

2. Housing purchase certificates

Description

Housing vouchers are subsidies that may be used to help with rent and homeowners' costs, or to buy a dwelling. If the latter, they are also sometimes referred to as housing purchase certificates, and may cover the full price of a home or a down payment on it. Beneficiaries are free to choose their dwellings on the open housing market in accordance with the terms of their purchase certificate, which is backed by funds at a credible financial institution. They become the owner of the dwelling once the transaction has closed.

Governments and international organisations have offered housing purchase certificates to IDPs living in protracted displacement in temporary shelters as a means of closing the shelters and providing them with long-term housing. In cases where IDPs have been sheltering in schools or other public buildings, such programmes also free up important community assets. Beneficiaries are given agency in choosing where they want to live, helping to facilitate their local integration.

As certificates and vouchers are specifically tied to housing, they ensure that beneficiaries use the funds for the intended purpose. A common concern is that housing purchase certificates will drive up property prices unless there is an adequate supply of housing on the market. A pilot programme can help to read the market's ability to satisfy the housing demand it creates, and the responsiveness of buyers and sellers to the resulting prices. A pilot also helps to establish a positive impression of a programme before it is rolled out.

Case study 1: Housing purchase certificates in post-earthquake recovery programme (Armenia)

Overview

The 1988 earthquake in the Spitak region of northern Armenia internally displaced around 500,000 people. Thousands of families whose public housing was destroyed were given homes in new residential apartment buildings in development areas outside city centres between 1989 and 1991. During the initial recovery period, very few damaged but salvageable residential buildings were reinforced and renovated. Families displaced from them, however, were passed over for new housing on the basis that they would eventually be returned to their original homes.

Instead most were given temporary shelter in converted shipping containers known as *domiks*,¹ where they ended up living throughout the 1990s. The containers had mains for electricity, but not all had indoor plumbing. Neither were they insulated, making them unbearably hot in the summer and cold in the winter. They were also vulnerable to vermin and leaks.

The upheaval following Armenia's independence from the Soviet Union in 1991 thwarted efforts to recover from the earthquake. Until 1998, successive administrations maintained a supply-side approach to shelter recovery, continuing the development of large new regions that had started under the Soviet plan. The government did not, however, have the resources to implement the plan and the country also had to absorb a huge influx of refugees from Azerbaijan. By 1998, the entire earthquake zone recovery effort had stalled and most of those housed in *domiks* were still living there.

There was also large-scale emigration from the country following independence, which left a significant amount of housing stock vacant or underused. This combined with the mass privatisation of state housing that took place between 1993 and 1998 created a favourable environment for housing redistribution. Those who became property-rich as a result of privatisation but were cash-poor could realise their wealth by selling their homes.

Programme design

The Urban Institute led the implementation of a housing purchase certificate programme funded by the US Agency for International Development (USAID). It ran a pilot in Gyumri in 1999, and rolled out the main programme from July 2001 to April 2005. It aimed both to provide permanent accommodation for households still living in temporary shelters, and to promote urban recovery by removing *domiks* from prime land. The programme was part of a larger earthquake recovery initiative that also provided grants for the renovation of urban and rural housing.

The programme ran in ten towns and cities - Akhuryan, Amasia, Aparan, Gugark, Gyumri, Jajur Station, Maralik, Stepanavan, Spitak and Vanadzor - chosen for their urban development potential and concentration of *domiks*. Beneficiaries received certificates which they could use to buy housing on the open property market, and in return they were obliged to hand over their temporary shelters for disposal or dispose of them themselves, freeing up land for redevelopment.

