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KYRGYZ REPUBLIC

**NATIONAL HOUSING POLICY  
FOR THE KYRGYZ REPUBLIC**

*Working Draft  
November, 1996*

**Recommendations of the Ministry of Architecture and Construction, Interministerial  
Housing Policy Council in cooperation with International City/County Management  
Association  
(ICMA/USAID)**

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Ассоциация

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По Управлению  
Городами/Областями

**Memorandum**

Via DHL Courier

Date: 31 December 1996

To: P. Epstein, Program Director - NIS/CEE - ICMA/HQ

From: D. Beard, Resident Advisor - ICMA/Kyrgyzstan

Re: National Housing Policy for the Kyrgyz Republic

The purpose of this communication is to transmit, for your information and use, copies of the above referenced document in English and Russian. As you are aware, based on the ICMA/Kyrgyzstan report for the week ending 20 December 1996, this document was adopted by "Resolution of the Government of the Kyrgyz Republic # 597" issued by Prime Minister Djumagulov on 17 December 1996 (copies enclosed in English, Russian and Kyrgyz). In my opinion this official action by the Government of the Kyrgyz Republic (GOKR), completes "Task 1.1.1 of Sub-Project 1.1 : National Housing Policy/Legal Framework of STRATEGY COMPONENT # 1 Policy and Legal Framework for Housing and Urban Real Estate Development " of the ICMA/Kyrgyzstan 1996 Work Program. I believe the action elements contained in this document, as adopted, lay out a sound market based direction for future housing reform in the Kyrgyz Republic.

As you review this document please keep in mind that while a significant amount of technical assistance and advice was provided by ICMA technical consultants, the final document is the product of an extended deliberative process by host country officials. Parts of the document have been translated to and from Russian several times. The final working document, which went from the Interministerial Housing Policy Council (IHPC) to the Prime Minister and Cabinet of Ministers, was written, in Russian, by the staff specialists at the Ministry of Architecture and Construction in accordance with IHPC instructions. The English version enclosed is a translation of that transmittal as adopted. Please note that enclosed in addition are two diskettes containing the final document as adopted (in both English and Russian - WP6.1).

While the adoption of the document via issuance of an official " Resolution of the GOKR" satisfies the basic requirements of the USAID approved ICMA work program, at the recommendation of the IHPC we are going further and seeking sanction by the Parliament and President as well. The feeling is that while the Government (and Ministries) are bound by the Resolution, additional support will strengthen the housing reform process.

Although all members of the ICMA/Kyrgyzstan staff contributed to this effort and actually participated in one or another aspect of the development and adoption of this important document, special mention must be made of the very excellent efforts of the two primary project coordinators who lead this project; Development Advisor Mark Hannafin and Economist Vladimir Andriyash. Without the outstanding dedication of these two highly motivated and competent professional staff members, this Housing Policy would never have become a reality. Of course, as with all policy documents, the official adoption action is a beginning and not a culmination.

I look forward to your comments and suggestions for future actions to capitalize on this important policy action by the Government of the Kyrgyz Republic.

Enc.

## TABLE OF CONTENTS

Preface	1
I. Draft "Housing Policy for the Kyrgyz Republic"	4
II. Draft decree "On the Fundamentals for Housing Policy in the Kyrgyz Republic"	34
III. Draft "Major Directions of the Housing Policy (Concept) in the Kyrgyz Republic"	42
IV. Draft resolution of the Government of the Kyrgyz Republic "On New Approaches to Housing Issues in the Kyrgyz Republic and Measures for Actual Realization"	50
V. Draft Law for the Kyrgyz Republic "On Partnerships of Premise Owners (Condominium)"	55
VI. Draft Law for the Kyrgyz Republic "On Mortgage"	72
VII. Draft Law for the Kyrgyz Republic "On State Registration of Rights to Land and Immovable Property"	85
<b>Appendix 1.</b> 1990 - 1995 Housing Sector Economic Indicators Report for the Kyrgyz Republic	99
<b>Appendix 2.</b> Regulation on BISHKEKKURULUSH Joint-Stock Company Housing Stock Privatization	140
<b>Appendix 3.</b> Housing Policy Legal Matrix for the Issues of Legal and Institutional Reform in the Kyrgyz Republic	144
<b>Appendix 4.</b> Housing Sector Development Forecast by the Ministry of Architecture and Construction	151
<b>Appendix 5.</b> Comments and Recommendations by the Members of Interministerial Housing Policy Council	155

C

## INTRODUCTION

Decent housing, as stated in the Constitution, is a right of all the citizens of the Kyrgyz Republic. Housing, while a relatively simple technical good, can be a very complex economic and social good without common and mutually compatible legislative fundamentals. A fully functioning and self-sustaining housing sector is critical to any nation which wishes to maintain economic growth without relying heavily on assistance from international sources. Nowhere in the CIS is this more true than in the Kyrgyz Republic. Today, during the period of transition from a state operated housing sector to a market housing sector this reform-minded nation finds itself on the verge of developing a national housing strategy aimed at enabling all citizens of the Kyrgyz Republic to realize their constitutional guarantee of adequate, acceptable and affordable housing.

Understanding the importance of a sound housing policy at this critical juncture in history, in 1995 the Government of the Kyrgyz Republic prescribed the function of legislation drafting to the ministries and institutions from key areas of the economy. They were assigned to work with the International City/County Management Association (ICMA) and The United States Agency for International Development (USAID) on a new housing policy during the period of economic transition. Representatives of the Ministries for Architecture and Construction, Finance, Justice, the National Bank, the State Property Fund and the National Statistics Committee of the Kyrgyz Republic have prepared the Legislative Package with the assistance of the ICMA/USAID for submittal to the Government of the Kyrgyz Republic with the purpose of further use and guidance in the issues of housing reform for the ministries, institutions, enterprises and organizations operating in the Kyrgyz Republic regardless of forms of ownership. Within this package are the initial elements deemed necessary by housing policy experts for the Kyrgyz Republic to meet market reforms in the housing sector. ICMA experts under supervision of Duane Beard, Resident Advisor of ICMA/Bishkek, worked directly with the specialists of the ministries and agencies mentioned above to develop the drafts of the basic laws in the housing policy. Prepared materials have been discussed at the meetings of the Interministerial Housing Policy Council regularly. The Chairman of the Council is Alexander Moiseyev, Minister of Architecture and Construction. Among the most active members of the Council are: Kanybek Alykulov, Head of the Department of Architecture and Construction in the Governmental Apparatus, Medetbek Kerimkulov, the First Deputy of the Mayor of Bishkek city. The Council assigned a Working Group on Condominiums to draft the Law on Condominiums for the Kyrgyz Republic. The Working Group contained a number of experts who had studied Condominiums and Resident Associations in America. Likewise, the Draft Law on Property Registration was drafted by the Interministerial Working Group on Land Registration and approved by the Council. The Law on Mortgage was drafted by legal and banking experts at the National Bank in conjunction with the IRIS Commercial Law Project/USAID. Technical advice was provided by the Council and ICMA housing experts. The Council and ICMA gratefully acknowledge the IRIS Commercial Law Project in helping to fulfil the necessary elements to this package. Some of these laws have already been submitted to the Government, others are in the process of review.

Housing experts from ICMA and the Ministry for Architecture and Construction deemed necessary to include the following items in this package: The Drafts of "The Housing Policy in the Kyrgyz Republic" and "The Fundamentals of the Housing Policy of the Kyrgyz Republic in the terms of transition to the market" as well as appropriate drafts of Presidential Decree "On Fundamentals of the Housing Policy in the Kyrgyz Republic" and the Resolution of the Government of the Kyrgyz Republic "On New Approaches to Housing Issue in the Kyrgyz Republic and Measures for Actual Realization".

Last September ICMA/USAID jointly with the Interministerial Housing Policy Council held the Conference to develop fundamental concept of the national housing policy. Housing experts from all regions of the Kyrgyz Republic as well as the Government of the Kyrgyz Republic and the cities of Bishkek and Osh have taken part in this Conference. International experts from the USA, the Russian Federation and Kazakhstan have held workshops the themes of which were as "The Principles of the Housing Financing", "The Legislative Reform", "The Housing Allowances", "Communal Services", and "Creation of the Condominiums". The Conference determined high priority aims of the housing reform in the Kyrgyz Republic as follows:

1. To develop and execute long-term program to reserve and develop existing housing stock;
2. To create legislative basis to conduct housing reform in the market conditions (which would include but not limited with housing financing through Mortgage system. Registration of ownership, the Land and the Housing Codes, the Tax legislation, the Law "On Condominiums", the Law "On Architecture and Urban Development", the Law "On the Local Self-Government").
3. To find funds to complete uncompleted housing;
4. To develop the system of targeted housing allowances to provide with adequate housing the people who are not able to acquire the housing at the market prices;
5. To establish mechanisms needed to complete transition from the state to private construction, possession, operating and maintaining of the housing;
6. To create favorable conditions providing a sound competition in the sphere of communal services and conduct privatization of communal services on tender basis;
7. To create legislative base and tax system encouraging private development and attracting investments in housing construction;
8. To establish NGO to provide training, technical assistance for private produces (i.e. Association of housing constructors);
9. To create legislative base for land tenure and registration to provide functioning of real estate market;

10. To develop detailed structure of the laws providing creating and functioning of effective housing financing system;
11. To complete detailed analysis of a social and demographic situation and all-state inventory of existing housing to determine the basics to develop and appraise housing program and policy as well as to forecast the future needs;
12. To develop and adopt the motivation system (including taxation policies and legislation) to provide a stimuli for construction, investment and acquisition of housing
13. To develop and accept new Code of Housing Construction acceptable for physical, cultural and economic conditions of the region.

This package presents the major directions for housing market development, the issues of land use, ownership rights to housing, financial markets and long-term loan markets are being reviewed in detail. The main tentative phases of housing market formation are identified as related to the development of national economy.

The major criteria in the process of the Package development - was formation of the conditions for housing market development in the period of stabilization and further economic growth under political stability.

It is the hope of the Interministerial Housing Policy Council and ICMA/USAID that the Government of the Kyrgyz Republic finds this package a useful layout and promising path into the future for all Kyrgyzstan citizens.

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## I. HOUSING POLICY FOR THE KYRGYZ REPUBLIC

### I. INTRODUCTION

In the context of the overall transition to a market economy, policies, draft laws and decrees are recommended to accomplish three broad objectives:

*FIRST, to complete the privatization of the urban housing stock, and to shift the responsibility and costs for allocating, managing, maintaining, and servicing this housing (including the costs of heat and electricity) from government to the residents;*

*SECOND, to establish conditions under which most new housing will be built and financed through the private market at prices or rents affordable by most households without subsidy;*

*THIRD, in accomplishing these transitions, to ensure that all citizens of the Kyrgyz Republic, rural and urban, have safe and decent housing regardless of income.*

The expectation is that over time:

- (1) housing consumers will benefit by an increase in the variety and choice of housing in respect to quality, design, location, type of tenure arrangement; and
- (2) the role of government (national and local) will be reduced primarily to providing limited subsidies targeted to the neediest households, and to regulating relations among private participants in the market (owners, renters, developers, construction contractors, lenders, investors, and brokers).

This Reform Program begins with the "context for Housing Reform": a brief summary of existing conditions in the housing sector. It then identifies the major components of a comprehensive housing policy. Each component is addressed in terms of (1) the basic purposes to be addressed by government policy, (2) "Ongoing Activities and Short-Term Actions" (next year) and "Mid-Term Actions" (one to three years from now).

### II. THE CONTEXT FOR HOUSING REFORM

#### 2.1. Macroeconomic Conditions

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The dissolution of the Soviet Union and of the system of central planning that governed the production and distribution of goods and services throughout the republics set in motion waves of both political and economic change.

As a consequence of these dislocations, domestic GDP in The Kyrgyz Republic fell by 15.5% in 1993 and an additional 20.1% in 1994. Accordingly, employment plunged. At the beginning of 1995, 13,000 people were registered as officially unemployed, with an additional 170,000 registered as potentially unemployed. This equates to 5.7% of the work force. Such an unemployment rate is a serious underestimate. The extent of the decline in real GDP and because economic conditions for the average citizen of the Kyrgyz Republic appear substantially worse than 5.7% unemployment rate would imply.

Exacerbating these hardships are inflation fluctuations. The monthly rate of inflation in 1992 reached 1259%.

The Kyrgyz Republic became one of the first Republic's to break its link with the Russian ruble in 1993 and introduced its own currency, the Som, established an independent Central Bank and invoked an extremely tight monetary policy. In part as a result of these and other reform measures taken by the Kyrgyz Republic, economic conditions in 1996 began to stabilize. Real GDP is estimated to have fallen "only" by 6% in 1995; inflation declined significantly during the year, reaching a monthly rate of 2.4%; the new national currency remained relatively stable against the US dollar throughout 1995.

## **2.2 Demographic Considerations**

Unemployment and general economic uncertainty have also contributed to the recent population drain in the Republic. Total population declined from 1993 to 1994, largely as a result of substantial emigration in 1993. The primary reason for emigration was departure to one's motherland. Over 17% of certain ethnic minorities (Russians, Ukrainians, Byelorussians) have left. And net immigration of others (Kazaks, Uzbeks, Azeris, Tajiks) has increased.

In 1995, total population increased slightly, and now stands at 4,480,000.

In addition, the process of urbanization appears to be slowing down. Although urban residents leaving the Republic were partially replaced by rural dwellers, the total percentage of urban dwellers as a percentage of the total population has dropped from 38 percent in 1989 to 35 percent in 1995.

### 2.3 Housing Privatization

The Kyrgyz Republic became one of the first Former Soviet Republics to develop and adopt the law "On State-managed Housing Stock Privatization" As of 1995, according to National Committee on Statistics 88.5% of the housing stock had been privatized.

In conjunction with privatization process of production facilities in all industries of the republic, most enterprises had been incorporated. Provided that in accordance with the wishes of employees, housing stock privatization was conducted differently in each case. Regulation, providing for privatization of the housing stock belonging to one of the corporations is enclosed in Appendix 2.

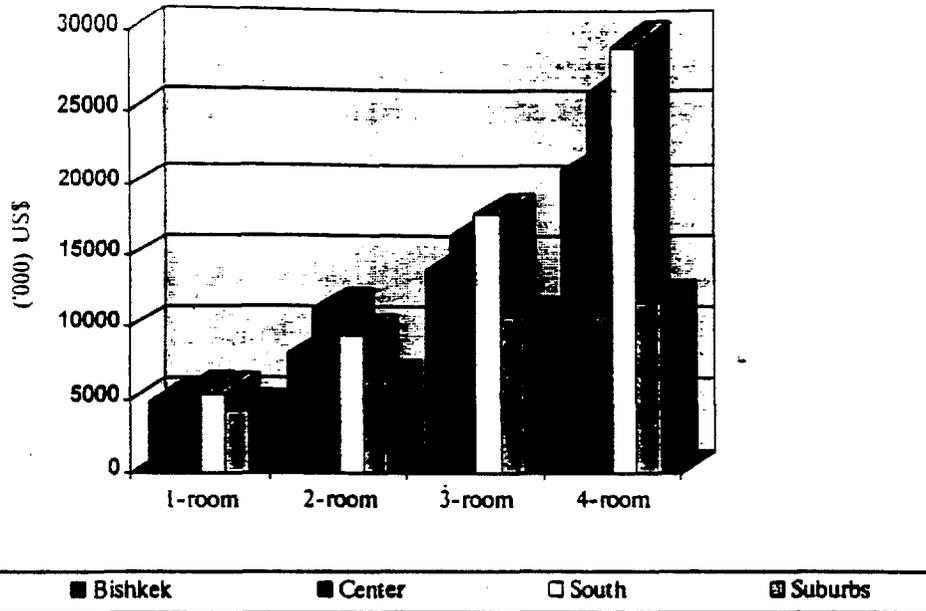
### 2.4 Waiting Lists

Statistical data suggests that currently there are about 800,000 underhoused households, of which 40,000 are residing in the emergency and slum housing, approximately 80,000 - in dormitories and 200,000 rent housing or reside with their relatives or close friends.

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## 2.5 Private Market in Apartments

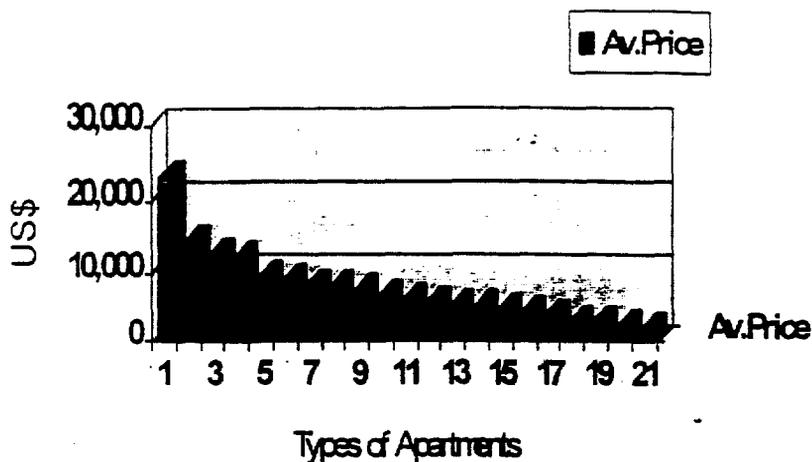
Average price of supply according to location and number of rooms  
(7/19/96)



	1-room apt.	2-room apt.	3-room apt.	4-room apt.
Bishkek	4827	8207	14063	21130
Center	5517	11350	16469	26437
South	5333	9475	18000	29250
Suburbs	4180	6333	10700	11833

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## Average Price



Average Price by Type of Apartment

	Type	Units	Av.Price	Min.	Max.
1	2 floors	3	23,000	13,000	28,000
2	Individual	711	14,105	1,200	60,000
3	Improve	175	12,265	2,500	32,000
4	Stalin	44	11,773	3,500	27,000
5	Czech	80	9,070	2,500	19,000
6	Isolated	35	8,529	3,200	30,000
7	105	1,412	7,881	1,600	53,400
8	106	185	7,776	2,000	20,000
9	Brick	11	7,300	2,800	14,000
10	No type	68	6,363	1,500	25,000
11	Connect	802	5,940	2,300	68,000
12	104	278	5,302	2,000	16,000
13	Khrusch	129	4,982	1,500	15,000
14		25	4,800	2,100	10,000
15	107	4	4,500	3,000	7,500

16	Special	1	4,000	4,000	4,000
17	103	2	3,800	3,400	4,200
18	No utility	3	2,833	2,500	3,000
19	Barrack	29	2,728	1,700	5,000
20	Not special	3	2,233	2,000	2,500
21	Hotel	4	1,575	1,000	2,000

## 2.6 Housing Production

With the exception of projects funded by international lenders, as well as private construction (single family houses) being built in the Republic, housing production has virtually come to a standstill. The total square meters of new space introduced in The Kyrgyz Republic dropped from 1,462,000 in 1989 to 367,000 in 1995. Imbalance in financial resources, a significant increase in costs for construction works and materials all resulted in the decline of housing production, which in turn became a cause for a

Housing construction began to decline as long ago as the early 1980s. As a result, many apartment buildings have been started but are still unfinished. Moreover, due to severely depressed economic conditions in the Kyrgyz Republic, housing construction is presently at a very low level. In 1995, new housing construction dropped 75% from what it was in 1989. The following table summarizes housing construction activity during the past several years:

### Completed Residential Construction: 1989-1995

	Houses introduced						
	('000 sq. m.)						
	1989	1990	1991	1992	1993	1994	1995
<b>Kyrgyzstan total</b>	1462	1560	1232	889	590	405	367
including:							
<b>1. State funds</b>	617	580	388	263	89	52	27
of which:							
<i>enterprise funds</i>	-	234	185	204	56	17	
<b>2. Private funds:</b>	790	919	774	567	458	271	
of which:							
<i>housing and constr. cooperatives</i>	78	65	74	21	20	8	6
<i>individual construct.</i>	712	854	700	546	438	320	320

3. Collective funds	55	61	38	59	35	17
of which:						
<i>leased enterprises</i>	0	11	9	24	5	3
<i>joint-stock</i>	0	0	0	14	23	13
<i>collective farms</i>	55	38	29	12	2	1
<i>social</i>	0	12	0	0	0	0

SOURCE: National Committee on Statistics

## 2.7 Unfinished Construction

Completing the unfinished buildings, reinforcing emergency housing stock, and repairing damage to the infrastructure must be a high priority inasmuch as physical deterioration of the existing, but incomplete, construction will increase over time.

## 2.8. Housing Affordability

Because of difficulties in identifying actual personal incomes, much more analysis must be done before good estimates of housing affordability can be made. No reliable information is available regarding the length of time a property may stay on the market.

According to an EBRD estimate, typical income in the Kyrgyz Republic is approximately 1,000 Soms/month or US\$1,000 annually. Cost of an existing typical apartment in Bishkek is about \$8,000 or 8 years income. (Refer to Chart at 2.5). The price per square meter of existing housing is approximately US\$200/ sq. meter, while the cost of constructing new housing has risen to US\$300/ sq. meter.

As of February 1996, the asking price of a three-room apartment ranged between US\$7,833 and US\$16,833 in Bishkek. Actual transaction price was approximately 10% less than the asking price.

## 2.9 Special Housing Needs

Urbanization to Bishkek appears to be the most pressing problem facing special housing needs. Overcrowding often results in Bishkek from people who in-migrate and are unemployed thus straining the city infrastructure and utility systems. More stress needs to be placed on encouraging better rural housing conditions, especially by introducing housing subsidies with regards to electrification and attempting to find alternative forms of heating besides fossil fuels.

### III. ACTIONS TO IMPROVE THE GOVERNMENT'S CAPACITY FOR ON-GOING HOUSING POLICY DEVELOPMENT AND IMPLEMENTATION

#### 3.1 Policy Intent

- (1) to create improved institutional capacity for on-going housing policy development and analysis;
- (2) to create overall policy and legal framework for more specific policy and legislative initiatives.

#### 3.2 Results to Date

- 3.2.1 Since independence, the Government of the Kyrgyz Republic had obtained passage of a number of laws and decrees which begin to provide a legal framework for private housing and real estate market operation; most importantly laws authorizing the privatization of state, municipal, and enterprise housing and the buying, selling and leasing of privatized housing in the private market;
- 3.2.2 Created Interministerial Housing Policy Council (IHPC) and associated working groups to coordinate development of policies and laws affecting the housing sector;
- 3.2.3 Held National Housing Policy Conference to obtain input from oblast and municipal administrations into the preparation of national housing policies;
- 3.2.4 Initiated work on set of laws identified as most immediate priorities for establishing legal framework--most importantly Law on Condominiums, Immovable Property Registration Law and Law on Mortgage;
- 3.2.5 Prepared the Concept of the National Housing Policy and the Housing Reform Program.

#### 3.3 Ongoing Activities and Short Term Actions (next year)

- 3.3.1 Develop consensus on major policy choices, particularly in respect to social safety net as it applies to housing and the movement to full cost pricing.
- 3.3.2 Decide on need for legislative adoption of basic housing policy principles along lines of Russian Law on Housing Fundamentals, and, if decision made to proceed, complete draft for adoption by the Government and Parliament;
- 3.3.3 Enact laws (identified on specific policy components below) which are presently in draft form or which are to be drafted over the next several months.

3.3.4 Decide on responsibility and procedure for up-dating the Housing Reform Program on an annual basis.

#### 3.4 Mid-Term Actions (one year to three years)

3.4.1 Determine an ongoing role for IHPC:

3.4.2 Review adequacy of statistical information on housing sector for purposes of on-going policy development and monitoring of policy implementation: particularly in respect to indicators of private market performance. Develop recommendations for improved, market-oriented data collection and analysis. Develop program to improve capabilities for monitoring, policy development and implementation for the housing sphere.

## VI. ACTIONS TO COMPLETE THE TRANSFER OF RESPONSIBILITY FOR ALLOCATING, MANAGING, MAINTAINING, AND SERVICING HOUSING FROM GOVERNMENT TO THE PRIVATE SECTOR

Policy development centers on three major, interrelated components:

**FIRST.** *measures to complete the housing privatization process by organizing privatized apartments into homeowner associations (condominiums and/ or cooperatives) which will be responsible for management and maintenance;*

**SECOND.** *measures to support progress towards full cost pricing for municipal housing services and utilities (heating, water, electricity) and the use of competitive contracting procedures to lower costs and improve efficiency and quality of service; and*

**THIRD.** *design of housing social safety net policies to help ensure that the above shifts of responsibility (and costs) from government to residents will be perceived as fair and which protects the neediest members of the population whom cannot afford the full, market price of maintaining, heating, and servicing their housing.*

### 4.1. Housing Privatization/ Formation of Homeowner Associations

#### 4.1.1 Policy Intent

- (1) to complete the process of housing privatization;
- (2) to transfer full responsibilities of ownership and maintenance of common areas and land associated with apartment buildings to condominiums and cooperatives:

- (3) to encourage growth of private competition in housing management and maintenance;
- (4) to improve the legal and regulatory framework that governs relationships among buyers and sellers and among landlords and tenants.

#### 4.1.2 Results to Date

##### 4.1.2.1 Legal Structure

The legal basis for initial privatization of individual apartments and single family housing is already well established. The status of the several actions taken is as follows:

- (1) Portions of the Housing Code (1984), Law "About Cooperation" (1991), Law "On Denationalization and Privatization of State Property" (1994) have established certain private property concepts and permitted, albeit in imperfect form, registration of some condominium/cooperative associations in Bishkek;
- (2) Draft Law on Condominiums has been prepared by Inter-ministerial Working Group including participation of various ministries and the Bishkek City Administration.

##### 4.1.2.2 Pace of Housing Privatization

At the end of 1995, the total completed housing stock of The Kyrgyz Republic amounted to 1.1 million dwelling units, of which 88.5% were privately owned. Units located in urban areas account for almost 40% of the total housing stock. (Refer to the table on the next page.)

### Housing Privatization: Urban and Rural

	Kyrgyzstan		Urban		Rural		Bishkek	
	1992	1993	1992	1993	1992	1993	1992	1993
<b>Total privatized ( units )</b>	46,532	80,777	37,353	65,980	9,179	14,797	14,374	29,349
<b>as % of the total number of apartments</b>	16.2	30.5	20.2	46.2	16.6	36.4	16.4	35.1
<b>Average total space of sold apartments (sq.meters)</b>	52.3	51	52.2	50.5	52.9	53	56.3	51.2
<b>Average price of 1 sq.m. of the total space of sold apartments (soms)</b>	0.76	1.1	0.7	1.1	0.8	1	0.7	0.8
<b>Average sales price of privatized apartments (soms)</b>	39.8	53.6	38.9	56.9	43.2	54.6	39.5	42
<b>Total value of privatized apartments (thousand soms)</b>	1850.1	4332.9	1453.2	3245.3	396.9	1087.6	568.1	1231.3
<b>Amount paid out of the total value (soms)</b>	1262.6	3226.5	990.5	2498.6	272.1	727.9	410.9	960.2

#### 4.1.2.3 Pilot Projects

Bishkek, Balykchy, Jalal-Abad, Naryn and Osh have initiated pilot programs to promote organization of privatized apartments into cooperatives or condominiums under existing law or regulation. Bishkek has registered seven condominiums under a mayoral decree. The Bishkek mayor provided a small grant to each as an incentive to their formation.

#### 4.1.2.4 Training Program

Several Kyrgyz officials participated in US-based training on housing association management and have continued to be active since their return. Bishkek local office staff and representatives from Bishkek City Administration - and the Institute for Architecture and Construction, participated in an Almaty training of trainers program.

### 4.1.3 Ongoing Activities and Short-Term Actions (next year)

4.1.3.1 Continue the process of privatization, make policy decision regarding advisability of establishing a deadline for privatizing apartments.

4.1.3.2 Seek adoption of draft condominium law;

4.1.3.3 Initiate revision of Housing code for consistency with condominium law, to provide better overall framework for market relations (among sellers and buyers and between landlords and tenants; housing code revision would also involve):

- (1) review of policy on social privileges in respect to housing;
- (2) review of policy on waiting list for new housing for those who did not benefit from housing privatization, including alternative means to make housing available to those who cannot afford housing on the private market.

Determine whether landlord/tenant law should be addressed in separate law or incorporated into Housing code. Consider if:

- (1) Housing code should focus on states role in housing -- particularly in respect to assisting groups identified as receiving "social privileges".
- (2) Landlord/Tenant Law and the Condominium Law are best viewed as laws regulating private property interest and relations among participants in the private sector. Landlord/Tenant law revisions should be coordinated with revisions of the Civil Code, particularly in respect to definitions of tenancies.

- 4.1.3.4 Plan national level educational programs to support implementation of Condominium law by city administrations and transfer of model approaches developed in Bishkek, Balykchy, Osh and other cities;
- 4.1.3.5 Identify other governmental constraints on the formation of homeowner associations (for example, tax treatment); and initiate remedial administrative or legislative measures.

#### **4.1.4 Mid-Term Actions (one year to three years)**

- 4.1.4.1 Obtain Parliamentary adoption of revised Housing Code and Landlord/Tenant law as needed;
- 4.1.4.2 Implement educational plan developed per 4.1.3.4 above;
- 4.1.4.3 Develop policies on financial assistance for capital repairs of newly-converted condominium associations;
- 4.1.4.4 Develop and implement policies to encourage property insurance industry.

#### **4.2 Policy on Pricing and Procuring Communal Services and Municipal Utilities.**

Move towards "full-cost" pricing of communal services, while attempting to reduce costs through greater efficiency and service contracting.

##### **4.2.1. Policy Intent**

- (1) to raise "rents" and prices for communal services to levels sufficient to cover all operating costs;
- (2) simultaneously, move to reduce costs and improve the quality of communal services through competition aimed at increase efficiency and broader consumer choice. This is important in order:
  - (a) to reduce the burden on residents upon asking them to pay the full cost of services;
  - (b) to help gain the public's acceptance of higher fees by providing improved service;
- (3) to minimize the need for government subsidies by reducing the gap between service costs and revenue received.

#### 4.2.2 Results to Date

- 4.2.2.1 City administrations have made some progress in raising rents and communal service fees. Fees collected from residents in Bishkek now amount to approximately 20 percent of actual cost.

**Housing Payments In Bishkek**  
( monthly fees in soms )

	1993		1994		1995		1996	
<b>Rent ( Housing Maintenance )</b> for 1 sq. meter of living space)	Before Aug.9 <b>0.01</b>	From Aug.93 <b>0.04</b>	From Jun.94 <b>0.12</b>		<b>0.12</b>		From May 96 <b>0.27</b>	
<b>Utilities</b>							From Apr 96 <b>0.96</b>	
<i>Central heating</i> for 1 sq. meter of total space)	<b>0.08</b> 6 soms for 1 GCal		<b>0.48</b> 30 soms for 1 GCal		<b>0.48</b> 30 soms for 1 GCal			
<i>Natural gas</i> (per occupant)	From Jan.93 <b>0.61</b>	From Aug.93 <b>1.21</b>	From Jul.94 apt. with hot water    apt. without hot water <b>6.85</b> <b>11.51</b>		apt. with hot water <b>6.85</b>	apt. without hot water <b>11.51</b>	apt. with hot water <b>6.85</b>	apt without hot water <b>11.51</b>
<i>Cold water and sewerage</i> (per person) According to the norm - 210 liters daily per person	From Aug.93 <b>0.04</b>		From Aug.94 <b>1.49</b>		<b>1.49</b>		From May 96 <b>3.45</b>	
<i>Hot water</i> (per person) According to the norm - 100 liters daily per person	From Jan.93 <b>0.18</b>	From Sep.93 <b>0.97</b>	From Aug. 94 <b>3.2</b>		<b>3.2</b>		From Apr.96 <b>6.4</b>	
<i>Electricity</i> (fee for 1 kilowatt - hour )	From Jan.93 <b>0.0175</b>		From Jan.94 <b>0.06</b>		<b>0.06</b>		From Apr.96 <b>0.09</b>	
<i>Elevator</i> (per person)	From Jan.93 <b>0.08</b>	From Oct.93 <b>0.84</b>	From Jan.94 <b>1.83</b>	From Nov.94 <b>3.9</b>	<b>3.9</b>		<b>3.9</b>	
<i>Trash</i> (per person)			From Aug.94 <b>1.35</b>		<b>1.35</b>		<b>1.35</b>	
<i>Radio</i> (per point)			From Apr.94 <b>0.5</b>		<b>0.5</b>		<b>0.5</b>	
<i>Garage</i>			From Nov.94 <b>30</b>		<b>30</b>		<b>30</b>	

#### **4.2.3 Ongoing Activities and Short-Term Actions (next year).**

4.2.3.1 Monitor city progress in raising rents and fees. Consider setting target dates or deadlines for cities to move to full market prices (for rents, maintenance, district heating, and other utilities) over a reasonable number of years. Assess need for Cabinet of Minister's Decree to de-monopolize utilities provisions and establish deadlines that are ambitious but realistic. Coordinate policy development in this area with the development of a more inclusive law on competitive procurement for all governmental purposes.

