



IRAQ NATIONAL HOUSING POLICY

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REPUBLIC OF IRAQ
Ministry of Construction and Housing



IRAQ NATIONAL HOUSING POLICY

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UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

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Strengthening the Capacity of the Housing Sector in Iraq Phase II

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Foreword



While the new Iraqi Constitution requires the right of decent housing for each Iraqi citizen, the Ministries seek to provide the elements of a healthy environment for producing housing. As a fruit of the joint efforts of the Iraqi Ministry of Construction and Housing and UN-HABITAT, a National Housing Policy, a realistic action plan to implement it and an institutional reform plan is in place, enhanced by an integrated legal framework that combines current legislation with new recommendations in line with the new economic orientations of the country.

The real will to implement this policy as planned, moving forward towards institutional reform within the legal framework proposed, reflects the capacity to encounter the challenges of renovation and change witnessed by the housing reality in Iraq.

God Grant Success!



Eng. Bayan Dizayee
Minister of Construction and Housing



Since the 1970s, the implementation of the General Housing Plan in Iraq stopped because of the wars and governmental negligence of the housing sector at the time, despite being a major engine of the national economy. This sector has the potential to create many and various job opportunities, and to provide a social commodity to satisfy the Iraqi citizens' basic need to suitable and decent housing.

The current formula of the National Housing Policy in Iraq is the result of the fruitful intellectual efforts and consultative expertise of Iraqi specialists and international experts over two years. The National Housing Policy document constitutes a starting point for the Ministry of Construction and Housing and other sectoral bodies in activating the basic elements of reform (in land, finance, legislation, building materials, dilapidated areas and informal settlements), through which we aim to revive and create integrated and sustainable housing activity.

We put this national work in the hands of the Iraqi Government and the decision-makers with a view to adopt and apply this policy and start executing it according to the strategies specified. This includes institutional and legal reforms, and pilot projects as an appropriate kernel that can be reviewed and corrected in order to develop a more appropriate form for the Iraqi reality, with a view to providing decent housing to Iraqis.

God Grant Success!



Eng. Istabraq Al Shouk
Senior Deputy Minister of Construction and Housing
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As Iraq's estimated housing shortage reaches approximately 2 million housing units, the Government of Iraq has concluded that centralized systems of housing delivery can no longer address the country's increasing housing deficit. Through this policy the Ministry of Construction and Housing outlines how the Government of Iraq will establish an enabling environment to support the engagement of other actors in radically scaling up housing provision; in particular the private sector.

Iraq's experience reflects the global reality of unprecedented challenges in the housing sector as urbanization leaves half of humankind living in cities and towns. Responding to this demand, the Habitat Agenda recognizes that the formulation and application of effective enabling shelter strategies as critical to the realization of the right to housing and the achievement of adequate shelter for all.

As such, the UN-HABITAT Iraq Program is confident that this policy sets Iraq on course to begin to address its demands in the sector. The policy is built on thorough analysis of key thematic areas surrounding the housing sector; access to land, access to finance, housing production, building materials, infrastructure, housing management and maintenance and informal settlements, and has been developed through multi-stakeholder debates and working groups, supported by national and global experts over an 18 month period.

However, this is just a starting point. Implementing the policy will require well considered institutional, legislative and technical actions. UN-HABITAT remains committed to supporting the Government of Iraq as it implements this policy, and looks forward to seeing the progressive realization of adequate shelter for all the people of Iraq.

A handwritten signature in black ink, appearing to read 'Doudou Mbye'. The signature is fluid and cursive, with a large initial 'D' and 'M'.

Doudou Mbye
Head of Mission
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Acronyms and Abbreviations

AECOM	AECOM International Development
UN-ESCWA	Economic and Social Commission for Western Asia
IHMS	Iraq Housing Market Study
LTV	Loan-To-Value
MOCH	Ministry of Construction and Housing
MOF	Ministry of Finance
NHF	National Housing Fund
REB	Real Estate Bank
UN	United Nations
UN-HABITAT	United Nations Human Settlements Programme

1. INTRODUCTION

A vibrant, flexible, and efficient system for the production of quality housing is essential for the continued growth of the Iraqi economy. A major part of the capital stock of the country, housing supply must be built up in line with infrastructure, industry, and community facilities such as schools and hospitals. Housing production is a highly productive economic activity, capable of generating direct employment, income multipliers and employment linkages at least equivalent to those of other conventional “productive” sectors such as agriculture, industry, and services. Housing is also a social good, responding to basic needs of the citizens of Iraq. The welfare of Iraqi individuals, families, and communities depends on the steady growth and improvement of the housing stock.

This Housing Policy sets the broad parameters for the development of the housing sector in Iraq. It reflects the need to accelerate housing production to meet demand and enable economic growth. The Policy considers the fundamental role that housing must play in sustaining a productive and mobile population. It considers as well the importance of the housing sector in responding to the needs of all Iraqis, consistent with the changing demographics of the country. It also considers the importance of public investment both for the growth of the sector as a whole and for the provision of housing to vulnerable and low-income groups.

While taking into account the rich Iraqi tradition of sustainable housing design and the country’s considerable experience in mass production of modern housing, this policy is forward-looking. The recent war caused widespread damage to the national economy, bringing many sectors to a standstill. Some housing institutions critical to management of the sector in the past few decades are now moribund. The housing deficit, already large at the close of the twentieth century, is greater still today. The housing policy is designed to address the specific challenges of the post-war environment in Iraq and will be reviewed and revised in the medium term to adjust to the changing social and economic conditions in the country. For now, there is both an opportunity to accrue the housing benefits offered by housing production and a pressing need to introduce new housing delivery mechanisms that can respond better and faster to the housing needs of people across Iraq.

As the national economy recovers, housing demand will increase, and more and more investment in housing will be undertaken. This investment will, in turn, spur further economic growth. The policy seeks to build on this positive, synergistic relationship to stimulate simultaneous improvements in the housing sector and the national economy.

This policy addresses all housing in Iraq, including housing in urban areas, peri-urban areas, and rural areas of the country. While most aspects of the policy relate to housing in all of these areas, some proposals are specifically targeted at removing obstacles to efficient housing production and management in either urban or rural settings.

1.1 The Housing Challenge in Iraq

Analysis of the housing sector of Iraq reveals a broad set of challenges in the years ahead. Many of these challenges “interlock” with others; that is, they form a constellation of interrelated factors that are best addressed in a comprehensive manner. The main challenges are listed below in descending order of importance:

1. Substantial unmet housing demand as the supply side, constrained by a number of different bottlenecks, has been unable to produce new housing in sufficient quantities to meet the needs of a growing population. Current estimates suggest that about 2 million dwellings will be required in urban Iraq by 2016. This represents 200,000 dwellings per year for the next ten years or about one dwelling every 45 seconds of the working day.
2. Acute shortage of buildable land in urban areas. The land management system does not systematically convert land to residential use or make land parcels available to various potential builders and developers.
3. Near absence of formal housing finance. There is little capital readily accessible today for either home improvement loans or long-term mortgage financing.
4. Incomplete legal and regulatory system for private sector investment in housing. Efficient and low-cost mortgage lending can only thrive where the value of the underlying asset can be converted to money.
5. Infrastructure backlogs in many residential areas and declining infrastructure service levels owing to inadequate maintenance.
6. Many households cannot afford decent housing. There are no scaled-up programs to make these individuals and their families potential consumers of housing in a market system.
7. Deteriorated housing conditions owing to underinvestment in housing maintenance. The capital stock of housing is continuing to decline as a result.
8. Undercapitalized construction sector dominated by low-producing public companies. There are few investor/developers to serve lower- and middle-income groups and sparsely populated areas.
9. Lack of established procedures for improving or redeveloping unplanned settlements.

1.2 Housing Policy Objectives

This Housing Policy was developed to achieve the following objectives:

1. To facilitate access to decent housing for all Iraqis. “Decent housing” is understood to afford an adequate amount of space, adequate protection from the elements, and access to basic infrastructure, social services, and employment areas.
2. To increase efficiency in the production of housing.
3. To increase choice among Iraqis as to the type of housing, location, and tenure characteristics.
4. To increase the ability of the Government to address the needs of special groups and those unable to afford suitable housing.
5. To improve the quality, including energy efficiency and environmental impacts, of new housing.
6. To improve the ability of homeowners to improve and expand existing shelter.

1.3 Housing Policy Principles

Five key principles guide the formulation of the housing policy.

1. The role of the public sector must be clarified and focused. A clear and concise role for the Government in the housing sector is essential. Among the key elements of that role are:

- Overall guidance for the provision of housing by all players, in the context of managing urban growth and advancing the public welfare.
- Analyzing the demand for housing based on current conditions, anticipated growth in population, and changing demographics.
- Monitoring the overall production of housing of various levels of quality, service, and cost, and making adjustments as required to promote housing production that can increasingly meet housing demand.
- Coordinating with other relevant bodies in the provision of infrastructure for residential areas.
- Attending to legal, administrative, and technical impediments to the growth of the housing stock in line with demand.
- Paying special attention to the needs of the indigent and particular groups with unique needs.

2. A sufficient pace of housing production will require contributions from a variety of actors. The private sector will continue to be the largest overall provider of housing. Specific strategies are necessary to support large, medium, and small private sector builders and developers. Strategies are also required to enable households to develop their housing units more efficiently and at an appropriate standard. At the same time, any public sector housing developers should focus on underserved population segments and/or remote geographic areas.

3. A housing finance system must be rebuilt as a matter of urgency. The further development and expansion of key financing institutions to enable short/medium/long term financing for the development, renovation, extension, and purchase of housing is central to the success of the housing policy. Since housing is a long-term investment and can serve to spark economic activity, it is fundamental that resources flow to the sector in an efficient manner for all income groups and in all parts of the country. A key feature of a well-performing housing finance system is sustainability: funds must be recovered efficiently from borrowers at all levels and then re-used to finance additional housing activities.

4. Decentralization from the national to local governments for land use and infrastructure planning is favored wherever possible. For resources to flow effectively to secondary cities and rural areas, participation by lower levels of government will be vital.

5. New approaches to accelerate housing production. In addition to the systemic issues addressed in the Policy, specific pilot approaches for implementation in the immediate term are necessary. Examples include public-private partnerships, competitive sourcing for new housing development (“Request For Proposal [RFP] Process”), and land wholesaling to developers. Housing and development standards must be continually reviewed to ensure affordability of housing while not compromising key health and safety concerns, nor compromising environmental conditions. Continual innovation in design, materials, energy efficiency, and environmental impacts is to be supported.

On the basis of these principles and with a view to achieving the objectives defined above, the Government of Iraq hereby sets out this Housing Policy, of which the main proposals are presented below under a number of different housing topics: Land Management, Housing Development, Housing Finance, Infrastructure for Housing, Housing Management and Maintenance, Housing Construction Materials, and Informal Housing. The last section deals with different aspects of implementing the housing policy, including strategy, institutional reform, and regulatory development.

2. NATIONAL HOUSING POLICY

2.1 Land Management

There is a great need to increase the supply of affordable land in urban and peri-urban areas in Iraq. The demand for land for housing exceeds the combined ability of public and private suppliers to respond. This is creating a major challenge for both central and local governments.

At present, responsibilities and resources for land management and urban planning are highly centralized in the Ministry of Municipalities and Public Works and the Baghdad Mayoralty. The Provincial Powers Act of 2008 stipulates, however, that such responsibilities and resources are to be devolved to governorates and larger municipalities, and the abilities of these entities to meet such needs are to be strengthened.

Land for housing needs to be considered in relation to land for other uses, such as work and leisure. Commercial and industrial uses generally command higher land prices than housing, and land used for high-income housing commands higher prices than land used for low-income housing. Given these disparities where the value of land, particularly in urban areas, is largely determined by its use, there are considerable prospects for generating internal cross-subsidies within development schemes that include different land uses. Professional expertise can maximize the surplus from high-yield uses to reduce unit costs for less commercially viable ones, such as housing for lower income groups, while remaining within the discipline of market-based prices.

Issue: Many existing residential areas have been only partially developed: they either lack basic infrastructure, or have large vacant land parcels within the existing urban fabric.

Policy 2.1.1: *Rationalize land and housing development efforts by first undertaking infill development, then extending infrastructure networks to existing, partially serviced peripheral subdivisions, and finally developing new “greenfield” subdivisions on vacant land.*

Rationale: In an effort to facilitate increased housing production, it must be taken into account that some types of investments are more economically efficient than others. Infill development—the construction of new housing units on existing vacant land parcels—is the most efficient, since basic infrastructure such as roads, water supply networks, and sewerage already exists at the edge of the site. Infill development will respond to the need to increase the supply of residential land while minimizing land development expenditures. High priority will be given to developing centrally located infill parcels at least 5,000 square meters in area.

