

# Russian housing policy from the early 1990s to the present in the context of post- Soviet social reforms

Presentation prepared for the Forum:  
'RECOVERY, SUSTAINABILITY, AND  
EVOLUTION: PERSPECTIVES ON THE REAL  
ESTATE ECONOMY'

26 June 2012

Geneva, Switzerland



UNITED NATIONS

ECONOMIC COMMISSION FOR EUROPE

Real Estate Market Advisory Group (REM)

UNECE – REM

Marina Khmel'nitskaya  
Junior Research Fellow  
St. Antony's College



St. Antony's  
College

## I. Presentation outline

- Slides 1-2 Post-Soviet reforms in the social sphere: aims and trajectory
- Slides 3-5 Post-Soviet Russian housing policy
- Slide 6 How can this development be explained?
- Slide 7 A learning process
- Slides 8-14 Housing policy reform: property rights, maintenance and housing finance
- Slide 15 Conclusion

# **1. Reforms of Social policy in post-Soviet Russia: AIMS**

## Objectives of post-communist reforms

- Liberalisation
- Introduction of the personal social responsibility
- Consumer choice
- means-testing and targeting of social programmes

See: Melanovic, 1998, Alexandrova and Grishina, 2007;  
Alexandrova and Struyk, 2007

## 2. Development of the post-Soviet social sphere

- From the Soviet legacy of the employment-based welfare provision, including housing
- Economic decline and budget deficit in the 1990s
  - Radical cuts in social services
  - decline in public health and education
  - reduction in real terms of salaries of the public sector employees and pensions
  - growth of poverty, decline of living standards, life expectancy; deterioration of health = demographic crisis
- The late 1990s and during the economic growth 2000-2008
  - Recognition of the need for Social reforms
    - Gref program 2000; *Strategia 2020*
    - Reform (cashing-out) of social benefits, 2004
  - Greater resources directed towards the social sphere:
    - In 2006 launch of Four National priority projects – one in Housing





Moscow, Summer, 2011

### 3. Housing policy in post-Soviet Russia, 1991-2005

- **Legacy** of Soviet housing shortages:
  - 23.2 % of the RSFSR population placed on housing waiting lists (Narodnoe Khoziaystvo, 1987, p. 519)
- **Reform** from the early 1990s till 2005:
  - privatisation, formation of ‘condominiums’/associations, maintenance/utility prices liberalisation, introduction of mortgage finance, Mortgage Agency (AHML), securitisation  
(See Kosareva, 1998a; Yasin, 2006; Starodubrovskaya, 2003; Struyk, 1996)
  - New liberal **Housing Code** introduced in December 2004:
    - Reduction of state commitment to the provision of social housing
    - From 10% (4.5 million households ) to 5 %
    - Full responsibility for the costs of extraordinary (major) repairs

*“From the 1<sup>st</sup> of March 2005 a new Housing Code came into force. With its adoption a whole era ... based on a largely unsupported principle ‘free housing for everyone’ became history” (Krasheninnikov, 2008, p.5)*

## 4. Results by the mid-2000s

- By the mid-2000s, **successes:**



- Owner-occupation
- a vibrant housing market had developed (Belkina, 2009; Rosstat, 2010, Tables 6.37 and 6.38)

- **Failures:**

- to organise collective management of privatised apartments
- problems in the operation of maintenance and utility companies (World Bank, 2009)
- the number of households moving into new accommodation has steadily diminished (Starovoytov, 2007)
- Only 10-15 percent of Russians can afford mortgages (Gurtov, 2009; *Kommersant'' Den'gi*, 20 February 2012)
- Low levels of mortgage debt securitisation (EBRD, 2007)

\*Sivaev, 2001, p. 115; \*\*Rosstat, 2010; \*\*\*Levada-Tsentr, 2011

## 5. New Departures from the mid-2000s to the present

- National project ‘Affordable and Comfortable Housing’ (2006)
- Two state foundations set up in 2007-8:
  - The Foundation to assist major (*kapital’niy*) housing repairs
  - The Foundation to promote new housing construction
- Privatisation of social housing deadline extended till 2013
- Promotion, in addition to private, of ‘alternative’ forms of tenure: rents, coops (e.g: Svoi Dom, 2010; Demina, 2009)
- Adoption of the Strategy for the development of the mortgage borrowing until 2030\* (July 2010) Objective: 60 percent can afford/take out mortgages by 2030
- On-going process of defining rules for mortgage debt securitisation: :
  - plans are to increase the share of securitisation from 3.56% in 2010 to 50% by 2015 and to 66% by 2030\*\*

