A REPORT TO THE MINISTRY OF FINANCE ON THE FEASIBILITY OF A PROGRAM OF HOUSING ALLOWANCES IN THE REPUBLIC OF KAZAKHSTAN

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ABSTRACT

This report summarizes the findings and results of a technical assistance assignment carried out August 14 - 25 by Robert Dubinsky and Barbara Lipman of ICMA to assist the Republic of Kazakhstan (ROK) assess the feasibility of a housing allowances program. The ROK contemplates beginning an allowance program January 1, 1996 and asked ICMA to help estimate the costs of such a program and provide advice on how it should be designed and implemented.

This report is divided into several sections. The first discusses the current housing situation in Kazakhstan This is followed by a brief introduction to the concept of housing allowances and what they are designed to achieve. Next, the ICMA Housing Allowances Model is described along with the assumptions and bases used to derive initial estimates of the cost of a national allowances program. The next section addresses the interpretations and limitations of these estimates and provides practical suggestions for reducing the overall cost of the program. General policy decisions that impact on program costs are discussed here as well Then a workplan and schedule describing the tasks and timeframes for completing those tasks is presented. The workplan is divided into two parts -- those tasks that are the responsibility of the national government and those tasks that are the responsibility of oblasts or localities. The last section discusses potential activities for follow-up assistance to oblasts and localities for implementation of the program

The report also includes several annexes. These describe the program in currently operating in Semipalatinsk and the details and workings of the ICMA housing allowances model.

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I. THE CURRENT HOUSING SITUATION IN KAZAKHSTAN

Currently, in Kazakhstan, it is estimated that between 85 and 90 percent of the housing stock (apartments and single family homes) already is privatized. However, local governments remain responsible for providing housing management, maintenance and most utility services to the large majority of the housing stock, including the privatized portion. According to the most recent estimates prepared by the Ministry of Finance, in January 1996 (before implementation of the proposed housing allowances program), the fees collected from residents for these services will amount to only 12.5 tenge per square meter, or approximately 20 percent of the actual cost of 55 tenge per square meter.[1] The difference will be made up by direct and indirect subsidies, cross subsidies from commercial enterprises, under maintenance of the housing stock, and growing delinquencies in utility payments by both commercial and residential users. Estimates for the municipality of Kapchagai[2], where ICMA conducted a household survey for instance, highlight the depth of the subsidies. These estimates show that monthly subsidies for housing amount to more than 30 million tenge *per month*, or an average of 2140 tenge per month for every housing unit, while residents pay, on average about 600 tenge per month. Despite these enormous subsidies, many low-income households cannot afford their current housing costs, and will be unable to afford higher fees without some governmental assistance.

By a Council of Ministers Resolution, therefore, the government is proposing to implement a national program of targeted housing allowances. Such allowances are a means to protect the welfare and housing opportunities of low-income families, while at the same time allowing local governments to raise property management, maintenance, and utility fees over a four year period to cover a greater portion, if not the full, cost of providing these services. The Ministry of Finance is responsible for the new housing allowances program. The Republic of Kazakhstan (ROK) is expected to issue guidelines and mandate that oblasts and localities begin in January, 1996 a housing allowance program in most urban areas of Kazakhstan.

II. ALLOWANCES AND WHAT THEY ARE DESIGNED TO ACHIEVE

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. Allowance programs are designed to give assistance to families who need it most, while gradually decreasing subsidies to the financially secure. The subsidy "moves" with the occupant -- that is, if a family moves, it may continue to receive an allowance so long as other program requirements are met. Thus, housing allowances also encourage the shift to a market-based housing sector Additional revenues from the higher fees under a housing allowances program help achieve an overall reduction in government financed housing costs by substantially decreasing subsidies to the utility sector Moreover, fees from better off residents can finance the cost of allowances for families in need.

As a "targeted" subsidy program, a housing allowance is given only to those households who are below a specified income level, and the amount of the allowance is based on the portion of income the household is judged to be able to pay towards housing. Implementation of such an allowance program involves numerous policy choices. These include decisions about· the amount of space that is considered "standard" for various household sizes, the portion of household income to be spent on housing, the tariffs for maintenance and communal services, and methods to be used for computing various charges. These program parameters can be varied singly or simultaneously making it difficult and cumbersome to evaluate alternative versions of the program

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[1] At this writing, the exchange rate is approximately 60 tenge to 1 US dollar.

[2] A city of approximately 42,000 residents (14,000 households) located about 70 kilometers north of Almaty in Almaty Oblast.

III. ESTIMATING NATIONAL PROGRAM COSTS THROUGH ICMA'S HOUSING ALLOWANCE COMPUTER MODEL

ICMA was asked by the Ministry of Finance to assist in the preparation of preliminary cost estimates and work plan for the implementation of housing allowances. Towards this end, ICMA has developed a computer model that allows policy makers to "try out all the options." Because the model incorporates actual and updated data from a June, 1994 survey of households in Kapchagai, it enables officials to test the validity of their assumptions on "real world data," rather than in the isolated world of a theoretical discussion. In addition, the model quickly produces tables and charts with either Russian or English text. The model has been provided to the Ministry of Finance and also will be made available to local authorities responsible for designing the local components of a housing allowances program. As local authorities will have to fund the housing allowance program primarily from local budgets, model estimates will be particularly useful for planning and budgeting for the program

A. How the ICMA HAP Model Works

The model uses information from an in-person survey of more than 350 households conducted in Kapchagai in June 1994. This information is assumed to be representative of households in urban areas throughout Kazakhstan for whom a housing allowances program will be available. The model uses the survey data to determine -- household by household -- who is eligible for a housing subsidy and, if so, how much that subsidy will be. The total number of households eligible for a subsidy and the subsidy amounts are then summed to produce totals for Kapchagai. These totals are then aggregated or "extrapolated" to the urban population throughout Kazakhstan to get a total cost of the program for the Government of the Republic. A detailed explanation of the model and a set of sample printouts can be found in Annex A.

B. Model Assumptions

Are Kapchagai survey data reliable indicators of the impact of a program of housing allowances for the urban population as a whole? Clearly, there are advantages and disadvantages to relying on these data. One advantage is that the information from Kapchagai is among the most recent and detailed sources of housing information available. Because the information collected was computerized, the data can be analyzed and manipulated to report housing information by household size, income class, and other categories that are not available in any of the national census or statistical publications. Information on the consumption of space by household size was noted by Ministry of Finance officials to be particularly valuable. When the Kapchagai space data were extrapolated to the national urban population as a whole, the aggregate figure was within 3 percent of estimates made from other statistical sources. In this sense, the Kapchagai data appears to serve as a good proxy for other urban areas in Kazakhstan.

