

Timișoara, 25.06.2012

ROMANIA  
JUDETUL TIMIȘ  
MUNICIPIUL TIMIȘOARA  
DIRECȚIA DEZVOLTARE

Approved by the Mayor

Nicolae Robu



### Minutes of Meeting

The Rehabilitation Program of Historic Monuments in the Historic City Quarters of Iosefin, Fabric and Cetate in Timișoara was designed to support the efficient, socially responsible and sustainable rehabilitation of historic buildings in Timișoara on a sound technical and financial basis. The overarching goal of the program is to create a positive impact regarding the public and private life in the city centre of Timișoara. For this KfW has provided EUR 5 mil of funds. Of these funds EUR 3 mil are provided to the Municipality of Timișoara as a loan, with a maturity of 30 years at 2% interest p.a. and which will be used for the rehabilitation of historic buildings (privately or public owned), The costs of the rehabilitation works will be recovered for each object over a specific period of 10 years from the respective owners. Moreover up to EUR 2 mil are provided as a grant by the German government to be used as financial support for private owners with low incomes, to enable specific rehabilitation measures and for contingencies. CCRCIT has been created as a sub-department of the Development Department of the City Hall of Timișoara for the implementation and management of the Program. Due to the integrated character of the Program cooperation and coordination between different directorates is required. The reimbursable financing is used in a revolving manner, so the recovered funds can be used to finance additional rehabilitation projects.

On Monday and 25<sup>th</sup> and Tuesday the 26<sup>th</sup> of June 2012 meetings took place in Timișoara to discuss the next steps of the Rehabilitation Program and to decide regarding some of the key aspects of the Program.

The attendees of the meetings were:

- Mr. Nicolae Robu (Mayor of Timișoara);
- Ms. Aurelia Junie (Head of Development Department);
- Mr. Christian Haas (Head of Municipal Infrastructure Europe) and Ms. Jutta Rothacker (Senior Project Manager) on behalf of KfW;
- Mr. Matthias Hitzel (Team Leader), Dr. Thomas Schiller (Finance Expert) and Mr. Martin Wessely (Socio Economic expert);
- Mr. Thorsten Spohler (Team Leader), Mr. Rudolf Gräf (Deputy Architect),
- Mr Michael Engel (PR & Participation expert).

It should be noted that all understandings reached are subject to approval of the mayor of Timișoara, KfW-Management and the German Government

During the meeting the following issues were discussed and agreed upon:

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### **Lenau school project**

The German Ministry of Economic Cooperation and Development has agreed to use up to an amount of up to EUR 700.000 for the partial rehabilitation of the Lenau School Rehabilitation Project. Any additional project costs, if any, are to be arranged by the municipality from other sources. The municipality has agreed to implement the project applying the same principles as for all other projects, i.e. the costs of the project will be recovered in a period of maximum 10 years. The design and tender documentation is completed and available, tendering can start immediately.

A detailed list of measures under the program is attached to the MOM.  
A repayment schedule will be prepared during the next days. The Program stakeholders agree on the immediate start of the project.

### **Funding structure**

The funding structure shall be amended in such a way that the loan of EUR 3 mil and EUR 1.95 mil of the grant will be used for the cost of the rehabilitation works, according to the project concept and EUR 50,000 shall be reserved for financial auditing of the disposition fund.

### **Procedures regarding the allocation of the financial support for private owners with low incomes**

The eligibility of private owners for the low-income financial support will be determined by the Social Department of the City Hall based on National Emergency Ordinance 70, 2011 on social security for poor households. The application for the financial support will be carried out following the registration procedures and eligibility conditions of the heating allowance. It has been agreed that two groups of financial not-repayable support will be provided to eligible households with monthly per capita income < EUR 100 of 90% and < EUR 250 of 70% of the financial support provided to these households.

### **Updated priority project list**

The priority list of initially 152 priority buildings has been developed in the framework of German Development Cooperation support to Timișoara and was confirmed by KfW. The eligibility criteria, as defined in the project concept, (attached to the Separate Agreement dated August 2010), for the development of the priority list, is reconfirmed.

The team of the architectural consultant in close coordination with the institutional consultant is in the process of updating the priority project list according to technical and socio-economic criteria.

The Team of the Consultant - Architects have developed a list of far developed buildings (3 public buildings; 5 privately owned buildings plus additional 25 buildings for which technical assessment reports are available; the tentative list is attached to these MoM). Those buildings are considered to be implemented as first projects. However any other project included in the priority list will be followed up by the team of CCRCIT and the

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consultant teams. The priority list will be further discussed amongst all stakeholders during the upcoming weeks and should be available by end of July 2012

#### **Administrative procedures of project implementation**

The Municipality administration departments and CCRCIT assisted by the institutional consultant have developed/updated the administrative procedures concerning the administration of all relevant project steps. A respective chart defining the procedural steps and the responsibilities of the municipal departments involved is attached. The respective procedural steps have been discussed extensively with all stakeholders and have been agreed upon.

