A. Program Activities — Russian Federation

Notable Developments

On September 24 Prime Minister Chernomrydin signed the Council of Ministers Regulation implementing the program to raise rents in state housing to cover full operating costs over a five year period and requiring governments to implement housing allowance programs when rents are raised. Raising rents is the cornerstone of sector reform and implementation of this provision of the Law on Fundamentals of Housing Policy represents a real victory for reformers within government.

Legal and Policy Developments

According to discussions with Gosstroi staff there are no impediments to two major pieces of housing "legislation" being issued in the very near term: the Presidential Decree on the structure of the housing finance system and the Council of Ministers Regulation on raising rents and introducing housing allowances.

The Presidential Decree on the housing finance system was reviewed by the legal group within the Office of the President. The lawyers raised several objections about the ability of the president to grant certain powers to the proposed Agency for Mortgage Lending and other issues. These issues can be resolved with changes sufficiently minor that the decree will not have to be returned to the Apparatus of Government for further action.

On the other hand, Gosstroi asked the Apparatus of Government to remove discussion of the Housing Code (the implementing document for the Law on Fundamentals of Housing Reform) from the agenda of the September 23 cabinet meeting because of the lack of progress on the Code. The letter informs the Government that the draft produced by the Committee for Municipal Economy is unacceptable. Gosstroi requested that it be permitted to issue regulations on condominiums and private housing leases on its own authority, i.e., without additional review by other ministries and the corresponding Council of Ministers regulation.

Steve Butler (SSRP Legal Advisor) met with officials at Gosstroi (Shamouzafarov and Krashininkov) to discuss several draft laws. The three agreed on key provisions of the draft condominium legislation. Further meetings are planned. Butler provided comments to Gosstroi on the draft Regulation on Lease (essentially an abbreviated
landlord-tenant regulation). Gosstroi was inspired to draft the regulation by a draft landlord-tenant provisions given to them earlier by Butler.

The combination of President's Yeltsin move against the Supreme Soviet and the reentry of Yegor Gaidar in the government has energized reformers in the housing sector. In response to a request from Gaidar to Charles Blitzer, the resident World Bank economist, Ray Struyk (SSRP Resident Advisor) prepared a list of elements that could be included in a Presidential housing reform initiative. This memt. served as an agenda for a meeting called on September 27 by Sergei Vasiliev, head of the Economic Reform Working Center which was established by Gaidar, and attended by Gaidar's housing person, senior people from the Ministry of Economy and Gosstroi, and Nadezhda Kosareva (CCN Consultant) and Struyk.

Vasiliev and Gaidar want to assemble one or two packages of housing reform initiatives as quickly as possible--certainly before end of November--to support parliamentary candidates friendly to Yeltsin. The immediate plan is for a half dozen actions to be prepared by October 20 in a first package. By October 10 the team is responsible for a final version of the Law on Mortgage, implementing regulations for two of the provisions of the Presidential Decree dealing with the structure of the housing finance system, and a Presidential Decree on the reorganization of the housing maintenance system.

**Housing Finance**

Kosareva had a meeting with Anvar Shamouzafarov and First Deputy Minister of Finance Vavilov to plan the initial meeting of the Working Group on Housing Finance. Vavilov chairs the Working Group. A key question concerned how to arrange within the Group for the preparation of the necessary regulation on mortgage lending. Originally a temporary version of the regulation had been part of the presidential decree on housing finance, but it was deleted at the insistence of the Central Bank.

Kenneth Odenheim (SSRP Consultant), an expert on appraisal, working with the Mosbusinessbank mortgage group. He is concentrating on how the appraisal process in organized and managed in the mortgage lending process rather than how to conduct appraisals per se. Odenheim gave a half-day workshop at the Joint Stock Mortgage Bank on appraisal in mortgage lending.