One weakness of the Kapchagai data lies in the apparent under reporting of household income by the survey respondents. As part of the interview, respondents were simply asked to indicate their income from a list of narrowly defined ranges and were not asked to provide evidence of that income. A housing allowances program would take a very different approach and require verification and documentation of income in order to be eligible for an allowance. Thus, using Kapchagai data provides an "outside" estimate of the number of households that might be eligible under the program. As discussed later in this document, actual participation rates and enrollment rates are likely to be much lower and slower. Upon review by Ministry of Finance officials, it was determined that there is no reason to expect that households in Kapchagai would be any more or any less inclined to under report income than would households in any other urban area in Kazakhstan. Therefore, it was decided that, despite its shortcomings, the Kapchagai household data could serve as the basis to model costs for the housing allowances program.

In addition, as part of an earlier ICMA analysis, budget data had been obtained from a representative DEZ (Department of Unified Customers) in Kapchagai. Information from the DEZ was then combined with information from the local Housing Management Department and the Ministry of Construction to derive estimates for the "actual" cost of operating and maintaining housing units in Kapchagai. These data were also deemed acceptable by Ministry of Finance officials as the basis of initial estimates of the cost of a housing allowance program.

C. The "Base Case"

Each housing allowance scenario run on the computer model is compared to a "base case" in which the payments from residents and the subsidies to maintenance and utility companies are those that are expected to prevail in January 1996 as of the beginning of the program. The base case estimates were made by reviewing the Kapchagai data with Ministry of Finance officials and updating the Kapchagai information with assumptions they provided. This initial attempt at defining the base case will no doubt be refined and adjusted as better information becomes available.

The base case estimate suggests that for the 2.8 million households in the urban population in Kazakhstan -- the population to whom the program will initially be made available -- residents pay 1.755 billion tenge per month towards their housing and communal services, while subsidies for these households amount to 5.965 billion tenge monthly.

This estimate was derived as follows. Ministry officials assumed that as a best-guess first estimate, a multiplier of 5 could be applied to both the income data and production cost data obtained for Kapchagai to update them to January 1996 prices. It was also determined that the 20 to 22 percent share that residents pay of production costs for maintenance and utilities could be presumed to apply nationally, absent specific regional data or local data at hand. Implicit or explicit subsidies were, therefore, determined to comprise the remaining 78 to 80 percent of the actual cost. Expressed on a square meter basis, the 11 tenge per square meter cost in Kapchagai is now expected to total 55 tenge per square meter in January 1996. The 2.5 tenge share paid by residents translates to 12.5 tenge per square meter, with the remaining 42.5 tenge covered by subsidies

In Kapchagai in June of 1994 the typical household paid 125 tenge monthly, or about 10 percent of its monthly income of 1,100 tenge, towards housing. Among the urban population in Kazakhstan in January 1996, the 600 tenge monthly payment will represent the same portion of a typical 5,500 tenge monthly household income. Applied to the more than 140 million square meters of space occupied by urban households in Kazakhstan, the resident share of 12.5 tenge per sq. meter is expected to result in revenue in January 1996 of about 1 755 billion tenge, while subsidies will total 5 965 billion monthly.

Clearly, there is considerable room for defining the assumptions for updating the Kapchagai survey data more precisely The Ministry recognizes this and is endeavoring to obtain more specific information on both utility production costs, and how wages, and thereby incomes, may have changed relative to these production costs. The model is designed to incorporate these various improved assumptions.

D. Alternative Scenarios and Initial Conclusions

Using an income formula to calculate housing allowance subsidies presents policy makers with a number of decisions and considerations. What should be the appropriate tariffs that households pay for communal services in the immediate future? Another question concerns the portion of household income spent on housing. The Interim Regulations suggest that households pay 15 percent of their income towards housing in 1996, 20 percent in 1997, 25 percent in 1998, and 30 percent in 1999. In 2000, what will be the impact on

households, particularly low-income households, as they shoulder these costs? How much space for various households sizes is a reasonable amount for the norm, and what is the impact of changing these norms on program costs. These are but a sample of the kinds of questions that can be addressed using the housing allowances model. To illustrate some of the alternatives, several scenarios were run incorporating the proposed portions of income towards housing, and comparing the results to the base case described in the preceding paragraphs

These scenarios are summarized in Table 1. The first four columns of each row show the model assumptions that define the scenario The next six columns show the eligibility rates and program costs that result from those assumptions. In addition to the base case, nine scenarios are presented in the table. All nine use as the space norm 15 sq. meters per person. As indicated in the second column, in three examples households pay 15 percent of their income towards housing, four use 20 percent income and one scenario each was run with 25 and 30 percent of income because these correspond to the income levels in the Interim Regulations. The third column is the assumed sq. meter charge residents pay towards their housing (the model also permits the user to enter separate tariffs for the various utilities and maintenance, if that information is available). For convenience, it is noted in the fourth column what percent of the assumed production cost of 55 tenge is covered by the resident charges

The next six columns show the results of each scenario. Column (5) shows the percentage of households eligible to receive a housing allowance. In the full sample printout in Annex A, the model shows eligibility rates for households ranging in size from 1 to 7 persons. Column (6) shows the amount of the average allowance. As shown in the full sample printout in Appendix A, the model produces a more detailed table of the number of families in fifteen income intervals and the average size of the allowance for each of those income intervals. Column (7) shows the total payments received from all households for their housing. This includes amounts received from both households eligible for an allowance (for both their subsidized norm space and their extra space) and those ineligible for an allowance (who pay for all their space). Column (8) shows the percentage change this amount represents over the base case. Column (9) shows the total amount of subsidy necessary (both in housing allowances and in payments to utility companies, to make up the difference between production cost and what is collected from residents. In Column (10) this amount is expressed in terms of percentage change over the base case. The model produces for each scenario more detailed information on the figures in Columns (7) through (10), as shown in Annex A.

From these initial runs of the computer model the following can be concluded:

- Even with modest changes in what households currently pay for housing, such as increasing charges to residents to 15 tenge per sq. meter and requiring 15 percent of income, eligibility rates reach 50 percent or more While this is just an "outside" estimate of the number of people eligible exaggerated by the number of people under reporting their income, it is still suggestive of the possible magnitude of program applicants. Measures may have to be taken to reduce actual participation and enrollment rates by requiring income documentation and applying stringent participation rules.
- It is difficult to achieve high levels of coverage of production costs of communal services without dramatically increasing the per sq. meter charges to residents Raising the fees to 30 tenge per sq. meter, which is more than double that of the base case, is a potential hardship to many households and drives up eligibility rates for the program. It also increases the likelihood of non-payment. If there is not substantial real wage growth in the economy at large during the next four years of the program, increases in charges to residents will have to be slowed considerably.
- Clearly, the results of the model depend a great deal on the quality and the accuracy of data provided in the scenario assumptions. Efforts to develop better assumptions will pay off in terms of the usefulness of model results in the planning and budgeting process for the national as well as local government

E. Extending the ICMA Model Analysis to Estimate the Number of Households Who Will Be HAP Recipients and the Cost of the HAP

Determining the number of households who are eligible for the HAP is the first step in determining the likely actual cost of a HAP The next step is to develop an estimate of the actual number of people who will decide to participate in the program. Experience shows that a substantial number of those who are income eligible will not apply for the program. There are many reasons why this is the case. The household's payment may be only a token amount and not worth the effort. The household may not know about the program or how to apply for assistance. The household may not want to divulge information about its income or circumstances to a government agency.

