

PD-ABG-992

IN 8-1310

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

**MONTHLY REPORT**

**AUGUST 1993**

Prepared by

Raymond Struyk  
Sheila O'Leary

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

Project 6306-03  
September 1993

Prepared for

Shelter Sector Reform Project, Russian Federation/City of Moscow  
Project 110-0008  
U.S. Agency for International Development, PRE/H/NIS  
Contract CCS-0008-C-00-2055-00

- 1 -

**MONTHLY REPORT — AUGUST 1993**

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

**A. Program Activities — Russian Federation**

**Notable Developments**

Alexander Matrosov, Director of the Moscow Department of Engineering Provision, has asked for the Privatization of the Maintenance Pilot Program to be accelerated. The recent positive results of the Tenant Satisfaction Survey prompted Matrosov to praise the privatization program at a press conference, and to solicit bidders for the 5,000 new units included in the offering of the Department of High Rise Buildings. Beyond the 5,000 units, a concrete target of 25,000 additional units for the 4th quarter of 1993 was set. Long range targets were set that will expand the Pilot to a total of more than 250,000 units by the end of 1994.

The Shelter Sector Reform Project will celebrate its first anniversary on September first. The team has prepared a tabulation of accomplishments in sector reforms against the goals set eleven months ago. The record shows that the program with the City of Moscow and the Russian Federation has achieved or surpassed every objective set.

**Legal and Policy Developments**

The Fundamentals of Land Legislation was passed by the Supreme Soviet. However, President Yeltsin has declined to sign the law. The official reason given was that the law gives excessive powers to local soviets and is too concentrated on agricultural land issues.

On August 6, Gosstroi's Scientific and Technical Council, Committee on Problems and Forecasting of Housing Policy met to review the draft "Interim Condominium Regulations." Nadezhda Kosareva (CCN Consultant), who is a member of this Committee and the designated reviewer of the draft, made the official presentation. Input from Steve Butler (SSRP Legal Advisor) was incorporated into Kosareva's presentation comments. The Committee's resolution was to approve the draft regulations, including the suggested amendments and changes.

The germane commission of the Supreme Soviet has met to consider the draft codex that will implement the Law on Fundamentals of Housing Policy that was passed last December. The commission's inclination is to reject it completely, as the document fails to take the concept of the market into account. Formal comments will have to be prepared and the team has been asked to prepare one set. Since the draft codex has changed little from that prepared last November, the team should be able to base most of its comments on the comments the team prepared in November. This

is a high priority for Kosareva and Ray Struyk (SSRP Long Term Advisor). They will likely be working with Anvar Shamouzafarov and the Supreme Soviet commission on preparing a new draft.

### **Housing Finance**

On August 4th, Struyk and Kosareva participated in a panel discussion on Housing Construction that was televised on Moscow Channel 4. The program focused on "How to Overcome Obstacles," with Struyk and Kosareva talking about mortgages. Other participants were Arkady Ivanov, President of the Joint Stock Mortgage Bank; Efim Basin, Minister of Gosstroi; and Vladimir Tarantkov, President of the Mortgage Standard Bank.

Eighteen Russians the team nominated left for the three-week course on housing finance being given by the Fels Center at the University of Pennsylvania. A number of the participants are from the private sector. Among them are Igor Bochkrev, Director of the Povolzhsky Financial and Building Company, Samara; Arkady Ivanov, President, Joint Stock Mortgage Bank, Moscow; and Elena Kazakova President, Invesstrakh Branch (Yaroslav), Director-Designate of Joint Stock Mortgage Bank, Yaroslav.

Deputy Prime Minister Feodorov signed the order creating the Interministerial Working Group on Housing Finance, which is to develop additional policy recommendations on long-term housing finance within three months. The Group is chaired by Andrey Vavilov, the First Deputy Minister of Finance, and the co-chairs are Minister Basin and Deputy Governor of the Central Bank Khandruev. Struyk and Kosareva are named as formal members of the group of twenty.

