

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

AMENDMENT NO. 3
to the
PROJECT MEMORANDUM

NEW INDEPENDENT STATES
HOUSING SECTOR REFORM PROJECT
(110-0008)

Approved: June 3, 1994



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

APPROVED

JUN 8 1994

ACTION MEMORANDUM TO ACTING ASSISTANT ADMINISTRATOR, ENI

FROM: Nancy Tumavick, Acting DAA/ENI 
SUBJECT: Authorization Amendment No. 3 for Housing Sector Reform Project (110-0008)
DATE: June 3, 1994

Problem: Your approval is requested to amend the authorization of the Housing Sector Reform Project (HSRP) increasing the Life-of-Project (LOP) funding from \$204 million to \$241 million. This increase in the LOP is needed to (i) continue and enhance existing Housing Sector Reform Project activities in Ukraine, Armenia and Kazakhstan, (ii) extend housing reform activities to Kyrgyzstan and Moldova and (iii) fund NGO and other initiatives to assist in the building of local institutions in the NIS republics in the housing and urban sector. A contingency is also provided for Russia housing reform technical assistance for allocation from the Performance Fund.

Background: The Housing Sector Reform Project (110-0008) was authorized March 30, 1992 at an initial Life-of-Project (LOP) funding level of \$25.0 million. A project amendment was authorized June 25, 1993 to raise the LOP funding to \$44 million to support two new initiatives, the Russian Officer Resettlement project and a joint A.I.D.-World Bank Housing Construction and Reform Project. An additional \$160 million was authorized, pursuant to a memo dated January 26, 1994, to finance the Russian Officer Resettlement Follow-on and continuation of housing reform activities in Russia.

The LOP increase now proposed is intended specifically to allow for further continuation and enhancement of the original core technical assistance project in the NIS republics. It will also enable us to enlarge upon the available resources to accelerate the development of local institutions and expand assistance for the private sector.

Discussion: The Housing Sector Reform Project was launched in March 1992 to support the development of a private housing market in the NIS. Project activities are currently underway in the republics of Russia, Ukraine, Armenia and Kazakhstan. Assistance is being provided, at both the republic and municipal government levels, through the placement of long-term resident advisors who

draw upon short-term technical assistance and training resources to support their efforts.

The initial housing reform strategy sought to address the critical elements needed for the transformation to a market based sector. In general, legislative, regulatory and policy reforms were promoted at the republic level and implemented and tested at the local level through demonstration projects. A flexible approach to program design and implementation enabled the program to respond quickly and effectively to reform opportunities and counterpart interest.

Thus far, the program has helped to achieve many critical legislative and policy reforms in each of the republics. At the same time, it has helped NIS counterparts understand, through technical assistance, training and successful demonstration projects, how market-oriented reform can help achieve better living conditions and promote economic development and political stability.

Non-Russian Republics: As the attached Concept Paper explains in greater detail, the program is moving into the next stage of the project in the non-Russian republics. The Concept Paper has the approval of USAID/Almaty, USAID/WestNIS, and USAID/Caucasus. It describes our plans to build on legislative and policy reforms and successful demonstration projects to promote more systematic replication and institutionalization of sectoral reform. The phased programs proposed to achieve specified objectives in Kazakhstan, Armenia, and Ukraine, together with the strategies for commencing activities in Kyrgyzstan and Moldova are described in that paper.

Accelerated Institutional Development: In addition to the program outlined in the Concept Paper, we propose to use some of the additional level of funding to better address the need to help promote private sector development in housing in a more direct and focused manner. Our concern is this: We are now primarily working through contractors who provide Resident Advisors and supporting resources at the level of the republics and the municipalities. Their work is focused on promotion of the private sector and market-based approaches to sector issues, with significant interaction with the emerging private sector.

Nevertheless, thus far our principal clients and major efforts have been at the official level, most of our counterparts being government officials and policy makers. This is as it must be if we are to influence reform. At the same time, however, we believe it is important to accelerate a set of activities which more directly help to build local institutions in the NIS which will continue to promote the private sector housing market.

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Such activities, for example, are already under way through the program of the Eastern European Real Property Foundation (EERPF) an organization established by the National Association of Realtors (NAR) and funded by AID. This Foundation promotes the role of private real estate professionals such as brokers, appraisers, and property managers. The Foundation primarily works with host country trade associations and institutes, which will become critical institutions in the effective functioning of democratic private sector and market oriented systems.

To enlarge this element of our program, we plan to enlist new resources in the program. The kinds of organizations which might participate include non-profits (e.g., Cooperative Housing Foundation, which has already submitted an unsolicited proposal for a housing rehabilitation pilot program in Russia); trade associations, such as the National Associations of Homebuilders; and specialized non-profits, such as the Lincoln Land Institute, the Urban Land Institute, and university-related real estate institutes.

Unprogrammed and Performance Fund: The amounts set aside as unprogrammed will be held as a contingency for the Russia Housing Sector Reform Program (HSRP) until we have a better idea of the costs of the Russian Military Officer Resettlement Follow-on. The ultimate programming of this amount as well as the Performance Fund therefore will be subject to further review.

Budget Allocation: The notional allocation of the \$37 million LOP increase is as follows, to be refined as we proceed to implement these aspects of the program:

- (a) Non-Russia Programs:
 (i) Country Programs: \$12.0 million

This will fund resident advisors, technical assistance and training in Kazakhstan, Kyrgyzstan, Moldova, Ukraine, and Armenia through 1996 to support the planned program outlined in the Concept Paper.

- (ii) Accelerated Institutional Development: \$ 1.5 million

This would include funding of initiatives as described above (including such activities as the CHF unsolicited proposal, if approved, and/or other cooperative agreements or contracts).

- (c) Joint World Bank Initiative: \$5.0 million
 (d) Russia Housing Sector Reform: \$10.0 million
 (e) Performance Fund: \$ 8.5 million

Environmental Consideration: The activities under this increased authorization will finance technical assistance, training and limited commodity procurement and, as such, have no significant environmental impact. Technical assistance and training activities are excluded from examination under 22 CFR 216.2(c)(2)(i). The Project Authorization of March 30, 1992 approved a categorical exclusion.

Congressional Notification: The proposed increase in the Project Budget from \$204 million to \$241 million represents our current projection of requirements through Fiscal Year 1996. Attachment A sets forth our revised LOP authorization levels and the anticipated FY 1994 obligations for the Housing Project. A Congressional Notification for \$175 million in FY 1994 funds was sent November 22, 1993 with the last hold lifted on January 14, 1994. A Congressional Notification is being prepared to apprise Congress of the use of the remaining \$22 million in FY 1994 funds for housing assistance. No FY 1994 funds in excess of the \$175 million previously notified will be obligated until the CN process for the additional FY 1994 funding is complete.

In obligating \$197 million FY 94 for the Housing Project (110-0008), a total amount of \$220.3 million will have been obligated from FY 1992 through FY 1994. The remaining \$20.7 million will have to be apportioned in the out years.

Authority: Pursuant to General Notice No. 1 of October 1, 1993, you, as the AA/ENI, have been delegated all authorities with respect to Europe and the NIS held by the former Associate Administrator for Operations (AA/OPS). Under Delegation of Authority No. 400 dated August 16, 1991, the AA/OPS was delegated project approval authority. Therefore as the Acting AA/ENI, you now have authority to approve, authorize, and amend this project.

