

# ANALYSIS OF THE GLOBAL HOUSING POLICY INDICATORS

## KYRGYZ REPUBLIC

### Development Policy Institute

#### Situation with property rights

##### **Barriers in the way of land owning.**

All the citizens of the Kyrgyz Republic enjoy the same right to land. Land may be jointly owned by a husband and a wife. The use of a land parcel by an individual and legal entity may be unlimited (no term being indicated) or limited (temporary). A limited (temporary) use of a land parcel, including its use on lease terms, shall be treated as land use restricted for a 50-year term. Foreign citizens shall be provided land parcels for limited (temporary) use only. Agricultural land shall, as a rule, be leased for a term of no less than five years.

##### **All residential land has not been registered titles and/or incremental tenure documents yet.**

There is a Single State Register of Real Property Rights (computerized system of registration), which is maintained by the Department of Cadastre and Registration of Real Property Rights of the State Registration Service at the Kyrgyz Republic Government. About 60% of real estate has been registered in large cities. Documents certifying the right of possession are documents of title. Each real property deal shall be entered in the Single State Register of Real Property Rights and updated on an on-going basis.

##### **Titles and/or alternative property documents are not given to long-term residents of informal settlements.**

From the time of the first wave of internal migration from Southern Kyrgyzstan to Bishkek and Osh cities, in 2002, the number of informal and semi-formal settlements (recent development areas) has been constantly growing. These factors have resulted in the creation of large recent development areas. Currently, there are 8 recent development areas in Osh City and 47 (from 23 – to 48 as per different information resources) in Bishkek and the total estimated number of their residents is from 125,000 up to 200,000 people. The total number of residents is approximate as many migrants have not been officially registered.

According to the Land Code of the Kyrgyz Republic of 1999, the citizens of Kyrgyzstan are entitled to applying for a land parcel to be provided from the State Individual Residential Construction Stock. It is only non-occupied state land that may be provided to private persons, and it may only be provided through auction or competition procedures. Another way of providing state land for private use is a one-time free of charge supply of land parcels to the citizens of Kyrgyzstan for residential construction purposes. For these one should apply to be registered on a waiting list and proof eligibility (not being a land owner).

Unofficial source confirms that local governments issue Resolutions allocating rights to parcels within the informal settlements. There are many cases of fraud on the side of municipal officials while issuing right-establishing documents to illegally occupied land parcels. Though there is no official statistics being maintained on the issue.

As a vivid example to describe the situation on Bishkek (based on publication in Mass media) one can take references to Bishkek Lenin rayon administration's Resolution as of 2005 #266 according to which 665 people legally obtained titles (out of 1 500 claiming rights to land as per

the Resolution). There were several duplications, i.e. different individuals had official references to the Resolution with regards to the same land parcel being allocated to them. A Special commission representing the administrative structures of the Mayor's office started investigation, according to which only 1% of the references (stamps on the document) of the investigated 80% were accepted as legal.

In general, evictions take place regularly mainly due to debts for mortgage. As per unofficial source a regular court might have from 0 to 3 cases on mortgage/eviction per day.

During finalization of this report, there was a meeting on April 24<sup>5</sup>, 2012 in Bishkek. The meeting was organized by residents of illegal settlements surrounding official Bishkek. The reason was the draft Regulation of Bishkek Mayor's office according to which illegal occupants had to pay compensation (300 USD per 1 square meter – average market price in Bishkek) to the city budget for further improvement of infrastructure in these settlements. For this amount the city would allocate the right to the occupied land for further legal official registration by the legal owners.

**Evictions are minimized and, when they occur they are legal and involve just compensation or resettlement.**

There is no data on evictions. There are no special legal eviction procedures that regulate evictions of people living in the informal and semi-formal settlements, but for regular procedures as per court decisions.

