

AFFORDABLE HOUSING FOR VULNERABLE HOUSEHOLDS

A. The role of social housing

During the Soviet period, there was public and private housing in Georgia. Public housing functioned as affordable housing with subsidized rents and utilities fees for all renters. The concept of social housing was not used. Currently, around 95 per cent of the public housing stock has been privatized.

As Georgia aims to approach European standards, it is useful to look at the fundamental European legal text, the first to recognize housing, of the European Social Charter (revised).²⁰ It refers to the right to housing in Article 31: “With a view to ensuring the effective exercise of the right to housing, the Parties undertake to take measures designed:

1. To promote access to housing of an adequate standard;
2. To prevent and reduce homelessness with a view to its gradual elimination;
3. To make the price of housing accessible to those without adequate resources.”

Affordable housing should be defined as when the expenditure on adequate housing leaves a household with enough income to pay for other basic expenditures. Social housing refers to the social rental housing found in many countries.²¹ A common feature of social housing is the existence of rules for allocating housing to benefiting households and a system of cost-price rents, not market rents. The primary role of social housing is to help vulnerable households gain access to decent housing. The problems are often financial, but they can also be connected to discrimination and other social problems.

In the Government of Georgia does not currently address questions about vulnerable households on the housing market and housing affordability in general. However, there has been a focus on spontaneous and ad hoc accommodation of internally displaced persons (IDPs), starting with the onset of internal conflicts in the beginning of the 1990s. Moreover, the development of the National IDP Strategy, launched by the Government in February 2006, was intended to provide long-term and durable tailor-made housing solutions for different categories of IDPs.

B. Government initiatives on poverty reduction and social assistance

Target 3 of the Millennium Development Goals (MDGs) endorsed by Georgia (see chapter I) envisions the socio-economic rehabilitation of populations affected and displaced due to conflicts and natural calamities, and their full integration into society.²² A number of indicators, adjusted for Georgia, have been identified to monitor the target’s implementation. Among these were: poverty indicators, income indicators (e.g. structure and size of expenditures), habitat indicators (e.g. number of rooms, ownership, total area, availability of public utilities, etc), and demographic indicators (e.g. average size, gender/age structure of the family).

The Government has reconfirmed, under Goal 7 “Ensure environmental sustainability”, Target 16 of the MDGs: the need for “harmonization of the housing sector with international standards, including the development of municipal (social) tenure component”. The Government has further committed to the elaboration of a legislative framework for the

²⁰ Council of Europe. European Social Charter (revised). Strasbourg, 1996.

²¹ For the concept of Social Housing, see UNECE Guidelines on Social Housing, Principles and Examples. Geneva, 2006.

²² UNCT in Georgia (in cooperation with the Government of Georgia). Millennium Development Goals in Georgia, Progress Report for 2004-2005. Tbilisi, 2006, p. 10.

housing sector, including the social housing component.²³ The Government's Reform and Development Programme for 2004-2009 gave priority to some sectors of the economy. Housing was not among these, however.

The Government also emphasizes the crucial role of social protection. "A low level of economic development increases the number of vulnerable people (households) and the risk of their falling under extreme poverty. 28 per cent of a poor person's income depends on the social protection system."²⁴ The social protection system, however, is not very well developed (see below).

The Government's ambitions are high when it comes to poverty alleviation: "The target to halve the proportion of people living below the poverty line by 2015 is consistent with objectives set out in Georgia's Economic Development and Poverty Reduction Programme (EDPRP). The Programme aims to reduce extreme poverty to 4 per cent, and decrease poverty estimated in relation of the official subsistence level to 20-25 per cent by 2015." The development of poverty levels has been projected up to 2015. "The poverty level has an upward trend if current conditions prevail. By 2015 the official poverty line will take in 68.2 per cent of the population and 29 per cent will be in extreme poverty. The trends demonstrate that the target to reduce poverty is unlikely to be met without substantial interventions." A large share of a household's income goes towards food. The very high food share of income diminishes the household's ability to address other urgent needs such as medical care, heating, transportation, schooling and housing (currently 7-15% of total expenditure).²⁵

The Government of Georgia asserted that the implementation of purely economic reforms will not bring effective results, as these reforms must be supplemented by measures aimed at improving the social welfare of the population.

The Government has thus started reforming the social assistance system. The reform is fully consistent with the key principles of the social assistance programmes outlined in the EDPRP. The reform aims at improving the social and economic status of the population through extreme poverty alleviation.

The Government of Georgia has reaffirmed its commitment to developing public policy on social housing, further stating that "The model of social housing must be introduced as part of a single national policy on housing in Georgia".²⁶ However, none of the measures suggested above are mentioned in the Policy Matrix of the EDPRP for the period 2005-2007.