Butler and Struyk met with Arkady Ivanov, in his capacity as Chairman of the Executive Committee of the Association of Mortgage Banks (AMB), to discuss the AMB taking the lead in developing and adopting standard lending procedures and related documents. After a successful organizational meeting in August and $15 million in capital being contributed by AMB founders, the AMB is now being
registered with the city of Moscow as a private non-profit organization. The two documents under consideration are the foundation agreement for condominiums and the credit agreement for mortgage lending (a blend of a commitment letter and mortgage note). Ivanov welcomed the idea and said that the AMB already had ideas in this direction and wanted to have this role in the mortgage industry.

**Housing Allowances**

On September 21 and 22, Struyk and Kosareva were in Nizhni Novgorod to meet with Deputy Oblast Governor Frolov (at his request) to discuss the organization of the oblast's demonstration program on housing allowances. The team is anxious to assist Frolov as the oblast is now following the same model for housing allowances that will be implemented in Moscow but will begin their program this fall.

**B. Program Activities — City of Moscow**

**Legal Developments**

Nikolai Maslov (Department of Municipal Housing - Moscow) asked Steve Butler to review the procedures Moscow is currently using for registering title to residential property. Maslov's goal is to improve the legal strength of the title itself, reducing disincentives for registration involved in the system, and improving the efficiency of the registration agency.

**Housing Maintenance Pilot Project**

Angus Olson (SSRP Resident Advisor) attended several meetings with city officials this month in an attempt to work out the details for the Pilot's expansion. Olson worked with Nikolai Maslov to draft an Order from Mayor Luzhkov to expand the pilot program over the next year by 250,000 units. Olson discussed with the Institute of Housing Economy plans for training the large number of administrators that will have to be trained as part of the expansion of the pilot. Olson has also been meeting with some REUs that are interested in privatizing so that they can participate in future competitions.

The regular monthly meeting of the "owners" and maintenance firms working in the Western Administrative District was held. Olson was encouraged by the greater apparent seriousness of the owners in monitoring the firms. The team was somewhat concerned about the lack of diligence by the owners.

Olson finished drafting the Federation Decree "On the Reorganization of the System of Housing Maintenance." As part of the decree, a Supplement was drafted on "Eviction Procedure for Non-Payment of Rent in Municipal Housing." The proposed
eviction procedure would implement a provision in the "Law on the Fundamentals of Housing Policy" that allows for tenants, who are 6 months delinquent with rent, to be evicted and placed in dormitory style housing. An eviction procedure will be of critical importance in implementing effective housing allowance programs. As drafted, the decree incorporates condominium associations as an owner category for the procurement of private maintenance services.

The expansion of the Pilot continues at a fast pace. The Orekhovo-Borisovo District of the Southern Prefecture has contributed 15,000 units to the expansion of the Pilot. Training starts in October, with Contracts anticipated to be signed in late 1993. The balance of the 25,000 expansion units will come from the Northern and Western Prefectures. This will bring the year end total to 32,000 units.

To facilitate the rapid expansion of the Pilot, it was necessary to re-package the basic training into a 1-month course. To achieve this target, the course was streamlined from 18 to 12 sessions. The general management sessions were condensed, but the bulk of the real estate management/maintenance sessions were retained.

**Housing Allowances**

Alexander Puzanov (UI Moscow staff) continues to refine parts of the draft procedures manual, based on comments from Struyk. More chapters were given to Mrs. Kuznetsova for review this week.

Gene Rizor (Quadel Consulting) submitted a detailed outline of the specifications of the software for applicant intake, payment calculations, management report generation, etc. He is now proceeding to prepare the actual specifications. Puzanov translated these and is working with the city on these materials.

The Moscow Government has developed norms for basic communal services consumption. This is the first step towards the implementation of a new system of housing subsidies under the Housing Allowance Program.

**C. Program Activities — General**

**Dissemination/Seminars/Presentations**

Struyk and Butler made two-hour presentations at the week-long seminar on "Land Relations and Real Estate Markets: World Experience and Russian Practice." The seminar was organized by the Institution of Privatization and Management, which works closely with the State Property Committee (GKI). Struyk gave an
introduction to mortgage finance, emphasizing the inherent risks and how to deal with them. Butler spoke on the legal foundations for mortgage lending.

