


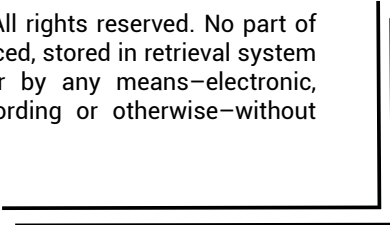


**GUIDE FOR
MAINSTREAMING
HOUSING
IN LEBANON'S
NATIONAL
URBAN POLICY
2021**



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MAINSTREAMING**

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The United Nations Human Settlements Programme (UN-Habitat) is the United Nations agency for human settlements. It is mandated by the United Nations General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. UN-Habitat's programmes are designed to help policymakers and local communities get to grips with human settlements and urban issues and find workable, lasting solutions.

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Beirut Port explosion damage
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LIST OF ABBREVIATIONS AND ACRONYMS

3RF	[Lebanon] Reform, Recovery and Reconstruction Framework
4Ps	People–public–private partnerships
ABL	Association of Banks in Lebanon
ALDIC	Association Libanaise pour les Droits et l'Information des Contribuables [The Lebanese Association for Taxpayers' Rights]
CAS	Central Administration of Statistics
CDR	Council for Development and Reconstruction
CEDRE	Conference for Economic Development and Reform through Enterprises
CFD	Central Fund for the Displaced
CoA	Court of Accounts
CoH	Council of Housing
CSO	Civil society organization
DG	Directorate General
DGA	Directorate General of Antiquities
DGC	Directorate General of Cooperatives
DGLRC	Directorate General of Land Registry and Cadastre
DGM	Directorate General of Municipalities
DGUP	Directorate General of Urban Planning
ESCWA	[United Nations] Economic and Social Commission for Western Asia
FAR	Floor area ratio
GDP	Gross domestic product
GNI	Gross national income
HCUP	Higher Council of Urban Planning
HIS	Housing Implementation Strategy
HOA	Homeowners' association
ICC	Interministerial Committee for Cities
ILO	International Labour Organization
IMF	International Monetary Fund
LBP	Lebanese Pound(s)
MENA	Middle East and North Africa
MoC	Ministry of Culture
MoF	Ministry of Finance
MoH	Ministry of Housing
MoIM	Ministry of Interior and Municipalities
MoJ	Ministry of Justice
MoPWT	Ministry of Public Works and Transport
MoSA	Ministry of Social Affairs
NGO	Non-governmental organization
NPMPLT	National Physical Master Plan of the Lebanese Territory

NRC	Norwegian Refugee Council
NSSF	National Social Security Fund
NUP	National urban policy
OECD	Organization for Economic Cooperation and Development
OFC	Occupancy free of charge
PCH	Public Corporation for Housing
PPP	Purchasing power parity
ROAS	Regional Office for Arab States [of UN-Habitat]
SDG	Sustainable Development Goal
UCLG	United Cities and Local Governments
UN-Habitat	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UoM	Union of municipalities
USD	United States dollar(s)

EXECUTIVE SUMMARY

In 2017, the United Nations Human Settlements Programme (UN-Habitat) in Lebanon initiated a National Urban Policy (NUP) programme for the country, as part of a broader regional programme also covering Jordan, Tunisia and Sudan. Two major milestones of the five-phase process in Lebanon – consisting of feasibility, diagnosis, formulation, implementation, and monitoring and evaluation – have been achieved so far: the 2013 publication on reforming urban planning systems in Lebanon (UN-Habitat Lebanon, 2013) and the 2018 publication of a diagnosis report that provided an overview of the country's urban situation and urban policy and planning challenges (UN-Habitat Lebanon, 2018). During the diagnosis phase, consultations undertaken with relevant stakeholders identified **housing as one of two sectors, along with transport, particularly linked to the country's socially, spatially, environmentally and financially unsustainable urbanization.**

Access to affordable, adequate and secure housing presents a major challenge in urban centres, such as Beirut, Tripoli, Saida and Tyre, most particularly in Greater Beirut, where more than half of the country's population is concentrated. The lax regulation of land and real estate markets, unaffordable housing finance, and property-led housing policies are some of the key drivers of **a persistent housing–income disconnect and supply–demand mismatch.**

The influx of about 1.5 million Syrian refugees since 2011 has also put substantial pressure on housing markets in the country, specifically on their lower and often informal segments. More recently, since 2019, the ongoing crisis in Lebanon's economy and financial system has increased the country's short-term housing needs and is expected to lead to a restructuring of the fundamentals of the housing sector in the longer term. The 4 August 2020 Beirut Port explosion, which affected around 300,000 persons, brought the challenge of affordable and secure shelter even more to the forefront of the policy agenda. **Despite the challenges that these tragic**

circumstances have created for Lebanon's population, they represent a window of opportunity for the reform of its weak system of housing development.

To this end, this guide outlines the **policy orientations** necessary for a renewed, people-centred and integrated housing agenda to be mainstreamed into Lebanon's NUP as it is developed. These orientations rely upon a series of **principles and values** to realign the country's housing delivery strategy; especially important among them are the recognition of housing as a human right and the prevalence of the social value and use value over the exchange value of land. A necessary step to design and implement such a renewed housing strategy will be the **clarification and restructuring of institutions**, to tie them into the new system of priorities and to enable them to work more effectively together. This will ideally include the reactivation of the Ministry of Housing, or the creation of a Council of Housing, and reinforcement of the role of municipalities. This guide also details the steps necessary to initiate an **inclusive policy development cycle.**

This guide identifies **three major housing policy priorities as well as an action plan** that converts them to actionable programmes, instruments and interventions. It proposes **21 recommendations** with short-term initiatives while also laying the groundwork for longer-term policy goals.

- **HOUSING POLICY PRIORITY 1: TIGHTEN THE REGULATION AND ORGANIZATION OF LAND AND REAL ESTATE MARKETS**

Property speculation is a major source of housing unaffordability and puts the stability of the local real estate and banking sectors at risk of collapse. In this context, the soft landing of real estate and land prices; the increased transparency of, and data availability within, the property market; the reinforcement of land governance; and the fluidification of the land supply chain need to be essential target outcomes. Policy recommendations include the establishment of a

National Urban Observatory, the development of a targeted bailout programme for middle-market housing developers, the reform of land and real estate taxation, and the creation of intermunicipal public land banks.

- **HOUSING POLICY PRIORITY 2: DIVERSIFY THE CHANNELS OF HOUSING FINANCE AND DELIVERY**

Bridging the housing gap (supply–demand) and facilitating access to affordable, secure and adequate housing can only be accomplished by building a broader continuum of housing supply. This endeavour will require the securing and diversification of homeownership solutions and the reinvigoration of the rental sector. Policy recommendations include the stimulation of shared-equity homeownership solutions, the creation of capacity development programmes for first-time homebuyers, the establishment of a national mortgage finance company, the development of rental intermediation programmes, the design of a Lebanese prototype for social rental housing, and the establishment of an Inclusive Housing Innovation Fund.

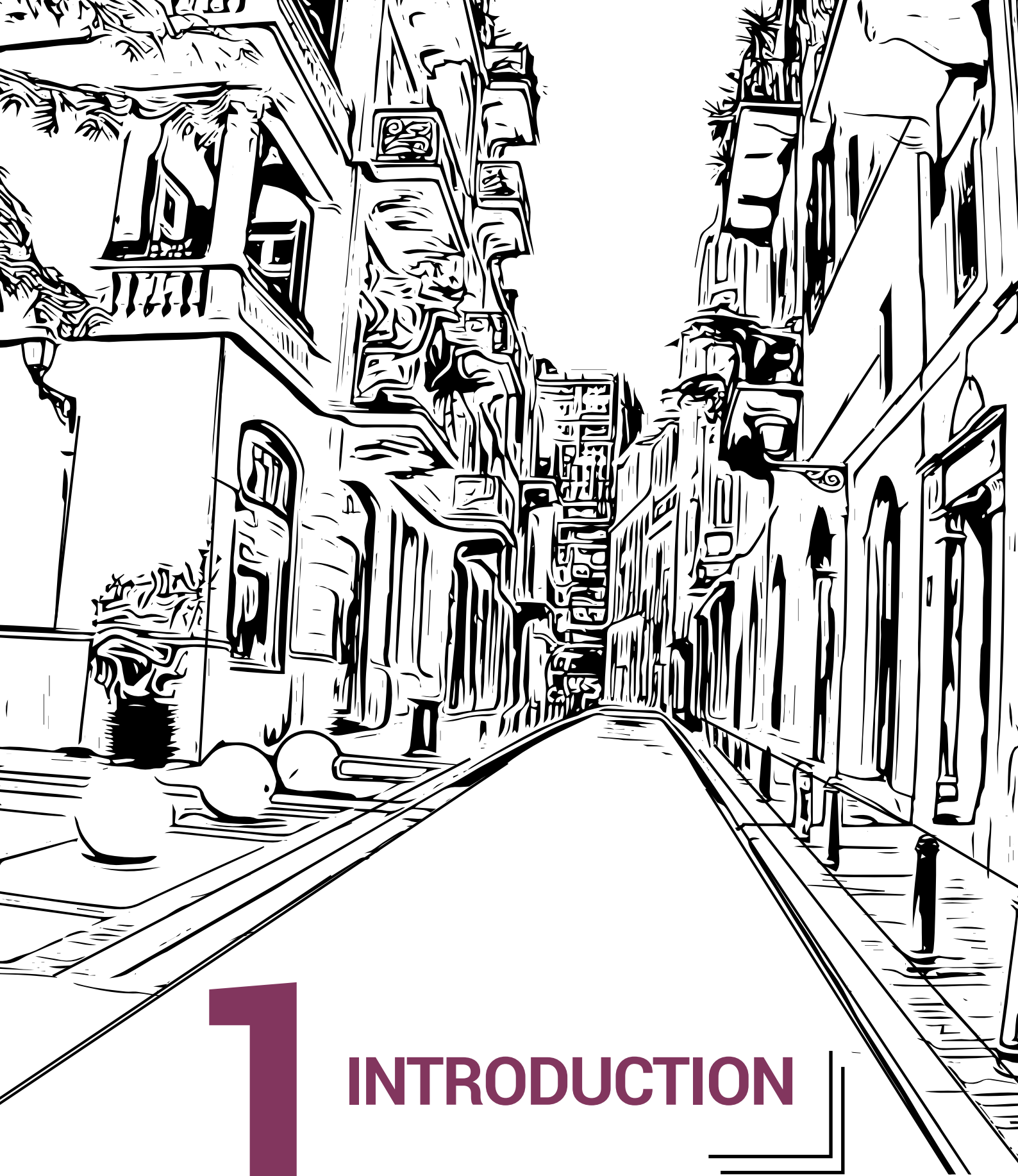
- **HOUSING POLICY PRIORITY 3: REGENERATE THE EXISTING FORMAL AND INFORMAL HOUSING STOCK**

In addition to better regulating property markets and achieving a greater variety of housing standards, supply types, credit and tenure types, a renewed

housing policy needs to initiate a large-scale programme of rehabilitation of the existing low-quality stock in both formal and informal, urban and peri-urban areas. Decades of poor building maintenance and management have resulted in the rapid deterioration of the various neighbourhoods of major urban agglomerations. Living conditions also continue to remain substandard for vulnerable populations (low-income Lebanese households, refugees, and migrant workers) living in the densely populated informal areas generally located on the periphery of Lebanese cities. Policy recommendations therefore include the design of community-led, area-based and integrated regeneration policies and strategies.

The vision, framework and road map for action included in this guide align with the World Bank–European Union–United Nations Lebanon Reform, Recovery and Reconstruction Framework (3RF) (World Bank, European Union and United Nations, 2020a). This guide particularly informs the fourth pillar (Improving Services and Infrastructure) and provides specific recommendations that detail the proposed reforms and policy actions, capitalize on the proposed investment programmes and break down the institutional needs and gaps that require strengthening, as proposed under Pillar 4 (Housing) of the 3RF.





1

INTRODUCTION

For decades, poorly controlled urban growth and uneven access to housing, basic services and economic opportunities have posed increasing challenges to the future of both human and natural ecosystems in many parts of the world. The risks posed and very concrete damages caused by the acceleration of climate change have exacerbated since 2020, as cities became the epicentres of the COVID-19 pandemic across the globe, compounding preexisting health, economic, social and psychological inequalities in their populations. The root causes of many of these inequalities, despite often being multiple, can frequently be traced to the decisions that have directed urban changes in each country. In other words, these are often reflected in and/or have resulted from absent, deficient or biased public policy.

In order to support the development of well-designed urban public policy in different countries, UN-Habitat initiated its global National Urban Policies (NUPs) programme in 2016 during the Habitat III Conference in Quito, Ecuador, aiming to define “a coherent set of decisions derived through a deliberative, government-led process of coordinating and rallying various actors for a common vision and goal that will promote more transformative, productive, inclusive and resilient urban development for the long term” (UN-Habitat, 2019). The NUP programme seeks to build integrated, cross-sectoral, people-centred, local and national public policies that better regulate urbanization and capitalize on its multiple opportunities. At the centre of these policies is attention to the inevitable stresses of urbanization that first and foremost affect the most vulnerable segments of society.

UN-Habitat has conceptualized the NUP process as consisting of five phases: feasibility, diagnosis, policy formulation, policy implementation, and monitoring and evaluation. All phases must be tailored to national contexts and must aim to

engage and empower a large range of stakeholders, including central and local governments, academic institutions, civil society organizations (CSOs) and the private sector. NUPs serve as indicators for the monitoring of progress towards a number of global agendas, including the urban dimensions of Agenda 2030 for Sustainable Development and its 17 Sustainable Development Goals (SDGs),¹ as well as the New Urban Agenda (NUA).²

A housing-centred NUP in Lebanon

NUP initiatives have been launched in over 56 countries to date, including four countries in the Middle East and North Africa (MENA) region since 2016. It is in this context, with the support of UN-Habitat's Regional Office for Arab States (ROAS), that an NUP process was initiated in Lebanon in 2017, as well as in Jordan, Tunisia and Sudan. A first milestone in Lebanon was the completion of the diagnosis phase in 2018, with the publication of a dedicated report providing an overview of the country's urban situation and urban planning and policy challenges (UN-Habitat Lebanon, 2018).³ This study was conducted in coordination with the then operational Lebanese Ministry of State for Planning, and two committees that were set up – a steering committee and a technical committee – composed of urban planners and multisectoral experts. Consultations from the diagnosis phase with relevant stakeholders led to the identification of two urban sectors in need of urgent and integrated policy reform, which would be mainstreamed into the country's NUP to be developed in the future: transport and housing.⁴ Housing has also been highlighted as a key sector in the Lebanon 3RF (World Bank, European Union and United Nations, 2020a), positioning the housing sector in a pivotal role for any future medium- and long-term development plans and reforms.

1 SDG 11.1 aims to “ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums” (United Nations, n.d.).

2 The NUA was adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in Quito, Ecuador, in 2016, and was endorsed the same year by the United Nations General Assembly. It is an “action-oriented document” aimed at “driving sustainable urban development at the local level” and fostering the sustainable development goals and targets. For further information, see UN-Habitat (n.d.).

3 This diagnosis report underlines the urban planning deficiencies in Lebanon's uneven and unsustainable model of urbanization. This model is characterized by rapid urban sprawl and the densification of informal urban areas. The report identifies a number of key reasons for the weaknesses of the local urban planning system, including the following: the inefficiency of urban planning laws, rules and regulations; the absence of integrated planning in urban management; an overcentralized and hierarchical administrative structure with limited communication between national and local governments; the lack of consideration of the public interest and the near absence of public participation in planning decisions; and the prevalence of bricolage planning practices (UN-Habitat Lebanon, 2018).

4 Besides this guide that focuses on the mainstreaming of housing into NUP, also see UN-Habitat Lebanon (2021b, 2021c).

Access to affordable, adequate and secure housing presents a major challenge in Lebanon, especially in big urban centres, such as Beirut, Tripoli and Saida. The issue is most pronounced in Greater Beirut,⁵ where a housing gap, expanding since the 1970s, was worsened by the financialization of property⁶ in the 1990s and 2000s. Significant upscale supply and investment demand, elevated property prices, the scarcity of long-term financing solutions, and the devitalization of the rental sector have aggravated the local market's housing-income disconnect and its supply-demand mismatch. They have also had a significant effect on the movement of vulnerable residents – including low-income Lebanese households, refugees, and migrant workers – from the formal to the informal sector, as they search for affordable shelter solutions. The dysfunctional state of housing markets, unaffordable housing finance, and the unbalanced structure of housing production are in many ways the result of property-led and market-oriented housing policies developed since Lebanon emerged from the civil war (1975–1990) (Marot, 2018a). In the context of the liberalization of public policies observed elsewhere in the MENA region and beyond, demand-driven interventions to develop mortgage-based homeownership gained momentum, while the provision of affordable and adequate housing simply disappeared from the policy agenda. In this state of affairs, the challenge of providing reasonably priced and adequate housing solutions for vulnerable populations remains largely unaddressed, despite legislation that has recognized housing as a human right since the passage of Law No. 58 of 1965, known as the Housing Law (Legal Informatics Center, n.d.).

HOWEVER TERRIBLE THESE CIRCUMSTANCES ARE, IT IS SUGGESTED THROUGHOUT THIS GUIDE THAT THEY CAN BE A GAME CHANGER: THEY CAN PAVE THE WAY FOR FUNDAMENTAL REFORM OF LEBANON'S VERY FLAWED SYSTEM OF HOUSING DEVELOPMENT.

The housing situation has been worsening since 2019, as Lebanon has experienced one of the darkest periods in its history. The country is facing an unprecedented financial, monetary and economic crisis that is eroding the middle class and has already plunged more than half of its resident population below the poverty line (World Bank, 2020a). Currency devaluation, loss of incomes and savings, hyperinflation and increased unemployment all affect residents' capacity to access housing – among other basic needs. To make matters worse, the country has suffered severely from the COVID-19 pandemic and the 4 August 2020 Beirut Port explosion; the latter devastated large parts of the capital and affected more than 300,000 persons.

IT IS TIME FOR A NEW HOUSING POLICY ENVIRONMENT TO EMERGE AND FOR HOUSING TO BE PLACED AT THE CENTRE OF THE LEBANESE POLITICAL AGENDA.

However terrible these circumstances are, it is suggested throughout this guide that they can be a game changer: They can pave the way for fundamental reform of Lebanon's weak system of housing development. Despite the ongoing compounded acute challenges facing Lebanon, it is important not to lose sight of longer-term strategic visioning for sustainable urban development (including in the housing sector), while making sure that such visioning is integrated into short-term crisis responses. There now exists a historic opportunity to mainstream housing priorities and solutions into a new inclusive and integrated urban policy framework. **It is time for a new housing policy environment to emerge and for housing to be placed at the centre of the Lebanese political agenda.**

⁵ Greater Beirut is not an official entity and refers here to the area defined by the country's 2005 National Physical Master Plan of the Lebanese Territory (NPMP/PLT) as Municipal Beirut and the Mount Lebanon Governorate. For details, see Council for Development and Reconstruction (2005).

⁶ The financialization of property refers to the process by which land lots, condominium units and buildings have increasingly been used and perceived by resident and non-resident investors as financial vehicles, competing with traditional financial products (e.g. deposits, sovereign bonds, stocks, etc.) in the storage and production of value and in diversification of asset portfolios. This phenomenon, observed in many metropolises across the world, has profoundly affected the nature, financing and features of Lebanon's real estate and construction activity. It is particularly evident in what urban research calls "property states" (Haila, 2000, 2016), such as Singapore and Hong Kong, where the real estate and construction sectors play a major role in wealth creation (about 20 per cent of the gross domestic product [GDP] in post-2000 Lebanon – see Table 2).

Outline and methodology

The objective of this guide is to mainstream housing into Lebanon's NUP that will be formulated in the future. It is divided into three sections:

- The first section (Section 2) delineates the organization of the country's housing sector all along its value chain. It looks into the key features of the housing markets, finance, actors and policies that have largely been molded by a rentier and finance-led post-civil war political economy. It also explores the ways in which the current collapse of Lebanon's economy and financial system may lead to a complete restructuring of the fundamentals of the housing sector in the medium term. And it explains the reasons why short-term action is urgently needed in response to the housing needs in Beirut that have been exacerbated by the 4 August 2020 port explosion.
- The second section (Section 3) identifies the basis of a renewed housing policy framework. It suggests a number of key policy orientations and institutional arrangements; the steps of an inclusive policy development process; and three major integrated policy priorities.
- The third section (Section 4), finally, formulates an action plan detailing 21 short- and longer-term recommendations, whose aim is to convert the policy directions and priorities proposed in Section 3 into actionable programmes, instruments and interventions.

Methodologically, the production of this guide consisted of three main steps:

- Step one was the collection of available up-to-date quantitative and qualitative data, mostly through desk research, to complement the existing database of policy research and practice on Lebanon's housing issues. Specific attention was paid to the collection of reliable existing data on the current financial, monetary, economic and social crisis, and its impact on the housing sector, as well as on housing policy instruments and mechanisms, which have been experimented with in a number of countries, that are likely to provide practicable solutions to Lebanon's housing challenges.
- Step two was the generation of an evidence-based analysis on Lebanon's housing markets, finance and production, and on context-sensitive policy development recommendations and tangible measures for a holistic and durable reform.

- Step three, finally, was the engagement of diverse stakeholders from the central and local governments, the private sector, community organizations and academia to discuss and validate the housing policy analysis and recommendations. This firstly consisted of presentation and discussion of the housing policy recommendations during dedicated sections in two NUP orientation sessions organized by UN-Habitat Lebanon. The first session (in English) addressed representatives of the academia, the private sector and CSOs (27 November 2020), and the second (in Arabic), local and national government representatives (9 December 2020). A dedicated online survey was additionally circulated after the two sessions, asking participants to evaluate and rank housing policy orientations and recommendations included in this guide. The survey was also shared with a number of local housing experts, practitioners, researchers and community organizers.





2

DIAGNOSIS OF LEBANON'S HOUSING SITUATION

Recommendations for housing policy formulation must follow from an understanding of the primary issues, threats and needs that characterize Lebanon's current housing situation. Over the past three decades, as with most countries in the MENA region, access to affordable, adequate and secure housing has become increasingly difficult, especially in urban centres (Baharoglu et al., 2005; Dübel and Hassler, 2016). The major challenges have been the country's poorly controlled urbanization, fast-paced demographic growth, and massive property-led development dynamics. All of these challenges have reinforced the historically speculative nature, fragmented structure, and dysfunctional organization of the housing sector. To better understand the scope and depth of the housing reforms that will be mainstreamed into a future NUP for Lebanon, this section will provide a brief, critical overview of the country's housing markets, existing policy framework, and current challenges.⁷

2.1 The multifaceted fragmentation of urban housing markets

In Lebanon, residential real estate markets are multiple and organized primarily along socioeconomic and sectarian fault lines. Although poor housing conditions are clearly a feature of the country's rural areas, access to and production of affordable, secure and adequate housing remains primarily an urban challenge in a highly urbanized country: Cities house about 88.5 per cent of the country's estimated 6.8 million residents (including the approximately 20 per cent of its population who are non-Lebanese) and provide for the large majority of its jobs.⁸ The scarcity of adequate housing is particularly acute in Greater Beirut and the country's other urban centres (e.g. Tripoli, Saida, Tyre, Zahleh), which together comprise 64 per cent of the country's population (UN-Habitat Lebanon, 2011). The reasons for the unaffordability and low quality of the country's housing stock are multiple and complex. Four factors are key, however: the lax regulation of and speculative practices on property markets, the transformation of residential

tenure, the deterioration of the housing stock, and a protracted mismatch between residential property supply and demand (Marot, 2020).

2.1.1 The lax regulation of speculative property markets

In recent decades, urban land and real estate markets have experienced hyperinflation. Between 2003 and 2013, available anecdotal data indicate that Beirut's real estate prices roughly doubled (InfoPro, 2014). This sharp climb has been driven mostly by a persistently high level of demand from resident, diasporan and foreign investors, as well as end users. The demand has been sustained by substantial inflows of external private capital (deposits, foreign investments, remittances); protracted GDP growth; and a number of key financial, monetary and fiscal policy decisions.⁹ In the meantime, the cost of land, which has been leveraged against that of real estate, has significantly inflated, a mechanism well known to urban and property economists. It is not uncommon to see land costs at 50 to 60 per cent of the price of a new housing unit in Beirut.

This understanding of the workings of the country's land and real estate markets runs counter to mainstream analysis stating that the rapid rise of residential real estate prices can be accounted for by an absolute shortage of urban land. In fact, there is no evidence of a shortage of vacant and temporarily occupied lots in Lebanese cities, including in Beirut where about one third of lots can be considered empty or underoccupied. The problem is one of pricing: Landowners, especially of the large lots in high demand, have been asking unreasonably high prices, which have spread to the rest of the market (Marot, 2018a, 2019).

⁷ This section builds on and expands earlier policy research and analysis conducted on Lebanon's housing markets (Marot 2018a, 2020).

⁸ In recent years, more than 50 per cent of Lebanon's residents living in cities live in Greater Beirut (CAS and ILO, 2020; World Bank, 2018; Yaacoub and Badre, 2012).

⁹ The Lebanese diaspora has been pouring money into the country's real estate since the 19th Century. But the increasing financialization of property from the early 1990s to 2018 saw land and real estate become even more central to the attraction and recycling of external liquidity. Concretely, the Central Bank of Lebanon has encouraged local, diasporan and foreign investors to invest in property, directly or indirectly, on both the supply and demand sides, in order to stimulate GDP growth and ensure financial and monetary stability (see Section 2.3).

ACCESS TO AFFORDABLE, ADEQUATE AND SECURE HOUSING PRESENTS A MAJOR CHALLENGE IN LEBANON, ESPECIALLY IN BIG URBAN CENTRES, SUCH AS BEIRUT, TRIPOLI AND SAIDA.

This form of land speculation results largely from an incomplete framework of legal, taxation and administrative regulations that organize the country's land markets,¹⁰ a framework that absorbs different trends and involves different actors across urban and rural areas. What unites it is the laxity of regulations. All land parcels are developable, unless controlled by a specific local master plan that frames land-use regulations and defines the total square footage of allowable construction on these parcels. It is estimated that 15 per cent of the Lebanese territory is covered by decreed master plans (UN-Habitat Lebanon and ESCWA, 2021); however, these are generally outdated, permissive zoning frameworks that promote property-led development and reinforce the primacy of the exchange value of land over its use value.¹¹ This is the case for Beirut, where a 1954 Master Plan grants development rights with floor area ratios (FARs) ranging from 1 to 5. It illustrates a trend apparent in most municipalities: Land-use and other planning instruments, when they exist, fail to reasonably guide local urbanization. The situation is the result of the general inability of local authorities to design and/or manage these policy tools, and pressure from local land development interests that seek to protect a favourable and profitable status quo (Marot, 2018a, 2020).