### Liberal long-term goals ... with a simultaneous increase in budget funding?

\*Strategia Razvitiya, 2010, available at [http://www.ahml.ru/common/img/uploaded/files/agency/strateg\\_1201.pdf](http://www.ahml.ru/common/img/uploaded/files/agency/strateg_1201.pdf) accessed June 2012; \*\* Strategia razvitiya gruppy kompaniy AIZhK, 2011, available at [http://www.ahml.ru/common/img/uploaded/files/agency/strategy\\_ahml\\_220811.pdf](http://www.ahml.ru/common/img/uploaded/files/agency/strategy_ahml_220811.pdf) assessed June 2012



## 6. 'A basic contradiction' in Russian social policy?

Manning (2010):

- 'social state' declared in the Constitution

vs.

- the 'liberal project'

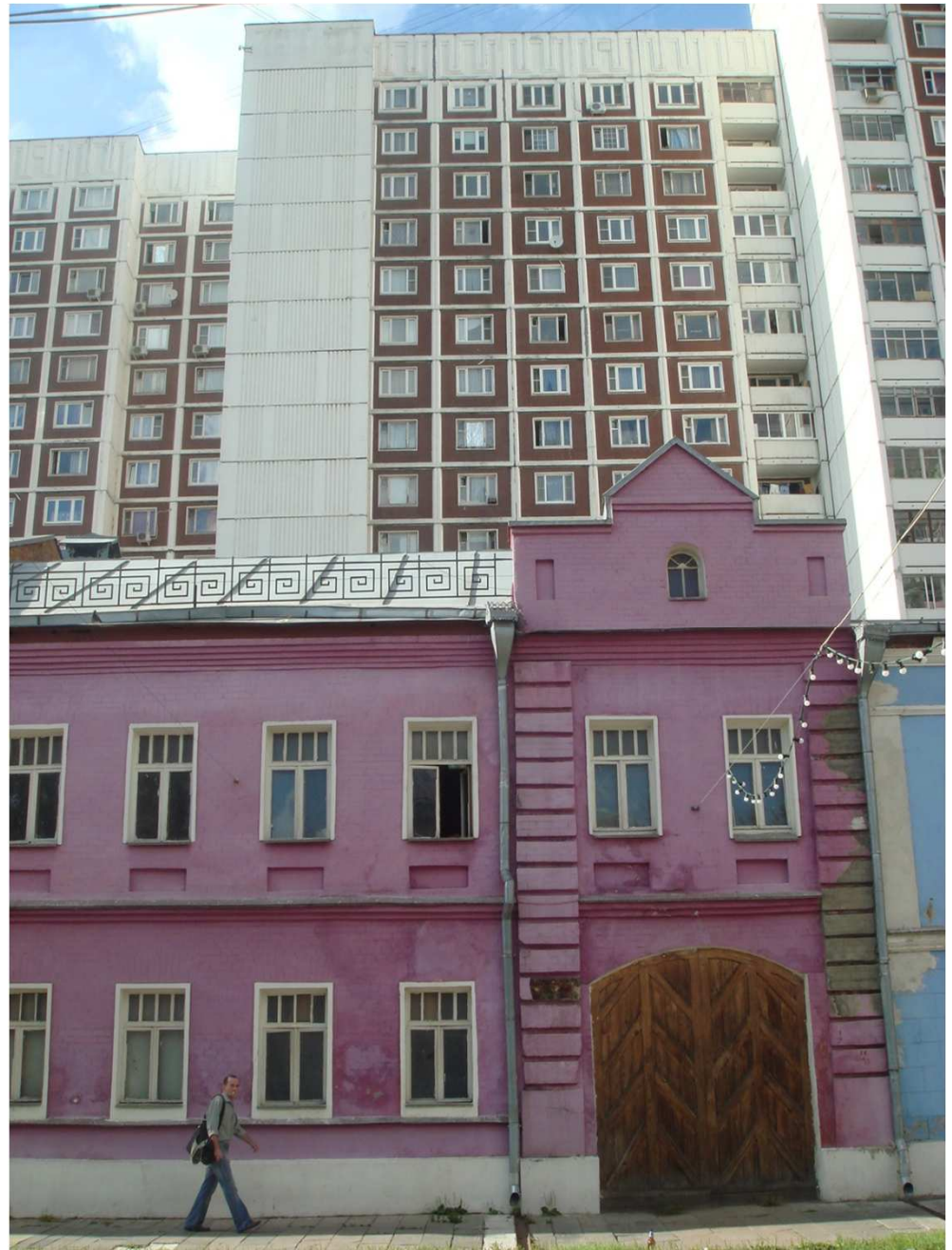
*"Private markets in housing, education and public health services co-exist alongside insufficient basic benefits, low living standards and a deterioration of health. ... **the conception of 'social policy as such' is still not debated and determined. The borders of social policy resources and responsibility are not outlined, either in a public, political or academic sense"** (Manning, 2010: 210)*

