

ASSESSMENT OF GOVERNMENT FINANCING POLICIES
FOR HOUSING OF LOW INCOME IN IRAQ:
A CASE STUDY OF BABYLON CITY

SADIA K. HASAN

UNIVERSITI SAINS MALAYSIA

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**ASSESSMENT OF GOVERNMENT FINANCING POLICIES FOR HOUSING
OF LOW INCOME IN IRAQ: A CASE STUDY OF BABYLON CITY**

By

SADIA K. HASAN

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وَقُلْ اَعْمَلُوا فَسَيَرَى اللهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ *105 التوبة

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**PENILAIAN DASAR KEWANGAN KERAJAAN BAGI PERUMAHAN
PENDAPATAN RENDAH DI IRAQ: KAJIAN KES BANDAR BABYLON**

ABSTRAK

Kebanyakan negara di dunia mengalami masalah kekurangan rumah kerana pelbagai sebab, antaranya: kekurangan sumber kewangan dan kegagalan dasar perumahan, terutamanya dasar perumahan negara. Suatu dasar perumahan negara seharusnya diadaptasi dalam usaha merangka pelan serta program pentadbiran untuk mencapai matlamat negara. Masalah ini agak ketara di Iraq dan kerajaan berusaha keras menanganinya: apabila kekurangan rumah mencecah satu setengah juta unit rumah. Hal ini menjadi suatu petunjuk tentang kewujudan serta kelangsungan krisis tempat tinggal di Iraq. Justeru, matlamat kajian ini adalah untuk menilai impak dasar kewangan kerajaan terhadap jurang perumahan dalam kategori berpendapatan rendah di Bandar Babylon. Dua pendekatan digunakan untuk menganalisis data. Yang pertama, suatu pendekatan relatif penting bagi mencapai analisis horizontal / mengufuk untuk menunjukkan impak pertumbuhan keluarga terhadap pemboleh ubah bersandar. Yang kedua, pendekatan kadar perubahan bagi mencapai analisis menegak, dalam usaha mengira perubahan positif dan negatif pada pemboleh ubah bersandar, menggunakan perisian SPSS untuk mencari kadar perubahan. Data kajian diperoleh daripada Kementerian Perancangan Iraq, yang mencakupi: populasi, jumlah keluarga, bekalan rumah, keperluan rumah serta kekurangan rumah di Bandar Babylon dalam tempoh 1997-2009. Dapatan kajian menunjukkan bahawa bekalan rumah meningkat dalam kadar yang kecil, lebih rendah daripada kenaikan yang besar dalam keperluan serta kekurangan perumahan. Oleh itu, terdapat jurang yang semakin bertambah di antara bekalan dengan keperluan rumah. Perkara ini merupakan petunjuk yang kuat tentang kegagalan dasar kewangan semasa dalam kategori perumahan pendapatan rendah di Iraq.

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ABSTRACT

Many countries in the world are suffering from the problem of housing shortage for many reasons, such as, lack of financing sources and the failure of national housing policies. A national housing policy should be adapted to devise an administrative plan and programmed to achieve national goals. The low income housing problem is worsening in Iraq and the government is attempting to find a solution as the current housing deficit reached one million and a half housing units. This is a strong indicator to the existence and continuing residential crisis in Iraq. Therefore, the objective of this study is to evaluate the impact of government financial policy on the housing gap of low income housing in Babylon city. Two approaches were utilized in analyzing the data. The first one was the relative importance approach to achieve the horizontal analysis to reveal the impact of family growth on the dependent variables. The second approach was the change rate approach in achieving vertical analysis in order to calculate the positive and negative changes on the dependent variables, using SPSS software to find the change of rate. The data were collected from the Iraqi Ministry of Planning which includes population, number of families, housing supply, housing need and housing deficit in Babylon city for the period of 1997-2009. The findings confirmed that, the increased in rates of housing supply is smaller and much lower than the large increase in the housing need and deficit. That is, there is a growing gap between housing supply and housing need. This is a strong indicator to the failure of current financing policy of low income housing category in Iraq.