The FREEDOM Support Act and the FY 1994 Appropriations Act contain several provisions that limit assistance or require the Executive Branch to consider certain factors in providing assistance. Section 498A sets forth a number of matters to be taken into account in providing assistance to NIS countries, such as progress toward democracy and economic reform, human rights, peaceful resolution of ethnic disputes and restraining arms transfers. Section 498A also prohibits aid to any NIS country that violates any of a number of restrictions relating to human rights, arms control and nuclear proliferation. As indicated in the clearances below, State has taken these provisions into consideration in approving this memorandum.

Recommendation: That by your signature below and on the attached Project Authorization Amendment you amend the authorization of the Housing Sector Reform Project increasing the life-of-project funding from \$204 million to \$241 million, subject to the availability of funds.

Approved Carlo Pascual

Disapproved _____

Date June 3, 1994

Attachment A: Revised LOP Authorization Levels

Attachment B: Authorization

Attachment C: Concept Paper

Note:

In concurring with the proposed expansion of project activities to Kyrgyzstan and Moldova, I have taken into account the following factors:

1. Performance: This project had demonstrated some of the most impressive impacts in the NIS portfolio. The conditions are such in Kyrgyzstan and Moldova to suggest similar positive results in these countries.
2. Human Impact: Current NIS policy highlights the importance of addressing the Human Dimension of economic & political transition. Housing is a key factor in this regard. The divestiture of housing from state enterprises in Kyrgyzstan and Moldova increases the importance of attention to this issue.
3. Local Impact: U.S. policy emphasizes the importance of working at the municipal level. Our housing program has been one of our most effective tools for municipal reform.



Clearances:

drafted: ^{in for} DTsitsos: 04/11/94, 663-2530

| | | | | |
|-------------------------|-------|------------|------|----------------|
| ENI/NIS/PAC: PMatheson | draft | <i>hw</i> | Date | _____ |
| ENI/NIS/PAC: SHudec | draft | | Date | _____ |
| ENI/NIS/PD: MJune | draft | | Date | _____ |
| ENI/NIS/FM: MGianni | draft | | Date | _____ |
| ENI/NIS/FA: BKline | draft | | Date | _____ |
| ENI/NIS/EET: RGreenberg | draft | ↓ | Date | _____ |
| GC/NIS: TGeiger | | <i>520</i> | Date | <i>5/27/94</i> |
| S/NIS: TMacklin | draft | <i>hw</i> | Date | _____ |
| EUR/ISCA: RKeihl | draft | | Date | _____ |
| FA/OP/CC/N: CBucher | draft | ↓ | Date | _____ |
| EUR/DR: NTumavick | | <i>HW</i> | Date | <i>5-31-94</i> |
| G/ENV/UP: MLippe | draft | <i>hw</i> | Date | <i>4/15/94</i> |

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Revised Life of Project Authorization
with FY 1994 Obligations (\$ Millions)

| | <u>CURRENT</u> LOP <u>AUTHOR</u> | <u>ESTIMATED</u> FY 94 <u>OBLG</u> | <u>AMENDED</u> LOP <u>AUTHOR</u> |
|--|--|--|--|
| 1. Russian Military Officer Resettlement Follow-on: | \$160.0 | \$160.0 | \$160.0 |
| 2. Russian Military Officer Resettlement Initiative: | \$ 6.0 | \$ 0.0 | \$ 6.0 |
| 3. Parallel Financing with World Bank: | \$ 10.0 | \$ 5.0 | \$ 10.0 |
| To support accelerated authorization of and technical assistance during the World Bank Housing Sector Reform Project | | | |
| 4. Housing Sector Reform: | \$ 28.0 | \$ 32.0 | \$ 65.0 |
| | ----- | ----- | ----- |
| | \$204.0 | \$197.0* | \$241.0 |

NOTES:

Amendment 1 added the Russian Military Officer Resettlement Initiative, Parallel Financing with the World Bank and created a contingency under the Housing Sector Reform Project for technical assistance and unanticipated construction costs. Amendment 2 added the Russian Military Officer Resettlement Follow-on activity.

Amendment 3 increases the level of Sector Reform technical assistance.

* \$22 million remains to be notified to Congress by CN in FY 94

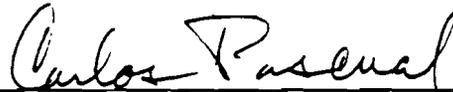
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Attachment B

PROJECT AUTHORIZATION AMENDMENT

Name of Country: New Independent States
Name of Project: Housing Sector Reform
Number of Project: 110-0008
Date: June 3, 1994

The Housing Sector Reform Project was authorized on March 30, 1992, and amended on June 25, 1993, and January 26, 1994. I hereby further amend the Project Authorization by deleting the amount "\$204,000,000" and substituting in lieu thereof, "\$241,000,000". Except as amended hereby, said Project Authorization remains in full force and effect.



Carlos Pascual

Acting Assistant Administrator for
the Bureau for Europe and the New
Independent States

June 3, 1994
Date

Clearances:

| | | | |
|-------------------------|------------------|-------------|---------------------|
| ENI/NIS/PAC: PMatheson | <u>psm</u> draft | <u>psm</u> | Date <u>6/1/94</u> |
| ENI/NIS/PAC: SHudec | draft | | Date _____ |
| ENI/NIS/PD: MJune | draft | | Date _____ |
| ENI/NIS/FM: MGianni | draft | | Date _____ |
| ENI/NIS/FA: BKline | draft | | Date _____ |
| ENI/NIS/EET: RGreenberg | draft | | Date _____ |
| GC/NIS: TGeiger | draft | <u>22.3</u> | Date <u>5/27/94</u> |
| S/NIS: TMacklin | draft | <u>BV</u> | Date _____ |
| EUR/ISCA: PKeihl | draft | | Date _____ |
| FA/OP/CC/N: CBucher | draft | | Date _____ |
| EUR/DR: NTumavick | | | Date _____ |

Housing Sector Reform Project, Authorization Amendment No. 3

THE NON-RUSSIAN REPUBLICS
TECHNICAL ASSISTANCE CONCEPT PAPER

Background

The NIS Housing Sector Reform Project (110-0008) began in March 1992 in support of the development of a market oriented housing sector in the NIS. The project promotes private sector development and seeks to increase the quality and availability of affordable housing. Reform efforts have concentrated in four broad areas:

- 1) promotion of private housing markets and ownership.
- 2) reduction of housing subsidies, while establishing social safety nets
- 3) market-based financing of housing and urban services.
- 4) legal and institutional reforms in the above areas

Purpose

The purpose of the Housing Sector Reform Project (110-0008), of which this authorization is a part, is "to support the development of a market-oriented housing sector in states of the newly independent states (NIS)." Within each country, objectives have been established to contribute to the overall project purpose.

Life of Project

The funds provided by this authorization amendment will be obligated in FY 94 and could be expended throughout the remaining LOP, which extends until the PACD of November 30, 1996. The specific activities described herein, however, are planned to be carried out in FY 94 and FY 95. An illustrative budget is included as an Attachment.