In the absence of solid data and indicators on supply, demand and prices, elevated land and real estate prices are also the outcome of market opacity. Information asymmetry and lack of transparency fuel the rent-maximizing behaviours¹² and herd mentality of property actors (e.g. landowners, property developers and brokers), as well as the "contagion" and "panic" effects

that lead to periods of property booms and busts (Marot, 2018a, 2020). The scarcity of data on property market structures and trajectories, on the expectations of economic actors, and on housing needs also reduces the accuracy of market assessments and hampers urban policymaking and policy evaluation. Under these conditions, the reform of instruments of land and real estate governance,¹³ and the production and circulation of reliable market information are two prerequisites for better market housing regulation and the production of affordable homes.

2.1.2 The transformation of residential tenure: The parallel expansion of homeownership and informal occupancy

In recent decades, Lebanon has experienced a transformation of residential tenure with the concomitant rise in formal homeownership and informal occupancy in a shrinking rental market.

The fast-paced development of homeownership is undoubtedly the most essential and influential trend observed in the past half century, more particularly in the post-civil war period. In 1970, 44 per cent of formal primary residences were owner-occupied; the most recent figures show that number to be around 70 per cent (Table 1), according to the Central Administration of Statistics (CAS) (2007, 2020). This is slightly higher than the world average of 65 per cent and the MENA average of 64 per cent, even though significant variations exist across the region (e.g. 38 per cent in Egypt and 80 per cent in Tunisia) (Beidas-Strom, Lian and Maseeh, 2009). The post-1990 evolution of forms of formal tenure is the product of new bank-financed and state-subsidized programmes (see Section 2.2), enabling the rapid proliferation of individual home acquisition (Marot, 2020). Interestingly, housing tenure differs in major cities (such as Beirut, Tripoli and Saida), where rental units account for a higher proportion of formal primary residences (probably between 40 per cent and 45 per cent) than owner-occupied ones (CAS, 2007, 2020). The difference is

10 The Land Registry is, for instance, computerized but fragmentary. In 2013, only 50 per cent of the national territory was completely surveyed (including its large and medium-sized cities), 30 per cent was partially surveyed, and 20 per cent was unsurveyed (Clerc, 2013).

11 See UN-Habitat Lebanon and ESCWA (2021).

12 Rent-maximizing behaviours are economic decisions of property actors in which land and real estate assets are used to produce the highest possible rents (Haila, 2016).

13 Land governance instruments refer to policy tools such as taxation of land and property ownership and transactions, planning and zoning regulations, and direct market interventions, which are used to orient the economic behaviours of local agents and organize the development process.

Table 1. Evolution of housing tenure in Lebanon (1970–2004)

Year	Beirut Governorate			Mount Lebanon Governorate			Peripheral areas			Total		
	1970	1996	2004	1970	1996	2004	1970	1996	2004	1970	1996	2004
Rental	77%	48%	49%	54%	25%	28%	23%	10%	11%	48%	21%	23%
Owner-occupation	17%	38%	43%	39%	63%	65%	67%	79%	85%	44%	68%	71%
Other	5%	14%	8%	7%	11%	6%	10%	10%	4%	8%	11%	6%

Source: CAS (2007), as cited in Taffin et al. (2010)

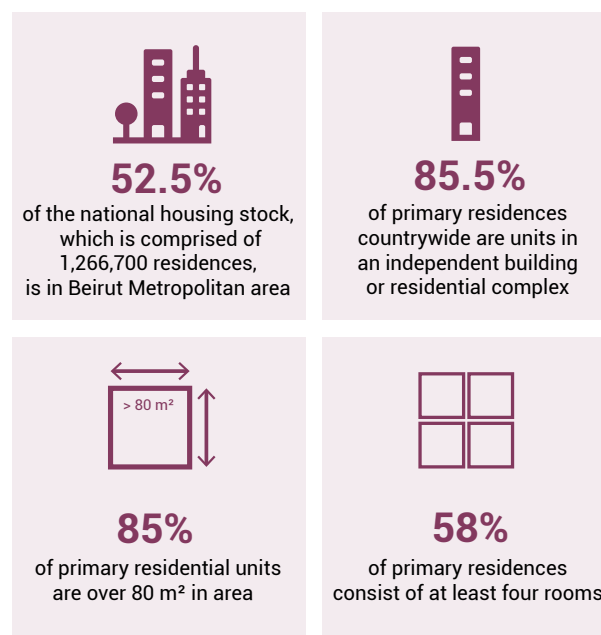
explained by the persistence of a substantial stock of rent-controlled units in urban areas. But the very limited proportion of rental units in the nationwide housing stock produced in recent decades has led to an overall decrease in rental tenure.

In parallel, while there is no official aggregated data to corroborate field observations and research works,¹⁴ the influx of around 1.5 million Syrian refugees (see Box 3) since 2011 and recent economic hardships, which add to the decades-old presence of Palestinian refugees, have contributed to a surge in informal occupancy in both absolute and relative terms. Vulnerable populations (such as low-income Lebanese households, refugees, and migrant workers) increasingly access housing without ownership titles or official rental agreements, exposing them to the risk of eviction and thus increasing tenure insecurity (see more details about the increased informalization of urban housing markets later in this section). Urban and suburban housing markets in Lebanon are then increasingly structured as a continuum between the formal and informal sectors.

2.1.3 A deteriorated stock of housing with uneven access to basic urban services

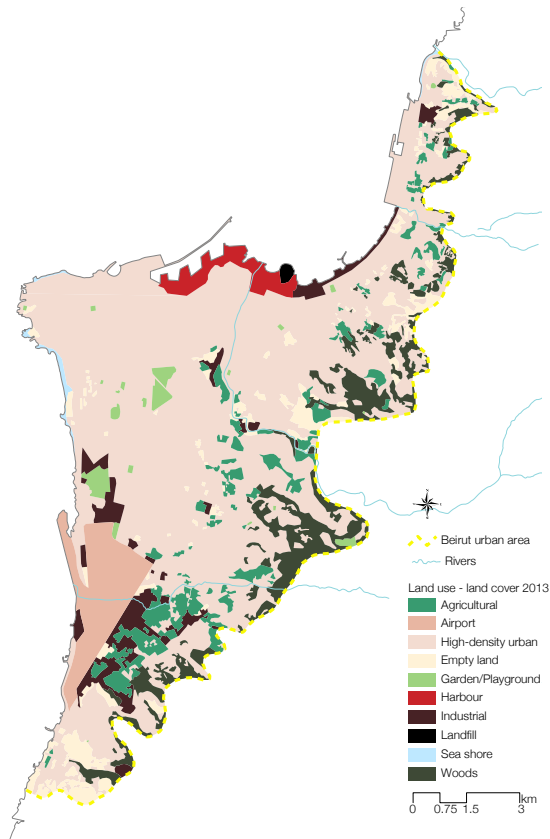
The latest survey by CAS and the International Labour Organization (ILO) on household living conditions provides an overview of the quantitative and qualitative features of Lebanon's formal stock of primary residences (CAS and ILO, 2020). The national

housing stock comprises 1,266,700 residences, primarily concentrated in the Beirut metropolitan area (52.5 per cent) (Figure 1). The elevated share of the urban population affects the profile of the housing stock: Units in an independent building or residential complex account for 85.5 per cent of primary residences countrywide (over 90 per cent in Greater Beirut). Yet, housing units remain relatively large in size despite their concentration in cities: About 85 per cent of primary residences are over 80 square metres in area, and 58 per cent consist of at least four rooms.



14 See Najdi, Farhat and Mourad (2020); UN-Habitat and UNHCR (2014, 2018).

Figure 1. Land use in Beirut City. Remote analysis of satellite imagery



Source: UN-Habitat Lebanon (2021a)



Furthermore, older residential buildings represent a significant percentage of the housing stock in Lebanon, especially in agglomerations such as Greater Beirut, Tripoli and Saida. At the national level, about 65 per cent of existing residential buildings were constructed before 1993. In Beirut, this is the case for about 85 per cent of the residential stock, which includes 59 per cent of living units located in buildings constructed before the 1970s (CAS and ILO, 2020). This aging urban fabric can be war-damaged and generally shows signs of advanced deterioration. The extent of decay varies depending on the neighbourhood, the quality of construction materials, and the capacity and/or willingness of the landlord and owner/occupier to finance regular maintenance and renovation. The generally deteriorated state of the residential stock is also normally accompanied by limited home thermal efficiency and energy poverty of the dwellers. It is also worth noting that a portion of the older residential stock has heritage value dating from multiple architectural eras (e.g. Ottoman, French Mandate, Art Deco, Modernist). A further dimension is the built environment's exposure to seismic hazard: Lebanon is in an earthquake-prone region (Figure 2) and most old, multistorey buildings have no or shallow foundations. As explained in Sections 3 and 4, the significance of deteriorated buildings in the residential stock of Lebanese urban centres will be a fundamental factor to take into consideration when formulating housing policy priorities.

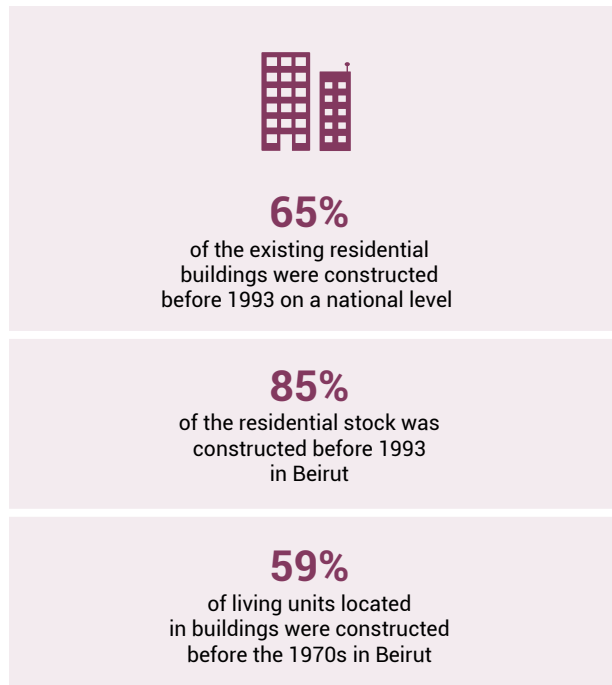
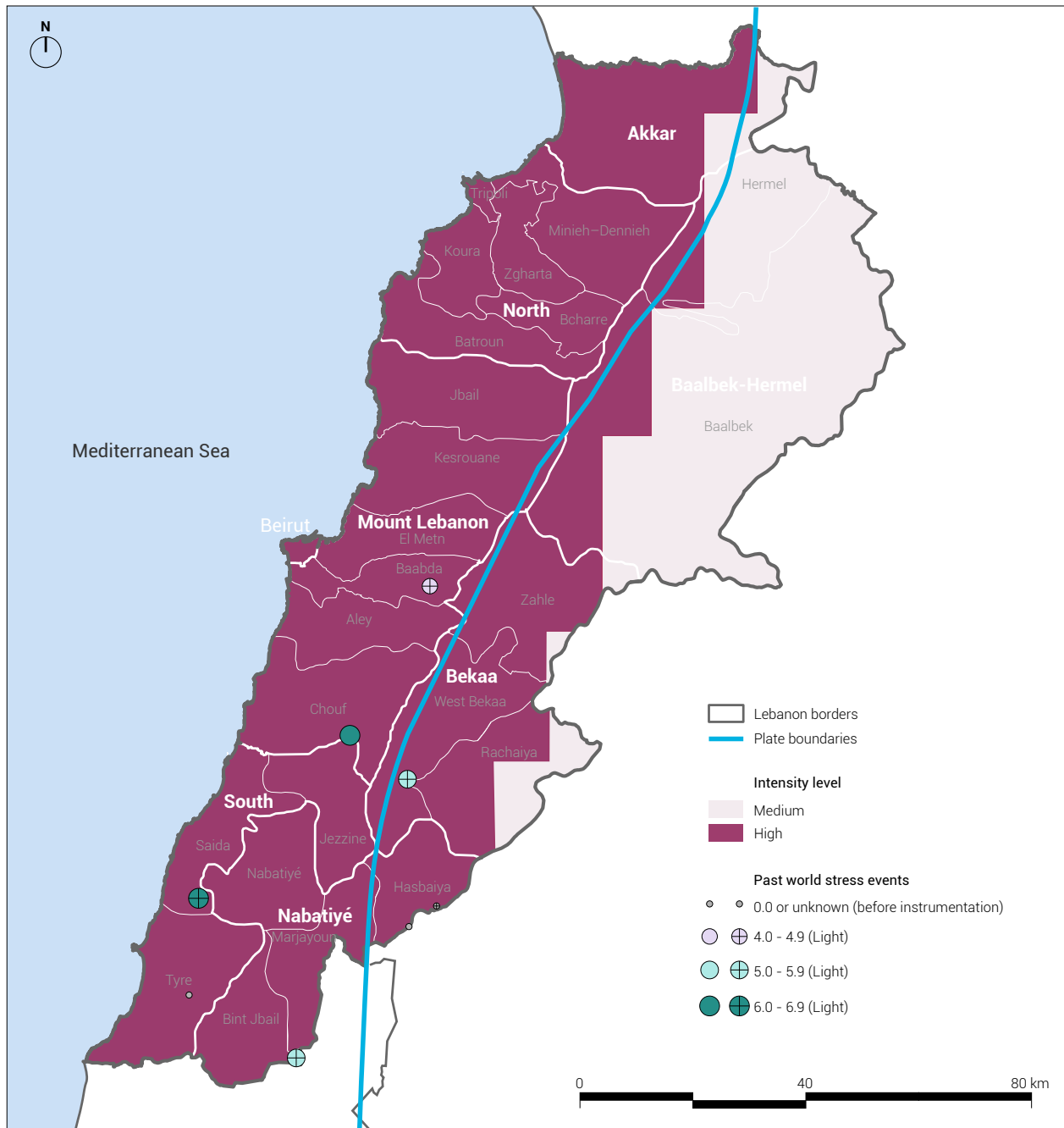


Figure 2. Lebanon's seismic hazard distribution map



Source: World Health Organization (2007)

Older residential buildings, as well as the informal areas¹⁵ of major cities and a number of smaller towns and villages, are also more likely to have limited, irregular and/or poor access to basic (water, electricity and sanitation) and social (education, health and

cultural) services and infrastructure. At the national level, 77 per cent of the country's drinking water comes from non-piped supply (bottled water, springs, etc.). Impeded access to drinking water is the most acute in Beirut, where 92 per cent of its drinking water

¹⁵ Though there is no nationally unified understanding and agreed-upon definitions of "slum"/"informal area" and "urban" in Lebanon, it is estimated that the "slum" to urban population in the country was around 53 per cent in 2014 and around 61 per cent in 2018 (World Bank, 2018).

comes from non-piped sources (CAS and ILO, 2020). Moreover, public power supply is very irregular and worsened in recent years. Power outages stretch to several hours a day in Beirut and across the rest of the country. Households that cannot afford expensive, polluting diesel generators have no access to electricity when power provided through the public system is unavailable, which worsens their living conditions.

2.1.4 The supply–demand mismatch: A matter of prices, standards and tenure type

Lebanon's housing stock was considerably expanded by two successive real estate and construction booms in the 1990s and 2000s. While these episodes of residential production would ideally have broadened access to housing, the reality is slightly different. A

substantial proportion of new units was targeted for investment demand from well-off residents, foreigners and diasporan members, disconnecting it from the bulk of local user demand in terms of price, standards and tenure (Marot, 2020). In a context of uneven capital and income distribution (see Box 1) and steady demographic growth (averaging 3 per cent per annum since 1990) (World Bank, 2019a), these periods of construction actually widened the gap between the profile of existing housing supply and the needs of residents. Thus, post-civil war construction booms have paradoxically reduced access to affordable, secure and adequate housing, particularly in Greater Beirut where about half of the country's population concentrates.



Box 1 | Uneven capital and income distribution in Lebanon

Lebanon is one of the most unequal countries in the MENA region in terms of wealth and income. Recent research shows that the richest 10 per cent of the adult population accounts for about 70 per cent of total personal wealth and 55 per cent of the national income (Assouad, 2017). While the country has a fair number of high-net-worth individuals, 2020 official income data revealed that 42.5 per cent of households had, prior to the 2019 crisis, a monthly income of less than LBP 1.2 million (about USD 800 at the pre-crisis pegged currency exchange rate), and 18 per cent had a monthly income below the minimum wage of LBP 650,000 (CAS and ILO, 2020). Detailed economic information on the implications of the ongoing financial, monetary and economic crisis is not yet available; nevertheless, the recent forecasts from the World Bank and the United Nations Economic and Social Commission for Western Asia (ESCWA) suggest that per capita income has been dramatically reduced by the financial and COVID-19 crises, the contraction of remittances, and increased unemployment, which jumped from 34 per cent to 49 per cent of the labour force from February to August 2020 (World Bank, 2020a). This unprecedented income decline has plunged more than half of Lebanon's population below the upper poverty line (USD 14 per day) and has caused a rapid and significant erosion of a middle class that had been progressively re-establishing itself since the end of the civil war (ESCWA, 2020). Now more than ever, acute wealth and income inequality is affecting the capacity of residents to access housing in its different forms and tenure types.

Unaffordable and inadequate housing supply

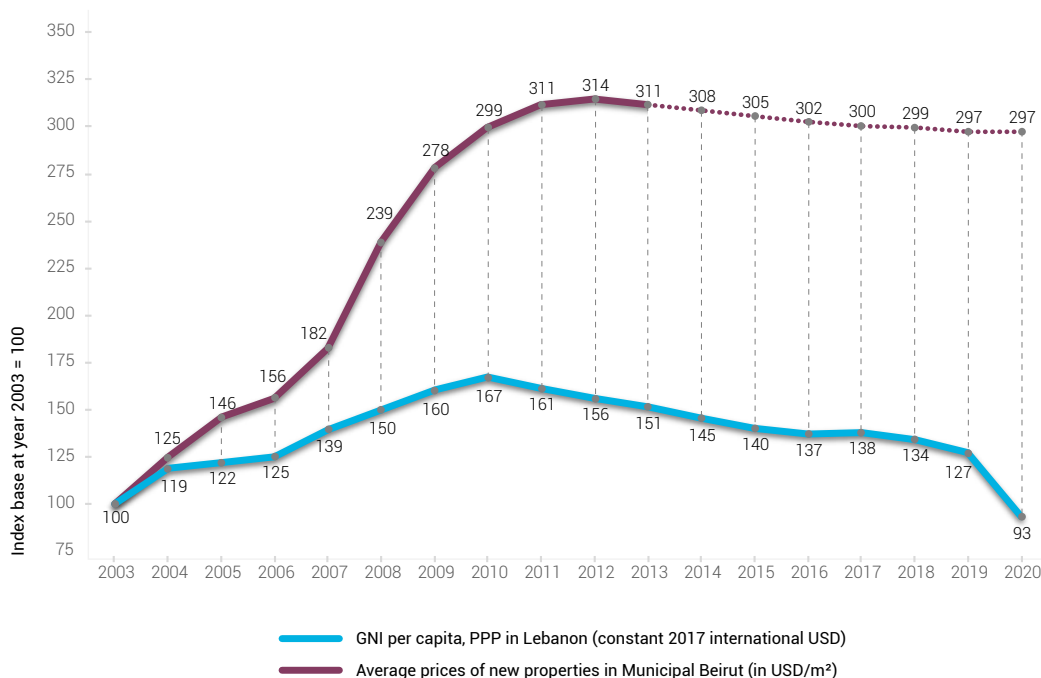
The cost of housing has been extremely high and increasingly disconnected from people's income the past two decades. A comparison of data on income and real estate prices (available and simulated¹⁶) from 2003 to 2020 shows an ever-increasing discrepancy between home prices in Municipal Beirut and resident income at the country level (gross national income [GNI] per capita) (Figure 3). In particular, from 2003 to 2013, the escalation of housing prices was three times that of income (Marot, 2018a, 2020). Estimates further show that the disconnect between home prices and income continued to widen, most particularly since the start of the 2019 financial and economic crisis, which has resulted in unprecedented income decline. Furthermore, property price escalation has subsequently impacted the free rental market: Asking prices for rents in Greater Beirut increased 35–70 per cent, depending on the neighbourhood, during the 2003–2013 period (Alieh, 2014).¹⁷ And the current crisis reduces the capacity of residents to access Beirut's formal rental market

(see Section 2.3). The Beirut metropolitan area has thus become increasingly inaccessible to the large segments of the country's residents looking for affordable housing, regardless of tenure type. While the absence of national and local housing price and rent indices prevents any detailed examination of each Lebanese city and governorate, anecdotal evidence collected from property actors confirms that the housing–income disconnect has, in fact, impeded access to housing throughout the country – albeit to a lesser extent in major cities outside Greater Beirut.

¹⁶ In the absence of property price estimates for the 2003–2020 period, a 1 per cent annual drop was applied to reflect the slow contraction observed by most local pundits. This slight downward trend is believed to have stopped since the onset of the current multifaceted crisis. As official data on 2020 GNI per capita has been unavailable at the time of writing, a 26.5 per cent reduction, equal to an estimated 2020 GDP contraction (Byblos Bank, 2020a), was applied to resident income.

¹⁷ According to property analyst Guillaume Boudisseau, annual rent was, prior to the 2019 crisis, USD 75–100 per square metre in Beirut and could reach USD 150 in well-off neighbourhoods, such as Sursock and Verdun (i.e. a monthly rent of USD 1,875 for a 150-square-metre three-bedroom apartment). In contrast, annual rent was USD 50–75 per square metre (i.e. a monthly rent of USD 415–625 for a 100-square-metre three-bedroom apartment) in Greater Beirut and other principal cities, such as Tripoli and Saida (Marot, 2020).

Figure 3. Housing unaffordability in Municipal Beirut (2003–2020)



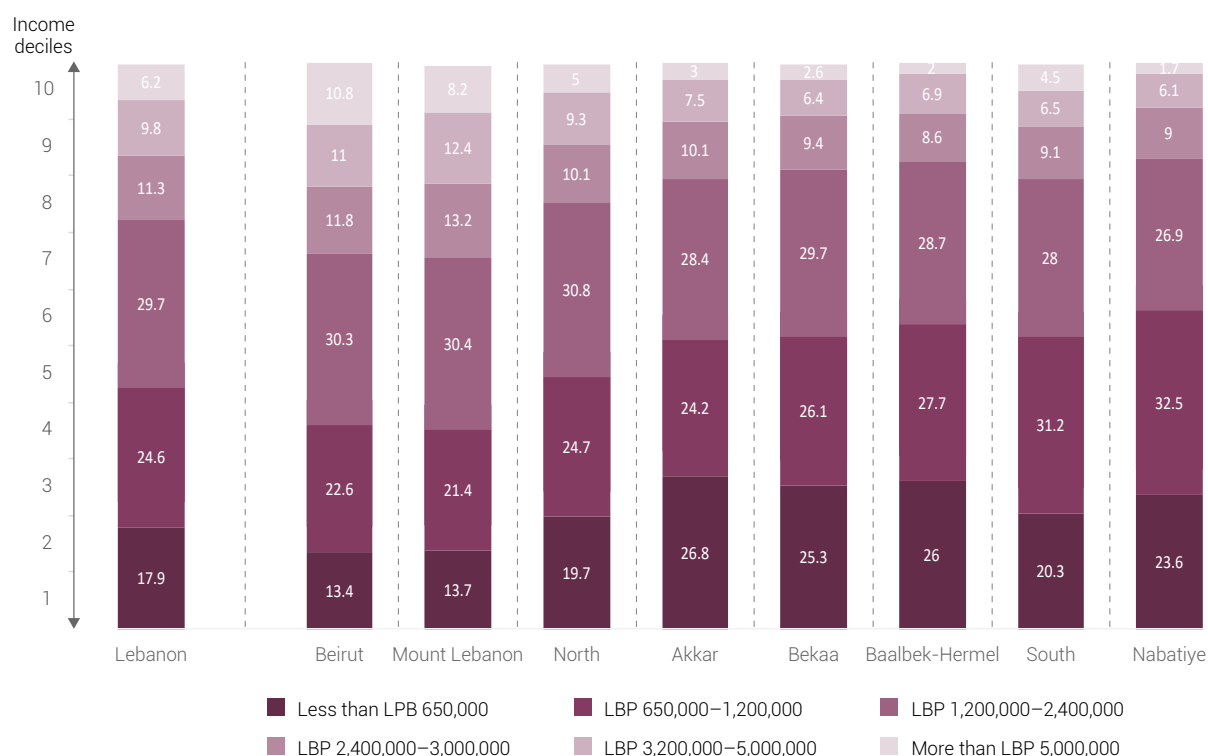
Before indexing (2003)		After indexing (2003)	
GNI per capita, PPP in Lebanon (constant 2017 international USD)	11,549	GNI per capita, PPP in Lebanon	100
Average prices of new properties in Municipal Beirut (in USD/m²)	1,395	Average prices of new properties in Municipal Beirut	100

Sources: InfoPro (2014); World Bank (2020c), simulation by author

Housing-related expenses (rent, water, electricity, gas and other fuels) were already significant for most households prior to the 2019 financial and economic collapse. Throughout the 2010s, these expenses accounted for an average of 28.5 per cent of annual household spending at the country level, and for 36 and 29 per cent for households in Beirut and Mount Lebanon governorates, respectively (CAS, 2012). Hardest hit were the lowest-income groups, those with a monthly income of LBP 1.2 million or less, who constitute the two lowest income deciles (Figure 4) and spend 45 per cent of their earnings on housing (CAS, 2012). The rapid drop in people's income and the devaluation of the Lebanese Pound are expected to increase the housing cost burden in the short and medium terms.

In addition to the affordability issue, the features of residential supply have been significantly reshaped by the two post-war construction booms. In the context of increased property financialization, a significant part of real estate production targeted the residential market's upper segment,¹⁸ responding to wealthy resident and non-resident demand. While these properties still form a relatively limited portion of the country's housing stock, they have accounted for a significant share of new built-up areas over the past 20 years (27 per cent in Beirut) (Beirut Urban Lab, 2020). More importantly, the property practices introduced by the prime real estate industry have strongly influenced the rest of the production line in terms of prices, standards and tenure type (Marot, 2018a, 2020).

¹⁸ The upper segment of the housing market refers to large units that frequently exceed 300 square metres). Generally located in condominium towers, these dwellings include domestic workers and access to pools and gyms.