There is not very good data on this issue, but it is reasonable to assume that one-third to one-half of the eligible households may not take the trouble to apply. The Ukraine currently estimates 50% of eligible households will not apply.

The next consideration is to estimate the number of households who apply for assistance but fail to become recipients Localities may decide to impose special restrictions on eligibility for financial or other reasons (Some options for restricting eligibility and the cost of a HAP are listed in Annex B). For example, a locality may impose an asset test on applicants or require that payments for communal services be up to date. Such policies will further reduce the pool of recipients. In Semipalatinsk, to date, about 47% of the applicants have not become recipients for one reason or another. Experience in the Ukraine is that about 20% of applicants are turned down, but the percentage ranges from the 5-40% Turndown rates largely relate to variations in applicants' understanding and awareness of program eligibility rules.

Timing of participation is another factor to consider in developing good cost estimates. Not everyone will want to apply on the first day of the program so HAP costs in the early months may be modest. Overtime, the program will grow as more people learn about the program and the cost of communal services is increased. For example, in the Ukraine in the first three months of its program 150,000 households became recipients but that number is estimated to grow to 3 million households (20% of all households) by December 1995. Good financial planning requires that estimates be made of trends in program participation so that administrative arrangements reflect the flow of applications.

The final consideration is to estimate the administrative costs of the HAP. These types of administrative costs are listed in detail in the workplan later in this report. The figure for administrative costs combined with the cost for subsidy payments will total the cost of the HAP.

F. Options for Controlling Program Costs and Size

Given the economic situation in Kazakhstan and the large number of households with low incomes, the majority of the population will be eligible for HAP assistance based on the general guidelines being proposed for the Kazakhstan, even without projected increases in housing maintenance and communal services prices. Oblasts and localities may conclude that they do not have the financial resources to afford a full-scale program or may want to begin with a limited program and enlarge it overtime. Table 2 lists some options the national government and oblasts and localities can employ to control and limit program costs and size. These options need to be carefully weighed in terms of their fairness, program objectives and impact.

IV. General Policy Considerations That Effect Program Cost

While the interim regulations provide wide latitude for local governments to design their own programs, care should be taken not to override or restrict local program plans through excessive centralized review by Oblasts or the national government. No single housing allowance formula works best for every locality; rather, local officials should be allowed considerable discretion to develop a program adapted to local circumstances, including the stock of available units, local incomes, and local maintenance and communal service production costs. Local priorities must be weighed and a balance struck between eliminating government subsidies quickly and providing as much help as necessary to those in need.

It also is important to recognize that complete elimination of subsidies from the housing sector is not achievable In fact, virtually all countries continue to channel substantial subsidies to provide shelter, promote homeownership and achieve other national housing priorities. Even large reductions in subsidy probably will not occur in the foreseeable future. However, an almost immediate improvement over the current system of subsidies -- perhaps on the order of 5 to 10 percent -- can be gained by implementing a well designed housing allowance program that targets subsidies to those who truly need them.

Program administrators should monitor the situation to ensure that the increases in maintenance and communal service charges to be paid by households as proposed in the Interim Regulations, are not too rapid. Much depends on the achievement of increases in real wages in the economy at large. In addition, the Ministry has not explicitly addressed the question of whether the proposed increases in tariffs will be sufficient to cover all or most of the production costs of utilities and communal services. Documentation of these production costs is apparently lacking. Efforts should be made to obtain these costs and adjust expectations accordingly

Overall improvements in the delivery of housing services also are essential to the success of a housing allowances program Resistance to fee increases will be severe unless the government improves the quality, quantity and reliability of maintenance and utility services. Substantial arrearages in communal service payments exist under current subsidized prices. In conjunction with reducing subsidies to the utility sector and raising the cost to most residents, the government needs to make a convincing case to the public that utility bills must be paid, and should aggressively pursue non-paying commercial and residential users.

At the same time a housing allowances program is implemented, efforts should be made to control utility costs and to squeeze savings and efficiencies out of the current system. Privatization of maintenance is one key element in any formula for rapid and visible improvement. Another important element is to introduce measures to encourage conservation on the part of individual households and commercial users of utilities. Installation of meters on a per building, and preferably per unit, basis would go a long way towards reducing overall costs

V. Potential Opportunities for Follow-On Technical Assistance to Help Implement the HAP

Planning and setting up the administrative systems for the HAP within the short time frame that will be available will be a major challenge. The challenge will be all the more difficult because the Republic of Kazakhstan (ROK) has adopted a decentralized approach under which oblasts and localities are to be responsible for funding and developing the programs This arrangement will allow HAPs to be designed to fit the specific circumstances of each community, but it will make it more difficult to achieve a consistent high standard of administration and cost effectiveness.

USAID/ICMA may be in a position to help the ROK initiate the HAP. The following are suggested as possible areas of cooperation between USAID/ICMA and the ROK:

A. Make ICMA Model Available to Oblasts and Larger Cities

The ICMA Model can be used to create national HAP estimates, but also it can help those oblasts and localities that have estimates of household incomes and the other data needed to run the model. ICMA may be able to make available copies of the model and a set of instructions on how to use it to local governments who have the proper software and computer. Alternatively, oblasts and cities could provide data inputs to the Ministry of Finance or ICMA to make the calculations for them. Widespread use of the model would provide standardized and reasonable accurate methodology for estimating HAP costs.

B. Support a Visit to the Ukraine by Key ROK HAP Officials

The Ukraine began its HAP on May 1, 1995. In concept it is generally similar to the HAP contemplated for Kazakhstan. It relies on oblasts and cities to set up their own programs. It could be useful for key Kazakh officials involved in the HAP to visit the Ukraine and talk to national government officials and local program administrators face to face about the problems and issues they have encountered. October probably would be the right time for such a visit.

C. Prepare a Manual that Provides Guidelines to Oblasts and Localities

Oblasts and cities could benefit from understanding the experiences and practices of other countries who have HAPs and from having a set of model administrative forms and procedures In the Ukraine USAID helped prepare such a training manual. The manual included copies of the relevant decrees and practical suggestions on how to design and manage a HAP Oblasts and localities in Kazakhstan could benefit from a similar document. USAID/ICMA could advise on the content of the manual and help support its publication and distribution

D. Assist in Organizing a Nation Implementation Conference on the HAP

Oblast and localities would benefit from participation in a national conference where the principal features of the program can be discussed and views and opinions exchanged. Such a conference also would generate publicity for the program and help the public to better understand it. USAID/ICMA might co-sponsor such a conference with the ROK.

E. Assist in Providing Technical Assistance to Oblasts and Localities

Some oblasts and cities may need hands-on assistance in planning for and setting up their HAPs. This assistance might cover such topics as financial planning, how to computerize record keeping, how to conduct interviews with applicants to determine total family income, how to develop a public information program, how to deal with fraud etc. USAID/ICMA could work with the ROK to train a small staff of people who could make field visits to provide such assistance.

