



Iraq Housing Market Study

Main Report

UN-HABITAT Iraq



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Annex A: Proceedings of the Iraq Housing Sector Analysis and Policy Directions
Workshop, 6–7 December 2006



Executive Summary

The Iraq Housing Market Study is a key component of the UN Trust Fund-supported Strengthening the Capacity of the Housing Sector Project being implemented by UN-HABITAT. The study is intended to provide an up-to-date analysis of the housing sector and real estate markets in six selected cities – Sulaimaniya, Mosul, Baghdad, Hilla, Najaf, and Basrah – representing the housing sector in the north, centre, and south of Iraq.

As with other sectors, the housing sector in Iraq has been dominated by government interventions and characterized by a highly centralized bureaucracy. Housing was seen as a social (rather than a productive) activity and therefore the institutions and institutional frameworks reflect a paternalistic approach. While access to housing was stated to be a basic right, it had to be rationed because the state was unable to meet the demand.

More importantly, access to and provision of housing were also seen as instruments to control who lived where, and therefore allocation of housing, land, and finance was used to benefit and reward sections of the population as much as it was designed to meet needs.

In practice, the state could not produce enough units nor meet the particular needs of individual, well-off households, for whom housing meant more than just shelter. The state thus had a two-pronged approach to meeting housing needs: public sector-built housing units for the masses and land for housing the privileged.

Land Supply and Management

In urban areas, since the state owned virtually all vacant land, it could be allocated to those the state wanted to reward or favour – mostly party members and state functionaries. Not all of them wanted to build houses, and so a secondary, private market emerged for land, sold by the owners through brokers or auctions.

Under centrally controlled land use planning and zoning, Iraq's cities expanded in the 1960s and 1970s. Low-density residential areas were planned and infrastructure and highway networks were installed. Serviced land with and without houses, as well as housing finance, were provided primarily to government employees; housing Types 3 and 4 resulted (see Table 14). In the 1980s, planned urban development slowed, but the government continued to allocate vacant, poorly serviced residential land on the periphery of cities. Under Saddam Hussein's regime the practice of distributing land to regime supporters peaked around 1997–1998. Types 6 and 7, the incomplete peripheral subdivisions, resulted from the practice of allocating poorly serviced plots.

Once allocated, the land plots became tradable in the private market, which explains why most of the land owned by the surveyed households (65 percent) was acquired from a private owner. Iraq has systems in place to facilitate the buy-sell process for land and housing that are generally effective and do not constitute a serious constraint on residential development within master plan areas. The process of buying and selling land involves registering title deeds with the local office of the General Directorate of Real Estate (Land Administration Department, Ministry of Justice), and can be completed in one month's time. However, the system is entirely paper-based and there is no accurate, up-to-date aggregated data on types of property ownership or the number and type of transactions for any specific geographical area.



Today there are three potential sources of vacant land for new residential development: vacant plots within built-up areas, incomplete peripheral subdivisions, and agricultural land at the urban periphery. However, the government issued a moratorium on the release of state land pending the completion of master plans for the cities (which have not been updated since the 1970s).

The Ministry of Municipalities and Public Works, which in 1994 took over local government oversight functions from the Ministry of the Interior, is responsible for urban planning in Iraqi municipalities (except for Baghdad). However, while the ministry is charged with preparing urban development plans, the municipalities are generally responsible for their implementation. This is a tall order in light of the limited capacity of local governments and their lack of authority to raise revenues and carry out infrastructure improvements. This mismatch between municipal responsibilities on one hand and authority and financial resources on the other is further explanation for the emergence of the peripheral residential subdivisions in the 1990s. These were created in keeping with master plans and the Ministry of Municipalities and Public Works released land to municipalities for subdivision allocation, but they were never consolidated with basic shelter-related infrastructure investments.

Housing Finance

The purpose of housing finance was to make it possible for those who had land that was authorized for housing to be able to construct their housing. It was not intended to be the general means of accessing housing, and therefore, had very restrictive conditions. On the other hand, the loans, once available, were on very favourable, highly subsidized terms.

In reality, most households (90 percent) have relied on their own savings or money borrowed from family or friends as the primary source of funds to purchase or build a house. Even in the heyday of the Real Estate Bank, 20 to 30 years ago, its loans were the primary source of financing for only about 12 to 13 percent of households. After a ten-year hiatus, the bank began lending again in 2000, but today is moribund and inefficient. The recently established National Housing Fund, capitalized with US\$200 million in oil funds and meant to fill the housing finance gap, particularly for low-income households, has yet to fulfil its role.

Housing Production

Government-built housing only ever met about 15 percent of the housing needs in Iraq. Most government housing construction occurred in the 1960 and 1970s, when the government built multi-storey public housing (Type 5), and some ministries, universities, and state-owned construction companies built staff housing. Even the Ministry of Construction and Housing's recent plans to revive its role as a housing producer by constructing some 100,000 housing units will only address between 5 percent and 10 percent of the estimated housing needs.

Since the early 1980s, the private sector has been providing 80–90 percent of housing through small-scale private contractors working for individual landowners who had purchased or were allocated a piece of land.

However, as a result of the government-controlled system, no large-scale private developers are constructing built-for-sale housing outside of the Kurdish region of Iraq. The government has effectively siphoned the supply of land and finance to would-be developers. By offering highly subsidized housing in the past, the state-led



housing delivery system effectively discouraged the entry of speculative housing developers into the low- and moderate-income housing market and kept them from developing the necessary experience and confidence to work under today's difficult conditions.

The small-scale builders are the backbone of the housing construction industry. They have proven to be adequately flexible, working on the construction of new housing, extensions, and renovations at the same time, depending on the particular needs of their clients. They provide a high degree of satisfaction for individual clients, matching client requirements and preferences with the housing that is being produced. The major issue involves reaching the necessary scale of operations to meet housing demand in the most efficient manner.

Housing Conditions, Quality, and Tenure

This dysfunctional, centralized system of housing and land delivery has resulted in a number of unmet housing needs. Shelter-related infrastructure and service problems are severe and a key concern among households. A majority of households complain about the quality of their water, and almost half report daily problems with the supply of their water. Not only is the sewage network unreliable (daily problems) in 36 percent of households, but 34 percent of households are not connected to the public sewerage system. Moreover, 34 percent of households have raw sewage in the streets around their houses. Sporadic solid waste collection services have also led to a substantial proportion of households (46 percent) with solid waste in their streets. Electricity supply is another key problem. While virtually all urban households are connected to the public electricity supply network, it typically only works for one or two hours per day, particularly in Baghdad. Almost all households surveyed depend on up to three sources of electricity.

Overall, as measured by UN-HABITAT's Key Indicator 6, only one-third of households are connected to primary services (piped water, sewerage, electricity, and telecommunications). Housing on the periphery of cities (Types 6 and 7) suffers more than average from low service coverage, especially regarding sewerage and paved roads.

These infrastructure problems have created slum-like housing conditions in much of Iraq's cities. About one-third of all households experience at least 2 slum-like conditions, and about 13 percent of households experience 3 or more slum-like conditions. Most of these conditions relate to infrastructure and service problems. Moreover, the poor quality of infrastructure services, as well as the predominance of brick construction, is creating urban environmental problems (sewage and garbage in streets, air and water pollution, etc.).

While overall housing structures are durable (90 percent), in relatively good (37 percent) or fair condition (44 percent), and of substantial size (144 m² on average) by international standards, there is notable variation across the housing types, tenure modalities, and income groups. Older, denser housing in central city areas (Types 1, 2, and 9) shows distinct signs of deterioration; about 52 percent, 39 percent, and 29 percent, respectively, of these three types of dwelling units are in poor condition (needing major structural rehabilitation) or are uninhabitable.

Middle- and upper-income households in search of bigger and better housing have vacated these central city areas, which have been converted in large part to private rental housing. The result is substandard housing for private (and predominantly low-income) renters, who make up one-third of the surveyed population. On average,



housing units of private tenants are smaller, have fewer rooms (by one), and have less floor area per person. Over 90 percent of private landlords never do minor or major rehabilitation or maintenance, according to the survey respondents, which has led to dilapidated rental housing. A quarter of private rental units are in poor condition or are not liveable, compared to 14 percent of owner-occupied dwelling units.

Estimated Housing Needs

Households are investing very little in their properties under the current conditions, which will eventually lead to further deterioration of the housing stock. Few households (6 percent of those surveyed) have plans to build new housing or improve existing housing. The key obstacles cited by households include the high price of land and the lack of finance. The current state of unrest and instability will lead to continued disinvestment in the existing stock, not to mention damage resulting from the conflict, as well as the further deterioration of infrastructure and services as the roles and responsibilities of government entities remain undefined. Add to this scenario the unique shelter needs of internally displaced persons (IDPs), whose numbers are increasing at alarming rates, and the future of housing in Iraq is bleak.

With an estimated housing need over the ten-year period from 2006 to 2016 of roughly 1.27 million units for Iraq's urban areas, it is necessary to scale up the current level of housing production. The estimated need for new housing in the six cities – 674,412 units – can be broken down further:

- New housing formation (a total of 402,442 units).
- Reduction of overcrowding, to have an acceptable number of households per dwelling unit (42,465 units).
- Replacement of those units in the existing housing stock that become obsolete (214,120 units).
- Replacement of non-upgradeable units (15,385 units).
- Upgrading of those units that are considered “upgradeable” (112,316 units).

Key Bottlenecks in Housing Sector

Results from current Iraq Housing Market Study research in the six selected cities shows existing housing conditions that are comparable to those found by earlier studies and reports. All of these studies indicate a housing situation that appears to be relatively normal but in reality suffers from a number of major problems. Inadequate housing production and the current level of disruption have seriously eroded both the quantity and quality of housing throughout the country.¹ Housing delivery systems in Iraq have underperformed for many years, due in large part to the sector's insufficient access to human, financial, and material resources. The consistently low level of recorded housing production does not come close to matching the projected housing need. Continuation of this situation will have serious consequences for the future.

The Problem Tree (Annex I) indicates the causes and effects of some of the major bottlenecks that currently plague the housing delivery system in Iraq. The core problem to be resolved is the lack of adequate institutional, human, financial, and material resources given to the housing sector in order to meet housing need. This is a major problem of considerable consequence, which will not be easy to resolve given the competition from other sectors for the same resources. The principal

¹ The Iraq Housing Market Study Household Survey showed that only 5 percent of the households reported damages due to military activities, looting, or other crime.



effects from this situation include: 1) constrained economic development and private sector investment; 2) progressive deterioration of living conditions in urban areas: 3) increased overcrowding and social instability; and 4) increased environmental damage from unauthorized development. The ultimate effects are a growing housing deficit and substandard living conditions.

Four main bottleneck areas are considered in the Problem Tree: 1) finance and use of subsidies; 2) building materials and skills; 3) city planning and access to residential land; and 4) policy, legal, and institutional support.

The key policy guidelines to eliminate each of these bottlenecks are as follows:

- 1. Poorly targeted and reduced subsidies for housing finance**
 - a. Introduce micro-finance for incremental housing or small and medium-sized development
 - b. Make mortgage and construction financing available
- 2. Inefficient use of state building materials and public sector professionals**
 - a. Increase availability and reduce costs of building materials
 - b. Develop building skills to help meet housing needs
- 3. Uncertain planning and land management due to decentralization**
 - a. Identify suitable land for new housing development
 - b. Prioritize the upgrading of partially serviced land
- 4. Insufficient legal, institutional, and policy frameworks for private sector housing**
 - a. Develop a complete legal and regulatory framework for private sector housing
 - b. Gear the institutional framework towards private sector housing



Iraq Housing Market Study Main Report

1 Study Objectives and Methodology

The Iraq Housing Market Study is a key component of the UN Trust Fund Strengthening the Capacity of the Housing Sector Project being implemented by UN-HABITAT. The study is intended to provide an up-to-date analysis of the housing sector and real estate markets in six selected cities in Iraq.

The central objective of the Iraq Housing Market Study is to develop a base of reliable information about housing sector conditions and performance in the selected cities. The intention is to provide a base of knowledge to inform future policymaking and action plan implementation. The performance of the housing sector in Iraq as a whole has received little attention during the last 25 years. Discrepancies in the market and the overall housing delivery process have not received much attention. There was also a decrease in interest in the sector on the part of the international donor community. Housing projects suggested by the Ministry of Construction and Housing did not receive priority consideration during the donor conference held in Madrid in October 2003 and during the following meetings in Abu Dhabi and Doha in 2004.

The Iraq Housing Market Study was designed to provide the Government of Iraq and other actors involved in the sector with an overview of the opportunities and constraints that exist within the various subsectors of housing and real estate development. It is a pilot study intended as the first component of a comprehensive database about the housing sector, on which to base future policy decisions.

The cities included in the study were selected by Iraqi stakeholders at the Housing Sector Meeting in November 2005, and confirmed with a minor alteration to include Sulaimaniya, as requested by the Ministry of Housing and Construction representative at the Iraq Housing Market Study Launch Workshop in May 2006. The cities – Sulaimaniya, Mosul, Baghdad, Hilla, Najaf, and Basrah – represent the housing sector in the north, centre, and south of Iraq.

To gain a deeper understanding of the housing situation in these six cities, four surveys were carried out, targeting 1) households; 2) builders and developers; 3) building material producers and suppliers; and 4) real estate brokers. These field surveys were complemented by interviews with key individuals in the sector, including public and private sector actors, as well as a desktop review of existing publications, legislation, and data.

The analysis of the primary and secondary data on the housing sector has been organized into three subreports:

- Subreport 1: Conditions and Quantity of Housing Stock, Tenure, Needs, and Affordability
- Subreport 2: The State and Potential of Iraq's Housing Construction Industry
- Subreport 3: Land and Housing Delivery Systems

The Iraq Housing Market Study Main Report includes a summary of the findings and conclusions, as well as a crosscutting analysis of the housing subsectors that highlights the key bottlenecks hindering market performance and proposes a series of policy guidelines for the Government of Iraq to consider as it formulates a new housing policy.



2 Demand for Housing

2.1 Estimated Housing Needs

Several estimates have been made of the housing deficit in Iraq. The Polservice Study, for example, already identified a need for some 1.6 million units in the early 1980s. Current estimates also range from around 1.6 million units to more than 3 million units. In any case, the estimated deficit exceeds what can reasonably be done. It is still helpful, however, to develop an estimate that provides a breakdown of housing need and geographic distribution.² This will help determine the necessary policies and actions to be taken.

The total anticipated need for housing, according to the Iraq Housing Market Study, for the central areas of the 6 study cities over the 10-year period from 2006 to 2016, based on the Shelter Needs Model, is around 674,412 units, or about 67,441 units per year. Extrapolating these results to all urban areas of Iraq would result in a rough estimate of 1.27 million units.³

As illustrated in Table 1, the need for new housing is broken down for each city with reference to:

- New housing formation (a total of 402,442 units).
- Reduction of overcrowding to acceptable numbers of households per dwelling unit (42,465 units).
- Replacement of units in the existing housing stock that become obsolete (214,120 units).
- Replacement of non-upgradeable units (15,385 units).
- Upgrading of those units that are considered “upgradeable” (112,316 units).

These results are based on assumptions about future conditions and trends briefly summarized in Table 2.⁴

² The Shelter Needs Model determines the number of housing units required to meet calculated need without making a distinction between vertical or horizontal units or between those that are owned or rented. Investment and subsidy requirements are based on housing all households in a minimum, acceptable unit.

³ This extrapolated estimate of housing need is based on a total urban population (excluding the northern three provinces) of approximately 15.1 million people, as cited in the UN-HABITAT Slum-upgrading Strategy, 2005.

⁴ More information and a detailed breakdown of housing needs are contained in Subreport 1. An explanation of the model and the manner in which it works is presented in Annex A of the same report.



Table 1. Summary of Estimated Housing Needs for Six Cities

CATEGORY	CITIES						
	Mosul	Sulaimaniya	Baghdad	Hilla	Najaf	Basrah	Total
Response to new households	59,884	55,698	218,331	23,574	23,339	21,616	402,442
Reduction in overcrowding	1,218	5,030	28,269	3,761	1,569	2,618	42,465
Obsolescence of existing housing stock	27,984	23,876	123,497	10,374	11,100	17,288	214,120
Replacement of non-upgradeable units	1,854	2,571	7,179	255	319	3,208	15,385
Total New Units	90,940	87,175	377,276	37,964	36,327	44,730	674,412
Units to be upgraded	14,679	12,524	64,780	5,442	5,823	9,069	112,316

Table 2. Assumptions and Data Sources for Shelter Needs Estimates

ASSUMPTIONS	DATA SOURCE	CITIES						
		Mosul	Sulaimaniya	Baghdad	Hilla	Najaf	Basrah	Total
Annual Population Growth (%)	COSIT National Statistics	2.90	3.00	2.40	3.10	3.00	1.90	2.56
Average Household Size	IHMS Household Survey	6.39	5.39	5.44	6.00	6.25	6.88	6.0
Overcrowding (households per dwelling unit)	IHMS Household Survey	1.22	1.26	1.25	1.22	1.17	1.09	1.23
Desired Households per Dwelling	Policy Decision	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Rate of Obsolescence (annual %)	Consultant Estimate ⁵							
-Acceptable Units		1.5	1.5	1.5	1.5	1.5	1.5	1.5
-Upgradeable Units		3.0	3.0	3.0	3.0	3.0	3.0	3.0
Non-upgradeable Replacement (annual %)	Policy Decision	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Units to be Upgraded (annual % of upgradeable units)	Policy Decision	5.0	5.0	5.0	5.0	5.0	5.0	5.0

⁵ Census data from two recent periods are not available for Iraq, but would normally be used to determine the rate of obsolescence. Absent census data, consultants made a reasonable estimate based on international experience with similar building materials.



The distribution of these estimated housing needs across income groups is illustrated in Table 3. Five income groups or “quintiles” have been established, based on the distribution of monthly household income obtained from the results of the Iraq Housing Market Study household survey. The lowest quintile (i.e. 0–20 percent of the income distribution) is considered “low-income”, the next three quintiles (i.e. 20–80 percent) have been grouped as “middle-income”, and the highest quintile (i.e. 80–100 percent) is considered “high income”.

**Table 3. Estimated Housing Needs by Income Group
(number of units)**

	Mosul	Sulaimaniya	Baghdad	Hilla	Najaf	Basrah	Total
Low Income	39,883	11,260	90,858	9,462	3,999	4,328	159,790
Middle Income	42,216	49,595	242,094	20,977	22,536	22,685	400,103
High Income	8,840	26,320	44,324	7,525	9,792	17,717	114,519
Total	90,939	87,175	377,276	37,964	36,327	44,730	674,412

2.2 Affordability

Another aspect of housing demand is the amount of housing that is affordable to households. In estimating what different households can afford, it is necessary to know how much money they have (or can get) and compare that to how much housing that could purchase. While the resulting figure reveals which housing is affordable, it needs to be checked to see if it is also acceptable: in the case of those with low incomes, the amount of housing they can afford is likely to be less than the amount of housing they will accept.