Figure 4. Monthly household income distribution by governorate (in percentages)


Source: CAS and ILO (2020)

In the context of reduced financial inflows and a GDP growth rate that lowered investment demand, the slowdown of the property market throughout the 2010s pushed an increasing number of builders to respond to local demand – more particularly, to reduce unit sizes and standards to better meet the local middle-income demand eligible for subsidized mortgages, that of income deciles 5 to 8. This may have progressively transformed housing supply, but it was unable to prevent a market contraction – observed primarily in major cities – that generated a situation of oversupply. Vacancy has surged in the housing stock and developers have found themselves with a large number of unsold units (worth USD 8 billion countrywide, including USD 4 billion in Beirut in early 2020), particularly in the upscale and mid-market segments (Marot, 2020). Recent research

shows that 23 per cent of Beirut's housing units are unoccupied or underoccupied (Beirut Urban Lab, 2020). Even if contradicted by a circumstantial revival of the property market (see Box 2), this protracted deceleration of real estate transactions and prices, combined with the difficulty of developers to liquidate unsold units, amounts to a risk factor for the stability of the country's banking and property sectors simultaneously. But the situation is, at the same time, an opportunity to better adapt the features of housing supply to the needs of resident demand and to build a housing market more resilient to recurrent shocks. A number of policy interventions could, for instance, encourage landlords and middle-market developers to put empty units on the rental market at affordable rates (see Section 4).

Box 2 | The unexpected impact of the financial and monetary crises on the residential property market

The stagnation of the residential property market, and the related mismatch between supply and demand, are expected to persist in the coming years as long as the financing system remains at a standstill and the channels of existing housing supply continue to be poorly diversified (see Section 2.3). These structural deficiencies have not prevented land and residential real estate from being used as a “refuge asset” in the multifaceted crises that Lebanon is currently experiencing. Land and real estate transactions have been on the rise nationwide: In the first 11 months of 2020, the number of transactions increased by 55.8 per cent, while their aggregate value escalated by 113.8 per cent to reach USD 12.27 billion, including USD 4.2 billion in Beirut (Byblos Bank, 2020b). Informal capital controls on USD accounts, the depreciation of the Lebanese Pound, and uncertainty over a potential “haircut” and/or a potential bail-in of local banks are pushing an increasing number of depositors in the local banking system to convert part of their bank-retained financial assets into tangible property (Byblos Bank, 2020b). Importantly, this capital flight is believed to affect the land and real estate markets very differently depending on the currency used for transactions. Anecdotal evidence shows that payment in USD from Lebanese bank accounts, unofficially renamed Lebanese dollars (or “lollars”), leads to a 60 per cent asking price increase, while payment in fresh USD generates a 60 per cent price reduction (Ricour-Brasseur, 2020). Transactions sometimes combine payment in lollars, Lebanese Pounds and fresh USD, with conversion rates being a matter of negotiation between sellers and buyers (Boudisseau, 2020).

A middle- and low-income demand increasingly catered by the informal market

It is challenging to provide a precise profile of Lebanon’s housing demand, as information is scarce and sometimes unreliable. It is hardly a secret, however, that a major portion of the homeownership-based formal supply in the middle- and upper-market property segments discussed above fails to meet the needs of households whose median annual income, prior to the current crisis, was LBP 21.6 million (about USD 14,400 based on the pre-crisis pegged exchange rate) at the country level.¹⁹ The value of an average middle-market family unit in Beirut²⁰ is (at the time of writing) approximately USD 350,000, that is, around 25 times the annual median income. The relevance of mortgage-based home acquisition is further reduced by limited financial inclusion: 55 per cent of the country’s adults have no bank account and are therefore ineligible for bank credit (World Bank, 2019b). Many of the remaining 45 per cent do not meet lending criteria set by credit institutions (e.g. minimum/stable income flow, capacity to make a down payment) in a country where informal jobs

comprise 50 per cent of the job market, pre-crisis unemployment reached 34 per cent, and only 42 per cent of formal workers had employee status (Gatti et al., 2014; Saliba, Sayegh and Salman, 2017). In this context, it can be estimated that about four in five (or 80 per cent of) households in Lebanon were ineligible for a housing loan in recent years.²¹

The absence of an inclusive and diversified housing policy has allowed the mismatch between residential real estate supply and demand to continue to hinder access to affordable and secure housing for low-income and lower-middle-income households, that is, those from deciles 1 to 4 with an annual income of LBP 1.2 million and less. These groups are increasingly dependent on a rental sector that is not only dysfunctional (see Section 2.2 below for more details) but under particular pressure from the influx of about 1.5 million Syrian refugees (see Box 3) and the accelerated impoverishment of vulnerable communities (e.g. informal workers, migrant workers, Palestinian and Iraqi refugees) that began years before the current financial and economic collapse. Moreover, in major cities (such as Beirut, Tripoli

19 The assumption here is based on CAS and ILO (2020). The pegged conversion rate between the USD and LBP that prevailed prior to the 2019 currency devaluation is used throughout this report to facilitate comparisons, as currency rates at the time of writing are multiple and fluctuating.

20 In Beirut, a mid-market family unit does not generally exceed 100 to 150 square metres and offers standard facilities (e.g. parking spot, elevator).

21 This estimate is in line with Dübel and Hassler (2016) whose data shows that 18 per cent of Lebanese adults above 15 years had an outstanding mortgage, a figure higher than that for Egypt (6.2 per cent), Tunisia (10.7 per cent) and Jordan (14.9 per cent).

and Saida), the scarcity of adequate and affordable housing on the formal rental market increasingly pushes people to look for shelter in the informal market, whose arrangements extend from divided apartments in the old urban fabric's (peri)central neighbourhoods to peripheral settlements, including slums.²² Existing research has shown that supply is particularly

elastic in the informal sector: Landlords and slumlords routinely add units to the market through "the subdivision of existing structures, the addition of rooms/spaces, and/or the transformation of makeshift options" to rapidly respond to new demand (UN-Habitat and UNHCR, 2018).

Box 3 | The challenge to access adequate and affordable shelter for Syrian refugees

Since 2011, about 1.5 million refugees have fled the war in Syria to settle in Lebanon. Recent figures from the United Nations Inter-Agency Coordination Lebanon (2020) show that:

- 82 per cent of displaced Syrians live in urban and peri-urban areas;
- 68 per cent live in residential buildings, 23 per cent in informal settlements (including tents), and 9 per cent in non-residential structures (garages, warehouses, construction sites, etc.); and
- 55 per cent live in inadequate housing conditions.

In major Lebanese cities, poorly regulated and largely unaffordable housing markets have led refugees to secure temporary shelter arrangements primarily in the informal rental sector where other vulnerable populations concentrate (UN-Habitat and UNHCR, 2018). Rents requested from refugees, generally between USD 100 and USD 300 per month, are higher, and housing expenses (rent, utilities, etc.) often exceed 30 to 40 per cent of their (limited) income. Overpricing is explained by several factors, including, on the one hand, the distrust of Lebanese hosts, and predatory practices of some landlords and realtors, and, on the other hand, the inability of refugee households to negotiate and/or find alternative shelter solutions, due to the limitations of their economic information and social networks (Najdi, Farhat and Mourad, 2020). A minority of refugees are hosted for free, generally by family relatives or employers. Refugees typically occupy poorer-quality housing – shared and overcrowded accommodation with problems such as humidity, insects and leaks – and many are exposed to tenure insecurity as a result of the impossibility of securing official written agreements with landlords (UN-Habitat and UNHCR, 2014). This is the reason why a number of humanitarian organizations initiated the occupancy free of charge (OFC) shelter programme to provide Syrian refugees with more affordable, adequate and secure housing conditions (see details in Section 2.2). It is worth noting that the presence of refugees and the creation of the OFC shelter programme contributed to the emergence of a formal rental market in smaller towns and villages, where owner-occupation had been, until then, the overwhelmingly dominant tenure solution (Najdi, Farhat and Mourad, 2020).

Research by Rouba Wehbe (2019) and by Public Works Studio and Habitat International Coalition (2020) shows how formal and informal tenure can actually coexist in a number of housing submarkets, particularly in the formerly controlled rental stock of Beirut, Tripoli and Saida. Vulnerable tenants most frequently have no lease agreements (e.g. those living in sublets and squats) and are exposed to threats of eviction and abusive practices (extra fees, random rent increase, etc.), situations exacerbated by substandard living conditions and deficient access

to basic services, such as electricity, water and sanitation. At the same time, substandard housing is the norm in informal areas, where self-construction prevails, generally with cheap building materials. These urban and suburban areas – whose history is very much tied to successive waves of international and internal (rural and civil war-related) migrations – typically experience rapid densification due to the difficulty of further expansion of the built fabric. The influx of low-income households causes prices to inflate, living conditions to deteriorate, and tenure

²² Estimates showed that, prior to the Syrian refugee crisis, about 30 per cent of the Greater Beirut population resided in informal areas, including Palestinian refugee camps (UN-Habitat and UNHCR, 2014).



insecurity to accelerate (Clerc-Huybrechts, 2008; Fawaz, 2003). It is a clear illustration that the housing sector functions as a continuum: Social exclusion built into the formal housing market has a domino effect on the functioning of the informal market.

THE ABSENCE OF AN INCLUSIVE AND DIVERSIFIED HOUSING POLICY HAS ALLOWED THE MISMATCH BETWEEN RESIDENTIAL REAL ESTATE SUPPLY AND DEMAND TO CONTINUE TO HINDER ACCESS TO AFFORDABLE AND SECURE HOUSING FOR HOUSEHOLDS IN NEED.

How dysfunctional housing markets affect urban development at large

The housing market gaps in Lebanese cities have direct, negative impacts on other key components of urbanization and urban policy. While central urban areas do include pockets of advanced poverty, their scarcity of affordable, adequate and secure housing – particularly in Greater Beirut with its higher

concentration of economic opportunities – generally pushes low- and lower-middle-income communities further to the periphery. Accompanied by long commuting distances and high commuting costs, the outward movement of these communities further limits their economic inclusion by fragmenting job markets and reducing professional mobility. In the absence of any adequate transport policy,²³ it limits social inclusion by impeding access to basic infrastructure and services. And it exacerbates congestion, whose economic and environmental costs are particularly significant in a private-car-dependent country such as Lebanon (Sarraf, Larsen and Owaygen, 2004; Stephan and El Sayed, 2014; UN-Habitat Lebanon, 2018). As importantly, the paucity of affordable and adequate housing in urban centres fuels urban sprawl and its accompanying land consumption and exposure to natural risks. In sum, it seems reasonable to argue that Lebanon's dysfunctional housing markets have, in recent decades, been significantly contributing to its socially, spatially, environmentally and financially unsustainable urbanization.

²³ See UN-Habitat Lebanon (2021b).

2.2 The implications of a property-led policy framework for housing provision

In most countries across the globe, the scarcity of affordable and adequate housing solutions available in local markets is largely the result of fragmented and/or deficient public policy. Lebanon is no exception. Rather than developing a holistic and diversified strategy tailoring housing solutions to the needs of the various segments of the population, authorities in the post-civil war period have adopted market-led and demand-driven policy orientations, concentrating efforts on the subsidization of individual home acquisition (Marot, 2018a). To explain how and why this property-led policy framework contributes to the unbalanced structure of housing supply, this section first reviews the policies that prioritized channels of individual homeownership, more particularly mortgage-based solutions. It then addresses the dual character of the rental sector and identifies the few experimentations (e.g. rental disintermediation) attempted in recent years. It finally highlights the fact that vulnerable households and informal housing remain outside the scope of existing policy.

2.2.1 Home purchase: The prevailing but exclusionary channel to formal housing

Most households in Lebanon, as in many intermediate-income countries, see the acquisition of real estate assets, apart from their use value, as a needed and secure form of wealth accumulation in the context of a deficient social protection system, and a banking system that risks periodic tremors. In the 2010s, only 20 per cent of Lebanese residents over the age of 65 had access to pension and health plans, mostly public sector employees (ILO, 2013). Many Lebanese then seek to acquire a home out of a concrete fear of being unable to pay rent upon retirement and/or of seeing their savings vanish in a period of financial and monetary crisis. In other words, residential property is both a social safety net and an investment vehicle.

These social and financial dimensions of real estate investment contribute to explaining why, as mentioned in Section 2.1.2, owner-occupation has been the primary residential tenure in Lebanon since the

1970s–1980s, with about three quarters of residents being owners of their primary residence. And two main channels have allowed residents and non-residents to access individual homeownership: owner-outright homeownership and mortgage-based homeownership. Financial capacities, location of property assets, and mortgage conditions are generally the three factors that determine buyers' choice between these two options.

Owner-outright homeownership

Owner-outright homeownership prevails in Lebanon: It is believed to account for about 70 per cent of acquisitions. It consists of self-financed acquisition (46.7 per cent) – through personal equity and/or loans not granted by credit institutions (e.g. family loans) and family inheritance (35.3 per cent) (UN-Habitat and UNHCR, 2014). The severe discrepancy of land and real estate prices between urban and rural areas, as well as between the Beirut metropolitan area and that of other major cities, makes it probable that middle- and upper-income groups living outside the capital region are the most capable of purchasing a home through accumulated savings. In Municipal Beirut, acquiring a property without a mortgage is primarily restricted to well-off residents and non-residents, and to households inheriting a family property asset (Marot, 2020).

Mortgage-based homeownership

In the meantime, the surge of homeownership in Lebanon in recent decades is largely the result of the expansion of subsidized housing finance. However, mortgage programmes are not new in the country: They pre-existed the civil war and expanded during the war years, which turned out to be an intense period of property and construction activity. By the late 1970s, Lebanese authorities had begun to support homeownership essentially through the creation of two public credit institutions: the Housing Bank (1977) and the Caisse Autonome de l'Habitat (1980).²⁴ These two bodies provided long-term and low-rate home loans in Lebanese Pounds. Several episodes of LBP devaluation in the second half of 1980s and the early 1990s led the two to the brink of bankruptcy.

In the post-war period, the Rafic Hariri governments oversaw an in-depth remodeling of state housing

²⁴ The Housing Bank had access to funds from the Treasury and the National Social Security Fund (NSSF) to finance its mortgage activity until its 1994 privatization. The Treasury also financed loans extended by the Caisse Autonome de l'Habitat.

policy. Hariri's strong belief in the reduced role of the state and in the extension of responsibilities of private actors in the country's economy significantly shaped a policy orientation that focused public spending on the establishment of a primary mortgage market subsidized by demand-side incentives. Over the years, the provision of favourable loan conditions (i.e. interest rates of 3 to 5 per cent, 30-year maturity, 20 per cent down payment – see Appendix 1 for details) by commercial banks, the Public Corporation for Housing (PCH), and the Housing Bank, along with a number of ad hoc public funds,²⁵ have turned home acquisition into a pillar of housing supply in Lebanon.

MANY LEBANESE SEEK TO BUY A HOME OUT OF A CONCRETE FEAR OF BEING UNABLE TO PAY RENT UPON RETIREMENT AND/OR OF SEEING THEIR SAVINGS VANISH IN A PERIOD OF FINANCIAL AND MONETARY CRISIS.

Homeownership-oriented housing policies began more specifically to take effect in the early 1990s with the financial compensation paid to civil war-displaced populations. The state-affiliated Central Fund for the Displaced (CFD) disbursed more than USD 1.2 billion to thousands of households to make it possible for them to acquire a residence in their home region (Leenders, 2012). In parallel, a subsidized mortgage market was created through an unconventional form of public–private partnership. A number of institutional rearrangements fuelled the momentum, specifically: the 1994 privatization and recapitalization of the Housing Bank and the 2007 replacement of the Caisse Autonome de l'Habitat by the PCH (Marot, 2018a, 2020). In the late 1990s, the Central Bank of Lebanon and the Ministry of Finance (MoF) began to massively subsidize home loan schemes that were rolled out by the PCH and financed by commercial banks, which were allowed to access their compulsory reserves and benefited from tax

rebates. In the late 2000s, as Lebanon experienced an unprecedented financial and property boom, these subsidies granted to commercial banks were extended to the entirety of their home credit supply. Some faith-based institutions and municipalities relied on these subsidized programmes to develop social homeownership initiatives on rare occasions (see Box 4). This public support for home purchase was itself reinforced after 2013, in the context of an economic and real estate slowdown and financial uncertainty. Annual stimulus packages of USD 1 billion directed support massively to homebuyers. Subsidization of mortgage programmes was finally halted in 2018, putting the entire system of housing finance on hold, as the country's economy and financial system were on the brink of collapse (see Section 2.3). The same year, more than 130,000 home loans worth USD 12.88 billion,²⁶ generally subsidized, were outstanding. These loans were primarily disbursed for primary residences in Greater Beirut (Mount Lebanon Governorate) and other main cities where property prices are more affordable than in the capital (Marot, 2018a).



²⁵ Home loans are provided by over 15 ad hoc public funds for specific categories of civil servants, such as the military, judges and members of the Internal Security Forces Directorate. Incorporation of these funds into the PCH has been discussed in recent years. A number of faith-based entities also provide housing loans to their constituencies.

²⁶ In 2015, as the outstanding mortgage debt totaled USD 10.65 billion, housing loans issued directly by commercial banks amounted to USD 6.5 billion, while those disbursed by the PCH and the Housing Bank amounted to USD 3.2 billion and USD 946 million, respectively. In sum, commercial bank and PCH mortgage programmes accounted for about 90 per cent of Lebanon's home credit supply in recent years (Marot, 2018a).

Box 4 | Social homeownership through faith-based institutions and municipalities

A number of faith-based organizations and foundations (e.g. Caritas, Al-Makassed Association, Syriac Church, the Maronite Social Institution) offer their community members access to social homeownership schemes through two major models (Clerc, 2013; Feghali, 2018; Marot, 2020):

- A first model builds on economic and legal arrangements similar to those of community land trusts. Religious groups develop middle-income housing projects, but preserve landownership, as religious land (*waqf*) is understood to be inalienable. Beneficiaries then acquire a home through emphyteutic leases at below-market conditions, including in Greater Beirut.
- A second and more traditional model entails the transfer of religious land or the purchase of private land by a religious institution, which then manages the development phase. Beneficiaries acquire full homeownership at below-market conditions.

Home purchase solutions at below-market prices are also provided by a few municipalities, such as Bourj Hammoud in Beirut's eastern suburbs. The municipality began developing three major mixed-use housing projects in recent decades (Clerc, 2013; Marot, 2020). The latest consists of 184 housing units, shops, and social and cultural facilities. Beneficiaries are all local first-time buyers who earn less than five times the minimum wage. For this initiative, the municipality relied on its own funds to acquire the land and to finance a portion of the construction work. The financial plan was completed with homebuyer benefits in the form of PCH-sponsored mortgages.



In sum, the rapid expansion of state-sponsored housing loans between 1999 and 2018 allowed for an increased number and a wider profile of (upper-) middle-class households to acquire a primary residence. This was thanks to the extension of loan maturities, a decrease in down payment requirements, and more affordable lending rates. These mortgage schemes, codesigned by the Central Bank of Lebanon and subsidized by public money, have created a situation among middle-income urbanites that can be seen worldwide: Owner-occupation has become more

accessible but more expensive. This democratization of access to individual homeownership, although real, downplays the exclusion of low- and lower-middle-income families, whose financial inclusion and credit eligibility are limited (see Section 2.1). In addition, as with most public policies in Lebanon, the massive support for mortgage-based home acquisition was never subject to monitoring or evaluation by the government, the Central Bank of Lebanon or any other policy body. Over the years, it has been the target of much criticism regarding its cost, inflationary

effects on housing markets, and propensity to expose borrowers to risks related to the multiple forms of instability (financial, monetary, political) plaguing the country (Marot, 2018a, 2020).

In addition to owner-outright and mortgage-based channels, it is worth noting that rental purchase and housing cooperatives are, on paper, two alternatives to access homeownership in Lebanon, as explained below.

Rental purchase

A key feature of the Central Bank of Lebanon's macroprudential policy for property-related credit has been to mandate an initial down payment of at least 25 per cent of the loan value.²⁷ This sound banking practice is yet a major obstacle to access a mortgage for a number of lower-middle-income households. This is the reason why the banking and property industry has strived over the past 15 years to initiate a rental purchase scheme that would allow buyers to accumulate monthly instalments (including the actual rent and other fees) equivalent, over a period of five years, to the down payment value. The major principles and objectives of such a rent-to-own system were enshrined in a framework law (Law No. 767) passed in 2006. The law received no implementing decree, however; thus, most of the technical arrangements needed to operationalize it (e.g. guarantee details, tax incentives, contractual arrangements, governance structure, etc.) have remained unspecified. Rental purchase came back into policy discussions in recent years as part of proposals to extend leasing schemes to residential real estate, as demand slowed down (Marot, 2018a).

Housing cooperatives

Cooperatives are housing solutions based on an alternative tenure model: shared-equity ownership. In Lebanon, they are non-profit entities whose activity is defined by Decree 17199 of 1964. Cooperatives bring together at least 10 members, who collectively acquire land and develop affordable housing units. Land and real estate are owned by the cooperative, whose capital is retained by its members, who hold shares and tenure rights. Importantly, collectively defined rules determine the conditions under which cooperative members are

allowed to bequeath, exchange or resell their shares in order to preserve the not-for-profit model (Fawaz, Salamé and Serhan, 2018).

Cooperatives and their members are eligible for PCH-sponsored loans and can acquire public land at below-market value, which mechanically reduces the cost of housing access. This channel of housing provision does not benefit from financial incentives, however, and remains unknown to most homebuyers conditioned by an institutional, financial and sociocultural environment that has been shaped by individual homeownership (Clerc, 2013; Marot, 2020). It is therefore largely undeveloped in Lebanon: In 2003 (no recent data could be obtained), cooperatives numbered just 156 and represented 1,740 housing units or 0.16 per cent of the country's housing stock (Fawaz, 2003).

2.2.2 The dysfunctional state of the rental market

The prohibitive cost of, and restrictive criteria associated with, home acquisition leave many households dependent on the rental sector, which has undergone considerable change but has received no policy support since the early 1990s.

The dual structure of the rental market

Rent control is undoubtedly the most voluntarist but controversial housing intervention instituted in the past seven decades in Lebanon. Introduced in 1940 during a period of economic crisis, and intended to be time-limited but extended through independence, it had a straightforward objective: to freeze rents at below-market rates in order to ensure reasonably priced accommodation and tenure security for tenants. In the face of the difficulties with development of affordable housing, this legislation ended up being the only affordable housing policy instrument adopted by the Lebanese state over the past half century.

Since July 1992, when a new rental law was passed as the country emerged from the civil war, price-controlled leases signed before that date have existed alongside free leases signed after it. Rent regulation has continued to provide affordable housing solutions

²⁷ Fraudulent banking practices were, however, uncovered in recent years, with mortgages issued to buyers whose down payment did not reach 25 per cent of the loan value (Berthier, 2017).

in the major urban agglomerations, such as Greater Beirut, Tripoli and Saida. Over the years, it has become a de facto channel of affordable housing that ensures tenure security for dozens of thousands of low-income households, particularly those that are elderly. Price-controlled leases also help to preserve relative – but concrete – social, tenure and commercial diversity in urban areas that face mounting land and real estate speculation (Marot, 2018a, 2020).

IN MAJOR LEBANESE CITIES, POORLY REGULATED AND LARGELY UNAFFORDABLE HOUSING MARKETS HAVE LED REFUGEES TO SECURE TEMPORARY SHELTER ARRANGEMENTS PRIMARILY IN THE INFORMAL RENTAL MARKET WHERE OTHER VULNERABLE POPULATIONS CONCENTRATE.

Nonetheless, as all first-generation systems of rent regulation across the world,²⁸ rent control is criticized on a number of grounds because of its disruptive impacts on housing markets and urban development at large. In principle, it shifts the financial responsibility of affordable housing from the state to private landlords, without addressing the root problem of support for low-income households. Most of these households face poor and insecure living conditions in the informal rental market, without any form of public assistance. Moreover, unlike second-generation models of rent stabilization, this form of rent control has actively contributed to the advanced deterioration and disinvestment of the rental stock and the paralysis of its management, particularly since the devaluation of the Lebanese Pound in the 1980s and early 1990s. Additionally, transmission of the right to occupancy to other family members is suspected of reducing tenant turnover and residential mobility, particularly among well-off “old tenants” who are reluctant to move out and find new accommodation at market value. It is also believed to destabilize the liberalized rental market by making landlords unwilling to offer long-term leases,

encouraging them to compensate for the risk inherent in the regulatory gap and the perceived legal instability by setting astronomical rents (Marot, 2018a, 2020).

The new 2014 rental law, amended in 2017, legalized the termination of rent control in a programme, whereby old leases would be phased out over 9 years (or 12 in specific cases). The transition protocol, however, is controversial. The lack of detail about its implementation strategy and tools (e.g. rent readjustment and liberalization, unfunded compensation fund) and the weakness of compensation schemes for “old tenants” have received much criticism and laid the ground for alternative proposals.²⁹ No real alternative has been offered to tenants, who run the risk of eviction if they are not able to pay market rents. Moreover, the capacity of the state and landlords to enforce this new framework has been inconsistent in recent years. What is clear is that by reducing the stock of reasonably priced units, the end of rent regulation is about to reduce access to affordable housing even further (Marot, 2014, 2018a).

The new 2014 rental law has also been criticized for its failure to address the challenging situation of the liberalized sector. Rent in urban areas, particularly in Greater Beirut, had been rapidly increasing before 2019, as a consequence of the escalation of real estate asset values. Pressure on the liberalized rental market has been even more significant as supply has diminished: Property-led urban restructuring has demolished rental buildings without offering rental solutions in new constructions, leading to a relative shrinkage of the rental stock. In recent years, the cost of formal rental housing, with the exception of rent-controlled leases being phased out, has thus been increasingly disconnected from the financial capacity of low- and lower-middle-income groups in urban centres. In Beirut, it even tends to become a niche market of transient accommodation for well-off students, moneyed refugees, young executives, foreigners (including foreign aid workers), and couples in the process of acquiring a home (Marot, 2018a, 2020).

²⁸ First-generation models of rent regulation aimed to do two things: keep rents below market value, without updating the level of rent; and ensure security of tenure by providing the possibility of transferring leases across generations (Whitehead, 2014). In contrast, second-generation models focus on rent stabilization by limiting rent hikes on new tenancies to a predetermined percentage above a local rental benchmark, without giving tenants the capacity to transfer leases (Dahl and Goralczyk, 2017). Rent stabilization systems are currently implemented in a number of European countries, such as Germany and France.

²⁹ See recommendations by Fawaz, Salamé and Serhan (2018) for an alternative use of the compensation fund.

In sum, the limited supply of affordable rental housing in urban agglomerations, especially in Beirut, has led to a gap market situation, where rents in the formal market are disconnected from the limited purchasing power of households looking for affordable accommodation. This reality has very much contributed to pushing an increased number of vulnerable populations to find rental solutions in the informal sector in recent years. Ironically, as explained in Section 2.3, the formal rental market is, at the same time, unattractive to investors who are reluctant to finance new supply. This paradox aside,

the multiple challenges produced by the current crisis appear to make revival of the rental sector a priority channel of housing provision, both in the short and longer terms. In this regard, rental intermediation programmes, adapted from international best practices and the model developed in Lebanon by non-governmental organizations (NGOs) to facilitate the accommodation of Syrian refugees (see Box 5), appear to be a promising policy solution to boost the provision of affordable rental solutions, while expanding and rehabilitating the existing stock.