VI. Housing Allowance Program (HAP) Workplan and Schedular Milestones

Table 3 provides a checklist for implementing a housing allowance program in Kazakhstan on January 1, 1996 It lists tasks and planning milestones and discusses how to implement a housing allowances program. The checklist is separated into two parts. those tasks which are the responsibility of the national government and those tasks which are the responsibility of oblasts and localities. In fact, the different tasks are interrelated and, in many cases, one task cannot begin until other tasks have been completed. The checklist identifies a deadline for completing each task and the organization(s) responsible for the task are identified. The "Considerations" section of the table notes lessons learned and other issues from housing allowance programs in other countries.

Table 1

OPTIONS FOR REDUCING THE COST OF A HOUSING ALLOWANCE PROGRAM

I National Government Level[3]

1. Stretch-Out Targets for Achieving Full Cost Recovery for Housing Maintenance and Communal Services Payments Beyond Year 2000

2. Shorten the Four Year Time Schedule for Requiring All Households to Pay 30% of Their Income for Housing Maintenance and Communal Services

II Oblast and Local Level

1. Stretch-Out Targets for Achieving Full Cost Recovery for Housing Maintenance and Communal Services Payments Beyond Year 2000
2. Shorten the Four Year Time Schedule for Requiring All Households to Pay 30% of Their Income for Housing Maintenance and Communal Services
3. Limit HAP Recipients to Particular Categories of the Population (e.g. pensioners and handicapped persons)
4. For the Purposes of Calculating Allowance Payments Reduce the Proposed Space Norm of 15 Square Meters Person
5. Establish a Minimum Size Subsidy Payment Amount and Disqualify Households Whose Payments Are Less Than the Minimum
6. Limit the Number of Households Who Can Participate in the Program At Any Point in Time
7. Disqualify Households Who Own a Dacha or a Second Residence
8. Disqualify Households That Own An Automobile Less Than Three Years Old
9. Establish Rules Such That It Will Be Assumed that Income from Self Employment is an Established Minimum Amount (Unless It Can Be Documented Otherwise)
10. Disqualify Households Who Residence Exceeds the Space Norms
11. Disqualify Households Who Are in Arrears in Their Payments For Housing Maintenance and Communal Services
12. Recertify Incomes Every Six Months Rather Than Annually to Take Account of Increases in Household Income

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[3] These options need to balanced against each other. That is, there is a tradeoff between continued high subsidies to the utility sector that could result from the first option and the large eligibility rates and potential high non-payment rates that could result from the second option.

Table 2

HOUSING ALLOWANCE PROGRAM (HAP) WORKPLAN AND SCHEDULAR MILESTONES

I. Role and Responsibilities of the National Government

TASK/MILESTONE	CONSIDERATIONS	DEADLINE	LEAD AGENCY
Calculate Preliminary Estimate Of Cost Of National HAP Using ICMA Model	Data from the Kapchagai survey can be updated to January 1996	8-29-95	MINFIN
Refine Data Inputs And Calculate Official Estimate Of Cost Of A National HAP Using ICMA Model	Key variables in determining the cost of the program are estimates of household income, distribution of income and the full cost of providing maintenance and communal services	9-1-95	MINFIN
Cabinet of Ministers Issues Resolution and Implementing Regulations for HAP	The four month old Ukraine program has 150,000 recipients	9-1-95	CABINET OF MINISTERS
Review Data From The Oblasts And Recalculate Estimate Of A National HAP Using ICMA Model	Oblast data can be used to evaluate national data	9-15-95	MINFIN
Review Results of Model With Appropriate National Government Officials	Other agencies may not be aware of the HAP and its implications for other sectors	9-22-95	MINFIN
Develop A Training And Technical Assistance Plan for Oblasts and Localities	Many oblasts and localities may not be aware of the HAP concept and how to operate a HAO	9-22-95	MINCON and MINFIN

Conduct Training Seminar For Oblast And City Officials	A national conference is an effective approach to building interest in the program and providing guidance to oblasts and localities. Officials in Ukraine organized such an event	10-26- 10-27-95	MINCON and MINFIN
Notify Availability Of HAP Technical Assistance	Oblasts and cities may need technical support but may not be aware of its availability	10-26-95	MINCON and MINFIN
Prepare Manual With Advice And Forms On How To Set Up A HAP And A Housing Allowance Office	Such a manual can provide useful guidelines and information, and aid in setting up a program efficiently	11-17-95	MINCON and MINFIN
Distribute Manual To Oblasts And Cities		11-24-95	MINFIN
Develop A National Publicity And Public Information Plan	Making the public aware of the availability of the HAP is important to its success	10-20-95	MINCON and MINFIN
Provide Oblasts and Localities With Any Financial Authorization They May Require to Assure Availability of Funds for the Program	Oblasts and cities need to be assured funds will be available to finance the HAP	12-1-95	MINFIN
Conduct National Publicity And Public Information Program	This could include (1) speeches by ROK officials (2) ads on radio, TV, and in newspapers (3) brochures and posters (4) news stories on programs that work in Semipalatinsk and in other countries	12-1 12-31-95	MINCON and MINFIN
Set Up a Reporting System to Monitor Implementation of the HAP	Oblasts could be instructed to collect data on the HAP, especially costs and participation rates	12-31-95	MINFIN

II. Role and Responsibilities of Oblasts/Localities

TASK/MILESTONE	CONSIDERATIONS	DEAD LINE	LEAD AGENCY
Determine the Best Data for Estimating Costs of the HAP	Data will have to be based on rough estimate	9-8-95	Oblasts and Localities
Prepare Estimate of HAP Costs and Submit to the Ministry of Finance	It may be possible to use the ICMA model to provide some of the estimates	9-15-95	Oblasts and Localities
Estimate the Likely Number of Applicants and Recipients for the (1) First Six Months of 1996 and (2) the Remainder of 1996	Data from Russia's and Ukraine's experience will be useful. Only about one-half the eligible households will apply for assistance. A big factor is the price of maintenance and communal services.	9-15-95	Oblasts and Localities

Prepare a Budget Request for the HAP to the Oblast/City Finance Administration	The budget should have two elements: the cost of allowance payments and administrative costs	9-29-95	Oblasts and Localities
Hire a HAP Office Director	Having an effective Director is key to the success of the program	10-2-95	Oblasts and Localities
Brief and Establish Coordinating Arrangements with Other Agencies and Organizations	(e.g., DEZs, City Finance Administration, Utility Companies, NGOs, Enterprises that Own Housing, etc.) The cooperation of these groups is essential to the success of the HAP	10-15- 11-10-95	HAO Director

