

*The Country Profile of the Housing Sector of Kyrgyzstan provides a detailed analysis of the housing and land management situation in the country. It is based on data obtained during a UNECE research mission to Kyrgyzstan. The study makes practical recommendations to the Government of Kyrgyzstan on how to improve the country's housing and land policies.*

### **Socio-economic conditions and policy framework**

*Since 1991 the Kyrgyz housing sector has undergone major restructuring as part of the overall transition towards a market economy.* Major changes in the housing system include the State's withdrawal from direct housing provision, decentralization of the housing functions to local government, mass housing privatization (by 1994 over 90% of the housing stock had been privatized), and the increased involvement of the private sector in housing construction.

*The state of housing has deteriorated;* the reforms in housing have been followed by a sharp decrease in housing construction, as well as an erosion of housing and utility services. Deteriorating living standards, the poor state of rural and urban infrastructure, increased construction costs due to a declining building-material industry, as well as the conversion of some housing into shops, cafes and pharmacies, have only aggravated housing problems.

*Inadequate housing is linked to a high rate of poverty.* The low purchasing power of the population negatively affects the state of existing housing. Although the poverty rate decreased from almost 50% of the total population in mid-1990s, it still remained close to 40% in 2006. In 2005, 51% of the rural population lived in poverty compared to 30% of the urban population. As living standards are low, many families live in houses that have received little or no due maintenance for a long time.

*Mass rural-to-urban migration and natural population growth increase pressures on urban housing.* Decreased construction due to reduction in budget resources in recent years and, as a result, lack of affordable housing lead to overcrowded apartment buildings, especially in major cities. It is important to analyse demographic and migration trends to inform housing policies.

*Housing has received priority attention in the 2007 Country Development Strategy (CDS) for 2007–2010.* The 2007 *Country Development Strategy for 2007–2010* proposed a reorientation of housing policy and identified affordable housing as a priority for the country's development. The *CDS* envisages the production of more housing through the development of the construction industry and improved housing accessibility through the development of affordable mortgages. Integrating housing into the overall national development framework represents major progress. However, the housing objectives in the Strategy are not underpinned by a comprehensive institutional framework and appropriate financial infrastructure, and fail to address the diverse housing needs of the population.

### **Institutional framework**

*A coherent governance infrastructure to support housing initiatives has yet to be set up.* Currently, the State Agency for the Registration of Rights to Immovable Property (Gosregister), the Agency for Architecture and Construction (Gosstroy) and the Agency for Environmental Protection are State departments directly responsible for housing and land management. However, effective cooperation between these bodies has not been developed despite the requirements of the *National Programme on Housing Construction in Kyrgyzstan for 2008–2010*. A special Government body to formulate and oversee the overall institutional framework for the development of the housing sector should be designated.

*At the national level, the National Programme on Housing Construction in Kyrgyzstan for 2008–2010 provides a framework for the cooperation among different Government bodies*, including the Ministry of Finance responsible for affordable mortgage mechanisms and availability of finance for housing construction; the Ministry of Economic Development and Trade in charge of effective utilization of funding for affordable housing from international financial organizations and donors; the Ministry of Industry, Energy and Fuel Resources responsible for regulations concerning energy, production and local building materials; the Ministry of Labour and Social Protection responsible for subsidies for utility services, and the development of social housing, as well as housing standards, parameters and criteria for improving living conditions; the Ministry of Health in charge of sanitary and epidemiological requirements for building sites; the Ministry of Foreign Affairs entrusted with attracting foreign investments for housing projects; and the National Statistical Committee of Kyrgyzstan responsible for population censuses, household surveys and other demographic statistics. Joint cooperation should be seen as the first important step for a strategic cooperation in the housing field.

*At the local level, decisions on housing and land management are made on the basis of cooperation between local State administrations and Government bodies.* The local State administrations (acting as executing bodies) have the functions of ministries and agencies responsible for housing and land administration at the local level. According to the 2002 *Law on Local Self-Government and Local State Administration*, they coordinate their decisions on all crucial matters of territorial development with local councils (bodies of the local self-government acting as local representative bodies).

