

# THE GOVERNMENT ROLE IN HOUSING IN LIBYA DURING THE PERIOD 1970 – 2000

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Governments around the world play an important role in all economic activities; perhaps housing is the most important sector which the government have to take care of. In Libya ambitious plans for economic development showed considerable concentration on the housing sector, The Government earmarked huge amount of money for housing. Also, thousands of units of public housing was built in the 1970s, and allocated to people. Loans for housing became easier. During the 1980s, however the housing sector was distinguished by stagnation, reduced the government participation, and the private sector stopped participating completely. As a result of stagnation, housing shortages appeared, the Libyan authorities attempted to play a role in restricting the housing shortage and encouraging the private sector to participate in preventing the aggravation of the housing shortage. This paper attempts to evaluate the role of Libyan government in the housing construction industry during the period 1970 - 2000. This is done by Survey of laws, and housing policies, and comparing targets of those policies with the actually executed houses. The paper concludes with an evaluation of the activity of the Libyan Government in the housing sector.

Keywords: Government role, Housing, Libya, Policies, Evaluate

## INTRODUCTION

The majority of governments play an important role in developing the housing sector. Whilst every government adopt special programs which are harmonious with its economic situations and political ideology, "good programs are those with fewer holes in the bucket and hence fewer leaks"(Quigley, 1999:202).

Whatever, there are a lot of obstacles which curb government capabilities in eliminating the housing problem themselves including developed countries such as the U.S. "current assistance programs in the U.S., however, provide large housing benefits to a small fraction of the poor, only about one out of every three poor households benefit from government programs, and about one out of every five households receive housing assistance is not classified as poor. Alas, the American housing subsidy bucket does leak"(Quigley, 1999:202).

As a result of increasing demand on housing, and numerous loads, many countries have changed their policies from bailman to assistance. "This change can be described as a change of role of the local government whose main role is not produce services, but to enable others to produce them"(Heins,2002:1,2).

To solve the housing problem, all institutions must cooperate in planning and the implementation of such, "Cooperation is a necessity. In this case the local authorities

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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 impact of government policies in housing not only on public housing but also on Private housing "policies that have an impact on private housing prices include policies concerning public housing"(Phang, 1997:1820).

Libya is one of these countries which completely adopted the housing bailman policy in 1970s and the middle of 1980s, by building and allotting housing to poor people, or directing the commercial banks to give loans for housing. In contrast, in the second half of the 1980s Libya began to desert the bailman policy to play a secondary role by assisting institutions which invest in the housing sector.

The purpose of this survey is to examine the Libyan experience of tackling the shortage of housing by relying solely on state actions for a 30 year period. It examines where there have been failures of these policies. Alternative policies are suggested.

The paper evaluates the role of government in legislation, planning and implementation of these plans in housing in Libya in the period 1970 - 2000. It determines to what extent the policies were able to achieve targets in housing. It then discusses alternative policies that are more able to realise ambitious housing plans. It also attempt to demonstrate that policies that may be efficient in one country might are not efficient in another.

The methodology will be followed is to survey the policies and to compare the policies targets with actually executed houses. Also there will be an analysis of the laws' impact on the public sector contribution in housing sector and private sector as well.

## **PHASES OF HOUSING POLICY STRATEGIES**

A study of housing policies in Libya can be divided into three main periods: The first period is from 1970 to 1978. The second period is from 1979 to 1988. And the last one from 1989 to 2000. Every period was distinguished by the different role the government played, in housing development.

### **THE PERIOD 1970 – 1978**

The period after the September revolution of 1969 was characterized by the publication of a number of laws to organize the housing sector. These included the resolution of the council leadership decisions for leases (Ministry of Justice, 1969) which gives the right to lease for people and companies to lease property. Also Law 116 in 1972 was published to give commercial banks the right to give loans for housing purposes. Law 88 in 1975 stipulated the nationalization of lands which was benefit from bank facilitations and used for other purposes excluding housing. Law 28 in 1976 came to reduced leases charges by 30% and prevented advanced rent as well.

These laws were preparation for the government economic development plans, in housing particularly. The main targets for these plans during period 1970 – 1978 were: (Ministry of Planning, 1975: 311,312)

- Every family should be providing with suitable house and secure welfare for occupiers.
- Government assumed the large part of the responsibility for the housing process, including planning for construction of housing units or/and,

implementation by public sector to cover the shortage in housing in 1969 which was 185000 units 120000 of them were unsuitable for residence and needed to be replaced with new units ( General Council for Planning,2002:7).

- Encouragement of the private sector to participate in building housing units by loans or personal savings.