To calculate affordability, the study looked at those households that are currently renting their housing from private landlords, since governments usually rent at subsidized rents, and ignored, for the moment, those who are owner-occupiers and those who are living rent-free. If they could all get a loan at 0 percent interest, repayable over 15 years (the most favourable conditions), then, by using the money they currently pay as rent, they can afford to pay 15 times their annual rent. Dividing this amount by the cost of housing will obtain the size (m²) of housing they can afford.

Table 4 below shows what housing is affordable to households in each of the six surveyed cities for those who are currently renting their housing.



Table 4. Amount of Housing Affordable to Low-income Households (lowest 10th and 20th percentiles)

Location	Income level	Median Monthly Household Income (Iraqi Dinar)	Median Monthly Rent (MMR) (ID)	MMR Amortized at 0%= MMRx15x12 (ID)	Average Housing Cost/m ² (ID)	Amount (Size) of House m ²
Mosul	Lowest 20%	224,000	105,000	18,986,000	180,000	105
	Lowest 10%	159,000	40,000	7,200,000	180,000	40
Sulaimaniya	Lowest 20%	427,000	100,000	18,000,000	300,000	60
	Lowest 10%	303,000	80,000	14,400,000	300,000	48
Baghdad	Lowest 20%	305,000	55,000	9,900,000	250,000	40
	Lowest 10%	250,000	50,000	9,000,000	250,000	36
Najaf	Lowest 20%	382,000	150,000	27,000,000	300,000	90
	Lowest 10%	320,000	150,000	27,000,000	300,000	90
Hilla	Lowest 20%	300,000	100,000	18,000,000	150,000	120
	Lowest 10%	250,000	50,000	9,000,000	150,000	60
Basrah	Lowest 20%	450,000	100,000	18,000,000	300,000	60
	Lowest 10%	390,000	117,000	21,060,000	300,000	70

Except in Najaf, the amount of housing that households in the lowest 20 percent of incomes can afford is less than the current planning figure of 120m². Those in the lowest 10 percent can only afford around 60 m² for the most part.

To attempt to make more housing affordable, there are four options:

1. Increase the amount of money that households use to access housing.
2. Increase the amount of money that households can get through housing finance.
3. Reduce the cost of housing.
4. Reduce the size of acceptable housing.

Each of these options is described briefly in the table below.

Table 5. Options to Make Housing More Affordable

	Current situation	Possibilities
Funds	<ul style="list-style-type: none"> • Average income ID200–400,000 • Average rent ID50–100,000 • Rent = 25–50% of income 	<ul style="list-style-type: none"> • Increase incomes by adding income-earners/earning-streams or extending inputs • Reduce expenditure: cut quantities and/or quality, or defer items of expenditure • Liquidate assets (jewellery) • Recall loans/obligations • Borrow from relatives
Finance	<ul style="list-style-type: none"> • 0 to 6% interest • Period of 2 to 20 years • ID75,000 to 18,000,000 loans 	<ul style="list-style-type: none"> • Introduce sequential loans • Introduce targeted savings of housing
Costs	<ul style="list-style-type: none"> • Low = ID300,000/m² 	<ul style="list-style-type: none"> • Reduce quality/finishes and fittings • Manage materials, sources, purchases
Housing	<ul style="list-style-type: none"> • Mean 125 to 170m² • Median 95 to 150m² • Rooms: 3.5 to 5.5 • Policy: min 120 m² 	<ul style="list-style-type: none"> • Reduce size/number of rooms • Stage/phase construction



In practice, of course, households would be expected to, and do, use all of these options, with each household doing what it can to maximize affordability.

For example, many households use land that was allocated by the government at very low rates. Later, when they needed to, many were able to sell off a plot of land in order to raise the funds to build their own house. Building incrementally is another commonly used option, and many families build additions and extensions that can be used for renting and later taken over by their children when they are in need of their own housing.

In the table below, the third column shows the levels of affordability if the current average figures for costs and ability to pay obtained by the Iraq Housing Market Study are used. As might be expected, the result is that the house is *not affordable*. A proposal⁶ for making housing affordable by using a US\$5,000 (7.5 million Iraqi dinars) upfront cash subsidy is shown in the next column, and this is shown as being affordable. Though affordable, the necessary upfront cash subsidy might not actually be available; thus this alternative is effectively not viable.

The next four columns show how the different components might be varied to produce affordable results. The first of these uses a single loan, but the remaining three use sequential loans. This reduces the total cost to the household, as is shown in the last row, in which the costs of the multiple loans have been added together to get the total outlays. The overall period of payments is also reduced, though the household has to live in a smaller house initially.

For each of these proposals, it has been assumed that the land is acquired separately, either before (through an allocation, for example) or after the house has been constructed (as proposed below).

⁶ Roliff Purrington, 2004.



Table 6. Proposed Alternatives for Affordable Housing

Alternative	IHMS HH Survey	Cash Subsidy	Possible			
			1	2	3	4
Housing						
Construction cost/metres	225	215	200	220	215	200
Total house size in sq. metres	120	80	80	80	80	80
Total house cost	27000	17200	16000	17600	17200	16000
Land, utilities - 30% of house cost	8100	5160	4800	5280	5160	4800
Cost of complete house + land	35100	22360	20800	22880	22360	20800
Initial house size in sq. metres	120	80	80	43	27	27
Initial house cost	27000	17200	14000	9460	5670	4779
Household						
Income/year	2400	2250	3000	3000	3000	3000
Income/month	200	188	250	250	250	250
Downpayment as % of house cost	10	10	25	50	52	48
Monthly payment as % of income	25	33	33	35	33	33
Finance						
Initial loan required	24300	7980	8500	4515	2587	1864
Interest %	6	6	6	6	6	6
Term in years, of each loan	15	20	15	5	3	2
Monthly payment required	205	57	72	87	79	83
Affordability						
Is this unit affordable?	NO	YES	YES	YES	YES	YES
Min. income/year needed to afford	9843	2060	2608	2993	2861	2968
Min. income/month to afford	820	172	217	249	238	247
Times current income	4.1	0.9	0.9	1.0	1.0	1.0
Max. loan on current income	5925	8715	9777	4526	2712	1884
Max. affordable house in sq. metres	38	83	76	43	27	24
Downpayment required	2700	1720	3500	4730	2948	2294
Subsidy						
Upfront cash	0	7500	0	0	0	0
Owner self-help work input/metres	0	0	25	5	5	23
Summary						
Number of loans	1	1	1	2	3	3
Full house in years after start	1	1	1	5	7	5
Years of payments by household	15	20	15	9	9	6
Interest paid	12610	5741	4411	1344	730	352
Total paid by household	39610	15441	16411	18544	17130	12672

Note: All monetary figures in Iraqi dinar '000

Which of these is the “best” depends on the particular circumstances of each household. Some may prefer to pay a higher down payment, while others may want a house faster. Using other alternatives may suit another household that is able to increase its monthly income, and so on. The possibilities are infinite, but in each case, it is up to the household to make its own informed choice.

If it wants to, a household can find an alternative. While the state must not force a particular choice or presume what it might be, the state can help by making sure that the regulatory, technical assistance, and financial environment is modified to enable the household to do so.



3 Land and Housing Delivery Systems

Government interventions have dominated Iraq's delivery systems for housing and residential land and there is a highly centralized bureaucracy. Housing was seen as a social (rather than a productive) activity and therefore the institutions and institutional frameworks reflect a paternalistic approach. While access to housing was stated to be a basic right, it had to be rationed because the state was unable to meet the demand.

More importantly, access to and provision of housing was also seen as an instrument for controlling who lived where, and therefore allocation of housing, land, and finance was used to benefit and reward sections of the population as much as it was designed to meet needs. In practice, the state could not produce enough units, nor could it meet the particular needs of individual, well-off households, for whom housing meant more than just shelter.

3.1 Housing Delivery Components and Current Production

Housing production in Iraq has substantially fallen short of housing needs for quite some time. The current period of conflict has only made it worse. Table 7 indicates the annual number of building permits issued since 1994 and the number of new housing units recorded as complete. Not only are the numbers of building permits inadequate for meeting the housing needs, the number of completions is only about one-third of the building permits issued. No matter how one interprets the data, there is a need to dramatically improve the production and delivery of affordable housing.

Table 7. Housing Production from Building Permit Data (1994–2004)

	Year	BP issued	Completed units	% of permitted units that were completed*
1	1994	18,361		
2	1995	6,298	2,000	11%
3	1996	1,607	400	6%
4	1997	4,495	1,000	62%
5	1998	6,694	1,000	22%
6	1999	11,074	2,000	30%
7	2000	16,833	4,000	36%
8	2001	45,881	15,000	89%
9	2002	77,507	24,000	52%
10	2003	15,353	5,000	6%
11	2004		8,000	52%
	Total	204,103	62,400	31%

Source: Annual Statistical Abstracts, Republic of Iraq, Ministry of Planning and Development Cooperation, COSIT

**Based on one year for construction*

The housing deficit has been estimated to be at least 1.6 million units. As early as 1981, for example, the Polservice study recommended that plans be pursued to build a similar number of housing units between 1981 and 2001. A detailed programme was developed with targets for public and private sector production, but only 13,000 housing units were built during the period.



To begin to address the situation, the central government is attempting to revive its role as a producer of public housing. Private, built-for-sale housing developers are not active outside of northern Iraq, while small-scale builders continue to serve owner-builder clients of all income levels. The immediate challenge facing the housing sector is to build upon the strengths of the existing system, while significantly raising both the number and quality of the housing units produced.

3.1.1 Government Role in Production

As part of its plan to reactivate the public housing sector, the Ministry of Construction and Housing has announced plans to construct some 100,000 housing units during the next few years. Successful completion of these units will address between 5 and 10 percent of the estimated housing need. The Housing Commission and Fund are expected to produce 42 percent of these units, other ministries 18 percent, and the General Union of Cooperatives the remaining 40 percent. The private sector, which has traditionally supplied the majority of new houses, is expected to produce the remaining 85 percent of the total housing need. Virtually all of this private sector production will be implemented through small and medium-sized contractors working for individual clients.

Although building activities by the State Housing Commission make an important and visible contribution to the delivery of public housing, they provide only a limited number of housing units in light of the overall need. Government programmes in this form show the government's interest in the housing sector but cannot close the housing gap.

3.1.2 Private Sector Role in Production

The private sector has been responsible for producing between 80 and 90 percent of all new housing for all income groups since 1982. Small-scale contractors build almost all of this housing for individual clients. While most of these companies are registered, there seems to be little difference between registered and unregistered companies in their size and/or ability to undertake projects. The number of registered and classified contractors in each of the six cities is shown in Table 8.



Table 8. Classification of Registered Contractors

Class	Mosul	Baghdad	Hilla	Najaf	Basrah	Total
1	12	57	2	2	3	76
2	2	9	0	0	9	20
3	24	46	15	1	17	103
4	15	54	16	2	57	144
5	50	220	27	4	44	345
6	12	76	4	0	17	109
7	155	507	78	32	169	941
8	197	175	54	23	162	611
9	20	47	7	3	55	132
10	50	268	24	7	91	440
Total	537	1459	227	74	624	2921

Source: Annual Statistical Abstracts, Republic of Iraq, Ministry of Planning and Development Cooperation, COSIT

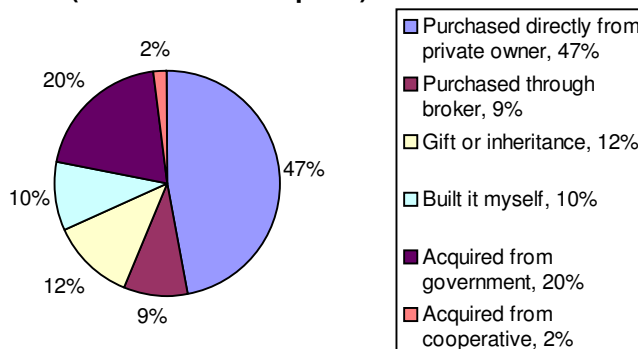
There are virtually no large-scale, built-for-sale housing developers in Iraq. By offering highly subsidized housing in the past, the state-led housing delivery system effectively discouraged the entry of speculative housing developers into the low- and moderate-income housing market and kept them from developing the necessary experience and confidence to work in today's difficult conditions. In addition, the weakness of effective demand, the lack of security, the risks involved in the unstable political situation, the lack of housing finance for both construction and mortgages, and the high and unpredictable costs of construction have hampered housing developer participation. A few large private firms, both Iraqi and foreign, are building housing in Erbil, where the situation is more stable, but not in other parts of the country. Consequently, built-for-sale housing has not met any of the actual annual demand for housing.

The private sector, working through small-scale builders and individual owner-builders, built virtually all of the new housing units between 1987 and 2002. Small-scale construction of individual, low-cost housing in Iraqi cities has grown in magnitude and importance over the past two decades or more. Small-scale builders and craftsmen have supported the predominant owner-builder approach to housing production. The incremental housing approach has been the traditional way of building in Iraq and one that responds well to the needs of both the client/homeowner and the builder. This approach is not new and its improvement and expansion is much needed now.

The majority of the housing units occupied by owners in the Iraq Housing Market Study were obtained on the private market. Almost half (47 percent) were purchased directly from a private owner and another 9.1 percent were purchased through a broker. Almost 12 percent inherited their unit or received it as a gift. Less than 2 percent acquired their unit through a cooperative, and slightly fewer than 20 percent of the units came from the government. Most of these government units (75 percent) were acquired more than 15 years ago. When asked how they acquired their unit, the remaining 10 percent reported that they built the unit themselves.

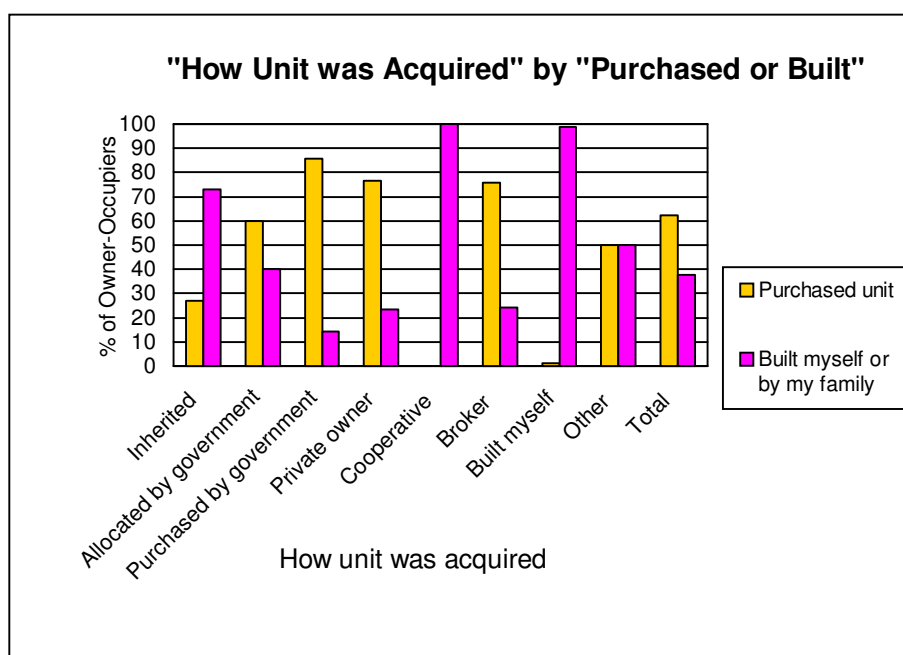


**How did you acquire this unit?
(% of owner-occupiers)**



Source: Household Survey, UN-HABITAT, 2006

However, the survey revealed that many more households said they built their housing unit after purchasing or inheriting a unit. A full 38 percent reported that they built their housing themselves – which includes the “original builders” (10 percent) and the 28 percent of households that purchased, inherited, or were allocated a unit.



Source: Household Survey, UN-HABITAT, 2006

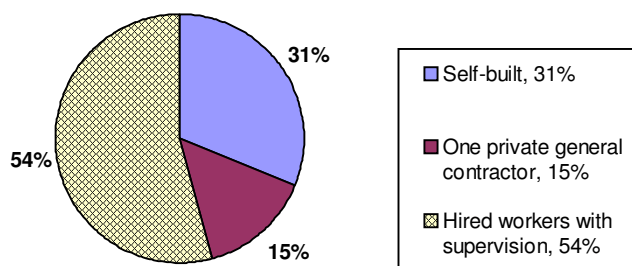
This suggests that there is a notable amount of incremental housing development occurring in the six study cities. In one possible scenario, households have acquired small or core housing units and made substantial additions to the original unit. In another scenario, an adult child has purchased or inherited a unit from parents or in-laws, who remain in the original structure. He develops the house for his own family by adding one or more floors or several rooms to the original structure.

In just over half of the owner-builder cases, the owner hired workers and supervised their construction of the house, while 31 percent used their own labour with family and/or friends; only 14.7 percent hired one general contractor for the complete works.



An overwhelming majority of the owner-occupiers (89 percent) obtained a building permit for the construction of their house.

**How was your unit constructed?
(% of owner-builders)**



Source: Household Survey, PADCO/UN-HABITAT, 2006

Although small-scale builders, working directly with homeowners/clients, have produced between 80 and 90 percent of the existing housing stock since 1982, the number of housing units being produced falls far short of what is really needed. Raising the performance and outputs of small builders will require not only a significant increase in the number of these builders, but also greater efficiency in the building process itself.

Iraq Housing Market Study survey results highlight the owner-builder, incremental path to housing as an approach to improve and expand upon. Small-scale builders have proven to be adequately flexible – working on the construction of new housing and doing extensions and renovations at the same time, depending on the particular needs of their clients. They provide a high degree of satisfaction for individual clients, matching client requirements and preferences with the housing that is being produced. The major issue involves reaching the necessary scale of operations to meet the housing demand in the most efficient manner.

3.1.3 Housing Production Costs

The cost of materials used in actual construction, based on government statistics, amounted to 42.8 billion Iraqi dinars in 2005 or roughly 66 percent of the total recorded cost of 65.2 billion Iraqi dinars. Given an estimated average cost of 20 million dinars per house, the results from these statistics would cover the financing of only about 3,000 units, or just a small percentage of the units required.

