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

MONTHLY REPORT

NOVEMBER 1993

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SHELTER SECTOR REFORM PROJECT RUSSIAN FEDERATION/CITY OF MOSCOW

A. *Program Activities — Russian Federation*

Notable Developments

The issuance of a major package of housing reform measures continues to be debated between the Yeltsin government, which is sponsoring the reforms and is led by Deputy Prime Minister Gaidar, and those opposed to the measures, namely the Apparatus of Government and the Committee on Municipal Economy. The package contains the following: a Presidential decree on the structure of the housing finance system; regulations on the use of downpayment subsidies to encourage residential construction; regulations on condominiums; regulations on procedures for clarifying ownership of partially constructed residential buildings and transferring ownership to entities who will complete construction; regulations on clarification of procedures for free-of-charge housing privatization. An additional measure--a regulation to define the conditions for long-term mortgage lending--may also be included.

By the end of September 7.47 million State rental units had been privatized in the Russian Federation, according to the official statistics. This is equivalent to 21 percent of the eligible units. The same report shows 30 percent of Moscow's eligible housing units had been privatized.

Legal and Policy Developments

The team in general, and Dr. Nadezhda Kosareva (CCN Consultant) in particular, has been heavily engaged in the drafting, redrafting and debating of the provisions of the package of reform measures noted above.

Ray Struyk (UI Resident Advisor) and Kosareva met with Jonathan Hay, who works with GKI, on coordinating work on two pieces of legislation for which GKI has been given the lead in drafting: the Law on Mortgage and the Regulation on the Improvement of Housing Maintenance. It is unclear how GKI ended up with this responsibility. GKI has a strong record of steering controversial documents through the clearance process and this, plus the organization's ambition, may be why they were given the lead. Hay was unaware of Steve Butler's (SSRP Legal Advisor) draft of the Law on Mortgage and Angus Olson's (SSRP Resident Advisor) draft of the maintenance regulation. The team provided copies of both in Russian and English; there were promises to coordinate during the process.

Housing Finance

A team from Mosbusinessbank (MBB) participated in a study tour to the U.S. on mortgage loan servicing organized for the Institute by Abt Associates. The reports on the tour were highly positive. With this study tour we conclude the loan origination and loan servicing part of our program with the bank. The staff of MBB is ready to operate in these areas.

Struyk and Kosareva had several hour meetings with two banks referred to us by the Association of Mortgage Banks, one headquartered in Ekaterinburg and one in Moscow, who are interested in mortgage lending at which we explained the work program and gave a mini-seminar on the principles of such lending in Russia.

Struyk discussed the planned two-week training course in mortgage finance with V. Orlov, President of the Association of Mortgage Banks at the Association's Training Seminar in Novosibirsk. Mr. Orlov was very enthusiastic about the event, which is targeted for February. Consultant Michael Robertson is scheduled to arrive in December to work with the Association on defining and organizing the course.

Housing Allowances

With the issuance in late September of the Russian Federation regulations on the program of raising rents and introducing housing allowances, the team has reached the critical stage in implementing policy reform. While our strategy has been to work closely with the city of Moscow as a demonstration or pilot example of implementation, we are taking other steps to promote competent implementation.

The Interministerial Committee on Housing Reform in the Russian Federation, the Government of Moscow, and USAID-Urban Institute will sponsor a three day national conference focussed on housing allowance implementation. The conference is now scheduled for the second week of January. Our team is scheduled to make a full day of presentations. The Interagency Committee will invite every administration in the country to attend.

B. Program Activities — City of Moscow

Housing Maintenance Pilot Project

The training of owners at the Minito new town ("mikro rayon") to recruit and monitor private maintenance companies began on schedule and was completed November 26 with the Institute for Housing Economy (IHE) doing the training. Training at Orekhevo-Borisovo District will start soon; these sessions will be professionally videotaped and added to the UI library of housing reform materials.

Olson met with Al van Huyck of the Eastern European Property Foundation to discuss possibilities of working together to form a property management association.

Quadel and Olson coordinated the production of the Phase II training materials, with the focus shifting to the training of the contractor. Quadel will develop 3 new modules: 1) Landlord-Tenant Relations; 2) Follow-Up on Rental Delinquencies; and 3) Unit Turnover Preparation. The Novosibirsk module on "Preparing A Business Plan" will be used for the 4th module on business financial management.

A preliminary work plan was developed by Olson to achieve the goal of having 250,000 units under private management by the end of 1994. With 50,000 units committed to the Pilot by the end of 1993, this plan contemplates 40 (or more) new private maintenance contracts by the end of 1994. In accord with Mayor Luzhkov's Decree, informational packets were provided to the Department of Engineering Provision for distribution to all Moscow Prefectures. Mrs. Medvedeva has been designated as the Citywide coordinator for the expansion; all Prefectures shall submit plans for the Pilot expansion to her. In December, Mr. Matrosov will host a meeting of all Prefects to approve the plans and coordinate the expansion.

Housing Allowances

The Government of Moscow discussed the program of raising rents and introducing housing allowances at one of its regular weekly meetings. They adopted the resolution drafted by Mrs. Kuznetsova. The Government, however, decided to hold the final confirmation on implementation of the rent increases and housing allowances for the new city Duma, which will not be elected until December 12. Under this condition, and the lack of progress in some key areas, such as developing the necessary software for taking applications, it seems clear that the first rent increase will not occur until at least February.

