

## **Socio-economic conditions and housing institutional framework**

*The Government of Tajikistan demonstrates its commitment to maintaining macroeconomic and financial stability in the country through the implementation of reforms and the development of programmes and projects in cooperation with various organizations. This is reflected, for example, in the poverty reduction programmes (first and second Poverty Reduction Strategy Papers (PRSP), 2002–2006 and 2007-2009 respectively) and the National Development Strategy for the period 2015, with some references to housing. The latter document is focused on achieving sustainable economic growth, expanding public access to basic social services and reducing poverty.*

*Although poverty has fallen significantly since 1999, an estimated 60% of the population still lives in poverty. With the rapidly increasing population, the job creation process could not match the demand for employment, resulting in high levels of unemployment. The lack of employment opportunities as well as low wages, especially in the rural areas, have led to labour migration within and from Tajikistan. More than 400,000 Tajiks left the country in 2004 to find jobs, mainly in the Russian Federation. The amount of remittances from migrant workers was so significant that it became a source of economic growth for Tajikistan. However, labour migration deprives the country of its skilled workers and limits the work force.*

*Natural disasters have plagued Tajikistan over the years. The Government has taken steps to address disaster risk management and adopted a national strategy on disaster management. Yet the various natural disasters that the country is continually experiencing further complicate the poverty situation in the country.*

*The downgrading of the housing authorities has important implications. In fact, several institutional changes have occurred. Most notably, the status of the national housing authority has been downgraded from a State Committee to the State Agency for Construction and Architecture. At the local level, a governance system is in place, but the current sharing of competencies between national housing authorities and local bodies remains unclear and is not accompanied by adequate financing.*

*There is little information on the housing situation in Tajikistan. Programmes and practices are currently not supported by enough reliable and comprehensive statistical data to enable the Government to identify and understand housing related problems.*

## **Housing conditions, housing construction and public utilities**

*Today, the housing conditions of many families are deteriorating due to lack of maintenance and repair. Since 1995, when the Law on Housing Privatization was approved, around 93% of the housing stock had been privatized by January 2010. With privatization, the responsibility for housing was transferred increasingly to individual tenants, without proper implementation of the existing legal framework and without provision of adequate financial resources for housing maintenance. Regarding single-family housing units, the majority of them were built without planning guidance, often in violation of seismic regulations.*

*Currently there is no strategy or comprehensive action plan for both housing maintenance and the utility sector despite the development of a draft Concept for Housing and Utility Sector Reform in the Republic of Tajikistan. However, as of January 2010 this draft concept was still under consideration. Budget funding for the sector is also limited.*

*The existing law on Apartment Building Maintenance and Homeowner Associations contains provisions on managing the common areas of multi apartments building. It states that homeowners can choose either to manage the common property and utilities by themselves through an assembly or homeowners association or hire a management company. However, these formal provisions have often not worked in practice, as there has been no proper institutions for implementation and funding. Furthermore, many new homeowners are not able to implement capital repairs at their own expense.*

*It appears that decent housing remains unaffordable for average households, given their low annual wages.* In urban areas, housing construction is mainly led by the private sector and aimed at wealthy customers, while in rural areas housing output is made up of self-built single-family housing. The official housing market is dominated by demand from wealthy households and there are no mechanisms that could stimulate effective demand from the rest of the population.

*The Government has tried to improve urban and rural water supply by attracting donor support.* Projects carried out so far, such as to improve the water supply of Dushanbe city, have brought positive outcomes, and the quality and availability of water supply has improved in recent years. However, the recent construction boom, especially of high-rise multifamily units, will further strain the existing infrastructure, and the improvements made in recent years may be lost without further, considerable investment.

