

Armenia Housing Study

Prepared by: Hayastan Stepanyan, legal expert, UFSD
and Armen Varosyan, housing expert, UFSD

Contents

Foreword	4
Acknowledgements	5
Executive summary	6
Introduction and methodology	9

Context analysis

Background information on the Republic of Armenia	10
Housing stock of Armenia before independence	11
Housing situation after independence	13
Condition of current housing stock in Armenia	15
Vulnerable groups in Armenia lacking access to decent housing	16

Housing analysis

The property rights regime	17
The housing finance regime	19
The housing subsidies regime	21
Residential infrastructure	23
The regulatory regime	26

Position statement and recommendations

Property rights recommendations	30
Housing finance recommendations	31
Housing subsidies recommendations	31
Residential infrastructure recommendations	34
Regulatory recommendations	34

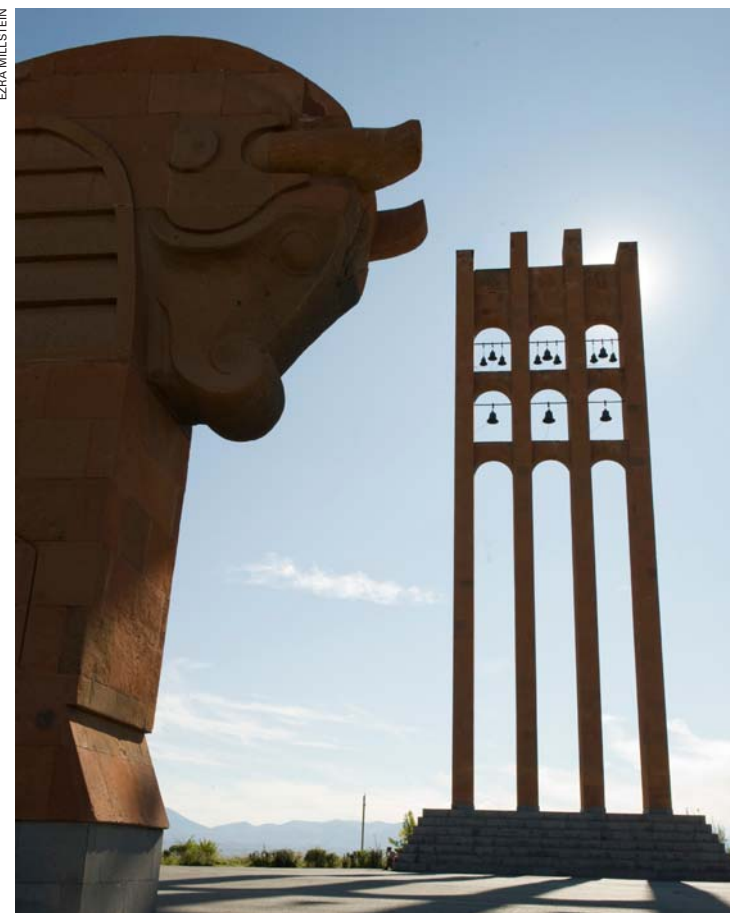
Housing solutions

Government of Armenia housing solutions	35
Best practices	38

References	41
Annexes	45

Photographers: Kim MacDonald and Ezra Millstein. Cover photography by Zaruhi Tonapetyan.

EZRA MILLSTEIN



The Monument of Sardarapat celebrates the Republic of Armenia's battle for independence, which took place from May 24 to May 26, 1918. Sardarapat is 40 kilometers west of Yerevan, and the battle is considered to have stopped the Turkish advance in Armenia and prevented the nation's destruction.

Acronyms

AB	Apartment building	GoAM	Government of Armenia	NRC.....	Norwegian Refugee Council
ACRA.....	Armenian Credit Reporting Agency	HFHA.....	Habitat for Humanity Armenia	PD.....	Passport Department
ADB.....	Asian Development Bank	HFHI	Habitat for Humanity International	PMU	Project Management Unit
AMD.....	Armenian Dram	HIG	Housing improvement grants	PPP.....	Public Private Partnership
ARC.....	American Red Cross	HOB.....	Heat-only-boiler plant	PRSP	Poverty Reduction Strategy Paper
Armenian SSR	Armenian Soviet Socialist Republic	HPC	Housing purchase certificates	RoA	Republic of Armenia
ASWC	Armenian Water and Sewerage Company	HPP	Hydropower plant	RoA NA.....	National Assembly of the Republic of Armenia
CBA	Central Bank of Armenia	IDA	International Development Agency	RD	Road Directorate
CHP	Combined heat and power	IFC	International Financial Corporation	SCREC.....	State Committee of Real Estate Cadastre
CIS.....	Commonwealth of Independent States	IMF	International Monetary Fund	SDC	Swiss Agency of Development and Cooperation
CJSC	Closed joint stock company	IRD	International Relief and Development	SDP	Sustainable Development Program
CPS	Country Partnership Strategy	IUE	Institute for Urban Economics	SME	Small and medium enterprises
DCA.....	Development Credit Authority	KfW	Kreditanstalt für Wiederaufbau	SWM	Solid waste management
DGF	Deposit Guarantee Fund	LG.....	Local government	TPP.....	Thermal power plant
DIGH	Dutch International Guarantee for Housing	LTV	Loan-to-value ratio	UCO	Universal Credit Organization
EBRD.....	European Bank for Reconstruction and Development	MLSA.....	Ministry of Labor and Social Affairs	UFSD.....	Urban Foundation for Sustainable Development
EQZ	Earthquake zone	MMPAA.....	Mortgage Market Participants' Association of Armenia	UI.....	Urban Institute
EQZRP.....	Earthquake Zone Recovery Program	MoD	Ministry of Defense	UNHCR	United Nations High Commissioner for Refugees
FC	Financial cooperation	MOTC.....	Ministry of Transport and Communication	USAID	United States Agency for International Development
FMC.....	First Mortgage Company	MoUD	Ministry of Urban Development	USSR	Union of Soviet Socialist Republics
FSAP	Financial System Assessment Program	MTA.....	Ministry of Territorial Administration	VAT.....	Value Added Tax
FSDP	Financial Sector Deepening Project	NBF	Non-bank financial sector	WB	World Bank
GAF	German Armenian Fund	NMC.....	National Mortgage Company	WTO	World Trade Organization
GDP.....	Gross Domestic Product	NPL	Non-performing loans	YM.....	Yerevan Municipality
		NPP	Nuclear power plant		

Foreword

Over the past two decades, Habitat for Humanity, a Christian nonprofit organization dedicated to fighting the scourge of poverty and inadequate housing, has built or improved more than 350,000 affordable homes worldwide. While this is clearly an impressive achievement for a nonprofit, we know that it is impossible to meet the goal of “decent housing for all” through Habitat’s building efforts alone.

To eliminate poverty housing from the face of the earth, our mission calls us to go beyond building and refurbishing homes. At Habitat we believe we need genuine partnerships and participation with individuals, communities, corporations, nonprofits, local and national governments, and other institutions. Increasingly through our programs in 90 countries where we work, we are aiming to influence the overall housing policy and practice to enable a functioning housing sector that works for everyone.

To start, we all need reliable information on the housing environment and a good understanding of the primary housing needs. This Armenian Housing Study, conducted around a methodology developed for Habitat for Humanity’s emerging global housing policy index, is one of the first steps in this direction in Armenia. It is an attempt to analyze the context and environment that affects housing issues in Armenia, and to identify the most vulnerable groups affected by current housing policies and practices. The housing policy index looks at five key policy areas and is based on extensive research and studies from many of the world’s leading housing policy experts and institutions.

Through the data and analysis in this report, we aim to improve our understanding of the housing environment and need in Armenia. We believe the analysis and recommendations are useful to policy makers, development professionals, nonprofit organizations and donors who are willing to work together to find lasting and sustainable solutions to the large demand for decent housing that is portrayed in this document. This study is obviously not a panacea for the housing issues in Armenia, but we hope you will find it a helpful guide to developing working solutions to bring about positive change.



Don Haszczyn
Area Vice President
Habitat for Humanity International
Europe and Central Asia

**At Habitat,
we believe we
need genuine
partnerships and
participation
with individuals,
communities,
corporations,
nonprofits, local
and national
governments,
and other
institutions.**

Acknowledgements

Research was carried out by staff from the Urban Foundation for Sustainable Development in Armenia.

■ **Authors:** Hayastan Stepanyan, legal expert, and Armen Varosyan, housing expert.

■ **Editorial team:** Habitat for Humanity International Europe and Central Asia area vice president Don Haszczyn; Habitat for Humanity International Europe and Central Asia program department, Lucija Popovska, Mike Meaney and Feike Dik; Habitat for Humanity International Europe and Central Asia resource development and communications department, Willo Brock and Katerina Bezgachina; Habitat for Humanity International Government Relations and Advocacy office, Jane Katz; Habitat for Humanity Armenia, Irina Vanyan.

■ **Technical support:** Staff of Habitat for Humanity Armenia; Habitat for Humanity Creative Support Services in Americus; Habitat for Humanity Europe and Central Asia, resource development and communications department, Barbora Fricova; Arlene Corbin Lewis at Habitat for Humanity International's Government Relations and Advocacy office; Siranush Vardanyan, program development manager at Habitat Armenia.

■ **Acknowledgments from the authors:**

In preparing this study, the Armenian Housing Study team received support from different agencies and individuals. Firstly, we would like to recognize the assistance offered by Irina Vanyan, director of the Habitat Armenia office, and Siranush Vardanyan, program development manager. They provided very useful comments and supportive suggestions throughout our work.

The study team met and conducted interviews with the officials and practitioners of the Armenian ministries of Urban Development, Labor and Social Affairs, and Transport and Communication; the Central Bank of Armenia; the State Committee of Real Estate Cadastre of the Armenian government; the Republic of Armenia Passport Department; Yerevan Municipality; USAID/Armenia Tax Improvement Program; Kreditanstalt für Wiederaufbau/Development of a Sustainable Housing Finance Market (Phase I) in Armenia; International Financial Corp. office, Victims of Public Need North Avenue NGO; and independent experts to obtain information and insight about the housing sector and policies related to affordable housing in Armenia. Particularly, we are fortunate to have strong support of Yevgenya

Atayan, Housing and Communal Policy department head of the Ministry of Urban Development, and Astghik Minasyan, department head of the Ministry of Labor and Social Affairs. The names of other officials, practitioners and experts with whom we met are listed in Annex 15. These individuals were cooperative, open and informative, and we are grateful to them for their time and good ideas. Sociologist Arsen Aslanyan did a fine job in interviewing experts and practitioners.

While the aforementioned individuals provided invaluable assistance to the team, the authors are solely responsible for the report. The statements herein are the authors' alone and not necessarily the views of HFHI, governmental agencies or the Urban Foundation for Sustainable Development.

Executive summary

The housing situation in Armenia was influenced largely by the conflict with Azerbaijan over Nagorno Karabagh in the late 1980s and early 1990s, forcing the influx of an estimated 350,000 refugees. And in 1988, a devastating earthquake in the northern regions of Armenia rendered about 17 percent of the nation's housing stock uninhabitable. In addition, Armenia experienced a production decline in its housing sector. Other major problems were deteriorating housing stock (apart from those caused by the earthquake) and the households designated as underhoused.

The aforementioned challenges forced the government to undertake reforms in the housing sector. Since 1989, a number of laws, regulations and strategies have been adopted to handle the shelter problems of earthquake-displaced and refugee households; to regulate property and land relationships; to boost privatization of state-owned apartments to the registered tenants (by 2000, 96 percent of Armenia's housing stock was privatized); to introduce market-based housing management and maintenance systems; to expedite the legalization and registration of "unauthorized buildings and unauthorized land occupation"; to promote the development of a housing finance market in Armenia; and to solve housing problems of the middle-income population.

Problems in Armenia's housing sector: The government of Armenia has not yet developed

a comprehensive national housing strategy to address all housing problems effectively.

Housing stock is deteriorating because of poor maintenance. Nineteen years after the collapse of the Soviet Union, transformation to a new housing management system still is not going smoothly. Although projects supporting the management and maintenance of apartment buildings, including upgrading communal infrastructure and monitoring communal services, are some of the most important priorities of the government, reportedly only 20 percent of registered condominiums are effective. This is due, in large part, to irresponsible owners not caring for common areas of buildings; poor service provision; a lack of competition; nonpayment of service fees by local governments; lack of knowledge of building residents; and weak managerial skills by the management body.

A startup revolving fund ("seed funding") by donor organizations, commercial banks, or credit organizations is needed to initiate any major activity connected with maintenance. Additionally, homeowners' knowledge and capacity in building maintenance should be increased. Efforts to attract external funds to support apartment building maintenance are hindered because receiving long-term loans from banks or credit organizations—an ongoing source of external funding—requires collateral in the form of real estate. For apartments, common

areas can be offered as collateral only if they are registered in the real estate cadastre and have an issued ownership title.

Maintenance of single-family housing stock is not given enough attention by the government or donor organizations. It is the sole responsibility of the owners, who maintain their house over time at their own expense. Single-family housing improvement and new construction are needed, especially in the rural areas of the earthquake zone and villages along the state border of Armenia.

Evictions are often illegal and performed without proper compensation and resettlement.

There are many unfinished residential structures in Armenia. Construction on these structures started prior to 1991 and halted because funds dried up. Most of them are in the earthquake zone and Yerevan; the remaining units are scattered throughout the country. Most units within the unfinished buildings had already been allocated to households. Therefore, any policy that aims to complete these buildings must take into account the claims that those households might have on a particular unit.

Currently there are damaged buildings in Armenia that are too dangerous to live in, but which could be made habitable again after reinforcement, reconstruction or capital renovation. Such buildings are designated damage category III by the Armenian government, and it is illegal to live in them. The number of buildings in this category is increasing.



ERNA MILLSTEIN

Many apartment buildings built in Armenia during the Soviet era are now crumbling.

The registration process of these illegal structures is not yet finalized. The passage of the 2003 law “On Unauthorized Buildings and Unauthorized Land Occupation” provided the basis for bringing the significant number of informal structures into the formal housing market, but there are still tens of thousands of illegal structures to be legalized.

Despite the improvements in the legal framework in **housing finance** and the testing of mortgage mechanisms in Armenia by international donors, the mortgage portfolio of banks is very small, with strict eligibility criteria, low maturity period and very high interest rates (13-16 percent). Loans mostly were allocated for housing purchase and renovation. There are no mortgages that are given at subsidized

rents for housing.

Because of a lack of funds, there are no investment plans for urban expansion to accommodate population growth in the capital, Yerevan.

There is no unified government housing strategy for **vulnerable groups**. Commitments in various regulations and documents often overlap: The Armenian government’s action plan for 2008–12 pays special attention to housing projects for earthquake-displaced, refugee households; children remaining without parental care; the socially vulnerable; newly formed young families; and people with disabilities or partial mobility. The list of measures in the Republic of Armenia Demographic Policy Strategy includes development

interest rates. Because of the global financial crisis, private-sector crediting slowed down and the portfolios of banks decreased further.

The private rental market is relatively small. The largest category of rental units is those transferred to local governments (4 percent of housing stock). There is no rent control. Landlords set the rents themselves, and most private leases are concluded informally. Lease contracts are subject to notarization and state registration, which is expensive and not expedient for the many landlords who have to set low

and implementation of targeted state projects on the provision of affordable housing for young families, vulnerable refugees, the elderly, etc. Based on separate laws and government decisions, 15 *ad hoc* projects have been implemented by the Armenian Ministry of Urban Development to support residents in apartment buildings subject to demolition; those deprived of housing because of the taking of land for state and community needs; internally displaced persons; residents in wooden houses in the zones prone to landslides and falling rock; children without parental care; families of dead soldiers; and victims of Stalinist repressions. Earthquake-displaced households and households along the state border, mainly in rural areas, remain special concerns for the government. In addition, thousands of families are underhoused.

Since independence, **Armenia has adopted many laws and regulations** (see detailed legal analysis in Annex 1) that govern the housing relationships. “Housing Code of the RoA” was in force until November 2005, after which a new legislative package was adopted by the National Assembly of Armenia, which doesn’t close the gap in the housing legislation. There are a lot of relationships that are not regulated by the Civil Code or the laws “On Management of Multiapartment Building” or “On Condominiums,” such as the establishment of social housing systems in Armenia, including the social rental housing sector; a provision for the definition of “socially vulnerable,” “social” and “affordable” housing; assessment criteria definition; needs-assessment methodology; criteria of registration

and housing provisions; etc. According to the information provided by the Republic of Armenia's Ministry of Labor and Social Affairs, in about 140 legal documents of the Republic of Armenia, the term “*socially vulnerable*” is specifically used to reflect the meaning of a given legal document.

There is no national housing allowance scheme in Armenia, although the ministries of Urban Development and Labor and Social Affairs are considering this option.

Key legal problems in the field are the lack of housing strategy development and clear policy on state responsibilities to vulnerable groups; separation of responsibilities among state and local authorities; private-sector involvement in housing industry and finance; improvements of eviction, foreclosure and bankruptcy mechanisms to conduct legally transparent and sustainable transactions in real estate, including sales and other transfers of nonperforming loans; and the implementation and enforcement of acting laws and regulations.

The authors of this study tried to cover all housing problems in the country and provide recommendations to solve them. Recommendations are summarized and made by subfields to further facilitate activities of responsible authorities or interested parties (investors or donors, including international organizations).

Main recommendations:

Property rights

Ensure and finalize registration of property rights:

- By the state, municipalities, legal and physical entities putting real estate into civil circulation and making it subject to property taxation.

- To shared property of multiunit building.
- To the apartments in the buildings under construction (so-called “elite” buildings) that have not yet passed final inspection.

Housing finance

- Regulate the housing finance sector to ensure its viability without impeding its ability to meet a broad spectrum of housing needs.
- Support the creation and development of housing finance institutions.
- Channel housing subsidies through, or in conjunction with, housing finance.
- Determine effective housing demand by income and location (urban, rural) to identify and define market segments and the volume of finance required by each segment.
- Find out sources of lenders' funds and the elasticity of these sources.
- Determine the gap between potential demand and current supply for each market segment.
- Develop adequate mortgage and housing saving products.
- Provide mortgages for vulnerable households with subsidized interest rates.

Housing subsidies

- Create the necessary legal and regulatory frameworks to support supply-side subsidies.
- Increase housing production, which means directing more resources to residential construction.
- Increase affordability by building low-cost housing or by supplementing housing expenditures.

- Improve housing conditions by supporting rehabilitation or new construction.
- Establish legal mechanisms for construction of affordable, economical and safe housing for vulnerable groups. It is important legally to approve a “*road map*” of construction for such houses starting from design-drawing, construction permission documents, use of special construction materials (low-cost, nonstandard) and volunteer labor, providing technical inspection for these houses free of charge (this service to the “socially vulnerable” should be provided by the local authorities).

Residential infrastructure

- Develop a strategic approach to solid waste management (acceptance of concept papers, laws, other legislative acts, and local government ordinances).
- Establish clear mechanisms for municipal borrowing or the issuance of municipal bonds.
- Develop a policy document and upgrade infrastructure in informal settlements.
- Develop capital investment plans for urban expansion to accommodate population growth.

Regulatory regime

- Strengthen zoning legislation to protect wetlands and endangered species near urban areas.
- Improve spatial development and planning activities in all communities.
- Deploy the national urban cadastre.
- Improve the legal and regulatory framework for urban development.

Introduction and methodology

Data as of December 31 2009, since some changes has been taken place in 2010.

Habitat for Humanity seeks to generate reliable and comparable information on the global housing policy environment. The organization seeks to do so by collecting housing policy data in a large number of countries on a regular basis to determine a *Housing Policy Index* for each country.

The data are collected in Armenia in five sections—the Property Rights Regime, the Housing Finance Regime, the Housing Subsidies Regime, the Residential Infrastructure and the Regulatory Regime—and an index score was generated from the analyses. Although the index is yet to be published alongside those of other countries, the process already undertaken to generate data lends itself to the development of a narrative report.

The proposed study is a narrative report on the housing sector of Armenia framed around the methodology of Habitat for Humanity International’s global Housing Policy Index, which analyzes the current context and the policies and environment that affect access to adequate housing in Armenia; identifies the vulnerable groups in the country that lack access to adequate housing and determines how their access is affected by the five policy areas; and reviews the activities of government, international agencies and the private sector to identify good practices and opportunities for scaling up or replicating programs.

To prepare the study, the study team used the following methods:

- Interviews with the relevant central and local government officials, nongovernmental organizations and independent experts were conducted based on a questionnaire initially developed by HFHI.
- Ad hoc meetings with the specialists from Armenian ministries of Urban Development and Labor and Social Affairs and, and Department of Statistics within Government of Armenia.
- Review of existing legislation, papers and publications.
- Review of existing legislation on real estate, particularly in housing.
- Review of publications about housing in Armenia.
- Review of other papers available on the Internet about housing in Armenia.

Data collection: Ministry of Urban Development, Department of Statistics, Central Bank of Armenia, International Financial Corp., Armenian Credit Reporting Agency and the Internet.

The study team drafted each section and sent it to an editorial committee for review and comments. Meetings were held with some members of the editorial committee to discuss comments of the committee. Based on the comments and meetings, a final draft was prepared.

Context analysis

Background information on the Republic of Armenia

The Republic of Armenia is a landlocked country in the South Caucasus. The territory of the republic is 29,740 square kilometers. The population is 3.23 million.¹ The official language is Armenian; the capital city is Yerevan. On Sept. 21, 1991, based on the results of a referendum, the parliament announced the independence of the republic from the Soviet Union.