Box 5 | Intermediation initiatives to reinvigorate the formal rental market

In the face of the difficulties experienced by Syrian refugees in their attempts to access affordable and secure housing (see Box 3), humanitarian organizations, including the Norwegian Refugee Council (NRC) and Save the Children, ran an OFC programme throughout the 2010s. This was a temporary platform of rental intermediation aimed at guaranteeing the right to housing for displaced communities, through the provision of tenure security and affordable shelter solutions. In this programme, an NGO finances the building, rehabilitation, completion or extension of housing units owned by Lebanese families. In return, these families become landlords, accommodating a refugee household for free for a non-renewable, one-year term. For these small-scale, limited-income landowners, the initial objective is generally not to enter the rental market but to build and/or rehabilitate homes to accommodate future family needs (Najdi, Farhat and Mourad, 2020). However, some quickly saw the opportunity to generate additional revenue through rental fees (UN-Habitat and UNHCR, 2018). More than 7,200 housing units in northern and southern Lebanon and the Bekaa Valley benefited from NRC financial aid between 2012 and 2018. Due to the high cost of housing in the Greater Beirut area, this shelter option was transformed into a rent reduction or rent freeze scheme. Humanitarian organizations are studying the possibility to extend the programme to vulnerable Lebanese households as part of a new strategy of integrated intervention in several cities.

The use of rental intermediation mechanisms definitely merits consideration, despite a number of limitations.³⁰ Experience with NRC programmes in the region (Lebanon and Jordan), and intermediation schemes tested in other middle-income countries, such as Chile, need to be capitalized upon. The policy instrument of such intermediation mechanisms seems to be particularly useful in the case of programmes that involve small-scale landlords, reviving the rental market and rehabilitating the deteriorated residential stock in Lebanon's major cities (Marot, 2020).

The near absence of social rental housing

In resonance with policy discussions observed in other MENA countries (e.g. Egypt, Morocco, Algeria, etc.), successive Lebanese governments since

the country's 1943 independence have regularly considered the building of social rental housing³¹ in order to respond to the persistent demand for affordable solutions. The massive damage of the 1956 earthquake was a milestone in putting housing

³⁰ Rent inflation and poorly regulated construction on suburban land were, for example, observed in villages and small towns where the OFC shelter programmes have been implemented (Najdi, Farhat and Mourad, 2020). Furthermore, non-renewable, one-year leases seem too short-term to ensure actual tenure security.

³¹ The social rental sector provides accommodation at below-market rents to middle- and limited-income households. While financing, subsidy, governance and management models vary significantly across countries, social landlords are generally non-profit public (e.g. state agencies, municipalities, schools, universities), private (e.g. limited-profit companies, employers) or community organizations.



Khan Al-Askar, Tripoli, Lebanon
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on the policy agenda, with proposals of land banks and the construction of social rental housing across the country to be financed through ad hoc taxation (Hechaime and Marot, 2015; Verdeil, 2010). Also, the 1957 National Housing Plan proposed the construction of 16,000 social housing units. Most of these initial experimental projects in the 1950s were nonetheless suspended before construction. The same scenario was repeated in the 1960s, with the establishment of the Council for Housing, whose aim was to offer shelter to vulnerable communities through the construction of affordable housing estates and the extension of loans to non-profit organizations. Only a few hundred units were built, however. Three factors likely explain this succession of failures: the lack of state financing, the reluctance of the private sector to invest in and manage affordable rental housing, and the large number of political blockages and/or appropriation attempts (Marot, 2018a, 2020; Verdeil, 2010). As Lebanon emerged from the civil war in the early 1990s, the idea of constructing social rental housing disappeared from policy discussions as pro-homeownership orientations gained momentum.

However, in the past quarter century, municipalities and faith-based entities have experimented with a

few social rental initiatives at the local level. This is, for instance, the case in Tripoli, where, as part of the rehabilitation project of Khan Al-Askar, 65 families were resettled and offered subsidized rental housing solutions.³² The Municipality of Tripoli and the Council for Development and Reconstruction (CDR) provided financial and technical support for this initiative. Further evaluation is needed to assess the extent to which the project's legal, financial and land arrangements are replicable elsewhere in the country. A small number of religious institutions also provide rental housing at below-market rates. This is the case with Caritas and the Syriac Church, which cater to low-income families in Greater Beirut, offering affordable rental homes to dozens (Clerc, 2013; Feghali, 2019; Marot, 2020).

A handful of governmental actors are working today to flesh out a national initiative for affordable housing. One such actor is the PCH. While its focus so far has been the organization of a subsidized channel of home acquisition, it has begun preliminary consultations with both Lebanese and international actors to diversify its activities. It is considering that the acquisition of vacant housing units could be a first step in the creation of a preliminary model for a national system of social rental housing whose

³² The rehabilitation of Khan Al-Askar was conducted as part of the World Bank and French Development Agency's Cultural Heritage and Urban Development programme.

financing, governance and management have still to be formulated. To this end, the PCH can take advantage of its broad mandate, one that includes the financing and construction of affordable rental housing. According to Law No. 529 of 1996, the PCH can provide and/or sponsor medium-to-long-term loans for the construction of rental housing programmes approved by the Council of Ministers (Geagea, 2014). Absence of political will, constrained public funds, and a lack of in-house technical expertise in housing construction and management are considered to be the main obstacles to the PCH's initiation of rental programmes in the past. Private financial institutions, such as the Housing Bank, are also interested in developing long-term, affordable financing solutions that could help to fund, among other projects, the construction and/or rehabilitation of affordable rental housing.

2.2.3 Vulnerable households and informal housing are out of the policy scope

The review of Lebanon's major channels of housing supply shows that, for three decades, the access of lower-middle- and low-income residents to affordable, adequate and secure housing has been the missing piece of the housing policy puzzle. These communities constitute the large majority of Lebanese and foreign residents. Since 1990, 16 successive governments that have been in power have primarily been guided by a pro-market ideology, making little effort to produce

the policy necessary to provide reasonably priced housing on a massive scale. The result has been an ever-worsening housing situation experienced daily by millions of residents, particularly the urban poor. A single attempt to address this was the 1990s Elyssar project, a proposal to construct about 7,000 to 10,000 affordable units in Beirut's southern suburbs, as part of a larger urban regeneration megaproject. Political disagreement prevented Elyssar from getting off the ground (Clerc, 2013; Harb, 1996). At the same time, informal areas have also remained outside the scope of public policy. National and local public authorities have not formulated a single upgrading strategy for informal areas, leaving it to the small-scale interventions of NGOs and international organizations to improve their access to basic urban services and infrastructure (Fawaz, Salamé and Serhan, 2018).

The latest illustration of the disinterest of national public authorities in affordable housing is the absence of this policy challenge from the 2018 Paris Conference for Economic Development and Reform through Enterprises (CEDRE), during which the Lebanese Government raised funds (USD 10.2 billion in loans and USD 860 million in grants) from international donors to carry out a number of infrastructure investments. The ongoing crisis shaking the country and the dramatic implications of the 2020 Beirut Port explosion may, however, lead the national and local governments to revise their priorities in the short and longer terms.



2.3 Lebanon's housing finance and production at a crossroads

The 2019 onset of the worst financial, monetary, economic and social crisis in Lebanon's history put the system of housing finance and production under pressure in at least two ways. On the one hand, the crisis, as mentioned, has reinforced the need for adequate and affordable housing. On the other, it puts an end to the post-civil war era, during which financing of the real estate and construction sectors was a key feature of the country's financial attractiveness and an instrument of its short-term financial, economic and monetary stability (Marot, 2018a). A brief explanation of the Lebanon-specific constraints, both current and structural, that have shaped residential property financing on the supply and the demand sides is critical to an understanding of the challenges faced by the housing sector. It is also necessary for the formulation of a more inclusive and holistic housing policy framework, and identification of priority actions (see Sections 3 and 4).

2.3.1 Unsuitable financing solutions for affordable housing in post-1990 Lebanon

The financing of housing supply

The intensification of Lebanon's rentier and finance-based system of wealth creation and distribution in the post-civil war period initiated the financialization of the property sector. On the supply side, this system materialized through the transformation of the financing sources and schemes of residential real estate actors, especially for their construction activity in the Beirut metropolitan area. A direct form of property development,³³ carried out by individual developers and small-scale firms, had long prevailed in residential real estate production. Its financing model relied heavily on personal wealth, off-plan sales and some equity contributions of local partners to access land, assemble sufficient capital, and share the risk. Elevated interest on construction loans generally prevented small-sized builders from accessing bank financing in the meantime. In the wake of the property and construction boom in the 2000s, this business

model, although still prevalent in small- and medium-sized towns, was becoming inoperable in the major cities, where larger residential developments and inflated construction and land costs had brought financing needs to the fore (Marot, 2018a, 2020).

In the Beirut metropolitan area, housing producers, particularly those working in the upper-middle-income and upmarket segments, began to opt for an indirect form of property development³⁴ in line with international standards. The new financial circuits they created involved a diversification of equity sources (including private equity) with investors seeking elevated yields (20 to 25 per cent) in the short term (three to five years). These circuits also relied massively on bank loans to maximize leverage effects. The enormous amount of short-term liquidity present in the domestic financial sector, particularly during the 2008–2010 financial boom, facilitated credit supply.³⁵ Until the current crisis, commercial banks extended construction loans with a limited maturity (seven years) at an elevated cost (between 7 and 20 per cent in LBP; between 6.8 per cent and 11 per cent in USD). Two-digit profit expectations in a booming, speculative real estate market allowed property developers to afford this unsustainable financing cost. Nonetheless, this increasingly prevalent model of residential property financing was, in many ways, unsuited to the production of reasonably priced housing, which requires sources of long-term, affordable financing from limited-profit actors.

THE CURRENT FINANCIAL, MONETARY AND ECONOMIC CRISIS, WHICH STARTED IN 2019, HAS HAD ENORMOUS IMPLICATIONS FOR ACCESS TO HOUSING AND HAS PARALYSED THE FINANCIAL CIRCUITS OF HOUSING PRODUCTION.

Along with the late 1980s and early 1990s devaluation of the Lebanese Pound, the deposit and lending interest rates offered by commercial banks also

³³ In a direct form of property development, builders individually assume the financial risk and legal accountability accompanying construction projects.

³⁴ In an indirect form of property development, builders engineer sophisticated corporate schemes, separating the parent company from each development project to maximize profit, escape tax obligation, and share risk.

³⁵ The construction loan portfolio was worth USD 9 billion in 2018.

played an instrumental role in the progressive disinvestment from the rental housing sector. On the one hand, the unavailability of long-term, affordable bank or institutional financing is a major obstacle to the initiation of public- or private-led rental housing programmes. Unlike mortgages, Lebanese authorities did not provide any form of targeted financial engineering to lower the financial cost and extend the maturity and guarantee of construction loans – a typical supply-side housing policy instrument seen in many other countries. On the other hand, as another very concrete example of the financialization of property, the elevated remuneration of, and limited taxation on, bank deposits made their annual yield much more attractive than any obtainable through rental investment for both small-scale and institutional investors. The unbeatable performance of short-to-medium-term bank deposits as well as government bonds reduced, in other words, the attractiveness of buy-to-rent real estate as a long-term vehicle in the absence of any tax incentives. This financial unattractiveness of rental property, combined with the aforementioned consequences of rent control, has thus negatively affected new supply. In a period of intense urban restructuring that entailed the demolition of old rental properties, this incapacity to produce new rentals led to the decreased number and share of rental units on the housing markets (Marot, 2018a, 2020).

The financing of housing demand

The financing of housing demand has also faced a number of structural constraints, and experienced multiple transformations specific to post-civil war Lebanon's political economy.

A brief examination of the context and reasons for initiation and development of the country's model of subsidized mortgage finance, on hold since the 2018 freeze of Central Bank subsidies, is crucial to an understanding of its actual objectives and negative externalities. It is also essential to the question of whether it should be revived in future housing policy or not (Marot, 2018a, 2020).

As explained in Section 2.2.1, this specific model of housing finance was initiated in 1997–1998 with the establishment of the PCH. In the country's context of persistent monetary uncertainty, currency risk, and dependence on expensive, short-term financial resources, commercial banks could not extend long-term, affordable housing loans. The over-remuneration of sovereign debt was also having a powerful crowding-out effect on private sector financing, including that in the housing sector. Aware of this situation, the Central Bank of Lebanon supported the creation of the PCH and contributed to the design of its innovative legal and financial engineering. Until 2018, the banking sector managed to expand a subsidized system of housing loans that reduced mortgage costs (from 10+ per cent in the late 1990s to 3–4 per cent in the 2000s) and extended mortgage maturity (to 30 years), despite a challenging financial environment. In recent years, Lebanon's mortgage debt ratio to GDP (25 per cent) was accordingly among the highest in the MENA region,³⁶ although it remained below levels observed in high-income countries, where it often exceeds 35 per cent.³⁷

Table 2. Construction and real estate activities in Lebanon's GDP (1973–2014)

	1973	1987	1997	2014	2018
Construction	4.4%	4.8%	9.4%	6%	4%
Real estate	8.9%	N/A*	8.5%	15%	15%
Total property sector	13.3%	N/A*	17.9%	21%	19%

*Not available

Sources: CAS (2016, 2018); Gaspard (2004) in Marot (2018a)

³⁶ The elevated level of local real estate prices is probably a key contributing factor to the high level of mortgage debt, since it mechanically drives up the value of mortgage portfolios.

³⁷ In recent years, mortgage debt ratio to GDP was about 1 per cent in Egypt, 5 per cent in Jordan, 11 per cent in the United Arab Emirates and 18 per cent in Morocco (Dübel and Hassler, 2016). At the same time, it amounted to about 10 per cent in Mexico, 35 per cent in South Africa, 40 per cent in Germany and 70 per cent in the United States (Badev et al., 2014).

The ultimate objective of the Central Bank of Lebanon in guiding the growth of mortgage credit only becomes clear when it is understood that easing access to housing for the middle class was probably not its primary ambition. For 20 years, housing finance was, rather, used first by Lebanese authorities as an instrument of regulation to support GDP growth and secure financial stability. Mortgage loans were a pivotal component of a larger strategy aimed at leveraging private debt to bolster a consumption-oriented economy and reduce the banking sector's elevated exposure to unsustainable public debt. During the 2008 financial boom, the Central Bank of Lebanon also relied on the growth of mortgage debt, and to a lesser extent on construction debt, to recycle the banking sector's excess liquidity. Later on, during the financial and property stagnation in the 2010s, the Central Bank of Lebanon increased and diversified its subsidies to home loan programmes to stimulate local property demand. These successive homeownership-focused stimulus plans were primarily intended to prevent both economic decline and a massive drop in asset values, either of which would threaten financial sector stability (Marot, 2018a, 2018b).

More recently, as observed in many housing sectors worldwide, microfinance has emerged as a solution for low-income households – regardless of their citizenship status – that seek to rehabilitate and/or expand their homes. Housing microloans in Lebanon will almost certainly become a strategic financing instrument of home maintenance and renovation in both the formal and informal sectors in the aftermath of the 2020 Beirut Port explosion, and more generally, in the context of limited financial inclusion and with the crisis that is expected to continue paralysing the banking sector for an indefinite period of time. The reinforcement of existing housing microfinance programmes and specialized financial institutions (e.g. Al Majmoua, Vitas, Ibdaa, Emkan) can thus be seen as a policy priority (Marot, 2020).

2.3.2 The 2019 crisis hits the housing sector and its financial circuits

The current financial, monetary and economic crisis, which started in 2019, has had enormous implications

for access to housing and has paralysed the financial circuits of housing production. The near future of the housing sector is clearly uncertain, but the upcoming upheavals in the financial sector may actually present opportunities to construct a more inclusive, sustainable and diversified system of housing finance and provision.

Implications for access to housing

Households in Lebanon have been hit hard by the ongoing crises. Not only are the economic and COVID-19 crises generating tremendous income loss, but the nearly 90 per cent devaluation of the Lebanese Pound and probable "haircut" on bank savings will result in massive capital losses. This multifaceted catastrophe drastically undercuts the housing purchasing power of most local residents, as residential real estate prices remain globally stable. It adds to the 2018 suspension of subsidized home loans and the 2019 surge in lending interest rates that had already dramatically lowered the capacity of middle-income households to purchase a home. The crisis also mechanically reduces local user demand in the real estate market, which could ultimately feed an accelerating price contraction once the current opportunistic conversion of financial assets into property by investors dwindles (see Box 2). A sudden drop in property values may result in a crash, potentially fatal to a large number of housing construction companies, banks and indebted homeowners. As importantly, homebuyers and property developers who have floating rate credits have seen their monthly instalments shoot up. The share of non-performing housing and construction loans has skyrocketed and now reaches alarming levels.³⁸ The credit situation could even worsen in the coming years, as civil servants, who represent a critical portion of home borrowers, take a pay cut in the context of the austerity policies accompanying public debt restructuring. The devaluation of the national currency, however, will have at least one positive effect: any homebuyer with an LBP-denominated mortgage and access to fresh USD, or any other external financial resources, could be able to secure an anticipated mortgage repayment.

³⁸ Lebanon's financial authorities refuse to provide detailed data on property-related non-performing loans. Aggregated information on local private debt shows, however, that non-performing loans increased from 4 per cent in 2015 to 15 per cent in 2019 (World Bank, 2020b). Beirut-based experts, who asked to remain anonymous, suggest that non-performing housing and construction loans significantly exceed 15 per cent of the outstanding property-related debt (Marot, 2020).



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The economic, financial and monetary crisis affects people in the rental market with equal force. Rents in Lebanon are often paid in USD, but the inability to access cash USD, combined with substantial income loss, has pushed a large number of tenants to leave their apartments or engage in high-pressure negotiations with landlords over the rent rates (Fawaz and Mneimneh, 2020). Many tenants end up paying their rent in devalued Lebanese Pounds or in lollars, and some unilaterally decide to reduce the amount.

These uncertainties and tensions among tenants and landlords inevitably result in increased threats of eviction and tenure insecurity. The 4 August 2020 Beirut Port explosion has also greatly affected the rental stock in the most devastated neighbourhoods. As of December 2020, thousands of homes are still damaged, with eviction threats particularly significant for tenants who have managed to live so far with a rent-controlled lease (see Box 6).³⁹

Box 6 | The 4 August 2020 Beirut Port explosion and the shelter response

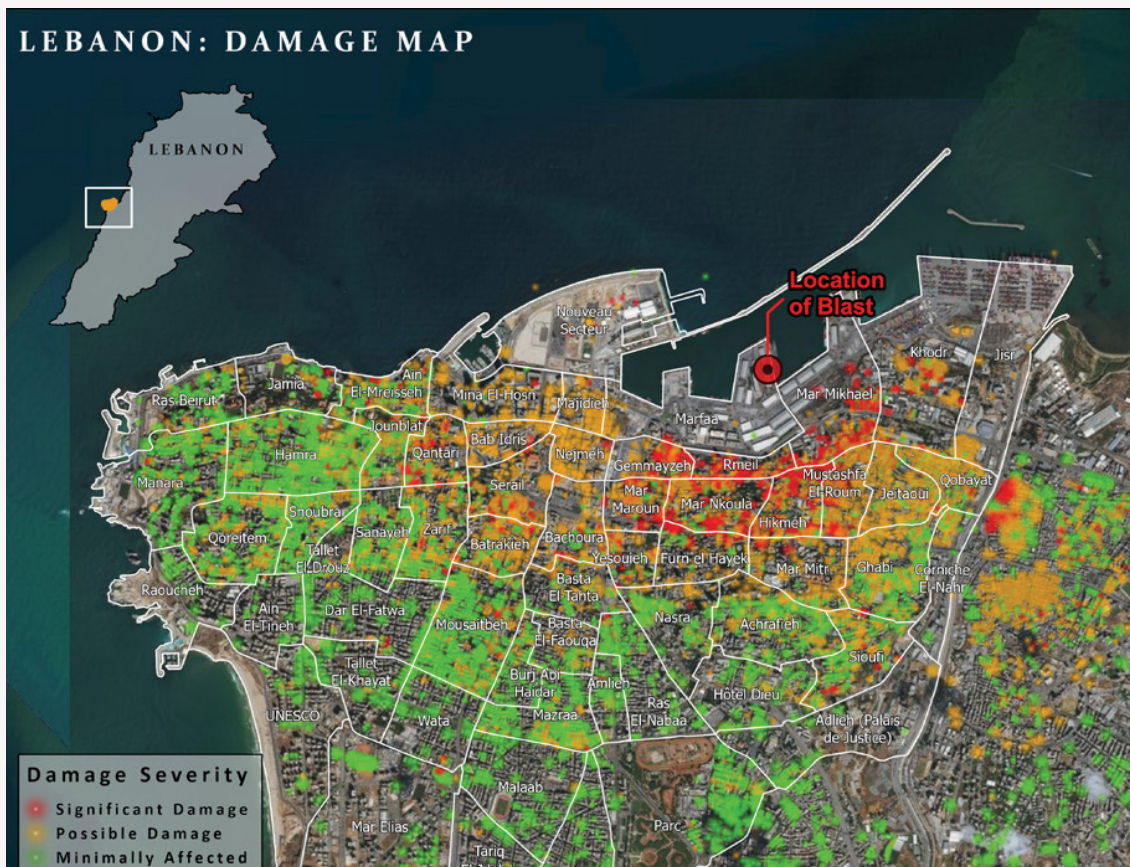
The explosion of a warehouse storing ammonium nitrate devastated the Port of Beirut and surrounding areas on 4 August 2020, causing more than 200 deaths and over 6,000 injuries. The explosion-affected residential, commercial and industrial areas and infrastructure extended up to 10 km from the epicentre. Estimates show that more than 300,000 residents suffered damage to their homes and businesses (Lebanese Red Cross, 2020). At the agglomeration level, a survey of 172,000 homes showed that 51 per cent were impacted: 8 per cent were deemed destroyed, 15 per cent partially (but structurally) damaged and 28 per cent minimally damaged. The cost of this physical destruction is tremendous: Estimates range from USD 3.8 billion to USD 4.6 billion (World Bank, European Union and United Nations, 2020b). Districts surrounding the port (Karantina, Gemmayzeh, Mar Mikhael, Medawar, Geitawi, etc.), which were those most affected (Figure 5), consist mostly of an old, mixed-use urban fabric, accommodating a significant portion of Beirut's rent-controlled housing stock.⁴⁰ As of December 2020, among the 74,000 homes damaged, about 10,000 to 15,000 are considered uninhabitable (Tabet, 2020; UNHCR, 2020). A number of heritage buildings were also destroyed, or put at severe risk of collapse.

39 UN-Habitat Lebanon plans to undertake an in-depth assessment of housing, land and property issues in: some of the Beirut Port explosion-affected areas in 2022.

40 See UN-Habitat Lebanon (2021a) for the damage to buildings in Beirut and Bourj Hammoud municipalities.

In the days and weeks that followed the explosion, community and humanitarian organizations undertook the bulk of cleaning, basic repair (e.g. broken doors, shattered windows) and emergency structural rehabilitation work, with the Lebanese Army taking up a key role in the response. The shelter response of international organizations and donors has consisted mainly of financial support to programmes and activities provided by local and international NGOs: shelter kits, cash for shelter, cash for rent, as well as minor repair and rehabilitation work. To allow residents to fix their homes, the Central Bank of Lebanon has subsidized rehabilitation loans issued by commercial banks, and the Housing Bank has offered ad hoc credits (15-year duration, 3 per cent fixed rate, LBP 150 million maximum). But very few loans were disbursed, most households preferring to benefit from local and international aid (Gemayel, 2020). As of November 2020, a total of about 120,000 people received a type of assistance (UNHCR, 2020).

Figure 5. Beirut Port explosion damage map



Source: World Bank, European Union and United Nations (2020b)

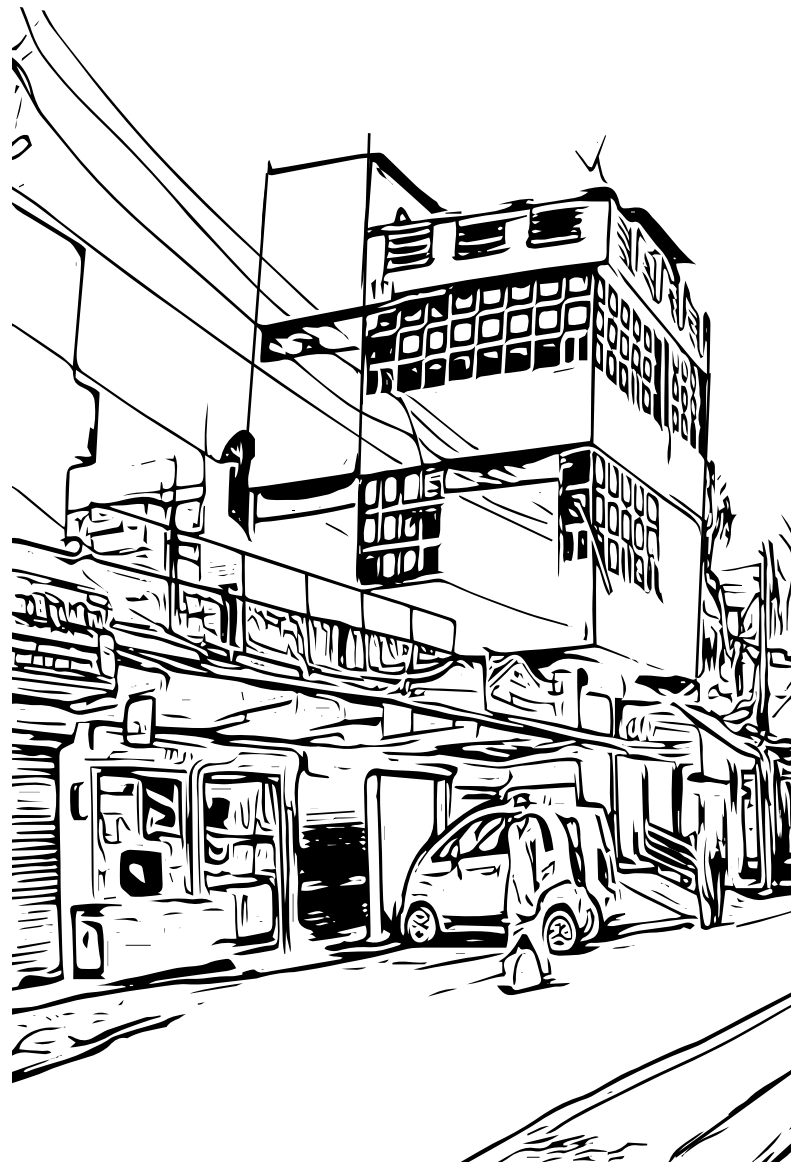
In the longer term, most civil society stakeholders call for a people-centred, community-based and heritage-led process of recovery that, beyond physical reconstruction, addresses the inequalities and vulnerabilities existing prior to the explosion and avoids the mistakes of previous reconstruction attempts (Harb and Fawaz, 2020). An evidence base such as the *Beirut City Profile* (UN-Habitat Lebanon, 2021a) serves as a platform to form a longer-term urban recovery framework for addressing urban crises' repercussions faced in Beirut City before and since the port explosion. To this end, the restoration of the historical urban fabric and the return of local businesses and residents, including a fair number of vulnerable households (e.g. limited-income families, migrant workers, refugees) appear to be critical priorities. These also constitute the pillars of the Lebanon 3RF, the multilevel and multisectoral policy response designed by international donors and organizations (World Bank, European Union and United Nations, 2020a).