Any national policy requiring cities to move to full cost pricing for services should devise a realistic timetable for phasing the increases over several years and be linked to a social safety net (housing allowance program) to assist those that cannot afford to pay the price increases.

4.2.3.2 Encourage local administrations to bid out municipal services on a competitive basis: review experience of other CIS cities (e.g. bidding of housing maintenance and management in Moscow and Novosibirsk; bidding of district heating plant operation in Kazakhstan) and potential for reducing costs. There is a current Draft Law on Competitive Procurement that was drafted by the World Bank team. It is evidently being reviewed by the Ministry of Health, but it is recommended to encourage a municipality clause to provide for housing maintenance procurement.

4.2.3.3 Coordinate policy development on pricing and service with implementation of World Bank/Asian Development Bank funded projects to improve district heating and electrical generation/distribution systems. For example, options for Individual metering as affect pricing policy. Policy considerations in moving towards uniform pricing for all utility consumers (residential, industrial and commercial).

#### **4.2.4 Mid-Term Actions (one year to three years)**

4.2.4.1 Continue to monitor and support movement to full-cost pricing.

4.2.4.2 Expand service contracting program to additional services and jurisdictions.

#### **4.3 Targeting of Housing Allowances**

##### **4.3.1 Policy Intent**

To target subsidies to the neediest households using mechanisms:

- (1) that are visible and explicit and as far as possible, work through and help strengthen the private market; and
- (2) to control the impact of housing subsidies on overall government finances, both

federal and local.

The governments of virtually all countries with market economies provide some housing subsidies to the poorest households to bridge the gap between the cost of safe and decent housing in the private market and the amount the lowest income households can afford to pay. The form of subsidies recommended by most housing economists are "housing allowances". Under a housing allowance program:

- (1) the government pays the difference between the cost of obtaining safe and decent housing on the private market and what the lowest income households can afford to pay;
- (2) the allowance can be used to obtain housing anywhere in the private market, and thereby reinforces the more efficient allocation of housing through market prices.

Most western countries have adopted housing allowance programs as have The Russian Federation, the Ukraine and Kazakhstan, and in Eastern Europe: Estonia, Poland, Hungary, the Czech Republic, and Slovenia.

When the introduction of housing allowances is linked to increased prices for municipal housing rents and municipal utilities, then the increased revenues should pay for the housing allowance program and still generate some net revenues for municipal government.

#### **4.3.2 Results to Date**

4.3.2.1 Pilot housing allowance program begun in Bishkek in early 1996, should be replicated throughout country if successful. It is now taking place in the entire city of Bishkek.

#### **4.3.3 Ongoing Activities and Short-Term Actions (next year)**

4.3.3.1 Review housing allowance programs in other CIS countries and recent Cabinet Decree in Kazakhstan for applicability to the Kyrgyz Republic. Formulate a national policy, as appropriate in form of Decree for adoption by the Cabinet. In addition to the IHPC, policy development should involve the Ministries of Social Protection and Labor and Finance and be coordinated closely with other "means" tested, social safety net programs including the "common monthly subsidy".

4.3.3.2 Monitor progress of implementation of Bishkek pilot program and of programs in selected Russian and Kazakh cities (especially Novosibirsk and Semipalatinsk) as models for other cities in the Kyrgyz Republic.

4.3.3.3 In September 1996, ICMA held a study-tour to the cities of Semipalatinsk and Novosibirsk. Among the participants were experts from the Municipal property fund, Local Self-government's Center for Housing Allowances, Housing Production

Management Unit and Pricing and Anti-monopoly Policy Council of the city of Bishkek. At the meetings with the officials from city administrations and municipal utility organizations, the issues of demonopolization and new principals for pricing of housing maintenance in Novosibirsk and Semipalatinsk were discussed. Methodical material was collected to be reviewed and used in the housing reformation process in Bishkek.

#### **4.3.4 Mid-Term Actions (one year to three years)**

- 4.3.4.1 Assuming adoption of national policy, monitor and support national implementation by city and oblast administrations, including national conference and ongoing educational programs.

### **V. MEASURES TO REDUCE THE GOVERNMENT ROLE IN CONSTRUCTING NEW HOUSING AND TO ATTRACT PRIVATE INVESTMENT INTO RESTORING EXISTING HOUSING, FINISHING UNCOMPLETED BUILDINGS, AND CONSTRUCTING NEW HOUSING**

#### **5.1. Access to Urban Land**

##### **5.1.1. Policy Intent**

- (1) to clarify the basic land tenure rights and the other interests in real estate that will be available to those developing and owning housing and other urban real estate;
- (2) to establish and implement market-based methods of allocating land to the private sector for the development of housing and related forms of urban real estate;
- (3) to adopt and implement market-oriented, urban land use planning and land use regulations (such as zoning and subdivision controls) which:
  - (a) allow the maximum flexibility for the private sector to design and build housing and other forms of urban development which respond to the market demand of consumers; while protecting essential public interests in the use of land, particularly in respect to:
    - protecting public health and safety;
    - preserving important environmental and historical amenities;
  - (b) that allow all affected private parties (owners, neighbors, etc) to be heard in making basic planning decisions and in the approval process for issuing

development permissions.

### **5.1.2 Results to Date:**

#### 5.1.2.1 Market based allocation of land presently includes:

- Seven successful sealed bid auctions of use rights to land held in Bishkek: two in Osh.

### **5.1.3 Ongoing Activities and Short-Term Actions (next year)**

5.1.3.1 If needed, clarify national-level legislative authority necessary to support land auctions in non-autonomous cities; prepare and adopt decree and regulations as needed;

5.1.3.2 Support transfer of pilot auction programs to other towns and oblasts.

5.1.3.3 Hold national conference for city planners and architects to demonstrate sealed bid land auction techniques and training.

### **5.1.4 Mid-Term Actions (one to three Years)**

5.1.4.1 Coordinate housing policy with overall revisions of Land Code and Civil Code as they affect land tenure and property rights in urban real estate; and coordinate with any other legislative initiatives in respect to the law, specifically to clarify real property rights and govern real estate transactions. Adopt and implement legislation broadening the sale of land use rights by sealed bid auction and;

5.1.4.2 At the national level adopt a basic urban development law: enabling legislation that authorizes municipal administrations to prepare comprehensive plans and enact zoning, subdivision and land use regulations, and provides a basic legal framework for amending and administering these land use regulations over time.

5.1.4.3 Clarify the legal basis for municipalities to utilize the methods for attracting private investment into the redevelopment of municipal land; most importantly, by a competitive "request for proposal" process and through various forms of public-private partnership.

## **5.2 Immovable Property Registration System Reform**

### **5.2.1 Policy Intent**

To establish a unified, market-oriented system for registering legal interests in real property:

- (1) that provides consistency in legal documentation and administrative procedures for all

types of real property (land and buildings regardless of use or location, urban or rural);

- (2) that satisfies the needs of owners, buyers and sellers, lending institutions, developers, investors and other market participants for convenient access to reliable information on all matters that affect the legal title to any piece of real property (land and buildings);

## **5.2.2 Results-to-Date**

- 5.2.2.1 Establishment of Inter-ministerial Working Group on Property Registration.
- 5.2.2.2 Preparation of draft Decision to establish a unified Republic Cadastral Commission.
- 5.2.2.3 Proposed Property Registration Law prepared, approved by Ministries, and submitted to Parliament.
- 5.2.2.4 Groundwork in place for Phase I and II of Pilot Land Registration etc.) needed to service new urban development through appropriate local taxes and fees.

## **5.3.2 Results to Date**

- 5.3.2.1 Dialogue with the European Bank for Reconstruction and Development concerning municipal infrastructure financing has been initiated.
- 5.3.2.2 Alternative financing through small loans and grants to condominiums and resident associations.

## **5.3.3 Ongoing Activities and Short-Term Actions (next year)**

- 5.3.3.1 Review fees that local governments propose to charge private developers for building permission and connections to local utilities. Compare with western practice. Aim should be fees that are high enough to cover reasonable share the costs of connecting with city utilities, but low enough that private investment is not unduly discouraged and penalized. Clarify authority of local governments to impose appropriate fees.
- 5.3.3.2 Coordinate with government agencies taking lead on tax reform; assess potential of property tax as major revenue source for local government. Governments in most market economies look to property tax as a means to let local governments share in the real estate value created by public infrastructure investment and the private development it supports.

## **5.3.4. Mid-Term Actions (one year to three years)**

- 5.3.4.1 Depending on overall government policy development in respect to local

self-government and fiscal decentralization, possible legislation and implementation of ad valorem real property taxes for local revenue source. As resources permit, pursue full scale automation of property and land tax system with ready public access to information.

5.3.4.2 Possible development of municipal bond market to allow municipalities to borrow long term in the private capital market to finance infrastructure and community facilities. Preparation and adoption of legal framework as appropriate.

## **5.4 Housing Finance Sector Reform**

### **5.4.1 Policy Intent**

- (1) to mobilize private savings from the private sector (individuals and buildings) for investment in housing through private financial institutions;
- (2) to encourage the growth of private financial institutions in the business of :
  - (a) lending for the renovation/repair of existing housing and the construction of new housing and in the form of long term mortgage financing for home purchase and ownership;
  - (b) providing long term, mortgage financing for individuals purchasing apartments and homes and for businesses seeking to acquire and manage rental housing as a private investment and business.
- (3) to establish the regulatory framework needed to support the operation of the housing finance system and protect the reasonable interests of investors and consumers.

### **5.4.2 Results-to-Date**

Based on the experience in other transitional economies, there are several significant pre-requisites before banks can be expected to introduce long term, mortgage financing for housing on a significant scale:

- (1) a reasonable degree of macro-economic stabilization, particularly in respect to interest rates and inflation;
- (2) basic strengthening of the banking system sufficient to inspire public confidence and attract private savings;
- (3) creation of the legal framework that give lenders the confidence that they can use real estate as reliable collateral for securing housing loans.
- (4) strengthening of effective demand (increases in real incomes to allow more

households to be able to afford the costs of new housing, assuming that long term mortgage financing is available).

Moreover lenders need some successful experience using real estate as collateral for shorter term lending, before taking the added risk of making housing loans on a long term basis.

The Kyrgyz Republic has made some meaningful progress in respect to meeting the above pre-conditions for evolution of the private housing finance system, but realistically major private initiatives to introduce mortgage financing will probably have to await a year or more as work is continued on overall financial and banking system restructuring.

The need for a housing finance system to provide both construction financing and mortgage credit is unquestioned. However, the depressed state of the Kyrgyz economy, with attendant low levels of family income, makes the identification of a significant effective demand (willingness and ability to pay) extremely difficult. The continued suppression of inflation, leading to more affordable interest rates, and the pace of recovery of the economy and of the growth of employment and income will govern the speed with which the housing finance system can be put into operation.

#### **5.4.3 Specific Results To-Date**

5.4.3.1 Although the new Som initially continued to devalue, by late 1994, it had begun to stabilize and by the end of 1995, it had enjoyed twelve months of relative stability against the US dollar.

5.4.3.2 The Law on Pledge (3/6/92) provides the beginnings of the legal framework for collateralized lending in general. A revised Law on Pledge is being reviewed by Parliament. A proposed Mortgage Law, tailored specifically to lending secured by housing and other forms of real estate finance, has been drafted and included in the IHPC's initial legislative package with assistance of the IRIS Commercial Law Project.

5.4.3.3 The National Bank was given independence from the Government (still subject to the Parliament, of course) and adopted an aggressive tight money policy to combat rampant inflation.

5.4.3.4 As a partial consequence of these actions, price inflation had run 1259% in 1992 has decreased to 60% in July 1995. Indicative of continuing progress on the inflation front, the average monthly increase in 1995 was only 2.4%.

Kyrgyz monetary policy remains highly restrictive. Significant reductions in the Central Bank refinancing rate can be expected, with consequent reductions in retail

lending rates. Revitalization of retail bank lending can then be expected.

- 5.4.3.5 The National Bank of the Kyrgyz Republic (NBK) issued "Instruction on the Definition of Capital Adequacy Standards of Commercial Banks of the Kyrgyz Republic (NBK Resolution # 12/1 of June 4, 1995). This provides for preferential mortgages but contingent on an amendment of the Civil Code to permit effective foreclosure and sale of mortgaged property in the event of default. Weighted risk on housing mortgages is about 50%.
- 5.4.3.6 The current law exempting interest earned on bank deposits from income tax should be helpful in stimulating the growth of household and commercial deposits in the banking system.
- 5.4.3.7 Two international financial institutions (European Bank for Reconstruction and Development and the Central Asian/ American Enterprise Fund) have indicated willingness to open up existing credit facilities for apartment completion projects, with one CAAEF project approved and underway. Some Kyrgyz banks have begun to acquire the professional skills required to enter housing finance as a business activity, having received some international donor training for their staff in mortgage underwriting and real estate appraisal.

#### **5.4.4 Ongoing Activities and Near-term Actions (next year)**

- 5.4.4.1 Passage of a new mortgage law which provides security to lenders and reasonable access to collateral and coordination of these changes with ongoing revision of the Civil Code and proposed property registration law.
- 5.4.4.2 On-going coordination with the National Bank and Ministry of Finance to include housing finance provisions in overall banking and financial market reform laws and regulations. In particular, try to identify and remove any legal, regulatory, and tax impediments to enter into the housing finance market by Kyrgyz banks. For example, review current laws (especially Article 26 of the banking law) that appear to prohibit disclosure of information regarding bank clients' deposit and loan accounts to another bank to whom the client has applied for a loan. Evaluate permitting the confidential sharing of information with credit bureaus and other creditors as needed to facilitate sound credit analysis and loan underwriting.
- 5.4.4.3 Under current economic conditions, the completion of unfinished apartment buildings represents the most financially feasible opportunity for initiating private financing for housing construction. The GOK will explore obtaining international donor support for a credit facility for unfinished financing, as a means to both provide needed housing and help develop the capacity in the private banking sector to underwrite housing and other real estate loans.

5.4.4.4 Continue to evaluate international experience and develop policy proposals in respect to:

(1) methods stimulating savings and mobilizing private resources for housing finance such as:

- tax incentives;
- targeted savings residential accounts (savings deposits linked to future right to obtain mortgage loan);
- housing bonds or certificates (through a form of private real estate investment as in at least ten Russian cities), and/or with local oblast/city participation (as in Moscow, St. Petersburg, Novosibirsk, Novgorodskaya Oblast, and Ulyanovskaya-Oblast).

Examine methods to lay groundwork for development of a secondary mortgage market over the longer term:

- standardization of mortgage instruments and documents;
  - authorization of mortgage banks (which originate loans for the portfolios of other institutions such as pension funds);
  - authorization for banks to pool loans for sale to others (e.g. bank originates market rate loans to employees of a mining enterprise and then sells loan back to the enterprise as an investment) and to swap mortgage loans for government securities (thereby making it easier to meet their capital requirements);
- (2) methods to facilitate bank lending for housing by reducing the credit risk for banks of making longer term, housing loans, for example:
- clarify legal ability of banks to make loans based on lease purchase agreements;
  - mortgage insurance and title insurance (to help demonstrate the actuarial soundness of mortgage lending to the private banking sector);
  - authorization of credit bureaus to facilitate underwriting of loans;
- (3) feasibility of alternative mortgage instruments to (a) reduce interest rate risk for lenders and (b) increase housing affordability for consumers (based on the experience of countries such as Turkey, Hungary, Russia).

Action on this agenda will extend over a period of several years, but it is important to initiate measures that are feasible at the current state of financial market development and overall economic conditions.

Given the complexity of the policy choices in developing a housing finance system, housing finance should remain a priority for the GOKR in seeking technical assistance and training support from international donors.

#### **5.4.5 Mid-Term Actions (one to three years)**

Continue work on the agenda set forth under 5.4.4 above. In particular, development of a viable secondary market for mortgages lies a number of years in the future. It must be preceded by a measure of success in establishing a viable capital market initially for short and medium term debt instruments (such as treasury bills, commercial paper, corporate and government bonds). Moreover, the feasibility of establishing a market for mortgage backed securities assumes that lenders have first achieved a high enough volume of mortgage lending to support a secondary mortgage market.

## **VI. OTHER ITEMS TO BE ADDRESSED IN DEVELOPING POLICIES TO SUPPORT THE TRANSITION TO A PRIVATE MARKET.**

### **6.1. Long Term Housing Subsidy Policy**

The governments in all countries with market economies still provide some form of subsidy to help house families that cannot afford the full cost of housing on the private market. In the near term, this action plan has focused on the introduction of housing allowances to help municipalities transfer housing maintenance and management to associations of homeowners and raise fees for communal services.

At the present time, the government cannot truly afford to provide any subsidies for those who are waiting for housing or for groups with special needs such as the elderly and the neediest, or young families waiting for their first housing. However, looking to the future, the IHPC should evaluate alternative means for reducing housing costs and making scarce budget sources go as far as possible. Most western housing economists advocate the use of "demand side" subsidies based on need which a household can use to help shop for housing on the private market, as opposed to "supply" side subsidies which go to the developer or the construction firm providing the housing.

A thorough review of options would look at both demand and supply side subsidies, and develop a deeper understanding of their merits for public policy purposes:

- (1) expanded use of housing allowances or vouchers which help a household meet its housing expenses on a monthly basis;
- (2) one time vouchers or grants that a family could use to purchase or buy a home "down payment subsidy", perhaps in combination with a loan provided by a private bank; the Russian Federation has begun a program similar to this;
- (3) regarding tax incentives, the IHPC should coordinate with the Ministry of Finance in respect to tax policy to evaluate the pros and cons of tax incentives designed to encourage low cost housing and home ownership:
  - deductibility of home mortgage interest;
  - tax credits for social investment in housing;
  - tax exemptions on capital gains on sale of home (especially for the elderly);
  - tax exempt housing bonds;
  - reduction of transfer taxes and fees;
- (4) loans with subsidized interest rates administered through the banking systems; either:
  - low cost, long term mortgage loans to home purchasers;
  - low-cost loans to private developers of housing, who agree to sell all or some of the units they produce at prices affordable by families with lower incomes. (Note: subsidized loans are generally costly to administer and an inefficient means of delivering housing subsidies);
- (5) housing guarantees that serve to lower interest rates to borrowers (and can pay for themselves through premiums if default rates are low);
- (6) Turn-key housing. In situations where the government may still consider building and owning housing for certain socially privileged groups, it should consider experimenting with giving private firms the opportunity to compete to construct and deliver housing to the government on a "turn-key" basis. Such competitions can be based on the lowest cost bid for designs provided by the government or, based on a combined price and design competition which gives private firms an incentive to innovate in the design and construction of housing.

Coordinate this aspect of policy with development of pending law on Competitive Procurement. (Refer to 4.2.3.2)

- (7) "Write-down" of land: land can be provided at below market cost to a developer who agrees to pass the savings on to lower income purchasers or to needy households for the construction of housing on a self-help basis. (Refer to 6.6)

## **6.2 Allocation of Unfinished Apartment Buildings to Private Developers on a Competitive Basis**

As noted earlier, the most cost-effective means of increasing housing supply under current conditions is to complete those unfinished apartment buildings that remain structurally sound and are in a relatively advanced stage of construction. Policies should be explored for:

- (1) Holding sealed bid auctions for unfinished buildings to qualified developers, particularly if financing for apartment completions can be obtained from local banks or through the international donor funded credit facilities referenced above.
- (2) Joint-venturing (public-private partnership) apartment completions;
- (3) Assisting homeowners to form coops or condominiums to finish the buildings for their own occupancy, again perhaps with financing through special credit facility.

## **6.3 Licensure of Real Estate Professionals**

The government should develop licensing requirements and procedures for certain professions involved in housing and real estate in order to protect the public health and safety, and to protect consumers from deceptive and fraudulent practices. In particular, licensing requirements are needed for:

- (1) real estate appraisers;
- (2) real estate brokers;
- (3) construction contractors.

The government needs:

- (1) to determine the requirements for examinations and apprenticeships;
- (2) to establish fees that make the licensing system as self-financing as possible;
- (3) to establish fair procedures for hearing complaints against licensed professions, and for suspending or revoking licenses for violations of professional standards.

## **6.4 Landlord/Tenant Law**

Some elaboration of the law is needed to clarify the respective rights and obligations of private landlords and the tenants occupying private rental housing. Such a law needs to address types of tenancies and landlord remedies in the event of non-payment of rent. Such a law should probably be elaborated separately from revision of the housing code which primarily

focuses on clarifying social privileges in respect to housing.

### **6.5 Special Rural Housing Needs**

As finances permit, the Government needs to examine means to extend electricity supply in order to heat rural residential units rather than the costly current manner of using fossil fuels. This process is costly and difficult to maintain. At this time, rural residents are paying 100% for the cost of coal while receiving no subsidies unlike their urban counterparts.

### **6.6 Self-Help Housing for Urban Newcomers**

The Kyrgyz Republic has begun to experience the rural to urban migration patterns that typify many other nations. Although here is at present only minimal evidence illegal squatter settlements around major cities such as Bishkek and Osh, this migration has resulted in overcrowded and sub-standard living conditions for many families arriving in the cities without savings or gainful employment.

The City of Bishkek has responded to this problem by granting property rights to individual building lots in "zones of individual construction". However, for a variety of reasons, many households have not been able to initiate construction on their parcels.

In June, 1996, the GOKR signed a protocol with Habitat for Humanity (HFH), an international organization that supports innovative approaches to self-help housing. HFH plans to initiate self-help projects in both Bishkek and Jalal-Abad in the coming year.

The self-help concept builds on the Kyrgyz tradition of "Ashar" or mutual aid. The HFH project should be monitored as a possible model for seeking larger international donor assistance and/or expending budgetary resources if available to help with housing the neediest families. The self-help contribution significantly lowers the cost per unit needed to be paid for in cash. Bishkek City Administration has already initiated a self-help funding source for needy families called "Jardam- Habitat".

Under some models, costs can also be lowered by purchasing materials in large quantities, by using standardized designs. The potential for building some cost recovery should be explored in adapting these approaches on a larger scale.

### **6.7 Building Code Enforcement**

As more housing construction and ownership shifts to the private sector, government needs to develop a more market-oriented system for

permitting and inspecting new building construction and inspecting occupied buildings for violation of health and safety standards. Codes and standards should probably continue to be set at the national level, but administration should be delegated to the local level. Reasonable fees should be established so that the code enforcement system can operate on a self-financing basis.

### **6.8 New Housing Technology**

The government should reassess and strengthen its role in encouraging technical innovation in housing design, materials, and construction technology and methods. A particular priority is light-weight (earthquake proof) forms of construction for single-family homes, row houses, and low-rise apartments.

### **6.9 Privatization of Building Materials Industry**

As part of the overall privatization of enterprises, attention should be given to encouraging competition in both:

- the manufacture of building materials;
- the distribution of building materials on both a wholesale and resale basis.

The aim of such privatization is, through private competition, to encourage technological innovation, and to lower costs and improve the variety of materials and products readily available for purchase by homebuilders and consumers.

## **VII. CONCLUSION**

It is possible that within a four year period, with concerted effort to reform the legal basis for a market housing system and continued economic reform, that the Kyrgyz Republic could have made prudent, insightful progress towards a fully, functional market housing policy with the strict adoption of this Reform Program. International donors will more inclined to invest in the promise of the Kyrgyz Republic through loan credit lines and construction development. But most importantly, the citizens of the Kyrgyz Republic will have a system that they can trust and believe in and they will want to invest their savings within the country itself thus strengthening the housing finance system and fostering internal economic growth for the future.

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### **Additional Information**

The Interministerial Housing Policy Council and ICMA/ USAID have been working closely together for more than a year on housing policy reformation during the period of economic transformation. During this time a Housing Policy Study tour was conducted to the United States and a National Housing Policy Conference was held in September 1995 to joint and direct the efforts of housing experts in the Kyrgyz Republic in reformation and development of legal recommendations. The Legislative process is a very deliberate and finite one and the IHPC recommended that the laws included in this package are the first priority in housing reform for the Kyrgyz Republic.

Even now other legislative acts and regulations are needed to realize a fully functioning, market housing system. It takes coordination of all ministries of the government and oblast administrations to implement these reforms. This draft clearly points out the main directions for the Kyrgyz Government to undergo realization of a market housing system. This draft was developed by ICMA housing experts with the approval of the Interministerial Housing Policy Council.

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## II. DECREE OF THE PRESIDENT OF THE KYRGYZ REPUBLIC

### ON HOUSING POLICY FUNDAMENTALS FOR THE KYRGYZ REPUBLIC

#### Article 1. Basic Terms

HOUSING SPHERE - sphere of national economy including construction and rehabilitation of housing, structures and elements of infrastructure of engineering constructions and facilities for social purpose, housing stock management including its maintenance and repair.

REAL ESTATE - real estate in ownership, use or disposal within the limits of property including plots of land and closely attached to them residential buildings with residential and non-residential premises, maintenance facilities, green plantations with long development term: residential buildings, residential units, other residential premises in apartment houses and other buildings intended for permanent residence and lodging; structures and elements of engineering infrastructure of the housing sphere.

HOUSING STOCK - all residential units irrespective of the property form including apartment houses, specialized houses (hostels, hotels asylums, transition stock houses, elderly and single people's homes, homes for disabled persons and veterans and other institutions), apartments, departmental residential premises, other residential units in other buildings intended for residence.

RENT CONTRACT - a contract under which lessor (in the form of municipality, state-owned enterprise or private person(s) gives real estate in the housing sphere to the tenant for temporary occupation and use and the tenant undertakes to use it pursuant to the contract, to pay rent promptly, including payment for communal services.

CONDOMINIUM - A form of management of real estate. A condominium *real estate* consists of premises of owners and common property. Condominium, an association of owners of premises, both residential and non-residential, is a non-profit organization which is created to operate, maintain and manage *buildings*, premises and common property for all owners of premises regardless of the form of ownership. Legal entities, possessing a right to use a premise or manage its usage, may be involved as members of condominiums.

ALLOWANCES (SUBSIDIES) - resources granted to citizens as assistance to pay rent and communal services, to construct or purchase housing.

DEVELOPER - a natural or legal person that arranges housing construction, rehabilitation and repair by contract with the owner of residential buildings (with the complex of social and engineering constructions infrastructure or without it) including for his own occupancy, to let it on lease, rent or sell.

MORTGAGE - an interest in real estate which serves as security for a debt of the property. A loan can be obtained against a mortgage and serve to purchase, build or rehabilitate a housing unit. The mortgager has the right of possession and use of the property but does not obtain legal title until the debt is paid in full.

## **Article 2. Right of the Citizens of the Kyrgyz Republic for Housing**

Citizens of the Kyrgyz Republic have the right to housing. This right is exercised through rent, purchase or construction of housing at one's own expense without limit to floor space.

To citizens who are not provided with housing, the state and local administrations render assistance through providing tax incentives to enterprises, developers, public organizations and other legal entities for the construction of low-income housing with residential premises for rent under contract; provide infrastructure building and maintenance; as well as through a system of subsidies for payment of municipal services, new construction, maintenance and repair of housing for those citizens that are within the established norms of the Kyrgyz Republic and oblast administrations.

## **Article 3. Participation of population in housing stock management**

Citizens, non-governmental, public organizations and other associations of tenants, renters and owners of residential units in houses of all forms are eligible to take part in housing stock management at the place of their residence to protect their economic and social rights and requirements, in order to participate in the selection of maintenance and repair services.

## **Article 4. The right to private ownership of housing**

Real estate in the housing sector, including housing stock can be private (held by physical or legal persons), state municipal property, property of public associations as well as communal property and pass from one form of property to another in accordance with procedures outlined by the legislation of the Kyrgyz Republic.

An owner of real estate or its part in the housing sector is entitled to own, use and dispose of it in accordance with the procedure established by legislation of the Kyrgyz Republic: rent; mortgage it in total or in parts; sell; make alterations; inherit; bequeath; rehabilitate or demolish; perform other actions if such activities do not violate current legal norms nor infringe upon other citizens' rights for housing and freedoms in accordance with the Constitution of the Kyrgyz Republic.

Private ownership of real estate, or its part in the housing sector of the Kyrgyz Republic is not restricted in terms of quantity, size and value.

All private ownership of real estate within the housing sector is subject to property registration to ensure validity of ownership. In accordance with the legislation established by the Kyrgyz Republic, each oblast, raion, and city administration will establish registration offices for the registration of all private property in the housing sector. Private real estate will be assessed by the state and local authorities and be subject to real estate taxation in accordance with the legislation of the Kyrgyz Republic.

#### **Article 5. Forms of housing stock**

Private housing stock:

- housing stock owned by citizens: individual housing units; privatized, constructed and purchased apartments and apartment houses; individual apartments in apartment buildings; and housing construction co-operatives with share of the common stock paid in full; in apartment buildings where each unit is owned and resident associations under a registered condominium are established; or any other basis provided by the legislation of the Kyrgyz Republic.
- housing stock possessed by legal persons (established as owners) constructed or purchased at their expense, including mortgages; as well as housing and housing construction co-operatives with partially paid share of common stock.

State housing stock:

- departmental housing stock in state possession of the Kyrgyz Republic and in full command of state enterprises or managed by state institutions referred to federal state property.

Oblast and Rayon Housing Stock:

- housing stock in possession of the oblast and rayon administrations within the Kyrgyz Republic, as well as departmental housing stock in full command of state enterprises or managed by state institutions referred to local administrative property.

Municipal housing stock:

- housing owned by city or district administrations, their administrative or territorial subdivisions, as well as the departmental housing stock in full command of municipal enterprises or managed by municipal institutions.

Public housing stock:

- housing owned by public associations.

Housing stock in communal property:

- housing in communal property (joint or share) by various subjects of private, state, municipal property, public associations' property.

#### **Article 6. Housing Stock in Communal Property**

When the owners of residential units and other residential premises in apartment houses, as well as other real estate in the housing sector in private (physical or legal persons), state, municipal, public associations' possession are united, they have the right to form an association of owners in real estate - a condominium association, in accordance with the legislation adopted by the Kyrgyz Republic.

With regards to a condominium association; staircases, lifts, corridors, the roof, basements and other spaces in communal use as well as facilities outside of the apartment building and all territories adjacent to the building are within communal (joint or share) property.

Condominium associations have the right to manage the apartment house, including control over costs and prices for services, choice of maintenance and repair companies. Construction, maintenance, repair of apartment buildings and other residential premises united in a condominium association is regulated by the agreement of all owners in communal possession under a condominium deed and by-laws. Each oblast administration and the City of Bishkek may form regulations in accordance with the Law on Condominium for the Kyrgyz Republic by creating incentives for the creation of condominium associations.

#### **Article 7. Changes in property relations**

When state or municipal enterprises and institutions change their form of property or are liquidated, enterprise housing stock or stock managed by institutions (departmental housing stock) is to be transferred to their assignees (if they are determined), other legal entities to be in their command or management, or under oblast, raion and city administrations' authority in accordance with the established procedure under conditions that all rights of residents for housing are reserved, including the right to privatize, as well as the right to form a condominium association thereafter privatization.

If public associations are dissolved and there are no assignees, ownership of their housing stock is transferred to the city or raion administration with all the resident's rights for housing reserved and granting the right to further privatize the residential premises.

Owners of country-houses or summer cottages meeting the required norms for residential units are entitled to be re-registered as private houses in accordance with the legislation of the

Kyrgyz Republic.

**Article 8. Rent of a residential unit**

Owners of housing stock are entitled to rent out apartment units or houses of any space to natural and legal persons under rental contract. Procedure, term, and conditions under which the residential unit is rented are specified in the individual contract signed by the tenant and the owner. Occupied houses of state, municipal or public housing stock can not be rented to other tenants without consent of all renters of legal age, neither specialized houses nor residential premises in them.

**Article 9. Exchanges of residential units**

A tenant or renter of state, municipal or public residential housing stock has the right to exchange it with that of another tenant or renter, including residents in other buildings with the consent of the owners of the buildings and members of the tenant's family who are of legal age.

A tenant or renter of a residential unit in state, municipal or public housing stock is entitled to transfer rights and commitments under the contract or rental agreement with the consent of the owner of the housing stock, or of the person(s) authorized by the owner and members of the tenant family who are of legal age, the owner of a private housing stock in exchange for acquisition of the right of ownership for a residential unit.

Exchanges of residential units are registered in accordance with the established procedure under the regulations of each oblast administration and the law on immovable property registration for the Kyrgyz Republic.

**Article 10. Acquisition, purchase of plots of land for housing construction**

A developer has the right to receive or acquire plots of land for housing construction in accordance with the established procedure in areas stipulated by town-planning documentation. Oblast, raion and city administrations are obliged to provide for use, rent, sale or private possession, plots of land for housing construction, taking into account the legislation of the Kyrgyz Republic and corresponding legislation of each oblast, raion and city.

Residents have the right to receive or acquire plots of land for housing construction in accordance with the established procedure, irrespective of ownership of other real estate property in the housing sector.

A plot of land allotted for housing construction is to be used for appropriate purpose during the term fixed by the oblast, raion or city administration. In case of delay, the term of which

the local administration will determine according to their own regulations, the administration may apply fixed penalties to the developer which had been stipulated by their local regulations.

