visit to households to assess living conditions) conducted by social assistance departments. There are well-developed methodologies on how to conduct such a social inquiry, following the laws of social protection and social assistance, as well as well-defined categories of vulnerable groups.

In order to benefit from this program, the interested individual must submit a request to the mayoralty to which they belong. The social assistance department within the mayors’ office is obliged to conduct a social inquiry to certify compliance to access criteria and to maintain a centralized list of individuals whose eligibility has been verified. Centralized lists from different mayoralties are shared with county councils (and with the General Municipality of Bucharest, respectively) which is responsible for allocating funds accordingly.

### Table 1.10 Budgets and beneficiaries of the law for combating marginalization

<table>
<thead>
<tr>
<th>Measures</th>
<th>No. of marginalized individuals and families that benefitted from these law provisions</th>
<th>Funds spent (RON)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other measures</td>
<td>32.419</td>
<td>23.871</td>
</tr>
<tr>
<td>Total</td>
<td>61.962</td>
<td>48.874</td>
</tr>
</tbody>
</table>

Source: Data processed from annual reports published by MLFSPE\(^{46}\)

According to annual reports published by the MLFSPE, disbursements based on this law reached a significant number of beneficiaries, with higher outreach recorded during and after the financial crisis (see table above). The funds allocated are significant: RON 47 million (EUR 10.5 million) was allocated in 2013. The monitoring of this law is conducted through yearly reports prepared by local authorities that are collected and processed by the MLFSPE. For instance, in 2013 the Ministry received reports from 2,728 mayoralties (representing a response rate of 85.7%), out of which 1,062 (33.3% of the total number of mayoralties) reported implementing measures based on this law. Access to housing has...
been facilitated by covering advance payments for housing purchase or construction (for 2,746 beneficiaries) and payment of rent (for 1,815 beneficiaries, single individuals or families).

The local authorities report not only the funds spent but also how the funds compare to budgets necessary to reach the identified needs. For instance, in 2013, the local authorities mobilized 66.9% of necessary funds per the needs identified.

The social inquiries conducted by social assistance departments identified, among other needs, 40,088 marginalized persons (out of which 14,832 are ethnic Roma) which do not have housing (neither owned or in use), and 84,847 persons (out of which 40,772 are ethnic Roma) which live in improper conditions. The social inquiries also identified 4,779 homeless people (defined as persons with no shelter).

Commentary. It is recommended that advance payments for housing purchase and construction as well as subsidized rent be discontinued and replaced with other forms of subsidies and the rental voucher program as described in chapter 3. According to the law, the Ministry relies on the local social assistance departments to identify “deprived” individuals suffering from housing depravation and report back budgetary needs as well as relevant measures that need to be undertaken based on the law and other related legal frameworks. This law is different compared to other laws in the housing sector due to its monitoring system as well as its need-based approach.

The approach towards beneficiaries builds on the formally approved categories of vulnerable groups, as further updated and clarified by Law 292/2011 on social assistance. There is a need to harmonize the definition of target groups that justify public intervention and expenditure, in line with the social assistance framework.

This legal framework was developed by the Ministry in charge of social protection, without countersigning of the Ministry in charge of housing. The programs implemented by the latter that target lower income groups might extend their reach to eligible beneficiaries as well as increase leveraging of disbursements by correlating with other social assistance measures. A better integration with the institutional setting of social assistance would allow for programs to better target funds towards those in need, since social assistance departments can gather detailed data on vulnerable groups to gauge the level and nature of support needed. That said, broad programs focused on access to housing are sustainable provided that the programs enable beneficiaries to tackle unemployment, education, and other difficulties prevalent in vulnerable communities. By reducing the burden of costs associated with adequate housing, housing programs can better position beneficiaries to socially integrate into the community/neighborhoods in which they reside.

1.4.12 Mortgage-Financed Housing Program

Description. Government-supported mortgage-financed housing units are designed for Romanian citizens who can take a mortgage from a commercial bank to pay for the construction of his/her housing unit. In such projects, the NHA is responsible for acquiring serviced land from local authorities (either by concession or free of charge) and distributing it to beneficiaries free of charge.

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47 As per the Law 292/2011 of social assistance, homeless persons are individuals or families who, for one or several cumulative social, medical, financial, economic, legal reasons, live on the streets, live temporarily with friends or acquaintances and are unable to support rental housing under or are at risk of eviction or about to be discharged from prisons and have no domicile or residence.

48 “Deprived” households are defined by the law as those suffering of complex deprivation factors, including labor inclusion, health, housing etc. The law does not fragment its target based on the type of deprivation they suffer. This is what is called case-management intervention (a family or single individual is considered “a case”).
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Program budget and beneficiaries. Eligible applicants should have enough money to make an upfront payment on a mortgage at one of the eight commercial bank partners in the program.49 The beneficiaries can eventually purchase the land from the local government or sign a concession agreement for the plot. Between 2000 and 2014, 3,200 housing units were completed in 16 counties and in Bucharest under this program. Almost half of the units (1,589) were developed in Bucharest.50 Currently, 1,203 units are under construction, of which 594 units are in Bucharest and 584 more are in Ilfov County.

Note: The NHA has not provided any data on this program.

Commentary. It is recommended that this program be discontinued. These mortgage-financed housing developments have faced a number of difficulties resulting from the lack of timely infrastructure provision by local public authorities. The unforeseen delays in completion and handover of houses has had an adverse impact on the individual buyers and their mortgages, especially in the case of multifamily buildings and (see Box 1.1).

Box 1.1 Henri Coanda project

The Henri Coanda project occupies land south of the Henri Coanda airport in the North of Bucharest and straddles the jurisdictions of two Local Authorities. The project consists of a mix of single-family and multi-family, multi-story structures and is funded by individual’s mortgage loan down payments.

The local authority did not respect the convention with the NHA to develop the infrastructure for the project, and the lack of any enforcement measure has left the development without basic infrastructure including roads. Because the development is split between two local authorities, each waited for the other to install infrastructure until the financial crisis in 2008 brought the entire development to a halt.

Some of the development companies that were working on the project went bankrupt during the financial crisis in 2008 and 2009, leaving many units unfinished. While those who took mortgages on individual homes were in some cases able to take over the construction and complete their unit, those in multi-family, multi-story units were left with no other option to wait if their building had not yet been completed at the time of the crash.

While some owners are waiting for economic and market conditions to improve, those who want to get out of the development must find another individual to take over the home and the mortgage.

1.4.13 Prima Casa Program

Description. GEO 60/2009 outlines measures for the implementation of the Prima Casa (First House) program. The scheme is run by the National Credit Guarantee Fund for Small and Medium Enterprises, and issues guarantees on behalf of the state to banks that provide loans to individuals to purchase or build a home through this program.

49 Currently, the NHA is partnered with eight banks, namely Banca Comerciala Romana, BRD Group Societe Generale, Banca Transilvania, Piraeus Bank, Raiffeisen Bank, Raiffeisen Banca Pentru Locuinte, Alpha Bank, and CEC Bank.
50 Some 230 housing units were built in Prahova County, 110 in Constanta, 108 in Neamt, 98 in Ilfov, 55 in Valcea, 50 in Mures, 31 in Bihor, and 30 in Bistrita.
Under this program, the government provides a 50% guarantee of the mortgage loan of any unit costing less than EUR 60,000-70,000 (equivalent in RON), provided that the borrower is a first-time buyer. Based on this guarantee, the banks provide mortgages at 5% interest (as opposed to market rate interest of over 10%).

The housing unit purchased with a loan under the Prima Casa program cannot be disposed of for a period of five years unless the funding is reimbursed before the expiration of the five-year term. A recent change to the program mandates that the guarantees only be extended against local currency loans. This has had a positive effect in terms of promoting loans in RON and has largely eliminated loans denominated in EUR.

More than two-thirds of the persons who have accessed such loans are aged 26-35 years and opted for smaller housing units due to the price threshold: Some 51% of these loans were used to purchase single room housing units; the EUR 60,000 cap on the value of the property in question has steered beneficiaries to affordable (and often older) one and two-bedroom units of approximately 50-55 m².

Program budget and beneficiaries. The Prima Casa program represents 90% of all new mortgages in Romania since 2009. As such, the program designed to stimulate the Romanian mortgage and real estate markets following the 2008 financial crisis has been largely successful. The NPL rate for the Prima Casa program is low at 0.2%. The program has benefited approximately 100,000 borrowers since its inception in 2009 with the state guaranteeing mortgages totaling EUR 4 billion. This means that the program has only generated around 200 NPLs over its five-year lifespan. While national guarantee funds have been allocated, the actual budget expenditure on this program is relatively low, given the low NPL rate.

Commentary. It is recommended that this program be continued with the introduction of income eligibility criteria. The Prima Casa guarantee program has greatly assisted middle-income households in accessing affordable mortgage loans in order to purchase dwellings. That said, the Prima Casa price cap of EUR 60,000-70,000 has directed purchase mainly to old one and two-room flats, while even wealthy households have benefited from the program because the guarantee is not income-targeted to poorer households.

First time home buyers looking for houses within the Prima Casa threshold, i.e. in the EUR 60,000-70,000 range, appear to choose space over quality: They prefer to buy larger houses in older buildings compared to smaller units in new buildings. Indeed, three quarters of all Prima Casa loans to date nationwide have gone into purchasing old apartments in old buildings. However, the “larger” units in old buildings may still be small, i.e. 50-55 m², for young households that will likely outgrow these small houses as the family grows. The price cap motivates Prima Casa beneficiaries to purchase smaller new units, limiting the new housing market by effectively excluding medium-sized units from the program. In fact, new housing developers have in some cases “cut” larger units in half to compete in the Prima Casa market (and also as a result of general market trends following the financial crisis of 2008).

The house price threshold of EUR60,000-70,000, while somewhat effective in terms of self-eliminating the very wealthy buyers, does not do a very good job filtering out and targeting those who really need this type of government assistance. An income eligibility criteria would be more appropriate in this

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51 The benchmark for guaranteed loans under the Prima Casa program are as follows: 95% of the purchase value if the unit is valued at less than EUR 60,000, or a fixed EUR 57,000 if the unit is valued over EUR 60,000 (for already build housing units or units in various degrees of completion); 95% of purchase value if the unit is valued at less than EUR 70,000 or a fixed EUR 66,500 if the unit is valued at more than EUR 70,000 (for new housing under construction planned for purchase after completion).

52 Ibid.

regard. It is thus suggested that the price threshold of the house be removed, and instead, eligibility for the Prima Casa guarantee be based purely on income criterion. For instance, the program can be limited to those earning less than the median national income.

1.4.14 Bauspar Subsidy

**Description.** The program on state insurance premiums for saving and lending in a collective system (Romanian translation: Programul privind asigurarea primelor de stat pentru economisirea si creditarea in sistem colectiv) builds on the provisions of GEO no. 99/2006 on credit institutions.

The Saving for Housing product is a typical housing loan system which is most notably popular in Germany and Austria where it is known as the BauSpar system. A BauSpar loan is based on a consumer’s commitment to a savings period during which the consumer accepts a below-market interest rate on savings accumulated. Once the savings period is complete, the consumer is able to obtain a loan at a fixed, below-market rate.

BauSpar loans for housing purchase and improvement are offered by two commercial banks in Romania – Raiffeisen Banca pentru Locuinte and BCR Banca pentru Locuinte, respectively. The typical product offers a 2% savings rate, which can then lead to a 5% loan rate. Typically the loans are for a period of up to 88 months, approximately 7 years. Importantly, BauSpar savers in Romania receive a subsidy of 25% contribution by the state on savings balances, which is capped at EUR 250 annually. Initially, this subsidy was computed on 30% of the savings balance and was capped at the value of monthly average gross income. This decreased to 15% of savings, capped at EUR150, until 2009, when conditions improved to the current ones.

At the end of each year, the banks submit to the MDRAP a request for settling, based on the amount of savings deposited by the bank clients during the year.

**Program budget and beneficiaries.** Considering the number of clients of such bank products, the program is of great interest. The number of contracts has increased steadily since program initiation, with higher growth rates in the years following the financial crisis (see table below), also reflecting the change in the state premiums covered. The estimated number of contracts for 2015 exceeds 300,000 beneficiaries. Interviews with bank officials revealed that contract holders typically opt to use the savings and loans much more for home renovation than outright house purchase.
The budget allocation for 2015 for this program is RON 199.7 million (approx. EUR 45 million). So far, the program has allocated a budget of RON 841 million (including the budget allocation for 2015), or approximately EUR 188 million. As such, this ranks among the largest Romanian housing subsidy programs in terms of budget allocation.

**Commentary.** It is recommended that this program be continued with the introduction of income eligibility criteria. This program has the potential to encourage a savings culture: It allows homebuyers to build up an equity stake and allows lenders to see that potential borrowers have discipline in putting money aside every month, thereby decreasing uncertainty and increasing the affordability of possible loans. In other words, the credit risk function of such a product can help lenders better ‘filter’ potential borrowers.

These benefits, however, come at a high cost in budgetary resources without necessarily delivering to those who are most in need. The 2015 budget allocation alone to the BauSpar subsidy was RON 199.7 million. In light of the plethora of urgent housing needs in Romania, the large public expenditure on the BauSpar scheme might be partially reallocated elsewhere.

To ensure that government funds are spent in the most equitable manner, and to better target the subsidies, it is recommended that income eligibility criteria be established for participation in the subsidized BauSpar scheme. For instance, beneficiaries might be required to be below the median national income. This would effectively bar higher income households from enjoying the EUR 250 government subsidy, limit the amount of free funding the government provides to banks through this program, and focus the program towards those who by virtue of their incomes are most incentivized by the subsidy to save towards a loan.

In addition, the subsidy can be targeted specifically to those saving for renovation loans, as the Prima Casa program is already successful in serving households in need of affordable mortgage financing. The subsidy element remaining after eligibility criteria can be reallocated to a guarantee scheme or

Table 1.11 Budgets allocations for the BauSpar scheme

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Year of savings</th>
<th>Value of state premiums covered (RON)</th>
<th>Number of contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2004</td>
<td>8117000</td>
<td>22900</td>
</tr>
<tr>
<td>2006</td>
<td>2005</td>
<td>21196000</td>
<td>50400</td>
</tr>
<tr>
<td>2007</td>
<td>2006</td>
<td>11635015</td>
<td>66780</td>
</tr>
<tr>
<td>2008</td>
<td>2007</td>
<td>11862880</td>
<td>72606</td>
</tr>
<tr>
<td>2009</td>
<td>2008</td>
<td>11834843</td>
<td>88097</td>
</tr>
<tr>
<td>2010</td>
<td>2009</td>
<td>58520000</td>
<td>150000</td>
</tr>
<tr>
<td>2011</td>
<td>2010</td>
<td>40000000</td>
<td>180356</td>
</tr>
<tr>
<td>2012</td>
<td>2011</td>
<td>42500000</td>
<td>180356</td>
</tr>
<tr>
<td>2013</td>
<td>2012</td>
<td>113175000</td>
<td>219184</td>
</tr>
<tr>
<td>2014</td>
<td>2013</td>
<td>323000000</td>
<td>549797</td>
</tr>
<tr>
<td>2015</td>
<td>2014</td>
<td>199750000</td>
<td>338419</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2014</strong></td>
<td><strong>841590738</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: MDRAP

Note: *The 2014 budget includes the settling of 87% of premiums adjacent to 2012 and fully settling the premiums of 2013. *The 2015 budget allocation is based on preliminary estimates.
direct subsidy scheme focusing on smaller home improvement loans – for instance on Windows 5 and 9 under the proposed National Housing Fund.

1.4.15 National Program for Thermal Rehabilitation of Blocks-of-Flats

Description. The national program for thermal rehabilitation of blocks of flats is based on GEO 18/2009 on increasing energy efficiency in blocks-of-flats. GEO 18/2009 was enforced, with adjustments, by Law 158/2011. The methodological norms which detail the implementation of the program are published as per Order 163/540/23-2009 but have experienced several iterations since their enforcement.

GEO 18/2009 and, implicitly, the underlying program were drafted in order to achieve the obligations and targets assumed by Romania as per the 2006/32/CE Directive of the European Parliament, with regard to energy efficiency for final consumers. The MRDPA oversees program implementation, which started in 2002 based on EGO 174/2002 (subsequently abolished) but has experienced problems due to a variety of bottlenecks in the legal framework. The current provisions of the law were meant to address this. End beneficiaries were at first not greatly receptive of the program during the first stages of implementation, but their attitude gradually changed.

The program aims to increase the willingness on the part of HOAs to increase the energy performance of housing blocks which were built on the basis of technical designs from 1950 to 1990, regardless of the blocks’ heating systems. Objectives include improving hygienic conditions and thermal comfort while reducing heat loss and energy consumption, diminishing heating and hot water bills, and lowering CO₂ emissions (production, transport and energy consumption).

Thermal rehabilitation works undertaken include thermal insulation of external walls, replacing windows and existing exterior doors, thermo-hydro-insulation of roofs and terraces/ thermal insulation of the top level floor, thermal insulation of the floor above the basement, dismantling of installations and equipment affixed to façades and terraces and reinstalling them after thermal insulation works and rehabilitation of the envelope is completed.

The focus of this and other related government programs has correctly been on retrofitting blocks-of-flats constructed before 1990 as these offer greatest value for money: The density of dwellings is high and by retrofitting one building, a number of dwellings see benefits. Moreover, these buildings have some of the lowest insulation capacities in the housing stock. Heating consumption in buildings built before 1990 are approximately four times higher than buildings built to the current standard (C107/2010). According to a study by the University of Timisoara, heat consumption in typical blocks in Timisoara is approximately 245 kWh/m²/year (and approximately 325 kWh/m²/year if one assumes that the initial thermal layer is now ineffective due to condensation over the years), while a building designed to meet the recommended standards of C107/2010 for insulated buildings would consume only 73.4 kWh/m²/year.

In order for a block-of-flats to enter this program, its HOA needs to file a request with the MRDPA. Once the request is approved so that the block-of-flats is included in the program, a contract is signed between the HOA and the mayor. A technical expertise of the building and an energy audit is then conducted. After this technical documentation is approved, design and execution works are conducted. After this technical documentation is approved, design and execution works are conducted. After this technical documentation is approved, design and execution works are conducted. After this technical documentation is approved, design and execution works are conducted.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocated Budget (RON)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>159,992,000</td>
</tr>
<tr>
<td>2010</td>
<td>68,663,000</td>
</tr>
<tr>
<td>2011</td>
<td>18,530,000</td>
</tr>
<tr>
<td>2012</td>
<td>12,283,000</td>
</tr>
<tr>
<td>2013</td>
<td>5,760,000</td>
</tr>
<tr>
<td>2014</td>
<td>8,514,000</td>
</tr>
<tr>
<td>2015</td>
<td>10,268,880</td>
</tr>
<tr>
<td>2016</td>
<td>12,021,000</td>
</tr>
<tr>
<td>2017</td>
<td>12,021,000</td>
</tr>
</tbody>
</table>


conducted. After this technical documentation is approved, design and execution works are implemented. The final reception is done by the HOA.\(^{56}\)

**Program budget and beneficiaries.** A total of 128 administrative units have received funds from the state budget for the thermal rehabilitation of blocks of flats as part of this program. A total of 16,456 flats are in the thermal rehabilitation process with completion dates in 2015, 2016 and 2017; 16,334 units were approved by MRDPA but are not included in the National Program. According to MRDPA a total of RON 50 million was allocated in 2015 for the thermal rehabilitation of 206 blocks containing a total of 7,550 housing units.

The public budget for this program is supplied from the state and local budgets, though HOAs cover 20% of the total cost of rehabilitation with the public budget covering the remaining 80%.

**Table 1.12 Budgets allocated for the National program for thermal rehabilitation of blocks of flats**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (RON)</td>
<td>159,992,000</td>
<td>149,482,000</td>
<td>136,986,000</td>
<td>18,530,000</td>
<td>12,283,000</td>
<td>58,000,000</td>
</tr>
</tbody>
</table>

Source: MRDPA

A standard cost for thermal rehabilitation was developed and approved through GD 363/2010, as follows:
- 34-40 EUR/m\(^2\) facade (opaque part) excluding VAT smaller or higher than P+11, 10 cm of insulating material
- 41-48 EUR/m\(^2\) terrace, excluding VAT
- 12 EUR/m\(^2\) basement floor, excluding VAT
- 95-115 EUR/m\(^2\) of glass, excluding VAT.

This program led to thermal rehabilitation works for 1,869,068 housing units in urban settlements nationwide. No other specific indicators on beneficiaries have been made available so far.

**Commentary.** It is recommended that this program be continued with some reforms to address shortcomings, and that funding for this program be channeled through the proposed National Housing Fund. Housing sector analysis underlines that housing accounts for the largest share (36%) of final energy use in Romania, ranking it second (after education) in terms of energy consumption per unit of floor area. Some 1,869,068 units have been insulated as part of this program. It is estimated that a large part of the remaining 6,703,717 units that are old and poorly insulated will need to be thermally insulated at some point. So, while the program has already had a significant outreach to date, efforts need to be continued given the scale of the works necessary.

A drawback of this program is the fact that the insulation of common areas such as stairwells and entrance lobbies are not covered among the eligible expenses. The Condominium Law makes HOAs responsibilities for maintaining common areas. However, HOAs generally lack organizational and/ or financial capacity, which translates into poor maintenance and management of common areas. Poor maintenance combined with lack of insulation lowers the overall efficiency of thermal works and also generally is aesthetically unappealing. To address this gap, some Local Authorities have designed their own programs to help support HOAs retrofit and insulate common areas in blocks of flats.

\(^{56}\) MRDPA website: http://www.mdrap.ro/media/files/articles/1348153147-337.pdf
Another complaint is the rather “top-down” approach of this program, both in terms of financing and decision-making. So, rather than incentivizing and mobilizing HOAs to take responsibility for their own affairs, it may be unintentionally further entrenching the false sense of dependency on the state.

Field interviews indicated that a significant proportion of works are perceived as sub-standard, be it by end beneficiaries or even primary stakeholders in the program (HOAs or local authorities).

Important challenges in further scaling the program center on supporting HOAs to obtain full agreement from owners to implement the investment and take on the obligatory 20% of the budgetary responsibility, especially in cases when there is a proportion of low income households in the block of flats who are unable to pay for the works or those who have already completed EE renovations to their individual flats.57

Another challenge flagged during interviews with local authorities is the missing technical construction drawings. Some HOAs might require support for reconstituting incomplete or lost technical drawings/books.

The program can be further improved by establishing co-financing or grant mechanisms linked to household income. This could be accomplished through funds from the proposed National Housing Fund, especially in cases where a high proportion of low-income residents consider the 20% financing commitment from the HOA a financial burden. A subsidy in the form of a grant may be considered for these households. Involvement of the banking sector in financing energy efficiency investments, including using financial instruments catered to both HOAs and local authorities, could make the program more accessible to a larger variety of beneficiaries.

