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**TECHNICAL ASSISTANCE FOR HOUSING SECTOR REFORM
FOR KAZAKHSTAN**

March 1992

**Prepared for the Office of Housing and Urban Programs
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THE REPUBLIC OF KAZAKHSTAN
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1 REPUBLIC LEVEL ISSUES

1.1 Population

Located between the Caspian Sea and China, the Republic of Kazakhstan encompasses an area four times the size of Texas. It had a population of 16.5 million in 1989, now estimated at 17 million. It is an ethnically diverse republic (Kazakh 39.7 percent; Russian 37.8 percent; German 5.8 percent; Ukrainian 5.4 percent; and other minorities); a product of Stalin's involuntary resettlement schemes. Kazakhstan's three largest settlements are Alma-Ata (1.2 million), Karaganda (650,000) and Shimkent (400,000).

1.2 The Economy

Kazakhstan is rich in natural resources. It provided about 70 percent of the former Soviet Union's lead, zinc, titanium, magnesium and tin, 90 percent of its phosphorous and chrome, 65 percent of its silver, 30 percent of its copper along with other mineral resources. It is also a major producer of coal, wheat, cotton, and wool. It has important natural gas and oil reserves and hydroelectric potential.

Within the former Soviet Union's planned economy, Kazakhstan primarily exported raw materials and semi-finished goods to the other republics—principally Russia and Byelorussia—and imported finished products. As a result, Kazakhstan's industrial base is under developed and the Republic is vulnerable to increasingly costly imports.

The Republic realizes it must now build trade relations with other countries and develop its own consumer industries. Building material industries are a particularly high priority. For example, Kazakhstan has ample raw materials for producing brick and glass—but 50 percent of its bricks need to be imported, and there is no glass produced in the Republic.

Like other CIS republics, Kazakhstan has suffered from major disruption to its economy with the dissolution of the Soviet Union. By the end of January 1992, production had fallen

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by at least 40 percent in state enterprises due to a decrease in "orders". Thousands of workers have been laid off and inflation is out of control. Building materials, for example, now cost 40-50 times what they did several years ago.

Kazakhstan's key foreign trade partners were China and Mongolia, but it is building ties with Korea, Turkey, Germany, as well as the United States. Chevron and British Petroleum, for example, are negotiating with Kazakhstan for exploration rights.

Economic officers at the governorate level and city level in Alma-Ata and Karaganda are actively promoting foreign-Kazakh joint ventures. In Karaganda, for example, discussions have been held with firms from the U.S., France, Sweden, China, Italy, and Korea.

Local enterprises are keenly seeking capital and technology to improve production. They emphasize the political stability in Kazakhstan and offer a variety of incentives including barter exchanges. Foreign firms reluctant to form joint ventures cite problems of re-exporting foreign currency, insecurity regarding legal protection, bureaucratic red tape, and poor communications.

1.3 Political Environment

Kazakhstan is committed to market-oriented economic development, but it has proceeded on administrative and political reforms in a cautious manner. Above all, it wishes to maintain stability during this crucial period of transition.

Kazakhstan's President Nursultan Nazarbayev rose through the ranks of the Communist Party, but he is perceived as a reformer and he has gained considerable stature within the CIS. He was active in the formulation of the Economic Union and he was one of the first to denounce the August 1991 coup. When Kazakhstan became a Republic, Nazarbayev dissolved the former communist party, but he has used its structure to support his goals.

To date, only presidential, vice presidential, and parliamentary elections have been held and President Nazarbayev was elected by a wide margin. The President has appointed the governors of Kazakhstan's 19 regions and all city administrators.

1.4 Finance

Kazakhstan has been required to accept a portion of the former Soviet Union's debt, without gaining access to the foreign exchange earnings it provided—equal to at least 1.7 billion dollars. To establish its financial independence, Kazakhstan has formed its own independent foreign economic bank and its own national state bank while establishing gold reserves and a diamond fund.

Reforms in the banking sector are well underway. For example, the former "housing and social development bank" (Zhilsozbank) was reorganized in January 1991. It is now a joint stock commercial bank for credit and social development (Credsozbank) that retains the legal and property rights of the former state bank. The Republic retains a minority share

in stock with the balance held primarily by several large state enterprises (e.g. textiles and metallurgical industries).

The bank is one of the largest universal banks in the Republic with branches throughout the country. It has 260 million rubles of bank stock assets and 6 billion rubles of convertible bank assets. According to the bank's annual report, it showed a net profit of 280 million rubles in 1991 and expects to pay a dividend of 20-23 percent on the shareholders' investment. Credsozbank is negotiating with City Bank to become its correspondent. Among its clients is the Soviet American Joint Venture "Inter-Ex".

