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WORKSHOP ON HOUSING FINANCE

Report prepared by the delegation of Romania
in cooperation with the secretariat

Introduction

1. The Workshop on housing finance took place in Timisoara (Romania) from 30 January to 1 February 2000. The Ministry of Public Works and Regional Planning in cooperation with the National Research Institute for Urban and Regional Planning of Romania organized it with assistance of the secretariat.

2. Representatives of the following countries participated: Armenia, Bulgaria, Czech Republic, Denmark, Germany, Lithuania, Poland, Republic of Moldova, Slovakia, and the United Kingdom.

3. The Minister responsible for housing, Mr. N. Noica, welcomed the participants and explained Romanian housing policy initiatives. He stated that it was a challenge to launch new housing construction initiatives to improve the housing quality in Romania and to satisfy the housing needs with restricted financial means. A National Housing Agency had been set up to improve affordability and access to housing for younger generations. The Minister welcomed the UN/ECE project on housing country profiles and expressed his readiness to help an international expert group investigate the housing sector in Romania. He looked forward to the conclusions and recommendations that would derive from their work for housing policy and would assess the National Housing Agency's activities.

4. Mr. S. Antonescu, the State Secretary for housing, in his welcome address pointed out that macroeconomic constraints (inflation, interest rates, and State budget deficit) had a significant impact on the effectiveness of State intervention in the housing sector. In addition, he mentioned that land had become an important factor in new housing construction, particularly because of the restitution process. Still the high housing costs had to be addressed, together with housing quality, which was low.

5. Mr. D. Gantz, the Prefect of the County of Timisoara, also welcomed the participants to the workshop and pointed out the regional administration's expectations of the National Housing Agency. The housing from the 50s to the 70s was in poor condition. The regional administration felt that there was a role for the Agency also in the comprehensive improvement of the existing stock.

6. Mr. Ciunhandu, the Mayor of Timisoara, explained the difficulties that his municipality faced in seeking solutions for its housing problems. People were still used to the former system of subsidized housing, while nowadays the State could not offer much and new solutions must be found.

7. Ms. C. von Schweinichen, of the ECE secretariat, stated that a lack of adequate housing finance was a major constraint on both housing construction and renewal. Financial sector reform was a precondition for efficient housing finance both to encourage savings for the purpose of housing and to create the necessary financial intermediation. She linked these issues with the role of central and local authorities and the private sector, stressing the fact that the reform of the housing sector must be addressed with comprehensive action on their part, based on a coherent housing reform concept.

I. HOUSING REFORM IN ROMANIA

8. During the presentation of Romania's situation several issues were highlighted. As an integral part of Romania's ongoing reform process, housing policy was one of the key issues. State social housing construction had come to a standstill after 1990. Urban dwellings had been privatized through the direct sale to the sitting tenants. Often these new owners could not meet the cost of repair and modernization. With homeownership the almost exclusive form of tenure, declining output of new housing and no mortgage system, access to housing and housing mobility were severely restricted and complicated.

9. The quality of the existing stock presented a serious problem. The modernization and renovation of the existing housing stock and the lack of alternatives to homeownership (rental housing) were pressing tasks for the central and local governments.

10. Housing reform in central and eastern Europe evolved at different paces in terms of meeting housing demand, increasing housing supply and developing financial instruments/products for housing, such as provisions for mortgages.

The experience of other countries in central and eastern Europe in dealing with the above issues was of great interest to Romania. Romania would like to explore new approaches to introducing market mechanisms for the housing sector, particularly the legal and institutional aspects related to the development of mortgage and renovation financing. By studying and developing these mechanisms, Romania hoped to stimulate housing construction and housing renovation. To accelerate the housing reform in Romania, it would be important to build on successful examples from within Romania and from other European countries in developing financial instruments. Comments or suggestions concerning the involvement of central and local governments in supporting the development of a well-balanced housing policy were also welcome.

II. WORKSHOP SESSIONS AND TECHNICAL VISIT

11. The following participants were elected chairpersons:

(a) Opening session (I): Ms. C. Popescu (Romania);

(b) Session (II) on the housing sector of Romania:
Mr. V. Pogozhelskis (ECE secretariat);

(c) Sessions (III) on the National Housing Strategy and Agency of Romania and (IV) on the Polish Housing Fund as a financial instrument for housing: Mr. J. Zetter (United Kingdom);

(d) Sessions (V) on the role of governments in providing emergency housing and (VI) on savings for housing, mortgages and affordability:
Mr. R. Liias (Estonia).