Coordination of thermal insulation work with other major upgrading interventions such as seismic retrofitting (structural strengthening) and district heating system upgrades is also necessary. In this way the benefits of thermal insulation investments will be fully realized by both reducing leakage in the district heating systems as well as ensuring that the thermal insulation will not need to be redone if and when upgrades to older buildings’ structural framework are implemented. The proposed National Housing Fund could provide a centralized platform for monitoring such interventions based on sequential disbursements of funds.

Last but not least, the program should first target social housing, considering that consequent reduction in utility bills will have most impact for low-income households, and that such reductions in utility bills will benefit both the end beneficiaries as well as local authorities.

This program needs further correlation with thermal rehabilitation works financed through the Regional Operational Program. The program can continue building on EU funds. Other complementary programs include the Green House and District Heating Programs.

1.4.16 Energy Efficiency of Blocks-of-Flats (ROP 2007-2013)

Description. This funding line was opened as part of the Regional Operational Program (ROP) 2007-2013, under Priority Axis 1, Area of intervention 1.2 - Support for investments in energy efficiency of blocks of flats. The funding is aimed at energy efficiency interventions in apartment blocks built between the years 1950 and 1990.

57 Some households will pay to thermally insulate the envelope of their unit alone, creating a patchwork-appearance of raised, multi-colored thermal insulation applications. When an entire block of flats cooperates through the HOA to invest in comprehensive thermal insulation, households who previously invested in individual applications must contribute funds to the project despite their own unit already being insulated.
This funding line is coordinated by the Managing Authority of the ROP, which is a department within the MRDPA. At a regional level, Regional Development Agencies (RDAs) serve as intermediary bodies of this funding line.

According to funding guidelines, the implementation of energy efficiency measures in residential buildings is expected to improve the living conditions of the population by improving the comfort of indoor spaces, reducing energy consumption, reducing maintenance costs for heating and hot water and reducing pollutant emissions from production, transport and energy consumption.

**Program budget and beneficiaries.** The total budget allocation for this axis was EUR 182.4 million, with an equal distribution of approximately EUR 22.8 million for each of the eight regions in Romania. The value of the selected projects ranged between RON 1.7 million and RON 46 million (~EUR 0.4-10.5 million).

Co-financing rates applicable for eligible expenses are as follows:
- 60% of eligible costs of the project - European Regional Development Fund (ERDF) and the state budget - a rate of 82% ERDF and 18% of the state budget
- 40% of eligible costs of the project to be covered by local authority and HOAs.

The funding targets households in P+3 buildings in county residences and sectors of Bucharest. As per the MA ROP, as of December 15, 2014, there were 93 contracts signed with a total value of RON 510,100,627 (RON 226,916,246 covered from ERDF and RON 49,976,013 covered from the state budget). The local contribution (city halls and HOAs) amounted to RON 183,885,936 while RON 49,322,431 was deemed as ineligible expenditure.

The target set for 2015 was to rehabilitate a total of 46,920 apartments for increased energy efficiency, which is expected to lead to a total energy savings of 256 GWh/year.

**Commentary.** It is recommended that this program be continued with EU funds. While funding under ROP was planned to unfold from 2007-2013, with project implementation through the end of 2015, this funding line was launched only at the end of 2012. This may explain the drop in budget expenditure starting in 2012 for the National Program for Thermal Rehabilitation, as many funding requests where oriented towards this instrument.

Considering the need for thermal insulation works on Romania’s large stock of blocks-of-flats, this program was largely welcomed. Given the share of housing in final energy use in Romania (36%), this line helps reach targets assumed by 2006/32/CE Directive of the European Parliament.

Like previous thermal insulation programs, this funding line does not cover common areas. This, combined with poor capacity of HOAs to manage maintenance works for common areas, leads to the deterioration of common spaces and lowers overall efficiencies.

EU funding comes with several challenges, including extensive paperwork, grants based on reimbursement (implying the need for cash flow) and public procurement processes. Since the funding comes as a reimbursement of expenses, local authorities need to have sufficient financial capacity to ensure proper cash flow. This in many cases covers not only the contribution to be reimbursed by MA ROP, but also the co-financing contribution of the HOAs. Because co-financing capacity is limited, the local authorities have filed requests for funding gradually, based on their implementation and funding capacity.
In terms of public procurement, the cheapest qualifying tender is automatically awarded the contract for works. Market participants report that this has led to bidding contractors quoting unrealistic fees and subsequently cutting corners to deliver the work within budget. Further, a common practice is the sub-contracting of work at several levels, i.e. a subcontractor sub-contracting to another subcontractor and so on, along with the associated distribution of management fees, such that the implementing contractor needs to cut corners even further in order to deliver the works within budget. This means that a significant proportion of works is sub-standard.

The funding line was limited to certain eligible beneficiaries based on city population for the period 2007-2013 with preference given to larger cities, regardless of implementation capacity. The funding should be extended to other cities, regardless of whether they are county residences or not. The limiting for the next period will be detailed in the Applicant Guide.

Setting the co-financing rate on each building has also brought about difficulties in implementation. Owners are reluctant to declare their income and, as a result, local authorities have encountered difficulty in collecting and aggregating data on household incomes. Reduction of the administrative burden on public authorities could be achieved by establishing uniform co-financing share between public authorities and HOAs.

Other recommendations for the next round of funding under ROP 2014-2020 include the possibility to finance works for common areas, correlate with structural strengthening where relevant, and prioritize social housing units for works.

As is the case for the National Thermal Insulation programs described above, HOAs could benefit from assistance to deal with difficulties in obtaining owner agreements to implement projects. This is especially the case in buildings with a relatively large proportion of low-income households or households that have already undertaken thermal insulation works for their own housing units in the past, and also in cases when there is no technical book for construction. This program might also be better correlated to different energy efficiency programs, including Green House and District Heating Programs.

As for future funding, the recently approved ROP 2014-2020 includes a budgetary allocation of EUR 2.37 billion under Priority Axis 3: Supporting the transition to a low carbon economy. The priority “Supporting energy efficiency, intelligent energy management and renewable energy use in public infrastructures, including in public buildings and in the housing sector” will attract a large majority of funding from this axis. So far the funding line is targeted to the cities designated as Growth Poles (7) and Development Poles and County residencies (33). The draft for ROP 2014-2020 stipulates that structural strengthening work will be implemented, if necessary, along with thermal insulation work. Although the Applicant guide is not yet implemented and exact details of funding splits are not known yet, this is expected to be a step in the right direction. Inclusion of common areas and maintenance facilitation would improve efficiencies even further. In addition, taking this even a step further, it is recommended to include in Priority Axis 3 a complementary component for seismic retrofitting of structurally unsafe residential buildings. Improvement of common areas and any required structural retrofitting would then be a prerequisite for – or carried out in parallel with – any thermal rehabilitation activities. Alternatively, a certain proportion – say 30-40% – of EU funds dedicated to energy efficiency could be reallocated to rehabilitation of old stock including interior common areas (entryways, elevators) and seismic retrofitting of risky buildings.
1.4.17 Thermal Rehabilitation of Blocks-of-Flats Financed by Bank Loans with Government Guarantee

**Description.** The thermal rehabilitation of blocks-of-flats financed by bank loans with government guarantee is based on EGO no. 69/2010, as approved by Law 76/2012. The complementary methodological norms are approved by GD no. 736/2010.

The MRDPA implements the program in partnership with FNGCIMM (the National Fund for Credit Guarantees to SMEs). The FNGCIMM grants guarantees to credit institutions that grant credits under the conditions of the methodological norms. Two banks, CEC BANK and BCR, participate in this program.

The program aims to facilitate access to bank loans for HOAs and individual owners of single-family housing, granted by credit institutions at a subsidized interest rate with a government guarantee, in order to undertake thermal rehabilitation works on dwelling structures. The program applies to housing built before 2001. The state support consists of subsidized interest rates and guarantees for loans with a maximum duration of five years. The technical expertise, energy audit, documentation for authorizing works as well as technical design are borne by the beneficiary.

Works that can be covered by the loan include thermal insulation of the envelope, replacement of windows, thermo-hydro-insulation of the roof, thermo-insulation of the basement, replacement of common installations (heating and hot water), repairing of balconies, repairing/replacement/procurement of the thermal plant for the block-of-flats or establishing alternative energy systems for individual dwellings for hot water, lighting or heating.

**Program budget and beneficiaries.** Financing is granted provided that a minimum of 10% of the total cost of works is covered by beneficiaries. A maximum of 90% of the total cost of works is granted in the form of bank loans in RON according to the provisions of the program. The maximum loan value is set at EUR 1,850/room (equivalent in RON, including VAT) for blocks-of-flats (through HOAs), and EUR 7,400 (equivalent in RON, including VAT) for individual housing units. The interest rate on the RON loans is calculated taking into account the ROBOR indicator on a 3-month basis (ROBOR is the average interest rate for loans in RON granted on the inter-banking market) plus a fixed margin with a maximum of 1.9% per year and a FNGCIMM management fee.

To benefit from this program, HOAs or individuals first file a request for financing to the credit institution. The bank shall submit the guarantee request to FNGCIMM upon approval of funding by its competent bodies. FNGCIMM analyzes the guarantee request according to its rules and regulations and, if it finds that it meets the conditions for granting a guarantee contract, will sign the contract which is then communicated to the bank. The bank will then sign the loan agreement with the beneficiary.

By end of October 2014, 16 guarantees were granted since the beginning of the program, three of which went to single-family dwellings.

**Commentary.** It is recommended that this program be discontinued due to lack of interest and overlap with other programs. The program has had very few requests (16 files total) due to reluctance on the part of HOAs to take on loans. Apart from the HOAs’ general lack of financial and organizational capacity, it should be noted that so long as HOAs can benefit from fully or partially non-reimbursable funds (grants), such a loan guarantee instrument may seem less attractive.
1.4.18 Seismic Retrofitting

**Description.** The National Program for seismic retrofitting of buildings is based on GO 20/1994, subsequently republished with amendments, and is being implemented by the MRDPA. The Program was launched in 1998 and started with the allocation of funds covering works on 8 sites. By 2000, an additional 8 buildings were financed.

GO 20/1994 mandates the assessment of privately owned residential multifamily buildings, for which HOAs must apply for public funds. It also establishes the obligation of owners to retrofit their flats, penalties when they do not fulfill their obligation, and the corresponding responsibilities of the local authorities. Public financing in the form of 25-year interest-free loans is provided for the retrofitting of buildings that are assessed as “Class I Seismic Risk, Public Danger”. Any owner whose income is below the national average is exempted from the repayments.

**Program budget and beneficiaries.** During 2014, program allocation was RON 5 million which funded works on 22 sites in Bucharest and other cities. Previously, in 2013, the Government allocated under this program RON 4.5 million for 15 buildings, six of which were also included on the list in 2014 because of insufficient budgetary allocations.

As part of this program 41 blocks have been retrofitted out of 370 blocks in Bucharest in Class I seismic risk. The program has been applied mainly in Bucharest but some other cities benefitted as well, namely Constanța, Tulcea, Roman and Bacău.

The Action Program for 2015 includes the design and execution of intervention works to reduce seismic risk in collective buildings, with Class I seismic risk, which present public danger: This includes the execution of works on 20 buildings in Bucharest, one in Prahova, two in Tulcea, one in Covasna and one in Constanța as well as the design of consolidation works for 28 buildings in Bucharest, five in Bacau, seven in Prahova, one in Suceava and one in Mures.

Note: An information request was sent to MRDPA for this program, but no further information was received at the time of writing this report.

**Commentary.** It is recommended that this program be discontinued and replaced with the Program for Seismic Risk Mitigation in Residential Buildings as outlined in chapter 3. Seismic risk mitigation is of primary national interest and includes interventions for existing buildings that are insufficiently protected against seismic risk as well as those degraded or damaged as a result of past seismic events. Many of the buildings built prior to 1940 have a higher seismic risk because their construction preceded the adoption of seismic-resistant building codes in the 1940s.

There are 2,022 buildings on the list with technical expertise that are classified in urgent categories, according to seismic standard P100-92. The standard P100-92 classifies construction in terms of seismic risk, in three categories of emergencies: - U1, U2, U3. In order to classify these buildings, the HOAs had to address the initial technical expert or other technical expert certified by the MRDPA to assess strength and stability. Through an amendment to the legislation in 1996, the three types of emergencies were transformed into risk classes - RI, RII, RIV but not all owners or HOAs submitted requests to receive a class instead of an emergency category. Existing buildings are classified into four classes according to their resistance to earthquakes. Class I: Risk of collapse is high; Class II: Risk of collapse is low, but major retrofitting work is necessary; Class III: Risk of collapse is low, and minor retrofitting work is necessary; Class IV: Resistance is as high as the level required for new buildings.
Bucharest is the most vulnerable capital in Europe to earthquakes and according to 2008 national data published by MRDPA\textsuperscript{58} out of 607 buildings and 10,577 units in Class I, half are located in Bucharest. Indeed, estimates included in the World Bank 1978 report for damage caused by the March 1977 earthquake in Romania shows that two thirds of the total damage and loss of life countrywide was concentrated in Bucharest.

Class I buildings present a public danger in the case of a seismic event with a high risk of collapse and damage to surrounding structures and the public at large. Nationwide, 487 buildings containing 16,117 units are included in Class II (defined as constructions which, in case of a seismic event, may suffer major structural damage, though collapse is unlikely). Finally, 172 buildings with 5,090 apartments are classified as Class III risk (defined as constructions which will suffer non-structural degradation though not significant structural damage in case of a seismic event). It is also important to emphasize that not all residential buildings which may be subject to seismic risk have been evaluated. The current inventory of buildings was based on three criteria: Year of construction, number of floors and the availability of tenants to provide information and allow experts to access their housing. Therefore it is expected that there is a much higher number of buildings at risk, which were not the object of a technical evaluation to date.

The official source on the MRDPA website presents the lists with vulnerable buildings in 22 counties, including Bucharest as is illustrated in Table 1.13.

<table>
<thead>
<tr>
<th>County</th>
<th>Buildings Rs1/units</th>
<th>Buildings Rs2/units</th>
<th>Buildings Rs3/units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacău</td>
<td>-</td>
<td>31/784</td>
<td>5/219</td>
</tr>
<tr>
<td>Botoșani</td>
<td>26/172</td>
<td>22/64</td>
<td>-</td>
</tr>
<tr>
<td>Brăila</td>
<td>29/193</td>
<td>1/45</td>
<td>-</td>
</tr>
<tr>
<td>Brașov</td>
<td>11/78</td>
<td>8/504</td>
<td>4/47</td>
</tr>
<tr>
<td>București</td>
<td>186/5298 + 184/1182</td>
<td>307/10856</td>
<td>85/2141</td>
</tr>
<tr>
<td>Călărași</td>
<td>-</td>
<td>1/40</td>
<td>2/30</td>
</tr>
<tr>
<td>Caraș Severin</td>
<td>6/71</td>
<td>4/37</td>
<td>1/18</td>
</tr>
<tr>
<td>Constanța</td>
<td>8/169 + 32/135=40/304</td>
<td>9/125</td>
<td>3/405</td>
</tr>
<tr>
<td>Covasna</td>
<td>1/69</td>
<td>1/216</td>
<td>1/44</td>
</tr>
<tr>
<td>Dambovița</td>
<td>-</td>
<td>5/152</td>
<td>1/40</td>
</tr>
<tr>
<td>Galați</td>
<td>70/568</td>
<td>40/93</td>
<td>3/14</td>
</tr>
<tr>
<td>Ialomîța</td>
<td>-</td>
<td>-</td>
<td>5/160</td>
</tr>
<tr>
<td>Iași</td>
<td>2/216</td>
<td>12/654</td>
<td>6/408</td>
</tr>
<tr>
<td>Mehedinții</td>
<td>1/1</td>
<td>17/1310</td>
<td>-</td>
</tr>
<tr>
<td>Olt</td>
<td>6/232</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prahova</td>
<td>41/2105</td>
<td>23/732</td>
<td>2/45</td>
</tr>
<tr>
<td>Teleorman</td>
<td>1/20</td>
<td>-</td>
<td>35/1365</td>
</tr>
<tr>
<td>Timiș</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tulcea</td>
<td>3/68</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vâlcea</td>
<td>-</td>
<td>1/90</td>
<td>1/44</td>
</tr>
<tr>
<td>Vrancea</td>
<td>-</td>
<td>5/415</td>
<td>18/110</td>
</tr>
<tr>
<td>Total</td>
<td>607/10577</td>
<td>487/16117</td>
<td>172/5090</td>
</tr>
</tbody>
</table>

Source: MRDPA\textsuperscript{59}

Because loans for seismic upgrades taken by owners while the work is handled by local authorities, the contractors sometimes do a poor job, leaving beneficiaries dissatisfied with the program. In some

\textsuperscript{58} http://www.mdrap.ro/constructii/siguranta-post-seism-a-cladirilor/programe-de-prevenire-a-riscului-seismic/-8247/-9738

\textsuperscript{59} Ibid.
vulnerable blocks, it would be more cost-effective to demolish the buildings entirely and build anew. It is imperative for the local authorities, together with the NHA, to facilitate this process.

The lack of available Necessity Housing during consolidation, or the fact that owners sometimes move into the Necessity Housing only after seismic upgrading work begins in their original units also hinders program implementation. In many cases, owners did not allow construction crew access to their units or requested supplementary upgrades to their apartments unrelated to the seismic work. Other problems include late signing of financing contracts, poor cooperation with HOAs, failure to meet deadlines for project execution without transparency or reporting and missing technical books.

Since the retrofitting work cannot be performed efficiently with tenants inside the units in question, the unit owners in buildings at seismic risk must be provided with residential units during consolidation. More Necessity Housing must be constructed, and other additional solutions for temporary relocation considered, to accommodate large numbers of households for large-scale seismic retrofitting. Special attention should be paid to elderly and disabled owners, most reluctant to enter the seismic retrofitting program. This can be done through more sustained awareness initiatives, and more flexible temporary resettlement options, such as, for example, rental vouchers to allow households to rent a dwelling that might be more suitable in terms of location or size than the Necessity Housing unit being offered by the government.

In case retrofitting costs are equivalent to those of a new construction and the house is not classified as a national heritage building, the possibility of demolition and reconstruction should be taken into account.

Last but not least, changing the legislation in order to penalize owners who are hampering such repairs may be necessary, since such buildings are also a public danger to others in their vicinity in the event of structural failure and collapse (most likely the case for Class I structures).

The major investment represented by seismic upgrades should be coordinated with other retrofitting initiatives (such as the insulated render application), so as to avoid the possibility of damaging or needing to redo one of the multiple interventions. Seismic retrofitting can be funded by the proposed National Housing Fund in the form of co-financing to either local authorities or the National Housing Agency if it were to take on an expanded seismic retrofitting program. Disbursement of funds through the NHF to seismic retrofitting and other upgrading programs would allow for interventions to be sequenced based on monitoring by a central funding body.

1.4.19 Rehabilitation of Blocks of Flats in Localities Situated in Disadvantaged Areas (by the National Company of Investments)

The National Company of Investments (CNI) is a self-funded stock company established in 2001, which operates under the MRDPA. CNI executes investment programs part of the "National Program for constructions of public or social interest", under which there are 10 sub-components including Rehabilitation of blocks of flats in localities situated in disadvantaged areas.

This aims to rehabilitate blocks of flats owned by individuals or legal entities that have serious deficiencies in the structure and thermal/hydro-insulation system. The sub-program is governed by Annex. 3 of GO no. 25/2001 on the establishment of the National Investment Company "CNI" - SA, approved with amendments by Law no. 117/2002, with subsequent amendments (including recent amendments introduced by the Ordinance 16/2014).
Even though the program was issued 14 years ago, so far only nine investment objectives have been implemented under the component related to rehabilitation of blocks of flats in localities situated in disadvantaged areas and there has been limited budget allocation. In 2011, works were finalized for 3 objectives in the declining mining area of Petril and Petroșani and another investment was finalized in 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (RON)</td>
<td>3,100,000</td>
<td>1,500,000</td>
<td>600,000</td>
</tr>
</tbody>
</table>

**Commentary:** Given the limited reach of this program and its overlap with other related programs, it is recommended to be discontinued.

### 1.4.20 Green House Program

**Description.** The Green House Program was initiated in 2009, being budgeted by the Environment Fund Administration and implemented by Environmental Protection Agency. EFA is the main institution that provides financial support for projects and programs for environmental protection, constituted according to the European principles, "polluter pays" and "producer responsibility". The EFA functions as a specialized body of the central public administration, with legal personality, under the coordination of the Ministry of Environment.

The program is based on ministerial order no. 950/2010, approving the program guidelines for heating systems based on renewable energy sources, including replacing or completing classic heating systems (so called Green House program). However, the guidelines have been updated on a yearly basis, based on new ministerial orders.

The purpose of the program is to improve the quality of air, water, and soil by reducing pollution caused by the burning of wood and fossil fuels, used to produce thermal energy for heating and production of domestic hot water. Thus, the aim is to stimulate use of systems using renewable clean energy with funding from the Environmental Fund for projects related to installation of heating systems using renewable energy and replacing or supplementing traditional heating systems.

Under the program, funds are awarded for installing solar panels (maximum of RON 6,000), heating pumps, and air conditioning (maximum of RON 8,000) and thermal plants based on pellets, briquettes, timber chips, any plant debris, agricultural, or forestry waste (maximum of RON 6,000). The program was implemented during the years of 2010, 2011 and 2014.

**Program budget and beneficiaries.** The program funding is ensured from the Environment Fund revenues. The amount allocated to each county is distributed according to the number of inhabitants and is published with the announcement of the opening session for submitting applications for funding, by Order of the President of the Environmental Fund Administration.

Redistribution of allocations can be made by order of the President. The program budget allocated for 2010 was RON 110 million.

*Note: An information request was sent to EFA and to EPA. No data was received.*

**Commentary.** It is recommended that this program be expanded to consider proposals to implement renewable energy systems for public buildings such as schools, hospitals, nurseries etc.
Interest in this program is high, with demand exceeding allocated budgets. In 2011, the number of applications was 43,000, but only 11,000 applicants received funding. Awards are made on a first come, first served principle, and many requests remain un-funded due to EFA budget limitations.

The program does not consider differences in wind and solar potential within the country. Whether a given region has high or low potential, or the applicant’s house is positioned in an area more or less favorable for the desired system, the program has constant criteria for all. In other words, there is a significant probability that many solar or wind systems will be installed in unsuitable places and work at low efficiency. Better results may thus be achieved by taking into consideration the specifics of the local conditions.

