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Housing Bank and Housing Problem in Lebanon

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Maher Kammuriyyah

Abstract

"Housing Bank and Housing Problem in Lebanon"

This project deals with the housing problem in Lebanon, the Housing Bank, the problems facing them and the measures to solve these problems. The first chapter gives an introduction about the history of the housing situation. The second chapter explains all the factors that intensified the magnitude of the housing problem. In the third chapter an overview about Housing Bank and its history is given. Also, problems facing the bank are discussed. In the fourth chapter the effects of the social and demographic factors on the housing situation are explained. Finally, in the last chapter, suggested measures to solve the housing problem are given.

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Chapter I

Introduction

The family is the first cell for all human societies. As much as the family has psychological, material and shelter satisfaction, the society can reach its stability and be in equilibrium, thereby, reducing frustration and failure.

However, the members of the family can not achieve their satisfaction unless they have a decent housing where they can live. The house is the normal place for the human being to grow and achieve his/her stability. That is why the period which the human being spends at home is between 65% and 75% of his/her life⁽¹⁾.

The magnitude of housing problem is becoming greater and greater which may lead to a social problem for low and middle income people unless the government interferes by putting some plans to reduce this problem. The roots of this problem started long time ago, and solutions were based on enacting some laws related to the salaries and rent which were not efficient. As a result of this policy, there were conflicting effects on different social levels.

To understand the housing problem better one has to go back to the past when the Lebanese society was a simple one,

(1) Ahmad Beydoun, *Housing Problem*. (Beirut: Beydoun Co.: 1991) p.7.

and when agriculture and land ownership were the basis of the economy. In 1850, ownership in rural area was of the global type where all members of the family lived in the same house⁽²⁾.

As for cities, most of the houses contained one or two large rooms of sand stones, and the buildings which were composed of two or three floors were rare. For example, the houses of Beirut were built of stones and located to the sides of narrow and dark passages. Also the houses of the suburbs of Beirut were nothing but cottages where the peasants lived. Overall, houses in the cities were so close to each other that they almost formed closed streets; that was also the case for the houses of rural areas.

Due to the pressure put by the housing problem, the Lebanese Government established some housing institutions in order to reduce the magnitude of the problem. These institutions were composed of General Office of Housing specialized in giving loans for the restoration and the reconstruction of the houses which were damaged during the civil war. Second, the Housing Bank which was established to give residential loans for people whose salaries are four times the minimum wage. Third, the Independent Fund for Housing which was established to give residential loans for people whose salaries are less than four times the minimum wage. However, the output of these institutions was not satisfying for many reasons the most important of which was that these institutions were established without planning and without a general developmental plan. At the same time, the housing problem is too complicated, and its roots are in the social structure, and the solution will not succeed

(2) Ahmad Beydoun, *Housing Problem*. (Beirut: Beydoun Co.: 1991) p.7.

unless there will be a general housing policy supported by a long term planning.

The housing problem started to take a steep ascending direction which is reaching its peak nowadays, also it is expected to continue in this direction in the coming years because the disequilibrium between supply and demand is becoming wider and wider.

As a result of this housing situation, people started to suffer from the housing problem, and the society started to live the obsession of a real social problem since the new generations of low and middle income classes will not be able to raise a family because they can not get together a shelter under one roof.

A. The problem:

From this brief introduction one can realize that the housing problem is growing in Lebanon. However, this problem is not affecting the whole society. The construction movement is prospering in the country thus providing some houses. However, the problem is that only small portion of the society can afford buying these houses. Therefore, the real problem is for the middle and low income people who constitute the majority of the Lebanese people.

B. Purpose, Scope and Methodology:

The magnitude of housing problem is severe nowadays and almost every citizen is affected by this problem. It is estimated that 400.000 new housing units are needed to solve this problem⁽³⁾. Of the factors that intensified the housing

(3) "Study about housing problem Al-Amal.

problem in Lebanon are the high prices for land and the high construction costs. In general, the housing problem was the result of many factors; the absence of a general development program, the centralization of public agencies, and the incorporation of economic activities in the suburban areas which by attracting a considerable number of people from the country to the city have undoubtedly intensified the housing problem. On the other hand, the legal restrictions on rents as well as the increasing unwillingness of many landlords to rent out apartments and the lack of appropriate financing facilities have played a negative role in the construction market.

It is estimated that around 40.000 housing units were damaged and/or destroyed during the earlier years of fighting⁽⁴⁾. The Israeli invasions of Lebanon have added a considerable number of damaged and destroyed housing units.

(4) Council for Development and Reconstruction, Progress Report in Reconstruction. Sep. 1988, p. 7.

Table 1.1
Lebanon's Housing Units Needs⁽⁵⁾

Year	Shortage	Older Housing	Slums	Population increase	Total
1978	5000	900	1600	6300	13.800
1979	5000	900	1600	6700	14.200
1980	5000	900	1600	7300	14.800
1981	5000	900	1600	8000	15.500
1982	5000	900	1600	8700	16.200
1983	5000	1700		9400	16.100
1984	5000	1700		10100	16.800
1985	5000	1700		10900	17.600
1986	5000	1700		11100	17.800
1987	5000	1700		11300	18.000
1988	5000	2500		11500	19.000
1989	5000	2500		11200	18.700
1990	5000	2500		11400	18.900
1991	5000	2500		11600	19.100
1992	5000	2500		11800	19.300
1993	5000	3500		12000	20.500
1994	5000	3500		12000	20.500
1995	5000	3500		11000	19.500
1996	5000	3500		11100	19.600
1997	5000	3500		11300	19.800
1998	5000	3500		11500	20.000
1999	5000	3500		11700	20.200
Grand Total	110.000	50.000	8000	228000	400.000

(5) Source: Marwan Zaydan, Housing Problem in Lebanon, (Beirut: 1990), p. 2.

Table 1.2
Regions Distribution⁽⁶⁾
(Geographic Distribution Needs)

Region	%	Number of houses needed
Beirut and its Suburbs	38.5	60.000
Mount Lebanon	2.5	40.000
South Lebanon	12.5	20.000
North Lebanon	12.5	20.000
Beqa'a	12.5	20.000
Total	100	160.000

Table 1.3
Regions Distribution⁽⁷⁾
(Geographic Distribution Needs)

Description	%	Number of houses needed
Low income category	77.77	124.432
Mount Lebanon	22.23	35.568
Total	100.00	160.000

Table 1.4
Break Down of Dwellings by Category⁽⁸⁾

Dwellings	Beirut	%	Beirut Suburbs	%	Other cities	%	Rural Areas	%	Lebanon	%
Main	100,735	91.1	92,068	94.7	63,510	87.0	160,758	70.3	417,020	81.8
Vacant	7,741	7.0	4,763	4.9	5,475	7.5	21,068	9.2	38,745	7.6
Secondary	2,100	1.9	389	0.4	4,018	5.5	47,177	20.6	54,039	10.6
Total	110,577	100	97,220	100	73,003	100	229,003	100	509,804	100

(6) Source: Ministry of Housing and Cooperatives, Department of Statistics, Beirut: Central Office, 1982.

(7) Source: Ibid

(8) Source: Marwan Zaydan, Housing Problem in Lebanon, (Beirut: 1990), p. 6.

Table 1.5
Increase Rate of Owners⁽⁹⁾

People living			
	For free	On Rent Basis	Owners
In all Lebanon	7.9%	48.4%	43.7%
In Beirut and its Suburbs	5.1%	75.7%	18.2%

Table 1.6
Houses' Areas (Square meter)⁽¹⁰⁾

Area of the House (m ²)	% of Total Population
Up to 20	17.7
20 - 80	42.7
80 - 120	26.0
120 - 200	9.0
More than 200	4.6

(9) Source: Ministry of Housing and Cooperatives, Department of Statistics, Beirut, Control Office, 1982.

(10) Source: Ibid.

From the observation of the features of the housing problem and the assessment of its dimensions, and from the analysis of its components and its reflections on the capabilities of building the society, one can realize that this problem is one of the most serious one in the modern history of Lebanon. And if one looks to the background of this problem, one finds that it is not a result of an urgent event and it is not by hazard, but it is a chronic problem which started to appear a long time ago and which is severe nowadays. Of course, this problem was intensified by the civil war, but it was due to the prevailing rent law that pushed investments in the building sector toward luxury buildings and thus complicating the housing problem. As a

result, middle and low income classes could not buy or even rent, if ever found, any houses.

In this research paper, a general view about housing in Lebanon and about the magnitude of the housing problem will be given. After this the housing institutions in Lebanon and the problems that are facing them and will be discussed and the role of Housing Bank to reduce the magnitude of the problem will be stressed. Finally, some strategies that may help in finding the right solution for the housing problem and the housing institutions will be recommended.

Chapter II

Magnitude of Lebanon's Housing Problem

The social changes, economic advancements, and the political and military developments that took place in Lebanon, in addition to some legal cases such as the Rent Law are the most important factors behind the housing problem in Lebanon. Moreover, the long history of this problem must be taken into consideration.

These factors can be classified under main topics such as social, economic, planning, political, and military. On the other hand, it can be studied from the historic perspective on the basis of its sequence of occurrence as follow:

A. The Rapid Increase of Population

The rate of population growth in Lebanon is one of the highest rates in the world. It ranged between 2.5% and 3% between 1960 and 1977⁽¹⁾. This ratio has maintained its level during the Seventies⁽²⁾, and it will stay on this level for the following years; the population in Lebanon will keep on

(1) "ECWA" Housing Situation in West Asia, Lebanon, Beirut, 1980, p.6.

(2) Ibid. p.7.

increasing. In fact the number of inhabitants in Lebanon is not accurately known due to political reasons that the country went through since its Independence. For this reason many attempts were made to reach an approximate figure that can be used in research. The first of these attempts was done by the French authorities in 1921 and it was found that the number of inhabitants in Lebanon did not exceed 558923⁽³⁾. A second attempt was made in 1932 and it was considered the last official attempt which revealed that the number of inhabitants was 793396⁽⁴⁾. In 1942, another attempt was made in order to distribute the aid cards; it was revised later on in 1944 and was found out that the number of inhabitants in Lebanon reached 1.064.186 out of which 39681 were foreigners. On the other hand, the individual registers pointed out that the number of inhabitants in Lebanon, reached 1.126.601 approximately. The difference between these two estimates was out of negligence on the part of the Cereals Office for the immigrants at the time at which the statistics related to the aid cards was made⁽⁵⁾. Table 2.1 indicates that the number of inhabitants in Lebanon increased during the seven years from 1945 to 1952 to about 142000, and that the rate of increase of inhabitants during this period was unstable; this might be an evidence for the inaccuracy of these findings in representing the true number of inhabitants in Lebanon. In 1953 another statistics revealed that the total number of inhabitants in Lebanon reached about 1.616.570 including the immigrants since 1924.

(3) "ECWA" Housing Situation in West Asia, Lebanon, Beirut, 1980, p.6.

(4) Ahmed Beydoun, Housing Problem, (Beirut, Beydoun Co., 1991), p.54.

(5) Ismail Hashem, Population Problem (Iskandariah: Dar Al Maaref; 1964) p. 349.

Table 2.1
Evolution of Lebanese Population (1945-1952⁽⁶⁾)

Year	Inhabitants	Ratio of increase per 1000
1945	1.146.793	17.9
1946	1.165.208	19.9
1947	1.186.145	18.0
1948	1.229.545	36.5
1949	1.238.000	7.8
1950	1.257.000	15.3
1951	1.285.000	22.3
1952	1.320.000	27.2

(6) Source: Ibid. p. 350.

However, the Palestinian refugees whose number was 130.000 were not included in the statistics. In 1960, the number of inhabitants in Lebanon was estimated to be 1.626.000⁽⁷⁾.

