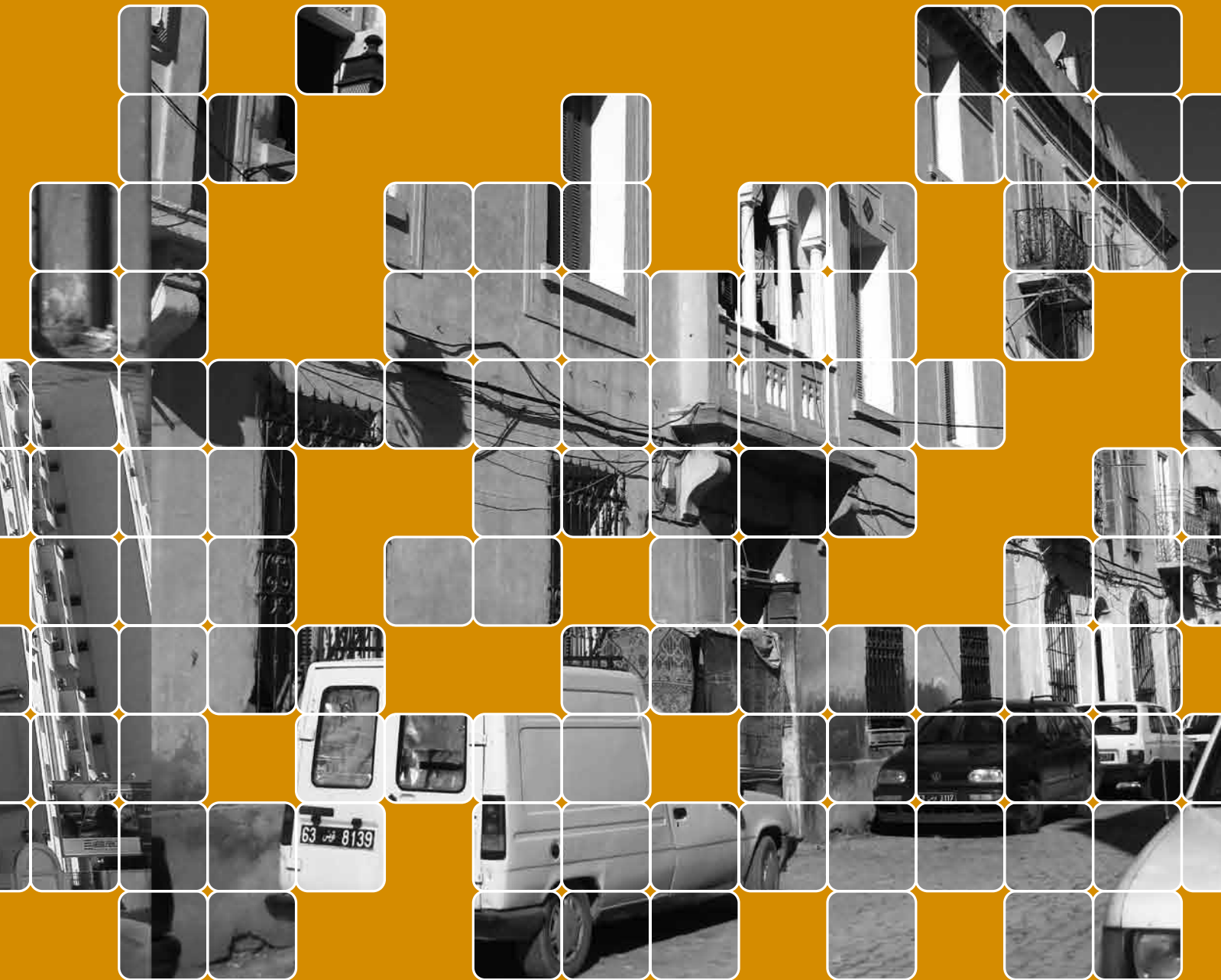


TUNISIA

HOUSING PROFILE



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HS Number: HS/132/11E

ISBN Number (Volume): 978-92-1-132417-4

ISBN Number (Series): 978-92-1-131927-9

Layout: Gideon Mureithi/UNON

Printing: UNON, Publishing Services Section, Nairobi,
ISO 14001:2004-certified.

TUNISIA

HOUSING PROFILE



ACKNOWLEDGMENTS

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FOREWORD

UN-HABITAT is mandated by the United Nations General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate housing for all.

Over the last three decades, Tunisia has been very successful in reducing the proportion of its population living under the poverty line, improving the lives of the country's urban dwellers through access to water and sanitation, electricity, and in reducing the percentage of slum population, as well as the number of slum dwellers in absolute terms, while succeeding to increase the quality and quantity of the country's housing stock.

