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SECOND DRAFT

PRIVATIZATION OF HOUSING IN MONGOLIA

***Abstract.** Mongolia has been implementing a voucher-based privatization program. All of the small scale enterprises, much of the livestock and many of the larger enterprises have been privatized. The Government plans to privatize urban housing as quickly as is feasible. About half the urban population now lives in state-owned housing; the rest and all the rural dwellers live in privately owned tents or "gers." This paper supports the case for speeding up privatization through giving away the housing stock but argues that in practice the privatization of housing tends to take years rather than months since so many steps have to be taken to establish an effective housing market. These steps include raising rents to market levels, establishing the legal framework for ownership and transactions, beginning to set up a housing finance system, training the managers of the housing stock and the future homeowners in the benefits and responsibilities of ownership, privatizing the management of the state-owned housing stock, and introducing allowances for the needy. Issues of process and unfamiliarity with market systems seem to dictate a more gradual process than at first seems desirable. The paper describes the process by which housing privatization is being introduced to Mongolia and, on the basis of experience there and in other countries, urges that as much attention be given to implementation and management issues as to the design of privatization programs.*

1. Introduction

The objective of this paper are to define an implementable program to transfer state-owned housing into private ownership. Although experience from other transitional economies will be drawn upon, particular attention will be paid to Mongolia where the authors have been advisors to the State Privatization Commission (SPC) over the past year with funding from the United States Agency for International Development (USAID) through its Privatization and Development Project.¹

Throughout 1992, the technical assistance team and the staff of SPC debated how to implement the Government goal to privatize the state-owned housing. The central issues were how fast and at what price. At one stage during the debate selling the units at book value was favored by

¹Members of the team include Harry Garnett, Sally Merrill, John Miller, Robert Burnham, Robert Pickette, Martin Heyman, David Madway, Jaime Bordinave, and Douglas Diamond. The team worked closely with Yo. Gerelchuluun, the Secretary of SPC, and his Executive Assistant, Ms. Narantungulug; and with the USAID Representative in Mongolia and his staff, and Earl Kessler, the Director of USAID's Regional Housing and Urban Development Office for Asia and his staff.

SPC; then selling at market prices; then selling with substantial discounts; then focusing on privatizing the management of state-owned housing and only aiming for a major sales program when economic conditions were better and rents had been raised to market levels.

These are issues that have been debated by experts on privatization over the past three years. Some advisors on privatization favor a very gradual approach (such as China's); more favor rapid privatization (such as Moscow's, at least in intent), although some recommend moving rents to market levels prior to attempting the mass sale of units. At least one country is now concentrating not on selling or giving away the stock but on managing it better through private management companies. In practice few countries have been able to privatize their housing stock quickly, even if governments are prepared to give away the stock free.

This paper explores these issues from the Mongolian experience. The paper begins by outlining the background to Mongolia's privatization program and continues with a discussion of the case for rapid privatization. The need to establish an enabling environment for the privatization is then discussed and the steps being taken in Mongolia are summarized.

2. Mongolia's Privatization Program

Mongolia's first democratically elected government, which took office in January 1991, initiated a very aggressive privatization program. The State Privatization Commission (SPC) announced plans to transfer 100 percent of its holdings in small enterprises and 80 percent of all state assets to the private sector by the end of 1993. Mongolia was one of the first country's to adopt the voucher approach to privatization. Each member of the population in 1991 was given three red² vouchers worth Tugrics 1,000 each (just a few \$US at the current rate of exchange) and one blue voucher worth T7,000. The red vouchers have been used in the privatization of small enterprises such as shops and restaurants. These vouchers are tradable and can even be held by foreigners. Almost all Mongolian's 2,500 small enterprises were privatized within a year; most were bought by their staffs. However only 70 percent of the red vouchers have actually been used. The privatization with the blue vouchers has proceeded more slowly: only a small proportion of the 300 enterprises identified for privatization have actually been privatized, although a higher proportion have been valued for privatization. Many of the 700 or so large state enterprises are expected to be declared bankrupt. Confidence in this privatization is not high since many who invested in privatized companies have found their shares to be worth a fraction of what they paid. Agricultural assets are also being privatized. Most of the livestock has been transferred into private ownership using the red vouchers.

² These vouchers are referred to as green in the early promotional material. Unfortunately, when it came time to print them, no green ink could be found--a typical Mongolian problem then and today.