According to an unofficial source of information from the justice, evictions through court procedures take place in new settlements mostly once there is an interest in a particular parcel. Eviction takes place if a legal owner with registered title claim his/her rights to a parcel, which could have been earlier occupied by a different person (who illegally occupied a parcel with political encouragement by one of the ex-presidents but neither applied for right establishing documents, nor tried to register rights to the occupied parcel).

There was a case of mass eviction of residents occupied a building (uncompleted construction) owned by an Enterprise following the Court's decision. In late March 2004 48 families with many children (64 families as per other sources) were evicted, but failed with a few families still occupying premises.

After the 2007 events many agricultural lands around Bishkek (Sokuluk rayon) were occupied illegally (about 200 people occupied 5,3 hectares of arable land). Owners with the help from police tried to protect their lands, local governments appealed to illegal occupants to leave. There were attempts to demolish settlements, thus there was information that in 2007 in Sokuluk rayon 160 illegal constructions were abolished. Though eviction was not still enforced.

**Clearance of low-income communities to replace them with more profitable development is not minimized.**

Housing-related issues are regulated within a broad program scope identified in the strategic documents. In 2007, a Country Development Strategy (CDS) for 2007-2010 was adopted. It identified residential construction as a priority. This Strategy suggested the housing policy refocusing for the purpose of setting the goal of creating affordable housing as one of the priorities of the country development. In addition, a Concept of Housing Construction Development till 2010 was adopted in 2000. The State Program of Housing Construction in the Kyrgyz Republic until 2010 was developed to implement this Strategy. Currently, the process of drafting a State Program of "Affordable Housing in the Kyrgyz Republic for 2012-2014" is

going on. It provides for a reconstruction of low income buildings to be replaced with new housing.

**The public housing stock is privatized, and restrictions on the sale of units are minimized.** Housing sector reform in Kyrgyzstan started soon after independence was gained in 1991. The process was launched by the privatization of public rental housing under the 1991 Law of the Republic of Kyrgyzstan “On privatization of the Housing Fund,” which allowed residents to purchase apartments they rented from the government. Through privatization, residents acquired ownership of their apartments. Payments were symbolic made in money and/or privatization bills (provided to all residents above 18 years old). Privatization price included price for the apartment in itself and a proportionate share of the common areas of the building (roof, stairways, hallways, mechanical systems and the like), which was not explicit from the Privatization Law. In 1996 the principle that ownership of an apartment unit included ownership of a share of the common property was reiterated in the Civil Code of the Kyrgyz Republic, Art. 247, which reads as follows: “Apartment owners in multi-apartment buildings own as common shared property the common shared premises, building bearing constructions, mechanical, electrical, sanitary and other equipment outside or inside apartments designed to serve more than one apartment.”

The housing stock privatization was an active process from 1991 (17 552 000 square meters – state and cooperative owned housing, which comprised 100% of the apartment housing and 32% of the total housing stock) till 1998 (3 796 000 square meters – 6%). By 2010, the share of the housing stock in the state real property constituted 2% of its area in aggregate terms.

## **Situation with Housing Finance**

### **Conditions support mortgage lending.**

The level of inflation, in 2011, was 5.7 %; housing mortgage debt is 0.54% of the GDP. No limits of banking deposit interest rates have been established.

### **Mortgage lending is liberalized.**

Private housing finance establishments (commercial banks) take part in mortgage lending. Private housing finance establishments provide mortgage loans in all the geographical regions of the country. Mortgage lending is affordable for both newly built houses and those built some time ago. It is permitted to provide loans for housing construction (infrastructure and housing).

### **Mortgage interest-rate subsidies are not eliminated.**

In 2005, the Law of the Kyrgyz Republic “On Pledge” was passed. It includes a separate chapter on establishing a State mortgage specialized institution responsible for mortgage market development and implementation of refinancing mechanisms through issuing mortgage-based securities on government guarantees. This Law also provides an opportunity to municipalities to establish agencies for mortgage lending development and issue housing certificates – securities which may be accumulated and exchanged for housing. Unfortunately, none of these initiatives has been implemented for lack of finance. There is no mortgage based on soft lending rate.

