

# HOUSING FINANCIAL AND LEGAL FRAMEWORK

### A. AVAILABILITY OF HOUSING FINANCE

#### *Investments in housing renovation*

There is an overwhelming demand for housing and housing renovation, while the extremely damaged housing stock built mostly during the Soviet era does not correspond to present quality and comfort standards. After the mass free-of-charge privatization of residential dwellings in the 1990s there was a significant underinvestment in housing maintenance.

costs are increasing by 25%–50% annually and decent housing is becoming beyond the reach of the majority of the population. The Government does not provide any repair grants and only a few microfinance organizations have recently started to offer housing repair loans.

Remittances have become an important source of economic growth for the country and one of the most important ways of funding home repairs. The World Bank Report from 2006<sup>51</sup> states that 15% of

**Picture 8. Multifamily housing in need of upgrading**



Source: UNECE

The Government's obligation to maintain the privatized dwellings ceased and the new unit owners did not have the financial means to repair and maintain their own apartments nor the necessary skills to operate the collective mechanisms, such as condominium or housing associations. At the same time, building

remittance recipients used those funds for home repairs, which proves the importance and necessity of home maintenance for the population.

<sup>51</sup> Tajikistan Policy Note: Enhancing the Development Impact of Remittances, World Bank report, January 2006.

### **Investment in construction**

Investments in housing construction have grown steadily during the past five years. However, public investments in housing did not exceed 6% in 2008.<sup>52</sup> In addition, there is a lack of mechanisms to facilitate the construction of affordable housing. Therefore, while there was a slight increase in the housing stock in the recent past, it has not kept pace with population growth.<sup>53</sup> Apartment construction has been mostly concentrated in the largest cities and primarily targeted at the luxury segment of the market. In 2009, in the city of Dushanbe alone, new housing construction was 20% of the total new housing output in the country.<sup>54</sup> About 80% of the construction in rural areas is done primarily by the owners themselves.<sup>55</sup>

In such a situation, self-built housing becomes the easiest and most affordable way for the population to improve their situation. In 2008, individual houses built by tenants accounted for 87% of the total construction sector.<sup>56</sup>

There is an overwhelming demand for new affordable multi-story housing. However, the supply of such housing stock is insufficient due to the lack of financial mechanisms to support the construction companies. Residential construction is financed mainly by the savings of the future unit owners.

In the beginning of the construction of a building the prices offered are usually 70%–80% lower. However, there is a certain risk for the buyers, as no legal protection of their rights is provided and the apartment could be sold twice. The lack of protection of consumers' rights can also result in low construction quality and delays in the fulfilment of the developers' obligations to the purchasers.

Due to the lack of funding opportunities for residential construction of large, multi-unit apartment buildings, the majority of the companies are engaged in small-scale projects. Banks are unable or unwilling to provide credits for larger projects because, generally, the collateral requirements

cannot be met. However, before the 2009 financial crisis, banks were offering short-term loans (up to two years) at high rates (more than 30%) because it was a very profitable sector (especially the luxury segment). Usually the property of the developer or the owner was used as collateral. In 2011 the *Tojik Sodiro*t Bank was preparing to launch a programme for financing construction projects.

### **Rental sector**

The Government has no policy to develop the rental housing sector. According to the Housing code<sup>57</sup> the Government is responsible for providing social rental housing for households in need. However, such dwellings still could be subject to free-of-charge privatization. Today only 7.5% of the total housing stock is public.<sup>58</sup> The demand significantly exceeds the supply in this sector, especially in large cities. The main problems that inhibit the development of the sector are the absence of protection of the rights of tenants and landlords, the low quality of dwellings and the lack of utilities.

## **B. THE LINK BETWEEN HOUSING POLICY AND HOUSING FINANCE**

The Government does not regard the housing problem as its highest priority. The State must deal with more pressing needs, including health care and education. It has instituted a National Development Strategy to deal with these issues,<sup>59</sup> but a separate housing development strategy has not been developed. The limited State budget, coupled with Government spending on more essential social services, has left little room to pay for housing-related programmes. Given the economic difficulties and fiscal constraints, a transparent income-based subsidy system does not exist to meet the housing needs of the vulnerable segments of the population nor are there programmes containing tools for assessing the effectiveness and efficiency of the money spent.

HFHT successfully implements projects for low-income people in need of housing (construction,

<sup>52</sup> Data provided by State Statistical Committee of the Republic of Tajikistan.

