

PN-ABQ-415

ISS. 85723

**REPORT ON TECHNICAL ASSISTANCE PROVIDED
TO ROMANIAN CITIES**

DECEMBER 1993

By

Robert Dubinsky
Mircea Enache
Kathy Engebretson
Peter Feiden
Fred Fisher
Paul Hendricks
Philip Rosenberg

Consultants to ICMA

Prepared for the Office of Housing and Urban Programs
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
USAID Project No. 180-0034
USAID Contract No. EUR-0034-C-00-2034-00
Local Government and Housing Privatization
Request for Services #48

ABSTRACT

This report describes the work that the International City/County Management Association (ICMA) carried out in Romania, particularly in the cities of Brasov, Craiova and Constanta, in June and July 1993. The objectives of the work were to further local government reform and decentralization of responsibility and to improve the capabilities of local governments in Romania. ICMA provided local government officials with practitioner-oriented, short term training and assistance in the areas of urban planning, infrastructure finance and municipal finance. Based on the field work, ICMA developed recommendations to USAID for a continuing program of assistance to Romanian cities.

EXECUTIVE SUMMARY

Romania is in transition from a highly-centralized, command-oriented government structure, under which the central government controlled most financial resources and determined how public funds were spent, to a more decentralized, intergovernmental system under which local governments will have more authority to make decisions, raise money and allocate resources.

USAID/Bucharest, under its program of assistance to local governments, seeks to assist in this process of reform by encouraging and supporting efforts to devolve responsibility, authority and financial resources to local governments.

In support of the USAID/Bucharest program of assistance, the International City/County Management Association (ICMA) in June and July 1993 carried out a project of practitioner-oriented, short-term technical assistance for local governments in Brasov, Craiova and Constanta combined with policy discussions at the national level with national government officials and representatives of international donor agencies. The assistance focused on problems of urban planning, infrastructure finance and municipal finance. The work was funded under ICMA's Local Government and Housing Privatization Contract with USAID.

In Romania, the ICMA project team was able to obtain a general understanding of the range of problems and issues faced by local officials and, at the same time, to provide the officials with information and advise on how they might begin to deal with them. The ICMA project team found both local and national government officials eager to obtain continuing support and technical assistance for improving local government.

Based on the work in the cities and discussions with Government of Romania officials, ICMA recommends that USAID continue to provide technical assistance and training to Romanian cities. ICMA proposes that in the short run the USAID assistance program address immediate and discrete problems that local governments face. Once new legislation affecting local government has been enacted, however, the focus of the program should begin to shift toward helping local governments implement new legislative requirements and cope with any new responsibilities and authorities.

The focus of assistance should respond to local needs. Priority areas include improving the capacity of mayors and judet presidents to better manage programs and resources, developing improved local government public information and relations, improving the efficiency and capabilities of regii autonome to deliver urban services, introducing new "market-oriented" approaches to urban planning practices, improving financial management and procurement practices, and assisting owner-occupied housing management associations to more effectively manage residential properties.

This report describes the work that was carried out in the three cities and the technical assistance and advice that was provided to local officials. First, the objective and purpose of the project as well as the approach to the assistance provided are described. Second, the findings and results from the field work in Bucharest and the three cities are summarized. The third, fourth and fifth subsections of the document report on the assignments in Brasov, Craiova and Constanta respectively.

TABLE OF CONTENTS

ABSTRACT	i
EXECUTIVE SUMMARY	ii
TABLE OF CONTENTS	iii
OVERVIEW AND SUMMARY	1
I. INTRODUCTION	2
II. OBJECTIVE, PURPOSE AND APPROACH OF THE ASSIGNMENT	3
III. SUMMARY OF PRINCIPAL FINDINGS AND RESULTS	4
A. The Status of Local Government Reform	4
B. Opportunity for USAID to Assist with Municipal Reform	4
C. Improving Municipal Management and Coordination Capacity	5
D. Housing: A High-Priority Local Government Issue	6
IV. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF BRASOV	8
A. Findings	8
B. Technical Assistance Provided	8
C. Recommendations	8
V. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CRAIOVA	9
A. Findings	9
B. Technical Assistance Provided	10
C. Recommendations	10
VI. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CONSTANTA	11
A. Findings	11
B. Technical Assistance Provided	12
C. Recommendations	12
REPORT ON TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF BRASOV	13
I. BACKGROUND	14
II. SCOPE AND METHODOLOGY	14
A. Land Use Planning and Control	15
B. Housing	15
III. FINDINGS AND CRITIQUE	15
A. City Setting	15
B. Legal Environment for Planning	16
C. The Planning Process	18
D. Planning Staffing and Organization	18
E. The Legacy of Public Housing	19
IV. MAJOR POLICY ISSUES, PROBLEMS AND CONSTRAINTS	20
V. RESULTS OF TECHNICAL ASSISTANCE MISSION	21

VI. LIST OF APPENDICES	23
APPENDIX A: HOUSING PRIVATIZATION IN ROMANIA	24
APPENDIX B: ORGANIZATION OF BRASOV CITY HALL	28
APPENDIX C: PERSONS INTERVIEWED	30
REPORT ON TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CRAIOVA	32
I. INTRODUCTION	33
II. BACKGROUND INFORMATION	33
A. Structure of the City Government	33
B. City Administration	35
C. Regii Autonome (Public Companies)	35
D. Judet (County) Structure	37
E. Prefect	38
F. Housing	38
III. TECHNICAL AND OPERATIONAL ASSESSMENT OF INFRASTRUCTURE AND PUBLIC ENTERPRISES IN CRAIOVA	39
A. Technical Issues	39
1. Building Heat	39
2. Water Supply	40
3. Sanitation (Sewers and Wastewater Treatment)	43
4. Solid Waste	44
5. Hot Water Supply	46
IV. LIST OF APPENDICES	47
APPENDIX A: PERSONS INTERVIEWED	48
APPENDIX B: ORGANIZATION OF CRAIOVA MUNICIPAL COUNCIL	50
APPENDIX C: PRIORITY LISTING OF INFRASTRUCTURE ISSUES	51
APPENDIX D: COMMENTS ON IMPROVING THE EFFECTIVENESS OF LOCAL GOVERNMENT	52
EXHIBIT 1: CRAIOVA SEWER COLLECTION SYSTEM.	
REPORT ON TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CONSTANTA	60
I. INTRODUCTION	61
II. BACKGROUND INFORMATION	61
A. Structure of City Government	61
B. Judet (County) Structure	61
C. Regii Autonome (Public Companies)	62
D. Administrative Commission	62
E. Prefect	62
F. Ministries	62
III. TECHNICAL AND OPERATIONAL ASSESSMENT OF THE CITY'S FINANCIAL SYSTEMS AND PRACTICES	62
A. The Budget	62
B. Accounting, Reporting and Financial Control	64

C. Purchasing	64
D. Recordkeeping	65
E. Major Policy Issues, Problems and Constraints	65
IV. RECOMMENDATIONS FOR FUTURE TECHNICAL ASSISTANCE AND TRAINING IN MUNICIPAL FINANCE	67
V. LIST OF APPENDICES AND EXHIBITS	69
APPENDIX A: PERSONS INTERVIEWED	70
APPENDIX B: PRIORITIES OF THE MAYOR	71
APPENDIX C: HOUSING IN CONSTANTA	72
APPENDIX D: WATER AND SEWER SYSTEM OF THE COUNTY OF CONSTANTA	74
APPENDIX E: POLITICS IN CONSTANTA	77
APPENDIX F: SISTER CITIES OF CONSTANTA	78
EXHIBIT 1: CITY ORGANIZATION CHART	79
EXHIBIT 2: CITY BUDGET FOR FISCAL YEAR 1993	81
EXHIBIT 3: CITY BUDGET DETAIL	82
EXHIBIT 4: MONTHLY REPORT TO THE FINANCE MINISTRY	83
EXHIBIT 5: SUMMARY STATISTICS	84
EXHIBIT 6: FINANCIAL REPORTING FORMS FOR PUBLIC COMPANIES	85
OTHER APPENDICES	86
APPENDIX A: THE HOUSING SITUATION IN BUCHAREST	87
APPENDIX B: PERSONS INTERVIEWED IN BUCHAREST	90

OVERVIEW AND SUMMARY

I. INTRODUCTION

This report describes the technical assistance provided by the International City/County Management Association (ICMA) to three Romanian cities (Brasov, Craiova and Constanta) over the period of June 28 through July 9, 1993. It also summarizes conclusions from discussions held among ICMA team members (accompanied by USAID/Bucharest's program officer), representatives of international donor agencies and officials of the Government of Romania (GOR).

As part of USAID/Bucharest's program of assistance, ICMA sent two-person teams to Brasov, Craiova and Constanta to provide local officials with practitioner-oriented, short-term training and technical assistance. In Brasov, the work focused on urban planning; in Constanta, on municipal finance; and in Craiova, on infrastructure financing.

ICMA found city and national government officials eager for help in dealing with the problems that local governments face in Romania. Municipal officials are committed to improving local governance and the delivery of public services. They encounter, however, severe financial constraints and significant legal, institutional and political uncertainties. Local government budgets are being cut at a time when inflation is high and unemployment is growing. The technical and financial resources available to local governments are minimal.

Based on work in the cities and discussions with GOR officials, ICMA recommends that USAID continue to provide technical assistance and training to Romanian cities. Also, ICMA recommends that USAID provide continuing advice to the GOR on modifying and improving the legal and policy framework for local government. Such advice will be particularly timely because the GOR is considering changes to the laws on local government and finance. ICMA recommends that USAID assistance be carried out in close coordination with other local government assistance being provided by USAID/Bucharest and by other international donor agencies.

ICMA proposes in the short run that the USAID assistance program address immediate and discrete problems that local governments face. Once new legislation affecting local government has been enacted, however, the focus of the program should begin to shift to helping local governments implement new legislative requirements and cope with any new responsibilities and authorities.

The proposed USAID program of short to medium term technical assistance and training is described in a separate report, *ICMA Recommendations for a Follow-On Technical Assistance Program for Romanian Cities*. The program is designed to begin immediately and to largely reach completion within six months, though some projects are scheduled to take one year.

To enable ICMA to achieve effective implementation of a program of assistance in Romania, ICMA requests USAID's authorization to develop working relationships with Romanian firms. Such relationships could help ICMA to implement the technical assistance program, and, over time, to set up a project office in Bucharest.

The remainder of this section of the report is divided into five subsections. The first describes the objective and purpose of the project as well as the approach to the assistance provided. The second summarizes the findings from and results of the field work in Bucharest and in the three cities that received assistance. The third, fourth and fifth subsections report on the assignments in Brasov, Craiova and Constanta respectively.

II. OBJECTIVE, PURPOSE AND APPROACH OF THE ASSIGNMENT

Two-person ICMA teams, experienced in local government issues and management, were assigned to each of the three cities in different technical areas. The cities and the technical areas of the teams' work were selected by USAID/Bucharest, working in association with the Romanian Federation of Municipalities. Team members were provided with background materials on Romania and on local government issues. Upon arrival in Bucharest they were briefed by USAID/Bucharest on the Public Administration Program and USAID's expectations about the work.

While each team was expected to work within a designated technical area, wide discretion was given in the specific focus of the work. Each team was expected to accomplish the following: (1) to develop an understanding of the principal problems faced by local governments within the specific technical area; (2) to provide short-term technical assistance in the form of assessments, training, advice and information and action recommendations; (3) to produce a field report in Romanian for the mayor and USAID/Bucharest; (4) to prepare a report and a monograph on the technical work carried out in the field; and (5) to brief USAID/Bucharest and the Federation of Municipalities on the work in the city.

In the field, the teams met initially with the mayors to develop a work plan. They then met with a range of other city and local government officials and went on site visits to collect general information and data on the cities and on the specific technical issues and problems agreed to in the work plans. In conjunction with these efforts, the teams provided city officials with technical assistance. This took the form of policy and technical advice; review and commentary on current practices and procedures and city and U.S. documents, plans, budgets, reports etc.; seminars and workshops; and one-on-one discussions.

In addition, the ICMA team leader visited each of the cities to review and discuss the work in progress with the teams and with local officials. The team leader also met with international donor, national government and Federation of Municipalities officials to inform them about the project and identify other local government programs and activities.

The sectoral objective of USAID/Bucharest's program of assistance is to encourage and support efforts to devolve responsibility, authority and resources to the local level. The purposes of this particular project were to assist selected Romanian cities in improving their service delivery and city management capabilities, within the framework of existing legislation, and then to disseminate the results of the assistance provided to other cities through the Romanian Federation of Municipalities. These two purposes were to be achieved by providing practical, "hands-on" help to local officials in coping with some immediate problems and preparing monographs summarizing the recommendations and assistance ICMA will make available to local officials throughout Romania.

III. SUMMARY OF PRINCIPAL FINDINGS AND RESULTS

A. The Status of Local Government Reform

Romania is in transition from a highly centralized, command-oriented government structure to a more decentralized intergovernmental system. Under communism the central government controlled most financial resources and determined in great detail how public funds were spent. In contrast, local governments will soon have more authority to make decisions, raise funds and allocate resources. For now, however, the process of local government reform and decentralization of authority and responsibility to the local level is at an early stage. While many local and national officials expect that new legislation will bring significant changes in the relationships between the national and local governments, little actual change has yet occurred.

The principal levels of local government in Romania are: cities (orase), towns (comune), and counties (judete). Cities and towns have limited powers and relatively small staffs. The 41 county governments oversee the delivery of countywide services and are responsible for developing countywide proposals for the allocation of funds for public services and capital investments. Public enterprises (.egii autonome) are semi-autonomous companies that provide public services and are supervised by city or county governments.

ICMA found local government authority severely circumscribed and fragmented. Local governments have little revenue-generating authority and little control over the financial resources they have. The national government exercises tight control over local finances, to the point where the Ministry of Finance must approve all local government expenditures. Cities depend largely on county government decisions on the level of resources they will receive and when they will receive them. In this situation, budgeting and fiscal forecasting are extremely difficult. Moreover, cities depend on the national government for capital investments, have no real authority to borrow funds and traditionally do not prepare capital budgets or go through a capital programming exercise.

B. Opportunity for USAID to Assist with Municipal Reform

While it is true that national laws and regulations do impose significant financial, regulatory and procedural constraints on local governments, opportunities do exist for improving the capacities and effectiveness of local governments under the current legal, regulatory and financial framework. At the same time, reform of national laws and regulations will be essential to the development of more effective local government.

In spite of the significant legal and policy constraints within which local governments work, ICMA found a strong interest and commitment on the part of the three city mayors and their staffs to make local government more effective and responsible. City officials recognize the need to redefine the role of cities and to develop better systems for coordinating programs at the local level.

The ICMA teams were well received, and the cities appeared to value the assistance provided to them. Compared with other cities in other countries in Eastern and Central Europe, Romanian cities have received very little help from other countries and international donors. None of the

cities have sister city programs with U.S. cities. Local officials expressed a strong interest in obtaining technical and capital assistance so they could more effectively improve and reform local government practices. A similar interest was expressed by the cross section of national government officials with whom ICMA met.

The focus of assistance should respond to local needs. Priority areas include improving the capacity of mayors and judet presidents to better manage programs and resources, developing improved local government public information and relations, improving the efficiency and capabilities of regii autonome to deliver urban services, introducing new "market-oriented" approaches to urban planning practices, improving financial management and procurement practices, and assisting owner-occupied housing management associations to more effectively manage residential properties.

Officials both from the Romanian government and from international donors expressed interest in coordinating local government assistance activities with USAID. For example, the World Bank representative appeared open to including in the pre-feasibility studies for an infrastructure loan, the three cities in which USAID is active. Studies are underway in Iasi, Tirgoviste, Tirgu Mures and Petrosani. The capacity of local governments to implement and manage projects will be an essential criterion in the Bank's selection of projects to finance. Also, EC PHARE appeared willing to develop a training program with USAID. The PHARE program anticipates spending 1.5 million ECU on local government training programs over the next eight to twelve months. The European Bank for Reconstruction and Development (EBRD) expects to augment World Bank lending but may be interested in lending for other purposes as well.

Romanian mayors are actively involved in the Federation of Municipalities, which the national government apparently views as an important and influential institutional resource. It would be mutually beneficial for USAID to continue to work closely with the Federation and the Association of Judet Council Presidents. With a modest amount of institutional development support, these entities could become effective vehicles for promoting reforms of the current intergovernmental system and for disseminating information to local governments.

C. Improving Municipal Management and Coordination Capacity

Service delivery at the local level is divided among cities (and villages), judets and public enterprises (regii autonome). Because of the existing legal and policy framework and traditional institutional relationships, local governments exert limited management and financial oversight over the regii which deliver most services. Program coordination among local public entities in the design and delivery of services is limited. Cities rely on the judets for a large share of their financial resources and for many types of services.

Typically, city regii are responsible for the public enterprises that provide solid waste and housing services, whereas judet regii provide such important services as transportation, water and wastewater/sewerage treatment. Improving the operations of both city and judet regii is integral to improving local service delivery. While the regii are in theory "subordinate" to the city or county governments, they are in fact quite autonomous. City and county governments approve the budgets of the regii but do not effectively monitor their performance, financial management practices or productivity.

USAID's design for a program of technical assistance should take into account the needs and problems of the different local institutions. The program should include help not only to cities but also to judets and regii autonome. Judets must be involved in improving local service delivery systems. However, as city and judet staffs are relatively small, the regii must be the focus of efforts to improve local service delivery.

Local coordination and working relationships at the local level must be improved. There is an absence of effective systems and arrangements to develop coordinated planning, capital investments and budgeting at the local level. Local officials need to be more effective managers and to improve their technical skills; they have had limited exposure to financial and feasibility analysis, strategic planning methodologies and systematic assessment of priorities and options. They must develop improved management information systems and improve their organizational and managerial expertise. Contacts and a close working relationship between the Federation of Municipalities and the Association of Judet Council Presidents should be encouraged.

D. Housing: A High-Priority Local Government Issue

Local officials view housing as an important local government issue, even though Romania's housing situation differs fundamentally from that of other countries in Eastern and Central Europe in two primary respects. First, rather than agonize over the equity issues posed by privatization of housing, the Romanian government has sold most of the housing stock to sitting tenants at very low prices with generous financing. About 80% of the stock is estimated to be privately owned and under the management control of the owner-occupants. Second, there is a tradition of management of multifamily residential buildings by associations of tenants, and these associations now serve as the management structures for privatized housing. Romania is well on its way to having a private housing market and to reducing the large rental subsidies that had traditionally been provided by the national government.

For many people the sale of the publicly owned stock to tenants at low prices represents the one positive economic change since 1989. For well-located properties in Bucharest, the current market value of housing units may be 30 to 40 times the price at which the units were sold to the tenants. While this may ultimately provide a windfall to sellers (Romanians believe they have earned the right to buy their housing at token prices), typically the average buyer would have to pay at least six times his/her annual salary to purchase an existing unit.

Table 1 provides a housing and demographic profile for Bucharest and the three cities visited as of January 1992. Brasov, Constanta and Craiova are all about the same size. The table shows that Brasov and Bucharest have a significantly higher density housing stock than Craiova and Constanta. In 1992, the extent of privatization varied from a low of 64 percent in Bucharest to 84 percent in Craiova.

Local officials identified a number of important housing related problems of concern to them, including: (1) the lack of technical capacity of the owner-occupant building associations and their limited financial capacity to collect funds to maintain and repair buildings; (2) the high-cost, large, public subsidies for heating expenses, and the lack of efficient systems for providing heat to residential properties; (3) the lack of adequate systems for metering utility usage; and (4) the lack of funds to complete 60,000 partially built residential units around the country on which construction has been halted.

Table 1

**Housing and Demographic Profile
for Selected Romanian Cities and their Judets (1992)**

	<u>Bucharest</u>	<u>Brasov</u>	<u>Constanta</u>	<u>Craiova</u>
1. Population 1992	2,064,474	323,835	350,476	303,520
2. Percent Increase in Population Since 1977	114	126	136	137
3. Number Housing Units	760,751	107,846	111,297	94,709
4. Number Residential Buildings	109,194	13,684	25,153	20,130
5. Average Number of Units per Residential Building	7.0	7.9	4.4	4.7
6. Total Number Housing Units in Judet	849,092	212,061	227,315	255,988
Number Publicly Owned	305,198	65,795	63,152	40,522
Number Privately and Non-Publicly Owned	539,043	144,194	162,717	215,038
7. Percent Publicly Owned in Judet	36	31	28	16
8. Percent Privately and Non-Publicly Owned in Judet	64	69	72	84

Sources: Census of Housing (1992), Statistical Office of the GOR

IV. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF BRASOV

A. Findings

- The legislation to support planning activities at the local level is incomplete, conflicting and ambiguous for those interested and involved in the planning and land development process.
- The Brasov master plan is unworkable for many reasons. It: lacks specificity; has no subdivision provisions, does not follow parcel boundaries for planned uses, has no real community participation requirements and allows for excessive central government oversight.
- The planning office of the city lacks a clear view of its role in a market economy and adequate technical capability to undertake its responsibilities.
- The planning process is not related to a capital improvement program.
- The privatization of state housing is by far the most significant and far-reaching transfer of state assets to citizens. However, organizational structures for the management of condominium buildings are inadequate and these now-private assets are thereby placed at risk.

B. Technical Assistance Provided

In addition to collecting information on the circumstances in the city and establishing contacts for future work, the USAID team provided specific advice to the city. The team solicited input from a variety of sources, both on pressing issues within the broad domain of urban planning and development and on other areas in which advice would be helpful. Then, in small groups, the team suggested approaches or solutions that the city might want to pursue, either on its own or with outside assistance. ICMA conducted a concluding workshop with councillors, planning staff and other city officials, discussed a variety of technical issues with participants and made presentations on U.S. land-use and planning practices. Participants concluded that the city should begin move toward a market economy in two areas: (1) development of a new land-use and regulatory system that is more transparent and self-regulating, and (2) development of a program to support home ownership.

C. Recommendations

ICMA provided the city with a list of initiatives that should be undertaken. These include:

- Publish information on current land use and building regulations, and advertise its availability.
- Develop a roster of qualified planners/architects who can be hired by the city for specific assignments.

- Begin to review existing planning standards and requirements to prepare for a more transparent and self-regulating system.
- Develop prototypical subdivision ordinances that address the allocation of costs for expansion of infrastructure.
- Test new planning and land use approaches in a pilot demonstration project.
- Make better use of the city's computers. For example, begin to develop a computerized cadastre system that brings together land parcel and ownership information.
- Develop technical assistance and information programs to provide help to owner-occupant building associations.

V. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CRAIOVA

A. Findings

- City of Craiova officials face many difficult challenges in improving the effectiveness of government and the delivery of services. There is a need for more expertise in such areas as strategic planning, goal setting, financial analysis and management oversight.
- City management could be made more effective and efficient. Achieving more fiscal and operational accountability over the regii autonome would be beneficial.
- There are opportunities for greater involvement of citizens and local institutions in the governance process.
- Much could be gained by improved coordination and planning among local government bodies.
- There are many opportunities to improve infrastructure systems and the delivery of public services.
- In Craiova, only 25 percent of the population receives water 24 hours a day; most of the city receives water 12 hours per day.
- In spite of the lack of full-time water service, there is a very high water usage rate. This which suggests that the primary focus of water system improvements should be the development of a conservation program, rather than finding additional sources of water.
- The infrastructure regia does not perform flow or quality analyses of wastewater discharges. There is only minimal dilution of the wastewater flow.
- In terms of solid waste, there is a lack of adequate collection and mechanical equipment. Much of the equipment is in need of repair.

- There are significant leaks in the hot water system.
- Since water is not available 24 hours a day, the heating system cannot be operated on a continuous basis.

B. Technical Assistance Provided

The Craiova work covered two topic areas: an assessment of the management and operation of the infrastructure regii that provide public services, and a review of management practices of the city government.

Discussions were held with city officials about U.S. and Romanian local government practices. Practical suggestions were offered to improve management systems, more effectively involve citizens in government and improve decision-making and service delivery.

The work with the regii included site visits to all of the major infrastructure facilities, review of operating practices and technical problems, and performance evaluation of systems and equipment. ICMA made specific recommendations to improve operating systems that could be implemented at little or no cost and outlined longer term actions that will require additional staff or financial resources.

C. Recommendations

ICMA provided the city with a list of initiatives that should be undertaken. These include:

- Establish a public relations and public information office.
- Create a quality assurance team within the city government.
- Establish better relations between city and judet council staff. Develop working relations with the University and other local institutions.
- Develop an improved information base for decision-making.

ICMA provided the regii with a list of initiatives that should be undertaken. These include:

- In terms of building heat, survey each individual heat loop for leaks, inventory the number and size of meters needed to equip the system, and study the possible use of non-potable water in the system.
- Develop a comprehensive water conservation and customer education program. In conjunction with the conservation program, in order to improve efficiency the regia should begin to repair and replace meters for industrial and commercial users, evaluate the water storage system, and provide training to water treatment plant staff.

- In terms of sanitation, inspect and clean the sewer outlets and dikes. Prepare a plan to build a natural treatment system that will polish effluent before it is used for irrigation or discharged.
- Improve personnel management and routing practices in collecting solid waste and at the solid waste landfill sites.

VI. SUMMARY OF THE TECHNICAL ASSISTANCE PROVIDED TO THE CITY OF CONSTANTA

A. Findings

- In Constanta, as other cities in Romania, national law on municipal finance severely limits the city's ability to collect, control, spend and invest local financial resources.
- Within the city boundaries, municipal functions are provided by the county and the central government, as well as by independent public companies (regii). The level of control the city has over these services is limited.
- Department managers have limited resources with which to do their jobs. The city has 90 positions, the county 104 and many positions remain unfilled because of low salaries. City and regii equipment is inadequate and generally in poor condition.
- Current levels of inflation make the budgeting and planning processes extremely difficult.
- Local revenues are limited and outside the control of the city. Constanta does not get its fair share of revenues, and current law does not afford a remedy.
- The inability of the city to control the deposit of revenues to its own bank accounts makes it impossible to ensure that funds are available when needed.
- Accounting laws and practices used by the regii do not adequately capture the cost of capital in the provision of goods and services. The value of buildings and other assets does not appear to be considered in calculating cost of service.
- Budgeting is constrained by three factors: (1) the inability of the city to carry over a fund balance from one year to another; (2) uncertainty over the amount and timing of the receipt of revenue from the judet; and (3) the likelihood that much of the revenue may be received in the final months of the fiscal year.
- Serious revenue collection problems exist for the city and public companies. Although taxes and fees are quite low, many citizens have a difficult time paying them, and economic realities make collection of overdue payments difficult.

B. Technical Assistance Provided

The team spent extensive time with the city revenue director and met with a wide range of city, judet and regii officials. Discussions were held comparing U.S. and Romanian practices and identifying the problems and issues resulting from current practices. The team reviewed various U.S. budgeting and finance documents with the revenue director, including city budgets, capital budgets and financial reporting formats.

As noted above, many obstacles must be overcome. Money alone will not solve the complex problems that exist. The city must strengthen its capacity for ongoing management and planning, regardless of the level of available resources.

C. Recommendations

ICMA provided the city with a list of management initiatives that should be undertaken. These include:

- Identify the source, amount, and timing of the actual receipt of all revenues under city control, and identify potential additional sources. Distinguish between revenues dedicated to specific expenditures and those that can be used for any purpose.
- Computerize all municipal records and financial data.
- Improve budgeting practices. Establish a database to allow year-to-year comparisons of costs, revenues and other financial information. Perform an analysis of budgeted versus actual results, to identify potential problems before they become actual ones. Improve budget formats and justifications.
- Develop management objectives for each city department.
- Develop written procedures to guide staff's day-to-day activities. For example, develop city purchasing, capital budgeting and accounting manuals.
- Develop a purchasing system that encourages competitive bidding and minimizes the chance of overpayment. Centralize the city purchasing function.
- Establish a central processing system for receipt of permits and licenses.

**REPORT ON TECHNICAL ASSISTANCE PROVIDED
TO THE CITY OF BRASOV**

I. BACKGROUND

This section of the report is based on an ICMA technical assistance assignment to Romania from June 27 to July 9, 1993, and covers the summary findings based on work in the city of Brasov which focused on urban planning. ICMA provided three specialists for this portion of the assignment: Peter Feiden of ICMA; Mircea Enache, an ICMA consultant; and Fred Van Antwerp (one week only), chief of comprehensive planning for the city of Colorado Springs.

The team identified three areas in which ICMA could effectively provide technical assistance in the short and medium term: (1) training and assistance in the areas of comprehensive planning, zoning and subdivision controls; (2) training and organizational support to homeowners' associations in recently privatized apartment buildings; and (3) training and assistance in the general design of information systems and GIS/LIS applications to support decisions at the city hall level.

Two related reports were developed as part of this assignment. Appendix A is a summary description of the privatization of the housing sector in Romania, with special emphasis on Brasov. A separate report describes the history of planning in Romania. Appendix B is an organizational chart of the city of Brasov, and Appendix C lists the persons contacted.

II. SCOPE AND METHODOLOGY

At the inception of the field work in Brasov, the team met with Mayor Adrian Moruzi and his chief architect. Brasov is a candidate for World Bank infrastructure funding under a program planned for start-up in one or two years. The mayor suggested that the team examine the feasibility of various projects for possible funding under this program, including:

- A ring road around the city.
- Completion of water and wastewater projects.
- District heating.
- Implementation of a development plan for a downtown area cleared before the revolution
- Restoration of the historic city center, along with traffic diversion via a tunnel.
- Upgrading the city's road repair machinery.
- Support to construction companies that use lightweight materials.

The team determined that it could not provide a credible analysis of any of these projects within the time frame of this consultancy. As an alternative, the team focused on two issues: How can the city create an appropriate land use planning and regulatory system for private sector-led development. And, what steps can the city take to support management of privatized housing. Through meetings, site visits and review of some documents, notably current and proposed laws and regulations, the team considered the following questions.

A. Land Use Planning and Control

- What is the structure of the current master plan, and what is its practical effect on city development?
- What is the status of current urban planning law? How will this status affect land use and development?
- What is the current level of development, and what are the development pressures?
- Would land use planning and regulatory systems that are less prescriptive yet more transparent and self-regulating be appropriate for Brasov?
- How can the city's development concerns (e.g., preservation of the historic city, control of sprawl) be accommodated through a planning and regulatory regime designed for private investment?

B. Housing

- What are the characteristics of ongoing housing privatization?
- To what extent is privatization resulting in the creation of a housing market?
- What are the financial implications of privatization regarding maintenance of structures, capital investments and provision of utility services?
- Are the existing organizational structures for management of multifamily housing sufficient for condominium ownership?
- What is the potential role of the city of Brasov in supporting privatized housing?

At the conclusion of the work in Brasov, the team conducted a seminar on market-oriented planning principles and practices for city staff, councillors and private individuals on the two issues. The purpose of this session was to present the team's initial findings, solicit feedback that would be useful in structuring a continuing program of collaboration and present some information on how western systems operate in these areas.

III. FINDINGS AND CRITIQUE

A. City Setting

Brasov is a city of about 350,000 at the foothills of the Carpathian Mountains. The city has sprawled from the original Saxon town, nestled in a steep valley, to the surrounding plains. The city is not physically constrained in its development. However, during the postwar period, development has largely taken the form of construction of mid-rise housing in a relatively dense pattern around the older town.

Brasov has several heavy industries, notably truck and tractor assembly plants. Orders have fallen significantly, but the companies have reportedly sustained workforce levels for social reasons. The city has some tourism activities centered on the old town and surrounding mountain resorts (some of which lie within the city's jurisdiction).

As a result of general economic conditions and legal uncertainties before the enactment of the law on patrimony, there appears to be little development pressure. Reportedly, only 14 building permits were issued this past year. A substantial stock of housing was completed just prior to the revolution. The incomplete stock, while not inconsequential, appears to be far less than in other large Romanian cities. There are some development pressures in outlying areas (Poina Brasov, for example), as well as sensitivities about how the city will complete a major downtown redevelopment project started prior to the revolution. Finally, it should be noted that interest is growing in development of detached housing, which raises issues of expanding the urban boundary.

With the first democratic local elections in Romania in February 1992, most city mayors were elected from opposition parties. Brasov Mayor Moruzi, who is also the president of the Federation of Municipalities, is a member of the Democratic Convention. However, more conservative areas—the rural areas—are disproportionately represented in the indirectly elected judet councils. This political situation may be contributing to the sense of hierarchy and dependency that characterizes the judet/city relationship in Brasov.

As noted elsewhere in this report, the system of local government continues to be run, to a large and critical extent, under policies and procedures of central control. Local government is also limited in its ability to directly effect fundamental services by the existence of autonomous enterprises (i.e., regii autonome) for such essential services as heating, water, sewerage and solid waste management. The city appears to be able to exert only nominal influence over the performance of these enterprises.

The city is taking various creative initiatives despite the personnel, financial, and administrative constraints within which it operates. For instance, it has acquired some computer hardware and software. These are being used initially for word processing, but the city envisions broader applications to include monitoring of city services and basic land information systems. The protocol office has been strengthened and is beginning to play an important role both in mediating disputes (e.g., between tenants and the heating regia) and in providing outreach to nongovernment organizations that can support civic life. Finally, the city has taken initial steps to strengthen dissemination of information to citizens and hopes to initiate a regular newsletter.

B. Legal Environment for Planning

The legislation to support planning activities at the local level is incomplete, conflicting and ambiguous for those interested and involved in the planning and land development process. In addition to the law on planning, laws now under consideration concerning local government finance, patrimony (establishing the "private" and public assets of local governments), restitution of nationalized and confiscated housing and land, and land registration are all necessary before the city can play an effective role in planning for the emerging market economy.

ICMA reviewed two drafts of the Urban Planning Law, "Version 2" and "Version 3." Although the Urban Planning Law was one of the first to be considered after the 1989 revolution, no agreement has been reached within the government of Romania on the contents of a new law and on its relation to other laws that have already passed. One explanation for this is that urban planning law has no clearly delineated scope. It tends to overlap considerably with other laws, in particular Law 50/1991 on Building Approvals and Measures for Housing Construction, in its provisions regarding the urban and regional plans and regulations, the individual responsibilities for developing the plans and regulations, and the approval process.

Both drafts of the Law of Urban Planning draw heavily on the 1974 Law of Regional Planning and Systematization of Urban and Rural Localities, with an attempt at accommodating local autonomy and the decentralization process. The 1974 law was in some respects remarkably progressive for its time and context. Examples are the provisions for citizen participation and the descriptions of the vehicles for such participation. In this particular case, these provisions appear to have been little adhered to, suggesting that their inconsistency with the control and development ethos of the past regime rendered them fundamentally unworkable.

The Draft Law of Urban Planning, like most laws in Romania, lacks clarity and structure. It does not have clear goals. It does not explain the principles of land use ownership and control. It is particularly weak in specifying procedures and personnel that should be involved in the implementation of master plans. There is no clear indication as to the participants in the process, in particular the special interest groups and the private developers. It has fewer provisions for public participation than did the 1974 Law on Systematization. Finally, it lacks detail on financial and budget issues related to planning.

The question of the distribution of national assets, or "patrimony," is a potential source of enormous conflict. The cities tend to see municipal control of assets as an instant solution to their financial problems through sale of assets, business undertakings and even security on loans to the city. It is not clear when the government will initiate restitution of property. A 1991 decree required that all land be inventoried by September 1992, as a precursor to clarifying patrimony, but this exercise does not appear to be nearing completion.

The massive privatization of state housing is by far the most significant and far-reaching transfer of state assets to citizens. However, organizational structures for the management of condominium buildings are inadequate, and these now-private assets are thereby placed at risk.

Fundamental questions about the roles and responsibilities of various levels of government in Romania also impinge on land use planning and development. Many of these questions were recently raised by the World Bank:

- What is the role of local governments in the management of land and real estate transactions, and what is their relationship to the proposed new national cadastre office and the state notary offices that operate under the Ministry of Justice?
- To what extent are local governments to be involved in, or associated with, valuation of land and buildings?

- What actual oversight will be exercised by the judets and by the national government on urban planning?

C. The Planning Process

The master plan for Brasov was adopted in 1990, the year after the revolution. The city considers it an unworkable document. Its shortcomings might be summarized as follows:

- *Lack of specificity.* The plan provides for general land use categories, with specific area plans to be filled in as funding for development becomes available. In this sense, it does not provide adequate information on such common land use controls as use, height, and bulk of buildings, all of which have been found useful in other countries for efficient building control systems and for the operation of a transparent land market based on development potential.
- *Lack of community participation.* The plan was developed with essentially no community participation. Similarly, community participation is not accommodated in plan implementation. This deficiency detracts both from the plan's legitimacy and from its operational value.
- *Land use maps that do not respect parcel boundaries.* Boundaries of planned land uses are often not consistent with land parcel boundaries, which becomes problematic as land reverts to private ownership.
- *No subdivision provisions.* The plan is not accompanied by a set of regulations or standards for subdivision of land, which will undoubtedly become important to private owners of raw land in the years ahead.
- *Excessive central government oversight.* The central government must formally approve new plans and plan amendments. While approval for compliance with various national standards or regulations (e.g., in planning for wastewater treatment to serve new development) might be a legitimate concern of national government, general oversight of fundamentally local issues of land use and urban form is contrary to decentralization and sound local management.

D. Planning Staffing and Organization

The Brasov Design Institute, a quasi public entity, largely developed the current master plan on a contract basis. This institute has little staff left and apparently faces an uncertain future. At the same time, the city has not expanded the office of the chief architect into a full-service planning office. Nor has the city made plans to contract out to a nascent industry of private planners.

A more serious problem is the lack of clarity regarding what a planning office should be doing and the role of land use planning in a market economy. A better understanding of these larger issues would help the city organize itself for its appropriate role in land use planning and regulation. For instance, the planners who in the past worked for the Design Institute are now

on their own. The city could secure their services, but this would require that the city itself better understand the issues to be addressed by professional planners and have a clearer set of policies to guide their work.

E. The Legacy of Public Housing

Brasov is rapidly becoming a city of homeowners. The bulk of this housing is in mid- and high-rise buildings constructed since the war. At the end of 1992, of a total stock of 81,682, only 23,872 units were still in public hands. Of this public stock, 14,090 units could be privatized under generous provisions. This public stock continues to shrink, with privatization proceeding at a reported rate of 1,000 units per month. The balance of 9,782 state units were confiscated or nationalized by the state, and delays in passing the national laws to restitute these buildings have so far prevented their privatization.

It appears that privatization of virtually all postwar housing will be achieved within a year. The new homeowner population will not be a self-selected group in terms of income, stability and satisfaction with current housing conditions. The process of becoming a homeowner in Brasov does not educate the new owners or in any way condition them for a new set of relationships with neighbors, legal obligations, financial requirements or understanding of asset values. Rather, they simply absolve themselves of a rent payment in lieu of a lump-sum payment to the city or a monthly mortgage payment. While the city is to be complimented for embracing privatization, much work remains to ensure that privatization indeed leads to improved housing for the bulk of the population.

The housing market in Brasov is in its infancy, with actual resale of units quite low. A private rental market is of course gaining force and will continue to do so as mobility increases with economic dislocation.

The history of the state housing stock and the population's relationship to it leaves a legacy in perceptions and understanding that will cast a shadow over efforts to create an active private housing market. For example:

- There is no recent history of setting rents at market value or cost, leaving the population generally unfamiliar with the real costs of modern housing.
- Continued rent control of public residential properties has led to a cross-subsidization from rent on commercial properties. This, in effect, discourages the city from privatizing these commercial spaces and hides the true cost of residential properties.
- The inability of housing production to keep up with need has reduced population mobility. At the same time, economic restructuring will inevitably lead to dislocation and the need for workforce mobility.

- The history of underpricing utilities and the lack of individual metering for each unit has shielded residents from real costs and has promoted inefficiency in utility services. Understandably, residents are now unprepared for real pricing of utilities. For district heating, the most costly utility, fuel shortages and environmental concerns further complicate the situation.
- Deferred maintenance of buildings has hidden the real costs of maintaining these structures and has shifted many of these costs to the near future and to the new owner-occupants.
- Tenant organizations did not enjoy widespread credibility and support before the revolution. Of necessity, new building associations must evolve upon this base.
- The role of the city in housing has generally been limited to occupancy issues, with only limited influence on the actual development of housing. There is a need for new public functions under the present circumstances, notably to support home ownership and to effect a safety net for the needy. But meeting these objectives will require resources, training and popular recognition, as well as appreciation for a new role for the Brasov City Hall.

IV. MAJOR POLICY ISSUES, PROBLEMS AND CONSTRAINTS

In the current period of transition to a market economy, city hall recognizes the importance of planning—economic, social and physical—in speeding up reform and achieving a higher degree of local autonomy. This appreciation is based on: (1) a sense that the current master plan is not "legitimate" because it was largely developed before the revolution; (2) anticipation of a surge in development pressure when new restitution laws pass; and (3) the great need for a plan that clearly signals to private investors the city's intentions and policies. Brasov is in a favorable position to attract foreign capital because of its traditional links with the West, its attractive site and potential for tourism, relatively low-cost and skilled labor, cultural traditions and a history of local autonomy ("*orasul liber Brasov*").

The challenges in reinvigorating the planning process at this stage can be summarized as follows:

- City Hall has insufficient staff and lacks experience in contracting for planning services from private entities.
- The city council is insufficiently familiar with the role of planning in an economy in which most land is in private hands and most investment will come from the private sector.
- The central government exercises excessive control over local land use issues, to the detriment of local creativity and responsiveness to the citizenry.
- The city and the citizenry are unfamiliar with the role of citizen participation in the planning process.

- Legislation for planning is incomplete, conflicting and ambiguous.
- There is no adequate system for ensuring public access to land use plans and policies.
- Use, height and bulk regulations are not commonly used in a consistent and transparent manner, impeding the proper functioning of land markets.
- The planning process is not related to a capital improvements program.
- There are no specific regulations governing subdivision development to guide private development of land or to set cost sharing for expansion of infrastructure to newly developed areas.

Pertaining to the existing housing stock, government must face the following fundamental shortcomings in its policies and programs at the local level:

- Owner-occupant building associations lack the necessary information and expertise to manage, maintain and improve the buildings for which they are responsible.
- No structure is yet in place to train and counsel new homeowners and building associations in their roles and responsibilities.
- The legal structure for building associations is inadequate.
- No housing safety net for the needy has been created.

V. RESULTS OF TECHNICAL ASSISTANCE MISSION

In addition to developing a basic understanding and baseline information on circumstances in the city, and establishing contacts for future work, this technical assistance mission provided some specific advice to the city. Basically, the team's approach was to solicit input from a variety of sources, both on the pressing issues within the broad domain of urban planning and development and on areas in which our advice would be useful at this stage. Then, in small meetings, the team suggested approaches or solutions that the city might want to pursue, either on its own or with further donor collaboration. In a concluding workshop, the team summarized and "tested" findings and recommendations.

This process ended in an apparent consensus among councillors, staff and private individuals on certain steps that the city could begin to take in three areas germane to the evolution of a market economy dominated by private ownership of real property: (1) develop a new land use planning and regulatory framework that is more transparent and self-regulating; (2) create a program to support home ownership; and (3) develop a management information system and increase computer usage in local government.

In the short span of four years, the role and function of planning have changed. The nexus between planners and the public is being altered; the organizations which conduct land use

planning no longer function efficiently and lack experience in market-oriented practices; the fundamental system whereby the central government has proclaimed its oversight of local land use planning is under attack from local governments; and citizen expectations for participation and openness in public affairs are growing. The following recommendations are initiatives the city could take now within the known budgetary, legal and administrative constraints:

- Begin to prepare for a land use regulatory system that is more transparent and self-regulating by:
 - Identifying appropriate development (e.g., height, density) and use categories based on existing built-up areas.
 - Reviewing various approaches to citizen participation in the planning process.
 - Arranging for further exposure of councillors and planning staff to western practices of zoning and land use plan implementation.
 - Developing a land use planning system for one small area of the city under development pressure, as a pilot exercise.
- Prepare a format and work program, possibly hiring data entry personnel, to develop a computerized cadastre system that brings together land parcel and ownership information.
- Begin to examine various existing systems for land property taxation in anticipation of using this kind of tax as a significant source of city revenue at some future time.
- Begin to computerize building data, starting with data on building permits issued, to develop a base of information on development pressures in the city.
- Publish information on current land use and building regulations, and advertise its availability, in order to create an open information system for new land and building owners.
- Develop a roster of qualified planners/architects who can be hired by the city for specific assignments.
- Develop prototypical subdivision ordinances that address the allocation of costs for expansion of infrastructure.
- Conduct a baseline survey of building associations to identify common issues and areas for needed support.
- Within the protocol office, organize a unit to monitor building associations, and begin to provide them with some managerial support and training.
- Establish a program to provide technical assistance and training to building associations.
- Expand the uses for the computers that the City owns.