The Construction and Building Materials Report for 2004–2005 stated that the cost of construction materials used in building for the year 2004 was 1,083.3 billion ID. This would imply a significant drop in construction between 2004 and 2005.



Table 9. Production and Cost Changes for Brick and Block Houses in 2004–2005

City	Mosul	Baghdad	Hilla	Najaf	Basrah	Total
Nb. of Brick Houses 2004	296	3288	2635	782	1363	8364
Nb. of Brick Houses in 2005	44	3680	2873	1371	1732	9700
Percentage Change	-85.1	11.9	9.0	75.3	27.1	16.0
Ave. Cost/Brick House 2004 (Million ID)	22	36	24	49	20	30
Ave. Cost/Brick House 2005 (Million ID)	38	59	41	47	45	50
Percentage Change	73.6	61.7	70.9	-2.6	130.1	62.6
Nb. of block Houses in 2004 (Million ID)	7701	2	1	2	213	7919
Nb. of Block Houses 2005 (Million ID)	3156	2	7	0	94	3259
Percentage Change	-59.0	0.0	600.0	-100.0	-55.9	-58.8
Ave. Cost/Block House 2004	24.2	34.1	25.0	23.5	19.1	24.0
Ave. Cost/Block House 2005	41.2	61.4	37.9	-	26.0	40.7
Percentage Change	70.2	80.2	51.6	-	36.0	69.4

Source: Annual Statistical Abstracts, Republic of Iraq, Ministry of Planning and Development Cooperation, COSIT

3.1.4 Labour and Skills Supply

UN-HABITAT has underlined the need to improve professional skills in the construction sector to be able to meet future housing demand. The agency has worked with more than 800 local contractors in the northern governorates and has observed a developing entrepreneurial class of architects, quantity surveyors, engineers, and building contractors. Similar progress needs to be achieved in both the southern and central areas of Iraq if the housing situation is to be addressed.

Data about the size and skills of the housing construction labour force are limited. The 2004 Iraqi Living Conditions Survey estimated that the construction industry provided 10 percent of overall employment. Data from the Housing Construction Survey for Mosul and Erbil and this study provide some further insights into housing-related employment in the selected cities. Both surveys showed that the majority of firms involved in housing construction were small, with a limited number of employees.

The 1980 Polservice report determined a set of ratios for the number of skilled and unskilled workers required to build housing. Based on these ratios, some 20,000 skilled and semi-skilled workers and 13,000 unskilled workers would be required to respond to the estimated housing need.

Data from government statistics show a total of some 3,500 skilled and semi-skilled workers for the governorates in which 5 of the 6 study cities are located. Even if all these workers were involved in housing, there would still be a serious shortage of skilled and semi-skilled workers. At the same time, there appears to be an adequate number of unskilled workers to meet the workforce requirements for housing. Thus, if the construction industry is to produce quality buildings in line with international standards, many skill sets will need to be updated and further developed. Skilled labourers who can provide quality bricklaying, masonry, plastering, and carpentry are in short supply. "Highly skilled" workers in these areas are able to command twice the average wage. The skill sets of higher-level management also need to be developed further in both the public and private sectors if an open, competitive, and productive market is to develop.



3.1.5 Building Materials Production and Supply

A wide range of public, private, and state-owned industries has produced the basic building materials used in residential construction. This includes cement, bricks, ceramics, polyvinyl chloride (PVC) piping, glass, plumbing fixtures, etc. Nevertheless, the production of local building materials is only partially developed and lacks incentives for investment. Importing materials remains necessary.

This situation is the result of both the previous subsidies on building materials and the lack of security due to the ongoing conflict. Both of these conditions challenge the industry's ability to obtain raw materials, meet production costs, and distribute finished products to their clients and local builders. Both processed and unprocessed local materials need to be developed and improved.

The Iraq Housing Market Study Builders' Survey asked contractors to cite the three main problems they faced in the building of houses. Roughly 81 percent of the builders indicated that the unavailability and high price of building materials were the biggest concerns. In Sulaimaniya, for example, virtually all of the surveyed builders stated this. The problem seemed slightly smaller in Basrah.

Cement

Until now, large state-owned firms have dominated the cement industry in Iraq. The Ministry of Industry and Minerals operates three cement companies that serve the central, northern, and southern regions of the country. They had 17 functioning factories in 2004, but these are neither modern nor efficient. Indeed, most state-owned cement plants are operating at less than 15 percent of their monthly design capacity or not at all. Since 1990, none of the factories has been updated to meet growing demand.

Demand for cement in Iraq has grown rapidly over the past three years, in large part due to reconstruction and security requirements. Cement is required for nearly everything that is built: roads, bridges, buildings (both residential and non-residential), security barriers, etc.

However, while demand has increased, in-country production of cement has dramatically declined and currently is around 3 million tons per year. This is too little to meet domestic demand, which is high and growing. It is largely being met by imported cement from Turkey, Lebanon, Egypt, Iran, Kuwait, and China. If the security situation improves, demand for cement could rise to as much as 30 million tons per year. The most Iraq's cement plants could produce by operating at 100 percent of their design capacity would be around 18 million tons per year.

Government statistics on the use of building materials indicate that some 1.87 million tons of cement were used for construction in 2002, 0.56 million tons in 2003, and 0.05 million tons in 2005. The construction of a typical house requires some 30 tons of cement, based on ratios developed in the 1980 Polservice study. Assuming the continued relevancy of this ratio, the recorded amount of cement used for construction would be sufficient to build fewer than 2,000 units, if all the cement were used only for housing. The data suggest that, even with a large amount of cement imported from other countries, the housing sector has not received the amount of cement necessary to meet housing needs.

Before 2003, prices for cement were fixed at US\$10 per ton. High local demand and limited supplies drove market rates to US\$80 per ton in 2003. Current prices are



reportedly between US\$80 and 110 per ton. Despite these high prices, the operating costs of the cement plants exceeded revenues by 40 percent in 2003, even when government subsidies for fuel and electricity were factored in.

Brick

Brick production has been an art and a science in Iraq since the beginning of urban civilization. Almost all brick production facilities are privately owned and operated. Most rely on traditional brick-making methods and few are mechanized to any degree. Under the most common approach, mounds of sand and other base materials are piled on-site and mixed with water to form large slabs of wet mud that are subsequently cut by an industrial-age machine into the shape of semi-standard bricks. These bricks are then carefully stacked for a few days of drying in the sun. After drying, the bricks are loaded onto donkey carts and moved to a large furnace. The furnace is a long brick- and mortar-built structure about 100 metres in length, culminating in a large smokestack. Fresh bricks are stacked in the heat to cook for about a week. The entire process has a relatively low investment cost.

Demand for bricks is high enough to make brick making a fairly stable industry. Two-thirds of the surveyed brick makers achieved an annual profit of between 10 and 20 percent for the year. The rest were more or less evenly divided between more than 20 percent profit and less than 10 percent.

Brick making problems included increases in material prices, shortages of raw materials, and costs of transport. There was also some concern that brickyards were not performing at full capacity. Brick makers in the survey indicated that they could produce between 8,000 and 30,000 units per day, with an average around 25,000. Brick making has a number of drawbacks: loss of agricultural soil, salt in the brick, use of child labour, pollution, high fuel consumption, etc.

Cement Block

Cement block is a building material that is commonly used in conjunction with concrete frame construction. Contractors in the builders survey indicated that concrete frame with infill was the predominant building method in the six cities. Nevertheless, building permit data indicate that large numbers of cement block buildings are found only in Mosul, with some also in Basrah. The predominant building material in the other cities is baked brick.

The poor availability and high cost of cement may restrict its use. The technology and equipment for making cement blocks may not be accessible and the sector thus may find it difficult to compete with more traditional brick.



3.2 Legal and Regulatory Environment for Land and Housing Markets

3.2.1 Urban Land Management

The regulatory framework for land and housing markets is in a state of flux today. Before 2003, land was centrally managed and the central government was the ultimate source for all land for housing. Centralized land management was but one aspect of a centrally managed urban development sector; line ministries essentially managed urban growth. In 2004, the Coalition Provisional Authority passed regulations that devolved considerable responsibility for urban management to the local government level. However, these regulations have not been put into effect in most cities. Now Iraq has a new constitution, which replaces or supersedes the legal bases of the pre-war and wartime regulatory frameworks for land management. But the implementing regulations related to land and urban development have not been prepared or passed. As a result, the regulatory and institutional framework for land management is essentially in limbo, with no clear lines of authority, division of labour, or systems and procedures.

Approximately 85 percent of all land in Iraq is state land. Much of the remainder is under fee simple private ownership. State land is vested in the State Properties Directorate (Ministry of Finance), which transfers control of selected lands to other ministries for development purposes. The General Directorate of Municipalities within the Ministry of Finance managed approximately 70,000 properties located in Iraqi municipalities.

3.2.2 Urban Planning

The shortage of developable land⁷ is the single biggest constraint for the housing and real estate sectors in Iraq today. The government issued a moratorium on the release of state land for urban development, pending the updating of urban master plans that will determine the areas suitable for housing, commercial, industrial, and other types of urban development. According to the Iraqi participants of the 5 May 2006 Iraq Housing Market Study Launch Workshop, most urban managers – whether municipal or from the governorate offices of the Ministry of Municipalities and Public Works – believe that it is important to complete the planning process before releasing more land for development.

The Ministry of Municipalities and Public Works, which in 1994 took over local government oversight functions from the Ministry of the Interior, is responsible for urban planning in Iraqi municipalities. The ministry's jurisdiction does not, however, include the city of Baghdad, which in the Ba'athist era operated independently of the ministerial planning system and was responsible for preparing and implementing its own development plans. Some local councils of *qada'* (districts) and *nahia* (sub-districts) also have the authority to prepare their own development plans, but they often do not exercise it.

The unit within Ministry of Municipalities and Public Works responsible for urban planning is the General Directorate for Physical Planning, the responsibilities of which are defined under Law No. 11 of 1996. The directorate has historically prepared conventional master plans, which set out physical development proposals (land use, infrastructure, special projects, etc.) without specifying the process by

⁷ "Developable land" is land that can be developed for urban uses. This usually means that slope and soil conditions are suitable, the area is not flood-prone, and it is zoned for residential, commercial, industrial, or other urban land uses.



which they will be carried out. Institutional, policy, and legal/regulatory changes are usually given short shrift. There is little or no detailed implementation planning (“action planning”), in which next steps, responsible parties, and time frames are defined.

While the Ministry of Municipalities and Public Works is charged with the preparation of urban development plans, the municipalities are generally responsible for their implementation. This is a tall order in light of the limited capacity of local governments and their lack of authority to raise revenue and carry out infrastructure improvements. This mismatch between municipal responsibilities on one hand and authority and financial resources on the other goes a long way towards explaining the very mixed results of public sector efforts to guide urban growth in Iraq in recent decades.

Another factor undermining the implementation of urban plans is political patronage. Most of the recipients of plots in the peripheral subdivisions established during the 1990s were soldiers, members of the Ba’ath Party, or other supporters of the Saddam administration being rewarded for their support of the government. Moreover, politically well-connected individuals were permitted to purchase from the state large tracts of land that had been set aside for parks, schools, and other public amenities. This use of urban land for patronage directly undermined the implementation of the master plans.

3.2.3 Land Administration

As stipulated in the Land Registration Law No. 43 of 1971, the General Directorate of Real Estate (Land Administration Department, Ministry of Justice) and its local offices, known as Real Estate Registration Directorates, undertake land titling and registration functions. There is at least one such directorate in each governorate; Baghdad has about ten directorates. The Real Estate Registration Directorates operate land cadastres, maintaining original title deeds for properties within their jurisdiction. Local government in Iraq essentially has no role in land titling and registration within its jurisdiction.

All directorate records are in hard copy form only and are stored in separate dossiers. Cadastral information is entered into paper registers by hand. There are no computerized databases in operation in national or local property administration offices. Therefore, there is no accurate, up-to-date aggregated data on types of property ownership or the number and type of transactions for any specific geographical area, such as a city or governorate.

Despite their archaic and centralized nature, Iraq’s systems for land titling, property registration, and land use change are generally effective. Legitimate owners are able to protect their property rights by securing legal title. Although somewhat complex and cumbersome, both land registration and ownership transfer can generally be carried out in less than 1 month, and often within 15 days. Coverage of the national property registration system is broad. A 2004 survey by Research Triangle Institute of the USA found that 96 percent of owners had registered their property, with a slightly lower share having secured a title deed from the Real Estate Registration Directorate. In general, the registration system is not acting as a constraint on land and housing market performance.

However, there are a number of problems associated with the current system: forgery of title deeds, multiple ownership claims, decreasing coverage due to informal



settlement, and long cumbersome procedures for converting agricultural land to urban uses.

3.2.4 Building Standards and Quality Control

Quality control measures in Iraq comprise a disaggregated mix of standards and systems assembled from various countries. There is no system in Iraq for developing and using standards in either government agencies or the private sector. In addition, there are no means to assess whether or not any standards have been applied. The development of a system of uniform standards for each sector, including housing, is one of the important issues currently facing the country.

To address this problem, the US Department of Commerce has been helping Iraq to re-establish the Central Organization for Standardization and Quality Control. This agency has primary responsibility for ensuring the application of standards for goods, both domestic and imported.

The Central Organization for Standardization and Quality Control, the Ministry of Construction and Housing, the Ministry of Defence (for fire protection and intelligent signalling), local governments, and other relevant ministries and agencies are responsible for defining and putting into effect appropriate housing standards. To accomplish this, they need to increase capacity, build a functioning and coherent infrastructure for standards and conformity assessment, and promote the development of a modern, open set of agreed-upon standards. This can only be done through continuous research and development work on sustainable building technologies that enable decentralized production and marketing in a profitable manner.

The Ministry of Construction and Housing is also developing and adopting a new building code that will outline construction standards for housing. Current building codes and standards are outdated and not being enforced by local governments. At this time, they neither help nor hinder construction operations. However, construction sites are not secure and the health and safety of inhabitants are not protected.

Municipal governments are responsible for development control. They are in charge of issuing building permits, although governorate or central officials will usually be involved in approving major development projects. For the city of Baghdad, construction permits are made and fees collected according to the updated 1999 Planning Regulations for Buildings and Land Subdivision.

The same basic concerns and constraints about housing standards exist for all categories of housing, whether for low-, medium-, or high-income clients. Better quality control is needed for local building materials, both manufactured and raw, and for imported materials as well. The chosen approach to establish quality standards should not be one that isolates research and development from economic reality. Affordable standards need to be understood and applied by typical builders and local populations.

Realistic standards are also needed for the rehabilitation and expansion of urban infrastructure, particularly at the neighbourhood level. The Iraq Housing Market Study has shown, like many others, that large numbers of urban residents do not have proper access to road, water, and sanitation networks. There is a need to identify appropriate technologies to resolve these issues and assist local communities in the immediate transfer of the technology required to rehabilitate and expand these



networks. Assistance from workers in state-owned construction companies and their reassignment to work closely with local communities could be useful in this regard.

3.3 Land Development Process

Prior to 2003, the public sector was ultimately the source of all urban land. Following a decision by the Ministry of Municipalities and Public Works and its predecessors, local governments would auction land or distribute it to selected target groups. Once privately held, however, land plots became tradable in Iraqi urban land markets, and were bought and sold among private parties. Most prospective landowners therefore obtained their plots either from government or private parties. In the 6 study cities, the share of owner-occupiers that purchased their plot from private parties is in the 50 percent to 80 percent range, according to Household Survey data. Another 12 percent (Baghdad) to 40 percent (Basrah) of households purchased their plots from the government, as shown in the following table.

**Table 10. Plot Acquisition
(owner-occupiers percentage)**

Source of Plot	Baghdad	Basrah	Hilla	Mosul	Najaf	Sulaimaniya
Government	12.2%	40.8%	12.8%	12.8%	23.7%	18.4%
Cooperative	2.6%	4.5%	0.0%	0.0%	6.9%	0.0%
Private owner	63.3%	50.8%	69.5%	71.6%	58.8%	80.9%
Gift or inheritance	21.8%	3.4%	16.3%	12.8%	9.9%	0.7%
Other	0.0%	0.6%	1.4%	2.8%	0.8%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Household Survey, PADCO/UN-HABITAT, 2006

A review of plot acquisition by year highlights the late 1980s and the late 1990s as peak periods. Twenty-five percent of all plots in Baghdad were acquired after 1997, most of them between 1997 and 2001. Thirty percent of plots in Sulaimaniya were acquired during 1995–1998. Najaf and Basrah also exhibit increases in plot acquisition during that period.

This reflects in part the public sector's plot distribution programmes, in particular the Saddam administration's programme to distribute 1.2 million plots, which peaked in 1997 and 1998, as confirmed by the spike in plot acquisition reported by respondents in the household survey. Interestingly, housing construction figures reported in the survey do not increase significantly in the years following plot distribution. This is partly due to a few specific features of the land distribution programme:

- Plots were distributed to recipients only in his or her city of birth, not city of residence. This depressed the effective demand to actually build a house on the plot. Many people accepted them, somewhat passively, as an asset to be capitalized on in the future, without formulating specific plans for investment.
- Many plots intended for distribution were never registered with the beneficiary. No title to land was issued.
- The land distribution was not followed by investment in basic tertiary shelter-related infrastructure: paved roads, water supply systems, and sewerage



networks. The neighbourhoods have largely been fitted with water and power infrastructure since they were laid out, but they still lack sewerage and paved roads.

As discussed in the section on land supply and availability below, there is very little precise information on the number of undeveloped plots (plots with no buildings constructed on them) in these subdivisions as well as the tenure status of the plots (title issued to beneficiary or not).

3.3.1 Land Supply and Availability

There are three main sources of vacant land for new housing development in the study cities: infill plots, incomplete peripheral subdivisions, and agricultural land at the urban periphery. Each of these is discussed below.

Infill Plots throughout the Built-up Fabric

These should be assigned high priority for development; with access to existing infrastructure, housing investment in infill plots is economically efficient. But the quantity of land in infill plots (number of plots and total area) in the consolidated, built-up area of the city is not large (in contrast, see Incomplete Peripheral Subdivisions below). The process of developing infill plots is simple: the household or developer buys the plot from the current owner, builds housing, and occupies, rents, or sells the unit(s). There are no major problems or constraints associated with this process, and no specific public sector measures are necessary to promote their development.

One type of infill development that is not going forward is the subdivision of city parks into residential plots. This was mandated by the Saddam administration. Recipients included well-connected Ba'ath party officials and military officers. Confident of retaining use rights, many recipients neglected to complete the land registration process. After 2003, these subdivision plans have been cancelled and use rights to plots that were not registered have been revoked. This is infill development in reverse, clearly an improvement of the quality of the urban fabric in Iraqi cities.

