

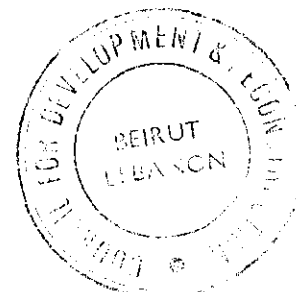
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A STUDY ON
A HOUSING POLICY FOR LEBANON

Prepared by the
Social Development and Human Settlement Division

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INTRODUCTION

The Lebanese economy reached its apex of activity between 1973 and 1974, leading the Central Bank to request the commercial banks active in the Lebanese market not to increase the volume of their loans by more than 12% of the total for the preceding year.

In developmental terms, the economy as a whole registered its peak in 1973, despite the fact that some figures for 1974 surpassed those of the previous year. This is explained by the adverse effect of the war which broke out in the region in the Autumn of 1973 had on the Lebanese economy.

While the figures for bank loans, tourism, foreign trade (30%), and industrial exports (85%) showed an increase, this was due to the over-extension of the Lebanese economy in the years 1972-1973, to monetary inflation, and to an increase in the price of commodities.

The building sector registered an increase of 26 percent in the selling price of apartments; but this can be accounted for by inflation. In fact, this sector's sensitivity to conditions and fluctuations in Lebanon's environment were reflected in a decrease of 45 percent in the area licensed for new construction.

At this time, in the wake of the more recent crisis, the responsible authorities are determined to proceed with plans for a speedy return to previous levels of activity and growth. The following questions, however, emerge at once to confront those whose planning would be serious and efficacious: "What innovative paths can be explored in the quest for a solid economic structure, as independent as possible of external influences? Which of the approaches used in the past are still valid? Or can the events that brought Lebanon to this sorry plight offer an opportunity to extract, in the crucible of the reconstruction effort that shall follow, something positive from all the negative influences that benighted the country throughout the past two years? Should the lesson of these events call for a second look at the foundations of the Lebanese economy, or shall a patch-up operation prove sufficient?

These general questions are in fact under discussion in connection with the housing sector. They are being discussed with great urgency as this sector is

intimately connected with the rest of the economy and as it is extremely sensitive to the influence of a variety of events, factors and circumstances. Its vulnerability is further emphasized by the strong inclination towards speculation in the market and the absence of any national housing policy that is capable of placing some limits on its unbounded freedom.

In this study the Economic Commission for Western Asia will attempt to highlight anomalies in the situation in Lebanon within the limits imposed by the absence of precise and reliable statistics on this sector. Other than the general statistics that appear in Lebanese statistical compilations up to 1973, the only source that can be depended upon is the sample survey on the Lebanese labour force published in November 1970 (hereafter: EPAL, 1970) which includes a chapter on housing. While this source is helpful, it is seven years out of date, and the only statistics that follow it are the figures on building licenses. These and the figures on the consumption of cement are of very limited value and helpful only for the identification of a few trends, while it is only with great difficulty that meaningful figures can be extracted from them.

Thus ECWA has attempted to make a number of estimates of the situation for 1975, based on the EPAL of 1970 and on the trends that emerged from its findings.

Naturally, the figures that emerge from these estimates are incomplete, seriously lacking in detail and supporting documentation. But at least the estimates provide a descriptive framework that is as representative as possible of the current situation. They give an indication of the nature of the housing crisis, its causes and effects, and put forward a number of proposals for dealing with it.

The Commission will submit a number of recommendations based on the statistical picture that emerges and on some of the general thinking concerning methods of housing the Lebanese people in accordance with their various aspirations.

The importance of the role of the State in assuring the effectiveness of any housing policy cannot be over-emphasized at this time. State involvement and assistance must be characterized by daring, efficacy and flexibility if it is to accord with the changing needs of the citizen and the national economy.

It would be fruitless to depend too confidently on the mechanisms and flexibility of the free market if the success of the housing policy is to be measured by its ability to meet the requirements of citizens of a variety of income levels.

It is not possible at this time, given the information available, to determine housing specifications for the year 2000; but it is possible to prognosticate and to speculate concerning some of the trends that point to the needs and requirements of family housing at the end of this century.

The goal to which housing policy should aspire is to permit each family to exercise a choice in the housing market among a number of alternatives that fall within its means.

Part One: The Housing Situation in Lebanon

EPAL 1970 revealed that the population (with the exception of the Palestinians living in the camps) reached approximately 2,126,000 inhabitants of whom 44.2 percent lived in Beirut and its suburbs.^{1/}

The total number of dwellings in Lebanon was estimated at 484,000 of which 396,000 were occupied primary dwellings, 37,000 were vacant and 51,000 were secondary dwellings.

The specifications of the occupied primary dwellings and the information available on their occupants revealed the following:

- About 8,000 households lived in slums (shacks);
- about 9,500 households shared a dwelling with another family;
- 40 percent of the households lived in dwellings composed of one or two main rooms only;
- of these, 60,000 households (with an average of more than 4 members each) lived in dwellings consisting of one main room; and
- 96,000 households (of an average of more than 5 members each) lived in dwellings composed of two main rooms.

^{1/} In EPAL 1970 Beirut's suburbs included: Baabda, Shiah, Ghobeiri, Furn-esh-Shebbak, al-Hazmieh, Sin-el-Feel, and Al-Jedaidi.

- Thus, 42 percent of all households (166,000) or 56 percent of the population (1,190,000) lived in unacceptably crowded dwellings - that is, with more than two persons per room.^{1/}

These figures reflect the situation in 1970. On the basis of other information provided by EPAL-1970 ^{2/}, it is possible to calculate an average annual growth rate which permits the estimation of the number of primary dwellings available at the beginning of 1975, just before the events. This date was selected because during the years 1975 and 1976, radical changes resulted in population movements and emigration from the country and because changes took place in the use of buildings in a number of regions - developments which at the present time are impossible to tally or even estimate. This date is also appropriate because of the impact of two legislative decrees - one regulating the relationship between landlord and tenant, the other authorizing the State to grant loans for repair and reconstruction work to the owners of buildings damaged during the events. By virtue of these decrees, landlords are obliged to repair their buildings and to readmit their tenants on the same contractual terms as before, thus restoring the entire housing picture to the status quo ante.

Proceeding from these premises, the number of primary dwellings at the beginning of 1975 was estimated at about 460,000 ^{3/}, while the population of Lebanon was estimated at approximately 2,550,000 people.^{4/}

From this the conclusion is that in the past fifteen years the following approximate number of dwellings were constructed, assuming that the growth rates from 1970 to 1975 were comparable to those observed since 1960.^{5/}

^{1/} EPAL 1970 Volume I. Tables 1,2,9,14 and 15.

^{2/} EPAL 1970, Volume II. Tables 2 and 11.

^{3/} Annex 1.

^{4/} According to estimates appearing in: Y. Courbage and P. Fargues, La Situation Démographique au Liban, the Lebanese University, Beirut, 1973.

^{5/} EPAL 1970 Volume I. Table 3 and Annex 1.

<u>Period</u>	<u>Total Dwellings Constructed</u>	<u>Annual Average</u>
1960 - 1965	71,835	14,367
1965 - 1970	44,550	8,910
1970 - 1975	62,380	12,476

Annual average 1960 - 1975 = 11,918 dwellings

It appears then that since 1965 the rate of construction in relation to the population did not exceed 6 dwellings per thousand persons. This is a low proportion considering that the volume of investment in the building sector since 1965 approached 50 percent of all investments, and that the ratio of building investments to gross national product somewhat exceeded the figure of 9 percent which is rather high.

The reason for this discrepancy is that the trend of investment in building moved more and more towards luxury buildings (as defined by the rent law). The proportion of luxury dwellings constructed rose from 6 percent thirty years ago to 21 percent for the period 1965-1970 and to around 25 percent for 1970-1975.^{1/} Thus large costly dwellings, beyond the reach of all but the high-income bracket, were being constructed.

In order to complete the picture of the housing situation in Lebanon, an indication should be given of the number of dwellings lacking basic amenities such as kitchen, bathroom, toilet, water, electricity, etc. The figures towards the end of 1970 were as follows: ^{2/}

<u>State of Dwelling</u>	<u>All Lebanon</u>	<u>Rural Areas</u>
Lacking kitchen	62,000	48,000
" bathroom	123,000	79,000
" toilet	45,000	41,000
Outdoor or shared toilet	45,000	23,000
Lacking running water	68,000	53,000
Lacking electricity	26,000	22,000

The number of dwellings constructed more than 50 years ago is around 50,000 of which 27,000 are located in rural areas.

^{1/} On the assumption that growth rates were in fact comparable to those observed since 1960. ECWA estimates that the proportion of luxury dwellings may be higher than 25 percent.

^{2/} EPAL 1970, Volume II. Tables 3 and 11.

Part Two: Estimation of Housing Needs

The effort to determine the nature of housing needs to the year 2,000 is handicapped by the need to rely upon assumptions and methods imposed by the scarcity of data. Premises and ratios leading to figures that represent minimum needs have to be adopted. Moreover, given the fact that the means for implementation remain inferior to the level of need in this sector, ECWA is convinced that a start should be made as early as possible on the implementation of a housing programme. A start should be made simultaneously on comprehensive investigations and surveys aimed at supplying accurate figures less open to doubt. This should be followed by periodic surveys to monitor new developments, permitting the continuous comparison between prognosis and reality and facilitating periodic revisions of established programmes.

The recommendation of ECWA in this regard is that a comprehensive survey of the question of housing in Lebanon be initiated, that a file be established to store accurate information on each and every dwelling, and that the procedure for the issue of construction licences be reorganized so as to register not only the areas licensed for reconstruction but also the number of new dwellings and their specifications.^{1/} The file should also register all changes that take place in the use of buildings.

Housing requirements can be divided into the following items:

- 1) Estimation of current housing shortages.
- 2) Replacement of older dwellings.
- 3) Slum clearance.
- 4) Elimination of house sharing.
- 5) Population increase and attendant requirements.
- 6) Rural-urban migration.

^{1/} The Lebanese Government has requested ECWA to assess the available statistical information and recommend what studies and surveys need to be undertaken. A working group from the ECWA Population Division has assumed this task and is now in the process of formulating its report. One of the recommendations it is going to submit is the implementation of a comprehensive survey of housing in Lebanon and the establishment of a housing file to serve as a basis for future surveys.

1) Estimation of the Current Housing Shortage

It was mentioned earlier that, according to EPIL 1970, 166,000 dwellings were inhabited in an unacceptably crowded manner by 1,190,000 people. Reference to the tables listing the number of dwellings and the number of occupants according to the number of rooms in each dwelling shows that the total number of occupied primary dwellings comprised 1,230,000 rooms occupied by 2,126,000 persons.^{1/}

This is an average of 1.73 persons per room. This figure is high compared to other countries, where the average often falls below one person per room.

Let us assume that the normal pattern of occupancy is, within the limits of reliability of this study, as follows:

No. of persons in household	No. of rooms required	Person/Room ratio	Distribution of members
4	3	1.33	Parents' bedroom, children's bedroom, living room + kitchen, bathroom and toilet.
5	4	1.25	Parents' bedroom, boys' bedroom, girls' bedroom, living room, kitchen, etc.
6 or 7	5	1.30	Parents' bedroom, boys' bedroom, girls' bedroom, plus an additional room either for dining or sleeping according to the ages of children or the presence of another person, plus a living room, kitchen, etc.