The second most efficient form of housing investment in Iraqi cities involves completing the servicing of existing subdivisions. Plots in these subdivisions have been allocated, but often infrastructure was not installed, and on many plots houses were not built. Making infrastructure improvements in these areas will stimulate housing construction by existing holders of use or ownership rights to the land, thereby increasing the housing stock.

Finally, where infill development and servicing existing subdivisions cannot satisfy local housing demand, then greenfield development should be undertaken. This involves the conversion of peripheral land to urban use, subdivision of the land, and installation of basic infrastructure to create fully serviced land plots that can enter the housing market. Priority will be given to lands which have low agricultural value.

Issue: There are few institutional mechanisms for creation and marketing of serviced land plots for residential use.

Policy 2.1.2: *Use land wholesaling to mobilize expertise and capital for land development.*

Rationale: Most residential subdivisions are created by public sector developers, of which the overall output is insufficient. Sub-national governments will “wholesale” land for residential development. Provincial or local governments will identify a large parcel of land (e.g., 50-100 hectares), provide any off-site infrastructure required, subdivide the parcel into a number of sub-parcels, and transfer development rights to those sub-parcels at market prices to private land developers. The private land developers will develop their sub-parcels, subdividing the land and providing basic on-site infrastructure services, and then market the plots prospective households that will develop their own housing units on the sites.

This approach will be tested in pilot projects during the initial phase of policy implementation. Based on the results of the pilot projects, the approach will then be refined and rolled out to other locations in the country. In all cases, the identification of individual projects will take into account the land uses and zoning permitted under local development plans in effect.

Issue: Sub-national governments have inadequate information about the land and housing development opportunities in their jurisdictions.

Policy 2.1.3: *Sub-national governments will prepare inventories of serviced plots and land close to services and assess the suitability of this land for housing development within current and future city development plans.*

Rationale: Even though there are substantial quantities of vacant serviced and un-serviced plots in Iraqi cities, the public sector has inadequate information about the location and size of available land. Sub-national governments can contract out the inventories to private firms and then publicize them through the most appropriate available channels (real estate agents, municipal web sites, posting in public venues, etc.) to make the information available to professionals and consumers in the market.

Issue: Land prices are subsidized in an inefficient manner that does not meet the needs of low-income families and vulnerable groups.

Policy 2.1.4: *The current heavy subsidies on allocation of public land will be progressively removed and prices will ultimately be based on market values. Measures will be introduced to facilitate access to land by low-income households and other vulnerable groups. These measures include reductions in minimum official plot sizes, permission to subdivide existing larger plots to increase private rental housing provision, and inclusion of social housing components in some commercially funded residential developments.*

Rationale: To offset high and increasing land prices in the private market, the price of public land has been held down for many years to the point where, in some areas, it is nearly free. This effectively distorts the land market since private developers cannot compete with subsidized government projects. The slow pace of Government in developing public land further intensifies demand for land available in the private market, adding to inflationary pressures. To reduce these distortions and establish a well regulated and sustainable land market, the regulatory framework of planning and building standards and administrative procedures must be reviewed and changes made where appropriate. Pilot projects for public-private partnerships, such as joint venture companies, requests for proposals, and planning briefs can demonstrate effective development pathways despite land market distortions.

Issue: The land registration system is antiquated and not comprehensive.

Policy 2.1.5: *Government will establish and maintain an electronic national title registration program, with data entry in local offices, of information on physical, legal, and financial attributes of land and improvements to land. All paper-based copies will ultimately be transferred to the electronic system.*

Rationale: While the land registration system is minimally effective and not a hindrance in housing development, issues remain over false and forged titles, multiple ownership claims, and informal settlements reducing percentage plot coverage. RERD records are hard copy only. There is little up-to-date data on land ownership and transactions. Residents in established squatter communities generally lack title to land, although there have been some land titling regularization efforts (especially for martyrs' families, veterans, poor families and widows).

Issue: There is no effective real property taxation.

Policy 2.1.6: *Sub-national governments will institute and enforce a fair and appropriately scaled system of real estate taxes.*

Rationale: Although there are laws in Iraq to value property and tax housing transfers accordingly, and to tax rental incomes, there is no annual tax on occupied property and the established tax on vacant land is not collected. In the absence of annual property taxation, local authorities are missing out on an important revenue stream for funding local services. Property values rise with infrastructure investments. A tax on all real estate, including housing and the land it rests on, would allow infrastructure providers such as municipal authorities to recover part of the cost of building roads, water systems, wastewater systems, and other shelter-related infrastructure. Very low-income owners may be exempted as a welfare measure as necessary.

Issue: There is inadequate variety in plot sizes to respond to the full range of housing demand based on income and household characteristics.

Policy 2.1.7: *Local governments will be encouraged and supported in providing a wide variation of plot sizes, especially to involve the household in providing rented rooms through extension of their housing units, effectively leveraging household resources for housing investment.*

Rationale: Most residential plots in Iraq are in the 180-250 square meters range. Similarly, dwelling size varies little with a general range of 140-215 square meters. These norms impose costs that are not affordable to all households. A range of plot sizes would increase access to housing for low-income households and encourage the subdivision of larger plots to provide rooms for rent. Borrowing rules for mortgage finance will be accordingly amended to allow holders of use rights to small plots to be able to use them to secure collateralized mortgages.

Issue: The process of converting agricultural land to urban uses is inefficient and lacking in transparency.

Policy 2.1.8: *The process of converting agricultural land to urban uses will be streamlined and publicized. Information will be provided to the public, including holders of use rights of peripheral land, on the process (regulatory systems and procedures) to transfer agricultural land to urban uses. Preference for conversion will be given to desert land and land of poor agricultural quality, where available. In the case of towns without an updated master plan, a two-step process will be adopted: 1) Rezone a limited area to respond to any surplus demand (above and beyond infill and peripheral incomplete subdivisions); 2) After the master plan is completed, rezone more land consistent with projected future housing needs.*

Rationale: While priority should be given to the development of urban infill plots and vacant land on the urban

periphery, the conversion of some agricultural land to urban use will also be necessary to meet current and future housing needs. Most of this land now lies beyond municipal boundaries and municipalities lack the authority (and resources) to extend services. As master plans are updated, more of this land may be included in municipal areas, and some farmers would be ready to partner with developers in subdividing and selling their land. By defining, streamlining (as required) and publicizing the process, sub-national governments will enable participation in the process by current holders of use rights to peripheral land, which will increase the land supply and allow land owners to capture some of the benefits of land development.

Issue: Planning, implementation, and management of land is centralized and therefore inefficient and unresponsive to local needs.

Policy 2.1.9: *Authority to prepare and implement projects and manage land will be devolved to the appropriate local level. Staff and the resources to employ staff will be progressively transferred from line ministries to local levels, although central authorities may continue to manage these responsibilities for smaller municipalities not yet able to do so themselves. Integration between the departments of the Ministry of Municipalities and Works and their branches in provinces will be augmented at the planning and executive levels.*

Rationale: The recent decentralization law passes responsibility for the provision of land for housing projects from the Ministry of Municipalities and Public Works and Baghdad Mayorality through to municipal councils, the Governorates, or the Directorate of Investments. The current arrangements, in which plans are made at central level and implemented locally, will be replaced by investing in governorates or municipalities the authority to develop and implement their own land use plans. This change will require new laws and implementing regulations.

2.2 Housing Production

Iraq has a rich tradition of housing design and construction. In recent years, the key housing producers – most of them public companies – have been unable to build enough housing to satisfy demand. To respond to the growing housing deficit, a broad range of housing producers will have to be mobilized. Iraq's housing needs are not only great, but also diverse. Some urban residents require high-density multi-story housing, which is typically constructed by large, well-capitalized builders. At the same time, there is substantial demand for single-family and low-rise housing, to which a broader array of builders can respond. Most housing in Iraq is constructed by small-scale builders who work for individual clients that provide the design and financing for the house. While few in this group will ever produce large multi-story projects, their contribution in the aggregate is nonetheless important. Any steps that can be taken to lower the fixed costs of operation for these builders and to stabilize the demand for the housing they provide will serve to benefit these companies and ultimately serve the housing needs of Iraq. The housing industry also needs to respond to demand in peri-urban and rural areas across the country. Disparities in construction costs around Iraq are indicative of bottlenecks in building materials and labor markets, but also reflect legal and administrative impediments to housing construction. These impediments drive up housing costs and eventually housing prices. In a competitive environment, rising housing costs diminish the profits of builders and discourage further housing production.

The State Commission for Housing can make a significant contribution by changing the way in which public housing is provided, to be more relevant to local conditions and needs. The Government's role in direct housing production will become smaller as the private sector's role grows. Limited public resources will ultimately dictate a more targeted production role for public entities to serve those who cannot be well-served by the private sector owing to income or special circumstances.

The IHMS survey highlighted the owner-builder and incremental path to housing as an important current and future approach to improving and expanding the housing stock. This is a business model with which many Iraqis are comfortable, and which must continue to play an important role even as other models are encouraged over time. In a market economy, the construction sector cannot be separated neatly from housing development as a speculative business. The potential to make profit drives private investment in housing, which in a well-functioning market increases housing supply efficiently. While much of the single family housing today is built for the owner, as the economy improves, developers need to help provide a steady delivery of housing in anticipation of demand. At the larger scale, the ability of construction companies to work effectively with investors, foreign and domestic, is also important. This requires more advanced financing and bonding systems as well as more innovative contracting and subcontracting relationships.

Innovation will be key to improving conditions in the housing sector. Just as innovative designs and building materials will improve the quality of housing units, innovative housing production methods will enable supply to approach demand. Public and private sector entities need to find new, productive ways of working together on housing projects and programs. Iraq can take advantage of existing international models for public-private partnerships and develop some indigenous mechanisms that are particularly suited to the regulatory, economic and social climate of the country.

The overall approach is to increase housing production by enabling private sector builders and developers to enter the market. The public sector regulates the sector, creating the incentives and/or removing the obstacles to increased private sector activity. At the same time, public housing construction companies are to be refocused to serve vulnerable or underserved population groups.

The transition to an enabling framework in which private builders provide most new housing in Iraq will take time. The reduction in public construction of housing will be done at a pace commensurate with the increase in privately built housing. Other parts of the housing policy (Land Management, Housing Finance and Affordability) also contribute significantly to this paradigm shift. Policies that are specific to Housing Production are identified below.

Issue: There are few existing mid-sized housing developers that can produce small and medium multi-unit housing projects in Iraqi cities.

Policy 2.2.1: *The public sector will facilitate the emergence of capable, mid-sized private housing developers by (1) creating a level playing field where private developers can compete fairly against public ones; (2) facilitating access to land and finance; and (3) providing technical assistance on a project basis to improve developers' technical and managerial capacity.*

Rationale: All Iraqi cities have small-scale builders that can construct houses for private clients. Some cities have large developers that can build and market large subdivisions. But the middle of the industry is underdeveloped, and more mid-sized developers are needed to contribute to housing production by building projects in the range of 5 to 50 dwelling units. To create a level playing field, government will discontinue fiscal and financial advantages enjoyed by public-sector housing producers: interest-free loans, waivers of requirements to provide a bank guarantee, tax exemptions, and land at concessional prices. Sub-national governments will facilitate access to land through land wholesaling (see policy under "Land Management" above.) Through the reform proposals for housing finance (see below), commercial banks will be enabled to provide construction finance to housing developers. Government will provide industry-specific technical assistance to developers to structure public-private partnerships for housing development (see policy under "Land Management" above). Moreover, developers will be

encouraged to participate in other training programs focusing on general business, management and marketing skills offered to the private sector in Iraq.

Issue: State-owned construction contractors are not making a significant contribution to addressing the housing deficit.