In case of unjustified refusal on the part of local authorities to provide or sell plots of land for housing construction within the established term, the state administrative bodies may intervene and impose penalties upon the local administration, or assume control of land use for that locality if they deem necessary.

**Article 11. The right to construct, rehabilitate and repair housing stock**

The right to construct, rehabilitate and repair housing stock is granted to a developer in accordance with the procedure established by the legislation of the Kyrgyz Republic, to a physical or legal person who use or rent this housing stock, as well as to a private contractor who enjoys this right under contract made with the owner. This right is granted to cooperatives and condominium resident associations to freely choose the company in order to construct, maintain and rehabilitate.

Housing is constructed, repaired or rehabilitated on the basis of permission granted to the persons mentioned in the first part of the present article by the local administration.

**Article 12. Development of competition in construction, maintenance and repair of housing stock**

When design, construction, rehabilitation of housing stock are financed by state government bodies and local administrations, orders for the aforementioned projects are placed on a competitive bidding contract basis with registered design and construction firms, institutions and organizations (both domestic and foreign), irrespective of the organizations' place or origin. Local administrations will select the lowest and most suitable bidder for the housing project.

State and municipal housing stock maintenance and repair services agreements, are made by oblast, raion and city administrations, state enterprises, institutions and organizations with housing maintenance companies of any form on a competitive bidding basis.

A registered condominium resident association can freely choose a maintenance organization to construct, repair or rehabilitate their buildings in accordance with the contract between the condominium resident association and the maintenance company.

**Article 13. Loans and subsidies to citizens for construction and purchase of housing**

When citizens construct, make capitol repairs or purchase residential units, they have the right to receive loans against collateral, including mortgage. Citizens have the right to receive

subsidies or preferential lending from state government bodies or local administrations depending on the families' aggregate income and other privileges as stipulated in the legislation of the Kyrgyz Republic and the amount of available funding in the fiscal budgets of the local administrations.

Terms of obtaining subsidies or preferential lending, loans against collateral, postponement of the loan repayment, foreclosure of mortgaged property in case of nonredemption, indexation of monthly payments taking into account income of the family are regulated by the legislation of the Kyrgyz Republic, the National Bank of the Kyrgyz Republic, and oblast, raion and city administrations.

#### **Article 14. Real estate tax in the housing sector**

All private owners of real estate in the housing sector will be subject to real estate taxes in accordance with the taxation legislation established by the Kyrgyz Republic and local administrations.

#### **Article 15. Tax exemptions in the housing sector to consider**

Amendments to the Tax Code are recommended in order to promote new housing construction. They include the following tax exemptions:

- 1) to enterprises, companies and organizations that render assistance to their employees in housing construction;
- 2) to enterprises that have a proven record of maintaining their housing stock;
- 3) the funds generated by a registered condominium resident association who specifically use the funds given by the members of a condominium for use in construction, repair or rehabilitation of the common building and adjacent grounds, if these funds are used for other purposes they will be subject to taxation in accordance with the legislation of the Kyrgyz Republic;
- 4) to building material companies which render assistance to condominium resident associations, self-help groups, NGOs, student building groups or low-income families by giving or significantly reducing the cost of building materials for new housing or rehabilitation;
- 5) to individuals, private groups or companies who invest in the construction, rehabilitation and repair of housing stock, as well as for development of building materials and articles and goods to furnish houses;
- 6) to developers, enterprises who build low-income housing and sell at affordable price ranges in relation to current market values to similar housing.

President of the Kyrgyz Republic

Date

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### **Additional Information**

The present Decree was developed in order to:

- determine basic principles exercising Constitutional right of citizens of the Kyrgyz Republic for housing under new social and economic conditions;
- determine the diverse types of ownership and use of real estate in the housing sector;
- establish a basis for legal regulation of housing relationships in development;
- outline the role of local and oblast governments in overseeing the principles of new housing policy for the Kyrgyz Republic.

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### III. MAJOR DIRECTIONS OF THE HOUSING POLICY (CONCEPT) FOR THE KYRGYZ REPUBLIC DURING THE TRANSITION PERIOD

Implementation of an effective housing policy in the Kyrgyz Republic during transition to a market economy requires nationwide and complex reform and implementation of consistent activities in the legislative, economic and social spheres.

The following provisions of the Constitution for the Kyrgyz Republic are the legal basis for housing reform:

- the right to economic freedom, free use of abilities and property for any economic activity;
- the right to free movement and the choice of place for living, right to have property, to possess, use and manage it upon their own discretion.
- the right of the Kyrgyz Republic citizens for shelter. The State assists in the implementation of this right by provision and sale of housing from the state housing stock and encouraging individual and cooperative housing construction with various forms of ownership, economic development regulation by the State through implementation of economic and social development program, tax, credit and investment policy, pricing policies for goods and services.

These provisions provide the basis for a complete and efficient satisfaction of the peoples need in housing regardless of their social position and financial capacities on the basis of the following stages of market economy development, determined by the Government of the Kyrgyz Republic:

The first stage (1996-1998) - micro level reform with constant macroeconomic policy creation of conditions for economic principles, proceeding from: more efficient utilization of local resources (efficient use of industrial capacities through utilization of human resources; focusing on: local material resources, efficient use of financial/borrowed resources); generation of economic-producing potential; increasing employment rate; formation of preferable conditions for encouraging foreign and private investments.

The second stage (1999-2005) - improvement of the standards of living based on the growth in production efficiency, proceeding from: activation of investors; modernization of production process based on massive investments - introduction of new progressive technologies: new production projects; improvement of exporting capacity; equaling out development levels of the regions.

Housing policy implementation in the Republic depends on results of economic reforms, proceeding from the above mentioned stages of market economy implementation.

In any stage of economic reform in a republic the state is limited in its resources: fiscal, material, credit and other. The state is not able to support and develop all branches of economy at the appropriate level simultaneously, and that is why the state, implementing active policy of structural economic reconstruction, shall follow the principle of selective support of main areas in industries, as well as in investment allocation in the social sector, namely in regards to housing stock development, for people with low incomes to obtain financial assistance taking into account humanitarian aid from different (foreign and local) firms and associations.

## I. INTRODUCTION

This Concept determines the main directions of the housing policy, serves as a basis for regional (oblast, rayon) and National housing policy development and must be implemented by the executive authorities on all levels, taking into account new approaches to housing in the frameworks of economic reforms in the Republic.

1. The main purpose of the Concept is the creation of conditions for housing market formation to provide citizens with the means to satisfy their housing needs.
2. The main tasks of housing policy are:
  - a) the development of a legislative foundation and norms appropriate for market relations in the housing sphere;
  - b) the development of conditions and norms of targeted assistance to the population in need of social protection for solving their housing problems;
  - c) improvement of housing conditions oriented to world standards;
  - d) maintenance and timely abolition of dilapidated housing stock, development and maintenance of engineering and social infrastructure;
  - e) implementation of the state policy aimed to encourage housing construction, reconstruction and maintenance;
  - f) redistribution of functions between the state, local self-governments, organizations and citizens in the sphere of housing construction and maintenance for the purpose of decentralization and demonopolization.
3. The main principles of the housing policy are:
  - a) targeted state social assistance to people in need of housing improvement;
  - b) economic stimulation of all housing construction participants;
  - c) free choice for citizens to satisfy their needs in housing: an individual house, an apartment, joint ownership, rent, etc.;
  - d) owners' responsibility for maintenance and rational use of housing stock.
4. The main conditions for housing policy implementation are:
  - a) creation of favorable conditions in the republic for investment and innovative activity in the housing sphere;
  - b) over-all, nationwide reform implementation and consistency of activities in housing policy;

- c) improvement of mechanisms and types of land use and urban development;
- d) development of legal framework for securing transfer and revival of rights to land and immovable property; development of mortgage lending; establishing alternative forms for borrowing - like credit unions, savings corporations and other;
- e) formation of regulated land rights market proceeding from privatization of land for construction purposes, securing by transfer of rights to land by the State;
- f) access to information regarding housing policy.

## **II. SOCIAL ASPECTS OF HOUSING POLICY**

1. Providing citizens in need of social protection or financial support with housing at state expense by determined norms.
2. Creation of a municipal housing stock available for low income and socially unprotected people on a lease basis.
3. State support for purchasing of housing by citizens through their own means or attracted sources.
4. Encouragement of enterprise, organizations, agencies, and non-budget funds as sources for housing construction funding.
5. Gradual transition to self-sustained system of housing and utilities payments, and to targeted subsidies of these expenses for definite categories of citizens.

## **III. FINANCIAL-ECONOMIC SUPPLY**

The main sources of housing financing must be the population, enterprises, organizations and agencies, funds, bank credits, local budgets, etc.

The main aspects of financial-economic policy are:

1. Development and implementation of a course of activities aimed at formation of a favorable investment and innovations climate in the housing sphere:
  - implementation of preferential financial-credit policy, including mortgage;
  - tax preferences for investors and other subjects of housing-construction activities, including conditions/terms of an investment tax credit;
  - support of the creation of a stock exchange, real estate Realtors offices, insurance companies and funds, specialized mortgage and housing banks, and other market structures for housing construction;
  - implementation of conditions for controlling secondary and further emissions of investments capital on the territory of the republic during the protectionist policy;

- encouragement of investments flows into reconstruction and rehabilitation of dilapidated housing;
  - stimulating the banks featuring housing finance organizations and enterprises dealing with housing planning/designing/projecting, construction, maintenance, efficient construction materials production;
  - improvement of the housing construction finance system and subsidies for socially unprotected and low income population;
  - organization of state and local housing bonds issue, utilization of other activities to attract population savings and sources of commercial investors.
2. Development of operations for securities in the sphere of housing.
  3. Development and realization of a course of activities on amortization policy aimed at encouraging housing construction activities.
  4. Competitive basis in the sphere of housing construction, wide utilization of competitive bidding.
  5. Development of a state support and guarantee system to secure investment, and mortgage-risk.

#### **IV. URBAN DEVELOPMENT, SCIENTIFIC AND TECHNICAL-ENGINEERING SUPPLY**

1. Implementation of a single urban development policy, including establishment of documentation entitling permission and approval in order to prevent administrative bodies' limits in housing construction activity.
2. Development and improvement of licenses and certificates in construction in order to protect consumers' rights.
3. Creation of a land parcel market for housing construction.
4. Development and implementation of mechanisms for providing engineering infrastructure to the territories under construction regardless of ownership type.
5. Development and implementation of regulations and incentives on the state scientific-technical, resource efficient, ecology policy in the sphere of housing construction and maintenance; improvement of buildings' seismic steadiness, maintenance and rational use of housing stock.
6. Development and implementation of programs to shrink construction costs, improvement of environmental protection.
7. Development and approval of construction norms/regulations and rules aimed to

rationalize the use of energy and materials. Development of utilities payments mechanism based on the energy efficiency of a housing unit.

8. Introduction and utilization of a series of technical innovations dealing with organization of independent heat sources, cleaning, supervising and controlling systems.
9. Introduction of a model to insure control over utilization of the housing stock, the process of its restructuring, reconstruction and expansion.
10. Enrichment of a set of architectural construction systems and innovative decisions. focused primarily on the low-story construction.
11. Restructuring of the construction industry and construction materials' production in accordance with the changing housing policy, higher competitiveness of Kyrgyz construction materials and produce, introduction of hi-tech construction materials, produced primarily out of local resources.
12. Review of general city planning with regards to the new types and methods of construction, particularly the low-storey, individual-type houses.
13. Introduction and improvement of control system insuring utilization of the unified city planning policy, including the questions of:
  - perfection of the parcel assignment system and of the process of obtaining the permit for construction;
  - design and consonance of the design documentation;
  - providing for a procedure of project documentation inspection;
  - construction and occupancy inspection;
  - gradual introduction of housing attestation/inspection, at world standards level.
14. Creation of republican data bases of statistics, legal, technological and building codes along with other information regarding the sphere of housing construction.

## **V. HOUSING POLICY LEGISLATION**

Housing reform concept implementation presupposes legal regulation of the following:

- housing relations (Housing Code, Law on Condominium);
- land relations (Land Code);
- relations in the sphere of urban development and architecture (Law on Architecture and Urban Development).

Relations in the sphere of investments activity, investment and mortgage lending and conditions for concession require legal regulations.

There is a need for legislation to determine the activities of newly created financial institutions for accumulation and utilization of resources in housing construction and housing purchasing.

There is a need for regulation of relations in maintenance of housing of different types of ownership, including law on condominiums.

## **VI. STAGES OF A HOUSING MARKET FORMATION AND DEVELOPMENT**

Based on the determined stages of economic development in the Kyrgyz Republic, the following stages of a housing market are recommended:

1. **Stage of condition generation for housing construction stabilization and housing market creation (1996-1998), proceeding from:**

- determination of the first and most important tasks in the field of development and creation of infrastructure for settlements and development of a course of activities on implementation of these tasks;
- elaboration of recommendations and creation of legislative, standard, organizational, economic documents, promoting necessary preconditions for housing development under market conditions;
- development of legal framework to encourage individual construction;
- creation of organizational structures, introduction of efficient architecture and construction system;
- creation of financial mechanisms;
- creation of favorable conditions for involving investments and private business into construction; adaptation of local governments to market conditions;
- implementation of measures on lowering housing construction costs by reducing materials and energy consumption, using advanced technologies, products and constructions, as well as local construction materials;
- production of affordable housing, that should account for 40% of the total housing production volume.

2. **The stage of implementation of a course of activities regarding creation of legislative, institutional and regulating base for housing market development and formation (1999-2005), proceeding from:**

- housing construction demonopolization, non budget financing and long-term crediting improvement, increase of the non-state investment share;
- formation of new organizational structures able to provide housing adaptation to the market relations, creation of conditions for private sector functioning;
- creation and use of a wide range of financial instruments (mortgage funds and savings banks, targeted subsidies and tax breaks) to provide credits for construction or purchasing housing;
- structural reconstruction of housing construction production base/resources, creation of

- competitive basis for construction and construction materials production;
- appropriation of non budget funds and special subsidies for construction completion, construction of new housing and creation of necessary infrastructure, establishing of special auctions regulations for housing sale.

3. **The stage of successful housing market functioning and socially oriented market economy mechanisms realization (2006-2010), proceeding from:**

- stable development of housing construction and infrastructure;
- creation of a highly-developed housing market;
- completion of social protection for people with low income formation
- regular work of banking and other financial institutions;
- efficient work of construction materials and construction industry enterprises, construction corporations, subcontractors and suppliers of raw materials and services, customers and other participants of housing construction;
- cooperation with foreign states in improving professional skills of experts in the field of construction and operation of the housing-civil complex;
- housing information exchange with CIS and foreign countries.

## **VII. HOUSING POLICY ORGANIZATION**

The Interministerial Housing Policy Council and a working group under the Council supervised by the Ministry of Architecture and Construction of the Kyrgyz Republic will be created for the purpose of Housing Policy Concept implementation and efficient solution of issues associated with housing policy development.

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### **Additional Information**

On the draft of "Housing policy Concept for the Kyrgyz Republic during the process of market transformation".

Ministry of Architecture and Construction pursuant to the Decree of the President of the Kyrgyz Republic #204 as of 15 June 1996 in accordance with the Kyrgyz Government Resolution #322 as of 12 June 1996 "On economic development strategy for the Kyrgyz Republic up to the year 2005 and the Indicative social-economic plan for 1996-1998" developed a draft of the "Housing Policy Concept". The draft was presented to the Government in the beginning of August 1996.

In the process of the development of the Concept the Ministry of Architecture and Construction reviewed and took into consideration comments from the Ministries of Justice, Economy, Finance, Labor and Social Protection, State Property Fund, National Statistics Committee, oblast state administrations, National Bank, and ICMA/USAID.

After the approval by the Government this draft will be submitted to the President of the

Kyrgyz Republic for further discussion and approval by Jogorku Kenesh.

Action, taken in the sphere of Housing Policy formation in the Kyrgyz Republic, may pay off with efficient solution of housing issues under negative economic conditions. All of the CIS countries are in the process of legal framework formation for the purposes of Housing Policy development. International practice indicates that untimely and radical moves in the process of legal framework formation may negatively affect the pace of housing reform.

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#### IV. RESOLUTION OF THE GOVERNMENT OF THE KYRGYZ REPUBLIC

##### **On New Approaches to Housing Issues in the Kyrgyz Republic and Actual Realization**

The Government of the Kyrgyz Republic outlines that housing in the Kyrgyz Republic remains one of the most critical social problems in society. The number of people in need for housing conditions improvement increases each year and at present, the figure is 140,000 families. More than 7,000 families live in dilapidated houses, 15,000 in dormitories, and approximately 30,000 families rent housing from individuals. More than 300,000 families have less than 5 m<sup>2</sup> per person, and many people have no decent living conditions, the number of homeless people increases; an average person has a living area which is 3-4 times less than an average person in countries with developed economies.

Housing production volume has been dropping dramatically. In 1995 only 3,623 apartments (16%) were introduced, against 22.4 thousands in 1990, and for the 8 months of 1996 - 1,360 new apartments were introduced.

Internal equipment, as well as outer structures and facilities of houses are in poor condition, deterioration of assets went over 70%, and the need urgent repair and reconstruction.

Transition of the Kyrgyz Republic to the new economic relations preconditions the development of new housing policy with its main aspects, principles and implementation mechanisms determined, including preconditions for housing market operations, and responsibilities of all the participants in the market.

There still exists a necessity to develop an appropriate banking system, mortgage lending for housing construction purposes, legislative and normative frameworks to encourage housing construction.

For the purpose of realization of the new approaches to housing issues, implementation of activities aimed at the development of housing market, stabilization of housing construction, assistance to people with low incomes in construction and acquisition of housing, wider use of population's savings and non-budget funds in the sphere of housing and protection them from inflation, the Government of the Kyrgyz Republic ordains:

1. To approve the "Housing Policy Concept for the Kyrgyz Republic in the Transition

Period" developed by the Ministry of Architecture and Construction.

2. Present the "Housing Policy Concept for the Kyrgyz Republic in the Transition Period" to the President of the Kyrgyz Republic for further submittal to Jogorku Kenesh.
3. Oblast, rayon and city administrations, Bishkek local government in cooperation with the Ministry of Economics, the Ministry of Architecture and Construction, the State Property Fund and other concerned ministries and agencies of the Kyrgyz Republic must:
  - take concrete measures on creation of conditions for housing construction stabilization by making it active in all directions, regions and developers, create new and improve the existing legal and normative acts supporting housing construction in the necessary direction;
  - change investment policy, appropriate structural reprofiling of investment management, enlarge housing construction financial basis at the expense of population savings, funds of all economies', loans, banking credits, apartment construction "for sale" on terms of immediate payment and by instalments.
4. Enterprises and organizations of any form of ownership must take practical measures on construction (reconstruction) and purchasing of housing, as well as development of land parcels for housing construction, as well as to repay partially or fully construction costs at their expense as an assistance to their personnel in housing conditions improvement.
5. The Ministry of Architecture and Construction in cooperation with the ministry of Finance and the Ministry of Economics must consider the necessity of creating an agency (bureau) on housing construction development as regards the development of the housing market.
6. Ministries of Finance, Economy, Architecture and Construction in cooperation with the National Commission on Securities Market and the National Bank of the Kyrgyz Republic, not later than January 1, 1997, must review the issues of: state insurance body formation. for the purpose of mortgage and deposit insurance; formation of a specialized market oriented institution for mid-term housing construction finance, focusing on the funds, raised through housing certificates, bonds, bills as well as deposits of insurance and banking organizations.
7. For the purpose of efficient use of population savings and other non-budget financial resources and protection of the proceeds from inflation, the Ministry of Architecture and Construction of the Kyrgyz Republic in cooperation with the Executive Body of the National Commission on Securities Market and the Kyrgyz Financial and Investment Corporation must develop and approve Regulation on issue and negotiability of housing certificates. To establish that legal entities that have the right of a customer and contractor in cases of housing construction, and who have been

allocated, in the established manner, a land parcel and developed design documentation, have the right to attract financial resources of Kyrgyz citizens through housing certificates.

8. Recommend to the National Commission on Securities Market of the Kyrgyz Republic along with the Ministry of Finance, in two months, to resolve the issue of compensating the state banking institutions for the funds, lended-out before 1994 for individual construction for people with low incomes, with treasury bonds, while accepting the obligations as an internal national debt.
9. Ministries of Economics, Architecture and Construction, Finance, the State Property Fund in cooperation with the National Committee on Statistics must present to the Government of the Kyrgyz Republic recommendations on the ways of realization for uncompleted housing in the nearest 2-3 years.
10. The Ministry of Architecture and Construction must:
  - as a matter of priority, in the nearest years must develop an action plan on modernization and strengthening of seismically unresistant low-storey houses of old construction in towns and other settlements of the republic, taking into account enlargement of the total area of housing by adding new floors, as it does not need large investments, and presence of infrastructure, proceeding from cooperation of efforts and savings of the population, budget sources, banking credits and proceeds of emergency.
  - In compliance with the local administrations to develop and approve the Regulation on allocation of land parcels for housing construction purposes, focusing on simplification of the existing procedure.
11. Bishkek local government, Jalal-Abad, Issyk-Kul, Naryn, Osh, Talas and Chui oblast state administrations :
  - must provide agendas on the realization of new approaches to housing issues in the frameworks of republican economic reforms;
  - provide citizens of the Kyrgyz republic as well as legal entities - developers with land parcels for housing construction, under supervision of architectural authorities and in compliance with the general urban development plan;
  - must develop a targeted program and implement activities on providing low income people with housing.
12. The Ministry of Labor and Social Protection of the Kyrgyz republic in cooperation with oblast state administrations and Bishkek local government must develop and represent to the Government, not later than January 1, 1997, the procedure of identifying citizens and families in need of social protection and a mechanism of financial support to resolve their housing problems.
13. As an urgent aid to the people with low incomes, recommend to the National Bank of

the Kyrgyz Republic to develop the procedure for lending funds to citizens and legal entities for housing construction purposes.

14. To take into consideration that:
- the National Bank in cooperation with the World Bank developed and approved the Program of restructuring in the financial sector (FINSAC), the main purpose of which is to create a working and efficient banking system as well as the development of stable savings institutions (insurance, credit unions and other), focusing on formation of universal banking institutions working in many spheres of the economy, including housing construction or acquisition;
  - International City/County Management Association (ICMA/USAID) in cooperation with the Ministry of Architecture and Construction, the National Bank, National Committee on Statistics and the State Property Fund of the Kyrgyz Republic have prepared recommendations as well as a drafted several laws, aimed at housing reformation process in the Kyrgyz Republic.
15. Ministries of Justice, Architecture and Construction, Kyrgyzzhilcommunsoiuz must implement a course of action aimed at the formation of legal regulatory frameworks for the development of housing market and present relevant drafts to the Government for further submittal to Jogorku Kenesh.

Prime-Minister of the Kyrgyz Republic

A. Djumagulov

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### **Additional Information**

This draft was developed by the Ministry of Architecture and Construction for the purpose of the "Housing Policy Concept for the Kyrgyz Republic" implementation.

This draft Resolution outlines that the national housing sphere requires major restructuring as regards the maintenance and utilization of existing as well as brand new housing stock. The major issues are the formation of legislative framework and housing financing. These require development of action in full scale housing reformation, proceeding from:

- development of market oriented legal framework for housing sphere;
- preconditioning and provision of targeted allowances for people with low incomes to satisfy their need for housing;
- improvement of existing housing stock to satisfy existing international standards;
- insuring preservation and safety of the housing stock and infrastructure;
- implementation of the official policy aimed at stimulation of construction, maintenance and reconstruction;
- redistribution of the functions between the state, local self-governments, organizations and individuals as regards the maintenance and construction of housing in the free market economy;
- development of freedom of choice and responsibilities of individuals as regards the preservation and utilization of housing;

- attraction of investments into housing production and innovations in the housing sphere;
- improvement of the mechanism and ways of land use, urban development, new urban development policy based on scientific and engineering background;
- information supply for housing reform purposes.

On the basis of free market economy, the housing sector of the kyrgyz Republic should be integrated into the single social, market oriented environment. The rights and responsibilities of different participants in the housing market - republican, regional and local governments, private investors and developers, NGOs, cooperatives and other - should be clearly divided.

The housing sphere should be an attractive area for investment projects. All possible obstacles on the way to this setting should be eliminated.

Estimation of housing production volumes in the Republic up to the year 2030 as well as the information on housing coverage may be found in the Appendix 4.

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## V. LAW OF THE KYRGYZ REPUBLIC "ON CONDOMINIUM"

The present Law establishes the procedures for creation and operation of condominiums as an organizational form of a non-profit organization aimed at maintenance and management of the housing stock of the Kyrgyz Republic.

### CHAPTER I GENERAL PROVISIONS

#### Article 1. Definitions

The following definitions are used in the present Law:

"Condominium" - is a form of management of real estate, a partnership of premise owners (residential as well as non-residential), is a non-profit organization aimed at operations, maintenance and management of buildings, premises and common property of all premise owners, regardless of the form of ownership.

Immovable property of condominium consists of the owner premises and common property.

"Building" - means a structure with two or more residential premises and all amenities, internal engineering networks, facilities and fixtures that, according to the legislation of the Kyrgyz Republic in force are considered to be part of a building.

"Land Parcel" - is a land territory which is in use by the condominium members and is attached to the building through the prescribed procedure for its proper utilization in accordance with legislation of the Kyrgyz Republic.

"Home Ownership Passport" - means the document to be issued at the moment of real estate rights registration.

"Common Property" - means all parts of a building except premises owned by owners. The common property is in the shared common ownership of all premise owners and is indivisible. The common property includes all common areas of the building, supporting structures, mechanical, electric, plumbing and other types of facilities inside or outside of the premise and servicing more than one premise, as well as rights to the land parcel.

"Common Property Attached to Premises" - means those parts of the common property which are designated for the exclusive use of the owners of specific premises (storage areas, parking spaces, garages, and other).

"Share in Common Property" - is a share of each premise owner in the ownership right to common property of condominium.

Share of the common property of condominium is determined as a ratio of the area of one premise to the total area of all premises.

"Premise" - means a separate residential premise or non-residential premise. The boundaries of each premise shall be the interior uncovered surfaces of the inter-floor slabs, walls, floors, and ceilings of the premises, unless otherwise described in the home ownership passport.

"Residential Premise" (apartment) - means a separate premise used for residential purposes by citizens, including both living and non-living areas of a residential premise, including kitchens, bathrooms, toilets, corridors and others.

"Non-Residential Premise" - means a separate premise used otherwise than for residential purposes (e.g., store, cafeteria, workshop, etc.), with the exception of those parts of a building that are considered to be common property.

"Common Expenses" - are expenditures, costs and other financial obligations necessary for maintenance of the common property, as well as other expenses approved by the condominium.

## **Article 2. Legislation On Condominiums**

Legislation on condominiums consists of the Civil Code of the Kyrgyz Republic, the present law and other legislation of the Kyrgyz Republic.

## **CHAPTER II CREATION OF CONDOMINIUM AND FOUNDATION DOCUMENTS**

### **Article 3. Creation of a Condominium**

Condominium shall be formed by premise owners. Non-owners may not be involved as members of condominium. The organizational meeting of a condominium may be convened by the initiating group of owners.

Creation of two or more condominiums in one building is generally prohibited.

A condominium may be created by the will of the owners of over ½ of residential and non-residential premises in the multi-unit building.

In the process of condominium foundation and operations, the state's interest in regard to non-privatized premises shall be represented by a specially authorized body.

#### **Article 4. Organizational Meeting of a Condominium**

Organizational meeting of a condominium shall decide on the following:

- (1) formation of a condominium and approval of its charter;
- (2) election of the condominium chairperson, the executive board and if applicable, the auditing committee.

Any other issues related to the condominium may be considered at the organizational meeting. Minutes of the organizational meeting shall be generated in all cases.

#### **Article 5. The Charter of Condominium**

The condominium shall operate in accordance with its charter. The charter of condominium shall include:

- (1) condominium's legal title, legal address and statement of purpose;
- (2) management procedures, number of members, and terms of office for the executive board and auditing committee, if applicable;
- (3) any other issues that a general meeting may deem necessary to address.

The charter shall not contradict to the home ownership passport of condominium.

#### **Article 6. Registration of Condominium As a Legal Entity**

Condominium as a legal entity shall be registered in the manner, provided by legislation in the Ministry of Justice. A condominium acquires the rights pertaining to legal entities from the moment of registration. The following documents shall be presented for registration of condominium as a legal entity:

- application, signed by the chairperson of the general meeting;

- an excerpt from the minutes of the general meeting containing the decision on condominium formation;
- the charter of condominium, executed by the general meeting of home owners, indicating the scheme of share determination and participation for each home owner;
- copies of right-establishing documents for all of the home owners participating in condominium and certified by the authorized entity;
- description of common property in condominium;
- home ownership passport;
- other documents, prescribed by legislation as well as other legal norms and acts.

**Article 7. Registration of Condominium as a Property Complex**

Condominium as a single complex of immovable property, including the land parcel and rights on immovable property in condominium as well as transactions with the immovable property shall be registered in accordance with legislation on property registration with the issuance of a home ownership passport.

**Article 8. Passport of Home Ownership**

The passport of home ownership is issued by local and territorial agencies of technical inventarization, based on topographical surveys and data from architectural and city planning bodies, land resources and land use governing bodies, state property managing bodies and shall rest with the owners, client's service, or partnership, depending on condominium's form of management.

Passport of home ownership contains necessary data on the property of condominium, including:

- a record, stating that this property constitutes a condominium, registered in a single register;
- requisites of the registration and property right recording agency's database containing a copy of the home ownership passport;
- cadastre's index for condominium's property, if the state land cadaster is in place;

- postal address for condominium's property;
- description, based on surveying and mapping of the land parcel;
- floor plans of the buildings and structures, stating the name, number as well as area and ceiling height for every separate component of condominium's property;
- description of every premise (independent of whether or not it's been privatized) including its number, location, size as well as the percentage share in the common property for every premise;
- description of common property including the parts which are common property attached to premises;
- description of any restrictions for premise use rights;
- methodology for calculation of premise owners' share in common property;
- information on the materials used and other characteristics of the supporting and isolating non-supporting structures;
- historical note - year of construction and reconstruction, developing and planning organizations, previous and present condominium owners;
- information on inventarization value for condominium.

The format for home ownership passport shall be adopted by the government.

In case of premises being added or separated from condominium, the shares in common property shall be recalculated in accordance with the present Law.

#### **Article 9. Condominiums in Buildings Belonging to Enterprises and Organizations**

Upon formation of a condominium in a building subject to privatization in accordance with established procedure and owned by an enterprise (organization), the common property of the building shall be deemed to be unconditionally transferred to the owners of premises in the condominium as their shared common property.

Neither owners of premises, nor the condominium as a legal entity shall be liable for debts of the enterprise.

**CHAPTER III  
RIGHTS AND LIABILITIES OF PREMISE OWNERS  
IN THE CONDOMINIUM**

**Article 10. Rights and Liabilities of the Owners of Premises in the Condominium**

The owner of a premise has the right to sell, lease, bequeath, mortgage, or otherwise use it in accordance with legislation governing property. In case of premise ownership transfer, the share in the common property shall be transferred simultaneously.

The share in the common property for a new premise owner is identical to the share of his predecessor.

Premise owner cannot alienate his share in the common property separate from his ownership of the premise.

A member of condominium has a right to use the common property in accordance to its purpose and under conditions of common ownership and usage, set forth by the participants of common ownership and the charter.

The interest in the common property cannot be separated from the right of premise ownership.

In case of transfer of premise ownership right by a condominium member, the new right holder also gets the interest in the common property, possessed by the previous owner.

Residence in a different location and transfer of a right to use the premise, do not result in a transfer of voting power and responsibilities, imposed by the present Law and the bylaws.

**Article 11. The Right of Premise Owners to Use Common Property**

An owner of a premise has the right to use the common property together with the other premise owners.

Possession or use of the objects of common property are conducted according to the agreement of all owners, or under conditions, set forth by the court, due to the action of any one of the owners.

Disposal of the objects of common property shall be carried out according to the agreement of all owners. Restrictions may be imposed only by the home ownership passport, the bylaws or agreement of the owners executed in accordance with the bylaws.

**Article 12. Rights and Obligations of the Founder as a Premise Owner**

A founder of the condominium shall have the same rights and responsibilities related to ownership of a premise and the corresponding shares in the common property as any other owner.

**Article 13. Obligations of Tenants (Lessees) of Condominium Premises**

Lessees and tenants of residential premises, who are non owners and are not authorized by the owners do not have the right to vote or participate in the management of condominium, but are obliged to comply with all the rules applicable to the condominium.

**Article 14. Rights and Obligations of Premise Owners, Allocated with Common Property Attached to Premises**

Premise owners that received common property attached to premises for their individual use have a right to use it under conditions stipulated by the home ownership passport . An owner shall not have the right to alienate this object of common use.

