

Housing Shortage in Libya: Solutions
and Reasons for Failure During the
Period 1970-2010.

Dr. Gamal N. Al Sheibani
*Economics Dept, faculty of Economics,
University of Benghazi.*

Dr. David Eaton
*Research Institute for Building and
Human Environment, University, of
Salford.*

Abstract:

Housing shortages appeared in Libya in the early 1980s after a great boom during the 1970s. The authorities in Libya attempted to solve the housing shortage by undertaking to build 60000 publicly funded housing units in a three-year plan between 1995 and 1997. Unfortunately, this was not achieved due to several reasons. This paper discusses the Libyan authorities' approach in this matter, and the possible causes of its failure. The methodology followed is qualitative, comprising a survey of official documents and analysis of semi-structured interviews with responsible officers in the housing sector in Libya. The causes of the problems are presented, one possible solution drawn. This paper is trying to spotlight on Libyan authorities' attempts to solve those issues and the reasons behind its failure.

Keywords: Housing Shortage, Libya.

Introduction:

The Libyan housing sector has experienced great changes from being a poor sector before the oil discovery to a big boom in the late 1960s and 1970s. A major shortage appeared in the 1980s. The reasons for the shortage were both internal and ext

ernal. The Libyan Government initially took responsibility to provide a house for every family, and then this policy was changed as a result of the increase in housing demand, and delivery being beyond the scope of the authorities. Just as many coun-

tries have changed their policies from breadwinner to assistance. "This change can be described as a change of role of the local government whose main role is not to produce services, but to enable others to produce them " (Heins 2002:1,2).

Libya tried to depend on itself to solve this problem, but this approach was not successful; it required efforts from the wider society, "Cooperation is a necessity. In this case the local authorities and housing associations have to agree fully on housing policies, Most of the housing policy plans are a product of this cooperation" (Heins 2002:2).

The methodology adopted in this paper is a qualitative approach, where secondary data was obtained from a survey of official correspondence between responsible authorities in the housing sector and other related stakeholders, in addition to legislation that has been enacted. Interviews with responsible officers at different levels in the housing sector were conducted which provided primary data.

The interviews had four questions related to this paper; the first was about the government role in solving the housing shortage. The second question concerned other attempts by authorities to quantify the scale of the shortage. The third question was about the success ratio of these attempts. The fourth question was about the reasons for failure which will be discussed in detail later. This paper aims to understand the reasons behind the failure of solutions to solve the housing shortage in Libya despite the Libyan government's attempts to overcome this problem. It then makes some recommendations.

The Housing Situation in Libya:

Libya did not have a housing crisis until 1978, when the Law Number (4) for 1978 was implemented. This legislation prevented the ownership of more than one house and prevented letting. Generally, a study of the Libyan housing sector can be divided into four main periods as follows:

Before The Discovery of Oil (1962):

Before oil was discovered in Libya, there was no real housing problem, despite an observable shortage, because the majority of Libyan people were nomadic, living in tents and migrating. Most urban development was concentrated in just a few coastal cities, in addition to this there are two other reasons: 1) small population (less than 2 million, 2) primitive life style. Table 1 reflect the housing shortage in Tripoli City, the capital and largest city in the country, in which private construction units did not exceed 1,883 unites in 1962, and did not exceed 6,036 units in the total in the whole period.

After The Discovery of Oil To 1969 :

After the discovery of oil and its exportation, the housing sector grew as a result of great economic growth, new cities were developed and most of the nomadic population swiftly migrated to the major cities to work in the new companies which had been established there. Consequently, the housing demand increased, and in response, the government devised its First Five-year Plan 1963-1968, which devoted 9.9% of total development budget to the housing sector (Awotona 1980). Additionally, it built numerous public houses, private investors contributed by building and renting houses, and the government provided loans to those interested in the construction of owner-occupier houses on easy terms without interest. It also provided

Table 1: Private Residential Construction in Tripoli City 1957-1962

Years	1957	1958	1959	1960	1961	1962
Number of units	792	864	767	862	868	1883

Source: Awotona A (1980), 'Housing in Libya: 1950 – 1980', HABITATINTL, 14 (1): 55 – 8

fully developed and serviced plots for citizens, free of charge, through the Real Estate Bank. However, these measures were not enough, and people continued to swarm to the cities, thereby creating slum areas (Awotona 1980). During this period, the commercial banks and the private finance sector were encouraged to provide funds for housing.