#### **Marketing concept**

A marketing concept for the Rehabilitation Program was developed by the institutional consultant team. During the following weeks this concept needs to be discussed with all stakeholders involved.

#### **Management of the Disposition Fund**

The municipality of Timișoara has completed the documents for the operation of the Program Disposition Fund account opened as a special account at BRD bank in Timișoara. The missing documents will be handed over to KfW after final approval by the relevant authorities. A first disbursement request will be prepared and provided to KfW. It is projected that in 2012 a maximum amount of up to EUR 250,000 will be required in order to cover the initial payment of the construction company of the Lenau school project.

#### **Revolving Fund (usage of repayments from ongoing projects)**

In order to implement the revolving fund and the adequate monitoring of repayments, an account structure and relevant procedures will be developed and agreed upon. The procedure will also include sub accounts for the recovery of costs from the municipality and the private owners.

#### **Consultants' scope of work**

The municipality has requested the provision of the contracts of both consultants. KfW has agreed that the municipality will receive excerpt of the technical offers from the consultants and send a letter to the mayor summarizing the scope of works of the consultants. Reporting requirements of CCRCIT and both Consultant teams will be agreed upon and reporting responsibilities determined in order to assure proper reporting covering all aspects of project progress.

#### **Steering Committee**

The members of the steering committee shall be appointed until the end of August 2012 by all parties. This includes the availability of project information, a public event and the constituting meeting of the Program Steering Committee.

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The principal of the project concept is depicted in Annex 1. During the next weeks, relevant procedures and role and responsibilities of all departments involved will be determined and agreed upon.

Aura Junie

Head of development directorate

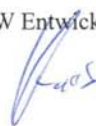
Municipality of Timisoara



Christian Haas

Head of Municipal  
Infrastructure Europe

KfW Entwicklungsbank



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### **Detailed list of measures under the program**

- Sealing of building
- Scaffolding works
- Roof rehabilitation
- Works to repair roof timbering (carpenter works)
- Works to repair chimneys and firewalls
- Works to ensure stability of buildings (exterior walls, foundation)
- Works on Facades
- Repairs and replacement of windows
- Repairs of gates
- Repairs of balconies and arcades
- Demolition of building extensions in courts and design of common spaces
- Works regarding isolation of roof and facades considering standards of historic monument protection
- Repair of staircases and house entrances
- Repair or modernization of technical infrastructure in common spaces (standpipes, electric, gas, water, wastewater)
- Repair or modernization of common heating systems

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### **List of evaluated buidings**

#### **Public buildings**

- High School Nikolaus Lenau – Gheorghe Lazăr Street, nr.2
- High School C.D. Loga – C.D. Loga Street, nr. 37
- High School J.L. Calderon – Pestalozzi Street, nr. 14

