

RECOMMENDATIONS

Recommendations – Housing policy framework

Recommendation 1

Greater political priority should be attached to the housing sector

It should be recognized that the development of the housing sector could considerably contribute to economic growth, employment and poverty reduction. This stimulation could result both from the direct effects of new construction and indirect reconstruction and repair activities, as well as the

effects on other sectors of the economy such as building materials, craft, utilities and housing services. Housing policy should be fully integrated into overall socio-economic development policy.

Recommendation 2

A national housing strategy should be elaborated.

Although housing stock is considered as privately owned, the Government retains the overall policy responsibility for this sector of the economy. The development and implementation of the housing strategy should therefore be led by the Ministry responsible for housing policies, the current Ministry of Economic Development, and should involve other Ministries such as Refugees and Accommodation; Justice; Finance; and Culture, Monuments Protection and Sport, as well as authorities at the municipal level. Policy commitments, as set out in the national Millennium Development Goals progress report⁴⁸, the EDRP Progress Report⁴⁹ and the Government's Strategic Vision⁵⁰, can constitute a good basis to this end. The strategy should be based on an overall assessment of the housing situation and the housing needs of the population,

including the collection of concise statistical data, and should:

(a) Establish an action plan with priority areas and timescale, defined policy goals and ways to achieve them;

(b) Set the framework for the collaboration with the private sector. Within this, the State should act as the facilitator and provider of legislation, should "kick-start" market mechanisms where they are not yet functioning, and should help the housing market to work, whereas the private sector is the main source of investments;

(c) Address the institutional framework, reconstruction, maintenance and management of the existing housing stock, including the preservation of historical buildings, new construction, urban planning, regional balance (including secondary cities and rural areas), affordable housing for low-income households, and the legal and financial framework as outlined in the following recommendations.

⁴⁸ UNCT in Georgia, Millennium Development Goals in Georgia, Progress Report for 2004-05. 2006.

⁴⁹ UNCT in Georgia (adopted by the Government of Georgia). Progress Report, Economic Development and Poverty Reduction Programme. Tbilisi, 2005.

⁵⁰ Government of Georgia. The Government's Strategic Vision and Urgent Financing Priorities in 2004-2006. Donors' Conference, Brussels, 2004.

Recommendation 3

Housing policies should be implemented by involving international donors and NGOs.

Existing projects should be extended and pilot projects proposals should be developed to serve as examples and to trigger multiplier effects for

developing housing policies further, following the priorities set out in the housing policy framework.

Recommendations – Institutional framework

National level

Recommendation 4

The capacity of the Ministry responsible for housing should be strengthened.

The department dealing with housing in the responsible Ministry, currently the Ministry of Economic Development, should be provided with a clear mandate and increased staffing with

adequate expertise and clear responsibilities to have an impact on the housing sector and its policies.

Recommendation 5

The cooperation between different Ministries and stakeholders in the field of urban development, housing, and construction, under the lead of the MED, should be intensified.

Establishing a Working Group to develop the housing strategy could ensure better coordination. The experience currently made with the elaboration of the IDP strategy should be used and extended. The Working Group should be

composed of members from ministries and representatives from local governments, NGOs and the private sector, and assisted by international organizations as required.

Local government

Recommendation 6

Responsibilities of local authorities related to housing should be clearly defined.

In particular, the following functions should be carried out locally:

(a) Development of local housing policies (including affordable housing) which are in accordance with general State housing policy and approved spatial development plans; the process should ensure stakeholders consultations;

(b) Provision of effective and efficient management of housing and property in local ownership;

(c) Establishment of the framework for creation and monitoring the work of local housing organizations and international organizations, including donor organizations;

(d) Ensure that the use of land in proposed projects is in accordance with approved land-use plans rests solely with the local authority's planning department.

Recommendation 7

The responsibilities of local governments related to housing should be reflected in their organizational structure.

Provided that with the new legislation on local self-government local units will have increased financial means, own property and adequate staff, their structure should foresee or strengthen departments dealing with and providing policies for:

(a) *Urban planning and construction (permits, standards, monitoring);*

(b) *Reconstruction and maintenance of the existing housing stock;*

(c) *Utilities (energy, water, waste);*

(d) *Social policy, including affordable housing (according to chapter 3 of the Law on local self-government).*

Recommendation 8

Tailored training activities for local employees should be scheduled.