Policy 2.2.2: *The Ministry will rationalize its portfolio of public-sector construction contractors by consolidating them in to a smaller number of entities and orienting them towards production of low-income housing.*

Rationale: The existence of inefficient companies with an unclear mandate is detrimental to the sector owing to inefficiency and the potential to crowd out participation by private companies. The scope of these companies, their status, and their mandate must be made more transparent, and their contribution to the sector more targeted to areas where the private sector is less apt to respond. MOCH will conduct a comprehensive review of each of the contractors and consolidate them into a smaller number of companies with a more specific mandate. Some contractors will have the production of housing for low-income households as their explicit mandate. In this way, the public housing contractors will complement the growing private housing development sector, which will service middle- and high-income households. Public sector contractors will be corporatized in the short term and privatized within a five-year period. As part of corporatization, the contractors will act as independent cost centers that procure inputs without state subsidies (market-rate finance and land), are obligated to pay the same taxes as private companies, and have the right to keep any profits that they generate.

Issue: There are few institutional mechanisms available for housing development.

Policy 2.2.3: *Use public-private partnerships and cooperatives to mobilize expertise and capital for housing development.*

Rationale: Sub-national governments will help to structure public-private partnerships (PPP) by bringing professional, private land developers and existing owners of large land parcels suitable for residential development. In such partnerships, the land owner will provide the land, the developer will bring expertise and financing, and the sub-national government will provide off-site infrastructure, as required. The roles and responsibilities of the different parties will be regulated by a Development Agreement, a standard commercial contract. The partnership, led by the private developer, will subdivide and service the land, then build and market housing units. This approach will be tested in pilot projects in the initial phase of policy implementation. Based on the results of the pilot projects, the approach will then be refined and rolled out to other locations in the country. In all cases, the identification of housing projects will take into account the land uses and zoning permitted under local development plans in effect.

International housing developers can play a role in developing the PPP mechanism in Iraq. Government will encourage entry of international developers into the market to mobilize their financing and expertise for housing production. Joint ventures between international and domestic housing developers are useful for transferring expertise. In the long run, the goal is to develop high PPP capacity among Iraqi developers and their partners.

PPPs can also be used not only for “greenfield” projects (new development), but also for redevelopment of existing areas. Some city-center areas with high land values currently have deteriorated, low-density housing on them. The highest and best use of such land may include higher-density housing mixed with commercial or other

uses. In such cases, governments can join forces with private developers through a Request for Proposals process to implement redevelopment projects. The feasibility study will establish the social, economic, and environmental feasibility of such projects. Existing residents can be offered units within the finished project, or can be offered other just compensation in kind or in cash. The details of informal housing redevelopment projects (see Policy 2.7 below) also generally relate to redevelopment projects involving other types of housing.

Government will also enable the revival of the cooperative housing movement, in which cooperatives pool their resources, develop small residential subdivisions, and distribute serviced land plots to their members for house construction.

Issue: The completion rate for permitted housing is low.

Policy 2.2.4: *The Government will enable incremental development of housing through new financing mechanisms, apply “sunset clauses” to land distributed for residential use, and enforce construction deadlines through improved development control.*

Rationale: There are 1.0-1.5 million vacant plots in existing, partially developed subdivisions in cities around Iraq. Many of these subdivisions lack basic urban services; many of the owners are holding the land for investment purposes only, with no intention to build housing in the near future. These existing plots represent a resource that Iraq must exploit in filling the housing deficit. Government will retroactively impose “sunset clauses” on the owners of land use rights to such plots. Owners/lessees will be required to achieve substantial completion of a dwelling unit within a specified time period (e.g., three years). Owners/lessees that do not comply will use their use rights to the plot, which will revert to Government for sale to another party. The sunset clauses will also apply to new land subdivisions developed by government agencies.

Government will link efforts to enforce compliance with sunset clauses to initiatives to improve access to housing finance, including mortgage loans and medium-term loans for incremental housing construction. Improved development control can also help to ensure that housing development projects (large or small) are completed on a timely basis, thereby making a contribution to increasing housing supply. As development control responsibilities are devolved to lower levels of government, concomitant regulatory measures and institutional capacity building programs need to be carried out.

Issue: There are few socially, aesthetically, and environmentally successful models for housing projects in Iraq today.

Policy 2.2.5: *MOCH will develop and promulgate models for alternative design models for housing projects, with an emphasis on medium-density, low-rise, multi-family housing.*

Rationale: Iraq has a long tradition in developing sustainable housing. The traditional models of low-rise, party-well housing developed in Iraq and other countries in the region have stood the test of time, offering their inhabitants a comfortable, secure environment in which to live, work, and interact with the community.

As Iraq’s housing sector continues its post-war recovery, these traditional models have had limited impact on the types of housing projects being undertaken. Many new projects are Western-style subdivisions with detached single-family housing on individual plots. Others are medium-rise apartment complexes that offer residents little contact with nature, even at a small scale. Residential towers are also being built in some neighborhoods.

MOCH will promulgate good housing design by developing a number of different housing design prototypes. The variety is as important as the nature of the models themselves.

Some prototypes will involve low-rise, medium-density housing, multi-family housing such as attached and semi-attached terrace housing. Units can be between two and four stories tall. Terrace housing allows residents to have a private or shared back yard and direct access down the stairs and to the street (no long double-loaded corridors). Since terrace housing creates a near-continuous “street wall” (façade), streets tend to be more comfortable and pleasant to walk through, and neighborhoods are often be more dynamic as a results.

Housing projects composed of many apartment buildings set out geometrically on the land do not generate that kind of dynamic street environment. However, higher-density apartments (4-5 story walkups) can be used to fit more housing into a smaller area, thereby increasing cost efficiency and reducing the environmental footprint of each unit. Therefore, some design prototypes developed by MOCH will feature apartment blocks. The buildings will be oriented toward public spaces, such as the street, parks and open spaces, and recreational facilities.

While residential towers may be appropriate for some high-value central urban neighborhoods, they will not be encouraged as a primary model of housing development, given their higher cost, greater energy consumption, and weaker connection between the household and the community, on the one hand, and the natural environment, on the other. High-rise development, whether residential or commercial, will also be located by city-wide development plans in designated clusters, rather than being distributed throughout the city. Single-family detached housing, while not as environmentally successful as terrace housing, will nonetheless be included as one of the housing design prototypes because of (1) its ability to facilitate a strong connection to the land and (2) the strong preference of many Iraqi households for this type of housing.

2.3 Housing Finance

Housing accounts for a major share of household and national finances. Building or buying a house is the largest single financial investment that most families will ever make. At the same time, housing finance accounts for a large share (in developed economies, often trillions of dollars) of the whole financial sector.

While housing finance has the potential to general significant economic benefits for a wide range of actors, the housing finance sector in Iraq is not performing well today. It is important to distinguish between housing construction finance, which is high risk commercial financing, and mortgage finance, which when effectively underwritten is a lower risk type of finance that can stimulate the demand for new and existing housing. At present, there is no systemic mortgage financing in Iraq. A system to convert the massive housing need in Iraq to effective housing demand through long-term mortgage finance and short- to medium-term housing improvement loans is sorely needed. Several interrelated aspects of this conversion were considered in the formulation of the policy.

With respect to institutional aspects of housing finance provision, the expansion and development of a system of key financing institutions, both public and private, is essential to enable resources to flow to the sector in an efficient manner for all income groups in all parts of the country. However, the oldest institution in the sector, the REB, after ceasing lending in 2003, only resumed making loans in 2007. Owing to a high default rate, most of its loans have been written off and it is now undercapitalized. The NHF began making housing loans in July 2005, but to the end of December 2008 only 6,560 loans throughout the Country had been made, or about 1% of a national housing need estimated at 674,412 in 2006 by the IHMS.

Commercial banks have not played a major role in housing finance, mainly lending to large depositors

and known entities for bridging finance. In most countries, commercial banks, either through savings deposits or investor capital in the form of stocks and bonds, have become the principal means of extending mortgage finance throughout the country.

As concerns financial aspects, Government-sponsored subsidies that are not accurately targeted and enforced can destroy the viability of any housing finance system. The present lending terms of both the REB and the NHF are heavily subsidized. This should allow the REB and the NHF to target low-income households. However, in order to qualify for a loan, their borrowers must have a registered title to a serviced plot, secure employment for at least seven years, and plans for a detached (usually ground plus one storey) house. As a result, most of the loan recipients have been middle to upper-income borrowers, and most moderate and low-income families, for whom housing need is greatest, do not qualify.

Although low-income borrowers wishing to upgrade their houses or build small ones on existing plots in peripheral subdivisions might not qualify for construction loans, they could qualify for smaller, short-term loans. The mechanism for establishing and implementing such a loan product to improve and upgrade the housing stock is an integral part of any housing finance system. On the legal side, a housing finance system must be based on a comprehensive housing finance law that provides for enforcement through foreclosure, repossession, and resale of collateral, namely the unit being financed. At present, Iraq does not have such an all-inclusive mortgage foreclosure law.

While both the REB and the NHF have detailed qualifications for obtaining a loan, the loans themselves must be based on legally enforceable loan agreements. These agreements typically set out the terms of repayment, amortization tables, and the actions to be taken in case of loan delinquency or default. In addition, it is not certain whether loan applications for either institution are based on a standard national application form. Critical information, such as the purpose of the loan, the overall cost of the unit to be purchased, and recourse in the case of false information, should be conveyed through standardized language for all lenders.

Issue: There are few institutional mechanisms available today to lend money for the construction, extension or rehabilitation of housing.

Policy 2.3.1: *MOF and MOCH will diversity sources of housing finance by encouraging and enabling commercial banks to enter the mortgage finance business.*

Rationale: In most countries commercial banks are the main institutions issuing both housing construction and mortgage loans. Given that mortgage finance can be a highly profitable, low risk type of lending for any bank, commercial banks that wish to expand their operations are well-positioned to become the primary mortgage lenders in the country.

Issue: Direct lending by the REB and NHF for the construction or purchase of housing units does not meet the housing finance needs of the country.

Policy 2.3.2: *MOCH and MOF will establish REB and NHF as second-tier housing finance institutions that would undertake commercial wholesale lending to commercial banks.*

Rationale: In order to expand the institutional base for housing finance, the REB and/or the NHF can best function as second-tier institutions undertaking wholesale lending to commercial banks, which in turn would make primary mortgage loans to individual borrowers.

Issue: Most houses being built today are not affordable by middle and low-income households.

Policy 2.3.3: *In collaboration with MOF and participating commercial banks and based on updated income data, MOCH will establish new parameters to increase the affordability of housing for middle, moderate, and low-income households.*

Rationale: In order to increase affordability for middle and low-income households, the maximum size of the loan should be determined by three factors: (i) maximum affordability of the borrower at some 30% of household income; (ii) maximum cost of the unit; and (iii) maximum loan-to-value (LTV) ratio of the unit. Setting these parameters judiciously will vastly increase housing affordability for Iraqi families, while limiting the financing of oversized and costly units and lender exposure on any one unit.

Issue: Existing subsidized interest rates for housing loans, while crowding private lenders out of the market, do not benefit the neediest socioeconomic groups.

Policy 2.3.4: *Low interest government funds should be targeted to low-income households, low-income women-headed households, and disabled people.*

Rationale: With interest rates from 9% to 14% per annum, commercial banks will never enter the housing finance sector as long as the REB continues to lend at 2% for up to 20 years and the NHF at 6% for up to 15 years. These concessionary funds could therefore be channeled through commercial banks to priority population segments who cannot afford market rates. Beneficiary households can be in cities or in remote, rural, or less developed areas of the country. As wholesalers of housing finance, REB or NHF can set up a dedicated revolving fund for this activity.

Issue: Low-income borrowers wishing to upgrade their houses or build a new “starter” dwelling unit on an existing plot have difficulty qualifying for mortgage loans.

Policy 2.3.5: *In order to increase the quality of the housing stock, MOCH will encourage more extensive use of housing extension and improvement loans.*

Rationale: Such lending could be comprised of smaller loans for smaller unit construction, housing additions, and housing improvements. Collateral for such loans should be movable property so that in the case of default of a housing improvement/addition loan, the lender does not repossess the whole house.

Issue: Loans intended for long-term housing finance are easily diverted for short-term commercial purposes.

Policy 2.3.6: *A representative sample of commercial mortgage loans will be field audited in order to determine that the stated purpose of the loan is the same as the final use of the loan.*

Rationale: Diversion of funds from the housing sector can quickly undermine financing programs fundamental to expansion of the housing stock. With effective auditing and legal authority, the lender would have the power and capacity to recall the outstanding balance on loans not being used for the stated purpose or based on false applicant information.

Issue: Without an effective legal basis, unsustainable losses could happen to any commercial bank wishing to participate in the sector.

