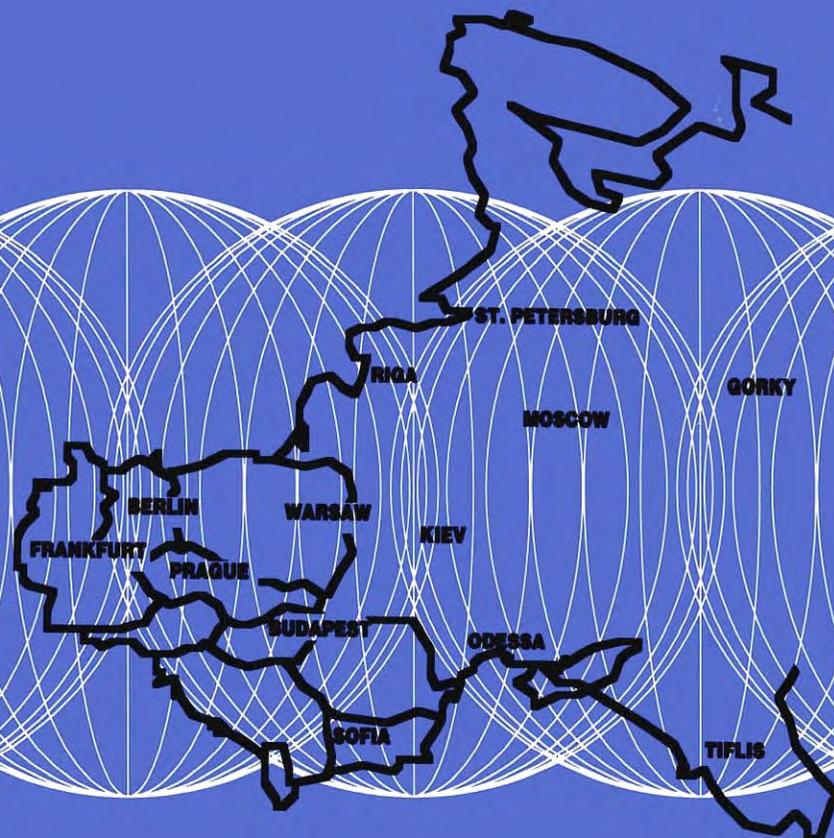


AN INTERNATIONAL ACTIVITIES PROJECT

**FROM PLANNING TO MARKETS
HOUSING IN EASTERN EUROPE**

**ASSISTING DEMOBILIZED RUSSIAN
OFFICERS OBTAIN HOUSING:
THE HOUSING CERTIFICATE
OPTION**



THE URBAN INSTITUTE

Prepared for the Office of Housing and Urban Programs (USAID)

**ASSISTING DEMOBILIZED RUSSIAN
OFFICERS OBTAIN HOUSING:
THE HOUSING CERTIFICATE
OPTION**

Prepared by

Clare Romanik
Raymond J. Struyk

The Urban Institute
2100 M Street N.W.
Washington, D.C. 20037

Project 06477
October 1994

Prepared for

Management of Pilot Voucher Program
and
Issue of Vouchers to Military Officers
U.S. Agency for International Development, USAID/Moscow
Contract No. 110-0008-C-00-4015-00

CONTENTS

Acknowledgements	i
Abstract	ii
Executive Summary	iii
I. Introduction	1
II. Reform in the Housing Sector	3
III. The Officer Resettlement Certificate Program	6
IV. Pskov and Novgorod	11
V. Expected Outcomes	14
VI. Data Collection	16
VII. Success Rates	17
VIII. Experience in Finding Units	19
IX. Conclusions	24
References	26
Annex A: Program Activity in the First 24 Weeks	28

LIST OF TABLES AND FIGURES

Table 1: Dollar Prices on Military Housing Certificates Issued in April 1994	8
Table 2: Dwelling Units Completed per 1,000 Population for Selected Cities: 1991 and 1992	12
Table 3: Hypothesis 1: Search intensity depends upon where officer is located	21
Table 4: Hypothesis 2: Search intensity depends upon cost and difficulty of traveling from the Baltics	21
Table 5: Hypothesis 3: Intensity of search depends on whether officer was directed to a particular seller by the administration	22
Table 6: Hypothesis 4: Those officers directed to a seller by the administration used fewer alternative resources to search for units	23
Table 7: Hypothesis 5: Those officers directed to a particular seller or unit succeeded relatively quickly in signing a presales agreement	23
Figure 1: Number of Officers Executing Presales Agreements During First 14 Weeks of the Program	18

ACKNOWLEDGEMENTS

The authors are grateful to Eugene Rizer for comments on a draft of this paper, and Harold Katsura for discussions about the resettlement program. Alla Guzanova of the Institute for Economic Forecasting at the National Academy of Sciences organized the survey of officers participating in the program with her usual skill and thoroughness.

ABSTRACT

A serious housing problem for both Russia and the West has been the lack of housing for military officers returning from abroad, particularly Eastern Europe, and, most critically the Baltic Republics. At the April 1993 summit meeting between Presidents Clinton and Yeltsin, Mr. Clinton offered \$6 million for a pilot construction program, sufficient to house about 450 returning officers. Later funding was expanded by another \$160 million, with a target of 5,000 officers.

This paper reports the results of implementing a pilot dwelling purchase certificate program in the oblasts (states) of Novgorod and Pskov in the spring of 1994 under which eighty certificates were issued to officers from the Baltics on the waiting list for housing in the capital of each region.

EXECUTIVE SUMMARY

The dwelling purchase certificate program is part of a larger American initiative to assist the Russian government in housing retired military officers returning from service in Eastern Europe and the Baltic States. By helping to house the Russian officers, the American government aims to improve the political stability in the Baltics States and ease the political and logistical difficulties associated with the Russian military withdrawal. All participants in the pilot program were from the Baltic States, with the highest priority given to officers who were demobilized after April 1993--the date of the summit meeting between Presidents Clinton and Yeltsin when the initiative was first announced.

The original approach to the military housing program focused on new construction performed by contractors having won a competition. With this approach, however, officers would have to wait perhaps two years for their housing. The certificate approach was proposed to expedite the resettlement of officers, as well as to offer them greater choice in their new housing. The theory behind the certificates is that the officers would bargain with sellers to find the most appropriate housing for the best price since they would either pay or receive the difference between the certificate value and the dwelling price.

In the certificate program the officer is given a certificate priced to buy a new dwelling in the oblast (state) where he has indicated he wishes to reside. Having a certificate worth up to \$25,000 (a limit imposed by USAID to avoid excessive program cost) potentially gives the officers considerable purchasing power. However, it was uncertain whether the officers could or would exercise this purchasing power because of Russia's monopolistic construction industry and because of the officers' lack of experience in selecting housing.

There were other concerns. The supply of new housing units, which has always been inadequate in Russian cities, has worsened as housing production has dropped severely in the past several years. The Russian construction industry has been slow to find new ways to finance projects which in the past were generally fully funded by the purchaser prior to completion. In addition, the magnitude of the projects creates a lumpiness in the flow of new units to the market. All of these cast doubt on whether the officers would find an adequate supply of housing to choose from, particularly within the time limits presented by the program.

An officer participating in the certificate program goes through the following steps. First he attends an orientation seminar conducted by the local housing administration where he is expected to prove his eligibility. At the seminar he is briefed on the local housing market and given a list of sellers with which he can begin his search. The administering bank registers the officer's certificate and gives him three forward values for his certificate corresponding to estimates of market prices in the succeeding three months. From this point, the officer has three months

to sign a presales agreement with a seller and six months to complete the purchase before his certificate expires.