Snapshot	
Practice	Housing purchase certificates, Armenian earthquake zone recovery programme (1999 and 2001 to 2005)
Main actors	The Urban Institute ² Banks Real Estate agents Central government and local authorities NGOs
Context	Earthquake aftermath with significant urban destruction IDPs living in inadequate temporary shelter for prolonged periods Transition from socialist to market-based economy Significant emigration contributing to increased housing supply
Target group(s)	Displaced families living in temporary shelters and private accommodation on compensation waiting lists
Summary	The 1988 earthquake in the Spitak region of Armenia displaced more than 500,000 people. Residents of damaged homes were to have them rebuilt, but this never happened and they ended up living long-term in inadequate temporary shelters. The housing purchase certificate programme ran in ten towns and cities chosen for the concentration of IDPs in the area and their urban development potential. Beneficiaries were given certificates based on the size of their families, which they could use to buy housing on the open property market on the condition that programme staff inspected their chosen dwelling before the transaction was finalised. Temporary shelters were then closed and urban space recovered and redeveloped using a participatory urban planning approach. Public outreach helped to ensure that both buyers and sellers accepted the programme, and numerous measures were taken to maximise the redemption of the certificates.
Strengths (Key elements of right to adequate housing and key programmatic elements from matrix appear in bold)	Beneficiaries were relocated from insalubrious temporary shelters, mostly modified shipping containers known as <i>domiks</i> , to habitable permanent dwellings with tenure security , for the most part in familiar locations within their current communities. IDPs participated in deciding where they would live. More than 4,000 <i>domiks</i> were disposed of, freeing up space for urban redevelopment and local use. The practice focussed on the existing surplus of vacant and under-used housing stock rather than building new homes.
Key challenge(s)	Many of the people who wanted to sell their housing units to those with certificates were unable to obtain the necessary documents from the cadastral survey because they had modified their homes without official permission. Many people held Soviet passports that needed to be replaced with Armenian ones, while others required power-of-attorney from relatives abroad before the head of the household could sign their agreement with the city. This caused delays in compiling beneficiary lists. The lack of accurate house price data and rudimentary estate agent services made it difficult to set certificate values. High-quality new buildings for IDPs competed with the certificate programme and delayed its implementation because recipients waited first to see if they would be allocated space in the new developments.
Factors for potential replicability	Well-developed banking and land registry system Preference for private home ownership Sufficient supply of housing in a competitive and accessible property market

Beneficiaries in Akhuryan, Amasia, Gyumri, Jajur Station and Maralik were free to use their certificate anywhere in Shirak province, and those in Aparan, Gugark, Spitak, Stepanavan and Vanadzor in Lori province. Certificate values depended on family size, which in turn determined the number of rooms needed (see Table 1).

Table 1: Certificate values

	Shirak	Lori
1-room	\$2,014	\$1,300
2-room	\$2,906	\$1,900
3-room	\$3,620	\$2,510
4-room	\$4,376	\$3,400
5-room	\$4,880	\$4,150

If the dwelling purchased cost less than the certificate value, beneficiaries were paid the difference in cash by the bank in an effort to stimulate interest and help stabilise property prices. They were also entitled to buy a dwelling worth more than the certificate value by adding their own funds. All purchases were conditional on programme staff inspecting the chosen dwelling before the transaction was finalised. In return beneficiaries were given 30 days from receipt of their title deeds to vacate their *domiks* and a further 15 days to dispose of them. They were also barred from selling their new property for two years. The city agreed to remove one *domik* for each family that bought their own home.

Public outreach helped to ensure seller and buyer acceptance of the programme, which was vital to its success. Initiatives included a weekly television programme that aired for 40 weeks, public service announcements, posters, hand-outs, direct mail, newspaper adverts and press conferences. Outreach workers also conducted neighbourhood meetings to introduce the programme and to solicit community support, and individual interviews with potential beneficiaries to review their documentation. Those found not to be eligible were informed of the reasons in writing.

Beneficiary selection evolved during the course of the project. People who lost housing as a result of the earthquake and living in *domiks* were first eligible to apply. However, in some areas, such as Vanadzor, the majority of households living in *domiks* had not been displaced by the earthquake and as such were not eligible for the programme. Thereafter urban households who had been displaced by the earthquake, had not been compensated and were not living in *domiks* were included as beneficiaries. The government's waiting list for earthquake compensation was used for beneficiary selection.

A number of measures were undertaken to maximise the redemption of certificates. The public outreach programme was put in place; beneficiaries were informed about their various housing compensation options; upward adjustments of certificate values were made; beneficiaries were helped in their house hunting and encouraged to look beyond their home areas; and supplemental mortgages were made available through local banks. Restrictions on the type of housing that could be purchased were lifted and sellers were helped with the privatisation process so that they could go ahead with the sale of their property.

Impact

Certificate holders in all ten towns and cities included in the programme were able to purchase homes. The overall rate of certificate redemption was 78 per cent, and in excess of 90 per cent in all locations except Gyumri and Akhuryan. In Shirak province, 6,104 certificates were issued and 4,575 redeemed, and in Lori province 1,448 were issued and 1,322 redeemed.