While Tunisia's housing sector has benefited from government's reforms in terms of institutions, regulations, and financing in support of housing production and improvement. There are lessons for other countries to learn from this experience. However, there are still some challenges ahead for the country to achieve the Habitat Agenda goal of adequate shelter for all, where the Tunisian authorities would need to explore in developing their new housing policies.

This publication, the Tunisia Housing Profile, aims to help Tunisia in addressing those challenges by providing a systemic analysis of the housing sector in cities in Tunisia and disclosing some various aspects of the housing delivery system in the country, including its functions, bottlenecks, current practices, and capacity development needs.

The report carries an analysis of five key elements in the sector, namely, land, basic services, housing finance, building materials and construction technologies, and labour. It examines how those components are governed by policy, institutional and legal frameworks, and how they are linked

with one another and other urban policies. It seeks at identifying factors hindering the housing market to work properly, particularly for the urban poor. Based on constraints and opportunities in the policy, institutional, and regulatory frameworks, the Profile identifies some recommendations for appropriate policy responses and priority actions to improve access to adequate housing in Tunisia.

I am confident that the Tunisia Housing Profile will be a useful tool for all the housing sector actors striving towards improving access to adequate housing for the Tunisian population. Knowing the importance of the housing sector in the overall economy of a country, I hope that this report will help strengthen the housing sector so that it can fully contribute to the economic and social development of Tunisia by enhancing employment opportunities, especially for the most vulnerable groups, as well as developing further linkages to the other sectors of the Tunisian economy.

I would like to express my sincere appreciation to all those who have contributed to the preparation of this report.

I am confident that the Tunisia Housing Profile will be a useful tool for all the housing sector actors striving towards improving access to adequate housing for the Tunisian population.

Joan Clos



JOAN CLOS

Under-Secretary General of the United Nations
Executive Director,
UN-HABITAT

PREFACE

This report is published by UN-HABITAT as one of a series of housing sector profiles in selected developing countries under its Adequate Housing for All Programme. Malawi, Uganda, Senegal, and Tunisia are four countries where the Housing Sector Profile project is being piloted through the sponsorship of the International Development Research Centre (IDRC) Canada.

UN-HABITAT's Housing Policy Section has developed a housing sector profile methodology to support the auditing of housing sectors in different countries as an integral part of broad housing sector reforms and policy formulation and implementation. Thus these profiles are analytical tools to provide governments and Habitat Agenda Partners with a comprehensive assessment of their housing delivery systems.

The objective of the Housing Sector Profile Study for Tunisia is to undertake a comprehensive analysis of the housing sector in cities and towns in Tunisia and to shed light on the functioning of various aspects of housing delivery systems in the country as currently practiced, including identification of bottlenecks and other obstacles to achieving the goal of adequate housing for all. It is meant to produce improved knowledge and understanding of the sector that will enable the Government of Tunisia, the Ministry of Equipment, Housing and Territorial Development (MEHAT, *le Ministère de l'Équipement, de l'Habitat et de l'Aménagement du Territoire*) and other central and local authorities to formulate appropriate policy responses and recommendations leading to improvement of housing provision in Tunisia. In this effort UN-HABITAT's conceptual policy framework for housing, that stresses enabling strategies to stimulate the production of adequate housing, is used. (See bibliography for references to key UN-HABITAT documents on enabling housing strategies.) This Study covers the following sub-themes:

- Policy and institutional frameworks
- Legal and regulatory frameworks
- Housing finance, markets, and producers
- Infrastructure and other basic urban services

- Land supply mechanisms
- The construction industry and building materials

This report was prepared by David Sims, housing economist consultant and principal author, supported by a team in UN-HABITAT Nairobi. The methodology used was a desk study, using secondary data sources, mainly those available from the internet. Of most use were reports and data from government institutions such as the Tunisian National Statistical Institute (INS, *Institut National des Statistiques*), the Urbanisation Agency for Greater Tunis (AUGT, *l'Agence de Réhabilitation et de Rénovation Urbaine*), the Housing Bank (*la Banque de l'Habitat*), and infrastructure authorities (SONADE, ONAS, and STEG). Media websites based in Tunisia were also used extensively, as were academic reports and reports produced by foreign donors. In addition to these sources, important information and views were collected from housing stakeholders during a mission to Tunisia undertaken by Tarek El Sheikh, UN-HABITAT housing officer, in October 2010.