<sup>53</sup> According to data of the State Statistical Committee, housing stock increased by 10% from 2000 to 2007. At the same time, the increase in population was 19.5%. As a result housing stock per capita decreased from 9.1 m<sup>2</sup> in 2000 to 8.6 m<sup>2</sup> in 2007.

<sup>54</sup> State Statistical Committee.

<sup>55</sup> State Statistical Committee.

<sup>56</sup> State Statistical Committee.

<sup>57</sup> Analysis of Tajik Legislation in the Construction Area. Report prepared by the Business Environment Improvement Project on 27 July 2008, available from: [www.bei-ca.net](http://www.bei-ca.net).

<sup>58</sup> Housing Code of the Tajikistan Republic, adopted on 12 December 1997.

<sup>59</sup> National Development Strategy of the Republic of Tajikistan for the Period to 2015. Draft. Regional Conference on MDG-based NDS and PRSP, 15–17 March, 2007, Dushanbe, Tajikistan.

renovation, repair, and seismic enforcement of buildings), using financing from international donors. Local authorities participate in these projects by providing access to infrastructure (electricity, water and sewerage connections) (see chapter II).

The Government has yet to create a conceptual framework for forming a residential mortgage financing system. As the International Finance Corporation (IFC) mentioned,<sup>60</sup> the State has not defined its role in the development of this system, nor has it identified the elements necessary to develop and support the residential mortgage industry.

The involvement of local authorities in housing issues is limited because of the scarce funds. Tax revenues could generate housing finance, but their distribution between State and local budgets is complex.<sup>61</sup> Property and sales taxes are the main sources of revenues for local budgets. Property tax rates are based on land tax rates. The overall tax rates are determined by the Tax Code.<sup>62</sup>

The existing taxation system related to property transactions does not stimulate the development of mortgage lending and residential construction. Furthermore, there is no favourable tax treatment of income coming from the sale of a taxpayer's primary residence, nor is mortgage interest tax deducted.

### C. MORTGAGE LOANS AND THE BANKING SYSTEM

#### *Overview of the financial sector*

Tajikistan has 13 commercial banks, including one State-owned bank, three foreign institutions and six credit societies. The four largest banks control 80% of all deposits.<sup>63</sup> In March 2010, the financial system was evaluated as “shallow and undeveloped” and the economy as still “largely cash driven by worker

remittances” by the Financial Standards Foundation.<sup>64</sup> Tajikistan has not been assigned a credit rating by any of the major credit rating agencies. The challenges for banking sector development in the country are to secure regulatory independence and to limit Government interference in commercial banks' activities.<sup>65</sup>

Total paid-in capital of banks has increased more than 4.5 times — from 157 million somoni in 2005 to 708 million somoni in 2009.<sup>66</sup> And total outstanding loans have increased more than 4.1 times — from 1.3 billion somoni in 2005 to 5.3 billion somoni in 2009. The delinquency rate reached 45% in 2009, an increase of more than 15 times since 2005.<sup>67</sup> The main source of financing for lending activities is foreign investments. The interbank market is undeveloped.

In 2007, bank deposits peaked at 18.8% of GDP, increasing the confidence in the banking system. In 2003, a State deposit insurance system was created, establishing a 100% guarantee for each deposit of less than 250 somoni, 90% for deposits of less than 2,500 somoni and 70% for deposits above that limit. After a presidential decree was issued establishing the terms for legalizing undeclared funds of individuals, and a law was enacted granting amnesty to these citizens, almost \$50 million were brought into the banking system.<sup>68</sup> However, only about 2.5% of the population uses bank deposits to save money.<sup>69</sup>

Long-term funding, especially from local sources, is limited (80% of deposits do not exceed one year).<sup>70</sup> Without sources of long-term capital, the growing capitalization still remains insufficient to fund mortgage lending, particularly in the presence of

<sup>60</sup> Central Asia Housing Finance Gap Analysis. IFC, 2006, p. 111.

<sup>61</sup> Proportions of distribution of tax revenues between State and local budgets are determined each year in the Law on the State Budget.

<sup>62</sup> Tax Code of the Tajikistan Republic, adopted on 3 November 2004.

<sup>63</sup> Tajikistan. Country Brief. eStandardsForum, 25 August 2008, p. 7.