*At the community level, condominium associations deal with maintenance of the privatized multifamily residential buildings.* The 1996 *Civil Code* establishes rules for the organization of housing maintenance and management in the privatized, multifamily houses. The 1997 *Law on Condominiums* introduced the institution of homeowners' associations, and a framework for housing management. The associations are put in charge of the maintenance of common areas and management of the multi-apartment building through their elected representatives. However, the role of this institution remains limited; only 25% of the condominiums had established homeowners' associations by 2005. There is a need for further improvement, for example in terms of raising awareness among the homeowners about their responsibility for housing maintenance and the development of supportive financial mechanisms.

*Importantly, decision-making in housing and land management should be based on the principle of subsidiarity or the delegation of power to the regional/local governments and communities/residents. Capacity-building should also be provided so that lower levels of government play a more strategic role in their territories.*

## **Land administration and land management**

*Some progress in the establishment of a market-based land management has been made, but further improvements are limited by a fragmented and uncoordinated system of land administration.* During land privatization and other land reforms the need for strategic land use planning was ignored. The existing legal framework for land management represents a patchwork of regulations, contained in the *Constitution of the Republic of Kyrgyzstan*, the 1996 *Civil Code*, the 1994 *Law on Town Planning and Architecture*, the 1999 *Land Code*, and the 2002 *Law on Local Self-Government and Local State Administration*. In order to facilitate sustainable land management, a comprehensive national strategic framework for land administration should be formulated.

*The land registration and cadastral systems were unified in 1999 and this was followed by a number of successful projects supported by international donors.* A single State agency for registration of rights to immovable property (Gosregister) has been established. Since 2000, SIDA, USAID and the World Bank have implemented a number of projects to support the development of a land market. These projects have contributed to the following: defining a legal and administrative basis for land and building

registration; establishing 50 well-equipped and self-sustained local land registration offices, of which 20 have a computerized registration system; conducting extensive training for officials and real estate professionals; registering of rights on virtually all land and real estate properties via systematic land registration; improving access to credit; increased the numbers of registered sales and leases; improving access to cadastre information and mapping, and categorization of some land plots; finalizing of the automated registration system and establishing the Kyrgyz Land Information System. These projects have also improved governance of public lands; established local initiatives in rural areas to resolve land disputes; developed a strategy for the use of the Land Redistribution Fund; formulated comprehensive strategies and action plans for pilot cities and rural areas; formed new homeowners' associations in existing housing, and developed regional associations; improved land legislation; and developed real estate valuation methods for taxation purposes. A number of challenges still remain, however, including the completion of a nationally unified land registration database, the improvement of access to and reliability of land and real estate information and the simplification of the procedures for registering land and other types of real property. The Government should review the successful projects and, based on their example, draw guidelines for all other rural and urban municipalities. These guidelines may consequently be developed as a national policy framework and codified as normative legal acts.

***Private ownership of land, as well as the possibilities for sale, exchange and rent of land were introduced in Kyrgyzstan in 1998.*** Until then, reforms related to rural land involved the allocation of land shares to the employees of State and collective farms and the formation of the State Land Redistribution Fund. Between 1991 and 1996 workers on State and collective farms could claim shares in agricultural land and establish private farms. About 500 former collective and State farms were dissolved, and 75% of the land was distributed as agricultural land shares. The remaining 25% was reserved in the State Land Redistribution Fund (LRF), to be managed by local governments and used for either the expansion of human settlements, for experimental selection and seed-producing farms or for selling land use rights through auctions and leasing to agricultural producers. In 2003, 96% of households had rights over land and, by 2006, 313,061 private farms had been established. However, about 88% of the agricultural land is recognized as being degraded or subject to desertification. It is necessary to provide strong incentives for the creation of voluntary cooperatives and voluntary consolidation of land ownership by farmers. There also remain problems in managing the LRF, including unmapped land, non-transparent management and the lack of clear estimates of the amount of land managed by local governments. It is therefore necessary for municipal land to be inventoried and registered and for a plan to be developed for its use.