VI. LIST OF APPENDICES

APPENDIX	SUBJECT
A	Housing Privatization in Romania
B	Organization of Brasov City Hall
C	Persons Interviewed

APPENDIX A: HOUSING PRIVATIZATION IN ROMANIA

Background

In Romania, the vast majority of urban housing was in state ownership at the time of the revolution. This stock consisted of state-built housing, nationalized housing and confiscated housing. The latter two categories refer to housing that typically had been privately built and owned but since the war had been expropriated by the state. In addition, there exists enterprise housing built by industrial and other state companies for its employees. The common practice was for the municipality to build the housing using its own construction company. Nearly all postwar housing is of multistory design.

A city's direct responsibility for public housing, once built, was primarily limited to managing its occupancy. The city maintained housing waiting lists and generally ensured occupancy of the stock through its rules and procedures.

The housing enterprise (ICRAL), which operated under the judet council, was charged with management, maintenance and the collection of rent and maintenance fees. The utility component of these fees was passed on to the appropriate public utilities. The enterprise in addition received regular subventions from the state to cover its operations.

Overall, the system operated with substantial subsidies that increased over time. The rent schedules (which prevail to this date) were established by law in 1973, based on square footage and basic amenities. Both the housing and utility enterprises received direct financial support from the state.

Finally, factor prices for utility services, notably oil and gas for heat, were traditionally underpriced compared with world markets.

Summary Characteristics

- A higher percentage of Romania's urban housing stock was in public hands than in virtually any other Eastern or Central European country.
- The renter was highly subsidized. With the acceleration of inflation, this subsidy has increased.
- Management and maintenance were entirely public undertakings, performed through the judet-level housing enterprise.
- With the exception of electricity, consumption of utility services was not moderated through any price incentives because of the lack of household metering.
- Tenant associations were "top-down" systems that essentially functioned as administrative intermediaries between the housing enterprise and the tenant.

- While a privatization program was begun in the 1970s, it appears to have generated only modest interest before the revolution.

Developments since 1990

Since 1990, there have been substantial changes in the management of housing, tenure arrangements, and the role of tenant associations. In addition, housing units in the construction pipeline at the time of the revolution have generally been sold rather than rented upon completion.

The change in tenure status has been far-reaching, as a result of government policy clearly designed to encourage the near-total divestment of the state housing stock. The sales prices for units were set in 1990 far below replacement or market value and have never been adjusted upward for inflation. For example, the sales price for a three-room unit is as low as 100,300 lei. A downpayment of as little as 10 percent is required, with the balance self-financed by the city at 8 percent for up to 25 years. While there is discussion of a property tax, current law specifically exempts housing for a ten-year period. An initial period during which the resale of privatized units was restricted has now passed. With these parameters, nearly total privatization of the state stock (excluding the older, expropriated and confiscated properties) is expected shortly, despite the nominal rents that continue to be charged.

By contrast, the privatization of housing in nationalized and expropriated properties has been essentially frozen, pending passage of legislation on restitution of buildings. Once privatization is possible for this part of the housing stock, most of it is also likely to become private property quickly if similar generous terms are offered.

Proceeds from the sale of housing units were initially shared 50/50 between the state and the municipality. Starting in 1993, 100 percent of these proceeds go to the municipality. Use of these funds by the cities, however, is restricted to extra-budgetary expenditures for housing and municipal infrastructure.

The housing enterprise is being phased out as a management entity and financial intermediary between the residents and the utility companies. Before the revolution, the ICRAL handled complaints, inspected buildings, monitored occupancy and paid for and handled repairs. The city would assign units to new occupants, but the ICRAL handled all the paperwork. While it still is responsible for the remaining public units, the enterprise is reportedly in many cases reluctant to repair mixed buildings because the private tenants are unlikely to be able or willing to pay their share of the cost.

With the sale of the housing stock, the cities have transferred costly assets that carry high liabilities to residents at a time of economic stress. The new homeowner now pays a monthly charge to a building association, which is then responsible for hiring property maintenance and for passing on utility payments to the appropriate utility enterprise (except for electricity, which is paid directly by the homeowner).

These building associations, which in effect are condominium associations, are operating under communist-era laws designed to give a more restricted role to these organizations, as

intermediaries with a renting population. Their status has never been officially upgraded to that of true condominium associations from their former status as tenant associations, and their powers have never been clarified under home ownership conditions. The Union of Tenant Associations is sensitive to the need to formalize these associations, to ensure that their evolving roles are properly supported in law, and to see that association staff are properly trained for their expanding roles. The specific problems currently faced by these associations include the following:

- Lack of capital base for major repairs. Reserve funds for these purposes are not typically established through monthly payments, special assessments or initial capitalization at the time of privatization.
- Lack of clear authority for management of open spaces. While the associations and their tenants may consider adjoining open spaces part of their domain, and in fact have a substantial community interest in their upkeep and use, these lands technically belong to the city.
- Lack of a clear basis for heat and hot water charges. Heat and hot water are not metered at the building. Rather, the associations are billed for these services based on gross formulas that do not account for various differences and inefficiencies in service provision. With inadequate data and unclear standing, the associations must represent the residents in ongoing disputes with the heating enterprises.
- Inadequate skills and experience in contracting for services. The sudden growth in private sector services has placed new demands on the associations, which are largely unskilled in contracting procedures and contract management.
- Lack of clarity on associations' authority in instances of nonpayment of monthly charges.
- Lack of direct or indirect ability to influence inappropriate behavior, such as dumping garbage.

Brasov Case Study

Brasov, the second largest city in Romania, has a substantial postwar housing stock alongside a historic area of much older stock. The following statistics about the housing stock were presented by the housing enterprise for the city:

<u>Date</u>	<u>Private Housing</u>	<u>State Housing</u>	<u>Total Stock</u>
1/1/90	25,261	54,281	79,542
12/30/92	56,730	23,872	80,602

Of the stock still in state ownership at the end of 1992, only 14,090 units were actually available for sale (the balance being expropriated or confiscated stock for which the national legal framework for privatization has yet to be established). It is estimated that another 5,000 units

have been sold this year and that sales are continuing at a rate of roughly 1,000 units per month, as any incentive to stay in rental status has essentially dissolved with inflation.

Shortly, the city of Brasov will have in its possession only the most interesting but potentially problematic housing stock—older, expropriated and confiscated properties. Some of these units are in hybrid buildings with commercial uses on the first floor. Commercial rents are not regulated by the state and in Brasov are reportedly adjusted yearly for inflation. Current commercial rents are in the vicinity 800 lei/square meter/month in the "luxury areas." In May, the enterprise collected approximately 20 million lei from its 900 commercial properties, versus 5 million lei from all the residential rental stock.

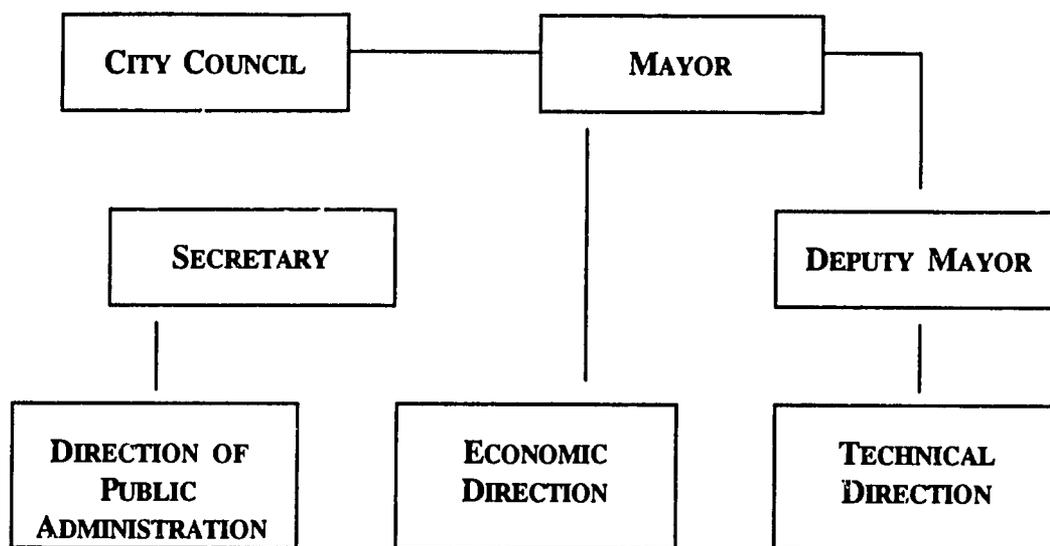
The housing enterprise (*regie autonome*) itself has rapidly changed since the revolution. During the communist era, this enterprise had responsibilities for all repairs and maintenance within the buildings, with the one exception of electricity. Since then, separate enterprises have been created for each utility, and garbage collection has largely been contracted out to private companies. Soon, the enterprise's remaining functions will be collecting rents from commercial and expropriated/confiscated residential units; making payments for heat/hot water, gas, and cold water from these proceeds; and maintaining these properties. Not surprisingly, the enterprise is looking to privatize itself at least to develop other lines of work and private clients. The housing enterprise was shifted from the authority of the judet to that of the city of Brasov in 1992.

No steps appear to have been taken to properly capitalize the owner-occupied building associations. A recently privatized flat is now the largest asset for the common citizen of Brasov, but this asset is significantly at risk of losing value due to deterioration of structures. A matter of recent interest in Brasov is heat and hot water charges. These charges are calculated based on output by the factory and not on amount of heat and hot water actually delivered. Charges levied by the enterprise are difficult to challenge because of the lack of generally accessible data. One building association has so far successfully challenged these charges on behalf of its members. Any solution to the fundamental problem of costly and inefficient service delivery must include either metering and technical improvements or alternative on-site heat and hot water systems.

There is virtually no new construction of housing proceeding in Brasov; only 14 building permits were issued last year for the entire city. The little bit of housing that is built is no doubt for upper-income families and largely, if not entirely, self-financed. There appear to be no speculative developers operating in Brasov.

Mortgage financing has not yet appeared in Brasov. The few cases of housing-related lending have essentially been construction completion loans. With the triple-digit inflation rate, mortgage lending will simply not evolve. Even with the control of inflation, mortgage lending is unlikely to grow rapidly due to the legacy of strong tenant rights, untested legal conditions, and presumably to a plethora of shorter-term and higher-yield lending options.

APPENDIX B: ORGANIZATION OF BRASOV CITY HALL



The *Office of the Mayor* has in its direct subordination two offices:

- The Office of Protocol, Public Relations, Religious Groups, Minorities and Associations (4 employees)
- The Office of Civil Defense (2 employees)

The *Direction of Public Administration* has three offices:

- The Secretariat, the Registrar's Office and the Archive (7 employees)
- The Office for Legal Affairs and Social Assistance (6 employees)
- The Office of Civil Status (8 employees)

The *Economic Direction* has four offices:

- The Office of Management, Payroll, Personnel, and Administration (7 employees)
- The Office of Budget and Accounting (7 employees)
- The Office of Commercial Audits and Free Initiative Authorization (4 employees)
- The Office of Information Systems (2 employees)

The *Technical Direction* has six offices:

- The Office of Architecture and Urbanism
- The Office of Regional Planning, Environmental Protection, Cadastre, Topographic and Geodesic Services and Land Records (7 employees)
- The Office for the Records and Management of the Patrimony (4 employees)
- The Office of City Management and Services (6 employees)
- The Office of Investments, Auctions and Public Works (6 employees)
- The Office of Housing (2 employees)

APPENDIX C: PERSONS INTERVIEWED

Brasov City Hall

- Adrian Moruzi, Mayor of Brasov
- Corneliu Popa, Deputy Mayor of Brasov
- Lucian Isa, Chief, Urban and Architecture Office
- Daniel Cincu, Chief, Regional Planning, Environment, Cadastre and Land Records Office
- Bunel Moise, Office of Information Systems

Brasov District Council

- Bartolomeu Orfanu, Vice President

Brasov Chamber of Commerce and Industry

- Mircea Florescu, President
- Mircea Suman, Vice President
- Pompiliu Petrescu, General Secretary

***Regia Autonome* for Housing Construction and Maintenance**

- Dan Vele, Chief Engineer
- Rotaru, Technician

Home Owners Association

- Marcel Pavelescu, President, Brasov Section, National Union of Associations of Homeowners
- Alexandru Cristian
- Gica Cruceru

EXA—Private Design and Construction Enterprise

- Haralambie Valcea, Director

Felix Dacia Bank

- David Gheorghe, Manager

BRAN Cultural Center

- Cornel Talos, Director

Ministry of Public Works and Regional Planning, Department of Urban and Regional Planning

- Crisan Victor Popescu, Secretary of State
- Serban Popescu Criveanu, Technical Adviser
- Ana Vasilache, Director

Bucharest District 6

- Nicolae Vrabiescu, Mayor

**REPORT ON TECHNICAL ASSISTANCE PROVIDED
TO THE CITY OF CRAIOVA**

I. INTRODUCTION

This report is based on field research and consultations conducted by Fred Fisher and Paul Hendricks, ICMA consultants, in the City of Craiova, Romania, from June 28 to July 8, 1993. A preliminary field report was left with the mayor of Craiova. This report provides a more complete description of the information collected and the recommendations provided to the local government officials. The field visit included research and consultations with local officials and staff regarding the operation, management and maintenance of the city's infrastructure. A list of people interviewed during this assignment is contained in Appendix A.

The report is organized into four sections: (1) Background Information, including information on the structure and operation of the city government (prepared by Fred Fisher); (2) Proposed Technical Assistance and Training Plan to help improve city management and operation (prepared by Fred Fisher); (3) Technical and Operational Assessment of Infrastructure and Public Enterprises in Craiova, and Recommendations for Future Technical Assistance and Training in the Infrastructure Area (prepared by Paul Hendricks); and (4) Appendices and Exhibits.

II. BACKGROUND INFORMATION

Craiova is a city of approximately 300,000 people in the southwestern part of Romania, a geographic and cultural area traditionally known as Oltenia. Craiova is located in Dolj Judet, on the Jiu River, in the midst of a large, fertile agricultural plain underlaid with major deposits of coal and other natural resources. Taking advantage of these natural resources, the city and surrounding area have, over the years, built a strong economic base of heavy and light industry. The products of Craiova include jet aircraft, locomotives, automobiles, electric generators, agricultural chemicals, fresh (150 hectares under glass) and processed foodstuff, clothing and ceramics. Before 1989, 25 percent of industrial production went to the USSR, but this captive market has all but disappeared. The Yugoslavian embargo has also dealt a hard blow to Craiova's economy.

The population of Craiova began to drop in 1989 by about 7 to 8 percent. This is a result of unemployment and people claiming or receiving rural plots of land that can provide some economic security. Unemployment in the city is estimated at about 40,000 to 50,000, out of a workforce of 150,000. Of these, about half still draw unemployment benefits and work their farms, while the other half are looking for work. Many, when offered work, refuse because wages are too low, the work is too hard, or the location is too far away from where they live.

The economic vitality of Craiova, until 1989, was measured in part by the construction of new housing: approximately 3,000 units per year. This rate has dropped to less than 2,000 over the past two and one-half years, although the city has over 6,000 applications for rental housing.

A. Structure of the City Government

The city of Craiova has elected a mayor and 31 at-large councillors. The councillors represent many political parties: 10 from the National Salvation Front, 10 from the Democratic

Convention and 11 from smaller political organizations. The majority of councillors represent the "opposition."

The vice mayor is an elected councillor who in turn has been elected to his position by his peers. Consequently, he is subordinate to the council and not to the mayor. Nevertheless, the mayor decides his roles and responsibilities and a good relationship appears to exist between the council and the mayor.

The council works in six commissions, with each councillor serving on two commissions. Each commission has a president and secretary who are elected by secret ballot. The six commissions translate roughly into: legal and public administration; budget and finance; urban planning and environmental protection; public service and free enterprise; research and forecasting; and health, education, culture and sports.

As a councillor serves on two commissions, each meeting at least one day a month, the councilmember spends about three full days in meetings. Council meetings last from three to five hours, although they have been known to last as long as six or seven hours. The council chairmanship is rotated each meeting, so there is a lack of continuity.

The responsibilities of each of the council commissions are as follows:

- *Budget and Finance Commission.* Analyzes projects for financing and forwards recommendations to the full council. The commission does a quarterly review of finances for each of the regii.
- *Research and Forecasting Commission.* Researches problems and makes forecasts. As of this writing, no one has asked for any assistance, so the commission has not done anything.
- *Urban Planning and Environmental Protection Commission.* Currently stymied by the need to return land and property to former owners, and by other transition issues that make planning very difficult.
- *Public Service and Free Enterprise Commission.* Concerns itself with issues of multiple space applications for the private use of public buildings. Even though many public buildings are unused, the commission is unable to convert them to private use.
- *Health, Education, Religion, Sports and Culture Commission.* Has five medical doctors serving on the commission, indicating the importance of health as an issue. The commissioners see their major problems as water and sanitation but are not specific about what needs to be done about them.
- *Legal, Public Administration and Civic Rights Commission.* Seems to wield considerable clout because all other commission recommendations must come through this commission on the way to the full council. This commission also receives public complaints in writing and in person and maintains a formal link to the police.

B. City Administration

The city has 70 professional and administrative staff members, with another 30 to 40 workers (drivers, cleaners, gardeners, etc.). Of the 70, it is estimated that 30 are university graduates. The mayor has not added new staff, and there are no computers in city hall. The city council has only two clerical staff to assist it.

There are three main departments in the city: Administration, Finance and Technical. Each has approximately the same number of staff. The city secretary oversees the administration departments and the vice mayor the other two departments, even though each department has a director and deputy director. On the chart contained in Appendix B, the two letters "S" and "B" stand for "Service," or office and "Bureau," with a bureau consisting of three or fewer staff and no service or office personnel.

Apparently, the Department for Local Public Administration (DLPA) in Bucharest determines the number of staff a city can have, as well as salaries. However, the mayor and council decide on the number of departments and the distribution of staff among the departments.

The 1993 budget for the city of Craiova is as follows:

Total Revenue - 5,746,400,000 lei

Local - 657,117,000 lei (or about 11 percent of total)

Of the local revenue, 93.6 million lei was from the regii (public companies); 2 million lei from land taxes; 55 million lei from private property; 25 million lei from building taxes; and 230 lei million from property transfer taxes.

Subventions from central government - 5,089,223,000 lei

Total Expenditures - 5,746,400,000 lei

Of this amount, 5,105,128,000 lei was passed through to the operating regii, of which 1,086,784,000 was for transport (60 percent being allocated to purchase new buses) and another 1,478,231,000 went to subsidize the central heating operation.

City hall expenditures amounted to only 259,634,000 lei for personnel, operating expenses, energy and other direct costs, or slightly more than 4 percent of the total expenditures of the city. According to the deputy finance director, the city submitted a budget request of between 7 and 8 billion lei to the central government, including requests from city- subordinated regii. About 5 billion lei was ultimately received from the central government.

C. Regii Autonome (Public Companies)

The regii autonome, or public companies, manage specific public services and are subordinate either to the city or to the county (judet) government, depending upon which service a regia handles.

The responsibilities of the regii include:

- Water, wastewater and heat.
- Maintenance and repair of streets, green spaces, parks and cemeteries.
- Local transportation: 18 kilometers of tram lines (double), 47 trams and 245 buses.
- Building administration: housing and commercial.
- Repair and maintenance of public buildings.

Each regia has an administrative board of nine members. All but two members are officers (employees of the organization). The two outsiders are a representative of the Ministry of Finance and a locally elected representative (e.g., the mayor who sits on the streets regia, and the deputy mayor, who sits on others). However, the sewer, heat and water regia has its outside member from the judet, even though it is subordinate to the city.

The regia responsible for water, sewers and heat is known as the Regia Apa Canal Termofiare, operates under an administrative body named by the city council. This regia council is made up of nine members, including seven internal staff members and two outsiders representing the Ministry of Finance and the judet council. The director of the council is appointed by the administrative council. The regia council meets once a month and on special occasions. Major administrative problems include salaries, analysis of activities, technical needs and workers' rights. In addition, there is an executive committee that meets weekly and includes the director, the technical director and the chief accountant. The director sets the agenda for the council meetings, but outsiders can also make suggestions.

Regarding the budget of the water regia, heating was subsidized by the national government prior to 1 May 1993, but it is now supposed to be self-financing. Water has not been subsidized, though national grants have financed capital costs. Different fees are used for different types of customers, with little metering. Fees are set by the city council and regia on domestic use but negotiated directly between the regia and larger users (e.g., industries) and are then approved by the judet.

Engineers estimate that the loss of water between production and consumption is about 5 to 19 percent.

The water regia has a total of 1,823 employees/officers: 112 technical staff, 46 foremen, 76 administrative personnel, and 71 security. By contrast, Phoenix, Arizona, with three times the population, operates four water/sewer plants and five water treatment facilities with about 1,100 employees.

The 1993 budget for the water, sewer and heat regia is as follows:

Total Revenue - 3,147,070,000 lei

Water revenue - 907,793,000 lei (18.3 percent from residential sales)

Thermal energy (heat/hot water) - 2,181,002,000 lei (This figure is 76.6 percent residential, but the central government provides a 1,527,152,000 lei subvention so that only about 500,000,000 lei are paid directly by the citizens for heat and hot water.)

Canalization (sewers) - 48,911,000 lei (36.2 percent residential)

Total Expenditures - 2,917,143,000 lei

Materials/energy - 2,065,257,000 lei (70.8 percent of which is for energy supplies, which account for more than 90 percent of the total materials/supplies cost of operation)

Amortization - 35,370,000 lei (1.2 percent) (Used for capital investments)

Salaries/wages - 450,466,000 lei (15.4 percent)

Social and unemployment insurance - 119,416,000 lei (4.1 percent)

Surplus - 190,692,000 lei (6.5 percent) (Of this amount, 85,661,000 lei goes toward the tax on profits; 5,251,000 goes for staff incentives; and, 99,780,000 is returned to the local city budget.

The management of infrastructure investments, programs and services in Craiova is a complex, costly and demanding venture and poses a major challenge for the City. It involves many formal organizations and key officials. It also involves, or should involve, the citizens of Craiova. In fact, the citizenry may be the single most important stakeholder in future efforts to improve infrastructure investments and the services they provide. While the city has relied heavily on central government subventions to finance infrastructure improvement and services in the past, those days are quickly coming to a close. This means that local governments and their citizens will be called upon to bear more of the financial burden of providing and maintaining these infrastructure-dependent services.