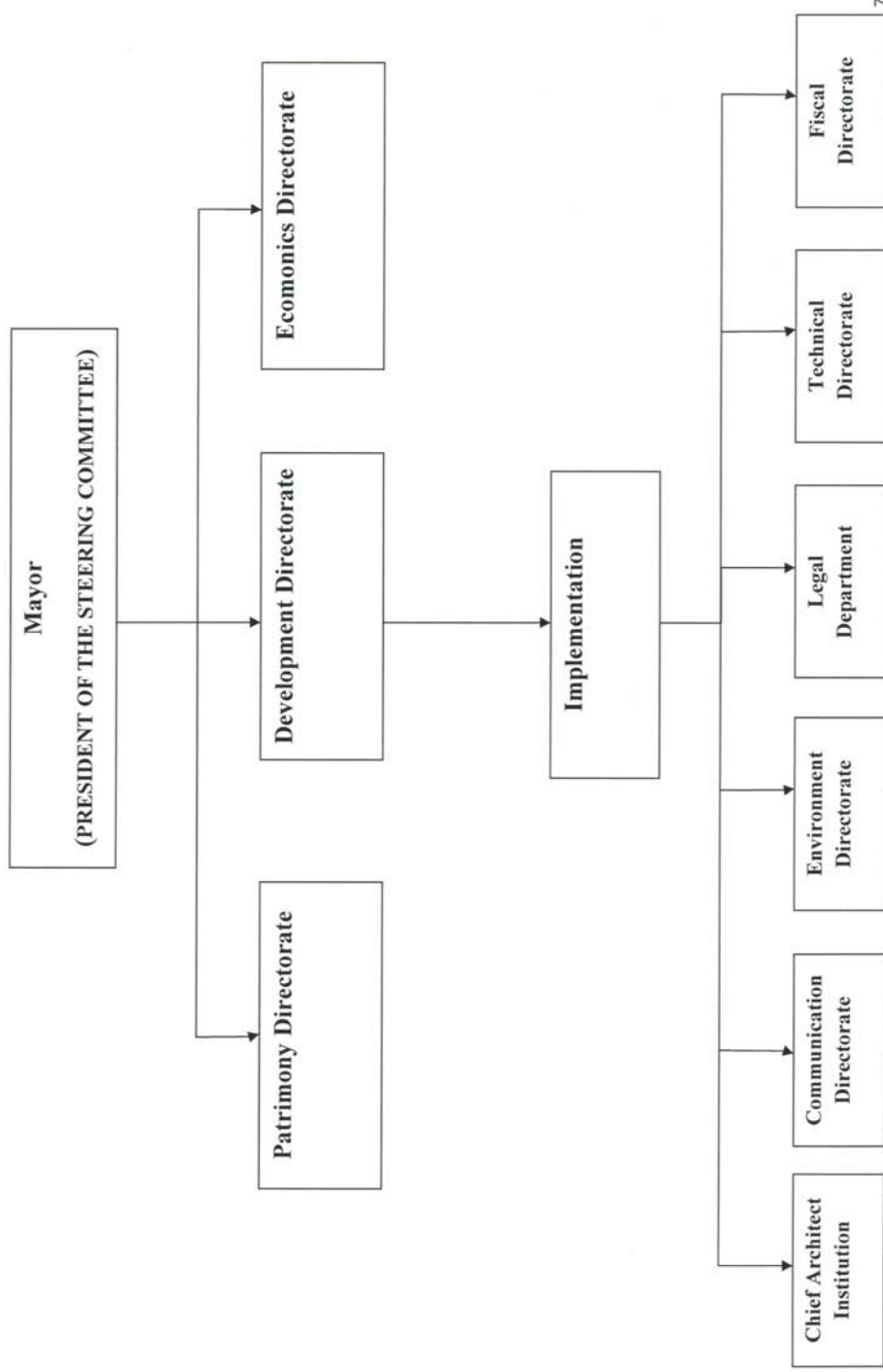
#### **Private owner buildings for which preliminary discutions took place**

- 9 Mai Street,nr.1
- Gheorghe Lazăr Street, nr. 1
- Dacilor Street, nr. 2
- Unirii Square, nr. 8
- 3 August 1919 Boulevard, nr. 33

#### **Private owner buildings for which technical assessment reports are available**

- 16 Decembrie 1989 Boulevard, nr. 6
- 3 August 1919 Boulevard, nr. 1
- 3 August 1919 Boulevard, nr. 5
- 3 August 1919 Boulevard, nr. 9
- 3 August 1919 Boulevard, nr. 11
- 3 August 1919 Boulevard, nr. 19
- Alba Iulia Street, nr. 3
- Mocioni Square, nr. 2
- Mocioni Square, nr. 4
- Dacilor Street, nr. 4
- Dacilor Street, nr. 10
- Iuliu Maniu Boulevard, nr. 36
- Libertății Square, nr. 2
- Nicolae Paulescu Street, nr. 1
- Regele Carol I Boulevard, nr. 18
- Romanilor Square, nr. 4
- Sf. Gheorghe Square, nr. 1
- Traian Square, nr. 2
- Traian Square, nr. 7
- T. Vladimirescu Splaiul, nr. 12
- Unirii Square, nr. 2
- Unirii Square, nr. 6
- Vasile Alecsandri Street, nr. 3
- Victoriei Square, nr. 6
- Victoriei Square, nr. 8
- Victoriei Square, nr. 1B

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Project Concept as accepted per February 16<sup>th</sup>, 2007;  
revised translation and adaptation to amended draft loan and financing agreement per June 4<sup>th</sup>/6<sup>th</sup> 2008  
and updated in August 2010

## **Project Concept for Rehabilitation Programme of Historic Monuments in Historic City Quarters in Timisoara, Romania**

(as accepted by the Municipality of Timisoara and KfW per February 16<sup>th</sup>, 2007; revised translation and adaptation to amended draft loan and financing agreement per June 4<sup>th</sup>/6<sup>th</sup> 2008 and updated in August 2010)

The Municipality of Timisoara has initiated a Programme of Careful Rehabilitation and Economic Revival of Historic City Quarters Fabric, Cetate and Iosefin and wishes to encourage and support owners of buildings in those city quarters in rehabilitating their buildings according to adequate technical and architectural standards set by the Programme.