Policy 2.3.7: *In collaboration with MOCH and MOF, the Ministry of Justice will draft a comprehensive housing finance law to provide for foreclosure, repossession, and resale of collateral.*

Rationale: A sustainable housing finance system must have a legal basis. A comprehensive housing finance law can establish a dedicated judicial route that allows banks to avoid the courts and take their cases to special tribunals established for this purpose. Provisions to enable the emergence of mortgage insurance will be included in the law. This will help encourage private commercial bank investment in housing, including by foreign banks.

Issue: Effective wholesale lending from the REB and/or NHF to commercial banks will not occur unless the REB and NHF have recourse to the banks for repayment of their loans.

Policy 2.3.8: *In order to prevent de-capitalization of the REB and/or the NHF, the housing finance law will contain clauses providing for recourse to commercial banks for bad loans.*

Rationale: With a legally enforceable loan agreement between the REB and/or the NHF and the commercial banks setting out the terms of repayment, amortization table, and the actions to be taken in case of loan delinquency or default, commercial banks will have the incentive to enforce all primary mortgage loans.

2.4 Infrastructure for Housing

Iraq's infrastructure providers are dedicated to providing full infrastructure for all planned housing areas as they are implemented. They have the conventional role of providing infrastructure on empty land ahead of development; this will continue to be a major part of their work in the future, but at a scale needed to keep up with growing demand as the economy improves and builders respond to pent-up demand for housing. Apart from this ongoing challenge to respond to the infrastructure needs of new residential development in Iraq, there are three other contexts in which infrastructure is a constraint on housing development now in urban Iraq:

- Land that is already serviced but in need of major improvements in services provision (serviced neighborhoods);
- Land that is formally allocated and may be developed, but for which infrastructure has been inadequately provided (unserviced neighborhoods);
- Land that has been developed informally and has not been serviced (informal settlements).

In areas that are already serviced, there is nearly universal coverage of the basic infrastructure — water, sanitation, electrical power, and roads. However, the quality of the existing service measured in service interruption (water and electricity) and reduced local capacity (sanitation, drainage and roads) are often well below standard and overall system capacity. There is an urgent and on-going need to restore adequate levels of service through the current infrastructure. Extending services to existing unserviced and developing areas is a priority for housing supply as a lack of serviced land is a major bottleneck to housing production. In addition, services are needed in informal areas that are being regularized and in areas allocated for future development.

Issue: Shelter-related infrastructure services are characterized either by low coverage levels or uneven service levels.

Policy 2.4.1: *The public sector will improve shelter-related services through a combination of increased capital investments and better maintenance and management.*

Rationale: While coverage rates for some services (e.g., water supply, sanitation) are relatively high across urban Iraq, the quality of service is generally low. Treatment of liquid and solid waste, for example, is inadequate. In order to improve living conditions and stimulate more efficient, higher density utilization of urban land, government must improve roads, storm water drainage, water supply, sewerage, electricity, street lighting, and solid waste services. While end users can be expected to cover the O&M costs of the systems, some capital costs will likely have to be borne by the State, given the low ability to pay of many urban households. Through more rigorous planning and development control, government entities will not allow housing project construction to proceed in advance of infrastructure provision.

To ensure coordination between the different service providers, local governments will convene Land Development Working Groups with participation from relevant departments and utilities. On a zone-by-zone basis, specific and detailed schedules for infrastructure improvements will be drawn up and agreed by all parties. Monthly meetings of the Working Groups will enable follow-up and increase the efficiency of land development actions.

Issue: Existing, city-wide infrastructure systems are sometimes overwhelmed by the requirements of new housing development.

Policy 2.4.2: *Upgrade trunk infrastructure as required to make system capacity sufficient to accommodate additional demand from new, large residential subdivisions or significant densification of existing residential areas.*

Rationale: There is little excess capacity in many urban infrastructure systems, including roads, water supply, sewerage, solid waste, and electrical power. As new housing is built, demand grows, and infrastructure systems become overtaxed. By systematically evaluating the impact of housing development on infrastructure systems, government can anticipate future needs and make timely improvements to primary (trunk) infrastructure. Payments by developers can be used to finance some of these improvements.

Issue: Shelter-related infrastructure suffers from inadequate amounts of financing and low operational efficiency.

Policy 2.4.3: *Promote private sector involvement in the development and management of shelter-related infrastructure.*

Rationale: Private sector participation can mobilize capital for infrastructure investment, lead to innovation, and improve operational efficiency. Sub-national governments can examine specific opportunities to achieve these benefits in such shelter-related infrastructure as such as water and wastewater systems, solid waste management, and road maintenance.

Issue: Many urban infrastructure services use outdated technologies and are inefficient.

Policy 2.4.4: *New infrastructure provision will utilize locally appropriate technologies and designs rather than simply extend existing networks. In particular, water-saving systems, non-sewered sanitation systems, sustainable energy provision, and waste disposal that are less costly and more environmentally sustainable will be emphasized.*

Rationale: The extension of existing networks will prove too cumbersome and resource-intensive in some instances, and is inappropriate for rapidly-developing cities extending many miles beyond the planned core. More localized grids and networks, smaller-scale treatment methods, and fulfillment of the international sustainability agendas should be considered.

2.5 Housing Management and Maintenance

While most of the housing stock in urban Iraq is in good or fair condition, between 30% and 50% of housing in older, central city areas is in poor condition (needing major structural rehabilitation) or uninhabitable. To improve the condition of this substantial portion of the housing stock, more financing for housing repair and rehabilitation is required. The housing finance dimensions of the housing maintenance challenge are discussed in Section 2.3 above.

The potential loss of old housing due to physical decay is a particularly pressing problem in historic urban areas. Historic preservation has understandably not been accorded a high priority during Iraq's recent years of conflict and hardship. In the past few years, preservation efforts have picked up in Baghdad and other cities. Historic preservation as a discipline and an objective is broader than housing per se, given that old neighborhoods with architecturally distinct structures and/or remarkable histories encompass a broad range of land uses. However, as most historic buildings are houses, it will be important for housing to be incorporated into the emerging policy and practice of historic preservation in Iraq.

An even more acute management challenge is posed by rental housing in Iraqi cities. About 90 percent of landlords reportedly make no investment in maintenance or rehabilitation whatsoever. The poor conditions of private rental housing (which accounts for more than 90 percent of the urban rental housing stock) is complemented by the poor quality of services to the housing. One-half of households complain of poor water supply and one-quarter about the water quality itself.

Conditions for renters are of particular concern as Iraq revitalizes the sector. The historic reliance on rental housing in a variety of settings is an important resource that adds needed flexibility to the overall housing mix in urban Iraq. Yet the rental market is now out of balance owing to slow or even negative growth in supply in recent years and a shift in demand as incomes fell and many families were displaced. Rent control has artificially suppressed prices for some rental housing at below-market levels; revenues from rent-controlled housing are insufficient to ensure adequate maintenance.

The 5-10% of the rental stock that belongs to the Government is beset by a different set of concerns. First, many of these units are in high-rise buildings for which maintenance is more complicated and potentially costly. Second, rents are low and generally bear no relationship to the underlying value of the property or even its recurrent costs. Third, the implicit subsidy that results is not targeted to low-income or vulnerable groups, distorting the rental market overall and eliminating any opportunity to generate revenue for maintenance and expansion of the housing stock.

Issue: The private rental housing stock is deteriorated owing to very low expenditures on maintenance.

Policy 2.5.1: *Government will increase inspections of private rental housing units, using innovative and community-based pilot methods, to improve compliance with minimum housing standards.*

Rationale: In the tight housing market that prevails in many Iraqi cities, renters are at a particular disadvantage as owners have little incentive to repair units to attract or retain tenants. Deteriorating conditions decrease area property values while potentially undermining public health.

Issue: Maintenance of public rental housing is inadequate.

Policy 2.5.2: *Government will encourage the privatization of maintenance services for all government entities managing housing stock.*

Rationale: Opening up the maintenance of government housing to private vendors will increase price competition and may result in lower cost services. Housing maintenance companies require little start-up capital and can thereby quickly mobilize and offer local employment opportunities.

Issue: Maintenance of common spaces in multifamily housing is inadequate.

Policy 2.5.3: *Government will revise the regulatory framework for management and maintenance of multifamily housing.*

Rationale: The existing cooperative law provides the framework for management of multifamily housing today. Not only is maintenance of common spaces inadequate, but it is also difficult and complicated to sell an apartment in one cooperative building and purchase one in another. To facilitate easy transfer of housing assets and generally improve the framework for multifamily housing management, the existing cooperative law and its implementing regulations will be revised.

Issue: Occupancy of the Government rental housing stock does not favor lower-income families.

Policy 2.5.4: *Government will develop guidelines to give priority to lower-income families for vacant units and for new projects.*

Rationale: Tenants in Government-built housing have, on average, significantly higher incomes than tenants of private rental housing. The sub-market rents in Government units amount to a misplaced subsidy that favors higher income Iraqis. Poorer Iraqis who must rely on the private rental market cannot benefit from this subsidy. The Ministry of Construction and Housing can accelerate its alignment of subsidy with societal need through a concerted effort to privatize existing stock that largely serves middle-class renters, allowing the Ministry to refocus its resources on poorer families and vulnerable groups.

Issue: Many historic urban areas are threatened by poor maintenance and lack of investment in preservation of the building stock.

Policy 2.5.5: *Government will enable greater preservation of historic mixed-use urban areas through creation of historic districts, improvement of the investment climate, and catalytic public-sector investments.*

Rationale: Creation of historic districts will allow local governments to exert more stringent control over the redevelopment of buildings located therein. Proposals for changes to any buildings in the district will have to undergo more stringent plan review against historic and other criteria. Owners will be prohibited from making changes to the exterior of selected buildings identified in advance as having particular architectural value.

The single greatest driver of rehabilitation of historic neighborhoods is perceived investment value. By improving the investment environment for old housing, local governments can make rehabilitation more attractive to owners and potential developers. Local government investment in infrastructure and in catalytic rehabilitation projects in historic neighborhoods will create value for existing property owners, thereby incentivizing additional investment. Infrastructure investments can include improvements to the public realm, such as streets, any open spaces, and landscaping. Local governments can rehabilitate public buildings in the area and/or purchase and

rehabilitate selected old homes. Some of these can be converted into museums. Religious authorities can also be encouraged to invest in the rehabilitation of such buildings as mosques and madrasas.

2.6 Housing Construction Materials

Iraq has the potential to satisfy its own buildings materials needs. Currently, however, the domestic building materials industry is under-producing. Public and private sector manu-fac-turers suffer from aging infrastructure, lack of spare parts, inadequate supply of electricity, post-war looting, and general neglect during the years when Iraq was under sanctions and at war. These factors constrain operational efficiency and limit production, resulting in the need to import basic materials such as cement and manufactured parts such as windows, plumbing supplies, and electrical equipment. High retail prices, which are caused in part by supply bottlenecks, constrain the production of affordable housing. Building materials producers cite as their most pressing problems: high prices and shortages of raw materials, transportation difficulties, poor quality of inputs, and frequent lack of electricity.

Building materials produced in Iraq include cement, bricks, glass, tile, PVC pipe, gypsum, and concrete block. Cement firms are government-owned, while brick producers are almost all under private ownership. Private companies and parastatals both produce ceramic tiles and PVC piping. In an operating environment characterized by subsidized energy and few rewards for strong performance, there is little incentive for public-sector producers to increase their operating efficiency or output. The building materials sector concerns not only residential construction, but also non-residential construction. The issue of performance in this sector is therefore broader than housing per se, and cannot be completely addressed within the context of the national housing policy. The following policy proposals relate directly to buildings materials for housing construction.

Issue: Building materials production companies lack financing to rehabilitate their existing factories or build new ones.

Policy 2.6.1: Facilitate access of building materials producers to funding for rehabilitation and construction of production facilities.

Rationale: To meet future demand for materials for residential construction, companies need to access more financing in order to invest in their production facilities. The inchoate nature of the financial sector in general and the lack of credit available to firms in particular are limiting the ability to make capital improvements. Government should facilitate lending by commercial banks to building materials producers on market terms. Additional loans can be provided through other sources such as the Industrial Bank. Some grant financing is also available through donor assistance. Government should assist building materials producers to tap into a broad range of financing sources.

The impediments to this process are similar to those of expanding mortgage lending, as described in Section 2.3 above. The laws and processes regarding recourse to collateral in case of non-payment of debt need to be strengthened in order for finance to flow more freely.

Issue: Building materials producers today are inefficient by international standards and often lack ready access to the latest production technologies and the capital resources needed to upgrade their facilities and operations.