However this program was implemented in a very adverse business environment which has its principal origins in the withdrawal of the massive Russian support for the economy. Mongolia, with less than 3 million inhabitants living the least densely populated country in the world, was more dependent on Russian subsidies and trade than any other of the Council for Mutual Economic Assistant (CMEA)economies. Between 1985 and 1989 the negative external balance financed 82 percent of investment. The Soviet Union contributed between 17 and 55 percent of Government revenue in the 1980s. Ninety percent of Mongolia's exports were to CMEA economies. The withdrawal of Russian support resulted in a severe crisis in 1990-91. Exports came to a halt. Investment and construction fell to very low levels--Ulaan Baator is full of idle construction sites overlooked by stationery tower cranes. The first ever food rationing was introduced. The Ministry of National Development calculated that loans equivalent to \$500 per person would be required to replace the Russian support. Output is continuing to fall, there is double digit unemployment and inflation is high. Many Mongolians see the introduction of the market economy as the origin of many of these problems. The domestic price liberalization has pushed up the cost of living dramatically, without a commensurate increase in wages. The liberalization of foreign exchange has made it costly to import the spare parts needed to keep transportation moving and enterprises running. Wage controls have been relaxed, but the demand for labor is so low that incomes have tended to fall, especially in urban areas. The relatively young population is pouring large numbers into the labor force each year.³

It is in these circumstances that the Government is beginning its next stage of its program: the privatization of housing. When the authors first met the SPC in 1992, its objective was to privatize housing as quickly as the small enterprises were transferred to private ownership within a year.

Before discussing the case for rapid privatization and the Mongolian program, it is necessary to describe the institutional framework for privatization. Privatization policy is the responsibility of SPC. The Commission is chaired by the First Deputy Prime Minister. The membership consists of a number of Ministers and senior officials, such as the Governor of the Central Bank, the Chairman of the Stock Exchange, and the Mayor of Ulaan Baator. There are no representatives of the private sector (there was almost no private sector before 1989). SPC has a small staff headed by the Executive Secretary (a former academic economist). The actual privatization programs are implemented by local authority privatization commissions. For example, Ulaan Baator, one of only three cities in Mongolia with significant portions of the housing stock owned by the state, has its own Privatization Commission headed by the First Deputy Mayor.

The overall management of Ulaan Baator's state-owned housing rests with the Housing and Communal Services Company which reports to the city. The Housing Company, which has a staff of 20 and, like SPC, is chaired by an economist, supervises 13 Housing Authorities. Each

³Mongolia has a very high dependency ratio of 81 per cent; in contrast China's is 54 per cent.

Authority services a group of apartment buildings. In Ulaan Baator, 240,000 people live in 48,500 flats in 707 buildings, two thirds of which were built since 1978. The Authorities collect the rent, manage maintenance, repairs, heating, electrical supply, water, trash collection and cleaning. Although maintenance standards are low, the Authorities are greatly overstaffed (15 to 25 units per employee) by western public and private housing standards. The Authorities are not only supposed to be financially viable in terms of the cash flow from rents covering their operating costs, but they are supposed to hand over part of their surplus to the Company and the City. Neither the Company nor the Authorities have the financial capacity to construct new buildings; none have been build for some years, although many partially constructed buildings stand idle. The Authorities are responsible for capital repairs as well as routine maintenance: there is in reality funding to undertake major repairs on only 5 to 10 of the 40 to 50 buildings needing them each year. The Authorities' capacity to generate the revenue they need is constrained by the fact that only the national government can increase rents. Although utility prices were increased quite dramatically in 1992 and 1993 as part of a general price liberalization, rents were not increased.⁴

3. Realistic Rate of Privatization of Housing

The SPC believes that the principal reason for privatizing housing is to make a large sector of the economy market oriented, with current and future householders and other participants in the sector responding to prices that reflect real costs. A full list of the reasons given by staff and members of SPC for privatizing housing is as follows:

- to continue the transition to a market economy and reduce the role of the state;
- to provide opportunities and incentives for development of a Housing Bank and a market-oriented system of housing finance;
- to provide incentives for increased housing construction by the private sector;
- to provide households with both increased control over their living environment and a valuable asset, the worth of which will increase over time;
- to reduce the fiscal demands on the state, cities, and provinces;
- to increase the value of, and the use of, the remaining small vouchers;
- to provide a fund for construction of additional housing;

⁴ Wholesale prices of coal and electricity and transportation charges were increased by between 40 and 300 per cent in 1992. Ceiling prices for some "essential" good were increased by two to four times. Wage decontrol began in the same year.