A Coordination Office for Rehabilitation of Historic City Quarters "CCRCIT" (formerly named CRUT) has been set up which is reporting directly to the Development Directorate of the Town Hall of Timisoara and was supported by experts of the German GTZ until mid 2009. CCRCIT among other tasks is responsible for advising owners of buildings on assessing the building's needs for rehabilitation and supporting them in implementing the necessary measures. CCRCIT has engaged and – until mid 2009 - funded local architects to provide this assistance in addition to the staff of CCRCIT which is an integral part of the Municipality administration. CCRCIT is assisted by a local organisation of private owners FALT in advising owners' associations of individual buildings in their respective decision processes.

The buildings in Fabric, Cetate and Iosefin are usually split into various apartments and sometimes areas of commercial space which are owned by private and public owners forming owners' associations for each building according to Romanian law. In some cases restitution claims of former owners still have to be clarified.

Based on experiences in a similar programme implemented in Sibiu typical costs for rehabilitation of the building's elements of cultural heritage, stability, installations and common infrastructure (such as foundation, walls, roof, windows, entrances, facades, sanitary and electric installations, heating system) have been estimated on average at around 250.000 € for a building with ca. 15 – 20 units (apartments, small shops etc.). Due to the variety of buildings and their current state of maintenance these costs are varying widely.

However, most owners and owners' associations do not have the necessary financial means to implement necessary rehabilitation measures although they would be ready to participate and observe the guidelines developed under the programme aiming at preserving the architectural character of each City quarter and thus providing an impact to improving living conditions and reviving local economic activities.

### **1) Pilot Project: Financial Support Programme for Owners participating in Rehabilitation Programme**

Therefore the Municipality intends to implement a pilot project of supporting owners of buildings which are either architectural monuments or buildings in an ensemble defined as architectural monument according to the Law No. 422 of July 18<sup>th</sup>, 2001 on the Protection of Historic Monuments including the later completions and modifications (described as



“buildings” in the following text) by providing a financial support programme for rehabilitation measures. A total amount of 5 million Euro shall be provided by German development bank KfW through the Romanian government as a loan of 3 million Euro with a duration of 30 years, grace period of 10 years and an interest rate of 2% p.a. and an additional grant of 2 million Euro for the implementation of the “Project Concept for Rehabilitation Programme of Historic City Quarters in Timisoara”.

The Municipality intends to provide additional funds for similar programmes as financial resources can be provided to the municipal budget, e.g. from the European Union Structural Funds. Such additional funds shall be administered and implemented by the Financial Unit of CCRCIT to be set up under this programme.

Based on two initial investigations by international consultants and final clarifications with the Ministry of Economy and Finance into possible project structures and the discussions held with all stakeholders an earlier version of this **project implementation proposal** had been developed and agreed upon by the Municipality of Timisoara and KfW in February 2007 as basis for **internal decision procedures within the Municipality administration and appraisal of future funding by KfW**.

## **2) Loan conditions of KfW loan (up to 3 million Euro) to Romania and Municipality of Timisoara**

A tri-partite Loan and Financing Agreement between Romania (represented by the Ministry of Economy and Finance) as Borrower and Recipient of the Funds, the Municipality of Timisoara as Project Executing Agency and KfW has been concluded on 24<sup>th</sup> March 2010 on the provision of a total amount of 5 million Euro comprising a grant of 2 million Euro plus an additional loan of 3 million Euro with a duration of 30 years, grace period of 10 years and an interest rate of 2% p.a.. All terms and conditions of the loan have been agreed upon with the Loan and Financing Agreement mentioned above.

## **3) Cost Structure of KfW funded Financial Support Programme**

Out of the funds provided by KfW a grant portion of 1.25 million Euro plus a loan portion of 3.0 million Euro shall be channelled as financial support (for private owners with low incomes) to owners of buildings participating in the rehabilitation programme according to the conditions defined below. An additional grant amount of 0.5 million Euro shall be allocated as grants for specific – costly - rehabilitation measures due to the architecture characteristics of the building if approved by a joint committee of the Municipality and representatives nominated by KfW (Decision Body).

EUR 50,000 have been reserved for the audit of the disposition fund. The remaining grant portion of 0.2 million Euro shall be set aside as contingencies.

## **4) Programme Financial Support conditions for individual and public owners**

Financial support amounts will be fixed according to the financing requirements of each individual owner based on the cost assessments by CCRCIT and necessary additional costs based on requirements resulting from building permissions and decisions taken by the building's owners' association and may be adapted to revised costs as contracted within the conditions set by common agreement of the owner and CCRCIT.

As the Municipality of Timisoara is partly financing the financial support programme by a loan provided by KfW it has to recover partly the amounts provided as financial support and other costs incurred by the Municipality (interest of 2% p.a. etc.) from the owners. The amounts to be recovered (also mentioned as "contributions" in the following text) will be calculated on the basis of the owners contributing proportionally to the costs incurred by the Municipality. All owners will have to contribute to the Municipality's cost of loan interest of 2% p.a.. The grant will be used to specifically support owners with low incomes.