Although Tunisia's population is over two-thirds urban and the emphasis of this Study is on the housing sector in urban Tunisia, wherever information exists attention is also put on housing dynamics in rural areas. It is rural areas, particularly those near to cities, which are under strong urbanization pressures, and in addition there continues to be significant rural-to-urban migration. Thus "rural" housing issues tend to converge on "urban" housing issues, and it would be wrong to assume arbitrarily that urban Tunisia is separate and distinct from rural Tunisia.

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LIST OF ACRONYMS

ACRONYM	NAME IN FRENCH	NAME IN ENGLISH
AFH	AGENCE FONCIÈRE D'HABITATION	HOUSING LAND AGENCY
ANME	AGENCE NATIONALE POUR LA MAÎTRISE DE L'ÉNERGIE (ANME)	NATIONAL AGENCY FOR ENERGY RATIONALIZATION
ARRU	L'AGENCE DE RÉHABILITATION ET DE RÉNOVATION URBAINE	URBAN REHABILITATION AND RENOVATION AGENCY
AUGT	AGENCE D'URBANISME DU GRAND TUNIS	URBAN AGENCY FOR GREATER TUNIS
BH	BANQUE DE L'HABITAT	HOUSING BANK
BCT	BANQUE CENTRALE DE TUNISIE	TUNISIAN CENTRAL BANK
BOT	CONSTRUCTION –EXPLOITATION –TRANSFERT	BUILD-OPERATE-TRANSFER
CNEL	CAISSE NATIONALE D'ÉPARGNE LOGEMENT	NATIONAL HOUSING SAVINGS FUND
CPF	LA DIRECTION DE LA CONSERVATION DE LA PROPRIÉTÉ	THE DIRECTORATE OF CONSERVATION OF REAL PROPERTY
CPSCL	CAISSE DE PRÊTS DE SOUTIEN DES COLLECTIVITÉS LOCALES	LOAN FUND TO SUPPORT LOCAL AUTHORITIES
CNRPS, CNSS	LES CAISSES NATIONALES DE SÉCURITÉ SOCIALE	NATIONAL FUNDS FOR SOCIAL SECURITY
DGH	DIRECTION GÉNÉRALE DE L'HABITAT	GENERAL DIRECTORATE FOR HOUSING
DGGR	DIRECTION GÉNÉRALE DU GÉNIE RURAL	GENERAL DIRECTORATE FOR RURAL ENGINEERING
FNAH	FONDS NATIONAL POUR L'AMÉLIORATION DE L'HABITAT	NATIONAL FUND FOR HOUSE IMPROVEMENT AND REHABILITATION
FSN	FONDS DE SOLIDARITÉ NATIONALE 26-26	NATIONAL SOLIDARITY FUND 26-26
FOPROLOS	FONDS DE PROMOTION DES LOGEMENTS POUR LES SALARIÉS	FUND FOR PROMOTING HOUSING FOR WAGE EARNERS
INS	INSTITUT NATIONAL DES STATISTIQUES	NATIONAL STATISTICAL INSTITUTE
MEHAT	MINISTÈRE DE L'ÉQUIPEMENT DE L'HABITAT ET DE L'AMÉNAGEMENT DU TERRITOIRE	MINISTRY OF EQUIPMENT, HOUSING AND TERRITORIAL DEVELOPMENT
MENA (MOAN)	(RÉGION DU) MOYEN-ORIENT ET DE L'AFRIQUE DU NORD	MIDDLE EAST AND NORTH AFRICA (REGION)
MAERH	MINISTÈRE DE L'AGRICULTURE, ENVIRONNEMENT, ET RESSOURCES HYDRAULIQUES	MINISTRY OF AGRICULTURE, ENVIRONMENT, AND HYDRAULIC RESOURCES
MW	MEGAWATT	MEGAWATT

