

Shelter Sector Reform Project Newly Independent States of the Former Soviet Union

An ICMA Report

Prepared for the Office of Housing and Urban Programs
Agency for International Development



**MARKET-BASED DISPOSITION OF URBAN
LAND USE RIGHTS
KAZAKHSTAN AND KYRGYZSTAN**

February 25 - March 18, 1995

Prepared for the U.S. Agency for International Development
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By

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TABLE OF CONTENTS

ABSTRACT	1
I. LAND AUCTION, ALMATY, KAZAKHSTAN	2
II. COMMERCIAL HOUSING PROJECT, ALMATY, KAZAKHSTAN	3
III. AUCTION OF LAND USE RIGHTS, BISHKEK, KYRGYZSTAN	3
IV. "DIPLOMATIC MICRO-DISTRICT," BISHKEK, KYRGYZSTAN	4
V. COMPLETION OF UNFINISHED HOUSING, BISHKEK AND OSH, KYRGYZSTAN	5
VI. LAND AUCTION, OSH, KYRGYZSTAN	5

ATTACHMENTS

APPENDIX 1 - Sample Work Plan

APPENDIX 2 - Aide Memoire, "On Preparing an Auction of Land-Use Rights"

APPENDIX 3 - Letter, T. Keneshov to Mr. Barry Veret

APPENDIX 4 - Protocol of Cooperation, "On Preparing an Auction of Land-Use Rights in Osh"

APPENDIX 5 - Preliminary Protocol of Cooperation on a Project to Complete Unfinished Residential Housing in Osh

APPENDIX 6 - Draft Auction Regulations, Bishkek

ABSTRACT

The Consultant undertook six projects during a three-week visit to the Republics of Kazakhstan and Kyrgyzstan (February 25 - March 18, 1995):

Kazakhstan:

1. Land use rights auction in Almaty.
2. Commercial housing project, using auction techniques for land allocation/sale in Almaty.

Kyrgyzstan:

3. Land use rights auction in Bishkek.
4. Development planning for "Diplomatic Micro-District", Bishkek, using auction and RFP techniques for land allocation/sale.
5. Feasibility study for completion of unfinished apartment buildings in Bishkek and Osh.
6. Land auction in the city of Osh.

The results, as of March 28, were decidedly more positive in Kyrgyzstan, slower to develop in Almaty. But both are moving in the direction of (modified) land markets, using auctions as a step towards this.

I. LAND AUCTION, ALMATY, KAZAKHSTAN

Although organization and advertising were well advanced at the end of 1994 for Almaty's first auction of land use rights, as of 28 March 1994 it had still not been held. The primary reason seems to be a failure of political preparation (including a public campaign to "sell" the idea to the citizens of Almaty). The Mayor's office, with which we have not yet worked closely, is the prime decision maker in this regard, and has not shown great reformist zeal.

The consultant initiated a process of public defense of the auction. Newspaper articles and radio comments had criticized land auctions and "private ownership of land", failing to distinguish between auction of land use rights and sale of land. Director Danyshpanov of Gorkomzem published a reply in *Vechernii Almaty*, March 23, 1995, after a multi-part correspondence with the consultant (using parts of the Auction Manual). Deputy Mayor Belovich (housing, construction) has agreed to meet with us the first week in May. If the Mayor has not stepped in to re-start the auction before then, this would be a good opportunity to initiate this.

One of the key omissions from the auction preparation has been failure to agree on, and publicize, a "social goal" for some substantial part of the proceeds. (The consultant proposed this to Belovich early on in December, but there was no follow-up. In Kyrgyzstan, such a fund was quite clearly included in project design from the start.) Discussion of such a fund has now begun in Almaty.

On the whole, auction of land use rights is still moving slowly forward, and most likely the first experimental auction will be held in Almaty in 1995.

An interesting and potentially valuable parallel development: Kazakh GKI just conducted their first auction of a small enterprise (with building), in which the value of the land was recognized and sold as a component separate from the value of the object. This was done at the request of the Cabinet of Ministers. Recognizing their lack of expertise in valuing and selling land use rights, the GKI has formed an alliance with Gorkomzem to do this effectively. The first such auction was held March 23; a restaurant with grounds (2 + ha.) sold for 172 million Tenge (\$2.8 million).