Mr. Courbage and Mr. Phargue estimated the number of inhabitants in Lebanon in their book entitled "The Demographic Situation" to be about 2.550.000 in 1975 and it will reach in the year 2000 about 4 million⁽⁸⁾. The World Bank on the other hand reported that the number of inhabitants in Lebanon reached in 1976 about 2 million and it reached in 1983 3.5 million⁽⁹⁾ and it will reach in the year 2000 about 5 million⁽¹⁰⁾. That indicates an increase of about 1 million more than the estimation that was reported by Mr. Courbage and Mr. Phargue. No matter how much the difference in population estimated, the obvious thing is that the number

(7) Ahmad Beydoun, Housing Problem, (Beirut: Beydoun Co.; 1991), p. 55.

(8) Ibid. p. 56.

(9) World Bank, Report about development in the world, 1978, Washington D.C. index 16, p. 115.

(10) Ibid. p.115.

of inhabitants has increased since 1932 until now. These consecutive increases had their negative effects on the developmental level and on the standard of living of the Lebanese population because they were not accompanied by a complete proportional increase in the growth of other sectors. In fact, they have occurred as a result of many different factors and they have shown the gap between the high rate of growth in population and the low rate of growth in the social, economical and educational sectors.

The Residential Sector was the most affected one. The gap has contributed to the creation of a severe housing problem. Also, the following factors helped in magnifying the housing problem.

- The number of inhabitants in Lebanon nowadays is not accurate; moreover, a prediction of what the number will be in the following years cannot be reached because the prediction must be based on accurate information about the regular changes in such factors as fertility and death rate, and immigration which is not available in Lebanon.

For this reason the rate of marriages that took place between 1971 and 1973 because of its accuracy to determine the peoples' needs for residential units in Lebanon had been considered. On this basis the needs for residential units that resulted from the increase in population will be at the end of 1993 about 294200 units⁽¹¹⁾. This implies that the accelerating increase in population in Lebanon was not accompanied with a proportional increase in the residential sector. The residential sector had stayed behind the increase in population in all Lebanese regions because of

(11) Council for Development and Reconstruction, Construction Project, Beirut 1977, p. 35.

the absence of an appropriate housing plan. Therefore, the residential problem will continue and will increase in the following years, and Lebanon's residential needs will be 394000 residential units in year 2000 based on the average of marriages⁽¹²⁾.

- This increase in the number of inhabitants in Lebanon has led to a congestion inside residential units which reaches about nine persons inside one room. This phenomenon is apparent in poor quarters like "Wadi Abu Jmeil, Hei Alsulum, Al Amrossieh, Borj Al Barajneh and others". This over crowdedness was enhanced by the demographic composition in Lebanon which is characterized by a majority of young people. This is a negative sign because it places a burden on those who are able to work since they will be obliged to support those who are not able to work or to live independently.

In general, the accelerating increase in population growth in Lebanon and the accompanying recession in the agricultural sector has contributed along with other factors to the departure of a great number of rustics to the city especially the capital.

B. Migration to Urban Centers

The influx of the villagers into the cities has played a major role in creating the housing problem for this departure was as a reaction of the poor conditions of the villagers to get their basic needs. On the other hand, the cities were offering them better employment opportunities,

(12) Ahmed Beydoun, Housing Problem, (Beirut: Beydoun Co.; 1991), p. 58.

so they lived in poor regions after they left their villages. The factors that led to this influx which has a direct impact in causing the housing problem were the following:

1. The inability of the agricultural sector to provide the minimum level of self sufficiency to the villagers.

2. Few job opportunities were provided because of the limited rural work that is based on the simple agriculture and the breeding of the cattles.

3. Most Lebanese villages did not have schools before 1943. Instead there were places consisting of one or two rooms in which teaching took place. Therefore, with the development of the academic institutions in Lebanon many villagers left to provide their children with education.

4. The inexistence of a developmental plan to raise the standard of living in the villages.

Because of these main factors and other factors there was a great migration which was accompanied with the departure of the capitals and human resources. In effect, the number of inhabitants in the Lebanese cities has increased enormously. The number of inhabitants in Beirut for example was 237000 in 1944⁽¹³⁾, and in 1960 it was about 450.000⁽¹⁴⁾, it became in 1973 about one million⁽¹⁵⁾. Beirut alone increased in population in ten years about 220 thousand as it is indicated in table 2.2.

(1) Ibid. p. 60.

(2) Ibid. p. 60.

(3) Ibid. p. 60.

Table 2.2
Population Growth in Beirut between 1965-1975⁽¹⁶⁾

Year	Population	Relative growth
1965	331.000	100
1966	355.000	7.25%
1967	382.000	7.60%
1968	410.000	7.32%
1969	441.000	7.56%
1970	475.000	7.71%
1971	489.000	2.95%
1972	504.000	3.07%
1973	519.000	2.98%
1974	535.000	3.08%
1975	551.000	2.99%

(16) Source: Ibid. p. 61.

Between 1964-1968, the average annual number of immigrants to Lebanon was 21.623 whereas the number of immigrants from Lebanon was about 2.550. These numbers increased to become during the period 1969-1972, about 71.280 immigrants to Lebanon and 10.250 immigrant from Lebanon⁽¹⁷⁾. In spite of these results, the experts of demography considered that the immigration to and from Lebanon did not have a substantial impact because it did not affect the number of inhabitants estimated.

For this reason the internal migration was the most important factor which led to two important developments:

(17) "ECWA" A study about housing policy for Lebanon, Beirut, 1977, p.9.

1. The imbalance in the geographic distribution of People:

The continuation of the migration process led to great negative consequences because the villagers departed to certain regions in which they could cope with financially and intellectually. That led to an increase in the demand for residential units in those regions.

Table 2.3 shows that the number of inhabitants in the villages in the year 1932 represented 67.4% of the total population, while the number of inhabitants in the cities represented 32.6%. In 1962, the population were distributed in some what equal proportions, about 810.000 (or 49.25% of the total) in the villages and about 816.000 (or 50.75% of the total) in the cities. In 1970, the number of inhabitants was 2.126.000 and it became 2.400.000 if the number of Palestinians living in the camps is added⁽¹⁸⁾.

Table 2.3
Distribution of Lebanese Inhabitants
Between the Cities and Villages 1932 1980⁽¹⁹⁾.

Year	Population of the villages %	Population of the cities %
1932	67.40	32.60
1960	56.00	44.00
1962	49.25	50.75
1970	38.80	61.20
1975	30.20	69.80
1980	24.00	76.00

(18) Ahmed Beydoun, Housing Problem (Beirut: Beydoun Co.; 1991), p.65.

(19) Source: Ibid. p. 65.

Those living in Beirut were about 45% of the total which amounted to 1.113.000 on an area of 67.5 km²(20) which made the rate of population density in Beirut alone 26.382/km²(21). This density reached to 55.392/km² in Borj Hammoud and 187/km² in North Lebanon and 124/km² in South Lebanon and a minimum of 48/km² in Bekaa(22).

The imbalance in the demographic distribution was not limited to the villages and cities. It expanded to cover the suburbs of Beirut which became at the beginning of the 1975 war more intensely populated than the city itself. This trend continued in higher intensity because of displacement and the rising costs of living in Beirut.

Due to this pressure and to the migration the demand for residential units was higher. Therefore, the need in the Lebanese cities was about 76.500 units in 1975. Beirut city needed about 57.000 units and other cities needed about 18.500 units(23).

Moreover, the departure led to irregular distribution of people. The high density of population in cities led to poverty and misery, whereas the rural residences became only minor residences. So, the ratio of vacant residences in the rural area was 51.33%, while in the cities and urban areas, it was 30.10%(24).

2. Unemployment and working in poor sectors:

The expatriates from the countries were not of the same category. They were classified into two categories.

(20) Ibid. p. 65.

(21) Ibid. p. 65.

(22) Ministry of Planning, A study about working force in Lebanon Beirut 1970, p. 65.

(23) "ECNA", A study about housing policy for Lebanon, p. 13.

(24) Ibid. p. 10.

First, those who do not have any education or practical skills, and so could not handle high positions.

Second, those who took high positions due to their superiority in educational, technical and commercial capabilities. However, those consisted only a minor part of the expatriates.

The different economic sectors could not absorb all the expatriates. The industrial sector, for example, is a simple sector and it was not in need for those expatriates. Also, the service sector could not absorb all those expatriates because of their magnitude. So, it was natural to find the level of unemployment increasing until it reached 27% in 1970⁽²⁵⁾.

However, under the pressure of need most of the expatriates headed toward sectors that do not need scientific capabilities or high skills. So, some worked as newspaper distributors and they became 450 sellers in the year 1970. Many of them worked in Beirut Seaport which amounted to 8000 workers in 1970, 40% of them were Southerners. The sanitation sector contained about 1850 workers in 1970 out of which 75% were Southerners. Also, most of the civil workers who were 550 workers were Southerners⁽²⁶⁾. Under this poor standard of living most families were obliged to host their relatives in small apartments which consisted of two or three rooms. Some of these places were Borj Hammoud, Dikwaneh, Sin El Fil, Borj Abi Haidar and Basta. There is another part of the expatriate, who were extremely poor which had made them move from the apartments to some cottages which were made of wood and metal sheets and which formed with the time large

(25) Ahmad Beydoun, Housing Problem, (Beirut: Beydoun Co.: 1991), p. 69.

(26) Ibid. p. 70.

quarters. Those quarters did not have any of the sanitary facilities and did not receive any help or attention from the Government.

In spite of the misery of these shanty houses, the cost of living in one of them was nearly equal to the cost of living in an apartment in the Hamra area. These cottages were rented in 1975 by seven persons, and each person would pay a monthly rent of, LL 15, i.e. LL 105 in all. Whereas the rent of an apartment in the Hamra area consisting of two rooms, a kitchen, and a bathroom was not more than LL. 175.

Therefore, the housing problem in Lebanon was closely related to the rural departure especially because this departure was not planned, the thing that has led to serious changes in the demographic distribution in Lebanon.

C. Heading for Independent Residence:

The economic and social conditions that were prevailing in Lebanon before 1950 formed a special demographic situation. The Lebanese environment was an agricultural one and to face any difficulty in life, the family had to stick together under the command of the grand father. Therefore, any man, whether married or not had to live with his family which was fostered by the father or grand father⁽²⁷⁾. From this perspective the circumstances played a great role in the residential system which existed in Lebanon. This kind of living had a great impact in the villager's life and his relations. Moreover, there was a priority for marrying from relatives⁽²⁸⁾.

(27) Ibid. p. 73.

(28) Ibid. p. 74.

Therefore, the mother had a big role in selecting the appropriate wife for her son because the bride would be living with the family in the same house. In addition, this wife would be of great help for the mother in serving the family. So, this wife was chosen on the basis of economic benefits for the family⁽²⁹⁾. As a result of this type of living, the character of the individual became identified with the family as a whole and no value was given for the individual alone.

In the Lebanese cities the type of living was close to that one in the rural areas. The whole family lived together. Each married man was given a separate room for himself, his wife and his children. Single men were given a room no matter how much their number were, and so were the single women. And the father was the head of the family⁽³⁰⁾.

The elements of life and its means led to a very low demand on the residential units, and consequently the construction movement was very slow. This trend in life did not go on and the big family started to break up under the economic pressures, the higher proportions in educated people, and the connections with foreign countries. The unity within the same family broke, and the individuals gave a priority for their interests over the family interests. So, the individual was not only given responsibility for his family, but also a responsibility towards the society and the general system.

This concept was accompanied with changes in most of the elements of the small families. Their ideologies changed substantially and they became independent in their residence and in their economic resources. Moreover, they adopted new

(29) Ibid. p. 74.