**Article 15. Relations Among Owners of Residential and Non-Residential Premises in Buildings**

An owner of a non-residential premise in a condominium, regardless of the form of ownership, or subject of ownership (individual or legal entity), shall have rights and obligations of a condominium member. An owner of a non-residential premise shall be liable for all obligations associated with that premise whether or not the owner has leased the premise or allowed another person or legal entity to occupy or use the premise.

Relations among owners of residential and non-residential premises regarding common expenses related to use of common property shall be provided for in the bylaws.

**Article 16. Rights of Multiple Owners of a Premise**

If a premise is owned by more than one owner, all owners shall be jointly and separately liable for obligations related to that premise. The relationships among such owners are regulated by their mutual agreement. In the absence of such agreement (written or oral) the rights and responsibilities of each shall be equal and indivisible.

**Article 17. Rights to the Land Parcel of the Condominium**

Upon formation of a condominium, the land parcel attached to the building or buildings participating in condominium shall be deemed transferred to the owners of condominium premises.

**CHAPTER IV  
PURPOSES AND POWERS OF A CONDOMINIUM**

**Article 18. Condominium as a Non-Profit Organization**

A condominium, as a non-profit organization, does not seek profit as its main activity and shall not distribute received revenues among members of the condominium.

A condominium has the right to conduct entrepreneurial activities as far as necessary according to the purposes stated in the bylaws and to direct the received revenues for maintenance, repair and improvement of condominium's building and other purposes established in the bylaws.

**Article 19. Powers of Condominium**

Condominium's general meeting is the highest administrative body of condominium. The general meeting of the condominium has the exclusive authority to decide on the following:

- (1) amendments to the home ownership passport;
- (2) approval and alteration of the charter;
- (3) election and dismissal of the condominium executive board, chairperson, and members of the auditing committee if applicable;
- (4) approval of the annual report of the executive board;
- (5) approval of the annual budget of incomes and expenditures;
- (6) issuance of special authorization on obtaining a credit exceeding 10% of the expenditures for maintenance of the condominium's common property;
- (7) capital expenditures associated with improvements and additions to common property;

- (8) reconstruction of condominium's building after damage or destruction by any natural disaster of more than 50% of the building;
- (9) approval of rates of fines for premise owners for delinquencies in payment of common expenses;
- (10) termination of condominium.

Each premise at the general meeting of condominium shall have one vote, if the bylaws do not provide otherwise. The general meeting shall be deemed to be authorized to make decisions if no less than 50% of the votes are present. Decisions of the general meeting of the condominium shall be authorized by the majority vote of condominium members attending the meeting. In case of a tie vote, the decision shall be abolished.

Decisions made by the general meeting in accordance with the present article shall be obligatory for all of the owners including those absent at the meeting regardless of the reason for their absence.

If a premise is owned by more than one person, they must agree on how to cast their vote. If they fail to agree, their vote shall be counted as an abstention.

For decisions to be made on items (1), (6), (7), (8) and (10) at least 75 percent of the votes in attendance are required.

The general meeting of a condominium has the right to discuss other issues. At the demand of at least 20% of those present at the meeting of condominium (or their proxies) voting procedure for the general meeting shall be by secret ballot.

#### **Article 20. Terms of Conducting Meetings of the Condominium**

General meetings of the condominium shall be held at least once a year at a time fixed by the executive board. Special meetings of the condominium shall be convened upon the request of the executive board, at the demand of the auditing committee, if there is one, or by the initiative of at least 10% of the votes of condominium members.

The notification for the general meeting shall be conducted by the person initiating the meeting. Notes should be made in writing and delivered to each owner with advise of delivery or by registered mail. Notification should be made at least 10 days prior to the date of the general meeting.

The notification letter should contain the following information:

- who initiates the meeting;

- place and time of the meeting;
- agenda.

The general meeting shall not discuss those issues, not stated in the agenda.

The general meeting is authoritative if those owners and proxies present at the meeting constitute at least 50 percent of the votes.

In case of non-quorum situation, the initiator shall establish the new date and place for the meeting. A re-appointed meeting may be conducted no sooner than 48 hours but within 30 days from the moment of the unsuccessful general meeting.

If the owner cannot be present at the general meeting, he could authorize a proxy. At the commencement of the meeting the chairperson shall introduce all present authorized agents. The proxy shall be made in writing, shall bare a date and signatures of all the owners of a premise. The proxy expires after the first meeting at the stated date or after the date.

Decisions made at the general meeting of condominium not in compliance with the present article shall not be effective.

#### **Article 21. The Executive Board and Chairperson of Condominium**

The executive board manages the condominium between the meetings and shall consist of condominium members only. The number of members, term and procedure of performing functions of the executive board shall be specified in the condominium's bylaws. The executive board may exercise all powers of condominium except for those which are reserved for the exclusive authority of the general meeting according to the present law or the bylaws. The chairman of the condominium is authorized to represent the condominium in court, arbitration court, state and other organs, without receiving a power of attorney. The executive board is authorized to appoint premise owners as well as other individuals as chairperson and accountant to the condominium.

#### **Article 22. The Auditing Committee of the Condominium**

A condominium may form an auditing committee to conduct a financial inspection of any activity of the condominium. The auditing committee shall be elected of the condominium members. The auditing committee shall review the annual report and the budget of incomes and expenses submitted by the executive board of the condominium. The auditing committee must not include members of the executive board or members of their families. The auditing committee shall report to the general meeting of the condominium.

**Article 23. Protection of the Rights and Interests of Condominium Members**

If a decision made by the general meeting, or by the chairperson, executive board or auditing committee of a condominium, is contradictory to the present law and other legislation of the Kyrgyz Republic, the home ownership passport, a condominium member has the right to appeal to court.

**Article 24. Resolution of Disputes in a Condominium**

Disputes between the condominium and its members as well as between the condominium and other citizens shall be resolved in the order provided by law.

**Article 25. Annual Budget of Common Expenses**

The executive board shall submit the annual budget sufficient to cover estimated expenses for maintenance and functioning of the common property for the discussion at the annual condominium meeting as well as financial statements for each fiscal year. In accordance with the bylaws, may be created a reserve fund in condominium.

**Article 26. Participation of Members of the Condominium in Common Expenses**

Participants in the common property are under the burden of maintaining their stairways, paths, roofs, basements, and other objects of common property, external technical networks and land parcels, attached to the buildings.

Members of the condominium are obliged to participate in common expenses of the condominium in proportion with their share in the common property. Payments shall be made on a monthly basis unless otherwise stipulated in the bylaws of the condominium. Expenses of the owners of non-residential premises related to the use of the common property for manufacturing, trading or similar purposes shall be covered by such owners at their own expense. The expenses of condominium members related to the individual use of common property attached to premises shall be covered in the same manner.

The produce and income, generated from the use of common property belong to the condominium, if not provided otherwise by the agreement of the condominium members.

At the decision made by the condominium's executive board, special target fees may be levied, which are not included in the budget, but are necessary for covering unanticipated expenses.

**Article 27. Condominium Rights for Assuring Coverage of Premise Owners' Obligations Towards Common Expenses**

In case of the owner's failure to fulfill the obligations towards common expenses, condominium with the consent of its members shall be authorized to provide for the manner of obligations' fulfillment, and include those provisions in the condominium's internal regulations, as well as take an action in court, if necessary.

In case of the premise owners' failure to meet the obligations, condominium shall be authorized to take action in court against the owners' demanding compensation for a delinquency of obligatory payments as well as other fees towards common expenses and those, provided for by civilian legislation.

Condominium may demand full contribution of the obligatory payments as well as other fees towards common expenses in the manner, prescribed by civilian legislation.

According to the Civil Code of the Kyrgyz Republic, the general meeting of condominium may set a fine for the delinquency of payments towards common expenses in the amount of up to 30 percent of the total debt.

**Article 28. The risk of irreparable damage of the objects of common property of a condominium**

The risk of irreparable damage of the objects of common property is carried by the participants of common property.

**Article 29. Insurance for the Real Estate of Condominium**

The condominium has the right to ensure the building. In the event of damage or destruction to the building, any insurance proceeds shall be paid to the condominium. All insurance proceeds shall be disbursed first for the restoration or reconstruction of the building, unless the premise owners vote to terminate the condominium in accordance with this Law. If the condominium is terminated, the insurance proceeds shall be held by the condominium and disbursed first to any mortgage lenders in proportion to their interests in the premises. Any remainder of the proceeds shall be disbursed to the premise owners in proportion to their share of the common property.

**Article 30. Pledge of Condominium Property. Mortgage Lenders**

Pledge of condominium property is regulated by the Civil Code of the Kyrgyz Republic. The condominium shall give prompt written notice to any lender having a mortgage on any premise in the following cases:

- (1) any taking of the land parcel by the government for state or public needs (eminent domain) according to land legislation of the Kyrgyz Republic;
- (2) any delinquency of more than 60 days in the payment of common expenses by the owner of a premise subject to a mortgage;
- (3) any alteration or termination of the terms of insurance on the common property, or
- (4) any decision of the condominium to impose a lien against the owner to cover common expenses in accordance with Article 27 of the present law.

Upon receipt of a notice from condominium that it intends to enforce its rights against a premise, a mortgage lender shall have 30 days from the date of such notice in which he may pay the condominium any amounts due with respect to the premise. If the mortgage lender pays the amounts due to the condominium, and continues to make payments with respect to the premise as they become due, the condominium shall refrain from taking any further action with respect to the premise.

#### **Article 31. Taxation of Condominiums**

Proceeds of the condominium, regardless of the source, used by the condominium for maintenance, repair, or improvement of the common property shall be tax exempt in accordance with tax legislation.

### **CHAPTER V MAINTENANCE AND REPAIR**

#### **Article 32. Maintenance of Individual Premises. Access to Premises**

Each owner of a premise must maintain it according to existing norms at his own expense. Such maintenance shall be carried out so as to avoid any effect on another premise or common property. Upon receipt of a timely notice, an owner must secure an access to the premise for a condominium representative, as it is necessary to inspect the conditions of the common property or repair and replace some components of common property which are most accessible from the inside of a premise.

**Article 33. Renovation and Improvement of Common Property**

Current maintenance of common property may occur based on the technical documentation and at the discretion of the executive board of the condominium. Capital expenditures associated with improvement or addition to common property, such as installation of major, new equipment (e.g., boiler-houses, central heating, water reservoirs, elevators or other major improvements) can be made at the discretion of condominium only upon the approval of at least 75% of the votes of the condominium members.

**Article 34. Alterations of a Premise**

Any improvements to or alterations of a premise made by the owner must be approved by the condominium and must be done in accordance with the existing norms as well as with a special consent of condominium.

**Article 35. Altering Boundaries Between Adjoining Premises, As Well As Between a Premise and Common Property**

The alteration of boundaries between adjoining premises shall be made by the mutual agreement between the owners of these premises and the condominium. The home ownership passport shall be amended to show the change in the boundaries as well as the corresponding adjustment in shares of the common property of the condominium. The alteration of boundaries between a premise and the common property shall be made only upon appropriate amendments to the foundation document with the consent of the owners having at least 75% of the total number of votes.

**Article 36. Damaging Common Property or Other Premises**

If a premise owner or any other person acting on behalf of such owner damages any object of common use or any premise, he is obliged to pay for the repair of the damage and any expenses related to the damage.

**Article 37. Insurance**

Premise owners may insure their premises. The condominium may obtain insurance on the common property.

**CHAPTER VI  
TERMINATION OF CONDOMINIUM**

**Article 38. Termination of Condominium**

Condominium may be terminated in the following cases:

- (1) upon the decision of premise owners (in the manner described in Article 19 of the present law);
- (2) damage or destruction by any natural disaster of more than 50% of the building and a decision approved by the vote of at least 75% of the condominium members not to rebuild and damaged or destroyed portions of the building;
- (3) by court resolution in accordance with the order, established by the law.

The assets of condominium that remain after paying the debts of the condominium shall be distributed among the condominium members in proportion to their shares in the common property. Termination of condominium shall be registered in the same manner as in case of foundation. Upon termination, the owners of the premises may agree on some other form of management. If they fail to agree, they shall be deemed to own the common property as joint owners, provided that they shall have the exclusive right to occupy their residential and non-residential premises.

**CHAPTER VII  
POWER OF LOCAL ADMINISTRATIONS**

**Article 39. Local Administrations**

Condominium may collaborate with relevant local administration bodies based on their mutual agreements.

Local administrations shall provide organizational, technical and financial support to condominiums and shall stimulate groups wishing to convert their building or buildings to condominiums or shall adopt other incentives to encourage condominium formation.

## CHAPTER VIII ASSOCIATIONS OF CONDOMINIUMS

### Article 40. Associations of Condominiums

Condominiums may voluntarily join in rayon, city, oblast or national associations. Any member of the association has the right to resign.

The association represents its members when dealing with local self-government or the government on the issues of legislation, finance, logistics, law enforcement, managerial improvement, education, etc.

The highest organ of an association is the general meeting of the authorized representatives of the association members, which meets at least once a year. The bylaws of the association and annual operational and financial plans (budgets) are adopted and the elections to the executive board and supervising bodies are held during the general meeting. Only condominium or cooperative members may be elected to the executive board of the association. The executive board of the association is in charge of all the current operations, financial and organizational activities.

An association may unite various forms of owners of housing - condominiums, cooperatives and individual constructions.

An association is maintained by the fees of its members. An association may be terminated by the decision of the general meeting of its members. An association does not have the right to interfere in the internal affairs of its members.

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### **Additional Information**

According to the economic development strategy for the Kyrgyz Republic for the period until 2005 and the indicative social-economic plan for 1996-1998 developed by the Government and approved by the President of the Kyrgyz Republic to ensure state regulation of the economic development, the list of drafts of laws to be developed and submitted to the Jogorku Kenesh was determined. The Law "On Condominium (homeowners partnership)" is one of the drafts to be submitted to the Jogorku Kenesh, scheduled for the last quarter of 1996.

The purpose of this Draft is to establish a procedure for the creation and operation of homeowners partnerships as not-for-profit organizations for operation, maintenance and management of housing stock of the Kyrgyz Republic.

The need to create homeowners partnerships was predetermined by the existing social-economic conditions. Not long ago funding for housing stock maintenance was provided by the State (from the State budget)--which was one of the concepts of distributive economy.

Since 1993 the State has not been able to provide any funds for repair and maintenance of housing stock. It is natural that the State should not carry expenses for housing maintenance, since more than 90% of housing has been privatized. Thus, the lack of funds in the budget and transformation of housing ownership has resulted in the poor condition of technical equipment, infrastructure and structures of housing. According to the data of the Ministry of Architecture and Construction, approximately 70% of housing stock has depreciated.

During and after the process of housing privatization a number of mistakes were made: one of them was that nobody informed those who had privatized their housing that as soon as they became owners of their apartments they also became co-owners of common-use objects.

The Civil Code of the Kyrgyz Republic adopted in May, 1996, states

“Common premises of the building, bearing structures, facilities and fixtures belong as common-shared ownership to the owners of apartments in a multi-unit building.

Shares of apartment-owners in the right of ownership for common property and the procedure for redistribution of maintenance and operation costs/expenses among the owners shall be established according to the housing legislation” (1. Art.247).

The Civil Code for the first time suggested to form home-owners partnerships--condominiums--to provide maintenance of apartments and common property.

The draft of the Law “On Condominium” was developed by a Working Group created by the Interministerial Housing Policy Council with representatives from ministries and agencies involved into the housing reform implementation. Great assistance in drafting this Law was provided by Richard Gaynor, Legal Advisor from ICMA.

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## VI. LAW ON MORTGAGE FOR THE KYRGYZ REPUBLIC

### CHAPTER I: GENERAL PROVISIONS

#### Article 1. Concept of Mortgage

1. A mortgage is a type of pledge, under which the mortgagee, in case of non-performance of the debtor's obligation secured by the mortgage in accordance with the Mortgage Agreement has the right to recover the debt in accordance with law from the value of the mortgaged real estate.
2. A mortgage will convey to the mortgagee superior rights over other creditors who do not have a prior ranking mortgage in the same property. A mortgage will also be enforced if the mortgagor is subject to a process of bankruptcy, and will be effective against third parties who acquire an interest in, or possession of the mortgaged property.

#### Article 2. Legislation on mortgage in the Kyrgyz Republic

1. Mortgage legislation shall consist of the Civil Code of the Kyrgyz Republic, this Law, and other legislative Acts. General regulations on pledge contained in the Civil Code of the Kyrgyz Republic shall be applied to Mortgage Agreement relations unless otherwise provided by the said Code or this Law. **(See Article 1(3) of the Draft of the Law of Russia).**
2. In the event an international agreement establishes rules different from those provided by this law then the regulations of the international agreement shall be applied.

#### Article 3. Definitions

1. "Mortgagor" - a person who mortgages real estate, whether the debtor himself, or a third party to the secured obligation.
2. "Mortgagee" - the creditor whose interest in the obligation is secured by the mortgage.
3. "Mortgage agreement" - a written agreement between parties for creating a mortgage *(or written agreement of the parties on creating an obligation, secured by mortgage.)*
4. "Real Estate" (or "real property" or "immovable property") - property (as defined in Article 24 of the Civil Code) which is inseparable from land, i.e. land parcels, the earth's subsurface, buildings, installations, separate objects and everything which is firmly attached to land, i.e. those objects that cannot be moved without causing a disproportionate damage to their purposeful use. Other property may also be referred to as "Real Estate" in accordance with the legislation of the Kyrgyz Republic.<sup>1</sup>

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<sup>1</sup> This definition does not include ownership of land or minerals. Article 4 of the Constitution of the Kyrgyz Republic, adopted on May 5, 1993, and amended by the Law "On Introduction of Changes and Amendments of the Constitution of the Kyrgyz Republic" of February 17, 1996 provides:

2. Land, minerals, water, air space, forests, flora and fauna, and all natural resources of the Kyrgyz Republic shall be the property of the State.

5. "Mortgage of Real Estate" (or "**mortgage**") - a type of pledge, under which the mortgaged "Real Estate" ( including a right of lease and easement) remains wholly or partially in the possession and use of a mortgagor (or a third party) (with or without transfer of the title.)
6. "Obligation"- debt obligation (including interest, forfeit and other obligations indicated in Article 5 hereof) secured wholly or partially by mortgage. (**The concept of obligation is provided in Article 296 of the Civil Code**)

#### **Article 4. Subject of a mortgage**

1. Any type of "Real Estate" which can be alienated, and property rights *and other property provided for in the Article 325 of the Civil Code of the Kyrgyz Republic which are not removed from civil circulation*, may be the subject of mortgage in the Kyrgyz Republic. <sup>2</sup>
2. Any "Real Estate" listed in point 1 of this Article which is held in Common Ownership may be mortgaged only with the consent of all its owners in accordance with the Article 269 (2) and Article 272(2) of the Civil Code of the Kyrgyz Republic. In respect of the Real Estate in Joint Ownership (where the interest of each owner in the property right is not determined) including apartments and uninhabited premises in apartment houses a mortgage may be used only with the written notarized consent of all the owners. (**see point 4 of the Decree of the President of Russia**).
3. A person having a share in common shared property can mortgage his or her share of the right to the common areas without the consent of the other owners in accordance with the Article 269(2) of the Civil Code of the Kyrgyz Republic.
4. Unless otherwise provided by an agreement the property which is a subject of mortgage shall be considered mortgaged with all its fixtures as a single entity in accordance with Article 26 of the Civil Code of the Kyrgyz Republic.
5. Part of the Real Estate which cannot be divided without change of its purposeful use (indivisible property), except apartments in apartment houses, may not be a separate object of mortgage. Indivisible property or its part may not be an object of several mortgages at the same time.

#### **Article 5. Obligations secured by mortgage**

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3. Plots of land may be assigned to citizens and associations thereof for private use, in the events and in the amounts, provided by the law. Purchase and sale of land shall not be allowed.

4. The Kyrgyz Republic shall protect the rights of its citizens and legal entities to own property ....

<sup>2</sup> Civil Code, Art 325 provides for "mortgages" of "companies, buildings, constructions, apartments in a residential building, means of transportation, goods in turnover, and other property which has not been removed from civil circulation. The object of pledge of goods in turnover may be raw materials, semifinished items, completing parts, and finished products." In this law the term "mortgage" (*ipotek*) is limited in its application to immovable property.

1. A mortgage may secure any obligation in connection with real estate based on a loan, credit, *transportation agreements, etc* or other obligation. Unless otherwise provided by law or agreement, a mortgage shall secure the value of the obligation to the mortgagee including the unpaid principal, interest, penalties, indemnification, costs, maintenance costs and other expenses relating to the compulsory execution and realization of mortgaged property.
2. Any future obligation may be secured by a mortgage if the sum of the debt secured by mortgage is determined by the Parties.
3. A mortgage may secure one or several obligations. Multiple obligations and future obligations secured by a mortgage may be identified by a description of the class of obligations included in the mortgage.
4. Proper performance of an obligation secured by mortgage terminates the mortgage.

#### **Article 6. Origination of mortgage**

1. A mortgage is created by a Mortgage Agreement, on the basis of the Civil Code.
2. Mortgage rights in real estate shall originate from the moment of its registration in the organ responsible for state registration of real property.

#### **Article 7. Contents and form of a Mortgage Agreement**

1. The Mortgage Agreement shall contain the names and location (address) of the Parties, information on the principal obligation, i.e. its value and terms, *type of mortgage*, composition and location of the mortgaged real estate, title, right for economic use or right for management of the real estate by the mortgagor, and other conditions agreed by the Parties.
2. The Mortgage Agreement shall be concluded in written form, *notarized*<sup>3</sup> and registered in the organ, which is responsible for state registration of transactions with real estate. <sup>4</sup>In the event that two or more Mortgage Agreements concerning the same object of mortgage are registered, priority shall be given to the Mortgage Agreement which was registered earlier.
3. Copies of documents confirming the title, right for economic use or right for management of the real estate (including the copies of all the charts with the borders of the land parcels), which are

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<sup>3</sup> Notarization optional: in Kazakstan there is no obligatory notarization requirement; see draft amendment to KR Civil Code 335 submitted to Parliament by the Presidency under letter No. 15-487, accompanying the draft Law of Pledge.

<sup>4</sup> Article 2 of the Law of the Kyrgyz Republic "On the state registration of rights in land and immovable property" provides that registration is required for the following rights: "1) ownership right; 2) right of economic management; 3) right for operational management; 4) land use right for a term of more than one year; 5) right to use real estate for a term of more than one year; 6) right to manage real estate according to proxy for a term of more than one year; 7) collateral; 8) easement;" and also for unspecified "other rights on land and immovable property."

74

needed for a mortgagee to execute his rights in accordance with the Mortgage Agreement shall be attached to that Mortgage Agreement.<sup>5</sup>

4. *If an obligation (Loan Agreement, etc.) contains a mortgage as one of its conditions, then such an obligation shall be subject to notarization and registration.*
5. Registration of a Mortgage Agreement shall be done in accordance with the procedures stipulated in respect of the rights for real estate by the Law of the Kyrgyz Republic "On state registration of the rights for land and immovable property."

#### **Article 8. Subsequent mortgage of the mortgaged property (repledging)**

( Article 8 is similar to the corresponding Article from the Draft of the Law of Kyrgyzstan "On Pledge" )

1. Unless prohibited under the terms of an earlier mortgage, a subsequent mortgage of the property may also be registered in accordance with this Law.
2. The first mortgage will rank senior to any subsequent mortgage in securing the right of satisfaction from the mortgaged property. Each subsequent mortgage will rank in the order of the date and time that it was registered and therefore will be junior to any mortgage that was registered earlier. If there are insufficient proceeds from the compulsory execution sale of the mortgaged property conducted under Chapter 2 of this Law sufficient to pay the claims of any more junior mortgagees, the mortgages relating to their claims will terminate without however affecting the validity of the claim as an unsecured claim.
3. Upon execution pursuant to Chapter 2 hereof, the claim of a junior mortgagee may be satisfied from the value of property that is subject to a prior mortgage only after full discharge of the claim of the senior ranking mortgagee who has taken possession of the property. A junior mortgagee in possession of the mortgaged property may sell the mortgaged property by compulsory execution only subject to the *perfected* mortgages of the more senior mortgagees, whose mortgages shall therefore continue in effect against any buyer of the property.
4. The order of priority for satisfaction of rights under this Law may be changed only upon the written consent of each person who as a result of the change would lose a preferential right to satisfaction from the mortgaged property.
5. The mortgagee's right to satisfaction from mortgaged property is a right to satisfy a fixed monetary claim from the proceeds of the sale of the mortgaged property, and not a right to take ownership of the mortgaged property, except as provided in Article 21(3) of this Law.

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<sup>5</sup> Under Article 15 of the draft Land Code, "Documents certifying land use rights," the following documents evidencing land use rights: "(1) State Act on land use right, (2) Certificate on temporary use right for land, (3) Certificate on use right for a land share, (4) Sale-purchase agreement, exchange or lease of land use right agreement" will be provided by "the land tenure service of the rayon (city/town) with the involvement of organizations and individuals who have a license on land-tenure works. The forms of the above listed documents certifying land use and lease will be established by the Kyrgyz Republic Government." Under this draft, no better "title" to land may exist than is granted by these four documents.

15

6. The mortgagor is obliged to inform any mortgagee about all prior mortgages, and also about the nature and size of the obligations secured by those mortgages.

7. Mortgaged property cannot be subject to execution for the debts of the mortgagor to the government budget. The claims of the tax organs, or a final judgment of a court awarding damages, will rank only in the order in which it is registered as if it were a mortgage under this Article. (Possibly it would be expedient to move point 7 or duplicate it in the Chapter on compulsory execution of mortgage)

### **Article 9. Transfer of Rights Under the Mortgage Agreement**

Rights under the Mortgage Agreement may be transferred provided that the regulations on claims' concession are observed (Article 316 of the Civil Code of the Kyrgyz Republic ). Such transfer of rights shall be subject *for notarization and registration* (See Article 9 of Kaz. Decree).

### **Article 10. The rights of third parties in respect to mortgaged property**

1. A mortgagor must disclose to a mortgagee in written form any known rights or claims of third parties against the mortgaged property at the time of registration of the mortgage (*pledge rights, use, lease, easement and other rights*). Non-performance of this obligation by the mortgagor shall give the right to the mortgagee to request immediate fulfillment of the obligation secured by mortgage or change of the terms and conditions of the mortgage agreement.

2. The mortgagor shall have the right to sell the mortgaged property to a third party only if this right is expressly provided by the mortgage agreement. Anyone who acquires mortgaged property from a mortgagor, and any persons who derive their interests from such a transaction, will only acquire such rights in the mortgaged property as are subject to all the terms of the mortgage, except in following cases:

1) if the mortgage agreement, or a written amendment thereto, expressly permits the property to be disposed of free of the mortgage, whether generally or in favor of a specific third party;

2) if the mortgage was not registered at the time the mortgaged property was acquired by the third party.

3. Unless otherwise agreed, a third party who satisfies fully the claim of the mortgagee shall receive together with any assignment of the claim, the mortgage securing the claim.

### **Article 11. Insurance of objects of mortgage**

Mortgagee or mortgagor depending upon who is in possession of the mortgaged property shall be obliged to insure the mortgaged property in its full value and on the account of a mortgagor unless otherwise provided by the agreement or by law. ( **from the Civil Code, Art. 330**)

### **Article 12. The consequences of non-compliance with the form of a mortgage agreement**

Non-compliance with the form of a mortgage agreement will result in its invalidity, with the consequences stipulated by Articles 178 and 181 of the Civil Code of the Kyrgyz Republic. The

agreement or the Law may also stipulate other consequences of announcement of a mortgage agreement invalid.

**Article 13. A mortgagor's rights and responsibilities**  
(there is no such Article in Kaz. Law)

1. The citizens listed in the Article 51 of the Civil Code of the Kyrgyz Republic as well as legal entities listed in Article 83 of the Civil Code of the Kyrgyz Republic may be mortgagees with the exceptions stipulated by the Laws of the Kyrgyz Republic.
2. Only an owner of real estate, or any interest in real estate, may be a Mortgagor. Ownership includes having the right of economic use or management of property.
3. State and municipal enterprises and agencies may be Mortgagors only with the consent of the owner in accordance with Articles 230 and 231 of the Civil Code of the Kyrgyz Republic.
4. *A lessee shall have a right to mortgage his lease rights unless otherwise ~~only if it is stipulated by the agreement.~~ (Armenia) (See Article 326(3) of the Civil Code)*
5. A mortgagor shall have a right:
  - (1) to possess and use the mortgaged property in accordance with its designation; (Article 325 of the Civil Code)
  - (2) unless otherwise provided by the Agreement to terminate the Obligation secured by mortgage in advance;
  - (3) to have other rights, stipulated by the Civil Code of the Kyrgyz Republic and by this Law.
6. A Mortgagor shall be obliged:
  - 1) to fulfill all the necessary responsibilities on keeping the land parcel in order in case the object of the mortgage is a building or installation located at the same land parcel; **(Article 327(3) of the Civil Code)**
  - 2) to fulfill all the obligations of a condominium in case the object of the mortgage is an apartment (house) which is part of that condominium;
  - 3) to have other responsibilities stipulated by the Civil Code of the Kyrgyz Republic and this Law.

**Article 14. A mortgagee's rights and responsibilities**

1. The citizens listed in the Article 51 of the Civil Code of the Kyrgyz Republic, as well as legal entities listed in the Article 83 of the Civil Code of the Kyrgyz Republic may be Mortgagees with the exceptions stipulated by the Laws of the Kyrgyz Republic.
2. A Mortgagee shall have a right:
  - 1) to take necessary measures to provide safety of the mortgaged real estate, including its protection from infringements from third parties; **(Article 330 (1,2) of the Civil Code)**
  - 2) to check by documentation and actually the availability, size, state and conditions of keeping the mortgaged property held by another party. **(Article 330(2) of the Civil Code);**
  - 3) to have other rights stipulated by the Civil Code of the Kyrgyz Republic and by this Law.
3. A Mortgagee shall be obliged:

- 1) to provide to the mortgagor the information in connection with the performance by the mortgagee of the obligations secured by mortgage;
- 2) to have other obligations stipulated by the Civil Code of the Kyrgyz Republic and by this Law  
(From the Comments to the Kaz. Law) ( There is no such Article in Kaz.)

( Kazakstan's Decree provides use of Mortgage Certificate- as an instrument for development of a secondary mortgage market (i.e. such Certificate may be alienated, pledged and perform some other functions, see Chapter 3 of the Kaz. Decree). The Russian Decree does not include this instrument, thus in the very beginning the Russian Draft of the Law had stipulated such thing. A Mortgage Certificate bears in itself big risk of possible abuses, confusions and makes it more complicated to use mortgages in practice, but possibly it may facilitate the development of a secondary mortgage market. Recommendation: It is not recommended to introduce in Kyrgyzstan an instrument of Mortgage certificate before study of Kazakstan's experience in this field.)

## CHAPTER II. COMPULSORY EXECUTION OF THE MORTGAGE

(Chapter II is written on the basis of the Draft of the Law of the Kyrgyz Republic "On Pledge")

### Article 15. Methods of compulsory execution of the mortgaged real estate

1. A mortgagee shall have the right to satisfy his claims in the event the debtor failed to perform his obligations wholly or partially in the following ways:
  - 1) by way of judicial foreclosure of the of mortgaged property;
  - 2) by way of non-judicial compulsory execution of the mortgaged property if such procedure is stipulated by legal Acts, by the Mortgage Agreement, or a subsequent Agreement of the parties.  
( In Russia only judicial compulsory execution is stipulated; in Kazakstan both the judicial and non-judicial procedures are used. In case amendments will be in the Article 335 of the Civil Code of the Kr, it would be possible for Kyrgyzstan to use non-judicial procedures for execution)
2. In the event the mortgaged property is sold by non-judicial compulsory execution at a price less than the sum of the principal liability, *as well as in case of foreclosure of the mortgaged property*, the principal liability (i.e., the obligation secured by mortgage) shall be terminated simultaneously with the termination of the mortgage.
3. In the event of a judicial foreclosure action, the mortgagee may combine in that suit a claim for a deficiency judgement.

### Article 16. The right of compulsory execution of mortgaged property

1. The mortgagee acquires the right to compulsory execution of mortgaged property if the obligation secured by the mortgage is not performed when it falls due, or upon such other conditions as may be agreed by the parties to the mortgage agreement.

2. Unless otherwise provided by a Mortgage Agreement the obligation secured by a mortgage shall fall due at the moment of adopting the decision to announce the bankruptcy process in accordance with the Article 100 of the Civil Code of the Kyrgyz Republic.

3. Under compulsory execution of individual houses and apartments in apartment houses the owners of these apartments, the members of their families and other persons living in these apartments shall not be subject for eviction except they are given for substitute another shelter, which corresponds to the existing sanitary requirements.

In the event of compulsory execution of individual houses and apartments in apartment houses their owners and members of their families may be evicted judicially if the Mortgage Agreement was concluded in order to secure payment of a loan for construction of individual house or for acquiring an apartment in apartment house.

4. The actual fulfillment of the decision for compulsory execution of the mortgaged agricultural land plots shall be subject to postponement *for one year*.