Political structure: Based on the constitution, the Republic of Armenia is a sovereign, democratic, social, rule of law state. The constitution was adopted July 5, 1995, through a popular referendum and was amended Nov. 27, 2005. The president is the head of state and is the guarantor of the country's sovereignty, territorial integrity and security. The president is elected for a five-year term of office. Executive power is exercised by the government, which is composed of prime minister and ministers. The single-chambered National Assembly is the supreme legislative authority. The National Assembly is elected through general elections for a term of five years. Justice is administered solely by the courts in accordance with the constitution and the laws.²

Economy: Like other states of the former Soviet Union, Armenia's economy suffers from the legacy

of a centrally planned economy and the breakdown of former Soviet trading patterns. Nevertheless, the government was able to make wide-ranging economic reforms that paid off in dramatically lower inflation and steady growth. Armenia had strong economic growth beginning in 1995, building on the turnaround that began the previous year, and inflation has been negligible for the past several years. This economic progress has earned Armenia increasing support from international institutions such as the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development, targeted at reducing the budget deficit; stabilizing the currency; developing private businesses; helping the energy, agriculture, food processing, transportation and health and education sectors; and assisting ongoing rehabilitation in the earthquake zone. One of the main sources of foreign direct investments remains the Armenian diaspora, which finances major parts of the reconstruction of infrastructure and other public projects.

The global financial crisis also affected Armenia. Economic decline for 2009 was 14.4 percent.

Housing stock of Armenia before independence

Before independence, Armenia had well-organized housing stock and regular housing production, and



Like other states of the former Soviet Union, Armenia's economy suffers from the legacy of a centrally planned economy and the breakdown of former Soviet trading patterns.

1. Statistical Yearbook 2008, www.armstat.am.
2. Official website of the Government of Armenia, www.gov.am.

had set out housing management and maintenance mechanisms, some elements of housing finance. The housing sector was tightly controlled and supported by the state. The housing rights of citizens were stipulated by the Constitution of 1977 and by the Housing Code adopted on Dec. 3, 1982, and enacted on July 1, 1983.³

In the late 1980s, the country's housing stock included 750,000 units, out of which about 500,000 were state apartments, mostly in multiapartment buildings. More than 250,000 (about 40 percent) were in private hands; most were single-family houses.⁴

- Housing stock of Armenia before independence included (Annex 2):
- Local city councils' housing stock.
- Village councils' housing stock.⁵
- State (central) budget-funded organizations' housing stock.⁶
- State self-sustaining organizations' housing stock.⁷
- Public organizations' housing stock.⁸
- Housing construction cooperatives and housing cooperative stocks.⁹
- Housing stock owned by private individuals.

In addition, there were *unauthorized or illegal residential houses and additions built* by citizens before they were recognized as residential, which were included in the housing stock. *Barracks*, temporary residences that have a shared kitchen and sanitary arrangements and are, as a rule, made from wood and designed to last for 10 to 20 years, were not included in the housing stock. *Holiday homes*,

sanatoriums, hotels, motels, campsites, sports and tourist centers, and buildings of similar institutions were not included in the housing stock, as they were planned for short-term residence or rest of citizens.¹⁰ A special legal status was established for *homes for the elderly*. Such institutions were under the control of the social security authorities. Houses were included in the housing stock after being put into operation according to the established procedure.

Housing management and maintenance: The state housing stock was managed, maintained and repaired by the official state housing maintenance organizations, known by an acronym pronounced *Zhek* (Public Housing Management Units). Local *Zheks* were self-sustaining organizations. *Zheks'* activities historically were financed 10 percent by tenant rents, 30 percent by nonresidential users and garages, and about 60 percent by the state budget. Cooperatives could contract local *Zheks* for maintenance. Single-family house dwellers maintained their units at their expense.

Housing finance: Long-term housing loans in Armenia were historically available by two banks—Armeconombank (formerly Housing-Social Bank) and Sberbank (Saving Banks)—which were both controlled by the state. The existing system of long-term crediting was first oriented to crediting of new housing construction (individual or cooperative) and not purchasing of existing housing (resales). Citizens with low incomes or employed by state organizations were eligible to receive loans. Loans were in the amount of 20,000 rubles with a 25- to 50-year maturity period. Interest rates were fixed and very low (from 5 to 12.5 percent) and were not adjusted

3. Tigran Janoyan, et al. "Transformation of the Housing Rights in Armenia: 1988–2002 - A Survey of Legislation and Practice."
4. Steven Anlian and Irina Vanyan. "An Overview of Armenia's Reform: Housing and Urban Development Policy, 1989–1995"
5. Such as belonging to the state departmental, ministerial, enterprises and other organizations. By the government executive action of 1987, this housing was supposed to be transferred to the city or village council's jurisdiction by 1993.
6. In some cases received funding from state budget for employee housing.
7. Trade and professional unions, parties. The main sources of funding for such housing were membership fees and operational subsidies from the central budget.
8. This stock was established in the early 1960s. Its share in total housing stock was 5 percent. Main eligibility criteria for this category of housing stock were housing need, membership in cooperative, 30 percent down payment to State Savings bank and 70 percent paid over 20-25 years loaned by state economic banks with 0.5–12.5 percent interest rate.
9. In Yerevan, 20 percent of housing stock—but more than half in square meters—mostly rural and some urban.
10. It is reported that about one in four Yerevan families have a second home/dacha: small building lots for the citizens, usually distributed through their workplace. There were 75,000 such housing units among Yerevan households only.

for inflation. Loans were not secured by collateral. A mechanism existed to annul the transaction in case of default, but in reality it was seldom executed.

Housing rights of citizens: Citizens had, among other constitutional rights, the right to receive housing in multiunit buildings of the state or public housing stock or to become shareholders in building cooperative houses. Citizens also could own a house or parts of a house with personal ownership rights. The government could establish privileged conditions for disabled veterans of World War II, the families of lost or missing soldiers and people given the same status, and people identified by the Ministry of Health needing improved housing conditions because of illness. Citizens working in the enterprises, institutions or organizations of another residential site had the right to be registered and to be allocated housing based on employment. The waiting lists of citizens in need of improved housing were made public and were subject to regular adjustments.

The established housing space quota for each person was 9 square meters. Allocation of housing in dilapidated houses, those in emergency conditions, in barracks, in basements and in other uninhabitable structures, as well as in houses that were subject to demolition or major repairs, were prohibited. One of the most significant rights granted to a tenant by the housing legislation was the right to exchange the housing he or she occupied with the housing occupied by others. In general, exchange of housing was executed on the basis of a civil agreement. A voluntary consent of every family member of legal age presented in writing was an important condition.

Housing situation before the collapse of the Soviet Union: By the late 1980s, Armenia had been experiencing a production decline in the housing sector. Two events largely influenced the worsening of Armenia's housing situation: a conflict over Nagorno Karabagh, which forced the influx of an estimated 350,000 refugees from 1988 to 1992, and, in 1988, a devastating earthquake in the northern regions of Armenia, which rendered about 17 percent of Armenia's housing stock uninhabitable.¹¹ Among other major problems was deterioration of the housing stock.

In the mid-1980s there was 2 percent growth in housing production annually, but by the end of the 1980s it had decreased. It increased again from 1989 to 1991 (because of the massive housing construction by the former Soviet republics in the earthquake zone). Right after independence, housing production decreased drastically (Annex 3).

The 60 percent of housing units belonged to the tenants renting apartments from the state housing stock. Citizens paid housing rents based on artificially reduced prices for communal services and assumed no responsibility for the maintenance of common areas of apartment buildings. Payments by residents for communal services partially covered maintenance costs. Providing funding from other sources such as the state budget was becoming increasingly difficult because main budget funds were directed to address the consequences of the earthquake and the Nagorno Karabagh conflict.

Housing situation after independence
Housing privatization: The aforementioned

EZRA MILSTEIN



A family stands in the hallway in front of their small apartment in a dilapidated Soviet-era building in Karakert.

challenges forced the central governments to undertake reforms in the housing sector. The first reform was Resolution 272, "On Selling Apartments of the State and Public Housing Stock to Citizens as Personal Property," adopted by the government on June 13, 1989, to offer state-owned apartments for sale to tenants based on officially established cadastre value¹² beginning July 1, 1989. In the course of four years (1989-93) 40,000 out of 500,000 state apartments, 8 percent, were transferred by title to the private sector.

11. Steven Anlian and Irina Vanyan. "An Overview of Armenia's Reform: Housing and Urban Development Policy, 1989-1995."
12. "Transformation of the Housing Rights in Armenia: 1988-2002 - A Survey of Legislation and Practice."

The reformation in the housing sector continued more intensively after the independence of Armenia in September 1991. In September 1993, a new “Law of the RoA about Privatization of State and Public Housing” began to operate. Upon enactment of the law, the aforementioned 1989 resolution was recognized as invalid. The free privatization option was chosen. According to statistics from the Ministry of Urban Development, 381,000 households have applied to privatize their apartments.¹³

The privatization of the housing stock lasted up to Dec. 31, 1998. In 2000, based on the amendment to the aforementioned law, the privatization was allowed to continue without any time restrictions. As a result of this reform, 96 percent of the republic’s housing stock was privatized by 2000 (Annex 4).

Apartment building management and maintenance: The next housing privatization reform concerned the establishment of condominiums, which had not previously existed in the republic. As a first step, in 1995 the government decided to support the formation of condominiums as a means for providing for the management of apartment buildings where at least 50 percent of the units were privately owned. Some communities responded to the government’s initiative, but in most of the regions of Armenia, condominiums were not established. Further reform was boosted by the adoption of laws on condominiums in 1996, then on apartment building management and a new law on condominiums in 2000. Reforms broadened the options for apartment building management by introducing, apart from condominiums, the options of authorized managers (proxy managers) designated

by owners and a trustee manager’s institute through delegation of owner’s management and maintenance responsibilities.

But the transformation to the new management system still is not going smoothly. Reportedly, only 20 percent of registered condominium associations are effective. Most owners do not accept responsibility for the common property of their buildings. There is lack of resources, poor service provision and lack of competition, nonpayment of apartment service fees by local governments, lack of knowledge and information by building residents, and a low level of managerial skills by management bodies.

Single-family housing stock: Given significant difficulties in the provision and maintenance of multiapartment housing stock after independence, single-family housing stock was not paid due attention. Until November 1996, with the establishment of local governing authorities, the management of the use and maintenance of the individual housing stock partially was carried out by the Armenian government, the executive committees of the local Soviets of People’s Deputies, ministries, and relevant departments. Land then was considered the exceptional ownership of the state and provided only by the gratitude use right. After independence, the maintenance of single-family houses was the responsibility of the owners. Part of single-family housing stock, especially in the center of Yerevan, was demolished because of the availability of state-dominant interest from the urban development perspective.

Refugee issues: The Nagorno Karabagh conflict resulted in the influx of an estimated 350,000 refugees in Armenia. Since 1994, because of funding from the United Nations High Commissioner for Refugees, the Swiss Agency of Development and Cooperation, and the Norwegian Refugee Council, more than 4,300 refugee households have received shelter (Annex 5) in apartment buildings or single-family housing. In further meeting the housing needs of refugees in Armenia, international donors and the Armenian government currently consider certain refugee groups a priority, namely those who are living in collective centers and metallic containers called *domics*. Based on recent estimates, about 3,400 refugee households fall under this category.

Earthquake zone recovery efforts: A number of laws and regulations were adopted to coordinate and make activities in the earthquake zone comprehensive. Conditioned by an extremely tight budget, the government also involved international donors in the recovery. In early 1994, the World Bank approved the first credit (US\$28 million) requiring the residents to incur 25 percent of the average per-unit incremental cost of completing unfinished structures started after the earthquake. New housing projects for the earthquake-displaced have been introduced since 1999 by the Lincy Foundation, USAID, the All Armenian Fund and the Huntsman family. As a result, the housing needs of earthquake-displaced households were significantly reduced.

13. Peter A. Tatian. “Framework for the Housing Policy in the Armenia Earthquake Zone,” The Urban Institute, 2002.

Housing finance: Beginning in 1992, the magnitude of investment in housing construction was significantly reduced, causing a sharp decrease in new construction. Since 1992, there have been no state credits to individual citizens. The only exceptions were credits to the victims of the earthquake: up to 30,000 rubles financed from the USSR central budget.¹⁴ However, in practice, few individual credit programs were actually used because of the collapse of the Soviet Union.

In 1995, the Parliament adopted the Law on Mortgage (annulled after the RoA Civil Code was established) aimed at creating a credible system of housing finance using tested financing models of the Commonwealth of Independent States. The housing finance market became active by October 1999 and then real estate prices went down. Until the early 2000s, the housing finance system was dysfunctional both in terms of public and private system involvement. In early 2001¹⁵, commercial banks gradually started allocating mortgage loans, although the mortgage portfolio of banks was very small and conditions, especially for physical entities, were rigid: strict eligibility criteria, low maturity period and very high interest rates. Loans mostly were allocated for housing purchase and renovation. Mortgage mechanisms were further tested by the USAID/Urban Institute Housing Purchase Certificates Program (in 2003–04)¹⁶ and applied by Habitat for Humanity International. Since 2000, HFHI's Armenia office has been providing affordable loans with a long-term maturity period (up to 20 years) for construction and renovation of poverty housing. In 2008, the organization launched the first phase of a US\$3.7 million new housing loan fund, which will allow for significant scaling of Habitat's construction and

renovation lending programs. Nearly 1,200 families are expected to be served by the program in its first two years.¹⁷

Further developments in the field of housing finance in Armenia included a drastic increase in housing production by the private sector. Commercial banks started providing loans for housing production, and international donors started playing a larger role in the development of the housing finance sector. In 2004–05, under the funding of the German Kreditanstalt für Wiederaufbau bank, the Urban Institute, Bank Academie International (Germany) and the Urban Foundation for Sustainable Development, Armenia, a feasibility study was carried out on the development of the housing finance market in Armenia, and in 2006 a project began to refinance the mortgage loan portfolios of commercial banks. However, because of the global financial crisis, private-sector crediting was actually stopped, and the portfolio of banks decreased. To prevent the drastic fall of the development pace in the field of housing finance, the government encouraged private developers to take loans from the commercial banks under state guarantee. The measure was undertaken to support the huge volume of unfinished construction, mostly in Yerevan, and started the construction of residential buildings for earthquake-displaced households.

Housing production: During the initial years of transition, 1989–92, all residential construction activity was under central state funding. Starting in 1994, many state construction firms were privatized. In state enterprises, employees received an ownership share with a plan to take over whole

ownership over time. In 1995, the central, state-run construction industry folded. Beginning in 1994, the share of international donor organizations—the World Bank, Lincy Foundation, etc.—became dominant in housing production, including the reinforcement of apartments. Those activities were carried out predominantly in the earthquake zone. The government of Armenia was able to produce only a handful of buildings. In the early 2000s, because of the private-sector activity (mainly in Yerevan), involvement in housing production increased considerably. Currently, the volume of housing construction is decreasing because of the global financial crisis.

Housing markets: There were few market transactions annually. Most transactions were done informally, and professional real estate agencies were involved in fewer than 30 percent of market transactions.¹⁸ The number of market transactions in the earthquake zone was relatively high, stimulated by the USAID and government housing voucher program.

14. Steven Anlian and Irina Vanyan. "An Overview of Armenia's reform: Housing and Urban Development Policy, 1989–1995."

15. RoA State Committee of Real Estate Cadastre.

16. The program grants eligible households a voucher to enable them to buy an apartment in the housing market and has boosted market transactions also outside the earthquake zone.

17. Habitat.org.

18. United Nations. "Country Profile on the Housing Sector: Armenia," New York and Geneva, 2004.

The price of housing in Armenia differs from region to region. While on average 1 square meter of gross residential area had a market value of US\$80 to US\$90, it costs approximately US\$600 in Yerevan. Because of the aforementioned housing voucher program and construction by donors (mainly the Lincy Foundation), prices for houses increased in the earthquake zone. According to the State Committee of Real Estate Cadastre, after the decline of prices between 1999 and 2001, housing prices and transactions have consistently increased from 2001 to 2007 (Annex 6). In Yerevan in particular, the prices drastically increased after the construction boom starting in the early 2000s. However, SCREC reports that as of the first quarter of 2009, the real estate transactions decreased by 14 percent and 20 percent compared with the first and second quarters of 2008. The analysis of price indexes shows that the prices for housing per square meter fell by about 16 percent by taking into account the more than 20 percent of depreciation of Armenian Dram (AMD) against foreign currencies, particularly the U.S. dollar in March 2009.

Rental market: The rental market is relatively small, given the large number of apartment units that were privatized. The largest category of rental units is that which is currently being transferred to local governments (approximately 4 percent of the apartment stock). The private rental market is very small and concentrated in Yerevan. Rents in the private market in the early 2000s varied from US\$50 per month at the low end to US\$250 to US\$400 per month at the top end. The latter were mainly flats rented out to companies or expatriates. There is no rent control. Landlords set the rents themselves, and most private leases are concluded informally, without notarization and state registration.¹⁹

Condition of current housing stock in Armenia

“During the past decade, Armenia has become a ‘nation of homeowners,’ with 96 percent of the housing stock being privately owned today. Privatization was accompanied by changes in the institutional and legal framework. New institutions, governmental, private and international have become an integral part of the housing sector, and the legal basis for private ownership has been created by the introduction of a number of laws aimed at providing a framework for the management of the newly privatized housing stock.”²⁰

Total housing stock and housing supply: As of Jan. 1, 2009, the total surface of Armenia’s housing stock amounts to 84,985,200 square meters, of which 52.6 percent is in urban areas and 47.4 percent is in rural areas. Table in Annex 7 provides an overview of the distribution of the housing stock among Armenia’s 10 regions (*marzes*) and Yerevan as well as between urban and rural areas.

Housing types: The housing stock of Armenia is divided into apartment and single-family housing stock located in urban and rural areas. This breakdown is provided in Annex 8, which also indicates the comparison between total numbers of housing units in 1989 and 2009.

Single-family homes represent about 48 percent of the total housing stock—most are in rural areas—and apartments represent about 52 percent. The typical apartment building is 30 to 50 years old, an age when serious repairs are necessary (Annex 9).

It is interesting to note that the housing supply in Armenia measured in housing units has increased significantly during the past five years (Annex 10). The main reasons are increasing housing production by the private sector (mainly in Yerevan) and international donors (mainly in the earthquake zone) and the gradual “legalization” of illegal or semilegal housing, in particular through legislation that regularizes existing housing and through the low rates of removal of inadequate or damaged housing from the existing stock. In 2001, only 18,000 square meters or 0.3 percent of housing was taken out of the stock because it was inadequate. International averages, however, suggest that a country needs to replace between 1 and 2 percent of its housing stock annually to maintain existing standards. Given the predominance of poorly maintained high-rise prefabricated structures in Armenia, this proportion should be considerably higher.²¹

To date, according to the Ministry of Urban Development, the number of unsheltered households and households in need of improved housing conditions in Armenia is about 66,023 (8.4 percent of Armenia’s permanent population), out of which 30,000 (3.8 percent of the permanent

19. United Nations. “Country Profile on the Housing Sector: Armenia,” New York and Geneva, 2004.

20. Ibid.

21. Ibid.

population), are unsheltered (Annex 11) and live in *domics*—temporary metallic containers or wooden or stone structures—in public assets or in other temporary shelter.

Vulnerable groups in Armenia lacking access to decent housing

Housing projects supported by the state:

There is no government strategy to deal with the housing issues of vulnerable groups. Armenia's Ministry of Urban Development had been implementing ad hoc projects for vulnerable groups based on different laws and government decisions. There are 15 such projects, part of which have already been completed by the ministry. Most of the projects are ongoing. As of Jan. 1, 2009, the total number of vulnerable families involved in the aforementioned 15 projects was 33,730, out of which 19,863 received housing. The remaining need, according to official data provided by the Ministry of Urban Development as of Jan. 1, 2009, is 14,723 (Annex 12). The government is updating the list of beneficiaries annually.

Based on the government projects, the vulnerable groups in Armenia lacking access to decent housing are:

- Residents of multiunit buildings subject to demolition.
- Residents deprived of housing because of the taking of a land plot for state and community needs.
- Residents of houses near the state border.
- Internally displaced persons from Artsvashen village.

- 1988 and 1997 earthquake-displaced households.
- Refugees displaced from Azerbaijan from 1988 to 1992.
- Residents living in the wooden houses in the village of Lernadzor, Syunik Region.
- Residents of houses in zones susceptible to landslides and falling stone.
- Children remaining without parental care.
- Families of killed soldiers.
- Repressed families.

In the government action plan for 2009-12 (which can be viewed as Armenia's sustainable development strategy), special attention is paid to housing projects for socially vulnerable groups (Annex 13), which, according to the government, are:

- Earthquake-displaced households in the earthquake zone.
- Refugee households.
- Children without parental care.
- Socially vulnerable, young families.
- People with disabilities or partial mobility.

The list of measures of the RoA Demographic Policy Strategy (July 9, 2009, GoAM Decision # 27 N) includes development and implementation of targeted state projects on provision of affordable housing for young families, provision of permanent housing for the most vulnerable refugees, for the elderly, etc.

Ad hoc housing projects for young families include the government of Armenia's Jan. 29, 2010, approval of Decision No98-N "Affordable

Apartments for Young Families," which states main rules and criteria for young families in acquiring a dwelling. According to preliminary data, the number of potential participants in the program equaled 300 young families for 2010.

Housing analysis

The property rights regime

Property registration, placing property into civil circulation, the provision of high transferability of real estate, and the establishment of mechanisms for the protection of property rights guaranteed by the constitution are the main responsibilities of relevant government agencies.

