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

An ICMA Report

Prepared for the Office of Housing and Urban Programs
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**EXPANDING MUNICIPAL HOUSING
RESIDENT ASSOCIATIONS**

ALMATY, KAZAKHSTAN

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TABLE OF CONTENTS

1. INTRODUCTION Page 2

**2. ISSUES IN EXPANDING RESIDENT
MANAGEMENT COOPERATIVES Page 4**

2.1 Legal Status of Cooperatives

2.2 Role of Local Government

2.3 Problems from the Past

2.4 Utility Services

3. DISCUSSION OF ISSUES Page 7

3.1 Resident Demands on Cooperatives

3.2 Constraints

3.3 Municipalities and Housing Costs

4. EXPANDING ASSISTANCE TO RMCs Page 10

4.1 Building on Experience

4.2 Goals

4.3 Targets for Assistance

4.4 Solutions to Cooperative Issues

Cooperative Management

Property Maintenance

Capital Repairs

4.5 Municipal Elements of the "Roll-Out" of Technical Assistance

4.6 Other Elements of the Roll-Out of Technical Assistance

4.7 Staffing

Report on Expanding Municipal Housing Resident Management Associations

1. INTRODUCTION

Movement by residents of apartment buildings in Kazakhstan to form "cooperatives" of owners is accelerating. This movement is taking place within a broad program of housing sector reform, being undertaken at a somewhat uncertain pace, to move from total state control of housing to a market orientation with significant private sector involvement. Assisted by ICMA technical assistance and supported to an increasing extent by municipal officials in a number of cities, residents are, in effect, forming organizations to respond to housing needs not being met by official housing maintenance organizations and municipal agencies.

In form, the cooperatives are similar to condominium associations. It is estimated that at present, 80% to 85% of the housing stock, largely apartments, has been privatized. Private maintenance and property management organizations, however, are in an infant stage of operation, while services provided by municipal-level housing agencies are stagnating due to lack of funds and inadequate management. For many apartment owners, home ownership may be a mixed blessing: benefits normally accruing through home ownership remain tentative while ownership is associated with shouldering a fuller share of maintenance and improvement costs while organizations and techniques for effectively performing such tasks remain scarce.

To an extent, the increasing movement to form associations of apartment owners may reflect a lack of clear direction and organization of Kazakhstan's housing sector. Although the September, 1993, Presidential decree "On a New Housing Policy" created significant elements of a market-oriented housing policy, and subsequent Cabinet resolutions described components of an implementation plan, privatization of housing has been the principal practical result of the policy. Other components typical of a market-oriented housing sector, including housing finance, clear and transparent land ownership and transfer rights, private housing maintenance, improvement and development, and a market-based building materials and construction sector, remain inadequately defined and developed. Transformation of the sector to a market orientation is far from complete.

Municipal roles and functions remain unclear and municipal capacity for carrying out maintenance and expansion of the housing stock appears to be declining. Policy reform appears to have been hampered by difficulties posed by Kazakhstan's transition to a market economy, a transition marked by contraction of the economy, a steep decline in earnings, and inflation that has severely eroded savings and made creation of mortgage lending virtually impossible.

As policy reform took place at the national level, municipalities waited for signals, and funding for their tasks and functions in a reformed delivery system. At the same time, privatization turned residents into owners anxious to preserve the value of their units, which probably represent much, if not all of, their assets, and concerned that maintenance be carried out. Unable to gain needed services from municipal housing agencies, in 1993 resident owners

in Petropavlosk began to organize associations to meet these needs. Following a seminar of municipalities in Petropavlosk and experience gained in Almaty from an effort to demonstrate the use of private contractors to maintain residential buildings, ICMA conducted a workshop in Almaty for about 50 representatives of cooperatives and seven municipalities in December, 1994.

By November, 1994, about 20 such associations had been formed in Petropavlovsk, and a similar movement had begun in Semipalatinsk. Viewing the cooperatives as a possible vehicle for reducing public maintenance burdens, municipalities began to encourage the process, sometimes without essential consultation with resident owners. In March, 1995, additional ICMA short-term assistance was provided to refine and encourage cooperative development. By May, 1995, it was reported that about 100 cooperatives had been formed in Petropavlosk and 50 in Semipalatinsk. At a conference on housing allowances held under ICMA auspices in Semipalatinsk in late May, 1995, all participating municipalities reported keen interest in cooperative formation as well as developing housing allowance programs to address subsidy issues.