(See point 13 of the Russian Decree)

#### **Article 17. Notice of compulsory execution**

1. The mortgagee shall commence the procedure for compulsory execution by delivering to the mortgagor a written notice of compulsory execution that sets forth:

- 1) a description of a mortgage agreement, and of the obligation and the mortgaged property concerning which the procedure of compulsory execution is undertaken;
- 2) the registration number and date of registering the mortgage agreement;
- 3) a brief description of the circumstances of the default in satisfying obligations secured by the mortgage, for reason of which the compulsory execution is commenced;
- 4) a statement that the mortgage is immediately subject to compulsory execution under this Law.

2. Within seven days after delivery of the written notice of compulsory execution to the mortgagor, the mortgagee of a registered mortgage shall, by supplementary notification, register the notice of compulsory execution in the organ which registered the mortgage. If such registration is not timely made, the procedure of compulsory execution shall not commence until registration is effected.

3. If the mortgagor cannot be found at his place of business or residence for purpose of delivery of the notice, secure attachment of the notice to the mortgaged property, or to the place where the mortgaged property is located, shall be deemed to be receipt of the notice by the mortgagor.

#### **Article 18. The interim order, and judicial cancellation of compulsory execution**

1. The mortgagor, within 30 days from the commencement of the procedure of compulsory execution, may apply to the court for cancellation of the procedure for compulsory execution. The court shall promptly dismiss the mortgagor's claim unless the mortgagor submits evidence showing that:

- 1) the mortgagor never agreed to create a mortgage;
- 2) the mortgage has terminated;

- 3) the circumstances for compulsory execution stated in the mortgage agreement do not exist;
  - 4) the procedures for compulsory execution have not been followed, or
  - 5) the notice of compulsory execution is fraudulent in its entirety.
2. In the event the mortgagor submits evidence supporting any claim under points 1 (1-5) of this Article, and the court finds there exists a reasonable likelihood that additional time will permit the mortgagor either to prove his claim or to perform the secured obligation, the court shall grant, prior to the expiration of the 30 days, an interim order suspending the procedure of compulsory execution for a period not to exceed an additional 30 days.
  3. If the mortgage agreement provides for binding arbitration of disputes between the mortgagor and mortgagee, a valid arbitrage award from an international or Kyrgyz Republic arbitration tribunal recognized by law will bind the court as to any of the mortgagor's claims under points 1 (1-4) of this Article.
  4. Unless the court issues an order canceling the procedure of compulsory execution on grounds stated in points 1 (1-5) of this Article prior to expiration of the 30 day period after the commencement of the procedure of compulsory execution, or of any additional period of suspension granted by an interim order, the mortgagor's claim shall be considered to be dismissed, compulsory execution may proceed, and no objection by the mortgagor to the notice of compulsory execution may be heard, except for a claim described in point 1(5) of this Article. Such a claim under point 1(5) shall not be accepted by a court after expiration of the 30 day period for making claims unless it is filed within seven days after receipt of either the notice of compulsory execution or knowledge that the mortgagee has taken possession of the property under a claim of right to compulsory execution, whichever is earlier.

**Article 19. Transfer to the mortgagee the right for possession of the mortgaged property subject to compulsory execution**

1. After receipt by the mortgagor of the notice of compulsory execution issued pursuant to Article 17 hereof, the mortgagee, or his representative, shall have the right to take immediate possession of the related mortgaged property from the mortgagor or a third party, unless this Law, the mortgage agreement or a court order provides otherwise.
2. If the mortgagor fails to transfer the mortgaged property to the possession of the mortgagee, or if the transfer is prevented by a third party, the mortgagee, or his mortgage manager, may take such lawful actions as are necessary to obtain the property from the mortgagor or the third party, and to secure its transfer to the possession of the mortgagee.
3. If the mortgagee cannot exercise his right to possession of mortgaged property for any reason (for example, if the mortgagee has no right of entry to the place where the subject of mortgage is located, or if the mortgagor or other possessor of the mortgaged property has refused such a right upon request), the mortgagee may apply to the court for the appointment of an official to compel execution of the mortgagee's right to possession of the mortgaged property. The official so appointed has only the authority to seize the mortgaged property and immediately transfer it to the possession of the mortgagee.

The official can be any person appointed independently from the mortgagee who possesses appropriate qualifications and skills (for example, a bailiff).

The costs of the official shall be established by agreement between the mortgagee and the

official, but execution shall not be delayed for this purpose. If there is no agreement, the amount of payment shall be established by a subsequent court decision based upon the actual costs of execution. These costs shall be paid, in priority over all other payments, at the time of the execution sale, or of any prior receipt of proceeds from the mortgagee's use of the property.

4. After acquiring possession of the mortgaged property, and prior to its execution sale, the mortgagee shall have the rights and obligations with respect to the mortgaged property set forth in this Law. The mortgagee may undertake measures to increase the selling price of the property or reduce the expenses of its sale, by making such improvements as cleaning, renovation, repair, and completion of construction. The mortgagee can take measures for the protection of the mortgaged property at any time, by arrangement with the mortgagor.

On application by the mortgagee, made after registration of the notice of compulsory execution, the court may order other measures for the protection of the mortgaged property.

5. After the notice of compulsory execution is delivered to the obligor of a mortgaged contractual obligation, other than a money debt, the mortgagor shall not change the contractual obligation or exercise the mortgagor's rights relating to the contractual obligation without the consent of the mortgagee. If the mortgagee exercises the rights of the mortgagor in relation to a mortgaged contractual obligation, the mortgagee is also obliged to execute any related obligation of the mortgagor which follows from the same contractual obligation.

6. In case of conflict between two or more mortgagees who have commenced compulsory execution of the same mortgaged property, the right to conduct the procedure of compulsory execution including the execution sale, and to possess and protect the mortgaged property pending sale, belongs to the mortgagee who has senior ranking as defined in Article 8 of this Law, subject to the exception when a mortgagee in possession of the mortgaged property has already sold or contracted to sell mortgaged property, this mortgagee has the priority right of compulsory execution in connection with the property sold or which he has agreed to sell.

## **Article 20. Compulsory execution sale of mortgaged property**

1. On the expiration of 30 days from the mortgagee's commencement of the procedure for compulsory execution, the mortgagee has the right to dispose of the mortgaged property by execution sale, unless a court order provides otherwise.

The term "sale" in this Article includes a lease, or other permission to use the property for a fixed term.

2. An execution sale of the mortgaged property may be either public or private, provided that the time, place, terms, and manner of the sale are commercially reasonable for the kind and condition of the property. Evidence that a higher price could have been obtained is insufficient to prove that the sale was not commercially reasonable, unless the information was provided to the mortgagee prior to the sale.

A public sale must be advertised in a manner to adequately inform potential buyers of the kind and amount of property to be sold, the time and place of the public sale, and the registration number and date of the pledge notification statement. Information about such advertisements and the time and place of a public sale, or of the proposed terms of any private sale, shall be sent to the debtor, and other persons with registered interests in the mortgaged property at least 7 days prior to the sale, unless the property is perishable or will otherwise rapidly decline in value. One of the

established places of public auction in the Kyrgyz Republic shall be presumed to be a commercially reasonable place of sale for purposes of conducting a public sale under this Article.

3. Any person, including the mortgagee, who is the high bidder at a public execution sale under this Article, and who neither acts in collusion with others to depress the purchase price nor knows of any defects in the procedure for compulsory execution shall purchase a clear title to the mortgaged property, subject only to the rights of any mortgagees who rank prior to the

mortgagee who conducts the sale. A purchaser at a private sale will take such clear title to the mortgaged property (subject only to the rights of mortgagees who are prior to the seller) if the private sale is conducted honestly so as to reach a fair market price for the mortgaged property.

4. The mortgagor may purchase the mortgaged property at a public or private execution sale, or may redeem the mortgaged property at any time prior to the execution sale by payment of all amounts due to the mortgagee with respect to the obligation secured by the mortgaged property, including the expenses of compulsory execution.

5. The disposition of mortgaged property by compulsory execution in order to satisfy the obligation secured by the mortgage, is not a trade operation and shall be free from taxation.

#### **Article 21. Rights and obligations of the mortgagee on sale of mortgaged property**

1. The mortgagee may conduct the execution sale of the mortgaged property by any means convenient to him. The mortgagee may appoint a mortgage manager to act in his name for the sale or for any matter in connection with the sale. The mortgagee has the right to delay the sale in order to obtain higher value for the mortgaged property. Such delay shall not exceed 12 months from the commencement of the process of compulsory execution, or from the expiration of any extension by interim order, except when an enterprise manager is appointed, the period of delay may extend to one year. The length of the delay in selling the mortgaged property may be extended without application to the court if the mortgagor and all mortgagees agree in writing to the delay.

2. The mortgagee may not purchase the mortgaged property himself by private sale, nor resell the mortgaged property purchased by the mortgagee at a public sale at a higher price in a private sale, if the private-sale purchaser was known to be a potential buyer at the time of the public sale.

3. Unless otherwise agreed, the mortgagee is entitled to petition the court for recovery of any deficiency still remaining due from the obligation after the mortgagee obtains partial satisfaction by execution on the mortgaged property. After default, a mortgagee in possession of mortgaged property may propose to retain the mortgaged property in full satisfaction of the secured obligation, without further recourse to the debtor for any deficiency in payment of the obligation. The proposal must be contained in a written notice delivered to the mortgagor, to any registered mortgagees, and to any claimants registered in accordance with this Law. If an objection to the proposal is received within 30 days, the mortgagee in possession must conduct an execution sale. If no objection is received, an execution sale will be deemed to have been made to the mortgagee upon the expiration of the 30 days.

4. The mortgagee shall place in a depository any proceeds realized from the execution sale in excess of the amounts due to the mortgagee. This amount shall be used to pay any junior ranking mortgagees, and the remainder shall be immediately paid over to the mortgagor. All amounts paid by the mortgagee for court costs, maintenance, improvement or completion of the mortgaged property, expenses pursuant to Article 19(4) of this Law, and the execution sale, are part of the expenses of compulsory execution due to the mortgagee in accordance with Article 5 of this Law.

87

**Article 22. Liability to mortgagor from taking possession unlawfully**

The mortgagor may recover damages from the mortgagee if the mortgagee takes possession of the mortgaged property without legal right to do so, or in an unlawful manner.

**Article 23. Liability to mortgagor for unlawful sale**

If a court determines that the property was sold at less than a fair price because of failure to follow the procedures required by this Chapter, part or all of any deficiency in payment of the obligation still remaining due to the mortgagee after applying the proceeds from the sale may be ordered forgiven by the court. If the mortgagor or a junior mortgagee proves that the fair market value of the mortgaged property at the time of the execution sale exceeded the amount of the sale price, and that, due to fraud by the senior mortgagee who conducted the sale, the mortgagor or junior mortgagee was denied what should have remained from the sale proceeds after satisfaction of all prior ranking secured obligations, as provided by Article 21(2) of this Law, the mortgagor or junior mortgagee may petition the court to claim compensation for damages from the mortgagee for the lost sum.

**CHAPTER III. FINAL PROVISIONS**

**Article 24. Mortgage of an enterprise**

The mortgage of an enterprise shall be made in accordance with the provisions in the Law of the Kyrgyz Republic "On Pledge"

**Article 25. Immutability of the mortgage agreement**

1. In the event legislation enacted after the conclusion of a *perfected* mortgage agreement establishes new rules that adversely affect the contractual rights of the mortgagor, the mortgagee, or both, the terms of the mortgage agreement shall remain in force, unaffected, during the full term of the agreement.
2. If a state agency or an organ of local government, or any official of such organs, issues a decision that violates the contractual rights of the mortgagor, mortgagee or both, that decision shall be declared by a court unlawful upon the petition of the mortgagor.
3. All losses caused to the mortgagee as a result of actions specified in point two of this Article shall be compensated in full by the state organ that committed the unlawful act.

**Article 26. Liability for violating mortgage rights**

1. If the Kyrgyz Republic takes legislative measures terminating or diminishing the rights of the mortgagor or mortgagee in the mortgaged property, the losses caused to the mortgagee as a result of such acts shall be fully compensated by the Kyrgyz Republic.

2. If the state takes measures compulsorily appropriating the mortgaged property or rights in the property, such as nationalization, requisition, confiscation, sequestration, or other measures with similar consequences, the Kyrgyz Republic shall compensate the mortgagee for losses caused to the mortgagee as result of these measures.
3. If a decision by a state body directly appropriates mortgaged property or causes the property to substantially diminish in value, such as a decision to withdraw the plot of land on which the mortgaged building, other installations, or crops are located, the losses caused to the mortgagee by such decision shall be reimbursed to him in full.
4. Disputes on reimbursement of losses shall be resolved judicially.

### **Article 27. The basis for termination of a mortgage**

A Mortgage shall be terminated on the grounds stipulated by the Civil Code of the Kyrgyz Republic, by this Law, or by the Mortgage Agreement. In case a mortgage is terminated as a result of fulfillment by a debtor of his secured obligations, as well as by performance of the Mortgage Agreement by a final foreclosure sale, the mortgagee shall within ten days deliver to the mortgagor a document in writing, certifying the termination of the mortgage. This document shall be registered in the same organ where the Mortgage Agreement was registered.

### **President of the Kyrgyz Republic**

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#### **Additional Information**

This initial draft Law on Mortgage was prepared by Legal Advisor to the National Bank of the Kyrgyz Republic, Andrei Ostanin in cooperation with the legal office of the IRIS Commercial Law Project and USAID. Advice in the drafting of the law was sought from ICMA and Kyrgyz housing finance experts.

The following materials were used in the process of drafting:

- Decree of the President of Kazakhstan "On real estate mortgage" as of 1 January 1996 and comments prepared by E. Weis (MAR USA);
- Decree of the President of the Russian Federation "On Mortgage" as of 18 July 1995;
- Law of the Kyrgyz Republic "On Pledge", and other materials.

A Mortgage Law is an intregal part to an overall functioning market housing system which allows for lenders to secure their risk. The support of the government for implementing a national Mortgage Law is essential and very timely. This draft can be revised to focus more acutely on housing mortgages with regards to the current Draft Law on Pledge.

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86

## VII. LAW FOR THE KYRGYZ REPUBLIC ON STATE REGISTRATION OF LAND AND IMMOVABLE PROPERTY RIGHTS

The present Law establishes legal basis for land and immovable property registration and guarantees legal rights of owners and users of land parcels and immovable property in spite of their departmental subordination and forms of property. The Law shall be valid on the whole territory of the Kyrgyz Republic.

### Chapter I. General provisions.

#### *Article 1. Terms and Definitions.*

As used in the present Law:

State Registration - is a procedure of keeping track on the right of property and other rights on land and immovable property by a registration body according to the order established by the present Law.

Immovable property (real estate) - land parcels (all types of land) and also buildings, constructions and other property, firmly attached to land, i.e. objects relocation of which without damaging them is impossible.

Initial (primary) object of immovable property - is a land parcel and all objects, firmly attached to the land, buildings, constructions relocation of which without damaging them is impossible

Secondary object of immovable property - is a spatial part of the building or other construction, registered in the established order, which has a statute different from the legal statute of the initial (primary) object of immovable property (apartment, premise, room, etc.)

Registration body - is a state body empowered by the Kyrgyz Republic Government for registration of rights on land and immovable property.

Registration of transactions with land use rights and real estate - is a registration of rights on land and real estate which originate as a result of a transaction.

Transaction with real estate - is an action of citizens and legal persons aimed at establishing, changing or termination of rights on real estate.

Limitations - are limitation of rights to dispose, own, use land and immovable property, existence of some definite rights of the third party/collateral, lease, transfer of rights, liabilities according to contract, decisions of court on seizure and other rights established by law and restricting rights of real estate owner.

Easement - is the right to a limited use of other people's land parcel and immovable property.

Registration system - is a unified system of registration of rights on land parcel and real estate.

Identification number - is an individual, not repeated on the territory of Kyrgyz Republic, registration code of land parcel which is assigned according to the procedure established by legislation and is preserved till land parcel remains undivided.

## **Article 2. Objects and Subjects of the State Registration.**

1. The objects of the state registration are rights in real property and real estate.

Registration is required for:

- 1) ownership right;
- 2) right of economic management;
- 3) right for operational management;
- 4) land use right for a term of more than one year;
- 5) right to use real estate for a term of more than one year;
- 6) right to manage real estate according to proxy for a term of more than one year;
- 7) collateral;
- 8) easement;
- 9) other rights on land and immovable property.

2. The subjects of state registration of ownership and use rights are legal and physical persons - citizens of Kyrgyzstan, legal and physical entities of foreign states and persons without citizenship have land parcels and immovable property in use or ownership on the territory of Kyrgyzstan are subjects to state registration of rights to use and to own.

3. All changes and termination of the rights on land and immovable property, listed in item 1 of this article, that originated as a result of transactions and other legal actions are subject to registration.

4. According to the present Law, a right for exploitation of natural resources is subject to registration.

The list of rights for exploitation of natural resources, that are subjects to obligatory registration should be established by the legislation of the Kyrgyz Republic.

**Article 3. Importance of State Registration.**

1. Protection of right on land and immovable property, liable to state registration, originates only from the moment of its registration and is legally valid.

2. Absence of the state registration of the right on land and immovable property which originated after introduction of the registration system leads to consequences envisaged by the Civil Code, the Land Code and other legislative acts of Kyrgyz Republic.

3. Rights which were owned by the subjects of the Right before introduction of the registration system preserve legal validity equally with the registered land and immovable property rights.

Registration of these rights is performed by subjects of the right on volunteer basis. Forced registration of these rights is not permitted.

4. From the moment the present Law becomes operational, changes, termination and easements of rights on real estate must be registered according to the order, established by the present Law.

**Article 4. Restrictions, which are not subject to registration.**

Restrictions which work as basic rules and prohibitions (on health protection, public security, environmental protection, etc.) are established by legislation and also predetermined by public needs (right to access to electric power lines, telephone and telegraph lines and poles, pipe lines, etc.) do not undergo registration, except for the newly constructing or planned to be constructed electric power lines, telephone and telegraph lines and poles, pipelines and other infrastructure.

**Chapter 2. State System of Registration Bodies for Land and Immovable Property**

**Article 5. State System of Registration Bodies for Land and Immovable Property.**

1. State system of registration bodies consists of republican and oblast bodies of management, rayon and city registration bodies.
2. An authorized by the Government of the Kyrgyz Republic shall be a republican/state body for management of land and immovable property registration.
3. Authorized Rayon and City departments for land and immovable property registration which are legal bodies subordinate directly to the state body under the Government of Kyrgyz Republic will serve as Rayon and City Registration Bodies.
4. Activities of the State System of registration Bodies is performed according to the Regulation worked out on the basis of the present Law and approved by the Government of Kyrgyzstan.

**Article 6. Requirements to Registrar.**

Registration of land and immovable property rights is a state act and can not be aimed at making private profit. Registrar is not permitted to be employed in other place, perform registration of land and immovable property rights on his own name or be engaged in entrepreneurship, middle-man or other activities except for scientific or educational.

**Article 7. Appropriation of money, received from activities connected with state registration of rights on land and immovable property.**

1. All money received by the registration body from activities connected with state registration of rights on land and immovable property (registration fees, fees for information services, etc.) are to be used for development of the state system of registration of rights on land and immovable property and transactions with it.
2. Amount of fees for registration and information services of registration body are established by the Government of Kyrgyzstan.

**Chapter 3. Registration System.**

**Article 8. Inventory of Land Parcels For The Purpose of Registration.**

1. Registration oblasts are established on the territory of the whole republic which coincide

with administrative oblasts. Registration oblast is assigned a registration number.

2. Registration oblast is divided into Registration rayons which coincide with administrative rayons. Registration rayon is assigned registration number.

3. Registration rayon is divided into Registration sectors, Registration sectors are assigned registration numbers.

4. Registration sectors break down into land parcels, and each land parcel is assigned a Cadastre number.

5. Each Registration rayon and each Registration sector has a registration map, besides every Registration rayon has a Registration book.

6. Every land parcel has a registration file.

7. There is one system of registration of rights in real estate in Legal Cadastre for all categories of land and all immovable property which is on this land and is affixed on land parcels.

8. Land parcels and immovable property which is affixed on the land, cannot be separated or unified without registration according to the order, established by the present Law.

#### ***Article 9. Basic Documents of Registration System.***

1. The following are the basic documents of registration system:

- 1) Registration map;
- 2) Registration book;
- 3) Registration files.

2. All information about registered documents concerning the right of ownership, other property rights, their origination, transfer, termination, lease, collateral and other restrictions of rights are identified in Registration System by a unified for the given land parcel Cadastre number, which is assigned by a registration body

#### ***Article 10. Registration Map.***

Each registration rayon has one or several maps.

Registration map can be supplemented by a topographical map of the registered land parcel

and must be available in the Registration file of the land parcel. Registration book has information on where topographic plan is.

Registration map to be kept according to legislative acts of the Kyrgyz republic and in unified system of Cadastre maps, the purpose of which is creation of a Unified System of receiving and registering information.

**Article 11. Changing Registration Map Data.**

Registration body has right to correct text information or mapping of boundaries of land parcel as shown on the Registration map according to the agreement of people whose interests according to the Registration book are involved.

In case of minor changes of land parcel boundaries, Cadastre code may be left unchanged if all the interested parties agree and a note is made in the Registration file and on the Registration map.

In all other cases of altering land parcel's boundaries, the current registration code is terminated and a new one is assigned.

**Article 12. Registration Book.**

Registration encompasses the Registration cards for every land parcel and real estate.

Registration card consists of 4 components:

- 1) identification characteristics of immovable property estate;
- 2) registration of rights on land and immovable property;
- 3) registration of transactions with rights on land and immovable property;
- 4) restrictions of rights on land and immovable property.

3. The form of registration card is determined by the Government of the Kyrgyz Republic.

**Article 13. Registration File.**

Registration file is to be kept on every land parcel and has all (second) copies of all documents registered in the Registration card.

Land parcel, identified by Cadastre number has only one Registration file.

**Article 14. Boundaries of Land Parcels.**

Boundaries of land parcels are fixed or approximate.

As a rule. Registration map shows approximate boundaries of a land parcel.

**Article 15. Fixed Boundaries.**

1. When there is need for fixed boundaries it is usually done upon the initiative of the registration body or upon an application by the owner who possesses the rights on a land parcel(title?), Registration body informs interested people (subjects) who have rights to use land parcels bordering on the given parcel about the intention to clear up and fix the boundaries.

2. After hearing all interested people, Registration body with the help of topographic research fixes exact boundaries and upon the agreement of all the interested people introduces corresponding changes about fixing the borders of the land parcel in the Registration map and in the Registration book.

3. If fixation of the boundaries is caused by an interested party (right holders), then the procedure is undertaken at their expense.

**Article 16. Merging And Separating Land Parcels.**

1. If one person is, or becomes subject to the rights on the neighboring land parcels and rights and duties on them are identical, the Registration body on the basis of the application by the subject to the rights on land may unite the land parcels.

2. On the basis of the application by the subject(owner?) of rights on the land parcel and having a permission of the authorized body and corresponding documents Registration body divides the land parcel into two or more parcels.

**Chapter 4. The Order of Registration**

**Article 17. Accepting Documents For Registration of Rights on Land and Immovable Property**

1.Land and immovable property rights registration should be conducted by a district

registration body, based on the right holder's application, or, if the right is based on the terms of a transaction - on an application of one of the parties, involved in this transaction.

2. Any applicant should present the following to a registration body:

1) Papers, proving his right for land and immovable property:

2) A slip or a transfer receipt, proving that registration body services were paid for.

For applicant's identification it should be enough to present an ID card for a natural person and a proxy for a juridical person.

3. When registering a common real estate ownership right, an application should be signed by all the owners, provided that all of them shall present their identification cards and the papers, proving their ownership right. This rule is also effective in cases of proprietorship rights, managerial rights and land tenure rights.

4. If some part of a land parcel or immovable property is being used as a collateral, is rented or is temporarily given to somebody free of charge, registration documents should include a map and a general plan, indicating part of the property that's being used as a collateral, rented or temporarily given to somebody free of charge.

5. If one of the co-owners of the common real estate does not agree to transfer the right to use this property to another person, the matter is resolved in accordance with the current Kyrgyzstan legislation.

6. An application for the right registration might be turned down only if the documents, indicated hereinabove, were not presented in proper.

#### ***Article 18. Terms And Priorities of State-Wide Registration Program***

1. The right registration should be executed within 10 days from the date an application and other documents enumerated in Article 17 of this Law were submitted to a registration body.

2. In case of several application being submitted for registration of one and the same right, the right of the first application is to be registered.

3. All registered rights will have priority over non-registered according to the order documents were submitted for registration, despite of the readiness of the documents and registration of submitted documents could be conducted with delay.

**Article 19. Requirements To The Documents, To Be Submitted For Registration.**

1. Any documents certifying foundation, expiration, transfer or limits of right for land and immovable property should be submitted in the established order. The documents should meet the requirements established by legislation. Any documents containing corrections, additions and other changes or documents executed in pencil are not to be accepted.
2. All the documents to be submitted for registration of rights for real estate should be in two copies (original and one copy verified by a Notary). The original should be with right holder after the registration.

**Article 20. The Exact Date of Documents' Submission.**

1. Upon receive of documents for registration of right for land and immovable property the registration body is to record the date and time of submission.
2. An applicant will be provided with a recite containing the exact date and time of submission of the documents for registration.

**Article 21. Right Registration Or Transaction Document.**

Upon a request from an applicant the registration body should provide the applicant with a document certifying registration of right or transaction or make a special sign on the document being submitted for registration.

**Article 22. Reasons For The State Registration Suspension.**

In case of application-claim for right for which another application has already been submitted, the registration can be suspended for no longer than 10 days. If in such case a claim won't be submitted to the court during the above mentioned period, registration should be executed. In case the court receives a claim registration should be suspended till court issues resolution upon the case.

**Article 23. Reasons For Denial In State Registration.**

1. A registration body can decline in registration if:
  - 1) the submitted documents do not meet the requirements established by legislation;
  - 2) agency or person issued the document or a person the document deals with are not

authorized to use the right they persist to be registered;  
3) an applicant is a disable person.

2. In case of suspension or denial a special note is to be made in a Legal Cadastre. In case of denial an applicant should provided with a written note containing reasons for the denial. A copy of the note is to be in the file on the real estate.

**Article 24. Corrections After Registration.**

1. Corrections after registration not dealing with changes of right, characteristics of the registered right can be made by the registration body with note to all interested parties.
2. Correction after registration dealing with changes in right, characteristics of the registered right can be made upon the agreement of all the interested parties.

**Article 25. Access to Right Cadastre information.**

1. The state registration of rights for land and immovable property is public.
2. Data on registration and registered rights should be submitted to anybody for a payment by rayon registration bodies within 7 days after request in written form has been received.

**Article 26. Specifications of Registration of Immovable Property**

**Transactions.**

If a transaction is properly executed, organizations, issuing the document assuring ownership and use rights, or notary offices, that guaranteed the fact of transaction, should deliver one copy of the document, mentioned hereinabove, to the registrar.

**Chapter 5. Specifications of some types of Rights Registration**

**Article 27. Registration of Rights And Transactions With Real Estate Located On An Unregistered Land Parcel.**

Registration of rights on immovable property, located on a land parcel, right on which is not registered, but is proven by the appropriate documents, should be executed in the same order,

as registration of the rights on immovable property, located on a registered land parcel. Thus, a conditional number is assigned to the land parcel, which wasn't registered before.

**Article 28. Registration of The Property Right On Apartments And Other Premises, Located in Buildings of Common Property.**

1. In residential houses, where the separate apartments belong on the property right to the citizens and legal persons, each apartment is considered as a separate unit of the immovable property, possessing own registration number. The different registration numbers of apartments exist within the framework of a uniform code of a land parcel on which there is the given residential house. A separate Registration data record is filed on each apartment.

2. In Legal Cadastre a list of the owners of apartments and other premises in a residential house with indication of a name of each proprietor and of an ID number of his/her apartment or premise should be given.

3. The change of a proprietor of an apartment is reflected in Legal Cadastre by addition of a name of the new proprietor to the list of the owners and exception of a name of the expropriator, of an apartment.

**Article 29. Registration of Easements.**

Registration of the document, establishing an easement should include description of the land parcel, limited by this easement and describe each of the land parcels, benefiting from such easement.

The plan of the land parcel containing allocation and jurisdiction of easement is attached to the document.

**Article 30. Registration of Rights, Prescribed By The Court.**

1. Right for immovable property, prescribed by the court is to be registered on basic principles. Registration body has no right to refuse to register rights, prescribed by court.

2. Any resolution of the court regarding rights for immovable property shall be registered since its adoption, in spite whether it's been affected or not.

Any disagreement or objection to such resolutions are to be registered.

**Article 31. Registration of Transfer of Rights For Immovable Property.**

Any changes in rights for immovable property caused by death of the right holder are to be registered upon a document in accordance with which the right for the real estate is to be transferred.

## **Chapter 6. Arguments. Responsibilities For Violation of The Registration Order.**

### **Article 32. The Order of Resolving Arguments.**

Arguments on registration of rights for immovable property and transactions, including arguments on land parcel's boundaries, shall be solved by court.

### **Article 33. Objections to Registered Rights For Immovable Property.**

1. A person who has objections to a registered right for immovable property is to submit to the registration body a special application containing description of his rights.
2. Within 10 days after the day of submitting the application an applicant should initiate a law suit and present a claim and present to the registration body and to the holder of rights for real estate a verification of the fact that the claim has been presented. In case these obligations are not followed, the registration body upon its own initiative or an application from an interested party cancellation/repeal of application.
3. In case court prescribes the right to the applicant, applicant should perform the court's prescription to the registration body which in its turn has to register right for real estate. Otherwise the registration body announce repeal of the application.

### **Article 34. Responsibilities For Violation of The Order of Registration And Provision of Registration Information.**

Losses of the applicant caused by unreasonable breaking of the order of registration and information provision are to be reimbursed by the registration body.

In case of violation of the fixed boundaries and border signs, of the registered land parcels, the person, who committed this violation, according to Civil and Criminal Codes of the Kyrgyz Republic, carries certain responsibilities. All the damages are to be paid by the violator.

## **Chapter 7. Initial Registration of Rights For Land and Immovable Property.**

**Article 35. Public Announcement**

The rayon registration body makes public announcement to citizens and juridical entities regarding initial registration of rights on land and immovable property and request to present documents certifying their right for real estate to the registration body.

**Article 36.**

1. A person who has objections to legal information on land parcels or real estate or rights for them should inform about this the registration body within 90 days after the date established by the registration body. The registration body will register the right if they present the appropriate documents.

**Article 37. Implementation of Legal Cadastre.**

1. A legal Cadastre is to be implemented based on the information certifying rights for real estate.

By the expiration of the term established by the Article 36 of the present law, the registration body implement legal Cadastre based on available information.

2. Amendments to the Legal Cadastre can be introduced upon a resolution of the court.

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**Additional Information**

The Government of the Kyrgyz Republic created the Interministerial Working Group on Property Registration on September 4, 1995 in order to draft the following law. Upon completion of the draft and subsequent review by the ministries and departments, Prime Minister Apas Jumagulov requested that the Law be considered by the Jogorku Kenesh.

The draft law provides for the creation of a single, unified system of the state registration of land and immovable property on an independent basis, which would serve as a defense and guarantee of the rights of the owners and users of land and immovable property, and would facilitate the development of market activities in land and immovable property.

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## Appendix 1. Housing Sector Statistics For the Kyrgyz Republic

### *Preface*

An important task of economic reforms in Kyrgyzstan is the transition of the housing sector to market principles. Due to the sector's enormous inefficiency, reform can result in *large budgetary savings and a better utilization of the existing housing stock.*

To provide a comprehensive picture of the housing sphere in Kyrgyzstan, The International City and County Management Association (ICMA) has gathered statistics from a variety of sources, including The Kyrgyz National Statistics Committee, The National Bank, local newspapers and information agencies, and summarized findings and results.

This survey testifies that the housing sector suffers from a deep crisis as the whole economy does. Figures presented here as housing indicators confirm this fact and show trends in the housing sector.

This Report of Housing Sector Statistics was originally compiled by thw ICMA economist Edil Duishenaliev in 1995. In 1996 the report was updated with the official 1995 statistics data from the National Committee on Statistics by ICMA staff members Janybek Omorov, Pavel Smirnov and Bakyt Amanov.

In September 1996, the Ministry of Architecture and Construction and ICMA received official comments regarding this Report from the National Committee on Statistics, which were included in the first edition of the National Housing Policy Legislation Package (as of August 1, 1996). With consideration of the aforementioned comments, the Ministry of Architecture and Construction officials Jenishbek SHakiraliev, Talantbek Ibraimov in cooperation with Vladimir Andriyash of ICMA have prepared the latest edition of the Housing Sector Statistics.