Policy 2.6.2: Promote the use of joint ventures between building materials producers for knowledge transfer and access to capital.

Rationale: Joint ventures between public building materials producers and private companies can provide access

to new funding for factory rehabilitation and construction. At the same time, private partners can bring expertise in improved production methods and technologies. Public producers of cement, ceramic tiles, and PVC piping will benefit from such joint ventures (JVs).

Private Iraqi building materials producers will also benefit from JVs with international building materials producers. The benefits to private companies of associating with international firms are similar to the benefits to public companies identified above: innovation, production know-how, and additional financing for capital improvements.

Issue: Fiscal and financial advantages to publicly owned building materials companies give these companies an unfair advantage and inhibit the entry of private buildings materials companies into the market.

Policy 2.6.3: *Standardize the operating environment for all building materials producers, importers and distributors.*

Rationale: By creating a level playing field where all companies can compete, Government can stimulate private sector investment in the building materials sector. Current fiscal and financial advantages of public companies, such as preferential tax treatment, customs duties exemptions, and concessional financing, will be removed. The same taxes and duties will apply to all materials producers, regardless of ownership (public, private, or joint venture). Similarly, taxes and duties will be standardized for building materials importers and distributors.

Issue: State-owned building materials companies are not making an efficient contribution to addressing the backlog of housing construction materials.

Policy 2.6.4: *Government will rationalize publicly-owned building materials companies by carrying out a full assessment of each company and developing for each a specific plan that may include liquidation, re-capitalization, partial and full privatization, re-organization, or some other approach.*

Rationale: The large majority of the building materials companies in Iraq are privately owned and operated. The state-owned companies in cement, glass, ceramics, and other materials are inefficient and under-productive. Following a case-by-case assessment of individual companies, Government can generate revenues and improve sector performance by selling shares of the company to local or international investors. This can include the joint ventures discussed above. The entry of international building materials producers into the national Iraqi market would promote efficiency gains and innovation.

Issue: The most commonly used materials for residential construction in Iraqi cities have high environmental costs. Cement production is energy-intensive, while conventional brick-making consumes valuable agricultural soil and emits significant amounts of greenhouses gases.

Policy 2.6.5: *Promote the production and use of locally produced, environmentally friendly building materials through economic incentives and research.*

Rationale: The introduction of “greener” building materials such as modern insulation can help reduce the environmental costs imposed by the housing sector. The closer the production facility of such materials to the consumer, the lower the transportation requirements, and the smaller the ecological footprint. Economic incentives to producers of environmentally friendly materials will help to encourage increases in production. Government will also finance additional research in green building materials to help develop new products. The

MOCH's existing Knowledge and Training Center will include green building materials on its agenda.

Issue: Some domestically produced building materials are of low quality compared to analogous international products.

Policy 2.6.6: *Improve quality control of domestic building materials producers.*

Rationale: By enforcing existing quality control standards, Government can stimulate an increase in quality of building materials produced in Iraq. Better quality materials will contribute to better quality buildings and make Iraqi products more competitive in relation to imported construction materials.

2.7 Informal Housing

Iraq has historically enjoyed a low level of informal housing development. In recent years, however, there has been an increase in informal housing, including squatting in public buildings and proliferation of small informal settlements. This is a result of the war, consequent internal displacement of some peoples, and a relaxation of development controls. This is an anomalous condition specific to this period in Iraqi history. While diverse, informal settlements in Iraq have in common the characteristic of having been developed outside the law: residents either do not have use rights to the land, or the buildings have been constructed without government approval.

As in other parts of the Middle East and North Africa, informal settlements often mimic formal settlements, using simple street layouts and standard plot sizes and building setbacks. Conditions in informal settlements vary, as some lack piped water, sewage networks, electricity, solid waste collections and paved roads while in others four-fifths of residents enjoy electrical power and piped water supply. The variety of conditions obtaining in Iraq's informal settlements makes it important to have a range of policy responses.

The overarching policy with regards to informal settlements is to adopt a case-by-case approach to informal settlements. Blanket policies will not prove successful, given the range of conditions obtaining in informal settlements. The essential choice is between upgrading the settlements or redeveloping them. Upgrading informal settlements consists of in situ development, in which most houses and residents will remain in place. Physical improvements to infrastructure such as water supply, sanitation, drainage, roads and power are part of the upgrading processes. Land tenure is also often regularized. Upgrading works best when there is extensive consensus and collaboration between residents, land owners, local governments, and infrastructure providers.

Redevelopment of informal settlements involves removal of most or all existing buildings and construction of new ones, often with more high-yield land uses (e.g., commercial) and higher densities. Redevelopment usually entails relocation of part or all of the existing residents, although some schemes provide them with new on-site dwelling units. Resettled residents are accommodated in other areas by the entity in charge of redevelopment through providing serviced plots, dwelling units and/or financial compensation. Based on the above, the following policies are set out for informal settlements.

Issue: Living conditions in informal settlements are substandard: low availability of services, public health risks from inadequate liquid and solid waste collection and treatment, and poor transport links to off-site jobs and services.

Policy 2.7.1: *Informal settlements will be upgraded or redeveloped on a case-by-case basis. A standardized assessment of the specific settlement will be used to select an approach and design tailored interventions for each settlement.*

Rationale: As Iraq is facing a housing deficit, informal settlements are often a result of the inability of the government or markets to provide housing. They represent a significant contribution to the housing stock. Demolishing them would exacerbate the housing deficit. In situ upgrading of these existing settlements will facilitate improvement of living conditions for local residents. This in turn could help alleviate the housing deficit. Pre-feasibility studies on a given settlement will use the following criteria to select the upgrading or redevelopment approach:

1. Suitability of the proposed upgrading area for long-term residential use;
2. Redevelopment potential of the site, as measured by the economic return on similar parcels in the same town with other land uses (retail, office, industrial, etc.) or developed at a higher density (e.g., blocks of flats), in comparison with the current economic return generated by the informal housing settlement.
3. Willingness of the community to participate actively in an upgrading activity or to be relocated to another site in the case of redevelopment;
4. Institutional capacity in the public and/or private sectors to undertake an upgrading (difficult) or redevelopment (very difficult) project.

Where upgrading is selected as the preferred intervention in a specific neighborhood, sub-national governments will be sure to enforce development controls city-wide so as not to encourage or allow additional informal settlement. This will only work if low-income households are given other opportunities to access decent housing; therefore coordination with land and housing development initiatives outlined in early sections will be essential. In the case where an informal neighborhood to be upgraded is located on land formerly zoned for industrial or commercial uses, alternative sites will be found for the necessary industrial and commercial development.

Issue: Resettlement may not result in comparable housing conditions for the current residents of informal settlements.

Policy 2.7.2: *Resettlement will be done fairly, based on thorough consultation with the affected community, and residents will be compensated justly according to the law.*

Rationale: In many countries, resettlement has proven unsuccessful and informal settlements are often relocated to peripheral areas and far from urban centers which is not a just compensation. Resettlement as a result of redevelopment should provide housing in areas with access to job markets, transportation and urban amenities. The 2006 Iraq Housing Market Study notes that proximity to work remains the most desirable characteristic of a neighborhood followed by social services (family and kinship included) and familiarity of the area. This must be taken into account when designing redevelopment projects. The integration of affected households into the planning process through stakeholder participation will contribute to the design of appropriate resettlement projects.

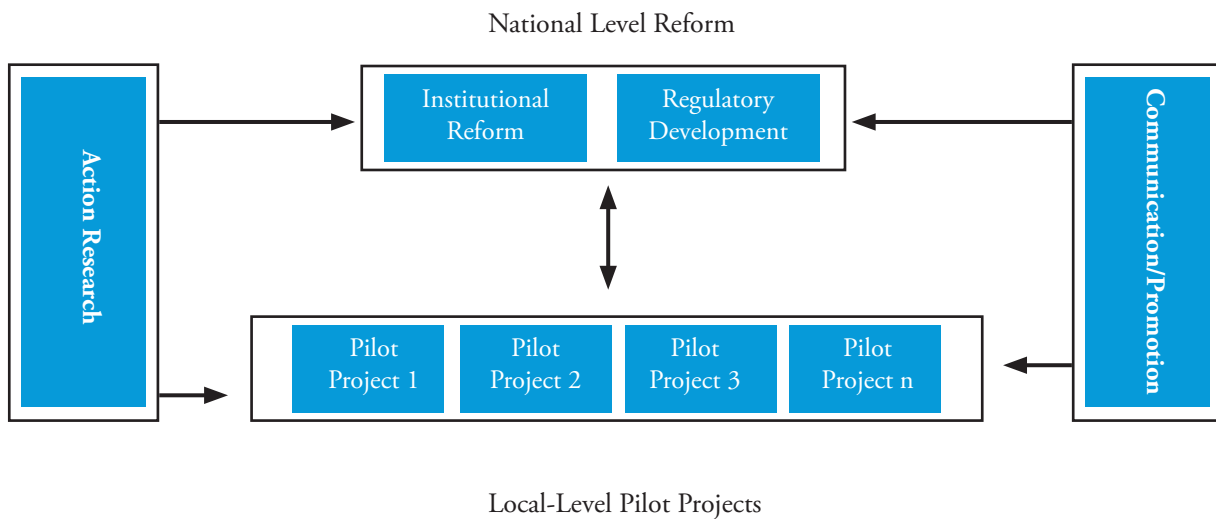
3. HOUSING POLICY IMPLEMENTATION

3.1 Implementation Strategy

Improving the performance of the housing sector is a complex undertaking that requires many different, ultimately complementary initiatives. The underlying approach for implementing the Iraq National Housing

Policy is to improve the operating environment at higher levels of government while simultaneously formulating and testing pilot projects at the local level. Illustrated in the figure below, this approach will both set the stage for sustainable development of the housing sector over the long term and begin to meet pressing housing needs from the earliest stages of policy implementation.

Figure 1: Approach to Implementing the Housing Strategy



The sector reform component, which will be implemented largely but not entirely at the national level, will work along two related tracks: institutional reform and regulatory development. Laws and regulations will be drafted and/or revised to enable the private sector to produce housing, shift the public sector into its new roles, and unblock flows of key housing inputs such as land and finance. At the same time, public-sector institutions will be “retooled” to fulfill their new roles through structural and procedural changes as well as human resources. Institutional reform and regulatory development are treated in greater detail in following sections.

At the local level, pilot projects in key areas such as infill housing development and public-private partnerships for development of new subdivisions will be undertaken to test and verify the innovative approaches contained in the policy. Successful projects will be rolled out to other locations around the country. Critical to the success of both sector reform and pilot projects will be communication and promotion. The policy represents a paradigm shift from top-down housing provision to an enabling approach in which government regulates the sector and private companies produce most of the housing. Engaging private sector firms to build housing, lend money for housing development, and/or extend and manage shelter-related infrastructure will require extensive promotional efforts to “get the word out” on the new approach and to convince them that rewards outweigh risks. Another cross-cutting component is Action Research, in which key topics will be the subject of further examination in order to refine policies and/or implementation mechanisms over time.

It is anticipated that the main actions of the housing policy can be undertaken within a five-year period. While it will take longer to achieve the policy’s objectives, it is possible at least to begin all of the major initiatives before 2015 in order to begin reaping the benefits of a rationalized, productive housing sector that increasingly meets the needs of the people of Iraq. This does not mean that reform is expected to be achieved overnight. On the contrary, the overall shift from public sector to larger-scale private sector provision of housing should be gradual, taking place over a number of years as the capacity of the private sector improves in response to growing housing demand in an increasingly secure, economically vital Iraq. Similarly, housing lending by commercial banks is not

expected to grow at an exponential pace. The sooner the commercial banks enter the market in a substantial way, the better. But given the long time required to reform the legal framework, it is likely that many banks will stay on the sidelines until the necessary guarantees and avenues of recourse are in place. The policy adopts this gradual approach not because changing slower is better, but because it is more realistic to expect changes to take place at a gradual pace.

3.2 Institutional Reform

The institutional and regulatory framework of post-war Iraq is a work in progress. While the constitution establishes clear guidelines for the exercise of many powers, the laws and regulations related to many key economic activities are still in the process of being defined. This is the case for housing. There is no overarching housing law, and the ways in which housing-related institutions will exercise their new responsibilities in future have not yet been specified.