Our team participated in a regional housing conference on Common Ownership and Mortgage Finance organized by the administration of Ryazan. Steve Butler made a presentation on condominiums and Andre Suchkov (UI Moscow staff) made a standard introductory presentation on housing finance which emphasizes the risks in long-term housing lending and how to cope with them.

Struyk and Kosareva made a two-day trip to the Nizhni-Novgorod Oblast at the invitation of Deputy Governor Frolov. The first day of meetings was with the administration and members of the soviet on the introduction of housing allowances (and the planned rent increases) as well as privatization of housing maintenance. Both the oblast and the city administrations have done a great deal of work on designing their program based in part on the team's printed materials. The second day was devoted to discussion of mortgage finance with a group of bankers and discussion with the rector of the Academy of Architecture and Construction about development of a market-oriented curriculum in housing economics and finance.

Dates in November are finalized for the seminars on housing finance in Ekaterinburg and Novosibirsk, which we are going at the request of Mark Brown and Ruth O'Sullivan (SSRP Long Term Consultants).

Work with Peace Corps Volunteers

Seminars for volunteers are scheduled in several cities throughout the fall. The topics of the seminars will be mortgage finance and the design of local programs for raising rents in state housing and implementing housing allowances. On September 30 and October 1 the team presented the first in the series of the two day seminars in Samara. About 50 local officials, members of local soviets and bankers participated.

Struyk met with the new director for the eastern Peace Corps group in Russia, Victor Ciardello, to describe the program of cooperation that had been worked out with the western group and to solicit the participation of the eastern group. The result was that the date for a two-day seminar in Vladivostock was set for November 15 and 16.

World Bank/AID Housing Construction Loan

Struyk has refined the RFP for the collection of data in the seven cities to be included in the project. On September 15 the RFP was distributed to ten potential bidders. UI staff contacted all of these bidders before sending the RFP to explain the
nature of the work and basic concept of the competition. A bidders' conference was held on September 21. Proposals are due on October 4. The proposal of the World Bank (made near the end of last week) to contract for the survey of developers separately from the other three surveys was found to be infeasible after careful analysis.

Struyk conducted the bidders' conference for the planned two contracts for gathering of extensive data in the seven cities to be included in the loan. Seven of the nine firms from Moscow which received the RFP package attended the session; the St. Petersburg group did not attend. Proposals are due on October 4th.

Struyk met with John Pickard, who will heading the Bank's Moscow project preparation office, to discuss logistical arrangements. At his request we are searching for office staff.

Participation in the Conference Sponsored by the European Network for Housing Research

A strong team from Moscow was sent to take place in the ENHR Housing Policy Conference held in Budapest from September 7-September 10. About 300 researchers and government officials participated in the conference. Struyk was a "key note" speaker and a member a panel discussing technical assistance in housing finance in Eastern Europe and the CIS; both were plenary sessions. Kosareva presented a paper on developments in housing finance in Russia and Olga Kaganova (AUREC - St. Petersburg) on developments in the real estate sector. There was also a session devoted to the presentation and assessment of the USAID technical assistance program, as conducted by the Urban Institute, in Moscow and the Russia Federation.

Other

Struyk met with Ann Marshall of the Financial Services Volunteer Corps who is working for the Russian-American Bankers Forum. They discussed the team's work on housing finance and Marshall's interest is municipal finance. Marshall agreed to inquire with the Volunteer Corps about possible candidates for a couple of finance positions we have open.

Struyk met with Stanley Dorst, a member of the International Committee of the National Association of Housing and Redevelopment Officials, and Thomas Zinn, president of Stearns Enterprises, Inc., a developer, to discuss our program.
F. **Budget and Level of Effort Summary**

Budget (Actual expenditures, excluding UI fee)

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Level of Effort (person-months)

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