CHAPTER ONE

INTRODUCTION

1.1 Background

Housing is a major sector of any national economy and particularly important in urban development. Housing is a vital issue of any government policy in the world. Every year, the world's urban population expands by some 70 million. Most of this growth occurs in the developing countries where the economic capacity is limited and unable to cope with housing and urban services provision. Despite the increasing expectation that the private sector should play a key role in financing the housing market, the formal financial sector is rather reluctant to serve the low income sector. The low and middle income population which represents the vast majority in the developing countries cannot afford the loans to construct their residential units (Tibaijuka, 2008).

The housing markets and housing finance did not meet the needs of the low income families which prompt the government to establish government institutions to provide housing loans and lands for housing construction (World Bank, 2003). Governments have been encouraging the national financial sector to extend finance to low income households, such as the shift towards micro-finance. This shift toward the use of micro-finance for housing purposes via non-bank lenders arises between the banks and non-bank lenders competitions (Tomlinson, 2007). Indeed, the urbanization processes in most developing countries is intensifying. This in turn results in rapid urban population growth, urbanization of poverty and more low income households. This poses immense challenges for governments at all levels (Erbach, 2006).

The early development of housing finance in developing countries came as an upshot of government housing policies. A clear perspective on the evolution of housing policies in such countries appears in the successive Five-Year Plans which reflect a centrally planned mode of development (Tibajuka, 2008). Mexico provides an excellent example in solving the problems of an inappropriate housing finance policy. The use of fixed rate mortgages in an inflationary environment bankrupted state-run banks in the early 1980s and exacerbated the fiscal deficit and inflation problems in Mexico (Michael and Bernstein, 1996). The principle of cost recovery in housing projects gained prominence at the beginning of the World Bank's involvement in urban low income housing in developing countries in 1972. Moreover, cost recovery with respect to urban low income housing is not purely a technical practice involving financial, economic and managerial competence (Kamete, 2000).

Iraq is one of the developing countries which suffered from the accumulated housing crisis since its independence despite the availability of financial resources. Therefore, this study will focus on the assessment of housing finance policies for low income category in Iraq. The large estimated numbers of the housing need allows foreign companies to invest in this sector. Hence, in order to speed up the implementation of future plans the Iraqi authority must create appropriate infrastructure to facilitate the works of these companies. The public sector, as represented by the Ministry of Housing cannot supply more than 15% of the country's need for housing units. However, the investors and the private sector can supply up to 85% of the deficit to satisfy Iraq's housing need until year 2015. This means that Iraq needs an additional three and a half million housing units until year 2015 (Alshouk, 2009).

The Iraqi Land Bank that provides housing loans for low income category started to function more than fifty years ago and stopped to accept new loan applications after the USA occupation of Iraq in 2003. This has escalated the housing problem. The Land Bank has resumed in early 2007 with new lending conditions which include a land plot and site map of the plot. Loans ranged from 15 to 30 million dinars for a new building. The loans of Land Bank are supported by Rafidain and Alrasheed banks which have deposited 200 billion dinars for the Land Bank. The Land Bank also has huge financial due debts that must be paid back to the bank. These debts have strengthened the bank financial position (Abdul Rahman, 2009).

Two essential elements are required to meet the housing need for low income individuals. The first one is financing sources, and the second one is the housing policy. Knowledge is also required to manage these resources appropriately to satisfy the housing needs. Despite the existence of the Land Bank and new Housing Fund, Iraq housing crisis has not been resolved. More than one institutions need to be involved in order to solve this problem. International investment in housing may have a major role in this respect (Marie and Ismail, 2006).