The inchoate nature of the housing sector represents both a challenge and an opportunity for Iraq. On the one hand, there is a lot to do in order to effect the transition to an enabling framework for private sector production of housing and housing inputs. On the other hand, there is an opportunity to “get the framework right,” establishing a strong and well articulated foundation on which the sector can build for generations to come. The evolution of the housing sector depends not just on the content of this housing policy and the quality of its execution, but on the larger changes and developments in Iraqi society. The implementation plan for the housing policy is built on the assumption that the security situation will continue to improve and that the national economy will continue to recover in the short and medium term.

It is important that the new Housing Policy be implemented with the full and visible support of the top level of the Iraqi government. To this end the policy reform process will be overseen by a high-level body such as the existing but currently inactive Supreme Council for Housing under the direction of the Council of Ministers. This body would meet periodically to review overall progress in implementing the new Housing Policy. A technical support unit set up by the Ministry of Construction and Housing within the State Commission for Housing will answer to the Supreme Housing Council and be responsible for the following:

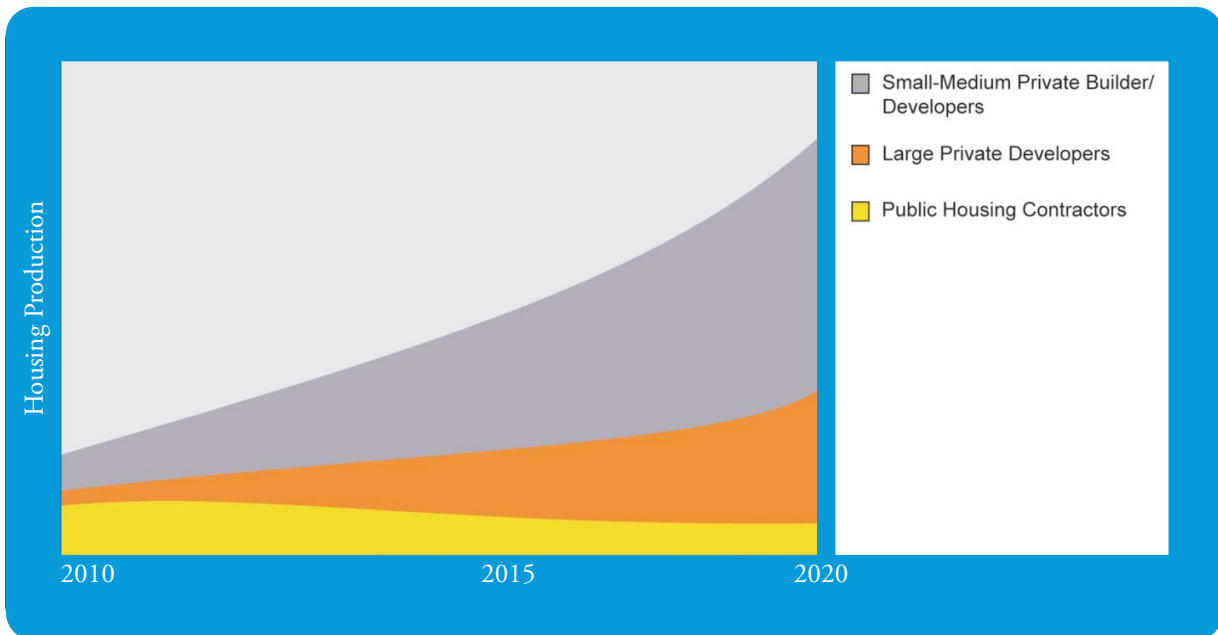
- Tracking progress in the sector in implementing the organizational changes, regulations, procedures, and consultations necessary for implementation of the new housing policy.
- Tracking housing production, rehabilitation, and home improvement activity across Iraq in relation to the needs of various elements of the population, in order to 1) determine if the new policies are having an effect, and 2) develop specific proposals for the Policy Unit to consider.
- Assisting the governorates and other subnational government entities to set up their own monitoring and technical support units to track housing demand and supply and formulate interventions to try to achieve market equilibrium.
- Monitoring and evaluating pilot efforts by the MOCH and by other ministries participating in the implementation of the national housing policy.

As articulated in the Housing Policy Principles in Section 1, it is fundamental to the housing policy that production responsibility shifts increasingly to the private sector. This does not in any way represent an abdication on the part of government for outcomes of the housing sector, as has occurred in response to the enabling approach in some countries. On the contrary, the public sector must move up the value ladder, assuming with increasing effectiveness the role of leader and regulator of the housing sector, while opening up space below for the private sector to come in and build houses, provide housing loans, manage infrastructure networks, etc. Under the policy, the Ministry of Construction and Housing must strengthen its capacity to monitor the housing sector

and put into place the policy and regulatory changes needed to keep supply in line with demand, among other objectives. At the same time, government will put into place the policy changes and do the required promotion to bring more large-scale private housing developers into the market to increase production. Developers in this range are expected to produce perhaps one-quarter of all housing in Iraq by 2020. Production by small and medium-sized private builders and developers is also anticipated to increase dramatically in the next ten years as it becomes easier to access land and get land serviced, on the one hand, and households can access housing finance more easily, on the other.

At the same time, public sector housing contractors will focus their housing production activities more sharply on the needy and vulnerable groups in society, such as the poor, refugees, and internally displaced peoples. Overall production by the public sector is expected to decrease. These trends are represented schematically in the following graphic.

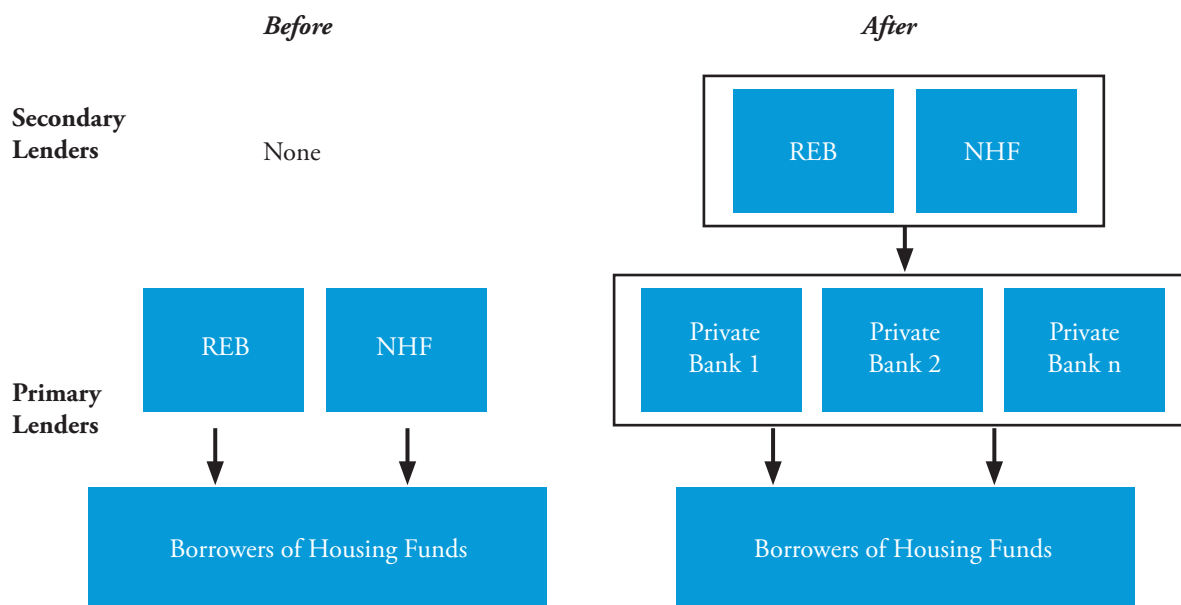
Figure 2: Evolution of Housing Production Iraq by Type of Producer, 2010-2020 (not to scale)



The figure makes the distinction between small-medium builder/developers and large developers because the latter are under-represented in Iraq today and can make a much more significant contribution to housing production in the future. But in fact there exists a continuum along builder/developer size. The enabling approach should facilitate the emergence of private housing producers of all sizes, striving not only to promote the involvement of more large developers, but also more medium-sized ones, so that eventually a broad range of company sizes will be active in the housing market in Iraq.

The targeted evolution of the housing finance subsector is similar in that the public sector will move up from the retail market to establish a secondary housing finance market, while opening the retail sector up to commercial banks. At the same time, government will ensure the regulation of the housing finance market as part of the overall financial sector. The following graphic shows the proposed deepening of housing markets and the increased involvement of private sector lenders.

Figure 3: Evolution of the Housing Finance Subsector



3.3 Regulatory Development

The policy and institutional changes set out in previous sections will require revision and extension of the regulatory framework for housing. While the broad outlines of decentralization of urban management and housing functions to subnational levels is defined in the proposed Provincial Law No. 21 of 2008, neither the law nor the implementing regulations have yet to be put into effect. Regulations will be required for new modes of housing production such as public wholesaling of land to private firms and public-private partnerships for housing development. Operating versions of such regulations should be promulgated in the near term to allow the design and implementation of pilot projects at the local level. The lessons learned from such projects will be incorporated into future revisions of the regulations to make them more appropriately tailored to conditions on the ground.

Another major axis for regulatory development will be in the area of housing finance, where a new housing finance law and accompanying implementation regulations are required to ensure that lenders have adequate access to assets in case of default on loans. This will require a comprehensive new law to provide for foreclosure, repossession, and resale of collateral.

Rather than using one overarching Housing Law to regulate the sector, the Government of Iraq will pursue a more incremental approach in which the regulatory framework for a number of different aspects of the housing sector are changed through new laws or amendments to existing laws. This could include, for example, a new housing finance law, implementing regulations to the new Provincial Law, an amendment to the existing regulation on the State Commission for Housing, and other modifications.

Iraq National Housing Policy

Annex A Implementation Plan

Notes:

- Timing codes are indicated after each action. Legend:
 1. - = Short-term action (starts before July 2010)
 2. - = Medium-term action (starts before July 2011)
 3. - = Long-term action (starts after July 2011)
- All end dates to be determined in future based on detailed planning of each action by responsible entity.
- N/A = Not applicable
- Responsible entities are indicated after each action in parentheses.

- o MOLSA = Ministry of Labour and Social Affairs
- o MOI = Ministry of Industry and Minerals
- o CB = Central Bank
- o Govs = Governorates
- o MB = Municipality of Baghdad
- o LA = Local Authorities
- o GOI = Government of Iraq
- o PCB = Participating Commercial Bank
- o NBFi = Non-Bank Financial Institution

- o MOCH = Ministry of Construction and Housing
- o MOMPW = Ministry of Municipalities and Public Works
- o SCH = State Commission for Housing
- o NHF = National Housing Fund
- o REB = Real Estate Bank
- o MOF = Ministry of Finance
- o MOP = Ministry of Planning
- o MOJ = Ministry of Justice

