

**PROMOTING EFFICIENT OPERATION IN DIVESTED
RUSSIAN ENTERPRISE HOUSING:
A MID-COURSE ASSESSMENT**

Prepared by

Paul F. Collins

**THE URBAN INSTITUTE
2100 M Street, NW
Washington, DC 20037**

**UI Project 06611-604
April 1996**

Prepared for

**Housing Sector Reform Project , Russian Federation/ City of Moscow
Project 110-0008**

**U.S Agency for International Development, ENI/EEUD/UHD
Contract No. CCS - 0008 - C - 00 - 2055 - 00, Task Order No. 12**

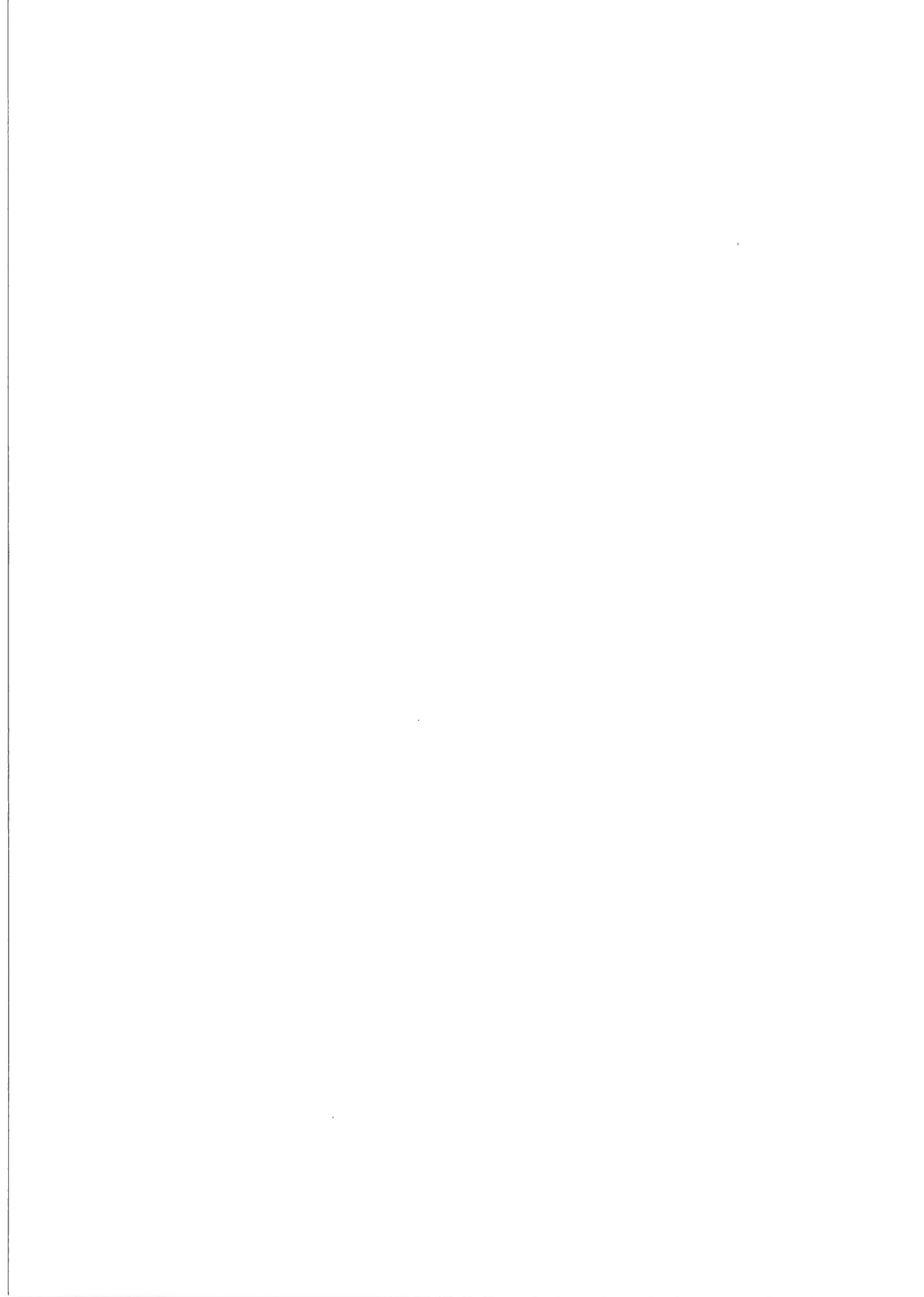
TABLE OF CONTENTS

LIST OF TABLES.....	iii
EXECUTIVE SUMMARY	iv
Overview of Divestiture.....	iv
Impact of Urban Institute Activities	v
Interim Recommendations.....	v
INTRODUCTION AND OVERVIEW.....	1
Overview of Divestiture Issues.....	1
The Housing Sector Reform Project II (HSRP II).....	2
Purpose of the Report.....	4
OVERVIEW OF HOUSING DIVESTITURE ACTIVITY IN TARGET AREAS.....	4
PROGRAM STRATEGY, BUILDING SELECTION CRITERIA AND TARGETED ENTERPRISES.....	6
Program Strategy.....	6
Building Selection Criteria and Targeted Enterprises.....	6
ACTIVITIES IN TARGET CITIES.....	9
Overview.....	9
Staffing Levels.....	9
Information Campaigns.....	10
Unit Privatization.....	15
Condominium Formation.....	16
Competitive Maintenance Activities.....	17
Cost Recovery and Housing Allowances.....	19
CITY ADMINISTRATION COOPERATION.....	21
RESULTS AND PERCEIVED IMPACT OF ACTIVITIES IN TARGET CITIES.....	23
INTERIM RECOMMENDATIONS.....	24



ACKNOWLEDGMENTS

The author wishes to thank the members of the team of Russian professionals working to promote housing reform in their country for their assistance in providing much of the information that forms the basis for this report. Specifically, the input of Katya Petrova, Nadezhda Nozdrina, Sergei Sivaev, Marina Shapiro, Rita Pinegina, and Olga Kim was invaluable. Also, information and guidance from Dimitri Khomchenko, Team Leader, and from Liza Levina, Team Administrative Assistant, was instrumental in helping the author to better understand the goals and direction of the Urban Institute/USAID Housing Sector Reform Project and the closely allied World Bank Enterprise Housing Divestiture Project. Finally, I want to express my thanks to Nadezhda Kozereva, President of the Fund for Urban Economics and to Raymond Struyk, Chief of Party, Urban Institute/USAID Housing Sector Reform Project, for their support and review of this report.



LIST OF TABLES

- Table 1 Estimate of Percentage of Divested Enterprise Housing for Target HSRP II Cities
- Table 2 Target Enterprises, Numbers of Buildings and Units by City
- Table 3: Staffing Levels by City HSRP II and EHDP (as of 4/1/96)
- Table 4: team activities In Support Of Privatization and Condominiums (February - March, 1996)
- Table 5: Contacts Received After Initiation of Informational Campaigns, Numbers of Units Privatized, and Condominiums Formed
- Table 6: Privatization Levels in Targeted Cities
- Table 7: Condominium Registration Levels in Target Cities As of April 1, 1996
- Table 8: Existence of Customer Service in City and Number of Maintenance Competitions Held Since October 1, 1995
- Table 9: City Cost Recovery Percentages and Estimates of Housing Allowance Participation