***Good progress has been achieved in facilitating women's access to land.*** In the course of the transition, lack of a gender perspective in the redistribution of assets, changes in labour market institutions and welfare cuts have led to the "feminization of poverty". In rural areas, women are more likely to find themselves trapped in poverty and at the bottom of a gender system shaped by revived customary traditions and stereotypical family relations. Since 2005, the United Nations Development Fund for Women (UNIFEM), via a number of gender-related projects, has achieved an increased involvement of women in decision-making and improved women's access to land and other economic resources.

***Spontaneous urban growth and the formation of informal settlements around major cities are exacerbated by ineffective land development control, and lack of both up-to-date master plans and strategic land management policies.*** While small and medium-sized cities in Kyrgyzstan are losing population, larger cities are experiencing overpopulation, growing demand for housing and a lack of social housing. These factors lead to the formation of large informal settlements. Land allocation for construction is regulated by the 1999 *Land Code*. Kyrgyz citizens are entitled to land free of charge for individual housing construction and agricultural production. However, land allocation remains a problem due to a lack of updated master plans (mainly because local governments have limited budgets for master plans), fragmented and unreliable information on municipal land and non-transparent land allocation. Zoning regulations were launched in 1999, but they have not been widely used. However, recent strategic land management plans for some cities have achieved the registration of municipal ownership, some

improved transparency in land management, the inventory of land parcels, and enhanced capacities of local government in land management. It is important that land allocation supports sustainable land management, and prioritizes agricultural land conservation and an increase in the density of the built environment.

### **Housing conditions and new housing construction**

***Decision-making in housing remains fragmented. Matters related to housing are divided between different authorities at national and local levels.*** After the country gained independence, the housing system underwent a process of decentralization, starting with the transfer of the ownership of the existing housing stock, housing-related services and financial responsibilities for housing to local government. Despite the decentralization, addressing housing matters beyond housing privatization and immediate local needs has not yet become part of local authorities' statutory commitments. Responsibility for policymaking in housing remains with national bodies. At the national level, it is the State Agency for Architecture and Construction that is responsible for the *National Programme on Housing Construction in Kyrgyzstan for 2008–2010*. Land management issues closely related to housing fall under the State Agency for Registration of Rights to Immovable Property.

***A number of laws and housing programmes have been adopted to promote a market relationship in the housing sector but these legal and policy initiatives remain disconnected and address only specific problems,*** including the privatization of housing, organization of condominium associations and the targeted provision of mortgages. The systematization of housing rules into a new Housing Code is also under way. There will be major new rules on shared ownership, decentralization of decision-making and integration of commercial spaces into residential buildings. Nevertheless, it is necessary to develop a comprehensive and coherent national housing strategy to overcome the fragmented character of existing housing initiatives. Furthermore, housing strategies should also be developed at the regional (oblast) and local levels. It is also necessary to identify financial sources to implement housing programmes.

***Since 2000 a more strategic approach to housing has been developed through the adoption of long-term housing programmes, but there is a lack of mechanisms to ensure their effective implementation.*** The 2004 *State Housing Development Programme in the Kyrgyz Republic until 2010* considered the development of mortgage instruments and State support for housing purchases. It also planned to boost new construction towards the level of the late Soviet era and to extend the total residential floor space. However, none of these objectives have been achieved. The recent *National Programme on Housing Construction in Kyrgyzstan for 2008–2010* focuses on improving living conditions and the socio-economic environment for citizens and acknowledges that the State should be responsible for solving housing problems. Major housing needs include: housing maintenance; increase in housing output via modernization of the industry and the development of domestic building materials; the provision of affordable mortgage financing; and ensuring earthquake resistant housing. Major tasks involve the provision of affordable housing via attracting investments, improvement of the legal basis and housing market infrastructure; modernization of the construction industry and the production of more housing; the development of master plans to ensure areas allocated for new housing constructions; and improvement of the bank sector and the development of affordable mortgages to stimulate housing demand.