## Section 1. Housing Affordability

### 1.1. General Economic Indicators

<b>GDP per Capita (1992, US\$)</b>	2,820		
(Purchasing Power Parity based estimate by the World Bank)			
<b>GDP per Capita (1995, '000 000 som)</b>	3,456.4		
<hr/>			
<b>Change in GDP to previous year, %</b>			
<hr/>			
1992	1993	1994	1995
-13.9	-15.5	-20.1	-6.2
<hr/>			
<b>Share of Agriculture in GDP</b>	28%		
<b>Private Sector Share of GDP</b>	30%		
(mid-94 rough European Bank for Reconstruction and Development Estimate)			
<b>Central Government Spendings/GDP (1991)</b>	31%		
<b>Exports/GDP (1995)</b>	28%		
<b>Imports/GDP (1995)</b>	39%		
<b>Urban Population</b>	34.8%		
(as of 1 January, 1996)			
<b>Infant Mortality (per 1000 live births)</b>	27.5		
<b>Literacy of Adults</b>	97%		

## 1.2. Standard of Living

According to the National Committee on Statistics, in November of 1995, nominal wage was 438 soms (in November of 1994 it was 268 soms) and increased 5.5 percent over the previous month. But taking into account consumer prices on goods and services, its real value reduced by 2.8 percent during the month. (refer to the relevant table below.)

The inflation rate has reduced significantly over the last two years. The average *monthly index of inflation* in 1995 was 2.7 percent against 5.5 percent in 1994 and 25 percent in 1993.

The minimum consumer budget (the price of the consumer basket of 19 main foodstuffs) grew 1.5 times during 1994. **Prices on non-foodstuffs increased 1.7 times, especially with building materials, the price of which grew 3.9 times.** The remaining groups of goods became 1.3-1.9 times more expensive.

During 1995, the minimum consumer budget grew 1.4 times.

The economic condition is directly reflected in the social sphere and the population's level of well-being. Development in all branches of the economy is slow and controversial. The National Committee on Statistics data suggests the decline of the population's standard of living slowed down in 1995, during which real-money income shrunk by 15 percent against 20.4 percent the previous year, although total value of population's income remained unchanged in real terms\*.

The delay in payment of wages, pensions and allowances has become habitual and common. Due to this, a serious violation of the labor rights of workers is being carried out, as they do not receive money earned, pensions and allowances for several months on end; although these are the only sources of income and family support.

At present, the areas of wages, allowances and pensions make up hundred millions of soms and they continue to increase. Because it is not paid in a timely manner, the money depreciates with inflation and undermines the living standard of the population.

## 1.3. Housing Payments

Although in Kyrgyzstan, an estimated 85-90 percent of the housing stock (apartments and single-family homes) already is privatized, local governments remain responsible for providing housing management, maintenance and most utility services to the majority of the housing stock. But the fees collected from residents for these services in 1995 amounted to approximately 20 percent of the actual cost. The difference is mostly made up by indirect subsidies. Despite these big subsidies, many households cannot afford the current housing costs.

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\* The richest 20 percent of the population received 48 percent of the total income (52 percent in 1994), while the poorest 20 percent received 3.9 percent (4.7 in 1994).

Therefore, it is proposed (based on the experience of other CIS countries) to implement a targeted housing allowances program. By means of this program local governments can raise rent and utility fees over a three-four year period in order to cover the near-full cost of housing and utility services, while protecting low-income families.

The Kyrgyz capital city administration started the housing allowances program at the beginning of 1996. The Bishkek experience is to be spread throughout the country if it is a success. As it is shown in the table below, according the allowances program some of the housing payments in Bishkek were raised after having been unchanged for about one and a half years.

A housing allowance is a subsidy given to a low-income family to make up the difference between the cost of housing and what the family can afford to pay from its own income. An allowances program is designed to help families who need it most, while gradually decreasing subsidies to financially secure families.

**Standard of Living Indicators**  
(soms per capita)

	1994											
	January	February	March	April	May	June	July	August	September	October	November	December
Minimum consumer budget	264.76	296.34	322.22	335.04	344.01	369.47	362.68	349.91	367.01	372.28	385.15	412.38
Average wage	163.1	173.6	191	192.3	195.5	239.3	238	234.7	249.3	265.5	277.8	402.1
Consumer price index: <i>monthly average level</i>	112.8	116.9	107.4	104.9	103.5	103.5	102.8	101.7	100.2	105	103.2	103.6
	1995											
	January	February	March	April	May	June	July	August	September	October	November	December
Minimum consumer budget	286.6	316.2	320.8	330	345.6	353.3	334.6	324	328	334.4	342.8	395.1
Average wage	319.5	331.3	351.5	342.2	357.1	393.7	380.6	386	408.2	409.2	431.6	N/A
Consumer price index: <i>monthly average level</i>	107.1	106.8	101.6	100.8	101.6	100.7	100.4	90.7	102.5	101.1	102.6	N/A

103

**Housing Payments In Bishkek**  
( monthly fees in soms )

	1993		1994		1995		1996	
<b>1. Rent ( Housing Maintenance )</b> (for 1 sq. meter of living space)	Before Aug.9 0.01	From Aug.93 0.04	From Jun.94 0.12		0.12		From May 96 0.27	
<b>2. Utilities</b>	0.08		0.48		0.48		From Apr.96 0.96	
<i>Central heating</i> (for 1 sq. meter of total space)	6 soms for 1 GCal		30 soms for 1 GCal		30 soms for 1 GCal			
<i>Natural gas</i> (per occupant)	From Jan.93 0.61	From Aug.93 1.21	From Jul.94					
			apt. with hot water	apt. without hot water	apt. with hot water	apt. without hot water	apt. with hot water	apt. without hot water
			6.85	11.51	6.85	11.51	6.85	11.51
<i>Cold water and sewerage</i> (per person) According to the norm - 210 liters daily per person	From Aug.93 0.04		From Aug.94 1.49		1.49		From May 96 3.45	
<i>Hot water</i> (per person) According to the norm - 100 liters daily per person	From Jan.93 0.18	From Sep.93 0.97	From Aug. 94 3.2		3.2		From Apr.96 6.4	
<i>Electricity</i> ( fee for 1 kilowatt - hour )	From Jan.93 0.0175		From Jan.94 0.06		0.06		From Apr.96 0.09	
<i>Elevator</i> (per person)	From Jan.93 0.08	From Oct.93 0.84	From Jan.94 1.83	From Nov.94 3.9	3.9		3.9	
<i>Trash</i> (per person)			From Aug.94 1.35		1.35		1.35	
<i>Radio</i> (per point)			From Apr.94 0.5		0.5		0.5	
<i>Garage</i>			From Nov.94 30		30		30	

## Section 2. Housing Market

### 2.1. Cost of Housing

As of February of 1996\*, the price of one-room apartments in the center of Bishkek ranged from 4,200 to 5,700 U.S. dollars.

The price of two-room apartments was on average 50 percent higher than that of the one-room apartments. One should note that one room flats are in much higher demand, and the demand for two room apartments is well below the supply.

The peculiarity of the Bishkek real estate market is rather the wide range of cost of three room apartments, which make up half of the market. Their costs vary from 5,500 dollars ( for old flats in the suburbs ) to 30,000-36,000 dollars in prestigious buildings of individual design.

Four-room apartments are only 4 percent of the housing market, and their cost is rather stable. They do not much differ from those of three-room apartments and cost from \$10,000 to \$40,000.

The average price of the apartments appears to be higher than that of the "equilibrium market price".\*\*

As the real estate market develops, the market price range becomes quite narrow. As a result, grown commercial structures dealing with the purchase and sale of all kinds of accommodations have dramatically diminished.

The prevailing method of payment is in dollars. In recent times the most frequent purchases are by organizations, although the main contingent of buyers are private persons buying mainly from local residents.

\* Prices were estimated on the basis of phone survey conducted by ICMA and papers on real estate

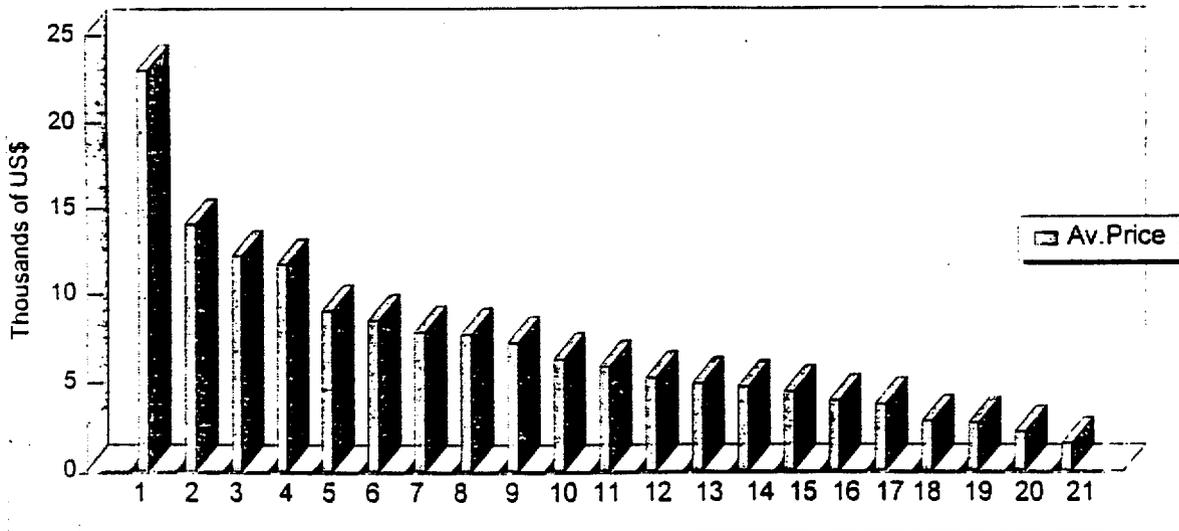
\*\* The sellers are mostly non-Kyrgyz, while, most buyers are Kyrgyz who come from villages and have less bargaining ability because of their lower, on average, education.

### Average Price by Type of Apartment

	Type	Units	Av.Price	Minimum	Maximum
1	2 floors	3	23,000	13,000	28,000
2	Individual	711	14,105	1,200	60,000
3	Improve	175	12,265	2,500	32,000
4	Stalin	44	11,773	3,500	27,000
5	Czech	80	9,070	2,500	19,000
6	Isolated	35	8,529	3,200	30,000
7	105	1,412	7,881	1,600	53,400
8	106	185	7,776	2,000	20,000
9	Brick	11	7,300	2,800	14,000
10	No type	68	6,363	1,500	25,000
11	Connect	802	5,940	2,300	68,000
12	104	278	5,302	2,000	16,000
13	Khrusch	129	4,982	1,500	15,000
14		25	4,800	2,100	10,000
15	107	4	4,500	3,000	7,500
16	Special	1	4,000	4,000	4,000
17	103	2	3,800	3,400	4,200
18	No utility	3	2,833	2,500	3,000
19	Barrack	29	2,728	1,700	5,000
20	Not spec	3	2,233	2,000	2,500
21	Hotel	4	1,575	1,000	2,000
AVERAGE Price:			8,491		

SOURCE: NEWSPAPER "AKI - PRESS", ICMA

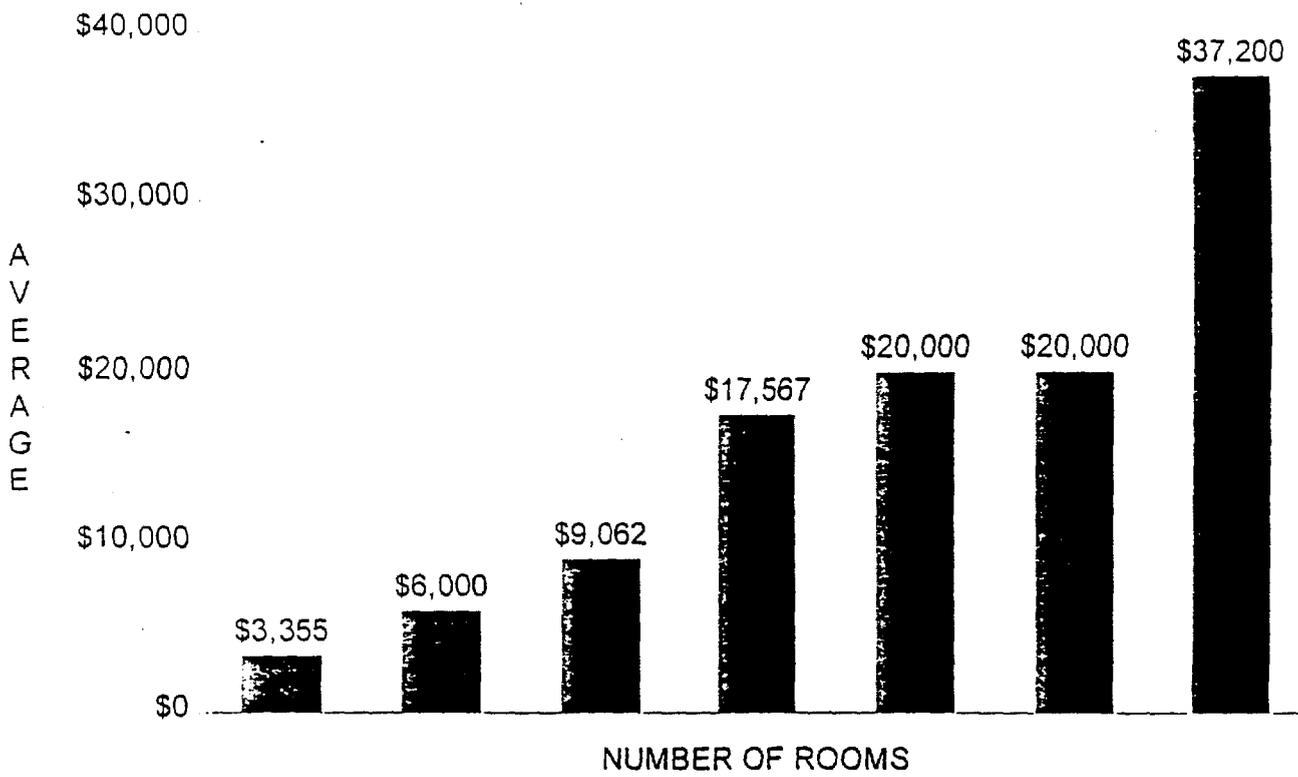
### Average Price by Type of Apartment



Average Price by Number of Rooms  
( July 1994-July 1995 )

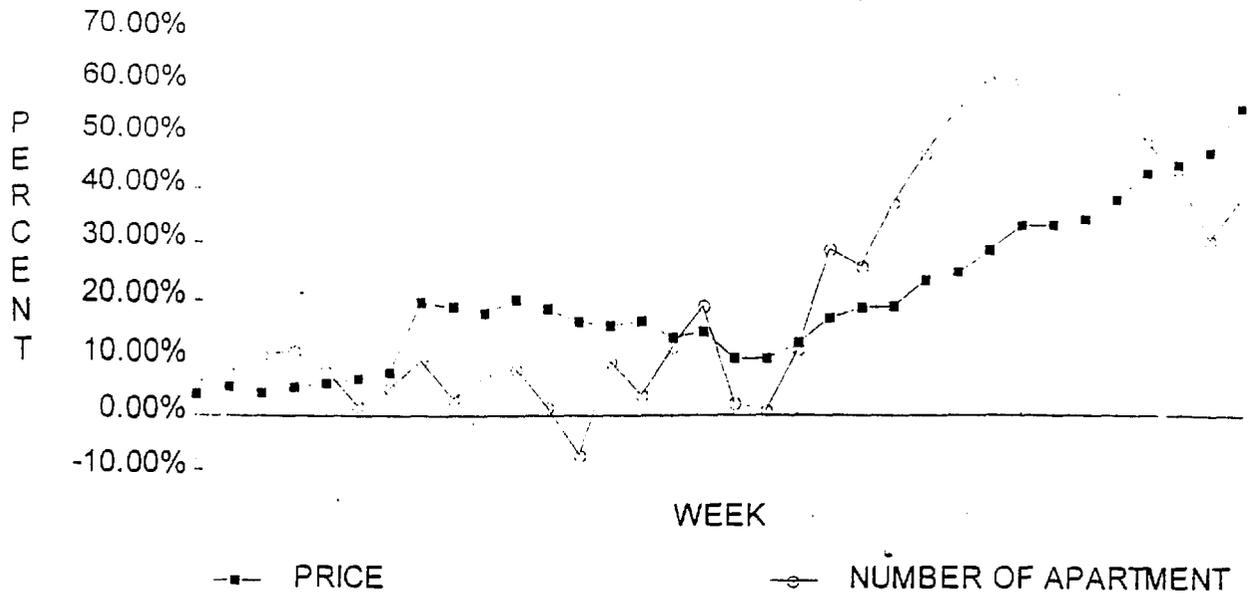
Rooms	Units sold	Price
1	302	3,355
2	1,352	6,000
3	1,973	9,062
4	320	17,567
5	63	20,000
6	1	20,000
8	5	37,200

SOURCE: NEWSPAPER "AKI - PRESS", ICMA



# PRICE AND UNIT CHANGES, PERCENT

BASE WEEK OF JULY 20, 1994



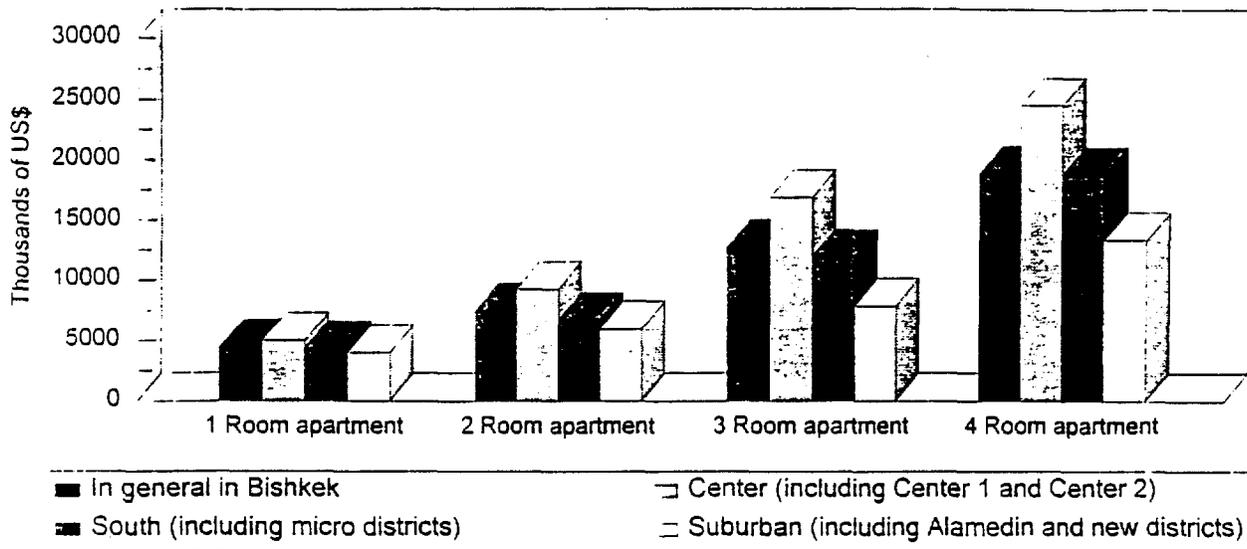
**Average Price of Supply by Area and Number of Rooms**  
( 2/26/96-3/7/96 )

US\$	1 Sq.m.of living space	1 Room apartment	2 Room apartment	3 Room apartment	4 Room apartment
<b>In general in Bishkek</b>	210	4,433	7,437	12,760	18,844
Center (including Center 1 and Center 2)	252	5,000	9,250	16,833	24,500
South (including micro districts)	205	4,300	6,650	11,875	18,700
Suburban (including Alamedin and new districts)	170	4,000	5,971	7,833	13,333

\* Usually real average prices of apartments are lower then average price of supply by 10-20%.  
Also, notice that the prices depend on individual features of apartments ( i.e. location area, flat type, floor etc. )

SOURCE: NEWSPAPER "AKI - PRESS", ICMA

**Average Price of Supply by Area and Number of Rooms**  
( 2/26/96-3/7/96 )



*The supply of apartments and houses still exceeds demand at a ratio of ten to one.* During the nearest upcoming months, another round of offerings is expected to be placed on the market. Sellers, however, are sure that the prices won't drop. .

The rise of prices in the Bishkek real estate market with subsequent decrease of demand can be explained by increasing inflation on one hand, and an abrupt rise of transport service costs and prices of houses in Russia on the other. Besides, these are emigrants who sell their houses and apartments, and obviously they want to receive as much money as possible for travel and the purchase of a more or less suitable dwelling, even if it is very modest.

During the peak of migration, when real estate was relatively cheap, some people tried to invest their disposable income in it, in hope of future dividends. They didn't manage to save their money from inflation. The matter is more complex concerning dividends. Of course the prices for dwellings have risen high, but selling them became an extremely difficult problem, and the hope for a quick sale is rather problematic.

*Real estate prices are the best indicator of the social and political stability of a region. The rise of prices in this sphere shows people's general confidence, as they are investing in a sector from which it is impossible to save one's wealth by relocation in case of trouble.*

**Income Distribution in 1994**  
(per capita per month, in soms)

Income (soms)	Thousand of people	Percentage Share
<b>Total</b>	<b>4,489.3</b>	<b>100.00</b>
Until 25.0	68.4	1.52
25.1-35.0	137.7	3.07
35.1-45.0	203.8	4.54
45.1-55.0	253.6	5.65
55.1-65.0	284.1	6.33
65.1-75.0	297.0	6.62
75.1-85.0	296.4	6.60
85.1-95.0	286.2	6.38
95.1-105.0	270.0	6.01
105.1-115.0	250.5	5.58
115.1-125.0	229.4	5.11
125.1-135.0	208.0	4.63
135.1-145.0	187.4	4.17
145.1-155.0	167.9	3.74
155.1-165.0	149.8	3.34
165.1-175.0	133.3	2.97
175.1-185.0	118.4	2.64
185.1-195.0	105.0	2.34
195.1-205.0	93.0	2.07
205.1-215.0	82.3	1.83
215.1-225.0	72.9	1.62
225.1-235.0	64.5	1.44
235.1-245.0	57.1	1.27
245.1-255.0	50.5	1.12
255.1-265.0	44.8	1.00
265.1-275.0	39.6	0.88
275.1-285.0	35.2	0.78
285.1-305.0	59.1	1.32
305.1-325.0	46.7	1.04
325.1-345.0	37.1	0.83
345.1-365.0	29.6	0.66
365.1-385.0	23.7	0.53
385.1-405.0	19.1	0.43
405.1-425.0	15.3	0.34
425.1-445.0	12.5	0.28
445.1-465.0	10.1	0.22
465.1 and more	49.3	1.10

## 2.2. Population Income

In income structure, equally with traditional wages and salary and incomes of collective farmers and cooperatives, there appeared incomes connected with private free entrepreneurship and with financing the securities market. Nineteen percent fell on these sources in 1994.

So-called transfers take an important place in the families' incomes - pensions and allowances. Their share, though it reduced, still remains high - 12 percent.

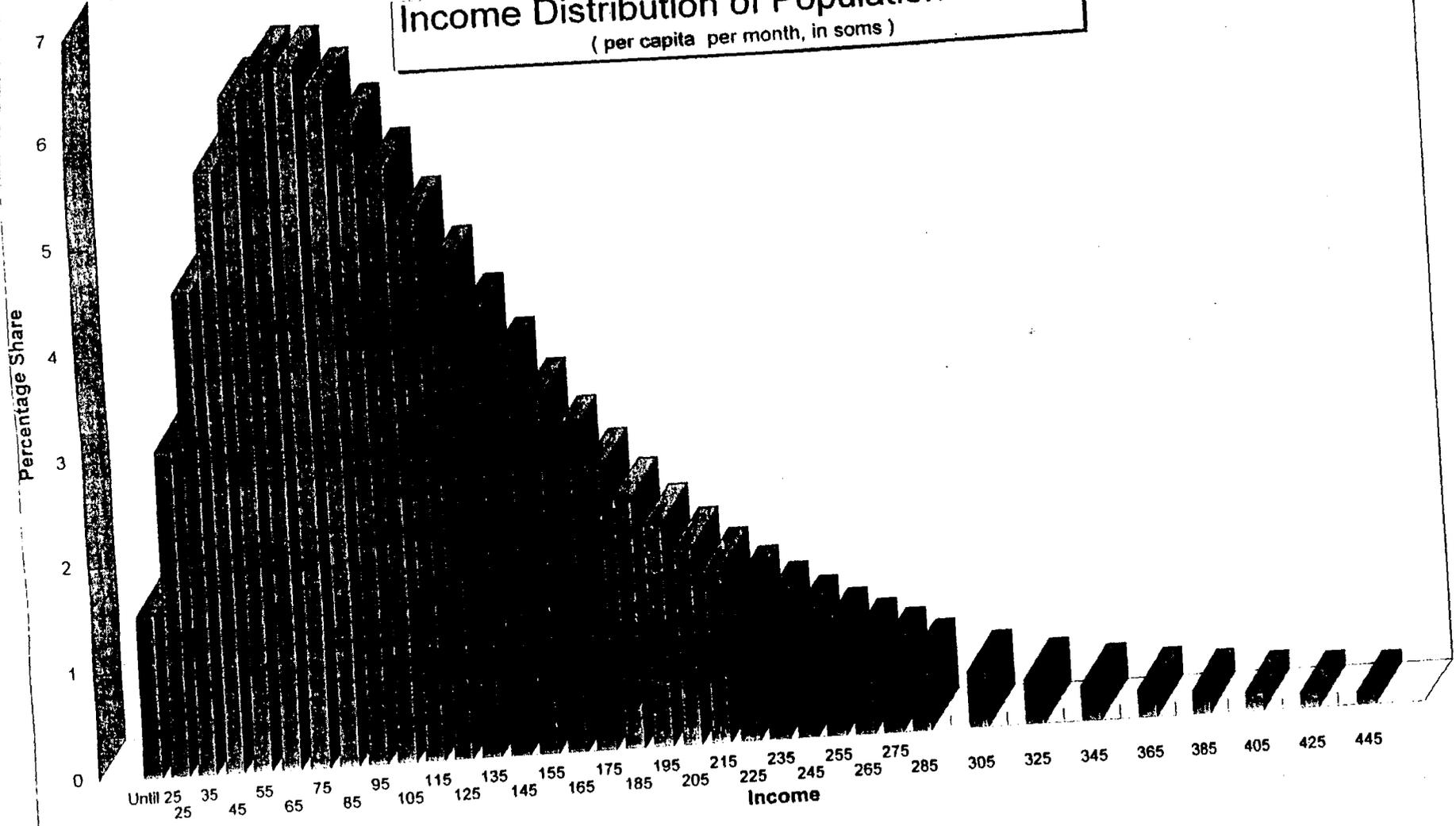
With the considerable drop of inflation in respect to last year, the population obtained a stimulus for saving. In 1994, the Kyrgyz Savings Bank and commercial banks received money from the population of deposits up to 101 million soms - 5.3 times more than in 1993. Most of these deposits ( 83.7 percent) are held in commercial banks. As for the whole year, savings increased by 0.6 percent.

Meanwhile, disposable income (i.e. incomes after paying taxes and other payments with correction to the index of consumer prices) decreased by 24 percent against 1993.

*Stratification of the society into rich and poor continues.* In June of 1994, incomes of the richest 10 percent exceeded incomes of the same share of poor more than 4 times, while in January of 1994 this ratio was 1.5 times.

# Income Distribution of Population in 1994

( per capita per month, in soms )



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In the structure of money expenditures, 80 percent is used for consumer purchases. Expenses on foodstuffs constitute about 60 percent, characteristic of the high poverty of the population. This showing depends much on housing expenses, medical treatment and education which increased 1.7 times during 1994.

### Housing Privatization: Urban and Rural

	Kyrgyzstan		Urban		Rural		Bishkek	
	1992	1993	1992	1993	1992	1993	1992	1993
<b>Total privatized ( units )</b>	46,532	80,777	37,353	65,980	9,179	14,797	14,374	29,349
<b>as % of the total number of apartments</b>	16.2	30.5	20.2	46.2	16.6	36.4	16.4	35.1
<b>Average total space of sold apartments (sq.meters)</b>	52.3	51	52.2	50.5	52.9	53	56.3	51.2
<b>Average price of 1 sq.m. of the total space of sold apartments (soms)</b>	0.76	1.1	0.7	1.1	0.8	1	0.7	0.8
<b>Average sales price of privatized apartments (soms)</b>	39.8	53.6	38.9	56.9	43.2	54.6	39.5	42
<b>Total value of privatized apartments (thousand soms)</b>	1850.1	4332.9	1453.2	3245.3	396.9	1087.6	568.1	1231.3
<b>Amount paid out of the total value (soms)</b>	1262.6	3226.5	990.5	2498.6	272.1	727.9	410.9	960.2

### Housing Privatization: 1990 - 1995

	1990	1991	1992	1993	1994	1995
<b>Total number of privatized apartments (thousands)</b>	4.7	16.3	46.5	80.8	35.1	24.6
<b>Their total space (mln.sq.m.)</b>	0.3	0.9	2.4	4.1	1.8	1.2
<b>Average space of one privatized apartment (sq.m.)</b>	53.6	53.3	52.3	51	49.2	49.8
<b>Total value of privatized apartments (mln.soms)</b>	0.1	0.5	1.9	4.3	2.6	14.1
<b>Average price of the privatized apartment (soms)</b>	31.3	29.7	39.8	53.6	73	574.1
<b>Average price of 1 sq.m. of the total space of the privatized apartment (soms)</b>	0.58	0.55	0.76	1.05	1.42	11.53

**Housing Stock**  
( '000 by the end of 1993)

	Republic		Bishkek	
	total space	living space	total space	living space
<b>Total housing stock</b>	57,030	41,153	9,207	5,868
Total space per person (sq.m.)	13	N/A	N/A	N/A
<b>including:</b>				
<b>Urban</b>	22,278	15,146	9,207	5,868
On average per person (sq.m.)	14	N/A	N/A	N/A
<b>Rural</b>	34,752	26,007		
On average per person (sq.m.)	12	N/A	N/A	N/A
<b>By developer:</b>				
<b>State</b>				
State administration	5,041	3,081	3,787	2,274
Self-financing enterprises of different ministries and departments	4,501	4,977	784	483
Budgetary organizations	1,282	817	354	189
<b>Social</b>	453	339	7	3
<b>Housing and construction cooperatives</b>	699	439	396	255
<b>Owned by individual citizens</b>	45,054	33,500	3,879	2,664

**Number of households on waiting list**  
( '000 families )

	Total number	Of which: who are on the waiting list of the state administration and enterprises	Number of households who improved their living conditions	
			( in thousand )	as % of those on the waiting list
<b>1990</b>				
Republic	85.5	71.2	9.3	10.5
of which:				
Bishkek	39.4	28.5	N/A	
<b>1991</b>				
Republic	84.7	70.8	8.7	10.2
of which:				
Bishkek	39.5	28.2	N/A	
<b>1992</b>				
Republic	80.8	66.7	6.6	7.8
of which:				
Bishkek	38.9	5.4	N/A	
<b>1993</b>				
Republic	79.1	66.1	6.5	8
of which:				
Bishkek	37.3	26	N/A	
<b>1994</b>				
Republic	58.4	78.4	2.9	3.7

Note: Only those households who have either living space from 5 to 7 sq.m. per person or nothing are included on the waiting list

## Section 3. Housing Finance

### 3.1. Loans

Terms of housing loans in savings bank of the Kyrgyz Republic

	1988	1989	1990	1991	1992	1993a	1994a
<b>Loans to individual borrowers</b>							
loan interest rate %	2	2	2	3	15	10	10
loan period, years	50	50	50	25	20	10	10
maximum share of a loan in housing cost %	75	75	75	75	75	70	70
maximum amount of loan, thousand roubles	20	20	20	20			10
Total amount, thousand roubles	71996.9	35227.6	105726.7	167912.2	85255.4	280.7	265
Total number	14915	9541	21124	19331	2677	97	12
Average amount of a loan, thousand roubles	4830	3690	5000	8687	23543	56.1	53.2
<b>Loans to housing and construction cooperatives</b>							
loan interest rate %	5	5	5	3	15	10	10
loan period, years	25	25	25	25	20	15	15
maximum share of a loan %	70	70	70	70	70	70	70
Total amount, thousand roubles						5718	6801.3
<b>Loans given to borrowers for construction of dachas and individual cottages, thousand roubles</b>							
	22612.1	4308.2	4365.9	1860.5	492	3.4	
Total number	7189	1030	789	355	28	20	
Average amount of a loan, thousand roubles	3150	4180	5533	5240	1757.4	1700	

a. In 1993 the Kyrgyz Republic introduced its own currency - the som, therefore data for 1993 and 1994 are represented in soms

Beginning from 1989 all long-term housing loans were lent through the Kyrgyz saving bank whose juridical status is not determined so far. At the present time some funds from the republican budget are allocated to two more commercial banks "Kyrgyzstan" and "Promstrobank".

b. The maximum share of the housing loan was determined by special resolutions of the Cabinet of Ministers.