There are three aspects of the property rights regime: the freedom to exchange land and housing property without restriction, the development of land registration systems, and the orientation of the government vis-a-vis regularization of squatter settlements as opposed to the eviction of settlers.

The legislation of the Republic of Armenia on state registration of rights to property (hereinafter referred to as “state registration”) consists of Armenian laws and regulations. The two main laws in this sphere were put into force in 1999 (the RoA Civil Code, January 1999, and the RoA law “On State Registration of Rights to the Property,” April 1999). The RoA law “On State Registration of Rights to the Property” regulates the state registration of rights to property and the activity of the system implementing the state registration, and includes rights and encumbrances to the property, subject to state registration, irrespective of the form of ownership, in addition to rights to personal property.

Securing property rights and increasing the

efficiency of property markets are the priorities for the Armenian government. Nevertheless, private property rights are not absolute. The state can define and limit these rights through, *inter alia*, zoning restrictions, taxation or compulsory acquisition for public use.

The overall aim of the Armenian government to develop property rights registration is:

- To promote private-sector development by implementing a transparent, easily accessible and reliable *registration system* for land and other immovable property.
- To provide a chronological record of property owners and their rights and obligations.
- To reduce the transaction costs of title transfers and mortgage financing.
- To reduce the number of procedures and amount of time to register property.

The general principles of state registration in Armenia are:

- State protection of registered rights to property.
- Accessibility and objectiveness in updating and centralizing cadastral data.

The state registration of rights to the property is implemented by the system of state unified cadastre of real estate, which consists of the national body within the government of Armenia and its territorial

subdivisions.

The objects of state registration are the rights of ownership and use, mortgage, hypothec, construction, claim of assignment, servitude to the property subject to state registration as set in the law, in addition to other rights, their origination, conveyance, modification and termination in cases stipulated by law. The subjects of state registration are the Republic of Armenia, its communities, citizens, physical and legal persons, foreign states and international organizations, foreign legals and people with no citizenship.

All citizens of Armenia have equal land and other property rights. They can jointly own the land or other real estate. Property acquired by spouses during marriage is in their joint ownership, unless it is provided as a gift or inheritance or belonged to the spouse before entry into marriage.

All physical and legal individuals shall be informed about the registered rights to the real property regardless of their awareness of the respective rights.

State ownership of land and housing has been problematic. Housing investment incentives by public authorities have usually been unrelated to demand, consumer preferences or willingness to pay.

Common (or group) ownership rights to land

and housing are also problematic. The rules usually preclude individuals from selling their shares of these rights freely to others. Individuals lose some or all of these rights upon leaving the group, and they are thus constrained in their mobility. Urban housing cooperatives in Armenia, for example, have often failed to institute effective policing measures to force recalcitrant members to pay their dues.

A new type of right was added to the rights of nonowners: the right of construction, which was vaguely defined in Article 204.1 of the RoA Civil Code, giving way to different interpretations. The right of construction can be provided for 99 years based on the contract, which does not derive from the interest of the owner of the land plot. Moreover, Article 209 of the RoA Civil Code requires that when transferring the ownership right to the building or structure on the plot belonging to the owner, the part of the plot occupied by the building or structure should also be alienated, and the rights necessary for using and maintaining the building should be transferred. It turns out that the right of construction, within a very short period, can be transformed to the ownership rights of the real estate (it also means the land, which may belong either to the state or to the community). In general, there are contradictions within all legislation connected with the right of construction and the consequences of its application.

Armenia has a unified cadastral system. All rights and transactions related to real estate property are a subject of state registration in the same cadastral departments. *Rights to the property shall be considered registered from the moment of registration.* Rights originating from real estate transactions, such as the



Carpets are on display for sale at the Vernisage, a bustling market in downtown Yerevan.

right of ownership, right of use, mortgage, hypothec, servitude, other encumbrances, rights to personal property, and other rights stipulated by law shall be subject to state registration within 30 days of the transaction.

Registered rights, including mortgage and hypothec, have priority over rights submitted within the determined period but not registered.

Immediately after the state registration of rights to the real estate, a certificate stating the registration of ownership (use) and the right to the real estate is issued.

The increased value of properties is in large measure attributable to public actions in service provisions, to actions by other citizens to enhance the *property* values of the neighborhood, and to the

growth and development of the community at large, all of which lead to increased demand for properties. Property owners cannot, therefore, claim the right to appropriate all the surplus value of their property, and part of this surplus can and should be taxed to cover the cost of public improvements. Issues of property taxation will be analyzed in more detail and shall be applicable for all kinds of property in relevance with the market value of property (In Armenia, there are two laws regulating property taxation: the law “On Property Tax” and the law “On Land Tax.” Now government is going to combine these two laws and establish one unified Tax on Real Estate Property).

In 2006, the law “On Alienation of Property for the State or Community Needs” was adopted, which regulates all relationships related to the compulsory taking of a land parcel or the other property for the state or community needs. The public must

retain the right to acquire any property deemed necessary for public use through its power of eminent domain. When such a public need arises, property owners must sometimes part with their land involuntarily and receive a fair market price in return.

In the absence of an effective practice of eminent domain, public agencies cannot provide the infrastructure necessary for expanding cities or for revitalizing and upgrading established neighborhoods. Often, the success of slum and squatter upgrading projects, for example, has hinged on the ability of the community to negotiate agreements to clear sufficient right-of-way for roads and public facilities.

The housing finance regime

Supported by favorable macroeconomic conditions, the mortgage market in Armenia has started developing during recent years. However, it remains very small and mainly serves the more affluent population in the capital city of Yerevan. This makes

it virtually impossible for families to own homes or invest in needed home improvements.

As of Jan. 1, 2010, Armenia had 22 commercial banks with 410 branches and 8,402 employees, with:

- Total capital of 286,807.5 million AMD.
- Total assets of 1,346,105.1 million AMD.
- Total loans of 778,182.8 million AMD.
- Total liabilities of 1,059,297.6 million AMD.
- Total deposits of physical persons of 339,493.6 million AMD.
- As of Jan. 1, 2010, there are 28 credit organizations in Armenia.

Lack of competition also contributes to high lending rates. Despite the existence of 22 commercial banks, certain sectors are served by only a few banks. Bank loans are mostly short-term, and therefore not conducive to productive investment. While the sector as a whole is liquid, well capitalized and profitable, there is considerable heterogeneity across banks. The nonbank financial sector in Armenia comprises insurance companies, leasing companies, credit

unions and pawnshops. It accounts for only 3 percent of the total financial sector, so it does not yet play a meaningful role in financial intermediation.

The Armenian government has announced its goal and objectives in the development of housing finance, taking into account the development of a vibrant and healthy housing finance sector as an integral component of the financial sector. The key of reforms in this field is to improve housing conditions by promoting the development of the housing sector as a key economic sector in terms of savings, investment, production, employment and creation of wealth; to make homeownership more affordable by increasing popular access to mortgages; and to direct credit and find affordable loans to solve housing problems of low-income or vulnerable groups.

Central Bank of Armenia was closely involved, directly and indirectly, in the reforms addressed to the financial sector, in particular the banking sector, and lately the housing finance market.

The most basic policy instrument for the development of a vibrant housing finance regime is the creation of a property rights regime that makes it possible to own, buy, sell and mortgage houses and apartments, as well as to legally transfer other rights to the real estate property. The main question is how to make the property registration process and title transferring faster, cheaper and easier to allow lenders to sell loans and collaterals in a short time and in a legal way.

The Macroeconomic Figures of the Armenian Banking System (comparing 2006-09)

	Jan. 1, 2006	Jan. 1, 2007	Jan. 1, 2008	Jan. 1, 2009	Jan. 1, 2010
% of total assets in GDP	20.2	20.4	25.0	28.4	42.5
% of total loans in GDP	9.4	9.5	13.6	17.7	24.6
% of total capital in GDP	4.2	4.5	5.3	6.5	9.1
% of total deposits of physical persons in GDP	5.4	5.4	6.3	6.4	10.7

The key regulatory instrument is an effective and enforceable foreclosure law that makes it possible to evict a homeowner who fails to meet contractual obligations toward the mortgage lender. The Civil Code has recently been amended to provide for a speedy foreclosure procedure, allowing a secured creditor to foreclose on a property without having to resort to a court if he has a notarized agreement to this effect.

Another issue is ensuring a transparent, quick, efficient and certain enforcement system. Currently, the process of enforcement is not clearly stated; standard and workable practices are missing; sale by private treaty is prohibited; court processes are delayed; and costs are high.

Other international organizations also are interested in foreclosure, enforcement and bankruptcy issues in Armenia and are closely involved in technical assistance projects to support the government.

A second necessary instrument is a system of prudential regulations to ensure the viability of housing finance institutions. Armenia creates clear objectives of such a system, highlights main priorities of the subject field and involves all authorized governmental and financial institutions to create necessary regulations to improve the housing finance regime and strengthen the housing finance market in the country.

These objectives are:

- Protect the public interest from the consequences of fraudulent bankruptcies.

- Foster growth and diversification.
- Ensure the financial integrity of housing finance institutions.
- Establish conditions for the safety of depositors.
- Restrict conflict of interest and ensure proper management of risks. (Central Bank of Armenia adopted a few regulations related to the asset/loan classification and the bankruptcy procedures of banks.)
- Develop norms for portfolio structure, the supervision of financial management, accounting, auditing and reporting: Central Bank of Armenia approved new resolutions on the creation of the credit registry, an information system on creditworthiness of customers of banks, credit institutions and foreign banks' branches operating in Armenia. The creation of a credit registry is aimed at reducing the credit risk for banks and credit institutions, while making sure that such an information system would help identify nondiligent borrowers.

Existing legislation confers on the Central Bank of Armenia comprehensive powers for intervening and resolving banks' problems.

CBA has strengthened its capacity to address the banking crisis by expanding the range of eligible collateral for emergency liquidity assistance. CBA has also formalized a mechanism to support the recapitalization of banks through a subordinated debt facility matching bank shareholders' capital injections. It also introduced a temporary loan facility to expedite mergers and acquisitions. The CBA is securing public resources for this purpose

The key of reforms in this field is to improve housing conditions by promoting the development of the housing sector as a key economic sector.

and considering requesting technical assistance to further strengthen contingency planning and crisis preparedness.

Such practices assess and account for all the risks associated with mortgage lending, including inflation risk, default risk or risks that houses are damaged or destroyed, and cover such risks by settling appropriate interest rates or by the design of specific mortgage instruments.

A third group of regulatory instruments often found in housing finance regimes are restrictions that aim at rationing credit by:

- Limiting mortgage lending to specific types of housing.

- Limiting lending to specific segments of the population.
- Placing ceilings on deposit and mortgage interest rates.

While some of these restrictions may be well-meaning and others purely discriminatory, together they tend to distort lending patterns, depress the development of a healthy housing finance sector, and could bring about the collapse of housing finance institutions.

The approach of the government was to establish the same “rule of game” and increase the long-term supply for mortgage lending. This approach will improve the supply of housing credit, decreasing the mismatch of the “demand-supply” relation. Most importantly, it will facilitate access to these loans for mid- to lower-income social groups, making housing credit more affordable for the public.

The housing subsidies regime
The issue of housing subsidies is very important, and the housing subsidies regime is inherently political.

These subsidies are just a part of a wide range of subsidies and taxes that together form the budgets of central/regional and municipal governments.

Share of housing subsidies in the state budget: In analyzing the state budget of Armenia for the past 10 years, it can be stated that a number of programs have been successfully implemented by the government and donor organizations to solve housing problems of households displaced by the

1988 Spitak and 1997 Noyemberyan earthquakes; refugees deported as a consequence of military actions over Nagorno Karabagh; households next to the state border of Armenia that were bombarded during the aforementioned conflict in 1992-93; and households situated in the most dangerous landslide zones.

The Armenian government is trying to specify state housing and fiscal policy and its obligations related to the vulnerable groups and to allocate money from its budget to address the housing needs of those groups, such as households receiving the status of unsheltered because of the taking of land for state and public needs or households in damaged or condemned apartment buildings.

Targeted housing subsidies for low-income households:

In general, social programs for housing provisions by the state are implemented under certain circumstances conditioned by the necessity to address natural and man-made disasters and their immediate consequences. The Armenian government has not adopted a long-term strategy supported by the state budget for registration, needs assessment and application of efficient mechanisms for the provision of housing for the socially vulnerable. According to the 2009 Statistical-Analytical Report on the social picture of poverty in Armenia (Annex 14), one-third of Armenia’s population lives below the poverty line, but there is no clear approach that targets housing subsidies toward low-income households.

Armenia has no special housing ministry.

There is a housing-communal department at the Ministry of Urban Development, which is

involved in policy-making issues in addition to the implementation of various housing subsidy projects financed by state budgets or other donor organizations.

Recently, some municipalities have built social housing with primary help and financing of international donor organizations. Apartments in these buildings were allocated to socially vulnerable people, especially refugees and the elderly. Municipalities are going to manage this social housing stock.

All housing subsidy projects implemented in Armenia are directed toward beneficiaries, rather than producers of housing. Each project goal requires a different subsidy and tax regime, which is not clear in the current housing subsidy environment.

Reduction of subsidy cost per household:

The government does not have a clear approach or planned activities on reducing subsidy costs per household.

There are a number of specific criteria for determining whether housing subsidies are effective and efficient in meeting housing policy goals. The government will take a closer look at particular types of subsidies and attempt to determine, from the available evidence, which ones are more enabling. Keeping in mind the principle of reducing subsidy cost per household, the government should understand whether subsidies lead to significant housing improvement. Do they increase housing affordability, the stock of housing units, access to

housing finance and access to homeownership? Do they improve living conditions in low-income communities and ensure adequate variety in the housing stock? For example, significant physical improvements in any segment of the low-income housing stock may lead to increased rents and thus to reduced affordability.

In implementing different types of joint housing projects with international donors through housing purchase certificates, new construction, renovation of old or unfinished buildings, subsidies or allowances for affordable housing rent, etc., the main criterion was to demonstrate effectiveness of the suggested subsidy types compared with other housing solutions. The Armenian government does not have clearly established mechanisms for periodic monitoring and evaluation of various housing solutions, including state subsidies.

The coupling of subsidies to loans: What is better: state support in the form of direct housing subsidies, or to support redistributive social welfare programs that improve people's ability to pay for housing, because it is in their best long-term interest and in the public interest? The government has limited subsidy resources, which is not enough to solve all housing problems of the homeless and other vulnerable people. Inadequate housing is thus a source of poverty, and a consequence of it. The government is engaged in housing finance, and housing subsidies market development projects, keeping in mind poverty reduction challenges. The interest rates of mortgage loans were very high, but after the creation of a new National Mortgage Co., which is a refinancing company, interest rates in the

EZRA WILLSTEIN



A crumbling Soviet-era apartment building.

mortgage market have stabilized and tend to decrease. Making mortgage loans available for low- and middle-income families and implementing projects aimed at increasing affordability for people in housing need are the government's priorities. Unfortunately, no real actions have been taken to formalize a housing subsidies regime in the country.

Transparency of the housing subsidy

system: Lack of awareness, transparency and accountability are still issues in all sectors of Armenia, including housing. The government needs to establish rules, criteria and principles for those who are in target groups for state housing subsidies. There is a draft law “On Housing Provision of Socially Vulnerable People,” but it has not been approved and enforced.

Does the Armenian government clarify housing policy goals itself and concretize the housing subsidies regime to achieve targeted results, or does it specify the ways in which housing subsidies can be legal, understandable and transparent? These are the main questions for the government in its fiscal and housing policy agenda.

Residential infrastructure

Utilities:

■ **Water and wastewater:** Water and wastewater services, by legislation, are community-owned.²² Likewise, they own the assets—equipment, pipes and other infrastructure—of both the water supply and wastewater system, but many of them transferred management responsibilities to the Armenian Water Sewage Closed Joint Stock Co.

The government engaged the private sector in Yerevan: In 2006, a 10-year lease contract was awarded to the French company Generale de Eaux (Veolia water). The company established the new “Yerevan Djur” (Yerevan Water) Closed Joint Stock Co. The government has also put its second-largest water utility, AWSC, on the same path as Yerevan. In 2004, the French company Saur was awarded the management contract under the World Bank loan. Both lease and management contracts are centralized. But there is decentralized water management in Shirak, Lori and Armavir Marzes, with management provided by companies owned jointly by German company Kreditanstalt für Wiederaufbau and the government.

Veolia is providing services for Yerevan and 28 adjacent villages, which is about 50 percent of the population. AWSC/Saur is providing service for 22 percent of the population in most regions of Armenia. In Lori and Shirak regions, service is provided by Lori and Shirak CJSC; in Armavir Marz, by “Akunk” CJSC. All three companies are managed jointly by the state AWSC and Kreditanstalt für Wiederaufbau. Fifty-one percent of stakes are possessed by the government, and 49 percent by communities. About 600 communities, including the cities of Kajaran and Nor Hachn, provide water and wastewater management on their own.²³

■ **Solid waste management:** About 85 percent of the total volume of municipal solid waste consists of household wastes; the rest is nonhazardous industrial waste.²⁴ The Ministry of Nature Protection makes state policy and strategy on waste issues. Solid waste management is a

mandatory responsibility of the Armenian local governments, spelled out by law.

Most municipalities in Armenia do not have sufficient human, technical and financial capacities to address solid waste management issues. There is no strategic approach to the issue. Fee collection rates are low and do not cover the cost of services. In most cases, garbage collection tariffs are set without any economic justification. In many cities, garbage companies do not have service provision contracts with residents and legal entities. Cities have poor policies to cooperate with citizens in organizing solid waste management services. There is no law on solid waste management. Cities do not have the necessary infrastructure to provide quality services. In nearly all cities, landfills do not meet minimum standards and recycling practices do not exist.

22. [Water supply and wastewater service is in the list of mandatory functions. The head of a community, according to article N 38 of the law “On Local Government,” should “organize and administer exploitation of intercommunity communication lines, water/sewage/irrigation/heating and other structural networks.”](#)
23. [“The Role of the Government to Facilitate the Development of Decentralized Water Supply and Sanitation Services: the Case of Armenia,”](#) focus on financial department, OECD, Institute of Urban Economics, Urban Foundation for Sustainable Development, 2005.
24. [“Chapters 20–22: Environmentally sound management of hazardous, solid, and radioactive waste in Johannesburg Summit,”](#) Armenia country profile, United Nations, 2002.

The government is trying to address the issue with the help of the international donor community and the private sector. In 2009, the German company Fichtner conducted a study²⁵ to evaluate the current solid waste management system of Yerevan, assessing waste disposal options, advising and assisting with respect to legislation and regulations, identifying the options for private-sector participation in the financing and operation of the solid waste system, etc. The USAID Local Government Program works closely with more than 30 cities to improve solid waste management services through technical assistance for developing solid waste strategic plans, by providing garbage trucks, billing and collection software and improving public relations. The European Union supports about 19 urban and rural communities of the Ararat region to establish intercommunity landfill and plans to introduce waste separation in the region. The European Bank for Reconstruction and Development is piloting the creation of an intercommunity sanitary landfill in the Kotayk region, and a small recycling workshop started its operation in Vanadzor.

■ **Telecommunication:** Currently, the telecommunications system is 100 percent privately owned and undergoing modernization and expansion. There are three telephone companies in Armenia: Russian Beeline, VivaCell-MTS and French Orange-Armenia. Russian Beeline holds all fixed-line and 30 percent of cellular networks, with 650,000 stationary telephone users and more than 500,000 mobile subscribers. VivaCell-MTS holds 70 percent of cellular networks and has about 2 million mobile subscribers. French Orange-Armenia, owned by France Telecom Group, officially launched its operations in Armenia on Nov. 5, 2009, with a

promise to provide its services on very favorable terms, providing high-speed and affordable Internet, introducing state-of-the-art equipment in the Armenian market, and building a wireless network to cover 83 percent of Armenian territory, including 500 cities.

As of 2008, approximately 80 percent of all main lines were digitized and provide quality services for the region. The remaining 20 percent are in a modernization process.

■ **Electricity provision:** Armenia fully privatized its electricity distribution network in 2002 and is now owned by a subsidiary of Unified Energy Systems. Electricity-generating companies contract directly with the electricity distributor, subject to the regulatory oversight of the Public Services Regulatory Commission, which sets tariffs for electrical and thermal energy, natural gas, transmission and distribution in the energy sector. It also issues licenses for generation, import, export, transmission and distribution of electricity, heat and natural gas.

Armenia is heavily dependent on imported energy and has limited access to international fuel markets because of its location. All natural gas is imported into Armenia through a gas pipeline from Russia via Georgia. The electricity supply in Armenia is made up of about 26 percent from two gas-fired thermal power plants, 34 percent from hydropower plants, and 40 percent from the nuclear power plant.²⁶ Since 1995, the government has implemented several reforms in the electricity market, including raising prices, metering consumption and

introducing new social benefits to help the poorest. Currently, all apartments and residential houses throughout Armenia have electricity supply, with a more than 90 percent collection rate.

■ **Heating:** There are three thermal power plants providing heating for residential and public buildings: Hrazdan TPP, Yerevan TPP and Vanadzor TPP. All were commissioned in Armenia between 1963 and 1976. The government of the Russian Federation owns the Hrazdan plant (ownership was transferred through a debt-for-asset swap. The Ministry of Energy of Armenia owns Yerevan TPP, and Russian company Zakneftgasstroy-Prometey owns Vanadzor TPP, although that plant is out of operation.²⁷

The majority of apartments in urban residential buildings are heated by individual, apartment-level natural gas or electric heaters. The gas transmission and distribution utility, Armrosgazprom, is 45 percent owned by Russia's Gazprom, 10 percent by the Russian company Itera, and 45 percent by the government.²⁸ A gradually declining share of households still use wood for space heating, predominantly in rural areas. As for central heating, a small number of buildings are supplied by newly constructed or rehabilitated small-scale heat-only boiler plant systems, while

25. Fichtner. "Advisory Study on the Municipal Solid Waste Management in Yerevan." Germany, April 2009.

26. Ibid.

27. Ghukasyan, Arusyak and Pasoyan, Astghine, "Municipal Network for Energy Efficiency: Armenian Urban Heating Policy Assessment." USAID, Alliance to Save Energy, 2006.