<sup>64</sup> Government Decree on Measures for Implementation of the Presidential Decree on Improvements in Administrative Procedures related to Construction Activities in the Republic of Tajikistan. Approved on 6 May 2009.

<sup>65</sup> EBRD Country Factsheet Report, 2008.

<sup>66</sup> Review of the banking system. Published on the website of the National Bank of Tajikistan, available from: [www.nbt.tj](http://www.nbt.tj).

<sup>67</sup> Data published on the National Bank of Tajikistan, available from: [www.nbt.tj](http://www.nbt.tj).

<sup>68</sup> Central Asia Housing Finance Gap Analysis. IFC, 2006, p. 99.

<sup>69</sup> Estimates of Orash Hodghamuradov, specialist of the Financial and Economics Department of the Association of Tajik Banks. Published in *Nedvighimost. Vestnik Tadzhikistana*. #009, 11.02.2010.

<sup>70</sup> Data published on the National Bank of Tajikistan, available from: [www.nbt.tj](http://www.nbt.tj), accessed on 2 January 2010.

high property prices.<sup>71</sup> To address these issues the Government has prepared a good mid-term strategy for the development of the banking sector.<sup>72</sup>

workers can afford the monthly mortgage payments, and most of them are employed in the financial sector.

**Table 4. Assets and deposits of the Tajikistan banking sector, 2004-2009**

	2004	2005	2006	2007	2008	2009
<b>Credits, millions of somoni</b>	1 091	1 286	2 393	3 977	4 860	5 331
<b>% GDP</b>	8.5	7.3	25.8	31.1	27.6	25.8
<b>Share of delinquent loans</b>	4%	3%	1%	1%	2%	45%
<b>Deposits, millions of somoni</b>	292	539	1 108	2 398	1 914	2 614
<b>% GDP</b>	2.3	3.1	11.9	18.8	10.9	12.7
<b>Share of deposits in foreign currency</b>	57%	66%	76%	79%	64%	64%

Source: National Bank of Tajikistan available from [www.nbt.tj](http://www.nbt.tj).

### *Mortgage market and participants*

The mortgage market in Tajikistan is still in the incipient stages. Its development started in 2008, when the Law on Mortgages was adopted.<sup>73</sup> The law establishes a legal framework for mortgage lending, including the possibility of using unfinished buildings as collateral.

As a percentage of GDP, the mortgage portfolio in 2005 was about 0.03%, and mortgage debt per capita was less than \$1.25.<sup>74</sup> At present, only a few domestic lenders have experience in residential mortgage lending. Moreover, the mortgage lending proposed by these banks was, in some cases, a one-time experiment to test the new product. In other cases, the mortgages were financed by the State Programme on Provision of Housing for State Employees.<sup>75</sup>

Mortgage terms are unaffordable for most Tajiks, with an interest rate of 25%, an average term of 5 years and a loan-to-value ratio of up to 60%. At this stage, mortgages are affordable only for a small part of the high-income households. Less than 1% of

The biggest problems that Tajik banks are facing are the insufficient incomes of borrowers, combined with the significant share of remittances and the lack of cheap long-term capital. Given that short-term deposit base, banks constantly operate without an appropriate match in the maturity of assets and liabilities, which leads to a high interest rates and liquidity risks. Remittance income could play an important role in determining how repayment capacity should be calculated for potential mortgage borrowers. Even if banks decide not to take direct remittance income into consideration for specific clients, they will need to establish risk management policies to minimize the risk of a decline in overall remittances.<sup>76</sup>

Tajikistan still lacks internal policies, procedures and personnel experienced in mortgage lending. These elements are necessary to implement sound risk management policies, methods and tools. The necessary conditions to strengthen the capacity of the key participants in the mortgage market and to further develop their institutional potential are not yet in place. Mortgage lenders could substantially improve their residential mortgage operations by implementing basic residential mortgage lending policies, procedures, standardized documentation and internal structures to encourage such lending.

No training programmes exist for inexperienced borrowers (commercial developers, municipal enterprises, households), to increase the effective demand for housing finance including the development

<sup>71</sup> The average price for a two-bedroom apartment in Dushanbe is \$40,000. Thus, the total bank equity of \$162 million could hypothetically finance a maximum of about 4,000 apartment units.

<sup>72</sup> Mid-term strategy for development of the banking sector of the Tajikistan Republic up to 2009 approved by the Government on 3 August 2007.