Initial Strategy

The initial housing strategy adopted in the NIS was to respond to opportunities, counterpart interest and will to reform, and availability of U.S. expertise, and then to broaden the programs to build on successes, adding in elements needed to consolidate the successful efforts.

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This approach was necessary and effective in the new and rapidly evolving environment of the NIS. It made sense to move where we could move, try out new approaches in demonstration projects rather than wait for more detailed studies and analyses, and meanwhile learn more about these new republics and their systems.

Current Status

This rather unconventional approach (for AID) has had some impressive results. These include important changes in the legal/regulatory structures affecting housing production, such as enactment of the Housing Privatization Law in Armenia and the Presidential Housing Policy Decree in Kazakhstan more fully described below. In addition the changes promoted by AID in the sector have begun to improve the day to day lives of NIS citizens.

For example, in Armenia and Ukraine, there has been substantial success in reforming the legal framework to privatize land tenure. With AID technical assistance Armenia has adopted a State Housing Privatization Law and regulations, adopted a land tax law, established a land transfer tax policy, adopted regulations for urban land valuation and sale, and registration procedures for urban land parcels. Kharkiv, Ukraine, held the first land auction to transfer land without use restrictions to private developers.

In Yerevan, Armenia, a pilot project is underway to demonstrate private housing management through condominium associations, complementing the Republic level priorities in privatization of housing.

Assistance to housing policy reform in Kazakhstan has resulted in the signing of a Presidential decree establishing a new housing policy to promote the transition to a market economy, and initiating policy reforms in such areas as condominium housing and ownership/use rights to land.

A number of efforts in Russia, most notably privatization of the management and maintenance of municipal housing in Novosibirsk are being used as replicable experiences for other countries of the NIS. In terms of day to day program impact, privatization of management in pilot buildings in Moscow has resulted in cleaner and safer common areas, working lighting and elevators, downspouts that function as intended, and stairways unobstructed by rubbish. These tangible impacts are beginning to induce residents to pay for services that previously have either been unavailable or only provided and subsidized by the State. Such benefits will also accrue in similar projects in Yerevan, Almaty, Odessa, and elsewhere in the NIS.

[The housing finance work in Russia has also resulted in the development of a mortgage instrument that can be used in the highly inflationary environments shared by the countries. The design of this instrument has been reviewed by economists from outside the program and judged the best possible under the circumstances; however, everyone involved, including its designers, recognize its limitations in the current conditions. We expect to begin introducing this instrument on a very limited basis in Russia so the market can begin to respond to the very critical need for housing finance, but, more importantly, so that interested financial institutions can position themselves to move into this huge potential market as the economy stabilizes. It is on this basis, and with lessons learned from Russia, that limited efforts can begin in other NIS countries.]

But these successes only opened the doors to reform. AID needs to use the results of these experiences to feed into the next phase of action. To do this, AID should increase the focus of its efforts in housing reform, setting priorities and concentrating increased resources on those areas in which we have a competitive advantage. If AID does not now build on the results achieved, many of the gains made so far will be lost or rendered ineffective. The program's results and experience to date should be used to concentrate our efforts and move on a targeted basis into broader implementation and dissemination of NIS housing sector reform.

The Concept

The Housing Sector Reform Project (HSRP) has established programs with three republics outside of Russia: Kazakhstan, Armenia, and Ukraine. The program operates at the national level to promote policy and legal reforms and at the city level to implement the reforms, usually via demonstration projects.

The reform agenda under the housing strategy is deliberately broad. Reform does not proceed at the same pace in all the areas necessary to promote the development of a market-oriented housing sector. In each country decisions need to be made on which areas to emphasize, depending on the counterpart governments' reform plans and capacity as well as on AID resources. The original concept was to respond initially to available opportunities, and then enlarge the impact of the program by building on its successes.

AID now needs to refine and adjust the housing sector reform project and respond in a systematic way to opportunities for institutionalizing and spreading reform in the sector. In order to do this, the next phase of the project should focus on implementing those reforms which demonstrably have shown the best chance for success. This means

building on those policy initiatives adapted by NIS republics and municipalities and carrying out enough demonstration activity to create a critical momentum for change in the region. Other initiatives, like housing finance and housing allowances, need more development and testing before broad dissemination can take place.

A key element of this next phase will be an increased emphasis on exchanges of information and experience among the NIS republics (including Russia) and their municipalities. These exchanges will help build up the body of experience and expand "ownership" of the reform agenda across the NIS region. Experimentation can take place and when successful be replicated. Increased pluralism can be integrated into the process, again increasing the odds that reforms in the sector can really deliver the goods and improve living conditions for more NIS families.

The "Impact City" approach: It has become apparent that reform can be most successfully implemented when sectoral objectives identified within the larger national policy framework, can be addressed comprehensively at the local level. This experience has led to the development of the "impact city" approach, which concentrates resources on a cluster of key policy objectives to achieve in each selected city. Reform measures can be demonstrated in a manner which provides reinforcement to overall local objectives with greater demonstrable success than can be achieved by spreading resources more thinly across a number of cities.

Deepening TA in priority areas: In this context, "deepening" the program means supporting reforms in one area of the sector by adding activities in a related area: for example, work on land privatization benefits from a related demonstration in market-based property appraisal. In fact, without the latter, the whole privatization effort might well bog down.

At the same time, however, phased plans will be developed for institutionalizing lessons learned in demonstration projects and refining, as appropriate, the related policy reform agenda. Effective experiences in pilot projects need to be analyzed, evaluated and implemented on a larger scale. Within the evolutionary reform process, this approach provides the feedback to inform the policy reform process, providing the real world input necessary for making better policy.

Dissemination of benefits and lessons learned: Equally important, our demonstration projects will provide beneficiaries with tangible improvements, in better housing maintenance and increased housing privatization, which are critical to establishing the credibility of reform and the reformers. Ultimately, however, the lessons learned through our demonstration project and resident advisor approach must be systematically

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and effectively disseminated and institutionalized across the NIS region. Dissemination is built into the design of some individual demonstrations and is also being carried out by the use of consultant specialists in areas beyond their initial assignment cities (e.g., the adviser from the successful Novosibirsk program in condominium formation is traveling to Odessa in Ukraine to help set up a project). In other cases, more systematic attention needs to be paid to dissemination plans.

Below are descriptions of how this concept works out in the countries now on the agenda and proposed to be added.

Relationship to Other AID Projects

As will be apparent from the sections below, the HSRP is supporting activities which are in some cases closely related to project activities managed by other units of the ENI Bureau. Most notably, urban land privatization work relates to work being done under PSI's small business and enterprise privatization contracts. PSI also is working in some countries on municipal service privatization, which has implications for HSRP's work in municipal service pricing and delivery. There is a municipal financial management project in the DIHR office of ENI which has large areas of overlap with municipal development activities under HSRP. Finally, there are opportunities for collaboration in Ukraine between the energy project in the new Office for Energy, Environment, and Urban Development and the housing privatization pilot, as described in the section on Ukraine.

In privatization of urban land and municipal services, there is a need for coordination at broad policy levels, since the approaches being pursued by the different projects are in some cases very different and have different implications for the overall reform effort. Although efforts are being made to coordinate at the project activity level to avoid direct conflicts or unproductive redundancies, the Bureau needs to ensure coordination at a higher policy level as well.