1.1 Statement of the Problem

In 2008, the world reached an invisible but momentous milestone. That is, more than half of the world's human population (3.3 billion people) will be living in urban areas. By 2030, this number is expected to swell to almost 5 billion (Tanya, 2010). Many of the new urbanites will be poor. Their future, the future of cities in developing countries, and the future of humanity itself will all depend on decisions made now in preparation for the expected growth. The present century will reach this

absolute increase in about four decades. As a result, the developing countries as a whole will account for 93 per cent of this growth, and Asia and Africa for over 80 per cent (Krishnan et al, 2007).

Discussions and indicators in the literature such as doubling the population showed that the urban population will constitute more than half the population of the world. The developing countries' share will increase to 93 per cent, which is very large. The proportion of the low-income category in developing countries at 40 per cent may also increase at the expense of the poorest category. This is a positive and negative indicator at the same time (Klugma, 2009).

If financing sources of low-income housing do not meet the growing needs of the low income category, the housing deficit will inevitably increase. These sources are very important for the development of any society seeking socio-economic stability. Therefore, the problem of low income housing will be multiplied and become more complicated in the near future if the developing countries retain the previous financing policies by depending on the public sector and neglecting the private sector role at the local, regional and international levels.

Individuals under the low and middle income categories, which represent the vast majority in developing countries, cannot afford the construction costs of a residential unit by themselves (Tibaijuk, 2008). Moreover, owning a house for many households around the world represents the largest expense and the most important asset because it requires long-term financing (Warnock and Warnock, 2008).

The total housing units in the Iraqi cities reach up to 2.8 million units, and the housing deficit is up to 1.5 million units at the very least (Klugma, 2009). Although Iraq is a developing country and also an oil production country, the housing sector generally faces a real problem in financing policy and lacking in support of governmental financing.

In Iraq there is an increasing housing need for the low income category. However, there are insufficient housing projects to meet this need. This increasing need is a result of population growth and urban expansion which created an accumulated housing deficit for more than three decades. Although there are some projects that are supported by the Iraqi government, this represents a very small percentage compared with the magnitude of housing need in Iraq. The share of the housing need increased during the 1990s due to the imposing economic sanctions against Iraq as a result of the invasion of Kuwait in 1991 and also because of improper monetary policies. Inflation also played a negative role in this respect. All these factors have prevented or hindered any development or progress in the housing sector (Alshouk, 2009).

In most of the developing countries, rapid urbanization leads to a crisis of unprecedented magnitude in urban housing delivery. This creates a growing gap between housing supply and housing need for low-income housing (Tibajuka, 2008). The research problem can be formulated by considering the growing gap between housing need and housing supply for the low income category. In the case of Babylon city, the growing gap between housing need and housing supply for low income category may be the result of the following circumstances:

1. Increasing growth of the population.
2. Insufficient financial resources to finance low income housing because a majority of developing countries lack financial resources.
3. Inappropriate government policies to implement low income housing programs.
4. Private Bank refrains from finance low income housing because it is not profitable in the foreseeable future as long term lending may be risky to the capital of the private bank.
5. Low income individuals do not have enough savings to buy or build a house because they depend only on their limited salaries as a source of income.

The problem in Iraq is very complex. The total number of housing units in the Iraqi cities is up to 2.8 million units, and the housing deficit is up to 1.5 million homes. If the current policies remain unchanged, the situation will get worse because it is expected that the number of urban dwellers in Iraq will be doubled by 2030 (Klugma, 2009).

1.2 Research Questions

This research poses two research questions based on the review of the literature:

1. Why is there a growing gap between housing supply and housing need in the low income category?
2. How does the government financial policy affect housing supply and housing need in the low income category?

1.4 Research Objectives

From the research questions, this study focuses on two objectives:

1. To examine the growing gap between housing supply and housing need of the low income category.
2. To examine the impact of government financial policy on the housing supply and housing need and of the low income category.

To assess the housing policies, it is important to specify the direct beneficiaries, namely people of middle income and low income categories. It is important to measure the impact of housing policy on the housing stock and housing supply, in addition to the policy effect on the retreat proportion of the housing deficit for these categories (Najwa, 2008). Hence, the objectives of this study are to assess the financing policies of low income housing. This will be made through the analysis of the variables such as population growth, number of families, housing stock, housing supply, housing need and housing deficit. Then, this study will highlight the relationships between these variables that control the quality and trend of the impact of policies on housing finance.