Implications for housing production

The implications of Lebanon's current multifaceted crisis for future housing production are largely unpredictable in the short to longer term. The restructuring of sovereign debt, the likely bail-in and/or bail-out of local banks, and the devaluation of the Lebanese Pound are expected to transform Lebanon's financial and economic environment deeply and widely. The expected capital loss due to a probable "haircut" on bank deposits and the melting away of lifetime savings in local currency will shape all economic behaviours of depositors and determine their capacity to buy a home or participate in a buy-to-rent real estate scheme in the years to come. Additionally, as underlined earlier, the domestic banking sector's capacity to extend loans to housing producers and consumers will be cut back by the upward trajectory of interest rate structures and the liquidity crisis. The traditional circuits of housing finance, in other words, are likely to be paralysed for the foreseeable future, until the financial and monetary situation is stabilized (Marot, 2020). The prospect of lowered liquidity levels in the banking sector has already sparked the interest of a number of financial actors looking to use the financial markets to develop a secondary mortgage market, in the medium term, to (re)finance housing loans. In these difficult times, it is worth noting that the Housing Bank reinitiated its LBP-denominated home loan programme in December 2020 by accessing a USD 165 million soft loan provided by the Kuwait-based Arab Fund for Economic and Social Development.⁴¹

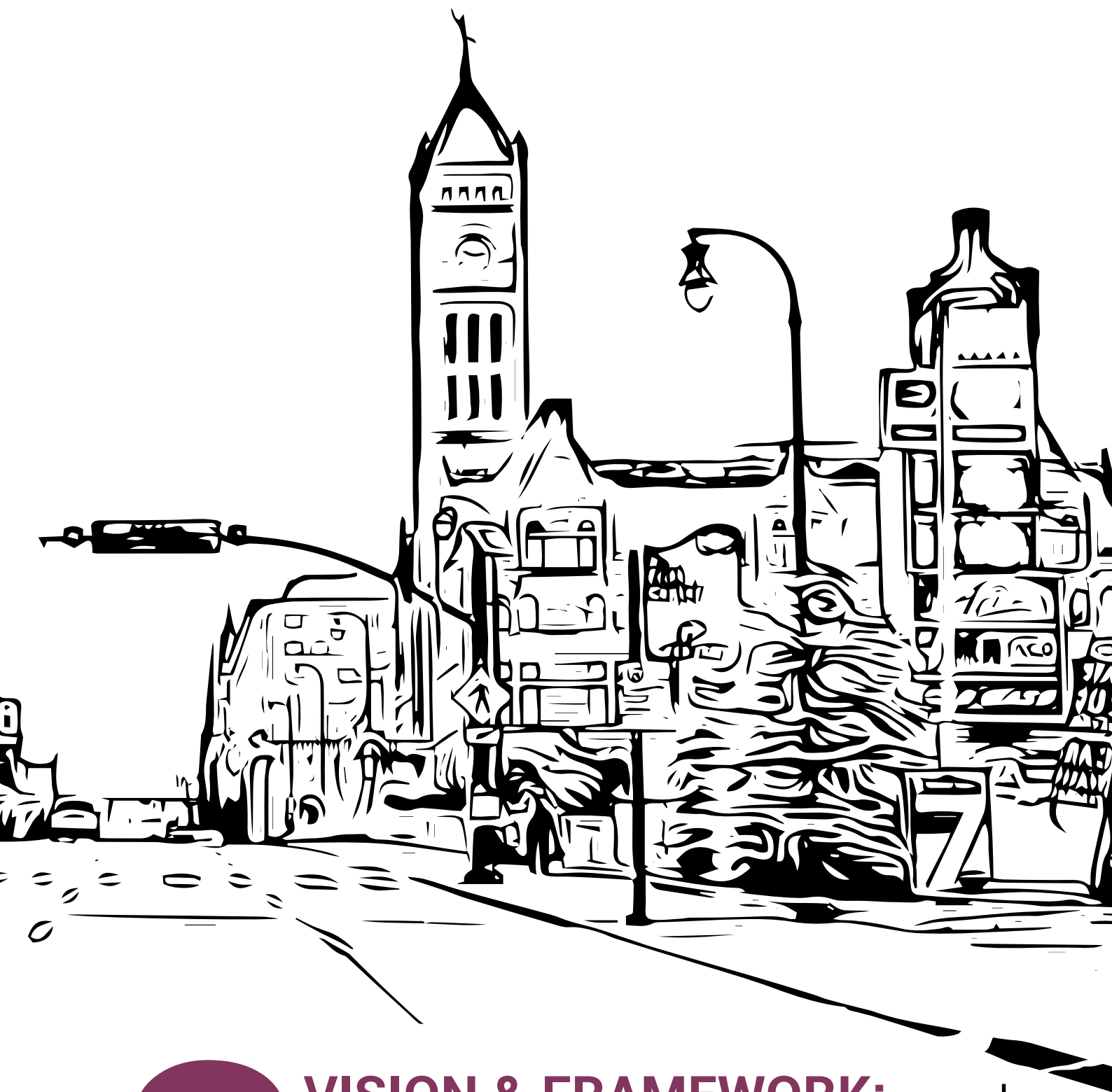
As for the rental housing sector, the decline in rental income and property yield for landlords is likely to discourage housing investors, shrink the rental stock, increase property vacancy, and accelerate the deterioration of residential buildings in the short and medium terms. This scenario would not be new to the Lebanese: The 1980s and early 1990s currency devaluation led precisely to this impact on the rental stock. The emergence of a new financial environment could yet be a game changer for rental housing production. A sustainable restructuring of the country's sovereign debt and lowered interest

rate structures could boost the attractiveness of buy-to-rent assets for depositors looking for long-term investment vehicles. That is possible, if in the meantime, a safe framework of regulations and tax incentives is implemented to reassure lessors.



⁴¹ The repayment period extends to 30 years and fixed lending rates are capped at 4.5 per cent. The Lebanese Pound depreciation also pushed the Housing Bank to increase loan ceilings to LBP 600 million (Gemayel, 2020).





3 VISION & FRAMEWORK: TOWARDS AN INTEGRATED HOUSING POLICY CENTRAL TO LEBANON'S NUP

To effectively position housing at the centre of Lebanon's future NUP, a strategic framework must be created that takes into account the housing market challenges and opportunities identified in the previous diagnosis and that draws lessons from existing policy deficiencies. The following framework forms the foundation of a comprehensive housing policy through the development of policy orientations and priorities, and the institutional arrangements necessary to facilitate the provision of actionable housing solutions. It leads to the identification of the key steps to be adopted at each phase of the policy development cycle, and seeks to identify a path forward for housing delivery that is (a) integrated into other urban sector policies, (b) tailored to the country's current housing situation, and (c) sensitive to its present and future institutional, technical and financial specificities and capacities. Most policy suggestions are taken from UN-Habitat's best practices, and interviews conducted in recent years with Lebanon's key housing sector stakeholders, both public and private (public administrators, municipal officials, financial institution personnel, property developers, etc.), as well as multilateral and bilateral donors, and CSO representatives.

3.1 Building the foundations of a comprehensive housing policy: Policy orientations, institutional arrangements, and policy priorities

3.1.1 Policy orientations and action framework

Policy principles, values and objectives

The design of an inclusive housing policy agenda must rely on a rights-based approach and people-centred solutions, in line with the NUA, SDG 11.1,⁴² and the right to adequate housing as enshrined in international human rights law. The fulfilment of this commitment in Lebanon requires a radical change to the country's housing delivery strategy, based on the following principles, values and objectives:

- As asserted by numerous international treaties, conventions and declarations⁴³ and Lebanon's Housing Law No. 58 of 1965, housing must be considered, first and foremost, a human right, rather than a commodity and financial asset.
- National and local governments must have a clear vision and commitment to facilitate access to affordable, adequate and secure housing.
- Policymaking must, therefore, privilege the use/ social value over the exchange value of land and housing. While the housing exchange value's economic and financial aspects will continue to be critical to the country's economy (i.e. foundation of the real estate and construction sectors; support to the banking sector; vehicle for household wealth accumulation), the welfare aspect (i.e. provision of affordable and adequate housing solutions) must now take precedence in housing policy interventions.
- A rigorous database ought to inform a strong and grounded evidence-based housing policy while allowing the monitoring of urban/housing indicators as policies get in effect.
- In sum, the public interest must prevail over elite and private interests in all policy interventions. Transparency, accountability and ethical practices must drive public and private housing programmes.
- Design and implementation of housing strategies, plans and interventions in both the formal and informal sectors must coordinate with broader urban, regional and national development plans, policies and investment strategies (e.g. employment, transportation, education, health care, environment).⁴⁴
- The design and implementation of housing strategies must also be people-centred, involving communities at local and national levels, and fostering active and inclusive collaboration between public actors, the private sector and donors. In this regard, it must ensure capacity development and proceed through small-scale, targeted "acupuncture" projects (UN-Habitat, 2015).

⁴² SDG 11.1 is to "ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums" (United Nations, n.d.)

⁴³ More than 100 countries have affirmed their commitment to housing rights in a number of international declarations, such as the Universal Declaration of Human Rights (Article 25), the Vancouver Declaration on Human Settlements (1976), Agenda 21 (1992), the Istanbul Declaration on Human Settlements (1996), Habitat Agenda (1996) and the Millennium Declaration and Millennium Development Goals (2000) (UN-Habitat, 2016).

⁴⁴ The 2005 NPMPLT identifies spatial development and planning priorities, strategies and guidelines for governorates (regions) and districts (subregions). See also UN-Habitat Lebanon (2021c).

- A two-track approach must be promoted that combines curative (rehabilitation of existing housing stock) with proactive (new provision) interventions.
- Beyond the correction of market failures, housing policy must aim to regulate the housing market and organize the channels of housing delivery, so that all societal segments, most particularly the vulnerable groups and households in a continuum from urban to rural areas, are served.
- More specifically, affordable and adequate housing solutions that ensure health, safety and security must be offered to all Lebanon-based residents regardless of their defining position in the market (e.g. residency status, income, age and gender).
- The protection of the right to housing must be given the same importance as the protection of property rights.
- Policy interventions must facilitate an upward residential trajectory and residential mobility. To this end, their focus should not be on private individual ownership, but on provision of a variety of housing tenures.
- And finally, a pivotal dimension of housing policy must be climate change adaptation and maximal prevention.

Policy interventions and instruments redefined

This section on policy formulation aims to operationalize the above-mentioned housing principles, values and objectives, which are quite distant from the reality on the ground in Lebanon today, that is, the country's institutional, economic, social and political environments and capacities. Thus, policy orientations and interventions suggested in this guide intend to identify best technical, financial and institutional practices while adapting them, as far as possible, to the current capacities of Lebanese authorities. Moreover, bringing about change in the housing sector will be a lengthy, multitrack process: Any one sectoral policy – regardless of its ambition, quality and inclusiveness – will not be enough to significantly and durably improve access to affordable, adequate and secure housing for the poorest social segment. This endeavour will not be achieved without construction of a job-intensive, redistributive economy and a welfare system that ensures a minimum of access to health care and a measure of financial security. In other words, the housing

policy interventions and instruments recommended here can help improve the social responsiveness of Lebanon's housing markets, but they are just one piece of the complicated policy puzzle needed to affect the country's necessary social, economic and environmental change.

POLICY ORIENTATIONS AND INTERVENTIONS SUGGESTED IN THIS GUIDE INTEND TO IDENTIFY BEST TECHNICAL, FINANCIAL AND INSTITUTIONAL PRACTICES WHILE ADAPTING THEM, AS FAR AS POSSIBLE, TO THE CURRENT CAPACITIES OF LEBANESE AUTHORITIES.

That said, concretizing that policy needs to begin with the progressive definition of a clear and functional framework of actions that organizes both strategy and plans on the basis of reliable and updated data. This data will need to be supplied by regularly updated housing sector evaluations, carried out at both national and local levels. Such a framework will redefine the modes of action tied to each stage of, and to each component directly related to, the housing development cycle (land, finance, infrastructure, labour, building materials and construction, management, maintenance). Lebanon's previous and/or existing housing strategy had been to enable demand-side interventions (e.g. subsidization of home purchasers) in order to facilitate market mechanisms. A balanced mode of action needs additionally to include:

- Direct intervention in the land and housing markets (e.g. constitution of land banks, delivery of rental housing, etc.); and
- Supply-side interventions (e.g. provision of land, long-term financing, and building materials to housing developers).

These forms of housing policy interventions rely on a policy toolkit of instruments of a different nature, namely:

- Provision of economic/market information;
- Organization of the legal and regulatory framework for residential land and real estate ownership, transactions, management and development (including planning and building regulations);

- Organization of the taxation framework for residential land and real estate ownership, transactions, management and development;
- Provision of financial solutions to housing consumers and developers (e.g. grants, loans, credit lines, guarantees);
- Acquisition of public land, and potential allocations to public, private and community housing producers;
- Provision of public housing and/or infrastructure; and
- Adjustment of credit supply and conditions through relevant monetary policies.

The time frame of policy interventions must be carefully considered: Short-term actions and initiatives (i.e. those intended to aid the post-port explosion recovery and the financial and economic crisis) should initiate, or at least contribute to, policy strategy and transformations in the longer term. Policy transformations are understood as the capacity of policy interventions to positively shape the behaviours and practices of public and private actors (such as municipalities, landowners, investors, developers and city dwellers) in the housing sector. Public policy can be a powerful instrument of behavioural change, through the targeted distribution of incentives and disincentives generated by policy instruments, which respond to well-defined objectives.

Moreover, the identification of monitoring and evaluation mechanisms, and actors, is part and parcel of policy formulation (see Section 3.3). Specific goals and targets must be defined annually, and for the entire duration of the intervention, for each housing policy priority. Similarly, quantitative and qualitative indicators need to be provided, and frequent assessment conducted, to measure and objectify policy performance and progress, as well as to evaluate the implications of housing policy on the housing sector in specific and urban development at large. Careful monitoring and evaluation are also required to revise policies over the course of their implementation. These are also, importantly, key to the promotion of accountability and transparency in public policymaking (UN-Habitat, 2016).

A partnership approach of policy design and implementation

Housing provision is recognized as a responsibility shared by all housing stakeholders. To this end,

housing policy elaboration, implementation and monitoring should lead to the construction of “people–public–private partnerships” (4Ps) (UN-Habitat, 2016). The following three major categories of actors need to work hand in hand with the public sector to promote hybrid housing value chains:

- **Private sector partners** have financial resources and technical expertise and experience that can contribute a great deal to the operationalization of public policies. A range of incentives should seek to secure, and orient, the long-term investment and commitment of private entities, but their initiatives must be carefully regulated to protect the public interest.
- **CSOs and academic institutions** play “a critical role as mediator[s] between communities and governments” (UN-Habitat, 2016, p. 41) by raising awareness of, and promoting action for, housing rights. They contribute significantly to policymaking by conveying community needs, concerns and solutions. They also represent important partners for housing programme experimentation and implementation. Moreover, the presence of CSOs in policy circles helps to strengthen evidence-based policies, and to increase transparency and accountability.
- **Multilateral and bilateral donors** are essential partners in the elaboration and implementation of effective and potentially innovative policy solutions, and in the provision of long-term financial solutions (e.g. credit lines, soft loans, equity participation) to public and/or private housing financiers and developers. They also provide grants that can cover the financing of policy development and evaluation, and of capacity-building activities.

3.1.2 A bilevel institutional framework for policy design and implementation

At the forefront of both design and implementation of Lebanon's housing policy should be national and local public authorities. A solid network of effective, accountable and transparent public entities, with reinforced institutional capacities, should be created to ensure coordination and supervision. As laid out in UN-Habitat's NUP guidelines, “national governments lead the definition and formulation of the NUP, while sub-national and local governments coordinate its implementation through planning and management procedures and processes” (UN-Habitat, 2019). In the

case of Lebanon, the development of a modernized institutional ecosystem for housing policy requires clarification of the roles and responsibilities of all public stakeholders, but also removal of the hurdles and bottlenecks limiting the autonomy and operation of the local authorities called to play critical roles.

AT THE FOREFRONT OF BOTH DESIGN AND IMPLEMENTATION OF LEBANON'S HOUSING POLICY SHOULD BE NATIONAL AND LOCAL PUBLIC AUTHORITIES.

In order to rebuild trust between citizens and the state, as well as confidence in the capacity of public policy to achieve tangible positive change, the key conditions are the development of a clear institutional framework and institutional adoption of a participatory approach that involves both affected communities and CSOs.

Housing policy at the national level: Institutional clarification and reorganization

A renewed institutional framework for housing policy that is fully integrated into Lebanon's future NUP demands the organizational restructuring of national state actors, the clarification of institutional prerogatives, and the identification of coordination mechanisms and platforms, including those involving public actors in other urban development sectors. The institutional arrangements suggested in this guide are intended to create an effective and efficient housing policy environment in the medium term. Lebanon's existing institutional and financial constraints, however, especially as the country passes through a period of austerity that will affect all public budgets and hiring capacities, may significantly lengthen this timeline.

Institutional arrangements for housing policy are envisioned to revolve around the following institutions and mandates (Figure 6):

- A **Ministry of Housing (MoH)** should be the leading *executive* and *authoritative* institution that initiates, steers and oversees the development, coordination and monitoring of the national

housing strategy and programmes, and of the related policy interventions and instruments. As explained in Section 3.2, should institutional and financial conditions fail to allow the MoH reinstatement⁴⁵ in the short term, the PCH could play an interim executive and coordination role.

- A **Council of Housing (CoH)** could take the role of a multi-stakeholder *consultative* body under the auspices of the MoH. In line with the NUP guidelines (UN-Habitat, 2019), its mandate could focus on contribution to policy design, discussion and monitoring through the development and endorsement of policy recommendations. This inclusive and collaborative platform would rally representatives from the following actors, among others:



- **Relevant departments from different ministries:** Directorate General of Urban Planning (DGUP) (Ministry of Public Works and Transport [MoPWT]), Directorate General of Antiquities (DGA) (Ministry of Culture [MoC]), Directorate General of Cooperatives (DGC) (Ministry of Agriculture), Directorate General of Municipalities (DGM) (Ministry of Interior and Municipalities [MoIM]), Directorate General of Land Registry and Cadastre (DGLRC) (MoF), CFD (Ministry of the Displaced);



- **Relevant state agencies:** CDR, Higher Council of Urban Planning (HCUP), CAS;



- **Parliamentary committees** (e.g. the Justice and Administration Committee; the Public Health, Labour and Social Affairs Committee; the Budget and Finance Committee; and a City and Housing Committee);



- **Municipalities and unions of municipalities (UoMs);**



- **The private sector and professional associations** (e.g. Order of Engineers and Architects, Chamber of Commerce, Association of Banks in Lebanon [ABL], the Housing Bank, and real estate development and construction associations⁴⁶);

⁴⁵ Law No. 32 of 1973 created the Ministry of Housing and Cooperatives. This ministry was dissolved in 2000 per Law No. 247 (Boutros, 2019).

⁴⁶ Real estate development and construction associations include the Real Estate Developers' Association of Lebanon (REDAL) and the Real Estate



- **Tenant, landlord and borrower organizations** (e.g. Committee for the Defense of Tenants' Rights in Lebanon, Union of the Victims of the Housing Loans Crisis, and Committee to Defend Landlords' Rights);



- **Civil society and community organizations** (e.g. Public Works Studio, Legal Agenda, Kulluna Irada, and the Lebanese Association for Taxpayers' Rights [Association Libanaise pour les Droits et l'Information des Contribuables, or ALDIC]);⁴⁷



- **Local and international humanitarian organizations** (e.g. NRC, Save the Children, Offre Joie, etc.);



- **Research organizations and academia** (e.g. Beirut Urban Lab at the American University of Beirut);



- **Faith-based organizations** (e.g. Maronite Social Fund, General Directorate of the Islamic Waqf, Druze Council, Jihad al-Bina, etc.); and



- **International donors and agencies.**

- **The government institutions and agencies directly responsible for policy implementation**, and departments and administrations of ministries linked broadly to housing, that is, the development and implementation of housing policy strategies, instruments and programmes (e.g. the DGLRC, Tax Administration and Budget Division of the MoF). All housing-dedicated state entities should be reinforced and placed under the authority of the reinstated MoH. The PCH is already one of these technical actors with extensive prerogatives, including support for homeownership and the financing and construction of affordable housing.⁴⁸ The housing component of the DGC could also be transferred to the MoH. Additionally, a National Urban Observatory should be established (see Section 3.3 and Recommendation 2 in Section

4). Similarly, an ad hoc public financial institution should be created specifically to provide a variety of subsidized, long-term financing solutions to home consumers, producers and financiers. The Central Bank of Lebanon should no longer play this role, as it falls outside its prerogatives: The MoF could be the unique state institution permitted, together with the MoH, to contribute to the design, financing and implementation of housing finance schemes on both the supply and demand sides.

- The **Court of Accounts (CoA)**, a public but independent state institution, charged with monitoring the use of public funds, should coordinate the evaluation of the performance of housing policy and interventions by national and local governments.
- An **Interministerial Committee for Cities (ICC)** or a National Habitat Committee should be established to coordinate efforts horizontally, optimize resources, and ensure the coherence and complementarity of the various sectoral policies constitutive of the NUP (e.g. housing, transport and mobility, land use, infrastructure development, economic development, education, energy, environment, culture). The contribution of housing policies and programmes to the country's overarching urban policy objectives could then be discussed within the ICC. Committee members could include, for example, representatives from the following ministries:
 - MoH (reinstated)
 - MoPWT
 - MoIM
 - Ministry of Social Affairs (MoSA)
 - Ministry of Environment
 - Ministry of Energy and Water
 - MoC
 - Ministry of Public Health
 - Ministry of the Displaced
 - Ministry of Justice (MoJ)
 - MoF

Syndicate of Lebanon (REAL), among others.

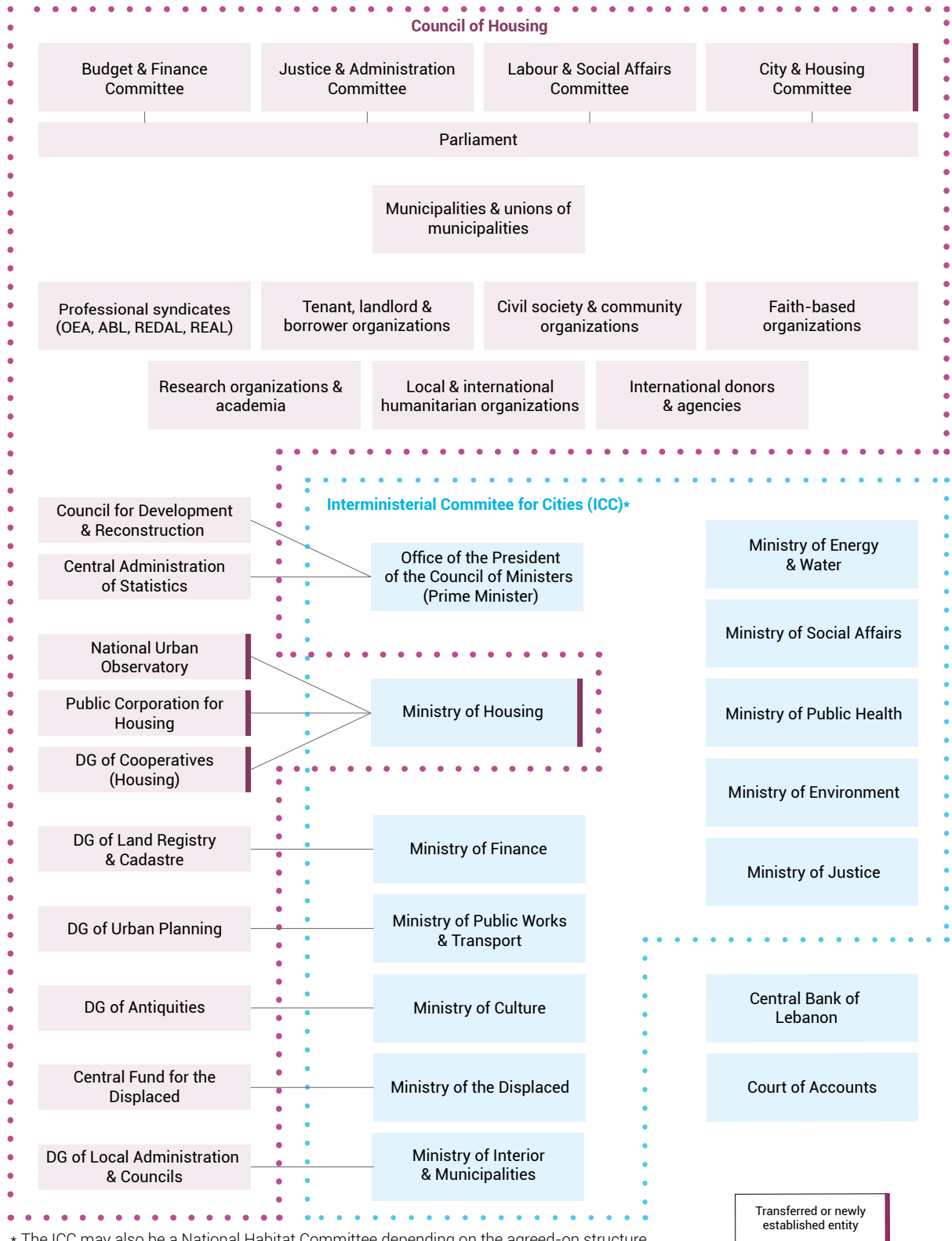
⁴⁷ Community representatives in the CoH are expected to reflect the diversity of Lebanon's resident communities in terms of gender, age, disability, residence status (e.g. refugee and migrant worker groups), geography (rural and urban areas) and sect.

⁴⁸ Technical assistance would be required, however, to conduct the internal reorganization and capacity-building necessary for the PCH to fulfil the entirety of its official mandate.

The ICC should be placed under the auspices of the Office of the President of the Council of Ministers

(i.e. Prime Minister) to guarantee the political backing of the highest levels of government.

Figure 6. Suggested institutional clarification and restructuring



Housing policy at the local level: Capacity-building and financing solutions for a practicable decentralization

At the national level, the above-explained restructured institutional framework accords with the greater decentralization called for by the principle of subsidiarity.⁴⁹ The heightened capacity that decentralization gives to local governments to conduct autonomous, area-specific housing policy

interventions, however, needs to be bounded by the national housing framework. Decentralization of housing policy is already a legal reality in Lebanon, according to the Housing Law No. 58 of 1965 and Decree No. 118 of 1977. Nevertheless, the obstacles to actual decentralization (see Box 7) are manifold and have frequently prevented municipalities and UoMs from effectively seizing their housing prerogatives.