Under the programme the following conditions for financial support shall be offered to interested and eligible (for further details see next chapter 5) owners:

All owners participating in the programme with a monthly household income of less than the equivalent of 1.000 Euro per capita at the time of application for financial support will be eligible to apply for financial support with a period of partial recovery of the amounts provided of 10 years to finance their allocated cost share of the agreed rehabilitation measures. Monthly household incomes and number of members of household will have to be proven by adequate income statements and declarations of registration as usually provided for applications for social security services etc.

Owners of commercial spaces are entitled to apply for financial support if their monthly household income per capita is below 1.000 Euro.

For each case of financial support, owners need to provide a 10 year mortgage on their building/apartment/ commercial space to the Municipality on the whole amount of financial support to be provided and to be recovered plus their contribution to the Municipality's costs as guarantee according to the Law No. 422 of July 18<sup>th</sup>, 2001 on the Protection of Historic Monuments including the later completions and modifications to this Law.

Recovery of the financial support amounts provided in general will be made in equal monthly contributions.

If this lump recovery amount or any other recovery amounts are not received by the Municipality when due it is entitled to apply fiscal code procedures for incasso and/or drawing on mortgages.

Private owners are eligible to a **reduction of the recovery of the financial support provided** by the Municipality according to the criteria set below. Public owners and companies etc. are not entitled to a reduction of the recovery of financial support provided except in the case of costs for specific architectural needs and upon decision by the Decision Body in each individual case.

- Private owners with a monthly household income of the equivalent of 250 to 1000 Euro per capita will be eligible to a reduction of the recovery amount to 80 %

calculated as if they receive a grant portion of 20 % of the financial support provided for their share of rehabilitation costs.

- Private owners with a monthly household income of the equivalent of 100 – 250 Euro per capita will be eligible to a reduction of the recovery amount to 60 % calculated as if they receive a grant portion of 40% of the financial support provided for their share of rehabilitation costs:
- Private owners with a monthly household income of less than the equivalent of 100 Euro per capita will be eligible to a reduction of the recovery amount to 40% calculated as if they receive a grant portion of 60 % of the financial support provided for their share of rehabilitation costs.

CCRCIT will develop further procedural guidelines describing the method of defining the terms and conditions of the financial support for the owners and present them to KfW for approval prior to conclusion of the first agreement on a sub-project.

Final decisions on financial support provided to owners and its conditions will be taken by a Decision Board consisting of the Mayor, the Director of Economic Direction, the Director of Development Direction, the Head of CCRCIT Technical Unit and the Head of Legal Department and a representative nominated by KfW. The Head of CCRCIT Financial Unit, who reports to the Director of Economic Direction, will be present at the Decision Board Meetings to actively participate in the discussions and provide all necessary information to the cases on the agenda for discussion and decision, but without a vote in the decision process. Applications, Decision Proposals by CCRCIT and Decisions shall be documented including all required information and reasoning for regular reporting to KfW.

The Municipality shall be entitled to use up to 30% of 4.25 million Euro at KfW loan conditions, if necessary and approved by KfW up to 50 % of 4.25 million Euro at KfW loan conditions, plus a respective share of the grant allocation for specific architectural measures for rehabilitation cost shares of buildings with property shares of the Municipality. Other public owners (national and regional public institutions, churches etc.) and companies etc. are entitled to apply for financial support with a recovery period of 10 years for 100% of the financial support amount provided, an initial 3 months period and full contribution to interest costs of 2% p.a.

Earlier recovery contributions of the total financial support amount provided or partial amounts of at least 10 % of financial support amount provided shall be possible for all owners at any time without additional cost to the owner.

Agreements on Financial Support will be prepared by the Financial Unit of CCRCIT and concluded/signed by the legal representatives of the Municipality of Timisoara with eligible (see below) individual owners of apartments and / or commercial space etc. of buildings to be rehabilitated.

Owners will have to provide a registered mortgage to the Municipality with the value of the total recovery of financial support provided and contributions to interest costs plus any legal costs related to the mortgage. It will include a privilege for the Municipality to claim the total

outstanding amount to be recovered and contributions to interest costs in case of sale of the property prior to registering the change of ownership in the cadastre.

Financial Support will be limited to a max. amount of the equivalent of 250.000 Euro for each building. In specific cases the maximum amount may be increased up to the equivalent of 350.000 Euro upon prior approval by KfW. Thus it is expected that 15 – 30 buildings and their owners may be supported by this initial financial support programme. Out of the total loan and grant amount of 4.25 million Euro at least 20 % will be allocated to buildings in each of the defined areas of Cetate, Josefin and Fabric and included in the list in Supplement 9. The same principle shall apply to the grant portion of 0.5 Mio Euro for specific architectural measures. In general, those owners who indicate their interest first shall participate in the programme if all conditions described are fulfilled.