1.4.21 District Heating Program 2006-2015

Description. The District Heating Program 2006-2015 – Heat and Comfort – contains a specific component targeting the rehabilitation of centralized heating supply systems. This program was approved by GD 462/2006, with subsequent adjustments, and is implemented by the MRDPA.

Local authorities which own centralized heating supply systems can benefit from non-reimbursable co-financing of the projects if they meet the requirements of the regulation for the implementation of the program, approved by Ministerial Order 124/2012. The modernization works are aimed at:

- Significantly reducing energy costs for heating and hot water consumption for all consumers connected to centralized district heating systems by increasing their effectiveness and improved service quality;
- Reducing the consumption of primary energy resources by at least 1 million Gcal/ year (about 100,000 toe/ year), back to the consumption of primary energy resources registered in 2004;
- Achieving annual energy performance of the units of heating production of at least 80% and of at least 70% for the units that will use biomass, correlated with GD 219/2007 on the promotion of cogeneration based on useful heat demand;
- Reducing the technological losses in transport networks and heating distribution networks up to a maximum of 15%;
  - Harnessing the potential of local renewable resources to meet the demand of heating for the population and replacing or reducing expensive or deficient fuels;
  - Reducing both emissions in urban living areas generated by the use of individual and local heating sources as well as global pollution by reducing emissions of greenhouse gas emissions.

The works have contributed to increasing energy efficiency (through more efficient centralized generation, transport and distribution of thermal energy systems) market development of thermal energy, efficiency of thermal energy production in cogeneration, and the promotion of renewable energy resources.

Program budget and beneficiaries. The beneficiaries of this program consists of local authorities which own district heating systems or parts thereof. The program has received steady budget allocation with a total amount of RON 366,277,751 granted during the past 10 years. A total of 43 administrative territorial units benefited from co-financing under the program.
**Table 1.15 Budgets allocated for the District Heating Program**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated budget (RON)</td>
<td>103,633,100</td>
<td>43,449,000</td>
<td>54,012,000</td>
<td>42,812,000</td>
<td>39,460,000</td>
<td>33,371,000</td>
<td>49,540,651</td>
</tr>
</tbody>
</table>

Source: MRDPA

**Commentary.** It is recommended that this program be continued. Currently, there are serious challenges in the provision of affordable heat through old and inefficient district heating systems. The positive impact of improved heating systems can be maximized through concurrent thermal insulation in blocks-of-flats to reduce leakages. In other words, correlation is necessary among different thermal insulation investments with the upgrading of heating systems.

According to a recent Government Decision (in July 2015) the implementation period of government program "District Heating 2006 - 2015 - Heat and comfort" will be extended until 2020. The decision was made taking into account the necessary investments in infrastructure of heat production, transportation and distribution. It was also considered that, of the total amount of RON 2,120 billion originally planned by Government Decision no. 462/2006 for financing, only RON 420 million have been allocated so far. The remainder, approximately RON 1.7 billion, will be allocated to finance the program for the period 2015-2020.

**1.4.22 Rehabilitation of Heating Plants in Cities (SOP Environment)**

**Description.** This funding line was launched in 2007 and is part of the Sectoral Operational Program Environment, one of the several operational programs guiding spending of EU funds in Romania. SOP Environment, with all subsequent funding lines, is under the coordination of the Ministry of Environment, Water and Forests, and its eight Intermediary bodies, each responsible for one development region.

The rehabilitation of heating plants nests under Axis 3 on reduction of pollution and minimizing effects of climate change through rehabilitation of urban heating systems, for reaching energy efficiency targets in the identified priority areas.

Activities under this axis aim to reduce the negative impact on the environment and human health in the most polluted agglomerations due to obsolete heating systems. Interventions will be based on a local heating strategy in medium and long term. The main goal is the efficient use of non-renewable energy sources and, where possible, and the use of renewable energy and cleaner sources of energy for district heating systems.

Requests for disbursement were received on a rolling basis. Beneficiaries signed a financing contract with the SOP Managing Authority, and are obliged to finalize projects by 2015.

**Program budget and beneficiaries.** For all projects funded under Priority Axis 3, funding is provided for eligible expenses as follows: The maximum amount of funding for the total eligible costs of a project is 95% (composed of 36.01% from the Cohesion Fund and 58.99% from the state budget). The beneficiary will also cover, in addition to its contribution to the eligible costs (minimum 5%), the non-eligible expenses. The total budget allocation for this axis amounted to EUR 458 million, out of which the EU contribution was EUR 229 million.

A total of seven projects were approved for financing in Oradea (EUR 78 million), Bacău (EUR 63 million), Iași (EUR 61 million), Râmnicu Vâlcea - Govora (EUR 59 million), Timișoara (EUR 58 million),
For maximizing impact of such works, it is essential to correlate this program with the District Heating Program as well as with programs on thermal insulation of blocks-of-flats.

1.4.23 Heating Subsidies

The government, through the Ministry of Labor, Family, Social Protection and Elderly, offers subsidies for residential heating. Criteria for eligibility include low household income. The allocation criteria have evolved over recent years to include new criteria to narrow the targeting. The number of beneficiaries has thus decreased from 3.2 million in 2010 and 1.3 million people in 2011 to under 1 million in 2014 (estimated at approximately 900,000 beneficiaries). The subsidy varies roughly from EUR 10-50 per month, depending on income groups as well as the specific heating system (central heating, wood, coal, electric or natural gas).

1.4.24 Tax Incentives

The purchase of private houses within a certain price range is offered a tax subsidy in the form of 5% VAT payment (the regular VAT is 24%). This is was established by GEO 200/2008, which made an adjustment to the 2003 Fiscal Code to include, among other changes, a reduced VAT for houses purchased for less than EUR 86,000 (RON 380,000). This price includes the cost of the land parcel. The land must not exceed 250m², and the house area should be less than 120m² (including auxiliary buildings). This VAT reduction is targeted at single individuals or families that have not benefited previously from such a reduced VAT on a house purchase. Although data on this program is not available, it is clear that there is no income eligibility criteria. In other words, this program is a leakage of potentially substantial government revenue in the form of untargeted subsidies to individuals who do not necessarily need them. These funds should either be income-targeted, for instance to people earning below the median income. The additional revenue thus generated (from formerly “lost” VAT) could be allocated to other priority areas discussed in this report, including public housing and seismic retrofitting.

In addition, the reduced VAT applies also to housing units purchased by public authorities to be rented out or converted into social centers for different vulnerable groups (e.g. foster homes, homes for elderly or disabled people). However, tax incentives are rarely used at the local level. Property and land tax are set by clearly defined norms as per the Fiscal Code, allowing adjustment buffers to local authorities in so-called fiscal zones.

Other types of tax exemptions have been applied in several cities in Romania (Cluj-Napoca and Timișoara) to encourage green buildings. In Cluj-Napoca, for instance, individual owners of green buildings benefit from a 50% reduction in the local property tax, and private businesses or
establishments get a 25% reduction. The buildings must have specific green certification (BREEM, LEED, DGNB) for their owners to qualify for such exemptions.

1.5 Program review conclusions

1.5.1 Legal and institutional framework

The program portfolio for the housing sector in Romania has grown over the past two decades as new housing programs have been designed to address new needs. So too has the legal framework gradually evolved into an extensive and confusing array of laws and regulations. Housing for evicted tenants, for instance, is the object of five different normative acts.

The first and most important drawback of this complex system of laws is the absence of an underlying strategy on housing. Many of these laws were made to respond to narrow, specific needs, and these needs were often determined more by public pressure than by an accurate assessment of the situation. An overarching approach to housing is, hence, necessary to allow for better targeting of funds, to capitalize existing resources, and to coordinate among different stakeholders.

The existing legislation has also unintentionally created a complex typology of public housing, with the responsibility for each type fragmented across multiple agencies. Harmonizing all these sub-categories into a single pool of public housing is essential to better meet the demand for housing assistance. Legal reform can address this shortcoming by creating one body of public housing stock that can be allocated by public authorities to beneficiaries based on local needs and conditions.

The categorization of beneficiaries needs to be harmonized based on the existing and formally approved definition of ‘vulnerable groups’, as addressed by the national system of social assistance. Some laws, such as the law combating marginalization developed by the Ministry of Labor, already mandate local public interventions catering to housing needs based on beneficiaries identified and classified as per the social protection system.

The Housing Law defines the roles and obligations of different public authorities in the housing sector. In terms of central administration, several ministries currently manage different housing programs: The MRDPA coordinates the NHA; the Ministry of Environment deals with several energy efficiency for housing initiatives; the Ministry of Labor provides housing-related subsidies but also coordinates the poverty and social inclusion of Roma strategies (which both contain sets of measures on housing); the Ministry of Agriculture monitors land allocation for housing; and the Ministry of Finance oversees the First Home (Prima Casa) program. Coordination in this context is difficult and limited, and there are significant program overlaps, as well as inefficiencies in targeting assistance and in budget allocations.

Synergies are essential at both the policy and program implementation levels. At the policy level, land and property management is virtually absent. On one hand, local authorities face difficulties in allocating land for different housing programs or for restitution to the initial owners. And on the other, there are laws mandating that local councils report on existing public land reserves and allocate them to loosely defined beneficiaries who do not really need this government subsidy.

Local administrations are largely responsible for program implementation. However, while the attributions in terms of housing have gradually increased in line with the overall decentralization process, local authorities face challenges such as lack of funds and limited professional capacity or experience in designing and implementing housing programs.
1.5.2 Beneficiaries and program targeting

As discussed in detail earlier in this report, and also the accompanying Housing Sector report, the largest share of beneficiaries receiving public assistance in housing belong to the middle and lower-middle income groups. While current programs have realized significant benefits, budget allocations and institutional efforts need to be revised to: (i) Focus on the needs of lower income segments of the population who most need the assistance, (ii) serve as a ‘facilitator’ to make the housing sector more equitable and efficient, and (iii) leverage private sector resources to deliver housing that is accessible by the majority.

There is also a great deal of overlap across programs. Maintaining so many programs implies dispersed implementation capacity and competing interests for limited government resources. Furthermore, there are some national government housing programs that are only on paper, and have not been implemented for years since their conception. These not only block monetary commitments from the annual budget – funds that could have potentially been used for something more productive – but also discredit the government’s ability to deliver.

The absence of comprehensive database or a system to monitor housing needs and expenditures on housing is a major problem that needs to be addressed – this will help inform public expenditure in housing an efficient and equitable manner. Up-to-date data, disaggregated to a meaningful level, is a prerequisite for timely and better-coordinated funding support at the central and local levels. Increased awareness of needs also allows for preventive rather than reactionary measures, which is much more cost-effective (e.g. to prevent tenants evicted from privatized housing from becoming homeless, or casualties caused by the collapse of unsafe structures in the event of an earthquake).

1.5.3 Overall remarks

While significant progress has been made in the housing sector as a result of public investments, better coordination and program prioritization is necessary to better target and maximize the potential of limited public resources to achieve the end-goals. Simplifying the institutional setting by ensuring that a reduced number of stakeholders coordinate more closely, consolidating overlapping programs, better targeting funds to low-income beneficiaries, and introducing a proper monitoring system of needs and public expenditure on housing will help leverage funds, institutions, and existing programs to benefit those most in need.
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PART B: PROGRAM PROPOSALS, PRIORITIZATION, AND ACTION PLAN
II. MECHANISMS FOR PROGRAM SELECTION AND PRIORITIZATION

Prioritization decisions regarding the expenditure of public money are based on two main considerations: (i) scarcity of resources, and (ii) alignment with clearly set policy objectives. Prioritization is necessary to ensure the best use of existing budgets and capacity to address the most pressing needs. The consideration of scarce resources implies that investments must be made in the most efficient way in order to minimize financial leakage, while alignment with policy objectives requires an underlying strategic vision to determine the importance of issues and how they are addressed by existing and proposed programs.

In some cases, efficiencies might be achieved by merging or linking different initiatives: Building synergies and self-enforcing effects to enhance impact while reducing transaction costs—for example, creating a single instrument for building and managing public rental housing rather than maintaining several distinct programs, each with their distinct implementation requirements. In other cases, questioning the relevance or effectiveness of some types of activities in relation to the overarching policy objectives may reveal alternatives that provide better value for money—for example, renovating and adapting unused existing buildings to attract a strong and capable workforce to shrinking cities, which is a cheaper option than building new housing.

An overarching strategic framework can help guide such prioritization decisions by setting forth concrete objectives and targets in the housing sector. Such a strategic framework would allow for municipalities to create housing plans based that best use existing assets, and help smaller mayoralties integrate housing into their local development strategies. Funds disbursed to housing programs also need to be monitored in order to track the impact, and devise necessary changes to program design or implementation, as necessary. All programs should be accompanied by clear operational guidelines in order to systematize investments in accordance with strategic goals and hold implementing authorities accountable for their responsibilities.

Based on the program review in this report, Section 2.1 examines overarching mechanisms for program prioritization and section 2.2 provides a series of conclusions and recommendations for expanding, redesigning or discontinuing a number of the current housing programs in Romania.

Overarching mechanisms for program prioritization

2.1.1 National Housing Strategy

Prioritizing programs is only possible based on a strategic framework with clearly stated goals. A National Housing Strategy would provide this framework for substantiating budgetary decisions and legal/institutional reforms. It would also mobilize political will and institutional capacity and resources towards realigning policy and programs to better reflect the assumed overarching goals.

2.1.2 Local housing plans

Municipalities would also benefit from an assessment of housing needs based on objectives outlined in a strategic framework, and draft housing plans based on a National Housing Strategy. Such housing plans would outline a better framework for asset management including clear identification of existing public housing stock or other buildings that could be converted into housing and land reserves where
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2.1 Overarching mechanisms for program prioritization

2.1.1 National Housing Strategy

Prioritizing programs is only possible based on a strategic framework with clearly stated goals. A National Housing Strategy would provide this framework for substantiating budgetary decisions and legal/institutional reforms. It would also mobilize political will and institutional capacity and resources towards realigning policy and programs to better reflect the assumed overarching goals.

2.1.2 Local housing plans

Municipalities would also benefit from an assessment of housing needs based on objectives outlined in a strategic framework, and draft housing plans based on a National Housing Strategy. Such housing plans would outline a better framework for asset management including clear identification of existing public housing stock or other buildings that could be converted into housing and land reserves where
housing development could be incentivized or supported. Mayoralities that face housing challenges of a less complex nature may be encouraged to integrate housing as a “pillar” in their local development strategies.

### 2.1.3 Enhanced data infrastructure

Monitoring the expenditure of funds towards housing programs is another essential prerequisite of better prioritization. The current institutional setting and data infrastructure does not allow for data collection and processing on public housing investments in Romania, which impedes impact assessment, and the efficient and equitable use of public resources. Prioritization decisions have to be informed by lessons learned from current and past investments. Without a proper monitoring and reporting system, such information remains unknown and funds and resources are disbursed in an uninformed manner.

### 2.1.4 Operational guidelines

Clear operational guidelines, including transparent allocation criteria, as well as output and outcome indicators for each housing program implemented, promote better practices and prioritization. Local authorities would thus request funding in support of clearly set targets that they wish to achieve and would remain responsible and accountable on how the funds were spent and the outcome of the disbursements. Unfortunately, most of the governmental programs implemented so far do not have clear operational guidelines in terms of specific targets and transparency. Moreover, many housing investments are based not on a specific program design but rather on specific legal provisions. For instance, there is in fact no real “land lots for youth” program, but only a law issued in 2003 which made such land allocations possible. This example, which is not singular in the housing initiatives presented in section 1, represents a certain *modus operandi* whereby local authorities prioritize and take action not based on strategic or programmatic processes which prioritize needs, but rather simply because the law offers or allows certain loopholes and opportunities.

### 2.2 Principles for program prioritization

While program prioritization would be ultimately based on a National Housing Strategy, this section outlines basic principles for program prioritization grounded on the key findings presented in the accompanying Housing Sector report.

As discussed above, program prioritization must be based on the consideration of scarce resources and alignment with clearly set policy objectives. This can be done by:

1. Ensuring investments are made in the most efficient manner; and
2. Creating an underlying strategic vision to determine the importance of issues and how they may be addressed by program.

The sections below address these two considerations based on the principles outlined in the main report.

#### 2.2.1 Efficient investments

Investments can be made most efficiently by finding already existing assets that might be used as part of a program and by reducing the number of steps in the value chain covered by public expenditure. For instance, programs aimed at the construction of new housing for youth, professionals, or those evicted due to restitution might instead channel funds towards rehabilitating or refurbishing existing
public buildings. This would eliminate the need for local authorities to allocate land reserves and significantly reduce the public expenditure associated with new public housing developments.

Efficient investments also entail leveraging private sector support in public programs. For instance, public-private partnerships and Development Agreements can help attract and steer public investments into projects or programs that contribute to the objectives of the forthcoming National Housing Strategy.

### 2.2.2 Strategic vision

The core tenet of National Housing Strategy should be to target public assistance to those most in need as defined by income or vulnerability. More specifically, public investments should be targeted first at the poorest households in the 20th income percentile and lower, and then at households from the 21st to the 50th income percentiles. Without public assistance the poorest households will not be able to participate in the economy whatsoever, and the contribution of other low income households will be greatly diminished.

Moreover, the underlying strategic vision must outline the types of interventions most appropriate at different income levels. For instance, the poorest households might need purely public assistance, other low income households might be targeted with a mix of public and private investments (e.g. affordable housing built by the private sector according to Development Agreements), while middle income households might require soft assistance in the form of affordable mortgages and tax breaks.

At the same time, it is critical to make the market work better. Subsidy programs, however well designed and well-targeted, cannot work effectively in a dysfunctional housing market where the vast majority of the population (including middle income households) cannot afford adequate, decent, and safe housing. In such a situation, the subsidies intended for the poor inevitably get “hijacked” by the middle income segment. Here, the role of government as a “facilitator” of a well-functioning housing market – while effectively targeting scarce public resources to the poor – cannot be overstated. This involves a proactive role of the government in creating the right environment through appropriate incentives and tools for the private sector to play its role in housing delivery more effectively.

As illustrated in Figure 2.1, a basic principle of the Strategy should be to aim for a ‘functional’ housing market, in which:

- The public sector plays a key role in providing direct housing assistance to the poorest and most vulnerable groups;
- The public sector actively intervenes in specific themes or sectors facing market failure or negative externalities;
- The public sector creates incentives to change behavior and leverage private investments for affordable housing through “assisted” market solutions; and
- The private sector predominantly serves the housing needs of middle and upper income groups.
III. PROPOSALS FOR NEW HOUSING INITIATIVES/PROGRAMS AND THEIR PRIORITIZATION

The following sections draws on the main conclusions of the program review in chapter 1 and the prioritization principles outlined in chapter 2. It suggests some new programs, together with the discontinuation of several current programs considered ineffective. Each section starts with a summary table of the existing programs in the area, and proposed actions to reform the existing program, or discontinue it, or introduce a new program altogether.

Each proposed program is then discussed in more detail, in terms of its underlying Rationale and the Recommended Action Steps or Projects that need to be taken to establish these programs in their envisioned form. These Action Steps are described in sequential order, with a clear indication of the potential beneficiaries, the underlying institutional responsibility for carrying out the Actions, and the potential sources of financing.

FINANCING

Financing for housing: National Housing Fund

Existing programs

Recommended Action Steps / Projects

None

Establish a National Housing Fund.

Proposed programs

Recommended Action Steps / Projects

National Housing Fund.

Consolidate the various financing channels for the housing sector under one umbrella institution— for better coordination and transparency.

Develop design and (Draft) Operations Manual for the NHF

Establish distinct institutional entity with transitional team to oversee and run NHF

Identify pilot projects and allocate ‘seed money’

Conduct feasibility studies of pilot projects, and implement them

Capitalize and operationalize the Fund, scale up operations

3.1.1 Rationale

A potential solution to some of Romania’s blockages in the production and maintenance of adequate housing could be the establishment of a dedicated National Housing Fund (NHF). The Fund would be a centralized source of government support for developing the affordable housing market through targeted financial support. The Fund would consist of several specific funding windows accessible by both private and public sectors. The overall objective of the Fund is to increase the availability of good quality, energy efficient, affordable housing. This could be for rental housing, or for affordable homeownership, or for improvement of residential buildings or neighborhood. The Fund would support both new housing and rehabilitation of the existing housing stock.
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FINANCING

3.1 Financing for housing: National Housing Fund

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Action Steps / Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Establish a National Housing Fund.</td>
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</table>

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<tr>
<th>Proposed programs</th>
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The Fund would need to be managed at the national level, but would have a strong regional presence also as the key link with local authorities that serve as the main delivery point for social housing at present. Some windows under the proposed Fund would be run as national schemes; others would be run as local schemes under local authorities or administered through private banks serving as financial intermediaries for these housing finance products. Local authorities might also provide a contribution or co-financing (<10%), with the bulk of the financing coming from the Fund.

Key features of the fund would be:

- **Integrated revenue streams:** These could include dedicated revenues such as an automatic allocation of either real estate taxes, a share of property transfer taxes, an income specific income tax, or a dedicated tax on goods (such as cement). In addition, it would act as a basket for funds from annual budget allocations from central government, EU funds (under the ROP), other donor funds, and potentially some local government contributions. Other revenue streams could also be considered to provide a solid platform to enable long term investing into housing.\(^60\)

- **A single and autonomous administrative platform** – The Fund would have multiple windows covering a number of public interventions in the housing market (see Figure 3.1), which include:
  - Co-financing for local authorities/ NHA to undertake seismic retrofitting
  - Co-financing to local authorities, HOAs and individuals for improvement of old and/or historic houses and neighborhoods
  - Co-financing for HOAs and individuals for building/ home improvement
  - Co-financing for local authorities to construct/ improve public housing (social, necessity)
  - Co-financing for local authorities and district heating providers to improve energy efficiency in district heating systems as well as housing
  - Loan guarantees/ partial grants for lower income home-buyers and renters
  - Grants/ subsidies for the poor for home improvement, construction or rental.

These different instruments will help finance the various programs in the priority areas described after this section (section 3.2 through 3.9).

Advantages of such fund would be:

- **Efficient administration** – Point of central focus on housing bringing together inter-disciplinary housing inputs (finance, infrastructure, land, transport etc.), and unified administration creating a single point of contact for working with local authorities.

- **Sustained involvement in the housing sector** – Would provide long term investment through a stable vehicle which, in turn, will help other stakeholders formulate longer term plans and investment plans.

- **Source of finance for local governments** - Would provide a clear linkage between local and central government which, at the moment, is lacking in terms of the delivery of affordable housing.

- **Expand affordable housing** - Increased focus on affordable housing solutions – both public and private – which for many low-income families may be the only option.

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Housing in Romania: Program Prioritization and Projects

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- Expand affordable housing
  - Increased focus on affordable housing solutions – both public and private – which for many low-income families may be the only option.