<sup>73</sup> Law on Mortgages, adopted on 20 March 2008.

<sup>74</sup> Central Asia Housing Finance Gap Analysis. IFC, 2006, p. 101.

<sup>75</sup> During the past few years the programme has not been financed.

<sup>76</sup> Central Asia Housing Finance Gap Analysis. IFC, 2006, p. 93.

of proper construction proposals, market analysis and possible sources of loan.

It seems encouraging that IFC is currently implementing a project for improving the housing finance legislative framework, which includes the institutional capacity for mortgage lending and awareness of mortgage possibilities.

The relatively high risk in residential mortgage lending is exacerbated by the inadequacy of the laws and regulations related to repossession of residential property used as collateral, and by the lack of internal risk management mechanisms in the commercial banks' strategies. Housing legislation does not consider the transfer of ownership of residential property to a lender as legal grounds for evicting tenants.

Loans for residential construction are also undeveloped. Developers usually do not have liquid collateral and clear accounting documents. Sound procedures for pledging unfinished buildings and efficient risk assessment instruments are also lacking. Even though the demand for residential construction loans is relatively high, banks prefer to do short-term commercial lending, which creates higher returns.

The infrastructure required for a functioning mortgage lending system is underdeveloped. For example, the insurance sector lacks standardized policy documentation. According to the legislation,<sup>77</sup> insurers must have a licence, and they can offer life, property and third party liability products. Measures to increase the banks' confidence in the housing market, particularly for the property valuation and the security system, are not yet in place. Mortgage market development will also benefit from a foreclosure process, which is easier and less expensive both for the debtor and the borrower. However, this process needs to be facilitated through social assistance. To further develop the residential mortgage industry, the linkages between the insurance and residential mortgage sectors should be strengthened and the insurance companies should be stimulated to increase the range of standardized insurance products.

The Law on Credit Histories<sup>78</sup> was adopted in 2009. Under this law, banks are obliged to submit electronically the information on all loans to at least one commercial credit bureau. The National Bank

of Tajikistan has established a centralized credit history register and is supposed to supervise the credit bureaux once they are set up.

The country does not have a well-functioning independent institute for appraisals.<sup>79</sup> There are no specific assessment standards for residential valuation. Without independent appraisal services, banks have serious problems related to the objective assessment of residential property values.

There are no specialized laws regulating realtors' activities. Furthermore, the sector lacks transparency. The linkages with residential mortgage providers do not exist either. To further enhance an effective and transparent realty services sector, and to increase the level of professionalism, it is essential to introduce a self-regulating professional body that could license realtors and develop standards, methods and procedures for residential appraisals.

Although some of the banks want to increase the possibilities for mortgages, a number of legal concerns limit such a development. Crucial problems are the lag between registration of the property and the mortgage itself, and the uncertainty of the foreclosure process, which could take up to several years in practice, especially when court decisions are involved. These issues were carefully identified in an IFC study from 2006.<sup>80</sup>

Currently, two key tax elements in the development of mortgage lending are missing: mortgage interest deductibility; and the tax treatment of capital gains on the sale of residential property. There is no law on mortgage securities. Consequently, no special tax treatment of mortgage securities or mortgage transfers exists.

#### D. MICROFINANCE SYSTEM

In 2003, in conjunction with EBRD, IFC established a credit facility for entrepreneurs: the Tajikistan Micro and Small Enterprise Finance Facility. International organizations continue to support the development of the microfinance sector in Tajikistan, but mainly for trade and entrepreneurs.

The number of microfinance institutions (MFIs) in the country increased from 11 in 2004 to 116 in

<sup>77</sup> The Law on Insurance, adopted on 20 July 1994 #981.

<sup>78</sup> The Law on Credit Histories, adopted on 26 March 2009, #492.

<sup>79</sup> The Law on Appraisal Activity, adopted on 30 June 2006 #335, establishes general framework for realtors' activities, including licensing requirements.

<sup>80</sup> Central Asia Housing Finance Gap Analysis. IFC, 2006.

2009. Sixty-one are members of the Association of Microfinance Organizations of Tajikistan (AMFOT). At the beginning of 2010, MFI members of AMFOT had more than 128,000 active clients, with a loan portfolio of 1.06 billion somoni.<sup>81</sup>

The social mission of MFIs is to assist low-moderate-income households to gain access to credit. The average amount of an MFI loan in 2009 was about \$700, which is 5.7 times lower than a typical commercial bank loan.<sup>82</sup> The microfinance sector has the potential to offer housing loans, but focuses mainly on trade and agricultural lending especially for rural areas. However, some MFIs offer small loans for house construction, improvements, refurbishment or housing purchases.