On January 1, 1992, the Credsozbank had 6.6 billion rubles in outstanding loans. In addition to commercial loans, it provides financing for construction and mortgages (primarily to cooperatives which makes up between 10-15 percent of loan portfolio).

1.5 The Institutional Framework for the Provision of Housing

The former institutional framework for the provision of housing was not unlike that described for Armenia. Housing was largely centrally designed and funded with municipalities acting as implementing agencies and charged with the management and maintenance of the existing stock. Currently, the provision of housing is a concern of local authorities and enterprises.

1.6 Housing Policy and the Legal Framework for Housing Delivery

While a housing policy has not yet been elaborated, the Republic level is effectively establishing an enabling framework for the provision of housing at the local level. A privatization law for enterprises and housing has been elaborated and a Presidential decree providing local government's with greater responsibility and autonomy has been promulgated.

The new local government decree enables cities to collect the following taxes:

construction tax	land tax (rent)	personal property tax
wood tax	transport tax	income tax
broker tax	recreation tax	advertisement tax
tax on races	automobile tax	auction tax
film and cinema tax	dog license	agriculture tax
(black) market tax	finances	enterprise tax

Local revenue generating authority is now critical, since cities may no longer depend on major central government grants.

1.7 Privatization of Housing

Kazakhstan is relatively advanced in the privatization of the state housing stock, but privatization of construction and building material enterprises has not yet begun.

Privatization of housing is facilitated by a "coupon" system designed to provide retroactive savings for purchasers. Each citizen is granted an account of "coupons" based on their years of residency, work, and family size. The account is transferable only to members of the immediate family (a "coupon" is equal to 1 ruble). These may be used towards the purchase of their dwelling unit. However, if a household has too few coupons it must pay the difference in currency to acquire the unit. If they have excess coupons, they may use the difference to invest in privatized enterprises starting in 1993-94.

The program has been implemented entirely in some smaller towns, and is underway in both Alma-Ata and Karaganda. It is implemented at the district level by Public Property Committees in each city. In Karaganda, for example, the system has been computerized. The database of units and households is complete as are most valuations. Any one seeking to purchase the unit may do so, and they are about to launch a "sales"/information campaign for workers and the public-at-large. They hope to complete privatization of the units within a year.

To cover administrative costs, the Town Council charges a 50 ruble application fee. Most of this goes to the property committee to finance its operations, and some to the bank charged to administer the coupon accounts.

Some parties at the Republic's public property committee find the "coupon" system administratively cumbersome. This is acknowledged at the local level, but the general perception is that it is equitable—basically free-of-charge. One party who purchased his unit indicated that he acquired the unit at a price of 200 rubles per square meter, but is now getting unsolicited offers of 1200 rubles per square meter for the unit because of pent-up housing demand. The city is working on a property maintenance solution. It will continue to maintain the units for a fee while building cooperatives and private management units are set up.

The privatization of enterprises is proceeding more slowly. Small commercial units, or shops, are now being privatized. For shops less than 120 square meters, shopkeepers are given the first option to buy at a negotiated price. Larger shops are put up for auction. Privatization of state enterprises, including those engaged in construction, has not yet begun. One of the key problems is valuation.

2 THE CITY OF ALMA-ATA

2.1 General

The City of Alma-Ata, founded in 1854, is situated against a backdrop of snow-covered mountain peaks in southeast Kazakhstan—not far from the Chinese border. It is a planned, garden city with broad tree-lined boulevards and a good deal of green space and parks. The city has a reasonable infrastructure base, and a subway system is under construction. The first section is scheduled for completion in 1998.

The city is a major university center, with many different institutes, drawing some 100,000 students from all over the Republic. It is also a tourist center, attractive in summer for its pleasant climate and setting, and in winter for its skiing and skating.

The city is located in a seismic belt that stretches from Georgia to the Pacific. In 1907, a major earthquake destroyed 60 percent of the buildings in the city. Subsequently care was taken to build new construction to an 8 degree standard (on Soviet "Richter" scale of 1-11°). Since the Armenian earthquake of 1988, there has been increasing concern among city officials that Alma-Ata could suffer a similar fate. Therefore, there is a keen desire to revisit building standards, and hopefully use new technologies to bring existing and new construction up to a 9° standard.

There is increasing interest in building a new capital city and district for Kazakhstan, outside Alma-Ata. However, current economic conditions suggest that this will not be a near term priority.

2.2 Demographic and Economic Trends

Alma-Ata is an extremely ethnically diverse city. Its ethnic composition is 50 percent Russian and 26 percent Kazakh with the remainder made up of sixty other ethnic groups (Byelorus, Germans, Tartars, Jews, Koreans, etc.).

As noted below, Alma-Ata has experienced relatively rapid growth over the past three decades.