Ninety-five per cent of the certificates issued during the pilot programme were also redeemed, to the benefit of 302 families. The overall programme also benefitted 909 households who had not been living in *domiks*. Most beneficiaries bought property in the areas where they had previously been living. Those who sold property as part of the programme tended to do so for the cash, and around half moved in with relatives after the sale.⁴

By the end of the programme, 4,077 *domiks* had been removed. Given that their scrap value was in excess of \$100, most households disposed of their container themselves rather than have the municipality take them away. Informal salvage businesses sprang up to process the materials. Some beneficiaries tried to keep their containers so to be able to recycle parts or to maintain a foothold in the city, forcing the municipalities concerned to apply to the courts to force them to honour their obligations.

The removal of *domiks* freed up valuable space for redevelopment, and participatory urban planning was used for purpose, focussing on the use of the space rather than the structures themselves. Areas that had formerly been parks, kindergartens, schools, a library, a medical clinic, a theatre and a jail were restored to their previous civic function. Public spaces with fountains were created and offices and a computer lab built. In Gyumri, three development corridors were freed: the entrance to the city, Aznavour square and the All Saviour's square-Freedom square complex, all of which are important historic, religious or cultural sites.

The Urban Institute's programme also fed \$15 million into the local economy, which spurred economic growth, and

an entrepreneurial training programme was provided for both buyers and sellers. The Shirak Competitiveness Centre, an independent non-profit organisation, was established to institutionalise and sustain the urban planning and economic development activities of the broader earthquake zone recovery programme.

Challenges

It came to light early on that a significant number of people prepared to sell their property were unable to do so because their apartments had not been privatised before the 31 December 1998 deadline set by the country's housing privatisation law. The Urban Institute worked with the government to draft new legislation that was enacted in 2002 and reinstated the right to apply for privatisation for families still living in public housing in Lori and Shirak provinces. The new law also eliminated many of the official fees associated with the process.

Many would-be sellers, however, were still not able to go ahead, because they had modified their property without planning permission. This meant they were unable to obtain the necessary documentation from the cadastral survey, and there was no clear provision in the new law that would allow homeowners to work around the issue. The Urban Institute went back to work with the government and in 2003 legislation was enacted that established an affordable and understandable process of regularising illegal housing modifications.⁵

Determining house prices in each market with which to set the value of the certificates was also a challenge. Low sales volumes and tax regimes had created incentives for both buyers and sellers to understate prices in official documents, and at the time the programme got under way there were few if any professional estate agents tracking the market. The Urban Institute's ability to estimate house prices improved over time, however, as it learned how to capture increasingly reliable information.

A number of obstacles delayed the issuing of certificates. Many people still held Soviet passports that had to be replaced with Armenian ones before they were able to sign an agreement with the city entitling them to take part in the programme. Many others had one or more members abroad whose powers-of-attorney were also needed. The Urban Institute worked to fast-track beneficiaries' passport applications and provided advice, standardised forms and access to international phone and fax lines to facilitate the authorisation from relatives abroad, mainly in Russia.

Competing housing programmes were also an issue. Several hundred high quality new housing units were built for earthquake victims in Gyumri and Spitak city centre while the Urban Institute's programme was running, and

some beneficiaries waited to see if they would be eligible for new housing before they made use of their certificates to buy a second-hand property. There were significant delays in allocating the new units.

USAID, the national government and city authorities signed agreements that established responsibilities for the latter within the programme. They included confirming applicants' eligibility, registering sales and ensuring that *domiks* were disposed of. The authorities generally fulfilled their responsibilities adequately, but there were backlogs at times and the agreements signed proved useful leverage in such cases.

Conclusion

Housing purchase certificates offer a flexible and efficient demand-side tool that help families to buy their own homes. Such programmes are somewhat complex to implement, but housing agencies in most countries would be capable of running them. They work better in conjunction with other related government policies and services such title registration, and when there is a competitive and accessible property market.

The Urban Institute's programme was culturally appropriate in Armenia, given the appeal of home ownership over rental assistance as the country made the transition from a socialist to market-based economy. It also contributed to urban development following the impact of a natural hazard. The programme provided many IDPs with adequate housing, but as of 2009 some were still living in *domiks*.