Coordination at the project level in the area of municipal development is less problematic: in Ukraine, for example, USAID is leading an effort to coordinate all local government work. In the course of that effort, it has become apparent that the municipal finance project being managed by DIHR had many overlaps with HSRP activities, but virtually no conflicts over approaches or policy were identified. The expressed willingness of both project managers and contractors to coordinate in order to avoid duplication or overburdening of local officials can take care of most such concerns.

Relationship to Other Donor Activities

Currently, the major other housing sector activity related to AID's work (outside Russia) is in Armenia, where the World Bank is loaning funds for earthquake reconstruction (see below). In Ukraine, however, USAID is interested in linking HSRP activities with an IERD loan program for housing rehabilitation. We will pursue this opportunity with the Mission.

Country Programs

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KAZAKHSTAN

Existing

The initial focus of technical assistance in Kazakhstan was on achieving the policy and legislative reforms needed to establish the elements of a private housing market and then to enact reforms in the housing sector. In August 1993, President Nazarbayev decreed into law a new housing policy for Kazakhstan. The AID funded resident adviser was a permanent member of the committee that developed the policy and continues to assist a working group which has developed a law on condominium housing and a law on mortgage (pledge) which will be submitted at the next parliamentary session. These laws have begun to define the primary principles for the ownership, use, and disposition of housing and other forms of real estate and private property. They have also begun to define, although as yet imperfectly, the methods and alternatives by which land may be occupied and used for housing and other building purposes. However, much work remains to be done to establish property rights and property registration systems that work for market purposes.

The Presidential decree was an important first step in the establishment of private markets in Kazakhstan. The new housing policy that resulted from the decree utilizes competitive bidding and RFP type mechanisms to facilitate housing construction by private developers; encourages the privatization of housing services delivery; and establishes a housing bank to provide construction financing and to initiate mortgage lending on a low scale. The decree established a Ministry of Housing and Construction with a mandate to implement the new housing policy and to introduce a market-based system of planning and real estate development regulations.

The Ministry of Housing and Construction is particularly interested in the three policy areas listed below which are also important to the A.I.D. strategy in Kazakhstan. The

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policy areas are intended to support the Strategy for U.S. Assistance in Central Asia (December, 1993), specifically, by contributing to the achievement of Objective 1: "Assist in establishing a policy, legal and regulatory environment which supports private sector expansion and sustainable, market-led economic growth." The strategy identifies housing as one of three key economic sectors in which to promote reform.

Proposed

The following program for deepening the TA represents A.I.D.'s strategic focus and the commitment made by the GOK:

Policy and legal framework for private urban land markets. Although this focus area cuts across all others, it is useful to break it out, since it requires a distinct type of technical assistance and has outputs different from the other areas.

The proposed work would provide legal assistance to measures to facilitate private investment in urban land development:

- land tenure and real property rights
- establishing/verifying title
- land allocation

Subsequent priorities include:

- land use regulation and planning law
- property tax law
- other real estate tax law
- selected banking/housing finance law
- landlord-tenant law.

Output: A framework of law and regulations adequate to support a market-based housing and urban land market.

Construction and mortgage finance. The GOK has already decided to produce a private housing finance system through the somewhat problematic means of creating a new government housing bank, subsequently to be privatized. The initial focus of AID's TA will therefore be to help the government clarify and obtain a realistic strategy for the newly-created Housing Bank, stressing the participation of private banks in the provision of finance. The Ministry of Housing and Construction has agreed to this approach.

Training in housing finance as well as in basic bank organization will be an important component of early assistance to the new bank, along with development of the

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technical/administrative capacity to initiate construction financing and introduction of mortgage lending on a pilot basis. The A.I.D. experience with the indexed mortgage instrument(s) developed in Russia may be adaptable to Kazakhstan, but will be approached with the same caution with which it is in Russia because of its intimate relationship with the larger financial sector and macroeconomic conditions.

Output: Either a housing bank which operates on market principles and facilitates the provision of housing finance by the private banking sector or a decision by AID to cease support for the housing bank.

Private land development via competitive mechanisms. The new housing policy is intended to create an environment in which access to land, construction finance, and mortgage financing under public sector programs are available to developers on a competitive basis. AID's TA cooperation program with the Ministry of Housing and Construction will develop and demonstrate models for such competition.

Demonstrations would focus on:

- competitive bidding practices
- construction management and quality control
- low density site development concepts
- market research techniques
- responsiveness to consumer preferences
- affordable housing design and appropriate technology.

Output: At least three models of competition developed and demonstrated over the LOP, with replication by 1995 without major direct AID involvement.

Privatizing the management and maintenance of housing. The GOK has made significant progress in transferring units to private ownership, but retains the considerable burden of management and maintenance, even for privatized units. The Presidential Decree and policy of the newly formed Housing Ministry envisage a combination of housing maintenance privatization, condominium formation, and housing allowances as the means to achieve meaningful privatization of the existing stock.

The TA approach in this policy area is entirely demonstrational and will involve adaptation of the A.I.D. program in Moscow, including the use of contracts and training material.

A pilot project, to privatize maintenance of 1000-2000 units in Almaty, ultimately expanding beyond the pilot units to the rest of the city. The demonstration will also involve a training program for the contractors, city administrators and residents.

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Outputs: Privatized maintenance of at least 15,000 pilot units of the existing housing stock, with an expanded program available throughout the pilot city.

End of Project Status:

At the end of the Project, the following conditions will exist:

1. Rights to own urban land, or lease urban land with all private ownership rights, will be in place, and there will be a significant number of registered real estate transactions; there will be increased private investment in real estate.
2. Individuals or businesses will be able to obtain land for urban development or redevelopment under clear, transparent, and transactionally convenient procedures.
3. Housing privatization will result in reduced municipal expenditures for housing services.
4. An income-based housing subsidy program will be in place.
5. The concept of secured mortgage lending will be established in law, and, if macroeconomic conditions permit, in practice.

KYRGYZSTAN

Existing

A limited amount of assistance has been provided to Kyrgyzstan through the Kazakhstan program. Kyrgyzstan officials received some U.S. based training and were invited to seminars in Kazakhstan. A few short term experts visiting Almaty also conducted seminars in Bishkek. Based on the results of a housing reconnaissance mission to Bishkek and the assessments and recommendations of USAID/Almaty and AMEMBASSY/Bishkek, a proposal to place two resident advisors was presented earlier this year.

As noted above in the section on Kazakhstan, the Strategy for U.S. Assistance in Central Asia cites housing as one of three key economic sectors in which policy reforms are to be promoted. The subsequent cables providing supplementary information on which programs would operate in each country include a cable from Kyrgyzstan (Bishkek 00435) that identifies the housing sector as one offering opportunities to promote economic restructuring. Noting the existence of the legal framework for housing privatization and the on-going privatization of publicly-owned units, the cable advocates assistance to formation of condominium associations and other measures to generate private payment:

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for maintenance and management and to reduce and better target public subsidies. The cable also notes the need for work on clarifying the legal status of privatized units.