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.1.1	LAND MANAGEMENT				
	Rationalize land and housing development efforts by first undertaking infill development, then extending infrastructure networks to existing, partially serviced peripheral subdivisions, and finally developing new “greenfield” subdivisions on vacant land.	<ul style="list-style-type: none"> - Incorporate into the implementing regulations for Provincial Law No. 21 of 2008 provisions for prioritizing types of land and housing development projects (2) (MOMPW, MOCH) - Prepare provisional guidelines for preparing and implementing infill development projects (1) (MOMPW, MB, LAs) - After implementation of pilot projects, prepare regulations for infill development projects (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Technical assistance to pilot municipalities in prioritizing residential land development projects (2) (MOMPW, MB, LAs) - Technical assistance to pilot municipalities in preparing and implementing infill development projects (2) (MOMPW, MB, LAs) - Roll out training to other municipalities (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and implement three pilot projects in infill development (2) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and execute communications programs to publicize initiatives in infill development and extending infrastructure to partially serviced subdivisions (2) (MOMPW, MB, LAs)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.1.2	Use land wholesaling to mobilize expertise and capital for land development.	<ul style="list-style-type: none"> - Prepare provisional guidelines for preparing and implementing land wholesaling projects (1) (MOMPW, MB, LAs) - After implementation of pilot projects, prepare regulations for land wholesaling projects (3) (MOMPW, MB, LAs) - Include references to wholesaling projects in the implementing regulations for Provincial Law No. 21 of 2008 (3) (MOMPW, MB) 	<ul style="list-style-type: none"> - Technical assistance to pilot municipalities in preparing and implementing land wholesaling projects (2) (MOMPW, MB, LAs) - Roll out training to other municipalities (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and implement three pilot projects in land wholesaling (2) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and execute communications programs to publicize initiatives in land wholesaling (2) (MOMPW, MB, LAs)
2.1.3	Sub-national governments will prepare inventories of serviced plots and land close to services and assess the suitability of this land for housing development within current and future city development plans.	<ul style="list-style-type: none"> - Include land inventory among the functions devolved to local authorities in the future implementing regulations for Provincial Law No. 21 of 2008 (3) (MOMPW, MB) 	N/A	<ul style="list-style-type: none"> - Prepare inventories of vacant land within the urbanized area of each city (2) (LAs) - Assess suitability of vacant land for housing development (2) (LAs) - Prioritize plots for housing development (2) (LAs) 	N/A
2.1.4	The current heavy subsidies on allocation of public land will be progressively removed and prices will ultimately be based on market values. Measures will be introduced to facilitate access to land by low-income households and other vulnerable groups. These measures include reductions in minimum official plot sizes, permission to subdivide existing larger plots to increase private rental housing provision/And inclusion of social housing components in large housing developments.	<ul style="list-style-type: none"> - Issue new urban land pricing decree based on market values (3) (MOF) - Revise national planning code to allow smaller plot sizes and higher residential densities (3) (MOMPW, MB, LAs) - Prepare guidelines for negotiating with developers to include social housing units in large housing developments (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Technical assistance to local governments in use of the revised planning code (3) (MOMPW, MB, LAs) - Technical assistance to local governments in negotiating with developers to include social housing components (3) (MOMPW, MB, LAs) 	N/A	<ul style="list-style-type: none"> - Raise awareness of new planning code among local governments by distributing materials and holding workshops (3) (MOMPW, MB, LAs)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.1.5	Government will establish and maintain an electronic national title registration program, with data entry in local offices, of information on physical, legal, and financial attributes of land and improvements to land. All paper-based copies will ultimately be transferred to the electronic system.	<ul style="list-style-type: none"> - Modify land registration law to mandate phased conversion to automated system (3) (MOJ) 	<ul style="list-style-type: none"> - Technical assistance to Land Registration Offices in use of the automated system (3) (MOJ) 	N/A	<ul style="list-style-type: none"> - Communicate automated land registration system and procedures to housing developers and general population (3) (MOJ)
2.1.6	Sub-national governments will institute and enforce a fair and appropriately scaled system of real estate taxes.	<ul style="list-style-type: none"> - Draft and approve a new property tax law based on market value of land and improvements (3) (MOJ) 	<ul style="list-style-type: none"> - Technical assistance to local governments in levying and collecting the property tax (3) (MOJ) 	N/A	<ul style="list-style-type: none"> - Communicate property taxation system to general public and real estate developers (3) (MOJ)
2.1.7	Local governments will be encouraged and supported in providing a wide variation of plot sizes, especially to involve the household in providing rented rooms through extension of their housing units, effectively leveraging household resources for housing investment.	N/A	N/A	N/A	<ul style="list-style-type: none"> - Raise awareness among local governments of the beneficial impacts of the new planning code on housing production (3) (MOMPW, MB) - Promote construction of additional units on existing plots by homeowners (3) (LAs)
2.1.8	The process of converting agricultural land to urban uses will be streamlined and publicized.	<ul style="list-style-type: none"> - Develop regulations for a 2-step land conversion process in which municipalities will: 1) Rezone a limited area to respond to any surplus demand (above and beyond infill and peripheral incomplete subdivisions); 2) After the master plan is completed, rezone more land consistent with projected future housing needs. (2) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Survey peripheral lands and prioritize desert lands and lands of poor agricultural quality, where available (2) (LAs) 	N/A	<ul style="list-style-type: none"> - Provide information to the public, including holders of use rights of peripheral land, on the process (regulatory systems and procedures) to transfer agricultural land to urban uses (2) (LAs)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.1.9	<p>Authority to prepare and implement projects and manage land will be devolved to the appropriate local level. Staff and the resources to employ staff will be progressively transferred from line ministries to local levels, although central authorities may continue to manage these responsibilities for smaller municipalities not yet able to do so themselves. Integration between the departments of the Ministry of Municipalities and Works and their branches in provinces will be augmented at the planning and executive levels.</p>	<ul style="list-style-type: none"> - Develop implementing regulations for the Provincial Law No. 21 of 2008 to specify which functions will be devolved to which government level and when. (2) (MOMPW, MOI, MOCH) - Create new or expand existing resource generation mechanisms as required (3) (MOF, MOMPW, MOCH) 	<ul style="list-style-type: none"> - Prepare institutional development program to raise the capacity of governorates and local authorities in housing development and land management (2) (MOCH, MOMPW, MB) 	<ul style="list-style-type: none"> - Verify the availability of sufficient financial resources at the governorate and local authority level to carry out devolved responsibilities. (3) (MOMPW, MOCH) 	<ul style="list-style-type: none"> - Raise the awareness of subnational governments of their changing responsibilities and authorities in the area of housing development and land management (3) (MOMPW, MOCH)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
	HOUSING PRODUCTION				
2.2.1	The public sector will facilitate the emergence of capable, mid-sized private housing developers by (1) creating a level playing field where private developers can compete fairly against public ones; (2) facilitating access to land and finance; and (3) providing technical assistance on a project basis to improve developers' technical and managerial capacity.	<ul style="list-style-type: none"> - Prepare provisional guidelines for preparing and implementing land wholesaling projects (1) (MOMPW, MB, LAs) - After implementation of pilot projects, prepare regulations for land wholesaling projects (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Technical assistance to pilot municipalities in preparing and implementing land wholesaling projects (2) (MOMPW, MB, LAs) - Roll out training to other municipalities (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and implement three pilot projects in land wholesaling (2) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and execute communications programs to publicize initiatives in land wholesaling (2) (MOMPW, MB, LAs)
2.2.2	Government will rationalize its portfolio of public-sector construction contractors by consolidating them in to a smaller number of entities and orienting them towards production of low-income housing.	N/A	<ul style="list-style-type: none"> - Prepare and implement an institutional reform plan (2) (GOI, entity to be determined) 	<ul style="list-style-type: none"> - Review and evaluate the recent performance of each contractor (2) (MOCH, GOI) 	N/A
2.2.3	Use public-private partnerships and cooperatives to mobilize expertise and capital for housing development.	<ul style="list-style-type: none"> - Prepare regulations for implementing public-private partnerships (PPPs) for residential development, both for development of new housing areas and redevelopment of existing housing areas (3) (MOCH, MOMPW, MB) 	<ul style="list-style-type: none"> - Reactivate technical assistance services to housing cooperatives (2) (MOCH) 	<ul style="list-style-type: none"> - Implement three pilot projects in PPPs for housing projects (3) (MOMPW, MB) 	<ul style="list-style-type: none"> - Publicize housing PPP opportunities in the real estate development business community (3) (MOMPW, MB, Govs, LAs)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.2.4	The Government will enable incremental development of housing through new financing mechanisms, apply “sunset clauses” or other penalties to land distributed for residential use, and enforce construction deadlines through improved development control.	<ul style="list-style-type: none"> - Modify building codes to allow construction in low-cost materials (2) (MOCH) - Put in to place “sunset clauses” or other penalties on non-development of housing on a residential plot during a specified time period. Specific clauses will apply to existing underdeveloped peripheral subdivisions; others will apply to new development. (3) (MOMPW, MB) - Revise development control regulations to ensure clarity of authorities, responsibilities and resources at the different levels of government (2) (MOMPW) 	<ul style="list-style-type: none"> - Train local government staff in development control procedures based on incremental development and permitted development (3) (MOMPW) 	<ul style="list-style-type: none"> - Formulate and evaluate options for compensating holders of “sunset clause” repossessions (2) (MOMPW, MB) - Develop options for types of penalties imposed on purchasers of land plots that do not build housing (2) (MOMPW, MB, Govs) - Delineate geographical areas where non-development penalties apply (2) (Govs, LAs) 	<ul style="list-style-type: none"> - Reach out to commercial banks and non-bank financial institutions and promote their entry into the home extension and improvement loan market (see Policy 2.3.5) - Prepare existing holders of land use rights in partially developed subdivisions to comply with new sunset clauses
2.2.5	MOCH will develop and promulgate models for alternative design models for housing projects, with an emphasis on medium-density, low-rise, multi-family housing.	<ul style="list-style-type: none"> - Codify the new housing design prototypes through a decree or other regulatory action (3) (MOCH) - Put in place expedited permitting procedures for housing projects using the design models (MOCH, MOMPW, MB, Govs, LAs) - Update zoning regulations to reflect the design parameters used in the housing design prototypes (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Train local government staff in review of housing project plans, with emphasis on orienting proposed projects to the housing design prototypes (3) (MOMPW) 	<ul style="list-style-type: none"> - Develop multiple housing design prototypes for future housing projects, including terrace housing, walk-up apartments, and detached single-family housing (3) (MOCH) 	<ul style="list-style-type: none"> - Raise awareness among housing developers and designers of the housing design models and the expedited permitting process associated with them (3) (MOCH, MB, Govs, LAs)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
	HOUSING FINANCE				
2.3.1	MOF and MOCH will diversify sources of housing finance by encouraging and enabling commercial banks to enter the mortgage finance business.	<ul style="list-style-type: none"> - Establish, revise banking regulations allowing commercial banks to undertake mortgage lending (2) (MOF, MOCH) 	<ul style="list-style-type: none"> - Ascertain interest of commercial banks in participating in mortgage lending. (2) (MOF, CB) - Carry out due diligence on those banks qualified according to prudential norms. (2) (MOF, CB) 	<ul style="list-style-type: none"> - Begin initial mortgage lending in target areas through approved banks (3) (PCBs) 	<ul style="list-style-type: none"> - Continue to accept new banks, NBFIs, and PCBs into the mortgage finance system through due diligence procedures. (3) (MOF, CB)
2.3.2	MOCH and MOF will establish (REB) and NHF as secondary tier housing finance institutions that would wholesale funds to eligible commercial banks.	<ul style="list-style-type: none"> - Determine if existing NHF Law will allow NHF to become a mortgage lender that would wholesale funds to eligible commercial banks (1) (NHF, MOJ) - Promulgate internal regulations defining NHF role in mortgage lending (2) (NHF, MOF) 	<ul style="list-style-type: none"> - Based on new laws and regulations, undertake organizational restructuring of NHF into a wholesale mortgage lender (2) (NHF) - Hire outside expertise to train existing and new personnel in mortgage origination and underwriting procedures (2) (NHF) 	<ul style="list-style-type: none"> - NHF to work with one or two approved banks to develop packages of mortgage loans which can be funded by NHF (2) (NHF, PCBs) 	<ul style="list-style-type: none"> - Expand mortgage finance system to additional banks, NBFIs, PCBs, etc. (3) (NHF)
2.3.3	In collaboration with MOF and participating commercial banks and based on updated income data, MOCH and NHF will establish new parameters to increase the affordability of housing for middle, moderate, and low income households.	<ul style="list-style-type: none"> - MOCH to propose new regulations based on recent income and population data to increase housing affordability for middle, moderate and low income households (2) (MOCH, MPCD, COSIT) 	N/A	N/A	<ul style="list-style-type: none"> - Publicize the new affordability regulations to the approved NBFIs and PCBs (3) (NHF, NBFIs, PCBs)
2.3.4	Low interest government funds should be targeted to low-income households, low-income women-headed households, and disabled people.	<ul style="list-style-type: none"> - MOCH to propose to MOJ and MOF the creation of a new revolving fund using low-interest government funds to make housing loans to low-income households and priority population segments in urban, rural, remote, and underdeveloped areas (2) (MOCH) 	<ul style="list-style-type: none"> - Train REB or NHF staff in operation of the revolving fund for low-income housing (2) (MOF, MOCH) 	<ul style="list-style-type: none"> - Interested eligible banks begin to lend to low income borrowers (2) (NHF, PCBs) 	<ul style="list-style-type: none"> - Publicize among commercial banks and non-bank financial institutions the availability of government funding for lending to low income borrowers (3) (NHF)