The sessions or workshops should particularly provide knowledge and good practices on, and based on, existing pilot projects:

(a) *Homeowners' associations;*

(b) *Affordable housing policy options;*

(c) *Public-private partnerships;*

(d) *Strategic planning, project management and monitoring;*

(e) *Fund-raising and budgeting.*

Recommendations – Existing Housing Situation, New Construction, Urban Planning and Utilities

Existing Housing Situation

Recommendation 9

Priority should be assigned to the reconstruction, renovation and management of the already existing housing stock rather than to new housing construction.

The most favourable housing reconstruction schemes for the different regions and the different segments of the housing stock (mass housing, historical buildings, detached houses) should be identified. Most of the residents cannot afford reconstruction of the main structures of the buildings. Therefore surveys should be conducted – led by local governments – to include scale, chronology and financial requirements of reconstruction steps. This should be followed by a coordination procedure on how to involve different stakeholders (residents, private-sector

investors, international organizations, national and local Governments) in carrying out and financing the reconstruction activities. The general principle should be that the ultimate priority would be the long-term structural stability of the building. If this aim cannot be achieved, the building should not be preserved (with the exception of historical buildings where no universal rules cannot be followed). When preservation is possible, potential energy saving measures should be applied.

Recommendation 10

Central and local governments should collect comprehensive information about the existing housing stock.

The Ministry of Economic Development should initiate a project for building up and updating a database of housing statistics. The Ministry should seek assistance from national and international professionals. These activities should be coordinated with the preparations for the population and housing census that is planned for 2010. In particular, information has to cover the following areas:

(a) Data reflecting basic statistical information about housing such as square metres per person, availability of amenities, tenure structure etc. The development of this database should not rely entirely on existing documents and data, as there have been so many resident initiative-based constructions carried out. The authorities should conduct a full inventory of the actual housing stock.

(b) Technical information about the existing stock, including information on physical deterioration that has caused important damage to the structures, especially for the blocks of flats and on all extensions and illegal construction.

The Department of Statistics should become the administrator of this information system, but the municipalities should be in charge of collecting the relevant data. For this purpose, they should receive financial means from central authorities. The collected data should serve as the basis for national and local housing policies and spatial development plans. Public access for researchers, real estate investors, construction companies, NGOs and other interested groups should be granted in order to disseminate information and foster public debate on housing issues.

Recommendation 11

The preparation of legislation on the future of illegal buildings and structures should be initiated.

Legalization is advised if the building in question could qualify for a building permit and be certified as fit for use under certain conditions. At the same time, it should be kept in mind that not all the illegally built buildings and structures can be removed due to high costs and additional hazards caused for adjacent buildings. Legislation, taking into account the following basic principles, should be adopted:

(a) In cases where the owners of the flats have built the illegal extensions and additions in good faith, following the rules set out by Government, these extensions should be legalized. The owners of these extensions should be made responsible for additional costs to upgrade these parts of the buildings when the structures do not meet safety and stability requirements.

(b) In the case of illegal developments which contradict the planning requirements and where construction permission has been refused,

the owners are to be taken individually. The owner of the building or structure will be responsible for the costs incurred by the public.

(c) Abandoned and unfinished buildings and structures, where no owners can be identified, should be systematically surveyed to propose the most feasible scenario – either demolition, public use, or sale to private ownership with certain possible restrictions for the future. Incentive schemes for the private sector for the completion of unfinished construction should be offered for a limited period of time before considering other measures.

For the three basic cases distinguished above exact procedures are to be defined. Local Authorities are to become the key actors in the enforcement and should also be involved in the formulation of procedures.

Management and maintenance

Recommendation 12

Housing maintenance schemes should be designed and launched.

Individual and private-sector initiatives, when organizing provision of maintenance services, are to be encouraged, especially by the municipalities, but the municipalities must not

become involved in direct provision of maintenance services. Competitive bidding procedures should be used in order to attract private maintenance companies.

Recommendation 13

A law on homeowners' associations should be adopted.

