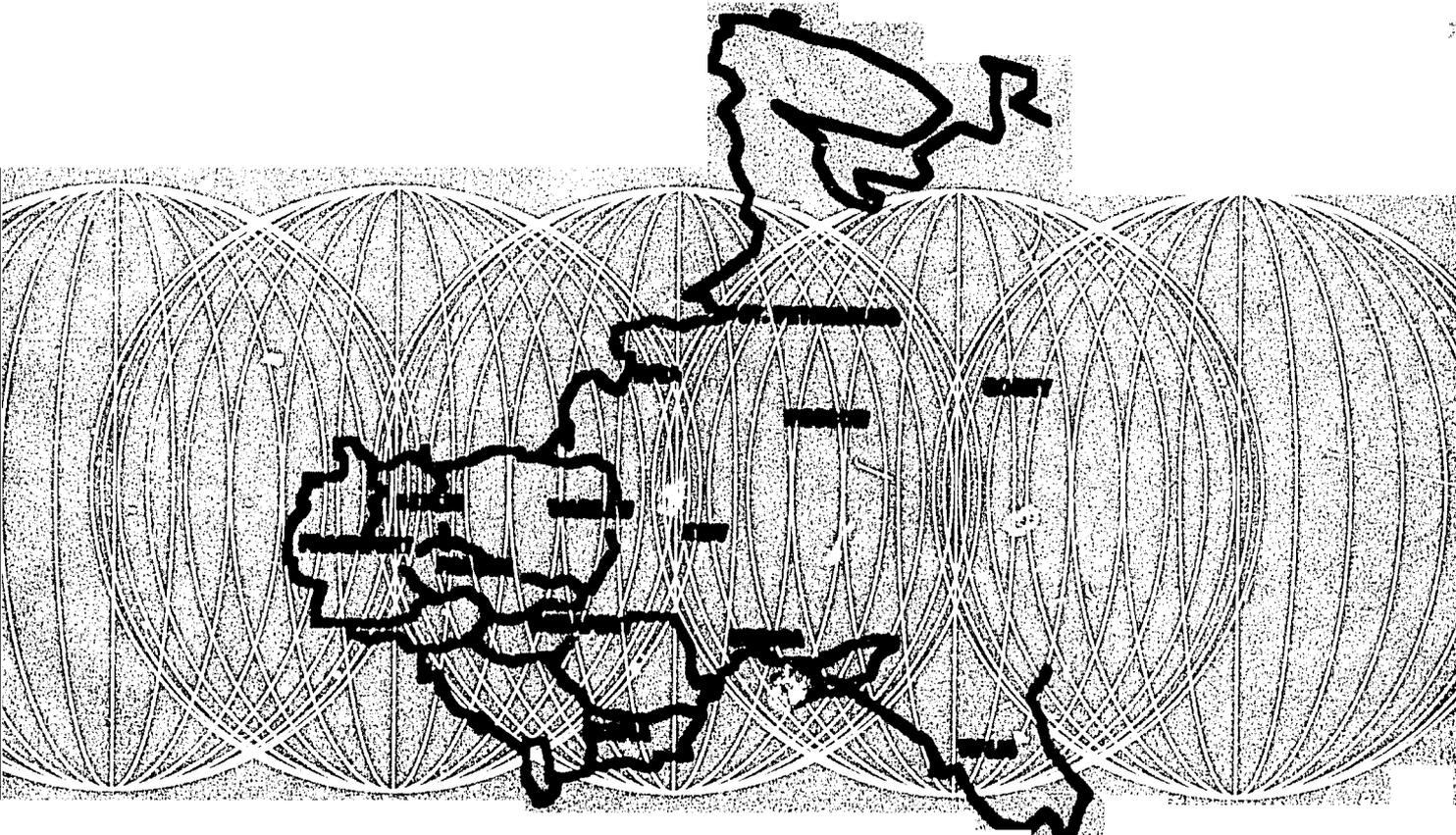


PD-ARH-125 85249

**AN INTERNATIONAL ACTIVITIES PROJECT**  
**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**

**OCTOBER 1993**

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**MONTHLY REPORT — OCTOBER 1993**

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

**A. Program Activities — Russian Federation**

**Notable Developments**

The Interministerial Coordination Committee for Housing Policy met this month to discuss a number of topics, including the World Bank/AID loan, the AID retired officers' housing program, and preparation of the codex for the Law on Fundamentals of Housing Policy. It appears that the preparation of the codex will again be delayed as the committee was unable to come to an agreement on whether to disregard completely the draft that has been prepared by the Committee on Municipal Economy.

**Legal and Policy Developments**

As requested by Sergei Vasilev, head of the Center for Economic Reform, and Mr. Gaidar's housing adviser, the team this month drafted the following documents:

- The Law on Mortgage, which will be issued as a Presidential Decree or Government Regulation.
- Government Regulation on providing up-front (downpayment) subsidies for home purchase.
- Government Regulation on housing debentures, i.e., a form of real estate investment trust.
- Government Regulation on "Improving the Organization of Housing Maintenance," which requires the privatization of state maintenance companies and the procurement of maintenance services by state organizations on a competitive basis.