D. Judet (County) Structure

The judet (county) has a population of 800,000, of which 300,000 elect 30 councillors from the city of Craiova. The judet appears to be the channel for all central funds which are then passed on to the city and regii. The judet councillors are elected according to geographic area, after being elected locally to a council. The judet councillors elect a president and two vice presidents.

Twenty percent of the judet budget is from the local taxes, and the rest comes from the central government. Of this local component, sixty-percent is from the city and the rest from the

county. The central government (Ministry of Finance) specifies all capital investments. There are two types of subventions from the central government: transferred or earmarked funds (60 percent) and allocated or discretionary funds (40 percent). Discretionary funds can be used for such diverse expenditures as: culture, art, street cleaning, solid waste management, equipment and personnel. (The judet received 50 percent of what it requested from the central government in 1993). Capital investments account for 25 percent of the total budget of the judet.

E. Prefect

The prefect, a representative of the central government within the judet, is appointed directly by central government officials and is concerned with matters related to the administration of national laws. While the judet has 120 staff members, the prefect has 40.

F. Housing

The city council has managed to privatize 80 percent of all the public housing built prior to the revolution, and it expects to privatize the other 20 percent within the next 6 to 12 months. With inflation, the 50,000 to 190,000-lei cost to the sitting tenants continues to plummet in real terms. The final 20 percent of stock is occupied by people with fewer financial resources; thus, the lag in disposal. One-room older apartments can sell for as low as 52,000 lei, while three-room apartments go for as much as 190,000 lei in Craiova.

Current costs for utilities in Craiova run about 8,600 lei for three rooms/five people. Covering all utilities (water/waste/hot water/heat/garbage) and taxes on a two-room unit is estimated to cost about 1500 lei per year. These costs translate, in current rates of exchange, to about \$11 or \$12 for utilities and \$2 for taxes.

The investment regia has 450 housing units that were started after the revolution and remain incomplete. Following are details obtained on these units:

- 150 units in seven buildings are state-owned and to be rented. The structures are 100 percent complete and the interiors 50 percent complete; No utilities or other land amenities have been developed.
- 300 units in 14 buildings are private and in various stages of completion. Of these, 216 units have 100 percent completion of the structures, with 30 percent of the interior work completed. Eighty-four flats have had only their foundations completed; private citizens who have bought these flats have paid in over 600 million lei, but there is now no money to complete them.

The 84 flats discussed above sold for about 150,000 lei per square meter and range from one to four rooms. A one room unit is 40 square meters and runs about 1 to 1.5 million lei; a 2-room unit (52 square meters) 2 to 2.5 million lei; a 3-room unit (74 square meters) 3 to 4.5 million lei; and a 4-room unit (90 square meters) 4 to 6 million lei.

According to investment regia estimates, it will take about 6 billion lei to complete the units: 1 billion for private units and 5 billion for the public rental flats. Another 4.5 billion lei will be needed for streets and utilities to serve all the units. The regia has 15,000 requests for private units.

The investment regia has 100 professional employees and either does all the construction for the city and judet or manages contracts that are carried out by commercial (public) companies. Its staff includes 16 engineers, 8 assistant engineers, 60 construction technicians and 16 economist/accountants. About 40 university graduates are on staff.

III. TECHNICAL AND OPERATIONAL ASSESSMENT OF INFRASTRUCTURE AND PUBLIC ENTERPRISES IN CRAIOVA

The following assessment of infrastructure and public enterprises was prepared by Paul Hendricks, ICMA Consultant.

The city of Craiova is responsible for the operation of infrastructure, although the judet government has provided capital funding in the past. The regii autonome are under the authority of the city. One regia is responsible for solid waste, another for such services as streets and parks, and the third for water and heat.

On 7 July 1993, the project team held a briefing and implementation session on infrastructure issues with the participation of city officials. All short-term recommendations were accepted by the city and the water and heat regia (i.e., Regia Apa Canal Termofiare). Work will be started immediately, and progress reports will be prepared on a monthly basis.

A. Technical Issues

The scope of the work undertaken in Craiova in the June/July 1993 project can be divided into the following technical areas: Building Heat, Water Supply, Sanitation (sewers), Solid Waste and Hot Water Supply. Detailed discussions were held with the mayor (Dan Nicolae,) vice mayor (Ioan Suviana,) chief of the territorial planning department (Lile Badescu,) regia director (ing Leonida Nicholaescu) and their respective staff personnel. The project team was advised that the community priorities for infrastructure improvement are ranked as listed in Appendix C. Each category has been described based on background material provided and on site visits.

1. Building Heat

This service is provided through the regia. The primary source of heat for the central portion of the city is CET, which generates electricity and provides secondary steam for the district heating systems. The regia pays CET 6,500 lei per Gigo calorie for the steam used for building heat, and the regia sells the heat throughout the city for 8,035 lei per Gigo calorie. Building heat is provided from 5:00 to 10:00 and 18:00 to 22:00 from 1 October to 1 April each year. If the weather is severe, the heating season is extended.

There are significant leaks in the hot water system that are undefined. Because the hot water system cannot be supplied with make-up water without turning on the entire water system, the

heating system is not operated continuously. Beyond the central portion of the city, the regia operates 28 gas-fired boiler systems that provide building heat to the specific areas. Individual space heating units in local commercial buildings operate on gas or soft coal, but these units are not common.

The regia staff indicated that the average family unit uses 1 Gigo calorie per month for building heat. Billing for heating service is based on the area of the housing unit in square meters.

A tour was conducted at a typical heat exchanger location for which CET provides the source heat; two personnel were on station. Two tube-type heat exchangers are used to deliver building heat from this location to buildings in the area. The quantity of heat is controlled manually by the operators based upon pressure and system temperature. A single tube-type heat exchange is used for the hot water system, which is discussed below.

The regia ranked problems with the building heating system number one on their list of infrastructure issues. This ranking was based on the fact that the citizens can adjust intermittent services for drinking water, but they need building heat on a continuous basis. The regia requests assistance in design, purchase and installation of individual hot water meters to each customer on the building heating system. This arrangement would enable the regia to charge customers based upon actual usage and would form the basis for a conservation program. Better provision of service would make Craiova more competitive in bringing new industrial and commercial ventures into the city.

2. Water Supply

The city provides this service through the regia. The water supply system uses a number of sources of which the project team toured the major ones, as well as the treatment facilities.

The supply system has a high-quality, reliable source of water from an artisan spring at a facility called Iz Varna. The springwater is collected in a structure that supplies a pumping station. When the water is chlorinated with gas chlorine.

The feed rate is manually set, based on the production rate. The facility is rated at 950 dm³/s (equal to liters per second). The pumping station was built with four electric high-service pumps (elevation 195.5). One of the pumps was replaced with a unit equal in output to two existing units at 3.2 bar (atmospheres of pressure) because the original units discharged at 4.5 bar, and the regia believed the higher pressure resulted from excessive failure on the 1,000-millimeter transmission line. In addition to the main high-service pumps, there are four high-service discharge pumps of two-inch diameter that deliver water to local villages.

The Regia indicated that the Iz Varna line had ten line leakage failures during the last year due to temperature and pressure changes. As the line is made of welded steel and cement cast, some concern was expressed regarding corrosion. Sentinel stations, located every ten kilometers along the pipeline, patrol the route of the entire line. Isolation valves along the line either do not work or are not used. If the line needs repair, it is shut off at the source and drained until it can be repaired. An intermediate pumping station, Tintareni, (elevation 123.5), is located on the transmission line. Water is pumped directly from the line through four high-service electric

booster pumps, which discharge at 2.5 bar. The station is operated by permanent staff who live on site.

Along the transmission line are local users that receive water from the line, including Filiasi (23 dm³/s), Sere Beharca (12 dm³/s) and Fabrica De Bere (37 dm³/s). There may be other users on the line, but this will need to be verified. The transmission line delivers water to the Simnic storage site (elev 135.5), which has a 2,500-cubic-meter capacity.

The second source of water is the Jiu-Isalnita water filtration plant (elev 85.0), which was constructed to retain water from the Jiu River for the water plant and the Zona Ind. Isalnita. The plant has a capacity of 805 dm³/s. Water is processed with aluminum sulfate, and impurities are settled out prior to chlorination and filtration. The facility has 24-hour-per-day staffing and is capable of producing 1,150 dm³/s. Treated water is delivered to Zona Ind. Cereale at 142 l/s and Zona Ind. Isalnita at 345 dm³/s, with the remainder being sent to Simnic for storage and distribution.

The third source of water is the Breasta water filtration plant (elev 78.4). This facility's source water comes primarily from shallow infiltration wells in the vicinity of the plant, that are designed to pull out shallow groundwater and deliver it directly to the Breasta filtration plant. Because there are high iron and ammonia levels in the water, a mechanical aeration unit pretreats the water before filtration. The water is chlorinated and filtered before delivery to the Simnic storage site.

The Breasta facility has 24-hour-a-day staffing and is capable of producing 800 liters per second. However, it operates at only 400 l/s because of the lack of water from infiltration wells dedicated to the plant. Some of these wells deliver as little as 2 l/s. Within the plant are 14 56-square-meter filters that are each rated by the health department at 200 cubic meters per hour, thus achieving the 800 l/s plant capacity. Additional 4.0 l/s wells are under construction at this time. It will take two to four months to complete a new well if funding is available.

Because the Jiu River water table is lower than normal, several of the source wells to the Breasta plant no longer flow by gravity. The operation staff has installed an auxiliary line connecting the De La Mihaita (800-millimeter) delivery line to the number-four sedimentation basin in the Isalnita filtration plant. This connection can provide 500 l/s of aluminum sulfate-treated water to the Breasta plant for processing and delivery. Production rates at Breasta could be increased with the use of filters and chemicals, but due to the expense of these chemicals, this option is not recommended.

The fourth source of water is the Gioroc infiltration well system (elev 101.5). This system was installed in 1906 and uses eight original and four 1965-vintage infiltration radial wells. These wells feed to a 500-millimeter cast-iron line, which in turn feeds the Secui pumping station (elev 79.15) 16 kilometers from the well field. The Gioroc source which produces at 140 dm³/s, is in a valley where the radial wells operate on gravity four to eight meters under the ground surface. In its turn, the Secui pumping station pumps water to the Facai storage and pumping station (elev 82.75) and delivers 6.0 dm³/s of water to Protan. Facai pumps to the Bordei storage station (elev 35.5), which has a capacity of 10,000 cubic meters.

The fifth water source is the Popova well site (elev 81.5). This system delivers 10 dm³/s of water to Inferiora Oras and Superioara Oras.

Terminal storage on the system is divided among four primary sites, which have a capacity of 55,000 cubic meters (11.39 million gallons).

Based upon a system delivery capacity of 2305 dm³/s (Izuarna 950 liters per second, Isalnita 805 l/s, Breasta 400 l/s, Gioroc 140 l/s, Popova 10 l/s) (52.6 million gallons per day), the storage time for the system is 3.1 hours. If the protection requirements are met, only 80 percent of the storage can be used, and storage time drops to 2.5 hours. This is a very low storage capacity that cannot assure the safety of the water supply system. Based upon the schematic provided, there are industrial users that can pull directly from these storage sites at rates greater than the delivery capacity of the sources.

The mayor indicated that the population served by the city is 320,000. Only 25 percent of the population in the lower elevations of the city receives water 24 hours a day. The remaining portion of the city receives water from 5:00 to 11:00 and 17:00 to 23:00 hours, approximately. The delivery capacity is stated as 2,000 l/s, with a needed capacity of 4,000 l/s, as stated in an old study that was not provided. Because industrial production is down 50 percent and 1993 population is estimated at 302,000, with 40,000 unemployed, the water requirements may not in fact be 4,000 l/s.

At a population of 300,000 and a schematic capacity of 2,305 l/s, there is a usage rate of 663 liters per capita per day. This is a very high rate and indicates that the primary focus of water system improvements should be on conservation rather than on finding additional water sources.

Two new, deep wells with capacities of 65 l/s and 125 l/s are in the process of being constructed, though no schedule or specifics were provided.

The regia processes bills for 25,000 customers. The 12,000 meters reported to be in the system are very old, and no program exists to replace them.

Bills are estimated on a large number of accounts. The water rate is 30 lei/m³ for individuals, 52 lei/m³ for schools and commercial customers, and 84 lei/m³ for industry. Sewer charges are 4 lei m³, based upon 75 percent of the water volume billed. Customers without meters are billed once every three months while other customers are billed monthly. It is planned that all customers ultimately will be billed monthly.

Bill collection is done on a door-to-door basis. If no one is home, a card is left and the customer must go to the bank or collection office. Only 25 customers are paying water bills through the bank on a regular basis as most customers do not have bank accounts.

Lost and unaccounted water is estimated at 10 percent. A financial analysis of water revenue by category and of water delivered should be performed to evaluate the 10 percent estimate.

The mayor has requested assistance in establishing a water conservation and education program. This program would be supplemental to initiating a metering program that could ensure proper billing of major customers in the initial phase and of all customers eventually. Many maintenance and system reliability enhancements are needed.

The mayor is committed to a program of proper system management and equipment maintenance. The regia and the city are prepared to increase rates and to work to ensure that all water is billed. Under the current individual rate of 30 lei/m³ and at a production rate of 2,305 liters per second, there are approximately 190,000 m³/day of water being produced. This situation should generate a minimum revenue of 5,700,000 lei per day or 2,080,500,000 lei per year. If the quantity of commercial and industrial water represented a greater percentage, the revenue would be much higher.

3. Sanitation (Sewers and Wastewater Treatment)

The city of Craiova is required by law to properly collect and treat wastewater from the community. Under the existing system, the wastewater is collected as defined on the map in Exhibit 2. (There are no scale drawings of the sewer collector system.) The regia operates the sewer collection system under the direction of the city.

Sewer rates are 4 lei/m³, based upon 75 percent of an individual's water quantity bill and 100 percent of the industrial water quantity bill. As in the estimate of revenue for the water system, the sanitation system should generate revenues of at least 190,000 m³/day X 75 percent (individual rate of 4 lei/m³ X 365 days/yr = 211,335,000 lei/yr). If the industrial percentage is higher, the total revenue will increase.

During the last regime, 30 percent of a new three-meter-by-two-meter sewer collector was installed. This collector was proposed to collect all wastewater from the main function chamber located inside the gate of the Peoples Park. This line would extend approximately 12 kilometers to a new wastewater treatment plant, which has been constructed to 10 to 15 percent level. The new plant appears to be a facility with primary treatment, activated sludge (biological), secondary sedimentation, and anaerobic sludge digestion. An outfall line 2.5 meters in diameter has been completed from the plant site to the Jiu River. No mechanical equipment is on site, but concrete and reinforced steel structures are partially completed.

The site is located at the base of an embankment, and the entire area is farmland remote to the Jiu River, presenting a good location for a treatment plant of this nature.

The collection system is designed to combine all wastewater in a junction chamber inside the entrance of the Peoples Park. An existing 1.7-meter truckline sewer continues south to an open canal, three kilometers south of the Peoples Park. The canal continues through low agricultural land and sparse low-income housing until it reaches the Jiu River. Because of a lack of maintenance, however, this line has plugged and is not being used to carry a significant portion of the flow.

To provide an outlet for the wastewater, the combined sewer overflow dikes in the three main junction chambers have been removed or opened to allow flow to exit the storm relief outlet

continuously. These storm relief outlet sewers discharge into an open canal designed to carry spring water from Balta Craivita Lake in Sector 1 of Craiova.

Three outlets enter this canal. The first enters the canal in a low-income residential area and is composed of two three-meter-by-two-meter box culverts, with one culvert at a higher elevation and plugged to the point at which all flow is discharged from the other culvert. The flow rate of the open culvert was measured on 2 July 1993 at 11:00 at 1 meter deep and .75 meters per second velocity. The outlet was partially submerged due to the flow from the lake upstream in the canal. The lake discharge was bright green algae-colored.

The second outlet is .5 kilometer downstream and consists of two two-meter elliptical sewers. When the flow was measured on 2 July 1993 at 10:30, depth of flow was 200 millimeters in both lines, and the velocity was 1 m/sec. The bottom of the sewer was not flat, and the discharge was free-falling.

The third outlet is located in Sector 4, 1 kilometer downstream of the second outlet. This outlet is a three-meter-by-three-meter box culvert. The flow measured was 5 meters in depth, with a velocity of 1 m/sec.

The open canal carries all wastewater flow from the city to the Jiu River. The only dilution comes from a small outlet flow from the lake and occasional stormwater flows. The canal traverses a residential neighborhood of dense single-family development.

No flow or quality analysis is performed on the discharges, which are greatly reduced when the water supply is not operating. There is no reported overloading of sewers in the system. It was indicated that many basements in the 25 percent of the city that is low enough to receive continuous water service are subject to sewer backups. The system has five pumping stations, which have vertical and submersible pumps to raise the wastewater to an elevation where it will flow by gravity to the outlet. The regia indicated that parts were not available for the submersible pumps, but that it could maintain the centrifugal pumps.

4. Solid Waste

The city provides solid waste collection and disposal services, which are scheduled for all residential areas on a once-a-week basis. In addition, the city operates one disposal and one incinerator site. Most apartment dwellings have container service involving dumpsters that are removed with load-all trucks. No standard containers are used for individual home collections, and the city does not use compaction collection equipment. Much of the mechanical equipment is in need of repair, because of a lack of adequate funding.

The mayor has tried a source separation and recycling program, but the program did not succeed because it reminded citizens of the old regime, in which rationing and selling all scrap materials were requirements.

Solid waste is collected twice a week in association housing projects (i.e., publicly owned ones) with a population greater than 2,000; all other association housing waste is collected once a week. The fee for individual service is 115 lei/person/month. Industrial and commercial service

is charged at 1,800 lei/m³ of refuse container size. In 1972, a study defined solid waste production as 0.75 m³/person/year, while in 1993, a similar study set production at 1.2 to 1.4 m³/person/year.

Individual collection is performed for 42,000 people by 17 work teams, each of which is assigned a daily route and uses a farm tractor that pulls up to to 11 cubic meter trailers. Four workmen load the trailer by hand. During the eight-hour workday, two loads are collected.

There are 252 customers for containerized trash collection. The containers are 4 m³ in size, and 38 hydraulic load-all trucks can service approximately six 4-m³ containers during an eight-hour shift. The trucks take the full container to the landfill and return an empty unit to the next location on the route.

The two disposal sites are 3 kilometers north of the railroad tracks and seven kilometers southwest of the center of town. The disposal sites are open-fill operations at which the public and livestock (swine) forage through the refuse. The sanitation (refuse) collection and disposal operation is at a critical phase with regard to disposal. A 100-ton-per-day incinerator is operating at a rate of 100 tons per month. A two-incinerator unit with seven hearth incinerators is in extremely poor condition. Only one unit is operated at a time. Units are alternated; one month on, one month off for maintenance.

The holding pits are maintained in a full condition. Estimated volume is 10 meters by 30 meters by 10 meters (3,000 m³). It is estimated that refuse is 800 pounds/m³, for a stored volume of 2,400,000 pounds of refuse. This condition creates a disease and vector problem that is extreme. Many rodents were present during the site visit.

The north backup landfill is open and normally unused. Scavengers were foraging at this site, too, although no decomposing material or rodents were observed. The primary southwest landfill is open and burning. It is in a low, marshy farm area, adjacent to low-income housing. Many scavengers and swine were foraging here and shacks have been constructed within 100 meters of the face of the fill. A bulldozer levels the material, but was not present. No cover is used. Proper fill techniques and a properly engineered site are priority issues.

In May 1993, the refuse operation generated an income of 18,480,000 lei as follows: associations, 11,800,000 lei from 252 sites serving 184,000 population; individuals, 2,500,000 lei from 42,000 population; private collection sites, 180,000 lei; budgeted hospitals, schools and state buildings, 2,200,000 lei; and unbudgeted call-in service, 1,800,000 lei.

Each residential collection team has a five-street route to service in an eight-hour shift. It is estimated that the teams collect four trailer loads per day. Each trailer is 7.5 cubic meters or 11 cubic meters if extension panels have been installed. Tractors take 45 minutes to empty the trailers and return to the route for the second load. Collection teams work from 7:30 to 16:00. Food businesses are collected three times a week.

Up to 200 burned-out 4 m³ containers were observed at the two landfills. Most of these units had good frames and could be refitted with new sheet metal and returned to service.

5. Hot Water Supply

Because the hot water system is operated under the same approach as the building heating system, the program for improving the hot water supply includes the same elements as the improvement program for building heating.

Because of the inherent inefficiencies of the hot water supply system, all new commercial and industrial buildings should be required to install their own hot water systems. A program to phase out existing commercial and industrial service on a sector-by-sector basis should be considered. Small services cannot generate enough revenue to operate and maintain the system.

A meeting with CET should be set up to develop a financing system in which electric units to heat water could be installed and financed via the electric bill. With production levels down, CET has surplus electricity that it could sell for heating water.