### **Mortgage lending is not protected from undue risk.**

There are 22 operating commercial banks in Kyrgyzstan. The Kyrgyz Republic legislation does not stipulate any binding norms for private housing finance establishments to trace the provided loan with the help of independent credit institutions and have loan value estimated by an independent third party. The maximum ratio of a loan and collateral value is 50-60% of the price of substandard mortgage lending. There about 300 operating credit unions and 200 organizations

engaged in micro financing in the country. From 2002, one can observe a considerable growth of the mortgage market, although starting from fairly low values. Currently, the amount of outstanding mortgage loans in the banking system is approximately 3.4 billion Som or 2.3% of the GDP and 15% of the overall loan portfolio.

**Lender's interest in the collateral is protected.**

Residential real estate with mortgage loans, characterized by legal rights, makes 100%. Private housing finance establishments consider property right or long-term lease agreement a sufficient guarantee and do not require any personal guarantees. One needs less than a month to register a pledge of property which is used as collateral.

**Secondary mortgage markets are not operational.**

Unfortunately, there is no secondary mortgage market in Kyrgyzstan. There is no separate law on creating secondary mortgage market. There are no standards, methods and tools of risk management in place. The insurance legislation does not include any specific mechanisms of ensuring mortgage loan amounts. Banks do not issue any mortgage bonds.

**Micro-lending for housing is available.**

There is no top limit of a loan interest rate for microloans. The regulating agency is annually reported on the volume and amount of microloan apportionment. Unlike banks, credit unions are not, as a rule, entitled to accept deposits and, so, they refinance loans through their stock capital or a refinancing mechanism, suggested by the Finance Company for credit union support and development, which was established by the National Bank of Kyrgyzstan.

**General financing questions.**

Mortgage loans offered by all the banks are mostly for a term of up to 10 years and have a fixed interest rate 20-24%. The annual average interest rate is 18.57%. A typical term of a loan for micro loans is three years. Typical interest rates (annual nominal rate by private housing finance establishments) for micro loans are about 16%. But it should be noted, that, in most cases, micro lending companies issue mortgage at higher interest rates, for example, at more than 25 percent annual interest. Mortgage is not linked to any index. The sources of housing sector financing are: private and international investments are one of the large sources of housing sector financing. Construction companies provide a service known as “loan-based dwelling”. For this purpose an agreement is concluded between a construction company and dwelling purchaser proceeding from the following terms: 1) a dwelling purchaser makes a certain starting/initial installment (about 30% of the total dwelling cost) to this construction company; 2) the remaining part of the dwelling cost, interest inclusive, is paid by the purchaser to the construction company at certain periods until the full interest inclusive dwelling cost is paid. All the terms of this type of a loan are stipulated in the above agreement. At the local level, Bishkek City Mayor’s Office provides no-interest loans to low and average income families to finance 30% of the first installment, regarding specific construction projects; in addition, the Mayor’s Office provides land parcels for housing construction in exchange for 10% of the total housing space to low income families in need of a dwelling. The Kyrgyz Republic development budget for 2012 provides for a credit line for housing construction (KfW) of 53,580.0 Som.

**Some practical details on mortgage**

Below is a table prepared by PARFENON real estate agency from Bishkek on mortgage conditions from a number of banks operating in Bishkek (as for March 2011).

	Unicredit Bank	KICB	Halyk Bank	Demir Bank
Lending amount (credit)	Unlimited	From 5000 to 150 000 USD	10 000 - 60 000 USD	Up to 100 000 USD
Condition: % to	45%	or 40%	40%	Collateral or