In Iraq, there are a million and a half of low income families affected by the housing problem. The issue of large housing deficit in Iraq provides a strong justification to conduct this research. This research is an attempt to carry out a descriptive study to investigate the housing needs in the study area. This study will serve as a guideline to review and evaluate the government housing policies in Iraq.

Housing financial policy is considered successful where it meets the housing need and reduces the housing deficit, as well as takes into account the affordability factor of low income families. This research is significant as it is a contribution to evaluate the housing financial policy in Iraq. Evaluation of policies is achieved through the analysis of variables such as housing stock, housing supply, housing need and housing deficit; and the impact of family growth on these variables as a relative importance. This is the first step in the examination of the gap between housing supply and housing need.

A high relative importance of housing stock and housing supply reflects a positive indicator for the housing policies. On the other hand, a low relative importance of housing need and housing deficit means a positive indicator for the housing policies and vice versa. The change rate approach is utilized to track the changes in housing stock, housing supply, housing need and housing deficit during the study period of 1997 - 2009, and to assess the impact of governmental policies on these variables. An increase in housing supply will increase housing stock, and a decrease in housing need and housing deficit will decrease housing stock. All these indicators can be used to evaluate the housing finance policies, whether the policies are effective or otherwise.

1.5 Scope of the Study

The problem being examined in this study is commonly found in most of the developing countries that suffer from a growing gap between housing supply and housing need. This study discusses the housing finance policies for low income category in many developing countries. Moreover, this study investigates the

relationship between housing supply and housing need and the impact of population growth and the scarcity of the financial resources on the growing gap between housing supply and housing need.

The Iraqi government draws the housing finance policies, and attempts to legislate that in parliament; while, the Land Bank as a public bank implements these policies. There are many branches of the Land Bank in all Iraqi cities. Therefore, this study will focus on the most important variables, which relate to the housing finance policies. These variables include the number of families, housing stock, housing supply, housing need, and housing deficit for the period of 1997 to 2009 in the Babylon city as a case study.

Babylon city is chosen as the case study because it is an important city from historical and economic perspectives. Babylon has witnessed an increase in population in the last decade and low income individuals constitute the majority of Babylon population. Most of these individuals work in the industrial areas between the capital Baghdad and Babylon. They work as professional and unprofessional workers, and Babylon's rural area, are considered as the main source of new migrants for the city. Hence, the most important challenge for the government is to provide housing policies that meet the increasing housing need for the low income category by increasing housing supply.

1.6 The Significance of Study

Established in 1932, the modern Iraqi state is under the influence of urban growth of the Iraqi cities. Many people have emigrated from the countryside to the

major cities. They have lived in densely populated random neighborhoods. As a consequence of natural increase of population and migration from the countryside to these cities, over time the housing problems in the cities have increased especially for the low income category.

Therefore, this research will attempt to assess governmental financial policies for low income housing category. It will examine the impact of housing policy on housing need and housing supply for the low income individuals. Moreover, it will assess the efficiency of governmental financial policies of low income in reducing the gap between housing supply and housing need.

The research is significant because it addresses not only the economic problems but also the underlying social problems. If left unchecked, these problems will affect the future of low income individuals in the Iraqi society, in terms of their economic, social and psychological well being. On the other hand, a review, evaluation and development of housing finance policies will help to activate the economic cycle in the country because the continuous recessions have affected the Iraqi housing sector for many decades.

1.7 Methodology

To answer the research questions and to achieve the research objectives this study utilized two approaches to achieve a comprehensive analysis of the relationship between the main variables and government financing policies for low-income category. This study utilized the Relative Importance Approach and Change Rate Approach to analyze the data using Statistical Package for Social Science (SPSS). In

this way, the research objectives can be achieved through the analysis of growing housing needs and housing supply in Babylon city for the period 1997-2009. Data of this study has been taken from the Ministry of Planning Iraq for the same period.

