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

**MONTHLY REPORT**

**JANUARY 1993**

Prepared by

Raymond Struyk  
Jeff Telgarsky

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

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**A. Program Activities — Russian Federation**

**Development of the Legal Framework**

Steven Butler (SSRP Legal Advisor) met with Anvar Shamosafarov (State Committee on Architecture and Construction) to discuss how the technical assistance team can most effectively participate in the preparation of the codex that will implement the Law on the Fundamentals of Housing Policy in the Russian Federation, which was passed on December 24, 1992.

**Housing Finance**

The Supreme Soviet will be taking up President Yeltsin's Budget Proposal for 1993. Of great interest is the proposal to use rub 285 billion of state debt to support the development of mortgage financing. This proposal had its genesis in the USAID technical assistance team's joint work with the Ministry of Finance. One of the U.I.'s specific proposals was for the creation of a mortgage loan agency. At the request of Anvar Shamosafarov, the proposal was also given by Nadezhda Kosareva (SSRP Consultant) to the State Committee on Architecture and Construction.

Kosareva met with the potential participants in the "Working Group on Housing Finance" of the Russian Government's Working Center for Economic Reform. General approval to participate was received from the following: The Ministry of Finance; The Ministry of Economy; The State Committee on Architecture and Construction; Sberbank; Mosbusinessbank; the Joint-Stock Mortgage Bank; and The Department on Economic Policy (Moscow Government).

Butler's memo with comments on the Mortgage Law was translated and given to Mr. Zadonsky's Working Group at The Supreme Soviet; this was done at their request.

Alexander Puzanov (SSRP Consultant) made projections( using various scenarios) regarding mortgage loan affordability for the current income distribution in Moscow. The results were presented as a "new system for the financing of housing construction" to the working group of The Moscow City Council Committee on Architecture.

Steven Butler spent the second half of January working intensively with MOSBUSINESSBANK staff on legal aspects of mortgage lending. (All of the team's housing finance materials and model documents were translated and forwarded to the Legal Department of MOSBUSINESSBANK prior to Butler's arrival.) His objective is

that by the end of next week to have achieved working drafts of all of the principal documents used in loan origination that have significant legal implications, including the application, commitment letter, disclosure form, loan contract, and promissory note. Butler gave presentation on January 25 providing a general overview and has been working with bank staff on individual instruments daily since then.

Butler also prepared a draft paper on legal aspects of mortgage lending in Russia. It was discussed at the end of January with a knowledgeable Russian lawyer to determine how actual practice differs from the statement of the law. Another meeting is planned in early February. Butler will finalize the paper based on these discussions.

Ray Struyk (SSRP Housing Policy Advisor) and Kosareva met with three banks this week to discuss the possible creation of a "center for Russian mortgage lending," which would be owned by several banks interested in mortgage lending and which would offer consulting services and educational programs to member and non member banks. The banks were: Sberbank, the Mortgage Standard Bank, and the Joint Stock Mortgage Bank. Reception to the idea was very positive.

### **Housing Allowances**

Kosareva and Struyk met with Igor Bychkovsky and Irina Minc, Director and Deputy Director, respectively, of the Institute for Housing and Communal Economy (IHE), to discuss the work program for housing allowances. IHE will work directly with cities and republican, krai, and oblast governments to assist them to design their programs of raising rents and introducing housing allowances. The SSRP team will support the Institute by training staff, helping develop some strategies, and reviewing strategies developed by the Institute. A joint, two-day USAID-IHE-Gostroi conference will be held in April on the Law on Fundamentals of Housing, with an emphasis on housing allowances.

## **B. Program Activities — City of Moscow**

### **General**

Michael Lippe, Sean Walsh, and George Deikun of USAID and Struyk and Kosareva met with Nikolai Maslov, coordinator of the shelter cooperation program for the City of Moscow, to review progress on housing privatization and the cooperation program. Maslov reported that by the middle of February 500,000 units will have been privatized in the city.

The Department of Municipal Housing is establishing an Office of Property Tax Policy; the Office of Tax Inspection is engaged solely in tax collection. Struyk has provided some materials to Maslov on policy issues involved in defining and administering the property tax. This includes the paper Jack Lowry prepared for the USAID Russian technical assistance program last May. Further discussions are likely in the weeks ahead.

### **Housing Maintenance Pilot Project**

Angus Olson (SSRP Housing Management Advisor) finished drafting the pilot program Request For Proposals (RFP), and it has been translated into Russian. The 2,000 flats included in the pilot program have been divided into three discrete solicitations, and three contracts are anticipated to be executed with an effective date of March 1, 1993. Olson also began work on the drafting of the model contract. Drafts of the RFP and the management contract will be provided to AID for review at the first of the week.

The procurement phase of the pilot program remains on schedule. Olson completed the detailed schedule of actions over the next month that will result in contracts for housing maintenance being signed on March 1. He arranged for ads announcing the program and the request for proposals to be placed in three newspapers. A final round of meetings with senior government officials is underway to insure that everyone is "on board."

Olson briefed George Deikun of USAID Moscow regarding the pilot, and introduced him to the Russian counterparts at the Prefecture and Sub-Prefecture. A tour of buildings and flats included in the pilot program was also conducted for Mr. Deikun.