The Period 1970–1978:

During this period, the housing sector was characterised by great government interventions, thousands of public houses have been built, land has also been distributed to people, and loans were provided to citizens to build their own houses. Table 2 indicates the actual expenditure on the housing sector in relation to the total actual expenditure for all sectors of the economy, which reached more than 25% in 1970. In this period, the housing sector is seen as having the highest growth rate. In addition, as the table shows, the actual expenditure continued to increase despite fluctuations in the total expenditure, it fluctuated between 11.7% and 25.7%.

Table 2: Actual expenditure on the housing sector from the development budget Libyan million dinars

Year	Expenditure on housing	Expenditure on all sectors	%
1970	37.5	146.0	25.7
1971	39.4	247.6	15.9
1972	72.2	357.4	18.2
1973	60.9	413.8	14.7
1974	146.9	866.0	17.0
1975	128.3	923.2	13.9
1976	138.3	1187.2	11.7
1978	175.1	1280.3	13.7

Source: Political, economic and social change in 20 years, 1969-1989.

The Period After 1978:

After 1978 housing problems began to appear with the implementation of Law 4 in 1978. The negative effects emerged in the early 1980s. The number of families started to increase, as a result of population growth, which reached about 4% annually. At the same time, the government stopped its building activity and private investment was prevented according to Law (4). Furthermore, the commercial banks reduced the number and value of loans. Table 3 illustrates the decrease in the amount of budget

money devoted to housing from the Development budget, and shows the reduction in the actual expenditure ratio.

Reasons of the Housing Shortage:

Internal and external reasons created the housing problem in Libya.

(1) External Reasons:

External reasons could be listed as followed:

Table 3: Housing Budget as a proportion of the development budget and actual expenditure ratio 1979–1988.

Year	Housing budget	Development budget	% actual expenditure *
1979	166.0	1573.0	10.6
1980	231.7	2527.5	9.2
1981	288.2	3000.0	9.6
1982	245.6	2600.0	9.5
1983	217.6	2370.0	9.2
1984	208.2	2110.0	9.9
1985	168.6	1700.0	9.9
1986	167.5	1700.0	9.9
1987	142.0	1450.0	9.8
1988	136.0	1355.0	10.0

Source: Political, economic and social change in 20 years, 1969-1989.

*Ratio of actual expenditure on housing to actual expenditure on all economy sectors.

1- Libya faced economic sanctions because of political issues. The USA hurried to impose its own sanctions on Libya in 1982. This continued despite attempts by US business groups, led by oil companies that held concessions in Libya to persuade the administration of President George W. Bush to ease a trade ban that was imposed on Libya in 1986. The UN Security Council imposed sanctions on Libya in 1992 to press Tripoli to hand over two suspects wanted for the 1988 bombing of a US Pan American Airways airliner over Lockerbie, Scotland. These sanctions placed Libya in difficult conditions, and this led to slowdown in all sectors of the economy and development receding. This harmful economic situation affected the housing sector, in the same way as it affected the whole economy.

2- Many foreign companies boycotted Libya, in obedience to the UN decree No: 748 for 1992 and decree No: 883 for 1993, which put Libya under sanctions. The departure of these foreign companies led to halts and delays in many projects and the housing sector was affected. Lack of hard currency and payment delays also led to the withdrawal of many

other multinational companies; as a result completion dates of housing projects were delayed extensively (Benkrima 2001 ; El-hasia 2005). For instance according to the decision of The Secretary of General People's Committee of Housing and Utilities No: 191 for 2000 seventeen companies were withdrawn from housing projects by mutual agreement; most of them Turkish companies (General Board for Housing 2003: 43-46).

3- The effects of a decrease of oil revenues started appearing after the USA administration imposed sanctions on Libya in 1982, thereby, forcing US companies to stop dealing with the Libyan oil sector in particular. Consequently, the cost of production in the oil sector increased and oil revenues declined (Alavi 2003). The UN decisions in the early 1990s made the situation worse, additionally oil price fluctuations participated in creating instability in the economy and made the establishment of development plans more difficult. Based upon the disturbances that dominated the oil sector these affected all economic sectors including the housing sector. Dedicated funds for the housing sector were consequently reduced.

(2) Internal Reasons:

There are a number of internal reasons the most important are:

1- As a result of abundant oil revenues, Libya was released from its debts and started to be self sufficient, so it became able to start developmental projects in various economic fields and overambitious targets were adopted.