Incomplete Peripheral Subdivisions (Housing Types 6 and 7)

In these areas, the plots have in most cases been demarcated; roads have been laid out if not paved; and in many cases water systems have been extended. Investment efficiency dictates that these should be priority development areas.

A large number of vacant plots exist in peripheral subdivisions in the study cities. As discussed in the previous section, many recipients of plots did not complete the land registration process and secure titles. Others secured a title but did not build on their plots. Little infrastructure was provided in these areas. In total, the Saddam's land distribution programme of the 1990s included about 1.2 million plots. A 2001 study by the Central Technical Committee of the Ministry of Municipalities and Public Works on the "extension of urban master plans" estimates the number of allocated undeveloped residential land plots in urban Iraq at about 681,000. Many of these were distributed under the Saddam land programme; most are in incomplete peripheral subdivisions (Housing Type 6 and 7; see Subreport 1 for a complete description). A 2003 study cited by the Housing Commission at the October 2006 Technical Meeting with the Iraq Housing Market Study team estimates the number of undeveloped plots in Iraqi cities at 1.25 million. The *National Report on Secure Housing and Land Tenure* (Ministry of Construction and Housing, 2005) notes that



1.04 million plots were distributed to soldiers, security specialists and national intelligence staff across the country under Resolution No. 117 of 2000.

The main reason for the wide divergence in estimates is that accurate records on the number of allocated plots registered at Real Estate Registration Directorates have not been kept. Moreover, the records of building construction on allocated plots are not completely up to date. It is important to accurately quantify the contribution that this type of vacant land can make to satisfying current and future housing requirements in Iraqi cities. The best way to do this would be to carry out surveys in each city, including:

- Field reconnaissance of Type 6 and 7 housing areas to determine which plots are undeveloped (no buildings constructed on the site).
- Cadastral research to determine which of the undeveloped plots are not registered with the Real Estate Registration Directorates.

Despite the relative inaccuracy of the figures, it is clear that the number of vacant plots in incomplete peripheral subdivisions is high. According to the 2001 Ministry of Municipalities and Public Works study, the number of vacant plots (681,000) represented 65 percent of all developed residential plots and could satisfy 82 percent of the housing deficit at that time. The study concluded that the residential land shortage would not be solved by more subdivisions, and that government should service existing residential areas to incentivize the construction of housing on existing plots.

There are no clear development trends in Type 6 and 7 areas in the Iraq Housing Market Study cities today. However, public officials and private experts interviewed in the study cities made specific observations:

- Landowners are generally private.
- Some owners of vacant plots reside locally, while others are absent.
- Some owners prefer to build a house for themselves or their family, but lack financing. Other owners of plots are more interested in building housing, including rental housing, for investment.
- Some owners get a construction permit, but never build. Some people use their permits to get access to subsidized building materials.

Officials in Mosul report that plots were originally distributed to increase the social status of the recipient, rather than as a place to build a house. Many owners who cannot afford to build choose to sell their plots.

Local experts report that measures that will be effective in stimulating the construction of houses on such plots include provision of finance, provision of infrastructure services, and the proliferation of private real estate development companies.

Agricultural Land at the Urban Periphery

This requires conversion to urban uses, transfer of ownership or use rights to developers, or partnership between current owners and developers or contractors. Off-site infrastructure costs can be significant. To the extent that the first two sources above cannot satisfy residential land requirements, development will be necessary.



This land has less potential value for residential development since it lies mostly beyond the master plan boundaries of cities. The municipal government lacks the authority to extend shelter-related services to these areas. Without services, land values are repressed.

In general, agricultural landowners are aware of the development potential of their land and many would develop if the land were rezoned. Many owners do not understand all the “ins and outs” of land development regulations and procedures, however, and therefore may choose to partner with developers or contractors. Local real estate experts in Mosul and Hilla report that agricultural landowners at the urban periphery of those cities have a good understanding of the land subdivision and sale process. If land were rezoned, many owners would likely proceed to subdivide. Rezoning agricultural land to urban uses would seem to be a powerful development stimulation tool in Iraqi cities today.

In most towns, all three sources of land – infill plots, incomplete subdivisions, and agricultural land – will probably have to be mobilized to meet future requirements. But the first two sources should be given higher priority since their benefit-cost ratio is higher, given the existence of some infrastructure adjacent to the plots.

3.3.2 Land Prices

The median land price in the six towns is 120,000 Iraqi dinars (US\$80) per square metre. Median land prices are higher in Baghdad and Najaf at 300,000 and 200,000 Iraqi dinars respectively, and lower in Mosul and Hilla at 75,000 and 50,000 dinars respectively.

- Prices in historical centres are the highest on average, reflecting their central location and, in some cases, commercial development potential.
- After historical centres, the highest price per square metre is found in public housing estates and then in informal settlements (157,500 Iraqi dinars).

Land prices charged by public sector land allocation programmes, in contrast, can be as low as 200–250 Iraqi dinars per square metre. Resale prices for unserviced peripheral land plots in Mosul, for example, are in the range of 2–5 million dinars. Given plot sizes that average 200 m², these sale prices per square metre are in the 10,000–25,000 range.⁸ The ratio of the market price to the state distribution price per square metre in Mosul is 78:1 on average.

The survey results allow for a comparison of the market price of land at different infrastructure service levels. Three service levels were defined:

- High service level: access to piped water, access to piped sewerage, and located on a paved street.
- Medium service level: access to piped water, no access to piped sewerage, and located on an unpaved street.
- Low service level: no access to piped water or piped sewerage, and located on an unpaved street.

Median land values for the study cities at the three infrastructure service levels are shown in the table below. High service level plots command a high premium, with average prices almost four times higher than medium service level plots across the study cities. Plots with access to piped water, in turn, are valued at about twice as

⁸ Source: Municipality of Mosul, personal communication.



high as plots without water service in Basrah, Hilla, and Mosul. The medians for the two categories, however, are very close (about 70,000 Iraqi dinars), reflecting the high level of representation of relatively low-value plots in Hilla in the medium service category and the high representation of relatively high-value plots in Sulaimaniya in the low service category. The overall averages in the “total” line are therefore somewhat misleading regarding the impact of access to water supply on land values, which is significant.

Table 11. Land Prices for Plots with High, Medium, and Low Infrastructure Service Levels (Iraqi dinars per square metre)

City	High Service Level	Medium Service Level	Low Service Level
Baghdad	350,000	94,000	70,000
Basrah	180,000	48,000	20,000
Hilla	*	51,000	22,225
Mosul	*	88,000	48,000
Najaf	333,333	200,000	112,500
Sulaimaniya	211,875	*	150,000
Total	266,667	71,667	70,000

Source: Broker Survey, PADCO, 2006

*Brokers in this city identified an insignificant number of plots with this infrastructure service profile.

The medium service level land prices are comparable to those reported by builders participating in the Builder/Developer Survey, in which land prices per square metre were 62,000 Iraqi dinars in Hilla (median of 32 cases), 100,000 dinars in Baghdad (median of 90 cases), and 14,000 dinars in Basrah (median of 74 cases). Some projects were completed three years ago, when prices were lower.

The following table isolates the impact of specific infrastructure services on market prices for land.

Table 12. Land Price Multipliers for Infrastructure Access (Iraqi dinars per square metre)

Infrastructure Type	Baghdad	Basrah	Hilla	Mosul	Najaf	Sulaimaniya	Total
Street							
Land Price/m ² Paved	350,000	150,227	90,476	100,000	200,000	201,667	175,000
Land Price/m ² Unpaved	80,000	51,273	45,000	50,000	200,000	150,000	75,000
Multiplier	4.4	2.9	2.0	2.0	1.0	1.3	2.3
Piped Water							
Land Price/m ² with	300,000	125,000	58,333	100,000	200,000	211,875	194,923
Land Price/m ² without	70,000	*	22,225	48,286	112,500	150,000	94,442
Multiplier	4.3	--	2.6	2.1	1.8	1.4	2.1
Piped Wastewater							
Land Price/m ² with	320,833	180,000	50,000	75,000	333,333	210,000	250,000
Land Price/m ² without	84,000	58,750	50,000	75,000	175,000	150,000	88,000
Multiplier	3.8	3.1	1.0	1.0	1.9	1.4	2.8

Source: Broker Survey, PADCO, 2006

*Brokers in this city identified an insignificant number of plots with this infrastructure service profile.

Overall, the multipliers for access to paved streets, piped water, and piped wastewater are typical for middle-income countries (the range often being between 2.5 and 3). But there are significant differences among the study cities, with Basrah



and especially Baghdad showing a substantial land price premium for infrastructure services. Najaf and Sulaimaniya, on the other hand, have very low multipliers, which suggests that local housing markets are generally sluggish or that local residents do not highly value these service level increments (e.g. they do not have cars to take advantage of paved streets; they have wells or buy bottled water; they use on-plot sanitation, etc.)

The general conclusion is that land development is more likely to be financially remunerative in Baghdad and Basrah and less likely in Najaf and Sulaimaniya. Hilla and Mosul are in the middle. The ability of public sector agencies or private developers to recover the costs of on-site infrastructure investment from intermediaries or end users depends partially on these multipliers.

3.4 Housing Finance

The purpose of housing finance over the last five decades in Iraq was to make it possible for those who had land that was authorized for housing to be able to construct their housing. It was not intended to be the general means of accessing housing and therefore had very restrictive conditions. On the other hand, the loans, once available, were on very favourable, highly subsidized terms.

Housing finance in Iraq has therefore never been an attractive proposition for the few private and commercial institutions, but was handled mainly by one public institution, the Real Estate Bank, which operated more as a bureaucracy than a financial institution.

3.4.1 Housing Finance Institutions

Real Estate Bank

Established in 1948 with the mandate to provide housing finance, the Real Estate Bank has 18 branches and a staff of more than 700. Many of the loans from the bank were made (by presidential order) at low interest rates to selected borrowers, namely middle- and high-ranking government and army officials. A fixed amount was lent to landowners and public employees at a fixed, subsidized interest rate for periods of 15 to 25 years. The amount was often not enough to finish construction on the houses. Repayment of a loan was guaranteed by compulsory deductions from the employee's wages.

In 1990, faced with a severe shortage of capital, the Real Estate Bank stopped granting loans. The bank resumed lending in 2000, but inflation and the sharp erosion of the Iraqi dinar crippled the bank's lending portfolio as loan defaults became widespread.⁹ An assessment of the bank in 2003 concluded that it is woefully undercapitalized and suffers from poor management. Over 80 percent of the loans are overdue and there is little chance of their recovery.

National Housing Fund

Partly in response to the moribund and inefficient state of the Real Estate Bank in particular and housing finance availability in general, in 2004, using revenues from oil sales, the National Housing Fund was created to provide a quick, simplified source of housing finance, especially for lower-income households. With a start-up capital fund

⁹ *Strengthening the Capacity of the Housing Sector in Iraq: Overcoming the barriers hindering development of home mortgage and collateral lending in Iraq*, UN-HABITAT 2006. Potential effect of housing market activities on policy goals.



of US\$200 million, the fund was expected to make small loans at no interest or very low rates of interest, which were to be repaid over 2 to 5 years.

However, the National Housing Fund has yet to materialize as an effective financial institution. It has been bogged down by its inability to think outside the parameters established by the Real Estate Bank and failed to make any loans in the first couple of years of operation. In light of its inability to disperse the funds at its disposal, its mandate has been modified to turn it into a channel for funding other banks, which are expected to then lend to households. Unfortunately, even this two-tiered approach has failed to make any impact, and no loans have been given. The fund is also providing finance for the construction of some of the Housing Commission projects currently planned or under construction (see Subreport 2). The expectation is that these will be sold to low-income households, which will use loans from the fund to purchase them. However, the costs are far higher than can be met by any of the loans from the fund.

Commercial Banks

None of the private commercial banks in Iraq makes any significant contribution to financing housing. Their main role in the sector (and this is a very small part of their overall activities) is to fund individuals and businesses that are well known to them and have acceptable credit ratings and collateral, to finance the purchase of construction machinery and equipment.

The three institutions – the Real Estate Bank, the National Housing Fund, and commercial banks – are summarized in the following table.



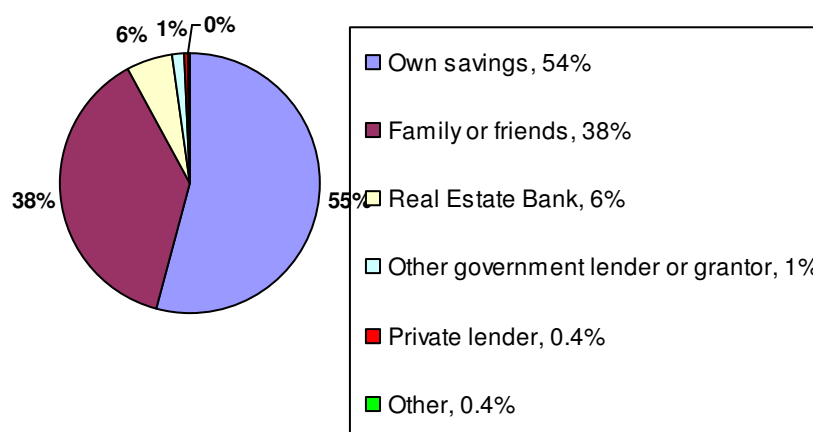
	REAL ESTATE BANK	HOUSING FUND	COMMERCIAL BANKS
Origin/history	Established 1948 as Iraq's national (and only) housing finance bank	Created by Government of Iraq in 2004 as a way of quickly channelling oil funds to low-income families to kick-start housing recovery	Bridging loans for housing and housing projects as marginal activity alongside other banking operations
Current status	Establishment operating without a portfolio of activities	Establishment operating with no loans to date	No dedicated loans for housing or housing projects
• Establishment	18 branches, 725 employees		100+ branches
• Operating costs			
• Assets/liabilities	Outstanding loans written off		US\$2+ billion
Objectives/programme	Meet all housing finance needs of Iraq	Provide loans at subsidized interest to deserving groups	Lending for business operations
Source of Funds	Treasury, repayments	Treasury	Part of general funds
• Initial amount	US\$300 million (1950)	US\$200 million (2004)	
• Annual amount		-	
Targets			
• Borrowers	Households with registered housing plots	Households wanting to build new houses on small plots	Businesses and enterprises with established links to the bank
• Number of loans			None for housing
• Typical loan size		\$5,000 in suburbs and districts \$10,000 in provincial centres \$12,000 in Baghdad	Finance for land; construction equipment purchase
• Typical interest rate	6–7%	0–6% increasing with length	5–15%, as for general lending
• Typical loan period	15 to 25 years	2 to 5+ years	2 to 5 years
Performance	Initially good, but inability to control defaults and effect foreclosures undermined finance regime	Poor. Has not managed to even “give away” the dedicated funds for low-income housing	Housing loans rare and only to established and privileged clients
• Typical borrowers	Middle-income; party approved	None	Existing clients with deposits or other assets as collateral
• Typical loan		None	
• Number of loans	One million+ (over 50 years)	None	
• Performing loans	0%		
• Delinquent loans	80%+		
Programmed changes	Was expected to close down, but was reprieved. Currently being overhauled and improved?	Is expected to become a channel for public funds to secondary lenders – mostly commercial banks	None related to housing finance – but general overhaul of operations and performance
Summary assessment	Halted operations in 1990s due to inability to expand capital base; poor loan performance	A potentially powerful resource, wasted due to centralized and therefore moribund decision making	Play a very limited role in housing finance; no incentive to expand operations
Proposals	Reform management practices and lending procedures to meet good banking standards; lend to upper- and middle-income households with collateral and regular incomes; and extend project finance to developers	Provide sequential microcredit loans for incremental construction using financial intermediaries and community facilitators; work in cooperation with communities and municipalities	Ease and encourage entry into housing finance markets as banking maturity is achieved



3.4.2 The Financing of Housing

It should not be a surprise, given the meagre operations of the formal financial institutions, that the bulk of the finance for housing is provided by households using their own resources, supplemented by informal borrowing, mainly from relatives. When asked if they had access to housing finance, of the 1,800 households surveyed in the 6 cities, only 132 (7.3 percent) said yes; the other 92 percent said they did not.

If you can borrow, what would be your main source of finance?



Source: Household Survey, PADCO/UN-HABITAT, 2006

The low expectations from institutional sources reflect not only present realities, but also the past experience of most households. Of the 1,317 households who knew and therefore were able to respond (others were tenants or had inherited the property), only about 6 percent had used formal financial institutions as the primary¹⁰ source of finance for their house construction or purchase.

Most of these households that had access to formal financial institutions had acquired their housing unit through cooperatives – or a government agency had allocated it. But even in these categories, most had used their own funds or borrowed from relatives. Moreover, the bulk of the formal loans were made available to those who acquired their housing 20 to 30 years ago, during the Real Estate Bank's heyday.

¹⁰ Since the households were only asked to state their primary source of funds, the full contribution of each source is likely to be under-reported. For example, many households may have borrowed from the Real Estate Bank, but if these loans did not constitute the primary source of funds for them, it would go unreported. The common assumption is that Real Estate Bank or other formal loans would make up the largest share of any borrowing households' funds, but this may not always be the case because of the low income-to-loan ratio and other restrictive terms such as the value of the collateral required.