***A systematic census on the existing housing stock and services is in progress.*** The first housing stock census was conducted by the National Statistical Committee between 24 March and 2 April 2009. This census aimed to identify the characteristics of the living conditions of Kyrgyz citizens, such as total living space, housing construction material, seismic stability and availability of communal facilities. However, the data are not available yet.

*Since 1991, the population has grown faster than the housing stock.* Kyrgyz households are large, with more than four people on average. The housing stock cannot meet the demand of the fast growing population. Dwellings in Kyrgyzstan used to be between 60 and 70 m<sup>2</sup> in 1990. Today, newly built flats have reached almost 110 m<sup>2</sup>, because private developers tend to build larger flats for the rich or upper-middle income homebuyers. However, the average “available floor space” per capita has decreased to less than 5 m<sup>2</sup>. As estimated in the *Country Development Strategy of 2007* there are 166,000 families in need of new housing. Homelessness is on the rise. The *National Programme on Housing Construction in Kyrgyzstan for 2008–2010* estimates the necessary levels of new housing construction at 20,000 to 30,000 dwellings a year. Even so, it would take 15 years to recover to the same level of housing provision as was achieved before independence in 1991.

*A large portion of housing lacks basic utilities and is in urgent need of repair.* About 85% of the existing housing stock was built in the Soviet era. Multi-apartment buildings represent a large proportion of the overall housing stock. The owner occupancy rate is now more than 96% and presents a great challenge for the management and maintenance of multi-apartment buildings. Furthermore, only 40% of households have access to running water (in urban areas 70%) and 40% of dwellings are linked to public sewerage systems (in urban areas 70%). Only 27% of households have flushing toilets (in urban areas 56%) and 25% of households have bathrooms/showers (in urban areas 52%). Heating provision is also not satisfactory. Generally, the technical systems within multi-apartment buildings are in need of repair. There have been some refurbishment activities inside dwellings, but almost nothing has been done to deal with the common parts of the buildings. Urgent action is required particularly for roofs, elevators and façades. International donors have been involved in refurbishment through some activities such as a microcredit programme for incremental refurbishments.

*Housing maintenance is defined as a key priority in the National Programme on Housing Construction in Kyrgyzstan for 2008–2010, but further practical support is needed.* Management and maintenance of the privatized, existing housing stock is problematic. Condominium owners are meant to manage the premises themselves or to hire a specialized company. Running costs for maintenance and management are to be met by the homeowners. Yet there are hardly any sanctions for non-payment and fees are rarely paid on time or in full by homeowners. Even in those buildings with homeowners’ associations, maintenance and major repairs have been difficult to organize as the contributions of tenants to repair funds are very low and the proportion of the homeowners refusing to make any payment is also high. Homeowners’ associations are not eligible for State subsidies and it is difficult for them to gain access to mortgages. Professionalism in managing residential buildings was improved through training for housing managers in a USAID project. Furthermore, the Mayor of Bishkek has recently initiated a new type of the management company. It is expected that the inventory of the existing housing stock conducted in 2009 as part of the housing census will provide a basis for the development of a new system of housing management and maintenance. Compulsory homeowners’ association should be established.

*Neither new construction, nor rehabilitation of the housing stock in Kyrgyz cities considers energy efficiency to be a priority concern.* Some newly built, expensive housing estates meet modern standards for energy efficiency, including thermal insulation and triple glazing. Within the existing housing stock, however, incentives for energy savings are minimal as payments for district heating depend upon floor space, and not the actual consumption. In addition, the majority of the population cannot afford to pay for the installation of meters and thermostats.