The consultant met and corresponded with Mr Ibjanov, Director of GKI small privatization, about ICMA services in valuation and sale of land use rights. Ibjanov was surprised to be told that in some cases, land use rights can be more valuable (and thus sold for more) than the object that sits on the land: as, e.g., buying a building to tear it down and rebuild on the site. The connection between explicit sale of land use rights in conjunction with sale of an object is a good lead-in to sale of such rights for vacant parcels as well. This topic was introduced at the consultant's exit interview with ICMA Resident Advisor Richard Gaynor at Paula Feeney's USAID Mission office (3/18). Conclusions were not reached; however, Richard Gaynor proposed to carry on discussions with USAID and GKI, to see what role ICMA might play in promoting this version of land auction.

II. COMMERCIAL HOUSING PROJECT, ALMATY, KAZAKHSTAN

In December, the consultant met with Chief Architect Baimagambetov, to discuss a commercial multi-family housing project, using auction/RFP techniques, in Almaty. The example of the Boston Redevelopment Agency (BRA) was introduced as offering certain examples of how such a project could be managed on the side of the city development authorities. As agreed, the consultant brought information on BRA for Baimagambetov in February. This was shared with Deputy Mayor Belovich. Baimagambetov, at a meeting with the consultant, proposed a further meeting, on the basis of materials presented and discussed, with Belovich in early May. The City is slowly moving towards getting income from land use rights, and the market is perking up enough to bring them real money; so, projects of this kind are becoming more feasible.

III. AUCTION OF LAND USE RIGHTS, BISHKEK, KYRGYZSTAN

After positive discussions held in December 1994, land auction concepts were rather well-understood in Bishkek at the beginning of this TDY. Because a new Mayor was elected in February 1995, however, it was necessary to build new support for a demonstration auction.

The primary institutional actors were: Mayor, Chief Architect's office, and State Property Fund (SPF). (This last proved somewhat problematic: the role of Republic institutions in a municipal program was not entirely clear. But they were included for several reasons: (1) Expressed interest from the start; (2) Potential usefulness of already-existing network of Auction Centers, controlled by SPF; (3) Need for national body to support future roll-out program; and, (4) Over-lap between auctions of use rights to vacant land (controlled primarily by municipality), and ownership rights of unfinished construction (controlled primarily by SPF).) Three-sided negotiations with these parties produced a signed Aide Memoire (see Appendix 2) to proceed with an experimental auction, target date, end of July. This and other Aide Memoires included as appendices were cleared with Paula Feeny and Herb Miller of USAID. A signal feature of this agreement (initiated by Duane Beard) was the ear-marking of at least 50 % of anticipated auction proceeds for a special infrastructure fund. The creation of this fund aimed to avoid the political errors of the Almaty auction preparations, as well as setting aside resources for Bishkek's mid-term growth.

The consultant, working with ICMA legal advisor, D. Chetvertakov, produced draft Auction Regulations and a supporting City Resolution. After amendments, this was also accepted in principle. The important issue of institutional division of auction proceeds, however, was not resolved by the end of the TDY: this leaves open the possibility of future unravelling of agreements reached. Chetvertakov has agreed to act as auction liaison between ICMA and local counterparts; it is hoped that he can play a positive role in resolving this issue.

An interesting feature of auction design, introduced by Mayor Silaev, was the proposed inclusion of objects of unfinished construction, and also dilapidated housing ready for redevelopment, among the items to be auctioned. This complicates auction preparation: questions of institutional and legal control of objects of unfinished construction are not resolved; and procedures for safeguarding rights, and assuring relocation, of residents of housing to be

demolished, are not clearly worked out. But in terms of revenue generation and efficient city planning, there is much to be said for including both sorts of object in an auction.

The consultant prepared a Kyrgyzstan version of a draft Auction Manual, incorporating the work plan and auction Regulations worked out during the TDY. This was distributed for comments to local counterparts.

A proposed auction schedule, which was included as part of the Aide memoire, is attached as Appendix I. It anticipates TDY's during May and July, leading to an auction at the end of July.