This table shows that the acceptable average is about 1.30 persons to a room. Thus there is a need for $\frac{2,126,000}{1.3} = 1,635,000$ rooms ^{2/}, while the number available is only 1,230,000, leaving a shortage of about 400,000 rooms. Assuming that the size of the required dwellings is distributed as follows:

45 percent dwellings of 3 main rooms
 45 " " of 4 main rooms
 10 " " of 5 main rooms,

the resulting shortage is around 110,000 dwellings. If this shortage is spread

^{1/} Annex 2.

^{2/} This figure represents the minimum requirement, as it assumes an ideal person/room ratio, while in fact a certain proportion of dwellings support a low density of occupancy.

over 22 years (1978-2000), there is an obvious need to build 5,000 dwellings per year.^{1/}

2) Replacement of Older Housing

The average rate of replacement of old with new housing is usually calculated as one percent of the primary dwellings in existence, as the life-span of a dwelling is assumed to be one hundred years. The table distributing the dwellings in Lebanon according to age, however, reveals that in 1970, 12.6 percent of the dwellings (almost 50,000) were over 50 years old. But the houses whose age was not over 50 years in 1970 will not be over 80 years old at the end of this century.

Thus 50,000 is a reliable estimate of the number of old dwellings that will need to be replaced between now and the year 2,000. Their replacement, however, cannot be spread equally over the years available since in the later years there will be a smaller number of houses to replace. Thus the following approximate distribution will be adopted, pending further information on the age of housing:

<u>Period</u>	<u>No. of Dwellings to be Replaced Annually</u>	<u>Total for the Period</u>
1978 - 1983	900	4,500
1983 - 1988	1,700	8,500
1988 - 1993	2,500	12,500
1993 - 2000	3,500	24,500
		<u>50,000</u>

3) Slum Clearance

The number of slum dwellings in 1970 reached approximately 8,000 in all of Lebanon's regions. During the recent troubles, whole agglomerations of slum dwellings were destroyed and their inhabitants are still living illegally in other buildings. Thus it is recommended that these be replaced urgently with new housing, within a shorter time span of not more than five years, by constructing 1,600 dwellings annually within the period 1978-1982.

^{1/} The elimination of this shortage is expected to take 22 years (to the end of this century) but the Lebanese Government, given the necessary resources, may be able to shorten the period.

4) Eliminating House Sharing

It was seen that 9555 Lebanese families shared a dwelling with another family, thus doubling the size of the household and increasing the density of occupancy beyond acceptable limits. However, this figure was included in a previous calculation (cf. section one) where normal room occupancy was being estimated. Thus it is possible to disregard this figure when determining housing needs.

5) Population Increase and the Demographic Factor

The estimates appearing in the work on population mentioned above concerning the increase of the population of Lebanon give a figure approaching 4,000,000 people at the beginning of the year 2000 provided that fertility decreases sharply with time. This assumption leads to a minimum figure for the population. But the recent events in Lebanon and the fact that the victims were numerous, call for an estimate of the population at the start of 1978 that is only a little larger than that for 1975. This means that it is possible to make an estimate of 2,600,000 people for 1/1/1978. If in this study the same rates of population increase used in the work mentioned above are utilized, the population will be 3,812,000 at the beginning of the year 2000. The population increase between 1978 and 2000 becomes then approximately 1,210,000 people with a housing requirement of about 255,000 new dwellings or an average of between 11,500 and 12,000 dwellings per year. The situation does not call for proportional increases in construction every year, as the average population increase in the first few years will be about 60,000 people and will decrease to about 50,000 towards the end of the century.

The decline in fertility will result in a decline in the average size of the household but not in the number of households. If statistics were available on the number of households in Lebanon at two different dates, it would be possible to use another method for estimating the number of households directly since it has often been observed that the rate of population increase differs from the rate of increase in the number of households.

This does not take into account the effect of migration from and into Lebanon on the rates of population increase. But a realistic analysis of the situation calls for the admission that one of the most significant changes that will emerge from the Lebanese crisis is its effect on the net flow of emigration that is, in an increase in the number of emigrants and a decrease in the number of immigrants.^{1/}

In the sixties (1964-1968) the average annual number of immigrants to Lebanon was 21,263, while the number of emigrants was about 2,550 people. These figures increased during the period 1969-1972 to become 71,280 immigrants and 10,205 emigrants. Despite this, experts estimating population growth in Lebanon considered that migration to and from Lebanon had an insignificant influence on their estimates.

But now, on the basis of observations rather than statistical figures, migration into Lebanon has ceased, the volume of migration out of Lebanon has visibly increased, and this trend is likely to continue for a number of years before reversing itself and returning to its previous position.

Thus it becomes realistic to assume population growth rates lower than those stipulated in the study conducted by Courbage and Fargues, at least for a number of years:

	<u>Courbage's rates</u>	<u>Proposed rates</u>
1978-1979	2.3	1.15 - 1.20
1980-1984	2.1	1.30 - 1.40 - 1.50 - 1.60 - 1.70
1985-1989	1.8	1.80
1990-1994	1.6	1.60
1995-1999	1.3	1.30

Based on this approach and on an estimate of 2,600,000 people for the Lebanese population at the beginning of 1978, a population of about 3,613,000 people can be projected for the beginning of the year 2000. This calls for the construction of about 228,000 dwellings, distributed in proportion to the increasing population and the decreasing average size of the family.^{2/}

^{1/} Dr. Riad Tabbarah, " Rural Development and Urbanization in Lebanon", May 1976.

^{2/} Annex 3.

At any rate, Lebanon's external migration is influenced significantly by the vitality of the economy and of the blue-collar and white-collar markets. It is also influenced by the discretionary decisions made by officials granting or denying work in Lebanon to specified categories of people. Since it is certain that Lebanon needs foreign workers in specific sectors (such as construction) and seasonal labourers (as in agriculture), there is a need to provide small dwellings to give them temporary shelter, so that these groups do not resort to squatting.

6) : Internal Rural-urban Migration

It is generally recognized that migration from rural to urban areas brings with it an increased demand for housing in the cities and leaves vacant rural housing for which there is scarcely any demand. Such housing is usually transformed into secondary dwellings which the owners occupy during the summer months. This accounts for the high proportion of unoccupied houses in the countryside as compared to the city.

Unoccupied Dwellings in Proportion to Primary Dwellings

	<u>Urban</u>	<u>Rural</u>
Mount Lebanon	5.68%	13.66%
North Lebanon	8.43%	14.15%
South Lebanon	8.44%	12.65%
Beqa'	7.46%	10.87%

If we place the figures on the distribution of migrants according to the original place of residence and the duration of residence there along side the figures on rural migrants to the cities of Lebanon, they reveal a number between 10,000 and 12,000 persons per year. This creates a need for securing 2,000 additional dwellings per year.

Rural-urban migration is known to be influenced by numerous economic factors (the concentration in Beirut of over two-thirds of Lebanon's economic activity), educational factors (high education is limited to Beirut), and, sometimes, security factors (the problems of the South). The State is capable of influencing the situation by adopting measures to diffuse economic activity throughout the regions and to encourage the establishment of industries or employment-generating agglomerations that would help limit this migratory flow.

Thus it is possible (at least at the present time) to disregard this figure. Attention can be focused instead on plans, assistance, and facilities for improving existing housing which does not meet health standards or which does not have the basic amenities (as described in a previous table), especially in the rural areas.

Note: There remains a number of gaps to be filled. The first consists in resolving the difference that appeared between the population estimates made in EPAL-70 and those of Courbage and Fargues, which represents, for 1970, about 140,000 people. Another gap is the housing needs for the period between 1970 and 1975 estimated at between 34,000 and 37,000 residential units. The same is true of the new requirements caused by the events, which are not dealt with by the legislative decrees that have been issued. This is pointed out so that they may be considered in future surveys.

Summary of Lebanon's Housing Needs
Programme for 1978-2000

Year	Shortage	Older Housing	Slums	Population increase	Total
1978	5,000	900	1,600	6,300	13,800
1979	"	"	"	6,700	14,200
1980	"	"	"	7,300	14,800
1981	"	"	"	8,000	15,500
1982	"	"	1,600	8,700	16,200
1983	"	1,700		9,400	16,100
1984	"	"		10,100	16,800
1985	"	"		10,900	17,600
1986	"	"		11,100	17,800
1987	"	"		11,300	18,000
1988	"	2,500		11,500	19,000
1989	"	"		11,200	18,700
1990	"	"		11,400	18,900
1991	"	"		11,600	19,100
1992	"	"		11,800	19,300
1993	"	3,500		12,000	20,500
1994	"	"		12,000	20,500
1995	"	"		11,000	19,500
1996	"	"		11,100	19,600
1997	"	"		11,300	19,800
1998	"	"		11,500	20,000
1999	"	"		11,700	20,200
Grand Total	110,000	50,000	8,000	228,000 i.e. around 400,000 dwellings	

Part Three: Geographic Distribution of Housing Needs

Based on the figures for Lebanon as a whole, and on the distribution of the population and of housing among the regions of Lebanon, it is possible to distribute housing needs into three major geographic divisions, leaving the Lebanese Government the responsibility for the more detailed distribution among the districts (Cazaz), cities, suburbs and villages. This study will confine itself to the following division:

- 1) Beirut and suburbs
- 2) Other urban areas
- 3) Rural areas

1) Distribution of current shortages

Sector	Size of Population	No. of Rooms			No. of Residences Needed	Percentage
		Needed	Available	Shortage		
Beirut and suburbs	939,000	722,500	570,000	152,500	42,000	38.2
Other urban areas	339,000	260,000	205,000	55,000	15,000	13.6
Rural areas	848,000	625,500	460,000	192,500	53,000	48.2
Total	2,126,000	1,635,000	1,235,000	400,000	110,000	100.0

Annual distribution is as follows:

Beirut and suburbs	1,900 dwellings
Other urban areas	700
Rural areas	<u>2,400</u>
Total	5,000 dwellings.

2) Distribution of older housing

<u>Sector</u>	<u>No. of Dwellings</u>	<u>Percentage</u>
Beirut and suburbs	12,645	25.3
Other urban areas	10,365	20.8
Rural areas	26,880	53.9
Total	49,890	100.0

Distribution as programmed for the next five years:

Beirut and suburbs	200 dwellings
Other urban areas	200
Rural areas	500
Total	900 dwellings

3) Distribution of slum dwellings

<u>Sector</u>	<u>No. of Dwellings</u>	<u>Percentage</u>
Beirut and suburbs	5,370	64.4
Other urban areas	450	5.7
Rural areas	2,145	26.9
Total	7,965	100.0

Distribution as programmed for the next five years:

Beirut and suburbs	1,100
Other urban areas	100
Rural areas	400
Total	1,600

4) The demographic factor and its regional distribution

Demographers have agreed that the rate of population increase in Beirut will remain at about 4% until the end of the century, which means that almost the entire population increase, especially in the early eighties, will be concentrated in Beirut. This implies that the population outside Beirut and its suburbs will remain stable. However, if account is taken of population increases in Tripoli and possibly also Sidon and Zahle, the rural population will actually decline.

