

**TASK ORDER PROGRESS
AND COST REPORT**

**EARTHQUAKE ZONE PILOT
HOUSING CERTIFICATE
PROGRAM**

ARMENIA

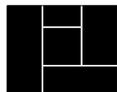
APRIL - JUNE 2001

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**TASK ORDER PROGRESS AND COST REPORT
ARMENIA EARTHQUAKE ZONE PILOT HOUSING CERTIFICATE PROGRAM
LOCAL GOVERNMENT ASSISTANCE INITIATIVE
APRIL - JUNE 2001**

PROGRESS REPORT

In March 2000, USAID contracted the Urban Institute (UI) to implement a Pilot Housing Certificate Program. The project is designed to provide permanent housing for people still displaced by the 1988 earthquake that devastated Armenia, and builds on strategies previously developed by the Urban Institute, with support from USAID and the World Bank, and approved by the government of Armenia. The strategy involves issuing certificates to displaced households which can redeem the certificates to purchase proper housing, and removal of temporary shelters that housed displaced people. The project is geographically oriented, so the beneficiaries all were located in the same areas in the city of Gyumri.

In January 2001, USAID extended its contract with the UI to provide funds for the provision of additional housing certificates for residents of another location. This contract extension, or amendment, is referred to as the Bridge project or Bridge site. The Pilot project provided certificates to 225 households, and the Bridge project so far has provided certificates to 87 households.

As required by Section F.5 of the Local Government Contract, below is a description of progress during the last quarter under the following task order:

WORK PERFORMED DURING PREVIOUS QUARTER

Status of Housing Certificates: Pilot

With the exception of domic removal, all activities related to the original Pilot project are complete. As of June 30, 2001, 217 of the initial group of 225 certificate holders (i.e., those on the original "Pilot" site) had been used to purchase housing. Of this number, 216 beneficiaries (96%) have been issued title to new apartments, 199 households' temporary shelter had been destroyed or, in the case of public assets, permanently vacated. A total of 8 certificates (3.6%) expired without being used to purchase permanent housing. There are no more unused Pilot certificates.

Certificates Issued:	225
Certificates Cancelled or Expired (out of 225)	8
Sales Agreements Notarized:	217
Titles Issued:	216
Handover (Agreement between Buyer and City) Signed:	186
Domics Removed/Municipal Assets Vacated:	199



Status of Housing Certificates: Bridge

As of June 30, 2001, 87 certificates had been issued to beneficiaries located on the Bridge site and School No. 6. Forty-two of these Bridge certificate holders have already signed agreements for housing, of whom all but two already have title to their new permanent shelter.

Tables 1 and 2 present summary statistics for the program as of June 30, 2001.

Table 2: Bridge Summary Statistics	
Certificates Issued:	87
Certificates Cancelled or Expired:	0
Sales Agreements Notarized:	42
Titles Issued:	40
Handover (Agreement between Buyer and City) Signed:	9
Domics Removed/Municipal Assets Vacated:	13

To date, 84 certificate holders negotiated prices for permanent housing that is less than the total value of their certificates. In total, such remainders account for only 5.5% of the money transferred to beneficiaries; that is, of the approximately USD 839,838 paid to or due certificate holders with sales agreements to date, remainders accounted for about USD 45,913.

On average, certificate holders have signed and notarized sales contracts 111 days after certificate issuance. Thus, on average, it takes certificate holders 3.6 months to buy apartments. The average number of days between certificate issuance and signing the Transfer Agreement (between the seller and the buyer) is 133 days (4.3 months), while the elapsed time for the entire process from certificate issuance to signing the Handover Act with the Municipality averages 194 days or 6.2 months. The 42 certificate holders from the Bridge who have already signed sales agreements took, on average, two months (61 days) from date of issuance.

Sixteen certificate holders have been able to use their certificates to purchase two units. In addition, five pairs of certificate holders have combined their certificates to purchase one apartment (that is, ten certificates were used to buy five apartments). In all but one case, these pairs were relatives.

Role of Local NGOs: Public Information Campaign/Information Center and Home Search Program

During this reporting period, the two local NGOs participating in the Pilot program, Meghvik Youth Education Center (lead) and the Shirak Regional Branch of the Sakharov Human Rights Armenian Center, continued to provide information to the beneficiary community. The NGOs also continued to provide additional assistance in locating appropriate permanent housing to beneficiaries in need of special help such as the elderly, disabled, orphans and members of other marginalized groups within the general beneficiary population.