2- From the 2nd of March 1977, Libya adopted a socialism regime, which resulted in lots of changes in the Libyan government administration. Changes took place both on these legislative and executive levels. Changes happened several times often in convergent periods. Merging some of 'The General Peoples' Committees (Ministries), even the abolishment at other times, According to the new regime the General Peoples' Committee for housing has been established on 2nd March 1977, subsequently it merged with the General Peoples' Committee for Utilities named the General Peoples' Committee for Housing and Utilities on 3rd March 1982. The next change was the abolishment of the General Peoples' Committee for Housing on 7th October

1990. Then the General Peoples' Committee for Housing was reestablished on 29th January 1996. Once again, the General Peoples' Committee for Housing was abolished and it became a subordinate of the Assistant Secretary for Services Affairs - General Peoples' Committee 2001. Subsequently it became an independent Authority headed by the General Auditor, which is a subordinate of the General Peoples' Committee in 2002 (General Peoples' Committee 2005). At the same time, changes in low levels were more rapid than high levels sometimes it takes place every year or less. The merger and separation of provinces (administrative districts) was one of the significant causes which resulted in administrative instability, as a result of this instability, the national and local public housing project contracts were halted and stopped, at the same time contractors could not carry out their commitments and were undermined in their rights, which made them unable to accomplish their contractual commitments. Administrative instability has been considered one of the most significant causes, which led to the decline in development levels in the Libyan economy (Al-Megharbi. M 1993).

3- After the oil heyday, the Libyan population has experienced high growth rates, whereas it reached 4.3% in 1972 (Lahmeyer 2003). In addition, the families' numbers rose from 387043 families in 1973 to 727523 families in 1995 (Shamiah A. & Kaebah M 1996), however numerous people postponed their marriage plans until acquiring a house. This increase in families' numbers resulted in the increased housing demand, and in some times the housing supply did not match the demand.

4- To finance the housing sector three ways have been adopted in Libya; first financing by government from general budget allocation funds, where it was part of the planning budgets allocated especially in the early years because of ample oil revenues and the government's desire to reform the internal situation. The oil price falls from \$35.69/barrel in 1981 to \$11.21/barrel in 1998 (BP 2005), and in addition to other political issues which caused the decline in oil export, led to major decreases in revenues. This affected development budget negatively, and led to decreases in financing ability. The second kind of financing ways was by getting

loan finance from commercial banks, but it suffered procedural complications and restricted laws, and it became inefficient. The third direction was individuals' savings, however, the majority of public employees' monthly incomes are low, where 95.7% of them gain less than 500 LD, and 85% less than 300 LD (General Board of Information 2002:51). These low levels of income are not enough to get essential goods for the majority in comparison with income levels in the UK, where £ 1 = 2.367 LD (Central Bank of Libya 2005) resulted in low level of savings.

5- Libya adopted a socialist regime that prevented house ownership for leasing purposes "...No one has the right to build a house, additional to his own and that of his heirs, for the purpose of renting it, because the house represents another person's need," (Muammar Al Qathafi 1975:16), as a consequence legislation that prevents leasing has been established. One of most important laws is law no: 4 for 1978 which prevented leases, these laws also prevented activities for profit purposes. It stopped building houses for rent and prevented the private sector from

build houses for leases.

6- According to a study on housing policies prepared by the General Council for Planning No: (23) for 2002, the housing shortage was caused by the lack of contemporary urban planning. Whereas the last plan ended in 2000 (General Council for Planning 2002), yet, the efforts to prepare new urban plans still suffered a lot of complications, hence, land prices increased rapidly and sharply.

7- Since 1970, inhabitants' behaviour in housing has changed, while the families stopped sharing houses as result of the housing sector boom. Libyans were affected by new cultures and trends, this consumption behaviour affected housing. This led to the increase in demand on housing, that was not accompanied by increase supply.

Government Attempts to Solve the Housing Shortage.

When the effects of shortages in housing started to appear in Libyan society and its negative effects became visible, the government hurried to solve this problem. Three-year plan (1995-

1997) was proposed to build 60000 housing units, and encouraged local companies to implement these units. In addition, procedures have been made easier for establishment of new construction companies to implement this project. Moreover, credit facilities were established to allow these new companies to import materials and skilled labour. The authorities encouraged commercial banks through the Libyan Central Bank to give loans for housing purposes.