Funding sources would need to be secured and tested during the pilot phase.

Figure 3.1 Proposed National Housing Fund
The NHF will have a social function and, as such, will require public funds. However, if it is to successfully develop a multi-year long-term investment strategy for housing, it needs independence from the political process and stable funding sources. A major objective of such a fund would be that current, poorly-targeted and highly expensive subsidies would be retargeted to encourage the greatest output for public expenditures. That is, the expenditures would be designed to leverage other resources — e.g., beneficiary contributions and private finance — as well as minimize the government taking on responsibilities and/or risks in ways in which it does not have comparative advantage.

The types of revenue streams that could be considered include:

- Direct budget allocation
- Funding from international bodies (e.g. EU, World Bank)
- A proportion of property transfer taxes and local real estate taxes
- Bond issuance by the fund based on guaranteed income stream from rental properties
- Revenues from public assets (e.g. rents on publicly owned property)
- Guarantee fees

Dedicated tax on goods such as cement or other construction materials where any negative impact from higher prices would be offset by increased business volumes.

### 3.1.1 Recommended Action Steps/ Projects

#### 3.1.1.1 Develop design and (Draft) Operations Manual for the NHF

A comprehensive design would guide the establishment, operationalization, and piloting of the Fund, as well as setting the basis for creating a Draft Operational Manual for the Fund. The Draft Operations Manual would spell out the operational procedures, ensuring that they are compliant with the financial governance policies of the financing entities. Such a design would encompass all facets of the Fund, specifically:

- **Inflow of funds**: Identification of all the potential sources of financing/ capitalizing the fund, including funds redirected from other programs, and include financial commitments for at least the first 3-4 years of the Fund’s operations.

- **Products under each window**: Products would range from tax incentives for private developers to co-financing to individual homeowners, local authorities, and HOAs, to grants, and loan guarantees.

- **Sources of financing**: As discussed above, sources of financing would be mainly State budget allocations and EU funds, a proportion of property taxes, bond issuance, revenues from public assets, etc. That said, there might be challenges in combining funding from State sources with EU funds, as the two have distinct monitoring and accountability requirements. The conditioning of contracts might be explored in this regard to ensure appropriate sequencing of activities and integrate, as part of the eligibility assessment, criteria for accessing complementary funding lines. As an example, a beneficiary could undertake thermal insulation works with EU funds only after structural consolidation/ seismic retrofitting works funded by the NHF have been implemented.

- **Beneficiaries**: Eligible beneficiaries would have to be identified for each product offered under each financing window. These would include individual homeowners, renters, HOAs, local authorities, private developers, utility companies, etc. Eligibility criteria would be developed based on income criteria, vulnerability status, geographic location (e.g. buildings within historic zones), and housing typology (e.g. old structures, historic structures, dwellings in slums).

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61 Currently local real estate taxes are low and not well-collected. This may remain as a potential future source of funds for the NHF.
zones), and housing typology (e.g. old structures, historic structures, dwellings in slums). Beneficiary criteria would also be linked to the sequencing of interventions, for instance requiring that a beneficiary undertake structural consolidation/seismic retrofitting works before accessing financing for thermal insulation.

- Co-financing: Depending on the financing window and beneficiaries, co-financing mechanisms will need to be specified, including the proportion of co-financing depending on the status, location, and nature of beneficiaries. For instance, HOAs might receive different levels of co-financing from the NHF depending on the condition of their buildings, while individual homeowners likewise might receive varying degrees of co-financing and grants depending on income and vulnerability status.

- Phasing and timetables: This would include provisions for the selection of a transitional team to run the pilot phase of the Fund, as well as a detailed timeline for the capitalization and operationalization of the Fund.

- Administrative purview: Critical in the design of the Fund is the specification of administrative purview, which should be under the Office of the Prime Minister with heavy technical dependence on the MRDPA in coordination with the NHA. The Fund itself would be managed by an independent entity at the national level, as specified below.

- Management: The Fund would be managed by an independent entity at the national level that would be tasked with implementing policy through the Fund’s programs. As such, the Fund would not be managed by the NHA or any other pre-existing body.

- Harmonization of procedures: Key to the Fund’s purpose is the strategic coordination of financing on a range of interventions in the housing sector. The Fund’s design should take this into account by prescribing specific sequencing requirements for different interventions and financing windows. For instance, thermal insulation works financed by the Fund can be required to take place only after seismic expertise and any necessary retrofitting works have been undertaken. Such conditionality might be set either through eligibility criteria or contracting provisions.

- Monitoring mechanisms: At present, the housing program portfolio suffers from a lack of data infrastructure allowing for informed policy decisions. The Fund’s centralized platform for financing interventions in the housing sector would come with monitoring mechanisms both at the central level and also at each financing window in order to develop sufficient data infrastructure to make informed policy decisions on existing and potential future housing programs.

3.1.1.2 Establish distinct institutional entity with transitional team to oversee and run NHF

Placing the NHF under the office of the Prime Minister may better position the Fund to guide and coordinate inter-ministerial work. Notwithstanding, the NHF will need to draw from the technical expertise and capacity of the MRDPA. While the Fund would be managed at the national level by a distinct institutional entity with a transitional team, it is envisaged as having a strong regional presence to interface with local authorities that are currently the main delivery point for social housing.

The NHF unit and transitional team must be endowed with adequate administrative capacity in terms of both human resources and functional budgets (for training, adequate premises etc.). Capacity is also conditioned by political will and engagement in decision-making processes that affect the functioning of the unit – endorsement of the unit’s actions, budget approvals, facilitating inter-institutional cooperation, etc. The transitional team, consisting of a combination of civil servants and consultants, would be tasked with (i) identifying and securing financing for the Fund, (ii) liaising with stakeholders and beneficiaries to ensure proper capacity to receive co-financing and other financing instruments from the Fund for project implementation (iii) implementing pilot projects. The transitional team would also receive technical assistance in competences related to capitalizing, operationalizing and running the Fund.
The role of National Housing Agency with respect to the Fund would not be to manage the Fund, but rather to direct policy, provide technical support to local authorities for structuring deals and transactions with the private sector stakeholders, and provide technical oversight and assistance to local authorities for seismic retrofitting and informal settlement upgrading. The Fund would then provide the financing, as necessary. The Fund itself would not be involved in PPP transactions as such. If the Prima Casa scheme continues, it could work in parallel with some of the initiatives under this Fund.

The functioning of the NHF should be linked to the National Centre for Human Settlements (HABITAT), the inter-ministerial structure operating under the authority of the Prime Minister (the secretariat is held by the MDRPA). HABITAT’s main tasks are the elaboration of the national housing strategy and implementation of housing policies (according to GD no. 711/2001 with subsequent amendments).

Revisions to the existing Housing Law must include provisions for the establishment of the NHF as well as a distinct institutional entity to manage and oversee the Fund. In addition to detailing the role of the Fund in co-financing housing programs, the sources of funding, and approved allocation of funding, the New Housing Law would contain provisions for the management of the NHF.

3.1.1.3 Identify pilot projects and allocate ‘seed money’

The first task of the transitional team would be to identify ‘seed money’ from the State budget to implement several pilot projects from each of the proposed programs listed in sections 3.2 through 3.7. The transitional team would be tasked with identifying the pilot project pipeline. Pilot projects can be selected to test the mechanics of the Fund (as outlined in the Draft Operational Manual). The pilot projects can be selected in part for their impact and visibility so that the Fund can be publicized as an option for financing for local authorities and other stakeholders. Selection of the pilots could also be based on other criteria that include co-financing/ contributions from local authorities, implementation capacity, etc. (Prioritization and selection of pilots can also be a means for phasing the Fund – for example, the Fund could start off with 2-4 windows, and slowly expand its operations to cover more windows after it is fully operational, say, over the first 3-5 years of operations).

3.1.1.4 Conduct feasibility studies of pilot projects, and implement them

The pilot projects would be implemented prior to the full capitalization and operationalization of the Fund, described below. Prior to implementation, a technical and financial feasibility study of the pilot projects would ensure that the different financing windows are properly funded through various sources and that relevant stakeholders (local authorities, HOAs, homeowners, etc.) are in place and have the capacity to initiate pilot projects. The feasibility study would also gauge degrees of interest in co-financing and other financing products from the Fund on the part of various potential beneficiaries in order to better target pilot project implementation. The study would suggest where funds might best be allocated based on need as well as impact and specify thematic and technical areas for strengthened data infrastructure in order to refine Fund operations moving forward.

The transitional team would be responsible for establishing communication channels for financing beneficiaries for the pilot projects in order to build beneficiary capacity, ensure proper monitoring and data collection, and coordinate implementation.

3.1.1.5 Capitalize and operationalize the Fund, scale up operations

In parallel with pilot project implementation, additional capital would need to be identified and committed to the Fund for its full operationalization beyond the pilot stage. A pipeline of projects for the next 3-5 years will also need to be identified. Upon completion of the pilots, and based on the experience, the Operational Manual for the Fund will be finalized. The Fund would then be made fully
REHABILITATION OF OLD BUILDINGS AND NEIGHBORHOODS

3.2 Program for Seismic Risk Mitigation in Residential Buildings

<table>
<thead>
<tr>
<th>Existing</th>
<th>Recommended Action Steps / Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seismic retrofitting program</td>
<td>To be discontinued. Introduce the new program suggested below (Program for Seismic Risk Mitigation in Residential Buildings)</td>
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</table>

<table>
<thead>
<tr>
<th>Proposed</th>
<th>Recommended Actions Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for Seismic Risk Mitigation in Residential Buildings</td>
<td>Provide technical assistance to develop Strategy/Plan for Seismic Risk Mitigation in Residential Buildings</td>
</tr>
<tr>
<td></td>
<td>Raise awareness among local administrations and private owners in relation to seismic risk</td>
</tr>
<tr>
<td></td>
<td>Create a national inventory of seismically vulnerable housing stock</td>
</tr>
<tr>
<td></td>
<td>Develop feasibility studies and technical designs for retrofitting works</td>
</tr>
<tr>
<td></td>
<td>Develop options for transitional housing (necessity housing, housing vouchers)</td>
</tr>
<tr>
<td></td>
<td>Implement retrofitting works</td>
</tr>
</tbody>
</table>

3.2.1 Program Rationale

Seismic retrofitting requires top prioritization and increased budget allocation. The current program should be revised to utilize a portfolio of types of interventions, based on identified typologies (e.g. buildings with heritage value located in premium locations, block of flats hosting numerous families, etc.).

Priority under this program should be given to the 2,022 buildings already on the list with technical expertise that are classified in urgent categories, according to seismic standard P100-92 and 607 buildings (10,577 units) in Class I seismic risk, according to data published by MRDPA in 2008. In addition to consolidation works, the program can also allow for updating of the seismic risk assessment for all cities located in earthquake-prone areas, Bucharest included.

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62 Romania is periodically subject to destructive earthquakes. The seismic hazard of Romania is caused by Vrancea intermediate depth earthquakes in the South-East of the country. They affect with high intensities approximately 50% of the national territory. The total area influenced by Vrancea earthquakes is approximately 300,000 km², with over 25 million people living in affected areas (Emil-Sever, Georgescu, “Earthquake Protection of Built Environment in Romania,” 2002).

63 http://www.mdrap.ro/constructii/siguranta-post-seism-a-cladirilor/programe-de-prevenire-a-riscului-seismic/-8247/-9738
Prioritization of funding should be based on the urgency of the planned intervention as well as the risk to the public in the case of an earthquake. However, works should be based on feasibility studies, including a cost-benefit analysis (where appropriate, for non-heritage buildings), in order to assess whether demolition and redevelopment would be more cost-effective. Once works are commenced, the local authority must ensure strict quality control.

An essential component of such a program is public communication and awareness. Many residents, including private agents (e.g., shop-owners) are not aware of the risk they are exposed to while they work or live in structurally unsound buildings. Vulnerable groups, such as the elderly, disabled or low-income households are most reluctant to enter into such a program, given the inconvenience of temporary relocation. It is therefore essential to highlight that such buildings are a risk for their residents and for the public, thus justifying more prompt and coercive action from authorities.

At the same time, the transitional housing provided to households needs to be convenient and safe. Residents may be provided with rental housing during consolidation – with a choice between necessity housing or rental vouchers for the private rental market, both of which would require a certain contribution of rental costs from tenant households above a certain income threshold; lower income households would receive full financial support.

This program is particularly sensitive because residents receiving funding under the program might be of different income groups who would not otherwise receive public support. This issue must be considered in program design and can be addressed by proper cost-sharing mechanisms (the wealthier a household, the more its contribution to retrofitting works and the less subsidy it receives in the form of a rental voucher).

Also, in many cases, such buildings are located in prime locations of the city and, after consolidation works, may have a significant real estate value. As such, the potential market appreciation of these properties might sway households’ decisions in favor of retrofitting with a cost-share element (described in more detail in the accompanying Housing Sector report) – especially when a substantial share of the cost is being borne by the government. The government’s share of co-financing for seismic retrofitting activities could come from Window 3 of the proposed National Housing Fund (see Figure 2.2). Private developers could also be incentivized – especially in the case of historic buildings or in historic neighborhoods – to contribute with funds if, for instance, consolidation and redevelopment allows for adding extra housing units/ floor space or will lead to appreciation in property value that could generate profits.

It should also be noted that seismic risk affects all types of settlements in Romania, be they rural or urban, albeit in various degrees. Seismic risk mitigation through government programs and campaigns should cater to the largest group of those that might be affected. The high degree of informality as a result of improvised/ informal housing construction, use of inadequate construction materials or techniques, and disregard for proper technical construction designs expose a large number of dwellers to considerable risk. Window 9 under the proposed National Housing Fund (see Figure 2.2) designed to support individual housing construction or upgrading may help those most in need both through financial support as well as technical guidance to build more sustainable and structurally sound housing, and also to make structural improvements to their existing houses.

The Program for seismic risk mitigation in residential buildings can be accompanied by bank instruments offering loan guarantees or interest-free loans for households and HOAs to cover their monetary contribution (a small portion of the total cost) for seismic retrofitting works.
Last but not least, changing the legislation in order to prevent residents from living in dangerous structures and to penalize owners who are hampering such repairs will be necessary, since such buildings are also a public danger to others in their vicinity in the event of structural failure and collapse (most likely the case for Class I structures).

### 3.2.2 Recommended Action Steps/Projects

#### 3.2.2.1 Provide technical assistance to develop Strategy/Plan for Seismic Risk Mitigation in Residential Buildings

First and foremost, a plan needs to be developed for seismic risk mitigation in residential buildings. This plan would outline a range of interventions that could be used under different scenarios – such a plan would provide clear guidance to national and local governments on:

- The process for raising awareness among local administrations and private owners in relation to seismic risk;
- Creating a national and local inventory of risky residential buildings;
- Identifying and suggesting retrofitting interventions and approaches based on different scenarios and typologies - for example, historic/ non-historic buildings, severity of risk (cost-benefit analysis to determine whether to retrofit versus demolish/ rebuild) etc.;
- Detailing the participatory process to be used to engage with resident communities (to create awareness and ease the process of relocation);
- Elaborating on budgetary requirements, phasing, prioritization, sequencing, and institutional roles and responsibilities, etc.

Technical assistance can be provided at the local level, to enable local authorities to develop plans for seismic risk mitigation in their areas of jurisdiction, together with the financing requirements and a phased implementation plan. The technical assistance would:

- Provide methodological and financial support to local councils for undertaking inventories of residential buildings affected by seismic risk;
- Provide communication kits to local councils for raising the awareness of homeowners whose property is under seismic risk;
- Identify typologies of residential buildings and design tailored support programs of seismic retrofitting to be implemented by local councils with support from the MRDPA;
- Best practice exchange: Organize study tours or bring in foreign public sector representatives or experts with experience in seismic retrofitting programs.

**Beneficiaries.** Potential partners and beneficiaries in preparing such plans and strategies as well as providing technical assistance could include the NHA, the State Inspectorate for Construction, the Emergency State Inspectorate, Federations of HOAs, Association of Municipalities and/or city halls of towns located in seismic risk areas.

**Institutional responsibility.** The national level Plan/ Strategy will need to be developed at the national level, by MRDPA, with technical inputs from NHA. This overall strategy will guide the development of local level plans, which would be the responsibility of the local authorities, with guidance from the NHA.

**Financing.** Potential financing for this training and capacity building component can come from Operational Program “Administrative Capacity” (OPAC), specifically Thematic Objective 5: Promoting climate change adaptation, risk prevention and management, which will strengthen the risk management capacity of public administrations, mainly through regulations and procedures of
Even if the large majority of citizens in a multifamily building at seismic risk recognize the danger, a relatively few number of owners in the building can block retrofitting works due to the lack of consensus and reluctance of individuals to apply for subsidized loans or move to temporary housing. In light of this, communication regarding the risk to personal safety would be a critical part of the Program. Communication channels for seismic risk awareness can include media outlets and official information sources on seismic risk.

**Beneficiaries.** Potential beneficiaries of a campaign to raise awareness of seismic risk would be local administrations, HOAs, and private owners living in buildings classified in Class I seismic risk.

**Institutional responsibility.** The MRDPA will be responsible for developing such a communication strategy.

**Financing.** Potential financing for this training and capacity building component from Operational Program “Administrative Capacity” (OPAC), specifically Thematic Objective 5.

3.2.2.3 **Create a national inventory of seismically vulnerable housing stock**

A national inventory of vulnerable housing stock can be decentralized for each county in order to provide local authorities with the information needed to make retrofitting investment decisions on particular seismically risky buildings using funding from the proposed NHF. Not all residential buildings subject to seismic risk have been submitted for a technical expertise. The current technical expertise was based on three criteria: (i) Year of construction, (ii) number of floors, and (iii) the availability of tenants to provide information and allow experts access to the housing units. It is therefore possible that a large number of buildings at risk have not benefited from the technical expertise. In addition, the seismic risk standard has been amended, and buildings that were previously in a lower risk class might now be in a higher class.

**Beneficiaries.** Potential beneficiaries can include private owners, HOAs, and public owners of risky structures.

**Institutional responsibility.** The local authority will be responsible for the management of and action on such technical expertise of risky buildings in their respective municipalities.

**Financing.** The estimated budget for such a national inventory is EUR 100,000. Potential financing can come from local budgets (Bucharest municipality can play an important role in this respect since the number of buildings posing public danger is greater than 350 in the city).

3.2.2.4 **Develop feasibility studies and technical designs for retrofitting works**

Feasibility studies and technical designs would be prepared on a building-by-building basis and would address the retrofitting works to be conducted by local authorities to be conducted in batches of structures.

**Beneficiaries.** Potential beneficiaries would be private and public owners of risky buildings as well as HOAs.
**Institutional responsibility.** The local authority together with the NHA will be responsible for the overseeing these technical studies to ensure adequate quality control.

**Financing.** The estimated budget for this activity is EUR 2,500,000. Potentially funding would come from the State budget and local budgets.

### 3.2.2.5 Develop options for transitional housing (necessity housing, housing vouchers)

The urgent need for seismic retrofitting will require a plan to ensure that residents are temporarily moved out of dangerous buildings into transitional shelter. This shelter will need to be provided by the state. Since it will take some years to build up an adequate stock of public housing that can be used for this purpose (Necessity Housing), other alternatives may be considered in the interim: The government might consider offering other more flexible incentives to households to vacate the premises so that improvements can be undertaken - for example, rental vouchers for displaced households, with special assistance focused on the poorest and more vulnerable groups. In the absence of adequate necessity housing, the housing voucher should ideally be offered to all residents – this will be a major incentive for them to move. However, it should be designed as a progressive subsidy -- for example, those earning below the median income could get a voucher equivalent to 100% of the standardized market rent; those in the 50-75 income percentile could get a voucher equivalent to 50% of the standardized market rent; and those in the top 25 income percentile could get a voucher equivalent to 25% of standardized market rent. (Note: These are illustrative figures and the income brackets; the corresponding subsidy amounts may be changed to reflect a more linear progressive subsidy.)

The construction of new necessity housing could be executed through PPPs, Development Agreements, and BOT agreements between private sector developers and local authorities. Such projects can be partially subsidized by tax incentives financed by the proposed NHF. Necessity housing would be constructed as public rental housing under the ‘Program for Increasing the Stock of Public Housing’ (see section 3.6). Modifications to the legal framework will be needed to unify such types of public housing into one pool to be allocated to those most in need (including households displaced due to seismic retrofitting works).

**Beneficiaries.** Potential beneficiaries would be private and public owners of risky buildings as well as HOAs.

**Institutional responsibility.** The NHA will be responsible for constructing additional necessity housing and for offering technical assistance to local authorities in structuring PPPs, DAs, and BOTs for the construction of public housing. The NHA will coordinate with local authorities to offer rental vouchers.

**Financing.** The budget for the rental voucher program could eventually be funded from the proposed National Housing Fund, allowing for budget monitoring and harmonization with other components of the Program for seismic risk mitigation in residential buildings. Local authorities would administer the vouchers. Until the operationalization of the proposed National Housing Fund, rental vouchers could be financed by State budget contributions. Necessity housing (public housing) should be financed from Window 7 of the National Housing Fund.
3.2.2.6 Implement retrofitting works

Once the buildings are vacated, they will need to be retrofitted, or demolished and reconstructed – based on a thorough technical analysis. Financing for such retrofitting should come largely from the government, with a small-co-financing element from the resident households, depending on their income levels and the class of risk of the building in question. From 80% to 90% of the total cost of retrofitting for Class I structures would be co-financed by public expenditures, while lesser public co-financing would be offered in the case of Class II, III, and IV buildings. Again, as in the case of housing vouchers, the subsidy should be progressive – for example, owner contributions from Class 1 buildings could constitute 10-20% of the total retrofitting cost, and the cost burden split proportionately across all home-owners. However, very importantly, care should be taken to ensure that this does not impose a disproportionate housing burden on poor households living in these buildings. To this effect, contribution amounts from poor households should be supplemented with grants: For example for households in the 0-30 income percentile, the contribution amount should not exceed 10% of household income, and any money owed in excess of this amount should be supplemented with a grant from the Housing Fund (under window 9). Similarly, for those in the 30-50 income percentile, the contribution should not exceed 15% of HH income; anything above and beyond should be supplemented through a grant. Households earning above the median income may be expected to pay their fair share in full, without any subsidy element on their share of the contributions. This type of progressive subsidy will ensure that all owners contribute their share of the cost of retrofitting, and at the same time, target special financial assistance who need it most.