SIGNIFICANT FINDINGS AND DELAYS

With the exception of domic removal, most activities relating to the Pilot phase (i.e., the first 225 certificates) have been completed. During the reporting period, the results of this phase of the program were analyzed and,

at the request of USAID, presented to GoA officials. The “Lessons Learned” from the initial phase of certificate issuance in Gyumri are summarized below. The project experienced no significant delays during the past quarter.

Housing Certificates are a viable means for accessing the private real estate market:

- There was adequate supply of ready housing for the pilot.
- Sellers trusted the program and participated.
- The real estate values remained stable.
- The process moved quickly (average 3.6 months to receiving title certificate and 4.4 months to move into the new apartment).
- Two out of three beneficiary households used the entire amount of the certificate. (Not one certificate holder added their own funds through the prescribed bank procedures, although there is anecdotal evidence that some families added funds.)
- About 30% of the apartment sales transactions involved a real estate broker.
- The banks proved to have the capacity to act as program intermediaries and performed well.
- The vast majority of beneficiaries expressed satisfaction with the new home that they had selected.

The geographic (site-based) approach proved to be valid:

- It provided a clear, transparent mechanism for determining eligibility.
- It provided the impetus for concentrating recovery efforts on specific sites.
- It proved to be very comprehensible and acceptable to the population.

The vast majority of the displaced population qualified:

- About 75% of households (3 out of 4) living in temporary shelter were eligible.
- 93% of eligible households voluntarily chose to participate in the program.
- 96% of certificate holders purchased permanent housing.
- Most (80%) of the ineligible households had already received housing compensation or were registered to a permanent household (many in their original apartment). Most of the ineligibles wanted to participate in the certificate program.

Careful and flexible program design paid off:

- The “Plus One” upgrade made the program work for more than half (55%) of the participants (33% received compensation equal to the same number of rooms lost and 12% received less because the family size was smaller).
- The Plus One provision was cost effective (net cost to the program was only 12% more for each of the participating families, who may otherwise have declined the certificate).
- The “Physical Presence Test” (requiring a person to be physically present in Armenia in order to be counted in determining household compensation) added to the program’s efficiency and was *accepted by the population as reasonable*.
- The “Shopping Incentive” (potential for keeping the remainder if the purchased apartment costs less than the certificate value) helped stabilize real estate prices. One out of three (33%) buyers kept some money for relocation and renovation; but this only accounted for about 5% of the total investment (funds backing certificates).
- A very small number of beneficiaries (less than 5%) bought two apartments with one certificate (i.e., this proved feasible).



- Some related households combined certificates to buy a one larger apartment (this scenario was not foreseen in the design but was accommodated).

Major migratory movement of participants was not evident:

- About 90% of buyers remained in the home city, Gyumri.
- The 90% were split evenly between the old city and the new regions of Gyumri.
- About 83% of sellers remained in Armenia.
- A significant number of sellers living outside Armenia returned to Gyumri to sell their unit.
- Not many former residents returned to participate as a buyer.

The entire community (both participants and non-participants) needs to be engaged:

- General public information and individual interviews are critical for acceptance.
- Much staff time needed to be devoted to community outreach.
- A clear, written explanation of why a household does not qualify should be provided to each ineligible household.

Some beneficiaries need extra support:

- Some needed extra help in all phases – from the collection of documents to finding homes. In particular, single elderly beneficiaries and households desiring to buy more than one apartment with a single certificate required help.
- Real estate agencies were not inclined to provide the extra assistance.

Close cooperation between program implementers, USAID, and GoA is vital:

- Monthly meetings with representatives of the Ministry of Urban Development, the Marzpetaran, the Municipality, USAID and the Program Manager (the Urban Institute) allowed issues to be dealt with very quickly (e.g., privatization issues, new passports, etc.)
- The implementation of the program required much support from the Municipality and put a strain on its resources (e.g., documentation checking, domic removal). The single largest challenge to local government has been domic removal because of the high demands and cost of this process.

WORK PLANNED FOR NEXT REPORTING PERIOD

The Program Manager will continue with on-going support activities and monitoring of current certificate holders as well as Project evaluation. In addition, the Program Manager will focus on coordinating with the two local banks and UI/Washington, DC, on the transfer of funds to blocked accounts, accounting for funds transferred by obtaining the necessary documentation, and resolving any issues that appear during the implementation of the project.

SPECIFIC ACTION REQUESTED

None.



UP-TO-DATE SCHEDULE OF WORK

Program activities are expected to continue through mid-September, 2001.