The key principle of the reform is the monetization of social assistance. Social assistance will no longer be oriented by certain categories of the population (e.g. invalids, war veterans, IDPs). Households will be entitled to a monthly cash benefit in place of advantages envisaged by the current legislation.

The new system of social assistance requires a specific identification method for extremely poor households, which will be the beneficiaries of this assistance. Key factors need to be highlighted which exert substantial impact on the economic status of a household, and the relative weights of these factors must be determined. Subsequently, the validity of each factor for a given household will be measured, and by using factor weights, the poverty risk of the household will be assessed. So far in 2006, only 246,000 households have been registered by this new method, which is a matter of concern to the Ministry of Labour, Health and Social Affairs.

In August 2005, through the first poverty reduction support operation to Georgia of the World Bank, the International Development Association granted Georgia a credit of \$13.5 million and special drawing rights of \$6.5 million, with the intention of supporting the Government in the implementation of reforms and priorities of

²³ UNCT in Georgia (in cooperation with the Government of Georgia). Millennium Development Goals in Georgia, Progress Report for 2004-2005. Tbilisi, 2006.

²⁴ Ibid, p. 21.

²⁵ Ibid, pp. 23-24. See also table 3.3.

²⁶ UNCT in Georgia (adopted by the Government of Georgia). Progress Report, Economic Development and Poverty Reduction Programme. Tbilisi, 2005, pp. 23-24.

the EDPRP. One of the areas is “improving protection, education and health-care services”.

Other government initiatives

In 2004, the Ministry of Infrastructure and Development started a discussion on the establishment and development of a social housing policy.²⁷ The study of current housing situation in the country revealed the importance and necessity for social housing policy. In particular, the following recommendations were put forward:

- Housing and social housing should be one of the pillars of State Social and Housing Policy;
- Main concepts and priorities on social housing should be elaborated at the central level of governance, and concrete programmes on local level, reflecting specifics of each city;
- The social housing programme should be supported by Government, through legislation, an institutional framework and information management;
- Financing of social housing should be defined in legislation, and legislation should define the tax policy for the subjects participating in social housing construction;
- Local social housing programmes should be harmonized with State concepts and programmes;
- Local governments should elaborate and realize policy for involving private and public sectors in social housing programmes;
- Social housing programmes need to share the other countries’ experience and need to be based on local realities;
- In creating social housing programmes, the following aspects should be taken into consideration: social isolation/segregation, empty districts, ghettos, social violence and crime. Accordingly, programmes should have the mechanisms to be protected from the above-mentioned trends;

- In implementing social housing, Government should elaborate effective and easy systems distributing subsidies, which could include, inter alia, premises for the private sector, long-term loans (mortgages) and assistance for housing associations;
- The private sector should be one of the important actors in social housing programmes.

These recommendations are very much in line with the guidelines and recommendations on social housing development that have been developed by UNECE.²⁸

Social housing is one policy option for increasing the supply of affordable housing. This option is especially important where there is a shortage of housing in general and when it is difficult for the Government to control housing prices or rents for special groups. In other situations, subsidizing the production of new housing or subsidizing housing consumption for certain households would be an option. Housing allowances are the most common housing subsidy. Allowances have been extensively used in countries in transition, as well as in other countries and can be used in most situations when there is a housing affordability problem.²⁹ A housing allowances system for Georgia has not yet been considered by the Government.

C. Needs assessment for affordable housing

Identification and description of vulnerable groups and their housing situation

Internally Displaced Persons.

According to the United Nations High Commissioner for Refugees (UNHCR), there were 234,249 IDPs at the end of 2005.³⁰ Around 44 per cent were living in one of the more than 1,500 remaining collective accommodation centres (hospitals, schools, kindergartens, factory

²⁷ Jokhadze, N. Concept of social (Government sponsored) housing establishment and development in Georgia. 2004.

²⁸ UNECE. Guidelines on Social Housing, Principles and Examples. Geneva, 2006.

²⁹ See e.g. UNECE. Guidelines on Social Housing, Principles and Examples. Geneva, 2006.

³⁰ United Nations High Commissioner for Refugees (UNHCR). 2005 Global Refugee Trends. 2006.

buildings and hotels). Around 70 per cent of these centres do not meet minimum standards, with inadequate access to clean water, unsafe electric systems and insufficient insulation.³¹ In general, there is a lack of data on the housing conditions of the IDPs, especially for those living outside collective centres.