In order to facilitate the establishment of a housing programme in keeping with the premises adopted for Lebanon it is possible, given the special position of Beirut, to postulate a rate of population increase there twice the rate postulated for Lebanon as a whole, and to take as a base figure a population of 1,100,000.^{1/} Thus it would appear that the following number of dwellings should be constructed:

1/ Annex 4.

1978	5,300
1979	5,700
1980	6,300
1981	7,000
1982	7,700
<u>Total</u>	<u>32,000 dwellings</u>

There remains only 1,000 dwellings to be distributed annually among:

Other urban areas	300 dwellings
Rural areas	<u>700 dwellings</u>
	1,000 dwellings

Distribution of the 1978-1982 Programme

Beirut and Suburbs

	Shortage	Older Housing	Slums	Population increase	Total
1978	1,900	200	1,100	5,300	8,500
1979	"	"	"	5,700	8,900
1980	"	"	"	6,300	9,500
1981	"	"	"	7,000	10,200
1982	"	"	"	7,700	10,900
					48,000

Other urban areas

	Shortage	Older Housing	Slums	Population increase	Total
1978	700	200	100	300	1,300
1979	"	"	"	"	"
1980	"	"	"	"	"
1981	"	"	"	"	"
1982	"	"	"	"	"
					6,500

Rural Areas

	Shortage	Older Housing	Slums	Population increase	Total
1978	2,400	500	400	700	4,000
1979	"	"	"	"	"
1980	"	"	"	"	"
1981	"	"	"	"	"
1982	"	"	"	"	"
					20,000

Part Four: The Housing Problem in Lebanon

The previous sections described the current situation and the minimum requirements for resolving the housing shortage. While information is unavailable on the material conditions of households living in overcrowded dwellings or in dwellings that fail to meet the minimum health standards it can, nevertheless, be taken for granted that these households are the poorest economically.

While it is evident that investment by the private sector in the building industry is high in volume and in percentage, it is also true that this enterprise involves dwellings of the "luxury" class - for the most part too luxurious to respond to either the requirements or the means of those most in need of housing.

One of the consequences of this situation is that the older and more "ordinary" buildings are overcrowded while in the "luxury" buildings many apartments remain vacant.

These two phenomena do not complement each other, for the possibility of free flow between them does not exist. Thus the resident population falls into three categories:

- 1) Those who are wealthy enough to enter the luxury housing market as tenants or buyers with no financial problem.
- 2) Those families who live in old or small dwellings which they rented many years ago or which were passed down to them by their parents and which they retain because of the low rent even when, in most cases, the dwellings are uncomfortable and lack the necessary amenities.
- 3) Finally, the largest category is composed of new families, migrants to the cities, employees, wage-earners, and low-income labourers.

This is the category that has to endure the brunt of the housing crisis.

Thus it is not enough to calculate or estimate housing requirements and determine their geographic distribution if the aim is to describe and delimit the problem in all its ramifications.

The housing requirements whose dimensions have been described are of the kind known as "substantive needs". These are the product of the juxtaposition of the number of dwellings available and the number needed for housing the entire population of the country in accordance with principles and norms generally

relevant to the task; but they do not take into account the economic circumstances of those in need of the dwellings in question. It is necessary, however, to take into account a new and central notion which should represent the fundamental objective of any housing policy: i.e. the concept of "effective demand". This concept approaches housing needs in terms of the specifications and costs that accord with the financial possibilities of the population and their housing requirements.

It is not possible, however, to form a clear idea of this "effective demand" unless information is secured on a number of questions, the most important being:

- 1) The family income of the groups that need housing.
- 2) The proportion of income that they are willing to devote to the rent of a suitable dwelling, without straining their financial resources.
- 3) The proportion of their income they are willing to devote to the purchase of a suitable dwelling.
- 4) The size of the savings in the possession of these groups and the proportion they are willing to devote to housing: also the extent of their willingness to save in order to purchase a home of their own.

Family Income and the Cost of Housing:

There is not much information available on income levels in Lebanon except for a table compiled by the National Social Security Fund^{1/} on the distribution of wage-earners by income categories (April 1974).

Although information on the category of the population covered by Social Security does not give a clear idea of the incomes of all Lebanese, it does, however, constitute a framework representative of a high proportion of the Lebanese labour force.

^{1/} Annex 5.

Surveys in 1970 revealed that total manpower in Lebanon amounted to 540,000 people. Around 19 percent work in the agricultural sector and their income is presumed to be below that of those registered with Social Security. 13 percent work in government service, the army and the police and the average income of this group is a little over LL 560. per month. ^{1/}

As for those registered with Social Security and who represented about 27 percent of the manpower in 1971, their number reached about 210,000 in 1975.^{2/} If we take into account the 11 percent cost of living increment which they obtained in 1975, the distribution of wage-earners according to income is as follows:

Under LL 333 per month	27.82 percent
From LL 333 to LL 555	43.50
LL 555 to LL 832.50	14.62
LL 832.50 to LL 1,110	5.50
LL 1,110 to LL 1,387.50	3.02
LL 1,387.50 to LL 1,665	1.73
Over LL 1,665 per month	3.81
	<hr/>
	100.00 percent

This shows that around 28 percent of this category do not earn more than LL 4,000 per year, 86 percent do not earn over LL 10,000 and their average monthly income (after the 1975 adjustment) is very close to that of the average civil servant i.e. around LL 564.

It remains at this point to compare these incomes with the cost of the medium-priced housing that can be constructed. The following are examples of the dwellings that ought to be provided:

- Three main rooms plus appurtenances - area 70 - 80 m²
- Four main rooms plus appurtenances - area 85 - 100 m²
- Five main rooms plus appurtenances - area 100 - 120 m²

If the average cost of constructing one square meter, including the cost

^{1/} Al-Anwar (newspaper), 14 April 1977, p.4.

^{2/} Annex 6.

of the land, were estimated at around LL 500 per square meter ^{1/} the cost of these dwellings would range from LL 35,000 to LL 60,000 each.

If the price of the smallest unit (LL 35,000) were divided into 15 annual payments at an interest rate of 6 percent, each yearly instalment would come to around LL 3600. This calls for an annual income of LL 12,000 for the buyer, on the basis that the amounts he reserves for home-buying should not exceed 30 percent of the family's annual income.

The dwelling that costs LL 60,000 requires, under the same conditions, around LL 6,200 a year, and an annual income of around LL 20,000.

<u>Area of Dwelling in m2</u>	<u>Cost of Dwelling in LL</u>	<u>Annual Instalment in LL</u>	<u>Annual Income Needed in LL</u>
70	35,000	3,600	12,000
80	40,000	4,120	13,700
85	42,500	4,400	14,700
100	50,000	5,150	17,200
120	60,000	6,180	20,600

If these dwellings are put up for rent, with the rent at 7 percent of the cost price (6 percent + 1 percent for maintenance), and if rent payments are not to exceed 20 percent of annual family income, the following will result:

<u>Cost of Dwelling LL</u>	<u>Annual Rent LL</u>	<u>Annual Income Required LL</u>
35,000	2,450	12,250
40,000	2,800	14,000
42,500	2,975	14,875
50,000	3,500	17,500
60,000	4,200	21,000

^{1/} This is an approximate figure based on prevailing estimates of the (unstable) costs of construction material today. It is, of course, possible for the Lebanese administration to influence these costs just as it acted to bring down the price of cement by about LL 30 per ton.

Note that the income levels required are the same for both rental and purchase purposes and that they are quite high, beyond the means of all but 10 percent at the most of the category of workers registered with Social Security.

It is possible to raise the question of the multiplicity of incomes within a single household. Most estimates tend to the position that this phenomenon is not very widespread in Lebanon today but this has not yet been determined. Furthermore, households with more than one bread-winner are mostly large families with a need for large dwellings. It is important, then, that a survey be made of the multiplicity of bread-winners in a single household and that its influence on the family situation be analyzed.

These considerations have shown why the Lebanese of limited income has not been able to procure the home that is suitable to his situation - even if the cost prices stipulated above are accepted as maximal. (The selling prices of dwellings on the ordinary market before the events were not, in fact, any lower).

The following question, then, remains to be answered: How can suitable dwellings be secured in the quantities determined above and in keeping with the means of the family that desires to have a home of its own?

Part Five: Towards a Housing Policy for Lebanon

The home occupies a special place in the balance of family life. The housing question does not constitute an isolated sector in the economic structure and it is not possible to treat this problem from a restricted perspective since it is a problem with wide and diversified ramifications, whose resolution is directly related to social, financial, economic, administrative, real estate and technical questions. Consequently, it affects the process of public investment in the country. Its resolution calls for the participation of the public and private sectors and also of private individuals.

A housing policy in Lebanon should be founded upon the scientific analysis of all available data and should involve the recommendation of effective measures for the restoration of a certain equilibrium between supply and demand in the housing market. The objective is to replace unco-ordinated private initiatives, which led

to shortages and incompatibilities in the past, with an organized framework of effective measures for the development of a building sector that responds to the social and economic requirements of Lebanon and the Lebanese.

Close co-operation between the free enterprise economy and the guiding mechanisms of the public authority is necessary for the successful implementation of housing plans; and it should be recognized that each of the two groups holds a part of the means necessary for resolving the housing problem in part or in full. If it is true that the dynamism of the private sector is necessary and is not readily replaceable, it is also true that the role of the public sector is fundamental to the design and execution of a policy that responds to the true and effective needs of the citizen.

Thus the Commission sees the need to recommend directives and measures grounded in the view that the two groups are complementary - where each retains its particular role, refrains from encroaching upon the role of the other and assists the other in playing its role and in resolving the problems that confront it. The public sector need not enter the arenas where the private sector is performing its task satisfactorily and the private sector should accept the co-operation and even the guidance of the public sector when general economic and social dictates so require.

It should be noted here that, given the close connection between the financing of housing projects and economic development, all the recommendations and mechanisms for this financing should reflect the requirements of a socio-economic policy appropriate to Lebanese circumstances.

A housing policy ought to be based on accurate statistics since the treatment of its economic implications will be speedy and positive when founded upon realistic figures.

There are in Lebanon today housing needs that are not met and dwellings that are not needed. The provision of long-term goals, for example, though it may itself be fundamentally beneficial to this sector, need not therefore be the only solution. The solution, rather, should be planned very carefully so as to avoid inflationary consequences on the Lebanese economy.

The question that confronts the responsible authorities in Lebanon can be summarized in the following two points:

- 1) There is a large gap between the funds whose investment in low-cost housing is needed to meet the growing needs of limited income groups and the meagre amounts that are being currently invested in projects of a social nature and in "ordinary" housing. It was seen in the previous sections that the proportion of "luxury" housing is constantly increasing. How is it possible to bridge this gap?
- 2) There is also a gap between the price of dwellings and the financial resources of individuals of limited income and their ability to pay. How is it possible to improve the position of the buyer and what are the facilities that must be provided so that he can purchase his own home?

In answer to these questions, and on the basis of Lebanese circumstances that permit the mobilization of financial efforts within the framework of a plan for directing the course of public and private investment, the necessary measures can be summed up as follows:

One: Adoption of a co-ordinated programme to meet housing needs

The administrative department responsible for housing affairs should undertake the studies and surveys needed for the compilation of detailed statements on housing needs (already estimated in a general manner). It should formulate a realistic plan in which the potential for satisfying these needs can be assessed, taking into consideration that housing projects can be generally classified into the following categories:

- 1) Residential buildings that the private sector will construct in any case without encouragement or assistance from the public sector.
- 2) Residential buildings that the private sector is willing to construct on condition that it receives subsidies, loans, or perhaps, guarantees from the public sector.