Presently, the stage is set for an expansion of cooperatives and their capabilities to impact positively on shelter provision. Technical assistance is needed to enable cooperatives to meet the practical housing needs of their members, to develop collaboration between cooperatives and municipalities, and to create a sound legal basis for cooperative activities. Success in fostering effective cooperatives would not only benefit the shelter sector but foster democratization and private sector development.

2. ISSUES IN EXPANDING RESIDENT MANAGEMENT COOPERATIVES

2.1 Legal Status of Cooperatives

Cooperatives face a number of legal, policy, and practical issues. While cooperatives can and are being legally registered and are beginning to provide maintenance services to members, their rights in regard to owning property, engaging in a variety of activities, acting on behalf of members, or receiving payments from municipalities or other government agencies is unclear, as is their tax status. Examples of this abound: while privatization has turned occupants into owners, can they as a group own and control the use of the land parcel on which their building is located? In a typical multi-story apartment building, who has the right to use the basement? What non-housing activities, such as operating a kiosk to provide service to residents and generate income, can cooperatives legally undertake? Although Article 21 of the housing code provides a legal basis for cooperatives, specific cooperative rights are not cited, nor are they elaborated in the Presidential decree on housing policy.

2.2 Role of Local Government

Municipalities are increasingly supportive of cooperative formation, partly because local authorities are the focus of popular discontent with housing conditions and partly because, especially within more reform-minded cities, cooperatives are an action-oriented method for local authorities and residents to collaborate in addressing housing issues. Municipalities face many difficulties in their role within the shelter sector, since reform has not established clear, effective local powers. Their activities are not yet guided by popularly-elected councils, and they function essentially as administrative arms of national and *oblast* administrations, largely dependent on central government budget support that flows to them through oblast administrations. Since budget support has been limited, municipal-level housing agencies have been unable to address housing maintenance needs adequately. Although local agencies collect fees for maintenance, costs are highly subsidized and inflationary pressures appear to be steadily eroding the ability of local agencies to finance maintenance, while budget support from national and oblast levels remains inadequate.

2.3 Problems from the Past

These needs are exacerbated by the previous Soviet system's tendency to economize by deferring maintenance, especially of larger structural components of buildings, resulting in a growing backlog of needed capital repairs. For residents, deferred capital repairs are a major issue, one widely-felt to be the responsibility of the state or local agencies and enterprises that previously owned their housing, and one that even well-organized associations of resident owners would find difficult to finance and undertake. In the case of Semipalatinsk, municipal officials are encouraging cooperative formation in part by agreeing to be responsible for capital repairs of buildings in which residents form cooperatives. Whether Semipalatinsk can in practice follow through to actually carry out such repairs remains to be seen.

2.4 Utility Services

As providers of services, including heat, water, electricity, and gas, local authorities and "utilities" are increasingly unable to finance the deep subsidies present in many services. They have little choice but to increase service charges. Residents, however, whose incomes have been eroded by inflation and economic stagnation, may be unable to afford increased service costs. Some cooperatives have sought to play a role in obtaining and paying for services, acting on behalf of members as a unified entity to negotiate supplies and make payments. Cooperatives have also begun to play a role in maintenance, receiving from members the monthly maintenance charges that formerly flowed to the municipality, and then providing maintenance privately, either by hiring employees directly, contracting with private maintenance firms, or carrying out work directly through members.

2.5 General Shelter Policy

The transition from a "command shelter sector" to a market-oriented shelter sector is a deep and fundamental economic and social change that will take considerable time to complete. A huge investment has been made in housing (the replacement cost/market value of Kazakhstan's housing stock at present construction costs probably exceeds \$25 billion, plus infrastructure value). The transition implies that this asset, now largely owned in small units by individuals, will become a tradeable commodity and prime source of financial security for owners. While owners wish to protect and improve the value of their housing asset, many elements of urban, shelter, and economic policy that support transition are not yet in place: land ownership and transfer policy is unclear, planning and building controls remain command-oriented, and long-term credit facilities are undeveloped. "Old" policies and procedures remain, especially subsidies and a large role for the public sector. Positive movement is underway on many of the policy issues, but has not been sufficiently rapid to provide comfort to owners. Cooperative (condominium) development is a positive and practical step by which owners can consolidate rights resulting from policy change.