To achieve these targets, studies in housing indicate that the countries despite difference in its systems confront housing problem in three ways:

- Government commence construction of housing and allotting for people without any role for private sector.
- Government construct and allocate housing and permit the private sector to invest in housing by sale or leases.
- Government play a limited role in construction and the allocation of housing to poor people with greater role for the private sector.

Libya between 1970 -1978 adopted the second method, whereas, the government take the primary role but let the private sector participate. The adopted policies are reviewed below:

### **Policies Implemented by Public Sector**

These policies aim to provide suitable quantity of quality housing for low-income people, by the following policies:

#### **Public Housing Policy**

The government emphasized the importance of public housing, doing this project with 62 % of projects was executed by public sector in this period, and 26% of all completed houses. Despite the emphasis the volume of activity diminished to vary the end of the period as shown in table (1).

**Table 1:** Executed housing unities during 1970 – 1978

policy	1970-1974	1975	1976	1977	1978	Total
Public Housing	19967	9979	5764	2810	2505	41025
Fabricated Housing	0	150	0	0	3000	3150
Sebha Housing	24	466	1607	2435	468	5000
Agricultural Housing	5332	0	865	499	5294	11990
Investment Housing	0	0	1569	0	0	1569
Agricultural Development	0	0	1690	1403	0	3093
Total of Public Sector	25323	10595	11495	7147	11267	65827
Total of Private Sector	32975	17682	7600	6401	25582	90240
Total	58298	28277	19095	13548	36849	156067

Sources: 1.The General People's Secretariat of Planning, Economic and Social Scanning in Jamahiriya in Period 1975- 1978, January 1979, p 26.

2. The Secretariat of Planning, Executants of Economic and Social Development in the First of September Revolution Era 1970 – 1975, 1977, p38.

#### **Fabricated Houses Policy**

The fabricated housing policy aimed to reduce construction costs. This was done by establishing two factories for fabricated housing in Tripoli and Benghazi in a three-year plan 1973 - 1975. The expected production start was 1974 to implement 4000 units during the period of plans. However, as can be shown in table (1), only 150 units were constructed in 1975 and 3000 dwellings in 1978. This was well short of the

ambitious plans. The ratio of fabricated housing was 4.7% to executed houses by the public sector and 2% from total executed dwellings in the period 1970 - 1978.

### **Sebha Housing Policy**

The housing plan in 1973 – 1975 intended to build 8000 dwellings in Sebha city in southern Libya which was deprived of services, and suffered a shortage of housing as well. The actual number of houses built in period 1970 – 1978 was 5000 dwellings as shown in table 1. The ratio of Sebha housing was 7.5% to executed dwellings by the public sector, and 3.2% to total executed dwellings in the stage 1970 – 1978.

### **Agricultural Housing Policy**

Policy makers were interested in agricultural housing to reduce crowding in coastal cities, therefore, the plan aimed to construct 8250 dwellings. 5249 units were built, about 7.7% from total dwellings in the period 1970 – 1978.

### **Investment Housing Policy**

Authorities have permitted some institutions, public companies and individual to invest in the housing sector. Then the government failed to continue this policy later. Table 1 illustrates those executed houses was 1569 units, by ratio 1% of the total houses in period 1970 – 1978.

### **Agricultural Development Housing Policy**

The policy of agricultural development of housing aimed to provide houses for workers in agricultural projects close to their work places. Table 1 show that 3093 dwellings were built in 1976 and 1977, ratio about 2% from total houses in the stage 1970 – 1978.

### **Policies Implemented by Private Sector**

In spite of the governments' policy for the construction of housing units by the public sector, the private sector ratio reached 58.4%, building 90186 units during period 1970 – 1978, aided by following policies below:

### **Loans from Real Estate Saving and Investment Bank**

One of the most important financial resources for the private sector is the Real Estate Saving and Investment Bank (RESIB), which has played a large role in housing development since it was established in 1966. Table 2 shows numbers of loans and the amounts compared with total of loans. It can be observed that the number of loans from the RESIB reached 98.14% of all loans, and the amount of real estate loans reached 95.77% of the total loan amounts.

**Table 2:** Real estate loans comparison with total loans (RESIB) 1966-1978 (Thousands Libyan Dinar)

Years	Real estate loans				Total loans			
	Number	%	Amount	%	Number	%	Amount	%
1966-68	3029	7.02	14539	4.6	4029	7.23	16803	5.37
1969-72	15618	27.85	54042	17.03	15926	28.62	57541	18.3
1973-75	19693	35.37	100568	32.01	19971	35.87	103665	33
1976-78	15532	27.9	132281	42.1	15744	28.28	136166	43.33
Total	53872	98.14	301430	95.74	55670	100	314175	100

Source: Central Bank of Libya, Economic Bulletin, Different Volumes.