- 3) "Popular" housing reserved for the needy segments of the population and which cannot be built without the direct participation of the public sector.

Two: Adoption of an economic plan

Using the data derived from this analysis, an economic and financial plan should be formulated to determine

- 1) The finances needed for funding each of the housing categories outlined above.
- 2) The financial resources available, which should be appropriated or assigned, or take the formation of which should be encouraged in order to secure the amounts required.
- 3) The proportion of these investments that should be provided by the public sector, the private sector and individuals.

Three: Practical measures:

Plans and figures as such do not constitute a housing policy although they do form the basis for the adoption of practical measures such as legislation that needs to be enacted and institutions that need to be established, or developed if already in existence relating to:

- 1) The structural framework: Regional physical planning and its effect on migration to the cities; land policy and tax laws; rent laws; the building industry.
- 2) The financial framework: a bank for financing housing projects; home-purchase savings funds.
- 3) The orientation and mobilization of the private individual: encouraging the individual, especially in rural areas, to save and borrow in order to improve his housing situation; encouraging the founding of co-operative home-building associations; organizing and encouraging "self-help" home building.
- 4) The administrative framework: reorganizing the administrative and technical structure of the unit responsible for housing affairs so that it can shoulder the responsibilities assigned to it.

I. Regional Physical Planning and its Effect on Migration to the Cities

The urban population tends to increase faster than the population as a whole. The growth of the cities is not only related to increases in the population; it is also related, and in a significant manner, to the growing demand of the individual for urban living. The improvement of living standards and socio-economic, cultural and technological progress as well as improvements in the standard of education, services and recreation - all these factors intensify the population drift towards the cities.

Studies undertaken by specialized agencies of the United Nations have shown that a doubling of the population in a given city requires a tripling of the city's land area.

The city of Beirut typifies demographic and economic imbalance in Lebanon. The city and its suburbs pack into less than one percent of the area of Lebanon more than 40 percent of the population of the country, which gives Beirut a high primacy ratio ^{1/} since 70 percent or more of all economic, financial and industrial activity is concentrated therein. This situation places a load upon the city's infrastructure that it cannot support or which it was not intended to handle (such as the traffic and communications problems, the drinking water problem, the sewage network and sometimes even the electricity ...). This situation results in the waste and loss of time and the consequent dissipation of productive capacities, not to mention the pressure and the strain to which the individual living in this city is subjected. One example of this phenomenon, and not the worst, is the fact that about 20 percent of the families in Beirut live in a dwelling composed of only one main room.

^{1/} "... The clearest index of this primacy, simply stated, is the ratio of the population of the largest city in the country over the combined population of the next three cities in size This index is below one (1.0) in the western world. In Lebanon, however, the index of primacy of the city of Beirut is over 2.5, making it one of the highest in the world, excepting a number of countries with unusual circumstances such as Kuwait. It should be noted also that Beirut's index of primacy is continuously increasing. Between the years 1960 and 1970 it rose from 1.8 to 2.3..." - from the lecture: "Population and Development" by Dr. Riad Tabbarah, Chief, Population Division, ECWA (National Conference on Population Policies, Beirut, May 1977).

Regional physical planning of all the regions of Lebanon has become, then, an urgent need, not only in order to preserve a bare acceptable minimum of environmental standards, but above all because it is not possible to maintain economic growth in Lebanon without securing an organized distribution of economic activity among all its regions. It must be recognized, however, that the under-development of the regions burdens the administrator and the tax payer just as much as the pressures of over-development. The delivery of a letter in the regions of Akkar and Hermel, for example, is perhaps one hundred times greater than the cost of delivering a letter in Beirut.

Thus, the first objective of regional physical planning should be to restrict the flow of energetic and productive elements towards Beirut by creating growth poles in the regions whose natural resources have been neglected and wasted and whose human resources have thus been forced to migrate towards the city.

It should be noted here that it is not intended that the growth of Beirut and its suburbs be halted or that one region be physically planned, equipped and envigorated at the expense of another.

On the contrary the recommendation for regional physical planning aims:

- 1) To rectify the current imbalance by creating economic activities and work opportunities wherever they are lacking, without unduly diminishing such factors where they happen to exist.
- 2) To plan for the rational use of the land and the methodical development of each region.
- 3) To encourage and develop all economic sectors (agriculture, industry, tourism) in all the backward regions, and to link them together by a suitable network of roads and transport facilities.^{1/}

^{1/} Reference should be made to the "industrial complex" project being prepared by the Lebanese Government in order to attract industry to the rural areas. The importance of co-ordination between the departments responsible for industry and housing should be emphasized since just as the industrialist thinks of constructing the buildings necessary for housing his machinery and production plant, he ought also to be called upon and encouraged to think of the buildings needed to house the manpower that operates this machinery.

- 4) To work towards the distribution of human resources according to the requirements of natural resources and local economic activities; and, conversely, to distribute economic production and processing activities according to the manpower available locally, in order to encourage talents to remain where they are.
- 5) To undertake effective measures in the regions for which no organizational plans have as yet been formulated.

Regional physical planning is an operation requiring integrated long-term studies and programmes and a succession of plans with the realization that results may not materialize before the passage of several years. Thus it is recommended that housing projects be started in the rural areas for the construction of new housing and the improvement, modification, or extension of existing housing through the adoption of co-operative principles and self-help approaches. In regions where the establishment of a co-operative structure is problematic, private loans can be offered to the proprietors of homes lacking adequate space or the necessary basic amenities (kitchen, bathroom, toilet...) with a view to the improvement of the housing conditions of the rural population.

In choosing co-operative principles and the self-help approach it is possible to benefit from international expertise in the construction of suitable low-cost housing. It is also possible to adopt modern methods of modular housing construction whereby in the first stage, for example, two main rooms with all the service areas are constructed, and later, according to the growth of the family and its income, one or more extra rooms can be added without departing from the blueprint of the integral residential unit.

II. Land Policy

The speed of modernization more often than not overtakes organizational preparedness and creates zoning problems. This leads to what is called "spontaneous urbanization"; construction becomes chaotic and low-income groups build shacks and squat on the land.

In the absence of a clear policy in this regard, landowners, given the growing demand for their property, sell or retain, develop or leave their properties vacant, according to speculative considerations and their immediate

personal interest, thwarting the possibility of the balanced development vital for their country.

A review of the extent of the increase in the cost of land in Beirut over the past twenty years reveals the following:

In the mid-fifties properties whose price exceeded LL 100 per square meter were only to be found in the commercial centre (Martyrs' Square, Bab Idriss, beginning of Bechara El-Khoury Street, where prices reached LL 2,000/m²) and Hamra Street (prices up to LL 500/m²). In the residential quarters (Badaro, Mazra'a, Shouran, Ramlet-El-Baida) prices ranged from LL 70 to 90/m².

In the mid sixties, prices doubled in the commercial centre, tripled in the Hamra quarter and quintupled in the residential quarters.

Prices continued to rise sharply in the seventies so that just before the events there was no property to be found under LL 1,000/m². Sales were recorded in Hamra Street at LL 10,000 to 18,000/m².

In the suburbs and in several districts there were many cases where the price per square meter underwent a fifty fold increase in the space of ten years or less.

Within the same period, construction costs rose from an average of LL 100 to LL 200/m². "Luxury" construction which used to vary between LL 200 and 400 rose to between LL 400 and LL 800/m². ^{1/}

It is interesting to consult the maximum prices established by executive decrees corollary to the Housing Law in June 1966 and December 1974. ^{2/}

^{1/} It is difficult to set a norm or an upper limit on the cost of "luxury" construction.

^{2/} Decree No. 4780 of 1966 fixed the upper limit for the price per square meter of housing at LL 105 for the indigent, LL 120 for the low-income bracket, and LL 150 for the limited-income bracket. Decree No. 9748 of 1974 increased these prices to LL 250, LL 300 and LL 350 respectively.

One of the consequences of this continuous and sharp increase in land prices and the inflationary pressure within the property market was that buildings came to enjoy two sources of income: Rents and the profits from property development in the neighbourhood.

Proprietors of buildings began to depend more and more on the continuation of this inflationary pressure which guaranteed them a high rate of return on property improvements. They began to set their rents at rates that anticipated such improvements, and that would not tie down the income of their buildings to current values, even if this meant that some apartments would remain unoccupied for several years.

It is necessary, therefore, as a result of the expansion and development of city planning activities, that bases be established for a land policy to serve as a principal tool for organizing the inevitable expansion of urban areas in time and space, and for curbing the increasing rise in property prices and the speculation that accompanies it.

City planning and land policy must be closely inter-connected in free-enterprise countries such as Lebanon. The absence of all control and the failure to set limits on the increase of land prices will lead inevitably to the deterioration of the civic structure since the rising cost of land demands its intensive exploitation and results in an unreasonable population density.^{1/} Furthermore, if urbanization plans are not accompanied by large scale land appropriations easement and land use regulations they can result in the encouragement and intensification of speculation.

Land policy for Lebanon should be based on a co-ordinated effort and organized action so that the right property at the right time and under the right conditions can be secured for the community and used to facilitate the implementation of projects that meet collective needs.

This policy can, moreover, be a tool to complement the efficacy of the master plans that are adopted by the General Directorate of Urban Planning for a number of cities to zone districts, set limits on their exploitation and provide for easements therein. It could prohibit or limit the uses to which certain

^{1/} Population density in Bourj-Hamoud, for example, has reached 55,392 persons per square kilometre.

properties can be placed, but it need not prescribe that all property be developed. Thus property owners can hold on to their lots until they can achieve speculative profits.

Speculative property transactions maintain the inflationary spiral and permit the realization of inflationary profits beyond the control of present tax laws.

It is known, on the economic plan, that the differentiation between individual and social needs takes place through taxation. The imposition, then, of the following fees and taxes is recommended:

- 1) A tax or fee on unbuilt property, based on the premise that such property is unproductive capital and that it stands to benefit more than most commodities both from increases in demand and from the infrastructural improvement projects of the State.
- 2) A tax on property improvement based on the premise that this is a benefit derived from public effort. Equity requires the appropriation of a part of such exceptional capital gains.

Tax on Real Estate

This can also be called a fee on unbuilt property. The imposition of a property tax in Lebanon would reverse current practice, where unbuilt property is exempted from taxation. This tax should be based on the value of the property as established by the proprietor. Naturally, agricultural lands should be exempted from this fee as the construction of buildings thereon should be prohibited except in special circumstances.

To administer this tax a specialized autonomous agency should be established with regional branches which can be called, for example, the "Land Office". The functions of each branch should be:

- 1) To conduct a survey of all properties intended for building construction in the region for which it is responsible.
- 2) To construct a general map of unbuilt property, indicating zoning classifications established by city planners.

- 3) To record and publish all land sales.
- 4) To establish detailed schedules of the prices of all properties.
- 5) To purchase land for housing projects at fixed prices.
- 6) To pursue a land policy that will help conserve large tracts of land by purchasing properties before development plans cause their prices to increase.
- 7) To furnish land areas with public utilities and develop them for building projects.