Part of the resident household’s contribution could take the form of an interest-free loan (as is the case under the current seismic retrofitting program), provided through a window in the proposed National Housing Fund. Loan guarantees from the NHF can also be provided to HOAs to borrow from commercial banks to cover their contributions to retrofitting costs. For properties with commercial or other monetary potential, the private sector may be encouraged to participate through incentives such as tax breaks etc. The construction of additional public housing (to be used as Necessity Housing), –free loan (as is the case under the current seismic retrofitting program), provided through a window in the proposed National Housing Fund. Loan guarantees from the NHF can also be provided to HOAs to undertake such large-scale improvements, possibly over phases, and special vouchers, the subsidy should be progressive – for example, owner contributions from Class 1 buildings could constitute 10-20% of the total retrofitting cost, and the cost burden split proportionately across all home-owners. However, very importantly, care should be taken to ensure that this does not impose a disproportionate housing burden on poor households living in these buildings. To this effect, contribution amounts from poor households should be supplemented with grants: For example for households in the 0-30 income percentile, the contribution amount should not exceed 10% of household income, and any money owed in excess of this amount should be supplemented with a grant from the Housing Fund (under window 9). Similarly, for those in the 30-50 income percentile, the contribution should not exceed 15% of HH income; anything above and beyond should be supplemented through a grant. Households earning above the median income may be expected to pay their fair share in full, without any subsidy element on their share of the contributions. This type of progressive subsidy will ensure that all owners contribute their share of the cost of retrofitting, and at the same time, target special financial assistance who need it most.

Beneficiaries. Potential beneficiaries would be private and public owners of risky buildings as well as HOAs.

Institutional responsibility. The local authority together with the NHA will be responsible for implementation of retrofitting works.

Financing. Potential funding for such retrofitting works would eventually come from Window 3 of the proposed NHF (see Figure 2.2) and channeled through the NHA and/or the local authorities. Until the operationalization of the NHF retrofitting investments would come from a blend of local budget, State budget, and EU funds if made available, with a contribution from HOAs.
3.3 Program for Capital Improvements in Multifamily Residential Buildings

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Introduce Program for Capital Improvements in Multi-family Residential Buildings</td>
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<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Actions Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for Capital Improvements in Multifamily Residential Buildings</td>
<td>Raise public awareness of legal framework regarding building maintenance</td>
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<tr>
<td></td>
<td>Establish a technical assistance unit to build capacity of HOAs and relevant public authorities</td>
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<tr>
<td></td>
<td>Create local housing needs assessments and local housing plans aimed at multifamily building capital improvement investments</td>
</tr>
<tr>
<td></td>
<td>Create portfolio of interventions based on multifamily building typology</td>
</tr>
<tr>
<td></td>
<td>Implement capital improvement works</td>
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</tbody>
</table>

3.3.1 Rationale

A large number of blocks-of-flats built during the Communist period face serious problems due to the absence of management, the deteriorating quality of the buildings and the utility networks, and the concentration of low-income and vulnerable populations (e.g. the elderly). Often the lack of interventions at the level of the individual unit lead to problems for the entire building - for example, physical degradation of the building and devaluation of the property, and particularly in buildings with a high concentration of poor people, or a mix of households from various income levels where getting consent and contributions from the homeowners for maintenance is often a challenging task.

Home Owners Associations (HOAs), legally mandated to maintain and manage these buildings, either have limited technical or financial capacity to carry out their functions, or lack the sense of responsibility to carry out these maintenance and improvement activities. The latter is attributed to the legacy of pre-reform centralized planning, followed by an incomplete privatization process that did not factor in the tools necessary for the adequate management or maintenance of these buildings. This dependency on the state is evident even today, and most HOAs lack the awareness or the sense of ownership to carry out their responsibilities for management and maintenance. An example is the thermo-insulation program, which is rather “top-down” in the way it is being implemented, both in terms of financing and decision-making. So, rather than incentivizing and mobilizing HOAs to take responsibility for their own affairs, it may be unintentionally further entrenching the false sense of dependency on the state.

There is a need to assist homeowners with ‘comprehensive’ modernization of multi-apartment buildings including thermal insulation of walls, roofs, doors/windows, common areas, improvement of district heating systems, building services upgrades, structural/ cosmetic repairs, metering installation – not only thermal insulation, as is currently being practiced. This will improve efficacy of building performance and will also reduce the chance of individual, piecemeal upgrades that are inefficient and expensive. Technical assistance and financing should come from the proposed National Housing Fund to HOAs to undertake such large-scale improvements, possibly over phases, and special allowances/ grants to low income households to do the same. The draft for the EU-funded ROP 2014-2020 stipulates that structural strengthening work will be implemented, if necessary, along with thermal insulation work. Although the applicant guide is not yet drafted and exact details of funding...
splits are not known yet, this is expected to be a step in the right direction. Inclusion of common areas and maintenance facilitation would improve efficiencies even further.

The proposed Program for Capital Improvements in Multifamily Residential Buildings seeks to increase homeowners’ capacity – both financial and technical – to appropriately manage and maintain housing. This program should ideally complement existing thermal insulation investments and the proposed program for seismic risk mitigation (e.g. improvement of common spaces and equipment in a sequenced manner with other large-scale building retrofitting and rehabilitation).

Prioritization should be offered to HOAs that:
- Are scheduled for thermal insulation works with capital improvements to be conducted before EE works are implemented
- Show a good track record in administration of funds
- Have significant share of social cases (households with low income or different vulnerable groups)

### 3.3.2 Recommended Action Steps/ Projects

#### 3.3.2.1 Raise public awareness of legal framework regarding building maintenance

While the Housing Law outlines the responsibility of HOAs to maintain and manage their buildings, the provisions of this law and resulting responsibilities need to be disseminated more widely to encourage a culture of joint ownership and responsibility of common areas in deteriorating buildings. A public awareness campaign can help disseminate information on the social and financial benefits to homeowners represented by capital improvements and maintenance of common areas, such as increased property value and healthy social environment. This could be conducted through media outlets and official channels at both central and decentralized levels.

Such a campaign should also create a means of communication and interaction between governmental actors (namely the MRDPA) and HOAs to identify and define new legal and programmatic modifications required to support housing initiatives with regard to collective housing units. Moreover, the public awareness campaign could work with a set of city halls to (i) expand coverage of HOAs to collective housing units and (ii) conduct communication campaigns to homeowners to provide information on the benefits and responsibilities associated with membership in a HOA.

**Beneficiaries.** Potential beneficiaries would include HOAs, Associations of HOAs, and private homeowners.

**Institutional responsibility:** The MRDPA and local authorities would be responsible for conveying relevant information to other stakeholders, including HOAs and residents of multifamily buildings.

**Financing.** Potential funding for this activity can come from the State and local budgets as well as the Operational Program “Administrative Capacity” (OPAC).

#### 3.3.2.2 Establish a technical assistance unit to build capacity of HOAs and relevant public authorities

- A small training and technical assistance unit can be established with decentralized branches that makes its services available free of charge to associations of HOAs and HOAs themselves. The technical assistance unit could also provide guidelines to mayoralties on how to organize internal structures/ personnel working with HOAs, create management and monitoring tools, create needs assessments and local housing plans, and organize study visits abroad or host foreign
organizations to share experience on working with HOAs. Moreover, such a unit would:
Advise on routine maintenance procedures and prudent financial management regarding
maintenance;
- Advise on matters arising from major maintenance needs, including: prioritizing repairs, obtaining
finance for repairs, and obtaining suitable professionals for management and repairs of buildings;
- Advise on matters pertaining directly to the Program for Capital Improvements in Multifamily
Residential Buildings such as how to prioritize needs, apply for co-financing under the program,
manage a capital improvement project, and repay any debt accrued as part of the improvement
works; and
- Provide a quick dispute resolution service.

Beneficiaries. Potential beneficiaries include HOAs and associations of HOAs, the Association of
Municipalities, the Association of Towns and Communes, and city halls.

Institutional responsibility. MDRPA, together with the local authorities, would be responsible for
establishing the TA unit and providing the technical assistance services.

Financing. Such a TA unit would be funded by the Operational Program “Administrative Capacity”
(OPAC) as well as State and local budgets in an equitable manner depending on the location and
beneficiaries of any particular unit office.

3.3.2.3 Create local housing needs assessments and local housing plans aimed at multifamily
building capital improvement investments

Interventions and funding as part of the Program for Capital Improvements in Multifamily Residential
Buildings would be guided by local needs assessments and local housing plans. Local needs
assessments would determine the extent of housing stock deterioration and the types of interventions
necessary, taking into account past investments in MFBs from energy efficiency programs. Local
housing plans would outline necessary interventions to be taken in terms of capital improvements
planned for the stock of MFBs, taking into consideration future interventions under the energy
efficiency programs and the Program for Seismic Risk Mitigation in Residential Buildings.

Local councils might require technical assistance to conduct needs assessments and prepare the
required strategic documents. Such technical assistance would include elaborating and disseminating
guidelines on how to undertake local housing needs assessments and draft housing plans,
implementing select pilot projects to support a set of city halls to elaborate housing plans, and design
local programs for housing, etc. Such technical assistance could be provided by the technical
assistance unit described above in section 3.3.2.2.

Beneficiaries. Beneficiaries of local needs assessments and housing plans would be local authorities.
The technical assistance providers for the preparation of needs assessments and housing plans would
be the Association of Municipalities, the Federation of HOAs, and NGOs involved in the field of housing
and planning.

Institutional responsibility. The responsibility for delivering this function would lie with the local
authorities, with guidance from the MRDPA.

Financing. Housing plans and needs assessments would need to be funded by the State and local
budgets.
3.3.2.4 Create portfolio of interventions based on multifamily building typology
A portfolio of capital improvement interventions on the stock of MFBs would streamline the implementation of the program based on standard interventions, and allow for accurate budgeting and oversight. Such a portfolio of interventions would be in part based on housing needs assessments in different localities, which would specify MFB typologies and deficiencies to be addressed by capital improvements.

Beneficiaries. Potential ultimate beneficiaries of this activity include HOAs and associations of HOAs.

Institutional responsibility. The local authorities would be responsible for delivering this function, with assistance from MRDPA.

Financing. This activity would be funded by State and local budgets.

3.3.2.5 Implement capital improvement works
Frequently HOAs do not have sufficient capacity to take loans, create tender specifications, select appropriate contractors, etc. However, a potential benefit of HOAs being in charge of payment to project contractors is that they naturally feel more ownership over the work, and are therefore more likely to be attentive to its quality. A way to address the current imbalance of power (which currently rests with the local authority) in the implementation of thermal insulation projects is to continue to arrange the tendering and financing (repaid over 5-10 years by the HOA) while giving the HOAs much more of a visible input into the selection of contractors and the approval of the works. This arrangement ensures that the contractors will respect the HOA’s opinion since it is a determinant of the contractors being paid.

Co-financing covering 50-80% of the cost of repairs may be given to HOAs that meet certain eligibility criteria, and this could be done from Window 4 under the proposed NHF. The contribution of the HOA (20-50% of cost of repairs) may come from cash reserves of the HOA, if available, or through a loan from a commercial bank which is guaranteed by the NHF. Additional grants may be given to the poor households – also through the NHF, under Window 9 – for example, those earning below the median income, to ensure that their cost burden for housing and all utilities combined does not exceed 30-40% of the monthly income.

Beneficiaries. The beneficiaries of the co-financing element under this program (from Window 4 of the proposed NHF) would be the HOAs and unit owners. Lower income households who are homeowners may also benefit from a grant component (from Window 9 of the NHF) if they qualify under the income eligibility criteria.

Institutional responsibility. Local authorities, with some support from NHA, will be responsible for collecting and processing applications for co-financing, and accordingly requesting funds from the NHF, and ensuring quality control. However, HOAs should be responsible for decision-making in terms of the types of improvements to be undertaken, and for supervising construction, etc.

Financing. Such improvements would be financed by the NHF (Windows 4 and 9, for the co-financing and grant components, respectively). During the period that the NHF is being operationalized, funding for these improvements could come from state and local budgets as well as ROP funds, as applicable.
### 3.4 Program for the Rehabilitation of Privately Owned Historic Dwellings

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Actions Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Façade restoration</td>
<td>Co-opt local spending on façade restoration into the proposed Program for Rehabilitation of Historic Residential Dwellings</td>
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</tbody>
</table>

*Not a program itself, but supported by access to credit guarantees for façades restoration, as per Law 153/2011.

<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Actions Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for the Rehabilitation of Historic Residential Dwellings</td>
<td>Provide technical assistance to homeowners and HOAs to improve privately owned historic dwellings and buildings</td>
</tr>
<tr>
<td></td>
<td>Provide technical assistance to relevant public authorities</td>
</tr>
<tr>
<td></td>
<td>Create local housing needs assessments specifically for historic buildings</td>
</tr>
<tr>
<td></td>
<td>Implement historic rehabilitation works</td>
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</table>

#### 3.4.1 Rationale

Acknowledging the complex nature of restoration works on historical buildings, a new program for the Rehabilitation of Privately Owned Historic Dwellings would require a significant budget allocation. Co-financing for rehabilitation of historic dwellings could be provided by the proposed National Housing Fund (under Window 4) to homeowners and HOAs. Such a program would in many ways mirror the Program for Capital Improvements in Multifamily Residential Buildings, but also extend to single family dwellings of historic significance. In the interim while the NHF is being operationalized, financing could be provided from the current ROP as well as from State and local budgets.

Additional financing can come from local budget allocations currently dedicated towards façade restoration. Public support for façade restoration is possible based on the provision of Law 153/2011 for improving architectural quality, with subsequent amendments introduced in 2013. Article 14 of the Law provides that the MRDPA could allocate funding for façade restoration of buildings situated in conservation areas or in the protection perimeters of World Heritage Monuments.

Funding prioritization can be targeted to rehabilitation of historic buildings based on:
- The capacity and willingness of the owner/ HOA to implement rehabilitation works
- The location of the historic structure in regard to the potential for stimulating economic activity (e.g. as part of a historic district).

#### 3.4.2 Recommended Action Steps/ Projects

**3.4.2.1 Provide technical assistance to homeowners and HOAs to improve privately owned historic dwellings and buildings**

There is a need to provide technical assistance to owners and HOAs of historic residential buildings/dwellings. Such technical assistance would encompass direction on how to apply for co-financing from the NHF under Window 4 (see Figure 1), as well as how to implement projects and pay back loans, as necessary. This technical assistance can be provided from the TA unit established under the Program for Capital Improvements in Multi-family Residential Buildings with guidelines in the case of this program provided by the Ministry of Culture.
Beneficiaries. The beneficiaries of the technical assistance would be HOAs, Associations of HOAs, and owners of private historic dwellings and buildings.

Institutional Responsibility. MRDPA, with support from the Ministry of Culture together with the local authorities, would be responsible for providing the technical assistance services.

Financing. Such technical assistance could be financed by a combination of State and local funds.

3.4.2.2 Provide technical assistance to relevant public authorities

Technical assistance needs to be provided to relevant public authorities such as mayoralities, to assist in conducting housing needs assessments and creating local housing plans. Such technical assistance could include:
- Guidelines for drafting inventories of historic buildings that can be targeted by the Program for the Rehabilitation of Privately Owned Historic Dwellings.
- Support a set of city halls to elaborate local housing plans
- Best practice exchange: Organize study visits or bring in foreign local public sector representatives or experts with experience in conducting needs assessments and creating housing plans catering to historic buildings.

Beneficiaries. Potential partners and beneficiaries of such technical assistance would include the Association of Municipalities, City Halls, and local authorities.

Institutional Responsibility. The MRDPA would oversee such technical assistance

Financing. Such technical assistance could be funded by the Operational Program “Administrative Capacity” (OPAC) along with contributions from the State and local budgets.

3.4.2.3 Create local housing needs assessments specifically for historic buildings

Interventions and funding as part of the Program for Rehabilitation of Privately Owned Historic Dwellings would be guided by local needs assessments and local housing plans, which should also include the number and specific needs of historic dwellings, the types of interventions necessary, and the spatial distribution of such buildings in historic neighborhoods. The local housing plans would accordingly outline necessary rehabilitation interventions to be undertaken, factoring in the effects of such interventions on historic neighborhoods (describe next under section 3.5) as a whole in coordination with the Program for Rehabilitation of Historic Neighborhoods.

Beneficiaries. Beneficiaries of local needs assessments and housing plans would be local authorities.

Institutional responsibility. The responsibility for delivering this function would lie with the local authorities, with guidance from the MRDPA.

Financing. Such technical assistance could be financed by a combination of State and local funds.

3.4.2.4 Implement historic rehabilitation works

Co-financing can be provided to HOAs or individuals undertaking rehabilitation works on historic dwellings or buildings. The co-financing would make such rehabilitation possible, as otherwise the cost burden is prohibitive for an individual, household, or HOA to take on independently. The level of co-financing would be determined by income criteria, with grants offered to poor households unable to afford monthly contributions to the cost of rehabilitation works.
Beneficiaries. The beneficiaries of the co-financing element under this program (from Window 4 of the proposed NHF) would be the HOAs and unit owners. Lower income households who are homeowners may also benefit from a grant component (from Window 9 of the NHF – See Figure 2.2) if they qualify under the income eligibility criteria.

Institutional responsibility. Local authorities, with some support from NHA, will be responsible for collecting and processing applications for co-financing, and accordingly requesting funds from the NHF, and ensuring quality control. However, HOAs should be responsible for decision-making in terms of the types of improvements to be undertaken, and for supervising construction etc.

Financing. Such improvements would be financed by the NHF (Windows 4 and 9, for the co-financing and grant components, respectively – see Figure 2.2). During the period that the NHF is being operationalized, funding for these improvements could come from state and local budgets as well as ROP funds, as applicable.

3.5 Program for Rehabilitation of Historic Residential Neighborhoods

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Actions Steps/ Projects</th>
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<tbody>
<tr>
<td>None</td>
<td>Introduce Program for the Rehabilitation of Historic Residential Neighborhoods</td>
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<table>
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<tr>
<th>Proposed programs</th>
<th>Recommended Actions Steps/ Projects</th>
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<tbody>
<tr>
<td>Program for the Rehabilitation of Historic Neighborhoods</td>
<td>Provide technical assistance to local authorities to improve historic neighborhoods</td>
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<tr>
<td></td>
<td>Create historic neighborhood plans</td>
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<td></td>
<td>Implement rehabilitation works</td>
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3.5.1 Rationale

The current legal framework only provides local authorities with planning instruments designed to protect historical neighborhoods.\(^{64}\) No consistent funding for integrated historical neighborhood upgrading has been allocated to date, though some authorities have used funding available under the previous ROP (2007-2014) to finance some upgrading works.

A specially designated program is much needed to support an integrated set of measures including infrastructure upgrading, façade restoration, and building consolidations in historic neighborhoods. Local authorities could be allocated co-financing through Window 6 under the proposed National Housing Fund (see Figure 2.2) to undertake such works. Before the operationalization of the NHF, financing could be provided by the current ROP.

Funding prioritization should target historical neighborhoods based on:
- Scale of deprivation: Lack of basic utilities which affects residents and considerably diminishes interest for private investments in the area
- Number of residents affected
- Heritage value: Number of Class A and Class B monuments, overall architectural style coherence, etc.

\(^{64}\) Such areas, whether in central or peripheral parts of the city, should be the incorporated in a specific zonal urban plan that enforces specific regulations for preservation.
3.5.2 Recommended Action Steps/Projects

3.5.2.1 Provide technical assistance to local authorities to improve historic neighborhoods

Technical assistance can be provided to local authorities undertaking historic neighborhood plans. Such technical assistance can include:

- Elaborating and disseminating guidelines on how to create historic neighborhood plans
- Pilot projects: Supporting a set of city halls to elaborate historic neighborhood plans and design interventions
- Best practice exchange: Organizing study visits or bring in foreign local public sector representatives or experts with experience in drafting and implementing historic neighborhood plans

Beneficiaries. The beneficiaries of such technical assistance would be the Association of Mayoralties, local authorities, and city halls.

Institutional Responsibility. MDRPA, together with the local authorities, would be responsible for providing the technical assistance services.

Financing. Such technical assistance could be financed by the Operational Program “Administrative Capacity” (OPAC) and a combination of State and local funds.

3.5.2.2 Develop historic neighborhood plans

Local authorities need to create historic neighborhood plans based on sound technical assistance and consideration of local needs and current conditions in historic neighborhoods. Historic neighborhood plans can take into account past and future interventions from other programs and initiatives (e.g. Program for Seismic Risk Mitigation in Residential Buildings, Program for the Rehabilitation of Privately Owned Historic Dwellings) to harmonize investments across different interventions and provide for the most effective and equitable expenditure of public resources.

Beneficiaries. Beneficiaries of historic neighborhood plans would be local authorities.

Institutional responsibility. The responsibility for delivering this function would lie with the local authorities, with guidance from NHA and MRDPA.

Financing. The drafting of historic neighborhood plans could be financed by a combination of State and local funds.

3.5.2.3 Implement rehabilitation works

Rehabilitation works in historic neighborhoods can include rehabilitation of infrastructure (drainage, roads, sidewalks, lighting, etc.) as well as façade restoration. Before the operationalization of the proposed NHF, creditworthy local authorities could take loans from banks to implement rehabilitation works or be allocated financing from a mix of State and local funds. Under the NHF, co-financing would be provided through Window 6 to local authorities for the improvement of old and historic neighborhoods. Private sector involvement may also be leveraged in the rehabilitation and redevelopment of historic buildings, though public infrastructure would remain the responsibility of the local authority.

Beneficiaries. The ultimate beneficiaries of the co-financing element under this program (from Window 6 of the proposed NHF - see Figure 2.2) would be those inhabiting and working in old and
historical neighborhoods as well as HOAs. Local authorities would also benefit from the improvement of these areas through an increased tax based resulting from an appreciation of the property values. Lower income households who are homeowners may also benefit from a grant component when homeowner contributions are required as part of neighborhood rehabilitation works (from Window 9 of the NHF - see Figure 2.2) if they qualify under the income eligibility criteria.

**Institutional responsibility.** Local authorities, with some support from NHA, will be responsible for projects under this Program for the Rehabilitation of Historic Residential Neighborhoods.

**Financing.** Such improvements would be financed by the NHF (Windows 6 and 9, for the co-financing and grant components, respectively - see Figure 2.2). During the period that the NHF is being operationalized, funding for these improvements could come from state and local budgets as well as ROP funds, as applicable.