EXECUTIVE SUMMARY

Overview of Divestiture

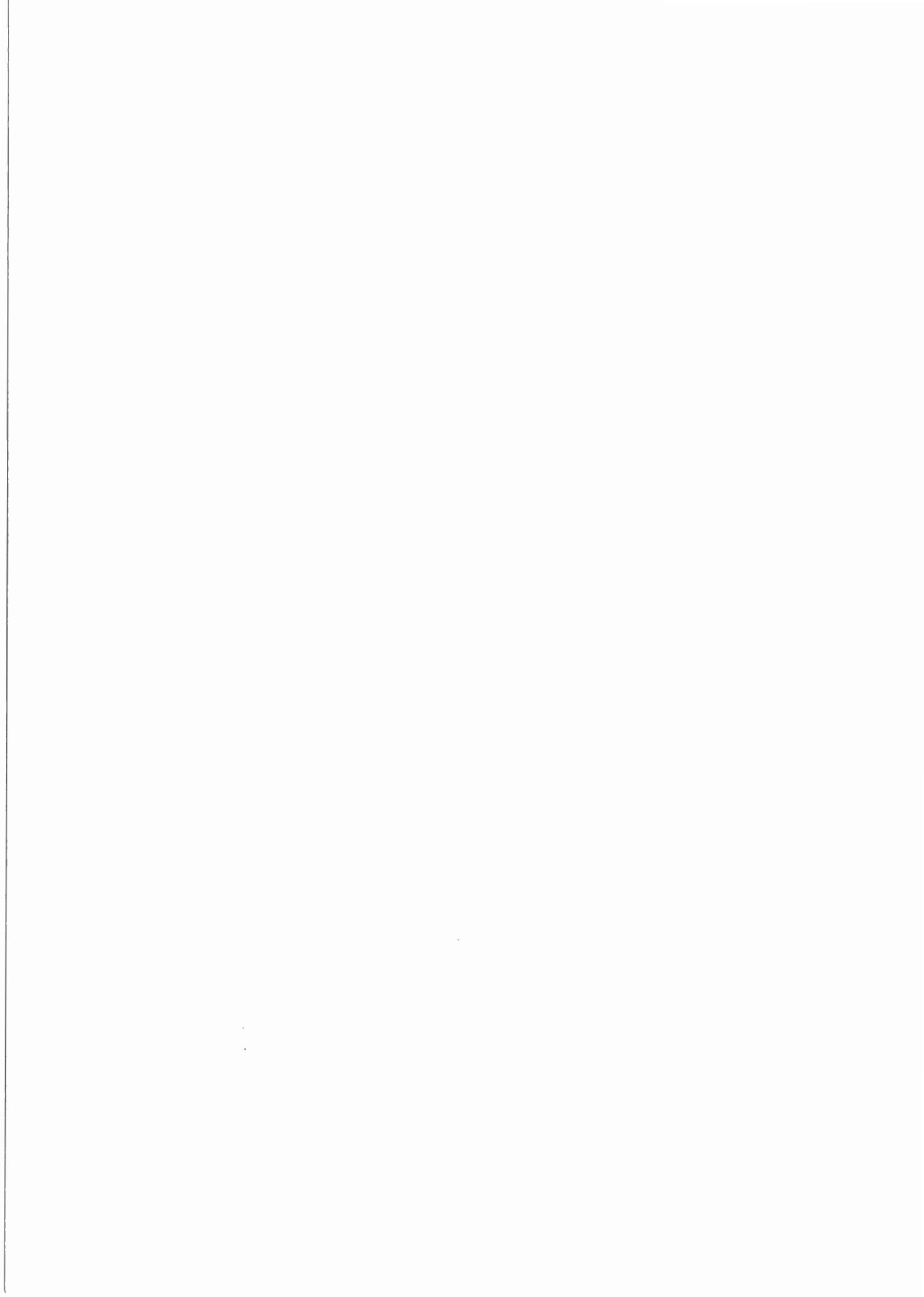
The government of the Russian Federation has, since the early 1990s, implemented a broad range of programs in an attempt to reform the housing sector of its economy. Part of these reforms focused on the large portion of the national housing stock that was managed by enterprises, approximately 40% of the national total as of 1992. The government believed that divestiture of this housing to the Subjects of the Federation and the cities would drive a number of reforms including improving the maintenance and condition of the housing stock, increasing the competitiveness of enterprises by eliminating the need for them to focus a substantial portion of their efforts and resources on housing management rather than business functions, encouraging residents to privatize their apartments, and the formation of condominiums.

A contract between USAID and the Urban Institute, termed Housing Sector Reform Project II (HSRP II), continues and expands housing reform work commenced under an earlier project. Its intent is to concentrate the activities of Institute consultants and Institute-trained Russian staff in several high priority demonstration activities in four locations within Russia: Moscow, Ryazan, Vladimir Oblast and Nizhni Novgorod Oblast. HSRP II also continues the activities of staff in other cities as an overlap with the remaining activities funded under HSRP I.

The HSRP II Work Plan contains a number of planned activities and goals relevant to housing divestiture. Institute staff and consultants are working with municipalities to efficiently deal with the large volume of housing being divested to them from privatized enterprises. Components of this work will include promotion of privatization of units, formation of condominiums in divested buildings, and encouraging and helping municipalities to organize competitions for privatization of maintenance.

A major component of HSRP II relating to housing divestiture calls for the Urban Institute to support activities of the World Bank Enterprise Housing Divestiture Project (EHDP) targeted at the cities of Petrozavodsk, Volkhov, Ryazan, Novochercassk, and Vladimir. This project intends to encourage and help enterprises and cities to complete the divestiture process, thus enabling the enterprises to become more competitive in the world marketplace. It also intends to move cities toward 100% recovery of operational costs associated with supplying utilities to and maintaining divested housing stocks.

EHDP has as its base a \$300 million loan to the Russian Federation, which will then onlend the funds to the cities included in the project. The funds would be used by the cities to finance energy efficiency retrofits to buildings to make them more economical to operate. Consumption will fall but prices will rise as utilities must increase tariffs to pay for the borrowed funds. The cities would then be required to pass on the costs for utilities and maintenance to residents of the buildings. Recognizing that this will put economic burdens on financially vulnerable households, EHDP also requires participating cities to establish housing allowance programs to



assist needy families meet the obligations of 100 % cost recovery. EHDP further requires cities to privatize provision of maintenance services to stimulate competition, reduce costs and stimulate the formation of private companies that will in turn create employment opportunities.

Impact of Urban Institute Activities

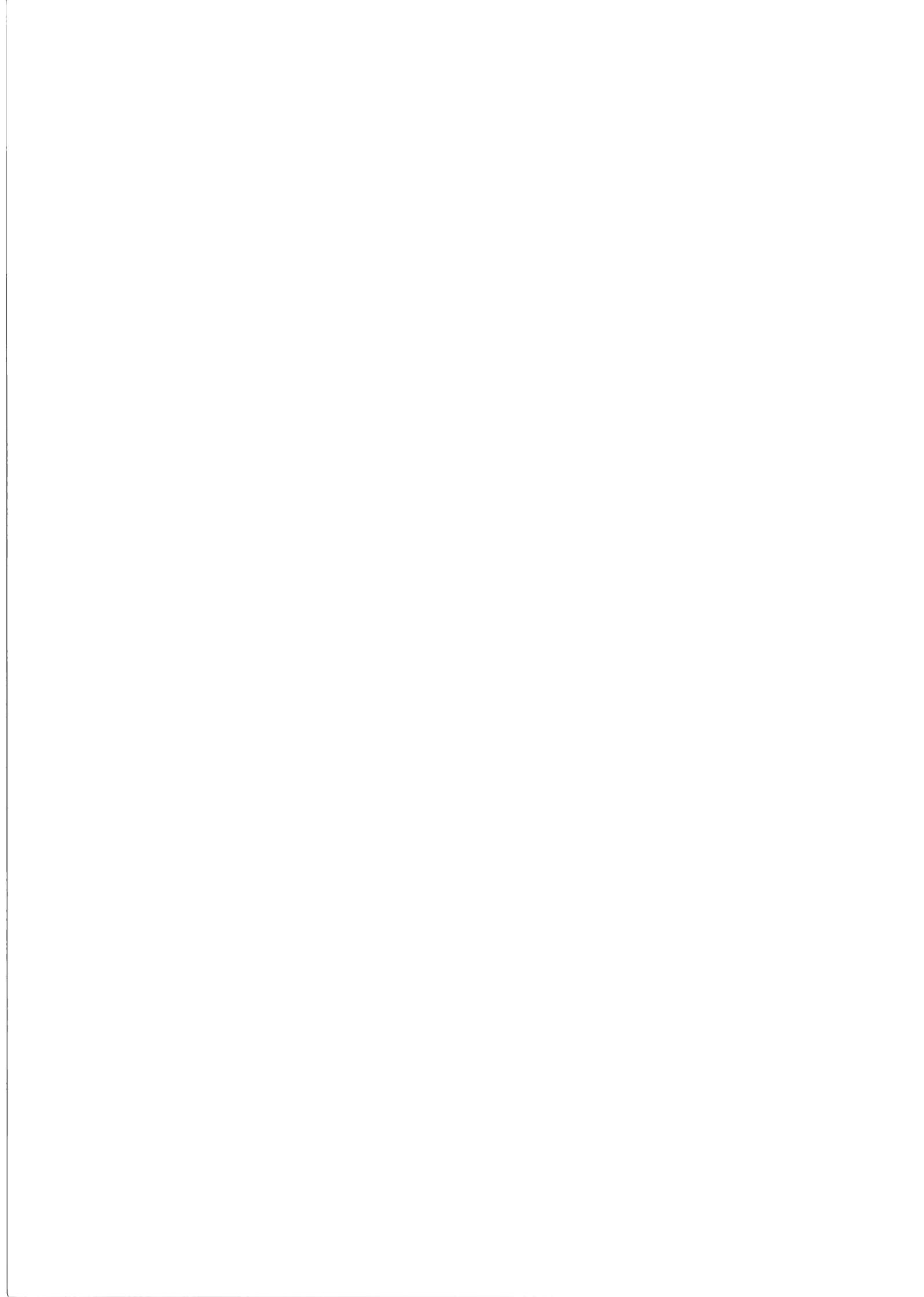
It is extremely difficult to assess the impact of Urban Institute activities on the target cities. This is especially true at this early stage of HSRP II. One can make certain inferences, however, based on the results of the program so far.