(30) Ibid. p. 76.

concepts about marriage, family and life. In addition, they began to reconsider the habits and traditions that were prevailing in the social standard⁽³¹⁾. Consequently, the demand for new residences no longer depended on its proximity to the husband's or the wife's original residence; rather, it depended on the proximity to the working area and on its cost. In general, the demand for residences became an end not a mean, and everybody had to own or rent one when he reached a certain age. This increased the demand for residences.

A point to consider is the demand for independent residences by Lebanese women.

The equality between men and women increased especially with advances in the ways of living. The parents sent their daughters to colleges so they became educated and could help their husband in supporting the families because of the rising costs of living.

D. Adverse Effects of the Rent Bylaws:

Since 12\10\1936 there have been many laws which coordinate the relationship between the landlords and the tenants.

The first interference on the part of the Government was in the year 1940, and that was after the issuance of the Legislative Decree number 25 in 25\10\1940, which was revised later on by the Legislative Decree number 134 on 31\12\1941. Since then there were many laws concerning the issue of rents without taking any consideration to the residential reality in Lebanon because of the following factors:

(31) Ibid. p. 77.

1. The laws have dealt with the problem without studying the housing problem in depth.

2. The laws have not taken into consideration the rental market, and the relationship between this market and the housing problem.

3. The negative effects of the rent bylaws did not clear up until after the independence. After 1977 the laws of 1974 were disregarded, so the country was left with no laws until 9/9/1982 which led to chaos in the rent market. The goodwill came into light. In addition, there is the mentality of the construction investors which prefer selling to renting because they were afraid of the occupation of their residences by the expatriates due to the war in the country. Also they preferred selling because they would earn high profits within short period of time. As a result, the number of residences available for rent decreased and the rents increased since there were a little supply of residences for rent.

4. The gap in some of these laws was that it specified each time different requirements concerning the standard of building which led to free contracting, and this made the legislation lose its credibility and made the owner lose his/her confidence in the legislations of his/her country.

5. In spite of the inflation that was obvious in 1980 and which was severe in 1984, the rents were still fixed to the 1961 prices. On the other hand, the minimum wage had multiplied since then to 830 times⁽³²⁾ which caused many conflicts between the tenants and the owners. In effect the tenant was obliged to pay key money and very high rents. Due to this situation where the owner felt that he/she was

(32) Ibid. p. 81.

deprived from his/her rights and the tenant who was living in severe inflation, the offers for renting were eliminated. All the laws made by the Government left negative effects both on the residential and social standards.

Therefore, any law that does not consider the issue of displaced people in addition to the instability in the currency will lead to serious social problems.

E. Consequences of the Military Actions on the Residential Sector in Lebanon:

The military actions which began in 1969, especially in South Lebanon, did not stop. In fact, it continued to widen year after year until the great disaster that took place in April 13, 1975.

These actions extended and affected every person and destroyed most of the economic, social and cultural sectors.

The residential sector was the most affected sector by those military incidents. People were displaced from their houses, and big parts of the buildings were destroyed. Moreover, the Israeli invasion widened the problem to increase the size of losses in the residential buildings.

1. The displacement and the destruction of the residences:

Along with the war in Lebanon, people were displaced from their houses. Between 1975 and 1976 thousands of people were displaced from their homes. As an example, 30.000 persons were displaced from the area of Tal El Zaatar⁽³³⁾.

(33) Central committee for displaced people, The Displaced Beirut, 1982, p.4.

Those people moved to West Beirut and to Bekaa, but the big part of them moved to Damour area after the inhabitants of this area were also displaced from their homes to East Beirut. In the same period, the inhabitants of Maslakh and Karantina area were displaced from their houses to the shores of Ouzai where 782 families lived there, and the rest of them whose number was 20.000⁽³⁴⁾ moved to the hotels of Khalde and the vacant apartments. As for the inhabitants of Nabaa, Borj Hammoud and Sin El Fil, they moved to West Beirut and to the South. Also the inhabitants of Aishieh area and big part of Jieh, Rmeile and Haret Nehme were displaced. As for the inhabitants of the area which is in the middle between East Beirut and West Beirut, they were displaced too because their homes were destroyed. Until 1976 the number of displaced people was 250 thousand and the number of villages left by their inhabitants was 95⁽³⁵⁾. Also hundreds of thousands of the Lebanese people were forced to leave their homes between July and December 1983, when 115 thousand Christian moved to East Beirut and 150 thousand of Shiites and Christian moved to the South⁽³⁶⁾. At last the number of displaced people during the period between June 82 and March 84 reached 600 thousand⁽³⁷⁾ inhabitants. Displacement reached its peak during the years 1989 and 1990 when tens of thousands of people were forced to leave their houses due to the violence which took place during those years. As a result of the continuation of the fighting, 80% of the Lebanese people were displaced between 1975 and 1989.

As for the destruction of the residential buildings, the Council for Development and Reconstruction estimated the

(34) Ibid. p. 4.

(35) Report by Caritas Society, Beirut 1976, p.4

(36) "France Press News Agency" Safir 23/2/84, p.5.

(37) Nahar 3/4/84, p. 3.

number of residential units which were destroyed because of the war during the period between 1975 and 1982 was to be forty thousand residential unit⁽³⁸⁾. Whereas the Ministry of Housing estimated the number of destroyed residential buildings to be 46.600⁽³⁹⁾ buildings. The buildings which need restoration are 33.855 buildings, and the buildings which need partial restoration are 5.273 buildings, and the buildings which need complete construction are 7.422 buildings. As for Beirut, the number of damaged buildings reached 8.025, in Mount Lebanon 27.489, in the South 4.531 buildings, in Bekaa 1.451 buildings, in the North 1691 buildings and in Nabatieh 3.413 buildings. The cost of restoring or constructing these buildings was estimated to be 503 billion Lebanese pounds.

Table 2.4
Damaged Buildings and Cost Estimates⁽⁴⁰⁾.

Province	Restoration	Partial construction	Complete construction	Damaged units	Approximate value of the damages
Mount Lebanon	18530	4038	4921	27489	270.789.110.000
South Lebanon	3349	608	578	4531	38.467.740.525
Nabatieh	2226	458	729	3413	20.049.119.500
Bekaa	1086	56	259	1451	7.058.396.000
North Lebanon	1185	54	452	1691	39.084.136.200
Beirut	7479	63	483	8025	127.752.548.000
Total	33855	5273	7422	46600	503.201.050.225

(38) Council for Development and Reconstruction, Construction Project Beirut, 1983 p. 30.

(39) "Report about damaged residential buildings" Safir June 91, p. 5.

(40) Source: Ibid

2. Consequences of the Israeli Invasion on the Residential Sector in Lebanon:

In 1972 Israel invaded South Lebanon. The invaded area contained 150 villages, where 6 villages were completely destroyed, and 82 villages were profoundly damaged, and the number of displaced people was between 220 and 250.000⁽⁴¹⁾.

In 1982, Israel implemented its wide invasion to Lebanon. This invasion resulted in the destruction of many residential buildings in Beirut, Saïda, Tyr and Nabatieh. The number of damaged houses estimated to be 72.000⁽⁴²⁾. As for the concrete damages, they were huge, for example, the losses of Saïda were L.L. 1.4 billion, and those of Tyr were L.L. 780 million⁽⁴³⁾.

In addition to the reasons discussed in this chapter behind the housing problem, there were many other reasons that accelerated this problem. Those reasons were the results of the changes in the structure of the Lebanese society, the war and the bad housing policy applied by the Government. These reasons may be summarized in the following:

First, centralization of the general administrations, that led to the concentration of the economic, industrial, commercial and educational activities around the main cities, and particularly the capital. As a result, the inhabitants of the villages left their homes and came to the cities in great numbers. At that time the infrastructures of the cities were not ready for such extensive use. On the other hand, the rural areas became empty of its inhabitants

(41) Report by the ICRC, Beirut 1972.

(42) Council for Development and Reconstruction, "Construction Project", p. 29.

(43) Safir newspaper, 9/10/82, p. 3.

and consequently there were belts of poverty and chaos around the cities.

Second, the absence of developed infrastructure, (roads, water, electricity, telephone, schools, infirmaries, sewerages) in the residential compounds.

Third, the orientations of the private sector in construction, where this sector was aiming to get very high rate of profits through constructing luxury buildings without taking into consideration the demand for low quality housing units.

Fourth, the absence of global planning, and the weak efforts of the government to solve the housing problem. All the rent bylaws since forty years could not solve the problem. Moreover, neither the Housing Ministry nor the residential financial institutions were able to solve the housing problem.

Fifth, retraction of the residential construction movement from one side, and the destruction of many residences from the other side, in addition to the retraction of the rural areas and the absence of the industrial and commercial activities in these areas; all these factors helped in the intensification of the housing problem.

Sixth, deterioration of the local currency, relative to foreign currencies and the increase of the inflation rate and its effect on the prices of the real estates and the construction materials. These factors deprived people who had limited income from owning a house.

F. Housing Reality in Lebanon:

1. The Intense Shortage of Dwellings:

The housing reality in Lebanon can be divided into three stages:

The first stage, which preceded year 1950. In this stage, the housing reality was in a kind of recession because most of the Lebanese population were living in the rural areas working in agriculture.

The second stage, between 1950 - 1975. In this stage the housing problem started to appear because of the intense migration from the rural areas to the cities and because of the social and economic changes.

The third stage, between 1975 - Now. In this stage, the housing problem has been intensified by the political and military actions which were accompanied by the destruction of social and economic sectors.

The shortage problem of residential units was due to the small supply of these units in the housing market.

In 1970, the number of dwellings in Lebanon was 484.000⁽⁴⁴⁾; these dwellings included 1.230.000 rooms, and they were divided into three categories as it is shown in Table 2.5. According to ECWA, the average of persons per room was 1.73 which was considered too high compared with the developed countries where this average was less than one person per room. Also the ECWA stated that the acceptable average is 1.30 persons per room taking that the number of

(44) Ministry of Housing and Cooperatives, "Project of Housing Policy", Beirut 9/4/83. p. 3.

a family is 5 persons. That means that the shortage in the number of rooms in 1970

Tables 2.5
Break Down of Dwellings by Category in 1970⁽⁴⁵⁾

Dwellings	Number
Main	396.000
Vacant	37.000
Secondary	51.000
Total	484.000

(45) Source: Ibid. p. 3.

was around 405.000 rooms⁽⁴⁶⁾. If these rooms were distributed to three types of dwellings as the following:

45% dwellings composed of one bedroom, one living room and one dining room,

45% dwellings composed of two bedrooms, one living room and a dining room,

15% dwellings composed of three bedrooms, one living room and a dining room.

One can conclude that the number of dwellings needed at that time was 110.000 dwellings⁽⁴⁷⁾. If the number of population in 1975 was 2.500.000 and in 2000 is expected to be 3.800.000⁽⁴⁸⁾. Based on these figures, the ECWA estimated the number of rooms needed in year 2000 to be 711.000 rooms distributed among 255.000 dwellings. These dwellings can be

(46) Ahmad Beydoun, Housing Problem (Beirut: Beydoun Co; 1991) p. 107.

(47) Ibid. p. 107.

(48) Ibid. p. 107.

built at a rate of 12.000 dwellings per year till year 2000⁽⁴⁹⁾. Also, about the housing needs till year 2000, these were two studies, the first made by the Council for Development and Reconstruction which estimated the housing needs between 1978 and 2000 to be 282.000 dwellings. The second study made by the ECWA estimated the housing needs to be by year 2000 around 255.000 dwellings. Also, one must take into consideration the old houses which are fully depreciated and which are not safe because they may collapse at any time. The number of these old dwellings will be 50.000 by year 2000⁽⁵⁰⁾.