IV. "DIPLOMATIC MICRO-DISTRICT", BISHKEK, KYRGYZSTAN

Among the highest priorities for assistance of Bishkek Chief Architect Keneshov is consultation on plans for a multi-hectare "Diplomatic Micro-district" on a prime suburban site south of the city. Physical plans for the project are well advanced. The site is adjacent to the luxury Issyk-Kul Hotel, and the Exhibition of the National Economy (in process of transformation into a convention and retail center). It is included within the area to be designated as a special investment zone, under the Bishkek Free Economic Zone. Plans call for location of some embassies there, as well as housing and social infrastructure for the expatriate community and local wealthier households. The City of Bishkek, acting as a "development agency", hopes to develop the infrastructure, and attract private builders to particular sites within the district. Preliminary discussions are underway with several local firms.

The consultant presented the BRA document, as a basis of comparison and discussion of this project and ICMA's possible contributions. Financial planning, and competitive allocation mechanisms, are in a very rudimentary stage: these are the prime topics for possible TA. Based on several discussions, a draft letter of request for TA was prepared (final version not yet agreed as of 16 March 1995) (Appendix 3). A central aim of the proposed TA would be to extend land auction techniques, combined with "commercial competition"/RFP, to development of large, multi-stage projects.

A meeting with Mr. Bogotov, new head of the Bishkek Free Economic Zone, (which is to be inaugurated this spring), strengthened the plausibility of this ambitious development plan. The Kyrgyz Presidential apparatus is putting substantial resources behind a targeted plan to attract foreign investment to Bishkek. The second stage of this plan calls for designating two or more areas for real estate investment; one of these areas includes the proposed "Diplomatic micro-district". Infrastructure planning and development regime for these areas are not fully worked out - ICMA could make a contribution. But the plan does have high-level national support. Mr. Bogotov was enthusiastic about possible cooperation between his project and land auction/RFP demonstration(s).

V. COMPLETION OF UNFINISHED HOUSING, BISHKEK AND OSH, KYRGYZSTAN

This topic was raised as a high priority by Chief Architect Keneshov at initial meetings. With the arrival of TDY MacLachlan on March 8, discussions of this project took on a greater focus.

In Osh, the consultant worked with MacLachlan and Beard to negotiate an Aide Memoire with City officials on apartment completion (see Appendix 5), and to pick a target, 96-unit project. In Bishkek, the consultant helped to develop a strategy to include at least two projects in a combined proposal: one already privately owned, and fairly well-advanced in business planning for the expatriate community (a consultant with the IESC has been working with the sponsors of this project - as of 17 March, plans were being made to cooperate with him); the other still city-owned, and targeted for local housing ownership/leasing. In addition, the consultant helped carry out initial analysis of financial and institutional feasibility.

VI. LAND AUCTION, OSH, KYRGYZSTAN

As part of the visit to Osh City and Oblast, the consultant discussed the introduction of auctions of land use rights with the Oblast Vice-Governor, City and Deputy Mayors for construction and for housing, and distributed copies of the draft Auction Manual. The new City Administration has been in office only a few weeks, and are anxious both to make US contacts, and to see how the rest of the world works. Osh has been hard hit economically (ethnic problems between Kyrgyz and Uzbeks have broken out in serious violence). But it is the second city in Kyrgyzstan, and capital of the most populous Oblast in the country. A new road, linking Kashgar in Western China with Uzbekistan, through Osh, is just being completed. A Special Economic Zone has been designated, to take advantage of the expected increases in trade and investment. An auction of land-use rights in this zone (perhaps of warehouse space) might bring in significant revenue, even in a depressed economy.

On the basis of these discussions and the Manual, an Aide Memoire on conducting auction of land use rights was concluded with the City Administration (see Appendix 4). This agreement included a schedule, leading to the first auction on or before September. In connection with this, the Mayor made the interesting proposal that, if ICMA could help to set up modern communication links necessary for a liaison office in Osh, the City could provide needed office space and local staff. (Two Peace Corps volunteers are about to be demobilized from Osh, and LTA Beard has discussed with them the possibilities of a continuing role there, at relatively low wages.) Using such a liaison office, the materials and preparations necessary for Bishkek's auction could be adapted and transferred to Osh relatively efficiently. The potential synergy between a land auction and a housing completion project in Osh could increase the usefulness of such a liaison office.