- to help stop deterioration of buildings and units through increased maintenance and capital repair by private owners;
- to encourage labor mobility;
- to encourage private savings;
- to increase the range of choices in housing.

It is worth noting that there is no illusion in Mongolia, as there is in other countries⁵, that the privatization of the state-owned, actually local authority owned, housing stock will eliminate a state-owned asset.⁶ There is a clear appreciation of the negative net worth of the housing from a public finance point of view.

The issue is how quickly should, and can, this transfer of ownership be achieved. Initially SPC was clear that the transfer should be very rapid indeed. Later members and staff of SPC began to adopt a more conservative approach as they became exposed to widespread opposition to the privatization from the tenants themselves, often expressed through their recently democratically elected representatives. In meetings with the authors, the President of Mongolia and the Chairman of the Parliament's Standing Committee that deals with housing policy both cast doubts on the implementability of the privatization program and worried about its impact on urban households now suffering from falling real incomes. The Prime Minister thought that the program should proceed "gradually, step-by-step."

Most countries that are privatizing their state-owned housing have, like Mongolia, set out to do so rapidly. These include Russia, Hungary, Poland and Britain.

The case for rapid privatization is strong. Buckley, Hendershott and Villani argue persuasively for rapid privatization through giving away the state-owned housing stock. They argue for rapid privatization as follows:

Housing markets will not function properly until the transition to a free market is essentially complete; the go slow approach perpetuates the current misallocation of capital and undermines the entire reform agenda of converting economies.⁷

⁵ See Alm, James R. and Robert M. Buckley, Privatization by Local Governments in Reforming Economies: A Net Worth Perspective, mimeo, 1992.

⁶ Buckley et al state that one of the reason why privatization proceeds so slowly is that "governments cannot afford to forgo the lost revenue from the housing stock." (page 3)

⁷ Buckley, Robert.M., Patrick E.Hendershott, and Kevin E. Villani, Rapid Housing Privatization in Reforming Economies: Pay the Special Dividend Now, paper presented to the AREUEA Conference, October 1992.

Other scholars have also supported the case for rapid privatization. Blanchard et al (1991) not only support this view but they also urge privatization through giveaways. Buckley et al extend the giveaway policy to housing.

Indeed, the rapid privatization of housing is only possible if the housing is given away. Housing in the transitional economies that is sold privately at free market prices can only be afforded by the very rich domestic residents and by foreigners.⁸ The few private sales in Mongolia are made to the country's few newly rich. If housing were sold at a market price defined as the replacement cost, only a handful would be able to afford it. It is in fact difficult to devise a deal under which a significant proportion of Ulaan Baator's households could afford to buy their housing even if most of the floor space were given away free. For example, if it is assumed that the poorer families continue to spend the average 5 percent of their income on rent and the rich ones progressively up to 20 percent, that each household member received 4 square meters free, that financing for the balance of the space sold at full replacement cost were for 15 years at 8 percent (well below the rate of inflation), and that there were a 5 percent downpayment, only about 50 percent could afford to buy their units.

There is an economic and social logic to giving away the stock. Blanchard et al argue that state enterprises should be **distributed** not sold: "The capital stock already belongs to the people, who have bought it earlier through previous savings."⁹ A similar argument can be applied to housing: the people in the previously centrally planned economies have actually paid fully for the housing through being remunerated in kind rather than through money wages. Buckley et al support the case for giveaways: "While enormous subsidies are provided to renters in the PCPEs [Previously Centrally Planned Economies], the full cost of these subsidies is currently being paid by the existing population."¹⁰

An alternative policy would be to increase rents to market levels (replacement cost), give housing allowances to those who cannot afford these higher rents, and, once the "level playing field" has been established, sell the units to those who wish to buy. A variation on that policy would be to increase the rents slowly as incomes rise and at each point in time sell units at a price that is equivalent to the rent. China has a program to introduce a market oriented housing system over about 25 years by progressively increasing rents to full cost recovery levels at the same time as wages are increased. The clear problem with such a policy is that it leaves too important a sector of the economy for too long with prices that do not reflect real costs.