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
2.3.5	In order to increase the quality of the housing stock, MOCH will encourage more extensive use of housing extension and improvement loans.	<ul style="list-style-type: none"> - MOCH to propose regulations for wider use of small loans for housing extension and housing improvement (2) (MOCH, NHF) 	N/A	<ul style="list-style-type: none"> - Pilot lending of housing improvement and extension loans to be implemented in designated low income areas (2) (NHF, PCBs) 	N/A
2.3.6	A representative sample of commercial mortgage loans will be field audited in order to determine that the stated purpose of the loan is the same as the final use of the loan.	N/A	<ul style="list-style-type: none"> - Train internal and field auditors and staff of participating commercial banks (2) (NHF, PCBs) 	<ul style="list-style-type: none"> - Field auditing to begin with first batch of loans lent by PCBs (2) (NHF, PCBs) 	N/A
2.3.7	MOCH and MOF will draft a comprehensive housing finance law to provide for foreclosure, repossession and resale of collateral.	<ul style="list-style-type: none"> - MOCH and MOF to issue comprehensive housing finance law, which will establish the legal framework for mortgage lending, foreclosure, repossession and sale of collateral (2) MOCH, MOF, NHF 	<ul style="list-style-type: none"> - Draft Housing Finance Law to circulate among all stakeholders for comments and reactions. (2) (MOJ, MOF, CBs) 	<ul style="list-style-type: none"> - Determine whether Housing Finance Law must be amended in order to apply to NBFIs and PCBs (3) NBFIs, PCBs) 	<ul style="list-style-type: none"> - MOF and MOCH to consult commercial banks, NBFIs and PCBs as well as neighboring countries as to the content of the law (2) (MOF, MOCH)
2.3.8	In order to prevent de-capitalization of the REB and, or the NHF, the housing finance law will contain clauses providing for recourse to commercial banks for bad loans.	<ul style="list-style-type: none"> - Recourse clauses to be included in Housing Finance Law (2) MOJ, MOCH, NHF 	N/A	N/A	N/A

Policy No.	Policy	Regulatory Action	Institutional Action	Technical Action	Outreach Action
	INFRASTRUCTURE FOR HOUSING				
2.4.1	The public sector will improve shelter-related services through a combination of increased capital investments and better maintenance and management.	<ul style="list-style-type: none"> - Amend current laws and regulations and build in delivery of services on a cost-recovery basis (3) (MOMPW, MB) 	<ul style="list-style-type: none"> - Government to reactivate co-ordination among institutional operation and capacity planning among service providers (2) (MOMPW, Govs) - Strengthen enforcement of maintenance requirements by infrastructure service providers (2) (MOMPW, Govs, LAs) 	<ul style="list-style-type: none"> - Prepare and implement pilot projects on extending infrastructure to existing peripheral sub-divisions (2) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Prepare and implement publicity campaigns to raise awareness of customers of the need to achieve cost recovery, including through increased tariffs (3) (MOMPW, Govs, LAs) - Set up a system through which consumer complaints of under-performance can be translated into improved actions by service providers (3) (MOMPW, Govs, LAs)
2.4.2	Upgrade trunk infrastructure as required to make system capacity sufficient to accommodate additional demand from new, large residential subdivisions or significant densification of existing residential areas.	N/A	<ul style="list-style-type: none"> - Strengthen the link between governorate and municipal budgeting processes and proposed capital infrastructure improvement plans (MOF, MOP, PC, LAs). - Improve co-ordination between service providers, land management agencies and housing developers to ensure provision of appropriate levels of services in all neighborhoods (Govs, LAs). 	<ul style="list-style-type: none"> - Review standards of infrastructure provision to allow flexibility for growing or declining populations (LAs, MMPW, MB). - Project future housing requirements on a city-by-city basis and program necessary trunk infrastructure improvements (2)(Govs) 	N/A
2.4.3	Promote private sector involvement in the development and management of shelter-related infrastructure.	N/A	<ul style="list-style-type: none"> - Provide technical advice to governorate and municipal officials in the use of such Private Sector Partnership (PSP) tools as outsourcing, management contracts, and concessions (3) (MOMPW, Govs) 	<ul style="list-style-type: none"> - Prepare and implement pilot projects in outsourcing solid waste collection and disposal using green technologies (3) (Govs, LAs) 	<ul style="list-style-type: none"> - Promote infrastructure PSP opportunities with private firms (MOMPW, Govs)

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2.4.4	New infrastructure provision will utilize locally appropriate technologies and designs rather than simply extend existing networks. In particular, water-saving systems, non-sewered sanitation systems, sustainable energy provision and waste disposal that are less costly and more environmentally sustainable will be emphasized.	<ul style="list-style-type: none"> - Prepare and implement economic incentives for water-saving, renewable power, and other green technology (3) (MOMPW, MOF) 	N/A	<ul style="list-style-type: none"> - Prepare and implement pilot projects in non-water-based sanitation services and green energy generation and distribution (3) (MOMPW, Govs, LAs) 	<ul style="list-style-type: none"> - Publicize availability of economic incentives to private firms marketing infrastructure technologies and services (3) (MOMPW)
HOUSING MANAGEMENT AND MAINTENANCE					
2.5.1	Government will increase inspections of rental housing units, using innovative and community-based methods, to improve compliance with minimum housing standards. Government will encourage the privatization of maintenance services for multifamily housing owned by public or private owners.	<ul style="list-style-type: none"> - Review existing sanctions on rental units that do not conform with the building code and propose more stringent sanctions as required (2) (LAs) - Prepare standard contract for outsourcing maintenance of residential buildings (2) (MOCH) 	<ul style="list-style-type: none"> - Train municipal officials in verifying compliance with building codes (3) (MOMPW, MB) - Train condominium and cooperative managers in outsourcing maintenance of residential buildings (3) (MOCH, Govs) 	<ul style="list-style-type: none"> - Carry out more frequent and thorough technical building inspections of rental housing (3) (LAs) - Carry out pilot projects in outsourcing of maintenance of residential buildings (3) (MOCH, LAs) 	<ul style="list-style-type: none"> - Communicate new sanctions to landlords prior to their implementation - Carry out information campaign to raise awareness of cooperatives and condominiums of benefits of outsourcing maintenance (2) (MOCH) - Create information center for market opportunities for private firms in residential building maintenance (3) (Govs, LAs)
2.5.2	Government will revise the regulatory framework for management and maintenance of multifamily housing.	<ul style="list-style-type: none"> - Revise and amend as required the existing cooperative housing law (3) (MOCH) - Prepare and distribute guidelines for operating effective cooperative associations under the revised law and regulations(3) (MOCH) 	<ul style="list-style-type: none"> - Set up technical assistance services to help owners of multifamily units create and manage their cooperative associations (3) (MOCH) 	N/A	<ul style="list-style-type: none"> - Raise awareness among apartment owners of the function and importance of cooperatives organizations (3) (MOCH)

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2.5.3	Government will develop guidelines to give low-income families, and especially low-income households headed by women, priority access to vacant or new housing units developed under Government-sponsored programs. Government will enable greater preservation of historic mixed-use urban areas through creation of historic districts, improvement of the investment climate, and catalytic public-sector investments.	<ul style="list-style-type: none"> - Revise criteria for allocation of government-produced housing plots and dwelling units in order to give priority to low-income households and especially to low-income households headed by women (2) (MOLSA) - Develop a regulation on creation of historic districts that use more stringent plan review processes for proposed improvement projects (3) (MOMPW) 	<ul style="list-style-type: none"> - Strengthen local government capacity in designation of historic districts and plan review of building projects within them (3) (MOMPW) 	<ul style="list-style-type: none"> - Identify historic mixed-use areas and designate formal historic districts (3) (MOMPW, MB, Govs, LAs) 	<ul style="list-style-type: none"> - Build awareness among local authorities of the historic preservation tools available to them (MOMPW)
HOUSING CONSTRUCTION MATERIALS					
2.6.1	Facilitate access of building materials producers to funding for rehabilitation and construction of materials production facilities.	N/A	<ul style="list-style-type: none"> - Make more funds available to lending institutions for on-lending to construction materials industries. - Make loans to selected high-growth-potential publicly-owned materials producers (see evaluations under Policy 2.6.4) (CBI, MOI) 	N/A	<ul style="list-style-type: none"> - Publicize the availability of new funds for building materials industries.
2.6.2	Promote the use of joint ventures between building materials producers for knowledge transfer and access to capital.	<ul style="list-style-type: none"> - Verify the inclusion of building materials producers on eligible list of sectors for Joint Ventures (JVs) with domestic and international private companies (1) (MOI, Investment Boards, Ministry of Foreign Affairs) 	<ul style="list-style-type: none"> - Support national initiative to restructure public building materials producers as joint stock companies and sell shares to private companies (3) (MOI) 	<ul style="list-style-type: none"> - Based on evaluation under 2.6.1, support national initiative to identify most appropriate publicly-owned materials producers for JVs (2) (MOI) 	<ul style="list-style-type: none"> - Publicize on national and international markets the opportunities for investing in public building materials producers (3) (MOI)

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2.6.3	Standardize the operating environment for all building materials producers, importers and distributors.	<ul style="list-style-type: none"> - Regularize tax and customs duties for all producers (public and private), importers and distributors of building materials (2) (MOI, MOF) - Discontinue concessional financing to public sector producers, importers and distributors of building materials (2) (MOI, MOF) - Price land for public sector materials companies at market rates (2) (MOI, MOF) 	N/A	N/A	<ul style="list-style-type: none"> - Publicize the new standardized operating environment with private producers, importers and distributors of building materials (3) (MOI)
2.6.4	Government will rationalize publicly building materials companies by carrying out a full assessment of each company and developing for each a specific plan that may include liquidation, re-capitalization, partial and full privatization, re-organization, or some other approach	N/A	<ul style="list-style-type: none"> - Support national initiative to increase efficiency in industries by giving technical advice to the institution to be set up to reform SOEs (2) (MOI) 	<ul style="list-style-type: none"> - Evaluate performance of publicly owned materials producers and identify those with highest growth potential (3) (MOI) 	N/A
2.6.5	Promote the production and use of locally produced, environmentally friendly building materials through economic incentives and research.	<ul style="list-style-type: none"> - Define and put into effect economic incentives for environmentally friendly building materials with reference to existing environmental guidelines (2) (MOF, Ministry of Energy, Central Organisation for Standardisation and Quality Control) 	N/A	<ul style="list-style-type: none"> - Expand research into local production of environmentally friendly building materials (2) (MOCH) 	<ul style="list-style-type: none"> - Include green building materials in the agenda of the Knowledge and Training Centre (1) (MOCH) - Prepare and disseminate information on green materials through universities (2) (Ministry of Higher Education)
2.6.6	Improve quality control of domestic building materials producers.	N/A	<ul style="list-style-type: none"> - Provide technical assistance in building materials quality control to the National Center for Construction Laboratories and the Central Agency for Standardization and Quality Control (3) (MOCH, MOP) 	N/A	N/A

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	INFORMAL HOUSING				
2.7.1	Informal settlements will be upgraded or redeveloped on a case-by-case basis. A standardized assessment of the specific settlement will be used to select an approach and design tailored interventions for each settlement.	<ul style="list-style-type: none"> - Prepare guidelines for informal area upgrading based on approved legal framework and land uses (2) (MOMPW, MB, LAs) - Prepare guidelines for redevelopment projects in keeping with approved land uses (2) (MOMPW, MB, LAs) - Prepare regulations and procedures for informal area upgrading projects and redevelopment projects (3) (MOMPW, MB) 	<ul style="list-style-type: none"> - Technical assistance and capacity building for local governments in preparing and implementing upgrading projects and redevelopment projects (3) (MOMPW, Govs) 	<ul style="list-style-type: none"> - Carry out prefeasibility studies on individual informal settlements and categorize for upgrading or redevelopment (2) (MOMPW, MB, Govs, LAs) - Prepare feasibility and design studies for upgrading, redevelopment of informal settlements (3) (MOMPW, MB, LAs) - Execute upgrading and redevelopment projects (3) (MOMPW, MB, LAs) 	<ul style="list-style-type: none"> - Integrate community leaders and residents of informal areas into the decision-making process for upgrading and redevelopment projects (3) (MOMPW, MB, Govs, LAs)
2.7.2	Resettlement will be done fairly, based on thorough consultation with the affected community, and residents will be compensated justly according to the law.	<ul style="list-style-type: none"> - Prepare resettlement regulations and procedures for redevelopment projects that incorporate international best practices (see Policy 2.7.1) (2) (MOMPW, MB) 	<ul style="list-style-type: none"> - Technical assistance to local governments in preparing and implementing resettlement action plans (3) (MOMPW, Govs) 	<ul style="list-style-type: none"> - Prepare a resettlement action plan for each redevelopment project, including compensation, implementing arrangements, and timeline (3) (MOMPW, Govs, MB and local governments) 	<ul style="list-style-type: none"> - Incorporate residents of informal settlements into the resettlement planning process (3) (MOMPW, Govs, MB and local governments)