Overall, the housing needs of Lebanon will be in year 2000 around 716.750 dwellings. These needs will be classified according to the following categories as shown in Table 2.6.

Table 2.6
Housing Needs of Lebanon in year 2000⁽⁵¹⁾

Accumulated Shortage in 1970	161.000
Housing Needs Based on Marriage Contracts between 1970 - 2000	393.750
Old dwellings that must be substituted	50.000
Damaged dwellings	112.000
Total	716.750

(51) Source: Ibid. p. 112.

(49) Ibid. p. 108.

(50) Ibid. p. 108.

Also the Council for Development and Reconstruction estimated the housing needs of Lebanon between 1977 and 2000 to be 423.400 without the damaged dwellings. If we add these damaged dwellings, the needs will be 535.400⁽⁵²⁾.

As for the dwellings that were built between 1960 and 1975, their number was according to table 2.7 178.765 dwellings with an annual rate of 11.917 dwellings. The lowest rate for building these dwellings was between 1966 and 1970 due to the retraction of the banking credits. As a proof, the banking credits for the building sector remained stable during that period, it was L.L. 212 millions in 1966 and it became L.L. 265 millions in 1970.

Table 2.7
Constructed Dwellings Between 1960 - 1978⁽⁵³⁾

Year	Number of Dwellings	Annual Rate
1960 - 1965	71.835	14.367
1965 - 1970	44.550	8.910
1970 - 1975	62.380	12.376
Total	187.765	35.753

(53) Source: Ibid.

Tables 2.8 and 2.9 show that the construction movement increased between 1962 - 1966, but after 1966 this movement decreased until year 1970, and in 1976 and 1977 this movement was at its lowest level. In 1980, 1981 and 1982 this movement increased again but this time accompanied with high demand for dwellings, and that was the result of the war which destroyed many dwellings and the migration of 110.000 persons between 1975 - 1980⁽⁵⁴⁾.

(52) Ibid. p. 112

(54) Ibid. p. 114.

Table 2.8
Evolution of The Construction Activity in Lebanon between
1962 - 1992⁽⁵⁵⁾

Year	Number of Construction Licence	Area in m ²
1962	7000	2.561.034
1963	8000	3.250.082
1964	8500	4.243.393
1965	8500	3.944.653
1966	10038	3.600.450
1967	8437	3.758.426
1968	7290	3.477.527
1969	5273	2.954.454
1970	3383	2.297.710
1971	4552	3.402.147
1972	5676	5.035.757
1973	6349	5.255.213
1974	5454	4.027.297
1975	4187	2.788.898
1976	133	59.554
1977	2788	2.002.826
1978	2453	unknown
1979	3401	unknown
1980	5627	5.372.627
1981	5970	5.865.000
1982	6233	6.120.000
1983	6261	7.154.917
1984	4938	3.495.006
1985	5858	5.027.436
1986	6243	5.026.948
1987	4135	4.061.288
1988	4406	4.359.155
1989	Unknown	1.970.588
1990	2859	2.210.938
1991	8236	6.063.464
1992 end of Oct.	7544	7.101.736

(55) Source: Engineers Syndicate in Beirut, 1993.

Table 2.8 shows that the construction movement between 1962 - 1980 reached its peak in 1973, and that the construction tended to be vertical with a horizontal expansion in order to have a maximum number of rooms and apartments in the floor, and that was shown from the licences of 1973 which were less than those of 1966 by 3689

licences, despite of that the areas of the licences of 1973 were bigger than those of 1966 by 654.763m². That growth in the construction area was due to the increase in the prices of lands and to try to maximize the benefit from the exploitation factor of the lands in construction.

Also, tables 2.8 and 2.9 show that the security factor had an impact on the construction movement, that's why the licenced areas decreased from 4.027.397m² in 1974 to 2.788.898m² in 1975 and to 59554 in 1976 which were the smallest licenced areas in the period 1962 - 1982; also the impact of the security factor could be revealed through the areas which were licenced in the first half of 1982⁽⁵⁶⁾. Table 2.9 shows that the highest number of licences which were given in 1983 were for Mount Lebanon province (59%) of total of the licenced areas in that year.

Table 2.9
Evolution of the Licenced Construction Areas in the
Lebanese Provinces Except the North Province⁽⁵⁷⁾

	1983		From 1/1/84 to 31/5/84	
	Areas	Percentage	Areas	Percentage
Beirut	1.835.753	26%	42.030	4%
Mount Lebanon	4.213.789	59%	845.516	71%
South	811.394	12%	230.820	18%
Bekaa	222.260	3%	80.137	7%
Total	7.083.196	100%	1.198.503	100%

(57) Source: Nahar newspaper, 18/9/84, p.7.

(56) Nahar newspaper, 27/6/83, p. 8.

2. The High Spending on Housing:

According to Dr. Hamdan, families in Lebanon spend each year 10% of their income on housing. The high cost of housing was due to the great difference between the income of the population and the prices of dwellings. The major factors that affect the prices of dwellings are the size and the quality of the dwellings; second, whether dwellings are in vertical buildings or independent, finally, the difference in the costs of dwellings between the cities and the rural areas. However the major criterion that affects the prices of dwellings is the cost of land and the construction cost per m². Therefore, the construction materials affect directly the prices, also the location of the land and the existence of public utilities affect the price of land. In 1991 the number of insured employees at the NSSF was 236295⁽⁵⁸⁾ distributed among different categories; table 2.10 shows that the highest wage average was L.L. 169.720 which was equivalent at that time to \$169.72 (\$1 → LL. 1000), and that the lowest wage average was L.L. 132.000 which was equivalent to \$ 132, and the monthly wage average for those employees was L.L. 151.440 which was equivalent to \$ 151.44.

Opposite to these low wages, the price of one m² of popular dwellings in the suburbs was not less than \$175, therefore a popular flat of 100m² area had a price of \$17500 which was too expensive for an employee who got a salary of \$169.

(58) Ahmad Beydoun, Housing Problem (Beirut: Beydoun Co; 1991) p. 122.

Table 2.10
Monthly Wage Average for Insured Employees in 1991⁽⁵⁹⁾

Category	Monthly Wage Average L.L.	Monthly Wage Average \$
Ordinary Employees	169.720	169.72
Handicraftsmen Employees	162.000	162.00
General Mgt Employees	132.000	132.00
Teachers Employees	158.512	158.52
Drivers Employees	135.000	135.00

(59) Source: Ibid. p. 123.

The housing institutions were unable to help in solving the problem because of the lack of financial resources. If these institutions will be ready to give housing loans the problem will remain because these institutions ask their applicants to finance 40% of the price of the dwelling which will be unaffordable for them.

Also, the rent market is almost absent, and if there is any flat for rent it will be too expensive.

Of the reasons that led to the increase in the housing cost is that most of the buildings were constructed with average or good specifications. Since the construction costs are related to the prices of dwellings and these costs have increased dramatically in the last years whereas wages were almost vanishing, therefore it becomes impossible for people to buy such kind of dwellings.

Table 2.11
Minimum Wage Between 1965 - 1992⁽⁶⁰⁾

Year	Monthly Wage \$	Year	Monthly Wage \$
1965	47.20	1983	237
1967	49.93	1984	198
1969	51.00	1985	92
1971	57.25	1/1/1986	108.74
1972	67.18	7/1/1986	74.48
1973	86.19	1/1/1987	50.57
1974	118.13	7/1/1987	50.59
1975	135.12	1/1/1988	32.19
1977	131.98	7/1/1988	71.09
1979	161.89	1989	90.61
1980	196.46	1991	80.79
1981	207	1992	68.89
1982	242		

(60) Source: Chamber of Industry and Commerce.

This was in general the magnitude of the housing problem in Lebanon, and the reasons that led to the intensification of this problem. In the next chapter, a concise idea about the housing institutions that were established to solve the housing problem, especially the Housing Bank will be given, and also the problems that are facing these institutions will be explained.

Chapter III

History of the Housing Bank

Due to the permanence of the housing problem in Lebanon, the government decided, based on the suggestion of the Minister of finance and the cooperation of the Housing Minister, and after the approval of the Council of Ministers in its session in 08/01/77 on the implementation of the draft law which was sent to the Parliament on 29/11/75 and which aimed to the constitution of an anonymous Lebanese company called later the company or the bank and which will have the name of Housing Bank. This company will consist of the Lebanese State, the National Social Security Fund (NSSF) and the shareholders with those who may join them later⁽¹⁾.

The Housing Bank was given by law great authorities which will enable it to move with dynamism in order to face the housing problem and to find a radical solution to it. That's why it was allowed, and on its own responsibility, to get involved in all credit operations which are within its objective on condition that these operations have the residential characteristic and the financial safety requirements. This means that the Bank will have to restrict

(1) Ahmed Beydoun, Housing Problem (Beirut: Beydoun Co: 1991) p. 179.

its operations to residential matters only, and this is done through financing the acquisition of houses and the construction operations made by authorized persons whether these operations are for new structures or for the expansion and restoration of existing structures, or through the acquisition and the preparation of real estates and selling them either built or ready to be built.

In order for the Bank to achieve its objectives, it was allowed to manage the funds of people under the conditions that are suitable to it, to finance the institutions, societies, municipalities, and the individuals who want to build houses in order to sell them, and to have shares in anonymous companies and limited liability companies which have the residential characteristic. Also the Bank has the right to buy and acquire real estates, equipping and selling them and encouraging the investment of local and foreign capitals in the construction sector, on condition that the Bank will look for opportunities for investments in the construction sector and preparing the necessary studies for these opportunities.

Due to the experience that the Bank is going to gain, it was allowed to give services and consultations in the implementation of construction projects, and to manage the public and private funds which are assigned to finance residential projects or residential lending operations. In general, the Bank was allowed to get involved in all financial operations related to the achievement of its objectives.

A. Overview on Housing Bank

Housing bank was established by the union of the private sector including individuals, banks and insurance companies, and the NSSF with the government. The objective of this union was to build a cooperative structure between public and private sector. The capital of Housing Bank was LL50 million with 20% for the State share, 30% for the NSSF share and 50% for the private sector share. But the private sector did not subscribe more than 35.75% of the capital (which was equivalent at that time to \$5.5 million) and the remaining 14.25% was covered by the State and the NSSF. After the Bank started its operations, it exhausted all its capital plus a treasury advance of LL50 million which was given in 15/7/1980 in the frame of long term debts at 6% interest rate⁽²⁾. Because of the political conditions which prevailed in the country later the Bank was not able to execute its projects and the private sector reduced its contribution in the housing activities. Also, the NSSF did not lend the Bank although it had a lot of money, therefore, the Bank resorted to the government which became the only financier of the Bank to get the necessary funds. Between 1980-1988 the total of loans given by the government was LL674 million which was equivalent to \$73.46 million. Consequently the Bank succeeded in providing houses for 3570 families⁽³⁾. If the Bank was allowed to resort to the foreign currencies, it would be able to finance its operations without the aid of the government and thus providing houses for more families. In 1983, the dollar rate was LL4.5, and the monthly average income was LL5100 which was equivalent to \$1133, and the ability of the average income to borrow at the interest rate applied by the Housing Bank was LL200.000

(2) Safir newspaper, 6/12/91.

(3) Ibid.

which was equivalent to \$45000 and which constituted 80% of the price of a decent house of 160m² area⁽⁴⁾.