Develop and Design Program Rules and Procedures for the HAP,	Include such issues as How Communal Service Providers Will Receive the HAP Subsidies to Which They are Entitled and What Will Be Done in Cases of Willful Misrepresentation by Allowance Recipients and Fraud by HAO staff. Rules for determining eligibility should be clear and understood by staff	10-2 - 11-10-95	HAO Director and Oblasts and Localities
If Necessary, Request Technical Assistance or Clarification of Policy Issues from Oblast or Ministry of Finance Staffs		11-30-95	HAO Director
Obtain Office Space, Equipment and Supplies for the HAO		10-29-95	HAO Director

Recruit and Train HAO Staff	Well trained staff is essential to a successful program	10-16 - 11-10-95	HAO Director
Develop a Publicity and Public Information Plan	A comprehensive campaign using all media, especially TV, is needed to make the public aware of the HAP. Application and documentation forms can be printed in newspapers	11-17-95	HAO Director
Design or Obtain Forms to be Used by the HAO and Replicate Them for HAO Use		11-10-95	HAO Director
Develop an Office Procedures Manual for Staff, Including Operating Procedures and Job Descriptions		11-30-95	HAO Director

Develop Plan for Setting Up an HAO and Hire Staff Based on an Estimate of the Program Size and the Rate of Applications for Assistance	Staffing needs will change as the HAP grows	11-24-95	HAO Director
Develop Plan for Opening the HAO and Controlling the Initial Flow of Applicants	It is important to have a plan for handling the large volume of applications that will occur when the program begins	11-24-95	HAO Director
Conduct a Local Publicity and Public Information Program	Making the public aware of the availability of the HAP is important to its success	12-1- 12-31-95	HAO Director
Establish Procedures for Monitoring How Applications are Processed and Certified by HAO Staff	Quality control systems need to be established to assure fairness and accuracy	12-31-95	HAO Director
Open the HAO		1/1/96	HAO Director

The first four columns of each row show the model assumptions that define the scenario. The next six columns show the eligibility rates and program costs that result from those assumptions. In addition to the base case, nine scenarios are presented in the table.

Base Case - the situation in January 1996; assumes production costs of 55 tenge per sq. meter; 10 percent of household income paid towards housing, and 20 percent of the production cost or 12.5 tenge per sq. meter paid by residents. Based on the 140 million square meters of space in urban Kazakhstan, payments collected from residents are 1.755 billion tenge per month and the remaining 80 percent of the cost is subsidized at a total of 7.720 billion tenge. See text for detail.

Assumptions:

Column #1 - All nine scenarios use as the space norm 15 sq. meters per person.

Column #2 - the assumed portion of income households pay towards housing.

Column #3 - the assumed sq. meter charge residents pay towards their housing (the model also permits the user to enter separate tariffs for the various utilities and maintenance, if that information is available).

Column #4 - the percentage of the assumed production cost of 55 tenge covered the resident charges represent.

Results:

Column #5 - the percentage of households eligible to receive a housing allowance.

Column #6 - the amount of the average allowance.

Column #7 - total payments received from all households for their housing This includes amounts received from both households eligible for an allowance (for both their subsidized norm space and their extra space) and those ineligible for an allowance (who pay themselves for all their space).

Column #8 - the percentage change the amount in Column 7 represents over the base case.

Column #9 - the total amount of subsidy necessary (both in housing allowances and in payments to utility companies) to make up the difference between production cost and what is collected from residents.

Column #10 - the amount in Column 9 expressed in terms of percentage change over the base case.

For each scenario, the model produces more detailed information on the figures in Columns (5) through (10). See the sample printouts in Annex A.

ANNEX A

DESCRIPTION OF THE HOW THE HOUSING ALLOWANCES MODEL WORKS

Overview

The model uses information from a survey of more than 350 households conducted in Kapchagai in June, 1994. This information is assumed to be representative of households in urban areas throughout Kazakhstan for whom a housing allowances program will be available The model uses the survey data to determine -- household by household -- who is eligible for a housing subsidy and, if so, how much that subsidy will be. The total number of households eligible for a subsidy and the subsidy amounts are then summed to produce totals for Kapchagai. These totals are then aggregated or "extrapolated" to the urban population throughout Kazakhstan to get a total cost of the program for the Government of the Republic.

Detailed Explanation

Step # 1

The Kapchagai survey was completed in June 1994 and contains information on 354 households. This information includes:

- number of persons in the family
- total monthly income reported by the family
- total amount of space (sq. meters) the family is living in

Step #2

The user of the model enters several different assumptions to indicate how the allowance program will be implemented. The model user indicates:

- space norm (for example, 15 sq meters per person)
- the portion of their income each family is expected to pay towards housing (for example, 15%)
- cost of the maintenance and communal services paid by residents (this may be indicated as the cost per square meter or, alternatively, the tariffs for each fee and communal service)
- "actual" or full production cost of maintenance and communal services (this may be indicated as the cost per square meter or, alternatively, the tariffs for each fee and communal service)

Step #3

From the information provided in (2), the computer program is used to calculate the first three lines in **Printout Page 1.**

Line #1 - The first line shows how much space families ranging in size from 1 to 7 persons are entitled to under the space norm. This is calculated by applying the space norm to each household size. For example, if the space norm is 15 sq. meters per person, a one person household would receive a subsidy based on 15 square meters; a two-person household would receive a subsidy based on 30 sq. meters, and so on If the user of the model indicated a space norm of 15 sq. meters for the first person and 10 meters for each additional person then the line would show 15 sq. meters for one-person households, 25 sq. meters for two person households, 35 sq. meters for three person households, and so on.

Line #2 - shows the amount of tenge charged for the norm space for each family size. If, for example, the model user indicates a charge of 15 tenge per square meter, the cost of the norm space for a one-person household (assuming a space norm of 15 sq. meters per person) is 15 square meters multiplied by 15 tenge for a total of 225 tenge. For a two-person household 30 square meters multiplied by 15 tenge or 450 tenge, and so. If tariffs are entered by the

model user, some costs, such as maintenance, will be based on the space norm and some costs, such as hot water, will be based on the number of persons in the household. In any case, the total charge for the norm space for each family size will be shown in this line of the table.

Line #3 - shows the maximum income a family of each size may have and still be eligible for a housing allowance. For example, for a one-person household, the charge for norm space is 225 tenge per month. If the model user indicates that households should pay 15 percent of their income towards housing before receiving an allowance, the 225 tenge represents 15 percent of a monthly income of 1,500 tenge. For a two-person household the charge for norm space is 450 tenge, which is 15 percent of 3,000 tenge in monthly income. Generally, a one-person household with an income of more than 1,500 tenge per month or a two-person household with an income of more than 3,000 tenge per month would not be eligible for a housing subsidy, because the family can pay for the norm space it is entitled to by spending less than 15 percent of its income.