Final approval of the draft Presidential Decree on the structure of the housing finance system ("On Non Budget Sources ...") has run into some difficulty. Minister of Economy Lobov insisted that three additional ministries, Sberbank, and the Central Bank formally agree to the draft. The Central Bank objected to the parts dealing with forms of long-term lending, saying that this is a question that should be referred to the new committee on housing finance just set up by Minister Feodorov. The main sponsors of the Decree have agreed with this change. The Decree will still establish the basic governmental structure for housing finance and therefore remains a key piece of legislation.

### **Housing Allowances**

Gene Rizer (Quadel Consulting) and Sasha Puzanov (CCN Consultant) met with representatives of Gosstroi and the Finance Ministry to brief them on the activities related to implementing housing allowances in Moscow, and the applicability of the

materials developed for use by other jurisdictions throughout the Federation. Gosstroi is concerned about the ability of other republics and communities to design and implement such a program. Draft Moscow materials were presented, including options for program administration and organization; how to measure and document income and assets; methods and frequency of reexamining family circumstances; and methods for preventing and acting upon participant fraud.

Puzanov made a presentation on housing allowances to officials from 15 communities around Russia. The presentation was made at a meeting hosted by the Institute for Housing Economy (IHE). The purpose of the meeting was to brief people who could not attend the IHE-UI conference of last April.

The Council of Ministers Regulation on increasing rents and introducing housing allowances has been received "positively" by the Apparatus of Government. Based on this, the Prime Minister is expected to sign it in the next couple of weeks.

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

### **Housing Maintenance Pilot Project**

Struyk and Olson met with Mrs. Kusnetsova to discuss the Pilot expansion. The meeting yielded several agreements. (1) Matrosov will host a meeting in September of all Moscow Prefects and Deputy Prefects. The results of the Pilot will be showcased, and Matrosov will ask for city-wide participation in the expansion of the Pilot. (2) For 1994, the concrete targets are: 1st Quarter - 50,000 new units; 2nd Quarter - 75,000 new units; 3rd Quarter - 100,000 new units. This brings the cumulative total to over 250,000 units, and conforms the City targets to the IRAP Work Plan targets. (3) Funding for the expansion of the Pilot will come from the Department of Engineering Provision, at levels equal to RAIU funding (indexed for inflation). This amount is deemed adequate and will remove the potential criticism that Pilot work is funded at a higher level than the RAIU's. (4) RAIU's that are willing to privatize may enter the competition for the expansion units, however, they must win any contracts strictly on their merits. This interfaces with President Yeltsin's recent decree that RAIU's be converted to stock companies.

Matrosov went before City Government on August 3rd to request rub 7.5 billion in additional funding for municipal housing from September 1st through the end of the year. He did not get a firm commitment, although he remains hopeful that the funding will be forthcoming. The funding situation approaches a crisis in some Prefectures, with the RAIU's in the South West Prefecture seriously threatening to strike.

Olson completed a draft revision of the Model Management Contract, making

improvements drawn from the experiences of the Owners and Contractors in the first round of the Pilot. Revisions include tougher requirements on the Owner to make regular site inspections; more specific reporting requirements for the Manager; and joint Owner-Manager building surveys to determine pre-existing deferred maintenance items.

The main effort of the Pilot this month was conducting the competition for the second package of five groups of buildings to be put under private management. Fifteen firms attended the pre-bid conference. Ultimately 12 bids were received from five firms. The proposals were reviewed and all firms interviewed. Contracts for the five packages of units will be signed before September 1 with four firms. Among the four winning firms are two that had won contracts in the first round of competition.

At their request, Olson briefed members of the Mossoviet Commission on Housing Policies and Reforms (Lev Ivanov, Chairman) on the housing management pilot program. The briefing went well, with the Commission asking to participate more actively in the program.