For contractual relations with private companies supplying maintenance and management services homeowners' associations must be able both to benefit from, and to be liable under, all the contractual and financial arrangements that they enter which provide them with access to such services. At present, in accordance with the Civil Code, homeowners do not have an obligation that may be practically enforced to contribute

towards the maintenance of the building they occupy. If, therefore, a homeowners' association is to become a legal entity, with all its participants jointly responsible for the associations' liabilities, a form of limited liability has to be introduced. While preparing the new legislation, full use should be made of the UNECE Guidelines on Condominium Ownership of Housing for Countries in Transition.⁵¹

⁵¹ UNECE. Guidelines on Condominium Ownership of Housing for Countries in Transition. Geneva, 2003.

Recommendation 14

Governmental support for the further establishment of homeowners' associations should be provided.

Although current legislation poses an obligation to set up homeowners' associations (HOAs), their further establishment requires both financial as well as organizational support by central and local governments. Awareness raising campaigns among homeowners as well as training sessions for HOA chairpersons and local government officials should be continued. Existing experience and good practice (e.g. Tbilisi Corps) should be replicated and promoted throughout the country.

To this end, further international assistance should be sought from, inter alia, organizations that have already been providing such assistance such as USAID and GTZ, and the lessons learned should be used. It can be expected that support for further creation of HOAs will stimulate the maintenance works and at the same time provide employment to professionals and specialists and thus can contribute to decreasing unemployment.

New Construction

Recommendation 15

Principles for national construction norms should be adopted.

Civil engineers and construction experts have to decide which set of construction norms is to be applied. Georgia has had long tradition of using the Soviet construction norms and rules (SNiP). Now, local construction norms should be developed, which take into account international experience, especially related to climatic and seismic conditions. Alternatively, a fixed set of

construction norms might be chosen as a model, e.g. Euronorms. It is recommended that the engineers, together with their professional associations and academic institutions elaborate the most suitable normative system – including the certification of construction materials – according to the national requirements (e.g. seismic conditions) and interests.

Recommendation 16

The draft Construction Code should be rethought and adopted.

A construction code should clearly state the requirements and procedures to be met for building construction. In addition, a general system of national requirements for on-site health and safety measures and the independent technical supervision of construction sites should be identified in a construction code, then developed in subordinate legislation. As a result of an attempt to reduce the possibility of

contradiction between the Law on Spatial Planning and the Law on the Supervision of Architectural and Construction and the draft Construction Code, and to remove any overlapping functions with regard to planning activity, parts of the draft Construction Code are too specified, containing too many norms and standards. It should therefore be rethought before adoption.

Recommendation 17

Education and training of construction professionals and workers should be improved.

Construction professionals require excellent technical knowledge. Bachelor graduates are not sufficiently qualified for such tasks. Five-year

academic studies should therefore become compulsory for those acting as managers or experts in the sector. The Georgian civil

engineering professionals should renew their code of ethics and introduce up-to-date training schemes. Moreover, new generations of on-site workers are to be trained to be able to handle new

materials and instruments, which require skilled and responsible workers. The reintroduction of secondary technical colleges should be considered.

Urban Planning

Recommendation 18

Adequate urban planning documentation should be developed.

Currently, there is no sufficient awareness of the necessity of urban plans as effective instruments for land management by State and local governments to control urban development and preserve historical areas. The Law on Spatial Planning should provide the necessary procedures for the implementation of urban zoning techniques, public participation in the

planning process, and simplification for obtaining land-use and development permits and approvals. Projects that were launched in several cities should be finalized and evaluated in order to derive lessons learned. The resulting experience should be shared with other cities. Workshops for municipal officials on spatial planning should be considered.

Recommendation 19

A comprehensive Land Code should be drafted.

A legislative framework for the effective use of land and for the promotion of real estate development needs to be established, in which

land is categorized in accordance with its prescribed purpose.

Recommendation 20

The role of municipalities in urban planning has to be strengthened.

Local governments have to balance public and private interests. This is of special importance as Georgia is aiming to join the European Charter on Local-Self Government, and in accordance with the Organic Law, urban and spatial planning will be in the exclusive competence of local government and therefore enable it to acquire the responsibility in this sector. Municipalities should involve locally available expertise in developing the urban planning framework. A number of

NGOs which represent those groups in society are interested in creating clear and transparent rules in planning and land use, notably owners of land, professional planners, developers and urbanists, e.g. the Association of Urbanists, the Union of Architects, the Federation of Constructors, the Developers Association, and the Association for Protection of Landowners' Rights.

Recommendation 21

Measures should be taken to prevent new illegal construction.