*The internal migration from southern Kyrgyzstan to cities led to the development of informal and semi-formal settlements (novostroiki) in Bishkek and Osh; some of them have been regularized but the issues of eviction and the provision of adequate infrastructure remain to be addressed.* Migrants occupy land formerly used for agriculture and erect houses using discarded building material. Since no infrastructure for residential use is available, they live without electricity or water supplies. Some settlements resemble simple residential areas with brick houses, and others constitute an agglomeration of one-room huts, which have to accommodate entire families. The local authority in Bishkek and Osh has

used funds from donors to provide the *novostroiki* with electricity, but many settlements have no adequate access to basic infrastructure including medical services. Also, social tensions in the *novostroiki* are omnipresent. The cities have now regularized some of the land by registering it, but many residents of *novostroiki* complain about evictions.

Also, the provision of basic infrastructure and public transport for expanding urban areas will require substantial financial resources that cities do not have. A special strategy for informal settlements should be developed.

***Attempts to develop not-for-profit housing have failed, but some new solutions are envisaged.*** *Novostroiki* present a major failure of previous housing policies. A social programme is envisaged to combine funding from municipalities, State and private investors, create incentives for private developers to complete unfinished buildings, convert some *novostroiki* into multi-storey residential and commercial buildings, and enforce the obligation to dedicate about 10% of newly built dwellings to social purposes.

***Major cities like Bishkek require the low-density novostroiki areas and inner city areas with single-family houses to be redeveloped.*** Promoting urban renewal will require the clarification of municipal land ownership. Urban renewal activities in settlements with privatized individual houses and with large green spaces between houses represent a challenge. Ownership boundaries of the land around the buildings are not clearly defined. Taking control over municipal land is a major challenge for local authorities. Another major challenge is related to the seismic improvement of building structures, as well as the large-scale redevelopment of earthquake-prone settlements. Building an additional storey onto existing structures was considered another option to increase density in inner cities, but implementation turned out to be difficult due to the requirement to secure agreement from the majority of homeowners in the building.

***The construction industry remains weak with only 20,000 employees, although in 1990 it was a major economic sector with 150,000 employees.*** The fall in the workforce in the construction industry is even more marked than the decrease in housing output in the same period. It may partly result from a higher productivity of construction companies. But it also reflects the drain of professionals, who have migrated in large numbers to the Russian Federation and other countries. In 2005, there were about 650 construction companies operating in Kyrgyzstan. Many of them were operating with foreign investment capital from Turkey, Kazakhstan, the Russian Federation, the Islamic Republic of Iran, the Republic of Korea and China.

## **Financial Framework**

***Over the last few years, private investments in housing production have made up 98% of the total and public investments have practically ceased.*** Nowadays two schemes to finance housing are being used. According to one approach, some companies operate on a joint stock basis with Turkish and Korean construction companies and are capitalized by the latter. According to another approach, housing construction is implemented with pre-financing by future homeowners. The *National Programme on Housing Construction in Kyrgyzstan for 2008–2010* allocates public investments mainly for the provision of subsidies; in addition, local authorities co-finance local housing programmes. However, due to a lack of finance at all governmental levels, these activities are almost frozen.

***Some housing funds are to be generated at the local government level, but only 25% of all municipalities have a surplus in their budgets.*** The continuing reform of the local administration system empowers local authorities to collect taxes. Funds for housing policy can be generated by selling land plots for construction. Finance for housing can also be obtained by issuing securities for up to 20% of the total budget revenue.

***The banking system is not ready to provide affordable loans for housing construction and mortgages for the majority of the population.*** There are 22 commercial banks in Kyrgyzstan. In 2008

mortgage loans comprised approximately 7.7% of the total banking assets. In 2007, the average interest rate on a bank loan was 25% for local currency loans and 19% for United States dollar loans. The maximum loan-to-value ratio is set at 50–60% of the purchase price. There are about 300 credit unions and 200 microfinance organizations operating in the country. The 1999 *Law on Mortgages* introduced a mortgage market in Kyrgyzstan. However, savings and loans institutions have not been created. Loans for construction are rare because of the high risks and absence of adequate security. Mortgages are affordable only for a small number of high-income households, yet about 40% of people in Kyrgyzstan live below poverty line.



**Picture 2. Bishkek**  
*Source: UNECE*