Table 13. Main Sources of Finance for the Purchase or Construction of the Unit by Acquisition Period

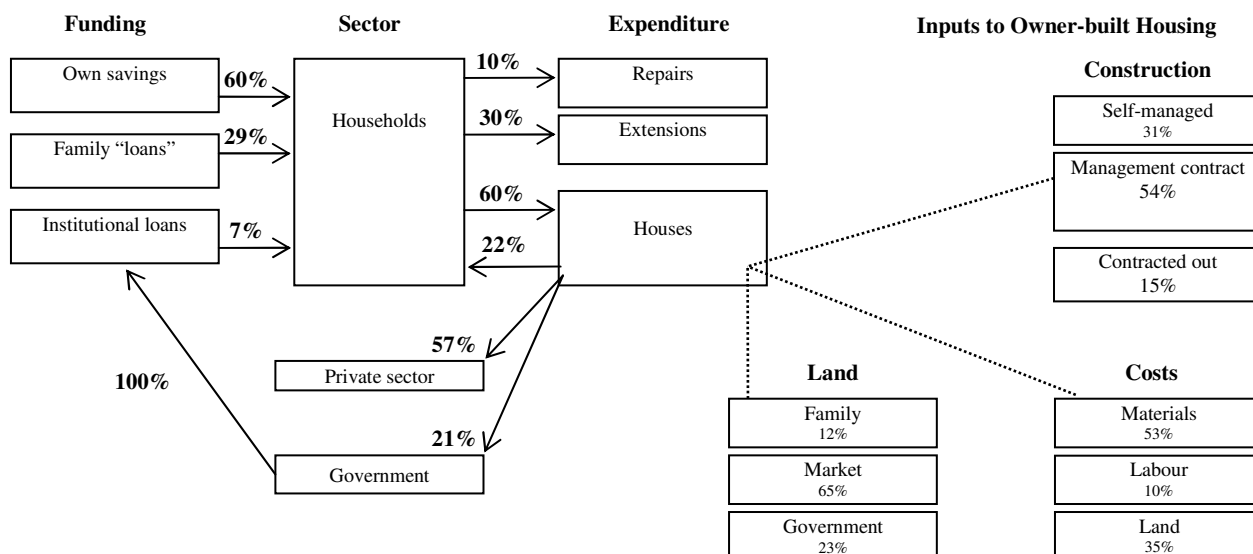
	Own savings	Family and relatives	Real Estate Bank	Other govt. lender	Private lender	Other	None (inherited/gift)	Total
1–3 years ago	61.7%	35.7%	1.9%		0.6%			100.0%
3–5 years ago	59.0%	36.1%	1.2%			3.6%		100.0%
5–8 years ago	62.2%	33.7%	1.2%		1.2%	1.7%		100.0%
8–11 years ago	58.7%	35.2%	1.5%	0.5%		4.1%		100.0%
11–20 years ago	62.0%	26.2%	5.9%	0.3%	0.3%	4.6%	0.7%	100.0%
20–30 years ago	57.3%	20.9%	12.3%		0.5%	8.6%	0.5%	100.0%
30 years ago	59.6%	23.5%	13.1%			3.8%		100.0%
Total	60.2%	29.0%	5.9%	0.2%	0.4%	4.1%	0.2%	100.0%

Source: Household Survey, PADCO/UN-HABITAT, 2006

3.4.3 Sectoral Flow of Funds

Ultimately, there are three sources of funds for the sector: the government, the private sector, and households. Each, of course, acquires and accesses funds from various sources within and outside the sector – whether as grants, loans, or investments – much, if not all, of which flows back to the three sources (though not necessarily to the same entities within them). For instance, the private sector may invest in housing using government loans for project finance, and sell the houses it produces to households who may have borrowed from a government bank. Over time, the households repay their loans to the government, thus permitting new loans to be made.

Thus, while there is a circular flow of funds, most important are the particular flow channels and their respective volumes. The diagram below shows this, derived from the data from the Iraq Housing Market Study surveys.



What is striking about the flow of funds and share of inputs in the housing sector is the critical and crucial role played by the households themselves in all aspects of their housing – funding, construction, and land acquisition – despite the highly centralized state of the economy as a whole and the housing sector in particular. In Iraq, as elsewhere, households struggle to overcome the shortcomings of the state, but have to do so hampered by the administrative and regulatory structure, which is framed as if the state were the sole provider and manager of housing.

3.5 Housing Information Systems

Housing information systems are generally underdeveloped in Iraqi cities. There are no integrated databases on land or housing for sale. The only sources of property information are the national property cadastre (which is paper-based and does not include a digital database), individual brokers, and word of mouth.

Middle- and upper-income urban households in Iraq generally use registered real estate brokers to sell their homes. Since brokers charge a fee of up to 2 percent of the sale price (payable fifty-fifty by the seller and buyer), lower- and lower middle-income households tend to rely on word-of-mouth and signs posted on the property to publicize the sale of their real estate assets.

Brokers collect and manage information about the properties they represent. Most of the data are not digitized. There is no system for integrating the data of different brokers. There are no internet-based real estate databases.

Individuals and brokers rarely use the media to advertise the purchase or sale of real estate assets. In the low-security environment of Baghdad today, people consider it risky to advertise the sale of an expensive house, since it makes the seller a potential target of criminals.



4 Housing Outcomes

A useful way of understanding the housing in Iraq's cities is through a housing typology, where each type refers not to a building type, but to a type of residential fabric. The criteria used to classify the types include the degree of planning in the residential development process, level of visible infrastructure, density, building type, and percentage of built-up area.

The housing in the six study cities can be classified according to a housing typology of nine different types:

1. Historical Centre
2. Courtyard Housing on Grid
3. Subdivision with Small, Attached Housing
4. Subdivision with Larger Housing (attached and detached)
5. Public Housing Estates
6. Incomplete Peripheral Subdivision (> 50% built-up area)
7. Incomplete Peripheral Subdivision (< 50% built-up area)
8. Informal Settlement
9. Mixed Use

Each housing type refers to a type of residential fabric. While a given Type 4 area will be predominantly composed of large, semi-detached houses, there will in some cases be low-rise, walk-up apartments mixed in. Likewise, a Type 3 area, composed primarily of planned, attached units, may contain plots that have been irregularly subdivided.

While this type of residential heterogeneity complicates the task of identifying typical housing characteristics, it is appropriate to analyse the neighbourhood as a whole, for the services and infrastructure provided for upper-income residents also benefit those households living in unplanned pockets. Even where services are not extended by the city, households may tap the same electricity lines, use the same well-maintained roads, and deposit their garbage in the same local dumpsters as their higher-income neighbours.

A summary of the key characteristics of each type is included in Table 14.



Table 14. Housing Typology for Iraq's Urban Areas

	Type 1: Historical Centre	Type 2: Courtyard Housing on Grid	Type 3: Subdivision with Attached Housing	Type 4: Subdivision with Large Semi-Detached Housing	Type 5: Public Housing Estates	Type 6: Incomplete Peripheral Subdivision (> 50% built up)	Type 7: Incomplete Peripheral Subdivision (< 50% built up)	Type 8: Informal Settlement	Type 9: Mixed Use
Layout	Hierarchy of streets and lanes laid out in an irregular pattern.	Grid with irregular development within each block.	Grid pattern, double-loaded lots.	Grid or other planned development pattern.	Clusters of uniform buildings.	Grid street pattern with some variation. Built up area is > 50%.	Grid street pattern with some variation. Built-up area is < 50%.	Mimics formal settlements, follows simple road patterns, or traditional layout with non-grid roads.	Located along major roads in commercial districts.
Development Process	Historical city centre developed organically according to social and cultural criteria and building regulations.	Government subdivided land and distributed on a block-by-block basis to relieve pressure on the centre. Beneficiaries subdivided within blocks informally.	Planned subdivision. Serviced plots allocated by government / housing cooperatives beginning in 1960s.	Planned subdivision. Serviced plots allocated by government / housing cooperatives beginning in 1960s.	Built by government in 1960s and 1970s. Last multi-storey estate built in 1978. Includes some ministry and university housing for staff.	Land was subdivided and allocated by government in 1980s and 1990s, only partially serviced. Development process stalled.	Land was subdivided and allocated by government in 1990s, only partially serviced. Development process stalled.	Occasional land subdivision or informal occupation of land by private sector. Includes villages absorbed in urban fabric.	Private, incremental development. High renter population living in small apartments over shops.
Housing Units	Mainly 1- or 2-storey attached units.	Mixture of traditional courtyard houses and small, attached units with or without courtyards.	Attached "dar" type housing.	Mixture of large attached and semi-detached "dar" type housing.	Uniform buildings, primarily medium- and high-rise apartment buildings, or housing units of the same design.	Attached "dar" type housing.	Attached "dar" type housing.	Attached "dar" type housing.	Housing units mixed with commercial uses in multi-storey buildings with shops on ground floor and apartments above.
Estimated Density (units per ha)	40	25	35	20	500	20	5	31	24
Infrastructure	Fully serviced.	Varied, fully to only partially serviced.	Fully serviced.	Fully serviced.	Fully serviced.	Partial services (piped water, some sewerage).	Minimal services (piped water only).	Varied, fully to only partially serviced.	Fully serviced.



4.1 Quality and Condition of Existing Housing Stock

4.1.1 Housing Characteristics and Occupancy Patterns

The predominant type of housing unit in the six surveyed cities is a dar – a traditional house that is attached on at least one side. Sixty-five percent of houses in the survey fall into this category. Dars vary considerably in size, from 30 m² to 1,000 m². The average size of a dar structure for the total sample is 177 m². Dars occur in all nine housing types. Apartment buildings (occurring predominantly in Type 5 and Type 9) make up about 28 percent of the sample.

With an overall average house size of 144 m², the housing stock in the 6 study cities is of substantial size by international standards. There is very little variation among the six cities in average housing unit size.

Table 15. Housing Characteristics and Occupancy Patterns by City

City	Average Plot Size (m ²)	Average Unit Size (m ²)	Average Number of Rooms	Average Household Size	% of Households Overcrowded	Average No. of Households per Unit	Average Total No. of Persons per Unit	Average Floor Area per Person (m ²)
Mosul	195.5	135.1	4.3	6.4	8.3	1.2	7.3	21.0
Sulaimaniya	155.0	125.5	4.5	5.4	2.0	1.3	6.4	23.3
Baghdad	216.8	135.4	4.3	5.4	5.5	1.3	6.4	27.0
Hilla	291.6	140.9	4.8	6.0	2.0	1.2	6.9	25.4
Najaf	266.8	164.6	3.7	6.3	11.0	1.2	6.8	29.8
Basrah	232.7	170.2	4.0	6.9	2.7	1.1	7.0	27.0
Total	226.6	143.9	4.2	6.0	5.3	1.2	6.7	25.7

Source: Household Survey, PADCO/UN-HABITAT, 2006

The overall average household size in the six study cities is 6 persons, changing little since the 2004 Iraq Living Conditions Survey, when average urban household size was reportedly 6.1 persons. There are on average 1.2 families per housing unit, and the total average number of people per dwelling unit is 6.7. Basrah has the largest household size at 6.9 persons, compared to Sulaimaniya, with just 5.4 members per household.

The typical household shares, on average, 3.9 rooms. The head of household is predominantly a male about 48 years of age. Again mirroring the results of the Iraq Living Conditions Survey, the Iraq Housing Market Study found that women head about 12 percent of households. The Iraq Living Conditions Survey found that females headed 11 percent of households, which is similar to other Middle Eastern countries.

About 5.3 percent of sampled households are living in overcrowded conditions, defined by UN-HABITAT as more than 3 persons per room.¹¹ The results are not dissimilar from the Iraq Living Conditions Survey, which found in 2004 that about 7 percent of all urban households in Iraq are overcrowded. This suggests that the overcrowding situation has remained fairly constant during the past two years.

¹¹ UN-HABITAT defines a room as a space in a housing unit enclosed by walls of an area large enough to hold a bed for an adult (at least 4 m²). The total number of rooms, therefore, includes bedrooms, dining rooms, living rooms, studies, servants' rooms, kitchens, and other spaces intended for dwelling purposes.



Overcrowding by this definition affects most households in Najaf, where 11 percent of the sampled households are living more than 3 to a room.

Another way to measure overcrowding is by looking at the number of households per dwelling unit. This figure – 1.2 households per unit, according to the Iraq Housing Market Study – has remained steady since the Polservice Study in 1980. The 2005 Ministry of Construction and Housing National Report on Secured Housing and Land Tenure also reported an average of 1.2 households per dwelling unit. This suggests that despite years of war, sanctions, unrest, and nonexistent government-built housing, families in Iraq have been housing themselves. While the solutions have not been outstanding across the board, it is certainly clear that, on the whole, the result has been adequate housing.

Using an alternate definition of overcrowding, which measures floor area per person, the housing in the 6 study cities compares favourably to international standards, with an average of 25.7 m² per person. This ranges from a high of 29.8 m² per person on average in Najaf to a low of 21 m² in Mosul. The average for housing in Europe, the Middle East, and North Africa is 17 m², and for middle-income countries it is 15 m².¹²

There is more variation in housing unit size and floor area per person across the housing typologies. The largest units are found in Types 4 and 7, while housing units in Types 1 and 9 are smaller on average. Type 5 housing, consisting predominantly of apartment units, is smaller than average. In general, older housing stock and apartments tend to be smaller than the majority of housing in the six cities. Floor area per person ranges from a high of 42.3 in Type 4 (upper-class subdivisions) to a low of 18.6 in the historical centre, where incomes and dwelling units are both smaller on average.

Table 16. Housing Characteristics and Occupancy Patterns by Housing Typology

	Average Plot Size (m ²)	Average Unit Size (m ²)	Average No. of Rooms	Average Household Size	% of Households Over-crowded	Average No. of Households per Unit	Average Total No. of Persons per Unit	Average Floor Area per Person (m ²)
Type 1: Historical Centre	153.2	107.0	4.0	6.1	3.4	1.2	6.6	18.6
Type 2: Courtyard Housing on a Grid	149.6	115.8	3.5	5.6	17.9	1.1	6.6	27.5
Type 3: Subdivision with Attached Housing	236.4	172.1	4.8	6.1	4.8	1.3	7.3	29.5
Type 4: Subdivision with Large Semi-Detached Housing	319.5	213.6	4.9	5.9	6.3	1.3	6.9	42.3
Type 5: Public Housing Estates	126.9	114.0	3.8	6.2	4.8	1.1	6.3	20.4
Type 6: Incomplete Peripheral Subdivision (> 50% built up)	243.4	179.1	4.6	6.6	4.7	1.3	7.4	29.2
Type 7: Incomplete Peripheral Subdivision (< 50% built up)	332.7	236.3	5.3	6.5	7.7	1.8	9.6	36.1
Type 8: Informal Settlement	277.3	158.9	4.3	6.4	5.5	1.2	7.1	25.2
Type 9: Mixed Use	198.4	105.4	3.7	5.3	5.6	1.2	6.0	21.2
Total	226.6	143.9	4.2	6	5.3	1.2	6.7	25.7

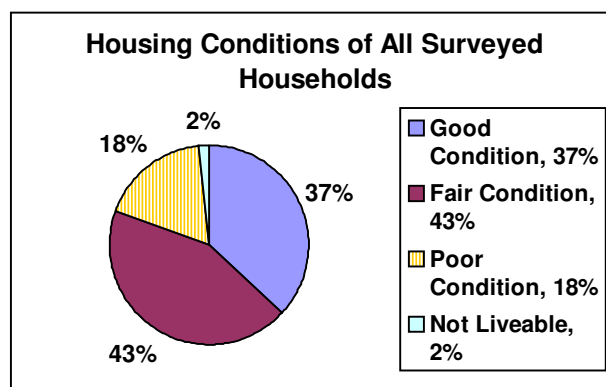
Source: Household Survey, PADCO/UN-HABITAT, 2006

¹² See Annex B of Subreport 1 for a summary of international findings on floor area per person by region and income level from the World Bank Indicators Programme (1992).



4.1.2 Housing Conditions

The Iraq Housing Market Study household survey confirmed the results of the 2004 Iraq Living Conditions Survey, which found that most of the housing stock in the six study cities is made of durable, permanent materials. Overall, about 90 percent of households live in durable houses (meaning both the walls and roof are made of durable materials).¹³ The primary construction materials are brick and cement blocks for walls and concrete and shilman for roofs.¹⁴ Bricks are most common in the central and southern cities, while in the northern cities cement block is the predominant building material for walls. In Baghdad, a small percentage of walls are made of cement/concrete.



Dilapidated housing in urban centres

As households have moved out of the central city areas in search of bigger and better housing in less congested, residential subdivisions, housing in the central areas (Types 1 and 9) has languished. Not unlike many other Middle Eastern countries, much of the old housing stock in the historical centre and mixed use areas surrounding the walled city has been converted to private rental housing (55 percent and 75 percent respectively) and left to deteriorate, resulting in abhorrent conditions. Over half (52 percent) of the housing in the historical centre is considered poor or unliveable; 30 percent of the housing in mixed use areas is the same. Moreover, housing units are smaller than average and overcrowding is more of a problem among these households.

Type 1: Historical Centre

PHOTO 8

Type 9: Mixed Use

PHOTO 9

The overall durability of construction materials has created a housing stock that is in good condition (37 percent) or fair condition (43.5 percent), the latter meaning that minor (non-structural) repairs are needed. Overall, about 18 percent of the surveyed

¹³ The Iraq Living Conditions Survey found that 95 percent of units were constructed of permanent durable materials.

¹⁴ Shilman roofs are made of a steel frame with poured concrete.



stock is in poor condition, meaning major structural repairs are needed, and just 1.6 percent of the stock is considered unliveable.

Table 17. Housing Conditions by City

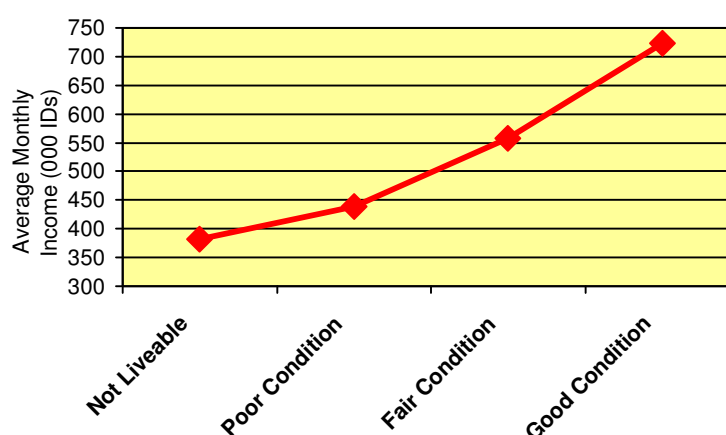
	In good condition	In fair condition: minor (non-structural) rehabilitation needed	In poor condition: major (structural) rehabilitation needed	Not liveable: needs to be demolished and rebuilt	Other	Total
Mosul	33.1%	39.8%	25.8%	1.3%	0.0%	100%
Sulaimaniya	54.0%	38.0%	6.0%	2.0%	0.0%	100%
Baghdad	29.6%	49.2%	19.3%	1.8%	0.0%	100%
Hilla	35.5%	42.0%	18.0%	3.5%	1.0%	100%
Najaf	35.5%	46.0%	17.5%	1.0%	0.0%	100%
Basrah	46.0%	38.3%	15.7%	0.0%	0.0%	100%
Total	37.0%	43.4%	17.9%	1.6%	0.1%	100%

In other words, about one-fifth of the housing stock surveyed in the six cities is considered to be in poor or unliveable condition. This proportion is slightly higher in Mosul, where about 27 percent of the stock is poor or unliveable, but in the southern and central cities it is relatively even.