be available at the borrower	additional collateral			Warrantor
Credit period	Up to 10 years	3 - 10 years	6 months – 9 years	6 months – 3 years
Annual interest rate	22%	16-19 %	23%	31%
%, advance	no	1,5%	no	1%
Advanced repayment	In 1year – no commission	5% fine – if during the first 2 years of credit period, if after – no fines	Partial advanced repayment with no commission	5% fine
Requirements to real estate	Any shall be considered, but appraised relatively low	Individual houses – only brick made with a land parcel 400 sq m and more; apartments - 104,105,106 , Stalyn type in the center, Khrushev type	As per map	Any shall be considered, but appraised relatively low
Income requirements				
Documents to be provided	Salary size certificate from the employer (monthly salary to be indicated, income for the last 6 months, salary certificate for a spouse, marriage certificate, title/original for the collateral	Salary size certificate from the employer (monthly salary to be indicated, income for the last 6 months, salary certificate for a spouse, marriage certificate, title/copies for the collateral , children birth certificates	Copy of passport of the applicant and spouse, marriage cert., salary cert (for 12 months) for applicant and family members, business activity proof, social fund certificate (no debts proof)	Salary size certificate from the employer (monthly salary to be indicated, income for the last 12 months) title/original for the collateral
Consideration period	2 weeks (if amount is above 25 000 USD – 15 USD payment for considerations)	10 working days	7 days	
% for cash		0,5 %	0,5 %	1%
Insurance	n/a	obligatory	Life and real estate (0,9 % of the amount)	If necessary

### Situation with Housing Subsidies

**Housing subsidies are an important share of the national government budget.**

Housing issues are regulated within a wide program scope identified in strategic documents. In 2007, a Country Development Strategy (CDS) for 2007-2010 was adopted. It treats a housing sector as a priority. This Strategy provided for the housing policy refocusing for the purpose of

establishing affordable housing as one of the priorities of the country development. In addition, a Concept of Housing Construction Development till 2010 was adopted. For the purpose of this Concept implementation a State Program of Housing Construction in the Kyrgyz Republic until 2010 was developed. Currently, the state authorities supervising housing and land issues (within their competence) at the central level are several agencies, such as the State Agency for Construction and Regional Development at the KR Government, Department of Cadastre and Real Property Right Registration of the State Registration Service at the KR Government, Agency for Environment Protection. In 2011, the housing budget (housing construction), as a percentage of the total Republican Budget, was 12% (the 2011 Republican Budget of the Kyrgyz Republic – revenues amount to 68,299,336.4 Som and expenditures amount to 89,095,214.8 Som (including grants as part of the development budget amounting to 5,436,778.1 Som) – as calculated by the researcher based on the draft law on 2011 Republican budget, including the (mid-term forecasting) development budget draft for 2012 - 2013.

### **Housing subsidies are not serving low-income households.**

The State Program of Housing Construction in Kyrgyzstan for 2008-2010 provided for state allocations, mainly, to be spent to provide subsidies. But, in fact, this activity has been practically frozen for lack of finance at all the government levels. By now, the State Program of “Affordable Housing in the Kyrgyz Republic for 2012-2014” has been drafted. It stipulates state subsidy issuing for dwelling purchasing, but there is no mechanism for its effective implementation in place.

There is a low, but available support by the Law on Education of some low income (teachers in villages) in terms of obligations put on local governments to provide young teachers (assigned to work in a village) with housing.

### **The government engagement in public housing is limited.**

The state programs, focused on mortgage lending for average and low income population groups, have been a failure by reason of housing price and interest rate growth.

### **Down-payment assistance is not provided in conjunction with mortgage lending.**

In recent years, private investments in housing construction have been constantly growing, whereas state investments in the housing sector at the national and local levels have been practically fully curtailed and no alternative mechanisms of housing sector development support have been created. The state programs focused on mortgage lending for average and low income groups of people have been a failure by reason of housing price and interest rate growth. Neither private nor civil sector have been involved in the state program implementation.

The state programs, involving both state and local finance, (“Young Teacher’s Deposit” and “Young Doctor’s Deposit”) provide assistance to young specialists in rural areas as part of special deposit and loan schemes subsidized by the Government. In 2007, the amount of such financing was about 14 million Som. Natural calamity victims are also entitled to the state support and may obtain no-interest loans for 20 years at the amount of 200,000 Som for repair, construction or purchase of a dwelling or a subsidy of 50,000 Som. But these programs implementation has been mostly frozen by reason of lack of finance at the national and local level.

