

Chapter 2. Housing Policies and Programmes

The Constitution of the Republic of Kazakhstan (1995)²³ stipulates that the country shall create the conditions required to provide housing to its citizens. Various strategic documents declare the provision of housing as the purpose of public housing policies. Housing provision is a national objective and is a priority area of the Forecast Scheme for Spatial-Territorial Development of the Republic of Kazakhstan until 2020²⁴.

Kazakhstan's public housing policies are implemented through government housing programmes. Since 2005, Kazakhstan has adopted six government housing construction programmes, the most recent of which is the Nurly Zher Housing Construction Programme²⁵ (Nurly Zher).

Housing policies in government programmes have changing priorities. For example, the priority of the state programme for 2005-2007²⁶ was to promote housing construction by private developers and increase the availability of mortgage loans for homebuyers. Results of an assessment of the purchasing power of the population in 2011 showed that over 6 million working citizens out of the 8.4 million who are economically active could not afford to buy housing on market terms. Based on this assessment, a new housing policy priority emerged, that is, to increase the affordability of housing for citizens with average and lower than average incomes. This is to be accomplished through the construction of rental housing and housing for the participants of the housing construction savings system, out of the funds allocated from the republican budget to LEAs, and funds of development institutions established by the Government. The priority of the most recent housing programme, Nurly Zher, is the transition from direct budgetary financing of housing construction to extrabudgetary financing.

State housing programmes that were established to increase housing construction and ensure housing affordability for various categories of citizens with different incomes, use different mechanisms to address their goals:

- to attract private investment in housing construction through the provision of affordable bank loans to private developers, and through the use of public-private partnership tools;
- to ensure citizens' access to loans for the purchase of housing by mitigating mortgage lending conditions (by reducing the amount of the initial payment and loan interest rates, and by increasing the loan period), and to provide subsidized housing loans to participants of the housing construction savings system;
- to support individual housing construction by providing land parcels for individual construction, equipped with municipal infrastructure, out of the republican and local budgets, and by developing and providing free standard plans for the construction of individual houses;
- to engage development institutions and private developers in the construction of affordable housing provided to citizens on rent-to-own terms;
- to support the construction of municipal housing stock by LEAs in order to provide housing to socially vulnerable groups of citizens by ensuring targeted transfers from the national budget, budget loans, and the issue of securities by LEAs and their redemption by government-established development institutions; and

²³ Adopted on 30 August 1995 and came into effect on 5 September 1995.

²⁴ Approved by Presidential Decree No. 118 of 21 July 2011.

²⁵ Approved by Government Decree No. 922 of 31 December 2016.

²⁶ State Programme of Housing Construction Development in the Republic of Kazakhstan for 2005-2007, approved by Presidential Decree No. 1388 of 11 June 2004.

- to reduce the cost of construction by 1) providing land parcels for construction, 2) speeding up and simplifying procedures related to obtaining construction permits, 3) providing land parcels for construction, equipped with engineering and municipal infrastructure, and 4) developing industrial housing construction and manufacturing home-produced building materials and equipment.

The Government has created a wide range of opportunities for citizens to gain access to housing ownership.

The presence of the Government in the housing sector is significant (please see more in Chapter 1 on the institutional framework of the housing sector). The State allocates a significant amount of its national budget to satisfying the housing needs of its citizens.

It should be noted that the Government takes extraordinary measures to protect the interests of its citizens during crises. During the financial crisis of 2008-2009 (the global financial crisis), which bankrupted many private developers, the Government provided KZT 464.3 billion from the public budget and the National Fund of the Republic of Kazakhstan to complete the construction of 450 residential complexes in order to protect the rights of the 62,889 co-investors.

Experience in the implementation of government housing programmes serves as the basis for permanent changes in the legislative and regulatory sectors.

ANALYSIS OF GOVERNMENT HOUSING PROGRAMMES

Since 2005, the Republic of Kazakhstan has adopted seven government programmes targeted at housing construction and the increase of housing provision:

- the Government Programme of Housing Construction Development in the Republic of Kazakhstan in 2005-2007;
- the Government Programme of Housing Construction in the Republic of Kazakhstan in 2008-2010;
- the Programme of Housing Construction in the Republic of Kazakhstan in 2011-2014;
- the “Affordable Housing – 2020” Programme (the Programme was cancelled in 2014 due to the fact that its objectives were included in the new integrated programme – the 2020 Programme of Regional Development);
- the 2020 Programme of Regional Development (the Programme was adopted in 2014 and, until the end of 2016, it included the objective of “Housing Construction Development”; its priority was government support for affordable housing construction);
- the Nurly Zher Housing Construction Programme (approved on 31 December 2016).

Housing was constructed under the Nurly Zhol Government Programme of Infrastructure Development for 2015-2019, which envisaged the allocation of funds from the National Fund of the Republic of Kazakhstan to finance the construction of rental, loan and commercial housing.