A tax such as this would be not only a source of funds for projects of a social nature but also a principal factor in establishing a measure of balance and equality among landowners and it would certainly put a limit on the rising price of land.

The proprietor would establish the value of his property and this price would then become the basis for calculating the amount of the tax, the amount gained through improvement at the time of sale, and the amount of compensation due on expropriation. The conflict of interest built into this arrangement (between the proprietor and the administration) would help to establish an equitable price of land. It is not in the interest of the owner that his property be over-valued, because of the tax, or under-valued, because it limits the amount of expropriatory compensation; and vice-versa for the administrator. This arrangement would also help to avoid judicial appeals against the decisions of expropriation commissions.

Tax on Property Investments

Many countries have attempted to impose such a tax since the beginning of the century^{1/}, but no attempt has yet succeeded.

On the contrary this has often had an adverse effect, land prices increased to equal and even surpass the amount of the tax and difficulties arose in assessing and collecting it. However, if ~~this property fee is adopted~~, it will facilitate the imposition of a property improvement tax at the time of sale, for the proprietor would set the value of his property, and this price, in turn, would define the value of improvements made.

^{1/} In Lebanon Decree No. 188 of 6/6/1977 was recently promulgated bringing into effect a draft law imposing an improvement tax on the increase in the value of property resulting directly from the implementation of public works. Legislative Decree No. 125 was issued to modify some of the provisions of this law.

The Areas Needed for the 1978-1982 Programme

The programme proposed for the period 1978-1982 calls for the construction of 74,500 dwellings to be distributed as follows:

Beirut and suburbs	48,000 dwellings
The Other urban areas	6,500 dwellings
Rural areas	20,000 dwellings

If the following premises are adopted for calculating the areas required for realizing this programme,

Beirut and suburbs	between 80 and 90 dwellings per hectare	^{1/}
Other urban areas	between 70 and 80	" "
Rural areas	between 50 and 60	" "

then the above mentioned number of dwellings would require the following total areas:

Beirut and suburbs	500 - 600 hectares
Other urban areas	80 - 90 "
Rural areas	300 - 400 "

The responsibility for implementing this programme should not fall upon the State alone. Later it will be shown how this responsibility ought to be distributed among the public and private sectors and private individuals. The proportion of housing that must be constructed on the initiative of/or with encouragement from the State can, however, be estimated at 40 percent of the programme.

Thus it was suggested that a "Land Office" be established with functions as summarized in the seven points outlined above. As a start this Office should be allotted a treasury advance, an advance from the special housing fund or any other form of loan that the Government might deem appropriate, until the Office's budget can begin to rely upon receipts from the property fee and the improvement tax. Its programme for 1978-1982 should be aimed at acquiring or purchasing at least:

- 300 hectares in Beirut and suburbs
- 50 hectares in other urban areas and their outskirts
- 200 hectares in rural areas.

Of course, if it were possible, it would be better for the Land Office to acquire larger areas of land for future projects before land values go up.

^{1/} These figures are 10 to 20 percent higher than what is adopted in other countries yet the high price of land on the one hand, and the small area of the country on the other, lead to a higher land investment rate.

III. Rent Laws

It is recognized that emergency rent laws are not adequate to the task of resolving housing problems in any country, but are at best temporary preventive measures whose aim is to freeze a given situation for a specified period of time and to protect the interests of one of the parties (generally the tenant) thus averting the social problems that would arise if landlord-tenant relationship remained uncontrolled.

Thus the successive emergency rent laws in Lebanon (there have been 25 of them) have not resolved the housing problem (especially with regard to new families). On the contrary they have frozen the situation to the advantage of some sections and to the disadvantage of others. They have also oriented building investment towards the "luxury" category (as defined in these laws).

This situation clearly reveals the need to formulate a housing policy for the country with a view to restoring a measure of balance and proportion between income and housing costs (for rent or purchase) that may gradually alleviate some of the injustice and deprivation inflicted on many citizens (whether landlord or tenant), that may bring release from legal impositions that contradict by their nature the basic principles of property ownership and that may motivate the owners of capital to construct housing that meets the natural requirements and needs of the various social sectors that make up the Lebanese people.

Depending on the actual achievements of the housing policy it might become possible to dispense progressively and naturally with many of the controls that were imposed by the rent laws without creating a disturbance in the housing market.

In their definition of landlord-tenant relationship the emergency rent laws dealt with different categories of rental property (old and new buildings, ordinary and "luxury" buildings ..) and of tenants (holders of old and new leases, in "ordinary" and "luxury" buildings etc..).

The experiences that accompanied these successive rent laws and the complaints and objections of so many of the proprietors and tenants concerned showed that these laws have not succeeded in meeting the problem adequately. This is because measures adopted on the basis of the distinction between "ordinary" and "luxury" rents, and between pre-1943 and post-1943 leases are too general and obscure the more specific divisions within these categories. These general categories, indeed, do not differentiate realistically between the variety of situations involved.^{1/}

Earlier rent laws adopted a temporal basis for classifying leases (pre- and post-1943) without considering the nature of the building, its age, or the purpose for which it was being used. The criteria for the definition of "luxury" buildings, moreover, no longer reflect reality or the new requirements of the times in which we live.

Following are a number of comments and recommendations on this subject:

- 1) The housing crisis has become an intricate problem for Lebanon and for many other countries and its resolution is only possible on the basis of long-term multi-phased measures and programmes.
- 2) The restrictions imposed by rent laws on "ordinary" buildings and on contracts have not helped to resolve the general problem; their removal will not restore the balance between supply and demand in the housing market and will not establish rents at levels commensurate with income levels unless the Government implements an extensive low-cost housing programme for lease and sale in the housing market.
- 3) In addition to such a programme incentives should be given for the construction of medium-sized low-cost housing:
 - Exemptions from some taxes and municipal fees for housing whose area, rental or purchase price do not exceed defined limits;
 - provision of medium and long-term loans for the construction of this type of housing; and
 - imposition of a progressive tax on rents - steeper for the high-rent bracket than that which is now in force.

^{1/} Cf. Annex 7.

- 4) An index of construction costs should be established and the development of rent prices should be tied to it and to the age of the building. Thus rents will increase when the index rises and they will decrease by a certain proportion when the building reaches a certain age.
- 5) The information contained in the proposed "housing file" should be consulted closely, especially the evolution of rent prices and the measures taken should reflect the trends thus observed before any restrictions set by rent laws are revoked.
- 6) The principle should be adopted that the tenant who himself owns a residence in the city where he lives shall not benefit from any special measure established by a rent law (extension of contracts, reduction of rents).
- 7) On the administrative plan the responsibility for establishing both a housing policy and rent laws should be borne by a single department as it is necessary that the close connection between these two fields be recognized and that action be taken accordingly.

In conclusion some further remarks are offered:

- 1) One of the objectives of a housing policy is to offer assistance, facilities and exemptions for the success of housing programmes that will eliminate the present shortage and suit the needs and financial resources of the various categories of Lebanese society. If such measures are successful in achieving a certain price stability in the housing market it would then be possible to gradually remove restrictions on rent contracts.

However, the removal of rent restrictions should not be relied upon to remedy this shortage by regarding such a measure as an adequate incentive for the construction of low-cost housing. Lebanon has already had some experience in this respect since the Rent Law promulgated in 1967 removed rent restrictions on "ordinary" buildings constructed subsequent to its promulgation. It was found that this measure had no effect on the number of dwellings constructed nor on rents which continued to rise.

- 2) The adoption of the "assessment" principle in several countries has not led to positive results especially for the tenant. While the depreciation of buildings should have resulted in a reduction of rents, these actually increased as a result of the rising cost of land.
- 3) The criteria for the definition of "luxury" buildings in previous rent laws no longer accord with present-day requirements. They have become necessities of modern living. If the intention is to maintain this classification for the future the defining characteristics ought to be reviewed and related to the type of construction material used in the building (woodwork, plumbing, tiling etc.) and to the area of the residential unit.

IV. The Building Industry

The building industry in Lebanon is characterized by its great activity both in terms of actual building and the manufacture of construction materials and requisites. The output from the various cement factories more than covers the demand of the local market. There are also factories for the production of asbestos, porcelain ware, concrete blocks, mosaic tiles, steel, aluminium etc.

The absence of co-ordination (as all projects have originated from private initiative) and the lack of normative or unified standards in planning have not been conducive to the modernization or industrialization of building construction, and attempts to introduce pre-fabricated construction techniques have so far failed.

The question confronting the authorities from the beginning of the events and even before is this: Has the introduction of pre-fabricated building methods now become a necessity in view of the urgent need to implement projects that traditional building methods cannot complete with the required speed?

In answering this question the following should be considered:

- Industrialization of construction guarantees an implementation speed not attainable by traditional methods.

- Industrialization requires large investments for establishing production plants.
- It would be useless to make such investments if a stable market outlet is not yet assured for these products as large volumes are necessary to make pre-fabricated products competitive with the costs of traditional building.
- The situation calls for planned building projects that involve industrial methods at their inception and include programmes for the construction of a large number of houses spread over a number of years.

The successful industrialization of construction depends, then, on the housing programmes adopted by the State and on the long-term nature of such programmes in order to reduce costs.

The industrialization of construction in Lebanon, moreover, has special ramifications since it is known that construction crews have consisted almost entirely of non-Lebanese labour. Thus, building activity and the vigour and effectiveness of labour at construction sites came to depend upon the availability of foreign manpower which in turn was a function of the general situation in the regions bordering Lebanon and of the events that took place inside the country. The cost of labour, therefore, was, and still is, subject to wide and unforeseeable fluctuations. Then again, it must be considered that the countries from which this manpower originates are no doubt developing and progressing and that one day labourers will no longer need to go to Lebanon to find work.

All this calls for orienting the industrialization of construction towards two objectives:

- To free the building sector from subjection to such fluctuations and crises; and
- to secure better working conditions (by industrializing construction) to the benefit of Lebanese manpower.

The recommendation here is to encourage the establishment of pre-fabrication plants whenever housing projects are adopted which are capable of absorbing the output of those plants for a number of years. Such plants should be of the medium or small sized category, producing between one and three housing units per day, according to the size of the projects to be undertaken by the State.

At the same time the Ministry of Housing should establish normative standards for certain materials (doors, windows, etc.) to be adopted in all its projects. This will encourage industries producing these construction materials to improve their standards and to convert their operations from handicraft to industrial production.

V. The Financing of Housing Projects

The first and greatest obstacle that is met by those concerned with the implementation of housing projects is the provision of the necessary finances and when financing is secured the problem becomes that of the enormity of the sums required.

The need for co-operation among the public sector, the private sector and the private individual has been repeatedly stressed as a prerequisite for the success of housing projects and for the reversal of the anomalous situation whereby each of these sectors had its own priorities, motivations and *raison d'être*.

In a country like Lebanon which has adopted the free enterprise economy, it is normal for the State to focus upon infrastructure and public buildings. If it intervenes in the housing sector it is because a social necessity so requires: primarily because a citizen of medium income is incapable of acquiring a dwelling available on the free market.

This is not to say that it is the responsibility of the State to satisfy all housing needs or that its participation in financing housing projects ought to increase *ad infinitum*. On the contrary the role of the State should be limited to needs that cannot be met without its participation.