### Loans from Commercial Banks

Commercial banks contributed to the housing sector as well by lending for residence purposes. As table 3 shows there was a continual increase in loans for the whole period except 1977. Generally, the ratio of granted loans for construction reached nearly 21%. Undoubtedly, the government still plays a main role even with commercial banks which are largely covered by the government.

It is important to mention that the housing associations and actions of individuals do not appear in the statistical data because of an absence of data.

**Table 3:** Granted loans for construction from commercial banks 1970- 1978

Year	Loans for construction	Total of loans	%
1970	16690	96196	17.35
1971	18791	107604	17.46
1972	23954	148029	16.18
1973	55156	240895	22.89
1974	124736	448550	27.80
1975	167818	641900	26.14
1976	194701	734513	26.50
1977	114869	891315	12.88
1978	184815	925959	19.95
Total	901530	4234961	21.28

Source: Central Bank of Libya, Economic Bulletin, Volumes 1 -6, 1983, P12.

It can be noted that the public sector completed 65827 housing units during 1970 - 1978, with a ratio 42.2% of the total distributed to various policies. Therefore, public sector policies are characterized as following:

- Shortage in housing reached 185000 housing units, 12000 substitutions units.
- Government established large projects by direct expenditure or by loans from banks.
- Policies of housing adhered to the ownership and constricted leases.
- Absence of suitable organizing basic to continue as much as satisfy society needs.

### THE PERIOD 1979 – 1988

This period saw huge political and economic changes. The country adopted socialism as an economic system in 1977. Laws have since been published according to the green book of (Moammar Al-Qaddafi) thoughts. The most important result from these changes is Law 4 which prevented leases, and prevented families to possess more than one dwelling as well. Consequently, the government confiscated all dwellings prepared for lease by the private sector. These were transferred or use for housing with the inhabitants purchasing their properties via monthly payments.

In spite of high allocations of development budgets compared with the last period, the 1970-1978 housing allocations ratio decreased from 13.2% during the period 1970-1978 to 9.46% in the stage 1979-1988(The General People's Secretariat of Planning,1982:13).

Despite the political and economical changes the government continued to follow the same housing policies of public sector and private sector cooperation.

### **Policies Implemented by Public Sector**

The new laws reduced the private sector role therefore the public sector took greater responsibility for the construction of the dwellings using the following policies;

#### **Public Housing Policy**

Table 4 shows that a number of dwellings were constructed via public housing (44332 housing units) for the period of 1979-1988 that is 21.8% total completed units and 55.5% from units constructed by public sector. (The General People's Secretariat of Planning and Economic, 1991:43). The increase in dwellings completed was not satisfactory as it did not exceed 3017 units compared with the last phase which was 41025 units, in spite of housing allocations from the development budget increasing generally.

#### **Agricultural Housing Policy**

This policy aimed to construct dwellings for farmers to encourage agricultural development, yet this policy began to shrink especially after 1986 as can be shown in table 4, dropping sharply from 7300 units in the period 1983- 1985 to 87units in the period 1986 - 1988.

**Table 4:** Executed housing units during 1979-1988

Policy	1979-1988	1983 -1985	1986 - 1988	Total
Public Housing	22200	9400	12732	44332
Agricultural Housing	3700	7300	87	11087
Investment Housing	1800	4100	10465	16365
Sebha Housing	1500	0	0	1500
Fabricated Housing	0	6500	0	6500
Total of Public Sector	29200	27300	23284	79784
Total of Private Sector	69900	51000	7013	127913
Total	99100	78300	30297	207697

Source: Al-Megierhy A (2000), P264.

#### **Investment Housing**

Investment housing comprised general projects to produce houses and new cities and villages. Table 4 illustrates completed house numbers in these period were 16365 units, 5579 of them new cities and villages and 1010 units for general housing projects. It is important to mention almost all of these dwellings transferred from the housing plan 1976-1980. Generally, these numbers represent withdrawal of government in this area.

#### **Sebha Housing Policy**

Government continued the Sebha city project which was still lacking in services. Houses were built strongly in the beginning, and then stopped after constructing 1500 units in 1979 as can be show in table 4. It is important to explain these dwellings were committed under previous plans and represent the planned end of Sebha housing project. As for fabricated houses the table shows it stopped from 1979 until 1985 where 6500 dwellings were built and then stopped again. Through the numbers in table 4 it can be shown Sebha and fabricated houses participation was small.