Various mechanisms for supporting housing construction and ensuring housing provision for different categories of the population were tested and then developed within the context of government programmes.

Government programmes are implemented by LEAs and organizations with the participation of the Government.

The Nurly Zher Housing Construction Programme

Nurly Zher was approved by Resolution of the Government of the Republic of Kazakhstan No. 922, dated 31 December 2016. Its purpose is to increase housing affordability for the population. It will span a period between 2017 and 2021.

It combined objectives related to housing construction, and funds allocated for these purposes earlier under the 2020 Programme of Regional Development and the Nurly Zhol Government Programme of Infrastructure Development in 2015-2019.

When implementing Nurly Zher, it is planned to shift the emphasis from direct budget financing of housing construction to extra-budgetary financing.

It is planned to introduce 52.79 million m² of housing through all sources of financing over the five years of the implementation of the Programme, including 25.92 million m² of multi-apartment housing, and 26.87 million m² of individual housing. The accomplishment of the planned indicators will result in the increase in the area of the housing stock by more than 15 per cent, compared to the beginning of 2016. Within the framework of the Program, it is planned to improve the living conditions of 1.5 million citizens.

The Programme is planning to address the following seven objectives:

Objective 1: To increase the affordability of mortgage lending. Since, between 2013 and 2016, the mortgage market experienced a decline in activity due to high interest rates (15 to 21 per cent per annum), limited availability of mortgage loans, as well as strict requirements of the banks for the borrowers resulting from changes in legislation, the Programme plans to restore the volume of mortgage lending in commercial banks to annual levels of loans of KZT 150 billion. To this end, it is planned to subsidize the remuneration rate for mortgages provided by banks to the population so that, after subsidizing, the rate becomes 10 per cent per annum for the end borrower. Subsidies are provided only for mortgage housing loans provided by the second-tier banks at the interest rate that does not exceed 16 per cent annually.

The funds to subsidize the interest rate of mortgage loans must be allocated annually from the national budget from 2017 onwards. The subsidy to banks will be provided through the financial agent – KMC.

The mandatory requirements for the participation of a borrower (an individual) in the Programme are as follows: mortgage housing loans are provided for the purchase of housing in the primary market; the term of the loan is up to 180 months; availability of funds equal to no less than 30 per cent of the value of the acquired housing at the borrower's account, and/or documents confirming payment to a seller, and/or an equivalent additional security for residential property owned by a borrower or a third party. The maximum amount of the mortgage housing loan to be subsidized is KZT 20 million in the cities of Astana and Almaty, and KZT 15 million in other regions. The maximum term of subsidizing is 120 months, and is no longer than the term of the loan.

Objective 2: To encourage the construction of housing by private developers. To stimulate the supply of affordable housing by private developers, the Programme plans to provide developers with financial resources through expanding the scope of loan provision by commercial banks. To this end, it is proposed to subsidize the interest rate for loans that banks provide to private developers. Subsidies are provided only for the loans provided by banks at a rate of remuneration that does not exceed the level of the base rate of the National Bank of the Republic of Kazakhstan (as in effect when the decision to provide the subsidy is made) by more than 5 per cent.

The funds to subsidize the interest rate of the developers' loans will be allocated annually from the republican budget from 2017 onwards. The subsidy will be provided through a financial agent, JSC "Damu Enterprise Development Fund".

The mandatory requirements for the participation of a borrower (private developer) in the Programme are as follows: the term of loans is up to 36 months; the purpose of the loan is housing construction; the private developer is obliged to offer at least 50 per cent of the constructed housing to the investors of the Housing Construction Savings Bank (HCSB) at fixed prices for 1 square metre (up to KZT 260,000 in the cities of Astana and Almaty and their suburban areas, and up to KZT 220,000 in other regions). The maximum subsidization period is 36 months.

Objective 3: To construct affordable housing for the members of the housing construction savings system (including citizens on the housing waiting list of LEAs). To address this objective, there are several mechanisms for raising funds to finance housing construction to be acquired by depositors of the HCSB (the Programme defines this type of housing as "loan housing"):

- 1) Local executive bodies shall issue securities (bonds) with a maturity period of up to 2 years with coupon payments of 0.15 per cent annual interest twice a year;
- 2) Baiterek National Managing Holding and the Samruk-Kazyna Immovable Property Fund shall provide preferential loans to private developers by placing conditioned contributions (deposits) in banks for a period of up to 5 years; and
- 3) Baiterek National Managing Holding shall raise funds from international financial organizations against corporate guarantees to finance the construction of energy-efficient housing with the use of new technologies.