APPENDIX - 1

Sample Work Plan

Task	Finished by (Date)	Who is Responsible
City Administration passes Resolution, forming Auction Committee, approving budget, and setting tasks	April 10, 1995	City Administration
Choose parcels	May 8	Auction Committee
City Administration approves Auction Regulations	May 15	City Administration
Set provisional starting prices	May 23	Auction Committee
Prepare auction budget	May 23	Auction Committee
Set up Information Center	May 19	Auction Committee
Schedule Bidders' Conference	May 23	Auction Committee
First public announcement of auction	May 25	Information Center
Prepare parcel Passports	June 2	Chief Architect's office
Pick date, time, place of auction	June 8	Auction Committee
Review and confirm starting prices	June 16	Auction Committee
Publish Official Public Notice	June 19	Advertising Sub-committee
Legal approval of forms and documents	June 23	City Administration
Prepare and duplicate	July 7	Information Center

Bidders' Packets, including Passports, maps, Registration forms and bidders' documents		Staff
Begin bidder Registration	July 10	Information Center staff
Begin collecting down-payments (Treasurer)	July 10	Auction Committee
Complete informational video advertising materials	July 12	Advertising Sub-committee
Hold Bidders' Conference	July 14	Auction Committee
Choose auctioneer, sign contract with him/her	July 14	Auction Committee
Close bidder Registration	July 26	Information Center Staff
Distribute bidder tickets and Auction invitations	July 26	Information Center Staff
Gather necessary equipment for auction (bidder numbers, hammer, gong,)	July 25	Information Center Staff
Prepare auction plan: who will officiate, who will assist, schedule of auction events	July 24	Auction Committee
Prepare auction site	July 28	Auction Committee Staff
Register bidders at auction, distribute auction numbers	July 28	Auction Committee Staff
Carry out auction	July 28	Auction Committee
Winning bidders sign auction protocols	July 28	Auction Committee, Winning Bidders
Final payments by bidders	August 11	Auction Committee winning Treasurer, Winning Bidders

Conclusion of purchase sale contracts	August 15	Auction Committee, Winning Bidders
Publication of auction results	August 21	Advertising Sub-comm.
Purchasers receive State Act of specified land-use rights	August 25	City Land Committee

APPENDIX - 2

AIDE MEMOIRE ON PREPARING AN AUCTION OF LAND-USE RIGHTS AND RELATED OBJECTS IN BISHKEK

16 March, 1995
Bishkek, Kyrgyzstan

This Aide Memoire represents a preliminary agreement between the City of Bishkek (here called Bishkek Administration), and International City/County Management Association (here called ICMA), acting on behalf of United States Agency for International Development (USAID) concerning cooperation on preparing an experimental auction of land use rights, objects of unfinished construction, and dilapidated housing sites in Bishkek. The parties hereby agree to work together to prepare an experimental auction, using as a basis the Sample Work Plan and Temporary Regulations which are attached to this document. The responsibilities of each party are as follows:

The Bishkek Administration will:

1. Propose to the City Kenesh that it appoint an Auction Committee including at least representatives from Mayor's office, Chief Architect, and State Property Fund;
2. Enact necessary resolutions to support its activity;
3. Designate at least five parcels of different sizes and approved uses, including at least one commercial site, and at least one site suitable for foreign investment, to be included in the auction;
4. Dedicate at least 50 % of proceeds from the auction to a special Bishkek Infrastructure Development Fund;
5. Co-operate with ICMA in preparing the auction, and in extending the auction technique to other cities and oblasts in Kyrgyzstan;
6. Carry out an auction of land-use rights in Bishkek on or about September, 1995.

ICMA will:

1. Provide on-going technical assistance in preparing and conducting the auction, including timely visits by ICMA representatives;
2. Work with officials of the Republic of Kyrgyzstan to clarify the legal basis of the experimental auction in Bishkek;
3. Work with the Auction Committee to organize a publicity campaign, which will include contacts with potential foreign investors, and to underwrite its expenses;
4. Provide materials, forms, regulations etc, as tested elsewhere in Kyrgyzstan and other Republics of the CIS, to be adapted for the Bishkek auction.

It is understood that decisions outside the control of either party may make it impossible to carry out all parts of this agreement; but insofar as it is in their power, the parties hereby mark their agreement by signing below.