## PUBLIC HOUSING ASSISTANCE

### 3.6 Program for Increasing the Stock of Public Housing

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Actions Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Housing with Private Capital</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Housing for Resident Physicians</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Support for Young People Living in Rural Areas</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Rebirth of the Romanian Village</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Housing for Evicted Tenants</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Social Housing for Roma</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Youth Housing Program</td>
<td>To be discontinued</td>
</tr>
<tr>
<td></td>
<td>To be discontinued and existing youth housing converted into ‘public’ housing stock (to be used based on local need, with a preference for “social” and “necessity” uses)</td>
</tr>
<tr>
<td>Social Housing</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Necessity Housing</td>
<td>To be discontinued</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for Increasing Public Housing Stock (through adaptive reuse and new construction)</td>
<td>Provide technical assistance to local authorities to create inventories of public assets to inform the development of Asset Management Strategies</td>
</tr>
<tr>
<td></td>
<td>Conduct local housing needs assessment</td>
</tr>
<tr>
<td></td>
<td>Create public Asset Management Strategies</td>
</tr>
<tr>
<td></td>
<td>Implement rehabilitation of public buildings for conversion to public rental housing</td>
</tr>
<tr>
<td></td>
<td>Construct new public rental housing</td>
</tr>
</tbody>
</table>

**3.6.1 Rationale**

The programs currently implemented to increase the stock of social rental housing include the Youth Housing Program, Social housing, Rebirth of the Romanian Village, Housing for Resident Physicians,
Social Housing for the Roma Community, as well as housing developed according to the provisions of different laws (Necessity Housing and Housing for Evicted Tenants).

While targeted to different beneficiaries and employing different implementation mechanisms, the overall objective of such programs is similar: Public provision of social housing for those who cannot afford housing on the private market. Despite the shared objective, these programs compete for funding from a common pool of limited public funds. Some programs allow for the sale of public rental housing to sitting tenants, removing rental stock from the already limited pool. Also, the management of the resulting housing stock is inflexible and limited because units are tied to a specific setting and use – for example, youth housing cannot be used as social housing and vice versa.

As discussed in more detail in Section 1.4, it is recommended that the youth housing program and others specified in the table above be discontinued and replaced by the Program for Increasing the Stock of Public Housing that aims to expand the public housing stock through adaptive reuse of existing public buildings/ assets, and the construction of new public housing through private sector involvement.

Importantly, legal reform would be required to develop a unified classification for public rental housing; this would allow social housing units to be allocated to those most in need based on local circumstances. For instance, public rental units could be allocated to households relocated from seismically risky structures and, following the completion of seismic retrofitting works, the same units could be allocated to social cases.

The Social Housing Survey carried out in 2014 with local authorities revealed that city halls own residential buildings that are currently uninhabited (e.g. former nationalized housing which have not been filed for restitution, former workers blocks, etc.). A better use of existing resources, both tangible assets as well as budgetary allocations, may be achieved by introducing a specific program for supporting adaptive re-use of such buildings to be used as public rental housing. This stock of public housing could then be used to address specific local needs – for example, as ‘social’ or necessity use, or to accommodate special target groups for whom government housing assistance might be considered necessary, due to need or as an incentive).

The program funding can be a shared responsibility between the local and central governments, with transparent co-funding shares from contributing parties. Co-funding to local authorities can also be provided by the proposed National Housing Fund. Eligible categories of works must be carefully defined to ensure that targeted building are adequately improved for residential use.

**Funding prioritization criteria.** The program should set territorial and beneficiary eligibility criteria considering regional differences in terms of public rental housing needs, existing buildings to be rehabilitated as part of this program, as well as the available local budgetary resources for housing. Given the government co-funding of this program and the national commitments made by the government in different national strategies in support of vulnerable groups, the program may include national quotas for allocation to specific target groups while the remaining units would be allocated based on local criteria and needs. Prioritization criteria for participation in this program can include:

- Cities with growth potential, where such rental housing may represent an initial incentive for labor mobility within the country
- Small and medium cities with significant rental public housing stock or other public buildings, currently unused due to degradation and lack of maintenance
- Cities under seismic risk which require increased public housing stock to be used as necessity housing
- Dynamic rural communities, with potential to develop economic functions, etc.
The share of local co-funding could be differentiated, based on government priorities and local budgetary capacities. The central government participation should be higher where local co-funding capacity is limited.

**Beneficiary allocation criteria.** The stock of public rental housing, whether it be newly constructed or a result of adaptive reuse should be administered and allocated based on common local rules and criteria determined by local housing needs while complying with national quotas. The public housing stock could be rented to a number of priority groups:

- Vulnerable groups. The definition of vulnerable groups found in legislation on social assistance and housing can be harmonized (see below)
- Necessity housing, based on seismic risk (or other natural hazards) for temporary relocation.
- Professional categories needed in various localities who are difficult to attract/ retain and whose income level does not allow rental on the free markets (for units used as service housing)

The eligibility criteria for social housing should use categories of vulnerable people identified both by the social assistance law as well as other eligible categories set by complementary laws (e.g. war veterans, revolutionaries etc.). For more effective implementation of legal provisions on improving the living conditions of vulnerable groups, the housing legislation should be harmonized with social assistance legislation.

In case there are too few requests for public housing from beneficiaries in the national priority groups, the local councils may be allowed to redistribute housing units to other groups of beneficiaries relevant for the local context. It is highly recommended that the subsidy attached to the rent, in all cases, be calculated based on the income level of the beneficiary, and designed such that the local authority receives the funds necessary to maintain the public housing stock.

### 3.6.2 Recommended Action Steps/ Projects

#### 3.6.2.1 Provide technical assistance to local authorities to create inventories of public assets to inform the development of Asset Management Strategies

Technical assistance can be provided to local authorities developing inventories, strategies and plans for the creative reuse of public assets for public rental housing. The strategies would address both the creative reuse of existing public structures and also the potential use of public land for the construction of social rental housing or social housing considered for the Program for the new construction of social rental housing). Such technical assistance should be coordinated with technical assistance to local authorities for all the programs discussed above pertaining to the rehabilitation of old and historic structures and neighborhoods discussed above. The technical assistance would include:

- Guidelines for drafting inventories of public assets (buildings and land) that could be targeted by the Program for the adaptive reuse of existing public buildings as public rental housing or for the construction of new public housing.
- Provide training to city halls on the development of public Asset Management Strategies
- Best practice exchange: Organize study visits or bring in foreign experts with experience in public asset management.

**Beneficiaries.** Beneficiaries of the technical assistance would be local authorities.

**Institutional responsibility.** MDRPA, together with NHA, would be responsible for providing the technical assistance services.
Financing. Such technical assistance could be financed by a combination of State and local funds, as well as EU funds guided through the Operational Program “Administrative Capacity” (OPAC).

3.6.2.2 Conduct local housing needs assessment
Local councils might require technical assistance to conduct housing needs assessments to evaluate the demand for social housing by locality in relation to the supply, and to identify the prevailing gaps in the public assistance programs. Such a needs assessment would also take into account households’ income in order to determine the degree of public subsidies needed and prepare the necessary strategy documents. Technical assistance would include elaborating and disseminating guidelines on how to undertake local housing needs assessments, and perhaps piloting several assessments before scaling them up to a national scale.

Beneficiaries. The beneficiaries of the needs assessments would be the local authorities and the MRDPA (who will consolidate all the assessments from local authorities at the national level, and use this information to guide and inform policy/strategy in the housing sector).

Institutional responsibility. Local authorities will be responsible for carrying out the housing needs assessments, with TA support from the MRDPA and NHA.

Financing. Such technical assistance could be financed by a combination of State and local funds, as well as EU funds under the Operational Program “Administrative Capacity” (OPAC).

3.6.2.3 Create public Asset Management Strategies
The inventory of relevant public assets and local needs assessment for public housing would serve as the basis for the creation of public Asset Management Strategies at the local and central levels. The strategy would outline the prioritization of conversion/refurbishment/reuse/rehabilitation/new construction of public housing, and identify opportunities for PPPs where private investments may be leveraged. Specifically, the elements of the strategy dealing with public buildings would serve the Program for the adaptive reuse of existing public buildings for social rental housing, while the elements of the strategy dealing with public land would serve the Program for new construction of social rental housing.

More specifically, a public Asset Management Strategy would align the need for public housing with the available public assets in terms of buildings, land, and budget allocations, taking into consideration the different ways resources might be leveraged through private sector investments. The management strategies would be informed by sustainable planning principles (for example, inclusive, mixed use, mixed-income developments) in order to avoid creating public housing “ghettos” or isolating vulnerable groups.

Beneficiaries. The beneficiaries of local public Asset Management Strategies would be the local authorities, while the central public Asset Management Strategy would serve the MRDPA.

Institutional responsibility. Local authorities would be responsible for developing their own local Asset Management Strategies, with some guidance and support from MDRPA and NHA. MRDPA will be responsible for developing a similar strategy at the national level – which would essentially be a consolidation of all the local level strategies as well as strategize the efficient use of national government assets.
**Financing.** Creation of Asset Management Strategies would be financed by a combination of State and local budgets. Related technical assistance would be financed by a combination of State and local budgets as well as EU funds under the Operational Program “Administrative Capacity” (OPAC).

3.6.2.4 **Implement rehabilitation of public buildings for conversion to public rental housing**

The adaptive reuse of public buildings as social housing would take place on a case-by-case basis, determined by the particularities of each building depending on its location in relation to various local plans (e.g. historic neighborhood plans), the level of rehabilitation needed to meet residential standards, the potential to leverage private sector investments in rehabilitation works, etc.

The local authority would first determine if the public building would be rehabilitated by the public administration or through the involvement of the private sector. Public-private partnerships such as DAs or BOTs might be employed to involve private developers in rehabilitating public buildings and either adding floors/ space for market-rate private units or renting out rehabilitated units as privately-owned social housing with a public rental subsidy (e.g. rental voucher).

Co-financing for rehabilitation and/or refurbishment would be allocated to local authorities from Window 7 of the NHF, specifying precise quotas (weights) and eligible expenses for each party. Until the establishment of the NHF, co-financing would be allocated through from both local and State budgets.

**Beneficiaries.** The beneficiaries of the co-financing element under this program (from Window 7 of the proposed NHF - see Figure 2.2) would be the local authorities, who will own these public housing units. The ultimate beneficiaries will be the end-users, who will benefit from better living conditions, and the much needed government assistance for housing.

**Institutional responsibility.** Local authorities, with support from MRDPA and NHA, will be responsible for projects under this Program for Increasing the Stock of Public Housing.

**Financing.** Such improvements would be financed by the NHF (Window 7 - see Figure 2.2). During the period that the NHF is being operationalized, funding for these improvements could come from State and local budgets.

3.6.2.5 **Construct new public rental housing**

The construction of new public rental housing could be implemented in a number of ways, ranging from a publicly constructed, publicly owned social rental development on public land, to a privately owned, privately constructed rental development on private land created as part of a PPP such as a Development Agreement. In order to best allocate limited public assets in terms of budget and land, it is recommended that PPPs be employed to construct social rental housing.

Such PPPs could take the form of Development Agreements by which the local authority negotiates a contract with a private developer to construct social rental housing. In this case, public expenditure could encompass rental subsidies for tenants of privately owned social housing, the provision of trunk infrastructure or public land for such a development, or tax credits to private developers for construction of social rental housing. A BOT agreement would entail a private developer building social rental housing, managing the units for a period of time (e.g. 30 years), and then transferring ownership to the local authority. In this case, public expenditure could encompass the provision of trunk infrastructure, public land provision, and tax credits for the development of the social rental housing, and then subsidized rents after the units are transferred to public ownership. In the case of PPPs,
financing for the construction of new public rental housing would come in part from the private sector, and partially from local authorities in the form of public land and trunk infrastructure provision.

The legal framework might need to be modified to allow for the implementation of Development Agreements, which take the form of a contract between a local authority and a private developer mandating that a certain amount of affordable or social housing be constructed. Such a program would require little public investment while encouraging the production of affordable housing. Such a program would leverage public funds to encourage private investment to produce new affordable housing.

Window 7 under the NHF would offer co-financing and/or loan guarantees to local authorities to raise finances to construct new public housing, based on certain eligibility criteria and local need (determined through a needs assessment/feasibility analysis). Window 1 under the proposed NHF (see Figure 2.2) would also offer tax credits to private developers undertaking construction of ‘market-based affordable housing’ and ‘social housing’ – discussed more under section 3.8.

**Beneficiaries.** The beneficiaries of the co-financing element under this program (from Window 7 of the proposed NHF - see Figure 2.2) would be the local authorities, who will own these public housing units. The ultimate beneficiaries will be the end-users, who will benefit from better living conditions, and the much needed government assistance for housing.

**Institutional responsibility.** Local authorities, with support from MRDPA and NHA, will be responsible for projects under the Program for Increasing the Stock of Public Housing. Local authorities are also responsible for leveraging private investments for the construction of public housing, to the extent possible.

**Financing.** Such improvements would be financed by the NHF (Window 7 - see Figure 2.2). During the period that the NHF is being operationalized, funding for these improvements could come from state and local budgets.

### 3.7 Program for Rental Housing Vouchers

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Introduce new program for Rental Housing Vouchers (for private housing)</td>
</tr>
</tbody>
</table>

**Proposed programs**

<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for Rental Housing Vouchers</td>
<td>Establish a Rental Housing Voucher Program</td>
</tr>
</tbody>
</table>

#### 3.7.1 Rationale

As mentioned earlier, the housing assistance to those in need is currently offered only in the form of a house, which is in almost all cases publicly owned housing. This need not be the case; the objective to provide housing assistance to those in need can also be achieved by giving housing vouchers to eligible households to live in housing that is privately owned and managed. This is particularly relevant in cases where the public housing stock is in short supply. That said, a system of rental vouchers works best when there is a supply of ‘formal’ private affordable housing for rental already available. Hence, this system of vouchers will have to go hand in hand with reforming the rental market more generally – as discussed in the accompanying housing assessment report. Issuing vouchers when there is
inadequate or insufficient supply of private rental housing can be very frustrating for the beneficiary households and eventually reduce credibility of the program.

The system of rental vouchers could be used for a variety of purposes: To subsidize an eligible household for a ‘social house’, a ‘necessity house’, or a special purpose. The criteria and level of subsidy for these different purposes will be different, but the underlying principle remains the same, i.e. to provide assistance to those in need or serve as an incentive to attract special groups (youth or professionals, for example). However, priority should be given to those most in need based on income eligibility, inclusion in a vulnerable group, or endangerment due to seismic activity/natural disaster.

The voucher program would be most applicable in cases where:
- The existing public rental stock is insufficient to cover the waiting list for social, necessity and service housing
- There is adequate supply of private rental housing units
- Faster and more flexible public housing solutions are necessary, such as temporary resettlement for seismic consolidation works

In the absence of adequate public housing, or in cases where construction of new public housing is not feasible for logistical or financial reasons, the government can offer rental vouchers. Under such a scheme, the eligible household can find another private rental house, and receive a subsidy from the government to cover all or part of the rent.

The budget for the rental voucher program would come as co-financing to local authorities from the proposed National Housing Fund. Local authorities would administer the vouchers with a local budget contribution.

**3.7.2 Recommended Action Steps/ Projects**

**3.7.2.1 Establish a Rental Housing Voucher Program**

Rental vouchers can be targeted to households displaced from their homes due to seismic retrofitting work or households in need of rental assistance who have not been allocated public rental units. Rental vouchers covering different proportions of monthly rental cost can be targeted to households based on income and standardized market rent.

- In the case of rental vouchers for households displaced from their homes due to seismic retrofitting, it might be necessary to offer vouchers to everyone affected to serve as an incentive for them to move. However, it should be designed as a progressive subsidy -- for example, those earning below the median income could get a voucher equivalent to 100% of the standardized market rent; those in the 50-75 income percentile could get a voucher equivalent to 50% of SMR; and those in the top 25 income percentiles could get a voucher equivalent to 25% of SMR. (Note: These are illustrative figures and the income brackets; the corresponding subsidy amounts may be changed to reflect a more linear progressive subsidy.)

Financing for the voucher program would be allocated to local authorities from Window 7 of the NHF. Until the establishment of the NHF, financing may be obtained from the state budgets.
Beneficiaries. The beneficiaries of the co-financing element under this program (from Window 7 of the proposed NHF - see Figure 2.2) would be the end-users of the housing, including households displaced by seismic retrofitting activities, low income households in need of government housing assistance, or other special groups that need to be prioritized.

Institutional responsibility. Local authorities, with support from MRDPA, will be responsible for administering the voucher program at the local level, including monitoring the pool of private rental housing stock to serve this need. MRDPA will administer this program at the central level, and be responsible for monitoring and controls.

Financing. Rental vouchers would be financed by the NHF (Window 7 - see Figure 2.2). During the period that the NHF is being operationalized, financing could come from State and local budgets.

PRIVATE SECTOR PARTICIPATION IN HOUSING

3.8 Program for the Production of Affordable Housing by the Private Sector

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Financed Housing</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Land lots for youth</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Support for young people living in rural areas</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Prima Casa program</td>
<td>To be continued with income eligibility criteria</td>
</tr>
<tr>
<td></td>
<td>(see Chapter IV)</td>
</tr>
<tr>
<td>BauSpar subsidy</td>
<td>To be continued with income eligibility criteria</td>
</tr>
<tr>
<td></td>
<td>(see Chapter IV)</td>
</tr>
<tr>
<td>VAT subsidy</td>
<td>To be continued with income eligibility criteria</td>
</tr>
<tr>
<td></td>
<td>(see Chapter IV)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for the Production of Affordable Housing by</td>
<td>Streamline the framework for public-private</td>
</tr>
<tr>
<td>the Private Sector</td>
<td>partnerships (e.g. DAs, BOTs)</td>
</tr>
<tr>
<td></td>
<td>Introduce incentives for private entities to</td>
</tr>
<tr>
<td></td>
<td>construct affordable housing</td>
</tr>
</tbody>
</table>

3.8.1 Rationale

While there are no existing functional programs targeted towards incentivizing private developers to produce affordable and social housing, there is a need and high potential to mobilize private funds for increasing supply of affordable housing. Such a program could employ PPPs to leverage private developers to invest in the construction of affordable housing. This program aims to stimulate production of privately owned ‘social rental housing’ and ‘affordable market-based housing’. As in the case of leveraging the private sector to build public social housing (described under Program for Increasing the Stock of Public Housing in section 3.6), a number of PPP instruments can be employed - for example, Development Agreements, and Build-Operate-Transfer agreements.

The Program for the Production of Affordable Housing by the Private Sector would structure PPPs between the local authority and a private developer to mandate that private developers build
affordable housing. This can be done so that the local authority provides public land and/ or trunk infrastructure for a residential development, while the private developer is obliged to produce a certain percentage of affordable units in return. Instruments such as Development Agreements and tax incentives can be used to get the private sector to build affordable housing or social housing (for private ownership), and can be financed from Window 1 under the proposed National Housing Fund. The allocation of public lands or other assets for this type of venture would need to be coordinated with the public Asset Management Strategy prepared as part of the Program for Increasing the Stock of Public Housing.

Prioritization for this program should be for localities with: (i) A high disparity between median household income and housing costs; (ii) high growth-potential, where increasing the supply of affordable housing can help address the demand-supply gap; and (iii) a high potential to attract and retain new residents with employment opportunities.

The Program for the Production of Affordable Housing by the Private Sector should be implemented in coordination with the local needs assessments and other strategic documents prepared by each local authority, as described under the Program for Increasing the Stock of Public Housing (section 3.6.)

### 3.8.2 Recommended Action Steps/ Projects

#### 3.8.2.1 Streamline the framework for public-private partnerships (e.g. DAs, BOTs)

The legal framework may need to be streamlined to allow for the implementation of Development Agreements, which take the form of a contract between a local authority and a private developer mandating that a certain amount of affordable or social housing be constructed, based on an underlying set of incentives to make the development profitable for the developer. Such a program would encourage the investment in and production of affordable housing by the private sector.

#### 3.8.2.2 Introduce incentives for private entities to construct affordable housing

The introduction of incentives such as tax credits would incentivize private entities, whether they are non-profit (housing cooperatives), or for-profit private developers, to invest in affordable housing. The tax credit can be covered through Window 1 (see Figure 2.2) under the proposed National Housing Fund.

**Beneficiaries.** The eventual beneficiaries of the PPPs will be middle and lower middle income households. However, the immediate beneficiaries of the tax incentives from the NHF will be the private entities involved in the development of affordable housing – both market-based and social.

**Institutional responsibility.** Local authorities, with support from MRDPA and NHA, will be responsible for administering the PPP programs at the local level.

**Financing.** Tax incentives for private entities constructing affordable housing will be covered from Window 1 of the proposed NHF (see Figure 2.2). During the period that the NHF is being operationalized, funding for these improvements could come from State funds.
HOUSING FOR THE POOR AND VULNERABLE

3.9 Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas

<table>
<thead>
<tr>
<th>Existing programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combating Marginalization – Housing Component – Advance payment for housing purchase/ construction</td>
<td>To be discontinued</td>
</tr>
<tr>
<td>Combating Marginalization – Housing Component – Subsidized rent</td>
<td>To be discontinued (move funding to rental voucher program)</td>
</tr>
<tr>
<td>Combating Marginalization – Housing Component – Subsidies for current costs (utility bills)</td>
<td>To be continued</td>
</tr>
<tr>
<td>Planned Axis 9 in ROP: Economic and social regeneration of marginalized communities in urban areas</td>
<td>To be continued with some reforms. See new Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas (below)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed programs</th>
<th>Recommended Action Steps/ Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas (to complement urban upgrading program under Axis 9 in ROP)</td>
<td>Draft new set of housing and infrastructure standards for low income areas, develop regulations for “Improvement Areas”</td>
</tr>
<tr>
<td></td>
<td>Conduct training for NHA and local authorities to build their capacity in incremental housing and informal settlement upgrading</td>
</tr>
<tr>
<td></td>
<td>Develop a program sub-component on assisting poor households in incremental housing construction and improvement</td>
</tr>
<tr>
<td></td>
<td>Include a distinct program for vulnerable groups such as the elderly and disabled and other special categories</td>
</tr>
<tr>
<td></td>
<td>Identify and implement pilot upgrading projects in urban and rural areas</td>
</tr>
</tbody>
</table>

3.9.1 Rationale

The ROP Axis 9 provides funding for assisting marginalized communities in urban areas. Unfortunately, rural areas do not benefit of EU funding to address this issue. The Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas is proposed to address the needs of vulnerable and marginalized communities across Romania, building on the experience of the current NAR initiatives.

A number of challenges arise to ensure efficient targeting of funds for informal settlement upgrading in both urban and rural areas.

Areas that could be the object of such investments should be chosen based on previous substantiation studies. Pre-implementation indicators generally used by local authorities when arguing the need for funding, such as number of residents of that particular area, may not be applicable due to the lack of legal residency (domicile) of targeted households. This makes official statistics unreliable. To prevent
the potential misuse of funds for areas with insignificant numbers of potential beneficiaries, more post-implementation indicators could be introduced (such as number of households having secured legal forms of residency in the area).