*The management systems of local utility companies are ineffective,* the practices for collection of fees and tariff policies also need to be revised, and water meters need to be installed in multifamily units. *The situation with sewerage systems operating in towns is even more urgent,* as this sector has seen considerable underinvestment. Most of the sewage treatment facilities in the country are working at the limit of their capacity. The increasing population of towns puts additional stress on very outdated sewerage infrastructures. *The situation is similar with the collection, storage and incineration of municipal solid waste.* The existing system of waste collection is inadequate and cannot meet the needs of growing urban populations.

*The Government is investing in modernization of the existing intra-city energy distribution networks.* However, the problem of sufficient electricity supply for the population of Tajikistan still remains very acute. The country experiences a serious deficit of electricity during winter, when its hydropower plants are not producing adequate electricity to cover the needs of the country. The import of electricity from neighbouring States is also not stable due to technical and political reasons. The energy sector needs modernization to decrease the considerable losses in transmission lines.

*The natural gas supply situation has also been challenging.* The country is importing almost all its natural gas supply from Uzbekistan and local production can only cover the needs of a few smaller towns. As the price of natural gas has increased greatly during the past five to six years, the country cannot afford to import sufficient gas, mainly due to the inability of both businesses and the population to pay for it. This difficult situation has forced the population to search for autonomous energy sources. Gasoline- or diesel-run generators were widely used as alternative electricity sources, while liquefied petroleum gas or compressed natural gas were used for heating together with locally available wood and coal.

*The energy efficiency of new and existing buildings has been on the Government agenda since the adoption of the “Concept for the Development of the Fuel and Energy Sector for the period 2003–2015”.* In general, developments with regard to energy efficiency remain patchy, although the Agency for Construction and Architecture was recently entrusted with the development of a national programme on energy-efficient housing. The programme was intended to include a broad range of actions, such as research, design, funding and tariff regulation. *The use of renewable energy sources has also been explored.* A number of small community-based projects on energy efficiency in housing have been carried out in Tajikistan by some international organizations as part of the poverty alleviation programme.

*There is a growing trend towards self-help construction,* driven by limited opportunities for many households to improve their housing situation. Self-build single-family housing made up almost 87% of the total housing output in Tajikistan. Many self-build houses in both rural and urban areas are not in conformity with the formal building regulations, mainly due to the residents' limited financial resources, but also due to the inadequacy of building regulations. The houses are made of stone and mud bricks found or produced locally to substitute for other expensive building materials. In some urban areas, self-build housing is supported by municipalities.

## **Financial and legal framework**

*Building 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.

*Lack of mechanisms to facilitate the construction of affordable housing, but an overwhelming demand for such housing.* The supply is insufficient due to the lack of financial mechanisms to support the construction companies. Residential construction is financed mainly by the savings of future unit owners.

*No government policy to develop the rental housing sector.* According to the Housing code, the Government is responsible for the provision of social rental housing for households in need. Given the economic difficulties and fiscal constraints, a transparent income-based subsidy system has not been developed to meet the housing needs of the vulnerable segments of the population.

*The Government has yet to create a conceptual framework for a residential mortgage financing system.* The State has not defined as a priority the development of such a system, nor has it identified the major objectives, means and mechanisms necessary to develop and support the residential mortgage industry.

*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 deductible.

*The problems that Tajik banks are facing are the insufficient incomes of borrowers combined with a lack of cheap, long-term capital* as well as the lack of internal policies, procedures and personnel experienced in mortgage lending. These are necessary elements 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 further develop their institutional potential are also not in place yet.

*A microfinance sector is being actively developed with the assistance of international organizations but mainly for trade and entrepreneurs.* However, some microfinance institutions offer small loans for housing construction and refurbishment and housing purchase. The commercial banks, despite the financial crisis, are starting to consider microfinance as an attractive sector for their activities.

*Although the general legislation framework for housing exists and is being updated,* there is a lack of guidance on its implementation.

*The increasing density and rebuilding of outdated housing stock inevitably raises the issue of compensation for the people to be evicted.* The current housing legislation does not contain any clear instructions on how to deal with this problem or how to determine those dwellings which should be demolished due to unsuitable living conditions.