- • [Competitive maintenance programs are progressing reasonably well with the assistance of Institute staff.
- Acceptance of divested stocks has slowed, and in some cases ceased, over the past year in the target cities because of budgetary pressures. There appears little that Institute staff can do to change this trend.
- Progress on increasing the percentage of costs of maintenance and utilities recovered from residents has stagnated. Several cities, for example, Ryazan, have plans to increase tariffs but have postponed them in the short term due to economic concern for residents. It must be noted that in real terms residents payments have increased as utility costs have been significantly deregulated by the government. It appears limited action with regard to this issue can be expected until at least the end of the current heating season.
- All the cities have implemented housing allowance programs. All but one of these programs were in place prior to Institute involvement, so the importance of the Institute's activities lies primarily in helping city administrations fine-tune their programs.
- • [The Institute has been instrumental in helping the cities to formulate policies and procedures for the creation and registration of condominiums.
- Privatization of units has slowed significantly over the past two years. It is yet to be seen if the current advertising programs initiated by the Institute will have an impact on interest in and actual rates of privatization of apartments.

The above demonstrates that Institute activities have had mixed results. As the program continues, it will be very important for the institute to gather as much data as possible to help it gauge the effectiveness of its programs.

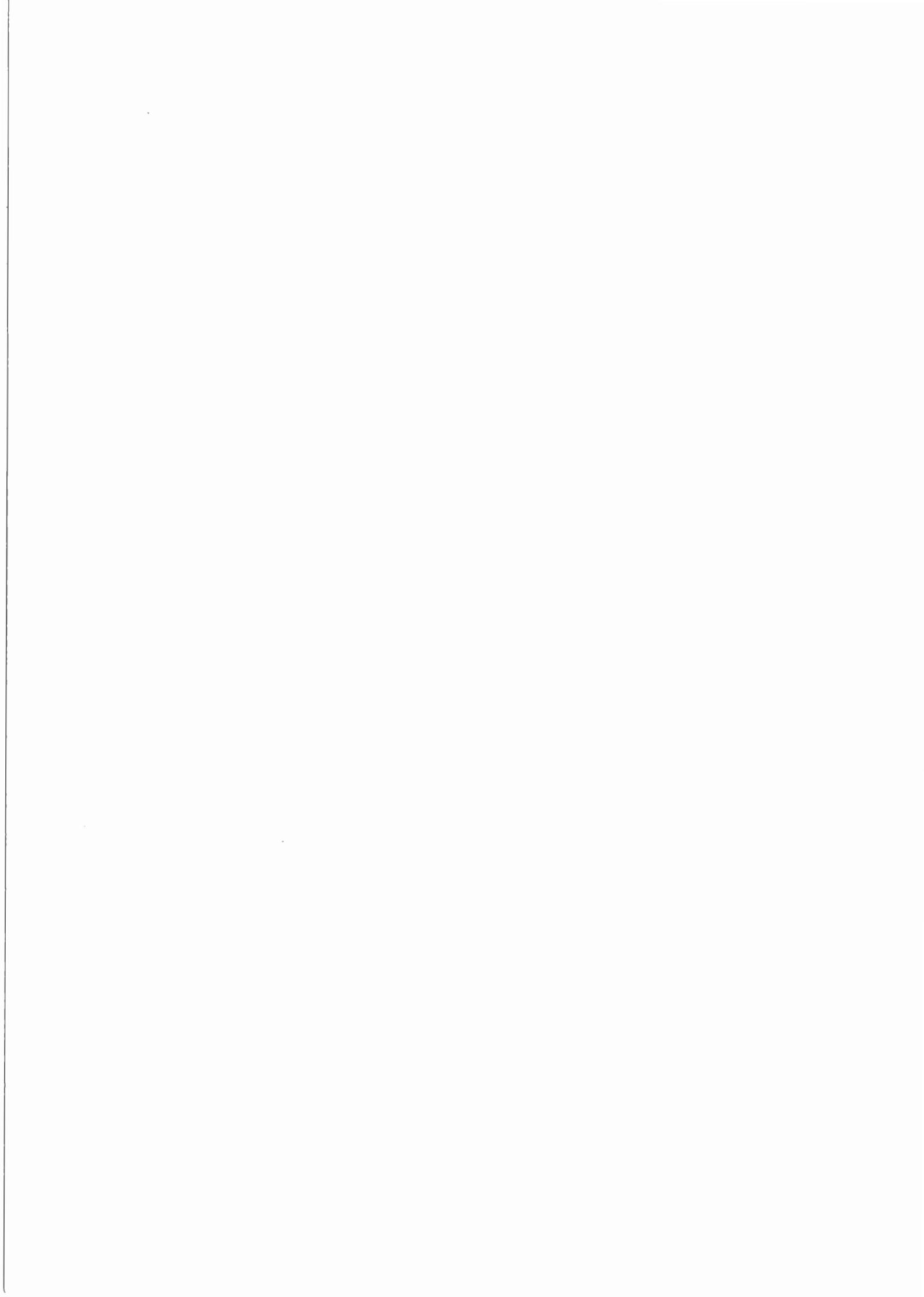
Interim Recommendations

At this early stage of the program it is difficult to give long-range recommendations of a meaningful nature. Those must be reserved for future versions of this report when they can be

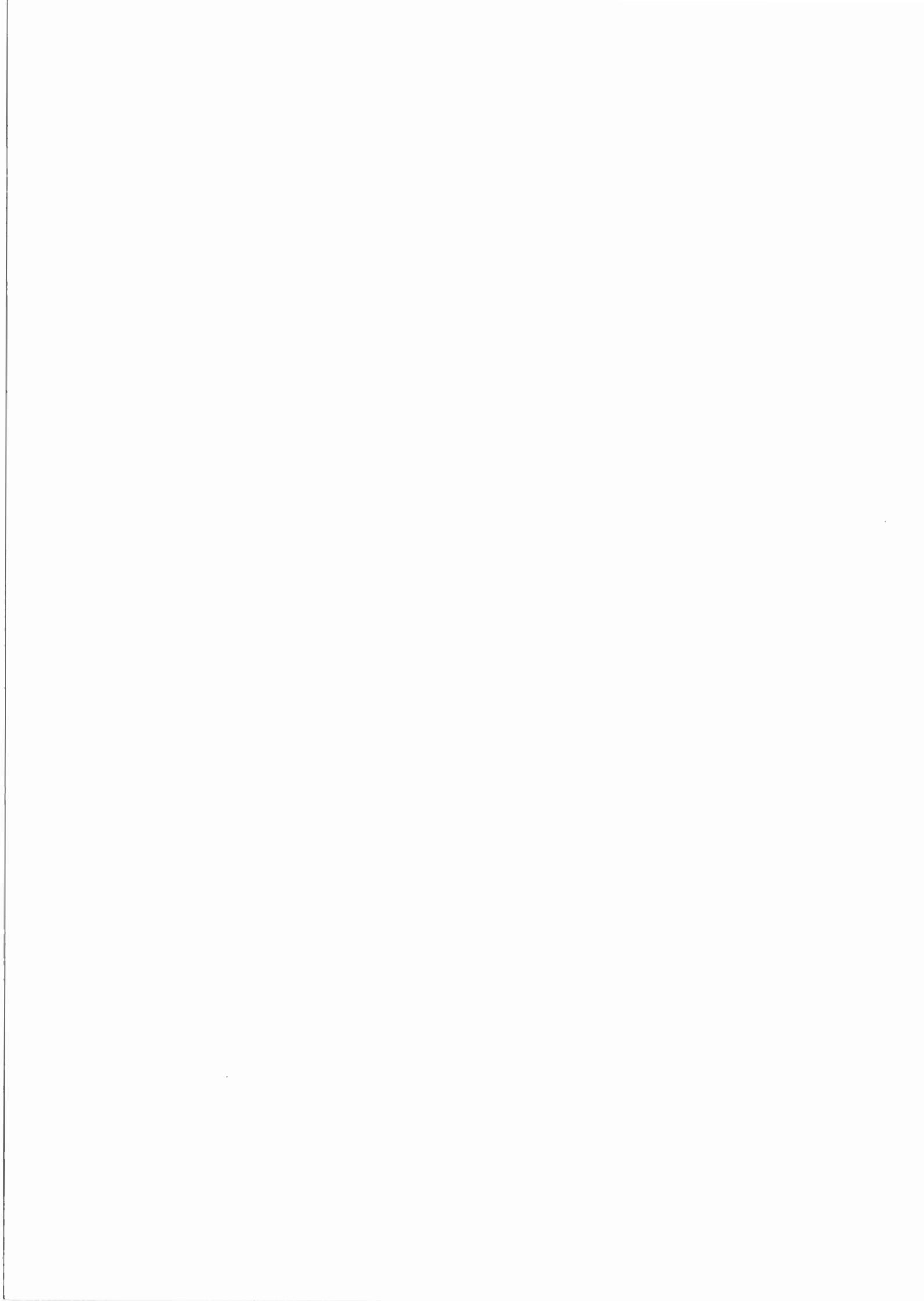


based on concrete trends backed up by more than a few short months worth of data. However, based on reported results thus far, it is possible to render some interim recommendations that may serve to effectively focus team efforts. Therefore, interim recommendations include:

- The Institute should continue to monitor the situation in Novocherkassk to ascertain whether or not the city administration intends to cooperate with its work. As this city is also a candidate for the World Bank loan program, its level of cooperation will also be of interest to Bank officials.
- Staff should work intensively with the cities to assist officials to develop solutions to the practical problems of condominium formation. In particular, staff should focus on the issues of funding of condominiums from city subsidies at the same level as municipal housing, easing barriers to condominium formation and reducing the costs of registration.
- Cities have not pushed to increase the percentage of cost recovery from residents, as is required by the EHDP. The EHDP target for year-end 1996 is 60% cost recovery, as long as fewer than 25% of the households in the city are not receiving allowances. Institute staff need to assist the cities to create practical approaches to increasing cost recovery.
- All cities have housing allowance programs for needy families. However, some cities have adopted allowance policies that are restrictive (e.g. requiring repayment of outstanding balances before residents can join the program). Staff should work to help the cities create policies that do not tend to limit access to the allowance programs.
- Staff should do whatever is necessary to encourage cities to accept divestiture of enterprise housing, especially in the seven World Bank cities. EHDP requires that target cities reach divestiture thresholds (90% divestiture of eligible enterprise housing) by year end 1996). If the cities do not reach these targets, their participation in the World Bank program will be jeopardized.
- Staff should work with the target cities to increase the pace of holding competitions for maintenance. World Bank cities must have 10% of their units under competitive maintenance by year-end 1996 to remain eligible for the program. Current shares range from 0 % in Petrozavodsk, where a competition has been held but no contract yet has been signed, to over 10% of the total stock in Moscow (over 13% of the municipal stock), or more than 350,000 units total.
- The Institute should take steps to systematize its efforts at data collection. It would be well-served by a current, regularly up-dated data base on the issues of percent of enterprise housing that has been divested, percent of housing (divested and non-divested) under competitive maintenance, numbers of condominiums formed (again broken out by divested and non-divested housing), numbers of households receiving allowances, and levels of cost recovery. Staff should also collect data on the response generated from its



advertising and information campaigns to provide a means to assess the effectiveness of these efforts. Much of this information is recorded in one form or another, but not in a consistent, standardized format. Without such a standardized database, it will be difficult to measure the impact of Institute work in the cities.



**REPORT ON HOUSING DIVESTITURE ACTIVITIES
URBAN INSTITUTE/USAID HOUSING SECTOR REFORM PROJECT**

I. INTRODUCTION AND OVERVIEW

Overview of Divestiture Issues

The government of the Russian Federation has, since the early 1990s, implemented a broad range of programs in an attempt to reform the housing sector of its economy. Part of these reforms focused on the large portion of the national housing stock that was managed by enterprises, approximately 40% of the national total as of 1992. The government believed that divestiture of this housing to Subjects of the Federation and the cities would drive a number of reforms including improving the maintenance and condition of the housing stock, increasing the competitiveness of enterprises by eliminating the need for them to focus a substantial portion of their efforts and resources on housing management rather than business functions, encouraging residents to privatize their apartments, and the formation of condominiums.

The first step in the process was the transfer of housing stocks of enterprises that had privatized as part of the broad privatization program of 1991 to Subjects of the Federation and local municipal authorities. This transfer, however, did not relieve the enterprises of their responsibility to manage, maintain and finance these housing stocks.

Presidential Decree 235, issued in 1994, reemphasized the policy of divestiture. It mandated that enterprises that had privatized their assets must divest their housing stocks to the local municipal bodies governing the areas in which those housing stocks were located, and that the municipal authorities must accept this divestiture within six months of privatization. However, the acceptance of divested housing is subject to control by the local authorities who are left to negotiate divestiture of enterprise housing stocks within their jurisdiction with each individual enterprise.

Funding for city management and maintenance of divested housing stocks is to come from a variety of sources. One major source of funding is that cities are authorized to collect a 1.5% turnover tax on enterprise production. The proceeds of this tax are intended to support housing maintenance and other city social assets. The Federal government, through the Ministry of Finance, also agreed to take the costs of housing divestiture for housing from former Federal enterprises to the cities into account when calculating regional budget transfers.

In spite of these potential sources of funding, cities routinely claim that they lack the financial resources to support management and maintenance of additional housing units. They claim that the federal budget does not meet its funding obligations. City officials also realize that if they accept more housing units from the privatized enterprises, they will have to direct more of their turnover tax revenues to its maintenance, thereby depriving the cities of funds used for

maintenance of other city social assets. City administrations also claim that the condition of the enterprise housing stocks is universally poor. Therefore, the cities argue that if they accept divestiture, they will have to finance huge capital repair and modernization projects, which they can ill-afford.¹

The result of the emergence of these problems, exacerbated by complex political debates and opinions regarding reform in general, has been that after an initial flurry of activity, enterprise housing divestiture to the cities has slowed. City administrations are now often reluctant to take on the added responsibility and financial burdens that management and maintenance of more divested units would entail. Private enterprises are unwilling or unable to finance maintenance and capital repairs of stocks that they have yet to divest. The result has been further deterioration in the condition of enterprise housing buildings, the quality of life of residents, and the ability of enterprises to devote their efforts to becoming more competitive.

The Housing Sector Reform Project II (HSRP II)

A contract between USAID and the Urban Institute, termed Housing Sector Reform Project II (HSRP II), continues and expands upon the work commenced under an earlier project. Its intent is to concentrate the activities of Institute consultants and Institute-trained Russian staff in several high priority demonstration activities in four locations within Russia: Moscow, Ryazan, Vladimir Oblast and Nizhni Novgorod Oblast. HSRP II also continues the activities of staff in other cities as an overlap with the remaining activities funded under HSRP I.

The HSRP II Work Plan contains a number of planned activities and goals relevant to housing divestiture. Institute staff and consultants are working with municipalities to efficiently deal with the large volume of housing being divested to them from privatized enterprises. Components of this work will include promotion of privatization of units, formation of condominiums in divested buildings, and encouraging and helping municipalities to organize competitions for privatization of maintenance.

A major component of HSRP II relating to housing divestiture calls for the Urban Institute, funded through a grant from USAID, to support activities of the World Bank Enterprise Housing Divestiture Project (EHDP) targeted at the cities of Petrozavodst, Volkhov, Ryazan, Novochechassk, and Vladimir.² This project intends to encourage and help enterprises and cities to complete the divestiture process, thus enabling the enterprises to become more competitive in

¹See Sheila O'Leary, Stephen Butler, et al, "Russian Enterprise Housing Divestiture," The Urban Institute, Washington, DC, January 1996, for a complete discussion of divestiture issues in Russia.

²EHDP is also planning to invest funds in Orenburg where staff from PADCO is working with the City.

the world marketplace. It also intends to move cities toward 100% recovery of operational costs associated with supplying utilities to and maintaining divested housing stocks.

EHDP has as its base a \$300 million loan to the Russian Federation, which will then onlend the funds to the cities included in the project. The funds would be used by the cities to finance energy efficiency retrofits to buildings to make them more economical to operate. The cities would then be required to pass on the costs for utilities and maintenance to residents of the buildings. Recognizing that this will put economic burdens on financially vulnerable households, EHDP also requires participating cities to sustain housing allowance programs to assist needy families meet the obligations of 100 % cost recovery. EHDP further requires cities to privatize provision of maintenance services to stimulate competition, reduce costs and stimulate the formation of private companies that will in turn create employment opportunities.

EHDP projects that all parties will experience net positive gains from the project's activities. According to the EHDP plan, cities will gain in rent and tax revenues and from reduced expenditures due to 100% cost recovery from residents of maintenance and utility costs. Enterprises will become more profitable to operate and will be able to devote all of their efforts to business-related activity. Residents, though shouldering more costs for maintenance and utilities as part of 100% cost recovery, will nonetheless have a reduced burden due to the energy efficiency enhancements to their buildings and units that EHDP loans will finance. EHDP strongly suggests that maintenance and utility costs for residents will increase regardless of whether or not EHDP commences. Therefore, the program planners make the point that with EHDP, the increase that residents will experience will be reduced, due to the energy retrofits funded by EHDP. Finally, EHDP suggests that residents will benefit from improved living conditions that will result from project-funded energy retrofits and related improvements.

Under HSRP II, the Urban Institute is assisting the cities targeted by EHDP to meet the prerequisites for inclusion in the World Bank program. The Institute's activities in support of EHDP center around assisting cities in the areas of:

- Completion of divestiture of targeted percentages of enterprise housing stocks;
- Privatizing maintenance;
- Encouraging privatization of units;
- Creating the legal foundations for formation of condominiums;
- Assisting the cities to devise and implement policy on increasing recovery of maintenance and utility costs; and
- Working with cities to strengthen and revise housing allowance programs to mitigate the effects of increased cost recovery on poor households.

These tasks closely parallel the activities that HSRP II calls for in Moscow, Nizhny Novgorod Oblast, Ryazan and Vladimir Oblast. In fact, two of the HSRP II target cities, Ryazan and Valdimir, are included as eligible under EHDP. The EHDP support tasks are also similar to the activities the Urban Institute conducts under previous agreements in other targeted regions and cities (St. Petersburg, Kostroma, Ivanova, Pskov, Volgograd City and Oblast, Yaroslavl City and Oblast, Krasnoyarsk, Novgorod and Tver). It was therefore anticipated that HSRP II would be able to easily incorporate the goals of EHDP, and its target cities, into its schedule of activities.