Further, in March 1994, USAID/Almaty convened a scheduling conference to bring together field personnel from USAID and the Embassies of the region, along with ENI Bureau staff, to discuss country specific activities within the context of the Central Asia assistance strategy. At these meetings, agreement was reached on, among other things, the extension of the housing sector reform activities to Kyrgyzstan. This agreement will be reflected in the reporting cable to AID/W.

The housing stock in Kyrgyzstan, as in the other Central Asian republics has traditionally included a substantial number of private single family homes. The recent privatization efforts have added a substantial number of apartments to the privatized housing stock. Absolute housing shortages are also not as acute as one finds in other parts of the former Soviet Union. Hence, the housing problems in Kyrgyzstan are associated primarily with the existing housing stock. Technical assistance in three policy areas (see below) comprises the strategy for the creation of local housing markets in Kyrgyzstan.

Proposed

The following area would be addressed in developing a program for Kyrgyzstan:

- Privatization of management and maintenance of existing housing stock;
- Establishment of systems for titling, valuation, and registration of existing housing;
- Legislative assistance to clarify land use rights for existing housing and to facilitate private investment in urban land development.

The preliminary strategy will promote the initial market activity in the housing sector by establishing market-based systems of valuation and registration, and making this information available to the market. It will also address the immediate housing needs of management and maintenance of existing housing stock through the private sector. Finally the strategy will help develop a legal framework allowing for legal titles and clear unambiguous land lease rights for existing housing or new development, which will begin to establish real estate as a valuable asset in the economy.

Outputs: Privatized management and maintenance of pilot units in Bishkek, with an expanded program available to all privatized units throughout the pilot city; clear procedures for obtaining land for private urban development; income-based housing allowance program designed.

End of Project Status: At the end of the Project, the following conditions will exist:

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1. Rights to own urban land, or lease urban land with all private ownership rights, will be in place, and there will be a significant number of registered real estate transactions; there will be increased private investment in real estate.
2. Individuals or businesses will be able to obtain land for urban development or redevelopment under clear, transparent, and transactionally convenient procedures.
3. Housing privatization will result in reduced municipal expenditures for housing services.
4. An income-based housing subsidy program will be in place.

ARMENIA

Existing

Assistance is being provided to the republic and city (Yerevan) by a resident adviser. In addition to the landmark Housing Privatization Law passed in June, 1993, the results of the legal and policy TA have been significant. These include: the establishment of regulations authorizing private land ownership; regulations authorizing location-based pricing of land; development of a property/land tax law; and development of a condominium law which is expected to be adopted in the next parliamentary session. TA is being provided to create the administrative and regulatory framework necessary to implement the housing privatization law. Two pilot projects in condominium housing are underway involving demonstrations of the formation of condominium associations and the privatization of management and maintenance services.

The implementation of the Law on Housing Privatization is a high priority for the GOA. The establishment of condominium housing schemes to define ownership rights is a critical element of the housing privation effort in Armenia. The TA program must be ready to scale up the condominium housing project following the adoption of the condominium housing law which is expected to pass in 1994. Armenia has not resolved the issue of urban land privatization. The absence of fee simple ownership of land, or long-term land leases is a critical impediment to private investment in the housing sector.

The World Bank has recently approved an IDA loan of \$27 million to Armenia for reconstruction in the earthquake zone. The GOA has requested A.I.D. TA in using the Reconstruction Project as a demonstration for key policy reforms that are described below.

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Proposed

The TA program will proceed in the following areas:

Condominium housing and privatization of management and maintenance. The pilot projects underway are an important first step which is being fully appreciated by the GOA and the residents. Following the adoption of the condominium law, there is clearly a need to broaden this activity to the entire city. Furthermore, the Minister of Economy has requested A.I.D. assistance in using the Earthquake Reconstruction Project site to demonstrate private ownership of housing under condominium housing schemes. This creates a unique opportunity to demonstrate housing privatization on a significant scale without the problems involved in organizing residents of older, existing buildings with serious deferred maintenance problems and entrenched tenant politics.

The first priority is to complete the demonstrations now underway. Following this, the City of Yerevan will expand condominium conversion on a city-wide basis as it begins implementation of the privatization law in 1994. The emphasis of the Yerevan program would then shift to pilot projects in housing maintenance privatization, following the model utilized in AID's Moscow program.

Outputs: Over LOP, 40% of all housing stock in Yerevan, in addition to the 2,000 reconstructed units, in condominium ownership.

Urban land policy reform. Armenia moved forward on rural land privatization at an extraordinarily fast pace without addressing urban land privatization. This resulted in acute planning and land use problems as rural land was utilized for urban (housing and commercial) purposes. The GOA is desperately trying to clarify the urban land privatization issue to correct the problem.

A.I.D. TA has already resulted in the adoption of some fundamental yet critical land policies such as:

- * regulations allowing private land ownership;
- * establishment of pricing of land;
- * and establishment of location-based prices of land.

TA aimed at clarification of land use rights and establishment of land use regulations will be intensified to create a clear and unambiguous land policy to facilitate the development of a land market and encourage private investment in real estate.

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To link up privatization of land use with market development, procedures for establishing/verifying title, and detailed implementation procedures for land auctions and the establishment of information systems market transaction monitoring, and appraising will be developed.

Outputs: Urban land policy adopted by GOA; titling procedures adopted by GOA; land auction procedures adopted; information systems to track market transactions functioning.

TA in construction supervision. The Reconstruction Project will award contracts to local contractors through competitive bidding mechanisms and encourage the development of construction supervision as a profession in Armenia. The GOA has requested A.I.D. to provide a Construction Adviser to advise and train the project implementation unit on construction supervision.

An adviser will be placed under a two year contract to develop a TA program to parallel World Bank efforts on the Reconstruction Project. The construction adviser will advise the Ministry of Economy on the supervision of the project, develop a training program for the locally hired construction supervisors and contractors, and help the GOA create a profession of construction supervision in Armenia.

Outputs: Contracts awarded through competitive bidding; training program for construction supervisors.

End of Project Status:

1. Rights to own urban land, or lease urban land with all private ownership rights, will be in place, and there will be a significant number of registered real estate transactions; there will be increased private investment in real estate.
2. Individuals or businesses will be able to obtain land for urban development or redevelopment under clear, transparent, and open competitive procedures.
3. A condominium program will be operating, and local governments will spend less on providing housing services; there will be a private market in housing services delivery.
4. Approximately 4000 households living in temporary housing in the earthquake zone will own their own permanent dwellings.

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UKRAINE AND WESTNIS

UKRAINE

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Existing

The Housing Sector Reform Project has targeted three areas of activity in Ukraine: (1) local government and municipal development, (2) urban land privatization, and (3) housing privatization. (Some of these areas are also being addressed through other AID-financed projects, as described in the section above on Relationship to Other AID Projects.) The activities are intended to support USAID/Kiev objectives in fostering a market-oriented economy while helping manage Ukraine's transition to a market economy with measures to assist the neediest sectors of the population.

Considerable work has been done under the Housing Sector Reform Project in Ukraine: a draft condominium law has been completed (support for privatization of housing); a comprehensive legal code on land initiatives (support for land privatization) is underway; a municipal services pricing pilot project is designed and getting underway (support for better municipal service delivery); and a successful auction of municipal land (support to urban land privatization) was recently held in Kharkiv. However, work on the housing component has lagged, for a number of reasons, and needs to be accelerated if AID is to have an impact on the sector.