PHOTO 10 Planned Residential Subdivision (Type

The survey reveals that households with lower incomes live in housing that is smaller and in worse condition. Overall, the average income of households living in good housing was 722,660 Iraqi dinars per month, which is 23 percent more than the incomes of households in units in fair condition, 39 percent higher than those in units in poor condition, and 47 percent higher than the incomes of those in unliveable units.

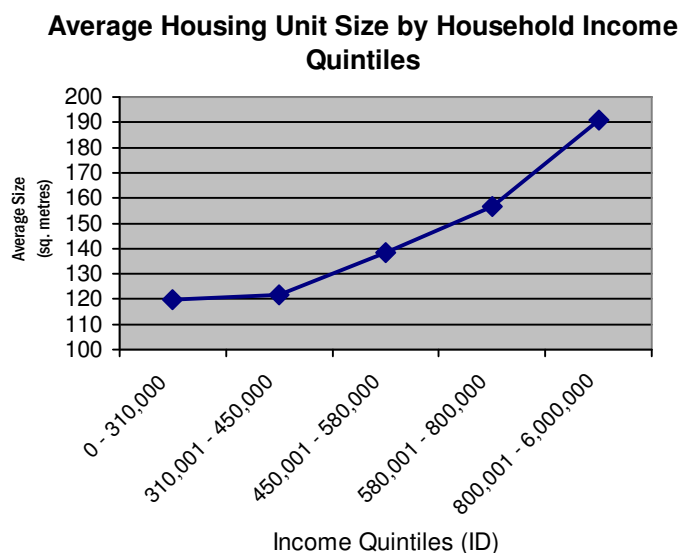
Average Monthly Household Income and Housing Conditions



Source: Household Survey, PADCO/UN-HABITAT, 2006



Among households in the lowest income quintile (the lowest 20 percent of incomes in the sample), 35 percent of the housing stock is in poor or unliveable condition, compared to just 8 percent among upper-income households (the highest 20 percent of incomes). As shown in the following chart, there is also a correlation between household incomes and housing unit size. Average sizes range from a low of 120 m² among the lowest income quintile to a high of 190 m² among the highest income quintile.



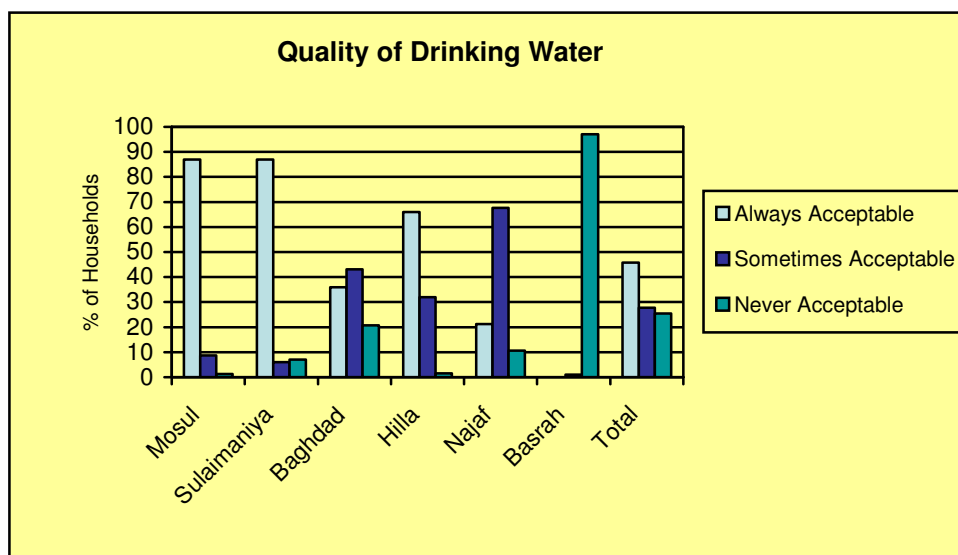
Source: Household Survey, PADCO/UN-HABITAT, 2006

Not surprisingly, given that their unit sizes are smaller on average, low-income households are also more adversely affected by overcrowding. Almost 8 percent of low-income households (lowest income quintile) live in overcrowded conditions, compared to just 4 percent among upper-income households (highest quintile).

4.1.3 Infrastructure

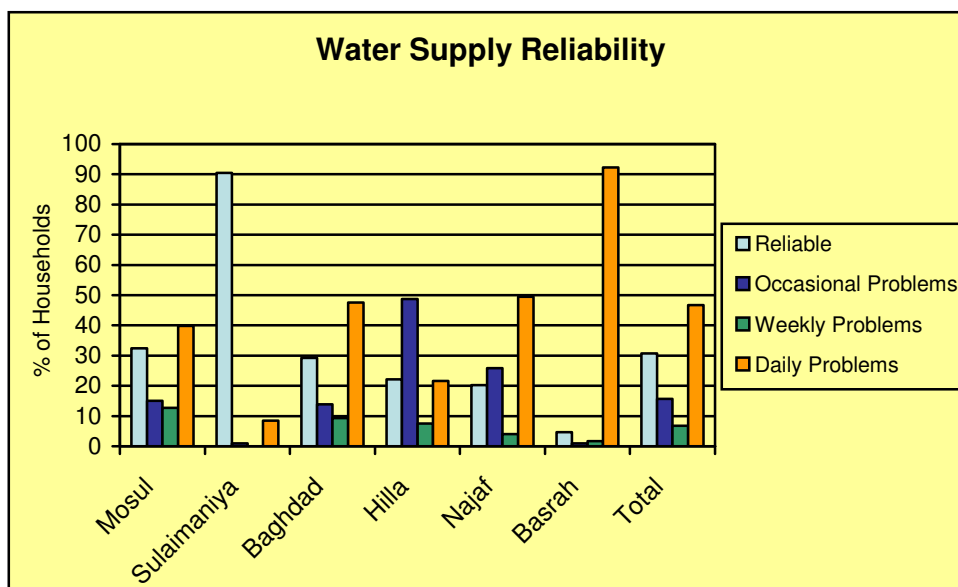
The quality and reliability of shelter-related infrastructure and services are among the key housing issues in Iraq's cities. Some of these problems are related to the current state of insecurity, existent since the 2003 US-led invasion. For example, power outages in Baghdad are a direct result of the current crisis, forcing a majority (78 percent) of Baghdad residents to rely on shared generators as their primary source of electricity, even though their housing unit is connected to the electricity network. Other problems are more likely related to the general lack of investment and deterioration of public infrastructure. Sanctions, war, and unrest over the years have destroyed or caused the deterioration of a considerable amount of infrastructure in Iraq's cities.

While most households (94 percent) are connected to piped water supply, less than half of all respondents reported that the quality of their drinking water is always acceptable, and even fewer (about 30 percent) reported that the supply of water is always reliable (continuous). Almost half (47 percent) of households reported daily problems with the supply of their water.



Source: Household Survey, PADCO/UN-HABITAT, 2006

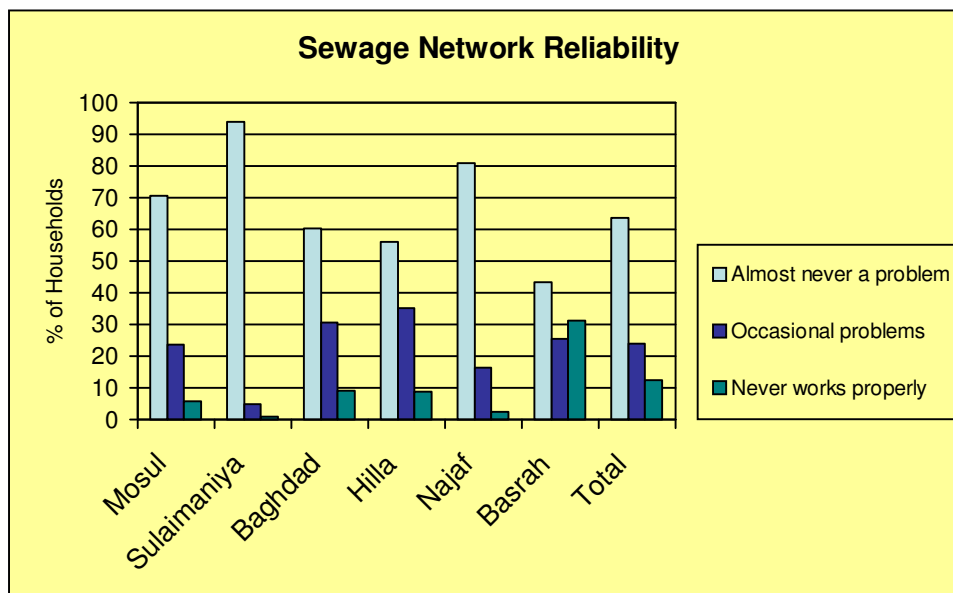
Of the six study cities, water supply and sanitation services are the worst in Basrah. In Basrah, 97 percent said water quality is never acceptable and 92 percent reported daily water supply problems. During Saddam Hussein's administration, southern Iraq received less investment overall, resulting in the severe infrastructure crisis faced by the southern cities today. By contrast, Sulaimaniya residents are satisfied with water quality and report that the supply is reliable (constant supply). In Mosul, the quality of drinking water is also better than average, but the supply is unreliable (daily problems).



Source: Household Survey, PADCO/UN-HABITAT, 2006



Sixty-six percent of households use a flush or pour-flush latrine connected to the sewage network. The remaining 34 percent have latrines connected to septic tanks, which UN-HABITAT considers “improved sanitation”.¹⁵ A majority (64 percent) of those households connected to the public sewage network reports that the system works properly (or is always reliable). However, in Basrah, this slips to less than 40 percent. In Sulaimaniya, like the water supply system, the sewage network is also reliable (meaning no problems).



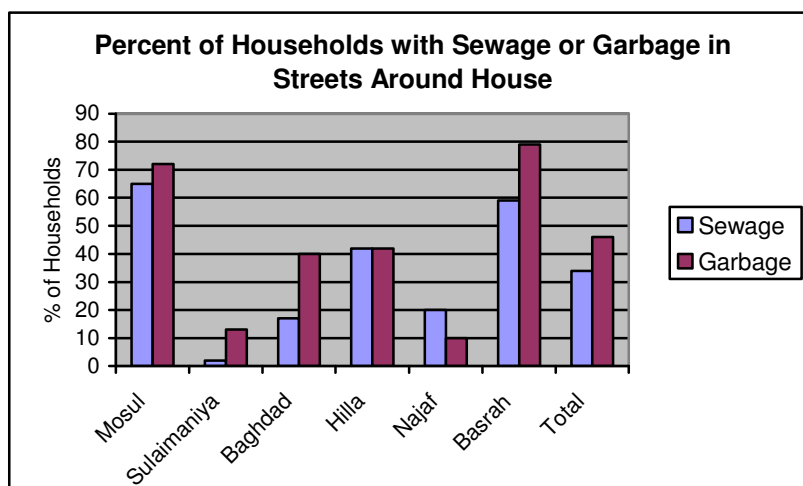
Source: Household Survey, PADCO/UN-HABITAT, 2006

Not only is the network unreliable (daily problems) in 36 percent of households, but 34 percent of households are not connected to the system. Moreover, 34 percent of households have raw sewage in the streets around their houses. There does not appear to be any correlation between the type of sanitation service and the problem of sewage in the streets. In fact, households facing this problem are almost evenly split between those connected to the network (53 percent) and those with septic tanks (47 percent). It is particularly alarming for over half of the households in Basrah and Mosul to have sewage in their streets.

Sporadic solid waste collection services have also led to a substantial proportion of households (46 percent) with solid waste in their streets. Less than half (40 percent) of all households have solid waste collected at their door. The housing typology exercise revealed that even households in higher-income neighbourhoods (Type 4, for example) do not have a regular collection service, and many households (41 percent) dispose of trash in the streets.¹⁶

¹⁵ As measured by UN-HABITAT Key Indicator 5, “access to improved sanitation”, 98 percent of households have access to improved sanitation, because UN-HABITAT considers septic tanks “improved sanitation”. The Sewage Network Reliability graph shows just those households that are connected to the public sewage network, which is about 66 percent of the total sample.

¹⁶ In the historical centre and mixed use neighbourhoods (Types 1 and 9), a high percentage of households, 53.4 percent and 36.4 percent respectively, reported that they dispose of trash in the street. It is likely in these areas that the trash is then collected from the street by a collection service.



Source: Household Survey, PADCO/UN-HABITAT, 2006

Electricity supply is another key problem. While virtually all urban households are connected to the public electrical supply network, it typically only works for one or two hours per day, particularly in Baghdad. Almost all households surveyed depend on up to three sources of electricity. A majority (70 percent) of households in the total sample depend primarily on the electricity network and supplement their power supply with both private and shared generators, which are extremely costly. In Baghdad, the situation is direr; most households (78 percent) in the capital city rely on a shared generator as their primary source of electricity.

PHOTO 11 Raw sewage in streets of Baghdad

Telecommunication lines are not widely available in the six study cities. Less than half (45.7 percent) of households are connected to fixed telecommunication lines. The use of mobile phones is common and on the rise in Iraq – as in many other countries around the world, where mobile phones are becoming the preferred method of communication. This technology is helping to bridge the communication gap: 50 percent of households use a mobile phone, leaving 7.5 percent of households with no communication method.

UN-HABITAT's Key Indicator 6 measures a household's level of connectivity based on connections to piped water, public sewage, electricity, and telecommunications networks. By definition, this indicator does not take into account the reliability or quality of the services provided. It therefore provides an indication of the level of capital investment required to lay pipes and extend services to a city's residents. It does not provide any guidance on the required improvements in the operation and maintenance of existing networks to improve the quality and reliability of services. Only about one-third of surveyed households are connected to all four services. About 44 percent of households are connected to three of the four services, another 23 percent are connected to two of the services, and less than 1 percent are connected to one or less.

Most residential roads (78 percent) in the surveyed areas are paved, another 11 percent are partly paved, and 10 percent are vehicle-accessible stone, gravel, or sand lanes. However, street lighting is not common in the six surveyed cities. Only half of the surveyed population has street lights in their neighbourhood, and just 12 percent of households have street lights that work all the time. Street lighting is a low-cost improvement that can increase the general sense of security and improve the overall character of neighbourhood.



Table 18 reveals some of the variations in service connection levels among the 9 housing types. The survey confirmed that Types 6 and 7, the peripheral subdivisions, are generally less serviced than the other parts of the city. Even in these areas, piped water is widely available, but the percentage of households with access to the public sewage network and paved roads is the lowest in the sample.

**Table 18. Access to Shelter-related Services by Typology
(% of households)**

	Piped Water Supply to Unit	Sewage Network	Electricity Network (main source)	Telecom (fixed line)	Key Indicator 6: Connection to Services ¹⁷	Solid Waste Collection	Paved Roads
Type 1: Historical Centre	93.1	62.1	89.7	46.6	25.9	37.9	70.7
Type 2: Courtyard Housing on Grid	89.3	64.3	57.1	50.0	39.3	78.6	96.4
Type 3: Subdivision with Attached Housing	96.7	69.4	63.9	58.4	38.9	44.9	80.3
Type 4: Subdivision with Detached Housing	97.9	65.3	57.6	73.6	54.2	43.8	86.8
Type 5: Public Housing Estate	96.4	84.8	77.9	46.9	44.9	47.0	72.4
Type 6: Incomplete Peripheral Subdivision (> 50% built up)	98.1	12.3	79.2	17.0	2.8	47.2	61.3
Type 7: Incomplete Peripheral Subdivision (< 50% built up)	100.0	0	92.3	23.1	0	53.8	38.5
Type 8: Informal Settlement	84.5	65.2	80.1	31.2	18.2	29.4	55.2
Type 9: Mixed use	91.6	59.6	61.4	33.7	24.0	27.1	94.9
Total	94.3	65.9	69.6	45.7	33.4	40.4	78.1

Source: Household Survey, PADCO/UN-HABITAT, 2006

4.1.4 Slums

UN-HABITAT defines a slum as a place of residence lacking one or more of five things: durable housing, a sufficient living area, access to improved water, access to sanitation, and secure tenure.

PHOTO 12 Aruba Square, Baghdad

Table 19 illustrates selected variables that suggest slum-like conditions and the percentage of households experiencing each. It is clear that infrastructure-related problems are more severe among the sampled households than those related to the condition or overcrowding of the housing unit itself. These results reflect the key concerns among slum-dwellers highlighted by the UN-HABITAT Rapid Slum Identification Survey: sewers, power, garbage, water, and streets.

Table 19. Percent of Sampled Households Experiencing Slum-like Conditions

Houses in Poor or Unliveable	Non-durable Houses	Lack Access to Improved	Lack Access to Reliable	Lack Access to Safe	Sewage and Garbage	Over-crowded ²²	No Tenure (Squatter)
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¹⁷ UN-HABITAT Key Indicator 6 measures the percentage of households connected to piped water, the public sewage network, the electricity network, and the telecommunications network.



	Condition	¹⁸	Sanitation ¹⁹	Sanitation ²⁰	Water Supply ²¹	in Streets		
Mosul	26.9	8.4	5.4	5.9	39.8	61.5	8.3	0
Sulaimaniya	8.0	14.5	0.5	1.0	8.5	0.5	2.0	0
Baghdad	21.0	7.4	2.7	9.1	47.6	15.9	5.5	2.8
Hilla	21.5	0.5	3.0	8.8	21.6	17.5	2.0	0
Najaf	18.5	1.0	1.0	2.5	49.5	2.0	11.0	0.5
Basrah	15.7	25.3	0	31.3	92.3	57.0	2.7	0
Total	19.4	9.8	2.3	12.5	46.7	27.3	5.3	1.0

Source: Household Survey, PADCO/UN-HABITAT, 2006

When taken together, 67 percent of households experience at least 1 slum-like condition. However, it would not be accurate to conclude that all of these households are living in slums. About one-third of all households experience at least 2 slum-like conditions, and about 13 percent of households experience 3 or more slum-like conditions. It is most likely that in actual slum areas, a minimum of three of the slum variables would be present.

Further analysis of the Iraq Housing Market Study survey results reveals that the slum-like conditions in Iraq are reasonably similar across all income groups, as shown in Table 20. Among the poorest households – those with incomes in the lowest 10th income percentile of the sample (0 to 250,000 Iraqi dinars) – about 80 percent experience at least 1 slum-like condition. Just under half (46 percent) experience 2 of the conditions and 19 percent experience 3 or more. These figures are higher than the average for the whole sample, suggesting that poor households are more likely to live in slum-like conditions. However, as illustrated in Table 16, middle-income households suffer only slightly less from poor housing conditions than the poor. Roughly the same proportion of middle-income households (310,001 to 450,000 Iraqi dinars) – 17 percent – experiences 3 or more slum-like conditions.