The relative importance approach is utilized to investigate the influence of the family growth on the main dependent variables. This refers to the degree of change in the housing supply, housing stock, housing need and housing deficit under the impact of the family growth as a relative importance. The relative importance indicators of the main variables reflect the impact rate of the government finance policies on the housing gap between housing supply and housing need for the low income category.

While, the change rate approach is utilized to investigate the rate of change in the main variables during the study period under the influence of government funding policies. Specifically, this study attempts to examine the negative and positive impacts of government financing policies on housing gap. Both approaches will lead to assess the housing finance policies in the study area specifically and in Iraq generally.

1.8 Organization of the Study

This thesis is divided into six chapters and the organization of the chapters is shown in Figure 1.1.

Chapter One is the introduction chapter which outlines the research background, research problem, research questions, objectives of the study, and scope of the study, significance of study, and methodology. An overview of the research structure is also presented.

Chapter Two reviews the literature and previous studies on housing finance policies in the developing countries. It also discusses the main factors which affect government financing policy, housing need, housing supply and housing deficit (housing gap), and the role of government finance policy to meet housing needs and to reduce housing deficit for the low income category.

Chapter Three: This methodology chapter explains the two approaches used to address the research problem. These approaches are the relative importance approach and change rate approach. The (SPSS) software is used to analyze and discuss the data in Babylon city for the period of 1997 to 2009.

Chapter Four: This chapter provides the background of Iraq such as the socio-economic characteristics and housing finance policies to trace the development of housing financial policies in Iraq after independence. This includes the most important stages of financial policies in the past and the status quo. It also presents the details of the study area of Babylon city, and reviews the general indicators of education, employment, poverty and financing sources of low income housing in Babylon.

Chapter Five: This chapter analyzes the data and discusses the results of the research with regard to housing stock, housing need, housing supply and housing deficit for the period of 1997-2009 in Babylon city. This chapter discusses the findings to evaluate the impact of the government financial policy on the housing deficit of low income category to reach the conclusions of the research.

Chapter Six: In this final chapter, a summary of the conclusions for all previous chapters, and the major findings of the research are presented to evaluate the housing finance policies and its effect on the housing deficit in Babylon. Additionally, it includes implications for financing policy in Iraq and future research to be undertaken.