Box 7 | A fragmented and incomplete decentralization in Lebanon

Lebanon has both a deconcentrated and decentralized administrative framework. The deconcentrated structure of the state consists of nine governorates (regions) and 25 districts (subregions) (UN-Habitat Lebanon, 2018). Municipalities (1,108) and UoMs (58), when they exist,⁵⁰ constitute its decentralized structure. Decentralization is however considered “fragmented and incomplete” (Harb and Atallah, 2015). Municipalities have, in theory, broad prerogatives pertaining to urban development, but most of them lack technical expertise and suffer from a lack of administrative and financial autonomy. Thus, local governments have, in reality, limited capacity to impact actual urban policy, and their performance, to date, is considered to be relatively low (Atallah, 2011; Marot, 2020).

Decree No. 118/1977, which is the organizing legislative framework for decentralization, provides municipalities extended jurisdiction over urban affairs that makes them key NUP actors. Prerogatives comprise the development and management of basic infrastructure and services, the organization of local transportation, and the management of public and green spaces. Their executive and regulatory powers also extend to the issuance of various urban planning and building authorizations (Lamy-Willing et al., 2010). Nevertheless, a majority of municipalities are too small and/or have insufficient technical and administrative capacity to properly exercise these prerogatives. This is the reason why a good number of municipalities have merged their technical and financial resources into UoMs to better formulate policies and undertake local development projects (Harb and Atallah, 2015; Marot, 2020; UN-Habitat Lebanon, 2018).

Moreover, a 1983 Decree Law restricts the administrative independence of municipalities. It puts local authorities under the strict control of the central government, which ultimately grants them a consultative role in the implementation of urban policy (Lamy-Willing et al., 2010). Concretely speaking, the MoIM and the MoF receive and validate decisions made by municipal councils prior to their execution. Moreover, the financial independence of municipalities is strongly constrained by the limited levels of their own sources of revenue,⁵¹ and their negligible access to debt.⁵² Local authorities, therefore, have almost no access to the long-term financing solutions often needed to deploy significant urban development and housing programmes. At the same time, government transfers are low, uncertain and incommensurate with municipalities' extended responsibilities (Marot, 2020).

49 See the 2007 International Guidelines on Decentralization adopted by the UN-Habitat Governing Council (UN-Habitat, 2009).

50 UoMs cover two thirds of the country's municipalities and inhabitants (Harb and Atallah, 2015).

51 Lebanon's system of municipal taxation, organized by Law No. 60 of 1988, relies primarily on building permit fees and the built property tax. There is nevertheless no property tax that captures actual land-value increases; and taxation on property capital gains, which is yet not collected by local governments, is easily evadable. Municipalities, in addition, are not allowed to modify rates and bases, or to create new taxes (Hechaime and Marot, 2015).

52 Access to loans is very complex: Municipalities must receive special authorization from the Council of Ministers and rarely meet bank eligibility criteria because of their irregular, limited resources (Marot, 2020).

The lack of administrative and financial autonomy as well as technical expertise of Lebanese municipalities limits their capacity to initiate concrete programmes and projects. They have, nonetheless, extensive housing-related prerogatives, similar to those they hold in other urban sector policies. According to Decree No. 118 of 1977, municipal authorities are entrusted with the development and implementation of housing policies at the local level. Concretely speaking, they are in charge of planning and organizing housing supply. They can even finance, construct and manage housing programmes, either directly or through private sector partners. To do so, they can acquire land,⁵³ including through expropriation, and obtain loans from the PCH to build affordable housing – for both rental or ownership schemes – or acquire and rehabilitate units in the existing stock (Feghali, 2019). The establishment of municipally owned companies is also possible for that purpose. Moreover, municipalities can facilitate the establishment of housing cooperatives. Last but not least, they play a role in the formal rental sector, as they register rental leases. They are, then, well aware of rental practices (e.g. rent levels, lease duration, property tenure type) and can contribute to data collection on, and the centralization of, the rental housing market. Therefore, they are in a position to acknowledge the prevalence of informal rental arrangements in areas within their boundaries, and could begin to be proactive in improving housing conditions, rather than denouncing informality and brushing the phenomenon aside.

A RENEWED INSTITUTIONAL FRAMEWORK FOR HOUSING POLICY THAT IS FULLY INTEGRATED INTO LEBANON'S FUTURE NUP DEMANDS THE ORGANIZATIONAL RESTRUCTURING OF NATIONAL STATE ACTORS, THE CLARIFICATION OF INSTITUTIONAL PREROGATIVES, AND THE IDENTIFICATION OF COORDINATION MECHANISMS AND PLATFORMS, INCLUDING THOSE INVOLVING PUBLIC ACTORS IN OTHER URBAN DEVELOPMENT SECTORS.

Municipal authorities can also use their urban planning and zoning powers to advance housing policy objectives. They issue building authorizations and enforce planning and zoning regulations. These prerogatives give them the leeway to orient housing production. Municipalities can, for instance, leverage zoning regulations in local master plans to encourage builders to develop specific housing types (e.g. density bonuses) and impose, at the municipal or neighbourhood level, a share of built-up area dedicated to affordable residential projects (inclusionary zoning) (Fawaz, Salamé and Serhan, 2018; Feghali, 2019).

Most stakeholders in Lebanon's housing sector stress three major factors as nonetheless impeding the municipalities' capacity to initiate proactive policy: limited access to long-term financing, a lack of in-house technical capacities within municipalities and local DGUP branches, and the frequent absence of political will among local elected officials (Marot, 2020). The first two are challenges that can be addressed as a part of the development of a housing-centred NUP. Generation of, and access to, low-cost, long-term and predictable sources of funding appear to be a critical priority to allow municipalities to fulfil their housing mandate, although few possibilities presumably exist today.⁵⁴ In this regard, a housing-centred NUP should push for heightened capital transfers from the central government, as well as for a reform of local taxation aimed at increasing local sources of revenue, but also at regulating land and real estate markets (see Section 3.1.3). In the meantime, solutions to the long-term financing of local governments are manifold if they are accompanied by technical assistance: They range from state-guaranteed access to loans extended by international donors or commercial banks, to the creation of a municipal finance institution at the national level capable of raising funds internationally (see Section 4). As for the limited technical capabilities that frustrate local housing interventions, international agencies and donors could initiate capacity development programmes (e.g. local policy development, coordination and evaluation; land-use planning; local taxation) for elected officials, civil

⁵³ Lebanese municipalities do not set aside land banks. However, they generally have large land portfolios that can be used for affordable housing initiatives.

⁵⁴ See Marot (2020).

servants and community groups. An institutional challenge remains though: readjustment of the institutional level of local housing policy responses to the workings of the housing markets. Housing policies should transcend municipal boundaries and bring about cross-municipal cooperation. While policy cooperation is already a reality within the UoMs in rural areas and small and mid-sized towns (e.g. Tyre, Zahleh, Jezzine, Jbeil), cross-municipal urban policymaking must become a top priority in major urban agglomerations, such as Greater Beirut, Greater Tripoli and Greater Saïda.

In sum, the institutional and legal framework for the deployment of local housing policies does already exist in Lebanon. What is needed is finance, awareness-raising, capacity-building and the reframing of housing policy challenges and solutions at the cross-municipal level.

3.1.3 A new housing agenda: Policy priorities and policy actions

Identification of policy priorities and actions is also critical to the reformulation of Lebanon's housing framework. While prioritization is at the heart of the multi-stakeholder policy development process detailed in Section 3.2, this guide sets out its **three major priorities: 1) the regulation and organization of land and real estate markets, 2) the diversification of the channels of housing finance and delivery, and 3) the regeneration of the existing low-quality housing stock in the formal and informal markets** (Box 8; Table 3). Apart from being key to reducing the supply–demand mismatch, these priorities for an inclusive housing agenda have multiple implications for urban development and policy at large.

Box 8 | Housing policy priorities



- 1 The regulation and organization of land and real estate markets



- 2 The diversification of the channels of housing finance and delivery



- 3 The regeneration of the existing low-quality housing stock in the formal and informal markets

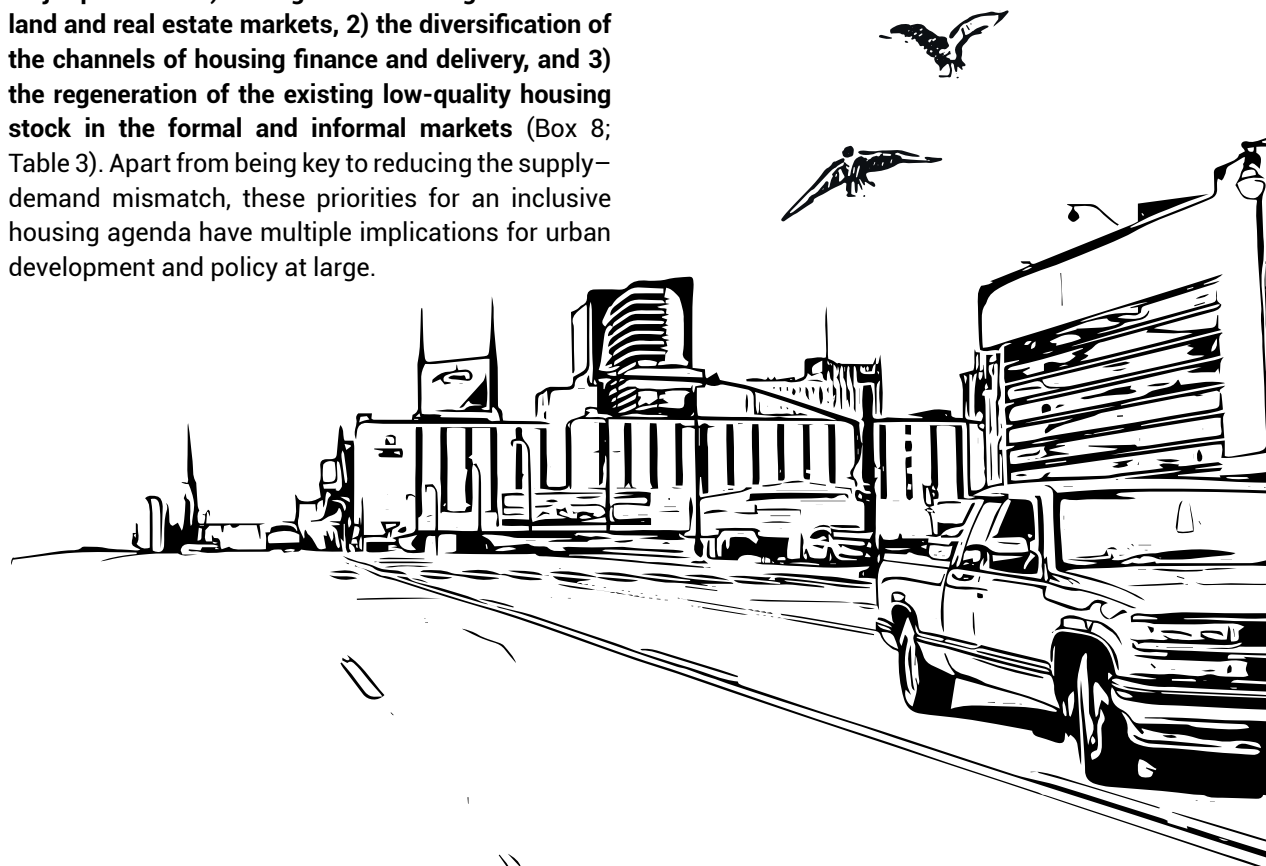


Table 3. Housing policy priorities and implications for other urban sectors and policies

HOUSING POLICY PRIORITIES	TARGET OUTCOMES	IMPLICATIONS FOR OTHER URBAN SECTORS AND
 <p>1 The regulation and organization of land and real estate markets</p>	 <p>A. Secure the soft landing of land and real estate prices to avoid a property crash.</p>  <p>B. Increase transparency and data availability in the land and real estate sectors, and related to the details of housing market function.</p>  <p>C. Reinforce land governance and fluidify the land supply chain.</p>	<p>Better regulation of land and real estate markets will reduce the cost of access to urban land for all urban sector interventions. This is key to securing the development of urban and regional infrastructure and facilities (transportation, health, education, culture, etc.). It will also facilitate the establishment and/or preservation of business actors and activities (e.g. stores, offices, factories). Increased property market regulation thus contributes in many ways to more sustainable spatial development and the preservation of social and functional diversity at the city and neighbourhood levels. Increased transparency and data availability will allow for an evidence-based and transparent housing policy, which will increase the trust in the urban policymaking processes and in public institutions.</p>
 <p>2 The diversification of the channels of housing finance and delivery</p>	 <p>A. Implement cross-cutting interventions for improved housing delivery.</p>  <p>B. Secure and diversify homeownership solutions.</p>  <p>C. Reinvigorate the liberalized rental sector, encourage the formalization of the informal rental sector, and develop a prototypical system of social rental housing.</p>	<p>A broader continuum of housing supply is also critical to preservation of social and functional diversity in urban centres and to social stability. It is key to the restoration of urban attractiveness for both residents and businesses. Availability of affordable and adequate housing supports the range of actors that feed the economy at the neighbourhood level (e.g. nurses, school teachers, taxi drivers, storekeepers) and gives large sections of society easier access to urban amenities. By reducing commuting and land consumption, it also contributes to the fight against climate change. Most importantly, the diversification of housing supply advances the realization of the human right to adequate housing for all.</p>
 <p>3 The regeneration of the existing low-quality housing stock in the formal and informal markets</p>	 <p>A. Rehabilitate the deteriorated central neighbourhoods of major urban agglomerations to improve living conditions within them.</p>  <p>B. Initiate upgrading programmes in the urban and peri-urban informal areas of Lebanese agglomerations.</p>	<p>Pro-poor urban regeneration is a powerful tool to help put an end to urban decay and the further debilitation of urban infrastructure. In addition to ameliorating the housing conditions of local residents, it contributes to the upgrading of the entire urban environment through the building of infrastructure and services (transportation, health, etc.), the rehabilitation of public and green spaces, and the stimulation of local economic development (creation and/or preservation of long-term jobs). Because its design and development rely upon extensive community involvement, pro-poor revitalization can also be seen as a lever of human development. By adopting sustainable transformation principles during regeneration, it also contributes to the fight against climate change. Regeneration in distressed neighbourhoods also impacts social stability, especially in urban settings that are characterized by the coexistence of diverse population groups.</p>

Housing policy priority 1: Regulation and organization of land and real estate markets

The housing sector diagnosis in Section 2 stressed the extent to which the opacity of, and speculation within, the relatively unregulated land and real estate markets has fuelled housing unaffordability. Moreover, overpriced assets are believed to put the stability of the property and banking sectors at risk of collapse in the current troubled financial environment. Tighter regulation and organization of land and real estate markets are thus key priorities.

In the short term, a strategy to **secure the soft landing of land and real estate prices is critical to the avoidance of a sudden property crash** (Table 3, target outcome 1.A), which would deepen the current devastating crisis. This requires, in particular, the smart management of the stock of housing-related debt (construction loans and home loans), and of empty/unsold real estate. Specifically, policy actions preventing the failure of housing developers and homebuyers should be taken to ensure a progressive downward adjustment of the property market.

In the longer term, **increased data availability on local and national land and real estate markets** (Table 3, target outcome 1.B) would (a) help to improve market transparency, (b) facilitate the design, monitoring and evaluation of housing policy, and (c) more generally, stabilize housing prices at a reasonable level, in line with other economic fundamentals. Similarly, **improvements in land governance** (Table 3, target outcome 1.C) are needed through the actual enforcement of existing land-use and urban planning instruments, and the reform of taxation on land and real estate holdings, occupation, transactions and development. Targeted public regulation and intervention are key to organize the land market and fluidify land supply in the housing value chain.

Housing policy priority 2: Diversification of the channels of housing finance and delivery

Bridging the housing gap and facilitating access to affordable, secure and adequate housing can only be accomplished by building a broader continuum of housing supply. This demands a greater plurality

of housing standards and types of tenure, access to both market and non-market channels of housing provision, and the creation of hybrid value chains that bring together public actors, private sector partners, and communities.

The first step is fundamental reform of the mortgage-based system of home acquisition that prevailed until 2018. **Homebuyers' trajectories must be secured, and solutions should be tailored to the diversity of expectations and financial capacities** (Table 3, target outcome 2.A). Initiatives need to be taken in the short term to help first-time buyers who have great difficulty repaying home loans. In the current highly volatile economic and financial environment, tens of thousands are facing the risk of default; thus, refinancing solutions will almost certainly be needed. In the meantime, programmes are needed to make home acquisition available to low-income households, including those working informally, under specific conditions, through the development of low-cost financing (e.g. affordable mortgages, microfinance). Because increased homeownership brings with it property management and maintenance challenges, specific legal, regulatory and financial arrangements must be made to organize the rights and duties of homeowners. This will head off the rapid deterioration of recently built residential buildings and resulting impoverishment of homeowners. Finally, shared-equity homeownership solutions need to be expanded by increasing support for the establishment of cooperatives, and initiating experimental community land trusts. The stimulation of this form of housing delivery would be a concrete contribution to the creation of "urban commons."⁵⁵

Secondly, broadened access to adequate housing in large and middle-sized cities requires **the reinvigoration of the formal rental market, the increased formalization of the informal rental market, and the creation of a rental system of social housing for households that cannot afford social homeownership** (Table 3, target outcome 2.B). This is a population group comprised primarily of the disadvantaged and the lower-income elderly who are not homeowners. The 2014 termination of rent control was an important missed opportunity to rethink the organization of the

⁵⁵ "Urban commons" refer to shared resources, such as urban land, whose access is collectively governed and managed by local communities, according to predetermined rules and practices.

rental market, that is, to revitalize it and to make it more inclusive and secure for renters and more enticing for private small-scale and commercial investors. The regeneration of the rental sector should, first and foremost, secure the landlord–tenant relationship, improve housing conditions, and stimulate rental yields through a variety of public supply- and demand-side interventions and intermediation schemes. In the longer term, further consideration needs to be given to increasing the supply of affordable and intermediary rental accommodation through the mobilization of private small, medium and large-scale investors. Equally importantly, prototypes for social rental housing programmes need to be developed through partnerships, such as that between the PCH, municipalities and the private sector. This kind of experimentation would require a financing and management model that takes into account Lebanon's institutional, financial and political particularities. The diversification of housing production will also need to combine with efforts to reduce its cost (e.g. land, building materials, financing).

Housing policy priority 3: Regeneration of the existing low-quality housing stock in the formal and informal markets

The third policy priority is large-scale rehabilitation of the existing low-quality stock in both formal and informal, urban and peri-urban areas.

As underlined in Section 2, decades of poor building management and maintenance have resulted in the rapid deterioration of urban centres, particularly in the neighbourhoods where controlled rental leases are concentrated (e.g. the central areas of the larger cities, such as Beirut, Tripoli and Saida). In the capital city, a number of these historic areas were immensely affected by the 4 August 2020 Beirut Port explosion. The 2014 termination of rent control and the 2020 port explosion, despite their negative impacts, represent opportunities to initiate an integrated, people-centred regeneration policy aimed at **revitalizing these densely populated areas** (Table 3, target outcome 3.A). Careful attention needs to be paid, however, to the preservation of an affordable rental stock for existing residents: The instigation and/or reinforcement of gentrification must and can be avoided, for example, through targeted tax breaks and/or financial aid offered to landlords providing affordable homes, and/or the capping of rent increases for a predetermined period

of time (Section 4). Such upgrading programmes are by nature integrated: They involve every dimension of urban development (e.g. local economic development, local transportation, heritage protection, public space rehabilitation, infrastructure upgrading, green spaces, climate proofing). The development of an energy-efficient, regenerated housing stock is very much a nodal component of this approach; it can reduce energy costs (of both household and public budgets) and greenhouse gas emissions, create better living conditions, and help to structure a local ecosystem of small and medium-sized enterprises specialized in rehabilitation. One important consideration needs to be given to the structural soundness of buildings of the existing low-quality stock, and the integration of a structural stabilization component into the regeneration strategy, taking into consideration existing regulations pertaining to this issue.

Informal areas located in the country's urban and peri-urban areas should also, in line with the 2011 National Social Development Strategy (Ministry of Social Affairs, 2011), benefit from integrated upgrading programmes. Improvements to shelter and housing, and tenure security, which could be achieved through incremental housing and microfinance solutions, should be combined with the extension or upgrading of formal infrastructure (water, sanitation, electricity, etc.) and essential community facilities (schools and day cares, health institutions, etc.). The upgrading of such areas should also include innovative transportation solutions to enhance neighbourhood connections to formal job markets and, more generally, to urban amenities. These upgrading programmes will need to be accompanied by awareness campaigns to inform residents, land/slumlords and local governments of the rights and duties related to housing provision. To bring about real change, these urban interventions will need additionally to be partnered with a larger legal transformation that would stabilize their national status, as many of the inhabitants of informal areas are foreign workers and refugees with limited residence and labour rights.

3.2 An inclusive policy development process

In the end, each of the housing policy components identified in this guide must contribute to a cycle of policy development that consists of a diagnosis and formulation phase and an early implementation phase,

each having clear objectives and outcomes (Figure 7). In harmony with UN-Habitat's housing profiling guidelines (UN-Habitat, 2011), this policymaking effort must be inclusive – through the involvement of public, private and civil society stakeholders – and integrated, to feed into and align with the country's overall NUP (to be developed). In the Lebanese context of state fragility and deficiency, this collective endeavour must contribute more broadly to a reaffirmed state-building ambition, relying upon the strengthening of state accountability, institutional capacity and legitimacy.

The **diagnosis and formulation phase** is expected to comprise five steps:

- **Step 1:** Establishment of the CoH, under the auspices of a reinstated MoH, and the ICC (or National Habitat Committee), whose mandates should be to lead the first phase of development of housing policy reform, and of an NUP, respectively. In the meantime, housing must be identified as one of the highest priorities in the national government agenda. If budget constraints and institutional uncertainty make the reinstatement of the MoH unrealistic in the short term, leadership over the CoH could be temporarily transferred to the PCH. Capacity development programmes should then be put into place to expand the strategic and technical skills of PCH staff.
- **Step 2:** Under the supervision of the MoH or the PCH, the CoH should coordinate (a) the development of a detailed and shared assessment/profile of the current national housing situation and needs, especially since the onset of the financial and economic crises, (b) an evaluation of recent housing policies and interventions, and (c) the identification of policy priorities. This evaluation and identification phase will require the establishment of thematic working groups representative of the diverse profiles of CoH members, and the commissioning of extensive quantitative and qualitative research. Access to accurate, first-hand information from public institutions (Central Bank of Lebanon, MoF, CAS, etc.) and the private sector (ABL, development industry, etc.) will need to be granted. As importantly, decentralized public workshops and consultations should be organized by the CoH in locations representative of Lebanon's diverse population groups and housing challenges.

Findings and recommendations from the housing assessment/profile, the policy evaluation, and the identification of policy priorities should be reviewed by the CoH plenary assembly prior to being shared with the ICC in order to contribute to, and ensure alignment with, other components of a future comprehensive NUP.






- **Step 3:** CoH working groups should be in charge of designing the institutional arrangements, and the policy interventions and instruments, for both national and local governments. Best practices observed internationally should be taken into consideration to formulate solutions fitting Lebanon's social, economic, financial and cultural environment. Annual and pluriannual estimates of function and investment costs should also be provided for each housing policy option. Policy scenarios and toolkits should be discussed with the public through decentralized workshops and consultations, and amended where necessary. They should ultimately be approved by the CoH plenary assembly and reviewed by the ICC.
- **Step 4:** CoH working groups, assisted by legal specialists, will be in charge of drafting (a) a housing framework law to officialize the new housing policy directions and priorities, and (b) the technical laws (e.g. new rental law, taxation) and amendments to existing legislation needed to operationalize the resulting institutional arrangements and policy instruments. Law-making efforts will refer to, and elaborate on, the findings and recommendations validated in steps 2 and 3. A City and Housing Committee, in which all parliamentary groups are represented, should be formed in the Parliament to contribute to legislative work. The involvement of Members of Parliament in legislation development is also likely to facilitate future adoption of draft laws.

Finalized housing draft laws should be reviewed and approved by the CoH and the ICC, and ultimately by the Council of Ministers.





- **Step 5:** The Council of Ministers, or the City and Housing Committee, will submit the housing draft laws to the Parliament for debate and vote.

The **early implementation phase** is expected to consist of at least two steps:

Figure 7. Lebanon's cycle of housing policy development

DIAGNOSIS AND FORMULATION PHASE				
STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
				
Establishment of the Council of Housing	Evaluation of existing housing context/policies Identification of housing priorities	Design of institutional arrangements, and of policy interventions and instruments	Drafting of a housing framework law, and of technical laws and amendments	Submission of housing draft laws to Parliament

- **Step 6:** The MoH, or the PCH, should ensure that housing policy objectives and programmes are integrated into the government's planning and budgeting. Alongside programmatic commitments, state budgetary commitment is key to implementation of the new housing policy framework at the national and local levels. In the meantime, the establishment and/or reform of housing-related technical government institutions and agencies will need to be undertaken.
- **Step 7:** Pilot housing programmes and interventions can begin once the institutional arrangements are in place. Mechanisms for monitoring, evaluation and reporting by the CoA should be in place from the early restructuring of public institutions and execution of policy programmes. In parallel, municipalities and UoMs should be provided with the technical capacities and capital transfers needed to initiate assessments of local housing needs and the planning of local housing policies.

EARLY IMPLEMENTATION PHASE	
STEP 6	STEP 7
	
Integration of new housing policy into the government's planning and budgeting	Demonstration housing programmes and pilot interventions
	
Establishment and/or reforms of technical institutions and agencies	Capacity-building and capital transfers to municipalities and UoMs

Permanent assistance from international agencies and donors will be needed throughout the policy development cycle. It should take the form of capacity development activities and financial contributions, which support both the policymaking process and the implementation of new institutional arrangements and policy programmes. The deployment of this multifaceted international assistance appears to be even more acute these days, as the Lebanese state has entered an austerity environment that will likely continue for the next years. Nonetheless,

any assistance should be performance-based and tied to a commitment for reform, transparency and accountability, as recommended by the CEDRE conference partners and the recent 3RF elaborated by the World Bank, the European Union and the United Nations (2020a). The implementation of an advanced system of monitoring and evaluation will be a concrete expression of this commitment.