## 7. Or a Learning dynamic?

- **Public Policy Perspective:** actors, institutions and policy ideas
- Attention to expert ideas
- **Three dimensions of reform:**
  1. Housing property rights
  2. Maintenance: Housing and Utility services (HUS)
  3. Formation of a system of housing finance

See Principle 1 of the *Policy Framework for Sustainable Real estate markets* (UNECE, 2010); also Kosareva (1998)

- **Governance issue:** the policy sub-system and the policy network  
(Principle 5, UNECE, 2010)



Taganka, Moscow, Photograph by the author, 2009

## 8. The reform of housing property rights

- Competition between housing tenure models:
  - Predominantly private ownership
    - Privatisation
    - Formation of Condominiums (*TSZhs*)
    - supported by the policy network
  - Mixed tenure structure
    - Private/rental/cooperative mix
    - Supported by peripheral actors
- **Private ownership model** institutionalised over 1990s and the Housing Code (2004)
- Privatisation highly popular from the start:
  - 60.9% accelerated variant of privatisation in 1993 against 16.4% (Levada Tsentr, 2011)
- but not *associations/TSZhs* – only 7 percent by mid-2000s
- **Problems:**
  - ‘Failure’ of the TSZh form
  - Maintenance of privatised apartments in MF accommodation
  - Further proliferation of private housing depends on the affordability of mortgages:
    - 10-15 percent can afford mortgages, 5% eligible for social housing

## 9. The reform of housing property rights

- From the mid-2000s: **housing mix**
  - First adjustments of instruments – ‘repackaging’ of the old policy paradigm – ‘Affordable housing’ project
  - Development of mortgage finance instruments (see later)
  - Growth in living standards
  - Promotion of **new instruments**, Coops and rental tenure: In April 2011 the Ministry for Regional Development (*Minregion*) adopted a Program for rental accommodation, up to 40 percent of new housing to be offered for rent
- **Paradigmatic revision**
  - Recognition of failures: *Gossoviet*, President Putin’s 2007 Address to the Parliament
  - Involvement of the earlier marginalised policy actors: Public council of the *Minregion*
  - Change of ideas among the international epistemic community: World Bank (*Rental Choice*, 2006), UNECE (*Guidelines on Social housing*, 2006)

## 10. The HUS reform

- In the late Soviet period and during the post-Soviet period
  - general agreement throughout the sub-system about the need to liberalise HUS – general **market paradigm**
  - Liberalisation of HUS costs to users, including ordinary and extraordinary repairs
  - Condominiums/Associations of home-owners (*TSZhs*)
  - Service delivery by private firms
  - De-monopolisation of provision
- During the 1990s a series of presidential decrees promoting the HUS reform
- 1990s – 2000s continuous adjustment of policy instruments and settings
  - Managing companies in addition to the *TSZh* form (included in the Housing Code, 2004)
  - Tariff regulation
- **Paradigmatic stability**

# 11. Trends in the HUS

## Substantial regional differences:

- Regional disparity in the cost of HUS:
  - up to 11 times
    - 560 roubles Dagestan (South)
    - 5787 roubles for Chukotka region (North)\*
- Rates of the coverage of the HUS costs by the population (RF average)
  - 1993 – 12 percent
  - 2003 – 73 percent
  - 2008 – 87 percent

(\*data: Independent Institute for Social Policy, Social Atlas of Russian Regions, HUS, available at [http://atlas.socpol.ru/overviews/social\\_sphere/index.shtml](http://atlas.socpol.ru/overviews/social_sphere/index.shtml) accessed June 2012)