In 1984, the dollar rate was LL6.5, then in 1985 it became LL16, and in 1986 it became LL40. Therefore, the maximum value of the loans decreased to \$30.000 in 1984 and to \$12.277 in 1985 and to \$ 5114 in 1986. Consequently, the ability of the loans to finance decreased from 80% of the price of a house with an area of 160m² as it was in 1983 to 65% of the price of a house with an area of 130m² then to 28% of the same area in 1985, finally to 18% of the price of a house with an area of 110m² in 1986. In 1987, the dollar rate became LL225.5, therefore, the value of the loan constituted only 3% of the price of a simple house⁽⁵⁾. Consequently, the housing loans became useless which pushed the Housing Bank to stop its operations.

On the other hand, the general expenses of the Bank increased tremendously. Those expenses increased from LL34.464.016 in 1987 to LL101.275.780 in 1988 to LL158.594.848 in 1989 to LL217.597.074 in 1990 to LL350.000.000 in 1991. The salaries formed 83.5% of these expenses. Due to those reasons the Bank incurred a loss of LL3.618.000 in 1989 and LL122.165.550 in 1990, and LL262 million in 1991⁽⁶⁾.

The Housing Bank started its operations in 1978 with a capital of LL50 million this capital was equivalent at that time to \$17 million. The value of loans which were given during its years of operations 1978-1989 amounted to \$80million, and only \$600.000 were paid back to the Bank⁽⁷⁾.

(4) Ibid.

(5) Ibid.

(6) Ibid.

(7) Interview with the manager of Housing Bank.

The reason was the deterioration of the Lebanese currency, and that was of the major factors behind the losses of the Bank. Since 1989, the role of the Bank has been restricted to getting back the money and paying the salaries to its employees⁽⁸⁾.

Table 3.1

Number of Loans given between 1988 - 1989⁽⁹⁾

End of 1988		End of 1989	
Number of Loans	The value	Number of Loans	The value
3555	LL690.954.500	3566	LL715.854.500

Table 3.2

Objectives of Loans till end of 1989⁽¹⁰⁾

Buy	45%
Build	37%
Restore	9%
Execute	9%
Total	100%

Table 3.3

Average area of the Houses of the applications during 1989⁽¹¹⁾

Internal area	Number	Percentage	Interest Rate
Less than 100m ²	4	37%	10%
Between 101-140m ²	3	27%	10-12% + 0.05%
Between 141-200m ²	4	36%	12-18% +0.1% for each m ²
Total	11	100%	

(8) Ibid.

(9) Safir newspaper 14/5/92.

(10) Ibid.

(11) Ibid.

Table 3.4

Distribution of loans on the beneficiaries based on their jobs⁽¹²⁾

	Number	Percentage
Public Sector Employees	5	45%
Private Sector Employees	4	37%
Free Career and Craftsmen	2	18%
Total	11	100%

(12) Source: Ibid.

Because of the deterioration of the local currency which led the Bank to incur huge losses, and because of the failure of the management of the Bank to get new resources to finance its operations and because the installments of the 3566 loans at the end of 1989 were not able to cover the administrative expenses, the Housing Bank was in front of three alternatives:

- a. To stop its operations and thus dissolution.
- b. To head toward high incomes that have commercial benefits.
- c. To modify its role from a static fund that deals with individual loans to a developmental and constructive role participating with other social non-profit organizations to establish economic and cooperative housing projects with low costs.

The second alternative contradicts the aim for which the Housing Bank was established that is to provide housing loans for middle income people. The third alternative contradicts the structure of the Bank since it is composed of public and private sector, in this sense, the private sector which is composed of some banks and insurance companies can not contribute in non-profit organizations since its aim is to make profits.

In front of this critical situation, the chairman of the BOD of the Housing Bank (Mr. Joseph Sassine) made a plan in December 1991 to change this bad status. His plan was composed of five major points:

First, to increase the capital from LL50 million to LL3 billion.

Second, to ensure a LL10 billion loan from the State as a minimum in the first year to help the Bank cover its general expenses that was expected to be at the end of 1992 about LL500 million.

Third, to modify some rules of the law of Housing Bank in order to let the Bank be involved in real estate investments that ensure the Bank the basic financial equilibrium.

Forth, to deposit at the Housing Bank all the money that are assigned from the part of the State for financing housing loans.

Fifth, to deposit part of the legal reserve requirements of the banks at the Housing Bank to finance housing projects.

1. Financial status of Housing Bank up to 1989⁽¹³⁾:

The activity of Housing Bank during 1989 was restricted on getting back its lended funds and on investing all what it had of funds in the money market. In 1989 the expenses of the Bank increased, the salaries increased from LL24.163.757 in 1987 to LL71.001.279 in 1988 and to LL122.368.427 in 1989. The assets of the Bank decreased from LL882.636.449 in 1988 to LL857.214.630 in 1989. The total amount of the funds deposited in Housing Bank decreased from LL165.827.057 in 1988 to LL161.144.816 in 1989. Also, the balance for loans

(13) Safir newspaper 15/5/92.

increased from LL690.954.500 in 1988 to LL815.845.500 in 1989, and the total of loans increased from 3555 in 1988 to 3566 loans in 1989.

Revenues of 1989:

1. The Bank did not get the advance of LL500 million which was decided by the law 28/87 dated 23/8/87.
2. The total of the returns on the bonds and the dissolution of the loans was in 1989 around LL100 million, of which LL23.659.885 were returns from the interest.
3. The returns from the investments in the money market were LL67.157.376 in 1989.

2. Operations of the Bank:

The total of the loans, advances and the funds managed by the Bank since its foundation up to 1989:

a. Loans and advances:

The following are the loans and advances that the Bank got till 31/12/1989:

1. A treasury advance of LL50 million to be settled with its interests in 12 installments starting 15/7/90 at 6% annual interest rate.
2. A treasury loan of LL15 million to be settled with its interest in 20 installments starting 3/1/83 at 6% annual interest rate.
3. A treasury loan of LL35million drawn in 4 installments, and each installment will be settled within a period of 20 years at 6% annual interest rate.
4. A treasury advance of LL80 million wich was drawn during 1984 and 1985 at 7% annual interest rate

and to be settled in seven equal monthly installments each equal to LL4 million starting 1/4/85. The remaining balance will be settled in 15/10/85.

5. A treasury advance of LL90 million which was drawn during 1985 and 1986 at 6% annual interest rate to be settled in 17 equal yearly payments starting 30/11/88.
6. A treasury advance of LL250 million which was drawn in 14/4/88 at 6% annual interest rate to be settled with its interests in 5 yearly payments starting 14/4/90.

b. The funds managed by the Bank:⁽¹⁴⁾

The bank got till 31/12/89 the following funds in order to manage them:

1. LL88.666.677 from the Council for Development and Reconstruction.
2. LL65 million from the Ministry of Housing and Cooperatives.
3. LL40.859.384 from the bonds of the Council for Development and Reconstruction.
4. LL11.731.964 from the bonds of the Ministry of Housing and Cooperatives.

(14) Ibid.

Table 3.5
Income Statement of Housing Bank in 31/12/88⁽¹⁵⁾

<u>Revenues</u>	
Interests on loans	LL 37.491.497
Interests on deposits in the banks	58.505.189
Interests on Treasury Bills	8.652.187
Miscellaneous including commissions on managing funds	14.439.142
Recoveries from the provisions of doubtful accounts	1.781.753
Total	LL 120.869.768
<u>Expenses</u>	
Interests on borrowed funds	LL 32.240.072
General expenses	155.421.288
Depreciations	3.173.560
Provisions of doubtful accounts	8.341.173
Total	LL 199.176.093
Net loss	LL 78.306.335

(15) Source: Ibid.

3. Laws:

After the economic and political conditions pushed the Housing Bank to stop its operations in 1989, there were many attempts by the State to solve the problem of the Bank by changing its law.

One of these attempts was in June 1991 when the Ministry of Housing and Cooperatives sent to the Council of Ministers a draft law to modify some rules of the law of

Housing Bank⁽¹⁶⁾. This draft law suggested that the capital of the Bank should be raised from LL50 million to LL 3 billion, that the State will have a 20% share in the capital, the NSSF will have 30% share, and the remaining share will be for the private sector. Also, the State has the right to subscribe in the share of the private sector if the latter did not subscribe.

Moreover, the draft law stated that the Bank will get a LL10 billion loan, and that the Bank has the right to issue bonds that will be guaranteed by the State, and to borrow directly from local, Arab and international institutions and societies within conditions that will be specified by the Council of Ministers. In addition, the draft law gave Housing Bank the right to finance and realize construction projects including ownership of built and empty real estates, and to sell or rent these projects in order to ensure financial resources to the Bank to achieve the objective for which the Bank was established. This draft law suggested that the Central Bank will deposit in Housing Bank 50% of the subscriptions of the Banks in the treasury bills to ensure financial resources. Also, the draft law stated that all funds that are specified for housing projects and that belong to public institutions, municipalities and autonomous agencies should be deposited in Housing Bank.

Another draft law was prepared by the Ministry of Housing and Cooperatives in June 93⁽¹⁷⁾.

The main aim of this draft law was to redistribute the capital of the Bank between the shareholders and to take some measures to ensure resources to finance the Bank in order to restart its operations.

(16) Safir newspaper 26/6/91.

(17) Diyar newspaper 13/6/93.

When the Bank was established, the share of the government in the capital was decided to be 20%, and that of the NSSF 30% and the remaining 50% for the private sector. However, since the private sector hesitated to subscribe in its share in the capital, the State and the NSSF subscribed in this share and the share of the State in the capital became 27.22% and that of the NSSF became 37.03%⁽¹⁸⁾.

In an attempt to aid the Housing Bank, several talks took place with the mission of the World Bank in order to get long term loans from the World Bank to the Housing Bank. But the World Bank refused to provide any loan unless the share of both the government and the NSSF decreases to 20% of the capital. In general, the aim of this draft law was the following:

- Redistribution of the capital of the Bank between the shareholders and the reconstitution of its BOD in a manner that complies with the recommendations of the World Bank.
- Take the measures that ensure some resources to finance the Bank in order to restart its operations.

The last draft law to change the law of Housing Bank was prepared in June 93⁽¹⁹⁾. This draft law reduces the share of both the State and the NSSF from 50% to 20%, and it increases the share of the private sector represented by the banks to 80%. The main reason behind this draft law was the recommendations of the World Bank. The main changes that this draft law suggested are the following:

1. The Housing Bank will participate in implementing the housing policy of the government through:

(18) Ibid.

(19) Safir newspaper 2/8/93.

- a. Accepting deposits in all currencies and at different terms.
- b. Financing housing projects which includes constructing, restoring, completing, and expanding housing compounds.
- c. Managing private and public funds that are specified for financing housing projects.
2. The capital of Housing Bank will be raised from LL50 million to LL50 billion.
3. The share of the government in the capital will be maximum 20%. Also the share of the NSSF in the capital will be included in that of the government. The maximum share that a shareholder can have is 15%.
4. The government will give, when it is necessary, loans to Housing Bank with conditions that are specified by the Council of Ministers. The total of these loans must not exceed 10 times the capital of the Banks.
5. The Bank will be managed by a BOD which is composed of 10 members who are chosen as the following:
- Two members representing the government, the first suggested by the Minister of Housing and Cooperatives and the second suggested by the Minister of Finance.
 - Eight members representing the private sector who are elected by the general assembly of the shareholders.
6. The Bank can open new branches in all the Lebanese regions, and it must open in each province at least one branch during a period that does not exceed 3 years for impelementing this law.

7. The Bank can issue bonds in all currencies which total must not exceed 6 times the capital of the Bank.
8. The Bank will be exempted from any tax on its incomes including its profits till year 2000.
9. The Housing Bank may get middle and long term loans from the Central Bank in accordance with the Minister of Finance if this will be necessary to the economy. These loans will be given against financial guarantees.