#### 5) Eligibility, Guarantees, Contract

Owners will be eligible to apply for funds under this programme, if

- their **“building”** is situated in the defined areas of Cetate, Josefin or Fabric and included in the list in Supplement 9 and fulfils priority criteria as set by CCRCIT/GTZ and agreed by KfW. Other buildings may only be included if there is insufficient demand in these areas (to documented by record of discussion with individual owners), sufficient funds are available, they fulfil the definition of historic monument and all other conditions set out here and upon prior approval by KfW.
- they can provide proof of ownership by registration in the property register (Carte Funciara).
- no unsettled restitution claims are registered concerning their property at the time of application for financial support.
- they can provide proof on their monthly household income per capita by qualified income statements and on number and identification of registered members of household according to criteria as defined for obtaining social security and similar regulations
- all owners of the building have formed an owners' association according to Romanian law and appointed a legal representative of the owners' association for the execution of the programme
- all owners of the building or the building's owners association have declared unanimously and in written form and authorized by notary their interest to cooperate with CCRCIT in the Rehabilitation Programme of Historic City Quarters in Timisoara and to apply the Programme criteria to their rehabilitation measures
- the building's rehabilitation needs have been assessed or confirmed by CCRCIT according to the examples in Supplement 1.

Project Concept as accepted per February 16<sup>th</sup>, 2007;  
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- an initial assessment of costs and financial capacities of owners has been undertaken by the Financial Unit of CCRCIT
- a unanimous decision in written form and authorized by a notary has been taken by all owners of the building or the building's owners' association on the rehabilitation measures to be implemented and the system of allocating cost shares to each individual owner
- a Cooperation Agreement regarding the technical and architectural criteria to be fulfilled by the implementation measures has been signed by all owners of the building or the building's owners association with CCRCIT according to the guidelines of the Programme of Careful Rehabilitation and Economic Revival of Historic City Quarters Fabric, Cetate and Josefin. This Cooperation Agreement shall also contain the details of tendering services, goods and works according to public procurement regulations as well as details for acceptance of invoices and disbursement of payments to providers of services, goods and works as well as allocation of costs to individual owners receiving financial support.

In the Cooperation Agreement to be signed between the Municipality and the owners association it should be regulated how to organize payments for invoices if some of the owners are receiving public funds and some do not need them. In that case the Financial Unit of CCRCIT shall only be responsible for disbursing those amounts relating to the cost shares allocated to those owners who receive financial support under this programme.

- the measures to be financed are aimed at preserving the cultural heritage, stability of the building and modernizing installations and common infrastructure such as foundation, walls, facades, roof, windows, entrances, sanitary and electric installations, heating system. Measures aimed at modernizing individual apartments beyond securing a normal living standard will not be funded out of the programme.

The Financial Unit will then prepare a financing proposal for each interested individual owner and for approval by a Decision Body consisting of Municipality representatives and CCRCIT as described below. Following this approval an agreement on financial support will be prepared by CCRCIT Financial Unit and concluded/signed between the individual owner and the legal representatives of the Municipality and the mortgage and related conditions will be registered in favour of the Municipality.

In case of default of owners in their obligations to contribute to the recovery of the Municipalities costs of this Financial Support Programme the Municipality will apply fiscal code procedures for incasso and/or drawing of mortgages.

Technical and cost assessments of rehabilitation needs were provided to owners by CCRCIT free of costs until mid 2009 within the capacities of the GTZ funded support programme. KfW will provide similar services for up to 100 Technical Assessments and supervision assistances during sub-project implementation funded by a special fund provided by the German Government. If at some point of implementation no additional funds can be provided by the Municipality for such cost-free technical and cost assessments by CCRCIT, such

assessments according to the guidelines set by CCRCIT need to be carried out by independent and qualified architects and engineers and confirmed by CCRCIT. These assessments must then be financed by the owners of a building. Upon prior approval by KfW such costs may be fully or partially subsidized out of the envisaged contingencies if funds are still available.

#### **6) Implementation of sub-projects for individual buildings**

##### Responsibility for design and implementation of rehabilitation measures

Owners of a “**building**” or the respective owners' association will be responsible for designing and implementing the agreed rehabilitation measures. Following the unanimous approval of the measures to be undertaken, it will be the responsibility of the owners to secure sufficient financing, e.g. by applying individually for financial support under the programme or providing funds from other sources.

The owners shall employ and finance an architect of their choice to design the rehabilitation measures foreseen and to check any additional needs or problems. The architect shall also support the owners in obtaining all necessary permissions etc. for implementation of the rehabilitation measures.

The owners shall also employ a supervising engineer (dirigente de santier) of their choice to support them in contracting (by tendering or price-enquiries) qualified companies for the services, works and goods required and to control and approve the volume and quality of services, works and goods and invoices on behalf of the owners or owners association.