ACRONYM	NAME IN FRENCH	NAME IN ENGLISH
OIF	L'OBSERVATOIRE DE L'IMMOBILIER ET DU FONCIER	HOUSING AND PROPERTY OBSERVATORY
OTC	OFFICE DE LA TOPOGRAPHIE ET DU CADASTRE	OFFICE OF TOPOGRAPHY AND THE CADASTRE
PAU	PLAN D'AMENAGEMENT URBAIN	URBAN DEVELOPMENT PLAN
PNAQP	PROJET NATIONAL D'ASSAINISSEMENT POUR LES QUARTIERS POPULAIRES	NATIONAL SANITATION PROJECT FOR LOW-INCOME NEIGHBORHOODS
PNRLR	PROGRAMME NATIONAL DE RÉSORPTION DES LOGEMENTS RUDIMENTAIRES	NATIONAL PROGRAMME FOR INTEGRATION OF RUDIMENTARY HOUSING
PNRQP	PROGRAMME NATIONAL DE RÉHABILITATION DES QUARTIERS POPULAIRES	NATIONAL PROGRAMME FOR REHABILITATING POPULAR QUARTERS
SMIG	SALAIRE MINIMUM INDUSTRIEL GARANTI	MINIMUM GUARANTEED INDUSTRIAL WAGE
SNIT	LA SOCIÉTÉ NATIONALE IMMOBILIÈRE DE TUNISIE	THE NATIONAL HOUSING COMPANY OF TUNISIA
SPROLS	LA SOCIÉTÉ DE PROMOTION DES LOGEMENTS SOCIAUX	THE COMPANY FOR PROMOTION OF SOCIAL HOUSING
SONADE	SOCIÉTÉ NATIONALE D'EXPLOITATION ET DE DISTRIBUTION DES EAUX	THE NATIONAL WATER SUPPLY AUTHORITY
STEG	SOCIÉTÉ TUNISIENNE DE L'ÉLECTRICITÉ ET DU GAZ	THE COMPANY FOR ELECTRICITY AND GAS
TD	DINAR TUNISIEN	TUNISIAN DINAR
TI	TRIBUNAL IMMOBILIER	PROPERTY TRIBUNAL
OURGT	OBSERVATOIRE URBAIN RÉGIONAL DU GRAND TUNIS	URBAN AND REGIONAL OBSERVATORY OF THE GREAT TUNIS

EXECUTIVE SUMMARY

It is without any doubt that over the last thirty to forty years Tunisia's housing sector has recorded impressive gains. There has been considerable progress in advancing the accessibility to adequate and quality of shelter for a very large segment of the Tunisian population. Mostly through the efforts of individual builders, the country has been producing housing faster than families are forming. State enterprises have also added significantly to the housing stock, building over 300,000 units of varying types and sizes since 1960. And in recent years, with considerable government support, the corporate private sector has become an important producer of housing. Infrastructure for housing has also advanced impressively; household coverage rates for treated piped water and electricity have reached almost 100 per cent, and coverage for wastewater in urban areas exceeds 85 per cent. In parallel, government social programmes have led to a dramatic fall in poverty rates, tumbling from 22 per cent of the population in 1975 to a mere 3.7 per cent today.

Achievements in Tunisia's housing sector are perhaps most impressive in terms of the institutions, regulations, and financing in support of housing production and improvement.

The banking sector has created housing finance institutions through which a sophisticated range of housing loan products are channelled to target a wide range of clients, including low-income families. Savings-for-housing schemes have been important housing finance mechanisms since the 1970s and are very strong today. There are State institutions dedicated to assembling and providing land for housing projects. Other State schemes provide small loans for house improvement and maintenance. Small-lot subdivisions and core housing have been piloted. And Tunisia has one of the best records of any country in the MENA region in terms of urban upgrading institutions and programmes that primarily target poor informal neighbourhoods.

Looked at as a whole, Tunisia's housing approach can be considered a shining example of the housing enabling strategy, UN-HABITAT's conceptual policy framework for housing. Yet although Tunisia scores very highly in its "enabling" housing strategy, there are indications that all is not perfect and that many challenges remain. These can be briefly summarized as follows:

Housing affordability: Both in terms of cost-to-price ratios and in terms of standard housing

loan programmes, urban households in the lower income deciles currently find it extremely difficult to afford purchasing even modest housing units. The calculations used involve a number of assumptions, but even if more optimistic assumptions were employed, the conclusion would stand that today a near-majority of urban households cannot afford to purchase a modest housing unit, even assuming that they can qualify and obtain housing loans. The only housing type affordable to urban households under the median income is that which is self-built in peri-urban areas and may be deemed illegal. And since many households cannot qualify for housing loans for various reasons, there are many other families that cannot begin to purchase/build a new unit. In sum, it can be concluded that there remains a huge housing affordability challenge in urban Tunisia, and one that, due to rapidly rising housing costs and increasing land scarcity, is bound to get worse.

Housing finance: The mortgage-based housing finance system that Tunisia has built up over four decades is impressive in terms of its coverage and maturity, diversity of its products, and ability to innovate. However, there are still certain outstanding issues, especially concerning financial sustainability, interest rates and subsidies, targeting the poor, indebtedness, and the exclusion of many from mortgage financing.