B. Conditions for Getting a Loan from the Housing Bank

The Management at the Housing Bank has specified some conditions that must be met before a person can get a residential loan from the Bank, and the reason behind these conditions is to give loans to people who are really in need for support in order to get a residence, and at the same time they are able to pay back the loan according to a certain repayment schedule. In this way, the Bank will invest its funds within the right framework, and will achieve the objectives established for it.

The first condition is that the Bank will not accept applications that belong to people whose salaries are less than four times the minimum wage. People with salaries below this level are asked to present their applications for getting a loan to the Housing Cooperations or to the Independent Fund for Housing. Second, the applicant should be Lebanese; the Bank will not give loans or finance residential projects which belong to foreigners or which are located outside Lebanon, and this is because of its limited resources and because its aim is to solve the housing problem in Lebanon.

Also, of the conditions that must be fulfilled is that the applicant must have a clean legal record; he must not be condemned by court.

Another condition is that the applicant or any member of his/her family at home must not own a house within a circle of 20km diameter, and this is to let people who do not own a residence in this area to have the priority to have a house. These are the most important conditions to get a loan from the Housing Bank, and those who are interested in getting a loan must present the documents which prove that these conditions are met.

C. The Required Documents to Get a Loan

The documents required from those who want to get a residential loan are either personal or related to residence which is the issue of the loan. As for the personal documents, they are the same for all applicants, except for those related to work statement which are specified according to the nature of work of each applicant. The most important required personal documents are the following:

1. Family Identity Card:

To let the bank know about the parental status of the applicant, because the priority is to give loans for those whose families are larger, then for engaged people and finally for single people.

2. A photograph of the applicant

3. A judicial register which date is not more than one month before:

The employees of the public sector are not required to

present a judicial register. This document is presented to let the Bank know that the applicant is not condemned before and that he/she can benefit from the housing loan.

4. A statement of residence in order to let the Bank know exactly about the current residence of the applicant:

This statement must express the actual residential situation of the applicant, to: If the applicant is living in a house owned by one of its relatives or friends, he/she has to present a document which proves this ownership.

If the applicant is living in a rented house, he/she has to present to the bank a photocopy of the contract of rent and this photocopy must be certified by the municipality.

If there is not a document which proves this ownership or lease, a statement of the municipality is required which must show the actual residential situation of the applicant. And if there is not a municipality, he/she must present a statement from the mayor.

Statements of the schools of the applicant's children are required in order to be sure of his/her current domicile.

5. Statements of Employment:

The required statement of employment differs from one case to another, and this is because of the nature of work of the applicant. Despite this, these statements can be restricted to the following:

- i) A statement of work related to the employees of the public sector date must not be more than two months before the date of presenting the application, also this statement must include all the details related to the income; it must show the date of starting the work of the applicant and also whether the salary is attached or not. Finally this statement must be sealed by the official stamp of the institution and signed by its director.

- ii) The statements related to the employees of the private sector (who are not insured), and it is equivalent to:
 - a) A statement of work from the institution where the applicant works, and its date must not be more than two months before the date of presenting the application, and it must be in accordance with the type prepared by the Bank. This statement must show the salary of the last two years in details, and it must be signed officially and sealed by the deputy who is in charge of signing on behalf of the institution.

 - b) A certified photocopy of the circular, and the commercial register of the institution where the applicant works.
In case there is not a certified photocopy of the circular, the statement of work will be certified by a bank to ensure the validity of the signature of the deputy who is charge of signing on behalf of the institution where the applicant works.

- iii) The statements related to employees who are insured by the NSSF: These employees are required to present the same documents as the non insured employees, in addi-

tion, they are asked to present a statement from the NSSF which includes the following information:

- a) The date of registration at the NSSF.
 - b) The number of registration.
 - c) That the applicant has spent at his/her last work at least two consecutive years when he/she presented the application.
- iv) The statements related to the owners of enterprises: These are the following:
- a) A personal declaration in which the applicant states his/her monthly income, and that he/she must bear all the responsibilities of giving any wrong information.
 - b) A memorandum of association between the partners, to show if the applicant is a partner with others in the ownership of an enterprise.
 - c) A certified photocopy of the circular of the enterprise owned by the applicant with the certificate of membership at the chamber of commerce and industry.
 - d) Two certified photocopies of the public and private commercial register.
 - e) A certified photocopy of the contract of rent of the enterprise if it is occupied by rent, or a photocopy of the title deed if the domicile of the enterprise is owned by the applicant.
 - f) A statement from the NSSF which includes the date and the registration of the enterprise at the fund.
- v) The statements related to the work of the owners of free careers, and they are requested only from the owners of free careers, and they are equivalent to:

- a) A statement of membership to the union to which the applicant belongs.
- b) A personal declaration about the monthly income.
- c) A certified photocopy of the contract of rent or the title deed of the place where the applicant works.
- d) If the applicant is contracted with any party, he/she is required to present the statements of contracting and these statements must be certified by the concerned parties.

These are the most important documents that are required from the applicant. As for the documents related to the residence which is the issue of the loan, they are determined according to the objective of the loan. Therefore, the documents for buying differ from the documents for constructing and differ from the documents related to the expansion or restoration or amelioration.

What are these documents?

First: Documents related to the residence if the target of the loan is buying:

The documents related to the residence required from those who like to buy apartments are the following:

1. A photocopy of the title deed of the residence which is the issue of the loan in order to be sure that the real estate is divided into different rights, and that the process of selling will be accomplished according to the law without any problem.
2. A statement of the real estate of the apartment which

is the issue of the loan with the different common parts related to the real estate where the apartment is located. The date of this statement must not be more than one month before the date of presenting the application. Also, the area of the real estate before the construction on it must be shown in this statement.

3. A report about the area of the real estate before the construction on it if this area is not shown in the statement of the real estate. The Bank asks about the area of the real estate in order to be able to calculate the percentage of the land related to the apartment to be financed, and therefore to be able to determine its cost.
4. A photocopy of the envelope of the official license of construction with the map of the apartment which is the issue of the loan and the section, to let the Bank know the area of the apartment. Based on the area of the apartment, the interest of the loan will be determined.
5. A certified photocopy of the general license of housing, to make sure that the building where the apartment is located is constructed in compliance with the established laws.
6. A certified photocopy of the joint ownership rule if the real estate where the apartment is located contains more than four different divisions.
7. A statement of promise to sell which is a contract between the owner (or his/her deputy) as a seller and the applicant of the loan as a buyer. This statement includes the price of the apartment, the way payments are done and the address of the seller and his

telephone number.

8. A certified photocopy of the deputyship of the owner to his/her deputy, if the seller is a deputy.
9. A photocopy of the identity card of the seller.
10. A certified photocopy of the map of classification of the building if the building contains more than one division. This map shows the final shape of the apartment and the building where it is located.
11. A certified photocopy of the statement of servitude and delimitation which date is not more than one month before it is presented to the Bank.

This statement is required by the bank to make sure that the apartment or the real estate where the apartment is located is not under delimitation.

Second: Documents related to the residence if the objective of the loan is construction:

These documents are required only from those who want to construct a residence, and they are the following:

1. A certified photocopy of the title deed of the real estate where the building is going to be located. This is to make sure that the real estate exists and to prove the legality of the ownership.
2. A general real estate statement which date is not more than one month before the date of presenting the application to the Bank. This statement must show the area of the real estate, and it is required by the bank

to make sure that there are no statings or notes on the real estate to be financed.

3. A statement of the area of the land.
4. Two copies of the maps and the final designs for the licence of construction, and they must be certified by the Civil Planning.
5. Two copies of the statement of assessment of the cost of the construction project which must be signed by the engineer who prepared them. This statement must show the quantity and the quality of the materials used in the stages of construction that will be executed.

Third: Documents related to residences which are not classified:

Some people like to buy residences that are not classified; these residences do not have title deed. That's why it is difficult to get the final documents of the real estate.

Therefore, the documents related to the residence which is the issue of the loan will be as follow:

1. A photocopy of the title deed of the real estate before the construction on it. This title deed is with the original owner.
2. A real estate statement from the land registry office or from the seller if he/she has it.
3. A statement of the area of the land of the real estate before construction.

4. A photocopy of the joint ownership rule certified by the assistant real estate office in the land registry office.
5. A map for the project of building classification where the residence is located, and it must be certified by the notary public.
6. A report of the structure contract that is certified by the assistant real estate office in the land registry office.
7. A general residential license of the real estate where the residence which is the issue of the loan is located. This licence is issued by the Civil Planning.
8. A promise to sell signed by the owner as a seller and by the applicant as a buyer, in which the address of the seller is mentioned.
9. A photocopy of the identity card of the seller.
10. A statement of servitude and delimitation from the Civil Planning.
11. The envelope of the map of the construction license with the map of the section and the map of the floor where the residence is located.

Fourth: Documents related to the residence if the objective of the loan is expansion amelioration or restoration:

The documents related to the residence if the objective of the loan is amelioration, expansion or restoration are the same as those required in case the objective of the loan is

constructing, but instead of presenting construction maps, amelioration, expansion or restoration maps are required and they must be certified by the Civil Planning. After the applicant gets the approval on the loan, he/she will receive a licence from the municipality and presents it to the bank to put it in his/her file.

D. The maximum value of the Loans advanced

The value of loans that the Bank gives must not exceed 60% of the value of the residence on condition that this value fits the income of the applicant and that must not exceed the ceiling of the loan in the bank.

The value of the loan will be determined after a study of the financial needs for every residential project. When determining the value of the loan, the financial ability of the applicant to settle the loan will be taken into consideration. That's why, the Bank will make some investigations about the nature of the applicant's work and about his/her financial position in order to determine the value of the loan which must fit with the capabilities of the applicant to pay. In this respect, the procedures concerning the owners of institutions and free careers are much more larger than those of the employees who work in public and private institutions because the statements of the employees are clear while the statements of the owners of institutions and free careers rely on estimations to determine the monthly income.

The ceiling of loans at the Housing Bank changed many times during its past period of operation and this was due to the changes in prices and the deterioration of the Lebanese currency. The ceiling of the loan when the bank started its operations was LL.150.000, then it increased to

LL.200.000, then to LL.300.000 and then to LL.2.5. In 1989 the Bank abstained from giving loans because of the exhaustion of the funds which were allocated for loans. When the bank starts his operations again, the aim is to increase the ceiling of the loan to 18 million^(*) Lebanese pounds. However, not all the applicants will get this amount because the value of the loan is determined by many criteria of which are the following:

The first criteria: The ceiling of the loan:

The loan of the Housing Bank must not exceed the ceiling which is allowed in the bank whatever the case is, this ceiling may become in the coming stage 18 million Lebanese pounds.

The second criteria: The family income:

The Bank will not give residential loans except for those whose family's income exceeds four times the minimum wage, and those whose incomes are less can get loans from the Independent Fund for Housing. Monthly incomes play an important role in determining the value of the loans because as the incomes increase the value of the loan increases and vice versa.

The third criteria: The interest rate and the area of the residence:

The interest rate at the Housing Bank is between 10% and 18%, and this rate is determined on the area of the residence to be financed. Therefore, for the residences which have an area of less than 100m², the loans to finance them have an interest of 10%. If the area increases, the interest rate will increase progressively at a rate of 0.5%

for every extra 10m² and up to 150m². After this the percentage of increase will become 0.5% for every 5m² up to 200m² where the interest rate reaches its peak at 18%. With the expansion of the area of the residence and the increase of the interest rate the value of the loan will decrease. However, in case of big incomes, the value of the loans will not be affected because of the ability of these incomes to absorb the increase in the interest rate, because the interests in these cases exceed the monthly payment. This procedure is put by the bank to encourage the ownership of residences with smaller areas.