28. "Economic Report and Interim Operational Strategy, Armenia (2006–09)," Asian Development Bank, August 2006.

very few buildings still receive district heat. Such a mix of heating options and fuels in residential and public buildings in Armenia, formed as a result of the sharp decrease in central heat and gas supply to the population, is extremely inefficient from an economic perspective and for energy conservation.

■ **Public transport:** The subway, Yerevan Metro (built in 1981), and the trolley buses do not meet the urban transportation needs. They function at a low cost-recovery level and require large investment to improve service reliability. The government has removed most of the subsidies to public transport companies and privatized the bus and taxi companies. The majority of urban passenger transport services are provided by buses and minivans, and the municipality issues permits to private operators. According to the Ministry of Transport and Communication, for 95 percent of the city, it takes a 10-minute walk to get to public transit. Only 10 percent walk to work. Eighty percent use public transportation. On average, it takes 30 minutes in the capital city to get to work by all modes of transportation.

Intracity roads are largely privatized and are developing at a rapid pace because of road improvements and the demand for better, more reliable service. On the other hand, the large number of minivans is causing difficulties in traffic; many of them do not meet technical and environmental safety requirements.

■ **Road network:** The Armenian road network is well-developed and consists of about 7,633 kilometers of roads. Of these, 65.3 percent are paved roads, 26 percent are gravel, and 8.7 percent are

earth. The network consists of 1,561 kilometers of main highways connecting all regions of the country and providing international links, 1,826 kilometers of secondary roads connecting the districts to the main highways, and 4,246 kilometers of local roads providing access to the rural population. Highways leading to Georgia in the north and Iran in the south are part of the main transport corridors, so they have higher traffic volumes.²⁹ The local road network needs improvement. It is estimated that 61 percent of the local road network is in poor condition, 29 percent is in fair condition, and 10 percent is in good condition. Only 16 percent of the network is passable during winter.³⁰

Road Directorate is a noncommercial state organization under the Ministry of Transport and Communication, which is responsible for the management of the main and secondary road networks (or republican roads). Local roads are currently under the authority of regions, but the government is in a process of transferring responsibility for local roads to the ministry. Road Directorate's budget is mainly for routine and periodic maintenance. Road construction and maintenance operations are privatized. The privatized construction units work as contractors for Road Directorate, carrying out road improvement and maintenance.

Based on the Poverty Reduction Strategy Paper of August 2003, the Armenian government has developed a rural roads improvement program involving 2,700 kilometers of prioritized roads that provide access to all rural communities, connecting them to the existing road network.



Six-year-old Diego Manasyan and his mother, Ellada, live inside a deserted and crumbling Soviet-era building.

Municipalities can mobilize finances for infrastructure investment. There are no prohibitions by law on municipal borrowing or the issuance of municipal bonds in the country. However, there are no clear mechanisms to make use of this opportunity. Moreover, the Ministry of Territorial Administration closely controls this process. The loan can be provided based only on the opinion of the ministry. In case of positive opinion by ministry, municipalities are allowed to open special bank accounts for loans in commercial banks. Banks are allowed to monitor communities' budget revenues and transfers. The government considers loan security the most important problem to be solved through development of a municipal credit market. Banks have the requirements for security of money borrowed. At present, standing surety with future revenue is accepted, but only after the financial situation and

29. Ibid.

30. Ibid.

behavior of the potential debtor have been checked in detail.

The regulatory regime

Privatization of housing stock in Armenia was accompanied by changes in the institutional and legal framework. New governmental, private and international institutions play a key role in the housing sector, and the legal basis for private ownership has been created by the introduction of a number of laws aimed at providing a framework for the management of the newly privatized housing stock.

Starting with reforms on privatization of housing stock, Armenia continues to develop a legal framework from basic legislation to further urban development, taking into account the safety and health of the population in addition to natural growth and urbanization issues. The government adopted new laws and regulations on how to manage housing stock and harmonize the housing finance and mortgage market, and prepared legal grounds for the securitization of the secondary mortgage market. This chapter focuses on regulations that affect the supply side of housing, those that constrain and guide the process of building, developing, owning and managing the urban housing stock. As we shall see, the proper regulation of the supply of housing is indeed a key component of enabling any housing policy environment.

Such laws and regulations are not necessarily initiated within the sector or created with housing goals in mind, and therefore they cannot be understood or analyzed without understanding the

political motives behind them.

Typical public-interest rationale for regulation are correcting market failures, checking “speculation,” reducing risks to health and safety, increasing the quality of life, protecting nature, setting reasonable limits to *laissez faire*, or stabilizing volatile markets. Typical interest-group motives are maintaining the social values or cultural norms of dominant groups, maintaining property values, excluding newcomers to the city or the neighborhood, protecting businesses from competition, and other forms of “rent-seeking”—pursuing monetary gains from the manipulation of the rules.³¹

The rationale for regulating the housing sector and the underlying motives guiding it are best understood by focusing on three interrelated components of a typical regulatory regime:

- Urban growth controls that reduce and ration the amount of land available for housing, restricting housing supply and making housing less affordable.
- Residential zoning and land development regulations that limit the options available to builders. Such regulations also impose infrastructure and planning standards that raise the cost of land subdivision and development.
- Building codes and standards that increase the cost of building or maintaining houses and, while increasing housing quality, reduce its affordability.

It is obvious that the government of Armenia didn't take any actions or announce its strategy to control the growth of big cities, or establish residence

permits and restrictions on rural-urban movements. Absence of housing policy, in general, is a main problem of the regulatory regime in the country.

To better understand current situations in the country, see below the section on who is who in the sphere of housing and urban development and who is working with whom to achieve expected results or goals while taking into account the priority of sustainable urban development, which is to ensure favorable living conditions for the present and future generations and improve their quality of life.

Armenian government housing policy is primarily developed and implemented by the Ministry of Urban Development. Certain aspects of the implementation of programs are handled locally, by the *marzes* and municipalities. The ministry was established in 1995 to replace the previous Ministry of Construction, the Departments for Architecture and Urban Development, and the ArmGeodesy company, along with certain parts of the Ministry of Municipal/Communal Services.

The housing priorities of the Ministry of Urban Development (especially the Housing and Communal Department) are:

- (a) Providing housing to citizens who lost their homes because of the earthquake, war, etc., and to those who are living in emergency shelters.
- (b) Developing an effective system for housing management.

31. Francis, John G. “The Politics and Regulation: A Comparative Perspective.” Oxford. Blackwell, 1993, 1-17.

(c) Improving the legislation on rental housing and the housing allowance system.

The ministry's Department for Urban Development Policy and Spatial Planning (including the Architecture Division) is responsible for setting design standards and for policies aimed at making buildings more energy-efficient. The Science and Technology Division is responsible for scientific research carried out in all areas within the ministry's responsibility. The Technical Norms and Standards Division is responsible for the development of norms for the construction industry.

This department is responsible for housing construction policy, territorial planning, urban land and urban development norms. Its objectives are to develop strategies for urban country profiles on the housing sector, to prepare the corresponding laws, to coordinate the preparation of master plans for each municipality and monitor their implementation, and to assist municipalities in the organization of engineering and infrastructure works.

The big role in this sphere is local self-government bodies. One of the main authorizations of these self-government bodies is developing a general plan for communities, which is approved by the Armenian government.

Article 37 of the law "On Local Self-Government" regulates the activity of the chief of a community in the sphere of urban development and land use.

The head of local self-government is powerful in the urban development and land-use activities of the

community and is responsible for urban development initiatives. But taking into account that many communities, especially in rural areas, do not have sufficient funds for the development of master and zoning plans and land-use schemes, the Armenian government shows its willingness to help local authorities by providing necessary information, mapping documents, etc.

The main law in the sphere of urban development is the law "On Urban Development," which was adopted in 1998 and amended many times. In accordance with this law, there are three levels of necessary documents to be adopted for regulation of urban development, taking into account administrative-territorial subdivisions of the country.

Urban development objectives:

On a national level:

- Habitation master plan.
- Master plan of Armenia's spatial organization.

On a regional level:

- Regional planning documents for *marzes* or for community/microregional level.

On a local level:

- General/master plan of communities.
- Zoning plan of communities.



Chris Papoyan lives alone in a small apartment in a run-down Soviet-era building in Karakert.

There are many other laws, government decisions or orders of the Ministry of Urban Development, and other ministries that directly or indirectly regulate the sphere of urban development, housing and building issues.

At this moment, only 46 communities have general/master and zoning plans, including 35 out of 47 urban communities (75 percent) and 11 out of 865 rural communities (1.5 percent). For the completion of urban development, documentation packages are needed for urban and rural communities, costing 5 billion dram.

The government of Armenia is going to be involved in this process and support local communities to finalize and adopt master and zoning plans. Harmonious and safe habitats need to be based on urban development plans developed

with broad public participation. Therefore, the creation of proper national, regional and local spatial development plans is essential for a country's sustainable development anchored in realistic projections and correct assumptions about current conditions.

The government has already specified its priorities and main objectives in the sphere of development of urban development documents, from which, in general, we can separate the following three issues:

- Safety of people, along with sustainability and guaranteed operation of buildings, structures and infrastructure.
- Formation of a quality urban development environment in the residential areas and the areas being developed outside of them, and the harmonization of it with the natural environment.
- Regulation of land use for urban development purposes and effective management of land plots.

To fulfill the objectives described above, the following priorities are proposed for urban development:

- Spatial development and planning.
- Earthquake-resistant design and construction.
- Reduced impact of geological hazards.
- Improved housing conditions.

A big question is standing before central and local governments. As cities grow, so do the knowledge, expertise and sophistication of the institutions needed to manage the growth. From the first viewpoint, there is no reason to place limits

on urban growth in Armenia, but Armenia has one serious, specific difference from many other countries: Only 56 percent of the area of the country is eligible for resettlement. Other spaces are above 2,200 meters above sea level and are not appropriate for residential use. Forty percent of communities are high mountain and mountain communities (where 16.5 percent of the population lives) in poorly developed areas. In these areas, 236 kilometers of 233 communities and 4.8 kilometers of railroad were damaged by landslides.

In Armenia's urban areas, in general, there are intensive, rather than extensive, forms of land use. The capital, Yerevan, occupies 227,000 square meters and houses 1.11 million people. The population density is about 4,900 people per square kilometer, according to the website www.yerevan.am. Rapid urbanization is, no doubt, the surest way to save the remaining forests and to use land more intensively. Note that 34 percent of the population and 29 percent of the economically active population of the Republic of Armenia resides in Yerevan.

In accordance with Armenian law, all master and zoning plans are subject to a comprehensive assessment of environmental impact. Besides its urban development documents, the assignments for drawing such documents should be agreed upon by 11 state institutions. Now the government is going to optimize these procedures and form an interinstitutional committee that will consist of authorized officials from all authorized ministries and other state institutions and will allow it to combine many activities and make much easier the process of agreement and approval of urban development documents.

The government of Armenia is also taking necessary actions to direct financial sources from some state budget lines to the development and approval of urban development documentation, such as finance from changing categories of land, or from the alienation of state or municipal land plots by local government bodies.

To make the process of reforms related to development and approval of urban development documentation (general/master plan, zoning plan, land-use schemes, etc.) a reality, the following recommendations were submitted to the Armenian government:

- Develop simplified master plans for rural communities.
- Give, free of charge, basic information on cadastral, seismic, engineering-geodesic and electronic mapping information to communities as encouragement from the state.
- Allocate money as a state contribution or co-financing in the state budget for development of urban development documents; systematically reduce it year by year (the size of co-financing should be determined by the possibility of the budget for each year).
- Develop master plans, zoning plans and land-use schemes as one consolidated document.
- Establish regional and inter-regional (including more than one community) landscape planning documents, which will also consist of zoning plans.

Armenia inherited from the former Soviet Union a lot of standards, normative acts and instructions

related to urban development and building requirements. Some of them were approved by the Ministry of Urban Development and are in use now. The main problem of Armenia in the sphere of urban development is not the absence of laws or regulations, but the implementation of these laws and regulations in respect to already-approved construction requirements and the principle “Rule of Law.”

Armenia doesn't have building or zoning codes, but there are a lot of laws and government decisions regulating the sphere of urban development and construction. Over and above the growth controls that prohibit residential development altogether, there are many zoning and land-use regulations that specify what type of residential development is permissible (if it is permissible at all). These restrictions take the form of allowable floor-area ratios, plot coverage, height restrictions, and off-street parking and open space requirements. They essentially dictate the form of high-density residential communities, generally forcing them into high-rise towers surrounded by open spaces.

An interesting milestone occurred in 2007. In that year, half of the world's population lived in urban areas. But Armenia reached this level back in 1959. The city network of Armenia comprises Yerevan and 47 cities, whose population, according to 2006 figures, was 64.1 percent of the country's total.

At the national level, state authorities involved in urban development have long understood that an adequate response to the challenges of urbanization requires a whole set of measures aimed at balancing the development of settlements and areas; rehabilitating historic urban areas; ensuring safe and affordable housing and access to utilities; protecting from natural and manmade disasters; providing earthquake resistance and safe operation of structures; and ensuring efficient, safe and guaranteed management of capital investments.

Another issue is reasonable land-use policy. Land conservation will become even more pressing in the long term in light of the current scope of national land resource degradation. The agricultural sector is the principal user of land resources, but the current land-use practices result in diminished productivity, erosion, salinization and alkalization of soils. The environmental challenge of land degradation should be addressed to ensure sustainable agriculture development and to reduce both poverty and the outward migration of the rural population. Land conservation requires that urban development be the most dynamic sector of Armenia's economy. Between 2001 and 2006, the total volume of construction grew by a factor of 4.5. Sustainability of such dynamic growth requires consistent improvement of both quantitative and qualitative indicators (Armenia_2PRSP, p. 283).

In Annex 15, the analysis of opinions of policymakers and experts on property rights, housing finance, housing subsidy, regulatory regimes and residential infrastructure are provided. The opinions of this section may be different from those provided in the annex, because the opinions are based on the survey conducted in 2008 (and answers mainly related to 2007), and things have changed considerably since then because of the influence of the global financial and economic crisis. Also, the opinions of the authors of this study may differ from the opinions of policymakers and experts highlighted in the annex.

Armenia doesn't have building or zoning codes, but there are a lot of laws and government decisions regulating the sphere of urban development and construction.

Position statement and recommendations

Property rights recommendations

An integral part of the development of a national housing strategy is the review and evaluation by the Ministry of Urban Development or State Committee of Real Estate Cadastre of all existing legislation that directly or indirectly affects the property rights sector (this can also be done by private, independent organizations). The analysis should focus on identifying missing elements and irregularities in the current legislation and should aim at providing a transparent and clear framework with respect to the rights and responsibilities of all government institutions in addition to other actors in the housing sector.

- Promoting the registration of property rights in order to give owners full legal protection and to create a secure legal environment.
- Promoting the final transfer (solving existing disputes between some communities) of public-owned land to local self-government bodies and finalizing the registration of all property rights by municipalities/communities, legal entities and physical people.
- Giving priority to the outstanding registration of land plots under apartment buildings, along with other common share property as foreseen by the law on multiunit building

management.

- Making possible and practicable the registration of the property rights (such as pledge/collateral) to the newly constructed apartments in those buildings, which are under construction and do not have act or document of final performance yet.
- Introducing sanctions for the event of nonpayment of rent while establishing a system of social protection for those who are unable to pay.
- Making regulations and registration procedures concerning rental agreements as simple and accessible as possible so that the concerned parties are not discouraged from choosing formal procedures.
- Improving the legislation concerning the owner-occupied housing sector, in particular in regard to the law on condominiums and the law on apartment building management, particularly registration of common share property rights, in addition to establishing mechanisms to deprive property rights for nonpayment of condominium fees.
- Instituting measures to ensure the proper registration of land parcels and immovable properties. Steps already taken in this direction and the process of record keeping and registration should be continued as a priority.

Housing finance recommendations

A framework for analyzing the adequacy of the housing reform process is applied to Armenia as an example of a “super” homeownership state. The housing, economic and political context suggests that, even if an efficient mortgage finance system is established, the housing needs of large sections of the population would remain unmet. This is because they would still be unable to afford financing or because of the nature of their housing need. As a result of the prevalence of housing need and poverty, conventional subsidy programs, no matter how well designed, are unlikely to fill the gap. Instead, there is a need to draw on examples from development literature, such as microfinance, which relies on connecting individuals with the formal financial system, usually through an NGO, and can be combined with the provision of core housing units for low- to moderate-income households. A large challenge remains to “collectivize” microfinance for use in multifamily apartments.

Main technical steps in housing finance strategy formulation are, in a simplified form:

- Understand the broad housing situation in the country, including basic housing quality and related infrastructure conditions, and the extent of preference for homeownership versus renting.
- Determine effective housing demand by income class and location (urban, rural) to identify and define market segments and the volume of finance required by each segment in the planning period (note that because loan terms differ across households with different incomes, there is no simple ratio to apply to income to reach a housing finance demand estimate).
- Inventory housing finance currently available:

products and volumes, market coverage and lending policies (for example, treatment of different sources of income in underwriting standards, physical access, registration requirements) by market segment. This must include all sources: private, both formal and micro, and government.

- Find out where lenders obtain their funds and the elasticity of these sources.
- Determine the gap between potential demand and current supply for each market segment.
- Prepare a plan for closing the gap that is based on information developed in the prior steps.

To strengthen housing finance in Armenia, the government is committed to:

- Cutting the growing housing needs of Armenians by offering long-term, affordable mortgage loans, showing great interest in stimulating private sources of funding to serve these needs.
- Strengthening the legislative and regulatory framework.
- Strengthening the institutions of the financial sector.
- Supporting the quick development of lending institutions (commercial banks and credit organizations and insurance companies) to accommodate market development.
- Developing adequate mortgage and housing saving products.
- Creating a sound primary market, upon which a secondary market would be based.

To expand access to housing finance, it is necessary to:

- Increase service penetration rates, i.e., the extent to which lenders cater to different sections of the population.
- Ensure access for households in geographic isolation from lending branches.
- Make the products offered suitable to a larger number of families.
- Decrease the high transaction costs of having a savings account.

Housing subsidies recommendations

The developments of the housing sector will mostly target people who became homeless because of a variety of reasons, and will ensure their access to their constitutional right to adequate housing.

Separate, ad hoc, programs, although useful, cannot provide a comprehensive solution to the housing problem of socially vulnerable households. Well-thought government policy is needed, the result of which should be **creation of sustainable social housing stock** for socially vulnerable households.³² One of the most important issues is to provide a definition for “socially vulnerable.” According to the Armenian Ministry of Labor and Social Affairs, in about 140 legal documents of the

32. Especially in the countries of northern Europe, social housing plays an important role and makes up one-third of housing stock in the Netherlands, one-fourth in the United Kingdom and Sweden, one-fifth in Denmark and Austria, and one-sixth in France and Greece.

Republic of Armenia, the term “socially vulnerable” is specifically used to reflect the meaning of a given legal document. Equally important are conceptual and legal viewpoints on “social housing”³³ and “affordable housing” that are not defined by the Republic of Armenia.

The government will take into consideration all types of suppliers (targets of supply-side subsidies) to evaluate housing market demand. Its responsibilities are to directly solve the problems of people in housing need or indirectly support the development of the housing market and make access to housing finance possible. There are four types of suppliers that are targets of supply-side subsidies: *government agencies that construct public housing, private-sector developers and builders that construct subsidized private housing, intermediary nonprofit organizations that build or rehabilitate houses in poor neighborhoods, and individual households or groups of households (e.g., cooperatives) engaged in building or improving their dwellings.*

To decrease the burden and deepen the reforms in the sector of apartment building management and maintenance, it would be necessary to adjust and streamline the scope and mechanisms of government involvement aimed at the safe use of the housing stock by co-financing local governments and other management bodies of apartment buildings (taking into account poverty level), establishment and sustainable operation of mechanisms for the management of apartment buildings, and the creation of an information register of apartment buildings.