The next three lines on this table are computed using the Kapchagai survey data. These calculations are "invisible" because they are done by the computer for each household The results are then summarized and it is these totals that appear in the table. The "invisible" part of the calculation can be explained as follows:

For each of the 354 households in Kapchagai, we know how many persons there are in the family, how much space they are living in, and how much income they report having. If the family has, for example, 3 persons, we know from the first three lines of the table that a three-person family is entitled to 45 sq meters under the norm, and at 15 tenge per square meter, that norm space costs 675 tenge. That 675 tenge is 15 percent of a monthly income of 4,500 tenge. The computer compares the monthly incomes of the three person family in Kapchagai to 4,500 tenge. If the family income is higher than 4,500, the family does not receive a subsidy, and their subsidy amount is listed as 0 by the computer. If the family income is less than this amount, a subsidy is computed for the family.

The subsidy is calculated as the difference between 15 percent of family income and the cost of the norm space. If the income for this three-person family is 3,000 tenge per month, they can only pay 15 percent, or 450 tenge towards their norm space of 45 sq meters The cost of the norm space is 675 tenge. So, the difference of 225 tenge is the subsidy provided to the family. They may live in a unit that is larger than 45 square meters, but the subsidy is based on the 45 sq meters they are entitled to under the space norm. If, for example, the family lives in a 55 sq. meter apartment, it may choose to remain in the apartment, but the family must pay the cost of the additional 10 sq. meters themselves. The computer also calculates the amount of tenge each family must pay for any extra amount of space occupied.

This process of determining who is eligible for a subsidy, and if so, for how much, is repeated by the computer for each of the 354 households in Kapchagai. Then, the results are totalled. These results are reported in the next three lines of **Printout Page 1.**

Line #4 - For each household size, the number of households eligible to receive a subsidy are counted and summarized here. In the example shown, 8 one-person households, 18 two-person households, and 39 three-person households were eligible for allowances.

Line #5 - This line shows the total number of households of each size that are present in the sample data from Kapchagai.

Line #6 - shows the percentage of households of each size that are eligible for a subsidy. The number in Line #4 is taken as a percentage of the number in Line #5. To the right, in the farthest column, the table shows the total number of sample households eligible for an allowance as a percentage of all the 354 sample households in Kapchagai. In this case, 177 households are eligible or 50 percent.

Step #4

Once calculations are done for each household, they are summarized in the **Printout Page 2.** Then the results for Kapchagai are extrapolated to represent the urban households in areas where the housing allowances program will be available. The table shows three columns of numbers. The first column shows summary results for the Kapchagai households, the third column shows the results extrapolated to households in urban areas throughout the country, and the middle column shows percentage breakdowns that apply to both the Kapchagai and the urban national data.

Line #1 - shows the total number of households in Kapchagai and the total number of urban households in areas where a housing allowance program is available. The figure of 2.8 million households is external to the computer program and was obtained from national statistics.

Line #2 - the number of eligible households in Kapchagai is reported on the left. This is expressed as a percentage of the 354 households in Kapchagai as shown in the middle column. This percentage is then applied to the 2.8 million households for the total of eligible urban households, reported in the right column.

Line #3 - the number of ineligible households in Kapchagai is reported on the left. This is expressed as a percentage of the 354 households in Kapchagai as shown in the middle column. This percentage is then applied to the 2.8 million households for the total of ineligible urban households, reported in the right column.

Line #4 - The number on the left, 17,745 is the total amount of square meters lived in by the 354 sample households in Kapchagai, and averages about 50.1 sq. meters per family. This average was then multiplied by the 2.8 million households for a total of more than 140,000,000 million square meters of space. (This number was compared to outside statistical sources and is quite close --within 97% -- of the 143,000,000 million reported there.)

Line #5 - Column #1 - Households that are eligible for a subsidy are expected to pay 15 percent of their income towards their norm space. If they consume space larger than the norm they must also pay the full cost of that extra space. Previously, the computer calculated these amounts for each household in the Kapchagai sample. The total amount of tenge collected from all Kapchagai households eligible for a housing allowance is reported here. It includes what they pay for both norm space and for extra space.

Line #6 - Column #1 - Households that are not eligible for a subsidy, pay themselves the cost of all the space they occupy. These amounts were previously calculated by the computer for each household in Kapchagai. The total amount of tenge collected from the ineligible households in Kapchagai is reported here.

Line #5 - Column 3 - The amount paid by households eligible to receive a housing allowance in Kapchagai is extrapolated to all urban households. This is done by dividing the amount paid by eligible households in Kapchagai by the number of eligible households in Kapchagai to get an average amount paid per eligible household. This average is then multiplied by the total number of eligible households in the urban population (calculated previously in Line #2).

Line #6 - Column 3 - The amount paid by ineligible households in Kapchagai is extrapolated to all urban households. This is done by dividing the amount paid by ineligible households in Kapchagai by the number of ineligible households in Kapchagai to get an average amount paid per ineligible household. This average is then multiplied by the total number of ineligible households in the urban population (calculated previously in Line #3).

Line #5 - Column 2 and Line #6 - Column 2 - Show the percentage of all the tenge collected from residents that comes from eligible households, and the percentage of all the tenge collected from residents that comes from ineligible households.

Line #7 - This line shows the total payments collected from all residents in Kapchagai and in the national urban population.

Line #8 - Shows the "actual" or "full cost" of maintenance and communal services for the total space in Kapchagai and for the total space in the urban population. These calculations are based on the "actual" or "full cost" figures provided by the model user. For example, if the model user indicates that the full per square meter cost is 55 tenge, this number is multiplied by the total amount of space occupied by the sample households in Kapchagai (17,745 sq. meters) for a total of 975,975 tenge to fully maintain and operate the space in Kapchagai. The full cost of 55 tenge per sq. meter also is multiplied by the total amount of urban space (140 million square meters) to arrive at the total of 7.719 billion tenge real cost of maintaining and operating the total urban space.

Line #9 - Total allowances paid in Kapchagai are calculated by summing up all the allowances computed for the individual households in the Kapchagai sample This figure is extrapolated to the urban population by dividing the total allowance payments for Kapchagai by the total number of eligible households receiving allowances in Kapchagai to get an average allowance amount. This amount is then multiplied by the total number of eligible households in the urban population as calculated in Line #2.

All scenarios run by the model compare the amount of payments received from residents with the total amount of subsidies paid to either residents through allowances or by the government to the utility companies.

Line #10 and Line #11 are external to the model. They describe the "base case" to which all other examples are compared. The figures are intended to show what the situation is before implementation of the housing allowances program begins. For example, the numbers could show the payments received and subsidies paid in January, 1996 before full implementation of the program.

In this example, it is assumed that the "full" or "actual cost" of maintaining and operating all the urban space is 55 tenge per sq meter , which amounts to 7.719 billion tenge per month. It was assumed that households pay 12.5 tenge per sq. meter of this cost, which multiplied by the 140 million sq. meters, is 1.754 billion tenge, which is the number indicated in Line #10. The remainder of this cost -- 42 5 tenge per sq. meter -- is paid by the government in subsidies to utilities. The total subsidy for all urban space is 42.5 tenge multiplied by 140 million sq. meters or 5.965 billion tenge per month, which is the number shown in Line #11.