IV. LIST OF APPENDICES AND EXHIBITS

APPENDIX	SUBJECT
A	Persons Interviewed
B	Organization of Craiova Municipal Council
C	Priority Listing of Issues
D	Assessment and Comments
EXHIBIT	SUBJECT
1	Craiova Sewer Collection System

APPENDIX A: PERSONS INTERVIEWED

City of Craiova: Elected Officials

- Dan Nicolae, Mayor
- Ioan Suvaina, Vice Mayor
- Victor Stefanescu, President, Council Commission on Legal Affairs, Public Administration, Public Order and Civic Rights
- Ion Sechel, Secretary, Council Commission on Urban Planning and Environmental Protection
- Ionel Raus, President, Council Commission on Public Service and Free Enterprise
- Gheorghe Pirvu, Secretary, Council Commission on Research and Forecasting
- Ion Rogoveanu, President, Council Commission on Budgeting and Finance
- Gheorghe Nedelescu, Secretary, Council Commission on Legal Affairs, Public Administration, Public Order and Civic Rights
- Corneliu Sabetay, President, Council Commission on Health, Education, Culture, Religion and Sports
- Marian Marinescu, Secretary, Council Commission on Public Service and Free Enterprise

City of Craiova: Appointed Officials

- Anghel Radulescu, Secretary
- Illie Badescu, Chief, Territorial Planning Department
- Lizica Demetrescu, Chief Architect
- Georgeta Chiciu, Deputy Director, Finance Department
- Rodica Dudau, Protocol Officer and Interpreter

Water, Sewer and Heating Regia, Craiova

- Leonida Nicolaescu, Director

- Petrie Dochia, Chief Engineer, Water Department
- Cristian Diaconu, Chief Engineer, Canalization (Sanitary Sewers)
- Dumitru Gavrilzdea, Chief Accountant

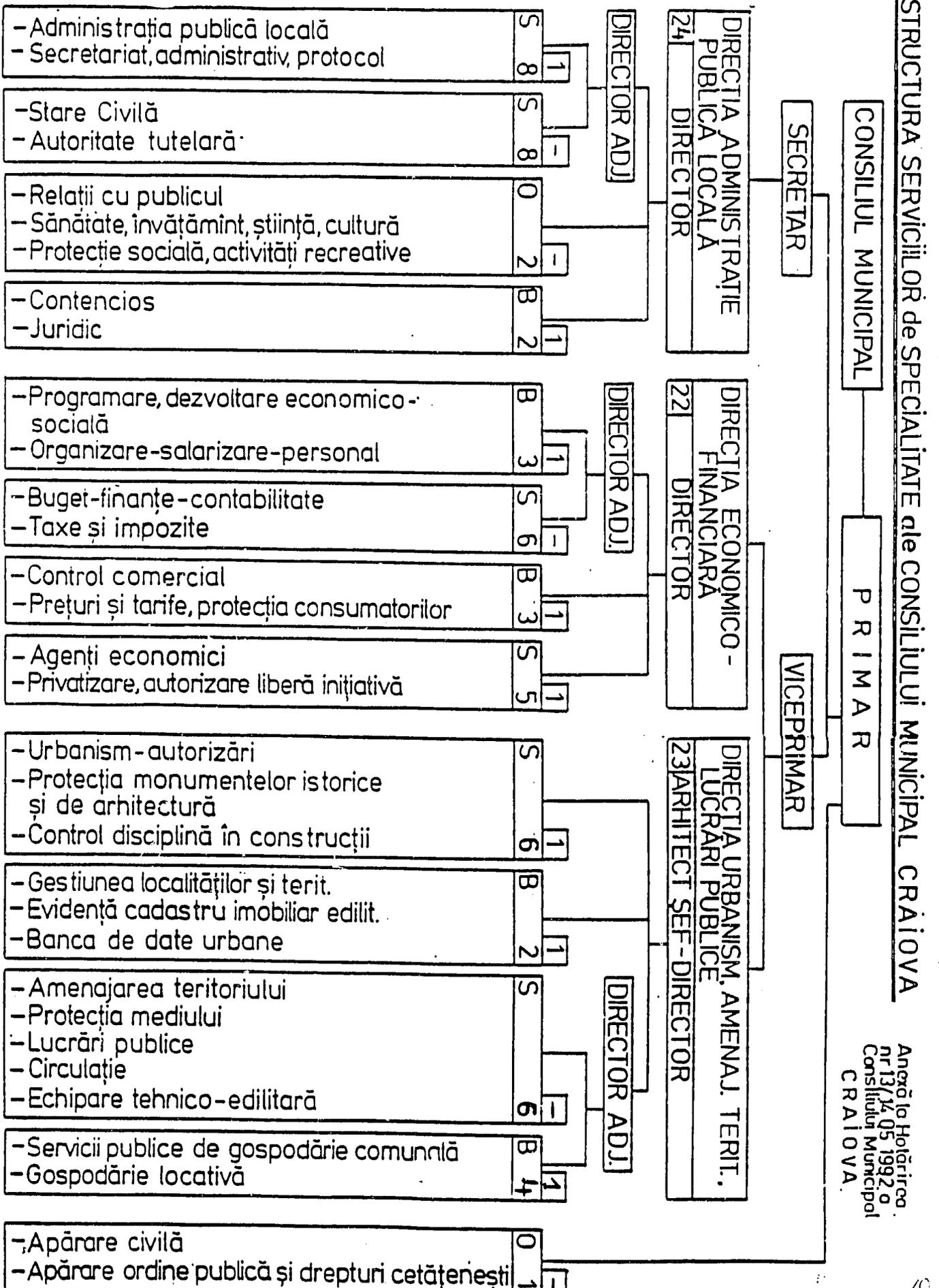
Investment Regia, Craiova

- Girtan Girgore, Chief Engineer

County Council of Dolj (Judet in which Craiova is located)

- Tudor Radulescu, President
- Ionel Florea, Vice President
- Gheorghe Barbarasa, Secretary
- Ion Vacariu, Director of Service
- Ileana Majima, Protocol Officer

APPENDIX B: ORGANIZATION OF CRAIOVA MUNICIPAL COUNCIL



APPENDIX C: PRIORITY LISTING OF INFRASTRUCTURE ISSUES

- (1) Revenue Collection and Management
- (2) Metering and Rates (heat, water, sewer)
- (3) Water Conservation, Education and Recycling
- (4) Materials and Supplies for Conservation and Education
- (5) Service Levels (fixed and variable costs)
- (6) Industrial Development related to Infrastructure
- (7) Personnel Training (equipment and chemical application)
- (8) Strategic Planning
- (9) Electric Water Heating
- (10) Design and Construction of New Collection and Treatment Facilities for Wastewater (emphasizing natural treatment system)
- (11) Establishment of University Assistance Program
- (12) Documentation of Fixed Assets and Operating Procedures

APPENDIX D: COMMENTS ON IMPROVING THE EFFECTIVENESS OF LOCAL GOVERNMENT

Introduction

The comments by Fred Fisher contained in this appendix are based on a field visit to the city of Craiova and are primarily intended to provide feedback to the mayor and his staff about the impressions garnered during the visit and to provide ideas and insights for further consideration. Because they focus on issues that are germane to most, if not all, local governments in Romania, however, they are also intended for use by a larger audience. Many of the comments address issues that are either (1) defined by national legislation, or (2) reflected in what appears to be general practice in conducting local government affairs throughout Romania. In this respect, the visit to Craiova has provided a window for viewing and understanding the bigger picture. For this opportunity, the author is profoundly grateful to Mayor Nicolae and his staff.

The comments are interspersed with notes to external support agencies. Recognizing that reports of this kind circulate among those who might be in a position to provide technical assistance and support, the author has tried to pinpoint targets of opportunity for these agencies.

The process of forging viable, responsive local governments in Romania will be a difficult and demanding task. Many of the traditional values and norms that symbolized the governance of localities in Romania have been dimmed, if not extinguished, over several decades of centralized domination. This means, among other things, that local leaders must work with their constituents to invent new norms of local self-governance and new values that will help guide them into a productive and meaningful future.

Summary

The following is an attempt to summarize some of the key impressions and ideas resulting from the author's brief stay in Craiova. These comments are confined to issues of the overall operation and management of the municipal organization.

The city of Craiova demonstrates a high level of competence both in its elected leadership and in the professional cadre working out of city hall and the regii. Nevertheless, the recent emergence of local self-governance presents new challenges to these individuals, and with these challenges, opportunities to improve the performance of the local government in service to the community.

The success of Craiova's local government in the long run will depend on a number of factors, among them: opportunities to develop a sound fiscal base of locally generated and controlled revenue; greater cooperation with the judet and other key institutions in the city and region; the ability to encourage public understanding of, and commitment to, the policies and programs of the city; structural changes in the public organizations that serve the citizens of Craiova to assure greater management and fiscal supervision and control; and a rigorous commitment to professional development for the elected leaders and staff, to assure that they have the

knowledge, skills and will to bring about the changes that are essential in forging a strong and responsive public service for the citizens of Craiova.

To achieve these inputs, it is recommended that the mayor consider taking the following actions:

- Establish a public communications office that works with all media opportunities in the city and region to help educate the citizens about their responsibilities under local self-governance, and to inform them of ongoing and new policies and programs.
- Create a small quality assurance team in city hall that can carry out an ongoing series of studies on the financial and operational performance of all public organizations providing service to the citizens.
- Review the operating roles and environment of the council commissions with the intention of increasing their effectiveness as policymakers.
- Establish better relations between the municipality and the judet councils and staff, and develop stronger working relations with the university and other local institutions that can assist in achieving community goals.
- Consider conducting an organizational assessment of the municipal organization and regii to determine changes that can be made to improve overall performance and to assure greater responsiveness to community needs.
- Initiate a goal-setting and strategic planning process with key elected officials, staff and community leaders to determine the future direction and priorities for the city and its operating agencies.
- Pursue external funding opportunities to complete the housing units located in the center of the city.
- Provide financial and general management training for key staff members of city hall and the operating regii.

Perspective

The ideas put forth in this report are based on some basic assumptions made and values placed on the local self-governance process. While they may not be universally acceptable to those who currently hold the reins of power, they form the basis of much that is being done around the world to achieve local governance in accordance with democratic principles. Among these assumptions and values are the need for:

- Greater financial and program accountability.
- Transparency and openness between local government officials and their constituents.
- An increasing capacity to be self-reliant and autonomous.

- Greater involvement of citizens and local institutions, both public and private, in the governance process.
- Continuous focus on matters of organizational effectiveness and efficiency.

These last two terms will be used repeatedly in attempting to suggest ways in which the local government process might be strengthened in Romania. For this reason, it might be helpful to define them. *Effectiveness* is "doing the right things" (formulating policies and programs based on community needs and opportunities), while *efficiency* is "doing things right" (applying managerial, technical, financial and social skills with experience, to implement policies and programs within community means).

Creating and Reinforcing New Community Norms and Values

Perhaps the greatest challenge facing Craiova and other local governments in Romania is the need to invent new norms and values to support the development of viable and responsive local governments. Of these, the most important norm will be that of assuring that local fiscal responsibility is both understood and accepted. The "top-down" arrangements for controlling and dispersing financial resources under communism have left local communities and their citizens outside the process and void of direct responsibility. As local governments acquire the rights to raise sufficient revenue to finance local programs and services, they must simultaneously prepare the citizens to be able to pay for them. The current financial arrangements, which involve subventions and subsidies filtering down from the central government, at times with little attention to real community needs, have done little to foster community responsibility and accountability.

The general attitude about providing service to the citizens has not been beneficial in fostering an expectation of higher levels of service or a willingness to pay for them. There seems to be an attitude of "We'll pretend to offer you, the citizen, an acceptable level of public service, if you will pretend to be satisfied with it."

The forced "participation" of citizens in civic affairs before the revolution seems to have taken away any appetite for cooperation and collaboration between government and citizens. And yet these attributes of intentional interaction are essential in taking on the responsibilities of self-governance. At worst, there appears to be widespread cynicism toward government; at best, apathy. Both are no doubt warranted based on past experience but nevertheless are potential obstacles to strengthening local government.

The part of Paul Hendricks' section of this report that covers water conservation is an example of both the need for fiscal responsibility and for citizen participation. Such a program, if it is to succeed, will require education on the need for conservation and on the benefits to be derived from it. In addition to a comprehensive educational program, the city would find it useful to provide rewards for those who make significant contributions to the water conservation effort. These rewards need not be monetary ones. Recognition by the mayor and city could be gratifying to those involved, as well as effective in conveying the importance of conservation to other citizens.

For example, an award from the mayor for outstanding achievement in water conservation might be combined with a community picnic in the park for those neighborhoods, or apartment blocks, that have implemented unusual and significant conservation programs within their domains. These or similar activities can also involve children, who should be a vital part of any conservation effort.

The mayor and secretary have both talked about initiating a weekly newspaper from city hall, but funds are not yet available to implement such a program. We discussed the possibility of better use of media opportunities already available within the community. For example, there is a widely read daily newspaper in the community, as well as a local radio station. A local television station is expected to become operational before the end of the year, and cable television is under discussion. All of these are potential resources to be used by the city in getting messages out to the community.

The city has several avenues for receiving citizen complaints and responding to them in a responsible manner. This is, in large measure, a "reactive" program, responding to a citizen's need for information or action. A "proactive" public communication program, managed by a staff member operating out of the mayor's office, could do much to anticipate many of the information needs of citizens and to communicate the new norms and values that will be required to create a more open and responsive relationship between city hall and the citizens.

Elected Leadership Effectiveness

Elected officials are called upon to perform many roles, but none is more important than policy making, particularly at this time, when so many new mandates are required to shift the governmental and democratic focus from the center to the grass roots of the society. There are a number of changes that might be considered to improve the functioning of elected officials.

First, it appears that councils in urban areas are too large to operate effectively and efficiently. The rationale of greater representation is understandable but is negated when all councillors are elected at-large, rather than by districts. This large number of elected officials (31 in Craiova) requires the council to operate in commissions that are assigned certain responsibilities. Depending on which commission one is assigned to or voted to, the influence that any individual councillor has in the governmental process can vary greatly. For example, members of the Craiova Research and Forecasting Commission said they had not been called upon to render service to the other councilmembers or to the organization. On the other hand, the Public Administration Orders and Citizen Rights Commission is responsible for reviewing and approving all commission decisions before they are discussed by the total council. While their approval may be voted down, they nevertheless exercise considerable authority because of their pivotal position vis a vis other commissions.

Over time, as local councils gain more experience in operating through commissions, they may want to reexamine their roles and responsibilities and how they carry them out. For example, they may want to rely more heavily on the city's administrative and technical staff to provide information and analysis about ongoing operations and proposed programs. The Research and Forecasting Commission appears to be assigned duties that are more appropriate for professional staff.

Second, there are several procedural problems in the way the Craiova Council currently operates that may benefit from further discussion. (Although these may be dictated by the Law no. 69/1991 regarding local administration, my hope is that this law can be changed.)

- The vice mayor is first elected by the people and then voted into office by the other councillors. Although this is not the case in Craiova at this time, the vice mayor could be an adversary of the mayor, thus creating potential for confusion, if not chaos, in the local governing process.
- The chairperson for each full council meeting is rotated among the councillors based on an alphabetical listing of councillors by family name. Rotation has created some problems in the continuity and quality of this function. It may be more effective and efficient to elect or assign a permanent chairperson.
- The council chambers (the physical space used for full council meetings) seems not to be conducive to open and lively dialogue between and among members of the council. The room has one long table facing rows of theater-style seats in which all elected officials sit except for the temporary chairperson and the secretary of the council, who sit at the front table. The mayor and vice mayor sit among the councillors. Citizens attending council meetings sit behind the councilmembers.

These issues may seem inconsequential by themselves but can add up to a major impediment to overall council effectiveness. The feature that makes local government distinctive in the representative process is its closeness to the citizens. Any efforts that can reinforce the openness of the process and encourage direct dialogue, among the representatives and with the citizens, are worth considering.

Goal Setting and Strategic Planning

Community and organizational goal setting and strategic planning processes have become a norm in many cities in the United States and Western Europe. Essentially, this process is one of determining community or organizational priorities, both short- and long-term, and deciding how these goals can be achieved within the resources of the community or organization; the main tasks are goal setting and strategic planning. Decisions, whenever possible, are reached through consensus.

The process can be conducted in a variety of ways and normally involves the key "stakeholders" in the implementation of the goals. Stakeholders are those who have a stake in both the implementation of the goals and the results of goal implementation. The most frequent approach to goal setting and strategic planning is a three- to five-day period of intensive dialogue during which consensus is reached on the most important directions to be taken in focusing community or organizational resources and in defining, in broad terms, how the priorities can be achieved.

The challenge of any strategic planning/goal setting process in Craiova will be the decision on where to begin. Because this ICMA mission has focused primarily on the program and activities of the water/canal/thermification regia, this might be the place to begin. Certainly, this function is pivotal to the success of developing a strong, increasingly self-sufficient local government.

And this starting point would provide ample opportunities to explore various alternatives for organizational structures, management styles, and overall mission and priority services. At present, it is necessary to become fiscally self-reliant, as the responsibilities for revenue generation shift to the local level.

Interorganizational Cooperation

From an outsider's perspective, it would appear that much could be gained from more cooperation between the judet and the city. Even though the city, in theory, is not subordinate to the judet, in practice there appear to be many obligatory links between the two. Not the least of these is judet control over funds the city receives from the central government. The same kind of cooperation will be required between the city and other institutions as local government begins to deepen its role in initiating and fostering planned changes within the community and surrounding environment.

Over the years, local governments in the United States have come to realize the importance of political and administrative interaction among those governmental institutions that share the same constituents or that operate in close proximity to each other. Sometimes, these relationships result in formal agreements to cooperate, based on specific needs and opportunities. At other times, the arrangements are less formal but equally effective. For example, "councils of governments" (COGs) have been initiated by local government officials in many regions of the United States during and since the 1960s to address issues that cut across jurisdictional boundaries. These voluntary associations of governments have succeeded in creating an environment in which issues of mutual concern can be discussed without the pressure of immediate and formal resolution. This concept, or a similar one, might be useful in lowering the tension that seems to exist between this city and the local judet, and in similar situations around the country.

Organizational Ambiguity

To an American city manager, the lack of direct control over the operating departments of the city seems an unmanageable situation. Specifically, the issue is one of achieving fiscal and operational accountability when individual functions are relegated to regii autonome. From the practical but perhaps naive perspective of an American manager, it appears that operating regii are *too* autonomous. They diminish the ability of the mayor and other key municipal officials, on the one hand, to coordinate essential services and investments, and, on the other hand, to achieve cost savings through better management of human and physical resources.

Most regii operate under an administrative board, a majority of whose members come from within the organization. This arrangement has the potential for little or no oversight, or for direction from those who have only an indirect stake in the outcome of the policy decisions they make. As long as these organizations perform public services and expend public funds, it would appear that they could be made more accountable by being given less autonomy and more managerial direction from the mayor and staff. This is obviously a longer-term issue and tied directly to the national decision to operate local programs and services through a fragmented system of autonomous units. Nevertheless, it would be important to monitor these operations.

Given the indirect control the city now has over these vital services, it would be useful to create a performance monitoring unit within the city administration. Such a unit would collect and analyze financial and operational information on the performance of the key regii, and make recommendations to the mayor and other city officials on ways to improve the quality of services and the operation of the various systems. The unit would be trained in analytical skills and intervention strategies and would be equipped with computers to enhance its ability to manipulate financial and operational data.

In our brief encounters with some of the operating regii in Craiova, we found that many improvements could be made in the quality of the services they deliver and in the manner in which they operate. One way to impose a higher level of managerial effectiveness and efficiency would be to establish a good information and analytical base that can be used by the mayor and key city department heads to provide executive direction and encourage better operational discipline.

One way to initiate such a program would be through an organizational assessment that gathers data and information on each operational unit. The intent of such an assessment would be to bring about specific changes in many areas of operation. For example, such an assessment would review, among other things, the tasks that each subunit of the organization performs, the resources it has available, and the clientele it serves. UN-HABITAT has developed an organizational assessment methodology specifically for use by local governments. Included in the assessment is an opportunity to review each service function in terms of whether privatization is a viable alternative. Unfortunately, the manual is in English, and the process requires some technical assistance from a small team of outside specialists, but neither of these constraints is impossible to overcome.

Housing Management

The disposition of public housing stock built before the revolution seems to be under control in Craiova. Eighty percent has been privatized, and the city expects the other 20 percent to be sold within the next six months. The only other major housing issue that is currently unresolved is the completion of the 450 units that were started after the revolution and remain incomplete because of a shortage of funds. Of the 450 units, 300 have already been sold to private owners, who have paid for the construction to date. The remainder have been allocated to individual families on a rental basis. The chief engineer of the investment regia and the director of territorial planning both agree that all units could be completed in 12 months within a budget of 6 billion lei.

The units under discussion are located in the center of Craiova, near the civic buildings and the university. Because considerable equity has already been invested (over 600 million lei from private citizens to initiate the 300 for-sale units), this investment would appear to be a sound one. It is also an opportunity to forge working relationships among local banks, the owners of the 300 purchase units, and the investment regia responsible for the rental units.

Training Requirements and Opportunities

Opportunities to increase elected leadership and staff competencies in specific areas have been mentioned throughout this report. Two others come to mind. The first is financial management, specifically, the ability to generate revenue, to maximize the benefit of all expenditures, and to reallocate funds and resources based on immediate needs and long-term goals. While most funds from the central government are earmarked, and this eats away at responsible local fiscal management, some of the rigidity may also be self-imposed by the perception that nothing can be done to change how the central government allocates funds.

The other obvious training need is for general management and organizational concepts and skills. These include: strategic planning and goal setting, creative thinking, decision making, problem identification and problem solving, motivation, setting performance standards and tracking these standards through impact evaluation. There is a movement among city and county managers and other officials in the United States to adopt the concepts and strategies of Total Quality Management (TQM). This concept involves the provision of an almost defect-free level of product and service delivery to the customers of the community. A large part of TQM is attitude, the attitude of all employees that the citizen is important and deserves to receive a high quality of service from the government.

Crucial to infusing a positive attitude about high-quality public service is building the skills to make it happen. The right kind of awareness-raising, skill-building, action-oriented, experience-based management training just might make a difference in local government performance in Craiova and other municipalities around the country.

**REPORT ON TECHNICAL ASSISTANCE PROVIDED
TO THE CITY OF CONSTANTA**

I. INTRODUCTION

This section of the report was prepared by Philip Rosenberg and Kathy Engebretson, ICMA consultants, in connection with a USAID/ICMA technical assistance project conducted in the city of Constanta, Romania, from June 28 to July 8, 1993. A preliminary field report was left with the mayor of Constanta. This section provides a more complete description of the information collected and the recommendations provided to the local government officials. The field visit included research and consultations with local officials and staff regarding the financial practices and procedures used by the city. A list of people interviewed during this assignment is contained in Appendix A.

This section of the report is organized into three subsections: (1) Background Information, including information on the structure and operation of the city and county governments; (2) Technical and Operational Assessment of the City's Financial Systems; and (3) Recommendations for Future Technical Assistance and Training in Municipal Finance.

II. BACKGROUND INFORMATION

A. Structure of City Government

The city is governed by a mayor, who is elected to a four-year term, and a city council of 31 members, who also are elected at large to four-year terms. The deputy mayor is selected by the city council from their own membership. The deputy mayor's council seat is filled by another councilmember. Once appointed, the deputy mayor becomes part of the executive branch. There is also a secretary, who is appointed by the city council and acts in a similar capacity to a U.S. city clerk, with the added responsibility of determining locally whether resolutions passed by the city council comply with municipal law.

The executive branch consists of a number of departments, which are detailed on an organizational chart contained in Exhibit 1. The city has 14 departments with 90 authorized positions, many of which are vacant due to low salaries.

The city council is divided into six committees, which meet on a weekly basis. Meetings of the entire council are held on a monthly basis. Bills are passed by majority vote, with the exception of the budget, which requires a two-thirds vote for passage. Bills may be recommended either by the executive or the legislative branch. The city council relies on the staff of the executive branch for technical advice and support.