A point here to mention is that the BOD of the Bank has the right to change the interest rates every six months. Also, the Bank has the right to give loans at mobile interests according to its revenues.

The fourth criteria: The ratio of the loan to the total cost of the residence:

In any case, the value of the loan must not exceed 60% of the total cost of the residence to be financed. In contrast and in many times, the applicant does not get this proportion because the value of this proportion exceeds the ceiling of the loan at the bank or because the family's income of the applicant does not allow him/her to receive a loan.

The fifth criteria: Settlement period of the loan:

The maximum period to settle the loan must not exceed twenty years, and in all cases this period must not exceed the stage where the applicant reaches the retirement age. All loans must be settled in full before the retirement of the applicant. That's why the amount of the loan decreases

with the decrease of the settlement period, but this does not happen if the income of the applicant is high and therefore he/she is able to settle the loan before reaching the retirement age.

E. Guarantees of the Loans

If the Bank realizes during the study of the application that the residence to be financed is not enough as a guarantee, it will require other guarantees from the applicant. These guarantees are the following:

- Built or unbuilt real estates.
- Registered equipments and machines.
- Insurance policies issued by insurance companies working in Lebanon and accepted by the BOD of the bank.
- Guarantees issued by insurance companies and by financial institutions registered on the list of financial institutions.
- Any corporal guarantees accepted by the Bank, like stocks for example.
- Guarantees presented by the government or independent Governmental Institutions.
- Personal guarantees can be accepted as additional guarantees.

F. Stages of the Borrowing process

The borrowing process passes through many stages. These stages are necessary for the applicant to get the loan and they are the following:

1) Inquiry stage:

in this stage the applicant asks the Bank about the required conditions to get a loan.

2) Preparing the documents:

if the applicant has all the required conditions, he/she starts collecting the documents which constitute the file of the loan.

3) Presenting the application:

After collecting the required documents, the applicant presents them to the Bank to be studied. If these documents meet the conditions of the Bank and if they are legal, the application will be accepted, and it will be registered under a special number.

4) Study and evaluation of the application:

In this stage the staff of the Bank will study and evaluate the application precisely and with accuracy, and if the staff find that all the items of the application are complete, the final acceptance will be given and the value of the loan will be determined.

5) After the approval on the loan and the determination of its value, the applicant will be informed about the decision. If he/she accepts the decision, the Bank prepares the contract of the loan which will be signed by the Bank and the applicant in front of a notary public.

6) The registration at the land registry office:

After signing the contract, the applicant will be given some copies to make insurance on the residence to the order of the Bank at the land registry office, and this insurance must be of the first degree.

7) Collecting the value of the loan:

In this stage, the applicant gives the Bank the certified copies of the contract and the certificate of

the insurance. The Bank then will determine the date at which the seller of the home can come and receive the amount of the loan.

8) Settlement period:

After one month from getting the loan, the applicant has to settle to the Bank the payments which represent each the value of a monthly payment.

This was a comprehensive explanation about the Housing Bank; how it works, what are the condition or the requirements to get a loan, what are the required documents, the values of the loans and finally the guarantees of the loans.

G. Problems of Housing Bank

However, what one is more interested in knowing is the reason because of which the Bank has abstained from giving residential loans to people. For this reason the Housing Bank was visited and a dialogue took place with the manager there about the problems of the Bank. The manager started the dialogue by stating that the date of the foundation of the Bank was in 1977, and that it started its operations in 1978 during the war. He added that the Bank was established because of the historical housing problem in Lebanon. About the offerings of the Bank he said that the Bank gave five thousand loans to people in all regions in Lebanon. About the failure of the Bank in attracting deposits, the manager said that the Bank did not have inviting means to attract deposits, in addition, the interest on the treasury bills were higher than the interest of the Housing Bank. As for the problems which faced the Housing Bank, the manager said that the administration was technically perfect, but the

problem was in the scarcity of the funds and then the war played a negative role. Also, they were faced with a tough competition from the residential institutions of the State; as an example, the Minister of Housing used to support the institutions of the State against the Housing Bank. Moreover, the assistance of the State was absent. When the manager was asked about his suggestions to improve the Housing Bank, he said that the State must specify a housing plan for all Lebanese areas, also he said that the State must provide lands, construct roads and finally it must rebuild the infrastructure (water, electricity, telephone, etc.) of the country.

After the failure of the Housing Bank in giving new loans because of lack of funds, the chairman of the Bank put a plan to activate the role of the bank in order to help people in solving their housing problem. This plan consisted of two main points:

First:

The BOD of the Bank concluded a project to modify its constitution. The aim of the suggested modifications was to provide stable revenues, and returns to the Housing Bank, and to give it facilities to construct economic residential compounds which fit people of limited income from area and specification perspectives. These houses are to be placed in the market at feasible prices and according to the credit law that the Bank follows in financing individuals to buy residences. Therefore, the bank will shift from being a static fund that relies on the funds of the state to a fund that finds new resources which ensure the continuation of its operations, and consequently the applicant will buy by installments for 20 years.

Second:

The Bank asked the council of ministers to give it a LL10 billion loan in order to raise the ceiling of the loan for buying residences, taking into consideration the capability of the limited incomes to get a loan and the cost of constructing a residence⁽²⁰⁾.

Housing Bank faced several problems because of the deterioration of the local currency, and it has abstained from giving loans starting end of 1988. The deterioration of the local currency led to a great gap between the Cost of Construction and the capability of the Bank to give loans, specially when its assets became insufficient to cover the requirements of lending. Also, the administrative expenses of the Bank increased due to the successive increase in the salaries eventhough the management stopped promoting its employees since 1987. Moreover, the Bank could not find resources to restart its activities, and its obligations toward its employees forced it to pay those obligations from the principal of the loans settled by its owners. In addition, the expenses of the Bank was greater than its revenues that were mainly from the interests on the given loans. Consequently, the realized losses consumed the previous profits.

Those were the major problems that faced the Housing Bank and which led it to stop its activities⁽²¹⁾.

(20) Nahar newspaper 25/3/91.

(21) Nahar newspaper 27/11/91.

Chapter IV

Demographic and Social Background

The interaction between social and demographic factors should always affect the construction activity and therefore the demand for houses. That is why it is necessary to have an idea about the demographic and social background of the Lebanese population.

A. Demographic Situation

1. Population Growth

The increase in population does not affect the construction directly but indirectly. This is because the increasing number of old buildings at a greater rate will have to be replaced with an increasing number of new ones year after year.

Ever since 1975, the demographic situation in Lebanon has experienced a disturbed behavior in its growth. In the absence of official statistics, the population increase is estimated at an average sound rate of 17% ⁽¹⁾.

(1) Source: ECWA, Economic Commission for Western Asia, April 1989.

As a consequence of demographic changes, the population growth discrepancy is significant between males and females. According to ECWA estimates there were in 1986 1.335 million males and 1.425 million females. This disequilibrium is found among those whose ages are between 25-29 and 30-34 years.

Table 4.1
Data population
Estimates of the Lebanese Population
(1975 - 1988)

Year	Total Population (000)	Residents (000)	Imigrants (000)
1975	2.849	-	-
1976	2.897	2.272	625
1977	2.946	2.625	321
1978	2.996	-	-
1979	3.090	-	-
1980	3.160	-	-
1981	3.213	2.981	232
1982	3.267	2.812	455
1983	3.323	2.653	670
1984	3.379	2.644	735
1985	3.437	2.635	802
1986	3.495	2.660	835
1987	3.455	2.686	769
1988	3.515	2,713	802

- Total population's estimates are based on average growth of 1.7%.
- Residents' estimates are based on "ECWA".

Table 4.2
Percentage Population by Age and Sex⁽²⁾

Age Group	Total	Male	Female
	100	50.79	49.21
Less than	2.75	1.36	1.39
1-4	11.42	5.88	5.54
5-9	15.43	7.84	7.59
10-14	13.03	6.71	6.32
15-19	10.13	5.18	4.95
20-24	7.59	3.87	3.72
25-29	6.15	2.97	3.18
30-34	5.85	2.87	2.98
35-39	5.56	2.84	2.81
40-44	5.16	2.61	2.55
45-49	3.87	2.02	1.84
50-54	2.77	1.39	1.28
55-57	2.49	1.28	1.21
60-64	2.75	1.43	1.32
65+	4.95	2.48	2.47
...	0.12	0.06	0.06

(2) Source: Estimated by United Nations, ECWA Report April, 1989.

Figures in Table 4.2 are useful data to highlight the demographic situation. They show that the Lebanese population is young and marriage is frequent, especially during prosperity and in the rural areas where the economic requirements for marriage are less than those of the cities.

2. Migration

It is often said that migration from rural to urban areas brings with it an increased demand for housing in the cities and leaves rural housing vacant for which there is scarcely any demand.

Since 1975, the armed conflict in Lebanon has produced a large number of displaced persons. Complete quarters along the demarcation lines in Beirut and in its commercial center were devastated causing the transfer of residential and commercial sectors to remote regions from the conflict zone.

The new wave of internal migration has produced increased demand for constructed spaces in regions not originally equipped to accommodate the incoming masses. The construction sector, therefore, has to face the major hurdle of the largest scale migration.

Another factor that has affected the internal migrations and also the distribution of the construction activity is the classification of regional areas as industrial, agricultural, touristic or residential. The agricultural and industrial areas have very limited portions for housing construction. Whereas the touristic and sea front areas are increasing. In this light, the Lebanese people have to congregate in residential areas.

However, the problem is now emerging in different ways. Whenever violence breaks out, many Lebanese have to move to safer places. Some have to travel to foreign countries where job opportunities are available.

It is worth-noting that violence has led to massive migrations⁽³⁾:

- The war has obliged 625.000 citizens to leave the country between April 1975 and April 1977.

- The Israeli Invasion has led 455.000 citizens to run away to foreign countries, at least 277.000 citizens have remained abroad as a result of that invasion.

- The 1983 war in the mountain and the February 1984 events with the consequent deteriorating economic situations, have in 1988 increased the number of the Lebanese residents abroad to about 800.000.

Those imigrants are categorized as follows:

- 15% are permanent immigrants, about 45.000
- 35% are skilled laborers, temporay, or even extented migration, about 105.000; 77.300 of them are still working abroad since 1977.
- 30% or 35% are students, about 105.000.
- About half a million who leave when violence breaks out.
- About 300.000 will return when security prevail once again.

During this migration one notices the following:

- It was a selective migration causing a loss of a highly skilled manpower, "the brain drain"
 - 15.3% Industry
 - 16.9% Construction

(3) Al-Nahar 4/9/1989.

- 16.9% Commerce
- 4% Hotels
- 5.1% Transportation
- 0.9% Banking
- 4.8% Public sector

- Migrations have led the Lebanese people to spend their savings abroad. The war psychology which has been looming over the Lebanese horizon has led to substantial political risks and induced capital outflow. The evolution of the Lebanese savings outside either through money transfers from Lebanon or work abroad is found in Table 4.3.

Table 4.3
Lebanese Savings Outside⁽⁴⁾

Year	Billion Dollars
1981	3.3
1982	3.4
1983	4.0
1984	4.4
1985	4.8
1986	5.4
1987	5.7
1988	7.0

(4) Source: Ibid.

B. SOCIAL BACKGROUND

The social standard is a combinaison of various factors that have a diversified impact on the housing situation.

1. Education

Families of higher education tend to live in larger

and/or better residential spaces and areas. Also improvements in the level of education brings exodus from the rural regions to the centers where more jobs are available and life seems more attractive.