Microfinance banks provide dollar-denominated loans for housing purposes of up to \$30,000 for more than 10 years with an interest rate of 21%–23% per annum. They have already disbursed 668 loans for a total amount of \$2.4 million, and the demand is significantly exceeding the supply. Small loans of up to \$200 can be provided without collateral and with a limited number of required documents.

HFHT is focusing mainly on the poorest segment of the population, and offers a range of products to improve housing conditions, especially in rural areas, in cooperation with MFIs. Several programmes include provisions concerning the financing of construction and renovations of houses in rural areas, as well as seismic reinforcement, and water filter installation. They require that the participating families repay the micro loans.

The international financial crisis affected the lending provided both by the commercial banks and MFIs. However, the MFI sector performs better, with a delinquency rate on the loans of 6.5% at the end of 2009, which was much lower than that of the banking sector (12.9%).<sup>83</sup> Thus the commercial banks are starting to consider microfinance as an attractive sector for their activities.

The Law on Microfinance Organizations adopted in 2004 regulates the sector.<sup>84</sup> This law creates the

<sup>81</sup> Analysis of statistical data of members of AMFOT in 2009 <website [www.amfot.tj](http://www.amfot.tj)>

<sup>82</sup> Analysis of statistical data of members of AMFOT in 2009 <website [www.amfot.tj](http://www.amfot.tj)>

<sup>83</sup> Analysis of statistical data of members of AMFOT in 2009 <website [www.amfot.tj](http://www.amfot.tj)>

<sup>84</sup> The Law on Microfinance Organizations adopted on 19 April 2004 #1,112.

special obligation for MFIs to have a licence and to perform a limited scope of activities. There are no special regulations for MFI activities concerning their reserves, capital or any other normative requirements. Thus MFIs should follow the general requirements when issuing micro loans.

## E. HOUSING LEGISLATION AND BUILDING NORMS

### *Housing legislation*

According to the Tajik Constitution, “Every person has the right to housing. This right is ensured by means of construction of State, public, cooperative and private housing.”<sup>85</sup> The main legal framework for housing is established by the Housing code,<sup>86</sup> which was prepared on the basis of the Soviet State-oriented system and adopted in 1997. It regulates mainly the issues of public housing stock, especially its provision and management. The draft of a new Housing Code has already been prepared, but is still under discussion with the stakeholders. Based on the Russian and Belarusian models, it should solve the problems occurring in the housing sector and correspond to the new realities, including housing management and the relations between owners and developers and owners and tenants.

The NDS defines the priorities of Government policy. It focuses on achieving sustainable economic growth and public access to basic social services, as well as on reducing poverty. The only reference which covers housing issues is “Expansion of Access to Water Supply, Sanitation and Housing and Municipal Services”. The same priority is established in another very important document, the national PRSP. The housing-related goal of that document is to improve the utilities sector across the country and to introduce new efficient mechanisms in the housing management sector.

A concept for the development of the construction sector in Tajikistan was prepared in 2006. It aims to provide at least 700,000 m<sup>2</sup> of housing per year until 2012, 80% of which will be individual housing. It also focuses on the need to update the town planning documentation throughout the country and provides a comprehensive list of tasks to develop the construction

<sup>85</sup> The Constitution of the Republic of Tajikistan, adopted by the Government of Tajikistan on 6 November 1994, art. 36.

<sup>86</sup> Housing Code, approved by Parliament on 12 December 1997.

sector, including the introduction of modern materials and techniques and the implementation of new educational programmes and trainings. At the end of 2009, a development programme was prepared, which aims to increase the use of locally produced construction materials.

Like many other former Soviet republics, Tajikistan stimulates the development of private housing stock. The Law on Privatization was adopted on 4 November 1995 and allows tenants to privatize their dwellings free of charge.<sup>87</sup> The ownership of the common areas and the land use rights are also transferred to the owner of the dwelling. If the dwelling requires a capital repair, the Government is obliged to do it before privatization or to pay compensation; however, in reality, this does not happen.

