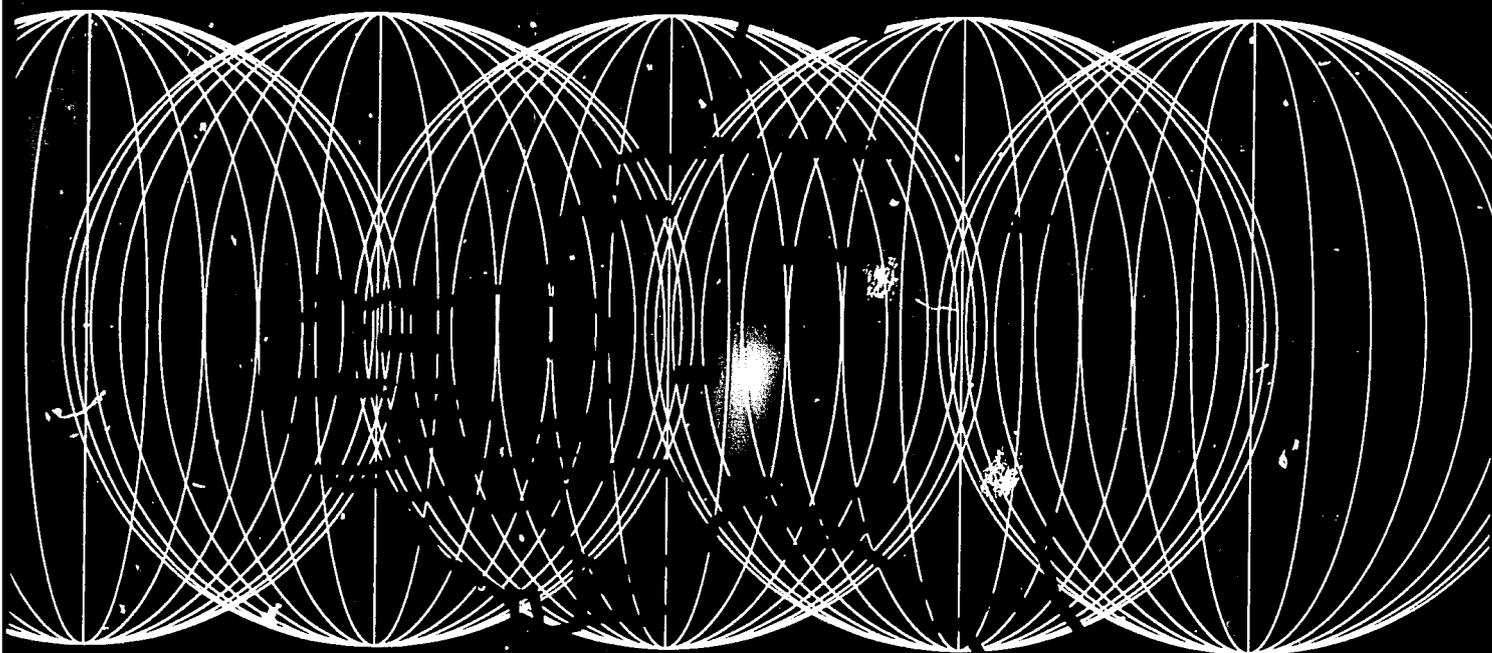
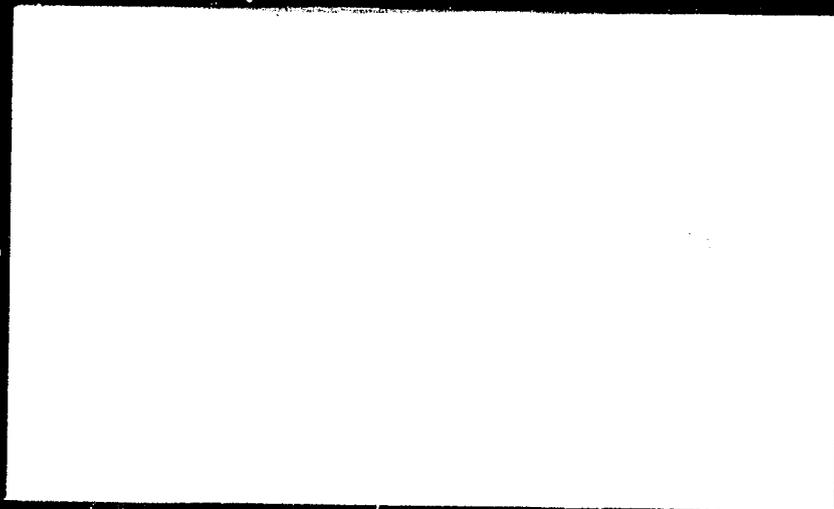