B. Judet (County) Structure

The county is governed by a county council consisting of 45 members. From slates of candidates proposed by the political parties, the county councilmembers are selected by the city councilmembers of all of the towns within the county, with one vote per city councilmember. Representation is not based upon population but on number of city council seats.

The county council elects a president and two vice presidents from its own membership. In addition, there is a permanent delegation, consisting of the president, the two vice presidents and

six other members, that is responsible for day-to-day operations between monthly county council meetings. The county council also has a group of committees spanning various policy areas.

The county council has three departments: urban planning and technical assistance; budget finance; and administration. These departments have 104 employees who provide support for county council activities.

C. Regii Autonome (Public Companies)

In addition to the formal governmental structure, there exist a number of public companies that perform municipal services under contract with the governments or private citizens. Depending upon the function, companies are under the jurisdiction of the city, the county or the central government. A portion of the profits, if any, are returned to the respective government.

D. Administrative Commission

Although it does not have any authority, the administrative commission serves as a coordinating body wherein the various public and private interests that operate within the city can come together to share ideas and concerns. The commission is made up of the mayor, the president of the county council, the prefect, the chief of police, the chief prosecutor, the president of the courts and directors of important private institutions in the city.

E. Prefect

The prefect, who is the representative of the central government in the county, is appointed by the ruling party and serves at its pleasure. He is responsible for determining matters relating to the law and its proper interpretation and administration. His decisions may be appealed to the courts. If the city council passes a resolution that the mayor believes is illegal, the mayor may request that the prefect review the validity of the resolution under the law.

F. Ministries

The central government ministries have countywide offices which oversee implementation of central government policies and practices. Of particular importance to the city is the Finance Administration, which represents the Minister of Finance. Taxes are collected by the Finance Administration, which also holds and manages local tax revenues until they are disbursed to city accounts at the time that payments are made.

III. TECHNICAL AND OPERATIONAL ASSESSMENT OF THE CITY'S FINANCIAL SYSTEMS AND PRACTICES

A. The Budget

The city generates local revenue in taxes, fees and from miscellaneous sources. Revenue estimates are based on the city's projection of revenues from its own sources and on an estimate of the amount to be received from the Ministry of Finance through the county.

All revenues go directly to the Ministry of Finance, where the central government maintains records of local government revenue collections. Based on these collections, the central government allocates funds to counties based upon a formula. In actuality, politics appears to be a major consideration in the allocation of funds. In FY1993, the county received less than its proportionate share of the central government distribution. City officials estimate that the city residents alone paid about 47 billion lei to the central government last year, while the FY1993 allocation to the county of Constanta is only 8.179 billion lei.

In turn, the county allocates central government funds to the various jurisdictions within its boundaries. This allocation is also heavily influenced by politics. For the current fiscal year, the city of Constanta received an allocation of zero lei despite the fact that half of the population of the county resides within the city limits. (Note that the county president was the Constanta mayor's opponent in the most recent mayoral election.)

All revenue is collected by the Ministry of Finance. The ministry collects these revenues, sends the appropriate amount to the central government and holds the local revenue in a bank account under its control. It is on these local revenues, plus any anticipated allocation of funds from the central government, that the city develops its local budget.

The city adopted two budgets for FY1993. The first budget, which totals 2.838 billion lei, is based on local revenue sources alone and is totally inadequate to meet the city's needs. The second budget, which totals 6.336 billion lei, allows sufficient funding to carry out the city's programs. However, this budget was based on revenues, forthcoming from the county, that were never received. The city, therefore, is operating under the smaller budget but will augment its operations with items from the larger budget, should money be forthcoming either from the central government or from concession income.

The budget is formulated jointly by the executive and legislative branches based on recommendations from department heads and requests from public companies and council committees. The chief accountant matches budget requests against the revenue estimates she develops, factoring inflation into both revenue and expenditure estimates. Given the uncertainties about rate of inflation and about transfers of funds from the central government through the county, the budgetary process is in a constant state of flux. This uncertainty requires constant negotiation among the department heads, the chief accountant, the mayor and the city council on budget allocation issues. A two-thirds majority of the city council is required for adoption of the budget, which must be balanced according to the law. Relevant summary information and budget detail are included as Exhibits 2 and 3.

Capital planning and budgeting policies can best be described as "Operate the equipment until it breaks down." The city does not have a formal capital budget or capital plan. Moreover, the city's ability to plan for its capital needs is severely constrained by its lack of control over municipal assets, by current levels of inflation and by restrictive accounting rules that prohibit maintenance of a capital reserve or the issuance of debt to acquire capital assets. Currently, the city's funds for capital projects are limited to those distributed by the central government through the county for this purpose. For this year, the city was given no funds at all; it has begun to inventory its existing capital stock and determine its condition. Similarly, the public companies also are compiling capital inventories.

B. Accounting, Reporting and Financial Control

Within its fiscal year starting on January 1 and ending on December 31, the city uses a cash basis of accounting. All accounts close at the end of the fiscal year, and any fund balance remaining at the end of the year is returned to the central government. Not only are the city's account code structure and reporting formats all dictated by central government regulation, but the city also must issue quarterly financial reports to the Ministry of Finance. However, for its own management purposes, the city generates monthly reports, which are prepared by the chief accountant and submitted to the mayor for review. A copy of a monthly report is included as Exhibit 4.

To determine how much cash is on hand and how much will be needed to pay expenses, the city relies on monthly reports from the Ministry of Finance that detail the own-source revenues received on behalf of the city in each revenue category. The reports compare actual revenues and expenditures against budget. At the end of the fiscal year, the Finance Ministry performs an audit of the city's financial records. The chief accountant is personally liable for any errors, up to 300,000 lei.

Though the city has established procedures for internal control, it has little direct handling of cash and other assets. Each day, the chief accountant calls the local office of the Ministry of Finance and directs the transfer of that day's cash needs to the city's disbursement account. All bills must be approved by the appropriate department head, the chief accountant and the mayor. Assurance must be made that there are sufficient funds in the appropriate budgetary account. City payments are usually made within 48 hours of presentation of a payment demand. Each month, the city processes some 30 to 40 invoices, which are submitted on a standard form.

The city also generates payrolls, all of which are disbursed in cash. (All accounting records, with the exception of payroll, are manually maintained.) In addition, the city issues what it calls a balance sheet, which, from our examination, appears to be an income statement. The city reviews the payrolls submitted by the public companies for work on city contracts; such payrolls are approved by technicians responsible for representing the city in the field.

Apparently the city does little in the way of cost accounting. It is not clear to us that municipal assets (i.e., buildings and equipment) are depreciated. Likewise, overhead costs do not appear to be calculated into the cost of doing business.

C. Purchasing

The City has a system for bidding out contracts and does so whenever possible, although the process is cumbersome and time-consuming. Despite the city's current plans to centralize the purchasing function, responsibility is now divided among several city departments. The city issues a bid with appropriate plans and specifications following the format promulgated by the Ministry of Finance and awards the contract to the lowest bidder. Unfortunately, there are not a lot of companies interested or qualified (e.g., possessing the financial resources or capital equipment to undertake the job) to submit bids, so competition is limited. City officials have shown creativity in their attempts to stimulate competition among service providers. For example, the director of public works has divided the city into nine trash collection zones in an

attempt to encourage a larger number of bidders that may be capable of providing this service on a smaller scale. The city, which monitors contract implementation, has a technician who reviews the work performed prior to payment. In some cases, such as street sweeping, the city monitors on a daily basis.

D. Recordkeeping

The city has a very rudimentary system of recordkeeping. Indeed, a major problem is that there are no historical records dating back more than two years for certain functional areas. When the current chief accountant took over, she had to assemble the source documentation so that records could be created in some organized fashion. Currently, the city maintains monthly records of such source documentation as invoices, contracts, bank statements, etc. Records are not computerized; nor do they appear to be maintained securely. Nonetheless, these records serve as the basis for the Ministry of Finance's annual review of the city's financial statements and supporting documentation.

E. Major Policy Issues, Problems and Constraints

Local government management and control are new concepts in Romania—their implementation is severely hindered due to limited financial resources, uncertainty about what one can and cannot do under the law, and a lack of municipal management expertise within the city of Constanta. The authors of this report wish to share some of our thoughts and observations on these problems.

- National government law regarding municipal financial management severely limits local governments' ability to collect, budget, control, spend and invest financial resources.
- Within the city boundaries, municipal functions are provided by the county and the central government, as well as by the independent public companies. The level of control the city has over these services, for which it is held accountable by citizens, is limited.
- Department managers have limited resources with which to do their jobs. There are only 90 positions in the city government, compared with 104 in the county (which performs fewer functions than the city). In addition, many positions remain unfilled due to noncompetitive salaries. There is only one computer in the budget accountancy department. City equipment, as well as that under control of the public companies, is inadequate and generally in very poor condition.
- City managers face staffing shortages because of the extremely low salaries and therefore are unable to attract or keep people with desirable expertise. For example, it is difficult to hire competent lawyers at current salary levels.
- Current levels of inflation make the budgeting and planning processes extremely difficult. Inflation also may make it impossible for the city to complete projects or to continue to provide services to the citizens, as the lei buys less each day.

- Local revenues are limited and not within the control of the city. Compared with other cities within the county, Constanta does not get its fair share of revenues allocated by the Finance Ministry through the county because of differences in political party between the mayor and the county council. The per-capita county allocation to the city (currently nil) is lower than the per-capita allocation made to other cities within the county, and current law does not afford a remedy.
- The inability of the city to control the deposit of revenues to its own bank accounts makes it impossible to ensure that funds are available when needed.
- Democracy has led to the emergence of numerous political parties, all of which are seeking to exercise influence over local government decisions. Self-governance at the local level is a new concept, subject to many uncertainties as to roles, responsibilities and authority. This situation can create conflict. For example, the movement by the city council to oust the deputy mayor from office raises legal issues about the authority of the various local government officials.
- Accounting laws and practices used by public companies do not adequately capture the cost of capital in the provision of goods and services. For example, depreciation rules issued by the central government allow amortization only of the acquisition cost rather than the replacement value of capital items. Furthermore, because much of the equipment was originally purchased by the central government, it is not clear that even acquisition cost is considered. The value of buildings and other assets does not appear to be considered in calculating cost of service. Also, current law prohibits the creation of capital reserves.
- Budgeting is constrained by three factors: the inability of the city to carry over a fund balance from one year to another; uncertainty over the amount and timing of the receipt of the revenue from the county; and the likelihood that much of the revenue may be received in the final months of the fiscal year. For example, the city passed a deficit budget this year, assuming it would get its fair share of revenue distribution from the central government. Last year, Constanta generated 47 billion lei to the central government and received 690 million lei from the county. So far this year, the city has received nothing.
- Serious revenue collection problems exist for the city and the public companies. Although the taxes and fees are quite low, many citizens have a difficult time paying them. And economic realities make collection of overdue payments difficult.

Despite these limitations, city officials demonstrate dedication, integrity, enthusiasm and technical competence. It is believed that Constanta has the capacity to accept and productively use outside assistance. The city must build upon its successes to date and put into place those initiatives that lead to effective local government management.

IV. RECOMMENDATIONS FOR FUTURE TECHNICAL ASSISTANCE AND TRAINING IN MUNICIPAL FINANCE

As noted above, many obstacles must be overcome. Money alone is not going to solve the complex problems that exist. The city must strengthen its capacity for ongoing management and planning, regardless of the level of available financial resources. Indeed, the city must develop a management plan of action to meet current needs, unexpected demands and future opportunities.

Cooperation must exist among all organizations, of which the city is only one. There must be assurances that financial resources are managed and controlled properly. The city must define a plan of action for the use of technical assistance and any funds that may be forthcoming. This will ensure the effective and efficient use of the city's and donor agencies' limited resources and will produce results that truly meet the city's most urgent needs.

Listed below are management initiatives recommended to the mayor and his staff:

- Identify the source, the amount and the timing of the actual receipt of all revenue under city control, and identify potential additional sources. Distinguish between revenues dedicated to specific expenditures and those that can be used for any purpose.
- Identify source, amount and timing for revenues distributed by the county and the central government. Determine the likelihood of receiving these revenues. Distinguish between revenues dedicated to specific expenditures and those that can be used for any purpose.
- Computerize all municipal records.
- Establish a database to allow year-to-year comparisons of costs, revenues and other financial information. These data must include adjustments for inflation to ensure comparability. These comparisons will allow assessment of the city's performance across the years.
- Perform an analysis of budgeted versus actual results in order to identify potential problems before they become actual ones.
- Think about the kinds of applications that would be appropriate for computerization beyond accounting, payroll and urban planning. For example, a computerized inventory of city furniture, equipment and other forms of property.
- Continue to develop creative approaches for efficient use of resources. For example, the public works director's current program to increase the number of bids on sanitation contracts is creative and effective.
- Collect information on city demographics and other nonfinancial data, and link this information to the budget process.

- Develop management objectives for each department. For example, set productivity targets for each department.
- Further define and refine the city's organizational chart.
- Develop written procedures to guide staff's day-to-day activities. For example, develop a city purchasing manual, a budget manual, a capital budget and an accounting manual.
- Guide staff through the organization and implementation of the computerized budget accounting system.
- Work with Constanta staff to develop a purchasing system that encourages competitive bidding and minimizes the chance of overpayment. The purchasing function should be centralized in one department.
- Aid Constanta staff in developing the central processing of various permits and licenses. Simplifying the existing system will allow the city to respond quickly to private investor opportunities.
- Work with Constanta staff to collect data on the identification, location, condition and responsible unit of government for all publicly owned property. Develop maintenance, repair and replacement schedules for existing property. Identify property needs and potential sources of funding for acquiring them.

In summary, the City faces 2 primary problems:

- **Lack of local fiscal autonomy:** National municipal finance law severely constrains the city's budgetary and financial management capacity. The inability of the city to collect, budget, control and spend financial resources is viewed as a major problem by all Constanta municipal officials.
- **Lack of knowledge of *Best Practice* in municipal administration:** Given Romanian local government's recent entry into democracy and self-rule, municipal managers have little background or expertise in municipal management matters. These issues revolve around the organization and functions of municipal government, the requisite skills necessary to manage government and the technology (computers, etc.) to support decision making.

In the area of financial management, skill areas that need to be enhanced include records management, internal control, revenue forecasting, budgeting, capital planning and budgeting, cost analysis, purchasing, data processing, trend analysis, performance evaluation and, if current law changes, treasury management.

The fact that many municipal functions are performed manually leads to the inefficient and time-consuming use of limited staff resources, as well as to poor records management. Decision making often occurs within a vacuum, with few data to guide the process. Very few municipal data are computerized.

V. LIST OF APPENDICES AND EXHIBITS

APPENDIX	SUBJECT
A	Persons Interviewed
B	Priorities of the Mayor
C	Housing in Constanta
D	Water and Sewer System of the County of Constanta
E	Politics in Constanta
F	Sister Cities of Constanta

EXHIBIT	SUBJECT
1	City Organizational Chart
2	City Budget for FY1993
3	City Budget Detail
4	Monthly Report to Finance Ministry
5	Summary Statistics
6	Financial Reporting Forms for Public Companies

APPENDIX A: PERSONS INTERVIEWED

- Anghel Constantinescu, Prefect, County of Constanta
- Danut Culetu, City Councilmember, City of Constanta
- ing. Iulian Georgescu, Director of Public Works, City of Constanta
- Raveca Gorcea, Chief Accountant, City of Constanta
- ec. Mihaela Iancu, Personnel Director, City of Constanta
- Gerrit Lekkerkerker, Vice Director, Department of External Affairs, Rotterdam, Netherlands (Sister City of Constanta)
- ing. Dumitru Lungu, Vice President, County Council of Constanta
- Dan Marin, Deputy Mayor, City of Constanta
- Marinescu Mihaela, Economist/Chief Accountant, Regia Autonome de Gospodiarie Comunata (public company that provides sanitation services to Constanta)
- Nicolae Morosanu, City Councilmember, City of Constanta
- Nicolae Naum, Secretary, City of Constanta
- Dr. Corneliu Neagoe, Mayor, City of Constanta
- Doina Pauleanu, Head Adviser, County Cultural Department, County of Constanta
- Dr. ing. Nicolae Pitu, Director General, Water and Sewer Works, County of Constanta
- Stavru Ponciu, Director of Economic Development, Urban Confort (public company for housing), City of Constanta
- Veronica Pribeagu, Architect and Chief of City Planning, City of Constanta
- ing. Tonoiu, Director, Urban Confort (public company for housing), City of Constanta

APPENDIX B: PRIORITIES OF THE MAYOR

During the authors' final meeting with the mayor of Constanta, the mayor established the following list of his priorities should the City be afforded some sort of financial assistance.

- *Upgrading the sewer system.* Inadequate disposal of wastewaters is polluting the Black Sea and Lake Tabacarie, causing infections and threatening tourism.
- *Increasing the housing supply.* The city has drawn up plans for a major housing expansion project on the outskirts of town. Completion of this project would help alleviate a chronic housing shortage. Finalization of the Seafront 2000 project in the historical section of the peninsula is also a major priority, as this project involves the rehabilitation of much housing in the historic section of the city.
- *Instituting a new heating system.* The current system is expensive and inefficient. Micropower plants designed to accommodate blocks of flats would be much more cost-effective.
- *Introducing natural gas.* This project has been started by the county. Documentation is complete, but the project cannot go forward due to lack of funds. The project would provide energy at greatly reduced costs and much higher efficiency.

In each case, the mayor is confident that user fees or other revenue sources could be pledged to ensure payback of a loan. He also indicated that the city would require more control over its own bank accounts to ensure integrity of the funds.

APPENDIX C: HOUSING IN CONSTANTA

This information is based upon an interview held on July 5, 1993, with Mr. Tonoiu, the director, and Stavru Ponciu, the economic development director, of Urban Confort, the public company responsible for providing housing in Constanta. This company is subordinated to the city.

Privatization of Housing Stock

Since 1989, most of the company's activity has centered on the privatization of state housing. Currently, approximately 85 percent of the former state-owned housing in Constanta has been sold to private owners. The prices paid by the purchasers were very low. As a policy matter, previous rental payments have been considered as payments toward the purchase of the properties. The sale of the housing was carried out under Law 61, issued in 1990, and under Law 85, issued in 1992. Citizens either paid the entire purchase price in cash or paid 10 percent down and agreed to make the remaining payments over a period of 25 years. The interest rate on the payments is 4 percent, but only 2 percent for young people under 30 years of age. These payments are not adjusted for inflation.

The proceeds of these payments are used to build new housing in Constanta. It is estimated, however, that it takes the sale of approximately 50 existing flats to construct a single new one, because of the low payments. The existing housing was sold to the people living in it. New housing is auctioned off to the highest bidder. The minimum price is the effective cost of the building plus a commission to the company of 1.5 percent.

In addition to these activities, some 600 block associations within Constanta are responsible for managing and maintaining various apartment complexes.

Other Activities

Other revenue-generating activities of the company include: the rental of commercial spaces to private companies; collection of rents; completion of housing whose construction was stopped in 1989; performance of repairs and rehabilitation of existing buildings; maintenance of parking lots, playgrounds and spaces between buildings; and maintenance and repairs on educational and cultural institutions and churches. Profits generated by Urban Confort are partially paid to the city based upon a sliding scale. Last year, the city's share of profits was about 30 percent.

Current Housing Shortage

The city is responsible for maintaining waiting lists for families looking for housing. There is a very long list at this point. Last year, only 7 to 8 percent of those on the list were assigned to new housing. Prospective homeowners meet with the mayor and the head of the public relations and housing department to make their requests. A request must then be approved by a commission of city councilmembers. When a unit is available, Urban Confort notifies the city. Units are matched with people on the waiting list according to size constraints, etc. There have

been 451 housing requests between January 1 and July 1, 1993. There are approximately 3,450 names remaining from last year. So far this year, 62 families have had their housing requests filled.

Taxes and Real Estate Transfers

There is a five-year exemption from property taxes on residential property. This revenue will eventually flow to the local government. All residents are required to purchase insurance. If tenants default on their loans for a period of six months, they may be removed and the property bid at public auction. This has not happened, however, because the payments are so small. Most people have the payments deducted directly from their pay. Self-employed people may pay at a designated cashiering office. There are restrictions on the resale of property; essentially, property must be paid in full in order to be sold. A mortgage must be arranged on a property whose purchase price has not been fully paid.

Current Construction Activity

There is some private construction in Constanta but not a sufficient amount to keep pace with the demand. Considerable housing was started prior to 1989 and remains unfinished. The city estimates that about 7,500 flats remain in this condition. The city is trying to attract private investors to complete these projects.

Most housing in Constanta is in reasonable shape, having been built within the last 25 to 30 years, with an expected life of 100 years. Most repairs are associated with the plumbing systems. The state still owns the rental properties, estimated at approximately 20,000 flats.

The company plans to exit the housing administration business once the privatization of housing has been completed. Eventually, the company will become a private construction contractor rather than a public company.

APPENDIX D: WATER AND SEWER SYSTEM OF THE COUNTY OF CONSTANTA

This information is based upon an interview on July 5, 1993, with Dr. ing. Nicolae Pitu, director general of Regia Autonome Apa Canal, the public company responsible for providing water and sewer services in the county of Constanta.

Organizational Structure

The company is subordinate to the county government, which receives a portion of any profits generated by the company, although its main activities are carried out within the boundaries of the city of Constanta. The central government receives 45 percent of the profits of the company as well. The company is divided into seven production sections, which each cover a portion of the water supply system. These include: a section for water and one for sewer in Constanta, one for the northern area of the county, one for the Eforie area, one for the Mangalia area, one for the smaller localities within the county, and a department responsible for the repair of rolling stock.

Water System

The main water system is centered along the seacoast. Local water systems, which are unconnected to the main system, are used inland. The main system is a unitary water supply system with a length of 70 kilometers. The largest and most important part of the water supply system serves the city. It has two major sources: underground sources including approximately 70 wells in northern Constanta, which each pump 80 to 100 liters/second for a total of about 3,000 liters/second; and surface sources, using water from the Danube-Black Sea Canal about 20 kilometers away, with a capacity of 2,000 liters/second (currently being expanded). The canal is used for irrigation purposes and to supply industrial users in Constanta. The company is currently studying additional treatment of water to improve quality through ionization.

The city is divided into four pressure areas that are supplied from pumping stations and reservoirs. About half of the city is supplied with underground water, while the other half (including the entire industrial sector) is supplied with a mixture of underground and surface waters. The reservoirs in the county have a total capacity of about 200,000 cubic meters, of which about 100,000 are concentrated in the city. The underground water is of very good quality and requires little treatment; the surface water requires more treatment.