Thus the resources needed for housing projects should be determined, then the size of the funds that the State is required to secure and the method of attracting private capital to these projects in order to cover all the financial requirements. The state, therefore, should encourage savings and should undertake "resource transfers" since the type of savings available in large amounts are not sufficient for investment in building construction, which is, by its very nature a long-term operation whereas most savings accounts are of the "on demand" or short-term categories.

The solution, then, is for the State to approach the people, through the Housing Bank perhaps, with negotiable public bond issues bearing a low nominal value and thus within the financial means of all.

Unfortunately the individual continues to be exposed to alluring publicity and delusive facilities aimed at convincing him to spend a large proportion of his income on the "conspicuous consumption" of durable goods, the most durable aspect of which is the implantation of the feeling of dependence upon them. This wave of consumption has overtaken many categories of people who used to save a proportion of their income (in the cities more so than in the countryside, in order to "keep up with the neighbours", and who now employ these savings to meet instalments on their purchases.

It is recognized that the basic condition for the achievement and maintenance of a high rate of economic growth is the formation of adequate savings that can provide the necessary investments without creating inflationary pressures.

Measures should, then, be taken to encourage the consumer to review his priorities and to redistribute his expenditure so as to transfer the less rewarding parts towards savings destined to improve his housing situation. Experience in many countries has revealed that saving for home purchase has a particular attraction for savers. It has also revealed that those who save to improve their housing situation would use these savings for less important and less essential expenditures in the absence of adequate incentives to save for housing.

These measure include the establishment of a system of home savings funds ^{1/} run by the Housing Bank. At a later stage, any bank operating in Lebanon and wishing to do so could contract with the Government to engage in such activity.

^{1/} Annex contains general ideas that could serve as a framework for this system.

The next difficulty confronting those responsible for implementing housing programmes is that of the solvency of prospective home-buyers.

It has been demonstrated that if the price of a dwelling were divided into 15 yearly instalments at 6 per cent interest, it would not be possible for a family to purchase a dwelling whose price exceeds three times its yearly income. If the instalments were spread over 20 years, the annual payment would decrease by only about 15 per cent.

Thus it is necessary for the State to adopt effective measures that would permit citizens of limited income levels to purchase the housing that they need. Several paths are open to the State in this field:

- By lowering the costs and consequently the selling price of housing.
- By lightening the load on the buyer in specific circumstances.

A. The Reduction of Construction Costs

- 1) The provision of land required for housing projects at low prices through the proposed "Land Office" and with State Subsidization of part of the cost of the land in the case of specific social projects.
- 2) The offer of assistance and facilities for the development of the building industry; the orientation of a number of projects towards the adoption of normative standards and dimensions whose repetitive use will lead to a lowering of costs; and the employment of pre-fabrication techniques in a number of projects.
- 3) The encouragement of the founding of co-operative associations in the building sector, aimed at decreasing the number of middlemen. Such co-operatives could procure construction materials or undertake the actual construction work.
- 4) The organization and encouragement of "self-help" modular construction.

B. Lightening the Load on the Buyer

- 1) The exemption from taxes and from some fees, as is provided in the present Housing Law.

- 2) State subsidization of part of the interest payments on housing that is constructed according to particular dimensions and specifications and that is sold at prices that do not exceed defined limits.
- 3) The offer of financial assistance to low income groups to help them bridge the gap between their income and the burden of paying for the home they wish to purchase.

Part Six: Construction Programme for the Period 1978 - 1982

This programme involves the construction of around 75,000 dwellings spread over five years according to the following schedule:

<u>Year</u>	<u>Beirut</u>	<u>Other Urban Areas</u>	<u>Rural Areas</u>	<u>Total</u>
1978	8,500	1,300	4,000	13,800
1979	8,900	1,300	4,000	14,200
1980	9,500	1,300	4,000	14,800
1981	10,200	1,300	4,000	15,500
1982	10,900	1,300	4,000	16,200
Total	<u>48,000</u>	<u>6,500</u>	<u>20,000</u>	<u>74,500</u>

The effort which the State is called upon to make would be heavy in the first few years but should ease off progressively. This effort is needed to fill the gap that is likely to be formed by the initial hesitation of the private sector and to firmly establish new parameters for the building sector that may require some modifications in the investment patterns of the private sector.

Housing projects can be divided into three categories:

- A. Uncontrolled projects of the private sector.
- B. Private sector projects and mixed projects supported by the State.
- C. State projects.

A. Projects of the Private Sector

This category includes buildings constructed by the private sector as in the past and financed by the entrepreneur's own resources or by local commercial banks. The Housing Bank could finance some of these projects on the following conditions: that they be medium-term projects of a span of three to five years; that the amount of the loans should not tie up a significant proportion of the Bank's own capital; and that the interests charged reflect current market rates advantageous to the bank and involving no special facilities. Loans should be restricted to the financing of dwellings of specified (small) size categories thus allocating the Bank's resources among as large a number of dwellings as possible.

B. State Supported Building Projects

This is the category of project upon which the brunt of the Housing Bank's financing effort should fall. The Bank should have the full co-operation of the State which should shoulder the cost of any subsidies, facilities and interest rate differentials involved.

- 1) Projects undertaken by the private sector but subject to conditions related:
 - to the size of each residential unit and to building specifications; and
 - to the commitment of the entrepreneur to sell or rent such property within defined price limits.

Once a project receives the approval of the Ministry of Housing and Co-operatives or the Housing Bank, the Bank should commit itself to financing between 40 and 60 percent of the cost of the project on a medium-term basis (normally the time required for completion of the project, in the cases where the dwellings are for sale). The dwellings should be sold on instalment spreading the payment over 15 years at a rate of interest one or two percent lower than that normally charged by the Housing Bank. This subsidy would be covered by the State. In cases where the dwellings are for rent ten-year loans could be granted with rents fixed and frozen for the duration of the loan.

The entrepreneur would benefit from this loan and from tax and building fee exemptions; his role, however, would terminate with the completion of the project, as the management of the project's portfolio would be transferred at that point to the Housing Bank.

2) As for the State-initiated projects (Ministry of Housing and co-operatives), the State determines the location, provides the necessary land, sets a price on it and draws up the construction programme: the number and size of the housing units, their specifications and the upper limits of permissible costs.

These projects should be put out to tender among companies willing to finance and execute them against State guarantees valid for the duration of each project. At the same time the Housing Bank, acting on a request of the Ministry of Housing, should issue bonds equivalent to the value of the project. Some of these bonds should be made available for public subscription (individuals who subscribe to a certain amount can be given priority for the purchase of a dwelling in the project^{1/}) and the rest would be offered in the financial market.

3) Following the same procedure and with the agreement of the Ministry of Housing and the Housing Bank, projects could be launched within the framework of municipalities and institutions that build houses for their employees, co-operative associations that build for their members and non-profit associations of all kinds.

Depending upon the relative size of the specific project, it would be possible to encourage companies using pre-fabrication techniques to participate in the execution of projects of this category. It would be advisable to set up a variety of non-profit companies to administer these projects from their conception to the delivery of the dwelling to the customer. Dwellings should be sold on instalment and at interest rates comparable to those of the bond issue (with a small increment to cover the management of the portfolio).

In case there is a large gap between the income of the buyer and his ability to pay, on the one hand, and the instalments he must pay, on the other hand, the State should provide him with an annual housing subsidy until his yearly income reaches three times the amount of his

^{1/} This is one way to encourage the transfer of personal savings to housing purposes.

instalments. ^{1/} This subsidy should, of course, be limited to households whose annual income does not exceed a certain figure.

Annex 9 shows that if the State succeeds in lowering the cost of a dwelling to LL20,000 and if its price were spread over 15 annual instalments at an interest rate of 4 percent, ^{2/} the income of the buyer has to be around LL 6,000.

It also shows that around 28 percent of the Social Security beneficiaries earn less than LL 4,000 per year. For this category of people, it is recommended that the State implement a number of projects directly.

C. State Projects

1) Low Cost-Projects

- (a) The State should seek international expert assistance in the study and implementation of low-cost housing projects involving a minimum of installations, and utilizing standardized parts in large quantities and inexpensive building materials. These houses should be reserved for low-income groups and should be rented at between 5 and 7 percent of cost, until such a time as the income of the tenant reaches three times the cost of the dwelling. At that point, the tenant should be given the option of purchasing his dwelling on instalment. ^{3/}
- (b) The State should seek international expert assistance in organizing workshops utilizing the "self-help" and "phased construction" approaches, especially in the countryside. Co-operatives should be established for the supply of building material, for work organization at the building style, and for the recruitment of specialized labour when needed. The Ministry would provide them with designs to facilitate construction by these methods and would also, if necessary, put land at their disposal and provide them with technicians experienced in this type of work.

^{1/} Cf. Annex 9. For example, a dwelling that costs LL 30,000 spread over 15 annual instalments at an interest of 6 percent requires an annual payment of LL 3090. The buyer's annual income should, then, be about LL 10,300. If his income were about LL 9,000, he should be granted a housing subsidy of LL 390 until his annual income reaches LL 10,300.

^{2/} These prices and interest rates are too low to be applicable at this time.

^{3/} The beneficiary who is able to make a down-payment from savings large enough so that the remainder is less than three times his annual income should be allowed to purchase the dwelling outright.

- 2) Improvement of housing conditions in the countryside through the provision of subsidies, facilities and loans for the improvement and development of existing dwellings especially those lacking the minimum of basic amenities (kitchen, bathroom...) and for the extension of dwellings that are densely occupied.

Quantitative Distribution of the Programme

The quantitative distribution here proposed is not based on statistical evidence but on estimates that are open to debate and amendment.

It is recommended that in the next five years sixty percent of the programme be left to the efforts of the private sector, with the provision of facilities and exemptions for low-cost housing of limited size - with a view to, at least, doubling the number of dwellings provided by the same level of investments.

There remain 30,000 dwellings whose construction needs to be financed in whole or in part by the State and through the Housing Bank. These dwellings are distributed as follows:

<u>Year</u>	<u>Beirut</u>	<u>Other Urban Areas</u>	<u>Rural Areas</u>	<u>Total</u>
1978	3,100	700	2,200	6,000
1979	3,300	700	2,000	6,000
1980	3,600	600	1,800	6,000
1981	4,000	500	1,500	6,000
1982	4,000	500	1,500	6,000
Total	<u>18,000</u>	<u>3,000</u>	<u>9,000</u>	<u>30,000</u>

Beirut and Suburbs

Housing construction in Beirut can be distributed annually as follows: 1,100 low-cost dwellings replacing slum dwellings; 800 to 900 dwellings constructed through civil-servant co-operatives, Social Security beneficiaries' co-operatives, institutions that build to house their own employees, and other associations and unions; 900 to 1,500 dwellings according to programmes established by the State and financed through bonds issued by the Housing Bank for specific projects and guaranteed in part by the State; and 300 to 500 dwellings constructed by the private sector subject to conditions established by the State.