Urban land scarcity and the peri-urban frontier: Most developable land around Tunisian cities and towns can be called peri-urban. With land for urban development becoming more scarce and, especially, more and more expensive, it is inevitable that competition for land on this peri-urban frontier becomes more and more acute. Today in Tunisia the main groups competing for this peri-urban land are (1) formal land and real estate developers, (2) middle class and well off urban families, and (3) poor families seeking a modest affordable plot of land upon which to build progressively. This process by multiple actors to find suitable cheap land makes for a very competitive scramble for land. Years and years of government programmes to create formal alternatives to informal and unregulated land conversion on the peri-urban frontier have not been able to stop or even appreciably slow the phenomenon. Although not a desirable situation, it is a fact that only on the unregulated peri-urban fringe can a lower income family ever hope to secure a little plot of land and embark on the process of building and owning its own home.

Home ownership versus rental: Tunisia has a very high rate of home ownership, both of the existing

housing stock and of new additions to it. Rental tenure is low and even decreasing, with only 15 per cent of total households living as tenants as of 2009. The government sees home-ownership as something inherent in Tunisian culture and has adopted an 80 per cent ownership rate as an essential element of its national housing strategy. In most countries rental housing markets are much more extensive, and most housing experts see rental tenure as playing an important part in ensuring a good mix of housing alternatives. Rental systems, present alongside home ownership, contribute to maximizing choice and mobility and thus allow housing markets to perform more efficiently. Could Tunisia benefit by more rental housing?¹

Building materials and construction: Costs of basic materials are high and increasing, at rates that are very much higher than increases in wages and incomes and even higher than general inflation. This is making the production of all types of housing units more and more expensive in Tunisia, and also is further complicating the already difficult housing affordability equation. Thus it would seem that efforts at developing alternative materials and at minimizing the use of expensive, energy-intensive materials in construction would be a welcome initiative. The construction sector itself is very bureaucratic and regulated. In this sense, not only does this control/regulation add to overall costs of construction, it makes the activities of the individual housing producer difficult, and frequently they are forced into illegality. This is a crucial issue since so much of housing, particularly affordable housing, is produced by individuals. This in turn suggests that there be very straightforward and simplified regulations and standards for small footprint buildings.

Equity and exclusion in housing programmes: Looking at the array of housing loan products available through government programs in Tunisia, it seems that, with few exceptions, the targets are for the most part the urban middle and upper middle classes. A huge number of Tunisian families simply cannot now afford to meet the instalment payments required by these housing loan schemes, and the future looks even bleaker. If a government-operated housing finance system cannot respond primarily to the needs of lower-income families, what is it for? Could not the private developer sector combined with private banks relieve government systems from financing housing for the middle classes? Another equity issue relates to the government policy of supporting the private developer sector. There are numerous funding, tax and land incentives given to private developers, but this has not resulted in much if any affordable housing.

Why not give the same kinds of incentives to the private individual, who is, after all, by far the main producer of housing in Tunisia?

Urban upgrading: Tunisia's extensive experiment with urban upgrading and neighbourhood rehabilitation justifiably deserves praise. But until now these programmes have little or no involvement by the communities affected. It is generally recognized that community participation in upgrading ensures more effective results, and mobilizing community initiatives can lower the overall financial burden of upgrading projects.

POLICY IMPLICATIONS: PRELIMINARY THOUGHTS

It is difficult to leap from analysis to policy recommendations. This housing sector profile has been a rapid exercise based on less-than-complete information and without exposure to policy dialogue. On top of this, since January 2011 the political landscape in Tunisia has completely changed, and new political dynamics and forces are being unleashed which cannot but affect the way policies and programmes are developed in the housing sector.

Even so, now is an opportune time to suggest certain housing policy adjustments. Along with other revolutionary changes, Tunisians now expect a government which is much more transparent with its policies, programmes, and actions and much more responsive to the needs of the poor and disadvantaged. Tunisians also expect a government that is less beholden to special interests. There are new democratic forces coming into play, and thus there is a great opportunity to seize the historic moment and begin to reconsider national housing policies and priorities. The following are some suggestions that hopefully will stimulate the debate.

Equity, subsidies, and reaching those most in need: At the highest policy levels, the government needs to take a hard look at who enjoys what housing subsidies, including indirect subsidies through taxes, land concessions, and preferences. This would be a kind of critical inventory, to assess how well subsidies are reaching those in need. And to better define "those in need" a much more refined analysis of household affordability needs to be undertaken, as well as an identification of excluded social and economic groups.

Supporting the modest owner-builder: With auto-construction or self-help (housing) building by far the dominant mode of housing production in Tunisia, it would seem that the government should first and foremost be directing its enabling strategy towards this

mode. It would seem logical to consider what measures are needed in terms of land, finance, infrastructure, and building standards to better stimulate those of modest means to house themselves.