Year	Population
1960	500,000
1970	700,000
1980	1,000,000
1990	1,200,000

The biggest employers in Alma-Ata are the Republic and city governments. The state enterprises in the city employ a large number of workers e.g., a heavy machine factory employs 10,000 and a carpet factory employees 7,000. Food processing and textile industries are similarly large.

Government is now promoting and privatizing small enterprises as a priority. Because of concerns about pollution and potential earthquake damage, Alma-Ata is no longer permitting large industries to locate within city limits. In fact, it wishes to relocate some of the large polluting plants outside the valley about 22 kilometers north of the city. This is consistent with the city's goal to promote Alma-Ata as a cultural and tourist center.

2.3 Housing Shortage

The city maintains three waiting lists for housing with a total of 56,000 people on the lists:

- 10,000 individuals without their own units (e.g. married couples living with their parents)
- 28,000 individuals waiting for larger units (e.g. families too large for current flats)
- 18,000 individuals from special groups (e.g. the disabled, veterans, etc.)

Individuals have generally waited between 10 and 15 years to receive a flat. However, some privileged groups such as teachers and doctors have been served in a shorter period.

2.4 Housing and Infrastructure Characteristics

Conflicting data was received on the distribution of housing stock by type. However, all estimates showed state-owned stocks as 60 percent or more of total housing stock. According to the City Council's planning director, state-owned housing represented about 75 percent of the existing stock, cooperative housing 5 percent, and individual (private housing) 20 percent. The quality of the housing stock in central districts appears to be quite good, though recent high-rise units constructed over the past two decades is of decidedly poorer quality.

The quality of infrastructure in Alma-Ata is generally good, but construction is lagging behind housing. In the southern part of the city, housing cannot be built because the central heating plants don't have enough power to provide heat to that area. The city is very interested in learning more about U.S. technologies for individual heating units in private homes. They would like to avoid building more district heating plants—since these are coal fired and a source of pollution.

Electrical supply does not appear to be a problem and tariffs have been increased dramatically to meet operational requirements. There are electric meters in all buildings.

Water supply is abundant and apparently of good quality. It comes from mountain and large underground reservoirs. Water meters are used only on the large industries—not on apartment houses.

2.5 Institutional Structure of City Government

The City Administrator in Alma-Ata, Mr. Norkadilov Zamanken, was appointed one month ago by the President of the Republic. He replaced the former administrator who was elected.

The City Administrator appoints all deputies (department heads), and the eight district administrators. The administrator executes decisions of the City Council—but can also make his own policy decisions (decrees). The governing power is clearly in the hands of the City Administrator—who was delegated this authority by the President. There is a new city council, which was elected last month. This is the city's legislative body, but it is a weak entity.

The city's eight districts each have their own council of deputies, and an administrator. The districts operate their local schools, hospitals, maintenance activities such as street cleaning, and other municipal services. Housing construction is executed at the city level; but allocation of housing units, and maintenance of waiting lists are done by the districts.

The City Administrator has a first deputy (Mr. Victor Krapunov) who coordinates all departments, and is directly responsible for industrial and economic development. He also has six deputy mayors, in charge of the following departments:

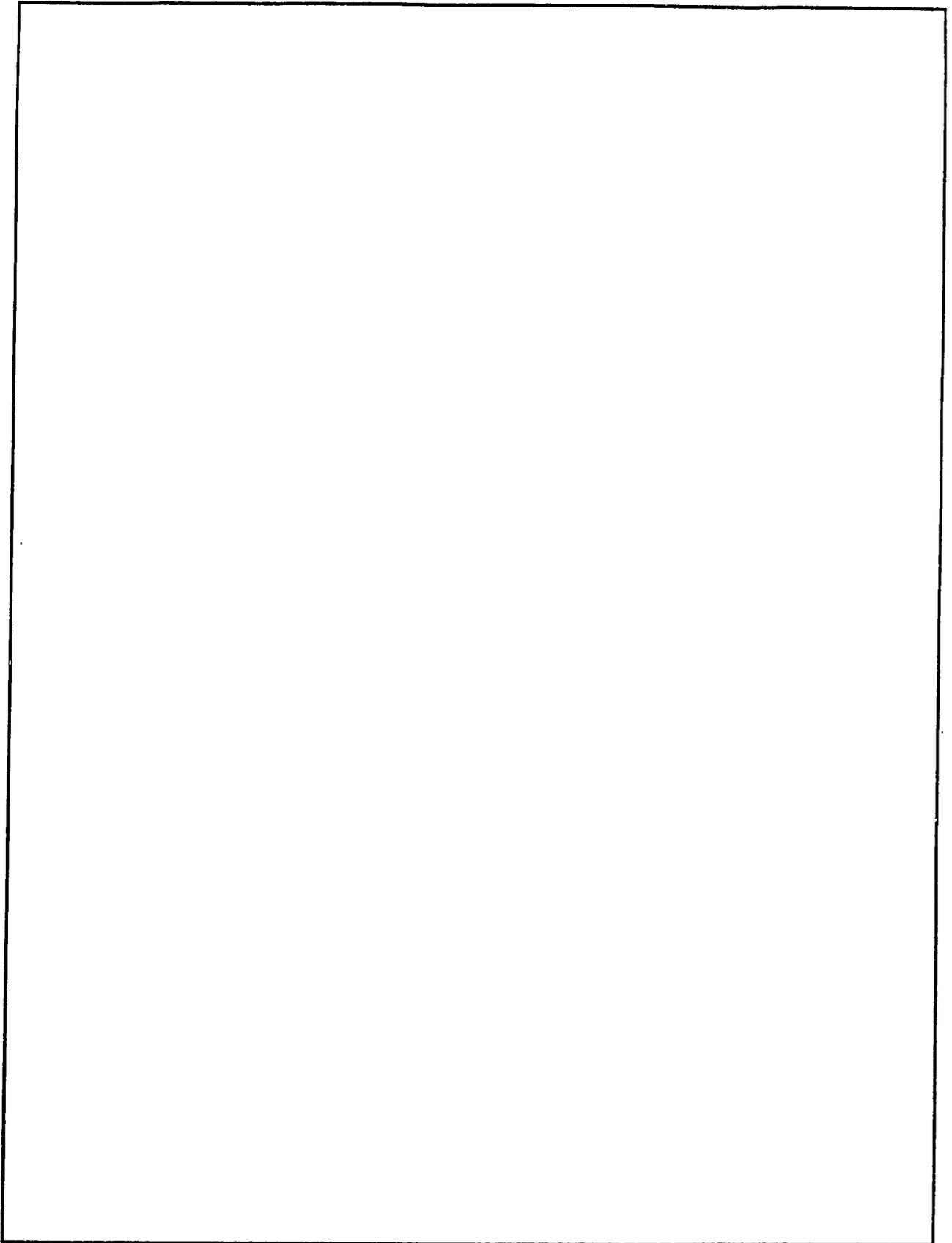
- Education, Cultural and Youth programs
- Housing
- Construction
- Food Processing and Trade
- Transportation
- Health and Community Services

There are a variety of other services under the City Administrator as well (e.g. legal department, city courts, finance department, city banks, personnel, public relations, foreign relations, etc. A detailed organization chart is attached.

2.6 Constraints to the Private Provision of Housing

Existing systems have been able to cope with centrally delivered housing production. However, the pace of housing development and transactions of land and housing is likely to accelerate as a result of privatization programs. As a result, these systems will need to be reevaluated.

- **Land Management: Land titling, registration, transfer**



Detailed organization chart of Alma-Ata

The city's housing department (under the Deputy Mayor for Housing) is currently developing a computerized data bank on properties and is conducting a survey of older buildings to determine which buildings should be rehabilitated or demolished. The Department is interested in technical assistance to review its proposed management system.

Land records and transfers are not currently an obstacle to the private development of housing, but this situation could change when the private sector becomes more active. Access to land and related infrastructure is a problem. Alma-Ata is a valley settlement located on fertile land. As a result, land is at a premium within the city's boundaries. Future extension (both residential and industrial) is planned outside the valley to the north but there are severe resource constraints to finance the necessary infrastructure.

- **Transfer of state land to individuals and public and private entities**

While the city must respond to needs for residential expansion, it also regularly entertains requests from foreign joint ventures and diplomatic circles for land, housing, and office space. At the present time, only long term land leases are available in the Republic, but this is not viewed as a major constraint for private shelter development. As noted above, access to serviced land is increasingly problematic.

- **Regulatory framework (land use planning, development approvals and controls)**

The regulatory framework is not perceived to be a major constraint to private housing delivery, but there is a strong desire to preserve the remaining arable land in the valley. Districts are charged with the implementation of development control under the guidance of the City Architect who is charged with implementing the city's plan.

- **Valuation of land and dwelling units**

While progress is being made in the valuation of the existing housing stock for privatization purposes, officials acknowledge that they could use assistance in this domain; and in the establishment of appropriate land rentals.

2.7 Finance

As noted in Section 1.6, local governments were recently given greater authority to raise revenues from a variety of tax instruments. In addition, seven percent of income taxes collected at the republic level is allocated to the city. Additionally, enterprises within the City of Alma Ata pay 2.5 percent of their income into a special fund, which goes to the city administration for construction of housing and infrastructure.

The city is introducing new local taxes and fees to increase such as parking, and taxes for advertising in public places. Because the city must now raise most of its own revenues, it would like to introduce a property tax, and is interested in learning about how property taxes are administered in other countries. The city has also had to reduce expenditures. As a result, housing and infrastructure construction has been curtailed.