##### Tendering of and disbursements on invoices for services, works and goods funded by this Programme

For the services, works and goods which are partially or fully financed by funds provided under this programme the regulations according to Law No. 34 on Public Procurement shall be applied if their value reaches the limits set by this law.

The definition of services, works and goods to be provided have to be agreed between the owners' association and CCRCIT and need to be tendered according to OUG No. 34 published in Monitorul Oficial nr. 418/15.05.2006 regarding the Public Procurement Procedures if their value reaches the limits set by this regulation.

The representative of the owners' association shall be present at any meeting of tender committees etc. The evaluation of offers has to be accepted by all owners prior to conclusion of a tripartite contract between the owners' association, the provider of services or goods or works and the Municipality.

All procurement decisions will also be subject to review by an external expert contracted by KfW.

The contracts shall contain definitions of phases of works or services and the results and quality to be achieved in each phase. After each phase a partial acceptance of the works or

services completed and the quality achieved shall be signed both by the provider of services or works and the owners' association and their architect.

This protocol of acceptance of partial works or services or goods shall be submitted to the architectural supervisor acting on behalf of CCRCIT together with the respective invoice for approval and disbursement by the Municipality. In case of doubts regarding the volume and quality of works or services or goods provided CCRCIT Financial Unit will contact the owners' association for further clarification before any disbursements are made. However, the Municipality does not take any responsibility for any claims of the owners' association against the provider of services or goods or works.

All invoices shall be issued to the Owners' Association despite the fact that funds for payment will be provided partially or fully under this programme and despite the carrying-out of public tender procedures if and where required (see also point 8 below).

The Municipality will disburse the share of costs to be borne by those owners receiving financial support directly to the provider of services or works or goods and inform the owners about the payment made.

#### **7) Disbursement, Disposition Fund, Auditing**

Rehabilitation works and their quality need to be supervised and accepted by the architectural supervisor acting on behalf of CCRCIT. Disbursements from CCRCIT will only be made directly to the company providing the respective services, goods and works upon prior acceptance of the works, services and goods as well as the invoice by the owners' association and by CCRCIT Financial Unit or their cooperated architect/engineer. No disbursements will be made to the owners directly. Respective bank transfers will be prepared by the Financial Unit of CCRCIT and countersigned according to the Municipality's internal rules.

Invoices for works to be funded out of the programme shall be issued to the name of the owners' association of the building or, in case of only one owner, directly to the owner. Private, commercial and public owners participating in the programme may receive financial support for 100% of their total cost share of the invoice including VAT, etc.. The Municipality of Timisoara as Programme-Executing Agency shall provide separate funds to cover VAT and other taxes and duties with respect to its share of costs for the rehabilitation of a building as regulated in Art. 1.3 of the Loan and Financing Agreement.

The funds provided by KfW will be disbursed to a separate disposition fund, as per the procedures laid down in the Separate Agreement to the Loan and Financing Agreement.

The staff and all necessary offices and equipment for the Financial Unit of CCRCIT will be provided by the Municipality, preferably in the same premises as or nearby the Technical Unit of CCRCIT.

The Financial Unit of CCRCIT shall be assisted by an external expert (to be paid out of a Special Fund provided by the German Government and contracted by KfW) in setting up the necessary structures and work flows as well as training of staff to advise owners on the

programme, to conclude contracts, to administer and disburse the financial support amounts, to collect the full or partial recovery of financial support provided as well as the contribution to interest costs and to draw on mortgages, if necessary.

#### **8) Definitions and Institutional Set-Up**

A house is considered as a “**building**” in the sense of this programme if it is either an architectural monument or a building in an ensemble defined as architectural monument according to the Law no. 422 of July 18<sup>th</sup>, 2001 on the Protection of Historic Monuments and is situated in the defined areas of Cetate, Fabric and Josefin and included in the list in Supplement 9. If more than one house is situated on one plot of land as registered in the cadastre, they will be considered as more than one building.

Decisions by owners of a building must be taken by all owners of a building within the legally formed owners' association of the building.

The Municipality has set up a Coordination Office for the Careful Rehabilitation and Economic Revival of Historic City Quarters of Cetate, Josefin and Fabric which is reporting directly to the Development Directorate (see also Supplement 4). This office currently consists of a Technical Unit with staff (architects, administrator, secretary, translator, public relations) who were supported by GTZ experts until the end of 2009. It is intended to additionally install a Financial Unit staffed with 5-10 persons and reporting to the Development Directorate and the Director of the Economic Direction.

The Decision Body will be responsible to decide on Financial Support conditions and approval of individual applications for financial support as well as any other relevant issues (such as the conclusion of Cooperation Agreements with owners associations) under the Rehabilitation Programme.