In summary, the theme of the overall program is to encourage cities to accept more housing from enterprises ready to divest their units by helping cities cut the subsidies associated with operating their stock. To do this, the Urban Institute team works in three directions in each city : (1) designing phased increases in housing rents paid by tenants and at the same time strengthening the housing allowance programs; (2) improving the efficiency of the maintenance and management of the municipal housing stock (including divested buildings) through selecting maintenance firms through competitions and thereafter monitoring their performance closely, and through the formation of condominiums whose members will have a strong interest in good management for their buildings (promotion of unit privatization is a necessary antecedent to condominium formation in many buildings); and, (3) working with the city to design and finance energy efficiency enhancing investments for the housing stock.

Purpose of the Report

The objective of this report is to document the level of activity carried out by Urban Institute staff with regard to enterprise housing divestiture. The report will detail ongoing and completed work in the target cities of the programs. It will also attempt to measure the cooperation from cities with Urban Institute efforts under the programs. The report provides an initial, highly tentative estimate of the impact of team activities on privatization, condominium formation and other issues of focus under the programs. Finally, the report will offer recommendations to the implementing team to consider through this phase of the work, which concludes in September, 1996.

II. OVERVIEW OF HOUSING DIVESTITURE ACTIVITY IN TARGET AREAS

Each city included in the programs is at a different phase in the process of divestiture of privatized enterprise housing stock. Although there are some constants that effect all of the cities' acceptance of divested housing (lack of funding, poor condition of enterprise housing stocks) each city also has unique political, economic and jurisdictional factors that have an impact on divestiture activity. The purpose of this section is to describe the current status of divestiture in each city and plans for additional acceptance of divested stocks this year.

Table 1 shows the level of divestiture in the cities targeted under the programs as of 1/1/96 and again as of 4/1/96. As can be seen, divestiture activity in the cities varies considerably, but overall, few units were transferred in the first quarter of the year.

Table 1
Estimate of Percentage of Divested Enterprise Housing
for Target HSRP II Cities

City	Estimated Percent Divested as of 1/1/96	Estimated Percent Divested as of 4/196
Moscow	50	50
⊙ Nizhny Novgorod	35	52
Ryazan	50	52
Vladimir	52	52
Volkhov	82	82
Petrozavodsk	90	92
Novochercassk	85	85

Notes:

a. The sources for this data were "Russian Enterprise Housing Divestiture," O'Leary, Butler, et al.; "Urban Institute Russia Housing Sector Reform Project II, Work Plan," and estimates provided by Urban Institute professional staff working in the cities.

According to Urban Institute staff, each city has varying plans for accepting additional divestiture housing in the remaining months of 1996. The realization of these plans will depend on economic and political developments during this time. The most critical governing factor will be the availability of funding for maintenance and capital repair of the buildings. Anticipated divestiture activities in each city for 1996 include:

Moscow: The city has not accepted any divested housing since March of 1995. No additional divestiture is anticipated in 1996.

Nizhny Novgorod City: The city has been active in accepting divestiture since October. It plans to divest 300 additional buildings from one major enterprise (Sokol) in 1996. These buildings are geographically spread over the entire city.

Ryazan: Currently the city only takes over the housing stock of those enterprises that go out of business. The city has given no estimate of the number of units it foresees accepting in 1996, but remains favorable to the process, if funding is available.

Vladimir: The city is favorable to future divestiture acceptance if funding is available. It has established a goal of 80% divestiture by the end of 1996.

- Volkhov: Volkhov has accepted 82% of its privatized enterprise housing. The city has a number of dormitories yet to be divested. The city also has a large block of enterprise housing controlled by the non-privatized railroad. The railway wants to divest all of its stock at once. However, the housing stock stretches across the jurisdictional boundaries of several cities. These other cities have not agreed to accept divestiture. Until the parties can resolve this issue, this block of housing will remain undivested.
- Petrozavodsk: The city accepted 6 buildings in March, 1996. It has plans to accept 47,000 square meters of housing (approximately 900 apartments) in May and an additional 237,000 sq. meters (approximately 4,740 units) later this year. Staff state that after these units are divested, the city will have achieved nearly 100% divestiture from privatized enterprises.
- Novochercassk: The city has not announced any plans for additional acceptance of divested housing for this year.

III. PROGRAM STRATEGY, BUILDING SELECTION CRITERIA AND TARGETED ENTERPRISES

Program Strategy

A key strategic element of the work program was to concentrate the available resources on selected "high priority" buildings - former enterprise housing stock which was attractive for unit privatization and possibly condominium formation. Spreading resources more widely was thought to carry the clear danger of not sufficiently alerting tenants to the possibilities of privatization and condominium formation or pushing information at tenants known to have little reason to be interested in those options. In a real sense the team is conducting a test to determine if this intensive focus of time and resources will be effective in stimulating reforms. If the approach works, it could stand as a model for other regions and cities in their reform programs. It is also equally important to know if the approach proves to be ineffective. That, too, will provide other teams, regions and cities useful guidance on how to allocate their resources.

Building Selection Criteria and Targeted Enterprises

In each of the targeted cities, the program team have developed lists of target enterprises that have recently divested stock to the administration or will soon do so. Staff also identify blocks of buildings that have already been divested but that have not previously been targeted for UI work. Within these broad parameters, staff then searched for individual buildings or blocks of buildings on which to focus their activity of promoting privatization and condominium formation.

The selection criteria on which to base the initial determination of a building's suitability for activity included:

- **Technical Condition of the Building.** Targeted buildings should be not more than 10 years old. Buildings that were constructed more than 10 years ago may be considered if they have had major renovations completed within the last 7 years. Staff look for buildings that are in the best condition. They also review building documentation and conduct visual inspections of target buildings to determine if they meet these standards.
- **Percentage of Privatized Apartments.** The percentage of privatized apartments should be more than 30% in target buildings. Staff felt that high levels of privatization would stimulate activity in condominium formation and give residents greater incentive to properly maintain their buildings to improve their future value.
- **Building Location.** Staff look for buildings located in more prestigious districts. Experience shows that such buildings are easier and more economical to operate. They also prove to be better targets for formation of future condominium associations. This factor can be severely limited if the divested housing is all located in one area and that area is undesirable.
- **Existence of Groups of Residents Showing Interest in Creation of Condominiums.** It is important to the future of any condominium that it contain a group of interested people who are willing to push for reform and assist in the management of the condominium.
- **Presence of Non-Residential Areas in Building.** If the building contains non-residential spaces (commercial, potential commercial, or amenities) its value and ability to provide income to the condominium association increases.
- **Condition/Desirability of Adjacent Territories.** Staff look for buildings to target that have adjacent territories that are desirable and in good condition. Such territories, if allocated to the condominium at registration or in the future, can serve to increase the value of the condominium and may be developed for income purposes.

Staff work to select target buildings based on the above standards. However, buildings that are selected do not always meet all the selection criteria. Once staff have selected target buildings, they begin their work to promote privatization of units, condominium formation and competitive maintenance for the buildings. They meet with residents to begin training programs, consult with city officials on registration issues and begin advertising campaigns. The amount of time that these efforts take to bear fruit can vary widely depending on the attitudes of residents and officials, the local political atmosphere, economic conditions, the level of reform and legislative base in the city.

Table 2 lists the current target enterprises in the cities and the approximate number of buildings and units.

Table 2
Target Enterprises, Numbers of Buildings and Units by City

City; Region	Buildings/Units	Former Enterprise Housing of:
Moscow; Aeroport	25/2,479	Znamya Revolutsii, Moscow Railways, Institute of Mechanics and Automatics
Yuzhno-Portovy	16/4,660	ZiL
Yuzhno-Portovy	8/1,600	Frezer, Molnia
Viovovsky	25/3,657	Mechanical Engineering, Machinery Construction, MIG Aviation
Viovovsky	30/4,388	Municipal Buildings with High Rate of Privatization, at the Request of the DEZ
Perovo	60/4,290	Voitovicha, Vperyuod, Ser I Molot, Stal montazh
Nizhny Novgorod	60/6,000	na
Ryazan	58/6,000	Priborniy, Riverport, Red Flag, Counting/Analytical Machines Plant, Hinvolkovo, ZiL, RKB Globus, Technopribor, Ryazanstroy, Agropromstroy
Vladimir	80/8,000	Vladimir tractor, Vladimir chemical, Electrogribor, Avtopribor, Technica. Tochmash, Central Factory, Vladpromstroy, Vladspresstroy, a Construction Plant, Moskursorstroy, Megadanriba, Stalmoutag, an Electric Station, Magneton, Souzmoutag, Oblremstroyrest.
Volkhov	2/143	Railway
	18/1,204	Aluminum
	3/180	Forge Making Plant
Petrozavodsk	1/60	A. O. Karellesprom
	1/66	BOR Onega Shipping

City; Region	Buildings/Units	Former Enterprise Housing of:
Petrozavodsk	4/547	AOZT Tractor
	6/411	UPLO
	1/60	Road Construction Company
	1/57	Construction Company
	7/764	Petrozavodskstroy Construction
	3/166	Petrozavodsk Building
	14/1,472	Paper Making Machinery Plant
Novochercassk	43/2,475	Novochercassk Electric Engine Plant
	3/139	ORKH Agricultural
	10/620	Plant # 17, Synthetics
	2/87	SU-3 Construction

Notes:

- a. Data for this table came from Institute field staff.
- b. Not Available (na) means data not available for this city as of the report date.