Puzanov and Kosareva met with Mrs. Kusnetsova to discuss future efforts on the Housing Allowance Program. It was agreed that Rizor will assist in the development of software specifications and the training program in December-January. Final approval of the Housing Allowance Program is set for the January 29th meeting of the new Moscow Duma; new simulations will be provided for this meeting. Puzanov began negotiations with Mosgorstat to conduct a new budget data sample.

The final wording of the Moscow Government Decree on raising rents and housing allowances is still under consideration.

C. Program Activities — General

Dissemination/Presentations/Seminars

Team members Alexander Puzanov, Andrei Suchkov, and Kosareva conducted a two-day seminar in Nizhni Novgorod on housing allowances and mortgage finance. It was the third of the seminars being organized by the Peace Corps. This was by far the best of the seminars to date, with attendance almost reaching 100 on each day. The large turnout is attributable with the volunteers working successfully with the oblast administration.

Struyk and Kosareva were interviewed by Celestine Bohlen of the New York Times for a story on how the combination of macroeconomic conditions and the transfer to a market economy is effecting the housing of low income Russians. The story was published in the November 13 New York Times.

Olson and Puzanov attended a week-long conference in Kazakhstan that was held to give an in-depth discussion of the provisions of the new Presidential housing decree. Both made major presentations, Olson on privatization of housing maintenance and Puzanov on housing allowances.

Struyk met with Kenneth Gluck, a free lance writer based in Moscow, about his preparing the script for a 10-12 minute video on the Shelter Reform Project. We are also beginning discussions with firms about making the video. The plan is to make the video in January, when there should be more to see on the operation of the housing allowance and mortgage lending programs.

Struyk and Kosareva were interviewed by The Moscow Times on Moscow's decision to increase rents sharply in 1994. They were quoted in the paper's story on Friday, November 12.

Suchkov, Kosareva, and Struyk gave one day seminars on mortgage lending in Novosibirsk and Ekaterinburg, on Thursday and Saturday, respectively. The day-long program in Novosibirsk constituted one of a two-day conference sponsored by the Association of Mortgage Banks. In Ekaterinburg Mark Brown organized the event.

Olson was interviewed in the Evening Moscow on the expansion of the maintenance Pilot Program. The story was published on November 18.

Monitoring and Evaluation

The team received the "baseline" data from Alla Guzanova for interviews with 500 households living in buildings that are included in the second group of 5,000 units to be placed under contract with private management firms. The survey was conducted in the first half of September. The second wave is scheduled for December. Angelici will be analyzing these data in the weeks ahead.

Angelici and Struyk worked with Alla Guzanova to finalize the questionnaire that will be used in the second round of interviews with the occupants of 2,000 dwellings in Moscow that were state rentals in January 1992. The purpose of the survey is to obtain concrete information on how the transition is working in practice, i.e., on many privatized units are sold or rented, to what kinds of households; is maintenance better under private companies; which households are likely to privatize in the future, etc. A Letter of Agreement was signed with Alla Guzanova to conduct the survey of the occupants of 2,000 Moscow dwellings in early December.

World Bank/AID Housing Construction Loan

The UI/Washington contract office prepared letters authorizing the four groups involved to begin work, permitting each group to incur costs up to a specified amount. Struyk and Angelici had several discussions with the contractors for the data collection surveys about the letters signed by the Urban Institute permitting the firms to begin work. Many firms had questions about specific provisions that had to be referred to Washington. After some confusion and delay most of the questions were resolved with the contracts office of the Urban Institute in Washington. Three of the contractors have now signed letters and started work. Urban Institute contract office provided two of the Russian contractors, AUREC and Pchelintsev, with many pages of questions on their cost proposals. They are working to prepare the answers. Questions for the other two contractors are anticipated within the week.

There was a general meeting of all four contractors, Struyk and Angelici, and John Pickard. At the meeting final plans for the various data collection activity methods were made. Struyk and Angelici worked with Tanya Belkina to finalize the list of indicators that will be included for the seven cities in the Housing Indicators portion of the surveys. We also agreed that we would fund Belkina separately to prepare a report giving more detailed instructions on how exactly each indicator was computed for Moscow for 1992 and to hold a one- or two-day seminar for the other contractors instructing them on these procedures.

Angelici worked on obtaining official letters from the World Bank which introduce the contractors and the program to the administrations of the seven

designated cities. She also worked on obtaining letters from USAID which exempt the contractors from the Value Added Tax (VAT).

Expanded Military Housing Program

Struyk had several discussions with AID/Moscow and Washington staff about the possibilities of the "military voucher" pilot program. Many options were discussed, but no firm decisions made. Struyk also participated in meetings at AID and Gosstroi this week about the launching of the voucher program. At the Gosstroi meeting it was decided to work with Novgorod and Pskov for the initial voucher program and with the Leningrad oblast for the "construction purchase" program. A UI team arrives next week to begin work in earnest.

Marisol Ravicz (UI Washington) arrived in Moscow to take the lead on the Urban Institute's part of this work. There was a general meeting with officials from the three pilot jurisdictions: the cities of Novgorod, Pskov, and the Leningrad oblast. The meeting was organized by Gosstroi and attended by the UI team, USAID, Gosstroi, and the local officials.

Harold Katsura (UI Washington) arrived shortly after Ravicz and he, Ravicz, Struyk, Kosareva, and Smirnoff (Gosstroi) made initial two-day visits to Pskov and Novgorod to begin detailing the implementation procedures for military vouchers. The discussions in these visits built upon the design work done by Ravicz.

Other

F. Budget and Level of Effort Summary

Budget (Actual expenditures, excluding UI fee)	
November 1993	\$207,134
Project to date	\$1,878,326
Level of Effort (person-months)	
November 1993	7.0
Project to date	83.60