The two sites for the pilot program, Pskov and Novgorod oblasts, were chosen for their location close to the Baltic States and because they had many officers from the Baltics on their municipal waiting lists for housing. As in most Russian cities, housing production in Pskov and Novgorod has been at moderate to low levels in recent years and has been dominated by the former state *kombinats*. But while officials in the Pskov housing administration were actively promoting competition, their counterparts in Novgorod had strong ties to the former state *kombinat*. The sites also differed in that the Pskov oblast took responsibility for program implementation, allowing officers to choose housing from the entire oblast, while the City of Novgorod limited selection to the municipality.

There were two measures used to evaluate the program's success in the two sites. The first is simply how quickly the program could resettle the officers and the second is whether the officers participated in the housing market. According to the first measure, the program worked much better in Pskov, where twenty-seven presales agreements were executed within the first month; in the same period not one presales agreement was submitted to the bank in Novgorod. When we investigated market participation through a survey of participating officers, however, we found the two sites to be roughly equal. Many officers eventually signed a presales agreement for an apartment recommended by the local housing administration or by the administering bank, but only after an exhaustive search that involved contacting sellers and brokers and responding to newspaper advertisements.

We expected that the intensity of an officer's search would vary according to his circumstances. For example, we found that officers coming from the Baltics to search in Pskov saw fewer sellers and found fewer units than the officers who were residing in Pskov at the time they received the certificate. Among those traveling from the Baltics, those who were able to stay with relatives or friends were more successful in their search.

We also expected that those officers who were directed by the administration to a particular seller or unit would make the least effort in their search. This expectation was supported. In Pskov, for example, those officers who were "directed" contacted half as many sellers as those who were not. In addition, we found that most of the "directed" officers signed a presales agreement within one month of having their certificate registered, much sooner than the average of the non-directed officers. Moreover, most of the officers who contacted sellers themselves, looked at other units and found other units independently were those who were *not* "directed" by the administration.

Based on the limited experience in Pskov and Novgorod, the general conclusion is that a demand-side approach to subsidizing the acquisition of new housing by retired or demobilized officers can work in Russia. The certificate program is more robust when the supply of new units is plentiful--both through the completion of new dwellings and through giving a generous definition to the area within which the officers can search for housing. Moreover, energetic program administration appears to make a difference in success rates.

The majority of officers conducted a real search in the market, each contacting several sellers. Even officers who were directed by the local administration to a particular seller on average contacted three sellers in Pskov and about six in Novgorod. While only a handful of officers were able to obtain units priced \$1,000 or more below the certificate price, presumably most were able to obtain units more to their liking through the search process rather than simply being assigned a unit.

In closing it is worth noting that the effectiveness of the certificate approach has already been recognized. In August Governor Boris Nemstov of the Nizhni Novgorod Oblast proposed a special demonstration of the certificate program for retired officers on housing waiting lists in his oblast; funding would come from the Russian Federation appropriations for housing retired officers. President Boris Yeltsin agreed to the proposal and the 30 billion ruble program is now being launched. The program differs from the Pskov and Novgorod program in that both new and existing units are eligible for purchase by certificate holders. If the program is successful and is expanded to the regular form of assistance to officers, Russia will have taken another step in reorienting its housing policies from those supporting state construction complexes to those enhancing consumer sovereignty.

ASSISTING DEMOBILIZED RUSSIAN OFFICERS OBTAIN HOUSING: THE HOUSING CERTIFICATE OPTION

I. INTRODUCTION

A serious housing problem for both Russia and the West has been the lack of housing for military officers returning from abroad, particularly Eastern Europe, and, most critically the Baltic Republics. More housing is needed as soon as possible in order to lessen the Russian military's humiliation associated with withdrawal from the former Soviet empire: The withdrawal itself is difficult, but for officers not to receive housing within a reasonable period may be unacceptable. Moreover, the retired or demobilized Russian military remaining in the near-abroad are a tinderbox for incidents against Russian nationals to which Russia could well feel compelled to respond.

At the April 1993 summit meeting between Presidents Clinton and Yeltsin, Mr. Clinton offered \$6 million for a pilot construction program, sufficient to house about 450 returning officers. Later funding was expanded by another \$160 million, with a target of 5,000 officers. Generally, officers eligible for housing constructed under the program are to have left assignments in Eastern Europe after the date of the summit meeting. Settling officers in new housing was mandated so as not to exacerbate the already severe housing shortages.

The initial approach, tried with the first 450 units, was for the U.S. Agency for International Development (USAID) to select competitively and contract directly with Russian, Russian-American joint venture, or American builders to construct the units. Local governments were required to provide serviced sites for the housing without charge. In broad terms, this is the same as the approach followed by the Germans in building housing for officers leaving East Germany, except that the Germans did not employ Russian contractors.

Projects were begun in six cities but serious troubles quickly developed in two, dashing hopes that such contracting offered a truly reliable way of acquiring all the needed units. Moreover it was patent that constructing housing from scratch would likely take a couple of years--an eternity given the diplomatic pressures to get retired and demobilized officers out of the Baltics. At the same time some Russian Federation officials and foreign advisers argued for a different approach.

The old Soviet approach, under which retired officers were placed on municipal waiting lists and assigned housing on a priority basis, and the German and the U.S. direct construction programs have in common that they give retired officers essentially no choice about their housing: somehow a unit is constructed and it is offered to the officer on an essentially take-it-or-leave-it basis. The German-USAID model strives to improve the efficiency of production over the Soviet model by acquiring the units on a competitive basis. The alternative approach is the dipole of

the Soviet-German model. The officer is given full control of his housing destiny by being awarded a certificate priced to buy a dwelling in the area in which he has indicated he wishes to live. The officer makes his own deal with a builder: if the dwelling costs less than the value of the certificate, he keeps the difference; if he wants a bigger unit than covered by the certificate, he pays the extra.

The cardinal question, of course, is whether any units would be offered to officers with a certificate. In other words, would the supply-side respond to effective demand? There were good reasons for doubting that it would. Under the Soviet regime the building *kombinats* received an advance payment (typically of 40 percent) and then progress payments from the client (through the "unified customer"). Hence, no housing was built on a speculative basis and builders had no experience in obtaining bank financing. Under the certificate program builders would have to find some way to finance construction since disbursement of payment coincided with transfer of property. Through early 1994 very few banks were making construction period loans. And, indeed, because of the 240 percent interest rates, builders did not want to take loans because of the impact of the cost of money on the cost of the final product.¹ On the other hand, the growing diversity of the construction industry gave some reason to believe that units would be made available to officers.

This paper reports the results of implementing a pilot dwelling purchase certificate program in the oblasts (states) of Novgorod and Pskov in the spring of 1994 under which eighty certificates were issued to officers from the Baltics on the waiting list for housing in the capital of each region. The paper is organized into five parts. We begin with an overview of the evolution of the Russian housing sector in recent years to understand why a "voucher approach" seems plausible. The next section describes the certificate program. This is followed by a discussion of our impressions of the residential construction industry in the two regions. We then outline our expectations about how the program would in fact operate. Results are then presented. The paper concludes with some observations about overall program success.

¹ In fact, on a loan with a 240 percent annual interest rate, banks would charge 20 percent per month. Counting the income from the reinvested monthly payments, the effective yield to the bank is about 800 percent, or about the rate of inflation.