Case study 2: Housing vouchers for IDPs living in collective centres (Urban Institute, Georgia)³

Snapshot	
Practice	Georgia housing voucher project for IDPs (2006 to 2007)
Main actors	The Urban Institute Project steering committee, including the Ministry of Refugees and Accommodation, Kutaisi municipality and the Abkhaz government-in-exile Charity Humanitarian Centre Abkhazeti (local NGO) Kutaisi Information Centre (local NGO) NRC
Context	Return of IDPs impossible in the absence of conflict resolution IDPs living in protracted displacement in inadequate collective centres Sufficiently developed property market 15 years after the privatisation of housing following the fall of Soviet Union
Target group(s)	IDPs in collective centres on the outskirts of Kutaisi, which were in the worst condition
Summary	The practice aimed to support the development and implementation of the government's strategy on IDPs by improving housing conditions for them. Kutaisi, Georgia's second largest city, was selected as the pilot site because of the number of IDPs living in collective centres. Voucher values were determined by family size and composition.
Strengths (Key elements of right to adequate housing and key programmatic elements from matrix appear in bold)	Sixty per cent of IDPs, or 81 families in 16 collective centres, who were issued with vouchers, successfully bought housing with tenure security and vacated their temporary shelters. The majority of displaced families participating in the programme purchased housing in the same location as the previous accommodation in collective centres. The programme was culturally appropriate in that home ownership is favoured over renting in Georgia in the context of the transition from a socialist to a market-based economy. IDPs viewed their new housing as a long-term investment. Forty-five per cent of families added an average of \$1,980 to the value of their voucher to increase their options. Five collective centres were vacated and returned to the government for community use.
Key challenge(s)	Voucher values did not always allow for the purchase of housing in good condition, As a result some beneficiaries did not receive habitable housing. There was debate about whether the vouchers distorted the property market, but data to substantiate this was not collected. Voucher values were set in US dollars, which limited beneficiaries options because the Georgian lari appreciated against the dollar over the course of the project.
Factors for potential replicability	Well-developed banking, property market and land registry system IDPs in temporary inadequate shelters Need to return temporary shelters to their original use Adequate supply of affordable housing on the market

Overview

Conflict between Georgia and the breakaway republics of Abkhazia and South Ossetia caused various waves of displacement in the early 1990s, and more people fled their homes in 2008 during the country's brief war with Russia. In the intervening period the government largely neglected IDPs' plight and pushed for their return, but with no formal settlement to the conflict only a few did so under their own steam.

The majority continued to live in temporary housing in more than 1,600 collective centres, which the government established in former public buildings such as schools,

kindergartens and hospitals. Living conditions deteriorated significantly over time and IDPs had little incentive to invest. Those who could afford alternative housing moved out, but those who could not remained in insalubrious conditions for up to 20 years.

In February 2007, the government approved a new state strategy for IDPs, which marked a significant policy shift. Its main goals were to facilitate their return to their pre-war homes and support their reintegration, and in the meantime to improve living conditions at their current residence. This marked a significant policy shift towards supporting decent living conditions for IDPs in their area

of displacement in addition to IDP return. Such initiatives, however, did not get under way until after the 2008 war with Russia and significant advocacy from the international community.

The Urban Institute's housing voucher programme began around 15 years after the large-scale privatisation of public housing, which meant a well developed property market was in place.

Programme design

The Urban Institute led the implementation of a housing purchase certificate programme funded by the US Agency for International Development (USAID). The objective was to allow IDPs living in dilapidated collective centres to purchase accommodation and contribute to the achievement of durable solutions to their displacement by facilitating a sustainable housing solution. The programme was funded by the US State Department's bureau of population, refugees and migration and implemented from 2006 to 2007. The first phase ran from September 2006 to January 2007 and the second from February to October 2007. It aimed to support the state strategy on IDPs by improving their housing conditions. Georgia's second largest city, Kutaisi, was chosen to pilot the programme because of the large numbers of IDPs living in collective centres there.

The centres targeted were in a poor state of repair, often overcrowded and located on the outskirts of town. Residents were living in substandard conditions with few job opportunities and high crime levels. They also faced significant maintenance costs, but had few means and little incentive to invest. Outside investment in the collective centres improved conditions in some centres temporarily, but was rare.