In carrying out these activities, the focus of effort has been on local governments, thus far primarily Kharkiv. The GOU has made only limited progress in privatization of state enterprises, including privatization of land and housing and has not shown itself to be very reform-minded. Technical assistance has focused primarily on developing a consensus among government policy makers and on their involvement in drafting laws and policy statements on the privatization of land, coupled with demonstration projects at the municipal level, as the central government has indicated some willingness to consider reforms on a pilot basis. Work at the national level includes: work on draft laws on land and land registration, on a draft law on housing policy, and on a draft decree to delegate municipal service pricing authorities to oblast level governments.

Current municipal level activities in Kharkiv have focused on the formation of condominium associations in municipally-owned housing as a means to facilitate the Government's privatization program, on a demonstration project for land transfers for private development through open and competitive means, and on design of a pilot project in pricing of municipal services. There is a resident adviser in Kiev providing

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assistance at the national level and another in Kharkiv assisting the municipal government.

Proposed

Given the slow pace of reform at the national level and the overall political situation in Ukraine, national level efforts in the near term will continue to take advantage of windows of opportunity for policy and legal reform rather than follow a systematic and agreed upon program of reform with the Government. In general, the program will focus on pilot projects in areas where local leadership has a commitment to reform. These efforts will sharpen and refine our approach to working on reform possibilities at the national level.

The impact city focus (concentrating mutually supportive activities in selected cities to increase the impact of the individual activities) requires the replication and, in some cases, the addition of pilot projects in more cities currently receiving complementary assistance from other AID programs. HSRP staff and contractors have been working with USAID/Kiev to coordinate efforts in assistance to local governments with other related AID projects. USAID has prepared a local government strategy which encompasses the activities outlined here, as well as those being undertaken by other AID projects. Virtually complete is a strategy for support to urban land privatization. A strategy for support to housing policy reform is underway. When complete, these three elements will lay out in a comprehensive way the framework support to Ukraine's housing and urban sector. The following activities are designed to fit within the outlines of this framework.

More specifically, at the local level, work will proceed in land privatization: (1) sale of land for private use through pilot cash auctions for small parcels and competitive tenders for larger parcels and unfinished construction; (2) zoning; and (3) titling, recording, and registration. The GOU has already made specific city location requests for items 2 and 3. In urban housing privatization, work will continue in Kharkiv and expand to two to three other cities to assist tenants and the city in privatizing multi-story state-owned residential buildings, to assist owners in forming and operating condominium (or cooperative) ownership and management structures, and in fostering municipal privatization of housing maintenance Zheks or contracting out to private sector providers of housing maintenance services. USAID would like to link this work with IBRD rehab loans to cities for major maintenance of buildings to bring them to a condition to turn over to private owners. In municipal management and finance, a pilot project in market pricing of municipal services and targeting of subsidy programs will be launched in Kharkiv. This effort will be carried out in cooperation with the 113-0003 energy project

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to facilitate purchase and installation of meters (locally produced) in residential and commercial buildings. The pilot will be eventually expanded to two or three additional cities. The activity complements work being done by CFED under the 110-0005 privatization contracts, and the efforts will need to be closely coordinated.

Odessa has been identified with the Mission as a good location for replicating the privatized housing management work being carried out in Russia. Additional cities for program replication will be identified with the Mission. During this early stage the selected impact cities (Kharkiv, Odessa in the southern Ukraine region and a western Ukrainian city to be selected) will serve as the testing grounds for the various synergistic combinations of housing reforms, municipal management project training and privatization project activities which appear likely to produce significant results. These cities will act as pilots in order to build experience with local capacity and willingness to change, leading to refining the training aspects of the pilots prior to replicating them. An important component of this impact city strategy is the subsequent information dissemination through such organizations as the Ukrainian Association of Democratic Councils, a version of the U.S. League of Cities. Resident advisers should be assigned in impact cities to ensure coordination of activities, though they might be funded from different projects, depending on the focus of the city program. At this stage, we expect to place one additional resident adviser under the HSRP in Odessa or the Western Ukraine city to be selected.

We expect the housing policy assessment now underway in Ukraine will yield a broader approach to the housing sector (as distinct from the activities going on in land and municipal development). Provision is therefore being made for expanded activities beyond those pilots mentioned above, for example in housing finance as macroeconomic conditions allow.

Outputs: Adoption of a market-oriented policy for the pricing of municipal services in pilot municipalities; replicable (without AID assistance) model for transfer of municipal lands to private control; adoption of a market-oriented housing policy by the GOU; reduction in % of GDP (now estimated at 50%) devoted to housing sector subsidies; adopted management and maintenance plan for privatization of public units in pilot cities.

End of Project Status:

1. A functioning system for the transfer of public land to private use will exist.
2. There will be increased rates of privatization of public housing units and formation of condominium associations involving private management firm and undertaking building improvements.

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3. There will be a measurable increase in municipal revenues in pilot cities from properly priced and collected housing and municipal service fees.
4. There will be a measurable decrease in housing subsidies.

WESTNIS

USAID/Kiev has expressed interest and support for doing more within the fields of local government fiscal reform and management, development of private market systems for urban land and real estate, market pricing and alternatives for private sector delivery of urban services and developing the management capabilities of local government officials within the whole WESTNIS region, not just in Ukraine (Attachment B). Given progress on political and economic reforms in Moldova, this country should be given priority over Belarus. Both countries need basic assessments done to establish specific workplans which address identified program priorities for each country and complement and or support other aspects of the USAID and other donor programs in each country.

Moldova

USAID/Kiev reports that the level of reform at the national level in Moldova appears to be ahead of similar efforts in Ukraine. A national program of privatization is in process and land and real estate privatization legislation is in place but the pace of these and other reforms is in fact slow. Central and local roles and responsibilities, lines of authority between national and local government levels and local lines of authority are in flux. Increasing financial and administrative responsibilities for public and social (welfare) services are being shifted to local governments who are ill prepared to assume the load. Commitment of the GOM to privatization reforms will increasingly transfer more state and municipal enterprises to the private sector though no attention has been paid to fiscal and regulatory relationships between new private owners and local government authorities who must support them with public services. While national authorities have little confidence in the abilities of prefectures and city governments to assume responsibilities of increased self governance and financing, they are moving toward intergovernmental reform as the only long term solution. The Government of Moldova through its former legislature proposed local government self governance legislation and the new Parliament plans to introduce new local government legislation in the next four to six months.

The project proposes to work with national and local governments to assist Moldova: (a) to introduce market pricing of housing and public services while targeting social support programs of local government to needy and vulnerable groups; (b) to introduce

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opportunities for private sector delivery of public services; (c) to implement existing legislation on urban land and housing privatization using the mechanism of pilot demonstrations; and (d) to develop understanding and capabilities among local government officials of city financial and administrative management practices used by cities in market economies.

Statement of program components, outputs and end of project status will be a function of the workplan generated for each country.