In summary:

- Associations of resident apartment owners are gaining popularity rapidly as a vehicle to carry out maintenance of residential buildings and to meet other housing needs. As expressed in the sample bylaws for cooperatives, "the purpose for formation of the Resident Management Cooperative (RMC) is to provide for the appropriate maintenance of the occupied residential area, the building as a whole, and the attached land parcel, as well as to arrange for the provision of the RMC members with communal and other services, to represent and to protect their interests as consumers of communal and other services, and to collaborate with governmental and non-governmental organizations for a better quality of life."
- Associations of apartment owners are a very positive step in reform of Kazakhstan's housing sector. Cooperatives are often described as "mini-democracies," and their formation represents a willingness by resident owners to secure a better quality and value of housing through their own efforts. Residents appear to recognize that it is unlikely the state or local authorities can or will improve housing conditions, and that by managing their own housing affairs, they will get more for their money, more efficiently.

- Municipal-level authorities are quite supportive of the formation of cooperatives, especially since they view cooperatives as a means to assist them to overcome discontent with the status of housing, and to relieve municipalities of at least some housing costs.
- Neither cooperatives or municipalities have clearly-defined roles to play within the policy and legal framework presently governing the housing sector. To an extent, the procedures and practices which cooperatives are permitted, and which are supported by local authorities, vary from city to city, but will over time constitute policy.
- Cooperative formation -- and support for cooperatives by municipalities -- should be encouraged as the best practical way to address immediate housing concerns. In the context of the shelter sector, the preservation and improvement of existing housing stock is of paramount importance. In addition, cooperative formation demonstrates resident interest in the value of their housing, a critical factor in development of a real estate market.
- To encourage the growth and development of cooperatives and increase support for them by municipalities, a focus of technical assistance should be on the practical means by which cooperatives can improve housing conditions for members, buttressed by work to provide a solid legal basis for pertinent cooperative functions and activities. This work should also involve municipal officials, seeking to demonstrate concretely how cooperatives -- and a vigorous role for residents -- can improve housing. These ideas are explored further in the body of this report.

3. DISCUSSION OF ISSUES

3.1 Resident Demands on Cooperatives

Cooperative formation is a fairly recent trend in Kazakhstan, one that evolved from initial efforts of residents seeking to cope with their housing problems. Technical assistance inputs have focused primarily on assisting residents, particularly leaders of cooperative associations and municipal officials, to understand the potential roles and functions of cooperatives and to examine the legal status of cooperatives. These efforts have contributed significantly to the growth of cooperatives. However, as cooperatives continue to form, it is virtually certain that resident members will need assistance in dealing with a number of issues. These are likely to include: organizing to have maintenance carried out; organizing and financing simple repairs, such as cleaning and refurbishing common areas (stairwells and exterior spaces); organizing to negotiate services with utility providers; and organizing to negotiate and collaborate with municipal authorities for municipal services and capital repairs. In the near term, cooperatives are likely to find themselves dealing with pressing shortages of heat and rising municipal charges for maintenance and other services as well as general housing subsidy issues as the national and local authorities seek to reduce the current burden of high housing subsidy.

Within the near future, it is possible that cooperative members will also seek to have their organizations develop techniques to generate income, develop and re-develop housing, carry out major capital repairs, and perform real estate functions such as facilitating apartment sales and transfers. In effect, if municipal authorities continue to lack the capability to address shelter sector issues, and if overall policy reform issues and general economic constraints continue to impede development of a vigorous private housing sector, cooperatives may find themselves playing a broader role in shelter sector transactions and activities than they presently may anticipate.