Other elements essential for effective targeting of funds include:
- Expressed local interest from the community (not just the governing local authority)
- Focus on settlements with highest urgency in terms of access to very basic needs (e.g. high share of households severely deprived of access to water and electricity)
- Development of demonstration projects to help create know-how, and encourage other communities to become interested in such a process
- Community facilitation and proper involvement of facilitators working with the community throughout the process
- Flexible duration, both for overall project timespan but also for stages within the project: International experience shows that the initial stage of participatory planning, design, and settling of tenure can take quite long (up to two years), depending on the size of the community and complexity of problems, whilst implementation of infrastructure improvements may take at least one additional year. The participatory planning process is critical for success – especially in the pilot phase context when these methodologies have not been applied or tested adequately in the past

If any of the main necessary measures (participatory planning and design, legal assistance for settling tenure, infrastructure and other investments meant for improving living conditions, etc.) cannot be made eligible for using EU funds, funding from the central government and/or local authorities needs to be provided, as integrated implementation of all such measures are essential for program success.

Window 8 under the NHF (see Figure 2.2) can provide co-financing support to local authorities for informal neighborhood upgrading, which could financing projects if, at any point or for any component, EU funding is not available – in both urban and rural areas.

### 3.9.2 Recommended Action Steps/ Projects

#### 3.9.2.1 Draft new set of housing and infrastructure standards for low income areas, develop regulations for “Improvement Areas”

No single housing product works for all; in all cases, it will be important to adapt the product to meet the needs of different population groups, and not the other way around. This is particularly relevant for the poorest communities, including the Roma – most of these households cook outdoors using charcoal or wood, which is less expensive than an electric stove (due to the high cost of electricity). Considering this, housing assistance can be expanded beyond ‘social housing’ to include a menu of options that are not just more appropriate for the recipient households and their lifestyles, but also more value-for-money for the government, more equitable, and more sustainable. This change can start with the planning and design of housing options and simplified standards that suit these communities and their lifestyle. This applies to both urban and rural areas.

Although the role of building standards is to ensure that buildings are strong, waterproof, properly insulated, and with an appropriate level sanitary provision, all of which are excellent goals, in fact there are sections of the population for whom these standards will take time to achieve. Meanwhile, their priorities may place a higher value on space than, for example, services. It is therefore better to permit building to alternative standards than to try and insist on everyone reaching a standard that is impractical. This may be achieved by designating areas of informal housing and incremental housing development as “Improvement Areas” within which different standards will be applied. This will mean creating a building regulatory framework that recognizes the right to occupy units that are technically
unfinished. Such regulations should not skimp on issues of the ‘hard’ components (structural stability or room size) but should be flexible in terms of the ‘soft’ components (fittings and finishes), which can be upgraded with time. They should also allow for the incremental increase in the size of the dwelling, for example starting with a simple two room unit which may be expanded to a three bedroom unit over time.

Beneficiaries. MRDPA, NHA, and the local authorities will benefit from this exercise in terms of their improved capacity to develop and apply appropriate standards and housing options for lower income groups.

Institutional responsibility. MRDPA should be responsible for developing these standards and introducing the regulation for “Improvement Areas”. Local authorities will be responsible for implementing them at the local level.

Financing. Financing for this activity may be obtained from the State budget.

3.9.2.2 Conduct training for NHA and local authorities to build their capacity in incremental housing and informal settlement upgrading

A training program needs to be implemented for the MRDPA and the NHA that focuses on the various aspects of informal settlement upgrading, including:

- Community participation: It is important to understand that often participatory processes are time-consuming on one hand, and slow with respect to up front disbursement. Still, they are critical for success. Local housing improvement programs require a constant – and patient – engagement with the communities to identify the right interventions and to build ownership for the product. The communities must be drivers of the process, and decision-makers on the type of housing solution they want and/or need. It is also critical to encourage inclusive developments, and retain the social fabric. To the extent possible, any housing intervention must ensure that the existing social fabric is retained; this applies especially to the poorest and most vulnerable households. It is important to emphasize that, to the extent possible, there should be no such distinction made on the grounds of ethnicity between Roma- and non-Roma within the same community, otherwise the effort can prove to be very divisive and counter-productive.

- Integrating physical investments with sustainability measures to address the root causes of poor living conditions, which include: (a) Income generation support such as vocational training (e.g. involve local population in infrastructure upgrading, which builds ownership, creates job opportunities, and develops skills), job search assistance, apprenticeship facilitation, second chance education; (b) transition and social integration support such as conflict mediation by social workers, awareness campaigns, community activities to facilitate interaction and understanding; and (c) organizational support, such as facilitation of formation and running of residents’ association/committees and capacity training (accounting, basic financial literacy, community decision-making).

Thereafter, MRDPA and NHA can impart this training to local authorities, which will be responsible to apply these skills in the implementation of upgrading projects at the local level.

Beneficiaries. MRDPA, NHA, and the local authorities will benefit from this exercise in terms of their improved capacity to apply participatory mechanisms and sustainability measures in upgrading projects.

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**Institutional responsibility.** MRDPA, together with NHA, should be responsible for training local authorities, and ensure that these practices are adopted in the implementation of upgrading projects at the local level.

**Financing.** Financing for this activity would come from the Operational Program “Administrative Capacity” (OPAC) as well as from a combination of State and local budgets.

### 3.9.2.3 Develop a program sub-component on assisting poor households in incremental housing construction and improvement

Such a program sub-component would be based on the principle of incremental housing by which poor households construct their units based on relaxed planning and construction regulations and, over time with public assistance, converge on standard norms. This would require local authorities to allow, through flexible planning and construction regulations, for such incremental housing in poor neighborhoods.

In addition to assisting poor population groups (in both urban and rural areas) in housing construction, this program would also offer small-scale grants for basic housing investments by households living in multifamily buildings. This financing should be accompanied by specialized technical assistance for construction. The latter is especially relevant for poor households living in old communist era blocks-of-flats that need to undergo energy efficiency improvements or seismic retrofitting, which would otherwise impose an extra housing cost burden on their small household income.

In case of new construction (self-built homes), grants could cover the cost of preparing technical documentation of the house, obtaining the proper permits/authorizations and connections to public utilities, construction materials, etc. Additional grants could be offered to cover the cost of construction for the portion exceeding 0-15% of household income. The grant should be “progressive”, and factor in the household income, so that the maximum financial assistance goes to the poorest households. The same would apply to improvement of housing, and is particularly relevant for houses situated in architectural conservation areas or protection perimeters of historical monuments, where the cost of repairs can be quite significant, especially when preserving traditional architectural elements.

In terms of territorial priorities, such support could be directed to households living in marginalized urban neighborhoods and in rural areas.

**Beneficiaries.** Low income residents of informal settlements or sub-standards houses will be the immediate beneficiaries of such a program subcomponent.

**Institutional responsibility.** MRDPA, together with NHA, should be responsible for training, assisting, and supervising local authorities in project implementation at the local level.

**Financing.** For individual house construction or improvement, the co-financing element can come in the form of a grant determined by income level from Window 9 in the proposed NHF (see Fig 2.2). This sub-component will be best implemented in coordination with informal neighborhood upgrading with financing from Window 8 of the NHF. In the period before the Fund is established and operationalized, the financing could be shared between local authorities and central government budget along with financing from the Operational Program “Administrative Capacity” (OPAC) for technical assistance and capacity building activities.
3.9.2.4 Include a distinct program for vulnerable groups such as the elderly and disabled and other special categories

A separate program for vulnerable groups, including the elderly, disabled persons, and orphans can be introduced in line with European standards. While disabled individuals are part of the group of beneficiaries defined by the Housing Law, and disabled and elderly individuals alike are targeted by social assistance (as part of the Combating Marginalization through Housing program), allocation of appropriate living facilities is not tailored to demand. A program specifically targeted to these groups would ensure the provision of units with improved accessibility for those suffering limited mobility, as well as special features for the elderly.

Specifically, co-financing can be provided to disabled households so that they can retrofit their units for accessibility. Other assistance can also be provided in the form of specially designed units and direct subsidies.

**Beneficiaries.** MRDPA, NHA, and the local authorities will benefit from the introduction of such a distinct program in terms of their improved capacity to respond to the needs of special groups.

**Institutional responsibility.** MRDPA, together with NHA, should be responsible to ensure practices tailored to special categories of residents are adopted in the implementation of upgrading projects at the local level.

**Financing.** Financing for this distinct program would be obtained from the State budget.

3.9.2.5 Identify and implement pilot upgrading projects in urban and rural areas

MRDPA and MHA, in coordination with local authorities need to identify 5-6 pilot upgrading projects to be implemented in a short to medium timeframe. The training received on participatory planning, sustainability measures in working with poor communities needs to be applied in project implementation.

**Beneficiaries.** The eventual beneficiaries of this program will be households living in informal settlements in urban and rural areas, who are expected to be in the lowest income brackets.

**Institutional responsibility.** Local authorities, with support from MRDPA and NHA, will be responsible for implementing the projects at the local level.

**Financing.** In addition to the ROP Axis 9 funding for assisting marginalized communities, Window 8 under the NHF (see Figure 2.2) can provide co-financing support to local authorities for informal neighborhood upgrading in rural areas. This window along with funds from the Operational Program “Administrative Capacity” (OPAC) can also cover the cost of ‘soft’ aspects of the projects in both urban and rural areas that are not currently approved for financing under Axis 9 of the ROP. Financing for adapting housing units to the special needs of different vulnerable groups such as the disabled or elderly (described under 3.9.2.4), including special ramps, elevators, adaptation of staircases, baths and restrooms, access doors etc., could be funded from Windows 4 or 9 under the NHF (depending on the income levels of the beneficiaries).
IV. PROPOSALS FOR REFORMING EXISTING HOUSING PROGRAMS

The program headings listed below correspond to existing programs, which are recommended for continuation with revisions/amendments.

4.1 Prima Casa program

The Prima Casa program is considered successful by all stakeholders in the housing market, having helped households purchase units and redressed the housing market during the post crisis period by providing low-interest mortgages with a 50% government guarantee. This program is recommended for continuation with a reform in the beneficiary eligibility criteria. The house price threshold of EUR 60,000-70,000, while somewhat effective in terms of self-eliminating the very wealthy buyers, does not do a very good job filtering out and targeting those who most need this type of government assistance. Income eligibility criteria would be more appropriate to target the program at those who would otherwise not be able to get a mortgage. It is thus suggested that the price threshold of the house be removed, and instead, eligibility for the Prima Casa guarantee be based purely on income criteria. For instance, the program can be limited to those earning less than the median national income. Specific income criteria should be determined through a consultative process between public sector stakeholders and banking institutions currently involved in the Prima Casa program.

4.2 BauSpar program

The BauSpar program, which has been extremely successful in terms of outreach, also takes large public resources to cover the annual subsidy capped at EUR 250 per beneficiary. The BauSpar scheme is recommended for continuation with better income targeting and with a maximum yearly budget allocation for new contracts. The new program would target the savings subsidy to those below the median income level who otherwise would not be able to save for a housing loan. This will reduce the currently massive budget allocated to this program and the remaining funding can be redirected as financing for housing improvements (Windows 4 and 9 of the NHF).

4.3 VAT subsidy

Individuals purchasing private houses within a certain price range (less than EUR 86,000 or RON 380,000) are offered a VAT subsidy – they pay 5% VAT payment compared to the regular VAT of 24%. Although data on this program is not available, it appears that there is no income eligibility criteria. In other words, this program loses potentially substantial government revenue by way of untargeted subsidies to individuals who do not need them. This subsidy would be much more effective if targeted by income level, for instance to people earning below the national median income. The additional revenue thus generated (from otherwise “lost” VAT) could be allocated to other priority areas discussed in this report, including public housing and seismic retrofitting.

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*66 This is was established by GEO 200/2008, which made an adjustment to the 2003 Fiscal Code to include, among other changes, a reduced VAT for houses purchased for less than EUR 86,000 (RON 380,000). The land must not exceed 250m², and the house area should be less than 120m² (including auxiliary buildings).*
4.4 National Program for Thermal Rehabilitation of Blocks-of-Flats

This program duplicates another parallel program financed with EU funds. A significant proportion of works are perceived as sub-standard by end beneficiaries and even by primary stakeholders in the program (HOAs or local authorities). The program could continue in a redesigned form and be financed under Window 5 in the proposed NHF (see Figure 2.2) to first target social housing stock. This would achieve an enhanced impact for low-income households, considering the consequent reduction in utility bills, but also alleviate pressure on local authorities that are responsible for those units.

The portfolio of EE interventions on social housing would also need to be coordinated with local strategies under the Program for Increasing the Stock of Public Housing to ensure that old, publicly owned structures converted into public housing receive proper thermal rehabilitation.

The program can be further improved by establishing co-financing or grant mechanisms linked to household income. These grants – targeted to poor residents or low income households – are especially important in buildings with a high percentage of poor or low income households. In such situations, the 20% financing commitment becomes a major financial burden. Grants to cover these costs could be obtained from Window 9 under the NHF.

Coordination of thermal insulation work with other major upgrading interventions such as seismic retrofitting (structural strengthening) and district heating system upgrades is also necessary. In this way the benefits of thermal insulation investments will be fully realized by both reducing leakage in the district heating systems as well as ensuring that the thermal insulation will not need to be redone if and when upgrades to older buildings’ structural framework are implemented. The proposed NHF could provide a centralized platform for monitoring such interventions based on sequential disbursements of funds.

The program should place greater emphasis on the role and rights of program beneficiaries (the owners of rehabilitated apartments) by introducing provisions on penalties applicable to local authorities that do not respect the rights of apartment owners. At the same time, in order to lower auditing and design costs, standardized packages (including rehabilitation measures to be applied by project type) need to be developed. It is not uncommon for HOAs to not have sufficient capacity to take loans, create tender specifications, select appropriate contractors, etc. However, a potential benefit of HOAs being in charge of payment to project contractors is that they naturally feel more ownership over the work, and are therefore more likely to be attentive to its quality. A way to address the current imbalance of power (which currently rests with the local authority) in the implementation of thermal insulation projects is to continue to arrange the tendering and financing (repaid over 5-10 years by the HOA) while giving the HOAs much more of a visible input into the selection of contractors and the approval of the works. As described above, the National Housing Fund might also participate in the financing of such projects implemented by HOAs. This arrangement ensures that the contractors will respect the HOA’s opinion since it is a determinant of the contractors being paid.

4.5 Energy Efficiency of Blocks of Flats and Rehabilitation of Heating Plants in Cities

Two types of investments in the program portfolio on energy efficiency are recommended for continuation with EU funding (Energy Efficiency of Blocks of Flats under ROP, and Rehabilitation of Heating Plants in Cities under OPLI). Given the amount of EU funding for such works, it is
recommended that governmental funding be directed to complementary types of investments (e.g. consolidation works).

For the program for Energy Efficiency of Blocks of Flats under ROP, the funding line was limited to certain eligible beneficiaries based on city population for the period 2007-2013 with preference given to larger cities, regardless of implementation capacity. The funding can be extended to other cities, regardless of whether they are county residences or not. The limiting for the next period will be detailed in the Applicant Guide.

In addition, contractors for such works can be pre-qualified and warranty measures can be instituted for a maintenance period (see general actions below). At present, contracts are awarded based on the lowest price offer, meaning that the quality of implemented works is often low. Such low-quality works are expected to deteriorate quickly in the coming years. The quality control problem of current interventions can be addressed by pre-qualifying contractors and instituting warranty measures for a maintenance period.

4.6 The Green House Program

Aimed at reducing air pollution by installing solar panels and thermal plants for residential structures, this program can continue in a redesigned form and be financed by Window 5 under the proposed NHF. Redesigned prioritization for this program could encompass better evaluation of applications in order to take into consideration particular conditions of the housing unit, since there are differences in wind and solar potential across Romania. The program could also be expanded to collective housing units and public buildings such as schools, hospitals, nurseries, etc.

The thermal insulation works programs mentioned above can be coordinated with the Program for Seismic Risk Mitigation in Residential Buildings (see section 3.2). Buildings undergoing such works could be required to undergo a technical expertise (assessment) guaranteeing that the thermal insulation would not need to be redone if and when upgrades to the buildings’ structural framework are implemented. In addition, the responsibility for thermal insulation works can be devolved to the HOAs and coordinated with the Program for capital improvements in multi-family residential buildings and the Program for the rehabilitation of historic neighborhoods thereby ensuring greater end-beneficiary ownership and oversight over the works, their quality, and their affordability.

4.7 The District Heating Rehabilitation program

This program can also continue due to the serious challenges in the provision of affordable heat through old and inefficient district heating systems. This could be positioned for funding under Window 8, coordinated with investments through Window 5 of the proposed the NHF.

Prioritization of continuing energy efficiency programs should consider aspects such as: Primary energy savings, rate of connection to the centralized system, duration of project implementation and payback period of the investment, compliance with environmental protection, and the ratio of the amount of investment to the number of connected apartments.
V. Action Plan

The Action Plan lists all actions recommended for implementation together with estimated budgets and timelines. Actions highlighted in green are activities/projects for immediate implementation, listed separately in Chapter VI.

Note: The bulk of the funding for technical assistance activities listed below is expected to come from the Operational Program “Administrative Capacity” (OPAC) and other EU funded territorial cooperation programs (e.g. Urbact, Interreg, cross border cooperation programs), with supplementary contributions from the State and local budgets.

<table>
<thead>
<tr>
<th>Program/Theme</th>
<th>Agency responsible</th>
<th>Time frame</th>
<th>Activity/project</th>
<th>Estimated budget (EUR)</th>
<th>Activity start date</th>
<th>Activity complete date</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Housing Strategy</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Draft and adopt National Housing Strategy</td>
<td>75,000</td>
<td>Q4 2015</td>
<td>Q1 2016</td>
</tr>
<tr>
<td>Regional Operational Program</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Revise ROP to align with housing priorities as specified in the Housing Report and the forthcoming Housing Strategy.</td>
<td>NA</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Legal framework/Housing Law</td>
<td>MRDPA, MoJ</td>
<td>Short term</td>
<td>Review Housing Law and present proposal for reform (see section 9.2 in the accompanying housing report)</td>
<td>50,000</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Set up an inter-ministerial working committee to oversee preparation of new Housing Law and seek approval from parliament</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
</tr>
<tr>
<td>Institutions and Technical Capacity</td>
<td>MRDPA, local authorities</td>
<td>Short term</td>
<td>Technical assistance to MRDPA, NHA, and local authorities on: (1) Housing needs assessments, (2) local housing plans (for public housing, old housing stock, and seismic risk), (3) physical planning in relation to housing, (4) neighborhood revitalization (historic and non-historic), (5) inventories of public assets, (6) public asset management, (7) incremental housing and informal settlement upgrading, and (8) energy efficiency improvements in residential buildings</td>
<td>300,000/year</td>
<td>Q1 2016</td>
<td>continuing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium term</td>
<td>Identify 3-4 pilot cities/towns and carry out Housing Needs Assessment and develop Housing Plan, inventory of public assets, and public Asset Management Strategy</td>
<td>2,000,000</td>
<td>Q2 2016</td>
<td>Q4 2017</td>
</tr>
</tbody>
</table>
Table 5.1 Action Plan

<table>
<thead>
<tr>
<th>Program/theme</th>
<th>Agency responsible</th>
<th>Time frame</th>
<th>Activity/ project</th>
<th>Estimated budget (EUR)</th>
<th>Activity start date</th>
<th>Activity complete date</th>
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</thead>
<tbody>
<tr>
<td>National Housing Strategy</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Draft and adopt National Housing Strategy</td>
<td>75,000</td>
<td>Q4 2015</td>
<td>Q1 2016</td>
</tr>
<tr>
<td>Regional Operational Program</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Revise ROP to align with housing priorities as specified in the Housing Report and the forthcoming Housing Strategy.</td>
<td>NA</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Legal framework/ Housing Law</td>
<td>MRDPA, MoJ</td>
<td>Short term</td>
<td>Review Housing Law and present proposal for reform (see section 9.2 in the accompanying housing report)</td>
<td>350,000</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Short term</td>
<td>Set up an inter-ministerial working committee to oversee preparation of new Housing Law and seek approval from parliament</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium term</td>
<td>Law approved by parliament</td>
<td>NA</td>
<td>Q4 2016</td>
<td></td>
</tr>
<tr>
<td>Institutions and Technical Capacity</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Technical assistance to MRDPA, NHA, and local authorities on: (1) Housing needs assessments, (2) local housing plans (for public housing, old housing stock, and seismic risk), (3) physical planning in relation to housing, (4) neighborhood revitalization (historic and non-historic), (5) inventories of public assets, (6) public asset management, (7) incremental housing and informal settlement upgrading, and (8) energy efficiency improvements in residential buildings</td>
<td>300000/year</td>
<td>Q1 2016</td>
<td>continuing</td>
</tr>
<tr>
<td></td>
<td>MRDPA, local authorities</td>
<td>Medium term</td>
<td>Identify 3-4 pilot cities/ towns and carry out Housing Needs Assessment and develop Housing Plan, inventory of public assets, and public Asset Management Strategy</td>
<td>2,000,000</td>
<td>Q2 2016</td>
<td>Q4 2017</td>
</tr>
<tr>
<td>MRDPA, local authorities</td>
<td>Medium term - continuing</td>
<td><strong>Scale up development of Housing Needs Assessments, Housing Plans, inventories of public assets, and public Asset Management Strategies in other cities/towns</strong></td>
<td>TBD</td>
<td>Q1 2018</td>
<td>continuing</td>
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</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td><strong>Technical assistance to MRDPA, NHA, and local authorities to establish a Housing Monitoring Platform (to track investments and achievements in the housing sector through public programs)</strong></td>
<td>300,000</td>
<td>Q4 2015</td>
<td>Q1 2016</td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Medium term</td>
<td><strong>Establish a new housing department at the GD level, based on institutional assessment (in housing assessment report), with responsibility for programs in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, data collection, etc.</strong></td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Medium term</td>
<td><strong>Technical assistance to strengthen new housing department at GD level (training, twinning, study tours)</strong></td>
<td>500,000</td>
<td>Q2 2016</td>
<td>Q3 2017</td>
<td></td>
</tr>
<tr>
<td>Short/medium term</td>
<td></td>
<td><strong>Reform the role of NHA -- from the current focus on Youth Housing to a focus on structuring PPPs and managing seismic retrofitting.</strong></td>
<td>NA</td>
<td>Q4 2016 (upon parliamentary approval of New Housing Law)</td>
<td>Q1 2017</td>
<td></td>
</tr>
</tbody>
</table>
### Housing in Romania: Program Prioritization and Projects

<table>
<thead>
<tr>
<th>National Housing Fund</th>
<th>Prime Minister’s Office (administrative oversight); MoF (financial oversight); MRDPA (technical oversight)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short term</strong></td>
<td>Establish distinct institutional entity with transitional team to oversee and run NHF</td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Identify pilot projects and allocate 'seed money' (EUR 5 - 10 million)</td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Conduct feasibility studies of pilot projects</td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Conduct outreach campaign to recipients identified in project pipeline</td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Implement pilot projects</td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Finalize Operations Manual, capitalize and operationalize the Fund</td>
</tr>
<tr>
<td><strong>Medium/long term</strong></td>
<td>Scale up operations</td>
</tr>
</tbody>
</table>

#### MRDPAs

**Short term**
- **Develop design of NHF and (Draft) Operations Manual.** Include channels of funding (windows), products under each window and sources of financing, beneficiaries, co-financing, phasing and timetables, administrative purview, management, harmonization of procedures, and monitoring mechanisms.