Recommendations

When developing and implementing policy aimed at improving the housing situation of socially vulnerable people, the following are recommended:

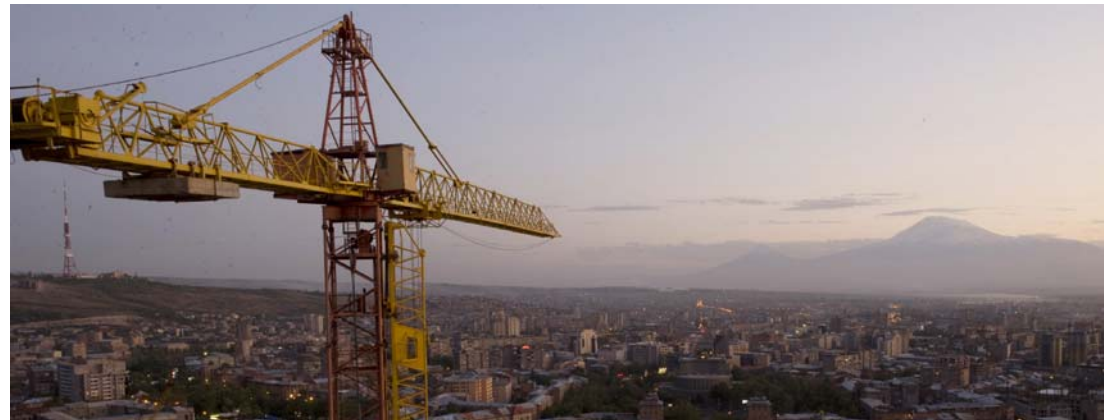
- Establish a social housing system in Armenia.
- Define the concepts of “social” and “affordable” housing.
- Legally strengthen the concept of housing provisions for socially vulnerable households, taking into account the importance of preventing social risks.³⁴
- Clarify the role of local, regional and central government bodies in the state strategic concept by deepening the social justice component of projects from the perspective of population integration and its involvement in public life.
- Define needs-assessment criteria and needs-assessment methodology, which will allow the correct assessment of the need of social and affordable housing throughout Armenia and in a given community.
- Define criteria of registration and housing provisions.
- Vacate public assets to ensure the opportunity of their usage for urban development needs.
- Develop the social rental housing sector.³⁵
- Support construction and operation of social housing by central and local government authorities directly or through their policies, fiscal advantages for developers, direct subsidies, guarantees for construction loans and housing allowances.
- Support, through substantial public support,³⁶ the acquisition of privately owned social

housing.

- Strengthen links between housing stock, employment, social security and health care.
- Avoid causing social exclusion, and provide prerequisites for social integration.
- Include a housing maintenance component in the social housing projects.

33. Generally recognized definition of social housing in Europe is “housing provided under social policy.” In 1998, European Liaison Committee for Social Housing proposed a new definition: “social housing is delivery, construction, renovation and transformation of social housing, that is to say housing where the access is controlled by the existence of allocation rules favoring households that have difficulties in finding accommodations.”
34. In almost all Western countries, there is a state legislation defining the main conditions of social housing operation. The trend toward decreasing state supply-side subsidies, leading to the lower housing construction, toward transferring ownership of social dwellings from the public authorities to nonprofit housing associations, is apparent in many countries. The government stresses economic efficiency and social effectiveness of more market-oriented supply-side subsidies while taking advantage of demand-side subsidies.
35. This will allow the local or central government authorities to try to establish a general balance on the rental housing market with the aim of enabling needy population groups, unable to find housing in the free market for social or other reasons, to have adequate housing. Rent in social housing usually is lower than in the free market.
36. The word “substantial” is important, as construction of privately owned dwellings and buildings is in almost all countries supported by the state, regions and municipalities through fiscal measures or interest rate subsidies, and a wide range of projects could otherwise be considered social housing.

- Assess affordability problems in the individual housing market (estimate of household formations, projection of housing prices, estimated levels and distribution of household disposable incomes and subsequent house price comparison, assessment of housing affordability by housing market area).
- Reserve some portion of land (20-25 percent) for social/affordable housing.
- Provide land and building materials on favorable conditions by the municipalities. In addition, training should be offered and households should provide their own labor as input.
- Provide, in the same way, assistance to those households that are unlikely ever to be able to obtain decent housing through the market.
- Encourage local governments to stop subsidizing (through low rents) all households living in the municipal housing stock regardless of their income.
- Means-test by local governments of future subsidies (in the form of low rents). Rents should rise if incomes rise above a certain level.
- Government has to specify the categories of special housing needs, because certain social groups have particular housing requirements. It should take into account the local authority housing waiting lists, which are the best available estimate of social housing need. Local authorities should provide a range of house sizes and better use of the existing stock. There is a clear mismatch between the existing housing stock and the needs of those on the waiting list. In some cases, smaller



The sun sets behind the legendary Mount Ararat and Yerevan, the 2,790-year-old capital city of Armenia.

housing units would be more appropriate. It is proposed that future local authorities provide a mix of housing sizes, more appropriate to the estimated current and future requirements of people in need of social housing. Each municipality or community will assess the numbers of tenants willing to transfer to smaller units and identify under what conditions they may be willing to move.

In general, in many countries the following categories of people are eligible for social housing: homeless people, households in need of upgrading their housing conditions, refugees, people with disabilities, the elderly, immigrants, single mothers, students, young families.

The housing allowance should have the following features:

It should be means-tested; that is, entitlement to it is reduced as incomes rise. Savings may also be taken into account when considering eligibility.

The housing allowance could be developed

within the framework of the social security system that has been developed to date, taking into account further improvement of existing approaches. The system identifies 16 categories of households that are vulnerable to extreme poverty. A means test is then applied to establish who qualifies. Eligibility for the housing allowance should be based on the same principle.

Housing allowances will inevitably give rise to questions of incentives—as incomes rise, the allowance will be withdrawn. This is an unavoidable feature of targeting assistance to the poorest households.

In the sector of housing management and maintenance:

- Support for maintenance and modernization of infrastructure of apartment buildings.
- Support for the improvement of the institutional framework and capacity building of apartment building management bodies.

Residential infrastructure recommendations

In general, there is an adequate residential infrastructure in Armenia, with improved water supply, sanitation and electricity for the vast majority of households. The road network is adequate and well-maintained, and public transport is sufficient to easily move throughout the city. However, the government needs to create mechanisms encouraging capital investments to upgrade means of public transportation, particularly to reduce minibuses at the expense of buses and achieve cost recovery. The government should adopt strategy, law and regulations on solid waste management to improve customer service, introduce recycling practices and improve landfills to minimize adverse environmental impact. Mechanisms should be developed and investment attracted to manage water supply and sanitation services in most rural areas of Armenia and to apply in reality the opportunity by local governments to mobilize finance (municipal borrowing or issuance of municipal bonds) for infrastructure investment.

Recommendations

- Adopt a strategic approach to solid waste management.
- Adopt laws on solid waste management.
- Calculate the costs of solid waste management, expand service coverage, increase the number of contracts, and strengthen public relations.
- Improve landfill conditions.
- Introduce recycling practices.

- Develop mechanisms to improve water and sanitation systems management in rural areas.
- Promote investment in public transportation to improve service and to reach cost recovery.
- Ensure public transport meets technical and environmental requirements.
- Improve local road networks.
- Establish clear mechanisms for municipal borrowing and the issuance of municipal bonds.
- Develop a policy document and upgrade infrastructure in informal settlements.
- Develop capital investment plans for urban expansion to accommodate population growth in the capital city.

Regulatory recommendations

The government of Armenia should address the vital interests of the state, community, society and the individual in urban development issues. The role and significance of urban development functions gain even more priority in terms of overcoming the current regional development disparities.

Government efforts to finalize an approach and officially adopt policy in housing and urban development will achieve expected results if new reforms take into account the following methods of modern urban growth controls: zoning legislation to protect wetlands and endangered species near urban areas; green belt legislation aimed at prohibiting the transformation of rural to urban land at the perimeters of cities; quotas for building permits and residential subdivisions; delaying the release of public lands for urban development; delaying the development of water resources; declaring moratoria

on the development of sewerage networks; and restricting the ability of municipalities to raise the necessary capital to extend infrastructure networks.

Development of criteria for land quality and productivity, quality monitoring, regulation of land use, registration and supervision systems, recovery of affected agricultural lands and natural landscapes, and development and deployment of economic incentives are in the government's agenda. One of the main priorities is "spatial development and planning," which requires the following priority actions:

- Development of master plan of Armenia's Spatial Organization (based on an analysis of Habitation Master Plan).
- Drafting of regional spatial development plans.
- Development of master plans and zoning maps for all communities.
- Development of spatial planning documentation for the Lake Sevan catchment area.
- Development of building and distribution plans for territories around national highways.
- Development of rehabilitation plans for historic areas and architectural and natural monuments.
- Implementation of provisions of European Landscape Convention and the principles of the UN-HABITAT process.
- Deployment of the national urban cadastre.
- Improvement of urban development legal and regulatory framework.

Housing solutions

Government housing solutions

The number of unsheltered households and households in need of improved conditions in Armenia is 66,023 (8.4 percent of Armenia's permanent population), out of which 30,000 (3.8 percent of the permanent population) are unsheltered and live in *domics* (temporary metallic containers or wooden or stone structures), public assets or other temporary shelter. To solve the problem of unsheltered households, the Armenian government adopted and implemented different approaches.

Housing purchase certificates: The government has been replicating the model of housing vouchers known as housing purchase certificates first tested and implemented by USAID's Armenia Earthquake Zone Recovery Program. Each year a special amount is allocated from the state budget for addressing housing needs through the certificates. Program criteria were broadened to offer certificates to previously uncompensated urban households who were not living in temporary shelters. Certificates for completing unfinished houses were provided in rural areas.

Preferential loans for repressed citizens: The provision of preferential budgetary loans for the repressed citizens has been carried out since 2001. As of March 31, 2009, within the framework of this project, 216 citizens received budgetary loans in

the amount of AMD 847,598,870. In the 2009 state budget for this purpose, AMD 200,000,000 was scheduled.

During 10 months of 2009, AMD 135,661,770 budgetary loans were provided to 35 citizens of Armenia being either repressed or the heir apparent of repressed citizens.³⁷ Loans are intended for purchasing housing, building housing, completing unfinished housing, and renovating. Loans are provided for 25 years with an annual 1 percent interest rate. The grace period for the principal amount of the loan is three years; for the interest rate period it is two years.

Housing for military servants: Each year, the government provides funds from the state budget to the Armenian Ministry of Defense to address housing problems of army officers. In 2009, AMD 250,000,000 was allocated by the government for that purpose. Apartments are of good quality, completed and well-equipped.³⁸ There are no public, official statistical data on the total number of army officers receiving government housing assistance.

New construction: Starting in 2004, housing production in the republic steadily increased year by year and reached its highest point in 2008. Housing was produced based on funding from different sources: state budget, international donor organizations ("Hayastan" All Armenian

Fund, U.N., and Norwegian Refugee Council), other organizations, and the public. Annex 16 demonstrates volumes of construction in square meters based on the sources of funding. An increase in construction volumes made this sector a leader in the economy with the highest share of national GDP.

The population's share of housing unit production funding is the largest and significantly exceeds the volume of housing construction funded by other sources. When comparing shares of different sources of funding in housing production in 2004 and 2008, we can see that the share of construction volumes by organization increased. But unlike in 2004, in 2008 there was no funding for housing production by international organizations. Construction volumes due to population investments increased consistently from 2004 to 2008, but the overall share in 2008 decreased as compared with 2004. Currently, the housing construction volumes are decreasing because of the global financial crisis. Because of the crisis, the GDP of Armenia decreased by 14.4 percent; more than 50 percent of that decline was in the construction industry.

37. Armenia Ministry of Finance, Information and Public Relations Department, 2009.

38. The Republic of Armenia Daily, Dec. 18, 2009, No. 245.

Public-private partnership in housing

production: The practice of public-private partnership has been introduced in housing production. In 2008, Glendale Hills closed joint stock company became a winner in the first round of a competition for construction companies announced by the government. The company will carry out housing construction in the earthquake zone of Armenia, particularly in Ani and Mush districts of Gyumri. Out of 3,030 units, 250 will be built in Ani district and 2,780 in Mush district. The investment in this project is AMD 39 billion. Under the state guarantee, the company received loans from commercial banks to build housing. In the course of 10 years, the state will purchase housing from the company. Beginning in December 2008, Glendale Hills planned to build 1,320 units in Mush district within 400 days. The rest of the 1,710 units in Ani and Mush districts are to be built within 800 days.

In December 2008, the second round of the bidding for state projects for construction companies to provide housing for earthquake-displaced households took place. Glendale Hills CJSC again became the successful bidder. The company will build 536 apartments and social facilities, in addition to 2,047 single-family units in the Shirak and Lori regions, in particular in the town of Spitak and 35 other towns and villages. In Shirak, 182 apartments and 226 houses will be built, while 354 apartments and 1,821 houses will be built in Lori. The apartments will be ready to use in the second half of 2011.

By the end of 2009, Glendale Hills provided

housing for 96 households and committed to provide up to 1,056 apartments by May 2010 to the earthquake-displaced.

Social housing

During the past two years, a new model of social housing was introduced in Armenia with financial assistance from the Swiss Agency of Development and Cooperation and local municipalities. Two social houses for refugees and other vulnerable people were built in the town of Goris under the ownership of the local government, and one was built in Yerevan under the ownership of Mission Armenia, a local NGO.

Affordable apartments for young families:

A new concept, “affordable apartments for young families,” was approved in 2009 by the Armenian government. Three billion Armenian drams were allocated from the state budget to the project implementation in 2010. It is designed to house 300 young families during the first year. Based on the project criteria, the total age of spouses is supposed to be no more than 60; the interest rate is 11-12 percent, of which 2-3 percent is subsidized by the government (9 percent should be paid by the beneficiaries); the maximum amount of the loan is AMD 16 million, of which AMD 5 million should be prepaid by the families. The loan repayment period is 10 years.

Housing management and maintenance:

As with many other post-Soviet countries, the privatization of a large part of the housing stock in Armenia was linked to the expectation that the new owners would increasingly invest in maintenance and repairs, as they would come to regard their

homes not only as shelter but also as valuable assets. The state would thus be freed from this burden.

However, the new owners did not possess the knowledge, traditions and experience to maintain their common assets. Additionally, they could not afford to invest in common shared ownership because of the difficult socioeconomic situation.

Results of The Comprehensive Study of AB Conditions conducted in 2007 identified the following picture of need distribution for the operational and capital renovations of separate elements of shared ownership:

- Roofs and roof wastewater system: 70-75 percent of buildings.
- Entryways and stairwells: 59 percent of buildings.
- Water and wastewater systems: 55 percent of buildings.
- Energy supply infrastructure: 48 percent of buildings.
- Basements and foundations: 34 percent of buildings.

The Armenian government allocated money on a yearly basis from the state budget for the renovation of roofs, elevators, water and sewerage systems, and entrance doors of privatized multiapartment buildings occupied by individual owners. It lacked a clear policy and strategy regarding its involvement and responsibilities related to the multiapartment housing stock.

Local governments would receive incentives to take responsibility of apartment building

management and maintenance if the government committed itself to transferring an equal or similar amount to such a local fund. Also, if the taxpayers consider maintaining the housing stock to be important, they will be more willing to pay the tax if they know that the generated funds will go directly to maintenance. This would lead to higher collection rates and, consequently, improved housing maintenance. This will also help low-income homeowners pay their property tax.

The consistent lack of financing has led to widespread deterioration of the housing stock. Its poor quality caused by the long-term deferment of repairs is a pressing problem that requires urgent action. Organizational structures in the form of condominium associations are essential, but in themselves, condominiums cannot mobilize funds. It is therefore necessary to find ways to support those individuals living in large privatized housing stock so that they can raise funds for maintenance and repairs.

Maintenance and management of multiapartment buildings is a priority for the Armenian government. The state plans to assist in the maintenance and safe operation of apartment building housing stock. The government assistance is intended to improve the institutional environment and to develop management capacities, particularly:

■ **Introducing a system to inventory shared ownership:** Inventory, running statistics and registration of the property, clarification of definitions of elements of shared ownership, working

out statistical forms, etc. As a result of registration, the borders of shared ownership will be clarified.

■ **Supporting a technical certification process:** The documents of most buildings are either missing or not accessible to management bodies. Almost no study about building characteristics (financial, technical and human) has been conducted in apartment buildings because of lack of funding or ignorance of the importance of such information by management bodies. Government is ready to provide direct financial and technical assistance to introduce a certification practice in apartment buildings.

EZRA MILLSTEIN



Khor Virap ("deep hole") church was built in the shadow of Mount Ararat to mark the place where Gregory the Illuminator was imprisoned before converting Armenian ruler Trdat III to Christianity. The land between the church and Mount Ararat contained the neutral zone between Armenia and Turkey and the river border.

■ **Increasing the planning and budgeting capacities of management bodies:** The lack of such capacities leads to disconnection with owners and cannot ensure accountable and transparent management. The solution is the provision of training, methodological and practical support in budgeting and planning.

■ **Increasing the degree of awareness:** We will disseminate among the owners information about their rights and responsibilities, and work to clarify and change their attitude regarding shared ownership of apartment buildings.

■ **Assistance in maintenance and upgrading of apartment building infrastructure:**

Institutional support is considered more efficient to provide for the shared ownership infrastructures such as water supply and wastewater, electricity supply, etc.

The international donor community was intensely involved in addressing the housing issues of vulnerable households, particularly for the earthquake-displaced, refugees, low- and middle-income households (Annex 16).

Best practices

Housing purchase certificates: The use of housing purchase certificates to deal with the demand for housing in transition countries is based on USAID’s success in promoting the rapid resettlement of Russian military officers from the Baltic States in the mid-1990s.³⁹ The model was successfully piloted in Armenia by USAID/Urban Institute and turned into a large program that provided permanent housing for more than 6,000 earthquake-displaced people and refugees. USAID, through its technical assistance program, transferred the housing purchase certificate model to the government of Armenia, which replicates it successfully as an alternative mechanism to address housing needs of remaining earthquake-displaced, refugee and other families in housing need. Later, Urban Institute/the Urban Foundation for Sustainable Development practiced the certificate model in Georgia as a housing solution for internally displaced people, and the model was included by the Georgian government in the national housing strategy.



Six year-old Diego Manasyan lives with his mother, Ellada, and his two sisters in this Soviet-era building in Armavir.

In 1998, the World Bank commissioned the Urban Institute along with partners the Institute for Urban Economics Moscow and the Center for Policy Analysis at the American University of Armenia, Yerevan, to develop a new strategy to address the lingering problem of displaced people resulting from the massive 1988 earthquake. The New Housing Strategy promoted a demand-side approach to shelter provision. A high rate of emigration during the 1990s, national housing privatization, and overall absence of an effective demand for housing caused by a stalled economy resulted in the availability of

underused permanent housing stock. This stock was available to be redistributed to the needy households through market mechanisms, namely, housing purchase certificates, which cost significantly less than a program of replicating similar apartments through new construction.⁴⁰

39. Anlian, Steven J., “A New Housing Strategy for Armenia’s Earthquake Zone in The World Bank Group,” *Beyond Transition*, the Newsletter about Reforming Economies.

40. www.urbaninstitute.org.

The core of the strategy was a site-based beneficiary selection process, as opposed to using more elusive waiting lists, where sites in the old cities were selected based on their potential for urban renewal. Families on these sites who were housed in trailers and makeshift huts, or *domics*, were qualified for shelter assistance, and the certificates were used to both provide permanent housing and clear the site for future development. Later, the housing purchase certificate model was used based on a housing waiting list approach, and for vacating public community assets in Armenia and collective centers in Georgia.

Urban and rural housing improvement

grants: Many apartment buildings that were damaged by natural disasters or became unstable after years of operation—but were not officially condemned—have remained in use by residents. Insolvent households are unable to address the building needs to ensure their continued sustainability. These people are not on any list for housing need and are considered to be housed.

This problem was first raised within the frame of USAID's Earthquake Zone Recovery Program in 2001, when the Urban Institute piloted a program aimed at providing funds for partial refurbishment of existing, occupied apartment buildings. Two types of grants were proposed: "condominium" and "individual." Condominium grants funded communal repairs (e.g., roof, stairwells, structural walls, pavements, façades, water pumps, internal water/sewer plumbing, etc.). Individual grants funded limited repairs of selected apartment units that had been rendered uninhabitable because of damaged internal plumbing systems, leaky

roofs, poorly drained basements, etc. Beneficiary satisfaction surveys conducted immediately after completion of the construction and a follow-up survey showed a high satisfaction rate by residents. The residents' overall level of satisfaction is best manifested in their subsequent individual investments in their apartments, which they admit they would not have made had the building not been stabilized and preserved by the USAID project.⁴¹

The urban housing improvement grant model, although proving to be successful and practical, has not been used in Armenia since the Earthquake Zone Recovery Program by the Armenian government or any other organization implementing housing projects. The model has been successfully used in Khoni, Georgia, by International Relief and Development.

The Armenian government recognizes the need to help private homeowners who lost their housing during the earthquake and have not been able to recover (the moral vs. the legal obligation). USAID's Rural housing improvement grant pilot addressed these issues in targeted villages where new housing had been started after the earthquake but left incomplete when the Soviet construction brigades abandoned the projects with the collapse of the USSR. With fairly modest grants, 664 housing units were brought to a reasonable level of completion so the assigned families could finally inhabit them. Many houses were converted to "duplexes" for two families in order to increase cost effectiveness.⁴²

The rural grant model was transferred to the government and is successfully used through the

funds provided under the state budget.

Affordable loans for housing improvement:

Habitat for Humanity International, through its Armenian national office, introduced a model of completion and reinforcement of half-built homes: the renovation or improvement of existing dwellings through small, affordable loans.

Through a commercial lending organization, HFHI provides affordable, long-term loans (10-20 years) to vulnerable households in remote rural areas of Armenia. Through HFHI's self-help and sustainability model of affordable, nonprofit, inflation-adjusted home-improvement loans and mortgages, partner families complete or renovate their own housing. Repaid loan funds serve as a revolving fund to meet the housing needs of others.

Housing finance through the refinancing of commercial banks' mortgage portfolios:

The main objective of this approach was to increase the access of private households to mortgage loans through the extension of the maturity of mortgage loans to at least 10 years. Further policy goals included the expansion of housing credit outside Yerevan, targeting relatively moderate-income households and laying the foundations for the development of a secondary market.

Under this approach, Kreditanstalt für Wiederaufbau assisted in the establishment of the Housing Finance Refinancing Facility, funded

41. EQZRP Final Report, April 2005.

42. *Ibid.*

by a loan of 12 million euro. German Armenian Fund–Project Management Unit administered the disbursement of these funds through a refinancing window to qualified lenders that are banks and nonbank credit organizations.