Existing laws need to be enforced to assure the efficiency of future urban plans. Legislation on the legalization of illegal construction should be

adopted. Competent municipal bodies should be given the authority to destroy an illegal construction if deemed necessary.

Recommendation 22

Efforts to preserve historical buildings and districts should be continued and strengthened.

Initiatives such as the establishment of the Old City Rehabilitation and Development Fund in Tbilisi should be extended and linked with an

overall conceptual framework for the preservation of historical and cultural heritage.

Utilities

Recommendation 23

Central Government should formulate standards and objectives for the utilities sector.

The development of reasonable standards, requirements and objectives for the utilities sector at the national level is recommended. These utility standards could be elaborated as part of the national housing strategy and be dealt with in the same cross-sectoral and interministerial

Working Group. It should set priorities for the development of national and regional utility networks and with regard to the coordination of investment activities. Municipalities should be involved in adapting utility services to local peculiarities.

Recommendation 24

Separate per household metering and fee collection should be intensified.

All utilities subsectors lack systems to control consumption. It is therefore required to increase collection rates by improving metering and distribution controls:

(a) Services provided need to be metered. In water provision the actual consumption should be quantified per flat if adequate calculation methodologies can be

provided. Losses of resources provided by the utility services should be reduced.

(b) Bills provided to customers should be transparent. Payments should be organized on a regular basis, and different methods of payment (e.g. cash, bank transaction) should be available for the consumer.

Recommendation 25

Utility infrastructure projects being carried out together with international organizations should be continued and expanded.

(a) Wastewater treatment systems need to be redeveloped throughout the country. Currently, based on the amounts of water used, pollution by constant flows of wastewater will increase.

(b) Power generation facilities (e.g. hydroelectric power stations, thermal power

stations) are unevenly distributed across the country. Their generation reliability is low due to the extent of technological deterioration of plants and equipments. The Georgian electric power sector is not able to provide the consumer with secure supply of energy. Lines and wires are to be fully adjusted to higher consumption levels, which are currently growing throughout the country.

Recommendations – Affordable housing for vulnerable households

Recommendation 26

Housing policy should define instruments for the provision of affordable housing to all socially vulnerable households.

For housing needs that cannot be met on the market, e.g. housing needs for low-income households, eco-migrants, the elderly, unemployed, single parents or disabled persons, specific policy instruments should be established, taking into account the findings of the UNECE Guidelines on Social Housing (2006). At the same time, the government should clearly define the responsibilities of the central and local governments for the supply of housing for vulnerable population groups. Affordable housing

should be an integral part of the socio-economic development strategy, poverty reduction, unemployment policies, and overall housing policy. The development of social housing, i.e. subsidized housing, might be considered as a safety net for low-income households, unable to attain a decent housing situation through the ordinary housing market. The government should avoid developing special solutions for housing for IDPs in order to promote social cohesion and avoid social segregation.

Recommendation 27

A housing needs assessment should be initiated.

The needs assessment should primarily focus on housing conditions for households under the extreme poverty line. It could be based on the same methodology as the needs assessment for social support, which has been introduced recently, and have a focus on need for housing support, including need for adequate shelter on

one hand and the household's financial means on the other hand. The needs assessment should be followed up by recommendations for dealing with housing repair and maintenance for the most urgent needs, as well as financial assistance for housing related expenditure.

Recommendation 28

Incentives for the private sector to increase the supply of low cost housing should be developed.

The private sector should be encouraged through adequate mechanisms and incentives to increase the provision of low-cost housing, either alone or through public-private partnerships. There are no incentives provided by tax legislation for the construction of or conversion of existing housing

to social housing, e.g. income or profit tax rebates or exemptions. This should be considered, as well as enabling local governments to provide land for social housing programmes, for free or at a low price.

Recommendation 29

Municipalities should consider to what extent existing dwellings could be used for social housing purposes.

Before exploring possibilities of investing in new accommodation, it should be analysed (e.g. in a survey) whether existing unfinished housing,

repair, upgrading and maintenance of run-down estates can contribute to an increase in supply of affordable housing.

Recommendation 30

State or local government grants, loans, guarantees or equity share loans for essential repairs should be introduced.

If necessary, targeted support for these purposes should be provided for low-income households. In addition, a means tested housing allowances system for vulnerable households should be considered. The system should be based on all expenses connected to housing consumption, i.e.

capital expenditure, rent, expenditure for heating, water sewage, and take into account the household's own capacity to pay for housing expenditures. All tenures should be eligible for housing allowances. This will decrease the pressure on the need for social housing.