²² Households with more than three persons per room.

¹⁸ Houses with roofs and/or walls made of non-durable materials, including asbestos, zinc sheeting, corrugated iron, or mud and manure, rushes, or thin branches.

¹⁹ Households that are not connected to either the public sewage network or a septic tank.

²⁰ Households connected to the public sewage network that experience constant problems with their sewage network.

²¹ Households that are not connected to a *reliable* piped water supply, meaning they experience daily problems with water supply.



Table 20. Percent of Households Experiencing Slum-like Conditions by Household Income Percentiles

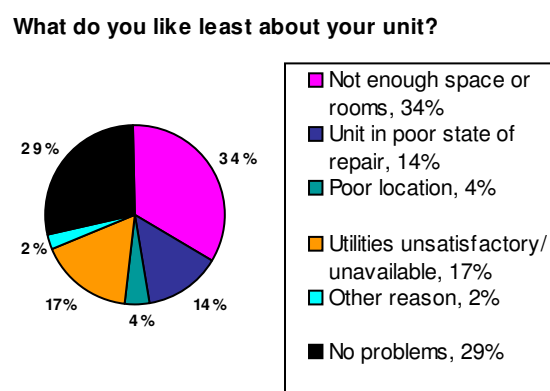
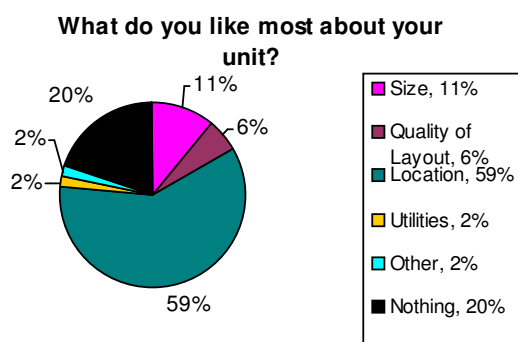
Income percentile (ID)	Average monthly household income	At least one slum-like condition	At least two slum-like conditions	Three or more slum-like conditions
10 th	0 – 250,000	79.0	45.9	18.6
20 th	250,001 – 310,000	71.4	37.8	11.1
40 th	310,001 – 450,000	70.3	36.2	17.7
60 th	450,001 – 580,000	63.0	31.1	10.7
80 th	580,001 – 800,000	61.1	30.1	12.3
100 th	> 800,000	64.4	30.4	8.8
Total		67.1	34.3	13.4

Source: Household Survey, PADCO/UN-HABITAT, 2006

The discourse on slums must continue in Iraq in order to differentiate entrenched slum areas from those areas that are temporarily suffering from poor services and a state of disrepair as a result of the recent conflict. The latter requires reconstruction efforts, while the former requires an integrated strategy of upgrading to improve overall living conditions.

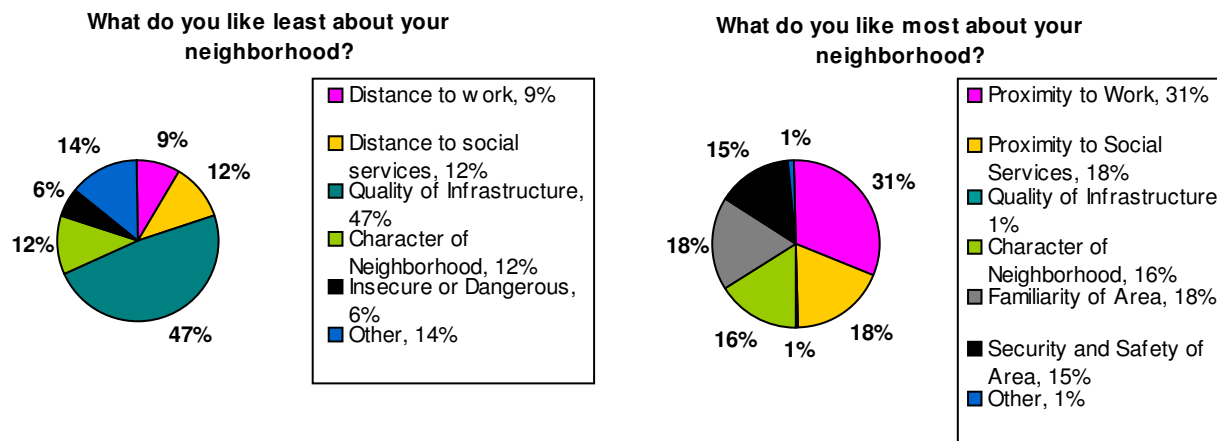
4.1.5 Household Preferences

Surveyed households are relatively satisfied with their housing situation. Almost one-third of households said there are no problems with their housing unit. The most common complaint was not enough space or rooms in the house, followed by poor quality of infrastructure. Poor quality of infrastructure was also the number one complaint about the neighbourhood.





Proximity to work was cited as the most desirable characteristic of the neighbourhood, followed by proximity to social services and familiarity of the area. Security was not a major concern among households – only 6 percent cited it as their primary concern, and 15 percent said that security and safety is what they like most about their neighbourhood.



Very few households in the six cities – just 12 percent overall – have plans to improve or extend their housing unit. These results mirror those for households planning to rehabilitate their damaged dwellings. Of all the households that reported damages, 84 percent say they have no plans to rehabilitate their unit; just 5 percent have already begun to rehabilitate, and another 11 percent planned to rehabilitate in 2007 or later.

Even fewer households (6 percent) plan to purchase or build a new unit. With little variation among cities, few households expressed a desire to move out of their current residence.

It is clear from the survey results that households are not investing substantially to improve their current housing situation. On one hand, households are generally satisfied with their current living arrangements. However, on the other, they face obstacles to improving their housing.

In terms of maintaining or improving existing housing, the study did not find any evidence of functioning homeowners associations, condominium associations, or other organized efforts to assist households in maintaining their housing or to collectively manage the housing stock. Those households that undertook additions or improvements did so under their own initiative. Among renters (discussed in Section E), there was also no evidence of efforts to maintain and rehabilitate renter housing, even among government renters.



In terms of acquiring new housing, the majority of households cited the high price of land (34 percent) and lack of access to finance (40 percent) as the key obstacles to building or purchasing a new unit. This suggests that there is pent-up demand for housing, which is inhibited by land and finance factors. Political instability and



insecurity are also major obstacles to acquiring new housing in the southern cities of Najaf and Basrah, as can be seen in Table 21. It is somewhat surprising that only about 11 percent of households in Baghdad cited political instability and insecurity as their main obstacles.

Table 21. If no plans, why do you not have plans to build or buy a new unit?

	High price of land	Lack of access to finance	Shortage of building materials	Shortage of qualified builders	Political instability/insecurity	Personal reasons	Other	Total
Mosul	27.4%	58.9%	0.4%	0.0%	4.2%	2.8%	6.3%	100.0%
Sulaimaniya	6.0%	91.8%	0.0%	0.0%	2.2%	0.0%	0.0%	100.0%
Baghdad	43.2%	39.9%	0.0%	0.0%	10.9%	1.2%	4.7%	100.0%
Hilla	56.3%	25.3%	0.0%	0.0%	12.1%	0.0%	6.3%	100.0%
Najaf	40.5%	18.5%	0.0%	1.0%	36.4%	1.0%	2.6%	100.0%
Basrah	18.4%	11.0%	0.0%	0.4%	56.3%	13.5%	0.4%	100.0%
Total	34.0%	40.4%	0.1%	0.2%	18.6%	3.0%	3.7%	100.0%

Source: Household Survey, PADCO/UN-HABITAT, 2006

4.2 Tenure Modalities

Owner-occupiers and renters are almost evenly split among the surveyed households, with the former comprising 53.3 percent of the households. The proportion of owner-occupiers ranges from a high of 73 percent in Hilla to a low of 42 percent in Mosul.

Table 22. Tenure Status by City

	Owner (even if in debt)	Rented from government	Rented from private landlord or organization	Rent-free with owner permission	Squatter, rent-free without permission	Other	Total
Mosul	41.8%	5.4%	46.2%	6.7%	-	-	100.0%
Sulaimaniya	68.5%	9.0%	20.0%	2.0%	-	0.5%	100.0%
Baghdad	39.2%	7.0%	46.2%	4.7%	2.8%	-	100.0%
Hilla	72.9%	0.5%	19.1%	7.0%	-	0.5%	100.0%
Najaf	67.5%	4.5%	18.5%	9.0%	0.5%	-	100.0%
Basrah	60.3%	21.0%	15.0%	2.3%	-	1.3%	100.0%
Total	53.3%	8.3%	32.0%	5.1%	1.0%	0.3%	100.0%

Source: Household Survey, PADCO/UN-HABITAT, 2006

The housing typology reveals that private renters are more commonly found in Types 1 and 9 – the older, more centrally located areas of the city – and government renters are found almost exclusively in Type 5.



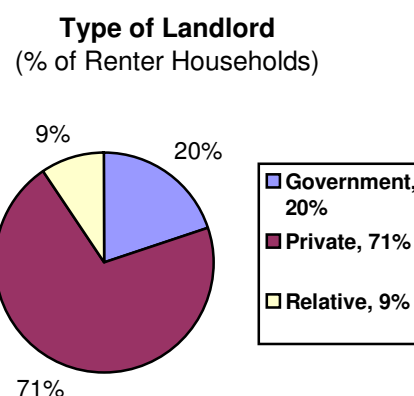
Table 23. Tenure Status by Typology

	Owner (even if in debt)	Rented from govern- ment	Rented from private landlord or organization	Rent-free with owner permission	Squatter, rent-free without permission	Other	Total
Type 1: Historical Centre	44.8%	0.0%	51.7%	3.4%	0.0%	0.0%	100%
Type 2: Courtyard Housing on Grid	57.1%	3.6%	28.6%	10.7%	0.0%	0.0%	100%
Type 3: Subdivision with Attached Housing	70.5%	0.2%	20.4%	8.8%	0.2%	0.0%	100%
Type 4: Subdivision with Detached Housing	66.7%	0.0%	22.9%	10.4%	0.0%	0.0%	100%
Type 5: Public Housing Estate	39.3%	33.1%	20.0%	2.9%	3.8%	1.0%	100%
Type 6: Incomplete Periph. Subdivision (> 50% built up)	82.1%	0.0%	13.2%	4.7%	0.0%	0.0%	100%
Type 7: Incomplete Periph. Subdivision (< 50% built up)	84.6%	0.0%	7.7%	7.7%	0.0%	0.0%	100%
Type 8: Informal Settlement	80.1%	0.6%	14.9%	3.3%	0.6%	0.6%	100%
Type 9: Mixed Use	23.1%	1.8%	73.1%	1.8%	0.0%	0.3%	100%
Total	53.3%	8.3%	32.0%	5.1%	1.0%	0.3%	100%

Source: Household Survey, PADCO/UN-HABITAT, 2006

Most tenants (80 percent) rent from a private landlord or relative. Just 20 percent of all tenants in the sample rent from the government, and most of these are found in Type 5 (Public Housing Estates). While government renters in the survey have higher incomes, better conditions, and more services than owners, the survey revealed that private sector tenants are disadvantaged compared to owners.²³

While rental housing is generally considered a viable housing solution, particularly for lower-income groups in developing countries, the private rental market in Iraq appears to be providing substandard housing for the lower-income population. On average, private tenants have lower incomes and poorer living conditions than owner-occupiers. On average, private renters' monthly incomes are one-fifth less than owners. Housing units are smaller and have one less room and less floor area per person



²³ The survey captured several pockets of university housing for faculty in Type 5 in Basrah and Baghdad, which accounts for the higher incomes and better living conditions among government renters. This result may not be indicative of all government renters in the six cities.



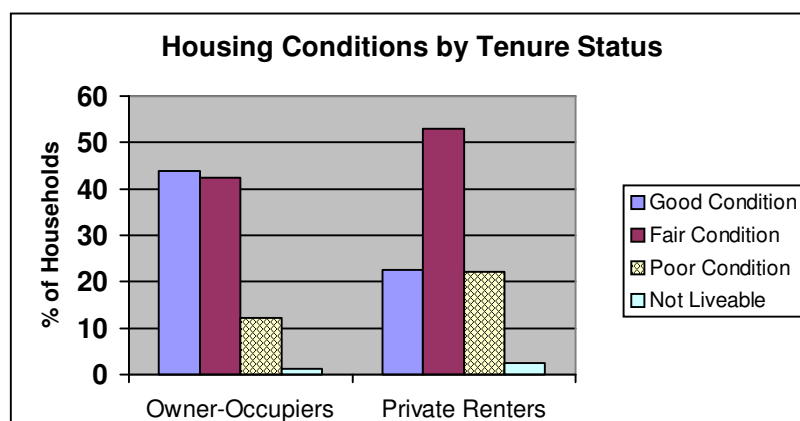
on average. More renters live in apartment buildings than owners, which contributes to the smaller size of units overall.

Table 24. Comparison of Private Renter and Owner-Occupier Housing Characteristics

	Average household size	Average households per Unit	Average no. of rooms	Average length of residency	Average estimated size of unit (m ²)	% of Households over-crowded	Average floor area per person (m ²)
Owner-Occupier	6.2	1.3	4.6	16.1	165.5	6.0	28.1
Private Renter	5.7	1.1	3.7	9.9	118.4	4.5	23.0
Total	6.0	1.2	4.2	13.2	144.1	5.4	25.7

Source: Household Survey, PADCO/UN-HABITAT, 2006

Moreover, housing conditions are worse among private tenants than owners. According to the survey respondents, over 90 percent of private landlords never do minor or major rehabilitation or maintenance, which has led to dilapidated rental housing. A quarter of private rental units are in poor condition or are unliveable, compared to 14 percent of owner-occupied dwelling units. While 44 percent of owner-occupied housing is in good condition, just 23 percent of private rental housing is in good condition.



Source: Household Survey, PADCO/UN-HABITAT, 2006

Despite the poor housing conditions, tenants continue to rent unsubsidized housing. The survey revealed that the rent-to-income ratio among private renters is .33, which is to say that rent is 33 percent of income. This is in contrast to just .11 among government renters, as illustrated in the following table.



Table 25. Rent-to-Income Ratios

City	Who are you renting/borrowing this unit from?	Median Monthly Rent (000 ID)	Median Monthly Income (000 ID)	Rent-to-Income Ratio
Mosul	Government agency	65.00	1,000.00	0.07
	Private landlord	50.00	300.00	0.17
	A relative	100.00	300.00	0.33
	Total	60.00	300.00	0.20
Sulaimaniya	Government agency	10.50	506.00	0.02
	Private landlord	150.00	725.00	0.21
	A relative	135.00	700.00	0.19
	Total	110.00	650.00	0.17
Baghdad	Government agency	70.00	475.00	0.15
	Private landlord	150.00	450.00	0.33
	A relative	150.00	400.00	0.38
	Other		150.00	0
	Total	150.00	450.00	0.33
Hilla	Government agency		716.00	0.00
	Private landlord	125.00	400.00	0.31
	A relative	25.00	400.00	0.06
	Other		340.00	0
	Total	125.00	400.00	0.31
Najaf	Government agency	75.00	590.00	0.13
	Private landlord	150.00	460.00	0.33
	A relative	40.00	330.00	0.12
	Total	150.00	460.00	0.33
Basrah	Government agency	120.00	1,250.00	0.10
	Private landlord	150.00	575.00	0.26
	A relative	150.00	600.00	0.25
	Total	125.00	800.00	0.16
Total Sample	Government agency	72.50	662.50	0.11
	Private landlord	150.00	450.00	0.33
	A relative	100.00	400.00	0.25
	Other		245.00	0
	Total	100.00	450.00	0.22

Source: Household Survey, PADCO/UN-HABITAT, 2006

The fact that private renters are not seeking out new housing despite poor conditions and unsubsidized rents suggests that there may be barriers in the market for these households. The primary reasons cited by renter households for not purchasing or building a new housing unit are lack of access to housing finance (46 percent) and the high price of land (36 percent). The prices of land are high in large part because of the restricted supply. The government issued a moratorium on the release of land pending completion of the master plans for each city, driving land prices higher.



5 Recommendations

Results from current Iraq Housing Market Study research on the six selected cities show that existing housing conditions are comparable to those found by earlier studies and reports.²⁴ All of these studies indicate a housing situation that appears to be relatively normal but in reality suffers from a number of major problems. Poor housing production and the current level of disruption have seriously impaired both the quantity and quality of housing throughout the country.²⁵ Housing delivery systems in Iraq have underperformed for many years, due in large part to the sector's insufficient access to human, financial, and material resources. The consistently low level of recorded housing production does not come close to matching the projected housing need. Continuation of this situation will have serious consequences for the future.

The lack of a glaring housing crisis, especially in light of the problems that currently exist, is one of the major surprises of the Iraq Housing Market Study. It is likely, however, that a considerable amount of informal development and unrecorded on-plot housing expansion and consolidation have been taking place.²⁶ Households are using their own limited resources to achieve acceptable housing as best they can. Despite its poor performance, the basic components of a workable housing delivery system are essentially in place and have survived under difficult conditions for several years. There is a need to develop and facilitate two complementary approaches that respond not only to short-term needs, but also can evolve into a longer-term strategy and a set of policies over time. Neither approach should compromise the activities or ultimate effectiveness of the other. Once more lessons have been learned and confidence gained by private sector housing producers, the two approaches will begin to reinforce each other and become part of a unified strategy. Neither approach by itself should be considered the only way to achieve results.

The first approach will deal with immediate and short-term issues, while the second will tackle the medium- and longer-term requirements for establishing the sustainable production of affordable housing. The immediate short-term track will focus on reinforcing the housing sector's existing strengths, mainly the production of housing by small-scale private sector builders. It will concentrate on measures to jump-start housing production without compromising the basic orientation and principles of the longer-term approach. The medium- and longer-term approach will focus on the development and implementation of systems and institutional frameworks to achieve the sustainable production of acceptable, affordable, quality housing.

²⁴ The findings from the Iraq Housing Market Study household survey reflect the results of the Iraq Living Conditions Survey, undertaken in 2004, for many key housing and household characteristics, including household size, number of households per unit, proportion of female-headed households, level of basic services (water supply and sanitation), durability of housing construction, and housing damage from military activities.

²⁵ The Iraq Housing Market Study household survey showed that only 5 percent of the households reported damage from military activities, looting, or other crime.