II. REFORM IN THE HOUSING SECTOR

As late as 1991, the Soviet Union may have had the most regulated housing market in the world. For generations regulation had extensively replaced normal market relations in the production and allocation of housing, although informal, implicit market relations had some role. With two-thirds of all housing units belonging to the municipal or departmental stock, the Soviet Union had a much larger share of units under state ownership than the countries of Eastern Europe and could only be rivaled in this respect by the Peoples Republic of China. In the largest Russian cities, 90 percent of units were state owned, in part a result of the prohibition against individual construction in cities of over 100,000 population beginning in 1961.

The essential elements of the policy on housing construction were: centralized distribution of capital resources; strict standardization in the planning of the volume of housing made available and of its distribution in the country; an extreme monopolization of the construction industry by the state, primarily in the form of large construction enterprises (so-called *kombinats*). As a result, the same large multi-story prefabricated standard buildings of precast reinforced concrete were constructed in all regions of the country. The only variety introduced in 35 years was four generations of design standards for these buildings. The state had the monopoly position and acted as the investor, client, contractor and owner at the same time.

At the local level the pivotal actor was the *zakazchik* organization or, loosely translated, the "unified customer." A World Bank report has stated that "the difference between the *zakazchik* organization in Russia and the developer of a market economy is the most crucial distinction between the construction process in a market economy and under Soviet central planning."² Local governments and enterprises who wanted housing built placed their orders with the office of the unified customer. The unified customer secured the building site, had building designs prepared, obtained the necessary permits from the Chief Architect and other offices, selected the building *kombinat* (although there was often little choice since builders specialized in different types of structures), arranged for building materials and negotiated the price of the housing. In this system those placing the orders, i.e., the clients, were captive and had very limited influence on what they received for their money. When projects were completed, the clients--primarily municipalities and enterprises--assigned units to those on their waiting lists.

Once units were built they were maintained by state maintenance firms which enjoyed geographic monopolies on providing services to the buildings in their domains and therefore had little reason to be responsive to consumers. Allocation was through a complex set of bureaucratic procedures, which were often circumvented through side payments, party position or other methods (Alexeev, 1988).

² World Bank (1993), p.172.

The results of the former system are well-known. Poor quality construction of massive scale multifamily housing whose design was completely divorced from the desires of consumers; low maintenance after completion resulting in dirty common spaces with broken doors, chipped plaster, non working lights and security systems (Puzanov, 1993); large housing shortages--probably equivalent to one unit for every three households (Kosareva, 1992)--with families typically waiting more than five years to be assigned a unit; and, a maldistribution of the available stock because prices were not used to encourage those relatively overhoused to shift to more suitable units.³

Russia has been reforming its housing sector at a surprisingly rapid rate, even in the face of the severe distortions with which it began. For example, beginning in July 1991 the low-cost and then no-cost housing privatization shifted over a quarter of state units to private ownership. In 1994, rents began being raised over a five year period to cover full operating costs. At the time of the initial increase each local government must implement housing allowances to protect the poor from excessive rental payments. The Council of Ministers has issued a national condominium regulation to give the new owners the ability to take over the management of their buildings. In 1994 the state maintenance companies are being privatized--an important step in introducing competition in the provision of such services. The federal government has shifted its housing purchase subsidies to those on the waiting list for housing and from interest rate write-downs to assistance with downpayments, with subsidies varying inversely with the purchaser's income.⁴

In the construction field progress is less clear. While the government's official policy is to promote low rise, lower density construction with a wide variety of designs⁵, and a large share of the *kombinats* have been transformed into joint stock companies, the extent to which the old monopolies have been displaced is unknown and is likely highly variable across the nation's regions.

Some facts seem clear, however. One is the sharp decline in total housing production, with output in 1992 and 1993 being about 60 percent of pre-reform levels.⁶ A second is that by mid-1993 few projects were being funded by a single investor. Rather, a typical pattern was that an enterprise would begin a multifamily

³ For descriptions of the Soviet housing system before the major reforms, see, for example, Andrusz (1990), Kalinina (1992), Bessanova (1992), and Ruble (1993).

⁴ Construction subsidies still exist for retired military officers, victims of Chernobyl and other special groups. However, these groups can choose between the construction subsidy, i.e., being offered a newly constructed unit, or use of a downpayment subsidy.

⁵ Council of Ministers Decree, "On the State Target Program HOUSING," June 20, 1993, N. 595.

⁶ A thorough description of reforms through 1993 is in Struyk and Kosareva (1994).

project with its own equity, perhaps with the intention of fully funding the investment. But if it were short of funds as work progressed, it would sell units to other enterprises, brokers, or even individual families at a price sufficient to at least cover its outlays and the opportunity cost of its funds. These new investors are buying units, not a general participation in the project; and they, in turn, would have to contribute to the further costs of completing the building at later stages. New investors might be introduced at several stages, and a new investor might sell a unit to another investor at a subsequent stage. While some investors were acquiring units for themselves, i.e., families for themselves and firms for their workers, others were buying to sell the unit to others. Thus, in contrast to the old system, not all completed units are simply added to the investor enterprise's housing stock.⁷ Another source of diversity is the new, small builders of single-family units. Once they have secured a building site, many can construct a unit in three to four months. While they, too, are heavily dependent on advanced payments from the investor, some are building a few units on a speculative basis. Taken together these supply-side developments provided genuine reason to believe that a "purchase certificate" program could work.

⁷ This pattern is described most clearly in several very recently completed studies on housing development in Russian cities. See Kaganova (1994, 1994a, 1994b).

III. THE OFFICERS RESETTLEMENT CERTIFICATE PROGRAM

The pilot program began in the last week of April 1994 when a total of about eighty officers received certificates. The recipients are officers from the "near abroad" on the waiting list for housing in the oblasts of Pskov and Novgorod which are located in Central Russia near Russia's border with the Baltic States. The description of the program is organized by the eleven tasks required for program implementation.

(1) **Identification of Certificate Recipients.** Eligible officers are those who, by the time they receive a certificate, were discharged from service in one of the following areas: any of the Baltic Republics, Germany, Poland, Hungary, The Czech Republic, Slovakia, Bulgaria, Romania or Albania. First priority is to officers who were discharged from the army from a "Baltic republic" after April 2, 1993 (the date of the Yeltsin-Clinton summit in Vancouver). Second priority is to officers discharged after April 2, 1993, from the relevant countries in Eastern Europe. Third priority is to officers discharged before April 2, 1993 from a Baltic republic and who continue to reside, or their family continues to reside, in the country where the officer previously served. All 80 initial certificate recipients come from priority categories one and three, with 53 being in category three.⁸

Selection of program participants from all eligible officers was made based on their position on the municipal waiting list; those longest on the list had the highest priority. (To the extent possible, local rules for municipal housing related to waiting lists, placement, and unit assignment are being followed.) Officers selected were given the opportunity to participate but were not required to do so. Officers who chose not to participate or who participate but are unable to secure a unit, do not lose their place on the municipal waiting list.

(2) **Certificate Pricing.** The city or oblast Housing Departments contract with independent pricing centers that exist in each oblast to estimate prices for each certificate issued.⁹ Each certificate bears three forward values with each value valid for one month. The value paid when the certificate is redeemed depends on the month of certificate redemption. Later dates have higher values to take into account that units sold further in the future will have a higher cost. Certificate values also vary among recipients because officers are entitled to different sized units based on family size and composition and the prevailing social norms for housing. Thus, two officers who receive their certificates at the same time may have a different series of values if their family composition differs. Two officers who receive their certificates at the same time but live in different cities are also likely to have different series of values because values are determined separately for each housing market. Values

⁸ An unredeemed certificate could be reissued and a few were, but the pattern reported in the text was unchanged.