The following table shows this distribution in greater detail:

<u>Beirut and Suburbs</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Low-cost houses	1,100	1,100	1,100	1,100	1,100
Co-operatives & institutions	800	800	900	900	900
State programmes	900	1,000	1,200	1,500	1,500
Controlled private programmes	300	400	400	500	500
Total	3,100	3,300	3,600	4,000	4,000
<u>Other Urban Areas</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Low-cost houses	100	100	100	100	100
Co-operatives & institutions	200	200	200	150	150
State programmes	300	300	200	150	150
Controlled private programmes	100	100	100	100	100
Total	700	700	600	500	500

Rural Areas (Here another category is added: "self-help" construction)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Low-cost houses	400	400	400	400	400
"Self-help"	500	400	300	200	200
Co-operatives & institutions	500	500	500	500	500
State programmes	600	500	400	400	200
Controlled private programmes	200	200	200	200	200
Total	2,200	2,000	1,800	1,500	1,500

<u>All Lebanon</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Low-cost houses	1,600	1,600	1,600	1,600	1,600	8,000
"Self-help"	500	400	300	200	200	1,600
Co-operatives & institutions	1,500	1,500	1,600	1,550	1,550	7,700
State programmes	1,800	1,800	1,800	1,850	1,850	9,100
Controlled private programmes	600	700	700	800	800	3,600
Total	6,000	6,000	6,000	6,000	6,000	30,000

The State's Share in Financing the Programme

The following figures may be adopted in calculating the capital needed for financing the programme:

1. For low-cost housing, apartments of an average of 60 square meters and costing no more than LL. 15,000 should be constructed, with the State contributing the cost of the land necessary for the project.

2. For the category of dwellings built in phases and that use the "self-help" approach, the co-operatives running these projects should be advanced the cost of the materials, i.e. around LL. 10,000.
3. For projects that are to be constructed by municipalities, co-operatives, institutions and establishments, the cost of each dwelling should range between LL. 30,000 and LL. 40,000, and loans should be granted to cover approximately half the cost of each dwelling, i.e. about LL. 17,500.
4. For the State programmes and within the same cost limits loans should be granted for up to 80 per cent of the cost of each dwelling, i.e. around LL. 28,000.
5. 50 per cent for controlled private sector projects, i.e. about LL. 17,500.

Based on these calculations the financial requirements (in million LL.) become:

<u>Beirut & Suburbs</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Low-cost housing	16.50	16.50	16.50	16.50	16.50	82.50
Co-operatives & institutions	14.00	14.00	15.75	15.75	15.75	75.25
State programmes	25.20	28.00	33.60	42.00	42.00	170.80
Controlled private programmes	5.25	7.00	7.00	8.75	8.75	36.75
Total	60.95	65.50	72.85	83.00	83.00	365.30

The overall total for Beirut and suburbs is 365.3 million Lebanese pounds.

<u>Other Urban Areas</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Low-cost housing	1.50	1.50	1.50	1.50	1.50	7.50
Co-operatives & institutions	3.50	3.50	3.50	2.65	2.65	15.80
State programmes	8.40	8.40	5.60	4.20	4.20	30.80
Controlled private programmes	1.75	1.75	1.75	1.75	1.75	8.75
Total	15.15	15.15	12.35	10.10	10.10	62.85

The overall total for other urban areas is 62.85 million Lebanese pounds.

<u>Rural Areas</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Low-cost housing	6.00	6.00	6.00	6.00	6.00	30.00
"Self-help"	5.00	4.00	3.00	2.00	2.00	16.00
Co-operatives & institutions	8.75	8.75	8.75	8.75	8.75	43.75
State programmes	16.80	14.00	11.20	5.60	5.60	53.20
Controlled private programmes	3.50	3.50	3.50	3.50	3.50	17.50
Total	40.05	36.25	32.45	25.85	25.85	160.45

The overall total for rural areas is 160.45 million Lebanese pounds.

...Grand Total : 588.45 million Lebanese pounds.

To this figure should be added 11.4 million Lebanese pounds for improving existing housing in rural areas. (On the basis of an average of LL. 3,000 per dwelling, it would be possible to improve around 4,000 dwellings). In this way, the grand total for implementing the 1978-1982 programme utilizing all the approaches outlined above becomes 600 million Lebanese pounds.

Summary of Financial Requirements of the 1978-1982 Programme (in million LL.)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Low-cost houses	24.00	24.00	24.00	24.00	24.00	120.00
"Self-help"	5.00	4.00	3.00	2.00	2.00	16.00
Co-operatives & institutions	26.25	26.25	28.00	27.15	27.15	134.80
Stage programmes	50.40	50.40	50.40	51.80	51.80	254.80
Controlled private programmes	10.50	12.25	12.25	14.00	14.00	63.00
Improvement of existing housing	3.85	3.10	2.35	1.05	1.05	11.40
Total	120.00	120.00	120.00	120.00	120.00	600.00

	<u>Number of Dwellings</u>	<u>Funds Required</u>
Low-cost dwellings	8,000 dwellings	120.00 (million LL.)
"Self-help"	1,600 "	16.00 "
Co-operatives & institutions	7,700 "	134.80 "
State programmes	9,100 "	254.80 "
Controlled private programmes	3,600 "	63.00 "
Improvement of existing housing	4,000 "	11.40 "
Total	34,000 dwellings	600.00 (million LL.)

Financial Sources

1) The State

Items 1, 2, 3 and 6 should be financed by the State and would require around 282 million pounds plus grants and subsidies estimated as follows:

Housing subsidy ⁽¹⁾	: LL.	4.0
Interest subsidy for item 3:	LL.	4.0
Interest subsidy for item 4:	LL.	8.0
Land price subsidy	: LL.	4.0
Total	LL.	20 million

(1) On the basis of LL. 400 per year per dwelling for five years and to about 2000 households.

One million pounds should be allocated annually to the conduct of a number of technical and organizational studies, and the establishment of the proposed "Land Office" would require a treasury advance of 50 million Lebanese pounds.

The obligations of the State are distributed as follows:

(million LL.)	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Financing	59.10	57.35	57.35	54.25	54.20	282.20
Subsidies	5.00	5.00	5.00	5.00	5.00	25.00
Treasury Advances	50.00					50.00
				Total		357.20

These sums would be secured from the Special Housing Fund. As for the grants given to the State⁽¹⁾ for the purpose of making fifteen-year loans to the proprietors of buildings that were damaged during the events, these sums ought to be recycled for financing housing projects.

The Special Housing Fund would be fed from three principal sources:

1. 25 per cent from the revenues of the building fee⁽²⁾
2. Half the sums reserved for social projects from the revenues of the Casino du Liban.
3. A special drawing of the National Lottery.

The revenues of the Fund have approached LL. 20 million per year - a sum too small to implement this programme.

It is recommended that the revenues of the building fee be assigned to the Special Housing Fund in their entirety and that the law authorizing the collection of this fee be extended to the end of 1982. In this way the Fund would have guaranteed the resources necessary for implementing the programme.

2) The Housing Bank

The role of the Housing Bank should be restricted to project financing of the programmes contained in items 4 and 5, which will require about 318 million

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- (1) These now include LL. 50 million from the Saudi Government and 4 million dollars from the American Government. Also there are 15 million dollars still being negotiated between the Lebanese and American Governments.
 - (2) The net income for the year 1974 amounted to around LL. 66.8 million, of which 16.7 million were assigned to the Fund. The law authorizing this fee will expire at the end of 1978.

Lebanese pounds distributed as follows:

(million LL.)	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
	60.9	62.65	62.65	65.80	62.80	317.80

It is anticipated that the Housing Bank would find no difficulty in financing these projects, for its own capital alone could reach LL. 200 million, given the incentive to subscribers represented by the State guarantee of the Bank's 100 million pounds bond issue. The principle of issuing bonds for specific projects should attract to the Bank a rather sizeable volume of savings for home purchase. Again, the Home Savings Fund system, if adopted, should significantly augment the Bank's resources.

The Bank, furthermore, may wish to finance a number of housing projects in the private sector and participate in a number of construction material factories and pre-fabrication plants. It is advisable, however, that the Bank's participation in these sectors should not exceed 20% of its own capital.

Summary of Measures Recommended for Adoption

1. Surveys and Statistics

- A comprehensive census of housing in Lebanon and establishment of a "housing file".
- Periodic surveys to monitor new trends in the building sector.
- Periodic surveys to determine internal and external population flows.
- Periodic surveys of the income of the Lebanese and the effect of a multiplicity of bread-winners on the household.
- Inquiries concerning the evolution of citizens' aspirations regarding their housing, and the incorporation of new information into future projects.
- Establishment of an index of construction costs.

2. Taxes and Fees

- A fee on unbuilt property.
- A tax on land improvement.
- A progressive tax on built-up property.
- Continuation of the tax on vacant dwellings.

3. Exemptions

- On dwellings built under this programme.
- On dwellings built by the private sector in accordance with size and price specifications.

4. The Land Office

- Establishment of a "Land Office" responsible for collecting the fee on unbuilt property and the tax on land improvement, and for investing these funds in the purchase of land and in the allocation and preparation of land for housing purposes.

5. The Building Industry

- Establishing minimum specifications for dwellings acceptable to the state.
- Setting normative standards and adopting them in the projects instigated or undertaken by the State.
- Adopting pre-fabricated building techniques in a number of projects.

6. Regional Physical Planning

- Specification of the number of dwellings needed in each development project in the different regions of the country.
- Promotion of the construction of necessary housing in rural "industrial complexes".

7. Rents

- Delegation of the responsibility for establishing housing policy and rent laws to a single department.
- Linking rents to an index of building costs and to the age of buildings pending the adoption of a clear policy and the implementation of the first five-year plan wherein the possibility of lifting some restrictions can be investigated.

8. Lowering Housing Costs

- Encouragement of low-cost housing construction.
- Encouragement of housing projects in rural areas using the self-help approach.

9. Promoting the Establishment of Non-Profit Associations

- Encouraging the establishment of housing co-operatives and building material co-operatives.
- Encouraging the establishment of co-operatives among employees and Social Security beneficiaries.
- Encouraging associations to undertake housing projects.
- Encouraging municipalities to undertake housing loans.
- Encouraging and organizing co-operative loans.
- Encouraging institutions to build houses for their employees.

10. Contributions of the State

- Encouraging saving for home-purchase.
- Encouraging subscription to housing bonds.
- Provision of subsidies for the lowering of interest rates.
- Contribution to the cost of land purchases.
- Financial aid for the low-income category.
- Granting loans to non-profit associations.
- Providing loans for home improvement in rural areas.
- Founding of mixed companies to run housing projects.

Summary

This is the proposed framework for a work programme covering the next five years (1978 - 1982) submitted by ECWA in the form of a list of recommendations. These recommendations do not go into details on the organizational structure of the implementation stages, nor do they go into the significance - and the function of the Housing Bank in any detail, and they do not touch upon the legal structures and administrative regulations that govern the housing sector. This is because questions were raised and proposals were submitted that were possibly either incomplete or unacceptable to the State.

Once the responsible authorities settle upon a broad framework or decide upon specific courses, the adoption of the appropriate provisions and regulations should not pose great difficulties, nor should the task of allocating roles among the different administrative bodies, connected in a direct or indirect manner with the housing question, pose difficult problems.