In 2005, a monitoring mission from the European Commission noted in a report outlining unmet needs connected to rehabilitation of collective centres: “Roofing, heating, insulation, water supply or sanitation conditions are appalling in a number of collective centers for IDPs in Western Georgia (excluding Abkhazia), which have been devastated by many years of poor maintenance. Although much of the infrastructure throughout Georgia is in big need of repair, the extent of dilapidation in collective centres is much higher and the needs more urgent, as these are structures (schools, derelict sanatoriums) which were not meant for permanent housing.”³²

Basic rehabilitation was launched in 1993-94 by UNHCR and after the 2002 earthquake, and currently a number of organizations (the International Committee of the Red Cross, the Norwegian Refugee Council, the Danish Refugee Council, Save the Children) are working in this sector. But in many places, living conditions remain far below standards, and basic repairs are urgently needed, in order to bring living conditions back to minimum acceptable standards and improve the health and psychological status of IDP populations which have been living there for 10 to 13 years.³³

UNHCR recently conducted a series of participatory needs assessment in Zugdidi to identify the immediate and long-term issues facing IDPs in order to contribute to the formulation of the UNHCR strategy and programme for IDPs in Georgia. This assessment was structured around identifying the immediate needs, their solutions and the responsible entities

to address these issues. Secondly, participants were asked to consider the mid-term needs, their solutions and the entities responsible to address them.

For IDPs in collective centres, “the issue of accommodation is both about the condition of the centre and the space. As most of the families in the centre have one room, accommodating increased number of population was cited as concern. It was also noted that the compensation and privatization prospects were also acting to keep those who live in collective centres where they were, making them unwilling to move on.”³⁴

Other groups. Georgia has been exposed to several natural hazards in the past, such as earthquakes, landslides and mudflows. As a result, there are many eco-migrants. In the period 1987-1999, in excess of 12,000 persons were affected. The Ministry of Refugees and Accommodation is responsible for refugees and eco-migrants, including questions of settlement and resettlement. The housing needs of other population groups, such as the homeless, the elderly, low-income families, single parents and disabled persons, also need to be taken into consideration by central and local governments.

Except for the housing situation of IDPs, there is insufficient data on housing stock and the housing situation of households. This makes it impossible to assess the general need for assistance with housing based on socio-economic and housing consumption data of households as well as data on the condition of the housing. However, the Department of Statistics is preparing a population and housing census in 2010.

One way of introducing the concept of affordable housing is to use household income as a starting point. More than 54 per cent of the population has incomes below the poverty line, and around 17 per cent has incomes under the extreme poverty line (figure 4.1). The definition of poverty line includes some expenditure connected to housing, e.g. expenditures for heating, water and sewage. But expenditures such as rent, interest on loans and amortization is not

³¹ United Nations, Economic and Social Council, Commission on Human Rights, Mission to Georgia 21 to 24 December 2005.

³² European Commission. Directorate-General for Humanitarian Aid. Humanitarian aid for the most vulnerable people of Georgia. Brussels 2005.

³³ Ibid, pp. 4-5.

³⁴ UNHCR. Report on Participatory Needs Assessment in Zugdidi. 2006.

included. Given that expenditures on food, clothing, medicine, etc. have priority for a household, there should be very small margins, if any, for housing expenditure for the poorest households (see also table 3.3).

*Figure 4.1. Poverty indicators, 2003*³⁵

Percentage of population below the poverty line	54.5
Percentage of population in extreme poverty	16.6
Poverty gap ratio (official poverty)	21.1
Poverty gap ratio (extreme poverty)	5.4
Share of poorest quintile in national consumption	7.8

Source: State Department of Statistics of Georgia.

Note: Poverty line is the minimum level of consumption or income necessary for a person to meet basic needs. Poverty gap ratio is the mean distance separating the population from the poverty line (with the non-poor given the distance of zero), expressed as a percentage of the poverty line.

Share of the poorest quintile in national consumption is the income that accrues to the poorest fifth of the population.

D. Support programmes connected to vulnerable households

General support programmes

Pensions and Social Protection.

The basic objective of the State United Social Fund of Georgia is to care for socially unprotected citizens and pensioners in Georgia. It is a legal person and covers mainly war veterans and accident victims. Support ranges from 35 lari to 84 lari per month (January 2006).

According to the Georgian State Budget of 2006, the minimal pension was determined at 38 lari as of 1 September 2006.

Social Assistance. The Minister of Labour, Health and Social Affairs approved “distribution rules and principles of social benefits to the needy families” for 2006. The State United Social Insurance Fund of Georgia participates financially in the programme. The aforementioned rule determined the categories of social beneficiaries and the amounts of monthly benefits, namely:

1. For single member families of unemployed pensioners, 22 lari, and for two and more member families of unemployed pensioners, 35 lari;
2. For orphan children, despite the competence of their guardians, 22 lari;
3. For unemployed persons, first group disabled people, 22 lari per person;
4. For disabled underage children, 22 lari per person;
5. For families who have seven or more underage children, 35 lari.

The social benefits programme was funded with 8.75 million lari. As of April 2006, the number of social beneficiaries numbered 72,667 families. In addition to the above benefits, the Fund pays compensation for electricity, as a fixed sum, mainly to war veterans and accident victims. The State budget provided 13.591 million lari to fund the aforementioned programme. As of April 2006, 108,573 people received the existing benefits.