The current situation is characterized as follows: so far housing crediting has a limited range, the mortgage. A relatively high and unstable inflation rate impose potential risk for commercial banks since banking liabilities are concentrated mainly on short-term accounts.

SOURCE: KYRGHYZ SAVING BANK "ELBANK"

Percentage of apartments and single-family house equipped with utility systems

	Kyrgyzstan Urban area	Bishkek
Internal plumbing	93	98
Sewerage	90	96
Central heating	84	96
Bathtubs (showers)	80	91
Natural gas	78	86
Hot water	62	93

Note: In rural areas, 50-70 % of apartments and single-family houses do not have any of these utility systems.

### 3.2. Savings

The Kyrgyz Savings Bank used to be (and for remote regions continues to be) the non-alternative place for depositing money by people. None of the existing banks can compare with the savings bank in terms of attracting people's money and receiving financial support from the republican budget, allocated for alleviating the consequences of disasters.

However, people trust this bank less now and prefer to deposit their money in commercial banks or other financial institutions. Therefore, the Board of Directors has to seek new ways of resolving this problem.

Interest rates on loans has dropped down to 60 percent annually. Two years ago it was 220-240 percent annually and accounted for by interest rates on deposits, which the savings bank had to keep at the high level due to the tough competition and for the purpose of attracting people's money (from 60 to 250 % annually depending on the deposit period).

If two years ago the loan period for commercial purposes was not more than three months, today it can be longer than one year.

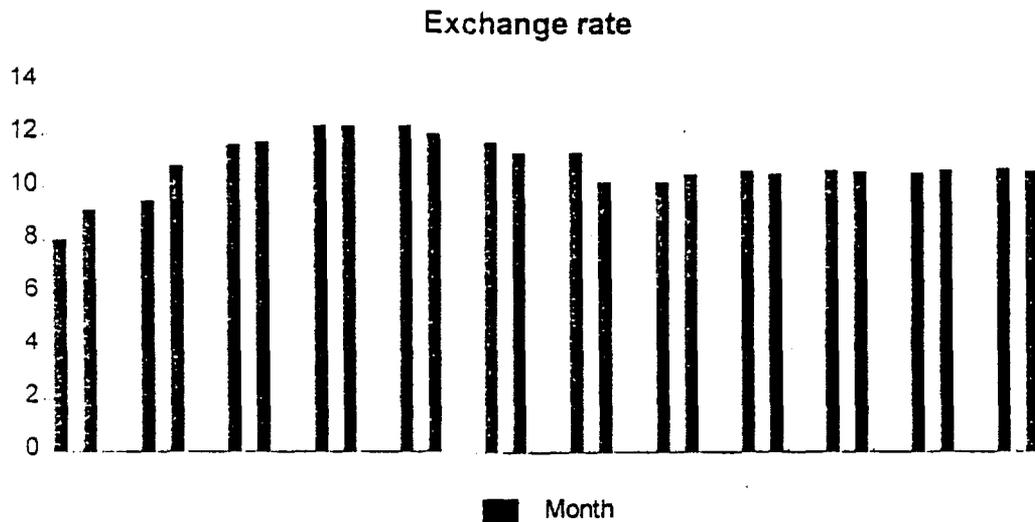
*Share of housing loan in overall volume of credit resources is increasing.*

Although the credit market barely agrees to serve the housing sector, this is typical for countries where low-income population is prevailing and market-based mechanisms are still weak.

### 3.3. Refinancing Rate and Exchange Rate

April	12.30	195.00
May	12.30	144.00
June	11.70	N/A
July	11.30	110.00
August	10.20	171.00
September	10.60	153.30
October	10.65	116.10
November	10.55	74.70
December	10.70	83.30
<b>1995**</b>		
January	10.80	116.60
February	10.80	113.30
March	10.90	100.80
April	10.90	76.60
May	10.96	86.80
June	10.60	68.90
July	10.53	62.80

- \* As of the end of each month
- \*\* As of the beginning of each month
- \*\*\* Currency auctions are conducted twice a week: each Tuesday and Friday
- \*\*\*\* Credit auctions are conducted once a week, each Wednesday



## Section 4. Housing Construction

### 4.1. Land use

The citizens and companies of the Kyrgyz Republic can be owners of the right to use the land and have the right to sell, change, transfer, lease and pledge this right. This right shall be given for the period of 99 years. At the end of this period the owner of the right has a right to extend the period of land use. Citizens, who have a right on land use, should use the land, especially it is for agricultural production.

Interference into economic activities of the owner of the land right by the bodies of the state power, is prohibited.

Land Use  
( as of Jan. 1, 1995 )  
(thousand hectares )

Land area within administrative borders of the republic	19,994.5
Land area in tenure and temporary use of agricultural farms	15,905.2
- Rural land	185.2
- Urban land	55.9
- Bishkek	12.7

### 4.2. Real Estate

Real estate is the most reliable place for saving funds. It is a sphere which does not only preserve money from inflation, but can also bring profits if clever and purposeful thought is applied to it. For example, the rent for a dwelling or premises occupied by an office may cover the cost of the purchase price in 3 years (two years ago it would take 5-7 years).

Property in Bishkek is steadily rising in price, though the demand remains extremely low and is decreasing. For instance, the average cost for building a one-room apartment in January of 1994 was 1,500 dollars. By summer it reached 2,000 dollars, and at the beginning of the fall, the cost jumped abruptly to 3,000 dollars. But now for such a price you can buy a one-room apartment only in a microdistrict or in the suburbs of Bishkek.

## Construction activity

The long-term housing shortage has been rapidly increasing due to a catastrophic drop in housing construction brought about by overall economic crisis, a sharp reduction in state subsidies, and the sudden reduction in purchasing power of the population. In 1994, new housing construction dropped 77 percent from what it was in 1989.

### Housing construction on all sources of financing: 1989 - 1995

	Houses introduced (thousands of sq. m.)							Number of apartments introduced ( thousands of sq. m.)						
	1989	1990	1991	1992	1993	1994	1995	1989	1990	1991	1992	1993	1994	1995
<b>Kyrgyzstan total</b>	1462	1560	1232	889	590	405	325	21.7	22.4	17.6	13.5	7.44	5	4.1
including:														
<b>1. State funds</b>	617	580	391	263	89	54	24	11	10.3	6.8	4.3	1.2	1	0.4
of which:														
communal property	N/A	N/A	N/A	N/A	8	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
enterprise funds	N/A	234	185	204	56	17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>2. Private funds:</b>	790	919	774	567	458	328	280	10	11.6	9.7	8.2	5.1	3.7	3.3
of which:														
private enterprises	N/A	N/A	N/A	N/A	N/A	N/A	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
housing and														
constr. cooperatives	78	65	74	21	20	8	6	1.2	1.1	1.3	0.4	0.3	0.2	0.1
individual construct.	712	854	700	546	438	320	289	8.8	10.5	8.4	7.8	4.8	3.5	3.2
<b>3. Collective funds</b>	55	61	67	59	35	23	21	0.7	0.5	1.9	1	0.6	0.3	0.4
of which:														
leased enterprises	0	11	30	24	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
joint-stock	0	0	0	0	6	N/A	5	N/A	N/A	N/A	N/A	N/A	N/A	0.1
collective farms	55	38	29	12	2	0.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
joint-stock coms.	N/A	N/A	N/A	14	20	22	16	N/A	N/A	0.06	0.2	0.4	0.3	0.3
social	0	12	8	9	2	0		N/A	0.15	0.05	0.04	N/A	N/A	N/A

124

New housing

Year	Total space introduced ( per 1000 people, sq.m. )	Number of apartments introduced ( per 1000 people, units )
1990	357.6	5.1
1991	278.7	4
1992	199.3	3
1993	132.6	1.7
1994	91.2	1.1

125

Prices for selected building materials  
 ( market - derived prices, 1994 )

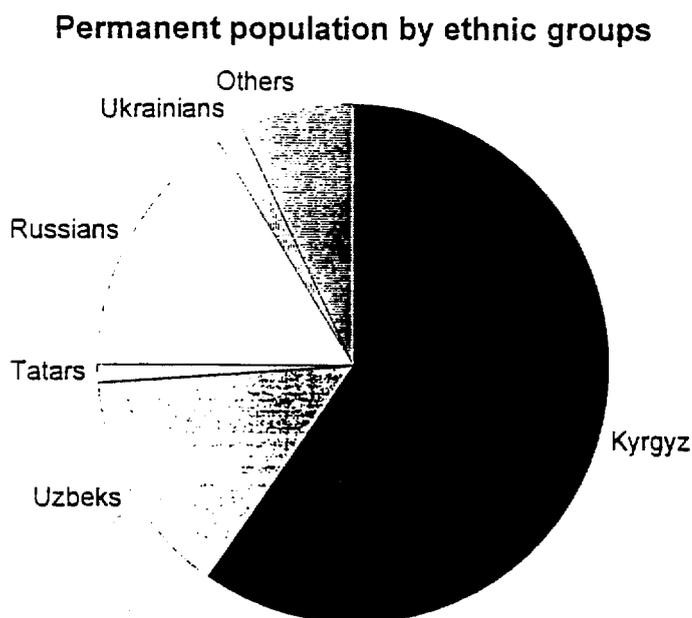
#	Item	Unit	Price, \$
1	Lumber field slabs (3.5 x 1.75), plate	Sq.m.	25
2	Door frame (2.1x0.9)	Unit	30
3	Linoleum, imported	Sq.m.	6~6.5
4	Tile (Russia)	Sq.m.	6~7
5	Tile (imported)	Sq.m.	10~12
6	Paint, "wateremulsion"	Can (5kg)	7~8
7	Wall paper (Germany)	Roll	5~6
8	Slate	Plate	1.2~1.3
9	White enameled paint	Kg	3~3.2
10	Floor enameled paint	Kg	2.6~2.8
11	Cut lumber (40 mm)	Unit	150
12	Nails	Kg	0.5
13	Cement	Ton	44
14	Brick (fired)	1000 Units	90
15	Steel pipe (d. 15 - 57 )	Ton	195

## Section 5. Demographic Data

At the end of 1995, Kyrgyzstan had an available population at the working age of 2,279,000: 882,000 are urban and 1,397,000 are rural residents.

The population average density is 23 persons per square kilometer.

The majority of the population are Kyrgyz (60.3%). Among all other nationalities the predominant are Russians (15.7%) and Uzbeks (14.2%). The smaller percentage constitute Tatars, Kazak, Germans, Ukrainians and other national groups. The following pie-chart shows the distribution of the population by ethnic groups as of 1995 in detail.



Population increase in Kyrgyzstan is traditionally high. In 1995, it went up because of two reasons: decline of the death rate and decline of emigration. The latest data for 1995 reveals that there are 26 persons born per 1000 people. Mortality rate is 8 persons per 1000 people. So the net gain is 18 persons per 1000 people against 16 in 1994. *This creates bigger housing problems.*

The average life expectancy is 70.4 years for females and 61.4 years for males, and seems to be declining. The divorce rate is traditionally low - 1.3 cases per 1000 people.

During the last two years, the migration activity of the population of the Kyrgyz Republic decreased; the number of persons leaving the republic significantly lessened.

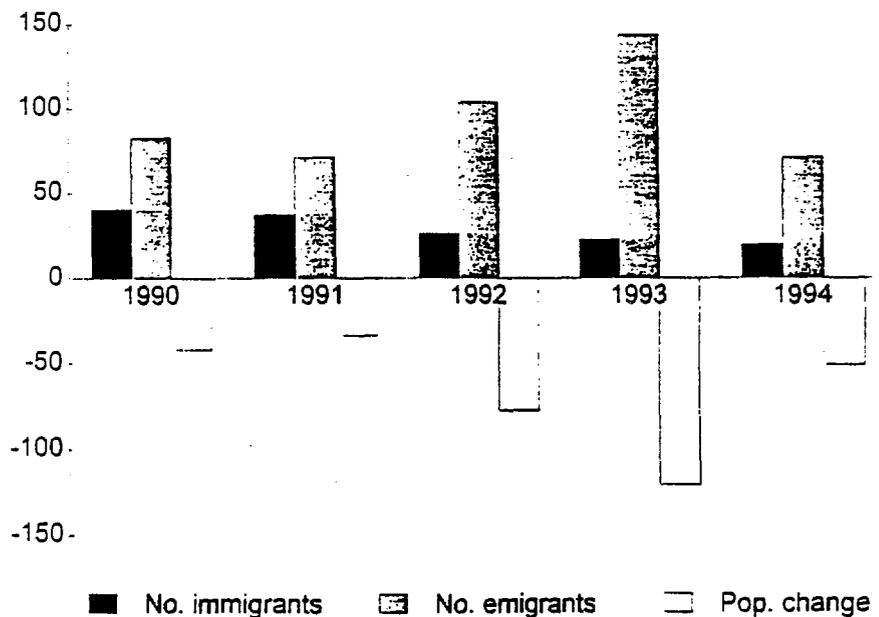
A net decrease of the population was 19,000 as a result of emigration, as compared with 51,000 people in 1994 and 121,000 in 1993.

The number of people leaving for CIS countries decreased, as did the number of emigrants to the far abroad. As usual, the majority of them left for permanent residence in Germany, that constitutes more than 90 percent of those in this category.

There was a positive balance of migration with the Caucasus republics and Tajikistan, that is, the number arriving from these countries was greater than the number leaving for them.

In 1994, the migration situation with Kazakstan changed. The number of immigrants increased slightly, and the number of emigrants decreased significantly.

### Migration in the Kyrgyz Republic



(thousand)	1990	1991	1992	1993
Number of immigrants	40.9	37.6	26.3	23
Number of emigrants	82.9	71.3	103.7	143.6
Population change due to migration	-42	-33.7	-77.4	-120.6

In general, the migratory exchange of population takes place on the largest scale with Russia, with more than 60 percent of the total figure. In 1994, 11,000 arrived from Russia and 49,000 people left for Russia.

The main reason for migration was departure to one's motherland. More than 80 percent of Russians and Tatars left for Russia. The same percentage of Uzbeks left for Uzbekistan, and Kazaks for Kazakstan. The number of Kyrgyz departing from the republic decreased.

Another reason for migration was *unemployment*.

As of January 1, 1995, about 13,000 people were officially registered as unemployed and about **170,000 were potentially unemployed** (workers who had applied to the unemployed service, but were also independently seeking work). Forty-four percent of the adult population departing from the republic were unemployed.

However, the main reason for emigration was departure to a new permanent place of residence. Eighty percent of emigrants fall into this category.

Inside the republic, relocation of the population from oblasts to the Chui valley continued.

The population of the capital increased at the account of 2,600 persons from the Naryn oblast, 1,200 persons from the Issyk-Kul oblast, 1,000 from the Jalal-Abad oblast, 800 from the Osh oblast, and 300 persons from the Talas oblast.

In the republic, the process of urbanization is slowing down. Although urban residents leaving the republic were partially replaced by rural dwellers, the total percentage of urban dwellers as part of the total population reduced from 38 percent in 1989 to 35 percent in 1995.

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Average size of household  
( according to the census 1989 )

( persons )	Total population	including	
		Urban	Rural
Kyrgyzstan	4.7	3.9	5.2
Jalal-Abad oblast	5.3	4.4	5.8
Issyk-Kul oblast	4.5	4	4.8
Naryn oblast	5.4	5.1	5.5
Osh oblast	5.5	4.6	5.9
Talas oblast	5.1	4	5.3
Chui oblast	4	3.6	4.1
Bishkek Soviet of Local Deputies	3.6	3.6	4.3

13

Total available population

	1990			1991			1992			1993			1994		
	Population (thousand)	including		Population (thousand)	including		Population (thousand)	including		Population (thousand)	including		Population (thousand)	including	
		Urban	Rural												
Kyrgyzstan Total	4367.2	1663.8	2703.4	4422.2	1684.3	2737.9	4484.5	1697.4	2787.1	4502	1678.7	2823.3	4462.6	1588.4	2874.2
Jalal-Abad oblast	766.6	228.2	538.4	782.2	230.9	551.3	800.2	234	566.2	812.8	232.3	580.5	817	224	590
Issyk-Kul oblast	418.1	135	283.1	426.4	139	287.4	428.8	140.2	288.6	429.3	139	290.3	424.7	135	189.7
Naryn oblast	257.9	52.8	205.1	259.9	54.5	205.4	263	55.1	208.1	267.9	56	211.9	270.2	56.2	21
Osh oblast	1295	359.6	935.4	1322.5	363.3	959.2	1353.8	367.7	986.1	1380.9	368.5	1012.4	1394	357.4	1036.6
Talas oblast	197.4	32.3	165.1	198.6	32.8	165.8	21.8	32.7	169.1	203	32.5	170.5	203.1	31.5	171.6
Chui oblast	797.6	224.7	572.9	791.2	226	565.2	790.6	225.1	565.5	774	219.6	554.4	746.7	180.5	566.2
Kenesh of the city of Bishkek	634.6	631.2	3.4	641.4	637.8	3.6	646.1	642.6	3.5	634.1	630.8	3.3	606.9	603.8	3.1

## Emigration and immigration

	1990			1991			1992			1993			1994		
	Arrived	Left	Balance	Arrived	Left	Balance	Arrived	Left	Balance	Arrived	Left	Balance	Arrived	Left	Balance
<b>Total</b>	40,939	82,852	(41,913)	37,558	71,315	(33,757)	26,275	103,728	(77,453)	23,015	143,619	(120,604)	20,104	71,197	(51,093)
<b>Including</b>															
<b>CIS republics</b>	40,048	65,362	(25,314)	36,932	56,212	(19,280)	25,894	90,428	(64,534)	22,730	1,132,168	(1,109,438)	19,928	61,074	(41,146)
<b>Azerbaijan</b>	390	3,123	(2,733)	718	544	174	383	228	155	227	166	61	175	52	123
<b>Armenia</b>	52	48	4	52	31	21	24	22	2	42	28	14	22	10	12
<b>Belarus</b>	365	425	(60)	225	401	(176)	168	1,076	(908)	121	1,219	(1,098)	107	328	(221)
<b>Georgia</b>	76	73	3	101	75	26	56	48	8	60	19	41	28	24	4
<b>Kazakhstan</b>	9,672	8,607	1,065	78,875	7,875	71,000	5,480	8,485	(3,005)	4,150	9,916	(5,766)	4,205	3,923	282
<b>Moldova</b>	67	63	4	54	60	(6)	28	58	(30)	33	53	(20)	10	30	(20)
<b>Russia</b>	18,544	38,770	(20,226)	17,818	33,674	(15,856)	13,237	65,385	(52,148)	11,076	106,456	(95,380)	10,890	4,959	5,931
<b>Tajikistan</b>	1,173	952	221	963	864	99	869	644	225	3,354	567	2,787	1,759	394	1,365
<b>Turkmenistan</b>	188	188	0	212	166	46	122	154	(32)	78	296	(218)	44	104	(60)
<b>Uzbekistan</b>	8,009	10,129	(2,120)	7,555	9,750	(2,195)	4,598	10,446	(5,848)	2,976	10,220	(7,244)	2,251	5,444	(3,193)
<b>Ukraine</b>	1,512	2,984	(1,472)	1,359	1,172	(1,413)	929	3,882	(2,953)	613	3,158	(2,545)	437	1,310	(873)
<b>Latvia</b>	84	65	19	82	71	11	78	38	40	56	24	32	26	10	16
<b>Lithuania</b>	50	22	28	36	35	1	29	31	(2)	22	16	6	12	14	(2)
<b>Estonia</b>	29	24	5	16	6	10	23	5	18	19	5	14	5	5	0
<b>Overseas</b>	728	17,379	(16,651)	492	14,991	(14,499)	251	13,226	(12,975)	188	11,406	(11,218)	133	10,094	(9,961)

Note : Parentheses stand for a negative sign

132

23

**Permanent population by ethnic groups**  
( thousand and percent shares )

	1989		1990		1991		1992		1993		1994	
	Kyrgyzstan	Bishkek										
All ethnic groups	4,257,755 00	619,903 00	4,334,524 00	628,695 00	4,389,524 00	635,472 00	4,452,824 00	640,156 00	4,469,326 00	628,156 00	4,429,905 00	600,956 00
in % terms	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
including												
Kyrgyz	2,229,663 00	141,841 00	2,298,458 00	150,978 00	2,371,606 00	161,862 00	2,450,440 00	172,269 00	2,526,361 00	178,742 00	2,595,676 00	183,767 00
%	52 40	22 90	53 00	24 00	54 00	25 50	55 00	26 90	56 50	28 40	58 60	30 60
Russians	916,558 00	345,387 00	917,746 00	345,938 00	905,392 00	344,725 00	888,746 00	341,497 00	840,506 00	327,799 00	756,278 00	302,428 00
%	21 50	55 70	21 20	55 00	20 60	54 20	20 00	53 30	18 80	52 20	17 10	50 30
Ukrainians	108,027 00	34,321 00	107,171 00	34,216 00	104,375 00	33,750 00	101,086 00	33,081 00	93,261 00	31,375 00	81,230 00	28,538 00
%	2 50	5 50	2 50	5 40	2 40	5 30	2 30	5 20	2 10	5 00	1 80	4 70
Belarus	9,187 00	10,390 00	9,111 00	10,504 00	8,948 00	10,756 00	8,762 00	10,751 00	8,151 00	10,700 00	7,302 00	10,683 00
%	0 20	1 70	0 20	1 70	0 20	1 70	0 20	1 70	0 20	1 70	0 20	1 80
Uzbeks	550,096 00	8,943 00	566,078 00	9,263 00	580,318 00	9,322 00	59,301 00	9,605 00	604,241 00	9,621 00	613,554 00	9,567 00
%	12 90	1 40	13 00	1 50	13 20	1 50	13 30	1 50	13 50	1 50	13 80	1 60
Kazaks	37,318 00	16,984 00	38,566 00	17,005 00	39,530 00	17,106 00	40,900 00	17,049 00	41,364 00	16,742 00	41,214 00	15,898 00
%	0 90	2 70	0 90	2 70	0 90	2 70	0 90	2 70	0 90	2 70	0 90	2 60
Georgians	1,143 00	13,619 00	1,152 00	12,040 00	1,120 00	9,664 00	1,114 00	7,948 00	1,088 00	6,363 00	1,074 00	4,628 00
%	0 03	2 20	0 03	1 90	0 03	1 50	0 03	1 20	0 02	1 00	0 02	0 80
Azerbaijans	15,775 00	4,119 00	16,358 00	4,112 00	15,378 00	1,074 00	16,059 00	4,030 00	16,855 00	3,863 00	17,402 00	3,625 00
%	0 40	0 70	0 40	0 60	0 30	0 60	0 40	0 60	0 40	0 60	0 40	0 60
Lithuanians	493 00	2,166 00	452 00	2,226 00	420 00	2,447 00	411 00	2,518 00	375 00	2,561 00	339 00	2,570 00
%	0 01	0 30	0 01	0 40	0 01	0 40	0 01	0 40	0 01	0 40	0 01	0 40
Moldovans	1,875 00	1,218 00	1,869 00	1,223 00	1,864 00	1,235 00	1,859 00	1,220 00	1,826 00	1,195 00	1,737 00	1,172 00
%	0 04	0 20	0 04	0 20	0 04	0 20	0 04	0 20	0 04	0 20	0 04	0 20
Latvians	392 00	709 00	341 00	699 00	323 00	710 00	321 00	675 00	279 00	603 00	219 00	559 00
%	0 01	0 11	0 01	0 11	0 01	0 11	0 01	0 11	0 01	0 11	0 01	0 10
Tajics	33,518 00	363 00	34,102 00	364 00	34,692 00	362 00	35,215 00	361 00	35,534 00	351 00	36,181 00	346 00
%	0 80	0 10	0 80	0 10	0 80	0 10	0 80	0 06	0 80	0 06	0 80	0 06
Armenians	3,975 00	204 00	3,952 00	185 00	3,901 00	182 00	3,834 00	181 00	3,803 00	161 00	3,684 00	146 00
%	0 10	0 03	0 10	0 03	0 10	0 03	0 10	0 03	0 10	0 03	0 10	0 03
Turkmens	899 00	568 00	867 00	572 00	814 00	581 00	810 00	573 00	785 00	563 00	753 00	535 00
%	0 02	0 10	0 02	0 10	0 02	0 10	0 02	0 10	0 02	0 10	0 02	0 10
Estonians	430 00	177 00	399 00	168 00	380 00	167 00	366 00	162 00	366 00	139 00	336 00	99 00
%	0 01	0 03	0 01	0 03	0 01	0 03	0 01	0 03	0 01	0 03	0 01	0 02
Tatars	70,068 00	369 00	69,953 00	359 00	72,279 00	338 00	71,517 00	322 00	68,230 00	304 00	59,284 00	288 00
%	1 60	0 10	1 60	0 06	1 70	0 06	1 60	0 05	1 50	0 05	1 30	0 05
Jews	5,604 00	148 00	5,077 00	136 00	4,228 00	132 00	3,560 00	127 00	3,028 00	127 00	2,363 00	120 00
%	0 10	0 02	0 10	0 02	0 10	0 02	0 10	0 02	0 10	0 02	0 10	0 02
Germans	101,309 00	4,822 00	86,897 00	4,467 00	70,025 00	3,469 00	56,358 00	2,902 00	44,421 00	2,449 00	33,738 00	1,882 00
%	2 40	0 80	2 00	0 70	1 60	0 50	1 30	0 45	1 00	0 40	0 80	0 32
Other nationalities	171,425 00	33,555 00	175,975 00	34,240 00	173,931 00	34,590 00	17,165 00	34,885 00	178,852 00	34,498 00	177,541 00	34,105 00
%	4 08	5 50	4 08	5 45	3 98	5 45	3 88	5 45	3 99	5 50	4 00	5 70

\* Population data are collected for 1989 according to the census conducted on January 1 and estimates as of January 1 are given for the other years

**Total permanent population of Kyrgyzstan  
by age groups and sex  
( At the beginning of each year, thousand people )**

	1990			1991			1992			1993			1994		
	total	including		total	including		total	including		total	including		total	including	
		men	women												
<b>Total population</b>	<b>4,334.5</b>	<b>2,117.9</b>	<b>2,216.6</b>	<b>4,389.5</b>	<b>2,148.7</b>	<b>2,240.8</b>	<b>4,451.8</b>	<b>2,183.1</b>	<b>2,268.7</b>	<b>4,469.3</b>	<b>2,197.3</b>	<b>2,272.0</b>	<b>4,429.9</b>	<b>2,184.6</b>	<b>2,245.3</b>
<b>By age groups (years old)</b>															
0-4	624.5	316.1	308.4	624.6	317.5	307.1	624.3	318.1	306.2	618.0	316.0	302.0	599.1	306.6	292.5
5-9	535.7	270.5	265.2	554.4	279.6	274.8	572.7	288.8	283.9	583.1	294.1	289.0	588.7	297.7	291.0
10-14	466.5	234.9	231.6	471.8	237.9	233.9	476.6	240.5	236.1	485.7	245.5	240.2	492.8	249.5	243.3
15-19	422.0	213.0	209.0	431.1	216.0	215.1	437.1	218.7	218.4	432.5	218.0	214.5	432.1	218.1	214.0
20-24	363.0	184.0	179.0	364.6	187.6	177.0	374.4	194.0	180.4	383.7	197.4	186.3	381.3	195.2	186.1
25-29	378.3	187.2	191.1	368.4	181.8	186.6	358.9	177.4	181.5	346.7	173.0	173.7	337.1	170.1	167.0
30-34	327.6	162.4	165.2	341.2	169.0	172.2	351.0	174.1	176.9	353.6	175.1	178.5	344.8	170.7	174.1
35-39	254.9	126.0	128.9	262.3	129.5	132.8	272.7	134.5	138.2	277.3	137.3	140.0	282.7	139.6	143.1
40-44	162.1	79.5	82.6	188.7	92.3	96.4	205.1	100.4	104.7	212.4	103.6	108.8	216.5	105.7	110.8
45-49	122.9	61.4	61.5	101.0	50.6	50.4	96.3	48.0	48.3	102.3	50.4	51.9	116.7	56.6	60.1
50-54	175.7	84.2	91.5	178.0	85.0	93.0	169.9	81.6	88.3	157.3	76.2	81.1	129.6	63.9	65.7
55-59	142.1	66.1	76.0	138.3	64.7	73.6	143.4	67.4	76.0	140.8	66.9	73.9	143.0	68.3	74.7
60-64	141.9	62.0	79.9	145.6	64.9	80.7	141.4	62.8	78.6	140.5	62.5	78.0	127.7	57.3	70.4
65-69	82.2	29.4	52.8	87.1	32.1	55.0	96.1	36.7	59.4	102.8	41.2	61.6	108.0	45.3	62.7
70-74	48.2	15.3	32.9	49.1	15.6	33.5	50.3	16.3	34.0	54.5	17.7	36.8	56.0	18.8	37.2
75-79	43.7	13.5	30.2	40.6	12.4	28.2	38.7	11.7	27.0	34.9	10.4	24.5	33.0	9.7	23.3
80 and older	43.2	12.4	30.8	42.7	12.2	30.5	42.9	12.1	30.8	43.2	12.0	31.2	40.8	11.5	29.3
<b>Out of population:</b>															
-under working age	1,714.2	865.7	848.5	1,739.8	879.8	860.0	1,767.1	894.3	872.8	1,776.8	900.8	876.0	1,770.9	899.2	871.7
-in working age	2,185.1	1,119.6	1,065.5	2,211.1	1,131.7	1,079.4	2,239.4	1,149.2	1,090.2	2,242.7	1,152.8	1,089.9	2,218.8	1,142.8	1,076.0
-over working age	435.2	132.6	302.6	438.6	137.2	301.4	445.3	139.6	305.7	449.8	143.7	306.1	440.2	142.6	297.6

13

**Total permanent population of Bishkek City Kenesh**  
**by age groups and sex**  
 ( At the beginning of each year, thousand people )

	1990			1991			1992			1993			1994		
	total	including		total	including		total	including		total	including		total	including	
		men	women												
Total population	628.7	290.5	338.2	635.5	294	341.5	640.2	296.5	343.7	628.2	291.9	336.3	601	279.8	321.2
By age groups (years old)															
0	10.9	5.6	5.3	10.4	5.4	5	10.7	5.5	5.2	9.9	5.2	4.7	7.7	4	3.7
1	12	6.2	5.8	10.7	5.5	5.2	10.3	5.3	5	10.4	5.3	5.1	9.6	5	4.6
2	11.6	5.8	5.8	11.8	6.1	5.7	10.7	5.5	5.2	10.1	5.2	4.9	10	5.1	4.9
3	11.2	5.7	5.5	11.5	5.8	5.7	11.8	6.1	5.7	10.5	5.4	5.1	9.7	5	4.7
4	10.8	5.4	5.4	11.2	5.7	5.5	11.5	5.8	5.7	11.5	5.9	5.6	10	5.1	4.9
5-9	50.7	25.8	24.9	51.7	26.3	25.4	52.7	26.9	25.8	52.8	27	25.8	52.2	26.7	25.5
10-14	44.7	22.4	22.3	45	22.6	22.4	45.5	22.8	22.7	45.4	22.9	22.5	44.7	22.8	21.9
15-19	60.2	27.3	32.9	58.9	26.4	32.5	56.7	25.3	31.4	51.7	23.6	28.1	47.9	22.3	25.6
20-24	64.8	31.9	32.9	68.8	33.8	35	72.4	35.3	37.1	72.4	34.5	37.9	69.8	32.3	37.5
25-29	57.2	27.4	29.8	56.4	27.4	29	55.5	27.4	28.1	54.2	27.3	26.9	53.4	27.5	25.9
30-34	53.1	24.7	28.4	54.2	25.3	28.9	55.2	25.7	29.5	54.3	25.5	28.8	51.5	24.2	27.3
35-39	47.8	22.6	25.2	48	22.6	25.4	48	22.6	25.4	47.1	22	25.1	45.7	21.2	24.5
40-44	37.7	17.6	20.1	42.6	19.7	22.9	44.3	20.5	23.8	43.4	20.2	23.2	41.4	19.1	22.3
45-49	24.4	11.4	13	20.8	9.9	10.9	20.8	9.9	10.9	23.8	11.1	12.7	27.1	12.5	14.6
50-54	35.1	16	19.1	36	16.4	19.6	35.1	16	19.1	30.9	14.1	16.8	24.6	11.1	13.5
55-59	23.3	10.2	13.1	23.4	10.3	13.1	24.4	10.8	13.6	26.1	11.6	14.5	26.7	12.1	14.6
60-64	27.6	10.8	16.8	27.1	10.7	16.4	25.8	10.3	15.5	23.9	9.6	14.3	20.8	8.5	12.3
65-69	16.9	5.6	11.3	18.3	6.1	12.2	20	6.8	13.2	21.3	7.5	13.8	20.7	7.4	13.3
70-74	11	3.4	7.6	10.9	3.4	7.5	11.2	3.5	7.7	11.5	3.6	7.9	11.7	3.7	8
75-79	10	2.9	7.1	9.9	2.8	7.1	9.4	2.6	6.8	8.5	2.4	6.1	7.7	2.1	5.6
80 and older	7.7	1.8	5.9	7.9	1.8	6.1	8.2	1.9	6.3	8.5	2	6.5	8.1	2.1	6
Out of population:															
-under working age	160.7	81.3	79.4	161.1	81.6	79.5	161.9	82.2	79.7	159.1	81.2	77.9	152.2	77.9	74.3
-in working age	381.8	184.8	197	387.2	187.5	199.7	390.2	189.1	201.1	381	185.7	195.3	365.2	178.1	187.1
-over working age	86.2	24.4	61.8	87.2	24.5	62.3	88.1	25.2	62.9	88.1	25	63.1	83.6	23.8	59.8