Annex ITable 11 - Rate of increase in the number of primary dwellings in Lebanon according to type and size between 1960 - 1970

<u>Size</u>	<u>"Luxury" Dwellings (%)</u>	<u>"Ordinary" Dwellings (%)</u>	<u>All Primary Dwellings (%)</u>
Less than 30 sq. m	6.4	2.3	2.4
Between 30 & 80 sq. m	8.0	3.4	3.5
Between 80 & 120 sq.m	11.4	3.4	4.0
Between 120 & 200 sq. m	11.5	3.1	4.5
Over 200 sq. m	11.2	2.2	4.4
Total:	10.6	3.1	3.5

Tabel 12 - Estimate of number of primary dwellings in Lebanon at the beginning of 1975 based on average annual increase observed between 1960 and 1970 according to size.

<u>Size</u>	<u>"Luxury" Dwellings</u>	<u>"Ordinary" Dwellings</u>	<u>Total</u>
Less than 30 sq.m	1,500	57,700	77,200
Between 30 & 80 sq.m	8,900	190,200	199,100
Between 80 & 120 sq.m	16,500	105,200	121,700
Between 120 & 200 sq.m	13,100	30,800	43,900
Over 200 sq.m	6,900	9,400	16,300
Total	46,900	411,300	458,600

Annex 2

Breakdown of dwellings according to number of rooms and total
number of rooms available

2.01 - Lebanon as a Whole

<u>Number of rooms in Dwelling</u>	<u>Number of Dwellings</u>	<u>Total Number of Rooms</u>
1	59,640	59,640
2	95,700	191,400
3	89,805	269,415
4	77,820	311,280
5	41,505	207,525
6	16,530	99,180
7	6,675	46,725
8	2,550	20,400
10	1,860	18,600
Undetermined	3,735	5,835
Total	395,820	1,230,000

2.02 - Breakdown According to Locality

<u>No. of Rooms in Dwelling</u>	<u>Beirut and Suburbs</u>		<u>Other Urban Areas</u>		<u>Rural Areas</u>	
	<u>No. of Dwellings</u>	<u>Total No. of Rooms</u>	<u>No. of Dwellings</u>	<u>Total No. of Rooms</u>	<u>No. of Dwellings</u>	<u>Total No. of Rooms</u>
1	32,055	32,055	5,910	5,910	21,675	21,675
2	42,720	85,440	11,640	23,280	41,340	82,680
3	37,030	111,090	15,690	47,070	37,065	111,195
4	35,910	143,640	13,455	53,820	28,455	113,820
5	19,185	95,925	7,300	39,000	14,520	72,600
6	8,430	50,580	2,925	17,550	5,175	31,050
7	3,630	25,410	1,590	11,130	1,455	10,185
8	1,620	12,960	390	3,120	540	4,320
10	960	9,600	255	2,550	645	6,450
Undetermined	1,305	2,900	675	1,570	1,755	6,025
Total	182,845	570,000	60,340	205,000	152,625	460,000

Annex 3

Estimate of Population Growth and Evolution of Housing Needs in Lebanon

	<u>Rate of Increase %</u>	<u>Size of Population</u>	<u>Annual Population Increase</u>	<u>Number of Dwellings Needed</u>
1/1/1978	1.15	2,600,000	29,900	6,300
1979	1.2	2,629,900	31,560	6,700
1980	1.3	2,661,460	34,600	7,300
1981	1.4	2,696,060	37,740	8,000
1982	1.5	2,733,800	41,010	8,700
1983	1.6	2,774,810	44,390	9,400
1984	1.7	2,819,200	47,930	10,100
1985	1.8	2,867,130	51,610	10,900
1986	1.8	2,918,740	52,540	11,100
1987	1.8	2,971,280	53,480	11,300
1988	1.8	3,024,760	54,450	11,500
1989	1.8	3,079,210	49,270	11,200
1990	1.6	3,128,480	50,050	11,400
1991	1.6	3,178,530	50,860	11,600
1992	1.6	3,229,390	51,670	11,800
1993	1.6	3,281,060	52,500	12,000
1994	1.6	3,333,560	53,330	12,000
1995	1.3	3,386,890	44,030	11,000
1996	1.3	3,430,920	44,600	11,100
1997	1.3	3,475,520	45,190	11,300
1998	1.3	3,520,710	45,770	11,500
1999	1.3	3,566,480	46,360	11,700
1/1/2000		3,612,840		
			1,012,840	227,900

Annex 4

Estimate of Population Growth and Evolution of Housing Needs in Beirut

	<u>Rate of Increase %</u>	<u>Size of Population</u>	<u>Annual Population</u>	<u>Number of Dwellings Needed</u>
1/1/1978	2.3	1,100,000	25,300	5,300
1979	2.4	1,125,300	27,000	5,700
1980	2.6	1,152,300	30,000	6,300
1981	2.8	1,182,300	33,100	7,000
1982	3.0	1,215,400	36,400	7,700
1983	3.2	1,251,800	40,100	8,450
1984	3.4	1,291,900	43,900	9,250
1985	3.6	1,335,800	48,100	10,100
1986	3.8	1,383,900	52,600	11,100
1987	4.0	1,436,500	57,500	12,100
1988	4.0	1,494,000		

Annex 5

National Social Security Fund

General Directorate

April, 1974

Distribution of Wage-earners According to Income - levels

Monthly and seasonal workers registered with the National Social Security Fund and who worked full-time during the year in question are distributed according to wage-levels in the following table:

<u>Wage-levels (following the 1974 modification)</u>	<u>Percentage of Workers(%)</u>
Less than LL 300 per month	27.82
From LL 300 to LL 500 per month	43.50
From LL 500 to LL 750 per month	14.62
From LL 750 to LL 1,000 per month	5.50
From LL 1,000 to LL 1,250 per month	3.02
From LL 1,250 to LL 1,500 per month	1.73
Over LL 1,500 per month	3.81
	<hr/>
	100.00%

Note that this distribution was calculated only for those in full-time employment.

If those who worked intermittently are added to those who worked full-time the percentage will change: the percentage of workers who belong to the lowest income bracket will increase significantly, and that of those of the higher income brackets will decrease.

Note: Workers not registered with Social Security are not included in this study.

Annex C

Number of Workers registered with the National Social
Security Fund between 1971 and 1975 under the Family Allowance and

1971 - 1975

<u>Year</u>	<u>,Month</u>	<u>Total No. of Workers</u>	<u>No. of Beneficiaries from Family Allowance Section</u>	<u>No. of Beneficiaries from Termination of Service Section</u>
1971	January	149,432	72,479	110,039
	July	145,759	75,922	
1972	January	152,995	77,627	123,319
	July	161,719	80,437	
1973	January	169,587	81,666	138,843
	July	187,795	85,163	
1974	January	187,567	86,903	174,719
	July	197,934	91,667	
1975	January	209,967	92,505	177,858

Annex 7

The Pattern of Home Occupancy in Lebanon, 1970⁽¹⁾

43.7 per cent of Lebanon's households own the dwelling in which they live

48.4 per cent are tenants

7.9 per cent live free of charge (relatives, partners, farmers).

<u>Proprietors:</u>	43.7%
Sole owners:	37.7%
Shared ownership:	10.0%
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Luxury dwellings	1.8%
Ordinary dwellings	41.9%

<u>Tenants:</u>	48.4%
Luxury dwellings	5.7%
Ordinary dwellings	42.7%

High Rate of Tenancy in Urban Areas

12.8%	Tenants in rural areas
52.8%	In cities other than Beirut and suburbs
76.2%	In Beirut suburbs
77.2%	In Beirut

Occupancy Pattern in Beirut

17.6%	Proprietors	8.8% Sole Ownership
		8.8% Shared Ownership
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		4.0% Luxury Dwellings
		13.6% Ordinary Dwellings
77.2%	Tenants	17.2% Luxury Dwellings
		60.0% Ordinary Dwellings

(1) EPAL - 1970.

Occupancy Pattern in Beirut & Suburbs

18.2% Proprietors	10.7% Luxury Ownership
	7.5% Shared Ownership
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76.2% Tenants	2.5% Luxury Dwellings
	15.7% Ordinary Dwellings
	11.2% Luxury Dwellings
	65.0% Ordinary Dwellings

The total number of households in Lebanon who rent their homes has reached 196,230 of whom 143,700 live in Beirut and suburbs. 23,000 households rent luxury dwellings (of which 85 per cent are in Beirut and suburbs, 7 per cent in other urban areas, and 8 per cent are in rural areas). A further 11,000 households live in "ordinary" primary dwellings defined as "luxury" by the law of 9/5/1967.

The number of households who rented their dwellings before 1943 ranged between 40 - 45 thousand households (37 per cent in Beirut and suburbs, 18 per cent in other urban areas, and 45 per cent in rural areas).

Annex 8

Home-Purchase Savings Scheme

1) Eligibility

Any individual of Lebanese citizenship shall be entitled to open a savings account.

2) The Savings Account

Savings accounts shall be opened with an initial deposit of a minimum of five hundred (500) Lebanese pounds. Further deposits must not be less than fifty (50) Lebanese pounds, while the total balance may not exceed forty thousand (40,000) Lebanese pounds, interest included.

3) Interest

Depositors shall be paid an annual interest rate of not less than five per cent (5%), to be calculated on the basis of the lowest balance during the six months ending on 30 June and 31 December of each year. Interest shall be compounded on each of these two dates.

4) Withdrawals

Withdrawals for any purpose other than housing shall be subject to two-months' notice.

5) Borrowing

A depositor may borrow in order to build a new dwelling, to improve, repair or enlarge an existing dwelling, or to buy a dwelling, on the condition that the dwelling shall be for the exclusive use of himself, his ascendants or his descendants and that no less than three years shall have passed since his savings account was opened.

6) Term and Interest Rate of Loans

The maximum term of a loan shall be ten years, and the interest charged shall be equal to the interest earned on savings deposits plus a collection fee of one per cent (1%) per annum not subject to reduction.

7) Size of Loans

The size and term of a loan shall be determined according to an accounting operation where total amount of interest on a loan equals the total amount of interest earned on the savings deposited. But in no case shall the size of the loan exceed sixty thousand (60,000) Lebanese pounds or three times the annual income of the borrower.

8) Savings Premium⁽¹⁾

Depositors shall be granted a premium equal to the interest earned by their savings deposits up to and upon the day they receive a loan, provided that the premium does not exceed the sum of four thousand (4,000) Lebanese pounds.

(1) Paid by the State.

Annex 9

Estimate of Annual Outlay and Annual Income Required for Payment of 15 Annual Installments on a Dwelling According to Interest Rate

Cost of Dwelling	4%	5%	6%	8%	10%					
	Annual Instalment	Annual Income	Annual Instalment	Annual Income	Annual Instalment	Annual Income				
20,000	1,800	6,000	1,930	6,400	2,060	6,900	2,340	2,800	2,630	8,800
25,000	2,250	7,500	2,410	8,000	2,575	8,600	2,920	9,750	3,290	9,950
30,000	2,700	9,000	2,890	9,600	3,090	10,300	3,500	11,700	3,945	13,150
35,000	3,150	10,500	3,375	11,200	3,600	12,000	4,090	13,600	4,600	15,350
40,000	3,600	12,000	3,855	12,850	4,120	13,700	4,675	15,600	5,260	17,500
45,000	4,050	13,500	4,335	14,450	4,635	15,400	5,260	17,500	5,920	19,700
50,000	4,500	15,000	4,820	16,050	5,150	17,150	5,840	19,500	6,575	21,900
60,000	5,400	18,000	5,780	19,250	6,180	20,600	7,010	23,400	7,890	26,300