In several instances, notably in Petropavlovsk, cooperatives are already pooling maintenance fees formerly paid to the municipality and directly hiring employees to carry out routine maintenance. It is estimated that such cooperatives are able to provide maintenance for about half the cost formerly paid to the municipalities. While evidence is scant that cooperatives can perform shelter-related services more efficiently than state-controlled agencies, considerable latitude exists for harnessing group initiative and resources to address larger housing needs. Conceivably, a cooperative could obtain a loan to carry out a capital repair, manage the reconstruction needed, and accomplish the repair at a cost affordable to members.

3.2 Constraints

Several practical obstacles constrain the ability of new cooperatives to undertake maintenance or capital repair. First, little experience exists with competitive bidding to obtain the best price. Second, there are few private maintenance or construction firms. Third, there appears to be little experience with realistic cost estimating. Rather, construction cost estimates typically are based, in a continuation of Soviet-style practice, on a materials and labor index reflecting mid-1980s official pricing, which is then multiplied by an official inflator. The costs derived in this manner are said to be far different from actual market rates,

and are usually low. Obviously, estimating the real cost of repairs is a necessary first step in dealing with deferred and capital repairs. Fourth, little construction-oriented business experience is present. Housing sector entrepreneurs are only beginning to understand how to operate a business and need the kind of assistance ICMA provided to maintenance entrepreneurs in Almaty during the privatization of maintenance demonstration project. Fifth, in most of Kazakhstan's cities, housing maintenance operations are still the purview of monopolistic state enterprises. While probably inefficient, these enterprises are formidable opposition for private maintenance and construction firms, particularly since their operations may be subsidized and they may enjoy priority access to materials.

Cooperatives also face legal issues. While able to register as legal entities, their rights and powers are unclear, and regulation of cooperative activities needs to be explored. Initially, it appears that cooperatives and municipalities are collaborating because they have mutual needs. The powers of cooperatives to enter into agreements, especially with financial institutions, engage in business, or conduct real estate activities needs to be further explored, preferably through preparation and passage of appropriate and uniform national legislation. A particular legal right needed to support cooperatives is that of land ownership. Although individuals now own private apartment units, uncertainty exists in regard to ownership of the parcel of land on which the building is located, and of ownership and use of basements. Cooperatives, especially since they are similar to condominium associations, are a logical form of ownership of such parcels of land and common spaces. In effect, cooperatives that now provide maintenance services of common areas such as stairwells may be in a position of becoming responsible for maintenance of facilities they do not legally control.

3.3 Municipalities and Housing Costs

Municipalities, while presently endorsing cooperatives as a vehicle for housing sector action, face issues that are rooted in the old system of government. In particular, municipalities are the "front line" of action to bring housing subsidies under control. Subsidies are often hidden in government budgeting systems. In work carried out to develop a housing allowances program, ICMA consultants prepared a useful model of the city of Kapchagai that enables municipal officials to better understand real costs and to devise fee levels that reduce subsidies. Obviously, raising fees per square meter of housing occupied increases municipal revenues, yet at the same time increases the financial burden on families.

For example, since household incomes are estimated to be as little as \$20 per month, a charge of one *tenge* per square meter, for an average apartment of 53 square meters (570 square feet), would require the household to pay 53 *tenge* per month (approximately \$0.82), or slightly more than 4% of monthly income. In Kapchagai, residents pay about 2.45 *tenge* per square meter, or 10% of household income. Real costs associated with the services provided by municipalities are estimated to be about 11 *tenge* per square meter (excluding set-asides for capital repairs). Raising fees to this level would require payment of 45% of the typical family's income. Since it is estimated that many families are spending 80% of their income on food, such increases in housing costs are not possible. However, a significant portion of the subsidy is related to maintenance, heat, hot water, and "administration." If cooperatives can duplicate the efficiency gains reported in Petropavlovsk for maintenance, devise methods to reduce heat costs, and gain from assuming part of the municipality's

administrative burden, it may be possible to reduce real costs to more affordable levels, say in the range of 25% to 30% of household income.