3.3 Monitoring and evaluation: A key component of policy development and implementation

Linking policy development to the implementation phase, monitoring and evaluation are essential dimensions of the NUP policy cycle. Their overall objective is to track the performance of housing policy against its initial aims and outcomes by monitoring progress, evaluating performance and shortcomings, and revising policy instruments and interventions where necessary (UN-Habitat, 2019). The formulation of a monitoring and evaluation system entails a twofold approach. Monitoring, on the one hand, requires the formulation of a plan that identifies data collection procedures and actors and that defines performance indicators. Evaluation, on the other, requires the identification of the evaluator(s) and of the evaluation process and feedback mechanisms. Both monitoring and evaluation of housing policy must be in line with the monitoring and evaluation strategy defined for the overall NUP at the national and local levels.⁵⁶

3.3.1 A monitoring plan for housing policy

The monitoring plan should rely on at least three key principles detailed by the Cape Town Global Action Plan for Sustainable Development Data, detailed by the United Nations Statistical Commission: completeness of scope, accountability and cooperation (United Nations Statistical Commission, 2017). Concretely, the plan should entail the creation of a National Urban Observatory in charge of collecting, managing and disseminating data, and of producing and publishing data-informed trend and longitudinal policy analysis. This dedicated agency could be established through a partnership between the CAS and the reinstated MoH, or the PCH (see Recommendation 2 in Section 4). The definition and coordination of a statistical and geospatial data gathering framework (e.g. methodologies, performance indicators, etc.) as well as the actual infrastructure and activities of data collection, in line with the highest international standards, could involve all members of the suggested CoH – public, private, academic and community.⁵⁷ In

full consultation and coordination with the Lebanese authorities, short- and longer-term capacity-building and financing programmes from international and regional organizations, and/or bilateral cooperation will probably be required to assist the leading monitoring institution, technically and scientifically, and the data providers.

THE MONITORING PLAN SHOULD ENTAIL THE CREATION OF A NATIONAL URBAN OBSERVATORY IN CHARGE OF COLLECTING, MANAGING AND DISSEMINATING DATA, AND OF PRODUCING AND PUBLISHING DATA-INFORMED TREND AND LONGITUDINAL POLICY ANALYSIS.

A critical prerequisite to effective monitoring is the definition of an index of clear and tangible performance indicators, both aggregated and disaggregated. While these indicators would be tailored to Lebanon's housing environment and policy objectives, statistical indices and instruments designed and used by the United Nations as well as by other international organizations, national governments and NGOs could serve as references. Candidates would be the United Nations SDG indicators, Habitat for Humanity's Global Housing Indicators, the Organization for Economic Cooperation and Development's (OECD) Affordable Housing Database, and the International Monetary Fund's (IMF) Global Housing Watch.

3.3.2 Evaluation actors and mechanisms

In addition to informing national and local housing markets and production, the National Urban Observatory's monitoring activities are expected to provide first-hand data for Lebanese authorities to report on, and evaluate, the actual versus intended short-to-longer-term policy outcomes and costs. In other words, thorough and timely evaluation is required to systematically investigate the results and impacts

⁵⁶ See UN-Habitat Lebanon (2018).

⁵⁷ The Remote Sensing Center of the National Council for Scientific Research as well as the Beirut Urban Lab (American University of Beirut) are, for example, potential key partners. Both research institutions (the former focuses on the national level, while the latter focuses mostly on Beirut) have engaged in the collection and production of statistical and geospatial data on urban and housing conditions.

of policy action on housing and urban conditions, and if necessary, to refine and adjust housing policy instruments and interventions through strategic planning and capacity-building. It is an institutionally and technically challenging process fundamental to transparency in the use of public and external money. It is also essential to the accountability and credibility of local and national governments first and foremost towards Lebanese citizens, but also towards international funding agencies.

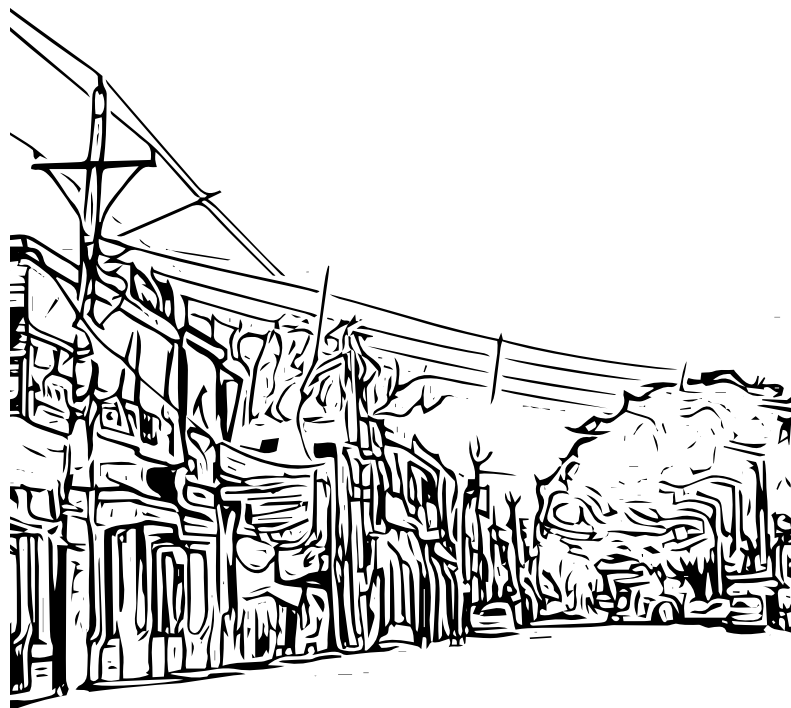
To avoid conflicts of interest, evaluators must be independent from the public administrations and executive entities charged with policy design and evaluation. Best practices observed internationally suggest that a credible evaluation commission must include (Conseil d'Analyse Économique, 2013):

- A leading institutional commissioner in charge of the evaluation preparation, coordination and dissemination, conducted in compliance with international standards. In Lebanon, the public institution assigned to conduct policy evaluation is the CoA. As mentioned earlier, it is an independent state institution charged with monitoring the use of the public and external funds collected, managed and disbursed by national and local governments. However, very few public policies have been assessed and adjusted by the CoA in the past quarter century, during which elite capture and corruption have been widespread. Apart from political will, institutional, organizational and technical strengthening is thus probably needed to reinforce the CoA's policy evaluation capacity.
- Public institutions or agencies not involved in the policy action under review. This could be the case, for instance, of the CAS and the Institut des Finances Basil Fuleihan (a knowledge centre at the MoF).
- Independent experts from local academic institutions, research organizations (Lebanese Center for Policy Studies), NGOs (e.g. Kulluna Irada, Legal Agenda, ALDIC, NAHNOO), and international donors, organizations and private firms that can provide sectoral and technical skills and knowledge.

For any public policy, evidence-based evaluation is a research-led process relying on a three-phase methodology:⁵⁸

- Understanding of the policy objectives and instruments, and definition of the evaluation protocol, questions and criteria (e.g. efficiency, effectiveness, impact, relevance, sustainability, consistency).
- Data collection and analysis to answer the evaluation questions. This phase requires a literature review and quantitative analysis, but also qualitative inquiry including studies with users and beneficiaries (interviews, polls, focus group discussions, etc.), and interviews with members of the administrations and executive entities in charge of policy formulation and implementation.⁵⁹
- Formulation of policy recommendations, including detailed propositions to adjust policy action and the policymaking process.

Evaluation reports must be frequent and disseminated to a wide public.



58 For further information, see Ministère De La Transformation Et De La Fonction Publiques (n.d.).

59 UN-Habitat (2011): has developed the Housing Profile tool, which can serve this purpose.





4

A ROAD MAP FOR ACTION: SHORT- AND LONGER-TERM POLICY RECOMMENDATIONS

Towards the design of a housing-centred NUP for Lebanon, Section 2 offered a preliminary diagnosis of the country's current housing situation, and Section 3 outlined the elements necessary for housing policy formulation. This part, Section 4, identifies tangible measures for policy implementation. The following action plan details a variety of short- and longer-term recommendations whose aim is to convert the policy directions and priorities proposed in Section 3 into actionable programmes, instruments and interventions, including acupuncture projects. The longer-term guidelines, particularly, are expected to feed back into the policymaking work of Step 3 in the cycle described earlier (see Section 3.2).

The 21 recommendations below form a road map where short-term initiatives lay the groundwork for longer-term policy aims (Table 4). Immediate attention should be paid to the pressing housing challenges posed by the 2020 Beirut Port explosion and the worsening of the country's financial, economic and social situation. However terrible these circumstances are, they now present an opportunity for fundamental reform of a flawed system of housing development. As mentioned above, both design and implementation of short-term shelter and housing policy responses need to initiate, and/or contribute to, longer-term reforms. Concretely, this means that, in the short-to-medium term, both policy interventions and the reorganization/redesign of policy instruments should reflect the new inclusive housing agenda that local public, private and community actors have been advocating for. This agenda, translated into an actionable format, needs to be adopted in a policy development cycle initiated in the near future, and officialized and institutionalized within that cycle in the coming years.

It must be said that the decentralization of housing policy is enshrined in Lebanese legislation but is rarely implemented in reality. A majority of the recommendations supporting local action are then intended to bring municipalities and UoMs to the forefront of concrete housing interventions. Also, most recommendations derive from housing policy programmes and instruments implemented in other contexts, most particularly in MENA countries and other middle-income economies facing similar housing challenges. From a methodological perspective, all of these policy recommendations are, nevertheless, proposals: They require a thorough

analysis to take a truly actionable technical, institutional and financial form. In this regard, evaluation of their feasibility in Lebanon's specific financial, political and cultural environment is key. Particular attention needs to be paid to the capacity of programmes and instruments to transform the practices and perceptions of communities and economic agents in the housing markets, and to their ability to achieve broader NUP development objectives. This is precisely the work that should be conducted in Step 3 in the proposed policy development cycle (see Section 3.2).

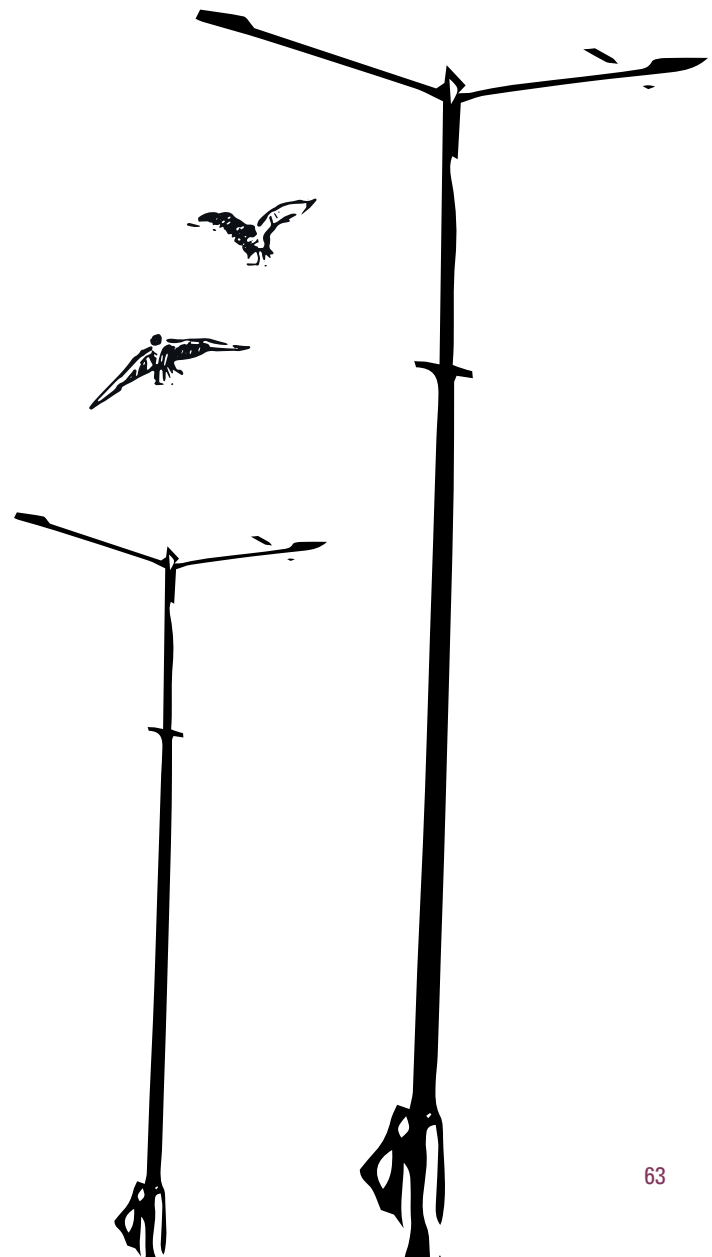













Table 4. Housing policy recommendations

All recommendations are detailed in the following sections.

HOUSING POLICY PRIORITIES	IMMEDIATE AND SHORT-TERM RECOMMENDATIONS	MEDIUM- AND LONG-TERM RECOMMENDATIONS
 Priority 1: Regulation and organization of land and real estate markets		
 <p>A. Secure the soft landing of land and real estate prices to avoid a property crash.</p>	<p>1. Develop a targeted bailout programme for middle-market housing developers.</p>	
 <p>B. Increase transparency and data availability in the land and real estate sectors, and related to the details of housing market function.</p>	<p>2. Establish a National Urban Observatory.</p>	
 <p>C. Reinforce land governance and fluidify the land supply chain.</p>	<p>3. Reform land and real estate taxation.</p> <p>4. Create capacity development programmes on land-use and urban planning for UoMs.</p>	<p>5. Establish intermunicipal public land banks.</p>
 Priority 2: The diversification of the channels of housing finance and delivery		
 <p>A. Implement cross-cutting interventions for improved housing delivery.</p>	<p>6. Create a working group on innovative housing finance.</p> <p>7. Create capacity development programmes on affordable housing production for municipalities and UoMs.</p>	
 <p>B. Secure and diversify homeownership solutions.</p>	<p>8. Provide financial assistance for home maintenance, extension and rehabilitation.</p> <p>9. Stimulate shared-equity homeownership solutions.</p> <p>10. Create capacity development programmes for first-time homebuyers.</p>	<p>11. Establish a national mortgage finance company.</p> <p>12. Create social homeownership programmes.</p> <p>13. Create an assistance fund for distressed homeowners' associations.</p>
 <p>C. Reinvigorate the liberalized rental sector, encourage the formalization of the informal rental sector, and develop a prototypical system of social rental housing.</p>	<p>14. Reconfigure and clarify the landlord-tenant relationship.</p> <p>15. Develop intermediation programmes to augment supply in the rental market.</p> <p>16. Organize awareness campaigns and capacity development programmes to promote rental housing.</p> <p>17. Design a Lebanese prototype for social rental housing.</p> <p>18. Establish an Inclusive Housing Innovation Fund.</p>	<p>19. Develop a large-scale reinvigoration programme for the free rental sector.</p>
 Priority 3: Regeneration of the existing low-quality housing stock in the formal and informal markets		
 <p>A. Rehabilitate the deteriorated central neighbourhoods of major urban agglomerations to improve living conditions within them.</p>	<p>20. Create an urban regeneration policy and strategy for deteriorated urban areas.</p>	
 <p>B. Initiate upgrading programmes in the urban and peri-urban informal areas of Lebanese agglomerations.</p>	<p>21. Create an urban regeneration policy and strategy for informal areas.</p>	

4.1 Housing policy priority 1: Regulation and organization of land and real estate markets

4.1.1 Soft landing of land and real estate prices

- **Immediate and short-term recommendations**

Recommendation 1: Develop a bailout programme for middle-market housing developers



Rationale and objectives: A policy initiative should be launched to avoid the failure of a selected number of overindebted middle-market developers⁶⁰ and to reduce the portfolio of non-performing construction loans and the local banks' levels of credit provision. This could take the form of a dedicated bailout fund,⁶¹ with an investment structure to be defined. For instance, this structure may use local and international private capital and require public incentives. This ad hoc fund would provide subsidized bridge loans to a select number of distressed housing producers who would, in exchange, rent their unsold units at a reasonable cost to selected middle-income households during the repayment period. In addition to aiding the healing of the housing sector, such a programme is likely to produce a "demonstration effect" that would encourage local real estate actors to experiment with rental housing production and operation in the major urban agglomerations (Greater Beirut, Tripoli, Saida).⁶²



Public focal points: MoF, MoJ, Central Bank of Lebanon, MoH (if reactivated) or the PCH.



Other local actors⁶³ involved: ABL, real estate development and brokerage associations.



External input: International donors and agencies for financial and real estate expertise, and for kick-starting of equity contributions and subsidized/soft loans to the debt restructuring facility.

- **Medium- and long-term recommendations**

The reform of land and real estate taxation detailed in Recommendation 3 will also contribute to the longer-term regulation of property prices.

4.1.2 Increased transparency and data availability in the land and real estate sectors

- **Immediate and short-term recommendations**

Recommendation 2: Establish a National Urban Observatory



Rationale and objectives: A National Urban Observatory⁶⁴ would improve the availability and quality of market information by providing open access statistical and geospatial data. Its mission would entail the aggregation of supply, demand, cost and financial indicators, such as detailed land and real estate price and rent indices at the lowest possible level (possibly lot level), estimates of the price-to-income ratio, pending sale stocks, rental yields, mortgage default rates, and socioeconomic studies of the features of the various categories of demand. The role of an observatory could also extend to the provision of information on land availability, residential building rehabilitation, and evictions, as suggested in a report published by UN-Habitat and the United Nations High Commissioner for Refugees (UNHCR) (UN-Habitat and UNHCR, 2014). While data centralization

60 In principle, only developers with unsold mid-size (about 100 square metres), mid-standard units located in a number of middle-income Beirut districts (e.g. Moussaitbeh, Bourj Abu Haidar, Geitawi, Sioufi, etc.), Greater Beirut (e.g. Khaldeh, Choueifat, Bchamoun, Mansourieh, etc.) and other major urban centres should be eligible for refinancing. The definition of exact criteria and control mechanisms should be further detailed. For eligible developers with both mid-market and upmarket projects, the bailout fund would cover only the debt tied to mid-market homes (Marot, 2020).

61 Bailout funds for property developers constitute an unconventional policy initiative. Desk research shows that one bailout package was experimented with in India in 2019–2020. No evaluative data is available, however, so the case cannot yet be used as a reference for success or sustainability (Arun, 2019). In the COVID-19 context, state-guaranteed loans ("Damane Relance" programme) are also currently extended to selected residential property developers in Morocco to help them complete their construction projects (Paul-Delvaux et al., 2020).

62 See Marot (2020) for more details on the potential mechanisms of a bailout programme.

63 Local actors include academic institutions, research centres, community organizations, the private sector, professional associations and syndicates.

64 UN-Habitat's Global Urban Observatories Network lists 374 urban observatories worldwide, including 18 in the MENA region (UN-Habitat, 2020). For further information, see: Dickey, Acuto and Washbourne (2021).

would be one of the key prerogatives of this observatory, technically speaking, public, private and civil society actors could contribute to data collection. As explained in Section 3, the creation of this observatory would be pivotal to the monitoring and evaluation of housing policies.



Public focal points: CAS, DGLRC, MoIM, municipalities and UoMs, MoH (if reactivated) or PCH.



Other local actors involved: ABL, real estate development and brokerage associations, academic and research institutions (e.g. Beirut Urban Lab), civil society organizations, local and international NGOs.



External input: International agencies and donors, and bilateral/multilateral cooperation, for technical assistance, capacity development and funding.

4.1.3 Reinforcement of land governance and fluidification of the land supply chain

• Immediate and short-term recommendations

Recommendation 3: Reform land and real estate taxation



Rationale and objectives: Property market regulation also requires modification of agent behaviours by way of state (dis)incentives. Alongside financial subsidies and regulatory constraints, appropriate tax arrangements can influence economic decisions and reduce speculative mechanisms. A reform of land and real estate taxation⁶⁵ could include:

(a) The elimination of the current built property tax and the integration of rental revenues accumulated by owner-lessors to income tax;

(b) The creation of a property tax targeting the possession of a built or unbuilt property

asset to complement taxation on the value created through its occupation and the capital gains accrued through a transaction;

(c) The regular revaluation of rental values used for the calculation of the property and municipal taxes to bring them closer to market values;

(d) The creation of a tax on vacant residential properties in urban areas; and

(e) The re-examination of taxation on property capital gains for individuals and companies that can be easily evaded.

Reformed property taxation would also have the merit of providing additional fiscal resources to the national and local governments. This capture of a portion of the land rent would then represent a significant contribution to the financing of the most needed public facilities and infrastructure, and more generally of urban policy. As importantly, enhanced property taxation could incentivize investors to shift some capital towards productive, job-creating economic activities in urban areas (Fawaz and Salamé, 2019).



Public focal points: MoF (including the DGLRC, and the Tax Administration and Budget Division), MoIM, MoJ, municipalities and UoMs.



Other private and community actors involved: Landlord and tenant associations; community, civil society and research organizations (ALDIC, Kulluna Irada, Lebanese Center for Policy Studies).



External input: Assistance by international donors and agencies for the development and implementation of legal and financial mechanisms.

⁶⁵ For an overview of existing land and real estate taxation (and potential reforms) in Lebanon, see Hechaime and Marot (2015) (in French and Arabic). For an in-depth overview of the land management system in Lebanon, see UN-Habitat's *Legislative and Administrative Land and Property Rights Framework – Lebanon* (forthcoming).

Recommendation 4: Create capacity development programmes on land-use and urban planning for municipalities and UoMs



Rationale and objectives: A capacity development programme should seek to raise awareness and train local civil servants and elected officials on the use of legal, regulatory and fiscal tools of land-use and urban planning (e.g. inclusionary zoning, density bonuses, etc.).⁶⁶ These tools, which are sometimes available on paper but too rarely used, are critical to the organization of land markets and to the enlargement of a reasonably priced land supply.⁶⁷ The training can also be extended to community and civil society groups as applicable.



Public focal points: MoIM, MoF, MoJ, municipalities and UoMs, DGUP, CDR.



Other local actors involved: Community and civil society groups, academia, Bureau Technique des Villes Libanaises (Lebanon's chapter of the United Cities and Local Governments [UCLG]).



External input: International agencies and donors for technical assistance, capacity development and funding.

• Medium- and long-term recommendations

Recommendation 5: Establish intermunicipal public land banks



Rationale and objectives: Public land banks aim to stabilize land prices, transforming land use and property development practices, and supporting local community development, particularly in contexts where landownership structures are complex and/or fragmented. Established at the intermunicipal level, they consist of non-profit entities whose activity is to

acquire, manage, lease and sell occupied or unoccupied land. Land banks can buy land at or under the market rate, potentially through the use of the power of eminent domain, to regulate the local market and/or provide reasonably priced land for public, private and community development projects (e.g. affordable housing, infrastructure, economic development). Intermunicipal land banks in Lebanon could, for instance, resell land at reduced cost to housing developers committed to developing mixed-used, mixed-income and mixed-tenure projects.



Public focal points: MoH (if reactivated), MoF (including the DGLRC), MoJ, MoIM, municipalities and UoMs, Central Bank of Lebanon (major landowner).



Other local actors involved: ABL; real estate development and brokerage associations; academia and research groups; community and civil society organizations; Bureau Technique des Villes Libanaises.



External input: Assistance by international donors and agencies for the development and management of legal and financial mechanisms, and for kick-starting of equity contributions and subsidized/soft loans to the land bank's capital.

4.2 Housing policy priority 2: Diversification of the channels of housing finance and delivery

Two recommendations are cross-cutting and apply to all channels of housing delivery.

Recommendation 6: Create a working group on innovative housing finance



Rationale and objectives: In the context of the stalemate in the country's housing finance system and the larger crisis that will most likely lead to the restructuring of the financial sector, a working group should be set up to devise new finance products,

⁶⁶ See lessons learned from Brazil and Colombia on the use of inclusionary zoning in affordable housing programmes in Santoro (2019).

⁶⁷ See proposals by Fawaz, Salamé and Serhan (2018).

programmes and institutions⁶⁸ that are able to facilitate the production of, and access to, affordable housing.⁶⁹ In particular, this group should design public policy tools (budget allowances, state guarantees, tax rebates, increased building rights, soft loans, etc.) aimed at facilitating the construction and/or rehabilitation of affordable housing for limited-profit developers and the creation of subsidized buy-to-rent schemes for small-scale investors.⁷⁰ Islamic finance solutions can also be explored, especially for the initiation of rent-to-own programmes (e.g. *ijara muntahia bi tamlik, sukuk*).



Public focal points: PCH, MoH (if reactivated), MoF, Central Bank of Lebanon, MoIM, Capital Markets Authority.



Other local actors involved: Bureau Technique des Villes Libanaises, ABL, Housing Bank, real estate development associations, research organizations, academia, CSOs.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 7: Create capacity development programmes on affordable housing production for municipalities and UoMs



Rationale and objectives: Capacity-building programmes are used to raise awareness among local civil servants and elected officials about the number of socioeconomic and demographic challenges for which the local production of affordable housing offers a critically needed solution. They are also intended to offer training programmes on

the local policy instruments and solutions that can be used to initiate local affordable housing projects. The capacity-building programmes can also target community groups as applicable.



Public focal points: MoH (if reactivated), MoIM, municipalities and UoMs.



Other local actors involved: Bureau Technique des Villes Libanaises, research and community organizations, academia.



External input: International agencies and donors for technical assistance, capacity development and funding.

4.2.1 Securing and diversification of homeownership solutions

• Immediate and short-term recommendations

Recommendation 8: Provide financial assistance for home maintenance, extension and rehabilitation



Rationale and objectives: In the context of the post-explosion response and ongoing economic crisis, the reinforcement of financial assistance to low- and moderate-income individuals and families (both homeowners and tenants) for home extension, maintenance, rehabilitation and energy efficiency is a priority. This has also been identified in the Lebanon 3RF (World Bank, European Union and United Nations, 2020a). Assistance can take the form of dedicated vouchers financed by international donors and the government but extended by municipalities and/or community organizations to better target vulnerable households, and of subsidized microloans extended by microfinance institutions.

68 In the context of municipalities' constrained access to long-term financing, this working group could examine, for example, the relevance and feasibility of the establishment of a municipal finance institution (Marot, 2020). Specialized financial institutions turn private capital resources (primarily from institutional investors) into long-term, low-cost resources for public actors engaged in the development of public interest projects, including affordable housing.

69 Solutions could use various types of resident and non-resident savings (bank savings, employee retirement plans), through low-profit, guaranteed financial products and funds in order to extend long-term, affordable construction loans to housing producers and home loans to homebuyers. The model of diaspora bonds issued by Senegal's Housing Bank is another financial solution that merits careful consideration, as is the creation of community housing development companies that issue community bonds to collect capital for development of affordable housing projects (see Brick by Brick [n.d.] experimented in Montreal).

70 See proposals and scenarios by Fawaz, Salamé and Serhan (2018).



Public focal points: MoF, MoSA, PCH, MoH (if reactivated), MoIM, municipalities and UoMs.



Other local actors involved: Microfinance institutions, local and international NGOs, community and faith-based organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 9: Stimulate shared-equity homeownership solutions



Rationale and objectives: Access to land and affordable financing should be facilitated, and financial incentives should be provided, for the development of cooperative housing projects. Proposals were, for instance, made to rely on cooperative entities to regenerate the stock of deteriorated residential buildings previously under rental regulation in main urban centres.⁷¹ More generally, an information campaign should be designed to raise awareness among the general population about this alternative to individual homeownership. In the meantime, the Parliament should authorize and subsidize community land trust pilot programmes (or equivalent entities).