### **No other assistance related to housing is provided.**

Poor condition of houses in the recent development areas, lack of water supply in some of them have resulted in social tension in all these areas and regular disorders and protests among the population. To improve the current critical situation in the recent development areas and ease social tension Bishkek City Mayor’s Office has legalized some of the land parcels and registered them.

**There are some tax incentives for homeownership and rental.**

The Kyrgyz Republic legislation stipulates some tax incentives for homeownership and rental.

Thus, the Tax Code provides for property tax exemption for owners of housing depending on the size (Article 330).

Article 330. Exemptions from tax (extract)

1. not liable to a tax.:

2) one piece of real estate owned by one person, if the size of the real estate does not exceed the following limits:

The size of the piece of property (area of the object of a property) is not liable to a property tax, depending on the population in the settlements, sq.m								
Thousands of people (size of population of a municipality)	to 5	from 5 to 10	from 10 to 20	from 20 to 50	from 50 to 100	from 100 to 200	from 200 to 500	from 500 and above
Apartment house, cottage, sq.m	360	330	300	270	240	210	180	150
Apartment, sq.m.	290	260	230	200	170	140	110	80

Besides, according to the Article 238 of the Tax Code, “supply of residential housing considered as such as per the state registration service, or housing rent are supplies exempt from VAT, but for renting of hotels, resorts, treatment and alike.

There are also incentives for mortgage provided by the Article 172 of the Tax Code of the Kyrgyz Republic. According to this provision a taxpayer has the right for property tax deduction in the amount of funds spent by the taxpayer for repayment of mortgage (up to 230 000 Kyrgyz soms per year). For the purpose of this deduction only mortgage for construction and/or purchase of real estate for residential purpose will be eligible if the real estate is used as a collateral.

**The housing subsidy system is not transparent and well-understood.**

A system of housing subsidies has been developed in the Kyrgyz Republic, but it does not work as there is no finance and mechanisms for its implementation.

Housing subsidies in Kyrgyzstan are mainly associated with subsidies for utilities payments. In Bishkek, for example there is a special Housing subsidies department. Housing subsidies are being provided to special categories of vulnerable citizens on special terms as per appropriate Resolutions.

**Situation with Residential Infrastructure**

**Infrastructure services in informal settlements have been upgrading.**

The World Bank has been providing support to the Project of the Urban Infrastructure Improvement in Bishkek and Osh new informal settlements and approved a MAR grant of 12 million USD. This project is intended to be implemented within 4 years, its implementation started in mid 2008. The municipalities of Bishkek and Osh are the executors of the project in cooperation with the Agency for Communal Development and Investments. However, the international finance is not the only solution of the housing related issues, it is necessary to get the process of long-term city planning going.

**Infrastructure plans are adequate to meet future population growth.**

The City of Bishkek has got a general plan of town development approved by the KR Government in 2007, where issues regarding city expansion in order to accommodate more population are covered.

**There is no adequate water supply in all neighborhoods.**

Clean drinking water has a significant impact on the population health condition. 13.9% of the rural population has no access to clean drinking water and has to use river, spring and irrigation ditch water for drinking. This water is fairly dangerous for their health. The urban population of the country, having access to the improved system of water supply, makes 40% of the households (in Bishkek urban neighborhoods - 70%).

**There is no adequate sanitation in all neighborhoods.**

**JMP - estimated trends of sanitation coverage**

Kyrgyzstan	Sanitation coverage estimates					
	Urban (%)		Rural (%)		Total (%)	
	1990	2010	1990	2010	1990	2010
Improved facilities	94	94	#N/A	93	#N/A	93
Shared facilities	5	5	#N/A	2	#N/A	3
Other unimproved	1	1	#N/A	5	#N/A	4
Open defecation	#N/A	0	#N/A	0	#N/A	0

*Source: WHO/UNICEF JMP, 2012*

#N/A      100      #N/A      100      #N/A      100

**The road network is adequate and pretty well maintained.**

As of 2010, the total length of the motor road network was 18,800 km, of which hard surface roads make 17,200 km, the share of hard surface roads is 91,5%.