Local authorities are interested in the allowances program which has been initiated in Semipalatinsk, seeing it as a means to understand real costs and devise fee systems that can gradually reduce subsidy levels while also channeling subsidies to needy families in a clear and equitable manner. Retired couples are an example of those in need. In the housing allowances model, a standard amount of space is established as a social norm on which families may receive subsidies; space in excess of the social norm would attract full-cost fees. Frequently, retired couples may occupy more housing space than the norm, having gained larger apartments in accordance with their previous family size. In some instances, retired couples would benefit from rationalizing their space, reducing maintenance and heating costs by selling their higher-valued apartment and purchasing a smaller unit. There appears to be, however, little mobility (i.e., sales of apartments). Cooperatives could conceivably play a role in assisting members to rationalize their space as municipal fees rise.

Another issue facing municipalities is that as Kazakhstan's broad de-nationalization and privatization program for industry and commerce proceeds, enterprises are seeking to divest the housing associated with the enterprise, largely because the housing is seen as a negative factor in improving financial performance. This is especially true if the housing is highly subsidized by the enterprise. Municipalities are increasingly being required to take over the burden of such housing, even though they lack financial resources to provide services for it or to undertake capital repairs. Cooperatives of resident owners of such housing could play a significant role in reducing the burden on the municipality. The possibility of linking cooperative development with privatization of enterprises should be further investigated.

It is apparent that subsidies will be reduced (such as the 50% rise in heating costs announced in December, 1994), particularly since the enterprises that provide housing services are under increasing pressure to perform better financially. Such enterprises are not particularly responsive to consumer pressures, and it is unknown whether price increases are realistic or reflect inefficiencies. Cooperatives could play a significant role in reducing costs to their members by negotiating bulk purchases, seeking lowest-cost suppliers, and undertaking renovations that improve the thermal efficiency of buildings.

Perhaps the largest issues facing cooperatives and municipalities are the general issues of broad shelter sector policy reform. The scope of reform can not be understated. Transition to a private market-oriented housing sector requires far-reaching measures, such as moving from complete common (state) control of land to private ownership and control of parcels. Similarly, the transition virtually dictates wholesale changes in urban development planning, municipal systems of housing planning, services, zoning, and building control, creation of a real estate market to replace state allocation of units, development of long-term market-based finance for infrastructure and housing, and other similar measures. While reform is occurring, Kazakhstan has little experience in any of these fields. Obviously, shelter sector reform will have a significant impact on the owners of housing, most of whom are owners of apartments. Since cooperatives represent groups of owners, they are the logical "grass-roots" vehicle for interaction between citizens and policy reform. The development of strong cooperatives, including a national association of cooperatives, is probably vital to the on-going policy reform dialogue.

4. EXPANDING ASSISTANCE TO RMCs

The growth of cooperatives reflects the urgent concerns of resident owners of privatized apartments, who are seeking to improve their housing conditions and the values of their units. It is improbable, however, that a program aimed at working directly with a significant number of cooperatives to improve their individual capabilities will be effective. The conditions in which cooperatives operate, the support they receive from municipalities, and the housing issues they face are too diverse to enable a program to be mounted to provide meaningful assistance directly to cooperatives. In addition, despite the groundswell of formation, developing real capabilities will require a considerable period of time and considerable "hand-holding." Cooperatives are most advanced in those cities where municipal authorities have been most supportive, particularly Petropavlovsk and Semipalatinsk. While a significant level of work directly with a relatively few, carefully selected cooperatives is desirable to gain a full understanding of the specific techniques that will enable cooperatives to meet the challenges facing them, an expanded program of technical assistance should continue to focus on municipalities.

4.1 Building on Experience

The initial work done to assist cooperative formation has established a sound basic approach. Participants at the cooperative workshop in Almaty in December 1994, which included a number of municipal officials, recommended a detailed set of arrangements, roles, and functions for municipalities and cooperatives. The recommendations encouraged municipalities to play an active role in encouraging cooperatives by taking specific steps to fix responsibility for cooperative development at a high level (deputy mayor), to launch information campaigns, to hire and fund coordinators to establish resident management cooperatives, and to provide incentives for cooperatives. These include authorizing cooperatives to collect maintenance payments and carry out maintenance as determined by members, to operate commercial spaces within their buildings and use rents from such spaces for housing activities, to streamline the registration process for cooperatives, and to permit cooperatives to own the land parcels on which their buildings are located. In general, the recommendations quite clearly described a desire to reform the housing sector in a manner that enabled (and required) owners to be financially responsible for maintenance and service costs while enabling cities to put housing and communal services on an essentially non-subsidized basis.