Recommendation 31

Realistic standards should be defined for the quality of social housing.

These standards should include floor space, amenities, repair, maintenance and energy efficiency. Small scale social housing projects, e.g. in Tbilisi, should be initiated for use as

models for other local governments. Emergency accommodation should be a particular priority, especially for households with children and pensioners.

Recommendations – Financial framework

Public finance

Recommendation 32

Financial means for housing projects on the municipal level should be increased.

These could be funded by own revenues of local self-government units as foreseen in the corresponding budget law. Revenues from land tax and sale of municipal land should be earmarked for housing purposes. In addition, tax collection has to be enforced, and local

governments might consider introducing fees for selective communal services. On the national and local level, parts of additional tax revenues resulting from economic growth should also be allocated for housing purposes.

Recommendation 33

Legislation for the effective management of State-owned land should be drafted.

This legislation is supposed to ensure the effective management of land that remains in State ownership, and should contain the standards and relevant procedures for determining public land and the circumstances under which the State has the right to dispose of such land. This legislation should facilitate the transfer of what is identified

as public construction land to local self-government, and the privatization construction land through transparent auctions. It is recommended that such legislation expressly address the use of revenues generated through the management and sale of public lands.

Recommendation 34

Legislation on land/real estate mass evaluation should be adopted.

Mass evaluation is crucial to determine the taxable value of land and real estate objects. Full use should be made of the UNECE study on Land (Real Estate) Mass Valuation Systems for Taxation Purposes in Europe (Federal Land Cadastre Service of Russia, on behalf of the

UNECE Working Party on Land Administration. Land (Real Estate) Mass Valuation Systems for Taxation Purposes in Europe. Moscow, 2001). To further support real estate development, a certified real estate appraisal system should be introduced.

Private Investment

Recommendation 35

Investment in housing should be encouraged.

Systematic investment promotion through the simplification of administrative procedures, the creation of a favorable investment climate, the reduction of entry barriers and appropriate incentives like differentiated tax rates and tax

exemptions should be carried out. Within this framework, private (local and foreign) investment should not only be directed to new construction, but also to renewal, repair and maintenance.

Recommendation 36

Possibilities of public-private partnerships should be explored and adapted to the housing sector.

Public-private partnerships include co-financing models where the State contributes to the financing of repair and maintenance under the condition that owners and tenants share a part of the costs. Local governments might consider the establishment of funds on the municipal level or within homeowners' associations to carry out repair and maintenance in collaboration with residents. Another option is the provision of municipal land for construction projects that contribute to the achievement of local housing

goals. Part local government part private financed maintenance projects such as Tbilisi Corps could also be further developed as public/private partnerships. An institution such as Tbilisi Corps that receives applications for financing from homeowners' associations could in addition provide guarantees to banks to provide loans to homeowners' associations. Dependency of direct financing from the budget of the local government would therefore be reduced.

Mortgage and banking market

Recommendation 37

Legislation for mortgages needs to be amended, as set out in chapter V.

Provisions of the Civil Code (title three, chapter 6) impede mortgage lending, repayment and sale of foreclosed property. For instance, a debtor may be entitled to stay in a foreclosed building as a tenant, which makes it practically impossible to

remove him. The lack of specific rules on auctioning property results in lengthy procedures.

The Government should also consider introducing a centralized database for notaries to avoid

coexistence of more than one notarized agreement. Full use should be made of the UNECE housing finance guidelines (Housing

Finance Systems for Countries in Transition, Principles and Examples, 2005) when developing the mortgage system.

Recommendation 38

The development of a market-driven banking sector should be supported.

In particular, the development of (local) long-term refinancing facilities for banks should be promoted. Authorities should continue efforts to implement goals set out in the Georgian Banking System Development Strategy (National Bank of Georgia, Georgian Banking System Development Strategy for 2006-09), namely to consolidate, reduce concentration and increase competition in

the banking sector; to raise the level of financial intermediation, investor and client confidence in the banking sector; and to consider introducing deposit insurance and microfinance schemes at local and rural levels. These measures may be supplemented by guarantee schemes to reduce risk premiums in interest rates and to improve access to and affordability of mortgage loans.