The model was transferred to the Armenian government, which replicates the approach through the newly established National Mortgage Co.

Purchasing apartments by the government from the private sector: A new model for meeting the housing needs of the unsheltered (unsheltered because areas of their previous housing were used for the state’s highest interest and were provided to private developers for construction) was introduced by the government. The government signed an agreement with private developers and purchased some apartments in newly constructed buildings at Teryan and Moldovakan streets. Purchased apartments were allocated to the unsheltered based on a donation contract.

Social housing: The new model of social housing was piloted in Goris and Yerevan in close cooperation with Swiss Agency of Development and Cooperation. Apartments were allocated to refugees and other socially vulnerable people. The new building in Goris belongs to the municipality of Goris, but the owner of the social housing building in Yerevan is the Mission of Armenia NGO. It is too early to evaluate which model is more acceptable in the Armenian situation (in the sense of ownership rights), but we can state that the government concept of social housing will be approved in the near future and will become a more acceptable form of housing

for vulnerable people.

Inventory and registration of common areas of apartment buildings: The vast majority of apartment buildings in Armenia have no technical passports or registered ownership rights of the building owners on shared areas. A model of inventory and registration of shared areas of apartment buildings was introduced under the USAID Earthquake Zone Recovery Program’s urban housing improvement grant component. While renovating pilot No. 155 building and its individual apartments, the program implementer, the Urban Institute, worked closely with the building residents to assist them in establishing a building management body (a condominium) and in privatizing apartments. The Urban Institute also organized a meeting with the municipality and cadastre committee officials to clarify the steps for the smooth organization of apartment privatization.

While privatization of individual apartments was regularized and the Urban Institute, working with local government and cadastre, drafted publicized procedures for streamlined privatization, the initiative aiming to register the ownership rights on shared ownership was unprecedented. Urban Institute asked local governments to provide necessary information on structural integrity and technical passports of buildings as well as on external infrastructure (water, sewer and electricity). Most of the information requested of local governments was not readily available, but finally all departments of the municipality put together all documents that they possessed, prepared new design-drawing documents, made all necessary

decisions and approvals (including on construction works) for building passport, and approved a complete documentation package for the further registration of property rights. In the meantime, the cadastre committee completed the measurements of the apartments and shared areas of the building and registered ownership rights not only to individual apartments and to shared areas, but also to illegal (unauthorized) structures.

A high rate of emigration during the 1990s, national housing privatization, and overall absence of an effective demand for housing caused by a stalled economy resulted in the availability of underused permanent housing stock.

43. Yedigaryan, Mher, Hedstrom, Pamela, Doce, Eugen. Frankfurt School of Finance and Management, “Development of a Sustainable Housing Finance Market (Phase I) in Armenia,” Final Report, June 26, 2006 –June 25, 2009.



A young girl in her bedroom, in her family's dilapidated apartment in a Soviet-era apartment building in Karakert.

EZRA MILLSTEIN

References

Publications

- Anlian, Steven J. and Irina Vanian. *Armenia: Reform Amid Crisis*. 1996.
- Anlian, Steven J. and Irina Vanian. *An Overview of Armenia's reform: Housing and Urban Development Policy, 1989-1995*, 1997.
- Baharoglu, Deniz. *Armenia Housing Issues*. 1997.
- Barlow, J., and A. King. 1992. "The State, the Market and Competitive Strategy: The Housebuilding Industry in the United Kingdom, France and Sweden." *Environment and Planning* 1992, 381.
- Desilets, Brien and Mais Vanoyan. *Condominium Development in Armenia: An Introduction*. October 2001.
- Desilets, Brien and Mais Vanoyan. *Condominium Association Development in Armenia: Local Governments, Central Government and Donors*. April 2003.
- Donnison, David. *The Government of Housing, Harmondsworth, UK: Penguin-1980*.
- Francis, John G. *The Politics and Regulation: A Comparative Perspective*. Oxford. Blackwell, 1993.
- Ghukasyan, Arusyak and Astghine Pasoyan, *Municipal Network for Energy Efficiency: Armenian Urban Heating Policy Assessment*. USAID, Alliance to Save Energy, 2006.
- Janoyan, Tigran, Janoyan, Marine, Stepanyan, Hayastan, Martirosyan Vazik. *Transformation of the Housing Right in Armenia: 1988-2002. A Survey of Legislation and Practice*. United Nations High Commissioner for Refugees, Yerevan, Armenia, 2002.
- Pejovich, Svetozar. *Fundamentals of Economics: A Property Rights Approach*, 1995, 66. www.sciencedirect.com/science/article/B6V7M.com.
- Rabenhorst, Carol S. et al. *Development of a Sustainable Market for Housing Finance in Armenia: Feasibility Study and Project Design*. Washington, D.C., September 2005.
- Rabenhorst, Carol S. and Stephen B. Butler. *Development of a Sustainable Market for Housing Finance in Armenia: Report on Legal Issues and Advice to Counterparts*. Washington, D.C., September 2005.
- Rose, Carol M. *Property and Persuasion: Essays of the History, Theory, and Rhetoric of Private Ownership*. Boulder, Colorado: Westview Press, 1994, 128.
- Shlomo, Angel. *Housing Policy Matters: A Global Analysis*. Oxford University Press, 2000.
- Struyk, Raymond, et al. *Pre-Feasibility Study of the Housing Finance Market in Armenia*. Washington, D.C., October 2004.
- Struyk, Raymond. *Housing Purchase Certificates: Possible Future Applications in Armenia*. Urban Institute Seminar, Erevan, February 2003.
- Tatian, Peter. *Policy Framework for Housing Management by Local Governments*. November 2002.
- Vecvagare, Laura and Hamilton, Ellen. *Multi-Apartment Housing in Armenia- An Issues Note*. 2003.
- Vincent, Chris. *Global Housing Policy Index*, source: www.mri.hu/downloads/events/SHWS_2008/session_6_vincent.ppt.
- Wilson, Scott and Hai Nakhagitis. *National Policy Study: Republic of Armenia*. GHK International, 1999.

Reports and concepts

- A New Housing Strategy for Armenia's Earthquake Zone*. December 1998. Prepared by the Urban Institute for the World Bank Municipal Development Project.
- Advisory Study on the Municipal Solid Waste Management in Yerevan*. "Fichtner," Germany, April 2009.
- Armenia Earthquake Reconstruction Project*. The World Bank, staff appraisal report, Jan. 5, 2004.
- Central Bank of the Republic of Armenia The Banking System of Armenia - Development, Supervision, Regulation*. Yerevan, 2006.

Crisis and opportunity/The Civiltas Foundation. Yerevan, Civiltas Foundation, 2008.

Country Profile on the Housing Sector: Armenia. United Nations, New York and Geneva, 2004.

Concept for Improvement of Housing Conditions of Unsheltered, Socially Vulnerable Households, Annex to the Draft GoAM Protocol Decision #380 A as of April 28, 2008.

Demographic Policy Concept of the RoA, Government of Armenia, Protocol Decision No 772-1, 2009.

Development of Comprehensive Program Aimed at Solution of Issues Connected with the Maintenance of Urban Multi-Apartment Housing Stock in Armenia, Final Report, prepared for RoA Ministry of Urban Development by Avag Solutions Ltd. Yerevan, August 2007.

Economic Report and Interim Operational Strategy, Armenia (2006–2009). Asian Development Bank, August 2006.

Excerpt from GoAM Session Protocol #23, June 23, 2008, on approval of the Concept of Solving Housing Issues of Earthquake Displaced Households in the Localities of the Earthquake Zone.

Government of Armenia Program (draft) about State Support to the Management, Operation and Maintenance of Multi-apartment Housing Stock in Armenia. 2008.

Survey conducted by Economy and Values Research Center, March 2009.

The Role of the Government to Facilitate the Development of Decentralized Water Supply and Sanitation Services: the Case of Armenia, focus on financial department. OECD, Institute of Urban Economics, Urban Foundation for Sustainable Development, 2005.

The Urban Housing Improvement Grants Pilot Project, Final Report, prepared for the United States Agency for International Development by the Urban Institute. Washington, D.C., December 2003.

Sustainable Development Program, Annex to the GoAM # 1207 N Decision. Yerevan, Oct. 30, 2008.

USAID/UI, Earthquake Zone Recovery Program Final Report. April 2005.

Legislation

Civil Code of the Republic of Armenia, 1999.

GoAM Decision on Approval of Programmatic Measures Aimed at Reforming the Sphere RoA Multi-Apartment Housing Stock Management, 2008

GoAM Decision # 272, January 1989.

GoAM Decision # 452, Sept. 8, 1993.

GoAM Decision # 477, Oct. 30, 1997.

GoAM Decision # 330, Aug. 9, 1997.

GoAM Decision # 47 on the Approval of the Unified Maintenance, Operational, Restoration and Servicing Regulations Regarding the Housing Stock, March 18, 1997.

GoAM Decision # 152 on Taking Measures for the Improvement of Housing Conditions in Yerevan, March 9, 1998.

GoAM Decision # 14, on Taking Measures for the Improvement of Housing Conditions of Refugees and the Population of Yerevan, January 14, 1999.

GoAM Decision # 494 on the Use of Material and Monetary Assets Received by the State through Confiscation, Recognition of Abeyance in Favour of the State and the Right of Succession, Aug. 4, 1999.

GoAM Decision # 1625-N, Oct. 10, 2002 on Defining Mandatory Norms of Keeping Common Shared Ownership of Multi-Apartment Buildings. Oct. 23, 2002.

GoAM Decision N 86-A on Supporting the Management of Multi-Apartment Building, February 2003

Law on the Privatization of the RA State and Public Housing Stock, June 10, 1993. Put in force Sept. 1, 1993.

Law on Privatization for Free Apartments in the State Housing Stock, May 30, 2000.

Law of the Republic of Armenia on Condominiums.
May 2002.

*Law of the Republic of Armenia on Making
Modification and Amendments to the e Law of
the Republic of Armenia on Apartment Building
Management.* November 2003.

*Law of the Republic of Armenia on the Legal, Social
and Economic Guarantees of Persons Displaced
from the Republic of Azerbaijan During the 1988-
1992 Period and Having Received RA Citizenship.*
Dec. 6, 2000.

Internet

www.armstat.am

www.gov.am

www.habitat.org

www.cadastr.am

[www.usaid.gov/locations/europe_eurasia/press/
success/2008-04-09.html](http://www.usaid.gov/locations/europe_eurasia/press/success/2008-04-09.html)

EZRA MILLSTEIN



A small chapel beside the road to Karakert.

Annexes

Annex 1

Recent changes in legal framework and highlights of current Republic of Armenia housing strategies

Analyzing the development and evolution of housing legislation, we can easily state that the government housing policy during the past 20 years has been strongly shaped by three events:

- The dismantling of the Soviet Union and the ensuing process of transition with its privatization policies.
- The 1988 Spitak earthquake.
- The influx of a large number of refugees as a consequence of regional conflicts.

Already on the eve of the independence of the Republic of Armenia, the law “On Property in the Republic of Armenia” (1990) and the Land Code (1991) were adopted. The adoption of the property law was aimed at establishing legal grounds for the formation of a market economy, the consolidation of the business system and property, and the development of different types of property.

The Land Code, adopted in 1991, stated that “Plots of land attached to houses, as well as the plots of land used by the RoA citizens for gardening (building a summer cottage) and for constructing a house and providing utilities for it, shall be granted to them free of charge as ownership.”

The privatization of housing stock started from

1989 and was terminated on June 23, 2000, when it was amended by Article 29 of the “*Law on the Privatization of the RA State and Public Housing Stock*,” stating that “The privatization of housing stock based on the applications submitted prior to Dec. 31, 1998, shall be performed without any time restrictions.” On May 30, 2000, the Republic of Armenia law “On Privatization for Free Apartments in the State Housing Stock” was adopted to allow free privatization to the Armenian citizens of the apartments considered state property (rented out to citizens).

In 1996, the “Law on Condominiums” was adopted. It was amended in 1998. This law establishes a new model of multiapartment building management. On March 18, 1997, the government of Armenia adopted Resolution 47 “On the Approval of the Unified Maintenance, Operational, Restoration and Servicing Regulations Regarding the Housing Stock.” It stated that until the establishment of condominiums, the maintenance, operation, restoration and servicing of construction in general use (building entrances, staircases, elevator pits and other pits, outside corridors and nonresidential constructions, roofs, attics, service floors) and property in general use (elevators; water pumps; water supply, sewerage, heating, refuse collection and other engineering systems; substructures; load-bearing constructions; mechanical, electrical and sanitary engineering; etc.) in apartment buildings

were to be carried out by local authorities in compliance with urban development regulations and the unified maintenance, operational, restoration and servicing regulations regarding the housing stock.

The enactment of the Civil Code put in force on Jan. 1, 1999, constituted an important step in providing a conclusive legal environment for the housing sector, in particular with regard to property rights and the development of a functioning housing market. The new Civil Code consists of 11 sections, with corresponding chapters and articles, and is devoted to the right of ownership. The right of personal ownership of citizens consists of the privileges to possess, use and dispose. Many articles deal with the origin and termination of the right of personal ownership, legal guarantees for the protection of the given right, terms and conditions for housing lease, etc. Residential housing is considered one of the most important objects of personal ownership because it satisfies one of the most vital human needs: housing. The citizen’s right of personal ownership to a residential house (or apartment) arises when the structure is built or obtained in accordance with the law. In order to build a house, a citizen is allocated land in accordance with the established procedure.

The Civil Code of Armenia didn’t cover some gaps in the legal framework. Rental housing is not

adequately treated. The Civil Code provides only basic regulations and procedures for establishing contracts between landlords and tenants. Beyond these, the Civil Code relies on the individual contracts to regulate all details. In practice, those individual contracts are often not concluded at all, and most apartments in the rental housing stock are rented informally. Since the law “On State Registration of Property Rights” (1999) was already in force at the time this procedure was adopted, it would appear reasonable to form leases with people having received housing based on the decisions of housing allocation. The lease is further subject to notarization and state registration in the Subdivision of State Cadastre of Real Estate. The responsibility of the state in the area of housing provision to socially vulnerable citizens—in particular the elderly, homeless and refugees—is not specified in any legislative acts.

After the establishment of the State Registry of Real Estate (1998-99), the task of registering all kinds of property rights (ownership, use, servitude, collateral, after November 2005 also construction rights) was undertaken. But there are a lot of problems of inadequate property registration, and the registration process of “unauthorized buildings and unauthorized land occupation” is not finalized. However, an important step toward regulating this sector was the enactment in 2003 of the law “On Unauthorized Buildings and Unauthorized Land Occupation,” which provides the basis for bringing the significant number of informal structures (250,000 units out of 400,000) into the formal housing market. The law provides detailed regulations and instruction on how these structures are to be legalized. However,

the resulting financial implications are likely to prevent many from taking this step.

The new Land Code (2001), the law “On the Legalization of Unauthorized Buildings and Land Occupation” (2003-07), the law “On Local Self-Government” (adopted in 1996, amended in 2002), the law “On Condominiums” (2002), the law “On Multi-Apartment Building Management” (2002), the law “On the Legal, Social and Economic Guarantees of Persons Deported from the Republic of Azerbaijan During the 1988-1992 Period and Having Received RoA Citizenship” (2002), and the law “On Ratification of the EQZ Comprehensive Recovery Program” (2001) finalized adoption of the laws regulating housing stock. New changes in legislation adopt new strategy: How to make possible the legal regulation of the primary and secondary mortgage market.

In 2005, the legislative package had been prepared “to assess the existing legal framework for mortgage finance in Armenia, identify gaps and weaknesses in the laws, and advise the government of Armenia on areas where improvements or additions are needed, both in primary market laws and in the legal framework necessary for development of a secondary market for mortgage funding.”⁴⁴ As a result, many laws (including Republic of Armenia Civil and Land Codes, the laws “On State Registration of Property Rights,” “On Compulsory Enforcement of Court Decrees,” “On Multi-Apartment Building Management,” “On Licensing,” etc.) were amended. In 2007, the new law “On Evaluation of Real Property” was amended. As a result of these amendments, in November 2005, the

Housing Code of 1982 was repealed.

In 2008, two new laws were adopted: “On Covered Mortgage Bonds” and “On Assets Securitization and Assets Backed Securities.” This is the new stage of development in housing finance and solving housing problems of the middle-income population of Armenia (more detailed information about development of housing legislation in the 1980s and 1990s can be found in “Transformation of the Housing Right in Armenia: 1988-2002; A Survey of Legislation and Practice- UNHCR-2004”).

The Armenian government has not yet formulated its policies to develop a comprehensive national housing strategy and to address all housing problems effectively. It is important to legally announce government obligations to the socially vulnerable groups along with the ways of solving their housing problems using a public-private partnership model.

To develop a national strategy, the government needs to monitor the implemented and current projects from the past 15-20 years and compare all recommendations, suggestions and lessons learned during implementation of the projects developed by governmental or other donor organizations. The government should take into account the economic development of the country, the overall poverty reduction strategy, and the evaluation of main risks for vulnerable groups in Armenia who have difficulties meeting their own housing needs.

44. Rabenhorst, Carol S. et al. “Development of a Sustainable Market for Housing Finance in Armenia: Feasibility Study and Project Design,” Washington, D.C., September 2005.

Based on Government Decision 878, as of July 24, 2008, the government approved its action plan for 2008-12, which is a document about the priorities of Armenia's sustainable development in different fields. Among issues in the field of urban development, special attention was paid to housing projects for the socially vulnerable groups, which according to the government are:

- Earthquake-displaced households in the earthquake zone.
- Refugee households.
- Children remaining without parental care.
- Socially vulnerable new families.
- The disabled or groups with partial mobility.

The priorities in the field of urban development are:

- Support projects for the management and maintenance of multiapartment buildings.
- Upgrade communal infrastructure in multiapartment buildings, monitoring

communal services (service provider-customer) in the buildings.

- Strengthen the concept of social housing (adoption of the law and regulations on improvement of housing conditions).

List of key legislation (1990-2009)

- The Law on Property (1990-99).
- The Land Code (1991-2001).
- The Law on the Privatization of State and Public Housing (1993).
- The Law on Land Taxation (1994).
- The Law on Real Estate (Property) Taxation (1995).
- The Law on Real Estate (1995-99).
- The Law on Condominium (1996, amended in 1998, was in force until May 7, 2002).
- The Civil Code (1998, put into force from Jan. 1, 1999, with important changes related to the housing and real estate from November 2005).
- The Law on Registration of the Rights to the

Property (1999).

- The Law on the Gratis Privatization of Apartments in the State Housing Stock (2000).
- The New Land Code (2001).
- The Law on the Legalization of Unauthorized Buildings and Land Occupation (2003-07).
- The Law on Local Self-Government (adopted in 1996, amended in 2002).
- The Law on Condominiums (2002).
- The Law on Multi-Apartment Building Management (2002).
- The Law on the Legal, Social and Economic Guarantees of Persons Deported from the Republic of Azerbaijan during the 1988-1992 Period and Having Received ROA Citizenship (2002).
- The Law On Ratification of the EQZ Comprehensive Recovery Program (2001).
- The Law on Appraisal Activities of Real Estate.
- Law on Covered Mortgage Bonds.
- Law on Assets Securitization and Assets Backed Securities.

Many Armenian families who lost homes in the 1988 Spitak earthquakes were moved into "domiks," metal structures meant to provide temporary shelter. Twenty-two years later, many families still live in domiks without water, gas or electricity.



KIM MACDONALD

Annex 2

Table 1: Tenure Distribution in 1989 and in 1993⁴⁵

Forms of housing tenure	Housing stock					
	Total		Urban		Rural	
	1989	1993	1989	1993	1989	1993
Total housing stock ¹⁰⁰	100	100	100	100	100	
Local city council	44.8	42.1	66.4	63.7	1.2	1.1
Village council	-	3.4	-	-	-	9.9
State-owned (central budget)	0.5	0.4	0.4	0.3	0.9	0.6
Self-sustaining organizations and enterprises	7.1	2.6	4.7	2.9	12.1	2.0
Public organizations	0.1	0.1	0.1	0.1	0.1	-
Housing and construction cooperatives	4.4	4.4	6.5	6.6	-	-
Personal property of individuals	43.1	47.0	21.9	26.4	85.7	86.4

45. Steven Anlian and Irina Vanyan. "An Overview of Armenia's Reform: Housing and Urban Development Policy, 1989-1995."

Annex 3

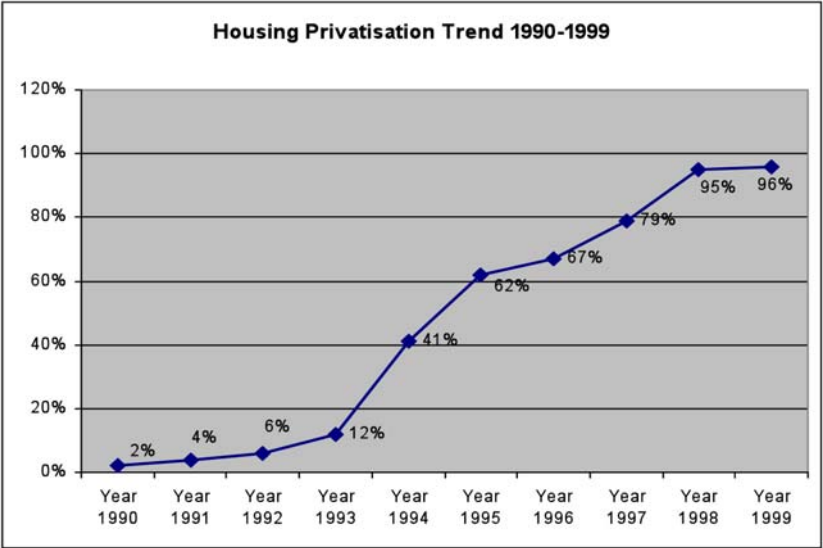
Table 2: Number of Housing Units Produced (thousands)⁴⁶

Year	1980	1985	1988	1989	1990	1991	1992	1993	1994
Total constructed apartments	15.4	16.6	14.5	10.3	17.8	20.9	4.2	4.2	3.0
State enterprises and organizations	0	0	0	0	0	0	0	0	0
Public organizations	12.8	13.7	11.6	14.6	13.9	12.1	3.1	3.5	2.5
Housing cooperatives	0	0	0	0	0	0	0	0	0
By private individuals, at their own expense or using state credits	2.5	2.9	2.9	4.7	3.4	8.8	1.1	0.7	0.5
Collective farms	0.1	0	0	0	0	0	0	0	0

Source: State Statistics, Registration and Analysis Department, Republic of Armenia.