Market efficiency and market choice: There are a number of measures that could be considered to make housing markets more fluid and efficient. The property transfer fee, which in Tunisia is quite large, should be reduced or eliminated all together. Instead, the annual property tax, which exists in Tunisia and is imposed by local authorities, needs strengthening and more equitable application. To improve market flexibility and market choice, Tunisia needs to reconsider its bias towards home ownership. Ways to make rental housing systems work better and more efficiently in urban housing markets need to be investigated.

Community participation in urban upgrading: Following the democratic awakening, Tunisia now has a great opportunity to engage local communities as partners in urban upgrading schemes. Civil society is weak in Tunisia, but with support neighbourhood associations could quickly evolve. A number of community participation mechanisms can be grafted onto upgrading programmes, including monitoring and evaluation of projects and even participatory budgeting.

Land and the peri-urban frontier: Tomorrow's urban areas are being formed today, partly through "anarchistic" informal development on the peri-urban frontier. Rather than wait until these areas mature and are deemed targets for upgrading, i.e. development after the fact, is there no way to get ahead of the

game? Are there no measures to be taken to combat sprawl and vacant land speculation? Are there no ways to encourage rational land subdivisions and compact, dense neighbourhoods? One measure to be considered is to raise the annual vacant land tax and better apply it. With assistance, municipalities could use the vacant land tax to fight land speculation, an evil that both raises land costs dramatically and contributes to urban sprawl.

Simplified regulations and control: To support the owner-builder process, the building code and the building permit regime needs to be revisited. Costs and hassles that result from these bureaucratic processes could be greatly reduced if clear, simplified regulations and control measures were introduced for straightforward, small footprint buildings.

Appropriate building technologies: Tunisia needs to explore alternatives to its current dependency on building materials with high-energy inputs, mainly cement, steel re-enforcing bar, and extruded clay brick. This will not be easy, but without local alternatives it is difficult to see how housing production will ever cease its spiralling inflation. Stabilized soil block would seem to be one candidate, as would a revival of the shallow brick vault for roofing. The same can be said for construction technologies. There is a trend in Tunisia for more sophisticated and "corporate" construction techniques, which in turn require more imported technologies and expertise. Such a trend is inevitable, but it need not become exclusive. Less high-energy and more labour-intensive housing construction processes (more befitting the owner-builder) can exist side by side with modern construction methods.

SECTION ENDNOTES

¹ For arguments in favor of rental housing for the poor, see UN-HABITAT 2003

INTRODUCTION

This chapter briefly introduces Tunisia in order to set the context for subsequent chapters. It concentrates on country basics such as history, demographics, health and educational status of the population, the government, and the economy. It also includes a section on household incomes and poverty. A note on the availability of information on Tunisia and its urban and housing sectors is included. Finally, there is a brief on urban development in Tunisia, which identifies a number of issues.

1.1 BRIEF ON COUNTRY GEOGRAPHY, HISTORY AND PEOPLES¹

Tunisia, officially the Republic of Tunisia, is located in North Africa and lies along the Mediterranean coast. It is bordered by Algeria to the west and Libya to the southeast. It lies south of, Malta, Sicily and Sardinia. Its size is almost 165,000 km² with an estimated population of just over 10,300,000. Its name is derived from the capital Tunis. It is the northernmost country in Africa and the smallest of the nations situated along the continent's Atlas mountain range. Around forty per cent of the country's area is composed of the Sahara desert, with much of the remainder consisting of fertile soil and a semi-arid to temperate climate. The country has an extensive 1,300 km coastline along the Mediterranean.

Despite its relatively small size, Tunisia has great geographical and climatic diversity. A hilly extension of the Atlas Mountains traverses Tunisia in a northeasterly direction from the Algerian border to the Cape Bon peninsula. North of this range is a region characterized by low, rolling hills and plains. The Sahil is a plain along Tunisia's eastern Mediterranean coast famous because of its olive monoculture. Inland from the Sahil are the Steppes, a range of hills south of Gafsa. Much of the southern region is semi-arid and desert. The lowest point in Tunisia is Shatt al Gharsah, at 17 m, and the highest is Jebel ech Chambi, at 1,544 metres.