PD-ABE-~~9~~453  
80003

# FROM PLANNING TO MARKETS HOUSING IN EASTERN EUROPE



**THE URBAN INSTITUTE**  
Prepared for the Office of Housing and Urban Programs (USAID)

**SHELTER SECTOR REFORM PROJECT  
RUSSIAN FEDERATION/CITY OF MOSCOW**

**MONTHLY REPORT**

**SEPTEMBER 1992**

Prepared by

Raymond Struyk  
Jeff Telgarsky

The Urban Institute  
2100 M Street, NW  
Washington, DC 20037

Project 6306-01  
October 1992

Prepared for

Office of Housing and Urban Programs  
U.S. Agency for International Development  
Contract CCS-0008-C-00-2055-00

- 1 -

**MONTHLY REPORT — SEPTEMBER 1992**

**SHELTER SECTOR REFORM PROJECT  
RUSSIAN FEDERATION/CITY OF MOSCOW**

**A. PROGRAM ACTIVITIES — RUSSIAN FEDERATION**

**Housing Allowances**

Ray Struyk (Urban Institute (UI) staff) and Nadezhda Kosareva (CCN consultant) met several times with the Russian group drafting the Presidential Decree on housing allowances to define options to be studied by the USAID technical assistance team. Struyk and Kosareva also briefed A.F. Fedchenko, head of the Complex of Investment Policy at the Ministry of Economy, on housing allowances.

In mid-September Jennifer Daniell (UI staff) arrived in Moscow to train Russian counterparts from the Institute of Economic Forecasting in the use of a simulation model developed by the Urban Institute to evaluate the costs and effects of different housing allowance program designs. The Institute is under contract to Ministry to develop a housing allowance program design.

These simulations provided valuable input into the process of drafting the Presidential Decree on housing allowances; team members attended several meetings to discuss the implications of the simulation results. A final version of the draft decree, which is technically well-structured, was completed at the end of September.

Struyk and Kosareva also briefed 40 city officials and Deputies of the City of Moscow Soviet on housing allowances and prepared a 10-page summary report for distribution among city officials. Following this, Struyk and other team members have been working intensively with Mrs. Kuznetsova, Deputy Director of the Department of Infrastructure Services) to develop a housing allowance proposal for consideration by the Moscow City Government. A meeting to present the proposal is scheduled for 13 October 1992. If adopted, Moscow will be the first Russian city to take this action.

**Development of the Legal Framework**

An extract on policy from a paper on land taxation and registration prepared by Ira Lowry (under a prior USAID contract) was translated into Russian and widely distributed to selected committee members of the Supreme Soviet and government officials.

Struyk and Kosareva met with Mr. Darendayev, Chairman of the Supreme Soviet's Subcommittee on Housing, to discuss the most recent draft of the housing reform law. Many changes suggested by previous USAID technical assistance advisors had been accepted. Mr. Darendayev welcomed any comments which could

be provided relating to the current draft, which will be finalized in October.

Struyk and Kosareva reviewed (in meetings and in writing) draft Presidential Decrees on acceleration of housing privatization and on a voucher program to improve access to housing for households currently on housing waiting lists. The draft decrees were finalized in the last week of September.

### **Housing Finance**

A proposal to establish a housing finance technical assistance and training program with MosBusinessBank was developed by Struyk and submitted to USAID for approval. MosBusinessBank has some experience in construction lending, is regarded as a sound financial institution, and will provide competition to Sberbank (the traditional housing lender). The technical assistance would provide MosBusinessBank with support to establish a pilot program of mortgage lending. The technical assistance would include some short-term consultancies, study tours, and part of the time of Struyk and Kosareva over the coming year.

The program was approved in principle by Sean Walsh of USAID during his visit to Moscow at the end of September. Negotiations with MosBusinessBank on finalizing the details of the assistance are proceeding. It is expected that the program will begin in earnest in the latter part of October.

## **B. PROGRAM ACTIVITIES — CITY OF MOSCOW**

### **Housing Maintenance Pilot Project**

Based on work previously carried out by short-term consultants to USAID, Angus Olson (UI staff) arrived in Moscow on 25 September to take up his long-term advisor position and begin implementing the housing maintenance pilot project. Olson spent the first half of September in Washington gathering materials and preparing for the training courses which will be held as part of the pilot program. It was agreed that Quadel Consulting (a subcontractor to the Urban Institute) will provide short-term consultants to assist Olson with the first round of training planned for October.

Prior to Olson's arrival, Nicolai Maslov, head of the Office of Privatization, Department of Housing, advised Struyk that a resolution was being considered by the City which would transfer all housing functions to the Department of Housing. This would offer great potential for simplifying housing functions in the City. Struyk has agreed to provide advice on detailed proposals for restructuring at the municipal level.