**Medium term**
- **Establish a new housing department at the GD level, based on institutional assessment (in housing assessment report), with responsibility for programs in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, data collection, etc.**

**Medium term**
- **Technical assistance to strengthen new housing department at GD level (training, twinning, study tours).**

**Short/medium term**
- **Reform the role of NHA** – from the current focus on Youth Housing to a focus on structuring PPPs and managing seismic retrofitting.

**Medium term**
- **Identify pilot projects and allocate 'seed money' (EUR 5 - 10 million)**

**Medium term**
- **Conduct feasibility studies of pilot projects**

**Medium term**
- **Conduct outreach campaign to recipients identified in project pipeline**

**Medium term**
- **Implement pilot projects**

**Medium/long term**
- **Finalize Operations Manual, capitalize and operationalize the Fund**

**Medium/long term**
- **Scale up operations**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>350,000</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
</tr>
<tr>
<td>200,000 (salaries)</td>
<td>Q1 2016</td>
<td>Q2 2016</td>
</tr>
<tr>
<td>NA</td>
<td>Q2 2016</td>
<td>Q3 2016</td>
</tr>
<tr>
<td>150,000</td>
<td>Q3 2016</td>
<td>Q4 2016</td>
</tr>
<tr>
<td>100,000</td>
<td>Q3 2016</td>
<td>Q4 2016</td>
</tr>
</tbody>
</table>
| contingen
t on seed money allocation | Q4 2016 | Q4 2017 |
| NA | Q4 2017 | Q1 2018 |
| NA | Q1 2018 | continuing |
## Housing in Romania: Program Prioritization and Projects

### Seismic Risk

<table>
<thead>
<tr>
<th>Project</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt Program for Seismic Risk Mitigation in Residential Buildings</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical assistance to develop Strategy/Plan for Program for Seismic Risk Mitigation in Residential Buildings</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness campaign on seismic risk (local administration and private owners)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create a national inventory of seismically vulnerable housing stock (public and private buildings)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify pilot projects and develop feasibility studies and technical designs for retrofitting works (start with initial 3-4 pilot projects)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop options for transitional housing (necessity housing, housing vouchers)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement retrofitting works for pilots (estimated project costs may be EUR 1-15 million/building depending on extent of retrofitting works) and scale up operations</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Old Residential Buildings and Neighborhoods

<table>
<thead>
<tr>
<th>Project</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt Program for Capital Improvements in Multifamily Residential Buildings, Program for Rehabilitation of Privately Owned Historic Dwellings, and Program for Rehabilitation of Historic Neighborhoods</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish a technical assistance unit to build capacity and raise awareness on building management and maintenance</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Public Housing

<table>
<thead>
<tr>
<th>Project</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopt Program for Increasing Public Housing Stock and Program for Rental Housing Vouchers</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stop the sale of public housing, including NHA Youth Housing</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bring Youth Housing, Social Housing, and Necessity Housing under the framework of ‘public housing’ and reform subsidy policy in the new Housing Law</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Old Residential Buildings

<table>
<thead>
<tr>
<th>Project</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRDPA, NHA, local authorities</td>
<td>Short-term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adopt Program for Seismic Risk Mitigation in Residential Buildings</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical assistance to develop Strategy/ Plan for Program for Seismic Risk Mitigation in Residential Buildings</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness campaign on seismic risk (local administration and private owners)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create a national inventory of seismically vulnerable housing stock (public and private buildings)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify pilot projects and develop feasibility studies and technical designs for retrofitting works (start with initial 3-4 pilot projects)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop options for transitional housing (necessity housing, housing vouchers)</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement retrofitting works for pilots (estimated project costs may be EUR 1-15 million/building depending on extent of retrofitting works) and scale up operations</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Old Residential Buildings and Neighborhoods

<table>
<thead>
<tr>
<th>Project</th>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRDPA, NHA, local authorities</td>
<td>Short-term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adopt Program for Capital Improvements in Multifamily Residential Buildings, Program for Rehabilitation of Privately Owned Historic Dwellings, and Program for Rehabilitation of Historic Neighborhoods</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish a technical assistance unit to build capacity and raise awareness on building management and maintenance</td>
<td>Continue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA Unit</td>
<td>Housing in Romania: Program Prioritization and Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Old Residential Buildings and Neighborhoods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRDPA, NHA</td>
<td>Short term</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program for Capital Improvements in Multifamily Residential Buildings</strong>, <strong>Program for Rehabilitation of Privately Owned Historic Dwellings</strong>, and the <strong>Program for the Rehabilitation of Historic Neighborhoods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program for Increasing Public Housing Stock</strong> and <strong>Program for Rental Housing Vouchers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRDPA, NHA</td>
<td>Short term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program for the Rehabilitation of Historic Neighborhoods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Conduct awareness campaign for HOAs and local authorities on building management and maintenance**
  - 150,000/ year
  - Q1 2016
  - continuing

- **Develop and adopt the 'Program for Capital Improvements in Multifamily Residential Buildings', 'Program for Rehabilitation of Privately Owned Historic Dwellings', and the 'Program for the Rehabilitation of Historic Neighborhoods'**
  - NA
  - Q4 2015
  - Q2 2016

- **Identify pilot projects and develop feasibility studies and technical designs for capital improvement/ rehabilitation works (start with 3-4 pilot projects)**
  - TBD
  - Q3 2016
  - Q1 2017

- **Implement works for pilots (estimated project costs may be EUR 20,000 - 100,000/ building and up to EUR 500,000/ neighborhood depending on extent of improvement/ rehabilitation works), and scale up operations**
  - TBD
  - Q2 2017
  - continuing

- **Adopt the 'Program for Increasing Public Housing Stock' and 'Program for Rental Housing Vouchers'**
  - NA
  - Q4 2015
  - Q2 2016

- **Stop the sale of public housing, including NHA Youth Housing**
  - NA
  - Q4 2015

- **Bring Youth Housing, Social Housing, and Necessity Housing under the framework of 'public housing' and reform subsidy policy in the new Housing Law**
  - NA
  - Q4 2016

- **Identify 4-5 pilot projects for refurbishment/ adaptive reuse of public buildings into public rental housing**
  - TBD
  - Q3 2016
  - Q1 2017

- **Implement works for pilots (estimated project costs may be EUR 50,000 - 100,000/ building), and scale up operations**
  - TBD
  - Q2 2017
  - continuing
<table>
<thead>
<tr>
<th>Housing in Romania: Program Prioritization and Projects</th>
<th>MRDPA</th>
<th>Short term</th>
<th>Adopt 'Program for the Production of Affordable Housing by the Private Sector'</th>
<th>NA</th>
<th>Q4 2015</th>
<th>Q2 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local authorities, NHA</td>
<td>Medium term</td>
<td>Identify 2-3 pilot projects using public-private partnerships for the production of affordable housing</td>
<td>TBD</td>
<td>Q3 2016</td>
<td>Q1 2017</td>
<td></td>
</tr>
<tr>
<td>Local authorities, NHA</td>
<td>Medium term - continuing</td>
<td>Implement pilot projects and scale up operations</td>
<td>TBD</td>
<td>Q2 2017</td>
<td>continuing</td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td>Adopt 'Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas'</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td>Identify 5-6 pilot projects for upgrading/ incremental home improvements</td>
<td>TBD</td>
<td>Q3 2016</td>
<td>Q1 2017</td>
<td></td>
</tr>
<tr>
<td>Local authorities</td>
<td>Medium term</td>
<td>Implement works for pilots, and scale up operations</td>
<td>TBD</td>
<td>Q2 2017</td>
<td>continuing</td>
<td></td>
</tr>
<tr>
<td>MRDPA, INCERC, ANRE, local authorities</td>
<td>Short term</td>
<td>Technical assistance to improve the efficiency and equity of existing thermal insulation programs by setting up systems: (1) Prequalify contractors for thermal insulation; (2) license contractors and institute warranty mechanisms for maintenance period; (3) prevent multiple sub-contracting of works; (4) refine standards and guidelines for different climatic zones; (5) improve specifications of works to include common areas; (6) prioritize public housing and housing for the poor; (7) introduce individual metering, smart meters, and sliding scale tariffs</td>
<td>400,000</td>
<td>Q4 2015</td>
<td>continuing</td>
<td></td>
</tr>
</tbody>
</table>
### Housing in Romania: Program Prioritization and Projects

<table>
<thead>
<tr>
<th>Program/Project Description</th>
<th>Short Term</th>
<th>Medium Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affordable Housing Production by the Private Sector</strong></td>
<td>MRDPA</td>
<td>Local authorities, NHA</td>
<td>Medium term</td>
</tr>
<tr>
<td>Adopt 'Program for the Production of Affordable Housing by the Private Sector'</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Short term</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
<td>NA</td>
</tr>
<tr>
<td>Medium term</td>
<td>Q2 2016</td>
<td>Q1 2017</td>
<td>NA</td>
</tr>
<tr>
<td>Long term</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Local Poor and Vulnerable Community</strong></td>
<td>MRDPA</td>
<td>Local authorities</td>
<td>Medium term</td>
</tr>
<tr>
<td>Adopt 'Program for Informal Settlement Upgrading and Housing Construction/Improvement in Urban and Rural Areas'</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Short term</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
<td>NA</td>
</tr>
<tr>
<td>Medium term</td>
<td>Q3 2016</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Long term</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>MRDPA, INCERC, ANRE, local authorities</td>
<td>Local authorities</td>
<td>Short term</td>
</tr>
<tr>
<td>Technical assistance to improve the efficiency and equity of existing thermal insulation programs</td>
<td>ANRE, local authorities</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform Prima Casa program with income eligibility criteria</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform the VAT subsidy on home purchase with income eligibility criteria</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Conduct national awareness campaign for residents on the benefits of EE upgrades. Communication channels to include social media campaign, and information on energy bills.</td>
<td>ANRE, local authorities</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Gather and disseminate data on nZEB pilot projects.</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Scale up new nZEB pilot projects based on lessons-learned</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform the nZEB program based on pilot projects</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Relearn the lessons from the pilot projects</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td><strong>Existing Programs</strong></td>
<td>MRDPA, MoF</td>
<td>MRDPA, NHA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform Prime Casa program with income eligibility criteria</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
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<tr>
<td>Reform the VAT subsidy on home purchase with income eligibility criteria</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Conduct national awareness campaign for residents on the benefits of EE upgrades. Communication channels to include social media campaign, and information on energy bills.</td>
<td>ANRE, local authorities</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Gather and disseminate data on nZEB pilot projects.</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Scale up new nZEB pilot projects based on lessons-learned</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Reform the nZEB program based on pilot projects</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
<tr>
<td>Relearn the lessons from the pilot projects</td>
<td>NA</td>
<td>NA</td>
<td>Short term</td>
</tr>
</tbody>
</table>

**Notes:**
- **MRDPA:** Ministry of Regional Development and Infrastructure
- **MoF:** Ministry of Finance
- **NHA:** National Housing Agency
- **ANRE:** Agency for Energy Efficiency and Renewable Energy
- **nZEB:** Nearly Zero Energy Building
- **EE:** Energy Efficiency
- **NHF:** National Housing Fund
- **Q:** Quarter
- **TBD:** To Be Determined
- **NA:** Not Applicable

**Costs:**
- **400,000:** Cost for technical assistance to improve thermal insulation programs
- **200,000:** Cost for national awareness campaign for residents on the benefits of EE upgrades
- **150,000:** Cost for gathering and disseminating data on nZEB pilot projects

**Timeline:**
- **Q4 2015:** First quarter of 2015
- **Q2 2016:** Second quarter of 2016
- **Q3 2016:** Third quarter of 2016
- **Q1 2017:** First quarter of 2017
- **Q2 2017:** Second quarter of 2017
- **Q3 2017:** Third quarter of 2017
- **Q4 2017:** Fourth quarter of 2017
- **Continuing:** Ongoing beyond specified quarters

**Projects:**
- **Reform Prime Casa program with income eligibility criteria**
- **Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF**
- **Reform the VAT subsidy on home purchase with income eligibility criteria**
- **Conduct national awareness campaign for residents on the benefits of EE upgrades**
- **Gather and disseminate data on nZEB pilot projects**
- **Scale up new nZEB pilot projects based on lessons-learned**
- **Reform the nZEB program based on pilot projects**
- **Relearn the lessons from the pilot projects**

**Existing Programs Discontinued:**
- **Prime Casa**
- **BauSpar**
- **VAT subsidy on home purchase**
- **Reform Prime Casa program with income eligibility criteria**
- **Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF**
- **Reform the VAT subsidy on home purchase with income eligibility criteria**
- **Conduct national awareness campaign for residents on the benefits of EE upgrades**
- **Gather and disseminate data on nZEB pilot projects**
- **Scale up new nZEB pilot projects based on lessons-learned**
- **Reform the nZEB program based on pilot projects**
- **Relearn the lessons from the pilot projects**

**New Proposed Programs:**
- **Affordable Housing Production by the Private Sector**
- **Local Poor and Vulnerable Community**
- **Energy Efficiency**
- **Existing Programs Discontinued**
- **New Proposed Programs**
VI. List of Potential Projects (Immediate)

Below is a list of proposed projects and actions recommended for immediate implementation together with estimated budgets and timelines (extracted from the Action Plan in Chapter V).

Note: The bulk of the funding for technical assistance activities listed below is expected to come from the Operational Program “Administrative Capacity” (OPAC) and other EU funded territorial cooperation programs (e.g. Urbact, Interreg, cross border cooperation programs), with supplementary contributions from the State and local budgets.
### Table 6.1 List of potential projects

<table>
<thead>
<tr>
<th>Program/theme</th>
<th>Agency responsible</th>
<th>Time frame</th>
<th>Activity/project</th>
<th>Estimated budget (EUR)</th>
<th>Activity start date</th>
<th>Activity complete date</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Housing Strategy</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Draft and adopt National Housing Strategy</td>
<td>75,000</td>
<td>Q4 2015</td>
<td>Q1 2016</td>
</tr>
<tr>
<td>Regional Operational Program</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Revise ROP to align with housing priorities as specified in the Housing Report and the forthcoming Housing Strategy.</td>
<td>NA</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Legal framework/ Housing Law</td>
<td>MRDPA, MoJ</td>
<td>Short term</td>
<td>Review Housing Law and present proposal for reform (see section 9.2 in the accompanying housing report)</td>
<td>350,000</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td>Institutions and Technical Capacity</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Technical assistance to MRDPA, NHA, and local authorities on: (1) Housing needs assessments, (2) local housing plans (for public housing, old housing stock, and seismic risk), (3) physical planning in relation to housing, (4) neighborhood revitalization (historic and non-historic), (5) inventories of public assets, (6) public asset management, (7) incremental housing and informal settlement upgrading, and (8) energy efficiency improvements in residential buildings</td>
<td>300000/year continuing</td>
<td>Q1 2016</td>
<td>continuing</td>
</tr>
<tr>
<td>MRDPA, local authorities</td>
<td>Medium term</td>
<td>Identify 3-4 pilot cities/towns and carry out Housing Needs Assessment and develop Housing Plan, inventory of public assets, and public Asset Management Strategy</td>
<td>2,000,000</td>
<td>Q2 2016</td>
<td>Q4 2017</td>
<td></td>
</tr>
<tr>
<td>MRDPA, local authorities</td>
<td>Medium term - continui ng</td>
<td>Scale up development of Housing Needs Assessments, Housing Plans, inventories of public assets, and public Asset Management Strategies in other cities/towns</td>
<td>TBD</td>
<td>Q1 2018</td>
<td>continuing</td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td>Technical assistance to MRDPA, NHA, and local authorities to establish a Housing Monitoring Platform (to track investments and achievements in the housing sector through public programs)</td>
<td>300,000</td>
<td>Q4 2015</td>
<td>Q1 2016</td>
<td></td>
</tr>
<tr>
<td>Housing in Romania: Program Prioritization and Projects</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>-------------------------------------------------------</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>MRDPA</strong></td>
<td><strong>Medium term</strong></td>
<td>Establish a new housing department at the GD level, based on institutional assessment (in housing assessment report), with responsibility for programs in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, data collection, etc.</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
<td></td>
</tr>
<tr>
<td><strong>MRDPA</strong></td>
<td><strong>Medium term</strong></td>
<td>Technical assistance to strengthen new housing department at GD level (training, twinning, study tours)</td>
<td>500,000</td>
<td>Q2 2016</td>
<td>Q3 2017</td>
<td></td>
</tr>
<tr>
<td><strong>National Housing Fund</strong></td>
<td><strong>Prime Minister’s Office (administrative oversight); MoF (financial oversight); MRDPA (technical oversight)</strong></td>
<td><strong>Short term</strong></td>
<td>Develop design of NHF and (Draft) Operations Manual. Include channels of funding (windows), products under each window and sources of financing, beneficiaries, co-financing, phasing and timetables, administrative purview, management, harmonization of procedures, and monitoring mechanisms.</td>
<td>350,000</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
</tr>
<tr>
<td><strong>Seismic Risk</strong></td>
<td><strong>MRDPA</strong></td>
<td><strong>Short term</strong></td>
<td>Adopt ‘Program for Seismic Risk Mitigation in Residential Buildings’</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td><strong>NHA, local authorities</strong></td>
<td><strong>Short term</strong></td>
<td>Technical assistance to develop Strategy/ Plan for ‘Program for Seismic Risk Mitigation in Residential Buildings’</td>
<td>350,000</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
<td></td>
</tr>
<tr>
<td><strong>Short term</strong></td>
<td>Awareness campaign on seismic risk (local administrations and private owners)</td>
<td>150,000</td>
<td>Q4 2015</td>
<td>continuing</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium term</strong></td>
<td>Create a national inventory of seismically vulnerable housing stock (public and private buildings)</td>
<td>1,000,000</td>
<td>Q4 2015</td>
<td>Q1 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Prioritization and Projects</td>
<td>MRDPA, local authorities</td>
<td>Short term</td>
<td>Establish a new housing department at the GD level, based on institutional assessment (in housing assessment report), with responsibility for programs in energy efficiency, HOAs and maintenance, accessing finance, monitoring, evaluation, data collection, etc.</td>
<td>200,000</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
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</tr>
<tr>
<td></td>
<td>TA Unit</td>
<td>Short term - continuing</td>
<td>Conduct awareness campaign for HOAs and local authorities on building management and maintenance</td>
<td>150,000/year</td>
<td>Q1 2016</td>
<td>continuing</td>
</tr>
<tr>
<td></td>
<td>Short term</td>
<td>Develop and adopt the 'Program for Capital Improvements in Multi-family Residential Buildings', 'Program for Rehabilitation of Privately Owned Historic Dwellings', and the 'Program for the Rehabilitation of Historic Neighborhoods'</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
<td></td>
</tr>
<tr>
<td>Public Housing</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Adopt the 'Program for Increasing Public Housing Stock' and 'Program for Rental Housing Vouchers'</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td></td>
<td>MRDPA, NHA</td>
<td>Short term</td>
<td>Stop the sale of public housing, including NHA Youth Housing</td>
<td>NA</td>
<td>Q4 2015</td>
<td></td>
</tr>
<tr>
<td>Affordable Housing Production by the Private Sector</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Adopt 'Program for the Production of Affordable Housing by the Private Sector'</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td>Poor and Vulnerable Communities</td>
<td>MRDPA</td>
<td>Short term</td>
<td>Adopt 'Program for Informal Settlement Upgrading and Housing Construction/ Improvement in Urban and Rural Areas'</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q2 2016</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>MRDPA, INCERC, ANRE, local authorities</td>
<td>Short term</td>
<td>Technical assistance to improve the efficiency and equity of existing thermal insulation programs by setting up systems to: (1) Prequalify contractors for thermal insulation; (2) license contractors and institute warranty mechanisms for maintenance period; (3) prevent multiple subcontracting of works; (4) refine standards and guidelines for different climatic zones; (5) improve specifications of works to include common areas; (6) prioritize public housing and housing for the poor; (7) introduce individual metering, smart meters, and sliding scale tariffs</td>
<td>400,000</td>
<td>Q4 2015</td>
<td>continuing</td>
</tr>
<tr>
<td>ANRE, local authorities</td>
<td>Short term</td>
<td>Conduct national awareness campaign for residents on the benefits of EE upgrades. Communication channels to include social media campaign, and information on energy bills.</td>
<td>200,000</td>
<td>Q4 2015</td>
<td>continuing</td>
<td></td>
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</tr>
<tr>
<td><strong>Existing Programs</strong></td>
<td>MRDPA, MoF</td>
<td>Reform Prima Casa program with income eligibility criteria</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Short term</td>
<td>Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
<td></td>
</tr>
<tr>
<td>MRDPA</td>
<td>Short term</td>
<td>Reform the VAT subsidy on home purchase with income eligibility criteria</td>
<td>NA</td>
<td>Q4 2015</td>
<td>Q3 2016</td>
<td></td>
</tr>
</tbody>
</table>
ANRE, local authorities
Short term Conduct national awareness campaign for residents on the benefits of EE upgrades. Communication channels to include social media campaign, and information on energy bills.

200,000 Q4 2015

Existing Programs
MRDPA, MoF
Short term Reform Prima Casa program with income eligibility criteria
NA Q4 2015 Q3 2016

Short term Reform BauSpar program with income eligibility criteria and reallocate remaining subsidy to NHF
NA Q4 2015 Q3 2016

MRDPA
Short term Reform the VAT subsidy on home purchase with income eligibility criteria
NA Q4 2015 Q3 2016

MRDPA, NHA
NA Q4 2015 Q3 2016
This report provides an analysis of the selection and prioritization mechanisms for housing and social infrastructure projects financed by the Romanian Government. Part A of this report contains a summary of the European and international policy context for housing in Romania, and a review of past and current housing programs in Romania, including commentaries on program drawbacks and results. Part B outlines the main elements for prioritization, both across different programs and within programs. It also includes a comprehensive Action Plan detailing recommended actions along with estimated budgets and timeframes, as well as a proposed list of projects for short term implementation by the Ministry of Regional Development and Public Administration.

Two other reports are also included in the overall package:

- “Towards a National Housing Strategy”, which includes a detailed assessment of Romania’s housing sector, and recommendations to inform the country’s forthcoming National Housing Strategy; and
- “Coordination of State and EU Funds”, which elaborates on how investments in the housing sector by the State can complement EU investments.