However, the recommendations also described the need for support from a higher level of policy and budgetary authority. Such requests included that the Ministry of Construction, Housing, and Territorial Development, together with the *Kazzhilkomkhoz* (State Housing Concern), organize the materials and documentation for cooperative establishment, "apply to the Republic" for approval of tax free status for cooperatives and permission for them to collect all lease receipts, and seek subsidies for capital repairs. Clearly, the participants desired national-level approval of the steps they see as necessary to restructure the relationship between apartment owners and the government. In particular, approval is needed to restructure and re-direct financial flows, especially since there is a tendency for the government to agglomerate all revenues centrally, then allocate them through a budget process, rather than giving local authorities and organizations fuller financial independence.

4.2 Goals

Taken together, the recommendations draw a picture of a public that knows what its housing needs are but is uncertain of its rights and methods to attain them: a municipal sector that recognizes the urgency of housing issues and is willing to support solutions but is uncertain of its authority and roles; and a national housing policy sector that, while grappling with profound high-level reform, has yet to grapple directly with mechanisms to address daily, practical housing problems. The recommendations also suggest that an expanded program of technical assistance for resident management cooperatives should have several inter-related goals, ones that help resident management cooperatives to meet pressing housing needs, gain municipal support, and consolidate policy reform:

- to assist cooperatives to become sustainable and capable of addressing daily housing concerns of members, particularly maintenance, property management, and affordability of housing and services.
- to assist municipalities to develop more fully programs to form and register cooperatives, and to establish programs, particularly housing allowance programs, to address subsidy issues and gradually de-subsidize local housing operations.
- to create support for cooperatives and municipal strengthening at the national level, through policy and legal reform.

The technical assistance program described below would support achieving these goals by developing two mutually-supportive ICMA teams that focus on the relationship between housing and municipalities. One would work directly and primarily with cooperatives in a target city, focusing on solutions to practical housing issues. The second would work principally with that municipality's officials and housing agencies, local utility providers, and local enterprises, focusing on de-subsidizing housing and on reform of housing practices in a manner that supports the needs of cooperatives. As the program proceeds, policy reform will be added, with a focus on national-level agencies. In addition, ICMA cooperation would continue with international and domestic agencies working in the field of land registration, a fundamental step toward resolving issues related to land rights.

During the course of implementation of the Shelter Sector Reform Project in Kazakhstan, a number of avenues have been explored, and a great deal of work done, to address policy reform and seek to put in place essential elements of a market-oriented housing sector. Cooperatives now offer a vehicle for concentrating a greater proportion of resources on assisting residents and local government find solutions to immediate problems, thereby creating demonstrations of success. Emphasizing work with cooperatives may require some curtailment of activity in other areas, especially in terms of resident advisor and local staff inputs. Project components such as training for commercial developers and appraisers would continue as an on-going activity using materials that are already well-developed.

4.3 Targets for Assistance

The focus of the technical assistance program would be on cities that have demonstrated the greatest willingness to undertake local shelter reform, e.g. Petropavlovsk and Semipalatinsk. Both are reform-minded, have reasonably-developed cooperative movements, and supportive local officials. In Petropavlovsk, cooperatives are probably sufficiently

advanced to have gained experience with solving some issues, such as routine maintenance, and need assistance in addressing a broader spectrum of issues. In Semipalatinsk, the municipality has initiated a housing allowances program and supports cooperatives.

In both cities, the focus of initial work would be to analyze the impact cooperatives are having, the issues they are encountering, the financial constraints they face, their relations with municipal officials, and the issues the cities face in the housing sector, especially the issue of subsidies. Two cooperatives in each city would be analyzed, while each city would be provided assistance to develop (refine, in the instance of Semipalatinsk) a housing allowances program and begin planning for de-subsidization. The purpose of this work would be to consolidate on-going cooperative and municipal initiatives and to develop materials for use in an expanded program of TA.