To be eligible for the programme, IDPs had to be registered at and living in a collective centre in Kutaisi; have evidence of a former address in Abkhazia; and not be beneficiaries of other initiatives to improve their housing conditions. Voucher values were determined based on family composition, as shown in table one. They were valid for three months with an option to extend them for an additional three months.

Table 2 – Voucher sizes

Family composition	Voucher
One member; two members (married); two members (unmarried and of the same sex)	One-room
Two members (unmarried and not of the same sex); three members	Two-room
Four or five members	Three-room
Six or seven members	Four-room
More than seven members	Five-room

A steering committee made up of representatives from the Ministry of Refugees and Accommodation, the Kutaisi municipality and the Abkhaz government-in-exile was set up, and two local NGOs – the Charity Humanitarian Centre Abkhazeti and the Kutaisi Information Centre – helped beneficiaries to find appropriate housing and obtain the documents they needed. NRC's Kutaisi legal aid project provided counselling to beneficiary families and the programme itself.

Impacts

Housing vouchers with an average value of \$3,427 were issued to 134 beneficiaries in 16 collective centres. Eighty-one families, or 60 per cent of the beneficiaries, bought housing and vacated their collective centre space. Twenty-three per cent bought housing that cost less than the value of their vouchers and received the difference in cash. The other 40 per cent of beneficiaries who did not find suitable housing for their voucher amount were able to continue living in their collective centre space.

More than 70 per cent of beneficiaries bought property in Kutaisi, of whom 84 per cent did so in the same neighbourhood as their collective centre. The availability of housing in these areas turned out to be vital for the programme's success as beneficiaries sought to preserve ties they had built up with their local communities over the years.

The redemption rate varied considerably between collective centres. Five were vacated completely and handed back to the government for community use after all their residents bought housing and moved out. Centres with fewer families resident generally had much higher redemption rates than those with many families, though that said, all four households of one centre returned their vouchers without being able to find housing to suit their needs for the amount of the voucher.

Beneficiaries viewed their new homes as long-term investments. Forty-five per cent added an average of \$1,980 USD to the value of their vouchers, with majority of the money coming from relatives overseas or elsewhere in Georgia. More than half carried out improvements to their new property and only a small percentage said they had

plans to sell it in the future. Their willingness to invest in their own property was in contrast with their reticence to do so in their collective centre space, which was meant to be temporary accommodation.

The housing vouchers did not have a significant impact on beneficiaries' socio-economic conditions. Twenty-three per cent said they had re-registered as IDPs living in the private sector and that their government allowance had changed accordingly, but their overall income, employment situation and ability to feed their families remained broadly the same.

Challenges

House prices in Georgia increased by 25 per cent over the two years that the programme ran, but that was not reflected in a rise in voucher values, making it more difficult for beneficiaries to find decent and affordable property. There was a belief that the pilot programme had distorted market prices, and although no study was carried out to confirm the fact, it contributed to the mechanism not being replicated. The vouchers also lost purchasing power because voucher values were set in US dollars rather than Georgian lari, and the lari appreciated by six per cent against the dollar over the course of the programme.

Conclusion

As in Armenia, the programme was culturally appropriate given the appeal of home ownership over rental in the context of transition from a socialist to market-based economy. It enabled many beneficiaries to buy new homes, but as a pilot programme it could not accommodate the needs of all IDPs in collective centres. Many other IDPs were therefore left behind in dilapidated collective centres.

The overall success of the programme convinced the Georgian government to include housing vouchers as part of its action plan to implement the 2007 state strategy on IDPs along with other housing programmes.

Despite its best intentions, the housing vouchers did not lead to permanent solutions for all beneficiaries. In 2009 and 2010, NRC ran a self-help shelter programme designed to help those who had received vouchers or had been compensated for vacating their collective centres, but who were still struggling to address their housing problems. Of NRC's 164 beneficiary families, between 20 and 30 per cent had participated in the Urban Institute's programme, but had only managed to buy substandard housing and did not have the means to improve it. NRC carried out priority renovations to improve their habitability.

Notes

1. *Domik* is Russian for little house
2. The Urban Institute, www.urban.org
3. The Urban Institute, www.urban.org
4. S Anlian and J Raymond, Home Purchase Certificates: The Other Housing Vouchers, International Journal of Housing Policy, 3:3 (2003), p.238
5. *Ibid*