The Law on Apartment Building Maintenance and Homeowners' Associations adopted in 2009<sup>88</sup> concerns the common areas of multi-unit buildings and creates legal grounds for housing management services. Homeowners can choose either to manage the common property and utilities by themselves through an assembly or homeowner association, or to hire a management company to perform everyday maintenance and servicing. It is planned that this law will be included into the new revision of the Housing Code.

The Law on Individual Housing Construction<sup>89</sup> grants people the right to build individual housing and provides protection against eviction from their individual houses. It also regulates the individual constructions, including a list of documents required to get permission to use the land and build a dwelling. According to the Law on State Registration of Immovable Property and Rights to It, after completion the building must be registered.<sup>90</sup> To be registered a building should match the construction requirements. The required documents relate to the confirmation of the land use right; a construction project adopted by the local authorities; and a construction permit.

The general framework for activities in town planning and construction is established in the Law

on Architecture and Town Planning Activities.<sup>91</sup> It deals with issues related to construction (construction projects, permits, oversight of construction and acceptance of finished buildings) and town planning (master plans, zoning).

At the State level, control over the construction process and the main regulative functions are performed mainly by the Architecture and Urban Planning Department. At the local level, the Architecture and Urban Planning Departments are mainly responsible for the preparation of local town planning documentation, master plans (including the master plans which should be approved by the State), provision of land plots for construction, expertise and supervision of construction projects.<sup>92</sup> The Agency for Construction is planning to prepare a draft Construction Code, which will consolidate the existing legislation on construction and town planning issues.

In 2007, the Government launched a property legalization process to facilitate registration. Many people who purchased property in the 1990s were unable to register it until this process was introduced due to the chaotic land-plot distribution during this period. This finally enabled them to avoid criminal and civil liability for illegal habitation. Although the law has since expired, the proposition to extend the period of amnesty is now under discussion.

Although the general legislative framework for housing exists and is being updated, there is a lack of guidance on its implementation. Increasing urban density and the need to destroy and rebuild outdated housing stock inevitably raises the issue of compensation for the people who have to be evicted. The current legislation does not contain any clear instructions on how to deal with this problem or how to determine the dwellings to be demolished due to unsuitable living conditions. A more detailed overview of the legislation related to forced evictions can be found in the report of the Bureau for Human Rights and the Rule of Law.<sup>93</sup>

<sup>87</sup> Law on Privatization adopted on 4 November 1995 #114, art. 14.

<sup>88</sup> The Law on Apartment Building Maintenance and Homeowners Associations, adopted on 5 August 2009 #542.

<sup>89</sup> The Law on Individual Housing Construction, adopted on 21 July 1994, #997.

<sup>90</sup> The Law on State Registration of Immovable Property and Rights, adopted on 20 March 2008 #375.

<sup>91</sup> The Law on Architecture and Town Planning Activities, adopted on 20 March 2008 #380.

<sup>92</sup> The Regulation on Local Architecture and Urban Planning Departments, approved by the Government on 27 February 2009 #127.

<sup>93</sup> *Human Rights Monitoring of Forced Evictions for State and Public Needs in the Republic of Tajikistan*, second ed., Bureau for Human Rights and the Rule of Law, 2009.

### Building norms and regulations

Concerning the technical aspects of the legal framework, regulations based on those of the Soviet era still remain in force, with amendments made to meet modern requirements (e.g. anti-seismic construction, reduction in water and heat consumption). In the post-Soviet era, new technical codes for building regulations were adopted, including the Residential Buildings Code (2005), the Anti-Seismic Construction Code (2007) and the Town Planning Code (2008). In addition, between 2004 and 2009 guidelines and standards on specific aspects of construction were adopted (e.g., for hotels, stone constructions, water supply and regarding the fire safety of buildings). Generally these building norms and regulations (SNIps) are obligatory. To keep them up to date, the Agency for Construction organizes a yearly revision of the existing SNIps with the participation of construction industry players. For 2010, the update of the Regulation on the Energy Efficiency of Buildings, Roofing and Insulation was scheduled.

A special SNIp on Anti-Seismic Construction was prepared in 2007, as 93% of the territory is in a high seismic activity zone. It contains modern requirements for residential buildings, including guidelines for individual constructions in rural areas. The latter is a significant problem for the country because of the poverty in rural areas and the lack of financial resources, skills and materials to construct earthquake-proof houses. HFHT, Caritas and the Institute of

provision of infrastructure, services and equipment. All building norms are developed and approved by the Agency for Construction and Architecture. To respond to local particularities, the SNIps are established according to the different types of territory, depending on the size of population, the area, the climatic conditions and the seismic activities.