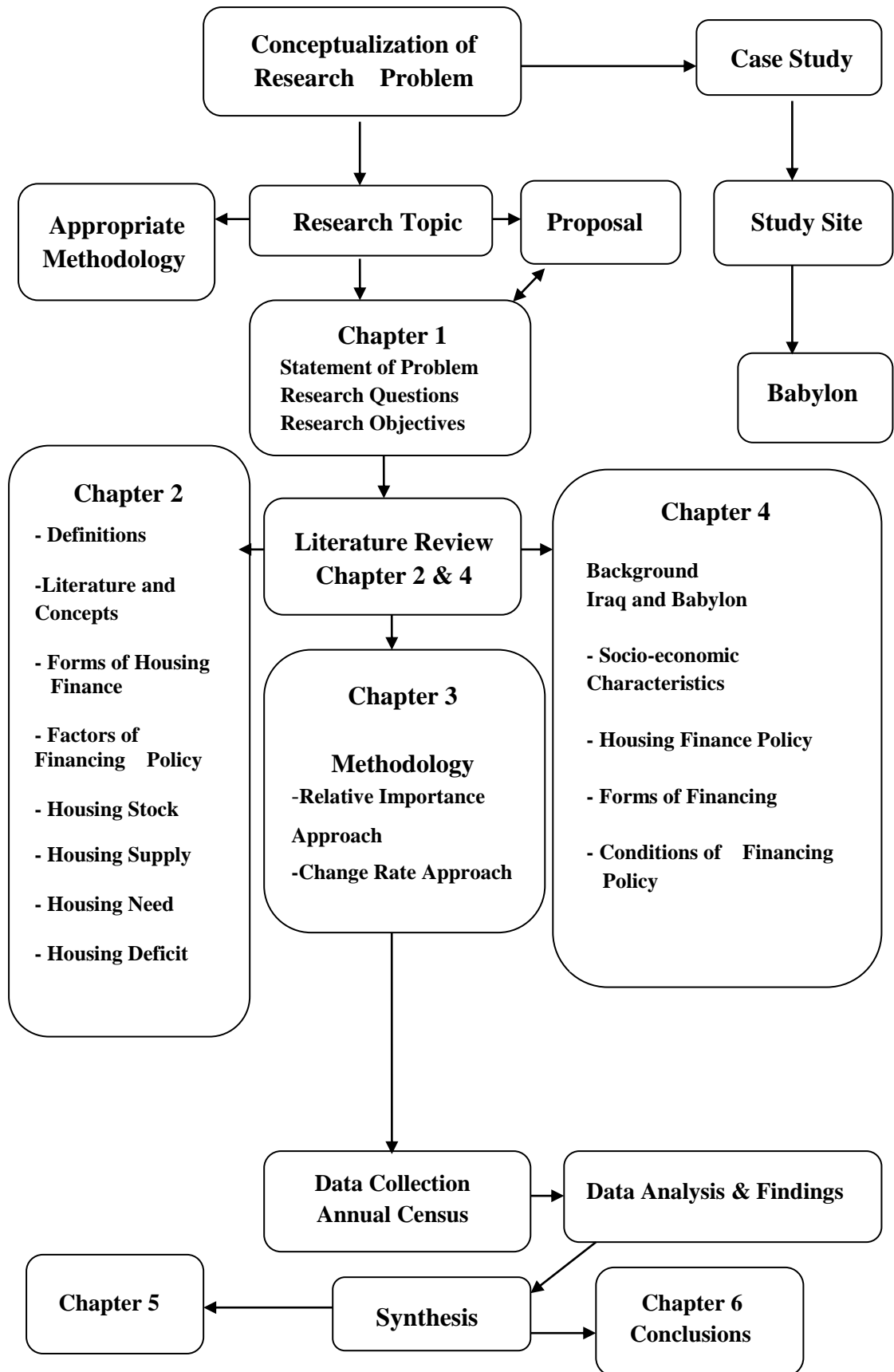


Figure 1.1: Structure of the Thesis

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Much has been written in the literature on the subject of financial policy in general, and on housing financial policies for low income category in particular. The financial policies for housing the low income individuals vary from one country to another, due to the differences in the economic, social, political institutions, and culture amongst countries.

This chapter reviews the financing policies and their roles in meeting the housing need for the low income category. The first part of this chapter presents the definitions, housing finance policy, forms of financing, types of housing finance, public financing, private financing and cooperative financing. The second part of this chapter focuses on policy implementation and funding sources.

Furthermore, this section investigates the various factors which affect housing financial policies such as population growth, number and size of families, housing stock, housing supply, housing need and housing deficit, in order to assess the effectiveness of financing policies to meet the housing need for low income category and to reduce housing deficit.

2.2 Definitions of Finance Policy

An economic policy is usually a package of policies consisting of financial policy, monetary policy, exchange rate policy and trade policy. Financial policies constitute an important aspect in the economic policy package (Masood, 2005).

According to Nashed (2000) financing policies are a tool of state intervention and control, as well as a guidance of various sectors, which aim to exert internal and external balance in the economic in general. Moreover, the financing policy is a state tool to guide the production and supervision of economic activities (Al-Haj, 1999). Similarly, the financing policy is a state tool imposed to achieve the desired economic and social development goals (Mattock and Abdullah, 2000).