46. Steven Anlian and Irina Vanyan. "An Overview of Armenia's Reform: Housing and Urban Development Policy, 1989-1995."

Annex 4



Annex 5

Housing for Refugee Families Constructed Under UNHCR, NRC and Other Donor Funding

	Location	Families	Organization	Year of completion	Comments
Syunik					
1	Sissian	40	UNHCR	1996-97	
2	Sissian	16	UNHCR	2001	
3	Sissian/HPC	2	UNHCR	2004	
4	Goris	14	UNHCR/NRC	1998	
5	Goris	40	UNHCR	2005	Construction is ongoing
6	Goris/Foster Family	24	UNHCR	2005	Projected
7	Khot/HPC	1			
8	Kapan/HPC	22	UNHCR	2004	
9	Syunik/HPC	1	UNHCR	2004	
10	Meghri/HPC	0	UNHCR	2004	
11	Agarak/HPC	1	UNHCR	2004	
12	Uyts/HPC	0	UNHCR	2004	
13	Lehvaz/HPC	1	UNHCR	2004	
14	Vardandzor/HPC	1	UNHCR	2004	
Subtotal Syunik		163			
Yerevan					
1	Jrvej	24	UNHCR	1999	
2	Vardashen	71	UNHCR	1999	
3	Nor Nork	60	UNHCR/NRC	2000	
4	Shirak 2a	16	NRC	2000	
5	Nor Nork	132	UNHCR	2001	
6	Nubarashen	87	UNHCR	2001	
7	G-3	72	UNHCR	2002	
8	Avan	44	UNHCR	2003	
9	Silikyan	66	NRC	2003	
10	Silikyan	60	NRC	2005	Projected
11	Elevator build	48	NRC	2004/05	Construction is ongoing
Subtotal Yerevan		680			

Kotayk					
1	Abovyan	36	UNHCR	1994	
2	Abovyan	80	UNHCR	1995	
3	Charentsavan	68	UNHCR	1995	
4	Charentsavan	88	UNHCR	1995-97	
5	Charentsavan	40	UNHCR	1999	
6	Bureghavan	96	UNHCR	1994-95	
7	Bureghavan	44	UNHCR	2000	
8	Bureghavan	48	NRC	2001-2002	
9	Zoravan	5	NRC	2002	
10	Kasakh	100	UNHCR	1995	Cottage
11	Nor-Artamet	50	UNHCR	1995	
12	Nor-Artamet	28	NRC	1998-99	
13	Nor-Artamet	51	NRC	1999-2000	
14	Nor Hajin	54	UNHCR	1996-97	
15	Egvard	54	UNHCR	1996-97	
16	Arzni	97	UNHCR/NRC	1997	
17	Kanakeravan	9	NRC	2001-02	
18	Hrazdan	16	UNHCR	2000	
19	Hrazdan	39	UNHCR	2003	
20	Hrazdan	27	UNHCR	2003	
21	Hrazdan	36	UNHCR	2004	
Subtotal Kotaik		1,066			
Aragatsotn					
1	Karin	107	UNHCR	1994-95	Cottage
2	Karin	13	OXFAM	1998	
3	Ashtarak	160	UNHCR	1995-96	Cottage
4	Ashtarak	8	State Budget	1998	
5	Ashtarak	48	UNHCR	2002	
6	Jrambar	90	UNHCR	1999	
Subtotal Aragatsotn		426			

Annex 5 (continued)

Housing for Refugee Families Constructed Under UNHCR, NRC and Other Donor Funding

Ararat					
1	Khachpar	10	UNHCR	1994	
2	Hayanist	160	UNHCR	1995	
3	Vosketap	57	UNHCR	1996-97	
4	Artashat	44	UNHCR	2000	
5	Artashat	44	UNHCR	2001	
6	Artashat	18	State Budget	1998	
7	Ararat	32	UNHCR	2004	
8	Ararat	27	NRC	2004-05	
9	Zorak	22	NRC	2002-03	
10	Kanachut	6	NRC	2004	
11	Deghdzut	10	NRC	2004	
12	Noyakert	2	NRC	2004	
13	Sis	1	NRC	2004	
14	Kaghtsrashen	1	UNHCR	2005	Projected
15	Norashen	2	UNHCR	2005	Projected
16	Verin Dvin	2	UNHCR	2005	Projected
17	Nerkin Dvin	1	UNHCR	2005	Projected
18	Mkhchyan	2	UNHCR	2005	Projected
19	Nor Kyank	1	UNHCR	2005	Projected
20	Vedi	1	UNHCR	2005	Projected
21	Urtsadzor	1	UNHCR	2005	Projected
22	Yeghegnavan	1	UNHCR	2005	Projected
Subtotal Ararat		445			

Armavir					
2	Echmiadzin	28	UNHCR	2003	
3	Echmiadzin	20	UNHCR	2004	
4	Metsamor	46	State Budget	1995-96	
5	Armavir	210	UNHCR	1995-96	
6	Armavir	24	UNHCR	2001	
7	Bagramyan	63	UNHCR	1996-97	
8	Voskehat	27	UNHCR/NRC	2000	
9	Lukashin	44	UNHCR	2002	
Subtotal Armavir		704			

Vayots Dzor					
1	Yeghegnadzor	40	UNHCR	1996	
2	Jermuk	40	State Budget	1998	
Subtotal Vayots Dzor		80			

Shirak					
1	Gumri	45	UNHCR	1996	
2	Gyumri	34	NRC	2002-04	
3	Gyumri	16	NRC	2002-04	
4	Gumri/HPC	7	UNHCR	1996	
	Gunri	24	UNHCR	2005	
5	Arjut	20	UNHCR	1995	
6	Artik	40	UNHCR	1998	
Subtotal Shirak		186			

Annex 5 (continued)

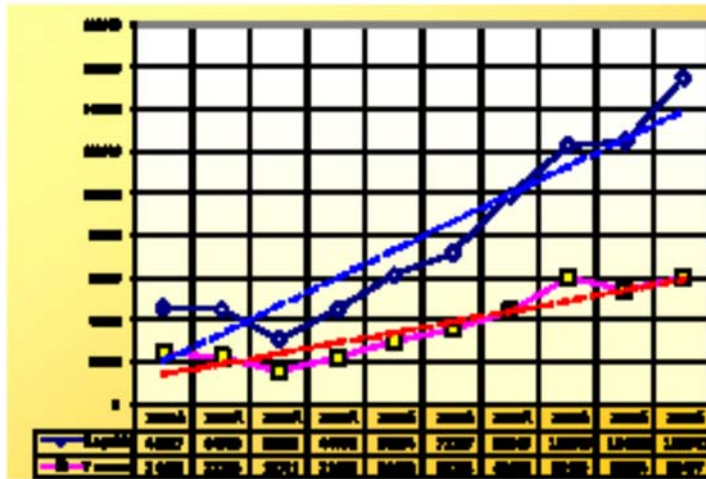
Housing for Refugee Families Constructed Under UNHCR, NRC and Other Donor Funding

	Location	Families	Organization	Year of completion	Comments
Lory					
1	Stepanavan	52	UNHCR/NRC	1999	
2	Vanadzor	40	UNHCR	2001	
3	Vanadzor	16	UNHCR	2002	Joint project with JMF
4	Vanadzor/HPC	14	UNHCR	2004	Joint project with JMF
5	Tashir	16	UNHCR	2002	Joint project with JMF
6	Spitak	54	UNHCR	1996-97	
7	Ghursaly	23	NRC	2004	
8	Nor Khachakap	25	NRC	2004	
9	Jrashen	3	NRC	2004	
Subtotal Lory		243			
Gegharkunik					
1	Gagarin	46	UNHCR	1996-97	
2	Martuni	24	UNHCR	1998	
3	Chambarak	16	UNHCR	1998	
4	Gavar	24	UNHCR	2000	
5	Sevan	24	Armenia Fund	1994	
6	Sevan	21	State Budget	1995	
7	Sevan	24	State Budget	1998	
8	Sevan	42	UNHCR	2000	
Subtotal Gegharkunik		221			

Tavush				
1	Ijevan	23	UNHCR	2000
2	Ijevan	15	UNHCR	2001
3	Ptghavan	22	NRC	2001-02
4	Hakhtanak	14	NRC	2002
5	Bagratashen	12	NRC	2002
6	Zorakan, Berdavan	10	NRC	2002
7	Debedavan	9	NRC	2002-03
Subtotal Tavush		105		
GRAND TOTAL		4,319		

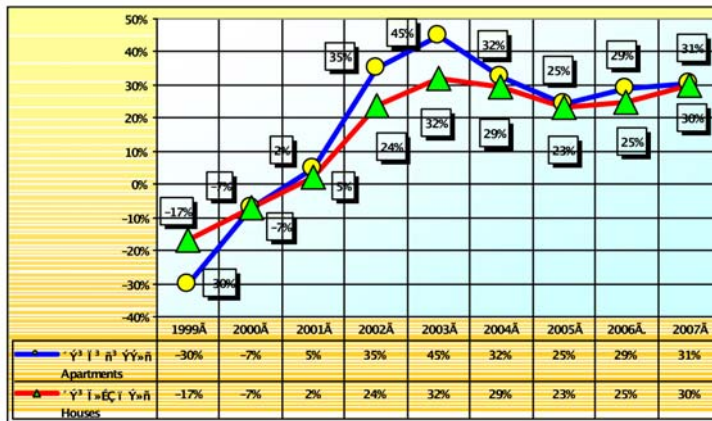
Annex 6

Figure 2: Dynamics of Transactions' Quantity and Indicators of Activation in the Republic and in Yerevan in 1998-2007⁴⁷



47. RoA SCREC.

Figure 3: Dynamics of Annual Increase of Market Average Prices for the Apartments and Dwelling Houses in Yerevan Comparing 1999-2007



Annex 7

Table 3: Republic of Armenia Housing Stock

	Total	Percent of total	Urban settlements	Percent of urban areas	Rural areas	Percent of rural areas
Yerevan	21,446.5	25.2	21,446.5	48	–	–
Aragatsotn	4,551.2	5.4	1,132.9	2.5	3,418.3	8.5
Ararat	8,287.6	9.8	1,611.5	3.6	6,676.1	16.6
Armavir	10,724.9	12.6	2,689.8	6.0	8,035.1	19.9
Gegharqunik	7,088.8	8.3	2,674.1	6.0	4,414.7	11.0
Lori	8,649.3	10.2	4,933.2	11	3,716.1	9.2
Kotayk	6,409.2	7.5	3,267.5	7.3	3,141.7	7.8
Shirak	7,765.1	9.1	3,179.8	7.1	4,585.3	11.4
Syunik	3,558.1	4.2	1,907.2	4.3	1,680.9	4.2
Vajots Dzor	2,170.7	2.6	538.8	1.2	1,631.9	4.0
Tavush	4,303.8	5.1	13,278	3.0	2,976.0	7.4
Total	84,985.2	100.0	44,709.1	100.0	26,996.0	100.0

Source: RoA National Statistical Service

Annex 8

Table 4: Types of Housing

	Total number of housing units		Number of units by type of housing			
	1989	2009	Multiunit buildings		Single-family houses	
			1989	2009	1989	2009
Total	650,826	822,102	361,166	429,512	289,660	392,590
Urban areas	437,510	536,390	329,670	402,036	107,840	134,354
Rural areas	213,316	285,712	31,496	27,476	181,820	258,236

Sources: MoUD, RoA National Statistical Service

Annex 9

Table 5: Breakdown of Building “Ages”

Year of construction	Number of constructed buildings	Age of the buildings	Percentage of total
By 1950	2,734	60 years old and more	About 13 percent
1951-1970	6,288	40-60 years old	About 29 percent
1971-1980	5,233	30-40 years old	About 24 percent
1981-1990	4,813	20-30 years old	About 22 percent
1991-2000	2,035	10-20 years old	About 10 percent
After 2001	364	8 years old and younger	About 2 percent

Source: www.armstat.am

Annex 10

Table 6: Residential Buildings Put into Operation Based on Source of Funding

	Residential buildings, square meters total floor space				
	2004	2005	2006	2007	2008
Republic of Armenia, including at the expense of:	293,991	353,321	385,735	480,495	521,148
State budget	12,056	26,088	11,291	63,450	24,645
Humanitarian aid, of which:	4,446	10,374	6,863	3,824	-
“Hayastan” All Armenian Fund	656	656	1,312	-	-
U.N.	3,790	1,058	2,640	896	-
NRC	-	8,660	2,911	2,928	-
Organization’s funds	4,936	34,567	65,082	64,342	124,668
Population’s funds	272,553	282,292	302,499	348,879	371,835

Source: www.armstat.am, *Socioeconomic situation of Armenia as of August 2009*

Annex 11

Table 7: Breakdown of Unsheltered Households and Households in Need of Improved Housing Conditions in Armenia:

Total	66,023
Unsheltered households	30,000
Households in need of improved housing conditions	36,023
1. Total number of households selected within the framework of state programs	16,000
Including:	
Unsheltered households	15,000
Households in need of improved housing conditions	1,000
2. Unsheltered households included in the system of poverty family subsidy outside the state programs	15,000
3. Households living in overpopulated apartments	33,110
4. Households living in dormitories	1,913

Annex 12

Table 8: Housing Projects Supported by State

Project name	Foreseen by the project	2001-05 total (actual)		2006 (actual)		2007 (actual)		2008 (actual)		Demand as of Jan. 1, 2009
	Number of families	Number of families	Funds in millions of AMD (with current prices)	Number of families	Funds in millions of AMD (with current prices)	Number of families	Funds in millions of AMD (with current prices)	Number of families	Funds in millions of AMD (with current prices)	Number of families
1	2	3	4	6	7	6	7	6	7	5
TOTAL	33,730	16,820	53,765.3	1,288	4215.8	472	2092.8	1283	4811.5	14723
Of which:										
Housing of unsheltered households	28,458	15,693	52,626.4	578	2426.8	472	2092.8	573	3022.5	11451
Improvement of housing conditions	5272	1127	1,138.9	710	1789.0			710	1789.0	3272
1. Project supporting housing solutions of the residents multi-unit buildings subject to demolition (exclusive earthquake zone – GoAM Decision 682)	895	132	843.1							763
Yerevan	879	132	843.1							747
Armavir, village Voskehat	16									
2. Project supporting housing solutions of the residents deprived of housing due to taking land plot for state and community needs (GoAM Decisions 683 as of Oct. 25, 2000; 1070 as of Oct. 6, 2001; 200 as of March 15, 2001; 1255 as of Dec. 24, 2001)	375	375	2,023.7							
Yerevan	362	362	2,012.9							0
Kapan	13	13	10.8							0
3. Project (phase 1) supporting housing solutions of the residents of individual houses in the localities next to state border damaged as a result of shelling (GoAM Decisions 343 as of April 25, 2001; 845 N as of May 30, 2002)	534	209	240.0							301
From which:										
- destroyed or to be destroyed	174	174	214.4							0
- to be renovated	360	35	25.6			24	45			301

Annex 12 (continued)

4.	Project supporting housing solutions of the residents of Voghjaberd village, Kotayk region (GoAM Decision 1088 N as of July 25, 2002)	193	59	258.9			4	30.3		130	
5.	Housing solutions for people displaced from Artsvashen village (GoAM Decision 1408 A as of Sept. 5, 2002)	633	633	50.0						547	
6.	Housing solutions for the residents whose houses were damaged as a result of July 18, 1997, Noyemberyan earthquake (GoAM Decision 1274 N as of Oct. 08, 2003).	1,624	1,624	1,052.4						32	
7.	Priority project of housing provision for people displaced from Azerbaijan from 1988 to 1992 (GoAM Decision 747 N as of May 20, 2004)	3,514**	213	482.9	175	875.0			177	875.0	2,796
	Housing purchase certificates	3,262**	213	482.9	175	401.2	153	784.4	177	1,420.2	2,544
	Completion of unfinished residential houses	252									252
8.	Project for solution of housing problems of residents of the wooden houses in the village of Lernadzor, Syunik Region (GoAM Decision 1607 N as of Nov. 11, 2004)	66	9	40.0	9	40.0	12	40.2			36
9.	Priority solution of housing problems of the residents of houses of Shatin village, Vayots Dzor region, which are under the influence of the zone of stone fall (GoAM Decision 1260 N as of Sept. 9, 2004, and 1797 N as of Dec. 23, 2004)	115	25	89.0	25	103.7	9	56.4			56

Annex 12 (continued)

10. Solution of housing problems of the residents of residential houses under the influence of the zones of land sliding and stone fall (GoAM Decision 1074 N as of Nov. 7, 2001)	398			12	53.8	32.0	223.3	50	213.5	304
11. Solution of housing problems of the children remaining without parental care (GoAM Decision 983 N as of July 23, 2003)	260	139	710.3							121
12. Improving housing conditions for families of killed soldiers (RoA Law on Social Security of Military Servicemen)	2023	426	800.0	710	1,789.0			710	1,789.0	177
13. Improving housing conditions of the residents of houses near the state border (RoA Law on Comprehensive Development of the Regions Nearby the State Border*)	2261	13	13.9							2248
14. Improving of housing conditions for repressed families (RoA Law on Repressed Persons)	355	55	275.0							300
15. Earthquake Zone Recovery Comprehensive Program (RoA Law on Approving Comprehensive Program of the Earthquake Zone. The project has been implemented under the support of Lincy Foundation and USAID)	20,484**	12,908	46,886.1	357	1,354.3	415	1,742.5	346	1,934.0	6,912
- Earthquake-displaced households in urban areas	17,916	11,936	44,229.1	224	479.3	314	927.5	253	1,119.0	4,742
- Earthquake-displaced households in rural areas	2,568	972	2,657.0	133	875.0	101	815.0	93	815.0	2,170

* Housing problems of the residents of 13 houses demolished or subject to demolition as a result of shelling of localities included in the project has been solved within the frame of the project approved by GoAM Decision 343 as of April 25, 2001.

** Number of families is provided based on the results of project implementation.

Annex 13

Table 9: Public Funding Estimates for Urban Development Sector, SDP Framework, 2009-12 (in millions of Armenian dram)

Urban development subsector	2009-12
TOTAL	9,672
Including by priorities	
1. Spatial development and planning, total	1,802
Of which	
1.1. National, regional and local urban development documents and designs	1,053
1.2. Planning of specially regulated urban development objects	209
1.3. Historic buildings, architectural and natural heritage conservation and recovery program development	100
1.4. Implementation of a project on deployment of national urban cadastre	170
1.5. Legal reforms in urban development sector	270
2. Earthquake-resistant construction and design	1,065
Of which	
2.1. Formulation of a program for preparation of apartment block technical documentation package	5
2.2. Apartment block technical documentation packages for 10,000 buildings *	1,060
3. Reduced impact of geological hazards, total	960
Of which	
3.1. Prospecting and monitoring of most hazardous landslide areas	811
3.2. Review of technical conditions of housing	140
3.3. Development of a national program to combat landslides **	9
4. Improvement of housing conditions, total	5,845
Of which	
4.1. Development of a project on provision of housing for homeless households ***	70
4.2. Measures for management, conservation and maintenance of housing stock ****	5,775

Comments

* The project implementation will be sustainable and during 2013–16 will cover the remaining 12,000 buildings.

** Implementation of measures of the national program to combat landslides will start in 2013.

*** The final size of public funding for provision of housing to the homeless will be based on the developed project.

**** AMD 5.250 billion will be used for maintenance and modernization of building infrastructure, while AMD 525 million will be used for improvement of institutional framework and strengthening of capacities of management bodies.