**Electricity is available in all dwelling units, but:**

Electricity is the only type of public utilities covering the overall territory of the republic. Electric network availability does not necessarily imply that people have an uninterrupted access to electric power. One can make a conclusion about the quality of the services provided by the electric network judging from the responses of the people on how often electricity is cut. Only 4.8 percent of the households noted that they had uninterrupted electricity supply, 33.6 percent of the respondents stated that electricity was cut several times a year and 34.4 percent spoke of daily electricity cuts. The most satisfactory situation was observed in the City of Bishkek, where 14.2 percent of the households were uninterruptedly supplied with electric power, 52.1 percent of the households noted that they suffered electricity cuts several times a year.

**There is no adequate police and fire protection in all neighborhoods.**

The share of the city neighborhood regularly patrolled by the militia is 30%. The difference between the cost of an average dwelling in a safe district and a similar dwelling in a district

which is not safe is 1.5 times. In 2009, the percentage of murders per 1,000 residents in the city was 0.07%.

**Public transport is available throughout the city.**

Nearly for the entire city walking distance of a public transit (mainly bus) stop is within 10-minutes. About 10% of residents walk to work. About 80% of residents' journey-to-work trips in the city and its environs are by public transport, mini-busses and other non-private transport.

**Garbage collection is adequate.**

Ways of garbage disposal directly depend on access to services provided by public utilities. In 2009, people disposed of their waste with the help of garbage containers, rubbish chutes, by piling their garbage at dump sites, burning or burying their garbage. In urban areas most residents disposed of their garbage by using containers (89.8 percent) and piling their garbage at dump sites (10 percent). In rural areas 44.8 percent of the households burned their garbage and 25.7 percent buried it. Garbage is on the average collected from the residents of the urban neighborhoods with a high level of income 7 times a week. It is collected from the urban households with a low level of income once a week on the average.

**Access to education and health care is adequate in all neighborhoods.**

In low income communities the way from home to the nearest elementary school takes 30 minutes on the average. The mean time of a trip from low income neighborhoods to the nearest medical center or healthcare institution is 45 minutes.

**Situation with Regulatory Regime**

**An official housing policy document is prepared.**

The State Program of Housing Construction in Kyrgyzstan for 2008-2010 was adopted at the national level. It defined the scope of cooperation between different state agencies (State Agency for Construction and Regional Development at the KR Government, Department of Cadastre and Registration of Real Property at the KR Government, Agency for Environment Protection). At the local level no program on housing issues has been developed.

**Exclusionary housing practices are discouraged.**

The government policy and legislation of the Kyrgyz Republic are focused on equality of all the citizens regardless of their race, religious affiliation, ethnic affiliation, sex or marital status.

**Land and housing regulations are burdensome or costly.**

Land and housing rules are rather burdensome and costly. The Construction Norms and Rules were approved in 2001 by the State Agency for Architecture and Construction at the KR Government and since then they were not updated. The Rules on Land Use are stipulated by the Land Code of the KR and the latest amendments regarding housing issues were made in 2011. The transition to the market economy requires that land use and construction norms be revised. In addition, it is necessary to put together long-term development plans which include various ownership forms, such as state, private and municipal land property, for the purpose of creating incentives for economic activity. Under the Kyrgyz Republic legislation a land parcel size for housing construction shall be approved by local governments. In most cities 400 square meters or more are provided for individual housing construction and 800 square meters or more – in rural areas. In urban areas the maximum permitted number of floors in multi-apartment units is 18. The maximum permitted density of residential buildings (residents per hectare) is 720 residents per a hectare.