Performance Fund and Unprogrammed

The Bureau budget sets aside a Performance Fund, some of which is being allocated via this paper to activities in Kazakhstan and Kyrgyzstan, both of them countries with a demonstrated commitment to reform in the housing sector. Armenia and Moldova are a strong candidates for Performance Funds as well, and the budget figure used in this paper could be met with the use of a small amount of such funding.

In view of the uncertainties surrounding funding for technical assistance to further housing sector reform in Russia, we are leaving a substantial portion of the funds being authorized herein unprogrammed, with the stipulation that they could be used for housing sector reform in Russia if no other sources of funds exist. (A full plan for technical assistance and training for the Russian housing sector is being reviewed by USAID and will soon be submitted for Bureau review.) Funds under this Amendment 3 would be available if needed to fund specific items in the Russia TA plan, subject to Bureau concurrence. If not needed for Russia sector reform TA, these funds would go to the Performance Fund for good performers outside Russia.

Implementation and Procurement Plan

In some cases, where on-going activities are being satisfactorily carried out, it does not make sense to change providers in mid-stream, particularly since the original contracts to provide assistance in the countries were written with the specific intent of allowing continuation of activities without further competition. Since the existing contracts permit and can accommodate the increased levels of effort needed to implement the activities described above, they will be so used to procure the needed services.

However, we are also committed to improving the delivery and pricing of TA services wherever possible, and will undertake competitive procurement to provide additional

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services. This new procurement would be used to secure TA and training in discrete functional areas (e.g., housing finance, housing allowances) which have not been fully developed, rather than procuring new contractors for specific geographic areas or continuing to use existing contracts for all country activities. This functional approach is the one being used in the Eastern Europe program. Because of the long lead times needed for full and open competitive procurements, however, depending on contracting loads and on when funds become available for obligation, "notwithstanding" authority might be needed to undertake less than full and open competition.

This authorization also provides for evaluations, which we expect will enable us to make corrections in assistance provision, where needed, and to plan for new procurements in the next fiscal year, funds permitting. We will implement the evaluation activities via funding through the Evaluation IQC mechanism.

We will also use the Housing and Urban Development IQC for discrete products such as a training plan for the NIS, whose funding will be shared by the allocations for all the countries in which we have, or will have, training components.

Meanwhile, our existing contractors have begun to investigate adding new service suppliers to their contracts via subcontracting arrangements, as permitted in their contracts. We will encourage more of this type of activity.

Finally, in order to encourage the institutionalization of reforms through the building and strengthening of indigenous organizations, we expect that some project activities will be funded via grants to U.S. PVOs.

Management

Management of the additional activities under the HSRP will remain in AID/W, within the housing and urban development unit to be located in the new ENI Bureau. However, it is clear that as field Missions staff up, they may wish to take on a larger role in project management. This is already happening in USAID/Kiev. Other Missions will not have adequate staff to take on increased responsibilities. Therefore, until additional authorities can be delegated to the field, Housing Office staff intend to work in a collaborative a manner with Missions as possible to ensure that all HSRP activities are in consonance with Mission strategies.

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Policy Agenda Matrix

| | UKRAINE | MOLD | KAZAK | KYRG | ARMENIA |
|-------------------------------------|---------|------|-------|------|---------|
| Legislative/ Policy Reforms | X | | X | X | X |
| Housing Finance | | | X | | |
| Private Development/ Construction | | | X | | X |
| Private Management/ Maintenance | X | X | X | X | X |
| Land Privatization | X | X | X | X | X |
| Housing Privatization/ Condominiums | X | X | | X | X |
| Municipal Service Delivery | X | X | | | |

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APPROVED

NIS-HSRP Amendment No. 3 Illustrative Budget FY 1994 Funding
(in \$ millions)

| COUNTRY | L/TTA | S/TTA | TRAINING | INSTIT.DEV | TOTAL |
|---|-------|-------|----------|------------|---------|
| Kazakhstan | 1.00 | 1.00 | 0.50 | 0.50 | 3.00 |
| Kyrgyzstan | 1.00 | 0.50 | 0.50 | 0.00 | 2.00 |
| Armenia | 1.00 | 0.75 | 0.25 | 0.00 | 2.00 |
| Ukraine | 2.00 | 0.50 | 0.50 | 1.00 | 4.00 |
| Moldova | 0.00 | 0.75 | 0.25 | 0.00 | 1.00 |
| Non Russia Subtotal | 5.00 | 3.50 | 2.00 | 1.50 | 12.00 |
| World Bank | | | | | 5.00 |
| Russia | | | | | 10.00 |
| Accelerated Institutional Development | | | | | 1.50 |
| Performance Fund | | | | | 8.50 |
| TOTAL | | | | | \$37.00 |

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To: Amy=Nolan=Osborn@PGM@XIEV@usaid.gov
 Co: jheisey@usaid.std.com
 Eoo:
 From: Dianne C Tsitsos <dtitsos@world.std.com>
 Subject: Re: Concept Paper for 0008 Project
 Date: Monday, April 11, 1994 at 12:43:33 pm
 Attach:
 Certify: N
 Forwarded by: Amy Nolan Osborn@PGM@XIEV

 Comments by: Amy Nolan Osborn@PGM@XIEV
 Forwarded to: Carlos Pascual@NIS.PAC@AIDW, Tim
 Mahoney@NIS.PAC@AIDW
 Dianne Tsitsos@PREH.PUP@AIDW, Barry Varat@PREH.C@AIDW
 David Sprague@DIR@XIEV, Terrence J. McMahon@DIR@XIEV
 Comments:

I have discussed this issue with the Moldova Embassy (Rebecca Joyce, ECON) and they very much want Moldova reflected in the concept paper to permit expansion of the 0008 project to Moldova. Please add as suggested the Mission language and indicate if you like that this is both Mission and Embassy requested. If you need anything further on this to move forward please advise immediately. Thanks Amy

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To: Brian Kline@NIS.FA@AIDW, Tim Mahoney@NIS.PAC@AIDW
Cc: David Sprague@DIR@KIEV, Terrence J. McMahon@DIR@KIEV
Dianne Tsitsos@PREH.PUP@AIDW
Michael Lippe@PREH.EG@AIDW
Bcc:
From: Amy Nolan Osborn@PGM@KIEV
Subject: Moldova in 0008 Project
Date: Thursday, April 14, 1994 11:49:53 EDT
Attach:
Certify: N
Forwarded by: Dianne Tsitsos@PREH.PUP@AIDW

In discussion with the Embassy in Moldova we both concur that we definitely want Moldova in the 0008 Housing project expansion. It is not just a "housing" project as you know. It is working on urban land privatization and municipal finance issues. I will be back to you with details shortly. We are in the middle of this implementation workshop with Nancy Tumavich etc. and no time for email etc.

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To: Dianne Tsitsos@PREH.PUP@AIDW, Barry Veret@PREH.O@AIDW
Jcel Haisey@PREH.O@AIDW
Cc: David Sprague@DIR@KIEV, Stephen Hadley@PRIV@KIEV
From: Amy Nolan Osborn@PGM@KIEV
Subject: Concept Paper for 0008 Project
Date: Friday, April 8, 1994 8:14:40 EDT
Attach:
Certify: N
Forwarded by:

The WestNIS section of the Concept Paper should be retained but it has got to be rewritten. Suggest something like following:

[Start] USAID/Kiev has expressed interest and support for doing more within the fields of local government fiscal reform and management, development of private market systems for urban land and real estate, market pricing and alternatives for private sector delivery of urban services and developing the management capabilities of local government officials within the whole WESTNIS region, not just in Ukraine. Given progress on political and economic reforms in Moldova, this country should be given priority over Belarus. Both countries need basic assessments done to establish specific workplans which address identified program priorities for each country and complement and/or support other aspects of the USAID and other donor programs in each country.