## **Urban planning and development**

*The Government has recently approved new administrative procedures for obtaining a construction permit* which introduces the principle of the "Single Window". It has also reviewed the list of documents required for obtaining a construction permit and approved the updated templates of documents to be submitted as part of application for a construction permit.

*The process of preparations of master plans is carried out by Gipstroy in cooperation with the local branches of the Executive Power.* However, the information provided by local governments to the people on the current situation with master plans is rather inadequate. The participation of the population in the decision-making process of drafting and elaborating master plans is also very limited. This leads to confusion among the people regarding their plans to construct new houses and creates uncertainty about the future of existing dwellings. This, in turn, creates further problems related to illegal construction and evictions in such areas.

*Inadequate implementation of medium-term plans for resettlement of the population from disaster-prone areas to safer places* was recognized by the international community, as some of the resettlement activities were not well planned and the relocated population has not always been able to find appropriate living conditions in their new settlements. The compensation and loans given to resettled populations are also not appropriate, which hampers the construction of proper dwellings in a new place.

*Forced resettlement and the related inadequate compensation, especially in major infrastructure projects and inner-city housing redevelopment, remain one of the most problematic areas for the development of housing policy in Tajikistan. The existing housing legislation contains a provision on the compulsory purchase power of the State in cases of major projects of public importance, but does not elaborate on the relocation procedures and compensation for those whose homes are so purchased. At the moment, resettlement is not implemented following clear-cut procedures, but rather through controversial administrative actions.*

*Following the liberalization of the urban transport sector, a large portion of the passenger transportation began to be carried out by privately owned means of transportation, mostly by minibuses. Though it provided a partial solution to problems of transportation in large cities, especially in Dushanbe, the increasing number of minibuses, coupled with the constantly soaring number of private cars, has started to create both air pollution and traffic congestion. At the same time, the safety of public transportation has also declined.*

*The importance of preserving green spaces in towns and villages was stressed by the Government repeatedly and campaigns have been launched to plant new trees. However, as there is a lack of strategy, the sustainability of such fragmented efforts is uncertain. The green spaces might become victims of possible future road-widening operations in cities, and the general shortage of available land for construction may also result in some land being taken from the recreational parks located in towns.*

## **Land administration**

*The main legal instruments regulating land administration and the necessary land reform measures to promote private ownership and develop an agricultural land market have been approved. However, the legal framework contradicts the principle of private ownership and restricts the granted land use rights.*

*The traditional large-scale farms were gradually eliminated and reorganized into lease-share enterprises, cooperatives and *dehkan* farms. However, the State still retains strong control over the land market, basically through imposing pricing regulations.*

*In practice, the land reform in Tajikistan has not yet been fully implemented. The disputes between agricultural enterprises and *dehkan* farms are frequent due to the excessive intervention of the *Hukumat* ((local executive authorities) in the local economy. At present, the main challenge facing Tajik agriculture is a lack of funds and the urgent need for investments. The relatively high land use taxes could further discourage private farming. Efficient land dispute resolution mechanisms, as well as the adoption of uniform land administration principles to promote development of the land market in the country, have not yet been introduced.*

*Currently, there are various institutions responsible for land administration but their activities are not well coordinated, and data integration processes are not well developed.*

*The real estate registration processes in Tajikistan are complex and inefficient. Procedures take a lot of time and are expensive for both the Government and the property owners. Limited public access to land registry information threatens the long-term integrity of the system.*

*Mortgage registration processes are complex and the registration of real property rights requires closer interaction with the banking system. On the other hand, progress has been accomplished and, with the support of international projects, the main basis for topographic and cadastre mapping has already been developed.*

*There is sufficient national and local staff to implement the land administration reforms in the future. However, progress seems to be slow as the land allocation and property registration procedures have yet not been simplified.*