Housing finance policy is a system of mobilization and management of the financial sources to provide the low income categories with affordable housing through innovative new tools of financing (Michael, 1996). It is concluded from the above definitions that the housing financial policy means mobilizing and redirecting of financial resources by innovative financing tools to meet the needs of the low income category to own an affordable house or flat.

2.3 Related Studies on Housing Policy

Many works have been devoted by various researchers related to the financial housing policy of low income in many developing countries. Some of the major works in the developing nations on this subject are described as follows:

i. Multiplicity of the Financing Options

In many developing economies, including Egypt, a lack of a fully functioning mortgage market has constrained the development of the housing sector (Sims et al 2008). Without financing options, low and middle income households simply cannot afford to purchase homes. Since a house is often the primary investment and savings vehicle for those groups, a lack of housing finance also constrains overall saving

rates. Low saving and investment rates restrict economic growth and limit overall economic development.

ii. Land Financing by Sale Tax

According to Yomralioglu and Nisanci (2005) the concept of land readjustment is based on private-public cooperation and negotiation as it requires large human resources both in terms of numbers and qualifications. In Turkey, landowners used their land as an investment instrument and this has contributed to an increase in land values and land speculations. Furthermore, another major incentive for landowners to encourage high land values is the provision of infrastructure and service financed by the sale of land. There is no incentive to maintain low prices on land and no other mechanism is available to build less expensive housing. However, the method has been criticized because it is not effective in reducing the huge shortage of low-income housing in most cities.

iii. Free Land Grant Policy to Low Income Housing

According to Al-Dosary (2005) an affordable housing is housing which costs equal to or less than 30 per cent of household income. In the context of developed countries, it generally refers to housing that can be purchased by families earning between 30 to 80 per cent of the community's median income. However, in the developing countries with relatively low per capita incomes, an affordable housing is one that is provided for the lower middle and low income groups who need assistance or supplement to fulfill their housing needs. In Saudi Arabia, for example the statistics and costs of housing acquisition show that a vast majority of households with an average median monthly income of about 7,000 SAR or less have to spend much

more than 30 per cent of income for housing acquisition; hence they are liable for assistance. Middle and low income households are provided assistance through free land grant program, loans from the Real Estate Development Fund (REDF), high rise public housing or housing by charitable institutions.

iv. Lack of Incentives and Rigid Laws and Regulations

According to Al-Homoud et.al (2009) the most plausible causality of an under supply of low income housing in Jordan is due to macro-environment attributes; namely uncontrolled management, lack of human resources and capacity building. Other reasons include poor real estate, lack of marketing skills and sales advertising, inaccessible and inappropriate building technology, and high construction costs. Land ownership and site selection are also limited due to the developers' geographical area. There are also issues of uncontrolled financing, small capital operation and difficulties in obtaining bank loans and lending. Rigid government policies, lack of incentives, tax exemptions, poor laws and regulations, and the framework of social and cultural institutions require certain revisions and arrangements in order to be more efficient. Rejections of borrowing from financial institutions should not be based on religious grounds.

v. Housing Finance Dependence on Commercial Banks

According to Leor (1996) the housing finance in Indonesia was responsive to changes in recent circumstances. Following deregulation and commercialization, the housing demand remained small but more people can afford to buy formal sector housing. Innovation however did not come from the private sector. Changes have occurred in the public sector banks, some private commercial banks; and within the

government itself. Indonesia is on the right track to become one of the few countries to develop a modern housing finance system based on the commercial banks, instead of relying on specialized commercial housing finance institutions.

vi. Inefficient Specialized Institutions

Ramachandran (1991) highlighted a report on housing finance manual for use in the developing countries. The manual is designed to develop a housing finance strategy suitable for all income categories, but focusing on the low income category which has the greatest need for affordable housing. A large part of housing finance in the developed countries consists of transactions of specialized institutions, in the form of building societies or housing banks. However, the impact of these institutions in developing countries has been rather limited. The fact that housing finance institutions do not work well in developing countries can be mostly attributed to low levels and high disparity of incomes in the population.