Olson, Struyk, and Kosareva met with Minc and Bychkovsky for IHE to discuss the projected summer conference on the maintenance demonstrations and housing allowances. Holding the conference prior to July would not give sufficient time to monitor the changes in outcomes from the shift to private management. On the other hand, we were advised that July and August are poor months to hold such a conference because of the large number of people on vacation. Consequently, it was decided to hold the conference in the second half of September. (There is a potentially competing conference that will be held in the first week of September.) The conference, likely to last four days and to held in suburban Moscow at a "rest house," will cover both the maintenance pilot projects and housing allowances. The sponsors will include USAID, IHE, and probably Gostroi and the Committee on the Municipal Economy.

Final arrangements were made for the Owners Study Tour which will occur on January 26-February 3. All document preparation is complete and the agenda for the tour in Washington is set.

### **Housing Allowances**

Kosareva and Puzanov met with Ludmilla Kuznetsova, Deputy Director of Department of Communal Services, to discuss the proposals contained in the paper on administering housing allowances. Kuznetsova continues to use the paper as the basis for discussions with others about the administrative structure of the housing allowance program. Some changes were required in light of recent significant developments at the federal and local levels; agreements were reached for most of the changes.

Mrs. Kuznetsova is also preparing a certificate to allow the panel survey to be administered to participants in the demonstration program.

### **Condominiums**

Mrs. Terokina (of Maslov's staff) and others have prepared a draft condominium law which, in part, builds on Butler's earlier draft law. Butler has reviewed it and met with her this week. He still has several issues and will prepare a memorandum outlining these points. We will discuss options on how to proceed with Mr. Maslov in early February.

Maslov informed us that the Department of Municipal Housing will, effective February 1, create a new office to deal with the formation of condominiums. The SSRP team will now proceed with arranging the assistance programmed for setting up this office and training the staff to work in helping create condominium associations.

## **C. Program Activities — General**

### **Sector Monitoring**

The team took delivery of the drafts of two major products on January 22: (a) the housing indicators for 1989-1991; and (2) the data from the survey of 2,000 households in Moscow living in units that were state rentals as of January 1992. Both of these data gathering tasks were executed by staff at the Institute for Economic Forecasting. Early review suggests that both products are in good shape and more detailed reviews is now being undertaken. For the interview data, this consists mainly of doing consistency checks on data within individual observations.

For the indicators, checking what was done against what was called for in the UNDP-World bank guidelines, supplemented by the team's instructions. Copies of the final products will be sent to USAID in a few weeks.

### **Coordination with Novosibirsk and Ekaterinburg**

Mark Brown, the new Resident Advisor to Ekaterinburg, was briefed by Moscow SSRP team members during his Moscow stopover on the way to his post.

Olson met with the group of officials from Novosibirsk who were en route to the study tour for "housing owners" in Washington to describe the housing maintenance demonstration program he is directing.

Struyk met with Ruth O'Sullivan (SSRP Advisor in Novosibirsk), who is accompanying the Russians on the study tour, to discuss the simulations of housing allowances the Moscow team will do for Novosibirsk. A mutually agreeable schedule for this work was determined.

### **D. Notable Developments Concerning the Housing Sector**

Mr. Chernomyrdin, the new Prime Minister, instituted temporary price controls this week on a number of basic consumer goods (such as bread) in an effort to curb inflation, reduce hoarding of currency, and restore consumer confidence.

The "Law On Fundamentals of Federal Housing Policy" adopted by the Supreme Soviet on December 24, 1992, has not yet been signed by President Yeltsin; he is expected to sign it momentarily.

The December 23, 1992, Resolution of The Supreme Soviet of The Russian Federation—"On Introducing Changes and Amendments into Law of the Russian Federation: On Privatization of the Housing Stock in RSFSR"—was signed by President Yeltsin and was officially published. This Law declares free privatization of the housing stock in all of the RSFSR. Unfortunately, some of the articles are aimed at preserving the monopoly of existing housing maintenance organizations. However, this will be offset by language in the "Law on the Fundamentals of the Federal Housing Policy" which states "...the necessity for competition among different forms of ownership enterprises in the sphere of housing maintenance."

Mr. Shamosafarov is the leading candidate for the top position at the newly created "Executive Department on Housing Policy" within the State Committee on Architecture and Construction. This department will consist of three divisions: housing reform (including legislation), housing construction, and housing financing.

## **E. Logistics and Planned Travel**

### **Program Resources**

The SSRP team had to give up our space in the building belonging to the Supreme Soviet on Novi Arbat on January 29. The team has received a small (10 square meter) room to use on an interim basis from Mr. Maslov. A better solution is hoped for with Gostroi shortly.

### **Planned Travel**

There is no planned short-term travel for February.

Marisol Ravicz is scheduled to travel to Moscow March 1-13 to begin providing technical assistance to Sberbank.

Other travel in March is likely to include advisors in the fields of housing allowances and condominiums.

### **Program Management**

Sean Walsh and Michael Lippe of USAID visited Moscow for a program review. This review was held with AID/Moscow and there was general agreement that the program should go forward for the next period (March 1993-March 1994) as outlined in the draft work plan prepared by the Urban Institute. Walsh and Lippe met with Minister Basin, with MOSBUSINESSBANK, and with senior Sberbank management.

## **F. Budget and Level of Effort Summary**

### **Budget (Actual expenditures, excluding UI fee)**

January 1993	\$64,446
Project to date	\$477,749

### **Level of Effort (person-months)**

January 1993	4.86
Project to date	29.46