For the Mayor of Bishkek

For Chief Architect of Bishkek

For ICMA

For State Property Fund+

Attachments:

- Sample Work Plan
- Proposed Temporary Auction Regulations

APPENDIX - 3

Mr. Barry Veret
USAID
Washington, DC
USA

T. Keneshov
Chief Architect, City of Bishkek
Bishkek, Kyrgyzstan

15 March, 1995

Dear Mr. Veret,

On the basis of discussions with representatives of ICMA Bishkek, Duane Beard, Resident Advisor, and Mark Dinaburg, Land Development Advisor, I would like to express the interest of the Bishkek Department of Urban Development and Architecture in further cooperation with ICMA on urban development in Bishkek.

In particular, we are interested in technical discussions concerning development of a large new urban project, to be called the Diplomatic Micro-district, in the southern part of the city. This project as proposed will involve a combination of public construction of infrastructure, and private development of housing, offices, and commercial space. Plans are well advanced for this development. We feel that discussions with technical representatives of ICMA could be very beneficial on the following topics:

1. Organization of auction or commercial competition ("Request for Proposal") for individual sites within the district.
2. Financial analysis of individual projects and over-all development.
3. Financing options for infrastructure.
4. Technical and financial options for solid waste disposal, seismic protection, and environmental preservation.

We would be glad to provide further information on this project, and possibilities of cooperation, to ICMA/USAID representatives. We look forward to further constructive work with you and your representatives in the future.

Sincerely,

T. Keneshov,
Chief Architect, City of Bishkek

APPENDIX - 4

PROTOCOL OF COOPERATION ON PREPARING AN AUCTION OF LAND-USE RIGHTS IN OSH

12 March, 1995
Osh, Kyrgyzstan

This Protocol represents a preliminary agreement between the City of Osh (here called Osh Administration), and International City/County Management Association (here called ICMA), concerning cooperation on preparing an experimental auction of land use rights in Osh. The parties hereby agree to work together to prepare an experimental auction, using as a basis the Sample Work Plan which is attached to this document. The responsibilities of each party are as follows:

The Osh Administration will:

1. Appoint an Auction Committee including at least representatives from Mayor's office and its structural divisions;
2. Enact necessary resolutions to support its activity;
3. Designate at least five land parcels of different kinds, including at least one commercial site, and at least one in the proposed Free Economic Zone, to be included in the auction;
4. Dedicate at least 50 % of proceeds from the auction to a special Osh Infrastructure Development Fund;
5. Co-operate with ICMA in preparing the auction, and in extending the auction technique to other cities and oblasts in Kyrgyzstan;
6. Carry out an auction of land-use rights in Osh on or about September, 1995.

ICMA will:

1. Provide on-going technical assistance in preparing the auction, including timely visits by ICMA representatives;
2. Work with officials of the Republic of Kyrgyzstan to clarify the legal basis of the experimental auction in Osh;
3. Work with the Auction Committee to organize a publicity campaign, and underwrite its expenses;
4. Provide materials, forms, regulations etc, as tested elsewhere in Kyrgyzstan and other Republics of the CIS, to be adapted for the Osh auction.

It is understood that decisions outside the control of either party may make it impossible to carry out all parts of this agreement; but insofar as it is in their power, the parties hereby mark their agreement by signing below.

For the City of Osh

For ICMA

Attachment: Sample Work Plan

APPENDIX - 5

PRELIMINARY PROTOCOL OF COOPERATION ON A PROJECT TO COMPLETE UNFINISHED RESIDENTIAL HOUSING IN OSH

12 March, 1995
Osh, Kyrgyzstan

This Protocol represents a preliminary agreement between the City of Osh (here called Osh Administration), and International City/County Management Association (here called ICMA), concerning cooperation on a project to complete unfinished residential housing in Osh. The parties hereby agree to work together to develop a project, which involves identification of properties, preparation of financing package, construction, and marketing of finished units. The responsibilities of each party are as follows:

The Osh Administration will:

1. Manage and be responsible for this experimental project, to include design, permits, construction, and financial obligations.
2. Designate a project manager, to be primary point of contact with the ICMA team.
3. Enact necessary resolutions and other actions to support the project.
4. Identify properties of uncompleted multi-family housing, which are suitable for completion and sale. It is understood that at time of receipt of financing, these properties will be free of all legal impediments.
5. Agree that the project, when finished, will be organized as a housing cooperative or condominium, and that the ownership of the buildings will be vested in a Resident Association. This Association will be an independent body, and will be responsible for organizing and financing all aspects of operation and maintenance in perpetuity.
6. Cooperate with ICMA in completion of the initial project, and in extending this technique to other cities and oblasts in Kyrgyzstan.
7. Develop a detailed schedule of activities by the end of March, 1995.