IV. ACTIVITIES IN TARGET CITIES

Overview

Urban Institute staff working with each target city engage in a wide variety of activities to promote housing reform and accomplish program goals. The principal activities carried out by team members have concentrated on hiring and training staff to work in the other cities, developing and implementing information campaigns in support of program goals, promoting unit privatization and condominium formation, bringing the municipal housing stock under competitive maintenance, assisting cities to increase the percentage of maintenance and utility costs they recover from residents and helping cities refine their housing allowance programs. The following sections of the report detail the actions taken by staff in support of these tasks.

Staffing Levels

Urban Institute Moscow-based staff, field-based staff and consultants work to accomplish the program goals. One of their first tasks was to recruit and train teams to work in each of the target cities. A team leader is assigned to coordinate activities for a number of geographic areas. Some of the team leaders oversee efforts in cities exclusively listed as targets. Others have

responsibility for program cities plus other cities and regions in which the Urban Institute works under previous contracts. Table 3 shows the staffing levels as of 4/25/96.

Table 3
Staffing Levels by City, HSRP II and EHDP (as of 4/25/96)

City	Team Leader*	Moscow-Based Staff	Working Exclusively in Moscow	City-Based Staff	Hire Date	Total
Team 1:	1		1		10/95	
Moscow			1		10/95	
						3
Team 2:	1					
Nizhny Novgorod				1	2/96	
Ryazan				1	11/95	
Vladimir				1	10/95	
						4
Team 3:	1	1			2/96	
Volkhov				1	3/96	
Petrozavodsk				1	3/96	
Novochercassk				1	11/95	
						5

*All team leaders were on-staff at the beginning of September.

Information Campaigns

Program team members are actively involved in organizing informational campaigns in target cities. The intent of these campaigns is to disseminate as much information as possible to city officials and residents regarding program goals, and to meet and consult with interested parties to discuss issues, problems and potential solutions to those problems.

Prior to February 1996, the team's efforts primarily consisted of meeting with officials and residents to develop working relationships, gathering information about the status of housing

reforms in the cities, assessing and selecting target enterprises and buildings, completing other necessary background work, and developing informational materials (advertisements, brochures, fliers, etc.).

Beginning in February and March, field staff began to work with the cities to place advertising materials in local media (TV, radio, print), and to distribute fliers, posters and brochures to buildings selected as targets for action. These materials were developed by the Urban Institute and were intended to stimulate resident interest in privatizing their units and forming condominiums. In each advertising piece or placement, a telephone contact number is listed to which residents can call to receive more information. Staff also give interviews in the cities and encourage city officials to publicize program goals.

Table 4, below, documents the types and levels of activities that staff have carried out in each location. The table lists the major kinds of work being done including:

- *Distribution of fliers* that encourage residents to privatize their units and to form their buildings into condominiums. Staff post fliers at residents' units and hand them out at informational meetings.
- *Placing advertising posters* to encourage privatization and formation of condominiums. Posters are typically hung in resident buildings, in public buildings and in employment offices where those seeking jobs might be stimulated to consider condominium management or maintenance as forms of employment.
- *Distributing brochures* developed by the team. Staff hand these out at informational meetings held with residents, city officials and other interested parties.
- *Holding informational meetings* with residents and city officials to educate them about privatization and condominium formation and to solicit their support.
- *Showing videos* pertaining to condominium formation to city officials and residents of target buildings. The videos were produced by the Urban Institute.
- *Conducting training seminars* to teach the practical aspects and advantages of condominium formation, unit privatization and maintenance competition.
- *Holding consultations* with city administrations, residents and other interested parties. Such consultations can cover the entire spectrum of program goals including privatization, condominium formation, competitive maintenance, and housing allowance programs.
- *Broadcasting television advertisements* produced by the Institute that promote program goals. Included in this category are interviews and other informational activities that

appear on television in support of team efforts.

- *Broadcasting radio advertisements* produced by the Institute.
- Miscellaneous *other activities* carried out by staff in support of Institute programs including giving presentations, advertising in print media, reviewing administrative documents, etc.

Table 4
Team Activities In Support of Privatization and Condominiums (February - March, 1996)

Activity	Moscow	Nizhny Novgorod	Ryazan	Vladimir	Volkhov	Petrozavodsk	Novochercassk
Fliers							
February	1536	0	357	140	0	0	240
March	4349	300	5498	4171	1600	0	0
Total	5885	300	5855	4311	1600	0	240
Advertisements							
February	14	0	0	5	0	0	60
March	250	0	0	109	40	0	0
Total	264	0	0	114	40	0	60
Brochures							
February	121	0	10	0	10	0	10
March	82	0	15	33	15	15	35
Total	203	0	25	33	25	15	45
Meetings							
February	2	0	0	0	0	0	2
March	2	0	0	3	1	2	5
Total	4	0	0	3	1	2	7
Videos							
February	2	0	0	0	2	0	1
March	1	0	20	15	0	0	0
Total	3	0	20	15	1	0	1

Activity	Moscow	Nizhny Novgorod	Ryazan	Vladimir	Volkhov	Petrozavodsk	Novochercassk
Training							
February	0	0	0	0	0	0	0
March	0	1	1	2	0	0	0
Total	0	1	1	2	0	0	0
Consultations							
February	11	0	10	0	0	0	5
March	5	0	16	19	10	9	13
Total	16	0	26	19	10	9	18
TV Shows							
February	0	0	0	0	0	2	0
March	0	0	0	1	0	1	4
Total	0	0	0	1	0	3	4
Radio							
February	0	0	0	0	0	0	0
March	0	0	0	0	1	0	0
Total	0	0	0	0	1	0	0
Other Measures							
February	6	0	0	0	0	0	0
March	1	2	4	3	0	0	0
Total	7	2	4	3	0	0	0

The figures in the table attest to substantial ongoing work in these cities. The information in the table also demonstrates some variances in team activity that need to be explained. First, it is evident from the table that Moscow has been the most active city. This is due to the fact that the Urban Institute has been working in Moscow for several years promoting housing reforms. Team members in Moscow therefore already had established a good deal of the foundation necessary to launch the program in October of 1995.

According to the table, Volkhov, Novochercassk and Petrozavodsk had lower levels of activity in several areas in February than did the other cities. Up until then the team leader, Rita Pinegina, worked alone in these cities. It was not until January that she was assigned a Moscow-based team member, and not until March that she was able to recruit city-based team members. Also, in late 1995 and early 1996, Pinegina was assigned to complete special projects including an enterprise housing survey and conducting training seminars in Novosibirsk and Yekaterinburg.

These assignments limited the time she was able to devote to the program in the three target cities.

Activity in Nizhny Novgorod City has been limited due to the complex political situation there. While oblast officials were supportive of team activities, city officials were not. In March a city reorganization placed new officials in charge of key departments. These officials have been more cooperative with team efforts, and thus recent activity levels in Nizhny Novgorod City have increased. There were also some political complications in filling the resident staff position. Although someone was recruited in February, he was dismissed in April for poor performance.

Beginning in March, staff have attempted to track the numbers of contacts received, units privatized and condominiums that have been formed in the cities. From trends in such activity, inferences can be drawn regarding the effectiveness of the informational campaign. These data are very preliminary as of the date of this report and are not even available for some cities. It is included here as a baseline measure only. Planned future versions of this report will further track this data to illustrate any trends that develop.

Table 5, below, shows the number of contacts that have been received by the cities since the start dates of the informational campaigns. The table shows that as yet, there are no clear patterns evident linking the level of advertising and the number of contacts received or condominiums formed. Complete data on the number of contacts are not available in all cities. Also, in some cities, the information campaigns have just started; so requests for information regarding privatization of units and formation of condominiums have just begun to come in to the contact centers.

It is also important to understand a key factor in condominium formation is the willingness of the local government to provide appropriate subsidies to the buildings. Several of the cities are still struggling with this policy issue. Until the cities adopt policy to subsidize condominium operations at the same level as are municipal buildings, contacts regarding formation of new condominiums may be limited.

Table 5
Contacts Received After Initiation of Informational Campaigns,
Numbers of Units Privatized and Condominiums Formed

City	Information Campaign Began	# of Contacts Since Start Date	# Condominiums Formed Since Start Date	# Privatized Units Since Start date
Moscow	2/96	40	na	na
Nizhny Novgorod	3/96	0	8	200
Ryazan	2/96	40	5	250
Vladimir	2/96	120	3	na
Volkhov	3/96	na	2	na
Petrozavodsk	3/96	na	1	na
Novochercassk	3/96	na	3	na

Unit Privatization

One area of activity not specifically addressed in EHDP as a target, but that has been a focus of Urban Institute efforts, is that of encouraging privatization of units. Increased privatization levels is viewed as critical to realizing the creation of condominium associations. Generally, unit privatization rates in enterprise housing have been lower than in municipal housing. Nationally at the end of 1994, the rates were 19% and 36% respectively³. One reason for the lower rates in enterprise housing was that tenants were often discouraged from privatizing their units by firms wishing to retain ownership. Once the housing has been divested to the municipality, there is a good chance the tenant interest in privatizing could be rekindled. On the other hand, the poor condition of much of enterprise housing works against privatization since the value of the asset "on offer" is less.