⁹ These estimates are prepared following a methodology developed by the Urban Institute. The estimates were reviewed for accuracy by the independent reviewer described below.

were determined following the pricing methodology developed jointly by the local pricing center and the Urban Institute.

USAID imposed a limit of \$25,000 on each certificate to avoid excessive program cost--a constraint imposed shortly before the distribution of the certificates. Table 1 shows dollar prices listed on certificates for early months in the program. To meet the requirement of pricing in dollars, units were priced in rubles (the currency in which prices outside of the program are quoted in both cities) and then converted to dollars. This meant that both future housing prices and the exchange rate had to be projected--a tricky job at best and one made more difficult by the Central Bank of Russia's active intervention in the foreign exchange markets.¹⁰

The result of the Central Bank's intervention was that the ruble depreciated only at about half the rate of ruble inflation in the nine months before the certificates were distributed. It was clear in April that unless the ruble fell sharply against the dollar or subsidies from Russian sources were added, the program could prove unworkable for larger units by the summer if the price limit remained in place. That is, unit prices would substantially exceed the certificate value. In fact, until August exchange rate adjustment continued sluggish relative to inflation and certificate values were below estimated market prices.

¹⁰ During the first four months of 1994, the ruble depreciated at about half the rate of inflation. This is similar to the pattern for the last six months of 1993. Beginning in August, however, the ruble began depreciating much more rapidly.

Table 1
Dollar Prices on Military Housing Certificates
Issued in April 1994

Month and Number of Rooms in Unit	Novgorod	Pskov
May		
One room	\$15,722	\$17,506
Two rooms	22,756	25,338
Three rooms	27,307	30,405
June		
One room	17,123	18,806
Two rooms	24,784	27,219
Three rooms	29,741	32,663

(3) **Disbursement of Certificates and Program Explanation.** In each city the municipal housing department thoroughly explained the program process and rules to participants. This explanation included written materials detailing all aspects of the program and an officer orientation seminar featuring a slide and sound presentation that helped to insure consistency of presentation. Individual counseling and interviews followed the general presentation, and it was during these sessions that the certificate was given to the officer after a detailed examination of documents proving he was eligible to participate.

(4) **Supply Side Program Promotion.** For each city the Committee on Construction assisted by the Oblast Department for Capital Construction promoted the program to developers, brokers, and other sellers of newly constructed units. Promotional activities generally consisted of contacting builders known to the Administration (through lists of licensed firms) and a seminar to explain the program to sellers.

(5) **Collection and Distribution of Housing Market Information.** The Administration in each city compiled information on the region's market for new housing. This information included: the names, addresses and phone numbers of housing construction firms and developers and in some instances the addresses of buildings under construction. A representative from the organization which compiled this information prepared and distributed an information packet at the officer

orientation seminar and answered officers' questions. An employee of the organization was designated to answer officers' questions concerning the market during program implementation.

(6) **Certificate Registration.** Upon receipt of the certificate, the officer registered with the local bank contracted by the Urban Institute to administer the program. (The Institute was the overall program manager.) At the time the certificate was registered, the bank issued the participant a letter stating that the bank would pay a seller an amount up to the amount specified on the certificate when a completed unit of acceptable quality was delivered to the participant.

(7) **Unit Selection.** The officer was free to purchase any unit he desired subject to the following restrictions: the unit could not have been previously been occupied, and it had to have been constructed by a private firm. Former state building *kombinats* and "unified customers" (a kind of monopolistic developer under the Soviet system) that have been converted into private firms were eligible to participate. In addition, the unit had to have a certificate of occupancy before being purchased.

When an officer located the unit he wanted to purchase, and negotiated terms with the seller, the officer provided the bank information about the proposed agreement. The bank verified that the transaction was reasonable on three counts: (1) the unit meets or, if not yet constructed, is likely to meet, the quality standard necessary to obtain all municipal and oblast occupancy permits; (2) the unit is likely to be completed for the price agreed to; and, (3) the unit is likely to be completed in the time agreed to. If the bank determined that it is likely that the seller will not be able to deliver at the time and/or price agreed to, the bank advised the officer not to sign an agreement with the seller. However, the bank did not have the authority to prohibit the officer from signing an agreement.

In practice because of competition for units, many officers signed agreements without waiting for bank review. To address this situation, an optional presales agreement was developed that could be signed while still keeping the deal subject to a positive bank recommendation.

(8) **Certificate Expiration.** The officer had 90 days to enter into a sales or presales agreement. If the officer had not done so at the end of this period, the certificate expires. The officer had six months from certificate issuance to conclude unit purchase.

(9) **Unit Purchase.** When the unit was completed and ready for conveyance, the officer informed the bank. The bank verified that it has received the required occupancy permit. The bank then forwarded all substantiating documentation for the transaction to the program reviewer (see below), who verified that the

documentation is in order. The reviewer informed the bank and the Urban Institute that the transaction was valid and UI disbursed the funds to the bank. At the closing the bank paid the seller the contracted cost of the unit or the value of the certificate, whichever was less. If the cost of the unit exceeded the value of the certificate, the officer paid the difference. If the price was less than the value of the certificate, the officer kept the difference--a strong shopping incentive.

If the seller refused to deliver the unit at the originally contracted price, the officer could either pay the difference between the certificate value and the new unit price himself or choose not to take possession of the unit. In this latter case, the officer reports to the bank that the developer refuses to honor his contract. When the bank verifies this, the officer is issued a new certificate and begins the process again. However, the officer can only receive a new certificate once. If he is unable to redeem the second certificate, a new certificate is issued to another eligible officer. The limit on the reissuance of certificates to the same officer was expected to encourage officers to purchase almost-completed or already-completed units, which is desirable given the difficulty in forward pricing, and the limited time in which this program is to be completed.

(10) **Bank Compensation.** Each time the bank has made a disbursement, it applies for its fee to the Urban Institute; this is a fixed fee negotiated between the Institute and each bank. To receive its fee, the bank furnishes the Institute with proof that an officer has obtained a unit and that the seller and the officer were paid.

(11) **Program Review.** A U.S. accounting firm not otherwise associated with program implementation provides independent fiscal oversight of the program. This includes reviewing all proposed program procedures and documents to verify that they will allow for a thorough program evaluation. Each time the bank requested funding to redeem a certificate, the firm examined all documents supplied by the bank for compliance with program procedures and authorized the Institute to wire the funds.

IV. PSKOV AND NOVGOROD

Pskov and Novgorod Oblasts are located near the Baltics. Pskov Oblast shares its western border with both Latvia and Estonia, while Novgorod Oblast is separated from the Baltic countries only by Pskov Oblast. The two oblasts are located near Leningradski Oblast (St. Petersburg) in Northwest Russia, which constitutes part of the heartland of historic Russia. Both oblasts had populations of about three-quarters of a million in 1990, 70 percent of it in urban areas. Lastly, they have about the same land area--half the size of Virginia.¹¹

The two oblasts also had in common that housing production was at moderate to low levels in the time before the implementation of pilot program. In the city of Pskov housing completions in 1993 were 4.6 per thousand population; in Novgorod, 5.8. The expected completions in 1994 saw a considerable increase in Pskov to 6.4, while Novgorod experienced a drop to 5.0 completions per thousand population.¹² Similar data are given in Table 2 for cities in Russia for 1992 and for cities in Eastern Europe, and selected middle income and industrial countries for 1991. As shown in the table, the cities of Warsaw and Budapest had very low rates in 1991 when they were in the early stages of economic transition, one characteristic of which is a sharp fall in residential construction (Baross and Struyk, 1993).