Table 4.4
Literate and Illiterate Population
Aged 15 years and Over by Sex⁽⁵⁾

	Total	Male	Female
Total	1.740.058 (100)	819.246 (100)	920.812 (100)
Literate	1.484.281 (85.30)	733.635 (89.55)	750.646 (81.52)
Illiterate	255.777 (14.70)	85.611 (10.45)	170.166 (18.48)

(5) Source: Marwan Zaydan, Housing Problem in Lebanon, (Beirut: 1990); p. 39.

Migration, however, has its social and economic costs. The country has lost a large number of its labor force and even a proportion of its qualified labor.

It is important to notice from figures in Table 4.5 that the individuals who are directly employed in the construction sector represent 6.13% of the economically active population.

Although these figures do include the non-Lebanese who come from neighbouring countries, yet they do not include those who work in commercial enterprises and industries related to construction. Such industries produce cement, iron bars, pipes, aluminium, furniture, and so forth.

Table 4.5
Percentage Distribution of Economically Active
 Population by Sector and Sex^(b)

Sector	Total	Male	Female
Total	100	82.66	17.34
Agriculture	17.80	14.09	3.71
<u>Industry</u>			
- Mining, quarrying and manufacturing	16.71	13.45	3.26
- Electricity	0.98	0.99	0.01
- Construction	6.13	6.09	0.04
<u>Services</u>			
- Wholesale and retail trade	16.02	15.01	1.01
- Transport, storage and communication	6.69	6.36	0.33
- Finance and business	26.20	18.64	7.56
- Community and personal services	3.22	2.73	0.49
Others	0.41	0.36	0.05
Idle	5.84	4.96	0.88

(1) Source: Ibid, p. 43.

The list is indeed endless. The point to note is that the building sector is far from being an independent income producing sector of the economy.

Nevertheless, unemployment had affected 28% of the labor force in 1985, and as many as 50% in mid 1986⁽⁷⁾ because of the major shifts in population. The breakdown on the infrastructure and the economic dislocation of larger segments have led to raise the unemployment rate.

Finally, it is note-worthy that employment growth is one of the most important long-term determinants of demand for housing.

2. Income Per Capita:

Any increase in income is quickly spent on food, clothing and lodging. This means that the real income of the majority of the population will decrease. Lawyers, engineers, wage-earners, civil servants are also getting one tenth of their former fees or wages.

The basic minimum wage should always enable a paid worker of average earnings with an average family of 5, to provide for them adequately all that is necessary for their existence (shelter, food, education, medication and leisure, in an economy that has to generate its own development and maintain the growth rate necessary to its survival, in order to present social equilibrium and security against unrest and turmoil.

The basic minimum salary (BMS) has registered the following evolution during the past years.

(7) Source: Ibid.

Table 4.6
Basic Minimum Salary (BMS)⁽⁸⁾

Year	Salaries Increase %	BMS (L.L.)	BMS (\$)
1975	12.72	310	135
1977	33.87	415	135.17
1979	26.50	525	164.06
1980 (Feb.)	6.66	560	164.70
1980 (March)	20.53	675	198.52
1981	18.51	800	189.57
1982	15.62	925	192.70
1983	18.92	1100	162.33
1984	13.63	1250	86.76
1985	18.00	1475	47.82
1986	49.15	2200	75.83 ⁽⁹⁾
1987 (May)	59.00	4300	17.00 ⁽¹⁰⁾
1987 (Oct.)	100.00	8500	40.49 ⁽¹¹⁾
1988 (April)	75.00	15000	50.00 ⁽¹²⁾
1988 (Oct.)	50.00	25000	61.09
1990	80	45000	64.12
1991	66.66	75000	80.79
1992	57.33	118000	68.89

(8) Source: Chamber of Industry and Commerce, Beirut, 1993.

(9) Closing of April

(10) Closing of October.

(11) Average of April

(12) 500 LL per \$.

This effective degradation in the value of the BMS does not correspond to a decrease in the same proportions of the per capita income in dollars, which according to sources of the Chambre of Industry and Commerce appears as in Table 4.7.

Table 4.7
Per Capita Income (In Dollars)⁽¹³⁾

Year	Per Capita Income (in Dollars)
1975	1292
1976	761
1977	1202
1978	1414
1979	1665
1980	2069
1981	1975
1982	1945
1983	2219
1984	1847
1985	1101
1986	886
1987	775
1988	986
1989	747
1990	667

(13) Source: Ibid.

3. Average No. of Persons in Families:

Table 4.8
Distribution of Households by Household Size⁽¹⁴⁾

Household size	Number of Households	Number of Persons in Households
Total	564480	2760115
1	27601	27601
2	40574	81147
3	55387	166159
4	83149	332594
5	88232	426162
6	82298	493785
7	69713	487988
8	45059	360471
9+	75468	384208

Table 4.9
Percentage Distribution of Households
by Household Size⁽¹⁵⁾

Household Size	Households	Persons in Households
Total	100.00	100.00
1	4.89	1.00
2	7.19	2.94
3	9.81	6.02
4	14.73	12.05
5	15.10	15.44
6	14.58	17.89
7	12.35	17.68
8	7.98	13.06
9+	13.37	13.92

(14) Source: Marwan Zaydan, Housing Problem in Lebanon, Beirut; 1990; p. 46.

(15) Source: Ibid, p. 47.

If the average number of persons in families, which is estimated at 5.3 persons per family, or alternatively when the average room occupancy level increases, the demand for new housing increases. In Lebanon the average room occupancy is very high and was estimated by ECWA in 1977 at 1.73 persons per room, whereas in other countries the average falls below one person per room.

Because of this high occupancy level, large families who occupy relatively small dwellings have an incentive to move to large houses even if they have to give up in the quality of their new houses. This partly explains the sharp increase in demand for low quality apartments in Beirut and the suburbs and the spread of illegal construction. In fact the variations in the average room occupancy level are very high and vary from very low values in luxury dwellings occupied by wealthy families to high values in crowded dwellings, sometimes lacking the necessary services such as kitchens and bathrooms. (Table 4.10).

Table 4.10
Houses not equipped with the necessary services⁽¹⁶⁾
 (Percentage)

State of Dwelling	
Total	100%
Lacking kitchen	15.5%
Lacking bathroom	21.1%
Lacking toilet	11.4%
Outdoor or shared toilet	11.4%
Lacking running water	17.1%
Lacking electricity	6.6%
Other	16.9%

(16) Source: Ministry of Housing and Cooperatives, Department of Statistics, Beirut, Central Office, 1982.

Chapter V

Measures to Solve the Housing Problem

In order to solve the housing problem, one must face all factors that lead to this problem, and this can be done through a long term planning which will be implemented on several stages, and that will be in harmony with the housing plan in satisfying the basic needs of the individuals, serving the economy and the stability of the local currency, avoiding abnormal inflation in addition to the development of the rural areas and the strengthening of the decentralization in the provinces and the districts, creating new jobs and industry centers in the regions, and developing the transportation and enlarging the authorities of the municipalities.

As for planning one must resort to the following measures:

First, carry out a general housing survey, to let one knows about social, educational and professional situations of the inhabitants, and the situations of the residences concerning their areas and hygienic feasibility, and the density of population in these residences.

Second, organize and equip the regions, in order to reduce the number of people coming to the city who are exhausting its infrastructure and to sustain a suitable level to the environment because one can not ensure

economic growth without distributing equally between the regions the social and economic activities. That's why, one must put a general plan to organize and equip the regions. This plan must be executed by the cooperation of all sectors including housing, civil planning, industry, agriculture, tourism, electricity and water resources, transportation and public works, development and construction sectors. This plan must start by putting some preliminary guiding plans that take in general the distribution of human powers in a harmonious way and the settlement of these capabilities in their own regions.

Third, adoption of a real estate policy that serves housing, in order to reduce the huge increase in the prices of lands that took place during the last years and that led to the increase in the price of residences since the cost of land is reflected in the cost of the residence. As it is known, the prices of lands are increasing at a rate that is higher than the rate at which the minimum wage is increasing. That's why, it is necessary to implement a global real estate policy to restrain the abnormal increase in the price of land and to solve the housing problem which is affecting most people. Also, the devotion of some of the public and private properties of the Government, and the equipping of these lands with infrastructure in order to execute residential projects on them may lead to a solution for the housing problem.

Fourth, production of Prefabricated houses, this will reduce its cost to enable those of limited income from building residences or buying them. Thus, it is important to do the following:

- a) To perform a general survey of the construction industries with the cooperation of the concerned ministries in order to put a study about their capabilities and their future, and to study the means to develop these industries.
- b) To enhance the professional and artistic skills to increase the productivity in the traditional construction way with the cooperation of the concerned institutions.
- c) To work for the unification between the patterns and some measures for certain construction materials, and the computerization in the construction projects.
- d) Encourage the private sector to establish industries related to some construction materials.
- e) To reduce the cost of construction through an information campaign and to try to convince people to accept the residence that satisfies their actual needs, and to forget about owning big residences. In addition, exempt small residences from some taxes.
- f) To encourage the residential cooperations to execute residential projects in order to reduce the costs.
- g) To put an index for the construction cost and to observe the changes of the prices in this index.

Fifth, to follow a flexible rental policy, in order to solve the housing problem. That's why, it is impossible to solve the housing problem in Lebanon through the successive rent laws that have the "exceptional" characteristic.

The continuation of the lawful extension for the rent contracts for forty years with the decrease in the residential units that are for rent, and the delay in issuing a Rent Law, pushed the owners of residential units either to abstain from renting them or to rent them for very high prices to protect themselves from what the new law may decide about the rent cases.

That's why it is important to issue a new Rent Law that takes into consideration the current social situation and that rests on the following principles:

- a) The extension of the rent contracts that took place before the issuance of this new Law because of the current situation and its results from displacement and departure of people from different areas, in addition to the destruction in the buildings because of the war.
- b) Connecting the extension with conditions that bring back to the Rent Law the equilibrium between the rights and the obligations. This equilibrium that became disordered because of the monetary inflation, and the huge increases in the prices of services and materials. So, to ensure this equilibrium one must adopt objective criteria that take into consideration the interests of both the owner and the lessee. These criteria will ensure an acceptable income for the owner from his/her real estates and they do not exhaust the lessee with high prices that do not fit his/her capability and the specifications of the residence. Of course the objective criteria must rest on the cost-of-living index and on the specifications of the leased (area, location, time, services, quality, etc.).
- c) Include in the new rent law a legislation that

encourage the lessees to own the residences they are renting, and this is to increase the number of people who own their residences because this will have a positive impact on the psychological and social stability.

- d) To impose taxes on empty residences to encourage its owners either to sell them or to rent them. The collected taxes will be used in residential projects.

Sixth, to introduce the saving system for housing, to connect the residential lending with the efforts of the inhabitant. In this way, the role of the inhabitant will complement that of the state.

Seventh, to follow a social policy, to ensure the social balance and stability, and to provide economic residences that fit the capabilities of limited income people.

Eighth, to ensure that the financial resources will continue to finance the residential projects in a permanent way. These may be ensured through the following:

- a) Issuance of Treasury Bills that have residential characteristic.
- b) To encourage the institutions and the companies that employ large number of employees to assign part of their annual profits to ensure residences for these employees either by selling or by renting, and to exempt this part of the profit from any taxation.
- c) To motivate the Municipalities to allocate a certain rate of their annual budget to participate in financing

local residential projects within their municipal boundaries.

- d) To impose some new taxes and use their returns to support housing projects in the country. For example, imposing taxes on the profits earned from selling real estates that will be used in construction.

As it was seen in the chapters of this research, the magnitude of the housing problem is enormous especially for middle and low income people. It is worthy to note that these people will not be able to buy a house or even to rent a house based on the new rental law. Therefore the suggested solutions in the final chapter must be implemented as soon as possible. In addition, the government must further the construction projects in order not to face a social crisis in the near future.

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