Many of the program activities involve promotion and advertising in targeted buildings to encourage residents to privatize their units and/or create condominiums. Therefore, measuring the results of these activities can be general indicator of the impact and effectiveness of Institute advertising and information dissemination programs.

Table 6 shows the level of privatization in housing in each of the cities. As HSRP II progresses, subsequent reports can track the increase of privatization levels as a measure of program impact.

³See O'Leary, Butler, et al., "Russian Enterprise Housing Divestiture," The Urban Institute, Washington, DC, January 1996

Table 6
Privatization Levels in Targeted Cities

City	Percent of Municipal Housing Stock that has been Privatized as of 4/1/96	Percent of Enterprise Housing Stock that has been Privatized as of 4/1/96
Moscow	40	25
Nizhny Novgorod City	na	na
Ryazan	40	27
Vladimir City	42	36
Volkhov	39	31
Petrozavodsk	33	63
Novochercassk	37	86

Notes:

a. Data for this table comes from the report on the World Bank Enterprise Housing Divestiture Project, the Urban Institute "Housing Sector Reform Project II, Work Plan," and from Urban Institute field staff.

Condominium Formation

One of the key program goals is that of encouraging the formation of condominium associations. Urban Institute staff are very active in the cities promoting this goal. Staff engage in activities that promote the formation of condominiums. The levels of activity are shown in table 4 above. Specific activities that staff engage in with regard to condominiums include:

- Training city officials and residents in the concepts and importance of condominiums;
- Conducting advertising campaigns (TV, radio, fliers, brochures, print media articles, interviews) that prompt residents to form condominiums;
- Assisting the cities in drafting normative documents that form the legal basis for the existence and registration of condominiums; and
- Providing consultations to city officials and residents on a variety of matters that effect condominiums including payment of subsidies, land allocation, formation and function of boards of directors and maintenance issues.

Table 7 summarizes the level of condominium development in the target cities. It lists the number of condominiums registered as of April 1, 1996, and for the cities where data is

available, the number of condominiums that existed in the city before October 1, 1995.

Table 7
Condominium Registration Levels in Target Cities (As of April 1, 1996)

City	Condominium Associations Registered:		Condominium Associations Registered Since 10/1/96:
	Total	In Divested Buildings	
Moscow	12	na	na
Nizhny Novogorod	15	2	8
Ryazan	34	3	5
Vladimir	6	2	3
Volkhov	2	0	2
Petrazavodsk	1	0	1
Novochercassk	18	8	3

Notes:

- a. Data for Moscow represents the number of condominiums the city officially lists as registered as of the report date. Staff and city officials agree that there are many more registered, but the city maintains no centralized data base of condominium registrations. Therefore staff were unable to verify an exact number of registrations beyond what the city officially lists.
- b. Data for this table comes from the Urban Institute report, "Inventory of Condominium Associations as of April 1, 1996," compiled by Lisa Lee of the Urban Institute, and from Institute field staff.

Competitive Maintenance Activities

An important aspect of Urban Institute work is to encourage and assist the cities to organize and hold competitive biddings for maintenance of housing stocks in their jurisdictions. The blocks of buildings in these competitions often include divested housing as well other non-enterprise municipal housing. As with other issues, the team has achieved varying levels of success in stimulating this activity in the cities, depending upon the political, economic and reform atmosphere in each location.

In each city, staff members first encourage and assist the administration to create an efficient Customer Service organization. Establishing Customer Service is a critical step because it separates the functions, and responsible entities, of management of the housing stock from those of maintenance of the housing stock. Customer Service entities act as the city's agent in matters relating to management of the housing stock. Maintenance activities are then assigned to

separate maintenance organizations, ideally those selected through competitive bidding.

Customer Service guides the process of selection and offering blocks of units for maintenance. They contract with the selected maintenance organizations and monitor the contract and contractor performance. Under the old city structures, all of these functions, including maintenance, are combined in one entity. This system creates conflicts of interest, limits maintenance and management effectiveness, reduces clear accountability and inhibits the ability to create competitive bid programs.

When the city has established a Customer Service, the staff assigned to that city then assists in preparing for and conducting actual competitions, as requested. Some cities, most notably Moscow, can now conduct competitions without any assistance from Institute staff because of their growing expertise with the bidding process.

Not all cities have followed this pattern. In some locations, maintenance competitions have been held before the city has formally adopted a Customer Service. In other cities, the duties of the Customer Service have not been clearly defined, thus limiting the effectiveness of the system.

Table 8, below, shows the current status of maintenance competition in each of the target cities as demonstrated by the existence of a Customer Service in the city and by the number of maintenance competitions that have been conducted. Note that all cities except Vladimir have had competitions in 1996. More are expected in May and June, after the end of the heating season. It is also important to note that most cities have now had two or more competitions. Experience has shown that cities often hold initial competitions but then hesitate or stop -- presumably as resistance from the state maintenance organizations takes hold.

Table 8
Existence of Customer Service in City and
Number of Maintenance Competitions Held Since October 1, 1995

City	Customer Service Exists	Maintenance Competitions		Total
		Before 10/1/95	After 10 /1/95	
Moscow	Yes	38	3	41
Nizhny Novgorod	Yes	5	2	7
Ryazan	Yes	2	1	3
Vladimir	Yes	1	0	1
Volkhov	No	0	2	2
Petrozavodsk	No	0	1	1
Novochercassk	Yes (not clearly defined)	1	1	2

Notes:

- a. Moscow has a very active maintenance competition/privatization program that has been in operation since the spring of 1993. Many competitions occur without the assistance of Urban Institute staff. As of April 1, 1996, the city had over 350,000 units under contracted maintenance
- b. Data for this table came from the Urban Institute report, "Inventory of Maintenance Competitions in Russia as of April 1, 1996," compiled by Lisa Lee of the Urban Institute, and from Urban Institute field staff.

Cost Recovery and Housing Allowances

One of the major goals of EHDP is to assist cities to increase the percentage of costs recovered from residents for maintenance and utilities in divested housing. This objective parallels current government policy regarding this issue. All parties recognize that such a policy would put a burden on poor families. Therefore, as part of the participation requirements for the cities, the loan program requires that cities establish a housing allowance program as a protection for these needy households.

As part of their efforts with city officials, team members have been working with to devise policy to increase cost recovery and to develop housing allowance programs or fine tune and improve previously existing programs.

One indicator of outcomes is the share of operating expenses paid by tenants. Table 9, below, demonstrates the current status of cost recovery in the target cities.

Table 9
City Cost Recovery Percentages and
Estimates of Housing Allowance Participation

City	Cost Recovery Percentage Before 10/1/95	Cost Recovery Percentage as of 4/1/96	Allowance Program Exists	Households Receiving Allowances: Number/ %
Moscow	*	*	Yes	249,300/ 7.8
Nizhny Novgorod	30	30	Yes	70,680/ 14.5
Ryazan	30	30	Yes	6,000/ 4.7
Vladimir	30	30	Yes	10,037/ 10.0
Volkhov	44	44	Yes	772/ 6.0
Petrozavodsk	45	45	Yes	6,420/ 8.0
Novochercassk	48	48	Yes	5,000/ 8.3

Notes:

- a. Data for this table comes from the Urban Institute report "Results of Implementation of the Housing Allowances Program in the Cities of Russia," compiled by Alexander Puzanov of the Urban Institute and from Urban Institute field staff.
 - b. The date of the most recent housing allowance data available varies by city (Moscow - 12/95; Nizhny Novgorod - 9/95; Ryazan - 9/95; Valdimir - 11/95; Volkhof - 4/96; Petrazavodsk - 12/95; Novochoercassk - 12/95.
- * Per city officials, residents of Moscow now pay 90% of estimated gas and electricity costs for their units and 30% of estimated maintenance costs. However, officials state that the estimated costs upon which these amounts are based are significantly understated - perhaps by as much as 60% to 75%. Therefore it is impossible to list an accurate cost recovery percentage.

The performance of these cities is typical for Central Russia. Several cities issued orders in March and April for increases. It is important to note that just to hold cost recovery constant has required that nominal rents be increase over the period.

As can be see from the table, cost recovery rates vary city to city. Although it is true that some cities have more political will to increase resident payments than do others, the most significant factor limiting increased cost recovery is the condition of the economy in each individual city. Where the economy is in relatively better shape, the city is better able to increase cost recovery percentages.

Other factors also influence the recovery rates. As utility payments are by for the largest portion

of housing operational expenses, differences in climate and the resultant impact on heating bills, and the level of efficiency and influence of area utility suppliers effect cost recovery.

The cities continue to make progress in the area of housing allowances. All cities now have allowance programs. Although recent data is not available for all cities but Volkhov, team members state that the numbers of subsidies paid have risen. They also report that the cities are working on refining their programs in cooperation with team members.