Sign: Construction of a gas pipeline, Central Moscow, 2009

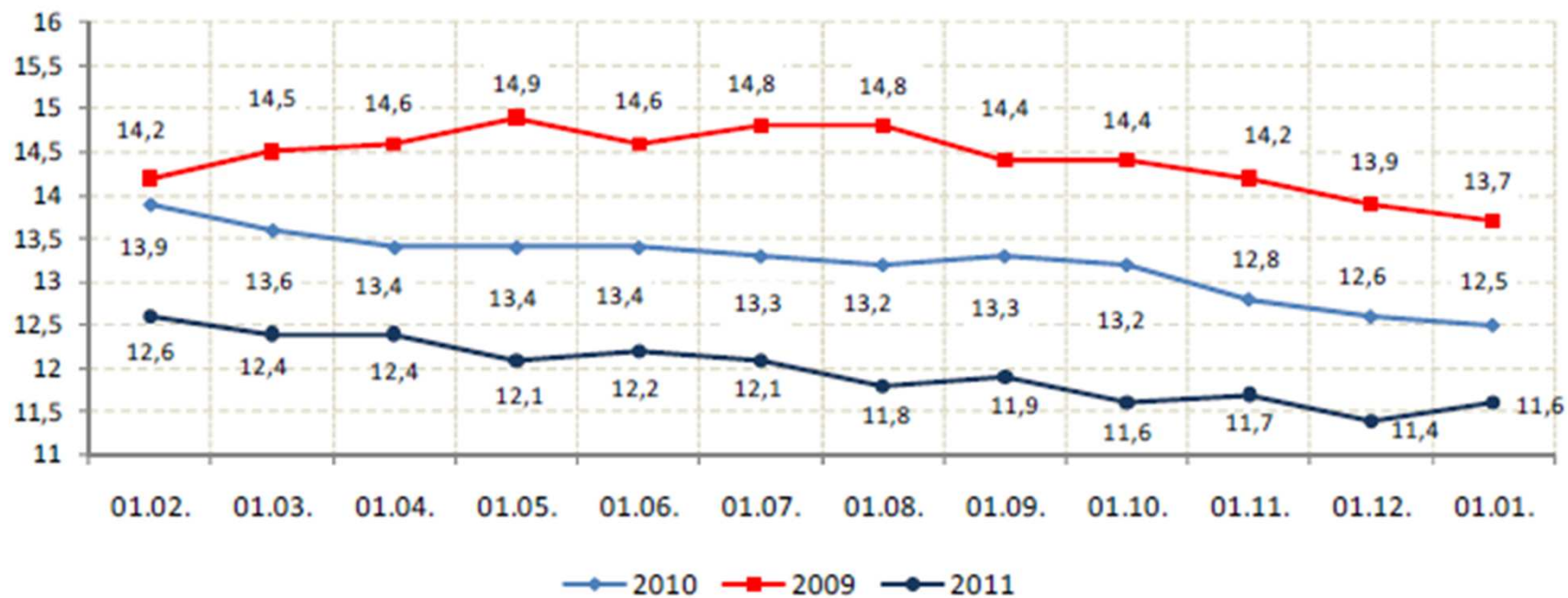
# 12. Development of housing finance

- Competition between different models of housing finance:
  - Agency-based vs. bank-based ‘European’ model (cov. bonds) (ECBC, 2011; EBRD, 2007)
  - Credit vs. savings model (Guzikova, 2008)
- Legislation: Government resolution N 1010 establishing AHML (1996); Law on Mortgages (1998); Law on Mortgage securities (2003)
- The Mortgage Agency (AHML) is established
- Rules for securitisation are in the process of development
- Regions: 80 regional mortgage facilities (Agenstvo, 2009: 20)
- Limited amount of credit is being generated within the Russian Economy
  - mortgage interest rates: over 11 percent in the ½ of 2012 (AHML, 2012)
  - 10-15 % of the Russians can afford mortgages (Gurtov, 2009; Guzikova, 2008)
- **Access to credit (Principle 6, UNECE, 2010)**
- Since the early 2000s – on-going development of legal framework for the secondary mortgage markets (covered bonds) (ECBC, 2011; 2010): increase the share of securitisation from 3.56% in 2010 to 50% by 2015 and to 66% by 2030\*\*
- **Principle 7 (Advanced Financial Products)**
- **An on-going paradigmatic revision**