### **Housing Allowances**

Rizor and Puzanov met with Mrs. Kusnetsova to discuss the implications of a new decree from Moscow Government related to Rent Increases and Housing Allowances. This decree assigns basic responsibility for the implementation of rent increases and housing allowances to the Department of Engineering Provision, headed by Matrosov. The decree calls for the creation of a new office—Housing Computations and Subsidies.

With the delay in implementation until January 1, 1994, Mrs. Kusnetsova has requested the team's assistance in drafting additional materials related to an RFP for private contractors to operate the allowance program. There was considerable opposition within Government to using private contractors, and she is hopeful that a clearer description of the Government-Contractor relationship will help to convince officials of the merits of this concept.

Rizor continues to draft program materials, including the remaining chapters of the Procedures Manual, and a basic outline of the software that will be needed to administer the program. Final drafts of these products are targeted for the end of August. After adoption by City Government, training materials will be developed for the organizations that will operate the program. Training is programmed for December.

## **Land Policy**

Steve Butler completed comments on a draft City regulation on mortgages and property registration, which we had been asked to review by Nikolai Maslov. The part of the regulation on mortgage closely follows the latest Supreme Soviet draft of the Law on Mortgage. The registration section, however, is new. The draft offers a good starting point, but there are a substantial number of improvements that could be easily incorporated. We will get the translated comments to Maslov next week.

## **2. Program Activities — General**

### **Dissemination**

The special issue of Voprosi Ekonomiki [Problems of Economics] on housing has been published. The issue, supported in part by AID, will go to about 25,000 regular subscribers. The issue contains contributions by academics and policy makers, as well as several articles by the Urban Institute team based on research undertaken in the project.

Elena Novomlinkaya, a reporter for the influential business journal *Commerzant*, has followed the current procurement process for private firms to take over management of 5,000 municipal units. She is planning to prepare a major story in the journal on the program.

Last Saturday's issue of *Commerzant Daily*--the Russian equivalent of the *Wall Street Journal*--carried a highly positive story on the housing management demonstration project. This sparked a flood of telephone calls to Olson and a request for a briefing on the project from *Mossoviet*.

### **Work with Peace Corps Volunteers**

Puzanov and Struyk traveled to Saratov this week to meet with all of the volunteers in the western program who were gathered there for other reasons. The two outlined the proposed program of cooperation in which the volunteers would serve as local housing advisers, building on the materials our project has produced and seminars we would give in the region. The team will be giving two-day seminars in the region during the weeks of September 26, October 17, and October 24. There was demand for more dates and we may add seminars in other cities in December.

### **World Bank/AID Housing Construction Loan**

Struyk drafted an RFP, absent the Statement of Work, for the acquisition of data collection in the seven cities included in the project and sent it to Urban

Institute/Washington for review. The Statement of Work should be developed during Angel's visit to Moscow next week.

Struyk met with Olga Kaganova and her colleagues to discuss the proposal for data collection they are preparing. Letters of Agreement for proposal preparation have been executed with both the Kaganova group and the group at the Institute for Economic Forecasting.

Struyk met with John Picard, who was in Moscow for a couple of days en route from Armenia to Washington, to discuss further the logistics of a World Bank project preparation office that would be largely funded by AID through the Urban Institute contract.

### **Other**

Struyk met with Ted Priftis and a team from Research Triangle, Inc. who were making an initial visit to Russia to lay the ground work for implementation of the Public Administration Project, for which RTI won the AID-competition. Topics of discussion included how the housing project initially approached local officials in seeking cooperation and various logistical issues.

Matt Glasser, resident housing adviser in Kiev, called Struyk about his participation in a housing conference being organized there for September 9 and 10. Struyk had been scheduled to make a presentation on housing finance, but this has been precluded by a change in the dates for the conference. Struyk is sending Glasser the papers we have produced on housing finance in Russian and English.

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

Budget (Actual expenditures, excluding UI fee)	
August 1993	\$237,019
Project to date	\$1,353,242
Level of Effort (person-months)	
August 1993	9.25
Project to date	76.60