In 1993 reform in the housing construction sector was underway but the former principal *kombinats* were still dominant. In the municipalities of Pskov and Novgorod the former main state producer still accounted for 71 and 49 percent of completions, respectively. For areas outside the main city, concentration was much less. Even with this dispersion, however, housing production is concentrated in a fairly small number of projects--because of the industrial methods employed, projects average about 200-300 units. Hence, housing production in both oblasts was characterized by a modest annual flow of new units--on the order of 3,000--concentrated both among a small number of producers and a small number of projects. Nevertheless, there were also some small projects, particularly of cottage housing.

Implications of this pattern for the certificate program include a lumpiness in the flow of units to the market and potentially strong monopoly power for the supplier who has a project completed or nearing completion just as the certificates are issued. It is important to note, however, that the producer's potential market power is blunted by the three months' search time given the officer and the overall limit of six months to complete a purchase. Hence, units already built plus those being completed in the six months following the issuance of the housing certificate are available to the officer.

¹¹ Data from New World Demographics (1992), Tables A-3, B-3.

¹² Figures from unpublished data provided by the Pskov Oblast Administration and the City of Novgorod Administration.

Table 2
Dwelling Units Completed per 1,000 Population
for Selected Cities: 1991 and 1992^a

<u>Russian Cities</u>		<u>Cities in Middle Income Countries</u>	
Moscow	6.3	Quito	9.28
Nizhni Novgorod	5.2	Istanbul	6.59
Barnaul	6.1	Monterrey, Mexico	6.01
St. Petersburg	2.3	Manila	5.73
		Kuala Lumpur	8.60
		Amman	12.48
		Seoul	7.16
<u>Eastern European Cities</u>		<u>Cities in Industrialized Countries</u>	
Bratislava	6.80	London	1.90
Warsaw	1.90	Toronto	7.28
Budapest	3.03	Washington, DC	6.60
		Amsterdam	7.60
		Stockholm	6.86
		Norway	5.64

^aData for Russian cities are for 1992. All other data are for 1991.

Sources: Russian cities, Daniell (1994); other cities, World Bank, published data from the Housing Indicators Program.

The part of the local administration responsible for the program differed between the two sites. The decision on this point was made between the main municipality and the oblast administrations before they sent a representative to an initial meeting called by Minstroi (the State Committee on Architecture, Construction and Housing--a Federation-level agency) about the pilot program.

In Pskov, the oblast government took responsibility for the program, specifically the deputy governor whose duties included construction. His view from the outset was that this was an oblast-wide program, i.e., that it not be limited to Pskov municipality. He also favored real competition among producers. His words on this point were supported by his record: the previous year he had contracted with an Estonian firm to build housing in the oblast in order to break the monopoly power of the oblast's main *kombinat*. He encouraged the actions of the team implementing the pilot program to market the program to developers and brokers. When program start-up was delayed, he personally became involved in trying to insure that developers completing projects would hold some units so that officers could consider them for purchase.

For the Novgorod program, the municipality took responsibility, specifically the Chairman of the Construction Committee. The chairman had a close relationship with the former state *kombinat* and viewed the program as one which should be of maximum benefit to this *kombinat* which was struggling financially. Thus he tried to limit the area in which officers searched to the city and limited the information provided to other developers about the program. (Some weeks into the program officers were obtaining more general information, partly through the effort of the administering bank, and they were permitted to purchase a unit anywhere in the oblast.) When the team implementing the program offered to organize mailings or make phone calls to developers in the region, he firmly declined the offer. The information kit provided to the officers as part of the briefing contained mostly materials about units available from the *kombinat*. This picture of the tight administration-*kombinat* relationship was confirmed in a consultant study by a Russian firm undertaken for a separate World Bank project (Kaganova, 1994b).

Thus, the situation at the time the certificates were distributed to officers in the two oblasts had both similarities and important differences. The main similarity was the structure of housing production. The main difference was the attitude of the local administration about the geographic scope of the program and the extent to which the administration favored the former state producer.

V. EXPECTED OUTCOMES

Based on the foregoing, the implementing team expected certificate recipients in Pskov to be more successful in finding units than their counterparts in Novgorod--meaning those in Pskov would find units faster and perhaps overall have a higher incidence of signing a presales agreement by the end of the three month life of the certificate. However, we anticipated officers to have difficulty finding housing in both markets because of the limits on prices and the lumpiness of supply. Such difficulties could be offset by some combination of aggressive action by the administration to get builders to "reserve" new units for officers, energetic searching by officers, or simply from the market for new housing being softer than observers suggested so that more new units would be available than suspected.

Aside from simple success in concluding a deal to purchase a unit, our greatest interest was in the officers' behavior in the market: Did their search include more than one seller and one dwelling unit? Did they do any comparative shopping? The most important point in this regard is the alien nature of the housing shopping process to the families involved. Even compared to other Russians, these military families had been able to exercise little choice in obtaining their housing. Consequently, the fundamental hypothesis is that only limited shopping was undertaken.

Beyond this, there are reasons to expect variation among certificate holders in the intensity of their housing search. In particular, five hypotheses were developed:

H1: The intensity of search depends on where the officer and his family were living when given the certificate, i.e., the ranking of search effort is (from least to most):

- (a) whole family was living in the Baltics
- (b) officer living in the Pskov or Novgorod
- (c) whole family in Pskov or Novgorod

Search intensity is defined as number of units seen, or seen and in the price range of their certificate.

H2: Among officers living in the Baltics, intensity of search depends on cost and difficulty of visiting Russia.

Difficulty and cost are defined as greater if the officer:

- (a) had to stay in hotel during his time out of the Baltics
- (b) had greater out of pocket costs for transportation, visas, and living expenses

- H3: Intensity of search depends critically on how the officer found the seller; in particular, those *directed* to sellers by the administration had the most limited search.
- H4: Those directed to a seller by the administration used fewer alternative resources to search for units, including brokers, newspapers, etc.
- H5: Officers who were directed by the administration to a particular seller or unit succeeded relatively quickly in signing a presales agreement.

VI. DATA COLLECTION

Data were collected in the middle of September, about 4.5 months after officers received certificates. This period includes a 1.5 month extension granted to officers in Novgorod to search for both new and existing units because of the program's very limited success there in the initial three month search period. (See the next section for additional information.)

Two types of information were gathered. First, basic information on each case was collected from the administrative records kept by the bank. Second, we attempted to interview all officers who had signed a presales agreement by the time of the survey--36 in Novgorod and 39 in Pskov, or a total of 75. The main difficulty was contacting respondents who were still living in the Baltics. Whenever possible in-person interviews were conducted with officers living in Pskov and Novgorod. Interviewers also administered the questionnaire to a few officers who were in the cities and visiting the administering bank during the field work. Interviewers attempted to reach and interview by telephone those officers who were indicated by the banks' records to be living in the Baltics and who had a telephone. Although 28 officers had closed the deals on their units, most units were not yet occupied because of the major finishing work that must be made on a unit after its completion by a Russian contractor. Officers in this group were quite hard to locate, as they had often left the Baltics but not yet moved into their new unit. In the end a total of 34 interviews were completed, 18 among officers issued certificates in Pskov and 16 among Novgorod officers.