2.8 Construction and Mortgage Financing

While construction and mortgage financing is technically available (e.g. the Credsozbank), the cost of construction is generally prohibitive given current income levels.

2.9 Project Planning/Design

There are qualified engineers, architects, and quantity surveyors in Alma-Ata. However, there is a lack of expertise in land and housing market analysis. While not a major constraint to private housing delivery, technical assistance and training is needed in this domain.

2.10 Construction of Housing

There has been a dramatic slowdown in the construction of municipal housing because of the high costs of construction. Costs are more than ten times what they were one year ago. In 1990, the city built 600,000 square meters of new housing; but in the past year they were only able to build 254,000 square meters. The Deputy Mayor for Housing estimated current construction costs at 50 million rubles (\$500,000) for a 40 unit apartment house. This amounts to \$12,500 per apartment.

The city has made 7,000 plots available for individual dwelling units. Households are expected to lease the plots and construct units with their own savings. Given, rising construction costs, however, the initiative has not moved ahead as quickly as expected. The average cost of an individual house is now 500,000 rubles (\$5,000), which is too expensive for the vast majority of households. In addition, a new district is being planned to the north of the city which would be able to accommodate 300,000 residents, but this is still in the early planning stages and the projected cost of infrastructure extension is daunting.

The large housing construction enterprises (kombinats) which produced precast concrete panels for "soviet" style housing construction, can no longer sell their outputs. As a result, they wish to reorient themselves towards private individual units and incorporate new technologies. Several small private construction firms have also emerged.

So far, the transition to private house building has been slow, but city officials would like to see private housing construction accelerate, and they are seeking ways to encourage new private development approaches.

2.11 Allocation, Management and Privatization of Stock

Following construction of housing units by the city's construction department, allocation and management responsibility shifts to the Housing Management Department which

reports to the Deputy Mayor for Housing. The Department works closely with housing management units operating in the city's eight districts which carry most of the burden of program implementation.

In addition to providing heating, water, cleaning, maintenance and other services to the buildings, the department also collects rents. As only a very small service fee is charged (recently raised to 80 kopecks or 40 cents per square meter) there is a substantial subsidy.

In conjunction with its privatization program, the city is now encouraging private companies for housing management to emerge. One approach has been to lease existing facilities to former housing management employees for a period up to five years. As a result, several small private housing management companies have been formed. The city's hope is that after the five year period, the former employees will be able to purchase the facility. Another goal, is to turn over responsibility for housing repair to the owners of privatized dwelling units who, it is planned, will contract out to private parties for this purpose.

Alma Ata was the first city in the former Soviet Union to establish a program to privatize communal housing. With support from the Republic and City Council, the City of Alma-Ata prepared a resolution on privatization which was adopted by Parliament in 1988. Late that year, the city began its privatization efforts.¹

The city's Private Property Committee and districts work together to implement the government's privatization program (database development, valuation, and sale.) Last year, during a six-month period, 17,000 flats in the city were privatized. Most of these were sold under the coupon system described in Section 1.7; however, some were donated free-of-charge. War veterans are among six "social" categories that can receive their flats free.

At the present time, the privatization initiative has slowed down due to the rising costs of the units. As a result, the city is looking for means to accelerate the program, since management and maintenance of the municipal housing stock is a major drain on the city's budget.

2.12 Building Technologies, Materials and Manpower Availability

As private, individual, dwelling units are now a municipal priority, the city is seeking assistance on related building technologies and materials. They are keen to introduce individual heating units, hot water heaters, septic tanks and other such elements. In addition, they are anxious to promote private building material enterprises.

¹ Since then, representatives from throughout the CIS have come to Alma Ata to study their program.

2.13 Priority Technical Assistance Areas

A senior advisor will be assigned to the Vice Chairman of the High Economic Council. The advisor will assist the Vice Chairman and other designated officials, in the field of housing policy, economics, and finance. Areas of support will include:

- Assistance in the elaboration of a housing policy.
- Assistance in the development of policies and implementation plans related to the promotion of a private land and housing markets and housing finance.
- Assistance in the development of policies and implementation plans related to the privatization of state housing, design, and construction enterprises.
- Assistance in the development of appropriate methods and safeguards for the valuation and sale of state land and housing.
- Assistance in the mobilization of short term specialized technical assistance and training. (e.g. property tax systems, land and housing valuation, private real estate markets, private housing construction and building material industries, affordable housing finance systems, building codes and standards).

The advisor at the Republic level may utilize the services of the Institute of Management Economics for training needs and research. The Institute is headed by an influential American appointed by the President of the Republic.