The total service area of the company includes approximately 500,000 people annually, with an additional 150,000 to 200,000 tourists during the summer months. The basic system was built between 1960 and 1965. The climate is quite dry, and water needs are large (approximately 500 liters/person/day). Monitoring methods are very inadequate, and it is hoped that improvements will lead to lower usage as people are billed accurately for their water usage.

Sewer System

There are two separate sewer systems in the city. There is a filtration center in the northern part of the city and a unitary system in the southern part of the city that also collects sewage from the port and industrial areas. The northern facility has a capacity of 670 liters/second and uses only one filtration stage. The station in the south has a filtration capacity of 3,200 liters/second. The company has proposed an expansion of this capacity by 1,600 additional liters/second, but it will cost 20 billion lei, which is unaffordable. The industrial area of Navodari, north of the city, has a filtration station associated with the Media Petrochemical Plant. Ovidiu has a reduced sewerage system, a mechanical and biological system with a capacity of 5 liters/second. The Eforie system has a capacity of 500 liters/second, which is currently being expanded by 150 liters/second. Generally, sewage is collected, passed through filtration and dumped into the Black Sea.

Old and inadequate equipment leads to breakdowns, which in turn cause the deposit of raw sewage into the Black Sea. Lake Tabacarie, which is in the city near Mamaia, is severely polluted due to sewage overflows. The two treatment facilities in the city are about 30 years old and cannot be expanded because they provide only mechanical filtration.

There are separate stormwater and sewer water collection facilities, except in the southern part of the city.

Pricing

Electric energy costs account for over 60 percent of the company's expenses. Pricing is reviewed by the county council, with the general rule that profit cannot exceed 10 percent of prices. There are different prices for residential and industrial users, with residential users paying 27 lei per cubic meter of water, while industrial users pay 93 lei per cubic meter, for an average cost of 62 to 65 lei overall.

Accounts receivable are very high, at approximately 1.5 billion lei, or about 20 percent. The central government has ordered the company to improve upon this collection experience, or it will begin docking the pay of the administrative council. It is difficult actually to shut off a customer's water supply, but delinquent customers are threatened with shutoff. Residential customers living in apartments are billed monthly; those in houses have been billed every three months but will be billed every two months beginning July 1.

Management Problems and Challenges

The biggest problem with the water system is the age of the current system and the associated leakage. The current metering system is totally inadequate, and the company would like to be able to purchase a foreign-made system. Due to the lack of accurate metering, the exact amount of leakage is not known, but it may be as high as 45 percent.

The sewage system problems are more complicated than those of the water system and more expensive. If there was sufficient money, the company would expand and modernize the filtration systems, as most of them currently exceed their capacities. They would also re-equip

the pumping stations. The company is hoping to qualify for some central government funds aimed at environmental protection because the inadequate sewer system poses an environmental hazard.

APPENDIX E: POLITICS IN CONSTANTA

National Politics

The National Democratic Salvation Front is the ruling party in Romania and controls the central government. Aligned with this party are the Democratic Agrarian Party of Romania, the Socialist Workers Party and the Greater Romania Party. The main opposition to the ruling party is the Democratic Convention of Romania. Parties that belong to the Democratic Convention include the National Peasants Christian Democratic Party, the Liberal Party, the Civic Alliance Party and the Romanian Social Democratic Party. The National Liberal Party was part of the Democratic Convention for the local elections in 1992 but subsequently split off. This party holds no offices at the central government level but does continue to hold some local offices.

City Politics

The mayor of Constanta is a member of the National Peasants Christian Democratic Party, affiliated with the Democratic Convention. The city council is dominated by the Democratic Party, a splinter party that left the ruling party in spring of 1992, with nine members. The National Salvation Front, the ruling party, has two members. Other parties represented include the Liberal Party, the National Peasants Christian Democratic Party, the Socialist Workers Party, the Greater Romanian Party and the Democratic Agrarian Party of Romania.

County Politics

The county council is dominated by the National Democratic Salvation Front (the ruling party). The president of the county council finished in second place in the most recent mayoral race.

Political Influence on Economic Policy

Currently, many of the larger cities are controlled by mayors from parties associated with the Democratic Convention. These cities are also experiencing difficulty in receiving their fair share of central government funding, although Constanta's case is somewhat extreme in that it has received absolutely nothing. The allocation of funds to the counties from the central government is also based on political considerations. For example, the county of Bacau, which provides the central government with less than one-fifth of the revenue contribution of the county of Constanta, received an allocation that was twice as large. The ruling party is very strong in the county of Bacau.

APPENDIX F: SISTER CITIES OF CONSTANTA

The following cities are Sister Cities of Constanta. They participate in an exchange of personnel and share experiences dealing with similar issues. All of the Sister Cities are ports, and most are in Europe.

Alexandria, Egypt

Boulogne-sur-Mer, France

Brest, France

Rotterdam, Netherlands

Sulmona, Italy

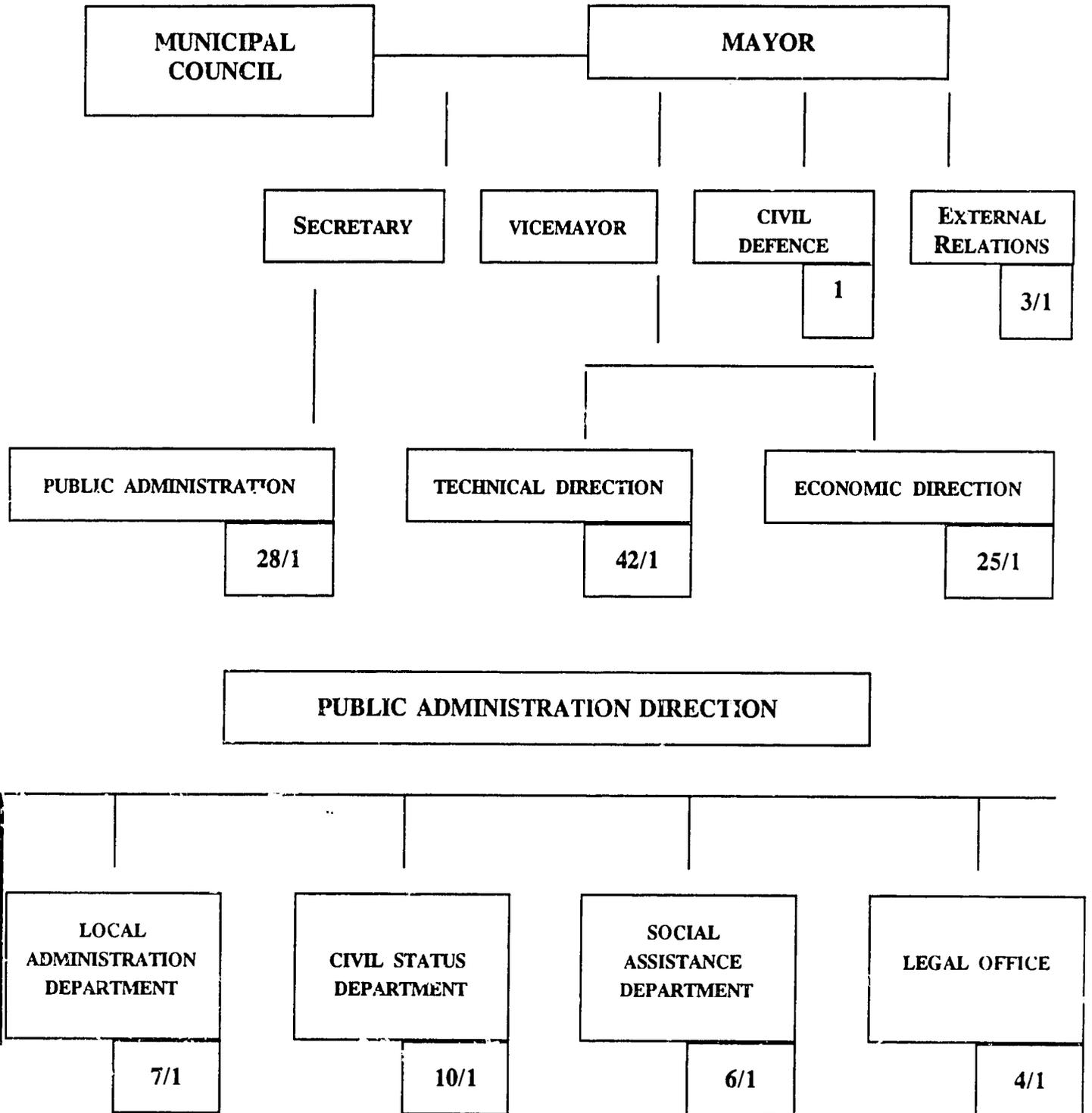
Trapani, Italy

Turku, Finland

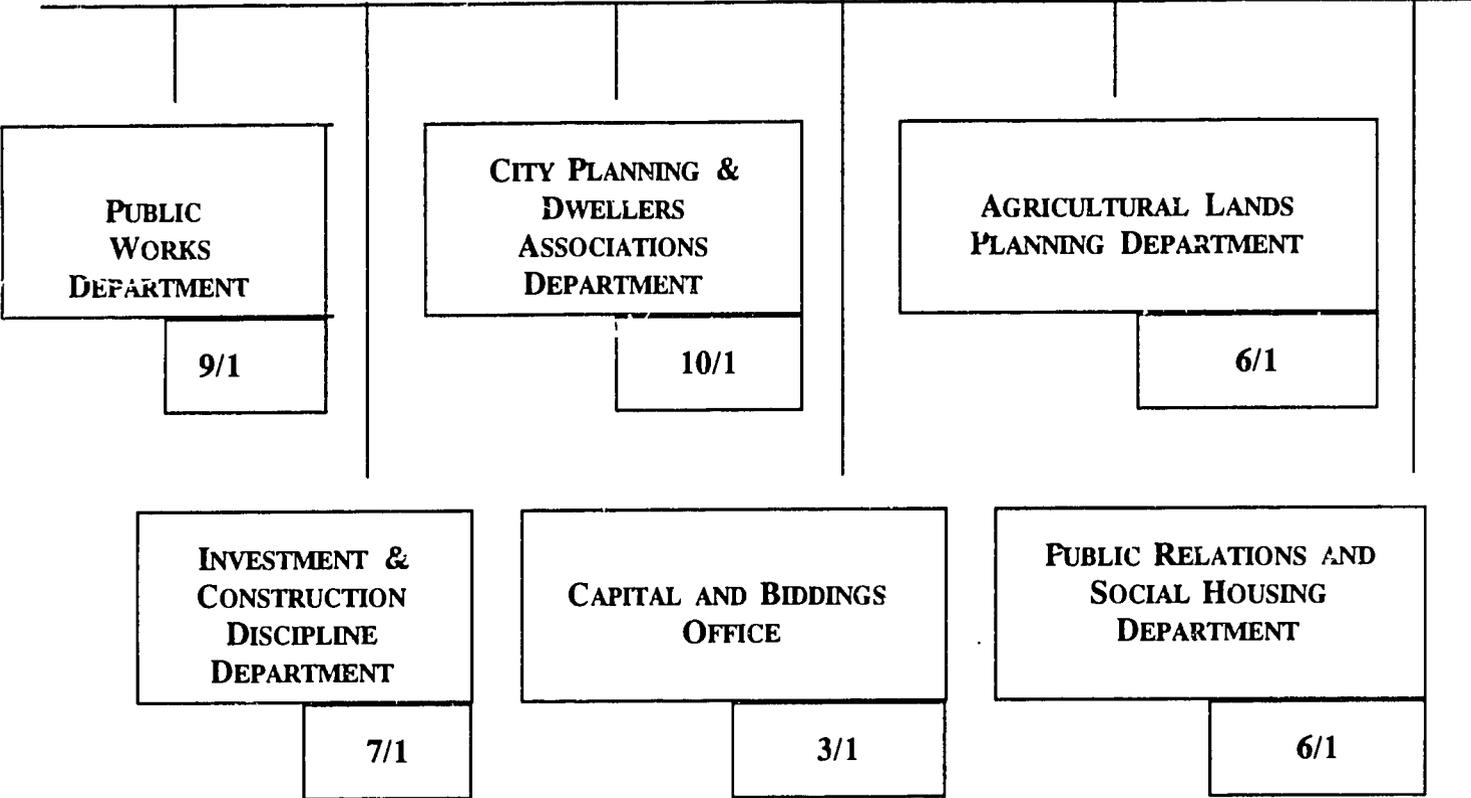
Yokohama, Japan

Discussions are also underway with San Francisco, California.

EXHIBIT 1: CITY ORGANIZATION CHART



TECHNICAL DIRECTION



ECONOMIC DIRECTION

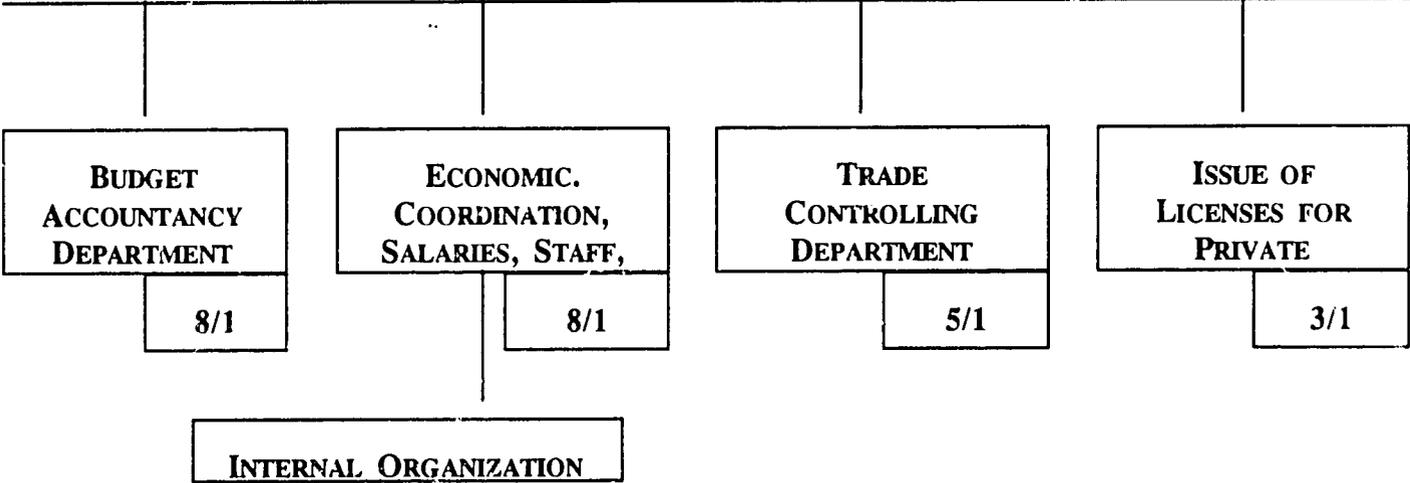


EXHIBIT 2: CITY BUDGET FOR FISCAL YEAR 1993

Nr.	Budget Category	Code	Annual	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1	Total Revenues (41+ 41+ 43)		2,838,441	199,145	724,360	1,264,054	650,882
2	I. Current Revenues (3 +24)		1,602,680				
3	A. Fiscal Revenues (4+ 13)		1,251,680				
4	A.1. Direct Taxes (5+ 6+ 13)		1,237,800				
5	Profit Taxes	01100	17,800				
6	Fees and Taxes from the Population (7 – 12)	05100	770,000				
7	Taxes on agricultural lands	05101					
8	Taxes on the revenues of freelancers, handicraftsmen and other independent persons & family associations	05102					
9	Taxes on buildings & land	05103					
10	Fees on transit vehicles belonging to private persons	05104					
11	Stamp fees	05105					
12	Other fees and taxes from the population	05120					
13	Other Direct Taxes (14 – 17)	06100	450,000				
14	Taxes for the use of state property	06101					
15	Taxes on buildings from juridical persons	06104					
16	Taxes on means of transportation for juridical persons	06105					
17	Other direct taxes	06120					
18	A.2. Indirect Taxes (19 – 20)		13,880				
19	Taxes on entertainment	13100	11,880				
20	Other indirect taxes (21 – 23)	15100	2,000				
21	Stamp fees from juridical persons	15101					
22	Penalties on overdue revenues	15102					
23	Other indirect tax revenues	15120					
24	B. Non – fiscal Revenues (25+ 26+ 30)		351,000				
25	Payments from net profits of public companies	20100	1,000				
26	Payments from public institutions (27 – 29)	21100	200,000				
27	Fees for drivers' examinations, licenses and	21110					

28 Payments from self-financing activities of public institutions	21115					
29 Other revenues from public institutions	21190					
30 Various Revenues (31-35)	22100	150,000				
31 Recovery of judicial expenses	22102					
32 Revenues from legal dispositions	22103					
33 Restitution of funds from local budget funding of recent years	22105					
34 Revenues from concessions	22100					
35 Revenue from other sources	22120					
36 II. Revenues from Capital (37)		1,235,761				
37 Revenues from return of property to State (38-39)	30100	1,235,761				
38 Revenues from return of property to public institutions	30101					
39 Revenues from sale of dwelling units	30103					
40 Personal Revenues (2+36)	40100	2,838,441				
41 III. Distributions from taxes on wages (42)						
42 Distributions from taxes on wages	34100					
43 IV. Subsidies received from State Budget (44-45)	35100					
44 Subsidies received for thermal energy and public transport	35101					
45 Subsidies received for local investment	35102					
46 Expenses - Total (47+53+139)	97900	2,838,441	199,145	724,360	1,264,054	650,882
47 Current Expenses (48-50)	01	2,141,241	199,145	724,360	776,854	440,882
48 Personnel Expenses (108+117+126+136)	02	140,961	23,681	33,207	40,822	43,251
49 Materials and Services Expenses (57+109+118+127+137)	20	2,000,280	175,464	691,153	736,032	397,631
50 Subsidies (59)	35					
51 Subsidies for public institutions	3501					
52 Subsidies aimed at covering differences in prices and tariffs	3503					
53 Capital Expenses (Investments) (60+112+119+130+138)	70	697,200			487,200	210,000
54 Social-Cultural Expenses - Total (61+72+84)						
55 Current Expenses (70+78+92)	01					

128

56 Personnel Expenses (79+93)	02					
57 Materials and Services Expenses (71 + 80 + 94)	20					
58 Subsidies (59)	35					
59 Subsidies for public institutions	3501					
60 Capital Expenses (Investments) (83+95)	70					
61 Health (62–69)	52100	795,250		350,000	345,000	100,250
62 Medical patient in wards (dispensaries)	52101					
63 Hospitals	52102					
64 Sanatoria, prevention programs and dispensaries	52103					
65 Creshes	52104					
66 Orphanages	52105					
67 Blood collection centers	52106					
68 Medical emergency stations	52107					
69 Other medical institutions and programs	52130					
70 Current Expenses (71)	01	795,250		350,000	345,000	100,250
71 Materials and Services Expenses	20	795,250		350,000	345,000	100,250
72 Culture and Art (73–77)	53100					
73 Village libraries	53101					
74 National, university, judet and municipality libraries	53102					
75 Museums	53103					
76 Theatres and musical institutions	53104					
77 Other cultural and artistic institutions	53130					
78 Current expenses (79–81)	01					
79 Personnel expenses	02					
80 Materials and Services expenses	20					
81 Subsidies	35					
82 Subsidies for public institutions	3501					
83 Capital Expenses	70					
84 Social Assistance (85–91)	54100	250,620	23,363	43,494	90,639	93,124
85 Hostels for the aged and pensions	54101	193,903	15,346	38,899	63,134	76,524
86 Homes for invalids and chronically ill	54102					
87 Hostels for handicapped children	54103					
88 Social assistance centers	54104	33,120	3,189	8,680	11,265	9,986
89 Centers for juveniles and young children	54105					
90 Family placement	54106	23,597	4,828	5,915	6,240	6,614

91 Other social assistance programs	54130					
92 Current expenses (93+94)	01	220,120	23,363	43,494	70,139	83,124
93 Personnel Expenses	02	48,443	8,903	10,767	13,172	15,601
94 Materials and Services expenses	20	171,677	14,460	32,727	56,967	67,523
95 Capital Expenses (Investments)	70	30,500			20,500	10,000
96 II. Public Works and Dwellings (97)						
97 Public Works and Dwellings (98–106)	62100	1,642,571	154,600	300,400	767,000	420,571
98 Streets maintenance and repairs	62101	351,000	32,600	93,400	150,000	75,000
99 Lighting	62102	161,000	26,500	56,500	35,000	43,000
100 Sanitation	62103	190,000	37,600	40,400	60,000	52,000
101 Maintenance of public gardens, parks and green spaces	62104	150,000	17,200	55,800	42,000	35,000
102 Maintenance and operation of public domain	62105					
103 Thermal energy	62106					
104 Dwelling units	62107					
105 Cleaning stations for drinking water	62108					
106 Other public works programs	62130	150,571	40,700	54,300	40,000	15,571
107 Current Expenses	01	1,002,571	154,600	300,400	327,000	220,571
108 Personnel Expenses	02					
109 Materials and Service Expenses	20	1,002,571	154,600	300,400	327,000	220,571
110 Subsidies	35					
111 Subsidies to cover differences in prices and tariffs	3502					
112 Capital Expenses (Investments)	70	640,000			440,000	200,000
113 III. Expenses for the Executive Authority Bodies (114)						
114 Expenses for the Executive Authority Bodies (115)	69100	150,000	21,182	30,466	61,415	36,937
115 Bodies of specialized local administration	69109					
116 Current Expenses (117+118)	01	123,300	21,182	30,466	34,715	36,937
117 Personnel Expenses	02	92,518	14,778	22,440	27,650	27,650
118 Materials and Services Expenses	20	30,782	6,404	8,026	7,065	9,287
119 Capital Expenses (Investments)	70	26,700			26,700	
120 IV. Economic Actions						
121 Transport and Communications (122–124)	77100					
122 Roads and bridges	77104					
123 Public transportation	77106					
124 Other transport and communications programs	77130					

125 Current Expenses	01
126 Personnel Expenses	02
127 Materials and Services Expenses	20
128 Subsidies (129)	35
129 Subsidies to cover differences in prices and tariffs	3502
130 Capital Expenses (Investments)	70
131 V. Other Programs (132)	
132 Other Programs (133–134)	85100
133 Military Commands	85101
134 Other expenses	85130
135 Current Expenses (136–137)	01
136 Personnel Expenses	02
137 Materials and Services Expenses	20
138 Capital Expenses (Investments)	70
139 Budget Reserve Fund (140)	97100
140 Budget reserve at the disposal of local and judet councils	97104
141 Surplus	981