The first mechanism – housing construction financed by the LEAs at the expense of bonded loans – is proposed as the main mechanism by the Programme. The Government is entitled to allocate loans to LEAs from the republican budget at the rate of 0.01 per cent per annum for the implementation of housing projects for members of the housing construction savings system. The allocated funds are meant to be reused in new construction projects. The funds of Baiterek National Managing Holding and the Samruk-Kazyna National Welfare Fund will be used for the redemption of securities of LEAs.

LEAs direct funds from the bonded loan to the construction of housing, with a limited floor area of homes (a maximum of 80 m² with a permissible variation of not more than 5 per cent), and with a limited cost of selling housing to depositors of HCSB (up to KZT 180,000/m² in the cities of Astana, Almaty, Atyrau, and Aktau, and up to KZT 140,000/m² in other regions).

When selecting the housing construction projects presented for consideration, priority is given to industrial house-building projects. To this end, and in order to increase the volume of housing put into operation under the Programme, there are plans to develop model projects of compact housing with the use of industrialized housing construction technologies.

To ensure the predetermined cost of housing and to increase the volume of construction, LEAs are entitled to use a public-private partnership mechanism. Under such projects, developers construct residential buildings with built-in non-residential commercial premises, social facilities and/or additional floors, and have the right to sell the apartments at market price.

Developers are engaged by LEAs through a competitive tender according to the public procurement regulations. Private developers are required to have a land parcel with rights of ownership and land use, dedicated to housing construction, free from encumbrances, with engineering and municipal infrastructure, or a land parcel where there are plans to ensure

engineering and municipal infrastructures according to the master plan and human settlement development plan. Developers are also required to have construction design specifications and estimates with a positive conclusion of the comprehensive extra-departmental expert review. Developers are required to give consent to the provision of security as a pledge of the land parcel, unfinished construction, and design specifications and estimates.

At least 50 per cent of the housing constructed at the expense of LEAs is provided to citizens who are both on the housing waiting list of LEAs and depositors of the HCSB. The remaining housing is provided to depositors in the HCSB. Housing is provided to citizens by right of ownership through the use of housing loans, accumulated housing construction savings and/or own resources. The HCSB can provide its clients with preliminary and intermediate housing loans at reduced interest rates.

To ensure the turnover of funds allocated for the construction of loan housing, there are plans to annually allocate KZT 24 billion to the HCSB for 5 years from 2017 onwards.

Objective 4: To establish a rental housing stock for the socially vulnerable population stratum. To provide housing to the citizens on the housing waiting list of LEAs, and to the socially vulnerable population stratum, the Programme envisages targeted transfers to regional budgets, and to the budgets of the cities of Astana and Almaty. The local authorities should spend these funds on the construction of housing with limited floor space of apartments, and with a limited cost of up to KZT 180,000/m² in the cities of Astana, Almaty, Atyrau, and Aktau, and up to KZT 140,000/m² in other regions (excluding the cost of providing the area under construction with utilities).

The constructed housing is classified as municipal housing stock, and is provided to citizens belonging to the socially vulnerable categories of the population, on lease and without the right of redemption.

To solve this task, in 2017, KZT 25 billion was allocated for the construction of 2,697 apartments, with a total area of 150,000 m².

To ensure the established housing cost limitations, local executive bodies shall be entitled to build rental housing using the mechanisms of public-private partnerships (see Objective 3).

Objective 5: To develop individual housing construction. Within this objective, it is planned to continue financing the development of the engineering and municipal infrastructures for individual construction. To this end, funds will be allocated annually from the republican budget to ensure that around 40,000 land parcels are provided with water and electricity networks. Provision of utility systems for heat and gas supply, sewerage (waste water management), telephones, and road and driveway construction works in the neighbourhood should be financed from the local budget.

Sites for individual housing construction should be allocated as residential districts in accordance with the approved master plans and local area development plans. Also, LEAs should distribute model construction plans of low-rise residential buildings free of charge.

The priority of this objective is the construction of individual houses in a universal architectural style.

It is planned to implement a pilot project of this type of construction in regional centres through a single developer, with the subsequent sale of individual houses to citizens on a waiting list for a land parcel for individual housing construction. Technologies of integrated home-building factories as well as local building materials will be used for the construction of individual houses.

To finance the construction of individual houses through a single developer, LEAs are entitled to use funds raised through the issuance of debt securities (see Objective 3). A single developer is entitled to use a subsidized loan (see Objective 2).

The cost of an individual house in a pilot project should not exceed KZT 120,000 (excluding the cost of the engineering and communal infrastructures). When selling a constructed house, the total price includes the cost of engineering and utilities infrastructures.

Citizens on a waiting list for land parcels and participating in the pilot project have the right to independently purchase a finished house with a land parcel and communal infrastructure or to obtain a loan from the HCSB for its purchase. To this end, loans from the HCSB will be provided at reduced interest rates (up to 5 per cent per annum) funded by government subsidies. The land plot on which the individual house is located is provided to the participants of the pilot project for long-term temporary non-gratuitous land use until the purchased house is fully paid for, and then ownership is transferred.