Actually, these attempts were not as successful as the authorities expected. Completed units were about 2800 units out of 60000 units, after the plan period had been extended twice; the first extending until 1999, and the second to 2002.

Despite commercial banks starting to give loans for housing purposes, the maximum loan amount was not enough where the loan amount was 15000 LD, this amount was less than half of the house building cost at that time. Therefore, people used these loans to cover other finances.

Reason of Failure to Solve Shortage in Housing:

The most important reasons of failure of housing shortage solutions have been obtained from the documentations as secondary data and the interviews' answers as primary data are:

Legislatory Reasons:

After a comprehensive survey of Libyan laws, concerning the housing sector, one can notice that Libya adopted socialism as an eco-political regime and started establishing a number of laws that prevented private sector activities. More than 70% of the respondents indicated that the most important reasons that led to failure were;

1- Law No (4) 1978, that prevented ownership of more than one house for the family. This law still applied, until law No (3) 2002 established the right for some categories of peoples to own more than one house. Moreover, it gave some institutions and companies' the right to build houses for rent as investment projects.

2- Lack of conveyancing law applicable to society developments in ownership and lease issues.

3- Absence of laws that guarantee banks returns loans by legal distraining.

Administrative Reasons:

Administration procedures play a crucial role in the development issue in all economic activities. The absence of efficient administration led to waste of time and resources without achieving targets, the following points could be most important in this regard;

1- Through a survey of the General People's congress, it was evident that the administration instability was one of the failure reasons. In addition, 63% of the answers confirm that the administration problems led to unsuccessful solutions. The rapid changes of the administrative bodies led to discontinuity and waste time and money.

2- About 52% of respondents think that choosing responsible officers in the councils directly by people choice were not efficient. The short period of time in office was another reason.

3- More than 83% affirmed the absence of action to respond to a problem at the beginning and failure to systematically analyse it. This led the problems to grow to a crisis level.

Political Reasons:

Adopting a socialist regime in Libya as a political system led to a decline in the private sector and reduced individual initiatives and personal aspirations. These political attitudes affected the whole economy. Most important points in political side could be listed as:

- 1- 78% of interviewees said that; the changing administrative system in the governmental institutions as a result of political decisions caused confusion in decision making procedures or process.
- 2- On the other hand, 66% of them saw some political decisions to finance obligations affected the dedicated amounts for development plans, corruption practice.
- 3- 59% of interviewees responded that a delay to solve external political problems that Libya was implicated in, led to imposition of

sanction by the UN and USA, which had its negative impact on the economy as a whole.

Economical Reasons:

Economic reasons occupied the first rank in the authorities' failed attempts to solve the shortage in housing; these reasons could be formulated in the following points:

- 1- More than 87% of interviewees confirmed that, the dependence on unqualified local efforts to solve the housing problem was the crucial reason for failure. The authorities gave great opportunities to local companies to implement the 60000 units project, unfortunately, these local companies abused this chance and benefited from differences in the exchange market, where variations between the official market price, and the black market price was large.
- 2- 72% of interviewees think one of the significant reasons, was financial policies that depend on public savings, without knowing the real public ability to offer enough financial resources for housing projects, due to low wages of the majority of population.

3- Weakness and inefficiency of commercial banks was an important reason in the failure of the solutions. This was confirmed by 72% of the interviewees. This weakness led to an inability to return instalments. The total of instalments reached 428.6 million in the period 1971 - 2001. That led to a decrease the lending ability, and increased bad loans amount.

4- 61% of interviewees indicated that; absence of studies in advance for cost of house construction led to wrong estimates for inappropriate loan amounts. The loan amount (15.000 LD) was less than half building cost of a house.

5- 57% of interviewees reported that, the urban planning departments lag in the implementation of new plans for new projects was one of the reasons for failure. This insufficiency led to a mushrooming of housing units, randomly located to scattered areas which lacked the infrastructure and needed healthy conditions.

Conclusion:

In conclusion, Libya over the last three decades has seen a pronounced housing shortage probl-

em. Attempts to solve this problem were very serious. Huge amounts of money has been spent but the results were very minimal. The reasons were known but the dilemma was a failure of attempts to solve the problem despite the sincere intention of overcoming the shortage of housing. This paper has attempted to reveal reasons for failure; this will help the Libyan authorities to select new approaches that will give a better solution. The success of the hypothesis is that it considers the results of defining the reasons of failure to the problem.

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