Line #12 - simply copies the number from Line #7 which shows the total amount of payments received from residents for the total urban space. This number is then compared to the "base case" in Line #10 which shows that, in this scenario -- 15 meter per person, 15 percent of income paid by families, 15 tenge per square meter charged to residents, and 55 tenge per square meter actual cost -- the result would be a 2 percent increase in payments received from residents over the base case.

Line #13 - The difference between the actual cost of the total urban space and the total payments received from the urban residents is 5.931 billion tenge, which is the amount that is subsidized by the government. This amount is 0.6 percent less than the base case.

In this example, Lines #12 and #13 indicate a small increase in payments received from residents and a very tiny reduction in overall subsidies

Step #5

Printout Page 3 is an additional report that shows the impact of the housing allowance program on families of various income levels.

Previously, the model calculated for each household in Kapchagai whether or not the household is eligible for a subsidy and, if so, how much. This information is summarized in the table by the income class of households in Kapchagai. Information on each household in the sample was added up and grouped according to household income.

Column #1 - The first column shows 15 ranges or intervals indicating the income classes of the households in Kapchagai.

Column #2 - For all the sample households in Kapchagai, the number of families that fall into each income class is indicated.

Column #3 - The average income of the households in each income class is calculated and presented here. For example, there are 44 families with incomes between 1001 and 2000 tenge per month. The average for the 44 families is 1,597 tenge.

Column #4 - Per capita income column of the households in each income class is computed by summing all the income of the households in each class and dividing by the total number of persons in the class.

The last three columns in this table provide information for the families in each income class that are eligible for housing allowances.

Column #5 - Shows the number of families in each income interval that are eligible for housing allowances. For example, 41 out of the 44 Kapchagai families that have incomes of between 1001 and 2000 tenge per month are eligible for a housing allowance. Three families do not qualify most likely because of their family size as compared to the space they occupy.

Column #6 - Shows the total amount of allowances paid to all of the eligible families in this income interval.

Column #7 - Shows the average allowance paid to the eligible families in the income interval.

The two lines at the bottom of the table show totals and averages for the various columns. This totals include the number of families in Kapchagai that are eligible for a housing allowance, and the total amount of allowances paid to these families These numbers correspond to the numbers in **Printout Page 2** that were used to extrapolate allowance program costs to the urban population.

ANNEX B

DESCRIPTION OF HOUSING ALLOWANCE PROGRAM IN SEMIPALATINSK

Introduction

The City of Semipalatinsk, a city of 270,000 people, is the only city in Kazakhstan with an housing allowance program. It introduced the program in January 1995 in conjunction with increasing the cost communal services. During the first seven months of program operations 4,160 households applied for assistance.

This report summarizes the city's experience with its housing allowance program and the main features of the program. Finally, some of the lessons from the city's experience with its program are noted.

Status of the Program

In conjunction with raising communal services prices to approximately 50% of estimated production cost, Semipalatinsk established a housing allowance program. An allowance office was set up in November, 1994 and the program began January 1, 1995.

Through July, 1995 4,160 applications were received and 2,426 households were determined eligible. Recipients of assistance have received a monthly subsidy averaging about T275. The average recipient has received subsidies totalling T1,530 since the program begin. A total of T3.5 million in subsidies have been paid by the city. The overwhelming majority of recipients have been pensioners or households headed by single parents.

The substantial failure rate of applicants to become allowance recipients are the result of four factors: they were in arrears on their communal services payments and therefore ineligible (there is supposedly a 40 % delinquency rate in communal services payments); there were males in the household who were not working and had not registered as unemployed and therefore the household was ineligible; the household had income higher than the program limits; the household decided not to apply because it chose not to provide the documentation required or it's allowance payment was too small to be worth the trouble of pursuing the application.

Program Eligibility Standards

An allowance recipient receives a subsidy in the form of a discount on its maintenance and communal services payments. The subsidy is calculated as the difference between the monthly cost of the household's maintenance and communal services (based on the program's space norm and 12 square meters for each person) and 30% of its total monthly income.

Renters or owners are eligible for assistance.

The income of all household members is considered. The household must be up to date in its communal services payments and male household members must be working or registered for unemployment.

The household must recertify its eligibility annually, but the amount of subsidy is recalculated periodically by computer as the price of housing communal services changes. A recipient must be up to date in it payments in order to continue to receive an allowance.

How the Program Works

An applicant (one member can apply on behalf of the household) comes to the housing allowance office at which time the applicant is told about the requirements of the program and provided with forms to complete. The applicant completes the forms and obtains the required certifications and submits the documents to the office The office reviews and approves the application package and issues a certificate of eligibility which is either sent to the DEZ (Department of Unified Customer) or the applicant picks it up. The DEZ makes the appropriate changes in the applicant's file and collects the subsidy from the city finance department. The DEZ then pays the applicant's service providers. Recipients receive subsidies beginning with the first month of the quarter in which they are determined eligible.

Typically it takes an applicant about two weeks to obtain the documentation needed and another two weeks is required for the office to process the application.

The housing allowance office started with a three person staff in a single office and now has a staff of sixteen (10 at the central office and three persons in each of two satellite offices). The satellite offices take applications and do preliminary screening The central office calculates allowance payments, issues certificates of eligibility and handles the paperwork. Offices open from 8 AM to 7 PM six days a week. When the program began there were waiting lines but that is no the case When demand increases staff is reassigned to handle the application workload When the program began it was widely publicized and the offices has continued to advertise it and promote it in the media.

It is reported that both the city and recipients are satisfied with the program.

Conclusions

By requiring that households pay a high percentage of their incomes (by Kazakh standards) for housing and setting the housing norm at a modest level, Semipalatinsk has designed a program which will be relatively small in scale and targeted on the elderly and single parent households. The allowance program has enabled the city to demonstrate it is helping poor households, but to increase the extent to which maintenance and communal services costs are paid by residential users. The program is relatively low cost because of the eligibility standards are strict.

ANNEX C

MEMORANDUM: UPDATE ON UKRAINE HOUSING ALLOWANCES PROGRAM

To: Peter Epstein, Dale Rosenthal, Bob Dubinsky

From: Barbara Lipman

Re: Update on Ukraine Housing Allowances Program

Date: September 1, 1995

This is an addendum to the trip report submitted by Bob Dubinsky on the August 14 - August 26 trip to Kazakhstan to assist the Ministry of Finance in determining the cost of a nationwide program of housing allowances. On Monday, August 28 and Tuesday, August 29, I continued on to Kiev to discuss the implementation of the housing allowances program that began on May 2. In addition to obtaining an update on the program, I discussed with Roger Vaughan of PADCO the possibility of Madame Verbitskaya, of the Ministry of Finance in Kazakhstan, visiting Kiev in the near future to obtain a first hand look at a program that has overcome obstacles similar those facing her and her colleagues at home.