Targeted support programmes for IDPs

In 1999, there was an initiative to create a framework concept for new IDP-related policy that would concentrate on development and self-reliance. The United Nations Development Programme (UNDP), UNHCR, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the World Bank, USAID and the Swiss Agency for Development and Cooperation (SDC) agreed to support an initiative aimed at promoting a sustainable solution of the problems faced by the IDP community. The president of Georgia established a commission to assist and monitor the process.³⁶

The objective of the programme is to substantially improve the lives of IDPs in a manner that reduces tension between IDPs and host communities, primarily through activities that increase opportunities to access the IDPs’ full range of rights as citizens, including equality before the law and access to quality shelter, social services, and most importantly, employment opportunities.³⁷

³⁵ UNCT in Georgia (in cooperation with the Government of Georgia). Millennium Development Goals in Georgia, Progress Report for 2004-2005. Tbilisi, 2006.

³⁶ UNDP. Working Paper on IDP Vulnerability and Economic Self-Reliance. Tbilisi, 2003, p. 4.

³⁷ UNDP. The New Approach, IDP Assistance in Georgia, p. 1.

The Georgia Self-Reliance Fund was established to test and promote pilot initiatives, *inter alia*, in the field of access to land and better housing. The Government pays 11 lari in direct financial support per person per month to those living in communal centres, and 14 lari in private accommodation. The Government also covers certain expenses for inhabitants in communal centres. The IDPs who are identified as extreme poor according to the social assistance reform will no longer receive their State allowances as IDPs, but are treated as other vulnerable households. The total expenditure transferred to IDPs is around 40 million lari.

In terms of donor contributions and activities for improving accommodation, these have mainly been concentrated in repairing and upgrading collective centres. One recent example is European Commission funding, e.g. the emergency rehabilitation of collective centres for displaced persons in 2005.

The Norwegian Refugee Council (NRC) has started a project on housing construction and renovation. In 2006, NRC planned to rehabilitate 10 collective centers and to build 10 housing units and to repair 100 housing units. A pilot programme, using housing vouchers was implemented in 2005-2006 in Kutaisi, funded by the Bureau of Population, Refugees and Migration of the U.S. State Department. The aim of the pilot project was to improve the living conditions of IDPs residing in collective centres. A housing purchase voucher is a document certifying the right of a participant to receive a subsidy to purchase housing³⁸. This is a demand-side support, which in many cases is more cost-effective than to giving supply-side support for new housing. The result of the pilot study is that 74 per cent of the overall families who accepted vouchers (in seven collective centres) have purchased standard apartments. The donor's "hard cost per beneficiary family" averaged €3,687 during the pilot phase, for the purchase of a regular, legal apartment in a mainstream residential, multi-unit building.³⁹ However, if the vouchers did not cover the cost of housing, the

households had to add money of their own or buy houses in cheaper locations.

An alternative method of enabling households in collective centres to improve their accommodation situation has been used in Tbilisi. In two collective centres (former hotels) with 1570 IDPs, private investors paid \$7,000 per room, irrespective of the number of IDPs living in the room, for resettlement in other accommodation. A survey on the effects of the privatization shows that the living conditions of the majority of the IDPs deteriorated after they moved from the hotels. In particular, some IDPs did not receive any compensation, and not every IDP family that received compensation managed to buy a flat, as the household expenditure increased. The main advantage of the privatization was that IDPs became private owners.⁴⁰

In February 2006, a Government Commission on Development of the National Strategy on IDPs was established with the objectives of: (a) developing national strategy and policy on IDPs; and (b) organizing and coordinating implementation of the developed strategy. The Commission is working in four working groups: (a) on housing, (b) on economic aspects, (c) on legal aspects and (d) on social aspects. It is very important to point out that working groups are composed of representatives of different governmental bodies (2 representatives), NGOs (1 representative) and international organizations (2 representatives). The Commission is led by the Ministry of Refugees and Accommodation. Although geared towards the specific target groups of IDPs, the strategy was expected to provide a starting point for the formulation of an overall housing policy for all vulnerable population groups, who cannot satisfy their housing needs on the existing housing market due to social exclusion or poverty. The strategy was adopted, but does not deal with housing policy to the extent initially planned. It is foreseen, however, to include housing policy issues in the resulting action plan.

³⁸ Anlian, S. Housing Purchase Vouchers, Questions and Answers. The Urban Institute. Washington D.C.

³⁹ Anlian, S. Project Status Report. The Urban Institute. Washington D.C. 2006.

⁴⁰ UNDP. Sociological Survey on Issues of Privatization among IDPs living in Collective Centers in Tbilisi and Tskhaltubo.