V. CITY ADMINISTRATION COOPERATION

The success of this project is obviously dependent on the attitudes of city officials, the extent to which they cooperate with the program team and their energy in implementing changes. Those attitudes ebb and flow with changes in political alliances, financial conditions, and as the results of elections change the make-up of the city governing bodies. As a result, the program team is in a nearly continuous process of gauging the current situation and the level of cooperation they can expect in each city. The following is an assessment of the current situation in each city, based on interviews with the team leaders working in each location.

- Moscow. Because Moscow is so large and complex, the attitudes of officials toward housing reform work vary considerably from district to district. Initiative for housing reform however, is largely relegated to the city's ten prefects. These administrators continue to tender packages of buildings for bid for competitive maintenance. Municipal-level officials frequently meet with Institute staff and seek their input on policy considerations. They are also attempting to assist Institute staff in placement of advertising to encourage privatization of units and formation of condominiums.

There are, however, powerful factions within the city that oppose reforms and activity in support of those reforms. For example, the attitude towards divestiture and condominium formation is less favorable than it is towards competitive maintenance. The city is not now accepting divested buildings and has no plans to do so in the remaining months of 1996, principally for financial reasons. It has a condominium registration process but has some barriers that make registration difficult (e.g. requirement that 51% of units in a building be privatized before registration can proceed).

In spite of the difficulties they face, staff feel that in total, the situation remains positive in Moscow and that further progress can and is being made.

- Nizhny Novgorod Oblast and City. Staff describe the situation in this region as very complex. The oblast has for some time been supportive and helpful to housing reforms. However, until recently, staff have received little support and assistance from municipal officials, despite the grudging implementation of some reforms.

In the past 60 days, the situation in the city has begun to change, however. There has

been a major reorganization of city functions and departments and a reassignment of staff. In recent meetings, city officials have been much more cooperative with the Institute team. They even went so far as to request that the Institute conduct a seminar for city officials to inform them about formation of Customer Service, competitively bidding out maintenance and formation of condominiums. The city has also begun to move on the issue of competitive maintenance by selecting districts for inclusion in another round of bidding and holding the first competition, with good results, in early April.

Because of these recent developments, Institute staff are now cautiously optimistic about the future working relationship with the city and the prognosis for improved cooperation with Institute efforts.

- Ryazan. The city has a reputation as being one of the most aggressive in implementing housing reforms. It continues to be committed to promotion of condominium formation, competitive maintenance, and, as funding allows, divestiture of enterprise housing. However, recent changes in the political climate in Ryazan may alter these attitudes. The Institute's key city contact, a reform-minded deputy mayor, has recently resigned. Staff are not yet sure of what the attitudes of his replacement are or how they will effect Institute programs.
- Vladimir. City officials continue to work toward housing reform goals. However, they are hampered, as are all the cities, by a chronic lack of funding. The city recently created a separate department of Housing Maintenance. It has also created a municipal entity to coordinate acceptance of divested enterprise housing and monitor contractual relationships with maintenance contractors.

Institute staff feel that the city is supportive of housing reform initiatives and will remain so, as long as it can find the financial resources necessary to fund such activity.

- Volkhov. Although at first difficult to work with, city officials now appear supportive of Urban Institute programs. Administrators regularly appear on television to promote city efforts towards condominium formation and competitive maintenance. In March, the city launched its second maintenance competition and registered another condominium. Eighty-two percent of privatized enterprise housing has been divested and accepted by the city, and negotiations continue for the divestiture of the remaining housing stocks controlled by the non-privatized railway company and other enterprises.

Institute staff are positive that progress will continue in Volkhov.

- Petrozavodsk. At first, the city was not cooperative. Institute staff feel this situation has changed somewhat for the better in the past 60 days. At the urging of the mayor, the Housing Committee has recently established a group within the Committee to coordinate condominium formation and registration. The mayor also ordered commencement of a

second maintenance competition. In contrast to these positive developments, the city still is not committed to acceptance of divested housing.

Institute staff are encouraged by recent changes in the attitudes and level of support from the city. They are hopeful that these changes are the harbingers of better things to come.

- Novochercassk. Institute staff are not encouraged by the state of affairs in the city which has been inconsistent in following through on commitments. It has no plans to accept any divestiture housing in 1996. Although the city claims it has 18 registered condominiums, in fact the process is not complete for any of the associations because a key administration official refuses to sign the required documentation.

Because of these issues and the general lack of cooperation on the part of the city, Institute staff are not optimistic that Institute programs will progress quickly in Novochercassk.

VI. RESULTS AND PERCEIVED IMPACT OF ACTIVITIES IN TARGET CITIES

It is extremely difficult to assess the impact of Urban Institute activities on the target cities. This is especially true at this early stage of HSRP II. One can make certain inferences, however, based on the results of the program so far.

- Competitive maintenance programs are progressing reasonably well with the assistance of Institute staff. Moscow continues with its fairly aggressive program. All other target cities have just completed or are in the process of organizing new competitions. The cities are also carefully scrutinizing the structure of their Customer Service entities, where necessary, or planning for introduction of such organizations.
- Acceptance of divested stocks has slowed, and in some cases ceased, over the past year in the target cities. Some cities (Moscow, Novochercassk) state flatly that they have no plans to accept any divested housing in the remaining months of 1996. Others have plans to accept divested stocks, but only if the funding for their repair and maintenance can be secured. There appears little that Institute staff can do in the short term to change these policies.
- Progress on increasing the percentage of costs of maintenance and utilities recovered from residents has stagnated. In part this results from the large real increases in tenant payments required just to maintain cost recovery levels in 1995 as energy prices were significantly decontrolled in Russia. In part, it is also due to cities' perception that until economic conditions improve for residents, increased cost recovery will remain a difficult goal to pursue. It is also extremely volatile politically. Even cities that planned to increase cost recovery percentages this winter deferred action. It appears that no additional action with regard to this issue can be expected until at least the end of the

current heating season.

- All the cities have implemented housing allowance programs. Although application requirements vary city to city, this seems to be an area of genuine concern and improvement in the cities. The importance of the Institute's activities lies primarily in helping city administrations fine-tune their programs.
- The Institute has been instrumental in helping the cities to formulate policies and procedures for the creation and registration of condominiums. With the exception of Novochoercassk, the process continues in all cities. The Institute has been less effective in getting cities to progressively work out the practicalities of condominium funding and administration, however. The cities still are struggling with the questions of how much, if any, subsidy money they should pay to condominiums, the percentage of privatized units necessary before a condominium can be formed in a building, land allocation issues, and distribution of income from commercial spaces.
- Privatization of units has slowed significantly over the past two years. It is yet to be seen if the current advertising programs initiated by the Institute will have an impact on interest in and actual rates of privatization of apartments in the former enterprise stock.

The above demonstrates that Institute activities have had mixed results. As the program continues, it will be very important for the Institute to gather as much data as possible to help it gauge the effectiveness of its programs.

VII. INTERIM RECOMMENDATIONS

At this early stage of the program it is difficult to give long-range recommendations of a meaningful nature. Those must be reserved for future versions of this report when they can be based on concrete trends backed up by more than a few short months worth of data. However, based on reported results thus far, it is possible to render some interim recommendations that may serve to focus team efforts effectively. Therefore, interim recommendations include:

- The Institute should continue to monitor the situation in Novochoercassk to ascertain whether or not the city administration intends to cooperate with its work. As this city is also a candidate for the World Bank loan program, its level of cooperation will also be of interest to Bank officials.
- Staff should work intensively with the cities to assist officials to develop solutions to the practical problems of condominium formation. In particular, staff should focus on the issues of funding of condominiums from city subsidies at the same level as municipal housing, easing barriers to condominium formation and reducing the costs of registration.
- Cities have not pushed to increase the percentage of cost recovery from residents, as is

required by the EHDP. The EHDP target for year-end 1996 is 60% cost recovery, as long as fewer than 25% of the households in the city are not receiving allowances. Institute staff need to assist the cities to create practical approaches to increasing cost recovery.

- All cities have housing allowance programs for needy families. However, some cities have adopted allowance policies that are restrictive (e.g. requiring repayment of outstanding balances before residents can join the program). Staff should work to help the cities create policies that do not tend to limit access to the allowance programs.
- Staff should do whatever is necessary to encourage cities to accept divestiture of enterprise housing, especially in the seven World Bank cities. EHDP requires that target cities reach divestiture thresholds (90% divestiture of eligible enterprise housing by year end 1996). If the cities do not reach these targets, their participation in the World Bank program will be jeopardized.
- Staff should work with the target cities to increase the pace of holding competitions for maintenance. World Bank cities must have 10% of their units under competitive maintenance by year-end 1996 to remain eligible for the program.
- The Institute should take steps to systematize its efforts at data collection. It would be well-served by a current, regularly up-dated data base on the issues of percent of enterprise housing that has been divested, percent of housing (divested and non-divested) under competitive maintenance, numbers of condominiums formed (again broken out by divested and non-divested housing), numbers of households receiving allowances, and levels of cost recovery. Staff should also collect data on the response generated from its advertising and information campaigns to provide a means to assess the effectiveness of these efforts. Much of this information is recorded in one form or another, but not in a consistent, standardized format. Without such a standardized database, it will be difficult to measure the impact of Institute work in the cities.