The Program in Aggregate

The program began as scheduled on May 2, 1995 with the first of what is now 740 Housing Subsidy Offices (HSOs) opening their doors to the public. Price increases for maintenance and utilities have not adhered to the original schedule. The first price increases (to 20 percent of production cost) were introduced prior to the program in February. Prices were then raised to 30 percent of production cost -- not on May 2 as originally planned -- but in June. The next price increase to 40 percent of production cost was supposed to occur on July 1, followed by a raise in prices to 60 percent by September 1. The July price increase did not occur; instead, prices will reach 40 percent of production costs on September 1.

Early indications show that the program, by far, will "pay for itself." It is estimated that, by the end of the year, more than 100 trillion coupons will be collected than would have been had prices remained at January 1995 levels. But the cost of the program will have amounted to only 1 to 2 trillion coupons.[1]

In terms of enrollments, the program has been growing apace. Cumulatively, by the end of June more than 50,000 households across the nation were receiving housing allowances. By July, the number was 150,000 and by the end of August was expected to reach 300,000. Growth has been steady, without any spikes or surges after each price increase, though this may change with the September price increase that will occur along with increased efforts to publicize the program.

Getting the Word Out

To date, only about half of those households income eligible actually apply for an allowance. Lack of knowledge about the program is the main reason. Surveys show only 30 percent of families are aware of the program and know how to apply for a subsidy and find out if they are eligible. Another 25 percent or so know vaguely something about the program, but aren't sure what it is or how to go about applying. In response, PADCO and the Ministry have put together four 45 second (apparently humorous) television commercials, as well as 1 ten minute infomercial. Television is the medium where most people find out about the program with word-of-mouth from friends the second major source. Also, more than 5,000 brochures were printed for distribution through the Zheks. Two 30-minute documentaries on communal services have been produced, and efforts are being made to get them aired on state television in the next two to three weeks.

In terms of educating officials, more than 5,000 copies of an information kit were printed and distributed to every mayor, leaders in all oblasts, and every member of the Supreme Rada. Copies also were distributed to the press and have generated between 400 and 500 news stories. (A copy of the information kit is attached to this memo.)

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[1] At this writing, one U.S. dollar is equal to 163,000 karbovanetz or "coupons."

In preparation for the opening of Housing Subsidy Offices more than one million application forms packets were distributed. They were put together in a format to allow local offices to print up their own copies with local addresses. Also, Roger reports that the training manual "set a new standard" for a government program. Such manuals, for the most part, do not exist and so the manual has made a great impression on local officials used to administering programs without one.

While a "hotline" was set up at the Ministry of Social Protection to answer inquiries from Housing Subsidy Offices on administrative or implementation issues, it has not been wildly successful. Apparently, the folks at the Ministry taking the calls have been less than responsive.

The Impact on Households

As for who receives housing allowances, payments appear to be quite targeted. About one-half of recipients are single-person households which are primarily elderly pensioners on fixed incomes. The other half are low-income families of mixed sizes and situations.

The average allowance is between 400,000 and 500,000 coupons or approximately $3 per household. While this may not sound like much, consider that the $3 amounts to about one-third of the average payment for maintenance and communal services at the new price levels. Consider also that $3 is about one-third of the average monthly pension.

It is too early to discern any real trends in appeals for applicants who wish to contest their rejection or the amount of an allowance, though an official appeals process has been established. The first level of appeal is the head of the Housing Subsidy Office. The next level of appeal is to a commission set up by RAIONS which will meet on an ad hoc basis. Finally, the court system is the appeal of last resort.

Administrative Issues

Just as important as enrollments, money has begun to flow through the system. In Kiev alone more than 6 billion coupons have been collected in additional revenues with about 3 billion already transferred to utility companies.

Staff at PADCO and the Ministry of Social Protection have been routinely sampling and obtaining information from 8 RAIONS (maintenance districts roughly equivalent to the Maintenance Departments in Kazakhstan). Specifically, they have been closely monitoring the nonpayment and delinquency rates as prices have been increased. The conclusion thus far is that nonpayment rates have not increased or changed appreciably since price increases were introduced. Apparently, half the population pays maintenance and communal services late. Of the half paying late, half of these pay within a month, and half of the remainder pay within two months. This is not significantly different than the situation before price increases began. It is possible, however, that larger debts will pile up for those who are persistently late.

Where there is wide variation in nonpayment rates, this has been attributed to several factors including, the willingness of individual RIONs to "knock on doors' and insist on payment. Also, sometimes the RIONs themselves have been slow to adjust payment books reflecting updated prices.

On the other hand, Zheks seem to keep decent records of outstanding debt and delinquencies on the part of households. Bringing utility and communal service payments up to date is an eligibility requirement for a household to receive a housing allowance. Roger indicates that producing records of these outstanding balances has been no problem at all. Meanwhile, the program is becoming increasingly computerized. PADCO has hired several programmers to produce software for entering applicant and payment records. Most Housing Subsidy Offices have one computer into which a data entry operator enters information. Oblasts are compiling information from the subsidy offices within their jurisdiction. Because the Ministry of Social Protection is interested in means testing virtually all social subsidy programs, the software PADCO is developing will be able to incorporate other programs in the future. Also, the Tax Inspectorate is beginning to require registration of all businesses including those people who are self-employed. Eventually, this information could greatly speed up the income documentation and verification process.

What's Up for the Near Future

Almost 2.5 million households are expected to be enrolled in the housing allowances program by the end of 1995. This is down a bit from the 3 million originally forecast both because price increases are occurring slower than expected and because the government has acted to raise some pensions and incomes. By mid-1996, the program will "max out," according to Roger, at between 4 and 5 million households. At the same time, other social welfare programs will be subject to some means testing.

PADCO is providing assistance to 8 or 9 RAIONS that have requested help. In addition, they are perfecting the computer software program to enhance the reporting features.

Meanwhile, Kiev has opted to exercise some of the local discretion allowed under the program The city recently passed a law saying that no family shall pay more than 8 percent of its income towards housing (while the national guidelines say 15 percent). The city intends to pay the difference between the 8 and 15 percent. However, as the overall program costs for Kiev have come in way under the amount allocated for the program by the central government, the city intends to use some of these funds for this purpose. This is not a case of the local government raising revenues on its own for meeting a local need.

Another recent development is the initiative on the part of the Ministry of Economy to create a gas metering program. Under the program, households will be allowed to finance the cost of the meters. This cost will be favorably considered when the family applies for a housing allowance.

Receptive to a Visit

Madame Verbitskaya and several of her colleagues would be most welcome, according to Roger and to several people at US AID both in Ukraine and Washington to whom I mentioned the idea.

In addition to meeting officials at the Ministry of Social Protection, a small delegation could visit some of the Housing Subsidy Offices in Kiev, talk with local officials as well as applicant families, and see a real housing allowances program in action.

PADCO is willing to share the reporting software as well as any program materials that would be deemed useful for Kazakhstan.

I'd suggest coordinating with Jon Wegge to determine when such a visit would have the greatest momentum and impact on the program -- probably the sooner, the better! I stand ready to assist in this effort as soon as I assume my new post.