²⁶ Roughly 89 percent of the owner-occupiers in the survey had obtained a building permit. About 11 percent of these households had made extensions or improvements to their housing, with roughly half doing so after 2003. The additions and extensions included: another floor (3 percent), auxiliary structure (4 percent), extension of the unit (4 percent) and subdivision of the plot (1 percent). The survey also reported that 28 percent of the households that had purchased, inherited, or were allocated a unit stated that they had built their housing after purchasing or inheriting a unit. The Iraq Housing Market Study survey and the Iraq Living Conditions Survey (2003) showed the percentage of renter households to be around 27 percent and rising. All of these characteristics may give a further indication of the additional units per plot not cited by the owner-occupiers.



The housing sector should be considered within a broader framework that includes economic, environmental, social, human settlement, and shelter policies, as well as the organization of civil society and the private sector, so as to coordinate the shelter sector in a coherent manner. This includes identifying market conditions and precise criteria for allocations, subsidies, and other forms of assistance.

The Ministry of Construction and Housing must assume an active role in coordinating with the Ministry of Municipalities and Public Works and other relevant ministries to develop and implement new housing policies that are consistent with the provision of affordable housing in a market economy. It is imperative to improve access to housing resources related to land, materials, finance, and institutional support.

Problem Tree Analysis and Existing Housing Bottlenecks

The Problem Tree indicates the cause and effect of some of the major bottlenecks that currently plague the housing delivery system in Iraq. The core problem to be resolved is the lack of adequate institutional, human, financial, and material resources given to the housing sector in order to meet housing needs. This is a major problem of considerable consequence that will not be easy to resolve given the competition from other sectors for the same resources. The principal effects from this situation include: 1) constrained economic development and private sector investment; 2) progressive deterioration of living conditions in urban areas; 3) increased overcrowding and social instability; and 4) increased environmental damage from unauthorized development. The ultimate effects are a growing housing deficit and substandard living conditions.



Four main areas of bottlenecks are considered in the Problem Tree: 1) finance and use of subsidies; 2) building materials and skills; 3) city planning and access to residential land; and 4) policy, legal, and institutional support.

1. Poorly Targeted and Reduced Subsidies for Housing Finance

Financial subsidies can have a positive impact on the delivery of housing by making it more affordable to low-income households. They can also be a strong disincentive for private sector investors to become involved in housing finance and development. Public sector housing subsidies need to be targeted to low-income households. A thorough and frank review and rationalization of the existing subsidy system will help to adjust current policies to ensure the viability, equity, and transparency of these government subsidies for housing.

In the short term there is a need to undertake two important activities: 1) strengthen the effectiveness of the existing housing finance system; and 2) initiate microfinance for incremental housing development and small- and medium-sized enterprise development. There is a medium- and long-term need to overhaul the mortgage finance system and to bring it in line with sound practices.

Two major bottlenecks need to be resolved in terms of housing subsidies and finance.

a. Lack of Microfinance for Incremental Housing or Small- and Medium-sized Enterprise Development

The introduction of microfinance, supported by well-targeted subsidies in support of incremental housing improvement and small-scale business development, will allow people without access to credit and land to enter private markets for building materials and housing. The government can leverage its access to donor financing and international best practice experience in microfinance in order to jump-start support for incremental housing construction and the creation of small-scale material producers interested in developing local building materials.

Microfinance can also be used to encourage communities to form savings groups and cooperatives for housing and community development. It can be used to support non-governmental organizations and improve their capacity to foster the development of small savings groups for the provision of low-cost housing.

b. Lack of Mortgage or Construction Financing

Currently, it is important to avoid inappropriate interventions that may end up stifling supply and distorting the demand for housing and services. Putting into place subsidized interest rates is one of the actions that can distort the housing finance sector and prevent private sector participation.

Neither the Real Estate Bank nor the National Housing Fund has been able to stimulate the housing market in any significant way or to reduce the bottleneck of housing finance. The first step in resolving this issue will be to significantly strengthen these organizations to improve their management and operational efficiency. The overall goal will be to create a set of models for a broad range of other lending institutions to use proper lending instruments, procedures, and practices that will increase their effectiveness. Improvements in the performance and mechanisms of these two existing finance institutions will also facilitate their access to additional



funds when the demand for housing finance increases and more resources become available.

In the longer term, it will be necessary to establish an atmosphere of greater confidence for both borrowers and lenders. Borrower confidence will be enhanced by the promotion of transparency, accountability, and ethical practices in financial transactions based on an effective legal and regulatory framework. The provision of bridging loans to builders at reasonable interest rates will help to encourage private housing developers to enter the market by providing them with the means to convert developer construction loans into beneficiary mortgages.

A thorough review of the rules and regulations concerning defaults and repossessions is also needed for private sector lenders. The establishment of a comprehensive and detailed body of property law and rights, as well as the means to enforce foreclosure laws, will encourage private sector, commercial lenders to participate in the financing of housing.

2. Inefficient Use of State Building Materials and Public Sector Professionals

Bottlenecks related to building materials and skills have provoked a rapid increase in building material costs and a marked deterioration in the quality of construction. They partly result from the decline in state-produced and state-subsidized materials and from an increase in self-built housing, using available but poor quality materials and unskilled labour. The prices of building materials have escalated over the past couple of years, as materials brought in under the Oil-for-Food Programme have all been used. In addition, major reconstruction efforts have reduced the number of skilled workers available to build housing. Appropriate procedures, guides, and manuals for incremental, self-help housing construction are needed to help improve this situation.

a. Building Materials Are Increasingly Expensive and Unavailable

Resolution of this bottleneck will require a number of immediate and short-term actions that include:

- strengthening the local building materials industry by increasing the number of material manufacturers and suppliers of basic building materials;
- promoting the production of local equipment and materials with the help of capital assistance and the provision of soft loans to entrepreneurs for technology change or improvement;
- encouraging and supporting the establishment and expansion of environmentally sound, small-scale, local building material industries and helping them to expand their production and commercialization through legal and fiscal incentives, provision of credit, research and development, and information;
- providing initial markets to local material producers and contractors by using government housing projects as incubators for the development of new materials and building skills;
- developing alternative building materials that can become part of a modern building process;
- encouraging the development of environmentally sound and affordable construction methods and local materials;
- supporting the identification and development of technologies that can have a broad application in Iraq; and
- improving the quality of earth-based and traditional building materials.

Medium- and longer-term actions will include:



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- promoting the exchange of information on new building technologies;
 - establishing the research and development capacity for earth-friendly, sustainable building materials;
 - developing new building materials and products to reduce the dependency on cement;
 - reformulating and adopting building standards and by-laws to promote and permit the use of low-cost building materials for housing, and using these materials in public construction works, provided they meet the requirements for safety and health;
 - promoting partnerships with the private sector and NGOs to create mechanisms for the commercial production and distribution of basic building materials that can improve self-help construction;
 - enhancing local capacity for eco-friendly construction techniques and the environmentally sound production of building materials;
 - intensifying and supporting research efforts to find substitutes for non-renewable resources and to reduce their polluting effects, with special attention given to recycling and reuse of waste materials;
 - encouraging and promoting the application of low-energy, environmentally sound, and safe manufacturing technologies, backed by appropriate norms and effective regulatory measures; and
 - promoting and supporting an adequate supply of locally produced, environmentally sound, affordable, and durable basic building materials.

b. Building Skills Are Not Sufficient to Meet Housing Need

In the short term, this bottleneck will be addressed by:

- improving both masonry and carpentry skills;
- maximizing the development potential of small-scale businesses and microenterprises;
- encouraging community-based organization and NGO training activities;
- strengthening the capacities of training institutions and NGOs to increase and diversify the supply of skilled workers in construction; and
- promoting the training of apprentices.

Some of the activities in the medium and longer term will include:

- providing sustained training to professionals and practitioners in housing construction as a means to update their construction skills and knowledge;
- maximizing and expanding the benefits from UN-HABITAT training activities;
- setting up regional training centres for building skills and construction management; and
- improving the management skills of small- and medium-sized contractors.

3. Uncertain Planning and Land Management Due to Decentralization

The government generally needs to revise its previous top-down approach and adopt appropriate urban land policies and management practices at all levels. It needs to recognize and legitimize a diversity of land delivery mechanisms and decentralize capacity building to do so.

Two bottlenecks in the Problem Tree are concerned with planning and land management. The first concerns the lack of suitable land for new housing development. The second is the lack of priority given to servicing partially developed land. The blanket moratorium on land development while the city master plans are being completed is having a negative impact on the delivery of housing and should



be reconsidered. Vacant residential land can be identified that will not impair these master plans.

a. Suitable Land for New Housing Development Is Not Identified

Immediate and short-term activities to address this particular bottleneck will need to include:

- inventorying potential land for housing in each city and identifying suitable vacant and unallocated land in areas served by infrastructure or in areas to which the infrastructure can be extended without requiring the extension of trunk infrastructure;
- rapidly determining the suitability of various land parcels for immediate development that will not compromise the orientation of new master plans;
- encouraging increased public participation in assessing resident needs, as part of the planning and design process;
- identifying environmental issues and simplifying procedures to convert land to urban uses;
- mitigating problems related to informal housing areas through programmes and policies aimed at anticipating these areas;
- encouraging and supporting research and studies that promote and develop local planning and design techniques;
- developing norms and standards that match the actual needs of local communities;
- improving urban planning and housing designs to cope with the actual needs of communities, along with providing technical and other relevant assistance to residents;
- utilizing contracts with community-based organizations and the informal sector for the planning, design, construction, maintenance, and rehabilitation of housing and local services; and
- streamlining the buy-sell process to eliminate additional checks by the Civil Affairs Department.

Medium- and longer-term activities will include:

- decentralizing land management responsibilities and providing local capacity-building programmes that recognize the role of local government;
- promoting the efficient functioning of the market for vacant urban land through fiscal and other measures; and
- developing and implementing land information systems and practices to manage land, assess land values, and ensure that such information is readily available;

b. Lack of Prioritization Given to Upgrading Partially Serviced Land

This is one of the key bottlenecks to encouraging private sector housing development. Immediate and short-term actions will need to include:

- inventorying existing infrastructure networks and capacities in order to use infrastructure improvement as a means to guide the strategic development of the city;
- involving local communities in decision making and in setting priorities for the provision of services, stimulating the densification of areas through infrastructure improvement and land development programmes to achieve the optimal population densities for the available serviced land, based on carrying capacity;
- identifying appropriate technology and assistance to rehabilitate water supply, waste management, and energy networks as needed;



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- improving the quality of the water supply, extending sewerage systems and decentralizing sewage treatment systems;
 - stimulating efficient housing production in incomplete subdivisions through infrastructure improvements;
 - developing a public-private partnership through which the government supplies the trunk lines while the developer or community provides the tertiary ones; and
 - strengthening the capacity of both public and private sectors for infrastructure delivery through cost-effective, employment-intensive methods that can optimize employment generation.

4. Insufficient Legal, Institutional, and Policy Frameworks for Private Sector Housing

If possible and appropriate, the government should strive to decentralize shelter policies and administration to subnational and local levels within the national framework. It should undertake activities that include:

- updating the policy framework for housing delivery to meet the needs of a market economy;
- limiting government housing production activities to critical and demonstration projects;
- using donor funding to facilitate a market-based approach to housing;
- establishing guidelines for public-private partnerships;
- viewing the housing sector as an integrating market for several sectors;
- creating an enabling framework for a housing market that functions well;
- establishing priorities for the allocation of natural, human, technical, and financial resources;
- promoting and adopting housing policies that coordinate and encourage the supply of land, finance, and building materials required for the construction of housing and infrastructure;
- promoting self-built housing within the context of a comprehensive land use policy;
- encouraging efforts to improve existing self-built housing through better access to housing resources;
- encouraging community-based and non-governmental organizations in their role of assisting and facilitating the production of self-built housing;
- encouraging multiplicity and diversity of interventions by both the public and private sectors and other interested parties acting within the market system;
- adopting and ensuring the enforcement of appropriate standards for planning, design, construction, maintenance, and rehabilitation;
- approving and adopting guidelines that do not require any legislative change; and
- developing strong confidence in new building codes and regulations among those responsible for their enforcement by including a broad spectrum of participants in the development process.

a. Incomplete Legal and Regulatory Framework for Private Sector Housing

Immediate and short-term activities will include:

- reviewing restrictive, exclusionary, and costly legal and regulatory processes, planning systems, standards, and development regulations that impeded private sector participation;
- eradicating legal barriers to NGOs and community-based organizations;
- developing easy-to-use, simple building standards and guidelines;



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- establishing a public information campaign to improve citizen understanding of regulatory systems and procedures;
 - engaging housing facilitators to provide key technical assistance to owner-builders;
 - emphasizing urban environmental issues;
 - encouraging the development of environmentally sound and affordable construction methods and the production and distribution of building materials, including the strengthening of the indigenous building materials industry, based as far as possible on locally available resources;
 - developing the means and methods to improve the standards of self-built housing;
 - developing flexible instruments for the regulation of housing markets, including the rental market, taking into account the special needs of vulnerable groups; and
 - adopting an enabling legal and regulatory framework based on an enhanced understanding and acceptance of existing practices and land delivery mechanisms, so as to stimulate partnerships with the private business and community sectors, specifying recognized types of land tenure and prescribing procedures for the regularization of tenure where needed.

Medium- and longer-term actions will include:

- developing a legal framework of land use aimed at balancing the need for construction with the protection of the environment, minimizing risk, and diversifying uses;
- adjusting legal, financial, and regulatory frameworks, including those for contracts, land use, building codes, and standards;
- clarifying property rights;
- permitting the exchange of land and housing without undue restriction, and applying procedures that will make property transactions transparent and accountable;
- revising old laws such as the cooperative law;
- strengthening and increasing the transparency of government regulatory and inspection systems; and
- joining with professional societies to review and revise building codes and regulations based on current standards for engineering, building, and planning, local conditions, and the ease of administering and adopting the regulations.

b. Institutional Framework Is Not Geared to Private Sector Housing

There is an immediate need to support professional groups in offering technical assistance in planning, design, construction, maintenance, rehabilitation, and management to community-based organizations, NGOs, and others engaged in self-help and community-based development.

Longer-term activities will include:

- establishing a housing developers' association to improve professionalism;
- improving the Federation of Contractors;
- reviewing and adjusting legal and regulatory frameworks in order to recognize and stimulate diverse forms of community organizations involved in the production and management of land, housing, and services;
- providing institutional support, accountability, transparency of land management, and accurate information on land ownership, land transactions, and current and planned land use;
- encouraging the creation of electronic databases on land and other real property;



- encouraging professional associations, such as a brokers' association, to create an electronic database of housing information; and
- developing adequate institutional frameworks for the public, community, and private sectors, especially for facilitating investments in housing provision by the private and non-profit sectors.



IDP Housing

Shelter is one of the key issues facing IDPs and host communities. IDPs face a lack of access to permanent shelter, overcrowding, inadequate basic services, rising house prices in host communities, and the threat of eviction for those occupying public buildings. Long-term solutions for property, land, and housing issues are needed to ensure the safe return or integration of IDPs and to discourage further displacement.

The situation in Iraq has created an unprecedented number of IDPs, estimated at around a million persons (a 1.2 million old caseload plus a 400,000 new caseload, which totals 1.6 million). This represents about 5 percent of the country's population, or, since they are mostly in cities, about 10 percent of the urban population. By any measure, they constitute a significant group whose needs must be addressed as a matter of priority, as has been recognized and acknowledged by the government.

While their particular situation calls for urgent action, their very number means that any such action cannot be taken in isolation from general housing and settlement policies and strategies. The temptation to respond to the needs of IDPs through grants and subsidies has the danger of setting a bad precedent for the rest of the population. While tolerated and even supported by the host population at the moment, such "preferential" treatment could turn into resentment and hostility if it was felt that those who hosted the IDPs are getting nothing in compensation, while the IDPs end up with windfall benefits.

It is with this in mind that the following strategy is outlined. It is community- and needs-based and prioritizes the most vulnerable, keeping in mind that since women and children are disproportionately affected during all stages of displacement, all assessments and policies should have an age and gender approach.

1. Very few IDPs have been housed in tents and makeshift or temporary structures, though many are taking refuge in government buildings – mostly schools and offices; probably the majority are sharing accommodation with relatives.
2. No attempt should be made to shift these families out of their present shelter until a longer-term solution has been initiated. This will minimize costs and even suffering. Such "temporary" structures and camps usually have the tendency to become "permanent" housing, if not for the allottees, then for other, subsequent households.
3. No long-term solution can be implemented until the situation that gave rise to the displacement has abated.
4. IDPs should not be forced to return home, stay in their current locations, or move to a third location; all resettlement should be voluntary.
5. Depending on the way the current crises are resolved, more or fewer of the IDPs will opt to return to their original place of abode; those who want to should be given every assistance to rebuild their houses and their lives.
6. Those who want to remain and settle in their present location should similarly be assisted to rebuild their lives.
7. Both returnees and settlers should be assisted in ways that are also open to other households – many households did not flee because they were unable or unwilling to, but they may have wanted to, and may have suffered as much or more than those who did. These families should have the same right to assistance and support as the IDPs. Similarly, among the host population many have been living under stressful conditions and should also be eligible to improve their housing and living conditions.



8. As part of the housing and settlement policy, each municipality and local authority should make an assessment of the need for new and improved housing – taking into account the intentions of the IDP population and the projected future population;²⁷
9. Land should be allocated on a needs-based system that prioritizes according to IDP status, the state of current housing, etc. As suggested in the section on affordability, this land would be available for eventual purchase by the allottee, but could be occupied and developed immediately.
10. All households would have access to housing finance through the system of sequential loans proposed in the section on affordability to build and develop their housing incrementally. IDPs may be given a grant, equivalent to some or all of the first loan, or the down payment (see the affordability table). This would preferably be in cash, or alternatively in the form of a “core” or “starter” unit to which the household would be able to add from their own resources, their relatives’ resources, or additional loans from the National Housing Fund, to eventually “complete” their housing unit.
11. In some cases, it might be possible for IDPs to “exchange” their housing with a family that has moved in the opposite direction. This has happened spontaneously in some cases. The option should be explored to see if there is a significant enough number of households to require the establishment of a “bulletin board” to identify those offering and wanting housing. Ideally, this would be better achieved through the market by buying and selling units, but under the present circumstances, there may be distortions that would make a market-based exchange less efficient or equitable.
12. The basis of this approach is that IDPs are treated not as a unique case, but rather as having a different set of needs that must be accommodated within an overall process of improving access to land and housing finance.
13. It should be the intention of the policy to move as quickly as possible to the implementation of an ongoing system of housing and settlement improvement and development in a three-partnered approach among households, municipalities, and the Ministry of Housing (including the National Housing Fund).

²⁷ MoDM and UNHCR should take a lead in establishing numbers on the basis of their current, ongoing, and proposed surveys.



Annex A