EXHIBIT 3: CITY BUDGET DETAIL

Nr.	Budget Category	Code	Annual	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Total Expenses		150,000	21,182	31,466	61,415	36,937
1	A. Current Expenses – Total (2+ 10+41)	01	123300	21182	30466	34715	36937
2	Title I Expenses for Staff (2+7+8+9)	02	92,518	14,778	22,440	27,650	27,650
3	Wages (4+5)	10	71,854	11,284	17,540	21,550	21,550
4	Salaries	10.01	65887	9,887	16,000	20,000	20,000
5	Hourly wages and overtime	10.02	179	39	40	50	50
6	Other benefits for staff	10.03	5,788	1,288	1,500	1,500	1,500
7	Contributions for State social insurance	11	16,880	2,880	4,000	5,000	5,000
8	Unemployment insurance allowances	12	3,421	621	800	1,000	1,000
9	Official trips and transfers	13	363	63	100	100	100
10	Title II Materials and Services Expenses – Total	20	30,782	6,404	8,026	7,065	9,287
11	Social Service (12 – 16)	21					
12	School textbooks and supplies	21.01					
13	Transportation of school children, students, invalids, etc.	21.02					
14	Support for children and students in contests and championships	21.03					
15	Payments for blood donors	21.04					
16	Other payments established by law persons	21.05					
17	Food (18+19)	22					
18	Food for people	22.01					
19	Food for animals	22.02					
20	Medicines and medical equipment (21 + 22)	23					
21	Medicines	23.01					
22	Medical equipment	23.02					
23	Expenses for maintenance and public works	24	15,100	2,985	4,094	2,645	5,376
24	Heating	24.01	4,900		1,400	400	3,100
25	Lighting and drivers	24.02	600		200	150	150
26	Water, sewer and sanitation	24.03	2,459	81	814	815	749
27	Postage, telephone, telex, radio, TV	24.04	1,981	181	600	600	600

28 Office supplies	24.05	1,800	903	500	200	197
29 Cleaning materials	24.06	320	80	80	80	80
30 Other materials and services	24.07	3,040	1,740	400	400	500
31 Materials and services with specific function	25	5,221	1,321	1,300	1,300	1,300
32 Small value or short-term inventory objects and equipment	26	44	44			
33 Current repairs	27	4000	1239	920	920	921
34 Capital repairs	28					
35 Books and publications	29	1,246	46	400	400	400
36 Other expenses (37-40)	30	5,171	769	1,512	1,800	1,090
37 Professional training, improvement and specialization of staff	30.01	12		12		
38 Protocol	30.02	1,800	10	700	600	290
39 Labor protection	30.03	200			200	
40 Other expenses authorized by law	30.07	3,159	759	800	800	800
41 Title III Subsidies - Total						
42 Subsidies (43-44)	35					
43 Subsidies for public institutions	35.01					
44 Subsidies for differences between prices and tariffs	35.03					
45 B. Capital Expenses (46)		26,700			26,700	
46 Title IV Capital Expenses (47+48)	70	26,700			26,700	
47 Investments of public institutions	72					
48 Investments of public companies and state commercial societies	73					

EXHIBIT 4: MONTHLY REPORT TO THE FINANCE MINISTRY

Source	Code	Amount
Total Legal Revenue		967,981
I.	Current Revenue	737,602
A.	Fiscal Revenue	589,574
A.1	Direct Taxes	588,757
	Taxes on Profits	8,767
	-- Public Companies	8,767
	Taxes and Fees from Population	424,808
	-- Agricultural taxes	0
	-- Taxes on crafts	101,010
	-- Building and land taxes	30,046
	-- Transportation taxes	55,190
	-- Stamp taxes	172,467
	-- Other fees and taxes	66,095
	Other Direct Taxes	155,182
	-- Taxes on buildings of public companies	137,919
	-- Taxes on transit for public companies	17,263
A.2	Indirect Taxes	817
	-- Taxes on entertainment	288
	-- Other indirect taxes	529
	-- Penalties and surtaxes	529
B.	Non-Fiscal Revenue	148,028
	Net profits tax from public companies	625
	Payments from public institutions	92,645
	-- Drivers license taxes	17,396
	-- other tax revenue from public institutions	75,249
	Various Revenues	54,758
	-- Recovery of judicial expenses	6,059
	-- Fines	16,780
	-- Restitutions from prior year funding	14,286
	-- Revenue from Concessions	300
	-- Payments from other sources	17,342
II.	Capital Revenue	230,379
	-- Revenue from returning property to the State	264
	-- Revenue from sale of dwelling units	230,115
Local Budget Expenditures		508,253
	Health	100,000
	Social Assistance	33,621
	Public Works	336,571
	Local Administration	38,061
Balance 5/31/1993		459,728

EXHIBIT 5: SUMMARY STATISTICS

Area:	5,100 hectares
Population:	350,000 people
Streets:	320.5 km (length) 4,244,000 m.p. (streets and sidewalks)
Public Lighting:	3,660,780 kw/year (consumption) 3,100 hours/year (operating hours) 930 kw (installed power)
Under/Over Passes:	4 total – 1,570 m.l. (overpasses) 3 total – 88 m.l. (underpasses)
Signaled Crossroads:	20 total
Water Fountains:	7 total
Public restrooms:	17 total
Green Spaces:	(total surface) (maintained surface)
Public Transportation:	Trams: 3 lines, 42 km. Trolley buses: 14 lines, 182 km. Buses: 4 lines, 45 km.
Drinking Water Supply:	Capacity/Sources (62 wells) Constanta: 9.800 liters/sec or 35.400 mc/hr Judet: 52.590 mc/hr Pumping capacity Constanta: 40.650 mc/hr Judet: 86.420 mc/hr Storage capacity Constanta: 109.400 mc Judet: 245.100 mc Abductions Constanta: 95.6 km Judet: 814.7 km

City of Constanta
Summary Statistics (cont.)

Distribution

Constanta: 478.2 km

Judet: 1,545.9 km

Sewer Channels:

Cleaning

Constanta: 13.932 mc/hr

Judet: 22.689 mc/hr

Pumping

Constanta: 36.782 mc/hr

Judet: 65.880 mc/hr

Suppressing

Constanta: 63.0 km

Judet: 208.0 km

Collecting

Constanta: 380 km

Judet: 862 km

EXHIBIT 6: FINANCIAL REPORTING FORMS FOR PUBLIC COMPANIES

JUDETUL _____ | | |
 UNITATEA _____
 ADRESA _____
 TELEFON _____
 NUMARUL DIN REGISTRUL
 COMERTULUI _____ 199__

FORMA DE PROPRIETATE _____ | | |
 RAMURA _____ | | |
 TITULARUL _____ | | |
 DEPARTAMENTUL _____ | | |
 COD
 FISCAL _____ | | | | | | | | | | | | | | | |

REZULTATELE FINANCIARE ȘI OBLIGAȚIILE FISCALE

la data: | | | | | | | | | |

(se completează lunar, cumulativ de la începutul anului)

COD FORMULAR: 01

- mii lei -

INDICATORI	Nr. rd.	Prevederi	Realizări
A	B	1	2
1. VENITURI TOTALE (rd. 02 + 04 + 05 + 06 + 09)	01		
Venituri din activitatea de bază, din care:	02		
- din export	03		
Venituri din alte activități	04		
Subvenții pentru acoperirea diferențelor de preț și tarife	05		
Venituri financiare, din care:	06		
- dobânzi	07		
- diferențe de curs valutar	08		
Alte venituri	09		
2. CHELTUIELI TOTALE (rd. 11 + 13 + 15 + 18)	10		
Cheltuieli aferente veniturilor din activitatea de bază, din care:	11		
- pentru export	12		
Cheltuieli aferente veniturilor din alte activități	13		
Cheltuieli de circulație (din rd. 11 sau 13)	14		
Cheltuieli financiare, din care:	15		
- dobânzi	16		
- diferențe de curs valutar	17		
Cheltuieli care se scad direct din veniturile încasate, din care:	18		
- taxa pentru folosirea terenurilor	19		
- cheltuieli cu pregătirea și perfecționarea profesională	20		
3. IMPOZIT PE CIRCULAȚIA MĂRFURILOR ȘI ACCIZE, din care:	21		
- vărsat	22		
4. IMPOZIT PE SPECTACOLE	23		
5. PROFIT IMPOZABIL (rd. 01 - 10 - 21 - 23)	24		
6. IMPOZIT PE PROFIT, din care:	25		
- vărsat	26		
7. PROFIT NET (rd. 24 - 25)	27		
8. PIERDERE (rd. 10 + 21 + 23 - 01)	28		
9. SUBVENȚII PRIMITE PENTRU ACOPERIREA PIERDERILOR AFERENTE PRODUCȚIEI MĂRFĂ VÂNDUTĂ ȘI ÎNCASATĂ	29		
10. PIERDERE NETĂ (28 - 29)	30		
11. PIERDERI DIN ANII PRECEDENȚI	31	X	
12. TVA DEDUCTIBILĂ (ct. 430.31)	32		
13. TVA COLECTATĂ (ct. 430.32)	33		
		Număr unități	Sume
A	B	1	2
Unități care au înregistrat profit	34		

A	B	1	2
Unități care au înregistrat pierderi	35		
Unități care au încasat subvenții pentru acoperirea pierderilor aferente producției livrate	36		
Unități care primesc subvenții pentru acoperirea diferențelor de preț și tarit:	37		
- cuvenite			
- încasate	38		
		Prevederi	Realizări
A	B	1	2
DATE INFORMATIVE			
1. Activitatea de producție	39		
Volumul total de activitate (activitate de bază+ alte activități)			
Costuri aferente volumului total de activitate, din care:	40		
- materii prime și materiale, din care:	41		
- combustibil (din afară)	42		
- energie și apă (din afară)	43		
- amortizarea mijloacelor fixe, sume din recuperarea cheltuielilor geologice	44		
- salarii brute, din care:	45		
- impozit pe salarii	46		
- contribuție pensie suplimentară	47		
- fond ajutor de șomaj	48		
- contribuția la fondul de șomaj	49		
- contribuția pentru asigurări sociale	50		
- impozit suplimentar pentru depășirea fondului de salarii	51		
- impozit pe clădiri	52		
- costul mărfurilor vândute (ramura comerț)	53		
Taxe vamale plătite pentru mărfurile importate	54		
Impozit pe profit aferent unităților scutite de plată, conform art. 5 din Legea nr. 12/1991	55		
Impozite și taxe - total (din creditul ct. 430)	56		
Producția marfă fabricată fără desfacere asigurată	57	X	
Număr mediu de salariați	58		
Fondul de participare a salariaților la profit, utilizat în cursul anului	59		
Venituri la care se datorează taxa de cercetare-dezvoltare	60		
Sume datorate pentru cercetare-dezvoltare	61		
Vărsăminte efectuate pentru cercetare-dezvoltare până la finele perioadei de raportare	62	X	
Venituri la care se datorează contribuția conform Legii nr. 80/1992 art. 5 (4) și H.G. nr. 557/1992 privind constituirea fondului asigurărilor sociale pentru agricultori	63		
Sume datorate	64		
Vărsăminte efectuate până la finele perioadei de raportare	65	X	
Fondul de salarii realizat la care se datorează contribuția de 1% la „Fondul de risc și accident” cf. art. 13 din Legea nr. 53/1992	66		
Sume datorate	67		
Vărsăminte efectuate până la finele perioadei de raportare	68	X	

A	B	1	2
Sumele la care se datorează contribuțiile de 2%, 10% și 1% conform Ordonanței Guvernului nr. 22/1992 pentru constituirea fondului special pentru sănătate	69		
Sume datorate	70		
Vărsăminte efectuate până la finele perioadei de raportare	71	X	
2. Activitatea de Investiții			
Surse pentru investiții - total, din care:	72		
- amortizare, sume pentru recuperarea cheltuielilor geologice	73		
- prelevări din profit pentru societăți comerciale	74		
- sume din vânzări și din valorificarea mijloacelor fixe scoase din funcțiune	75		
- sume aferente reducerii cu 50 % a impozitului pe profit pentru fondul de dezvoltare	76		
- taxa de dezvoltare cuprinsă în tariful energiei electrice și termice, conform H.G. nr. 776/1991	77		
- sume suportate din veniturile încasate la regiile autonome	78		
- credite pentru investiții	79		
- alocări de la buget	80		
Cheltuieli pentru investiții (rela) debitor ct. 123 - total, din care pentru:	81		
- investiții cu scopul obținerii de profit suplimentar	82		
- investiții destinate protejării mediului înconjurător	83		
Cheltuieli pentru investiții (exclusiv preluări cu plata de mijloace fixe) din rulajul debitor ct. 123	84		
Investiții puse în funcțiune (din rulajul debitor ct. 100)	85		
		Pentru activitatea curentă	Pentru investiții.
A	B	1	2
3. Plăți restante - total, din care:	86		
- furnizori interni - total, din care:	87		
- peste 30 de zile	88		
- peste 90 de zile	89		
- peste un an	90		
- furnizori externi	91		
- creditori interni	92		
- creditori externi	93		
- impozite și taxe datorate bugetului de stat sau local	94		
4. Credite nerambursate la scadență - total (*) din care:	95		
- restante după 30 de zile	96		
- restante după 90 de zile	97		
- restante după un an	98		
5. Credite de compensare - total, din care:	99		
- nerambursate la scadență	100		
6. Dobânzi plătite la credite restante	101		
7. Credite pentru acoperirea incapacității temporare de plată (ct. 825 și 826)	102		
8. Mijloace circulante - total (rd. 104 la 110 + 112)	103		

A	B	1	2
Materiale	104		
Produse finite	105		
Producție neterminată și semifabricate	106		
Cheltuieli anticipate	107		
Produse, lucrări, servicii facturate și mărfuri expediate	108		
Mărfuri	109		
Disponibilități bănești și plasamente din care:	110		
- disponibilități bănești în valută	111		
Alte mijloace circulante	112		
		Subscris	Vărsat
A	B	1	2
Capital social	113		
A	B	1	2
Numărul de copii beneficiari de alocație **), din care:	114		X
- din fondurile proprii ale agențiilor economice			
- de la bugetul de stat	115		X
Sume aferente alocațiilor pentru copii din care:	116		X
- din fondurile proprii ale agențiilor economice			
- de la bugetul de stat ****)	117		X

* Nu se cuprind creditele de compensare

** Datele privind numărul de copii nu se cumulează, ele fiind aferente lunii de raportare

*** Se referă la alocațiile de stat pentru copiii salariaților din cadrul societăților comerciale cu capital de stat și de la regiile autonome

CONDUCĂTORUL UNITĂȚII,

CONDUCĂTORUL COMPARTIMENTULUI
FINANCIAR - CONTABIL,

Editor : Ministerul Finanțelor

prin Regia Autonomă „Imprimeria Națională”, București, str. Apolodor nr. 17, sector 5

„Conform Hotărârii Guvernului nr. 575/1992 publicarea reglementărilor și metodologiilor precum și a altor materiale de specialitate ce se emit de către Ministerul Finanțelor în domeniul contabilității este un drept exclusiv al acestuia.”

Este interzisă cu desăvârșire multiplicarea

© Copyright Regia Autonomă „Imprimeria Națională”

Preț: 25 lei formularul

94

A	B	1	2
- în valută, din care:	46		
- credite externe guvernamentale	47		
- credite externe cu garanția statului	48		
- credite externe fără garanție	49		
- de compensare	50		
- nerambursate la scadență	51		
- pentru investiții, din care:	52		
- credite externe guvernamentale	53		
- credite externe cu garanția statului	54		
- credite externe fără garanție	55		
- pentru acoperirea incapacității temporare de plată pentru activitatea curentă	56		
- pentru acoperirea incapacității temporare de plată pentru investiții	57		
PROFIT IMPOZABIL	58		
SUBVENȚII PENTRU ACOPERIREA PIERDERILOR	59		
		Soldul preluat inițial	Soldul la finele perioadei de raportare
A	B	1	2
CREDITE BANCARE NEPERFORMANTE PRELuate ÎN BAZA LEGII NR. 7/1992 - TOTAL (rd. 61 + 62)	60		
- pentru investiții acordate în anii anteriori și preluate de către stat și băncile comerciale (ct. 080)	61		
- pentru exporturi și lucrări în construcții-montaj pe bază de acorduri guvernamentale, comerciale și de cooperare cu alte țări preluate de stat și băncile comerciale (ct. 081)	62		

CONDUCAȚORUL UNITĂȚII,

CONDUCAȚORUL COMPARTIMENTULUI
FINANCIAR-CONTABIL.

Editor: Ministerul Finanțelor

prin Regia Autonomă „Imprimeria Națională”, București, Strada Apolodor nr. 17, sector 5

„Conform Hotărârii Guvernului nr. 575/1992 publicarea reglementărilor și metodologiilor precum și a altor materiale de specialitate ce se emit de către Ministerul Finanțelor în domeniul contabilității este un drept exclusiv al acestuia.”

Este interzisă cu desăvârșire multiplicarea

© Copyright Regia Autonomă „Imprimeria Națională”

Preț : 14 lei formularul

OTHER APPENDICES

APPENDIX A: THE HOUSING SITUATION IN BUCHAREST

In 1992, Bucharest had a population of 2,064,474 living in 760,751 dwelling units. These units were located in 109,194 buildings, so that the average structure had seven units. The rapid densification of the city is evidenced by the fact that in 1977 there were 164,148 residential buildings with an average of 3.6 dwellings per building.

With the revolution, new residential construction was halted. Many buildings remain partially completed and unoccupied. In 1991, only 3,339 units were completed. It is estimated that about one-third of the 60,000 uncompleted units in Romania are located in Bucharest.

Following the revolution, most of the housing stock was sold for token sums to the tenants. Today, it is estimated that about 80 percent of the housing in Bucharest is privately owned. The remaining publicly owned units are: housing built before 1947, units once occupied by people who have left the country and units the tenants cannot afford to buy. Officials hope privatization will be completed by the end of the year.

Ownership rights are clouded by the issue of restitution. A land restitution law has been enacted, but there is no law that covers land that has been improved or restitution of buildings taken by the government.

For the remaining publicly owned housing, rent controls are maintained, though there have been several rent increases since 1989. Little of the commercial space in residential buildings, however, has been privatized.

When they bought their units, buyers received a sales contract, which was recorded by a notary. That contract gave the purchaser title to the unit and to his/her share of the common property, and title to the land under the building so long as the building remains.

Sales prices of the housing units sold were calculated according to the area, the size of the unit, its age and the floor on which it was located. On average, the price was about 2,500 lei per square meter, so that a 50m² unit sold for 125,000 lei (\$167), and an 80 m² unit sold for 200,000 lei (\$267). The sales prices of unsold units have not been changed since they were established, though the government could increase them at any time to reflect market values.

Bucharest Housing Agency (Imobiliara)

All of the remaining publicly owned housing is owned by a city enterprise, Imobiliara. It is also the owner of newly built units. The director of Imobiliara is appointed by an administrative board with the concurrence of the city government. Imobiliara determines how the rental income from publicly owned units is distributed among repairs, overhead and payments to the city. While Imobiliara is self-supporting and receives no operating subsidy from government, it does not generate any surplus revenue.

District Housing Management Companies (ICRALs)

While all the publicly owned units are owned by Imobiliara, the units are managed and operated through a management company in each of the six districts in Bucharest (e.g., Enterprises for Building and Repairing Houses [ICRAL]). Each director of an ICRAL is appointed by an administrative board with the concurrence of Imobiliara.

The district management companies collect the rents for publicly owned properties, but employed workers have their rents deducted from their salaries. The companies receive no public subsidies and must operate on the rental income they collect.

Before the revolution, the ICRALs handled complaints, inspected buildings, monitored occupancy and paid for and handled repairs. While the district governments assigned units to new occupants, ICRALs handled all the paperwork. The management companies are still responsible for the remaining public units. However, they are reluctant to repair mixed (partly private, partly public) buildings because the private tenants are unlikely to be able or willing to pay their share of the cost. With privatization, the responsibilities of the management companies have been severely reduced. They are laying off staff and looking for ways to generate income.

There is no national or local law to enforce repairs or to prescribe how repairs should be made to mixed buildings.

Housing Associations (Asociatie de Locatari)

Even under communism, tenant associations managed the blocks of flats in Romania. Associations are governed by rules described in Law 387/1977. An association (*Asociatie de Locatari*) is formed for each block of flats to maintain and repair the common spaces in the building, to contract for services and to collect utility payments for gas, water and heating (electric is individually metered).

According to the law, an association can have up to 600 members; a member being the person signing the contract for the unit. Members appoint an association president, and for a small salary, one of the members is hired to manage the building. The manager handles and collects bills, deals with complaints, hires the janitors and contracts for repairs. The law encourages members to contribute their time to maintaining the property.

Each association is supposed to establish an operating fund, which is to be maintained at the savings bank. Members are required to contribute one month's utility and maintenance expenses to the operating fund to provide operating capital and money to cover delinquent payments. Operating expenses are allocated among the members based on their shares of the living spaces they occupy.

Under the law, if members do not pay their monthly charges promptly, they can be liable individually for any late charges imposed by suppliers. The association can request that a delinquent member's employer deduct the money owed from the member's salary.

In associations with both publicly and privately owned units, the association can establish a special repair fund into which private and public owners make payments for repairs.

While building associations are traditional agents for managing and maintaining buildings, they are facing increasing difficulty in collecting funds to pay utilities and maintain the common spaces of properties.

APPENDIX B: PERSONS INTERVIEWED IN BUCHAREST

Bucharest District 6

- Nicolae Vrabiescu, Mayor

Department for Local Public Administration

- Dr. Mircea Preda, Director

Ministry of Public Works and Regional Planning

- Crisan V. Popescu, Minister of State
- Serban Pospescu-Criveanu, Architect
- Lleana Pascal, Director, Habitat Secretariat
- Teodora Coman, Housing Specialist, Habitat Secretariat

Department for European Integration

- Geroge C. Guran, Deputy Director
- Raluca Cazacu, Project Manager

UN HABITAT

- Tomasz Sudra, Chief, Training Unit

European Bank for Reconstruction and Development

- Johan Bastin, Senior Project Manager

International Executive Service Corps

- Valeriu Ionescu Jr.

The World Bank

- Felix A. Jacob, Urban Planner

Federation of Municipalities

- Adrian Moruzi, Mayor, City of Brasov

151

Law Firm of Kingston and Peterson

- Andrew B. Kingston, Attorney

Contractor

- Robert Jacobs