**Processes to meet land and housing regulations are burdensome and the cost depends on the size of property.**

The state registration of a property right takes 7 days. But this period is relative. Given the type of a property under registration, the process of land registration in Kyrgyzstan may be fairly complicated and take a lot of time. Thus, for example, an individual and legal entity, wishing to register his/her/its mortgage, has to submit a long list of documents. The process of obtaining some of these documents is rather complicated and costly; some of the documents are only valid for a limited period of time. It takes three or more months to obtain a construction permit. One has to visit the following agencies in order to obtain a new construction permit – a local government office, sanitary and epidemic station, architecture department, local registration agency, environment protection department, fire protection department and others, as necessary. Expenses incurred in obtaining a construction permit are about 40,000 Som and more. This amount is not fixed.

**Residential development is not permitted on environmentally sensitive or hazardous land.**

These zones are indicated in the general plans of town development of Bishkek and Osh. Buildings illegally constructed on the protected territories shall be pulled down for protection purposes.

**Condominium**

Since independence, the Government of Kyrgyzstan has consistently recognized problems in the multifamily housing sector and the need to empower residents to be responsible for maintenance of common areas of privatized buildings. In 1995, a Government Resolution decreed the creation of an Intergovernmental Council on Housing Policy. The Council was provided with information about housing sector reforms taking place in many other countries, including development of condominiums in privatized housing.

The first city in the evolution of condominiums was Bishkek, where in August 1995, a Resolution of the Self Government of the City of Bishkek approved Interim Regulations on Condominiums. Later, other oblast administrations joined in similar initiatives. In October 1997, the Parliament of the Kyrgyz Republic approved the Law on Partnerships of Home owners (Condominiums), and, in 1998, a model charter for condominiums was approved by Government Resolution #160. In the same year, the Ministry of Justice by its Decree #1 defined the documents to be submitted for registration of a condominium as a legal entity.

In 2002 the Law on Condominiums was changed and thus simplified the procedures for registration as a legal entity. The new language of the Law has also changes the title leaving Partnership of homeowners (TSJ) as the main term for use. It should be noted that formation of condominiums was reasoned by privatization of apartments and common areas in buildings as the first stage, and privatization of companies responsible for maintenance of housings. While ownership was transferred under these laws, no provisions were made to ensure proper maintenance of common areas. The old state or city maintenance enterprises (“JEKS”) had in the past been nearly 90% subsidized by the state, with the residents paying only a symbolic fee for maintenance of their housing. With the introduction of market reforms, subsidies ended, most of the housing maintenance enterprises stopped functioning and significant amount of utility infrastructure was left without provisions designating responsibility for maintenance. This situation was particularly acute with regard to the so-called “departmental” housing (housing previously owned and maintained by enterprises, organizations, agencies, and/or departments).

Some JEKs were transformed into joint-stock companies. Despite the ownership change, both for the housing and the maintenance organizations, these new joint-stock companies provided the same kinds and quality of services – generally very low – to the same types of properties. This

continuity was advantageous for the maintenance organizations, because many of the new owners of privatized apartments were not aware of their new rights to maintain their property themselves or to contract for these services among competing suppliers in the marketplace. The after-privatization “market” for JEK services was thus created by inertia and lack of information. The notion that service providers were not accountable to their customers was also historically ingrained. The centralized system of housing maintenance did not envisage a mechanism for control or even input by the residents over financial resources or quality of services.

Development of condominiums was supported by USAID programs and had little country-wide continuation upon completion of the programs. At least 25% of multi-unit residential housing is run by condominiums (TSJ). In mid of 2000 there were over 500 TSJs (55 000 units/apartments), and the process continued with less of intensiveness. Condominiums are being formed till now in Bishkek with some support from local governments, who (in some localities of Bishkek) seek for resources to deliver promotion and initial information/training like activities. Though, these efforts are neither sufficient nor adequate for proper formation and operation of TSJs.

**Rent restriction or rent control is phased out 0.75.**

Rent restricting and controlling mechanisms are not stipulated in the Kyrgyz Republic legislation.