One problem with the give-away policy is that whereas all money wages have been suppressed, only some households had been given access to state-owned housing. The distribution would

⁸ The booming property market in the Czech Republic has been largely fueled by foreign investment often associated with the mass privatization program.

⁹op cit page 38.

¹⁰ Buckley et al, op cit, page 3.

therefore be from all the people to some of the people. In some economies it is possible to say that since the poorer households rent state-owned housing and only the rich own theirs, a distribution of state-owned housing could at least be justified by liberal governments as benefitting those less well off. But that is not the case in Mongolia where those with lower incomes tend to live in the tent-like "gers." Some of the nervousness of Mongolian politicians about privatization stems from the failure of the ger dwellers to benefit from the privatization of the state owned apartments as much as their current occupants would under the proposed policy that the units be sold or distributed to present occupants. The ger dwellers would tend to benefit in the long run by being given access to the better housing stock by means other than highly politicized waiting lists. They would at least be no worse off than now. This equity issue takes many forms throughout the transitional economies, many of which have substantial part of the housing stock already in private ownership. It even applies in the West. Since some of the poorest families in Britain live not in public housing but very low quality private housing, they have not been able to benefit from privatization of council houses there.

But the real problem with the give-away policy is simple: even if governments are prepared to give away the housing stock, few households seem prepared to take the steps necessary to become owners. Kosareva and Struyck express disappointment that Russia's housing privatization program is "in real danger of not transferring a substantial share of the stock." Even under Moscow's complete giveaway policy, only 5 percent of the stock was transferred in the first few months of the program; the percentages in two other cities with almost complete giveaway policies was only one percent.¹¹ Hungary and with deep discounts has achieved 20 percent; Poland much less. However over 80 percent of the stock in Slovenia and Lithuania were privatized in one year. With average discounts on the market value of about 50 percent, and some as high as 70 percent, more than half the tenants of Britain's council houses chose not to buy.

"Distributing" or "giving away" the housing stock is clearly not a sufficient condition for privatizing housing and establishing a market-oriented housing sector.

4. Establishing the Supporting Conditions for Rapid Privatization

The key rapid privatization is not only to privatize with deep discounts or even giveaways but to establish a legal, regulatory, financial and management framework that make it possible for housing markets to flourish.

Mongolia's SPC favors selling the state-owned housing with very deep discounts: in effect, giving it away. The plan is for households to be given 3 or 4 square meters of free space per

¹¹ Kosareva, Nadezhda and Raymond Struyck, *Housing Privatization in the Russian Federation, Housing Policy Debate, Volume 4, Issue 1, 1993.*

member of the household, with the balance between the market price and the value of the free space paid for by using any remaining red vouchers¹² and by taking out installment loans, after even that balance has been discounted substantially.

The problem is that even under those seemingly generous conditions there is little support from the current tenants to buy their flats. Informal surveys have been carried out by the managers of the blocks of flats. The general view of tenants is that less is gained by buying the unit than is lost by doing so. Although the flats are quite poorly maintained, households worry that they cannot afford to take on that burden in the future. Tenants calculated that it would take more than the 5 percent or so of their income they now pay for housing simply to maintain the flats they would own.¹³

Much of the technical support focused on suggesting the steps that would have to be taken to make ownership more appealing. These steps will be discussed below.

Winning Political Support

When the technical support team first arrived in Mongolia, although many key policymakers believed in the Government's privatization policy as a whole, very few had given much thought to the privatization of housing. They thought it would be as simple a matter as the privatization of the small scale enterprises, something that could be begun in a month or so and completed very quickly. No one thought that there needed to be a law of transactions; that few would have incentives to assume ownership of their flats since rents were currently so low; that some source of housing finance would be needed; that the issue of who owns the common space would have to be addressed; and even that the new owners would become responsible for maintenance.

There were many misconceptions about how the privatization was going to be implemented. Some thought that the units would be sold to the highest bidders thus creating a class of anti-social landlords who would evict the very poor. Some politicians began to exploit these uncertainties. Even now probably the majority of the population is against the privatization of housing.

One of the first steps was to articulate to those with the strongest incentive to privatize, the staff of SPC, the various privatization options and outline the enabling environment that would have to be established. This stakeholder training was then extended to the Ulaan Baator Privatization Commission and Housing Company. The top management of all three were brought to the US to study a market oriented housing system and the private management of public housing. The

¹² About 12 billion worth of vouchers are outstanding; housing has been estimated to be worth T6 billion.