Tunisia has had a long history, mainly linked to that of the Mediterranean. The ancient city of Carthage was founded in the Ninth Century BC by the Phoenicians. After a series of wars with Greek city-states of Sicily in the Fifth Century BC, Carthage rose to power and eventually became the dominant civilization in the Western Mediterranean. In Roman times Tunisia became the Africa Province and was one of the granaries of the Empire. Around the beginning of the Eighth Century AD the region was conquered by Arab Muslims, who founded the city of Kairouan, the first city of Islam in North Africa. Tunisia flourished under early Arab rule. Successive Muslim dynasties ruled Tunisia with occasional instabilities caused mainly by Berber rebellions. The invasion of Tunisia by Banu Hilal, a warlike Arab Bedouin tribe encouraged by Fatimids of Egypt in the Eleventh Century, sent the region's urban and economic life into decline. In 1159, Tunisia was conquered by the Almohad Caliphs. They were succeeded by the Berber Hafsids (c.1230-1574), under whom Tunisia prospered. Tunisia was conquered by the Ottoman Empire in 1575 and under its Turkish governors, the Beys, Tunisia attained near-independence. The Hussein dynasty of Beys, established in 1705, lasted until 1956. From 1881-1956 the country was under French occupation. European settlements in the country were actively encouraged and the number of French colonists grew from 34,000 in 1906 to 144,000 in 1945. In 1910 there were also 105,000 Italians in Tunisia. During the Second World War Tunisia was the site of a number of battles between the Allies and the Axis, and following the war Tunisian political life opened up, leading in 1956 to independence from the French.

The people of Tunisia descend mostly from Arab and Berber tribes but also became mixed with people of various Mediterranean stock. There are no distinct ethnic groups except small Bedouin tribes in the South, and virtually the entire population is Muslim. The constitution declares Islam as the official state

Table 1.1: Tunisian Population and Growth Rate Projections (Medium Variant)

Year	Total population	Associated Annual Growth Rate
1990	8.22 million	1.68%
2010	10.37 million	0.98%
2020	11.37 million	0.72%
2030	12.13 million	0.55%
2050	12.71 million	0.03%

Source: United Nations 2008.

religion and requires the President to be Muslim. However, in many ways Tunisia has evolved into one of the most secular societies in the region. Arabic is Tunisia's official language. But, as is the case in the rest of the Arab world, the public uses a vernacular form of Arabic. There is also a small minority of speakers of Shelha, a Berber language. The French language plays a very major role in the country, despite having no official status. It is widely used in education, the press, and in business, and most Tunisians are able to speak it. Many Tunisians, particularly those residing in large urban areas, readily mix Tunisian Arabic with French.

1.2 POPULATION AND URBANIZATION: FACTS AND FIGURES

The last national Census conducted by the INS in 2004 recorded a total population of 9.911 million inhabitants, of which 6.43 million or 64.9 per cent were classified as living in urban places (*milieu communal*).² There were also almost a million persons of Tunisian origin living in Europe (mainly France), due to high out-migration rates in the 1960s and 1970s. As of 2010 the total population was estimated at 10.374 million inhabitants by the UN Department of Economic and Social Affairs.³ It was estimated by the same source that the sex ratio in 2010 was 101.1 males per 100 females, and that the gross density was 63 persons per km².

Tunisia has had a remarkable success in lowering birth rates and thus the rates of natural increase of the population in the last two decades. In the intercensal period 1966-1975 the rate of natural increase was 2.35 per cent per year, rising to 2.48 per cent per year over the 1975-1984 period, then decreasing to 2.35 per cent per year 1984-1994 and falling dramatically to only 1.21 per cent per year in the 1994-2004 period. And this trend is continuing. According to projections made by the UN Department of Economic and Social Affairs, the national population will grow at a small and diminishing rate, as shown in Table 1.1. As can be seen, it is expected that by 2050

the national population will have virtually stabilized at about 12.7 million.

Tunisia has become increasingly urban since 1950, and this urbanization trend is continuing. In 1966 only 1.82 million persons lived in urban areas, representing 40.1 per cent of the total population. The urban population in 1975 had grown to 47.5 per cent of the total, in 1984 to 52.8 per cent, in 1994 to 61 per cent, and reaching 64.9 per cent in 2004. The rate of increase of the urban population was extremely high in the 1966-1994 period, averaging almost 4 per cent per year. However, this rate dropped to 1.21 per cent in the 1994-2004 period, and even more modest urban growth is expected in the future, unless commune boundaries are re-drawn to include more rural areas.⁴ See also Table 1.3.

In terms of geographical distribution, two-thirds of the population live in coastal areas, particularly in the North East and Central East Regions. These coastal areas are also the most urbanized with the highest population densities. In the western and especially the southern areas of the country inhabitation is much sparser.

TUNISIA HAS HAD A REMARKABLE SUCCESS IN LOWERING BIRTH RATES AND THUS THE RATES OF NATURAL INCREASE OF THE POPULATION IN THE LAST TWO DECADES, (AND) IT IS EXPECTED THAT BY 2050 THE NATIONAL POPULATION WILL HAVE VIRTUALLY STABILIZED AT ABOUT 12.7 MILLION.