The City of Alma-Ata

A resident long term advisor will be assigned to the City Administrator of Alma-Ata. The advisor will work in conjunction with his/her counterpart at the Republic level. The advisor will be based in Alma-Ata, but will provide periodic support to the City of Karaganda as well. Emphasis will be placed on policy implementation plans and the mobilization of short-term assistance and training in the following areas:

- New technologies for individual private housing (e.g. individual furnaces and hot water heaters, septic tanks, etc.)
- Promotion of small scale private housing development
- Strategies for financing affordable housing
- Privatization of state-owned housing—assistance in resolving implementation problems (there is a keen interest to complete privatization program).
- Valuation of land (leases) and housing
- Laws to clarify government's role in housing construction, and to encourage private construction.
- Earthquake resistant housing construction technologies
- New local government revenue sources with emphasis on property taxation.
- Promotion of exchanges with U.S. and other cities with similar management problems.

2.14 Living and Working Environment

■ Housing

Suitable housing is difficult to find. The city newspaper has about 30 classified advertisements for rental apartments each week and turnover is extremely rapid. The U.S. Embassy has been searching unsuccessfully for six weeks, but it has not yet located a suitable house or apartment. Available housing consists primarily of apartments—very few private houses are on the market.

The Deputy Mayor for Construction said his staff will help the advisors find housing. His department is now building 100 single family houses in one new sub-division. Some will be quite large (over 3,000 sq. ft.) and the first will be finished in May. They can sell or rent to the advisors and are willing to build one according to specifications. They could not quote any prices at this point.

■ Schools

There is no international school in Alma-Ata. Only classes in Kazakh and Russian are available.

■ Health Care

There is one good hospital in the city, with competent doctors and adequate supplies and equipment. This is the hospital used by the President. Long term advisors should be able to arrange access to this hospital.

■ Communications Links

There are no international AT&T lines for international communications. However, an Australian company is about to open a satellite link at the end of March. The Embassy checked on this, and advised us that direct dial capability to the U.S. should be possible, at a rate of \$10 per minute.

Using the current communications system calls must be placed through an operator and it often takes 10 to 20 attempts to send a facsimile to the U.S. If one uses official connections and has an understanding with local operators, international calls can go through in about 10 minutes; otherwise they take 24 hours.

■ Transportation

There are daily flights from Alma-Ata to Karaganda, and to Moscow. Only Aeroflot now serves Alma-Ata, but two new airlines are expected to open service. Turkish Air will have a weekly flight between Alma-Ata and Istanbul (commencing on March 25) and Lufthansa plans to serve Alma-Ata within a few months.

■ Office Space

The Deputy Mayor for Construction offered to assist the long term resident advisors find rental office space convenient to City Hall. Costs are expected to be \$500 monthly.

■ Local Staff

According to the U.S. Embassy, interpreters and bi-lingual support staff are not difficult to find. Monthly salaries are estimated at:

Bilingual secretary	\$ 80
Interpreters	100
Local professionals	150
Driver	25

Mr. Adil Akmetov, who works for the city's Committee for External Economic and Cultural Relations, was for many years Dean of the city's Foreign Language Institute. Many of the best bilingual prospects are his former students. He has offered to help identify candidates.

- **Cash transfers**

The Kazakh Foreign Economic Affairs Bank (Venesheconombank) can transfer dollars to and from U.S. banks by wire, within a couple of days. Their correspondent bank in the U.S. is the Bank of America.

Funds that are transferred to the Kazakh bank can be withdrawn in dollars (cash), minus a 7 percent fee. Or they can be withdrawn in rubles at a lesser fee. Arrangements can be made without difficulty.

- **Equipment and Shipping**

Computers and other needed office equipment can be shipped in by DHL. It can guarantee delivery within one week for shipments from the U.S., and there is twice weekly delivery of packets from Alma-Ata to the U.S. via DHL. The DHL agent in Alma-Ata is Victor Gaikin, telephone: 20-02-49 (he only speaks Russian).

Air conditioners are not necessary—summers are mild. U.S. vehicles are not recommended because of problems associated with spare parts and low octane fuel. There are two alternatives:

Russian cars. Sedans cost from \$5,000 to \$8,000; and a van to carry 8 people is approximately \$10,000. The ideal solution may be one sedan and one van for the office.

German Fords: The Embassy is procuring these vehicles and spare parts. They are better cars but parts will be problematic. The Embassy will ship via rail or truck.

Costs for a Ford Sierra or Scorpio range from \$12 - 15,000, plus shipping.

- **Recreation**

Alma-Ata is an attractive city surrounded by mountains. There is an Olympic ice rink, a sports complex on the edge of the city, and a good ski area within 45 minutes from Alma-Ata. The highest mountain is over 15,000 feet. Sports include golf, hunting, hiking, even "helicopter-skiing" in the highest ranges. Opera, ballet, and theater (non-English), and Kazakh ethnic events are also available.

- **Overall Environmental Quality**

The overall environmental quality is quite good, though suitable housing and educational facilities may be a problem.