The questionnaire administered to the officer or his wife concentrated on the search process, difficulties and costs encountered by officers living in the Baltics participating in the program, and their opinions about their experience with the program and suggestions for improvement. Search process data include how the officer gathered information on available units, including how he contacted sellers; whether he was "directed" by the administration to a particular seller; the number of units seen; whether he succeeded in reducing the asking price on the unit finally selected; and, the details of how he found the unit on which he signed a presales agreement.

VII. SUCCESS RATES

The overriding objective of the certificate program was to obtain housing for retired officers in a timely manner. Indeed, the main reason for conducting the pilot program was to answer the question as to whether officers, with adequate purchasing power, could indeed find housing on their own. The answer is a qualified "yes."

Figure 1 on the next page plots the cumulative number of presales agreements signed in the two sites during the first three months of the program, the search period for officers who received their certificates at the start of the program. In both sites combined, about 75 percent of officers issued certificates succeeded in finding a unit and signing a contract. We say approximately, because Novgorod only issued 36 certificates at the start of the program due to some administrative confusion. The remaining four certificates were issued over the next six weeks.

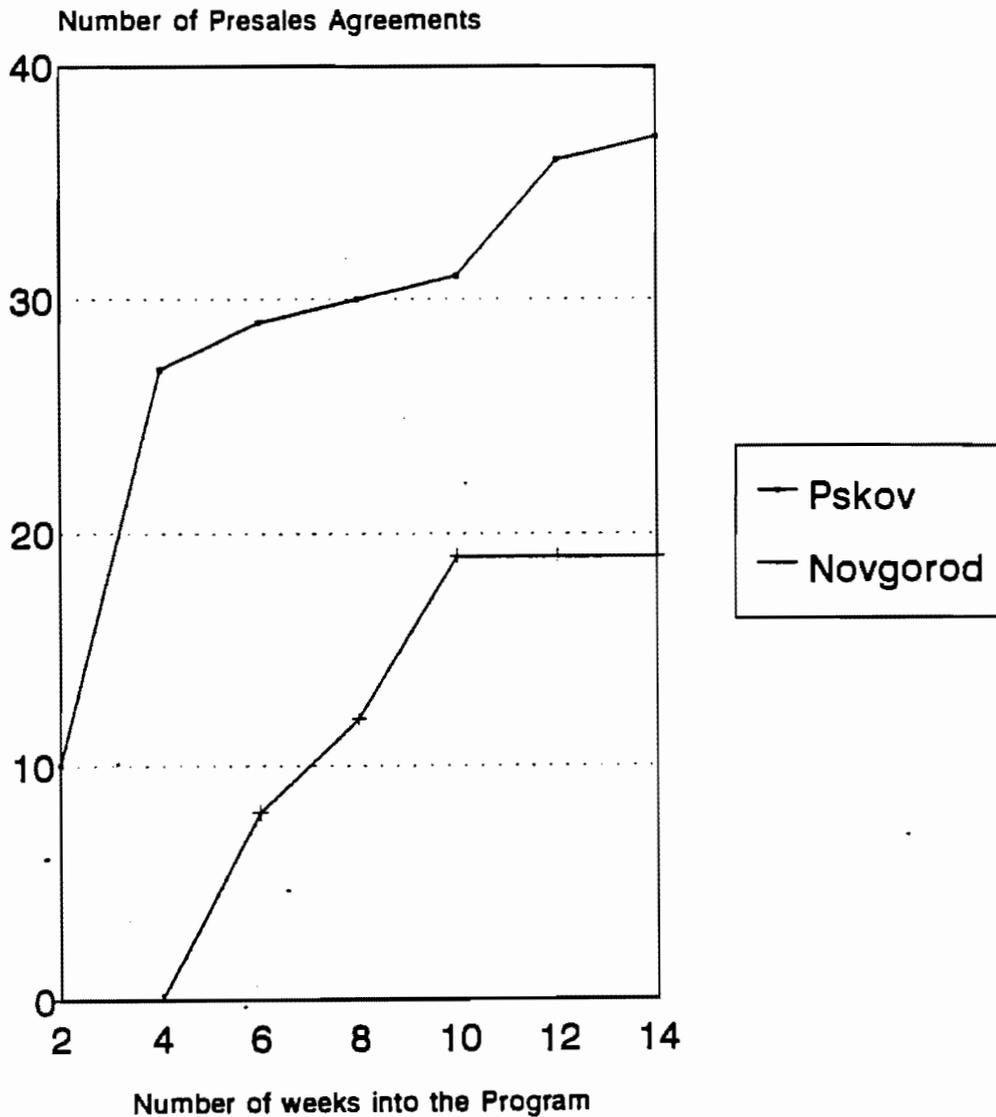
There are, however, very clear differences between the experiences of the two cities. In Pskov ten presales agreements were executed in the first two weeks and 17 more in the next two weeks. At the end of the observation period 39 of the 43 officers had signed presales agreements. The pattern through the first six months of the program has been that presales agreements have generally been concluded with a unit purchase. Hence, the program in Pskov can clearly be deemed to be successful.

The contrast with Novgorod is stark. Only after six weeks were the first eight agreements signed and only 19 agreements were signed over the fourteen week search period. The combination of the few presales agreements signed in the first ten weeks of the program, and the ever increasing political pressure to provide housing to officers coming from the Baltics, led USAID to change the program rules for Novgorod to permit officers to purchase existing as well as new units. Because of the time needed to implement the new procedures to accommodate the purchase of existing housing, officers were only notified that they could use this option near the end of the three month search period. The outstanding certificates were extended 45 days in Novgorod to give officers the chance to purchase a new or existing unit.¹³

What accounts for the difference in success rates between the two sites? As seen below, the behavior of the officers in searching for a unit does not account for the difference. While we cannot be certain, it appears that the main factor is the availability of units. Pskov enlarged the "effective supply" of units compared to Novgorod in several ways: (a) more units were far enough along in the construction process to be "eligible;" (b) the geographic area for eligible units was broadly defined from the outset; and (c) the administration did a better job in compiling information on available housing. Moreover, the Pskov Administration's active role in matchmaking for some officers at the start of the program clearly was an important factor.

¹³ See Annex A for a full accounting of program activity from the end of April, when the initial certificates were issued, until the end of September.

Figure 1
Number of Officers Executing Presales Agreements
During First 14 Weeks of the Program



Note: Certificates were initially distributed in the two sites during the last week of April 1994.

VIII. EXPERIENCE IN FINDING UNITS

As noted, there are two measures of the program's success. The first is simply how quickly the program could resettle the officers. The second is whether the officers participated in the housing market, thus choosing the apartment that was best for them for the best price. According to the first measure, the program in Pskov worked much better than in Novgorod. However, if we look at the second measure--market participation--the two sites appear to be equal or even Novgorod appears to be superior. The officers looking for housing in Novgorod contacted on average seven sellers, while the officers searching in Pskov only contacted on average four sellers. An important qualifier to this statement is necessary: Although this average excludes those officers who bought existing units, the average may be higher in Novgorod because many had the option to buy existing--i.e., many of those who eventually bought new units had investigated the secondary market.

The data on prices actually paid on completed transactions also support more careful shopping in Novgorod. In Novgorod there were seven cases in which officers bought apartments which had a price at least \$1,000 lower than their certificate value. In Pskov there were only two such cases. Every officer interviewed in Pskov replied that he was unable to reduce the asking price of the seller. In Novgorod, there was also little success, but two officers did manage to reduce the price. Officers in both cities felt that their choice was limited because the sellers set the prices according to the certificate value, which was well-known.