Public focal points: Ministry of Agriculture, PCH, MoH (if reactivated), MoF, MoIM, municipalities and UoMs.



Other local actors involved: Community, civil society and faith-based organizations; academia and research organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 10: Create capacity development programmes for first-time homebuyers



Rationale and objectives: Training programmes should help first-time homebuyers, as they acquire their property, to familiarize themselves with their new rights and duties, individually and as members of homeowners' associations (HOAs)⁷² (e.g. taxation, financial management, maintenance of exterior structure and shared areas, decision-making mechanisms in HOA assembly, etc.). Such programmes would help HOAs to strengthen the organizational capacities necessary to reduce the risk of financial distress.



Public focal points: MoF, MoSA, MoJ, MoH (if reactivated), PCH, municipalities and UoMs.



Other local actors involved: ABL, Beirut and Tripoli Bar Associations, community and civil society organizations, real estate broker associations.



External input: International agencies and donors for technical assistance, capacity development and funding.

• **Medium- and long-term recommendations**

Recommendation 11: Establish a national mortgage finance company



Rationale and objectives: In the event of a protracted constrained access to liquidity for Lebanese banks, the revitalization of the domestic mortgage market may require the creation of a secondary market for local banks to refinance home loans on financial markets. The Lebanese Government could then support and facilitate the creation of a national mortgage finance company,⁷³ owned by domestic commercial banks, to

71 See proposals, scenarios and recommendations by Fawaz, Salamé and Serhan (2018).

72 In Lebanon, the 1983 Decree No. 148 provides the legal framework for residential building management, including the organization of, and the duties attributed to, HOAs (Lamy, 2015). It is however poorly respected; most HOAs (or condominium associations) develop ad hoc building management without professional accounting and planning of maintenance operations.

73 See lessons learned from the Jordan Mortgage Refinance Company (World Bank, 2003) and the Egyptian Mortgage Refinance Company (Langhan, 2016).

provide refinancing solutions to primary mortgage lenders.



Public focal points: MoF, MoH (if reactivated), MoJ, Capital Markets Authority, Central Bank of Lebanon.



Other local actors involved: ABL, academia, research and civil society organizations.



External input: International donors and agencies for financial and real estate expertise, and for kick-starting of equity contributions and subsidized/soft loans to the refinancing facility.

Recommendation 12: Create social homeownership programmes



Rationale and objectives: Social homeownership programmes are put into place to allow members of lower-income communities to acquire a home. A number of policy tools can be used for this purpose, including (a) the provision of affordable mortgages guaranteed by a dedicated public fund and subsidized in a number of ways (low interest rate, down payment assistance, etc.),⁷⁴ (b) development of rent-to-buy solutions,⁷⁵ (c) allocation of public and/or religious land to housing providers at reduced cost or through specific schemes (e.g. emphyteutic lease), (d) tax and financial incentives to limited-profit developers, and (e) implementation of inclusionary housing requirements for each new development.



Public focal points: MoF, MoH (if reactivated), MoIM, municipalities and UoMs.



Other local actors involved: ABL; real estate developers associations; community, civil society and faith-based organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 13: Create an assistance fund for distressed homeowners' associations



Rationale and objectives: Massive access to homeownership in recent decades as well as the ongoing financial and economic crisis may lead to the financial distress of condominium associations. However, the 1983 Decree No. 148 includes no specific guidelines or programmes for distressed HOAs. Establishment of a national assistance fund, whose resources and operation are to be determined, could help to stabilize HOAs and avoid failures that would contribute to the accelerated impoverishment of homeowners and gradual deterioration of residential buildings.



Public focal points: MoF, MoH (if reactivated), MoJ, municipalities and UoMs.



Other local actors involved: ABL; community, civil society and faith-based organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

4.2.2 Reinvigoration of the liberalized rental sector, increased formalization of the informal rental sector, and development of a prototypical system of social rental housing

• Immediate and short-term recommendations

Recommendation 14: Reconfigure and clarify the landlord-tenant relationship



Rationale and objectives: A prerequisite to the revitalization of the free rental sector is the rebalancing of the contractual relationship between landlords and tenants. While the legislation should preserve a protective framework favourable to tenants, amendments to the existing law should modernize litigation procedures

⁷⁴ Lessons could be learned from Morocco (Fogarim Guarantee Fund), Tunisia, the United States (HOME Investment Partnerships Program), etc.

⁷⁵ See lessons learned from Algeria, Kenya and a number of South American countries (Brazil, Chile, Argentina, etc.). Islamic finance programmes are also suited to rent-to-buy programmes.

and secure landlords too. The legislation should particularly encourage simplified arbitration procedures and collaborative dispute resolution. As suggested by UN-Habitat and UNHCR (2018), for neighbourhoods with a significant presence of refugees, new collaborative arbitration procedures could include the creation of “small-claims courts” throughout the country to settle rent-related conflicts (rent default, contractual disagreements, etc.) at low or no cost.⁷⁶ In addition to ensuring increased tenure security, legal clarification and collaborative arbitration would help to rebuild trust and reduce the perception of investment risk for landlords. This reconfiguration could have a particularly positive impact on the willingness of small-scale resident and diasporan investors to enter into buy-to-rent arrangements.



Public focal points: MoJ, MoSA, MoH (if reactivated), MoIM.



Other local actors involved: Landlord and tenant associations, CSOs (e.g. Legal Agenda), Beirut and Tripoli Bar Associations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 15: Develop intermediation programmes to augment supply in the rental market



Rationale and objectives: As tested by humanitarian organizations for Syrian refugee accommodation (see Section 2), rental intermediation programmes⁷⁷ should be implemented nationally to increase the number of housing units available in the formal rental market. Apart from clarifying and rebalancing, securing of the landlord-tenant relationship is also critical to the reinvigoration of a liberalized rental market in the longer term (see Recommendation 19). It would rest on the identification of an

appropriate public or private intermediate institution (e.g. municipality, faith-based entity, NGO) to act as guarantor between landlords and tenants, as well as on regulations and incentives to reduce the risk to landlords and raise their confidence and interest in the new system. A number of financial and fiscal (dis)incentives are indeed likely to convince small-scale landlords owning empty units to rent them out on the formal market, and/or to build additional rental spaces. In addition to augmenting the stock of reasonably priced rental apartments, intermediation programmes are likely to provide a level of minimum housing standards and increase tenure security for vulnerable tenants. The progressive building of trust-based relationships between landlords and tenants can also contribute to reduction of rents and extension of contract durations. Furthermore, intermediation programmes can be a solution to the challenges posed by the phasing out of old rent contracts, by giving landlords the possibility of renovating their rented property, and old tenants the possibility of remaining in their homes. As importantly, if adequately designed with significant incentives, intermediation systems can be used to encourage landlords renting out apartments in the informal rental submarket to formalize tenants' occupation with written contracts.



Public focal points: MoH (if reactivated), MoF, MoSA, MoJ, MoIM, municipalities and UoMs.



Other local actors involved: Landlord and tenant associations; CSOs; Beirut and Tripoli Bar Associations; real estate development, management and brokerage associations; faith-based organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

⁷⁶ *Mukhtars*, lawyers or community members, for example, could take the role of arbitrators. These specialized courts could also be used to solve property-related disputes between inheritors, and between shareholders when a property is owned by a company (UN-Habitat and UNHCR, 2018).

⁷⁷ Lessons can be learned from Egypt, Chile, France (Solibail), Poland, etc.

Recommendation 16: Organize awareness campaigns and capacity development programmes to promote rental housing



Rationale and objectives: Expanded supply of mid-sized rental units must be combined with an awareness campaign to heighten the social and cultural acceptability of rental tenure in a society where ownership of an oversized home is often privileged, both in institutional discourse and in the public's perceptions. When associated with rental intermediation programmes (see Recommendation 15), this could contribute significantly to a behavioural shift. Moreover, capacity development programmes could be organized for both landlords and tenants. In the case of landowners (or small-scale investors interested in rent-to-buy programmes), capacity development activities should focus on the mechanisms of rental property investment, as well as on related management and maintenance duties. In the case of tenants, focus should be placed on clarification of their rights and duties, especially in the negotiation and formalization of rental contracts.



Public focal points: MoH (if reactivated), MoF, MoSA, MoIM, MoJ, municipalities and UoMs.



Other local actors involved: Landlord and tenant associations; ABL; real estate development associations; community, civil society and faith-based organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 17: Design a Lebanese prototype for social rental housing



Rationale and objectives: The PCH is currently exploring the possibility of

acquiring and renting out homes at affordable rates; if successfully applied, this policy initiative could serve as a guide for the development of a prototype for a system of social rental housing.⁷⁸ A dedicated high-level working group bringing together public, private and community stakeholders, as well as international social housing experts, should identify its core components, including ad hoc financing, governance and management (operation, repair, maintenance) models, and the expected profiles of registered social landlords. A small number of pilot projects could be experimented in carefully chosen locations. Solutions involving municipalities and UoMs, as well as local employers and community groups, should be given priority. The short-term trial of such projects should lead to the implementation of a full social rental housing programme in the medium and long terms.



Public focal points: PCH, MoH (if reactivated), MoF, MoSA, MoIM, municipalities and UoMs, NSSF.



Other local actors involved: ABL; Housing Bank; real estate development associations; landlord and tenant associations; community, civil society and faith-based organizations; employers' associations and labour unions; academia and research organizations.



External input: International agencies and donors for technical assistance, capacity development and funding.

Recommendation 18: Establish an Inclusive Housing Innovation Fund



Rationale and objectives: Community organizations and start-ups are often instrumental in the development of

⁷⁸ Lessons could be learned from the models of social rental housing in Algeria, Indonesia (Rusunawa model), South Africa, Poland (Social Rental Agency), France, Germany, Austria, Australia (National Rental Affordability Scheme), Taiwan, Hong Kong (Hong Kong Council of Social Service), South Korea (Korea Land and Housing Corporation), Singapore, etc.

affordable housing initiatives at the local level,⁷⁹ but funding is frequently a major hurdle to innovative design and implementation. The creation of an Inclusive Housing Innovation Fund (IHIF) to finance innovative and integrated community development projects is needed as a policy response. Particular attention should be paid to modular housing solutions. Following the “4Ps” approach (UN-Habitat, 2016), this inclusive housing fund could be financed by private capital and/or international donors and sponsored by Lebanese public authorities. The 2018-2019 “Think Housing” competition,⁸⁰ for instance, identified very promising “urban acupuncture” projects in Beirut’s existing urban and social fabric. The competition addressed challenges of affordability, diversity of tenure type, heritage preservation, and environmental protection. Lessons learned from projects funded by the Inclusive Housing Innovation Fund – in terms of financial, governance, land access or tenure options – could be scaled up and integrated into the national housing policy.



Public focal points: PCH, MoH (if reactivated), MoIM, municipalities and UoMs.



Other local actors involved: Public Works Studio, private foundations, financial institutions, property development associations, etc.



External input: International agencies and donors for technical assistance, capacity development and funding.

• **Medium- and long-term recommendations**

Recommendation 19: Design a large-scale reinvigoration programme for the liberalized rental sector



Rationale and objectives: A comprehensive revitalization programme⁸¹ needs to be developed to increase the affordability of the liberalized rental sector for tenants, and its attractiveness to investors, through a system of cross-subsidization (Gilbert, 2003; Peppercorn and Taffin, 2012). This is complementary with the short-term intermediation programmes mentioned earlier (see Recommendation 15). On the demand side, policy interventions could focus on direct (e.g. housing allowances) and/or indirect (e.g. housing vouchers paid directly to landlords for a limited period of time) financial support to tenants from targeted low- and lower-middle-income groups. In Lebanon, this option presents a number of risks and limitations that need to be carefully considered, however.⁸² One of these is the risk of fuelling the further inflation of rent and real estate prices, as subsidized mortgages had done for two decades. In this regard, a policy solution could reside in the introduction of a modern, targeted system of rent regulation (known as “second-generation”; see Section 2) that, as experimented with in Germany and France (O’Sullivan and Decker, 2007), limits the extent to which rent can be increased in new contracts.

On the supply side, policy interventions should concentrate on subsidy arrangements (affordable financing and

79 Lessons could be learned from Kenya (Habitat for Humanity’s ShelterTech Accelerator), Canada (Affordable Housing Innovation Fund and Vancouver’s Affordable Housing Fund), the United States (Denver’s Affordable Housing Fund), Australia (Affordable Housing Innovation Fund), the Pan-African Housing Fund, among others.

80 The competition was co-organized by Public Works Studio, UN-Habitat, and the Order of Engineers and Architects in Beirut. For further information, see its website (Think Housing, n.d.).

81 Lessons could be learned from Chile’s National Rental Subsidy Programme (Ross and Pelletiere, 2014), India (Mumbai Metropolitan Region Development Authority), South Africa, etc.

82 Financial assistance to tenants could turn out to be problematic on a number of levels. First, housing allowances and vouchers are costly policy mechanisms for a state that has entered a protracted period of budget austerity. Second, state-disbursed financial assistance is accompanied by an elevated risk of corruption and patron–client relationships. Third, an accurate measure of household revenue has to date been almost impossible to find in Lebanon. Financial support to tenants, whether direct or indirect, without an appropriate targeting of beneficiaries would thus probably not find its way into the wallets of the low-income groups who need it the most.

risk-sharing solutions, inclusionary zoning measures, and the provision of affordable land) and tax incentives (premiums and tax exonerations or deductions) in order to reduce production costs and ameliorate the financial performance of rental properties.⁸³ These incentives, intended to bring back investors and grow rental supply, could target individuals, companies, and community organizations engaged in the construction, purchase and/or rejuvenation of rental housing in urban areas where the market is under particular pressure. Importantly, access to subsidy arrangements could be determined by investors' commitment to a reasonable rental structure.



Public focal points: PCH, MoH (if reactivated), MoF, MoSA, MoJ, MoIM, municipalities and UoMs.



Other local actors involved: ABL; real estate development and brokerage associations; landlord and tenant associations; research, community, civil society and faith-based organizations; academia.



External input: International agencies and donors for technical assistance, capacity development and funding.

4.3 Housing policy priority 3: Regeneration of the existing low-quality housing stock in the formal and informal markets

4.3.1 Rehabilitation of deteriorated central neighbourhoods of major urban agglomerations

Recommendation 20: Create an urban regeneration policy and strategy for deteriorated urban areas



Rationale and objectives: The first stage of a national urban regeneration strategy⁸⁴ would be the creation of a coordinating framework to organize the policy actors, instruments and interventions involved in the revitalization of local historic, deteriorated urban areas that are home to the most vulnerable groups. The essential purpose of this strategy would be to tie the upgrading of formal, low-quality housing stock to the multisectoral interventions that support all community members and respond to the objectives of Lebanon's NUP (local transportation, job creation, heritage protection, energy efficiency, local infrastructure and services, etc.). Structured largely by 4Ps, this strategy would also need to identify inter-institutional arrangements for coordination, concrete financial and technical tools for execution, and reliable monitoring and control mechanisms (UN-Habitat, 2016). Once designed, the coordinating framework, following an area-based approach (such as that promoted by UN-Habitat),⁸⁵ could be used, for example, in contract programmes signed between the government and voluntary municipalities. Pilot projects implemented in the short term in the context of the post-2020 port explosion recovery could contribute to development of the larger policy framework in the longer term. Remedies for the resolution of housing, land and property disputes and ensuring tenure security should be an integral part of the urban regeneration strategy. It must be noted that parallel development and execution should be considered with any initiative intended to reinvigorate the free rental sector, to initiate rental social rental housing, or to experiment with social homeownership. In the same way, affordable financing and

83 The strategies seeking to revitalize the rental market observed internationally also include tax incentives for investors and landowners, such as the deductibility of major ongoing costs (e.g. maintenance work and interest paid), economic depreciation and the "possibility of using losses to offset taxes on other types of income" (Peppercorn and Taffin, 2012). Similarly, the possibility of incentives lies in the adjustment of the built property tax rate, so that rental investment becomes at least as attractive as bank deposits, as well as in a limited actualization of rental values, which the MoF is currently preparing, for landlords who rent their assets at a preferential rate.

84 Lessons could be learned from the strategies and actors of inner and/or city revitalization in Algeria, Tunisia, Morocco, Egypt, South Africa and Hong Kong.

85 The area-based approach adopts the territorial unit (geographical area) as the point of entry for activities such as data collection and the design of interventions and projects, rather than targeting a sector or a cohort. See also footnote 87.

land supply (e.g. intermunicipal land banks) solutions developed for other housing policy tracks could be integrated into rehabilitation interventions.



Public focal points: PCH, MoH (if reactivated), MoF, MoSA, MoPWT, MoC, CDR, MoIM, municipalities and UoMs.



Other local actors involved: ABL; real estate development and brokerage associations; landlord and tenant associations; community, civil society and faith-based organizations; local economic and commercial actors.



External input: International agencies and donors for technical assistance, capacity development and funding.

4.3.2 Upgrading programmes in the urban and peri-urban informal areas of Lebanese agglomerations

Recommendation 21: Create an urban regeneration policy and strategy for informal areas



Rationale and objectives: Lebanese authorities should build on existing initiatives taken by municipalities or NGOs to develop community-led upgrading interventions in informal urban areas of other countries.⁸⁶ Following an area-based, multisectoral approach,⁸⁷ interventions should aim to incrementally improve shelter and housing conditions (quality, and tenure security and diversity) and physical environments (public spaces), bolster economic development and generate jobs, and facilitate access to adequate infrastructure and services. Trial local coordination centres could be established to improve communication and cooperation

among institutional and community actors for policy development and execution phases and, more generally, to ensure advanced community development. Upgrading programmes should also be leveraged to engage land regularization schemes, when legally possible, and initiate new, more integrated and modular planning and building practices for future urbanization.⁸⁸



Public focal points: PCH, MoH (if reactivated), MoF, MoSA, MoPWT, MoC, MoIM, municipalities and UoMs.



Other local actors involved: Microfinance institutions; community (refugee and host), civil society and faith-based organizations; academia and research organizations.

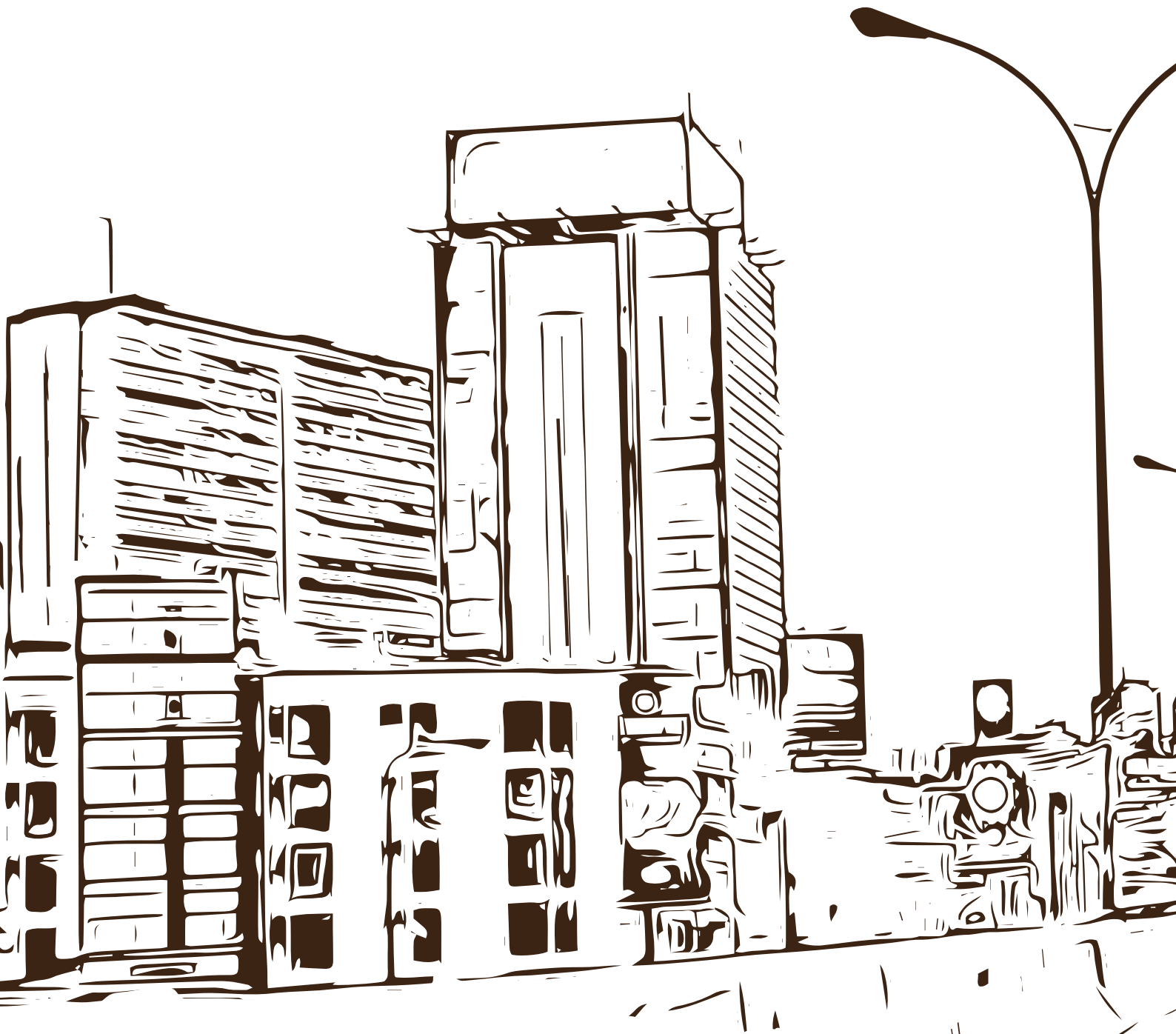


External input: International agencies and donors for technical assistance, capacity development and funding (including UNHCR and the United Nations Relief and Works Agency for Palestine Refugees in the Near East [UNRWA], whose mandates apply to Lebanon-based refugee populations).

⁸⁶ Lessons could be learned from Morocco (Villes sans Bidonvilles [Cities without Slums] programme), Tunisia (Programme National de Réhabilitation des Quartiers Populaires [National Rehabilitation Programme of Lower-income Areas]), Egypt (Participatory Slum Upgrading Programme, Informal Settlement Development Facility) and Jordan.

⁸⁷ UN-Habitat has been promoting the area-based approach starting from the collection of multisectoral, multicohort and spatialized data in disadvantaged neighbourhoods across the country (UN-Habitat and UNICEF Lebanon, 2020), to the use of such data for the design and implementation of multisectoral upgrading projects through a participatory approach and in coordination with community actors. See one example of an upgrading project in Maraach, Lebanon, adopting the area-based approach (UN-Habitat, 2021).

⁸⁸ For further details, see the Global Land Tool Network's policy recommendations on access to land and tenure security in informal settlements (Global Land Tool Network, n.d.).



5

CONCLUSION

UN-Habitat's NUP programme in Lebanon identified housing as one of two key sectors for policy formulation in 2018. The regulatory, institutional and programmatic gaps, as shown in this guide, have resulted in a dysfunctional housing sector that does not respond to the housing needs of the different population groups residing in Lebanon. The consecutive crises, compounded by the Beirut Port explosion, have exacerbated the housing situation for many households. The response frameworks to the ongoing crises, the Lebanon Crisis Response Plan (Government of Lebanon and the United Nations, 2021) and most recently the Lebanon 3RF (World Bank, European Union and United Nations, 2020a), have been increasingly shedding light on the importance of longer-term evidence-based policy reform in the housing sector to enable a well-functioning housing market that responds to the different needs of the country's residents and to better guide humanitarian and relief efforts.

This guide, aimed mainly at policymakers in Lebanon, provides a set of recommendations for the immediate response to ongoing hardships faced by households in accessing adequate housing, as well as longer-term reform of the housing sector. Drawing on the diagnosis of the housing situation in Lebanon (Section 2), the following housing policy priorities were identified:

- Regulation and organization of land and real estate markets
- Diversification of the channels of housing finance and delivery
- Regeneration of the existing low-quality housing stock in the formal and informal markets

These housing policy priorities were then detailed in a set of recommendations, and the key stakeholders to be involved for the realization of each recommendation were identified. Important barriers would need to be dissolved in order to implement the outlined recommendations, namely in terms of data availability, proactive political will, and overcoming the limitations of existing institutional structures and resources. The current crisis has been an opportunity for the proliferation of vibrant CSOs that are leading

the way in advocacy and awareness-raising on the right to adequate housing. Many initiatives⁸⁹ can be capitalized on and scaled up. However, leading the policy reform road map necessitates a proactive role by the relevant public entities that could be supported by the United Nations and other international and local organizations.

⁸⁹ See, for example, the Housing Monitor (Public Works Studio, n.d.).

Appendix 1

The three major channels of mortgage-based housing finance (as of 2015)

	Outstanding portfolio	Beneficiaries	Currency	Maturity	Interest rates	Down payment	Average loan value	Eligibility	Other information
Commercial banks	USD 6.5 billion	47,082	LBP or USD	30 years maximum	4–6% in LBP (floating, subsidized by the Central Bank of Lebanon)	25% minimum	USD 138,000	<ul style="list-style-type: none"> Minimum household monthly income: LBP 750,000–1 million (USD 500–667), equivalent to the highest segment of income decile 2 and above (CAS and ILO, 2020) 	-
PCH	USD 3,192 million	50,857	LBP	30 years maximum	3.5% (minimum)	20% minimum	LBP 190 million (around USD 126,000)	<ul style="list-style-type: none"> Minimum household monthly income: LBP 750,000–1 million (USD 500–667), equivalent to the highest segment of income decile 2 and above (CAS and ILO, 2020) Maximum household income: 10 times the minimum wage Lebanese citizenship for more than 10 years 	<ul style="list-style-type: none"> 47.4% of the number and 28.6% of the value of PCH outstanding loans are provided to households living in Beirut
Housing Bank	USD 946 million	7,000	LBP	30 years maximum (19 years, on average)	3–5% (fixed)	20% minimum	LBP 179 million (around USD 119,000)	<ul style="list-style-type: none"> Minimum household monthly income: LBP 3 million (USD 2,000), equivalent to the highest segment of income decile 8 and above (CAS and ILO, 2020) Maximum household monthly income: LBP 12 million (USD 8,000) Lebanese citizenship for more than 10 years 	<ul style="list-style-type: none"> 11% of the number and 14% of the value of the loan portfolio are registered in Municipal Beirut, while 72% and 71%, respectively, are registered in Mount Lebanon 53% of the Housing Bank's loan portfolio goes to expatriates

The conversion rate used in this table is USD 1 = LBP 1,500, which is approximately equivalent to the rate as of 2015. Source: Marot (2020)

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