The entire package was delivered to Yegor Gaidar's staff on October 21.

The team had numerous working level meetings with officials from the Ministry of Finance, Ministry of Economy and Gosstroi regarding these laws. In addition Struyk and Kosareva met with Vladimir Mau, Yegor Gaidar's point person on housing, for a progress review.

In addition to the above documents, the team has been working on a number of legal instruments. With the assistance of Jack Goodman, Senior Economist at the Board of Governors of the Federal Reserve System, the team prepared a

regulation on the Agency for Mortgage Lending. It is being assembled in a package with the Russian Federation regulation on condominium and the regulation on completion of partially-built housing.

On October 26, Gosstroi, the Ministry of Economy, and the Ministry of Finance officially presented the following draft Resolutions of Government to Yegor Gaidar:

- The Regulation on Subsidies for Downpayment for Home Purchase
- The Temporary Regulations on the Procedure of Long-Term Loan Allocation for Natural Persons for Individual and Cooperative Housing Construction and for Housing Purchase
- The Provisional Regulation on Condominium Associations
- The Provisional Regulation on Free of Charge Privatization of Housing Stock in the Russian Federation
- The Regulation on Procedure of Transfer, Construction Completion and Sale of Uncompleted Residential Buildings

The team was instrumental in the preparation of the first three regulations. Approvals are anticipated before the December 12 elections. Kosareva worked with Anvar Shamouzafarov of Gosstroi, and V. Kostyrko of the Ministry of Finance on the preparation of these documents.

### **Housing Finance**

A number of advisors travelled to Moscow this month to provide technical assistance in the housing finance area.

Jack Goodman completed a ten day visit to Moscow. During this period he work on drafting the regulations noted above and on designing a structure for the Agency for Mortgage Finance which will be created by the Presidential Decree on Non Budget Sources of Finance for the Housing Sector.

Marisol Ravicz (UI Washington) met with Mikhail Gavrilin, head of the credit department at Sberbank, to respond to questions he and his staff had about the DAIR instrument. There is some chance that the bank may become more interested in mortgage lending after Sergei Ivanov leaves the bank to join its new leasing company.

Struyk met with Arkady Ivanov, President of the Joint Stock Mortgage Bank, to discuss the plan for development of the training capacity of the Association of Mortgage Banks Marshall Dennis drafted, outlining a program of training and institutional development with the Association of Russian Mortgage Banks. Ivanov agrees with the plan as a broad blue print.

Kosareva and Struyk met with Alexander Androsov from Menatep Bank to discuss the bank's plans for mortgage lending. The bank began making dollar loan (i.e., dollars are lent and payments are in dollars) a few months ago to staff. The bank is now looking to expand its operations and will probably shift to a ruble instrument. The bank was anxious to have the various handbooks on loan origination and servicing we have prepared with Mosbusinessbank.

Len Newman and Rajagopal Subramanian completed another in a series of trips to the Russian Federation to assist Mosbusinessbank in developing loan servicing and underwriting programs. Newman installed the software at Mosbusinessbank, and attempted to add the final reporting and other features the bank needs. Subramanian gave a four day seminar on Loan Servicing. Seven banks attended the seminar.

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

### **Notable Developments**

Mayor Luzhkov signed the Order approving the results of the Privatization of Maintenance Pilot and mandating that the Pilot be expanded into all Moscow Administrative Districts by January 1, 1994. The Order also admits Condominium Associations to the Pilot as Owners. Mayor Luzhkov's signing of the draft Order on the expansion of the Pilot was a milestone event. This Order approves our Pilot activities to date and removes any doubt about the extent of its expansion. It gives official and immediate entree to all of the Administrative Districts. Outreach to the Districts will be a first priority between now and the end of the year; the focus will be on explaining the Program and identifying the specific DEZ's that will participate. The phasing of the expansion will be planned to meet our 1994 end of year target of 250,000 municipal units under private maintenance.

### **Housing Maintenance Pilot Project**

Angus Olson (Maintenance Pilot Resident Advisor) continued to work with various regional governments in Moscow to "sign up" housing projects for inclusion in the pilot project. The Mitino "new town" has now committed 23,000 units to the project, most of which will be occupied only in 1994, i.e., these units will be maintained by private companies from initial occupancy. Training in the Mitino

District commenced on October 29. By the end of next year, 23,000 units will be under private management in this "new town" in Moscow.

Olson has continued to experience difficulty in arranging training services by IHE for the city housing administrators in each district who will oversee the private companies. The behavior of Bychkovsky, IHE's director, is increasingly erratic. This week at a meeting in Minito, he tried to force the district to sign a "tie in contract" for the district to receive the housing management training; and argued for 15 trainees to travel two hours a day to his institute for training, rather than sending the trainer to them. This is a repetition of tactics tried with the last client. Only this time it came less than a week after Olson had met with Bychkovsky to review our agreement on how the training should proceed. The team is quite dissatisfied with IHE's commitment to the pilot and has decided to seek a new training agency. We have not reached a final decision on whether to terminate our current arrangements with IHE.