As part of the survey we asked the officers to describe in open format how they looked for their apartment. According to these descriptions about half of the officers in the two sites searched independently.¹⁴ Many did sign a presales agreement for a particular apartment recommended by the local housing administration or by the administering bank.¹⁵ Several of these were signed without undertaking any search, but some of the officers resorted to the administration's or bank's recommendation only after an exhaustive search that involved contacting sellers and brokers and responding to newspaper advertisements.

¹⁴ In Novgorod 9 out of 16 officers searched independently and in Pskov 9 out of 18. If the officer undertook a search that went beyond the list of sellers given by the municipality, then he was considered to have searched independently.

¹⁵ In Pskov 12 out of 18 officers found the apartment they were purchasing through a seller recommended by the administration or had their apartment chosen by the administration. In Novgorod 12 out of 16 officers found their apartments similarly, including by the administering bank's recommendation.

IX. INTENSITY OF SEARCH

We included several indicators to measure the intensity of the officer's search and have based the analysis on the following three indicators:

- (1) With how many sellers did you speak?
- (2) How many units did you find in your price range?
- (3) What was the length of time between when an officer had his certificate registered at the administering bank and when the officer submitted a presales agreement to the bank?

Hypothesis 1: The intensity of search depends on where the officer and his family were living when given the certificate.

The data in Table 3 for officers resettling in Pskov give weak support for this hypothesis. As we expected, officers coming from the Baltics to search in Pskov saw fewer sellers and found fewer units than the officers who were residing in Pskov at the time they received the certificate. This does not appear to be the case in Novgorod. Also counter to our hypothesis, the length of time between when the officer's certificate was registered at the bank and when the officer submitted a presales agreement to the bank was slightly longer for the officers from the Baltics. However, for both cities the results seem to be skewed by the experience of the officers coming from Latvia. These officers contacted many more sellers and searched for a much longer time than their compatriots coming from Lithuania and Estonia. There are several possible explanations for this. One is that the officers from Latvia cooperated with each other, sharing information on sellers. Another is that because of the strong Latvian currency they had more available funds for their search. Finally, it is possible that the officers from Estonia and Lithuania faced much greater pressure to relocate which precluded a more exhaustive search.

Another part of this hypothesis was that the intensity of the search would be diminished if the officer's family was residing in the Baltics while the officer was alone in Pskov or Novgorod. We were unable to test this part of the hypothesis because there was only one officer in each site who had a different residence than his family.

Table 3

Ho: Search Intensity Depends Upon Where Officer Is Located						
Indicator of Search Intensity	Pskov		Novgorod		Pskov and Novgorod	
	Baltics	Pskov	Baltics	Novgorod	Baltics	Pskov or Novgorod
Average number of sellers contacted	3.5	7.3	7.9	5.4	5.4	6.2
Average number of units found in price range	1.4	3.8	2.6	1.6	1.9	2.6
Average number of days between certificate registration and submission of presales agreement	36	27	77	71	54	51
Number of officers	14	4	11	5	25	9

Hypothesis 2: Among officers living in the Baltics, intensity of search depends on cost and difficulty of visiting Russia.

We found no clear pattern when we analyzed whether the reported costs related to travel from the Baltics influenced the intensity of the search. However, as we expected, those who were able to stay with relatives did search more intensively. In Pskov the officers staying with relatives on average contacted twice as many sellers as those who had to find other living accommodations (Table 4). In Novgorod the officers staying with relatives found on average 3.4 apartments in their price range compared to 2.0 apartments found by the other officers.

Table 4

Ho: Search intensity depends upon cost and difficulty of traveling from the Baltics.				
Indicator of Search Intensity	Pskov		Novgorod	
	Stayed with relatives	Other accommodations	Stayed with relatives	Other accommodations
Average number of sellers contacted	4.4	1.8	8.8	7.2
Average number of units found in price range	1.2	1.6	3.4	2.0

Hypothesis 3: Those officers directed to sellers had the most limited search.

We considered an officer to be directed in his search if the officer responded positively to the question "Did the municipality recommend a particular seller or a particular unit?" We expected that these officers would contact the fewest number of sellers. The results from the survey confirmed this (Table 5). In Pskov those officers who were directed by the municipality contacted half as many sellers as those who were not directed. In Novgorod there was a difference of two sellers between the directed and non-directed groups.

Table 5

Ho: Intensity of search depends on whether officer was directed to a particular seller by municipality.						
Indicator of Search Intensity	Pskov		Novgorod		Pskov and Novgorod	
	Directed	Not directed	Directed	Not directed	Directed	Not directed
Average number of sellers contacted	3.1	6.3	5.8	7.9	4.1	7.2
Average number of days before signing presales agreement	23	52	59	85	35	72
Number of officers	11	7	6	10	17	17

Hypothesis 4: Those directed to a seller by the administration used fewer alternative resources to search for units.

In both Pskov and Novgorod most of the officers who contacted sellers themselves, looked at other units and found other units independently were those who were not "directed" by the administration (Table 6).

Table 6

Ho: Those directed to a seller by the administration used fewer alternative resources to search for units. (percent)				
Did the officer-- (percent with positive response)	Pskov		Novgorod	
	Directed	Not directed	Directed	Not directed
contact sellers himself?	33	66	25	75
look at other units?	25	75	30	70
find additional units independently?	25	75	25	75

Hypothesis 5: Officers who were directed by the administration to a particular seller or unit succeeded relatively quickly in signing a presales agreement.

We found that most of the "directed" officers signed a presales agreement within one month of having their certificate registered (Table 7). In contrast, the distribution of presales agreement signings for the officers who were not directed by the administration is roughly uniform. In short, "directed" officers found units faster but considered fewer units.

Table 7

Ho: Intensity of search depends on whether officer was directed to a particular seller by municipality. (percent distribution)						
Number of months preceding the signing of a presales agreement	Pskov		Novgorod		Pskov and Novgorod	
	Directed	Not directed	Directed	Not directed	Directed	Not directed
One month	82	29	50	30	71	29
Two months	9	43	17	10	12	24
Three months	9	14	17	10	12	12
Four months	0	14	17	50	6	35
Total	100	100	100	100	101	100

X. CONCLUSIONS

Based on the limited experience in Pskov and Novgorod, the general conclusion is that a demand-side approach to subsidizing the acquisition of new housing by retired or demobilized officers can work in Russia. The certificate program is more robust when the supply of new units is plentiful--both through the completion of new dwellings and through giving a generous definition to the area within which the officers can search for housing. Moreover, energetic program administration appears to make a difference in success rates.

The majority of officers conducted a real search in the market, each contacting several sellers. Even officers who were directed by the local administration to a particular seller on average contacted three sellers in Pskov and about six in Novgorod. While only a handful of officers were able to obtain units priced \$1,000 or more below the certificate price, presumably most were able to obtain units more to their liking through the search process rather than simply being assigned a unit.

Officers still living in the Baltics when they received the certificates contacted about the same number sellers than those living in Pskov and Novgorod. Again, most contacted multiple sellers. For these officers being directed to available units by the local administration often proved helpful. Nevertheless, active intervention by the local administrations should be clearly limited as it is clear that such intervention results in officers conducting a decidedly less active housing search. In general, we would discourage proposals for more active "matchmaking" by local administrations on the ground that officers have demonstrated their ability to operate in the market and that more intervention will likely result on average in less good matches between the officer's desired unit and the unit obtained.