Republican Government Communal  
Services Budget for 1994 ( except Bishkek )  
( thousands soms )

EXPENSES	PLAN	ACTUALLY FINANCED	% OF PER- FORMING
1. Acquisition of fuel oil, coal and gas to boiler- houses for serving communities	45,081.0	44,561.6	98.8
2. Capital repairs of boiler-houses	3,644.7	2,550.0	70.0
<b>Subtotal on communal boiler-houses</b>	<b>48,725.7</b>	<b>47,111.6</b>	<b>96.7</b>
3. Operational expenses	1,189.0	1,008.8	84.8
including:			
<i>keeping republican special kombinat for disinfecting and disactivation of radioactive materials</i>	1,175.0	993.3	84.5
<i>administrative and management personnel expenses of the Republican Union of Housing and Communal Services</i>	14.0	15.5	110.7
<b>Subtotal</b>	<b>49,914.7</b>	<b>48,120.4</b>	<b>96.4</b>
4. Capital investment	1,129.0	425.0	2.6
<b>Total</b>	<b>51,043.7</b>	<b>48,545.4</b>	<b>95.1</b>

City communal services budget

A. Revenues

( soms )	1994	1 Quarter	2 Quarter	3 Quarter	4 Quarter
Rent payment	1,417,319	185,892	284,351	489,284	457,792
Maintenance	1,991,326	218,810	236,210	823,796	712,510
Cost reimbursement	1,172,516	176,739	331,927	331,927	331,923
Other income	812,624	55,001	76,193	188,134	493,296
<b>Total amount of the own income</b>	<b>5,393,785</b>	<b>636,442</b>	<b>928,681</b>	<b>1,833,141</b>	<b>1,995,521</b>
Financing from the Department of Housing and Communal Services	543,714		280,000	212,998	50,716
Financing from the Department of Finance	30,000				30,000
Other sources of financing	46,900				46,900
<b>All revenues</b>	<b>6,014,399</b>	<b>636,442</b>	<b>1,208,681</b>	<b>2,046,139</b>	<b>2,123,137</b>
<b>Losses</b>	<b>1,347,387</b>	<b>899,172</b>	<b>448,215</b>		<b>1</b>

B. Expenses

( soms )	1994	1 Quarter	2 Quarter	3 Quarter	4 Quarter
<b>1. Administrative personnel</b>	<b>1,363,917</b>	<b>319,132</b>	<b>350,442</b>	<b>356,239</b>	<b>338,104</b>
including their wages	950,730	227,288	246,027	248,887	228,528
Deductions to the social fund	325,845	77,748	80,657	85,356	82,084
Other expenses	87,342	14,096	23,758	21,996	27,492
<b>2. Department staff</b>	<b>2,266,968</b>	<b>550,272</b>	<b>611,666</b>	<b>518,965</b>	<b>586,065</b>
of which their wages	1,614,486	398,721	429,281	371,297	415,187
Deductions to the social fund	553,025	137,672	146,637	125,572	143,144
Consumables	99,457	13,879	35,748	22,096	27,734
<b>3. Housing maintenance</b>	<b>760,350</b>	<b>147,239</b>	<b>158,411</b>	<b>204,009</b>	<b>250,691</b>
a) lighting	433,868	85,243	79,393	128,257	140,975
b) fuel and lubricating oil	63,655	7,308	26,380	13,412	16,555
c) other expenses	262,827	54,688	52,638	62,340	93,161
<b>4. Current repairs</b>	<b>1,844,920</b>	<b>453,055</b>	<b>448,018</b>	<b>430,362</b>	<b>513,485</b>
By own means	1,508,649	331,622	377,790	355,698	443,539
of which their wages	891,369	216,795	224,284	208,352	241,938
Deductions to the social fund	306,678	74,965	77,161	71,136	83,416
Materials	308,037	39,811	75,518	75,089	117,619
Other expenses	2,565	51	827	1,121	566
Using contractors	336,271	121,433	70,228	74,664	69,946
Repair and construction works	93,495	61,416	15,392	15,859	828
Emergency services	242,776	60,017	54,836	58,805	69,118
<b>5. Expenses for cultural activities</b>	<b>79,737</b>	<b>16,564</b>	<b>17,516</b>	<b>21,706</b>	<b>23,951</b>
of which their wages	47,895	11,127	11,237	12,532	12,999
Deductions to the social fund	16,388	3,854	3,899	4,383	4,252
Other expenses	15,454	1,583	2,380	4,791	6,700
<b>6. Technical inventory</b>	<b>2,059</b>	<b>1,771</b>	<b>288</b>		
<b>7. Staff training</b>	<b>130</b>	<b>30</b>	<b>100</b>		
<b>8. Expenses for heating</b>	<b>11,027</b>	<b>5,939</b>	<b>3,099</b>		<b>1,989</b>
of which their wages	2,363	1,974	137		252
Deductions to the social fund	805	681	37		87
Other expenses (firewood, coal)	7,859	3,284	2,925		1,650
<b>9. All other expenses</b>	<b>1,032,676</b>	<b>41,612</b>	<b>67,356</b>	<b>514,858</b>	<b>408,850</b>
Housing and operation management	224,802	35,957	59,571	60,174	69,100
Deductions to the computer center	47,410	5,655	7,785	14,170	19,800
Social fund	76,042			44,048	31,994
Fund of developing science and technology	304,185			176,205	127,980

( continuation )

( soms )	1994	1 Quarter	2 Quarter	3 Quarter	4 Quarter
Total expenses	7,361,784	1,535,614	1,656,896	2,046,139	2,123,135
Total amount of the own income	5,393,785				
Financing from the Department of Housing and Communal Services	543,714				
Financing from the Department of Finance of the City Administration	30,000				
Other sources of financing	46,900				
Total amount of revenues	6,014,399				
Material expenses, not related with wages	1,747,092				
Wage fund	3,506,843				
Disposable income	760,464				
Deductions to the Social Fund	76,042				
Deductions to the Fund of Developing Science and Technology	304,185				
Incentive fund	380,237				

## Appendix 2.

Confirmed:  
By Supervisory Council and  
The Board of Directors of Joint-Stock  
Company  
"Manufacturing and Construction Firm  
"Bishkekkurulush"  
Protocol #8 of 30/11/94

### **Regulation on privatization of housing stock of Joint-Stock company "Manufacturing and Construction Firm Bishkekkurulush"**

1. This Regulation is drafted on the base of laws of the Kyrgyz Republic "On Joint-Stock companies in the Republic of Kyrgyzstan", "On Ownership in the Kyrgyz SSR" and Charter of Joint-Stock company "Manufacturing and Construction Firm "Bishkekkurulush".

2. The Regulation shall establish procedure for transfer to individuals housing built for Firm's funds and belonging to Joint-Stock company on the base of joint ownership.

3. Housing privatization shall mean compensated transfer (sale) to individuals housing of the Firm.

4. Housing privatization shall be implemented on the voluntary basis.

5. Apartments in multi-unit buildings of the Firm shall be the subject of privatization (sale) (hereinafter is referred to as). The premises in the hostels conveyed free to the Firm to use them properly shall not be eligible to privatize.

6. The Firm shall implement privatization of apartments in housing buildings of the Firm. Any other agency shall not be entitled to implement privatization of housing stock of Joint-Stock company.

As buyers of apartments may be:

- citizens of the Kyrgyz Republic;
- legal entities of the Kyrgyz Republic not founded on the state ownership;
- citizens and legal entities of other states according to procedure provided by the legislation of the Kyrgyz Republic.

7. Privatization of housing stock of Joint-Stock company shall be implemented by the sale of apartments " on the base of non-cash and cash payment using personal savings, loans as well as foreign exchange.

Per decision of the Board of Directors of the Joint-Stock company part of the housing of the Firm disengaged and newly put into operation may be sold by tender and auction.

8. Payment for privatized apartments may be made by installments. initial payment not to be less than 25% of apartment value, payment period must not be exceeded of 5 years. Amount of initial payment shall be reduced to 15% and payment period shall be increased to 7 years for families having many children, just married families and families with low income.

Tenant of apartment shall be entitled to acquire of housing in ownership with written agreement of all members of a family including that members who are absent temporarily as well as the person who is in the list to get housing.

Application to acquire apartments shall be submitted by the tenant to the Board of Directors of the Joint-Stock company M&CF "Bishkekkurulush".

Applications of citizens and legal entities to acquire apartments of the Firm shall be considered within two-month term from the day of their submission.

10. Privatization value for the apartments of Joint-Stock company shall be estimated by valuation commission, formed by the Firm with participation of employees, labor union and individuals acquiring the apartment.

Privatization value shall be estimated on the base of inventory cost of housing units and actual (market) value of housing at the time of sale.

For the shareholders, employed by M&CF "Bishkekkurulush", those who have retired due to the age or disability, lay off from work on health statement or staff reduction as well as families of passed away shareholders, privatization value shall be determined on the average cost of 1 sq.m of the total space of housing stock of joint-stock company.

11. Tenants who rent the Company's housing from the enterprises and organizations participating in accordance with the agreements in the construction process and that had acquired the apartments by exchange in compliance with Bishkekkurulush shall privatize their apartments in accordance with the regulations, provided by the enterprises.

12. Shareholders of M&CF "Bishkekkurulush" on privatization of apartments shall get 33% discount and by 1% apartment for every year of work in Joint-Stock company. Discount shall not be exceeded of 60% of acquired housing value.

For any shareholder, employment period in the system of former Ministry of Construction shall be included in the total employment period at Joint-Stock company.

Employment period in the organizations and enterprises of other ministries and agencies and period of work at electoral positions off the Minstroï system shall not be included in employment period to get stated privilege.

If apartment is transferred within the first three years after acquiring, owner of apartment will reimburse under the privilege 20% of acquired housing value for every year of the period between acquisition of this housing and its sale.

13. Shareholders of M&CF "Bishkekkurulush" who transferred before occupied paid apartments to Joint-Stock company shall be entitled to have additional privileges as discount no more than 15% of estimated value.

Shareholders who got apartments in housing buildings of the Firm but did not transfer housing occupied before in accordance with resolution of staff members shall privatize apartments by the market price at the time of sale without any privileges and discounts.

14. Estimated value of apartments shall be reduced by 15% for:

- disabled soldiers of WWII, families of passed away and missing soldiers, passed away disabled soldiers and participants of WWII and individuals having the same status;
- families of individuals who passed away excising their official duties and civil duty;
- families having four and more children;
- disable individuals of I and II categories independently of disability reasons;
- individuals who turned into disability as the result of participation in liquidation of consequences of accident at Chernobyl Atomic Power Station;
- disabled individuals and participants of the war in Afghanistan.

15. The right to privatize apartment of the company on preferential terms and conditions shall be granted only once.

16. Acquisition Agreement shall be certified by the notary office.

Right of ownership to apartment shall be created from the time of registration of the agreement at the notary office.

In case of sale of the apartment by installments the agreement shall come into force after complete payment.

Individuals who turned into owners of the apartments shall possess, use and dispose of it at their discretion, shall be entitled to sell, bequeath, rent, make other deals not contradicting the law.

Redesigning of privatized apartment shall be made according to current legislation.

Sale of apartment acquired by installments to other person shall be made only on undertaking by this person of obligations provided by notarized agreement on payment of the balance.

17. Proceeds from the sale of apartments shall be deposited to the account of the Firm and used for future development of housing construction, maintenance of existing housing stock, help in repair of shareholders' housing.

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For more information please contact:

Askar Moldobaev - The President of Joint-Stock Company  
"Bishkekkurulush, tel.: 42-88-48;

Taktamurat Rakhimshaikov - The lawyer of JSC "Bishkekkurulush, tel.: 44-40-56;

Jenishbek Shakiraliev - The Chief of the Minarchstroi Department,  
tel.: 21-64-46.

### Appendix 3.

## HOUSING POLICY LEGAL MATRIX DEEMED NECESSARY FOR A FUNCTIONING PRIVATE HOUSING MARKET IN THE KYRGYZ REPUBLIC

### LIST OF NORMATIVE ACTS OF LEGISLATION

1. Land Code of the Kyrgyz Republic adopted 04.19.91;
2. Law "On lease and lease relations" passed 04.14.90;
3. Law "On housing stock privatization in the Kyrgyz Republic", 12.19.91 (to be modified in accordance with the new Civil Code, Part 1 as of 05.08.96);
4. Law "On general basis for demonopolization, privatization and entrepreneurship in the Kyrgyz Republic", 12.19.91;
5. Marriage and Family Code for the Kyrgyz Republic, approved 10.26.69;
6. Law "On cooperation in the Kyrgyz Republic", 12.19.91,
7. Housing Code, approved 05.20.94 (to be modified in accordance with the new Civil Code, Part 1 as of 05.08.96);
8. Law on demonopolization and privatization of the state property in the Kyrgyz Republic. 01.12.94;
9. Law "On pledge" 03.06.92;
10. Law "On state duty/customs/costs" 02.92;
11. Law "On bankruptcy" 01.15.94;
12. Arbitration Procedure Code 04.16.96;
13. Civil Code of the Kyrgyz Republic, Part 2 - approved in 1964, Part 1 - 06.26.96;
14. Civil Procedure Code of the Kyrgyz Republic, approved 07.30.64;
15. Tax Code On state tax service in the Kyrgyz Republic", 26.06.96;
16. Law "On non-tax payments", 04.14.94;
17. Law "On tax system principles", 04.14.94;
18. Law "On insurance in the Kyrgyz Republic", 12.19.91;
19. Law "On the principals of urban development", 12.21.91;
20. Law "On individual construction", 12.21.91;
21. Law "On urban development and architecture", 01.11.94;
22. Forestry Code, approved in 05.93;
23. Law "On water", 01.14.94;
24. Law "On environmental protection", 04.17.91;
25. Law "On depths of the earth", 12.18.92;
26. Temporary order of income tax for natural persons, approved by the Decree of the Kyrgyz Republic Government, dated 08.01.94. #568, 01.30.95 #24;
27. Decree of the Government "On state duty rates establishment/approval". 07.18.94 #521;
28. Decree of the President "On order of several types of entrepreneurship licensing", 07.18.94 #207;
29. Tax Code for the Kyrgyz Republic, in effect 07.01.96;
30. Law "On local taxation and duties," 04.14.96;

LEGAL MATRIX (Continued)

I. ISSUES OF LEGAL AND INSTITUTIONAL REFORM

**I. REAL PROPERTY LAW**

- 1a. Definition of real property interests: → Art. 202 Civil Code, Art.7 Land Code
- ownership
  - possession
- 1b. Classes of real property interests:
- absolute ownership → not identified
  - ownership for life → Art.7 Land Code (only for land)
  - conditional ownership → not defined
  - leasehold interest → Art 1. Law "On lease and lease relations"
  - future interests → not defined
  - easement → not identified
  - mortgage → Arts. 42-47 Law "On pledge"
- 1c. Forms of ownership:
- individual → not defined
  - several people → not defined
  - married people → Arts. 27, 24, 46 Marriage and Family Code
  - condominium → Art. 248 Civil Code
  - cooperative → Arts. 152-157 Civil Code
  - landlord and tenant → Arts. 285-304, 305-353-360 Civil Code, Arts.4-5 Law "On lease", Art.10 Land Code, Art. 57 Housing Code
- 1d. Power of the government to Take private property for public use: → Art.146 Housing Code, Arts. 24-25, 29, 57, 141-144 Land Code
- 1e. Conveying property rights
- transfer by sale, gift, exchange → Arts. 251-265 Civil Code, Art.72 Land Code
  - privatization → Law "On demonopolization and privatization of state property", Law "On housing stock privatization."
  - inheritance → Arts.540-574 Civil Code, Art.65 Land Code
  - lease → Art.7 and other Law "On lease", Land Code, Housing Code

- mortgage
- unclaimed property

## 2. EVIDENCE OF RIGHTS IN REAL PROPERTY

### 2a. Documentation

- deed → Art. 25 Civil Code
- delivery → not regulated
- warranties and conditions → not defined

### 2b. Title assurance

- definition of "marketable record" title → not defined
- registration → Art. 25 Civil Code
- title insurance or guarantee → not defined  
(prior to implementation of title registration system)

## 3. CONDOMINIUMS AND COOPERATIVES

- method of creation → Art. 248 Civil Code
- documentation → Art 76. Law "On cooperation"
- homeowners association → not included in the law
- administration of common areas → Art.149-152 Housing Code ( regarding only public housing)
- allocation of costs of communal services → not provided for. only for utility payments Art.136 Housing Code
- restrictions on transfer

## 4. LANDLORD - TENANT

- types of tenancies → lease is not provided for, only rent of housing Art.57 Housing Code
- creation of tenancies
- landlord's rights and obligations
- tenant's rights and obligations → not provided for housing
- landlord's remedies → Law "On lease" provides for any property, except for housing
- assignment and subletting
- lease-purchase

## 5. MORTGAGE OF RIGHTS IN REAL PROPERTY

### 5a. Types of mortgages

- first mortgage → Art. 4, 5, 42 Law "On pledge"
- second mortgage (loan, secured)

- by the share in common property)
- installment contract
- leasehold mortgage

- Art.21 Law "On pledge"
- not provided for
- Art. 45 Law "On pledge"

5b. Documentation

- evidence of debt
- evidence of pledge of property
- contents of documents
- registration requirements
- priority of lien

- Art. 45 Law "On pledge"
- Art. 45 Law "On pledge"
- Art. 12, 45 Law "On pledge"
- Art. 13, 15, 17, 18, 19, 45 Law "On pledge"
- Art. 40 Law "On bankruptcy", Art. 425, 426, 428 Civil-trial Code

5c. Rights of secured creditors and rights of debtor

- personal liability for debt
- assumability
- transfer of mortgage by creditor
- maintenance of property
  
- insurance

- Art.11 Law"On pledge", Art. 191, 219 Civil Code
- not defined
- not defined
- Art. 335 Civil Code
- Art. 222 Civil Code, Law "On insurance", Art. 32 Law "On bankruptcy"

5d Creditor's remedies on default

- sue on debt or realize on the property
  
- penalty interest and fees
- legal foreclosure
- power of sale
- right to recover costs of foreclosure
- right tot take possession of property
- deficiency judgment

- Art.4-5 Civil Procedure Code, Art.335 Law "On the order of solving economic disputes by arbitration courts."
- Art. 320 Civil Code
- Art. 345-442 Civil Procedure Code
  
- Art. 1, 7 Law "On pledge"

5e. Debtor's rights on default

- notice
- redemption of property
- fair market value

## **II. ISSUES OF URBAN INFRASTRUCTURE AND MUNICIPAL REFORM**

### **6. PUBLIC LAND USE CONTROLS**

- administration of land use planning
- zoning
- controls over development

- Art. 44-48, 145-156 Land Code
- Art. 4 Land Code
- Art. 92, 98 Land Code, Art. 7, 8 Law "On

- environmental protection → urban development and architecture  
→ Art. 145, 156 Land Code, Law "On water",  
"On environmental protection", "On depths of  
the earth."
- easements and rights of way → Art. 15, 16, 24, 29, 56, 57 Land Code
- building codes → Art. 21-26 Law "On urban development and  
architecture", Law "On individual  
housing construction," Art. 21 Law "On  
general basis for entrepreneurship."  
→ Art. 19 Law "On urban development and  
architecture"
- building permits → Art. 39-43 Land Code, Art. 38-40 Law "On  
taxes for enterprises", Art. 13 Law "On tax  
policy basis," Art. 42 Law "On state duty"
- infrastructure
- fees and charges

## 7. PROPERTY TAX

- republic or local administration → Law "On state duties/charges," Tax Code,  
Law "On local taxes and duties"
- limitation on use of revenues from → not provided for
- legal and natural entities → not provided for
- based on value → temporary order of income tax for natural  
persons, items 2, 3, Tax Code
- method of establishing value for  
tax purposes → Tax Code
- right to appeal for tax payers → Tax Code
- exemption from property tax → Tax Code
- special tax assessments → Tax Code
- penalties for non-payment of taxes → Tax Code

## 8. OTHER TAXES, FEES AND CHARGES

- property transfer taxes and charges  
for natural persons ● see Government Resolution "И" item 3 -  
temporary order of income tax for natural  
persons, Government Resolution "Б" item 3 -  
rates of state duty/charges 07.18.94  
→ Art. 25 Civil Code, Tax Code  
→ under the state regulation
- registration → Law "On Urban development and  
architecture," Law "On Individual Housing  
Construction"
- utility connection
- water, sewer, garbage collection
- building & subdivision permits

## 9. INFRASTRUCTURE AND DEVELOPMENT FINANCE

- Not regulated

**10. LICENSURE OF CONTRACTORS, APPRAISERS, DEVELOPERS**

- local or national
  - requirements
  - fees
  - examinations and apprenticeships
  - complaint and hearing procedures
  - suspension or revocation of license
- Art. 21 Law "On general basis for demonopolization, privatization and entrepreneurship in the Kyrgyz Republic"  
Presidential Decree as of 06.19.92, #207

**11. COMPETITIVE BIDDING  
REQUIREMENTS AND PROCEDURES**

- Not developed

**12. BUILDING STANDARDS AND CODES**

- Set by the ministries

**13. PRIVATIZATION OF COMMON AREAS OF CONDOMINIUMS AND  
COOPERATIVES**

- Not existing

**14. HOUSING ALLOWANCES**

- Not existing

**15. REHABILITATION OF PUBLIC HOUSING**

- Not existing

**16. COST RECOVERY FOR COMMUNAL SERVICES**

- Not existing

**17. FUNDS MOBILIZATION**

- Not existing

**18. MORTGAGE FINANCE**

- Not existing

**19. INSTITUTIONAL DEVELOPMENT**

- Not existing

20. SUBSIDY POLICY

- Not existing

21. FISCAL (TAX) POLICY

- Not existing

Appendix 4. Forecast of the Ministry of Architecture and Construction on the development of housing sector

Table 1.

Calculation of providing with housing

	1995	1996	1996-2000 estimat.		2001-2010 estimat.		2011-2030 estimat		%%	
	Report	Forecast	Total	Including the year of 2000	Total	Including the year of 2010	Total	Including the year of 2030	2000 to 1995	2010 to 2000
Housing put into operation - thousands sq.m of the total space	330	380	4440	1400	31380	4500	93620	4900	129	в 4 раза
Available housing stock by the end of the year - thousands sq.m	57300	57550	x	61000	x	88880	x	175000	106	146
Population by the end of the year - thousands people	4512.4	4557.5	x	4798.4	x	5555.0	x	7000.0	106	116
Average total space for each person in sq.m by the end of the year	12.7	12.6	x	12.7	x	16.0	x	25.0	100	126
Loss of housing - thousands sq.m of total space	1506	130	700	130	3500		7500	400	x	x
Including dilapidated and damaged housing	115	100	600	120	3000		7000	350	x	x

151

151

Table 2.

**Estimated volume of housing construction  
in the Kyrgyz Republic for 1996-2030  
(proposal of the Minarchstroj)  
The total space put into operation - thousands sq.m**

	1991 - 1995 report	Annually					1996 - 2000		2001 - 2010	2011 - 2030
		1991	1992	1993	1994	1995	Total	Including the year of 2000		
Total	3438	1232	889	593	405	325	4440	1500	31380	93620
<i>Including:</i>										
Jalal-Abad oblast	601	159	161	119	99	63	810	270	6200	20880
Issyk-Kul oblast	210	102	59	29	13	10	500	170	3140	9030
Naryn oblast	85	46	20	14	3	2	200	70	1430	5060
Osh oblast	1081	425	251	171	127	107	1090	410	8910	31360
Talas oblast	128	63	38	16	7	4	190	60	1280	2840
Chui oblast	719	244	235	126	64	50	760	240	5120	11950
The city of Bishkek	614	193	125	118	92	89	890	280	5300	12500

1. These numbers regarding the housing put into operation are:

- minimal;
- determined on the basis of providing each person with 12.7 sq.m of total space by the end of 2000 (the level of 1995), 16.0 sq.m - by the end of 2010 and 25 sq.m - by the end 2030 (providing each family with a separate apartment);
- on rayon and towns level, determined by oblast administrations in agreement with the Minarchstroj and the Ministry of Economics of the KR.

2. Cost of housing construction is determined on the basis of financing sources in dependence of the regions taking into account its structure and index determined by the Minarchstroj of the KR.

3. The national average family ratio for 1/01/96 is equal to 4.7, in urban areas - 3.9 and rural areas - 5.2.

Table 3.

Average provision of a person with total housing space  
by the end of the year  
(The data of CIS's Statistical Committee)

The countries of CIS	1991 г.	1992 г.	1993 г.	1994 г.
Azerbaijan	12.4	12.5	12	11.9
Armenia	15.8	14.9	15.2	15.3
Belarus	18.3	18.9	19.3	19.5
Georgia	18.4	19.2	19.1	19
Kazakhstan	14.4	14.5	14.6	14.7
Kyrgyzstan	12.3	12.6	12.9	13
Moldova	18.2	18.4	18.4	18.5
Russia	16.5	16.8	17.2	17.5
Tajikistan	9.5	9	8.8	8.9
Turkmenistan	11.2	11.4	11.3	11.2

Table 4.

**Housing Stock for the end of 1995**  
(The National Statistical Committee)

	Kyrgys Republic	Including	Jalal-Abad oblast	Issyk-Kul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast	Bishkek
Available total space in thousands sq.m	57259		9857	4841	2676	16536	2938	11189	9022
Average total space for each person in sq.m	12.7		11.8	11.5	11	11.5	14.4	14.9	15.1
Available dilapidated housing in sq.m	80581		8346	600	3048	31455		2565	34567
Available damaged housing in sq.m	13320		8343		300	4245		432	
Available total space (not including hostels) in thousands sq.m	56105		9678	4772	2842	16318	2913	10987	8595
Average total space for each person in sq.m (not including hostels)	12.4		11.6	11.3	10.9	11.3	14.2	14.6	14.4

15.4

15.4

## Appendix 5.

### **The comments and proposals of the members of the Interministerial Housing Policy Council on the Working Draft "The National Housing Policy in the KR"**

1. The State Property Fund of the KR (L.F.Lyakhova)

1. Such a document like "The Program of the Housing Policy" is needed but would be desirable that proposed version was more compatible with developed by the Minarchstroi "The Main Directions (Concept) of the Housing Policy in the KR for transition period".

**Satisfied.**

**The text of "The Concept" is inserted in new edition.**

2. The specialists who drafted the Decree "On Fundamentals of the Housing Policy in the KR" were suggested to specify: When this Decree is suggested to be adopted - before or after adoption of the laws "On Condominium", "On Mortgage", "On State Registration of Rights for Land and Immovable Property" and other laws regarding the housing policy?

**To adopt the laws suggested by this Draft like a single Legislative Package seems not be possible. So the Decree may be adopted in any time but would be better as soon as possible.**

3. Actually the property of local authorities of self-government or local state administrations is called communal (but not municipal as called in the Working Draft). The State Property Fund supported this name (i.e. communal).

**Satisfied.**

4. Article 10, the Draft of the Decree, the end of the first paragraph - to replace the word "by legislation" with "normative acts"

**Satisfied.**

5. Article 12, the Draft of the, the first paragraph - to replace the word "registered" with "having licenses".

**Satisfied.**

6. On the Law "On Condominiums":

- Art.1. Item 4 - the term "foundation document" is suggested to be replaced with "condominium passport".

**Satisfied.**

- Art.8. The following edition is suggested: "On creation of condominium in the building which due to be privatized properly, common property shall be privatized according to current legislative procedure".

**Not satisfied per request of the Working Group drafting the Law "on Condominium".**

- Art.16. To remove the word "permanent", to replace the words "considered to be passed" with "is being passed".

Not satisfied. This comment has edition nature.

- Art.30. To remove the words "received independently of sources" as this gives the opportunity for illegal criminal sources.

**Not satisfied. The expression "independently of sources" has common recognized use.**

## **II. The Ministry of Economics (S.A.Moldokulov)**

1. To determine the main directions of the housing reform we consider that it is necessary to insert in the Package the Resolution Draft of the Government of the KR "On the new Approaches to Solve Housing Problem in The KR and Measures on Its Practical Realization" and "The Main Directions (Concept) of the Housing Policy in the KR in Transition Period".

**Satisfied.**

2. Article 30 is suggested to be removed from Policy the Law "On Condominium" as Article 15 of the Tax Code prohibits to insert tax issues in other laws and to put this issue as suggested alteration to the Tax Code.

**Satisfied.**

## **III. The Ministry of Finance (U.A.Abdullaeva)**

1. Item 4.1.4.3., the Draft of the Housing Program:

Taking into account forecasts on economic development for the next 2-3 years to find the additional funds for major repairs of buildings of newly created condominiums from the budget seems to be impossible.

**It is said not about the all newly created condominiums but just Decree of the first few.**

2. Items 5.2.3.2 and 5.4.3.6, the Draft of the Housing Policy Program:

According to Item 2 of Art.5 of the Tax Code inserting tax issues in other laws prohibited except for taxation of foreign investors and entities of free economic zones. On this base items 5.2.3.2 and 5.4.3.6 should be corresponded to the provisions of the Tax Code i.e. in accordance with Art.74 of the Tax Code proceeds from sale of immovable property shall include in total annual income if the period from the time of acquiring of notarized ownership right by a taxpayer till disposing of the property less than two years and this proceeds shall be taxable. To review this provision seems to not be reasonable as the Tax Code has been drafted taking into account the international standards.

According to Articles 90, 107, 108 of the Code, who will pay the interests to natural and legal entities shall be taxed by the rate of 15%.

**Not satisfied. The Working Draft is not legislative or normative document, it has just recommendation nature. It should be noted that by the same reason items 5.2.3.2 and 5.4.3.6 cannot contradict Item 2 of Art.5 of the Tax Code and notes worded in these items may be implemented in accordance with Item 1 of Art.5 of the Tax Code.**

3. On Art.30 of the Law "On Condominium":

To replace the words "tax-free" with "to tax according to tax legislation".

**Satisfied.**

#### **IV. Joint-Stock Company "Kyrgyzkurulushmaterials" (M.U.Nosinov)**

1. To provide financing by EBRD and CAAEF to develop construction materials manufacture for specified projects on production of cheap materials from manufacturing waste, new types of raw materials (basalt, fireproof clay and so on) as well as building constructions and details on the base of high technology.

**Not satisfied. The issue requires detail work of competent specialists.**

2. To exempt deliveries of construction materials for specified housing constructions from VAT.

**Not satisfied. It contradicts the Tax Code of the KR.**

#### **V. The National Bank of the KR (M.T.Taranchieva)**

1. To replace the word "Pledge" with the word "mortgage" as pledge of movable property shall be registered by other agency - evidently according to the Draft of the Law "On Pledge", the Ministry of Justice.

**Passed to PMG.**

2. Art. 7 provides that registration cost shall be fixed by the Government. The issues regarding collection of registration cost, determination of its rate are one of the most important issues of this Law, besides registration procedure should not be expensive. So it is reasonable to fix rate of payment and determine it like a multiple proportion of minimal salary or at fix rate.

**Passed to PMG.**

3. To remove Art.26 as it is excessively to submit copies of right-establishing documents to registration agency by the organizations which issued these documents including notary offices. It is enough to submission to the registration agencies these documents by the parties who make deals with immovable property. In case of non-submission of right-establishing documents for registration such a deal shall be considered illegal and thus the parties are not protected legally from claims of third persons.

**Passed to PMG.**

The Draft of the Law "On Mortgage" has common points with drafted law " On Pledge". Their fundamental provisions are similar. However, it was reasonable to rule relationship on pledge of immovable property by the separate law as pledge of immovable property will secure including long-term liabilities of borrowers. Non-attraction of long-term projects financing compared with short-term in terms of profitability and risk requires creation of specific financing system secured by the government. Such a system should have been suggested to the working group drafting the law "On Mortgage" including creation of specialized state agency which will accumulate peoples' savings by the sale of shares and bonds secured by mortgage and guaranteed by the government.

In addition, it is necessary to consider the procedure for mortgage registration, by what way this procedure should be made. In this issue it is important to fix the standard that mortgage shall be considered effective from the time of inserting of information regarding this mortgage in the Unified State Registry. The right of a Lender on mortgage shall be considered effective and protected from the claims of the third persons from the time of submission of corresponding documents for registration that should be confirmed by the receipt issued by the registration agency fixing the date and time of receipt of the documents.

**Passed to PMG.**

## **VI. The National Statistical Committee**

All comments are taken into account.

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