## 13. Mortgage interest rates, 2009-2011

Percent

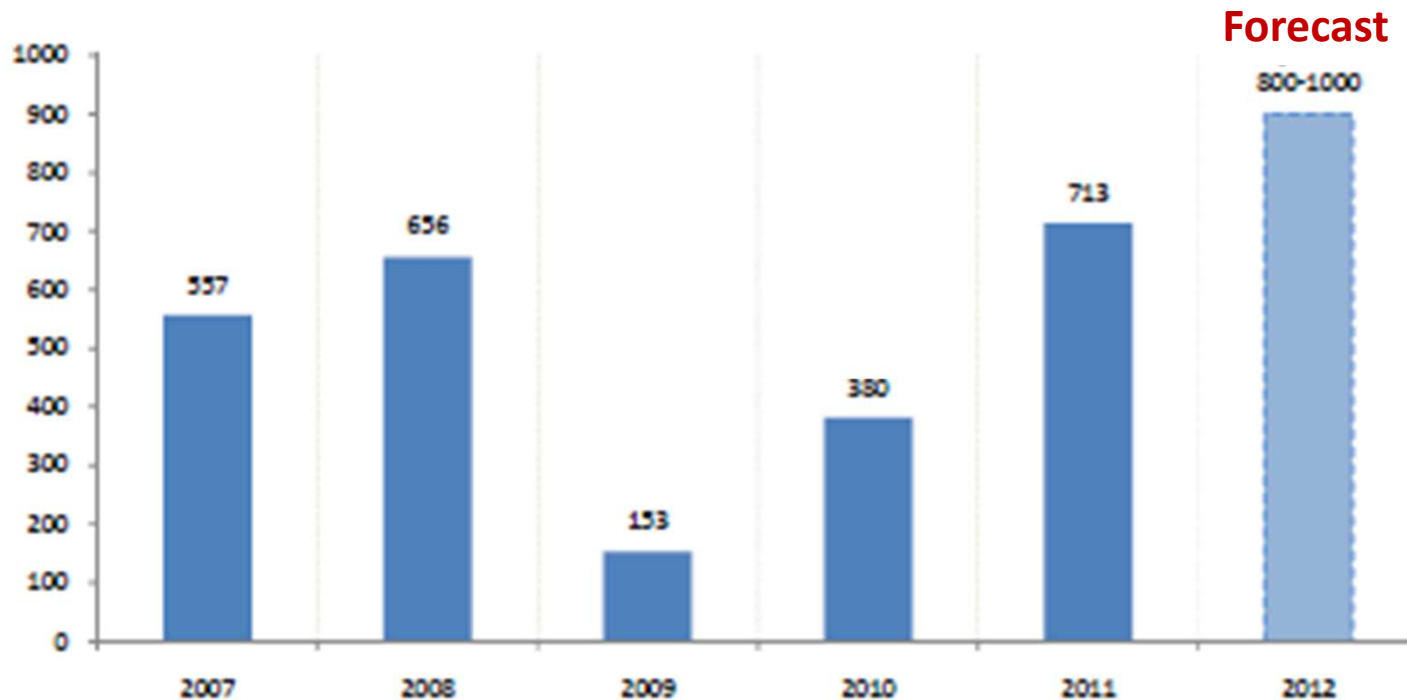


Source: AHML, 2012, p. 14, available at <http://www.ahml.ru/ru/agency/analytics/quarterly/>



# 14. Mortgage Lending in Russia, 2007-2011

Billion roubles



Source: AHML, 2012, p. 13, available at <http://www.ahml.ru/ru/agency/analytics/quarterly/> accessed June '12

\* World Bank, 2003; \*\* Gurtov, 2009: 148; \*\*\* *Strategiya Razvitiya*, 2010, available at [http://www.ahml.ru/common/img/uploaded/files/agency/strateg\\_1201.pdf](http://www.ahml.ru/common/img/uploaded/files/agency/strateg_1201.pdf) accessed June 2012, see Appendix

## 15. Conclusion: Russian reform of the housing sphere as a learning dynamic

- Manning (2010): a **'basic contradiction' between the *liberal* and *social* projects?**
- **Policy learning:**
  - **Paradigmatic instability:** slow revision/evolution in cases with a choice between policy models
  - Transmission of policy ideas from the earlier periods/other geographical locations, often by the actors on the periphery of policy sub-system
  - Failures of implementation as catalysts of learning
- **Good Governance principle, UNECE, 2010)**

An aerial photograph of a cityscape featuring several multi-story apartment buildings. In the foreground, there are lush green trees and a building with a prominent red-tiled roof. The sky is clear and blue. The text is overlaid on the bottom half of the image.

**Thank you for your attention**

**[marina.khmelnitskaya@sant.ox.ac.uk](mailto:marina.khmelnitskaya@sant.ox.ac.uk)**

**[marina.khm2012@gmail.com](mailto:marina.khm2012@gmail.com)**