Other proposals for making the program more effective have been proposed in recent months. One is to extend the search period (and therefore the total life of the certificate), on the ground that it will increase the number of units which can be considered by the officer. While some modest increase search time--30 days perhaps--could be considered, the costs of making this change should be appreciated. A longer search time reduces the pressure on the officer to find a unit and leave the Baltics quickly, thus working against the fundamental goal of the program. Extending the search period also increases administrative costs by lengthening the time during which local administrators, the participating banks, and USAID and its U.S. contractors must monitor and administer the program.

A second proposal for improving the program has been for USAID to permit funds pledged to a unit in a presales agreement to be used to finance the completion of a partially completed unit which is lacking the necessary construction period finance. This type of proposal, made from the first days of the program, have been stoutly resisted because of the enormous complications which arise if the unit is not in fact completed. The risks of non completion expand sharply when the presales agreement is on one unit in a multifamily building, and when all of the units

purchased in the program are in such buildings. In fact, once some experience was gained with the program, local banks and Administrations have begun making loans to developers to complete units for offer in the program. This is a positive development; but with banks and the Administration having their own funds at risk, one can expect them to increase their efforts to direct officers to particular buildings thereby limiting officers' housing choice. Because the program has worked satisfactorily without the proposed certificate-based loans, we are strongly against considering this change.

In closing it is worth noting that the effectiveness of the certificate approach has already been recognized. In August Governor Boris Nemstov of the Nizhni Novgorod Oblast proposed a special demonstration of the certificate program for retired officers on housing waiting lists in his oblast; funding would come from the Russian Federation appropriations for housing retired officers. President Boris Yeltsin agreed to the proposal and the 30 billion ruble program is now being launched. The program differs from the Pskov and Novgorod program in that both new and existing units are eligible for purchase by certificate holders.¹⁶ If the program is successful and is expanded to the regular form of assistance to officers, Russia will have taken another step in reorienting its housing policies from those supporting state construction complexes to those enhancing consumer sovereignty.¹⁷

¹⁶ The USAID-supported program was also changed in August to permit purchase of both new and existing units. The program was also expanded to 2,500 certificates, which will be allocated to several oblasts.

The Nizhni Novgorod program differs from the one described here in that officers will receive a certificate worth 80 percent of the estimated price of a unit rather than 100 percent. They must produce the other 20 percent themselves. However, mortgage financing at market rates will be available for qualified borrowers, possibly to cover this full amount. Note that the federal budget provides 100 percent of the funding. Loan repayments are retained by the oblast for funding future certificates.

¹⁷ In December 1993, by a Council of Ministers Resolution, the Government created a subsidy program which provides assistance to families on municipal waiting lists to purchase a unit. The subsidy is made at the time of purchase (a downpayment subsidy) and it ranges from 5 to 70 percent of the price of a unit (within certain limits), with higher subsidies going to lower income families and families who have been on the waiting list more years. Thus, subsidized unit purchase in which the family chooses the unit, replaces the assignment of a municipal unit to the family when the family reaches the top of the waiting list.

REFERENCES

- Alexeev, M. (1988) "Market vs. Rationing: The Case of Soviet Housing," *Review of Economics and Statistics*, vol. 70, no. 3, pp. 414-20.
- Andrusz, G. (1990) "Housing Policy in the Soviet Union," in J.A.A. Sillince (ed.) *Housing Policies in Eastern Europe and the Soviet Union*. London: Routledge, pp. 228-358.
- Baross, P., and R. Struyk (1993) "Housing Transition in Eastern Europe: Progress and Problems," *Cities*, vol. 10, no. 3, August, pp.179-88.
- Bessanova, O. (1992) "The Reform of the Soviet Housing Model," in B. Turner, J. Hegedus, and I. Tosics (eds.) *The Reform of Housing in Eastern Europe and the Soviet Union*. London: Routledge, pp. 276-89.
- Kaganova, O. (1994) "Survey of Developers in St. Petersburg." St. Petersburg: AUREC, Report Prepared for the Urban Institute, processed.
- _____ (1994a) "Survey of Developers in Barnaul." St. Petersburg: AUREC, Report Prepared for the Urban Institute, processed.
- _____ (1994b) "Survey of Developers in Novgorod." St. Petersburg: AUREC, Report Prepared for the Urban Institute, processed.
- Kalinina, N. (1992) "Housing and Housing Policy in the USSR," in B. Turner, J. Hegedus, and I. Tosics (eds.) *The Reform of Housing in Eastern Europe and the Soviet Union*. London: Routledge, pp. 245-75.
- Kosareva, N. (1992) "The Housing Market and Social Guarantees," *Studies on Soviet Economic Development*, vol. 3, no. 1, pp. 38-46.
- New World Demographics (1992) *The First Book of Demographics for the Republics of the Former Soviet Union: 1951-1990*.
- Puzanov, A. (1993) "The Quality of Housing in Moscow and Its Relationship with the Resources of the Family," *Voprosi Ekonomiki* [in Russian], vol. 64, no.7, pp. 89-98.
- Ruble, B. (1993) "From Khrushcheby to Korobkt," in Wm. C. Brumfield and B. Ruble (eds.) *Russian Housing in the Modern Age*. Cambridge: Cambridge University Press, pp. 171-210.
- Struyk, R., and N. Kosareva (1994) "Transition in the Russian Housing Sector: 1991-1994." Washington, DC: The Urban Institute.

United Nations Centre for Human Settlements and the World Bank (1993) *The Housing Indicators Program, Volume I: Report of the Executive Director*. Washington, DC: World Bank, processed.

World Bank (1993) *Russia: Housing Reform and Privatization*. Washington, DC: author, Report No. 11868-RU, draft, May.

ANNEX A

PROGRAM ACTIVITY IN FIRST 24 WEEKS								
Date period ends	PSKOV				NOVGOROD			
	Certificates issued	Presales agreements	Units purchased (closed)	Certificates canceled	Certificates issued	Presales agreements	Units purchased (closed)	Certificates canceled
May 14	41	10	0	1	36	0	0	0
May 27	41	27	0	1	36	0	0	1
Jun 10	41	29	3	1	38	8	0	1
Jun 24	41	30	9	1	38	12	4	1
Jul 08	41	31	10	1	40	19	4	1
Jul 22	41	36	10	1	40	19	4	1
Aug 05	41	37	11	3	40	19	4	1
Aug 19	41	38	13	3	40	20	5	1
Sep 02	43	39	13	3	40	27	10	1
Sep 16	43	39	14	3	40	36	14	4
Sep 30	43	39	16	3	40	36	17	6
Oct 14	43	39	16	3	40	36	19	6

Note: The figures in this table are cumulative. The Novgorod figures include purchases of existing units as well as new construction. The relatively small number of closings at the end of the observation period in Pskov is due to the fact that twenty-one officers are waiting for units in one building which should be completed at the beginning of November.

The Office of Housing and Urban Programs of the Agency for International Development (USAID) addresses the shelter and urbanization needs of developing and formerly planned economies. In addition to administering the USAID Housing Guaranty Program, the Office supports a broad spectrum of urban activities in program planning, management and capital investment to benefit low-income urban families.

Office of Housing and Urban Programs
U.S. Agency for International Development
Washington, D.C. 20523

The Urban Institute's International Activities Center extends the Institute's expertise on the domestic policy front to help solve similar problems in other countries. Institute staff have now provided policy analysis and policy implementation assistance to 23 nations. International activities focus on three main issues: housing and housing finance; urban development and management, including infrastructure and municipal finance; and human resources, including health care financing and family planning. International Activities project papers can be obtained from:

The Research Paper Sales Office
The Urban Institute
2100 M Street, NW
Washington, D.C. 20037