¹³ This 5 percent is twice as much as households spend on housing in Russia and China.

mission was led by the Chairman of SPC, the First Deputy Prime Minister, who was at best agnostic towards the privatization of housing at the beginning of the process.¹⁴

Then the "training" spread to the top political leadership. Meetings were held with the President,¹⁵ the Prime Minister and the Chairman of the Parliamentary Committee responsible for housing policy. All three could only accept the program if it left no one worse off: there had to be guarantees for the large proportion of the tenants of the flats whose income were low and falling. Mention of housing allowances worked wonders in that regard. SPC staff also held numerous meetings with parliamentarians.

Public Information

Discussions between the manager and staff of the Housing Authorities indicate that it is much easier for tenants to understand the costs of ownership than the benefits. In fact the managers themselves had little understanding of the benefits. Mongolia has never had a modern market oriented economy. It became communist in the early 1920s when it was still a simple, pastoral economy. Although any visitor to Mongolia quickly comes into contact with the nation's natural entrepreneurs--on the plane, at the airport and around the hotel--it soon becomes abundantly clear that few have any understanding of a "market economy." The language of western economics passes over the heads even of most who have been trained as economists in Mongolia, Russia or East Germany. It is hard for most people to understand how homeowners in the West have benefitted so much in the long run from the freedom to choose and from the appreciation in the value of their principal asset, their home. Flat dwellers have had so little discretionary income that they are frightened to take on new financial responsibilities. Condominium concepts are particularly baffling. No one in Mongolia (including SPC) imagined that the privatization should include the stairwell, roof, heating system and land.

The State and Ulaan Baator Privatization Commissions have therefor undertaken a public information campaign. The first step was to train the managers of the Housing Authorities in the benefits and responsibilities of private ownership so that they in turn could educate groups of tenants. The slides used in this training (which had been translated into Mongolian) were

¹⁴ He came from the reconstituted Communist Party, renamed the Mongolian People's Republican Party (MPRP) that won the national elections shortly before this program began.

¹⁵ The President, P. Orchirbat, too came from MPRP. But in the 1992 Presidential election he switched at the last minute to the party that won independence from Russia, and won. The Secretary of SPC came from the party that won independence but was kept on by the MPRP government when it came to power following the first democratic elections. There are a number of opposition parties including: Democratic, National Progress, Renaissance, and Social Democrats.

shown on a weekly city affairs program on TV. Radio interviews were also recorded with the managers of the program.

Legal Framework

When the technical support team first visited Mongolia in 1992, there was no legal framework for a market oriented housing system, except that the Constitution had established a right to own property. Although the general Privatization Law provided the basis for transferring ownership from the state to private individuals or organizations, there was (and still is) no legal basis for subsequent sales. SPC believed that it could issue a series of administrative orders under the general enabling Privatization Law to establish the legal framework without having to prepare new legislation. There are already provisions in the Civil Code to cover landlord-tenant relations. There is no legal basis for a system of housing finance. Even if it were legally possible to transfer property, there is no cadastre system to facilitate sales and purchases, although most of the city of Ulaan Baator has been surveyed.

In preparing that framework, SPC has borrowed from other countries' laws. This has included the Russian Housing Law, which is more a policy statement than a law.¹⁶ SPC's Mongolian legal advisors have also been studying US condominium laws and articles of association.

One of the problems with both drawing up and implementing the legal framework is that although there are thousands of lawyers in Mongolia, almost all work for the Government and very few have been trained in property law: probably less than ten lawyers resident in Mongolia have been trained in law in market economies.

Housing Finance

There is little prospect in the near future of introducing housing finance to the existing commercial banks since they are only now learning about the simplest forms of commercial banking. The financial sector is now being reorganized with the State Bank acting as a central bank and a number of commercial banks being formed. Few bankers understand banking concepts in a free market, including the role of competition, the role of the central bank and the functions of the credit process. There is little understanding of how to appraise risks of loans or to pursue recovery in the case of defaults. There is no experience with legal processes of securing a loan and collecting in the case of default. Almost all funding now comes from the central bank.

¹⁶ Russia's Privatization Law was passed in 1991. Oblasts and cities then drew up regional versions of that law.