ICMA will:

1. Provide on-going technical assistance in planning and implementing the project, including timely visits by ICMA representatives.
2. Work with City and Republic officials to resolve any legal issues in connection with the project, and to assemble a workable financial package.
3. Act as liaison with international financial institutions, both multi-lateral lenders (such as European Bank for Reconstruction and Development, World Bank, Asian Development Bank) and private banks, to secure construction financing for the project on favorable terms.

4. Work with the project manager to organize a marketing and publicity campaign, and underwrite its expenses.
5. Work with Project Manager and City housing officials to develop materials, forms, and regulations etc. as required by the lending institution, and/or good practice.
6. Provide training and technical assistance, as needed, to City officials and Resident Association members in organization of cooperative/condominium, operation of Resident Associations, and private management.

It is understood that decisions outside the control of either party may make it impossible to carry out all parts of this agreement; but insofar as it is in their power, the parties hereby mark their agreement by signing below.

For the City of Osh

For ICMA

APPENDIX - 6

DRAFT AUCTION REGULATIONS, BISHKEK

Bishkek State Administration

RESOLUTION

Concerning the Approval of Temporary Regulations for Conducting Experimental Auctions for Sale of Rights to Possess, Use, or Lease Land Parcels, Uncompleted Buildings, and Dilapidated Housing Subject to Demolition and Reconstruction in the City of Bishkek

In order to create favorable conditions for rational and effective use of urban land; to attract local and foreign investment in the development of the city's social and engineering infrastructure; to bring additional money into the municipal budget for development of the city's infrastructure; to insure open and transparent land allocation decisions; and to define and guarantee investors' rights to land, it is hereby resolved:

1. To approve the attached Temporary Regulations for Conducting Experimental Auctions for Sale of Rights to Possess, Use, or Lease Land Parcels, Uncompleted Buildings, and Dilapidated Housing Subject to Demolition and Reconstruction in Bishkek.
2. To organize an Auction Committee under the Bishkek State Administration.
3. To entrust to the Auction Committee the task of working out and approving a packet of normative documents needed for conducting auctions of rights to possess, use, or lease land parcels, and for licensing auction agencies.
4. To request the Bishkek Department of Urban Development and Architecture to make a list of: vacant land parcels suitable for auction, including previously allocated land parcels now subject to re-allocation according to legislation of the Kyrgyz Republic; unfinished buildings; and dilapidated housing subject to demolition and reconstruction; all these to be considered for inclusion in an auction.
5. To approve the following distribution of proceeds from land auction:
 - 10 % - To State Property Fund
 - 25 % - To Bishkek State Administration
 - 50 % - To Bishkek Special Infrastructure Development Fund
 - 10 % - To Bishkek Department of Urban Development and Architecture
 - 5 % - To Auction Committee

Head of the Bishkek State Administration B. Silaev

Approved by Resolution of the Bishkek State
Administration No. _____

_____, 1995

REGULATIONS

These temporary regulations are worked out in accordance with the Land Code of the Republic of Kyrgyzstan, and the Republican laws *On Property*, *On Local Self-government and local State Administration in Kyrgyzstan*, and various normative documents regulating land, housing, and relations of city construction in Kyrgyzstan.

These regulations govern the conducting of experimental auctions for sale of rights to possess, use, or lease land parcels, uncompleted buildings, and dilapidated housing subject to demolition and reconstruction in Bishkek.

ORGANIZATION OF THE AUCTION

1. Auctions for sale of rights to possess, use, or lease land parcels, uncompleted buildings, and dilapidated housing subject to demolition and reconstruction may be conducted by an auction organizer having a license for these activities.

Licenses for the right to organize auctions are issued by the corresponding department of the city State administration.

2. Simultaneous sale of rights to possess, use, or lease several parcels (lots) may be conducted. Their tender shall follow the stated procedures.

