


Enabling Housing Markets or Increasing Low Income Access to Land: Lessons from Iran

Ramin Keivani – Oxford Brookes University
Michael Mattingly – University College London
Hamid Majedi – Society of Urban Planners, Iran


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Objective

- ★ Examine the impact of state intervention in urban land through the ULA on housing provision in Iran between 1979-1989
- ★ Consider the implications for the international policy debate focused on the Enabling Market Strategy


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The international policy context

- ★ Project based approaches (1970s and 80s)
 - Aided self help
 - Settlement upgrading
- ★ The World Bank Enabling Market strategy (1990s)
 - Reorientation of state activities from provision to supporting housing market activity
 - Minimal market regulation and land management
 - Market institutional development

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Enabling housing market policy measures1

- * Property rights**
 - Developing systems of private tradable, and enforceable property rights, including the development of efficient land cadastral and registration systems. Undertaking land registration and regularisation of insecure tenure and the privatisation of public housing stock where possible.
- * Mortgage finance**
 - Institutions borrowing and lending at positive real interest rates. Encouraging competition between institutions and innovative institutional arrangements for promoting greater access to housing finance by the poor such as mutual guarantees and flexible payment schedules. Avoiding subsidised and directed credit toward housing.
- * Rationalising subsidies**
 - Using subsidies only if the other options fail and they should be well targeted, measurable, and transparent, and should avoid distorting the housing market.

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Enabling housing market policy measures2

- * Providing infrastructure**
 - Keeping the attention on improving residential infrastructure in slum and squatter settlements and extending to new areas. The responsible agencies should focus less on narrow physical objectives and more on opening up urban land for residential development.
- * Reforming building and planning regulations**
 - Reforming regulations in such a way that benefits market activity particularly in the provision of housing for the low income groups. Eg: alternative standards which do not compromise environmental, health and safety concerns but allow more flexibility for private market activity and housing provision.

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Enabling housing market policy measures3

- * Organising the building industry**
 - Creating greater competition in the industry by eliminating regulatory barriers to entry, breaking up monopolies, facilitating equal access of small firms to markets, removing constraints on the development and use of local building materials and construction methods and reducing trade barriers that apply to housing inputs.
- * Institutional framework for housing industry**
 - The creation of an institutional mechanism for overseeing the performance of the sector as a whole and co-ordinating the major public agencies that influence housing sector performance.

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Critiques of the Enabling Strategy

- ★ Exclusion of more appropriate modes, particularly informal sectors
- ★ Lack of clarity on who benefits, exclusion of the poor - Measures aimed at formal private markets
- ★ Unsuitability to conditions of most developing countries
- ★ The need for maintaining state intervention in urban land and housing both for increasing direct low income access and developing private housing capacity for low income groups

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Illustrating the criticisms

- ★ Examples from the South
 - Manila, Metro Cebu (Strassman, 1994; Sajor, 2003)
 - Mexico city, Ejido lands (Jones & Pisa, 2000)
 - Santiago, early 1980s (Duran & Soza, 1987)
 - Ahmadabad (Mukhija, 2004; Baken & van der Linden, 1993)
 - Iran

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Urban Land Policy in Iran

- ★ Prior to 1979 minimal control of ownership
 - Monopoly ownership, e.g., 85% in Tehran belonging to the Royal Family
 - Rapid land price increases, 1971-76, 500%
- ★ The ULA after 1979

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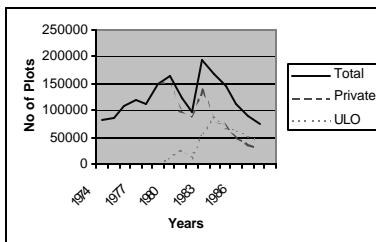
The Urban Land Act

- ★ Based on Islamic law
 - Three categories of Mavat , Baer and Daer
- ★ Ceiling limit on private ownership
 - 1000 and 1500 square meters
- ★ State acquisition of excess land
- ★ Allocation to eligible land less families
- ★ Specific measures for joint schemes with coops and private builders

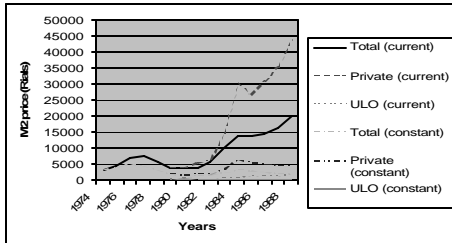
Amount of acquisition and allocation

Acquired	86,000 Hectares
Allocated	14,000 (16.5%)
Residential	10,790 (77%)
Share of total housing supply	34%
Individual households	6,167 (57%)
Coops	3,063 (28%)
Builders	1,617 (15%)
Total number of Hholds	422,864

Total, private and ULO housing starts



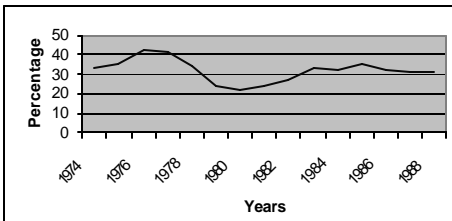
Impact on urban land prices



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Share of land to housing prices



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Conclusion I

- ★ Government control and management of urban land is not a panacea, has its own preconditions but it can work:
 - Increasing low-middle income access to urban land
 - Benefiting private developers through joint schemes
 - Encouraging alternative modes such as coops, tied/factory housing and self build
 - Benefiting private builders in construction phase

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Conclusion2

- * Rethinking the basic assumptions of the enabling strategy
- * Direct government control of land markets can not be dismissed a priori in the manner of enabling market framework
- * Combining elements of market enabling and government control of urban land to the long term benefit of both the low-middle income groups and private market house building capacity