If a developer wants to go beyond the limits established by the SNIps, for example, to build a skyscraper, a request to the Agency for Construction should be submitted and the technical requirements for the project prepared. The latter generally takes about one month and costs between 5,000 and 10,000 somoni.

In 2009 a legal reform was started. The Law on Technical Control<sup>94</sup> came into force on 1 January 2010 with the aim of creating a unified system. It provides that technical regulations based on international standards should be created within seven years to cover a variety of issues, such as safety, environmental protection, national security and the rational use of resources. Once approved by the Government, they will become obligatory for all market players. All the other norms and regulations, including the SNIps, will be voluntary, except during the transition period when the technical regulations are being prepared. In this period, the SNIps and other norms will be compulsory but only for the issues covered by the Law on Technical Control. Thus they will receive the status of temporary technical regulations until 1 January 2017. Finally, the Government is supposed

**Table 5. Classification of settlements in Tajikistan**

Type of settlements	Size of population, thousands	
	Urban	Rural
<b>Large</b>	250–1,000	Above 5
<b>Big</b>	100–250	1–5
<b>Average</b>	50–100	0.2–1
<b>Small</b>	below 50	Below 0.2

Source: Building norms, “Town Planning” (2007)

Seismic Activity have recently implemented a joint project of reinforcing individual buildings by using local materials, which costs only \$8,500 per dwelling. The technique was recognized by the Agency for Construction and was incorporated into the SNIp on Anti-Seismic Construction.

The SNIps system not only covers safety and environmental protection issues but also regulates the

to publish a list of the existing norms and regulations, which will receive the status of temporary technical regulations. For the moment, in the housing and construction sector, such a list has not been yet published and there are no precise timelines for the preparation of technical regulations.

<sup>94</sup> The Law on Technical Control, adopted on 19 May 2009 #522.

### ***Administrative procedures in construction***

The construction sector is heavily regulated in Tajikistan. Moreover, according to the annual World Bank survey, *Doing Business*, which establishes an indicator for dealing with construction permits, Tajikistan ranks 177 out of 183 countries. To build a warehouse in Dushanbe requires 32 procedures, takes 250 days and costs 1,023% of per capita gross national income.<sup>95</sup> The most detailed analysis of Tajik legislation relating to construction was prepared in 2008 by USAID<sup>96</sup>. The report revealed and analysed the gaps and discrepancies in the legislation at every stage of the construction process and judged the administrative regulations to be excessive.

To address this issue, stimulate investments and improve Tajikistan's position in the *Doing Business* ranking, the President declared 2009 as the year of reform of the construction sector.<sup>97</sup> A "one-stop-shop" approach for administrative procedures in construction was implemented.<sup>98</sup> It clearly defines the stages and timelines for receiving all the necessary permissions and documents. Furthermore, it also

minimizes the interactions with Government and municipal structures.

The process of improving the legislation and simplifying the administrative procedures related to construction will continue in 2010, with the active support of some donor organizations. However, there is still a problem in the supervision and control of construction activities, especially individual ones.

In 2009, the Construction Oversight Agency conducted 1,159 inspections of construction sites (about 10% of all construction sites) and found 1,094 violations of the law (94% of surveyed sites). Most of these violations concern individual constructions. To amplify the coverage of its supervision, the Agency needs to increase the number of its staff, which is extremely low, consisting of only 30 people for the whole country. Also, the relatively low fines do not act as deterrents for those who profit by breaking the law. Particularly in the case of individual constructions, for which there is an expedited process, very often some of the required documents are omitted.

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<sup>95</sup> *Doing Business 2010*. Tajikistan. World Bank, 2010.

<sup>96</sup> *Analysis of Tajik Legislation in the Construction Area*. Report prepared by Business Environment Improvement Project on 27 July 2008, available from: [www.bei-ca.net](http://www.bei-ca.net).

<sup>97</sup> Presidential Decree on Improvement of the Administrative Procedures related to Construction Activities in the Republic of Tajikistan of 18 March 2009 #638.

<sup>98</sup> Government Decree on Measures for Implementation of the Presidential Decree on Improvement of the Administrative Procedures related to Construction Activities in the Republic of Tajikistan, approved on 6 May 2009 #282.