Olson secured agreements with the training centers of the Office of Privatization and the Department of Engineering Provision to augment the pilot expansion training effort. Training of trainers will commence in November. Both of these facilities have extensive experience in housing-related training. They also have the capacity to provide training for the 25 new classes anticipated next year.

### **Housing Allowances**

Organization is underway for the housing allowance administration study tour, which is scheduled for December 1-8. Participants are:

- Alexandra Puzanov - Consultant to UI - Moscow
- Elena Medvedeva - - Head Economist of Department of Communal Services (Moscow)
- Raisa Romakina - Deputy Director of Information and Computations Center -Department of Communal Services (Moscow)
- Nicolai Rubtsov - Head of Department for Improvement of Maintenance and Repair Methods for Committee for Municipal Economy (Russian Federation)
- Igor Bichkovsky - Director of Institute of Housing and Communal Economy
- Olga Sergeeva - Chief Specialist - Ministry of Economy (Russian Federation)
- Alexander M. Strazhnikov - Head of Municipal Housing Inspection (Moscow)
- Olga Goltseva - Deputy Head - Office of Housing Reform Implementation Department for Communal Services - Nizhni Novgorod (Oblast Administration)

The City is continuing to work to define and officially adopt various norms and standards required by the Russian Federation. This month Mrs. Kuznetsova had an

important and productive meeting with Vice Premier Bouravlyov on these topics. Puzanov continues to work with the City on program implementation.

### **Condominiums**

The process of making condominiums a reality continues. The general regulation issued in April was refined in implementing regulations issued in August which dealt with the transfer of ownership of the property to an association from the municipal housing fund and the conditions under which building management could be assumed by an association. The Office of Homeowners Associations in the Department of Municipal Housing has now drafted the "instructions" detailing the actual procedures.

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

#### **Dissemination/Seminars/Presentations**

Ravicz gave a seminar on the Deferred Adjustable Instrument for Russia (DAIR)--the mortgage instrument we have developed for use under Russia's difficult economic conditions. This was another in our series, co-sponsored with the Association of Mortgage Banks. About 40 persons attended.

On October 12-13 the team co-sponsored a national conference on "Housing Reform in the Russian Federation," with the Institute for Housing and Communal Economy. About 225 people attended from all over Russia. Presentations were made on four topics: the privatization of housing maintenance, condominiums, introduction to housing finance, and housing allowances. Urban Institute staff and consultants (Kosareva, Olson, Puzanov and Struyk) made four of the twelve major presentations; Ruth O'Sullivan made a presentation on the maintenance privatization program in Novosibirsk. Arkady Ivanov made a presentation in the housing finance session.

Other team presentation this month included a two-day seminar on Housing Finance given in Volgograd and a seminar presented in Nizhni Novgorod on Housing Finance and Housing Allowances.

#### **Monitoring and Evaluation**

Butler and O'Leary completed the second semi-annual annotated listing of laws on housing and land germane to our work. The report includes both laws that have been passed and those under preparation.

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

Our team traveled to Samara last week to present the first in the planned series of joint Peace Corps-Urban Institute/AID regional housing seminars. The seminar went poorly. One Samara volunteer attended the first day; none the second. The total attendance at the two-day seminar was 10 people. By asking a participant we discovered that participants had been charged R100,000 to attend--completely contrary to our agreement with the Peace Corps. The volunteers with whom we talked, expressed essentially total indifference to the seminar. They seemed to only be vaguely aware that it was occurring and seemed completely innocent of their having any responsibility for the seminar or working on housing issues in the future with local officials and banks.

This was an extremely discouraging event for our team, which brought a total of five presenters for the seminar, together with copious background and instructional materials. Obviously, a repetition of this experience in other Peace Corps cities where we are scheduled will cause us to reevaluate any further expenditure of resources for this activity.

Laurence Eubank, head of the Peace Corps western region which includes Samara, telephoned to apologize for the situation in Samara and to pledge better performance in Volgograd and Nizhni-Novgorod.

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

In response to the RFP for data collection in the seven impact cities, the team received six proposals. The proposals were rated by a panel of three UI staff members. Struyk concluded a round of negotiations with three firms who are likely to do this work. Struyk received a revised set of proposals. Angelici worked on completing biodata forms, representations, and certifications from the three finalists in the RFP for gathering data on the seven cities to be included in the loan.

Kosareva met with Adrienne Nassau and James Follain from the World Bank team. They discussed the organization of the competition for 4 surveys in 7 cities. They also discussed current housing policy in Russia. Kosareva also met with Bob Dubinsky, USAID Consultant, to discuss technical assistance strategies for the World Bank loan.

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

Budget (Actual expenditures, excluding UI fee)	
October 1993	\$205,262
Project to date	\$1,671,192

Level of Effort (person-months)

September 1993

9.00

Project to date

85.60