### **Policies Implemented by Private Sector**

Private sector continued to build houses by loans from the Real Estate Saving and Investment Bank (RESIB) and Commercial Banks. Housing associations and personal construction added to the total. Despite the absence of details, total private sector

collaboration still increased, where the number of erected houses by the private sector during the period 1979 - 1988 reached 127913 units, ratio 61.5% houses constructed

This phase was characterized by instability in public housing policy with a reduction in numbers constructed. The policies did not reached the planned targets as happened in agricultural housing during the development plan 1981 - 1985 the aim in this period was 7500 units but they built only 5943 unit. Generally we can say that the government role dipped noticeably.

## **THE PERIOD 1989 – 2000**

As a result of the imposed sanction on Libya from the United Nations in 1986, economic development plans were hindered and plans for housing were halted as well. Therefore, Libya started to join the international society and preformed better with its policies. Consequently, more flexible new laws were published to convey these changes, such as Law 8 for year 1988 which stipulated it as possible for individuals themselves or by participation with others to practice economic activities. Also law 11 for year 1992 as to real estate possession and its modifications by Law 14 in 1996 was published, which gave the right to possess more than one house or piece of land suitable for construction. Public and private institutions had the right to build houses for selling purposes as well. For first time since Law 4 in 1978 some public and private institutions and individuals were given the right for leases. When we study these statutes in period 1988 – 2000 it can be noted;

- Given right to possess more than one house or piece of land suitable for construction.
- Permitted for leasing in some categories according to some conditions.
- Permitted to some public and private bodies to invest in housing by construction, selling and leasing.

Housing policies in this stage was marked by diminishing of the government role generally and in the housing sector in particular. In spite of this initially the policies in period 1988 – 1996 were similar to the same, and then policies changed. This period is thus divided into two stages. The first stage from 1986 to 1996 and the second started in 1997 and ended in 2000.

### **The Period 1989 – 1996**

This period has not seen noticeable change in spite of the economic changes because of more flexibility in new laws. Previous policies followed;

#### **Policies Implemented by Public Sector**

Policy makers in housing sector prefer to follow the similar categories was followed earlier;

#### **Public Housing Policy**

The government started to abandon the public housing policy. The numbers in table 5 represent completion of preceding plans. Executed housing in that phase was 13335 units less than half of executed in last period. 26.7% of houses were built by the public sector in this stage.

**Table 5:** Executed housing units during 1989-1996

Policy	1989-1990	1991-1992	1993-1996	TOTAL
Public Housing	918	5502	6915	13335
general Projects Housing	0	200	3321	3521
New Cities & Villages	3601	568	7416	11585
Investment Housing	8999	0	12553	21552
Total of Public Sector	13518	6270	30205	49993
Total of Private Sector	24026	24026	24026	72078
Total	37544	30296	54231	122071

Source: The General People's Secretariat of Planning and Trade, Executant's of National Economy 1970-1996, 1997:23.

### **Housing Policy of General Projects Housing**

As a result of a lot of big projects established in previous phase, authorities executed dwellings for workers in these projects. Table 5 demonstrates house numbers raised from 200 units in 1991-1993 to 3321 units by the end of 1996. The number of executed houses total 3521 units, and a ratio 4% of the total houses constructed in the period 1989-1996.

### **Housing Policy of New Cities and Villages**

This policy aimed to reduce crowding in the coastal cities. A number of new cities and villages were built. The number of executed houses during period 1989-1996 reached 11585 housing units, 12.8% of total houses in that phase, as shown in table 5.

### **Investment Housing Policy**

The executed houses according to this policy increased noticeably. Because of new laws which permitted to investment in housing, some institutions started to construct dwellings. The most important institutions were National Investments Company, Real Estate Saving and Investment Bank and The National Council for Real Estate Investments. Table 5 illustrates the number of executed houses as 21552 units. The ratio of executed houses reached 23.9% of total executed houses and 43.1% of executed houses by public sector. Table 5 shows the number of executed houses by public sector were 49993 units less than last phase. It is noticeable in this stage there was a reduction in house numbers.

### **Policies Implemented by Private Sector**

In this period 40281 housing units were executed, a ratio 44.6% of total of executed housing. Almost all construction was financed by loans from Real Estate Saving and Investment Bank (RESIB), Commercial Banks, Housing associations and personal construct, however there is no details about the participation of each body separately. Executed houses by the private sector in the period 1989-1996 decreased than the previous period on account of government did not encourage banks to give loans policies.