vii. Inefficient Housing Policy

According to Zhang (2009) in order to meet the human settlement challenges it is important to devise a mechanism and system by which an adequate and steady flow of long-term financial resources from both public and private sectors could be mobilized and channeled into human settlements development. This is particularly crucial in the case of low income housing development and slum upgrading. The Habitat Agenda recognized that housing finance systems do not always respond adequately to the different needs of large segments of the population, particularly the vulnerable and disadvantaged groups living in poverty. It calls the UN-Habitat to assist member states to improve the effectiveness, efficiency and accessibility of the

existing housing finance systems by creating and devising innovative housing finance mechanisms and instruments to promote equal and affordable access to housing finance for all people.

viii. Micro Finance Policy for Low Income

According to Obaid (2007) there is an enormous unmet demand for low income housing finance. It is believed that the root cause of the shortage is the lack of housing finance options for low income households which account for over 90 per cent of the housing need. In India, micro-loans made by the Micro Finance Institutions (MFIs) for entrepreneurial activities are habitually diverted by clients towards housing needs. Surveys of low income households conducted in the developing countries indicate that housing has a higher priority than education and health for these households.

ix. Low Allocations of Housing Low Income

According to Islam (1996) Bangladesh is one of the low income countries that experienced a rapid rate of population growth for the last five decades. The national population is already over 120 million and it is still growing at more than 2 per cent per annum. Bangladesh has one of the highest densities of population in the world, similar to the city-states of Hong Kong and Singapore. This rapid population growth creates enormous pressure on the housing situation. In Bangladesh the financial allocations in housing from the public sector in the plan remained very low. Therefore, providing large number of low income housing units in a low income country would not be an easy task.

x. Institutional Housing Production Systems

According to Kamete (2000) there are four basic types of institutional housing production systems for urban low income population in Zimbabwe. They are public sector production systems at central government level; public sector housing production systems at local government level; private sector production systems; and joint ventures of public- private partnerships. All urban low income housing projects are required to get beneficiaries from the urban council's housing waiting lists. A host of factors affect the practice of cost recovery. These factors are finance institutions, borrowers and third parties, among them politicians and business community. There are many issues involved in cost recovery that can never be attained through a rigid technical approach. Effective communications and good public relations can help to improve the cost, reliability, credibility, confidence and continued investment; all these facets could improve the urban low income housing provision.

Evidence from the literature showed that there is no housing policy ready-made and tailored to all developing countries. Furthermore, a national housing policy should be fitted the country's social, economic and cultural circumstances. Policies in general may be classified in terms of their development, namely the developed and undeveloped policies. The developed financial policies are those practiced in United Arab Emirates, Malaysia and Indonesia. Underdeveloped policy is practiced in Bangladesh, Jordan and most African countries. The specialized institutions of housing finance do not work well in developing countries perhaps due to low levels and high disparity of incomes in those countries.

2.4 Housing Finance Policy

Tibaijuka (2008) has called for assistance to member states to improve the effectiveness, efficiency and accessibility of their existing housing finance systems. He urged these countries to formulate innovative housing finance mechanisms and instruments that can promote equal and affordable access to housing finance for the citizens. The Habitat Agenda recognizes that housing finance systems do not always respond sufficiently to the various needs of the heterogonous population, particularly the vulnerable and disadvantaged low income people living in poverty (Tibaijuka 2008)

Series of UN-Habitat initiatives also serve as guidebooks for policy makers, practitioners and researchers who have to grapple daily with human settlements, finance systems, policies and strategies. It is imperative to catalyze new partnerships between government and the private sector (Zhang, 2008). The core objective of housing policy is to enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment and, as far as possible, at the tenure of its choice (NABCo, 2010).

Most contemporary housing finance related research and policy have concentrated on how to mobilize credit rather than how to encourage household savings (Datta and Jones, 2001). Housing finance has risen to the top of urban policy and research agendas as the argument that correctly structured finance systems can deliver improved housing has gained momentum (World Bank, 2006).