Moldova

The level of reform at the national level in Moldova appears to be ahead of similar efforts in Ukraine. A national program of privatization is in process and land and real estate privatization legislation is in place but the pace of these and other reforms is in fact slow. Central and local roles and responsibilities, lines of authority between national and local government levels and local lines of authority are in flux. Increasing financial and administrative responsibilities for public and social (welfare) services are being shifted to local governments who are ill prepared to assume the load. Commitment of the GOM to privatization reforms will increasingly transfer more state and municipal enterprises to the private sector though no attention has been paid to fiscal and regulatory relationships between new private owners and local government authorities who must support them with public services. While national authorities have little confidence in the abilities of prefectures and city governments to assume responsibilities of increased self governance and financing, they are moving toward intergovernmental reform as the only long term solution. The Government of Moldova through its former legislature proposed local government self governance legislation and the new

Parliament plans to introduce new local government legislation in the next four to six months.

The project proposes to work with national and local governments to assist Moldova: (a) to introduce market pricing of housing and public services while targeting social support programs of local government to needy and vulnerable groups; (b) to introduce opportunities for private sector delivery of public services; (c) to implement existing legislation on urban land and housing privatization using the mechanism of pilot demonstrations; and (d) to develop understanding and capabilities among local government officials of city financial and administrative management practices used by cities in market economies.

Statement of program components, outputs and end of project status will be a function of the workplan generated for each country. [and]

You should be aware that KPMG under the 0009 project has just completed a second visit to Moldova on intergovernmental fiscal reform. Their ultimate workplan should be focussing on legislation for and implementation of fiscal reform, particularly structural devolution and tax reform to local governments. An faxing trip report separately. The 0008 project work should be a good complement.

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To: Kamran Khan@PREH.E@AIDW
Cc:
Bcc:
From: Lyn Dunn@PSO@ALMATY
Subject: Housing Concept Paper
Date: Monday, April 11, 1994 22:19:35 EDT
Attach:
Certify: N
Forwarded by:

I've just returned from a TDY and have read over the concept paper. It looks very good. Best of luck in getting it through the system. We're eagerly awaiting our advisors for Bishkek.

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AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

PAGE 01 ALMATY 05500 190226Z 0650 230016 AID0275 ALMATY 05500 190226Z 0650 230016 AID0275
ACTION AID-82 CENTRAL ASIA. COURTNEY

ACTION OFFICE PRND-02
INFO NIS-02 PRAA-01 ASTR-02 PPR-01 PPAR-01 FMLM-02 FVPP-01
ARG-01 PREM-01 ASPP-02 OFDA-01 FHAG-01 STFN-02 PRFM-01
NER-02 NEKA-03 ASSA-02 FABP-02 FMPS-02 EUDR-03 EUDP-02
NPAC-01 NFA-03 NPSI-01 PPCC-01 /05: A6 LW 19/1403Z

INFO LOG-02 AGRE-02 CIAE-02 C-01 DODE-02 EUR-02 NA-02
INF-02 NSAE-02 P-01 SSC-02 TRGE-02 SNIS-02 NISC-02
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FM AMEMBASSY ALMATY
TO SECSTATE WASHDC PRIORITY 0576
INFO AMEMBASSY BISHKEK
AMEMBASSY ASHGABAT
AMEMBASSY TASHKENT

UNCLAS ALMATY 05500

AIDAC

E.O. 12958: N/A
TAGS: EA, D, KZ, KG
SUBJECT: FINALIZATION OF THE BUDGET FOR HOUSING SECTOR
REFORM PROJECT IN CENTRAL ASIA

1. THIS IS AN ACTION CABLE; SEE PARAS 2 AND 3.
2. HOUSING PROJECT IN KYRGYZSTAN: THERE HAS BEEN A REQUEST FOR A HOUSING PROGRAM IN KYRGYZSTAN FOR QUITE SOME TIME NOW. THE PRIORITIES AND OBJECTIVES OF A HOUSING PROGRAM IN KYRGYZSTAN HAVE BEEN DISCUSSED WITH NIS/PRE/H AND NIS/TF. USAID/ALMATY WOULD LIKE TO MOVE FORWARD WITH THE PLACEMENT OF TWO RESIDENT HOUSING ADVISORS IN KYRGYZSTAN AS SOON AS POSSIBLE. THE \$5 MILLION BUDGET ASSIGNED TO KYRGYZSTAN IN THE DRAFT CONCEPT PAPER FOR DEEPENING THE HOUSING SECTOR REFORM PROJECT IS ADEQUATE AND APPROPRIATE.
3. ACTION REQUESTED: NIS/TF IS REQUESTED TO FINALIZE THE HOUSING BUDGET FOR KYRGYZSTAN AS SOON AS POSSIBLE SO THAT CONTRACT ACTIONS RELATED TO THE PLACEMENT OF ADVISORS CAN PROCEED IMMEDIATELY.
4. CONTEMPLATED HOUSING ASSISTANCE IN CENTRAL ASIA: USAID/ALMATY RECENTLY CONDUCTED A STUDY IN UZBEKISTAN, TURKMENISTAN, KYRGYZSTAN AND KAZAKHSTAN TO OBTAIN A COMPARATIVE ASSESSMENT OF THE POLICY ENVIRONMENT AND LEVEL OF HOUSING PRIVATIZATION UNDERWAY IN CENTRAL ASIA. THE FINDINGS OF THE STUDY WILL BE DOCUMENTED IN THE FINAL STUDY REPORT TO BE COMPLETED BY MID DECEMBER. PRIVATIZATION OF HOUSING AND THE DEVELOPMENT OF LOCAL HOUSING MARKETS IS AN IMPORTANT PART OF USAID/ALMATY STRATEGY IN CENTRAL ASIA. NIS/PRE/H AND NIS/TF SHOULD CONTEMPLATE FURTHER INVOLVEMENT OF THE MISSION THE HOUSING SECTOR FOLLOWING THE COMPLETION OF FINAL REPORT OF THE HOUSING PRIVATIZATION STUDY.
5. ACTIONS REQUESTED: NIS/PRE/H IS REQUESTED TO INCORPORATE THE POSSIBILITY OF EXTENDING TECHNICAL ASSISTANCE TO UZBEKISTAN AND TURKMENISTAN IN THE DRAFT CONCEPT PAPER FOR DEEPENING HOUSING TECHNICAL ASSISTANCE; USAID/ALMATY AGREED WITH THE PROPOSED PROGRAM FOR DEEPENING ASSISTANCE IN KAZAKHSTAN. N DATE IS REQUESTED

TO RESERVE ADDITIONAL FUNDS IN THE HOUSING PROJECT BUDGET FOR POSSIBLE EXTENSION OF HOUSING TECHNICAL ASSISTANCE IN

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