As solutions are found and materials developed, the focus would move to another city, probably Aktyubinsk, where materials and techniques developed earlier would be applied and their use critically reviewed. Subsequently, a similar "roll-out" of TA would be targeted to another city, probably either Pavlodar, Shymkent, and Taldykorgan. At about this time, a "national" conference would be held to publicize the work in Petropavlovsk and Semipalatinsk, with participants drawn from cooperative and municipal officials in 10 cities. While the goal of the conference would be to encourage more cities establish cooperative programs similar to those in Petropavlovsk and Semipalatinsk, a secondary goal would be to gain broader public awareness of potential solutions to housing problems and greater understanding of how a market-oriented housing sector with a large private component, cooperatives, operates.

The present LOP of the Shelter Sector Reform Project, November, 1996, suggests that the "roll-out" of TA would probably reach six cities; should the project be extended, another six cities could be reached.

4.4 Solutions to Cooperative Issues

A critical aspect of technical assistance to cooperatives is recognition of the extent to which both members and leaders of the organizations need training over an extended period of time. For apartment owners, the starting point is that they have little understanding of the rights and responsibilities of ownership, and find themselves in an environment that provides little support. For cooperative leaders, who may have been selected for any number of reasons, the starting point is that they have little familiarity with participatory management or business, few resources on which to draw and no context for individual initiative.

Cooperative Management

A focus of work with Petropavlovsk and Semipalatinsk cooperatives would be to help them refine their business/management capabilities. ICMA would then use the knowledge gained to develop materials for a "home-grown" cooperative management course that could be presented to other cooperatives. Previous experience has demonstrated that cooperative leaders and members have a keen desire to understand how cooperatives and condominium associations have worked in the US and elsewhere. The course would build on that information, but use concrete examples gained from work in the two cities. Elements of the course will include: a) legal and practical aspects of home ownership b) diagnosing the need

for repairs, estimating repair costs, contracting for repairs and maintenance, performance of simple repairs, and planning for capital replacement; c) legal and housing issues and procedures, such as land registration, deeds, restrictions, transfers; d) financial management and record-keeping, including openness to members, negotiating with utility providers, sharing costs, sources and uses of income, and managing cooperative property to generate income; and e) methods of collaborating with municipal, enterprise, and utility agencies.

Property Maintenance

A critical aspect of initial direct work with cooperatives would be to refine issues related to housing maintenance. It is apparent that already those apartment buildings that have cooperative management of maintenance have common areas that are cleaner and better-kept than those for which public agencies provide (and often defer) maintenance. Obviously, the goal of this aspect of the work program is to assist cooperatives and their members to perform or manage maintenance so that housing stock and value is enhanced. However, initial efforts suggest that cooperatives can manage maintenance considerably more cost-effectively than do public agencies, opening possibilities for performing other services, and enabling members to de-subsidize services. The role of local public maintenance organizations needs to be examined, to see if ways can be found to privatize them or improve efficiency. Similarly, private maintenance firms should be encouraged, principally through training and encouragement to municipalities and cooperatives to privatize maintenance. Cooperatives that learn to perform and manage maintenance efficiently have the potential to become the nuclei of property management firms.

Capital Repairs

Deferred maintenance and deferred capital repairs are probably the single largest practical issue facing apartment owners. Most municipalities agree with cooperative members that capital repairs should be financed by the municipality or other agencies, and not be borne by the owners. However, it is doubtful that local agencies can solve this problem on their own, because the accumulated repair deficit is very large, financial strength is small, and issues of equity -- whose building gets repaired first -- obscure action. Initial work with cooperatives should examine the technical and financial issues of capital repairs of the buildings controlled by the cooperatives. Accurate estimates of repair needs and costs should be prepared, and solutions sought for a joint effort by cooperatives, municipalities, and other agencies to address capital repairs. An example of such a joint effort could be:

- The cooperative prepares accurate and defensible estimates, managing selection of a contractor, supervising repairs, and providing partial or total repayment of a loan.
- The municipality, possibly through oblast administration support, provides part of the financing required, through incentives to the cooperative in the form of assistance to clarify legal issues and permission to collect rents and rent vacant units for commercial enterprises, and guaranteeing or "co-signing" a loan for the remaining financial resources required.
- A national entity, such as the Zhilstroï Bank (National Housing and Construction Bank), provides loan resources to the cooperative, possibly at favorable rates.