In 2017, six standard projects for the construction of individual houses, with an estimated cost of houses of KZT 99,000 to KZT 115,000 per m² were developed. In 2017-2018, in the framework of pilot projects, it is planned to build up 1,975 plots of individual dwelling houses, with a total area of 219,000 m², in the Aktyubinsk, North Kazakhstan, Zhambyl, Kostanay, Almaty and South Kazakhstan oblasts.

Objective 6: To provide citizens with rental and commercial housing. Under this objective, the housing construction areas mentioned above, envisaged in the Nurly Zhol Government Programme and the 2020 Programme of Regional Development, will be completed between 2017 and 2019:

- 1) the construction of rental housing by LEAs for citizens registered with LEAs and young families, using funds provided from the republican budget, will be completed in 2017–2019;
- 2) the construction and acquisition of rental housing by the Kazakhstan Mortgage Company will be completed using funds previously allocated from the National Fund of the Republic of Kazakhstan, followed by the provision of housing for rent with a right of redemption to citizens on the waiting list of LEAs and belonging to socially vulnerable categories of the population (the redemption period is up to 20 years);
- 3) in 2017, JSC “*Baiterek Development*”, was to complete the construction of rental and loan housing started under the Nurly Zhol Programme. Housing is provided to citizens registered with LEAs for rent with the right of redemption (the period of redemption is up to 20 years), as well as for ownership to the depositors of the HCSB; and
- 4) the Samruk-Kazyna Immovable Property Fund will stop financing private developers’ construction of commercial and rental housing with subsequent redemption (the period of redemption is up to 15 years) in 2017-2018.

Housing constructed under Objective 6 cannot be sold by a participant of the Programme for two years after its acquisition.

Objective 7: To support shared housing construction. To implement the mechanism that guarantees contributions of participants of shared housing construction, the Programme envisaged the capitalization of the Housing Construction Guarantee Fund to the value of KZT 10 billion in 2017. This Fund will impose qualification requirements on the participants of shared construction with regard to financial stability and experience, and will introduce mechanisms to monitor the proper use of shareholders’ money.

With regard to housing construction projects secured by guarantees of the Housing Construction Guarantee Fund, the HCSB is entitled to provide depositors with loans for the purchase of housing against security of claiming rights under partnership agreements.

The pilot project of the demolition of unsafe housing in the city of Astana

The pilot project of the demolition of unsafe housing was started by the akimat of the city of Astana in 2012 under the “Affordable Housing – 2020” Programme, and it continues under Nurly Zher.

The pilot project envisages the demolition of unsafe housing and the comprehensive reconstruction of old districts of the capital. There are plans to demolish 2,978 residential buildings, with a floor space of 588,000 square metres (11,264 apartments). The floor space of projected housing to replace the demolished housing will be 3.1 million square metres.

The pilot project envisages the construction of housing in the third and fourth classes of comfort, elite housing and business class buildings with office premises and parking areas, to be sold on the market for project reinvestment.

An authorized organization was established for the implementation of the project by the akimat of the city. It ensures the constructional design and construction of new residential buildings, and transfers some of the constructed residential and non-residential premises to the municipal ownership of the city of Astana for citizens to be relocated there from demolished unsafe housing and for the compensation of the cost of demolished non-residential premises. The remaining residential and non-residential premises are sold on the market by an authorized organization for the reinvestment of earned revenues.

Astana City akimat (i) as established by the law (“in case of district emergency scale”), withdraws premises in unsafe houses and buildings; (ii) identifies reconstruction areas, and allocates land parcels for construction; (iii) constructs engineering networks and ensures improvements; (iv) provides owners of apartments in unsafe buildings that are supposed to be demolished with housing from new and existing municipal housing stock; (v) refunds the value of withdrawn property to the owners of non-residential premises in unsafe houses or, with the consent of the owners of non-residential premises, provides equivalent non-residential premises in houses under construction.

Owners of apartments in unsafe buildings are provided with new apartments with floor space equal to those in the demolished ones, but not less than a one-room apartment.

To finance the pilot project in the context of the “Accessible Housing – 2020” Programme, the Samruk-Kazyna National Welfare Fund provided a loan of KZT 40 billion (KZT 20 billion a year in 2012 and 2014) to an authorized organization of the Astana City akimat. The Government provides targeted transfers from the republican budget to repay the obligations of the authorized organization to the Samruk-Kazyna National Welfare Fund to the value of KZT 40 billion (KZT 20 billion a year in 2013 and 2018).

In the future, the project is supposed to be financed through private investment, bank loans, targeted transfers from the republican and local budgets for the replenishment of authorized capital of the authorized organization, proceeds from the sale of residential and non-residential premises, and the provision of related services during the implementation of the project.