SPC would prefer to set up a special housing fund. The fund would be capitalized by the down payments made by those paying for the small balance owed on their flats (the difference between the discounted market price and the value of the free space plus the value of the vouchers). Finance would be offered in the form of deferred payments, with or without interest. State-owned units are also being privatized in Hungary with installment payments and large discounts.

If the units were given away, no such housing finance system would be required, at least for the first round of sales. However the system might be needed to provide funds to upgrade units and for future purchases.

Housing Allowances

A combination of raising rents to market levels and establishing a system of housing allowances for those who cannot afford the higher rents is being used to establish the conditions conducive for the privatization housing in Hungary. This approach, which was pioneered in the town of Szolnok with technical assistance from the Urban Institute, helps to address the concerns of the political leaders who fear a backlash from constituents who have to pay dramatically more for housing and at the same time establishes a level playing field between owning and renting. Senior political leaders in Mongolia became somewhat more supportive of the privatization of housing when this approach was explained to them. However it should be noted that the Szolnok scheme did not win easy approval with the local council. The vote in favor of the scheme was a very narrow one and followed intensive lobbying by the mayor and his staff.¹⁷ A similar battle to introduce this approach is taking place in Bulgaria.

Housing allowance might still be required if the housing is given away. As stated earlier, the main source of public opposition to the privatization of housing in Mongolia is the fear that household will have to take on new responsibilities that they cannot afford. This was even the case before it was suggested that the residents of the flats should become part owners of the common areas. All knew full well that the rents they paid were insufficient for proper maintenance, although few appreciated just how inefficiently that maintenance was being carried out: a much smaller, well managed and motivated staff could raise standards greatly if western staffing experience is applicable.

5. Mongolian Housing Privatization Policy and Process

The policy that is being implemented in Mongolia is to distribute the housing units to the occupants who wish to become owners, with very high discounts on the market value (assumed to be the replacement cost); gradually increase rents up to market values; introduce an income based housing allowance program for those who cannot afford the rising rents.

¹⁷As told to the authors by the Deputy Mayor and the staff of the Housing Department.

The relationship between the rent and the discount on the market value of the house will be such that households will be strongly encouraged to become owners. If the allowances are high relative to the rent then households would be better off to continue to rent, given that as owners they now have to take responsibility for maintenance which might well cost more than the rents they now pay. There is also a proposal to increase the price of the housing over time, in other words reduce the discount (if the housing were given away, from 100 percent to a progressively lower figure). By encouraging households to become owners of the units they occupy now rather than in the future, this will speed up the distribution and the establishment of a housing market.

It might in fact be wise, as well as administratively simpler, to give all the housing away free. However, because of the high government deficit, SPC is under some pressure to earn some income from the sale of the units.

The policy will be implemented while the legal framework for home ownership is being established and after the informational campaign has been carried out. Condominium ownership will be piloted in some blocks of flats that are not currently occupied: some that were once occupied by Russians or which were partially constructed. Condominium associations will be formed in all blocks of flats with the city as a member in flats where not all households chose to become owners: in practice, this will initially be the case in all blocks.

The housing allowance scheme will provide a safety net for those who cannot afford the higher rents. The Government plans to deal with the other social issue, the fact that the urban ger owners would not be given any comparable assets, by giving them title to the land they now occupy.

There is growing realization in Mongolia that even with deep discounts or a give-away, many will chose to continue to rent. It is therefore important to improve the efficiency of the rental sector. The desire to rent is not irrational. Many chose to do so in rich, market economies. The majority rent their housing in West Germany. The proportion is lower in the U.S. because mortgage interest can be deducted from tax liability.

Accordingly, the housing management companies, each of which is responsible for a number of apartment blocks, will be privatized. The current proposal is to improve their technical and managerial performance before the privatization takes place, with training and technical assistance over a period of a year.¹⁸ It would be politically acceptable then to hand over the ownership of the Housing Authorities to the current staff and set up high but achievable performance standards for these newly privatized companies. Those standards would be set by the City and monitored by what is now the holding company for the Authorities, the Housing Company. If a company did not achieve the required standards after a certain period of time,

¹⁸Senior managers would work closely with counterparts from American private sector housing management companies that have experience of managing public housing.

the City would open up that company's contract to public bidding.¹⁹ The Housing Company, which has a particularly dynamic manager, actually proposed that it be privatized too, partly to do the monitoring job and partly to offer its services to carry out major repairs.

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¹⁹This procedure has been followed in the Czech Republic.