Support for such a joint effort could be supported through the Shelter Sector Reform Program, first by technical assistance through ICMA, and second, through use of small amounts of grant funds that could form part (a small, risk-reducing element) of the total financial package for repairs. The real purpose of making small grants, however, would be to provide incentives for cooperatives to mobilize efforts to make capital repairs, and to induce cooperation by local and national agencies. Awards of the grants would be on a competitive basis, where evaluation of a grant application would essentially examine the proposal for not only its technical merits, but the "work-ability" of its arrangements and "business plan."

4.5 Municipal Elements of the "Roll-Out" of Technical Assistance

Work with municipalities would focus on two elements: housing allowances, as an effort to assist municipalities deal with subsidy issues, and housing development. ICMA's housing allowances computer model, which was a topic of a May 1995 seminar in Semipalatinsk, makes it possible for municipal officials to examine subsidies and the impacts of increases in housing fees. As part of the expansion of technical assistance, the model, which was based on the city of Kapchagai, could be prepared for each of the target cities, providing the basis for development of a program to gradually reduce subsidies and to ensure their targeting to those in need. Municipal officials are very aware of the potential impact of price increases on residents. Yet, they are also aware that subsidies need to be reduced. The linkage between subsidy reduction and cooperatives is that cooperatives offer a method to deliver services more effectively and to permit residents to take up the burden of administration as well as delivery of services.

The second element of assistance to municipalities would focus on land development issues. For a number of reasons, both policy and economic, little private residential land development is yet occurring in Kazakhstan. Issues to be explored are the extent to which cities can control land use, the land resources they have, and collaborative efforts to make land available for development. One possibility is that municipalities sell vacant land (either serviced or with accessible services) to developers, who lack ability to amass significant amounts of land and lack financing for services.

4.6 Other Elements of the Roll-Out of Technical Assistance

Expanded technical assistance to cooperatives and municipalities would be supported by several other activities. First, an emphasis would be put on publicity. It is apparent that housing issues are a "hot" topic, and public attention paid to housing is significant. As part of the expansion of technical assistance, a greater effort would be made to develop "success" stories from the cities involved, together with an effort to involve journalists in seminars and conferences on housing and to provide materials that broaden their understanding of shelter sector reform.

Second, the possibility of forming a national association of cooperative associations should be explored. Cooperatives are learning from each other, but much of the interaction is facilitated through ICMA-sponsored seminars. A national association could provide a considerable range of organizational services to members and provide a voice for cooperatives in national policy debates, including lobbying for incentives. Such an organization will be needed to continue housing reform that benefits resident owners and supports a market-

oriented housing sector, especially if donor support is reduced or ends.

Third, the possibility of forming a national professional association of municipal officials with a goal of creating a body that reinforces the need for professional local government administration, should be explored. Such an organization would represent municipal needs at the national level, provide training, services, and possibly accreditation to municipal-level officials, with the purpose of enhancing local government's role in the public sector.

Fourth, work would continue on land registration and national policy. Policy work, however, would focus particularly on those issues especially pertinent to ensuring that cooperatives can become sustainable and replicable.

4.7 Staffing

To execute a program of expanded TA to cooperatives and municipalities will require a re-direction and strengthening of ICMA's local staff. It is proposed that two three-person teams be formed, the first to focus on work with cooperatives, the second to work with municipalities. Each team would work directly under the supervision of an ICMA resident advisor. In addition, it may be necessary to strengthen staff capabilities to promote publicity efforts.

It is apparent that working more directly with cooperatives carries the risk that requests for assistance could be greater than resources, particularly since the target cities for assistance are some distance from Almaty. The possibility of developing a corps of cooperative leaders, who could also form the nucleus of the proposed national association of cooperatives, who would be located in their home cities but receive assistance and support from ICMA in Almaty, on a non-employee but possibly remunerative basis, should be explored as a method of providing liaison, coordination, and supervision.