Source: RoA: Second PRSP; December 2008 IMF Country Report No. 08/376

Annex 14

Table 10: Dynamics of Poverty Situation in Armenia (percent)⁴⁸

Regions	2004		2005		2006		2007		2008		2008/2004	
	Very poor	Poor	Very poor	Poor	Very poor	Poor	Very poor	Poor	Very poor	Poor	Very poor	Poor
Aragatsotn	5.6	35.4	3.1	32.3	2.6	27.5	3.0	22.2	1.5	20.7	-72.8	-41.6
Ararat	6.4	32.7	7.4	30.09	5.5	27.0	3.5	25.5	2.8	24.9	-55.6	-23.9
Armavir	6.6	36.0	3.8	31.6	3.4	30.8	3.8	30.7	2.6	26.7	-60.7	-25.8
Gegharquniq	4.5	41.9	2.9	36.8	2.6	29.8	2.5	29.6	1.2	24.8	-73.7	-40.8
Lori	4.5	31.3	5.8	28.8	5.5	27.0	3.6	26.8	4.1	25.1	-8.2	-19.7
Kotayq	9.2	39.3	8.7	34.5	8.1	32.0	6.1	30.0	3.2	29.5	-65.3	-24.8
Shirak	10.4	48.8	4.3	42.5	3.7	37.3	6.0	32.1	6.0	30.6	-41.9	-37.3
Syuniq	5.9	36.5	2.3	28.9	2.1	25.3	3.7	24.0	1.7	19.6	-71.6	-46.4
Vayots Dzor	4.1	28.9	1.8	19.2	1.3	11.4	2.3	13.7	1.1	16.6	-74.1	-42.6
Tavush	3.3	30.5	3.8	25.8	3.3	23.5	3.3	21.6	2.6	19.8	-21.5	-35.0
Yerevan	6.1	29.2	3.6	23.9	3.5	21.0	3.2	20.0	3.2	19.7	-47.6	-32.5
Total	6.4	34.6	4.6	29.8	4.1	26.5	3.8	25.0	3.1	23.5	-51.2	-32.1

48. www.armstat.am

Annex 15

Analysis of Global Housing Indexes Indicators

Property rights

P1. Barriers for ownership are removed completely. The legislation respects the rights of all citizens of the Republic of Armenia to own land, regardless of gender: women are allowed to inherit and own land, husband and wife can jointly own land. Moreover, foreigners and noncitizens have the right to own (nonagricultural) land.

P2. Titles of long-term residents of squatter communities are registered completely. Housing leadership of Armenia in the name of SCREC supports the regularization of properties and the provision of property titles, and it is spelled out in the policy documents. More than 96 percent of families have ownership title for their housing.

P3. The registration of all residential land is complete. The provision of ownership title for residential land is addressed in government documents. This function is the responsibility of SCREC. An estimated 96 percent of all properties in the metropolitan areas have ownership titles. The rest are not allowed to register their titles as those properties have some damage or are under a slum clearance plan.

P4. Government tax policies in general do not favor homeownership over rental housing. There are no mortgage interest and tax deductions for homeowners. The only exception is a 50 percent tax deduction for military personnel. Nor are there tax deductions for construction of affordable rental housing, except those funded by international humanitarian organizations.

P5. Evictions often are illegal, without proper compensation and resettlement. Although in 2008 (the most recent year with available numbers) there has not been any mass eviction in the country, it is reported that about 2,000 households were evicted in Yerevan during 2001-04 in the territory of the current Northern Avenue and Main Avenue. People were evicted without any rules. Most of them were provided with measurable compensation that did not allow them to purchase similar houses. People were not informed about those evictions properly. Most of them received only a few days' notice to either sign a contract for compensation or be evicted. Many people were evicted by force.

P6. The clearance of low-income communities for more profitable development is in place, but it has a tendency to be minimized. Slum clearance and redevelopment is a responsibility of local governments and is reflected in their policies, if needed, based on city council decisions and mayoral decree (for example, the Northern Avenue, Gyumri development plan). The government has been approving provision of territory of low-income neighborhoods for disposition and redevelopment by private developers (e.g., Northern Avenue). An estimated 0.44 percent of low-income areas that were cleared in Yerevan in 2007 will be redeveloped for private use.

P7. The public housing stock is privatized, and restrictions on the sale of the units are minimized. The housing leadership actively supports privatization; it is reflected in the policy documents.

The share of privatized property is 96 percent.

P8. The illegal occupation of land for housing generally is not tolerated unless there are land ownership or construction rights. The required minimum number of years of occupation before the government permits titling is 10 based on Civil Code, but titling might not be allowed at all.

The housing finance regime

F1. Government monetary and fiscal policies support mortgage lending. According to the Central Bank of Armenia, the inflation rate for 2007 was 6.5 percent. The exchange rate of U.S. dollars for 2007 was AMD 341 to US\$1. Share of banking sector assets in government bonds for 2007 was 7.9 percent.

F2. Mortgage lending is not liberalized fully. Although banking is not restricted by geographical regions, there are no ceilings on interest rates for bank deposits. Commercial banks are allowed to engage in mortgage lending. Construction lending for residential infrastructure and for housing is allowed, and mortgage lending is not restricted to newly built houses. Mortgage lending is not available for the construction of rental housing. The government directs bank credit to small and medium-sized business sectors, agriculture, renewable energy sector and mortgages.

F3. No mortgages are given at subsidized interest rates (with the exception of the staff of some banks, such as HSBC, who receive mortgage loans with discounts), but such mortgages are expected in the

future. So far, there is no government housing bank, nor is there a government agency that provides mortgages.

F4. Mortgage lending is sufficiently protected from undue risks. Banks are not required by law to investigate borrowers' credit using professional services, but some banks do. Although there is no legal upper limit on both loan-to-value and loan payment-to-monthly income ratios for bank mortgage loan, banks define such limits by themselves. Mortgage lending does not require regular audits. The volume and size distribution of mortgages is reported to the regulatory agency.

F5. A lender's interest in collateral is not sufficiently protected. Ninety-six percent of residential properties have ownership titles, but banks do not view property title as sufficient collateral, and most of them require personal guarantees depending on the amount, the client and the type of property. Two months are required for banks to register a lien on a property used for collateral. The same period is required to foreclose on a mortgage and transfer the property to the bank, but it can take up to a year depending on the case.

F6. There are some prerequisites for the secondary market to become operational. There is no legislation for the creation of a secondary mortgage market. Banks do not issue mortgage bonds. Mortgage-backed securities are not traded in the stock market. Although there is no secondary mortgage market in Armenia, the government makes efforts to introduce and develop it (two draft laws have been developed). Mortgages are standardized,

although those standards are not mandatory. Mortgage insurance is readily available.

F7. Microcredit for housing is available. There is a ceiling for lending interest rates. Organizations providing microcredits are licensed and require annual audits. The volume and size distribution of microcredits for housing is not reported annually to the regulatory agency.

Housing subsidy regime

S1. Housing subsidies still make up a small part of the state budget, but their portion in the budget is increasing. Housing is one of the 10 highest priorities in the platform of the current government. There is no Housing Ministry, but the housing department is the key department of Armenia's Ministry of Urban Development. The annual housing budget of the current government increased by 200 percent in comparison with the previous government budget, although in 2007 the housing budget was only 5 percent of the state budget.

S2. Housing subsidies are not well-targeted at low-income families: mortgage interest payments do not constitute a deduction in income tax calculation. The estimated share of the housing agency's budget dedicated to all forms of homeless assistance is 10 percent. Funds are dedicated in the government budget to upgrade home and infrastructure of low-income households. There are only grants and credit funds for this purpose.

S3. The housing agency is not sufficiently engaged in the production, financing and

management of public housing. There is no public housing construction by a state housing agency besides some built by the Yerevan Municipality and the Ministry of Defense. There is a privatization plan, and nearly all existing public housing stock is privatized. There is also private-sector engagement in the government housing projects, particularly in the reconstruction of the earthquake zone (Gyumri, Spitak cities and the environs) through state programs. The civic sector is barely engaged in the government housing programs.

S4. Although most subsidies are directed to the beneficiaries rather than the producers of housing, their share is still low. National housing agency leadership actively supports shifting housing subsidies from producers of completed housing units to the beneficiaries. The estimated share of housing subsidies given to direct production of completed housing units by public and private developers has declined since 2007. That year, US\$2.5 million was spent for constructing houses in rural areas, 30 percent of the 2007 state housing budget. No housing subsidies were given in rent supplements, housing allowances or interest rate subsidies, nor are grants given directly to beneficiaries or toward infrastructure upgrading for low-income communities. There are just social benefits. There may be some housing subsidies for the earthquake zone soon. Existing subsidies are mainly donations.

S5. Subsidy cost per household is reduced. The subsidy in the government program with the highest subsidy per household in 2007 (AMD 5 million) declined compared with that of 2006 (AMD 10 million). Estimated median household annual

income in urban areas in 2007 was AMD 1.23 million. An estimated 850 households (400 in 2006 and 450 in 2007) benefited from all government housing programs.

S6. Coupling of subsidies to loans is common. The government has announced its intention to provide up-front subsidies as a part of the down payment on a mortgage loan. It provides housing improvement subsidies to military personnel, the families of victims of war, and some subsidies to people left homeless by earthquakes and immigration). The estimated percentage of all up-front subsidies last year was greater than 10 percent, an increase over the past two years. In 2007, AMD 3 billion was provided in the form of microloans for housing improvement, particularly for renovation of elevators and apartment building roofs.

S7. Subsidies with the multiplier effect are common. No subsidies for titling are provided by the national housing. Some subsidies given by the national housing agency in 2007 were for infrastructure improvements in low-income settlements. The World Bank provided those funds, which were for the improvement of the water supply. Some subsidies given by the national housing agency in 2007 were for renovation of elevators and apartment building roofs.

S8. The housing subsidy system is transparent and well understood. The government does not insure mortgages issued by the private sector below the cost of such insurance. The estimated amount of foregone taxes given as housing subsidies is known. There are no public banks. The state does not provide

mortgage loans (although there were cases in the earthquake zone in 1998).

Residential infrastructure

I1. Infrastructure services in informal settlements are not upgraded. Housing agency leadership does not support infrastructure upgrading in informal settlements. There is no recent policy document addressing the need for infrastructure upgrading in informal settlements, nor is there an infrastructure-upgrading program for informal settlements at the national and local levels.

I2. Infrastructure for urban expansion is prepared partially. The municipal leadership in cities supports preparing plans for urban expansion, and there are approved physical plans to this end, particularly in the earthquake zone (Gyumri until 2012, and Spitak and Stepanavan). Urban expansion is not planned in Yerevan and its environs. Because of lack of funds, there are no capital investment plans for urban expansion to accommodate population growth in the capital city. There is a program for acquiring right-of-way for major roads in expansion areas.

I3. There is an adequate water supply. As of 2006, 99 percent of the urban population of the country has an improved water supply. Water is available in the low-income settlements in the capital city six hours a day, on average. The ratio of the price of water sold by water trucks and the price of metered water in a typical informal settlement in the city is 6-to-1. The price of water sold by water trucks is AMD 1,000 per cubic meter, while piped water costs

AMD 173 per cubic meter.

I4. There is adequate sanitation. As of 2005, 92.1 percent of the urban population of the country has improved sanitation. In the cities, 100 percent of sewage is treated.

I5. The road network is adequate and well-maintained. Almost all state and main regional roads are paved. On average, it takes 30 minutes in the capital city to get to work by any mode of transportation. The roads of the capital were never flooded.

I6. Electricity is available in all dwellings. As of 2007, 99 percent of urban dwellings have an electrical connection. Typical low-income settlements in the city have 24-hour electricity.

I7. There is adequate police protection in all neighborhoods. The entire area of the city in neighborhoods is regularly patrolled by police. The values of similar quality dwellings differ mostly based on their locations (e.g., center vs. suburbs), not safety. As of 2007, there was one murder per 20,000 people.

I8. Public transport is available throughout the city. For 95 percent of the city's area, it will take 10 minutes to walk to public transit. The ratio of the price of the typical 15-minute bus ride in the city to the price of a liter of regular (lowest-price) gasoline is 1-to-0.3. Only 10 percent walk to work. Eighty percent travel to work using public transportation.

I9. Garbage collection is adequate and carried out regularly in 65 percent of the city area. In high-income areas, garbage is collected twice a week,

while in low-income areas it's collected once a week. Ninety percent of garbage is disposed of in landfills.

I10. Municipalities can mobilize finance for infrastructure investment. There are no prohibitions on municipal borrowing or the issuance of municipal bonds in the country. Municipal budgets and expenditures of all municipalities are subject to strict accounting, reporting and auditing rules. Few municipalities have substantial, secure and non-embarked revenue streams that can be pledged for debt repayment. Municipal assets, especially land, can be sold or used as collateral to finance infrastructure investments.

Regulatory regime

R1. An official housing policy document is prepared regularly and mandated by law. Representatives of the civic sector are invited to participate in the discussion and preparation of such documents. The government has adopted the global resolution on housing rights. The housing department of the Ministry of Urban Development has an official mandate to monitor the housing sector on a regular basis.

R2. There are no restrictions on residential mobility in Armenia. Housing agency leadership does not actively intervene in eliminating restrictions on residential mobility. No residence permit and international passports are required.

R3. There is no specific government approach to address exclusionary housing practices. There is no policy document addressing the elimination

of residential segregation and other exclusionary practices. Housing agency leadership does not actively intervene in the reduction of residential segregation and the formation of mixed-income communities. There is a little income segregation as the newly constructed Northern Avenue and so-called “elite” districts are populated mostly by the high-income households. There is a small gated community called “Vahagni village,” occupies less than 0.1 percent of Yerevan territory.

R4. Land and housing regulations are relatively affordable. Municipal leadership does not support action to make land regulations and building codes affordable to the poor, nor are there municipal initiatives to reform land and building regulations to make them affordable. The minimum lot size for residential buildings of any kind in the capital city is 360 square meters. The maximum number of stories for new residential buildings on the urban periphery of the capital city is 24. The maximum density in new suburban subdivisions is 300 people per hectare. The smallest allowable road width in new suburban subdivisions is 6 meters.

R5. Progressive development of subdivisions and homes is sometimes allowed. The municipal leadership in the capital city sometimes supports action to make land regulations and building codes accommodate progressive construction. Policy documents do not address municipal initiatives to reform land and regulations to allow progressive construction. Land regulations do not require them to be fully serviced before they are occupied. The building code requires that houses be completed before they are occupied. Illegal or informal land

subdivisions are sometimes tolerated.

R6. Sensitive lands are protected from residential development. Municipal leadership supports actions to protect sensitive open spaces from construction by legal and illegal developers. Recent municipal documents and maps designate areas to be protected from development. Illegal construction in protected areas is always demolished.

R7. There is not an ample supply of land for residential development. The most distant year for which population projections for the metropolitan area of the capital city are available for metropolitan and municipal planners is 2020. There is no estimated period for raw land where residential development is allowed on the periphery of the capital city to be filled given present densities and present annual levels of land construction, because there are no corresponding sources of funding. Construction is not allowed on 11 percent of the land on the urban periphery of Yerevan covered by municipal and metropolitan plans for urban expansion.

R8. Home-based businesses and mixed-land use are fully allowed. Municipal regulations never allow operation of home-based businesses in residential communities. Municipal zoning regulations sometimes allow mixed-use zoning of residences, stores and productive establishments. Different land uses in the cities are mixed rather than segregated.

R9. Condominiums and cooperative housing laws are in operation. There is an operational condominium law, but there is no cooperative housing law. There are no regulations that sanction

the creation of formal community organizations.

R10. Substandard housing is destroyed rather than upgraded. Slum clearance conforms to the existing laws. About 500 people were evicted in the largest slum clearance project in 2007. Ninety percent of people evicted by slum clearance last year were resettled and compensated.

R11. Rents are relatively under control. Housing agency leadership does not support an activist approach to eliminating rent control on new rental units. Policy documents do not address dismantling of rent control on new rental units. Ninety percent of commercial units and 10-20 percent of rental housing is under rent control. The rent control does not significantly affect the rent amount. All new rental units are under rent control.

Sources

The Property Rights Regime

Karlen Gevorgyan, deputy minister, MoUD
Yevgenya Atayan, Housing and Communal department head, MoUD
Kamo Khachatryan, independent expert, former MoUD Housing and Communal department head
Sedrak Baghdasaryan, North Avenue NGO, Victims of Public Need.
Finance expert, USAID/Armenia Tax Improvement Program

The Housing Finance Regime

Vache Gabrielyan, CBA deputy chairman;
Mher Yedigaryan, Housing Finance team leader, KfW
Vardan Gevorgyan, IFC
CBA, Lending department Head
Central Bank of Armenia, www.cba.am

The Housing Subsidies Regime

Karlen Gevorgyan, deputy minister, MoUD
Yevgenya Atayan, Housing and Communal Department head, MoUD
Kamo Khachatryan, independent expert, former MoUD Housing and Communal department head
Mher Yedigaryan, Housing Finance team leader, KfW
A. Mikaelyan, USAID Tax Improvement Program's finance officer
www.armstat.am/en/?nid=82&id=781

Residential Infrastructure

Armenia 2005 Demographic and Health Survey, www.measuredhs.com;
World Bank's WDI website,
RoA MoUD,
Kamo Kachatryan, independent expert, former MoUD Housing and Communal department head
RoA Ministry of Transportation
www.crrc.am
RoA Police Department
Yerevan Municipality, Transportation Department
Norik Manukyan, solid waste expert
Vahan Movsisyan, Yerevan Municipality experts

The Regulatory Regime

Karlen Gevorgyan, deputy minister, MoUD
Yevgenya Atayan, Housing and Communal department head
Artem Aloyan, chief specialist, architect, Yerevan Urban Planning Institute
Kamo Khachatryan, independent expert, former MoUD Housing and Communal department head
State Cadastre independent experts

Annex 16

Housing Provision by International Donors

Table 11: Housing Construction in the Earthquake Zone

Donor company	Number of households receiving assistance	Type of assistance
USAID Earthquake Zone Recovery Program	664	Nonrefundable subsidy: completion of unfinished residential housing
Lincy Foundation	4,126	Grant: new housing construction and reinforcement
WB	2,000 (about)	Loan: new housing construction, reinforcement
All Armenia Fund	52	Grant: new housing construction
John and Karen Huntsman Foundation	60	Grant: new housing construction
UNHCR49	3,362	Grant: new housing construction and completion of unfinished buildings
NRC	567	Grant: new housing construction and completion of unfinished buildings
UNHCR/NRC	250	Grant: new housing construction
OXFAM	13	Grant: new housing construction
TOTAL	11,094	

49. Part of the UNHCR housing projects was funded by the SDC.

Figure 4: Shares of different sources of funding in housing production in 2004 and in 2008

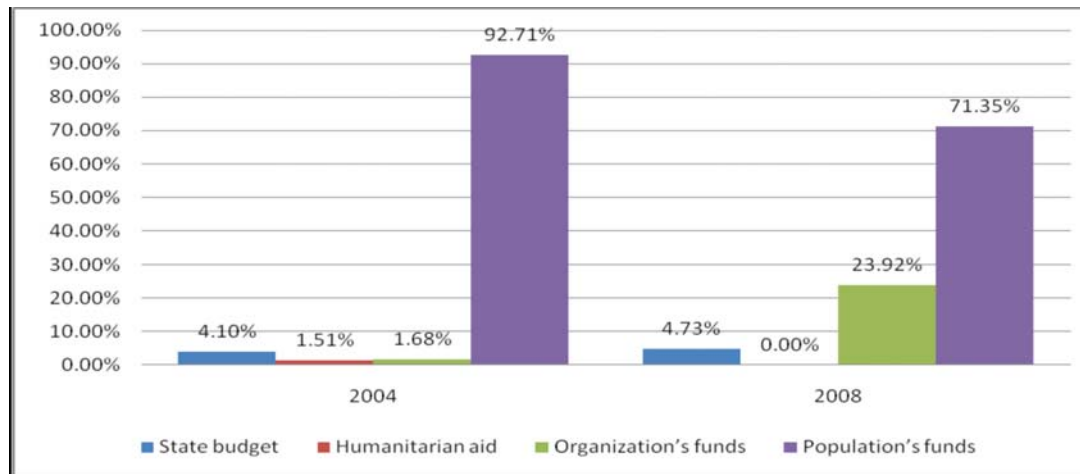


Figure 5: The Armenian Mortgage Market Development



Source: CBA/GAF Reports

Table 12: Housing Provision by International Donors in the Earthquake Zone

Donor company	Number of households receiving assistance	Type of assistance
USAID Earthquake Zone Recovery Program	6,984	
Including:		
Housing improvement grants	6,260	Nonrefundable subsidy: housing purchase from the market
Rural HIGs	664	Nonrefundable subsidy: completion of unfinished residential housing
Urban HIGs	60	Grants: individual and condominium – improving common areas and apartments of residential buildings
Lincy Foundation	4,126	Grant: new housing construction and reinforcement
Including:		
Lincy II (ARC)	451	
Lincy III	3,675	
World Bank	2,000 (about)	Loan: new housing construction
All Armenia Fund	28	Grant: new housing construction
John and Karen Huntsman Foundation	60	Grant: new housing construction
TOTAL	13,198	

Table 13: Housing Provided by International Donors for Refugees in Armenia

Donor company	Number of households receiving assistance	Type of assistance
UNHCR50	3,412	
Including:		
Housing construction	3,362	Grant: new housing construction and completion of unfinished buildings
Housing Purchase Certificates	50	Nonrefundable subsidy: housing purchase
Norwegian Refugee Council	567	Grant: new housing construction and completion of unfinished buildings
UNHCR/NRC	250	Grant: new housing construction
All Armenian Fund	24	Grant: new housing construction
OXFAM	13	Grant: new housing construction
TOTAL	4,26651	

Table 14: Other Housing Programs by International Donors as of Jan. 1, 2009

Donor company	Number of households receiving assistance	Type of assistance
HFH/HFH Armenia	550	Loan: new housing construction and completion of unfinished houses
KFW	928	Loan: housing purchase, renovation
USAID	200	Loan: completion of unfinished buildings and renovation
TOTAL	1,678	

50. Part of the UNHCR housing projects was funded by the SDC.

51. Source: UNHCR.



EUROPE AND CENTRAL ASIA AREA OFFICE: Zochova, 6-8 Bratislava 811 03 Slovakia
Tel: +421-2-336-690-00 Fax: +421-2-524-970-73 www.habitateurope.org

HABITAT FOR HUMANITY ARMENIA: Hanrapetutyan Street 62, Ap. 47 Yerevan, 0010 Armenia
Tel /Fax: +374-10-543-001 www.habitat.am