3 THE CITY OF KARAGANDA

3.1 Demographic and Economic Trends

Karaganda has a population on the order of 600,000. It is located in the desert-like tundra about 800 kilometers north of Alma-Ata. The city is linked by railroad to Moscow and Alma-Ata. Karaganda was founded in 1934 where rich anthracite coal deposits were discovered along with nearby iron deposits in Timorau (Iron City in Kazakh). There are now ten mines in Karaganda with reserves of reportedly ten billion tons of coal.

The city's economic base is tied to the coal deposits and other raw material located in proximity to the city. The city's raw materials are largely exported to Russia, but it does have some industry in metal products such as radiators.

The city was closed to outsiders until Kazakhstan became independent. It suffers greatly from poor telecommunications and a lack of hotels and other business infrastructure. It takes ten days for a letter to reach Alma-Ata, several days to book an international call, and Fax service is not presently available. However, international telecommunications facilities are to be installed by an Australian company.

A new international airport is being constructed about 40 kilometers outside of Karaganda. Apparently, it will be the largest airport in the CIS outside of Moscow. The airport has been under construction for a decade, but is expected to be completed within the year. The City and Governorate have high hopes that this will lead to further economic expansion of the city as it needs to attract foreign investment and expertise. It is hopeful, that it will function as an important air cargo base for the country, since Kazakhstan is land-locked.

A principal weakness expressed by the city's economic officer is the lack of linkages between enterprises in the city. Forging such relationships is a principal objective.

3.2 Urbanization

The City of Karaganda grew up around the coal mines in the area. As a result it is spread out over a large area of approximately 40,000 hectares. Because the deposits are located directly under the city, a high percentage of housing has had to be demolished and reconstructed as the city grew. The low density of the city has placed stress on the infrastructure systems of the city, particularly central heating elements which are extremely expensive to build and maintain.

Karaganda is made up of several distinct types of urban fabric. The prefabricated multi-storied housing constructed over the past two decades, older 2-3 story buildings constructed in the 1930s, Dacha-like individual or private housing units constructed 30-40 years ago, small individual units constructed as worker housing for enterprises, and plots for residential

construction that were initiated two years ago. There are also wide expanses of small garden houses and plots along the road to the new international airport.

3.3 Housing Shortage

The City of Karaganda indicated that it has a waiting list of 35-37 thousand individuals, but that there is greater demand because some of the existing stock is in poor condition.

According to the Department of Construction, the existing housing stock consists of: State and enterprise housing—85 percent; cooperative—10 percent and private housing—5 percent.

Housing construction has slowed a great deal due to inflation and lack of municipal funds. What could be constructed for 300 rubles per square meter a few years ago now would cost about 11,000 rubles. As a priority the city is now promoting the development of individual housing. It provides land to enterprises at a relatively low rental charge and encourages the development of individual plots for residential construction. The enterprises are also responsible for off-site infrastructure expansion and they provide loans to their employees for house construction.

There is no shortage of land in the city. The city has effectively three sites and services projects consisting of 3,000; 500; and 800 plots respectively and an additional 230 hectares of development are planned. Over the past two years more than 1,030 residential plots were distributed; primarily to workers of enterprises. About 30 percent of the housing is now in some form of construction.

3.4 Housing and Infrastructure Characteristics

The city is composed of a variety of different housing fabrics ranging from very small individual worker houses to large pre-fabricated complexes. As is common in other cities of the CIS, the latter represents the poorest quality stock.

Infrastructure is lagging behind new housing construction. New expansion areas are at the opposite end of the city as the central heating plant. Thus, it is proving quite costly to expand services into this new area. While local enterprises are now funding off-site infrastructure, the city and others wish to examine alternatives such as individual heating units for residential units.

3.5 Institutional Structure of City Government

The city is undergoing a reorganization and did not release its organization chart. The basic units under the City Administrator include: the finance group (financial planning, budget, economic development); Construction and Maintenance; the City Architect/Land Registry, City Property, Enterprises, Utilities, Social Services, Police and Security, etc. There

are five District Administrators charged with implementation at the district level. The city has several thousand employees excluding those engaged in schools and hospitals.

The city appears to have a highly qualified staff in its upper echelons (Chairman of the finance group, town council, budget officer, construction, etc.) The city would appreciate recommendations on its administration and management. It is keen to establish a sister city relationship with an American city to learn more about city management in the United States.

The city has just completed its plan for social and economic development. It is based on the principal of self financing, streamlined and disciplined administration, expenditure efficiency, promotion of individually constructed and financed housing, promotion of joint ventures and trade, increased economic efficiency and production; and privatization.