## **Housing Reform Concept Paper**

The reforms being considered by the City of Moscow—housing allowances, improved housing management, and the like—are being presented as part of an overall "housing concept" paper being drafted by Maslov and his staff. Struyk and Kosareva have provided comments and suggestions for the draft. The draft was approved by Mayor Luzhkov at the end of September. The paper is being translated into English and will be distributed to USAID in Washington and Moscow.

## **Condominium Law and Associations**

Maslov has also requested assistance be provided to the City to organize owners' associations in buildings with privatized units. In response to this request, a program which includes both a study tour in the U.S. to observe the operation of condominium associations and understand the legal and managerial framework within which condominiums function. This tour would be followed by training sessions in Moscow on the formation and operation of condominium associations.

It is expected that the U.S. study tour will take place in November, with follow-up training beginning in January.

## **C. PROGRAM ACTIVITIES — GENERAL**

### **Sector Monitoring**

Struyk met with teams from the Institute of Economic Forecasting to discuss two monitoring studies: (1) a longitudinal sample of 2,000 housing units in Moscow which were state rentals as of January 1992 to monitor developments in the rental sector; and (2) collection of a series of indicators on the performance of the housing sector (similar to those collected by the World Bank's housing indicators project). The Institute is preparing budget estimates of the costs of carrying out these studies.

In support of these studies, USAID is sponsoring the attendance of Oleg Pchelintsev at a conference to be held in early November in the Netherlands on the World bank housing indicators project.

### **Workplan for September 1992-February 1993**

Sean Walsh of USAID met with Struyk in Moscow to reach final agreement on the workplan for the six months beginning in September 1992. Agreement in principle was reached on the workplan; a final version will be formally transmitted to USAID in early October. It was agreed that, in light of the genuine opportunities

for productive technical assistance at this time with the Russian Federation and the City of Moscow, the workplan would be structured so as to scale back some planned activities and devote a larger than proportional share of program resources to the first year's activities. Walsh will meet with Jeff Telgarsky (UI staff) in Washington in early October to finalize budget estimates and the overall spending plan for the life of the project.

#### **D. NOTABLE DEVELOPMENTS CONCERNING THE HOUSING SECTOR**

There are indications that housing construction will decline even further in 1993. It has been reported that 1991 construction is down 30 percent from 1989 levels and that 1992 production will be 60 percent lower than in 1989. The City of Moscow managed to maintain its production of 3 million square meters of new housing, but is financing about 25 percent of the cost through the government deficit. Production will have to be cut if less than 10 percent of the units cannot be sold to private purchasers. Orders for housing by state-owned enterprises are sharply off.

On 16 September Mossoviet began issuing certificates for the privatization of flats, using legislation previously passed that embodies the voucher system. Citizens who have already received their unit under the City Government program are also applying for certificates under the Mossoviet program. This competition between governments will create uncertainty among would-be unit purchasers and is likely to slow the pace of privatization in Moscow (which had been the clear leader).

Russia's major business Magazine, *Kommersant*, reports that the U.S. company, Blue Marble Partners, has entered into a joint venture with a Russian company to establish a training center in Moscow for professional real estate appraisals.

#### **E. LOGISTICS AND PLANNED TRAVEL**

##### **Logistics**

Offices have also been obtained through Minstroy. The offices are located at the Lubyanka metro stop; the address and telephone are as follows:

Furkasovskiy Pereulok 12/1  
Rooms 300, 301  
Moscow 101819

Telephone: (7095) 928-7336  
FAX: (7095) 924-7963

An English-speaking secretary and office manager have been recruited. In addition, a car and driver have been placed on hire to handle local transportation and deliveries. Other supporting office equipment—PCs, printers, FAX, and photocopier—have been provided through the Urban Institute or purchased as authorized under the contract.

Electronic mail (e-mail) services have been established between the Urban Institute in Washington and the Urban Institute office in Moscow. E-mail allows messages and documents to be transferred in digital form over the INTERNET computer network. The relevant e-mail addresses are:

UI/Washington: SMTP%"rus630601@ui.urban.org"

UI/Moscow: SMTP%"urbaninst@glas.apc.org"

Struyk can be reached at his apartment most evenings between 1:00 pm and 3:00 pm (Washington, DC time) at (7-095) 241-5335.

### **Planned Travel**

The following travel to Moscow is planned for October/November:

Steven Butler (Legal consultant)  
2-24 October

Ned Syms (Quadel Consulting Corporation; housing management trainer)  
25 October-7 November

Marisol Ravicz (UI staff; housing finance specialist)  
30 October-14 November

Dick Pratt (Housing finance consultant)  
8-14 November

## **F. BUDGET AND LEVEL OF EFFORT SUMMARY**

Budget (Actual expenditures, excluding UI fee)	
September 1992	\$59,745
Project to date	\$59,745

Level of Effort (person-months)	
September 1992	5.34
Project to date	5.34