It consists of the Mayor of Timisoara, the Head of the Economic Direction, the Head of Development Direction and the Head of Legal Department as well as the Heads of both the CCRCIT Technical and Financial Units and a representative nominated by KfW. The Heads of both the Technical and Financial Units of CCRCIT shall provide all necessary information to the cases on the agenda for discussion and decision and actively participate in the discussion and vote in the decision process.

Previously the Technical Unit was assisted by GTZ experts in the following four areas:

- 1 Coordination and Training:** Setting up CCRCIT, coordinate rehabilitation activities, support training institutions in specific rehabilitation courses
- 2. Financing programs and projects:** Identification of financing resources and preparation of rehabilitation projects
- 3. Information and mobilization of citizen:** preparation of information material, initiate participation of citizen
- 4. Cost Free Consultancy:** Set up the consultancy system for technical assessments of rehabilitation needs.



According to the agreements concluded, this support has ended in 2009. After that date at least the following services will be provided by CCRCIT (Technical Unit) at least until the end of the KfW funded Loan and Grant Programme:

- Technical Unit: Check and Confirmation of technical and cost assessments of necessary rehabilitation measures as provided by owners of buildings after termination of GTZ support until the end of the KfW funded programme. CCRCIT's staff or consultants employed by CCRCIT will be additionally supported by an external expert to be paid out of a Special Fund provided by the German Government and contracted by KfW)
- Technical Unit: Supervision of ongoing rehabilitation works of owners with regard to fulfilment of technical and architectural criteria of the Programme on behalf of CCRCIT and the Municipality. CCRCIT's staff will be supported by an external expert to be paid out of a Special Fund provided by the German Government and contracted by KfW)
- Technical Unit: Final Acceptance of Works with regard to fulfilment of technical and architectural criteria of the Programme on behalf of CCRCIT and the Municipality.

As mentioned above, KfW will provide at least partial funding for such services out of a Special Fund provided by the German government beginning at start of the programme. However, once these special German funds have been exhausted, it will be the responsibility of the Municipality of Timisoara to ensure these services either out of its own funds or out of the programme's contingencies (after approval by KfW).

The Terms of Reference for the experts to be paid out of the Special Fund provided by the German Government and contracted by KfW shall be agreed between KfW and the Municipality of Timisoara. A copy of the signed contracts shall be provided to the Municipality of Timisoara.

#### **9) Time Schedule**

A tri-partite Loan and Financing Agreement has been concluded between the Government of Romania, the Municipality of Timisoara and KfW regulating the general terms of providing and repaying the funds as well as the on-channelling of the funds from the Romanian government to the Municipality of Timisoara in March 2010. A Separate Agreement has been concluded between the Municipality of Timisoara and KfW regulating all project details such as procedures, disbursements etc. in May 2010. The Programme shall start in early 2011. All disbursement conditions (Legal Opinion by Ministry of Justice on compliance of Contract with Romanian law, conclusion of Subsidiary Loan and Financing Agreement between the Ministry of Finance and the Municipality of Timisoara, establishment of Financial Unit of CCRCIT, establishment of Disposition Fund Account etc.) therefore shall be fulfilled until then. Timely conclusion of these steps will largely depend on the Municipality's possibilities to provide the necessary support on national level and to provide sufficient staff and funds in the municipal budget for the start of the programme.

It is assumed that assessments of rehabilitation requirements, detailed designs and implementation of measures for 15 – 30 buildings plus services for some additional buildings where owners will not participate in the end will require a period of 3-4 years. This estimate reflects the time needed for actual procedures, services and works to be carried out and the necessary time for decisions to be taken by owners' associations.

#### Supplements

1. Examples of Technical and Cost Assessments provided by CCRCIT (in Romanian and German) – as provided as Supplements 1 a and b in Minutes of Meeting of November 2006 (remain uncharged)
2. Calculation of Monthly Payments for Owners Share of Rehabilitation Costs (to be prepared by the Financial Unit of CCRCIT prior to the beginning of the programme)
3. Cash-Flow Scenarios for Municipality of Timisoara incl. repayment obligations to KfW (to be prepared by the Financial Unit of CCRCIT prior to the beginning of the programme)
4. Institutional Set-Up foreseen for implementation of programme
5. Procedures and Milestones in Implementation (to be prepared by CCRCIT prior to the beginning of the programme)
6. Cost Structure of Programme (as per Annex 4 of the Separate Agreement)
7. Estimate of required expert services for set-up and implementation of programme (will be agreed upon separately between the Municipality of Timisoara and KfW).
8. Task description of Financial Unit of CCRCIT incl. estimate of volume of services and staff profiles required (will be agreed upon separately between the Municipality of Timisoara and KfW).
9. Indicative List of buildings in defined areas of rehabilitation programme in Cetate, Josefin and Fabric – as provided in Minutes of Meeting of November 2006