12. The following experts presented basic reports:

(a) Session I: Ms. C. von Schweinichen (ECE secretariat);

(b) Session II: Ms. I. Budisteanu (Romania), Mr. S. Motev (Bulgaria) and Ms. E. Bejenaru (Republic of Moldova);

(c) Session III: Ms. A. Iftime, Mr. I. Dobre and Ms. Stoika (all from Romania);

(d) Session IV: Ms. A. Muziol-Weczlawowicz, Mr. M. Zawislak and Mr. J. Fisher (all from Poland);

(e) Session V: Ms. I. Gregorian (Armenia);

(f) Session VI: Mr. H. Pfeiffer (ECE Housing and Urban Management Advisory Network), Mr. J. Kubecka (Czech Republic), Mr. A. Kaklauskas (Lithuania) and Mr. S. Najnal (Hungary).

13. On Monday, 31 January, a technical visit took place to Timisoara housing estates and Arad municipality. Mr. V. Neamt, the Mayor of Arad, made a presentation on housing-related problems in the city. The municipality had lost some 60,000 of its municipal housing stock as a result of privatization.

Only some 500 flats remained in municipal hands. Land for new housing had also diminished because of property restitution. Transport had increased and the master plan had to be revised to address traffic congestion and other issues related to the new urban conditions. The municipality acknowledged that young families experienced a housing shortage and commercial loans were not affordable. Overall, the housing stock's quality problem had not been addressed in the past decade. The tenure structure had changed and this also needed to be addressed.

III. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

14. In Romania there were several current issues that needed to be looked at more closely:

- The physical condition of the existing housing stock;
- The inadequate standard of space and size and the housing amenities;
- The mismatch between household size and property size.

15. Although there was no absolute shortage in housing, there was a significant need for more housing that was affordable for low-income households and for access to financial support.

16. The Government had taken action by setting up the National Housing Agency. This Agency had wide-ranging powers. At the moment it targeted younger people who could afford mortgages to purchase new housing. This should stimulate the depressed housing industry.

17. The Agency must produce housing very cost-effectively for the intended target group to be able to pay back the mortgage. Steps had been taken to get land at low cost by involving the municipalities and to achieve low construction cost through negotiations with developers.

18. The Government had also given municipalities the duty to provide housing at low rent and the ability to raise loans, but no actual funding was available.

19. A presentation of the experience in Poland provided several interesting examples for Romania:

- Poland had set up a Mortgage fund in 1992 with similar aims. However, its success in creating new houses had been limited and Poland had now moved to more targeted programmes through the creation of the National Fund (1995) with limited resources. One of the immediate tangible results was a greater awareness of how private funding could be used and skills and institutions could be strengthened to this end;
- The current strategy in Poland was to focus resources on:
 - Increasing the supply of rental housing;

- Raising housing allowances to be able to raise rents to a "reasonable level";
 - Providing serviced land for housing development of all types; and
 - More generally, lowering inflation;
- As a result Poland was enjoying a relatively stable business environment with some Government intervention. This ensured that those who were able to provide housing with their own means did so.

20. During the study tour, participants heard presentations of the Chief Architect of Timisoara and the Mayor of Arad. They explained the general situation in their respective cities and the particular problems they encountered. In particular, concern was expressed about the poor condition of the housing stock and infrastructure, and the shortage of housing. The need for social housing, for which there were insufficient public funds, was also expressed.

21. Subsequently, a visit was organized to look at some housing schemes and their problems. Examples were shown of how the Cooperative Housing Foundation had helped with funding and NGOs had helped with some of the necessary home improvements.

22. Finally, there was a presentation which drew some final conclusions based on the Estonian example. The example was also applicable to other countries and suggested that the owners of privatized properties in Romania should reconsider the ways in which their private condominiums were being managed.

23. In conclusion, the participants welcomed the open discussion on the situation in Romania and the independent views expressed by the participants - both governmental and non-governmental.

B. Recommendations

24. The participants encouraged continuing cooperation between all actors in the housing sector in developing strategies to encourage investment in the sector. This would enable housing markets to work more efficiently and help marginalized groups in society to have access to affordable housing.

25. The creation of the National Housing Agency in Romania was the first step towards a comprehensive strategy. However, it would require cooperation with the municipalities. This would be facilitated by the Agency having local branches.

26. A solution should be found to enable the municipalities to provide new rental housing and deal with the problems of the existing stock.

27. The participants invited the responsible authorities to review:
- Whether the condominiums were being managed in a way that would ensure longer-term sustainability; and
 - Whether the necessary institutionalized mechanisms were in place to ensure continuity in management.
28. The participants believed that the forthcoming preparation of the Country Profile on the Housing Sector in Romania would facilitate institutional cooperation and give substance to its future agenda. The study would also be an opportunity to clarify the action needed to implement Romania's housing strategies. The participants fully recognized the commitment of the Romanian authorities to undertaking such an exercise and supported the host country in its challenging endeavour.