3.6 Constraints to Private Provision of Housing

- **Land Management: Land titling, registration, transfer**
Karaganda is not confined geographically nor does it have any land constraints. As a result, densities are low. The City Architect's Office maintains land records and has them computerized. The city is interested in exploring means to improve these systems.
- **Transfer of state land to individuals and public and private entities**
Private parties are not permitted to purchase land in the Republic. However, it is possible to rent land under a long term leasing arrangement and to transfer ownership of housing. While no private developers are active in Karaganda, State enterprises are now cooperating with the city on several major land subdivision schemes. The city would appreciate assistance in evaluating these programs.
- **Regulatory framework (land use planning, development approvals and controls)**
The City Architect is responsible for the city plan and development control with assistance from the districts. While regulatory framework is not perceived to be a major constraint to housing delivery, the city is interested in technical assistance in this domain.
- **Valuation of land and dwelling units**
While the city has conducted valuations of dwelling units in order to execute its housing privatization program, it is generally felt that these are under assessed. The city's land rents are also very low (2-4 rubles per square meter) and do not appear to correctly represent the current value of property.

3.7 Finance

Since Karaganda must now generate its own resources, it is seeking ways to raise revenues and reduce expenditures. To cover its operating deficit, it imposed a tax of 35 percent on the net profit of existing enterprises (it kept 90 percent of the amount collected, and 10 percent went to the Republic). It also exacted an income tax on state workers, land rent, and a sales tax. To reduce expenditures it has curtailed housing construction.

The city does now not have the resources for financing off-site infrastructure (especially central heating) to serve several planned subdivisions. As a result, the state enterprises sponsoring the subdivisions are paying this cost.

3.8 Construction and Mortgage Financing

While construction and mortgage financing is technically available at the Credsozbank, and other commercial banks, most housing being developed in the city is being financed by state enterprises -- which also provide long term loans to their employees.

3.9 Project Planning/Design

There is no lack of expertise in project planning, design, and quantity surveying. However, market and feasibility analysis is unknown and interest was expressed in this regard. New individual housing in planned subdivisions represent the owners' (and architects) creative expression, and are in sharp contrast to the rather dismal state housing on the urban fringe.

3.10 Construction of Housing

As noted above, due to financial constraints, city construction of housing has ground to a halt. The city is now promoting private housing construction through partnerships with state enterprises in the subdivision of municipal land. Subdivisions involving several thousand plots on several hundred hectares have been laid out. However, dwelling unit construction has stopped due to escalating building material costs, and a lack of central heating.

3.11 Allocation, Management and Privatization of Stock

Once the city constructs housing, the allocation and maintenance of the units is the responsibility of the districts. The city and districts work together to implement the government's privatization program (database development, valuation, etc.) and they are now working on schemes to turn over housing management functions to building cooperatives. Privatization of the housing stock is being implemented along the lines discussed in Section 1.7.

3.12 Building Materials and Technology

City officials indicated strong interest in improved building technologies and materials for individual units (heating units, hot water heaters, and septic tanks). They are also keen to promote private building material enterprises.

3.13 Priority Areas for Short-Term Technical Assistance and Training

The resident long term advisor in Alma-Ata will provide periodic support to Karaganda and assist in the mobilization of short-term specialized assistance and training opportunities. The city expressed interest in the following areas:

- Assistance in the establishment of a sister city relationship with an appropriate American city.
- Evaluation of existing municipal/enterprise subdivision schemes; including affordability analysis and construction techniques for individual units.
- Promotion of private housing construction and building material industries with emphasis on individual units and technologies; promotion of US joint ventures in this domain.
- Housing finance and economics, private real estate markets
- Evaluation of policies and implementation plans for the privatization of municipal housing and guidelines for related housing management.
- Assistance in the development of appropriate methods and safeguards for the valuation and sale of municipal housing, land leasing and rental.
- Assistance in the identification of new revenue sources, local tax base (such as real estate and property taxes), including the legal work required to support such revenue sources.

3.14 Living and Working Environment

Karaganda will not be a site for a long term advisor. Thus, the comments noted below apply to short-term visits.

■ Living accommodations

The Kazakhstan Hotel is of poor standard and expensive. The hotel charges \$120 day excluding taxes. It is best to reimburse the City of Karaganda for the hotel bill which is then equivalent to only \$6 per day. The restaurant is basic, but adequate. Apparently there are two other hotels or guest houses in town of better quality.

■ Health care facilities

The city claims to have good emergency health care facilities, but these were not visited.

■ International and domestic telecommunication links

Alma-Ata may be reached by telephone but international calls presently must be booked at the central post office and this may take days. International communications facilities are planned in the near term.

■ Intra- and inter-city transportation

There are daily flights to Karaganda from Moscow and Alma-Ata.

■ Availability of office space interpreters/translators

The City of Karaganda is located in a nicely furnished building and can make office space available for short term use. It also can make interpreter and translation services available.

- **Overall environmental quality**

The overall environmental quality of Karaganda is poorer than Alma-Ata and it lacks basic amenities.