3. The official announcement of the holding of an auction is made by the auction organizer, on the basis of information submitted by the seller(s) in the auction. It will be published in the mass media at least one month prior to the announced day of the auction.

The announcement shall include:

- The address, location, and characteristics of the parcel, including its land area;
- The permitted uses of the given parcel;
- Terms of participation in the tender, for Kyrgyz and for foreign investors;
- The form of the auction, its date, time and place;
- The starting prices, the form and terms of payment;
- The deadline for applications;
- The amount and procedure for making a down payment;
- The cost and procedure of registration;
- Telephone number and address of auction organizers, where forms and information are available.

4. The auction organizer has the right to cancel an auction, or withdraw any object from the auction, at any time, but not later than three days prior to the announced date of the auction.

5. From the time of publication of the official notice of the auction, all juridical entities and citizens have the right to inspect the objects being offered in the auction.

SELLERS AND BUYERS

6. Sellers at an auction may be municipal and district State administrations, juridical entities and citizens, who possess properly drawn-up documents proving their right to possess, use or lease vacant land parcels

or to own other objects. Sellers must conclude a written agreement with the auction organizers and provide for commission by paying into the auction organizers settlement account a sum equal to 5 % of the starting price of each object.

7. Auction buyers may be:

- for rights to possess a land parcel: citizens of the Kyrgyz Republic;
- for rights to use a land parcel: citizens and juridical entities of the Kyrgyz Republic, religious organizations, joint ventures, international associations and organizations with participation by both Kyrgyz and foreign juridical entities;
- for rights to lease a land parcel and rights to own other objects: citizens and juridical entities of the Kyrgyz Republic, joint ventures, international associations and organizations with participation by both Kyrgyz and foreign juridical entities, and also international organizations, foreign juridical entities, and foreign citizens who have received formal permission to hold these rights from the Kyrgyz Republic.

8. In order to register for the auction, a participant must submit to the auction organizer the following documents:

- an application to take part in the auction, which indicates the object(s) the participant wishes to buy;
- documents proving the right of the applicant to participate in the auction (xerox copy of passport; certificate of registration of juridical entity; permission of the Kyrgyz Republic for foreign juridical entities and citizens and international organizations; properly drawn up power of attorney if the buyer wishes to be represented by an agent);
- bank or cash document, which proves that the down-payment and registration fee have been paid. The down-payment shall consist of:
 - for citizens: 10 % of the starting price of the object registered for;
 - for juridical entities: 20 % of the starting price.

After the registration deadline named in the official announcement, applications will not be accepted.

After receiving the necessary documents from the participant, the auction organizer will send a written notification of participation in the auction, indicating the date and time at which the application was registered. From the moment of this notification, the applicant has the status of an auction participant.

9. The auction organizer will prepare an information packet, which will include all necessary forms for auction registration, as well as the following information on all objects to be included in the auction:

- the passport of the object;
- map of the land parcel, indicating its boundaries and existing infrastructure;
- permitted uses of the object or parcel;
- terms of use or lease for Kyrgyz and foreign investors.

This information packet will be made available by the auction organizers for an additional payment.

10. If an applicant wishes to bid on several objects, s/he must make a down-payment on each object.
11. The seller may withdraw any object belonging to him from the auction at any time prior to signing of the auction protocol. In case of such withdrawal, the seller's downpayment will not be returned.
12. Auction participants (buyers) have the right:
- to receive (for a fee) the above-mentioned information packet;
 - to withdraw from participation in the auction not later than three days before the announced date of the auction: in this case, his down-payment and 50 % of the registration fee will be returned within 10 banking days of the request for withdrawal. If the request for withdrawal is submitted less than three days prior to the auction, the down-payment will be returned within the above mentioned period, but the registration fee will not be refunded.

ORGANIZATION OF THE AUCTION

13. The auction tender may be open or closed.

An open tender may be held if there are two or more buyers for a given object (lot).

A closed tender may be held if:

- there is at least one bidder for the object, as long as the bid price is not lower than the announced starting price;
- there are buyers who, according to law, have privileged rights to buy the object.