### **The Period 1997 – 2000**

This period was characterized by an increasing shortage in the housing sector, with demand of houses more than supply. The estimated shortage in 2000 was about 240000 units (Council of General Planning, 2002: p 7). Therefore, plans targeted construction of 60000 housing units to meet the shortage in housing. This plan was financed out of the development budget except the uncompleted houses from previous plans. The expected schedule in 1996 set target of 10000 units, 20000 units in 1997 and 30000 in 1998. To achieve this target, following policies were proposed;



### **Uncompleted Housing Policy**

According to this policy the plan aimed to complete 10000 units during the period 1996 - 1998. These units were remaining from old contracts. 6000 units were financed by the treasury and allocated to poor people. The actually executed houses by 2000 were less than 1560 units, only 15.6% of the target.

### **Policy of General Bodies**

This policy intended to construct 5000 units by general bodies such as Social Insurance Fund, Islamic Appeal Association, the National Institution for Oil, and the Libyan Insurance Company. These bodies built to house their employees and for investment purposes. Alas there are no details as to actual completions under this policy.

### **Investment Housing Policy**

The target in this phase was to construct 30000 units, to be built by public and private investment companies. The real level of completions was 2373 units, 7.9% of the target. The reason of this very smallish rate was the difficulties to open documentary credit for import materials and difficulty of loan procedures.

### **Policies of Bank Loan and Associations**

The target for this policy was to build 14000 units 10000 of them were financed by loans from the Real Estate Saving and Investment Bank (RESIB), 2000 financed by commercial Banks, 2000 financed via housing associations and 1000 by personal capabilities. Regrettably, the loans were not granted because of the lack of finance in these bodies. So this programme runs into difficulties.

In general, this phase was distinguished by changing in the government policies trends, tending to play an assistance role instead the role of bailman. Public and private companies attempted to invest in real estate after being absent for a long time. Also the period 1996 – 2000 was marked by confusion in housing policies.

## **THE EVALUATION OF GOVERNMENT ROLE**

According to the above it can be seen that the government played a significant role in the whole period in spite of change of that role from phase to phase. Generally the key observations are;

- At the start of the study period there was a housing shortage of 185000 units.
- The government leant on one sector (Oil Sector) to finance the rest of the economic sectors including housing; this meant that changing oil prices lead to change in the government expenditure.

The role of the government could be divided into three kinds; legislation, planning, implementation.

- The beginning saw a change in the political system from a monarchy to a republican system. Laws encouraged investment particularly in the housing sector. But in 1977 Libya started to adopt socialism system, which tries to prevent the private sector participating in economy activities. After that the government dominated all economy activities, and stopped the private sector in the housing sector. In the beginning of 1990s immediately after economic crises started appearing. Libya started to retreat from socialism in attempt to improve

development, so laws have been established to encourage private sector to participate to solve economic problems, in particular in housing.

- Ambitious plans were established. These plans were not completed for different reasons; the important ones are changing in oil prices, involvement in political problems leading to detachment from the rest of the world, and reliance on local capability which was unable to implement those big targets. The government could not reach its housing targets leading to an increase of shortage in housing every year over the study period.
- The 1970s saw a huge boom in the housing sector, whereas, a lot of foreign companies participated to implement thousands of houses. After 1977, when Libya adopted the socialism system most of foreign companies left. The government relied on local companies, which were lacking in experience, and finance resources were limited in this period. Therefore, the number of constructed houses decreased, also the quality became worse. In the period after 1990, the government moved away from direct intervention in housing, and tried to push the private sector and attract foreign investors to be involved in investment in housing. Responses to date have been limited.

## CONCLUSION

In conclusion, it can be said that the government role in the housing sector in Libya continued playing significant role as a bailiwan, from the beginning of study period in 1970 until 1995. In this it has built houses and allocated them to people. It assumed the planning process and provided lands for construction as well. However it can not continue to play the same role because of its limited financial resources and increased work loads. Also bureaucracy caused delays in of the procedures period. It is become more clear that the government was unable to do everything itself and that the private sector should be given an opportunity to participate according to the real estate market mechanism. Through the evaluation period policies which relied entirely on the government always failed. Wherever, targets in all plans were not achieved. It is important to search for new policies to solve the shortage of housing in Libya and other countries that have the same circumstances. Laws which assure investors to investment in housing remain the most important duty upon which the government should legislate, even if stopped direct subsidies. Examining these policies and recognising how and why they have failed is the first step of a series of studies which are searching for new policies to solve this problem in future as a part of PhD thesis.

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