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’
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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

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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

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
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 1st 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?

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 boarders 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)*
8. The reform of housing property rights

• Competition between housing tenure models:
  – Predominantly private ownership
    • Privatisation
    • Formation of Condominiums (TSZh)
      • 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/TSZh – 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: Gossovet, 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 (TSZh)
  - 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


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)


- 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

14. Mortgage Lending in Russia, 2007-2011

Billion roubles

Forecast

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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)
Thank you for your attention

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