14. The auction will be conducted by an auctioneer, appointed by the auction committee.

15. The auction of a given land parcel starts with a description of the parcel, the announcement of the starting price and of the minimum steps between bids. After announcing a given bid price, the auctioneer calls the number of the first participant to make this bid. Then the auctioneer announces the next bid price, according to the bidding steps.

The auction of an object is considered completed when the auctioneer has called out a given price three times and no bidder responds. The winner of the auction tender is the participant who made the last bid. At the close of the tender, the auctioneer announces the sale, the price of the object, and the registration number of the winning bidder.

16. The auction winner, the seller, the auctioneer, and the auction organizer, must sign the auction protocol on the day of the auction. The copy of the protocol which is given to the winning bidder will serve as temporary certificate of his/her right to possess, use or lease a land parcel, or to own an object.

If the winning bidder refuses to sign the auction protocol, his/her down-payment is forfeited, and the results of the auction are declared null and void.

If the seller refuses to sign the auction protocol, his/her down-payment is forfeited, and the results of the auction are declared void.

PURCHASE PROCEDURE

17. Within ten banking days of the auction, the winning bidder is to transfer to the auction organizers account the sum which has been agreed upon and indicated in the protocol.
18. The sum of the down-payment which has been made by the winning bidder is to be counted towards the final payment.
19. If the winning bidder fails to transfer the agreed sum by the scheduled date, the auction results will be annulled. In this case, his/her down-payment and registration fee are forfeited.
20. The conclusion of a purchase-sale agreement, preparation of all needed documents, and also the State Act which certifies rights of possession or lease of a land parcel, will be carried out within fifteen banking days of receipt of final payment by the auction organizers.
21. The State Act must be registered with the land- cadastre documents at the municipal land development bureau. The Act is invalid without registration.
22. If the buyer or the seller refuses to sign the purchase-sale agreement, the results of the tender will be annulled, and the down-payment of the party failing to sign will be forfeited. The auction organizer has the right to make a claim against the forfeiting party to repay all expenses incurred in preparing documents and holding the auction.
23. The auction organizer is responsible for preparing the above-mentioned documents, which shall be prepared at the buyer's expense.
24. Down-payments of all non-winning participants are to be returned within ten banking days from the day of signing the auction protocol.
25. Within one month of the conclusion of the auction, its organizers must submit information on the auction results to the municipal or district State administration.

DISPUTES

26. According to legislation of the Kyrgyz Republic, disputes concerning the validity of auction results are to be heard in People's Courts or Arbitration Courts of the Kyrgyz Republic.

APPENDIX - 7

LIST OF PERSON WITH WHOM I MET:

Baimegambetov, Sultan
Chief Architect, Almaty
Tel: 33.91.00

Iseyev, Bekpolot
Deputy Mayor for Housing and Communal Services, Osh

Bogotov, Alexander
Chief of Bishkek Free Economic Zone
Tel: 22.27.57

Chervertikov, Dmitri
ICMA/Bishkek Legal Advisor
Tel: 44.59.79

Danyshpanov, Begsyrga
Chairman, Almaty City Land Committee
43.64.47

Feeney, Paula
Chief of Shelter Sector Projects, USAID Almaty

Ibdjanov, Atagai
Director, Small-Scale Privatizations
GKI, Almaty
Tel: 62.07.59

Ismailov, Tolekan
Chief of Foreign Relations, Bishkek Mayor's office
Tel: 22.60.21

Johnson, John
Director, Price Waterhouse Bishkek
Tel: 26.45.34

Keneshov, Tolobay
Chief Architect of Bishkek
Tel: 21.25.25

Shamkanov, Kumushbek
Chairman of Auction and Investment Department, State Property Fund
Bishkek
Tel: 26.26.65

Saginbaev, Latipjan,
Deputy Governor, Osh Oblast

Miller, Herbert
USAID Field Representative, Bishkek
Tel: 210.663

Kalmambetovich, Mukabek
Mayor of Osh
Tel: (3325) 22.25.44

Shair, Beth
Bishkek Auction Center
Tel: 26.45.34

Sharipov, Zhusupbek
Deputy Mayor for Construction, Osh

Silaev, Boris
Mayor of Bishkek

Sultanov, Sapir
Deputy Chief Architect, Bishkek
Tel: 21.25.24

Urazbaev, Karim
First Deputy Chairman, State Property Fund
Tel: 26.73.62