Grand Tunis (composed of the four governorates of Tunis: Ariana, Ben Arous, La Manouba, and Tunis) represents by far the largest urban concentration in the country.⁵ Its population grew from 1.39 million in 1984 to 2.25 million in 2004, containing in that year a full 23 per cent of the national population and 35 per cent of the country's urban population. The rates of population increase of Grand Tunis have been exceeding that of the national urbanization growth rate. For example, over the 1994-2004 period the annual rate of increase of Grand Tunis was 2.1 per cent versus only 1.2 per cent for country's urban places.⁶ It is interesting to note that the small non-communal population of Grand Tunis (175,500 persons in 2004) grew at a faster rate than urban Tunisia over the 1994-2004 period, 2.1 per cent per year versus 1.2 per cent per year, implying that Grand Tunis is expanding rapidly into contiguous rural areas.

Other major cities in Tunisia are mostly found along coastal areas. They include Sfax, the second largest city with a 2004 population of 855,000, Sousse (pop. 544,000), and Bizerte (pop. 114,000). Other non-coastal cities include Kairouan (pop 546,000), Gabes (pop. 342,000), Aryanah (pop. 98,000), and Gafsa (pop. 85,000). There are in total 257 municipalities, of which only nine have populations in excess of 100,000 inhabitants.⁷

1.3 THE ECONOMY, STANDARDS OF LIVING AND UNEMPLOYMENT

The Tunisian economy has sustained an average 5.3 per cent growth rate in GDP over the 1962-2000 period, with a steady increase in per capita income over the same period of 3.2 per cent⁸. In 2010 real GDP growth was 3.8 per cent and is expected by the World Bank to rise to 4.8 per cent in 2011 (pre revolution estimates). It is estimated that in 2010 the nation's GDP reached USD 100.3 billion (in PPP) and USD 43.9 million (at the official exchange rate.) Per capita income in PPP was USD 9,500, one of the highest in Africa and ranked 113th in the world. However, good GDP per capita figures mask an unequal income distribution in Tunisia. The Gini coefficient was 40 in 2005, slightly down from 41.7 in 1995. The Gini coefficient of 40 in 2005 put Tunisia in 61st rank in the world. In 2000 the lowest 10 per cent of households only consumed 3.2 per cent of the nation's total consumption, whereas the portion of consumption for the highest 10 per cent of households was 31.5 per cent.⁹

Tunisia has a diverse economy, with important agricultural, mining, tourism, and manufacturing sectors. Contributions to GDP were services at 54 per

cent, manufacturing at 35 per cent, and agriculture at 11 per cent. Tight control by government over the economy has been relaxed in the last 10 years, with increased privatization, direct foreign investment, simplification of the tax structure, and a prudent government debt management. Increasing integration into the world economy (especially into Europe) has been a main contributor to economic growth. Almost 40 per cent of Tunisia's GDP is exported. Tunisia also has a good track record of keeping inflation under control at or below 3 per cent per year (with the exception of 2008 and 2009, when it rose to 5 per cent).

The development model that Tunisia has pursued over the last two decades represents an excellent track record in general. However, the Tunisian economy remains unable to generate sufficient jobs to absorb the growing labour force. Unemployment has been persistently high – officially at 13.3 per cent in 2009. It is worse for educated youth, peaking at 30 per cent for individuals aged 20-24 years and at 25 per cent for young university graduates.

The main challenge facing Tunisia's economy over the long term is not only to maintain a pattern of high economic growth, but one that generates significantly more employment, higher household incomes, more equitable income distribution, and at the same time preserves the nation's natural and cultural assets.

1.4 POVERTY AND MEETING MDGS

One of the most impressive of Tunisia's social statistics is the dramatic drop in the proportion of the population living under the poverty line. According to the INS, the poverty headcount index (percentage

ONE OF THE MOST IMPRESSIVE OF TUNISIA'S SOCIAL STATISTICS IS THE DRAMATIC DROP IN THE PROPORTION OF THE POPULATION LIVING UNDER THE POVERTY LINE. ACCORDING TO THE INS, THE POVERTY HEADCOUNT INDEX...DECREASED FROM 22 PER CENT IN 1975... TO 3.8 PER CENT IN 2005.



Figure 1.1 Tunis Medina after rehabilitation
© Tarek El-Sheikh

of the population living under the nutrition-based poverty line) decreased from 22 per cent in 1975 to 7.7 per cent in 1985, to 6.2 per cent in 1995, and finally to 3.8 per cent in 2005.¹⁰ Some observers have raised doubts about the consistency of these poverty time-series indicators, but the results are nonetheless impressive.¹¹

According to the World Bank, Tunisia is well on track to reach Millennium Development Goals. For example, by 2015 it is expected that all students regardless of gender should complete primary school. Health outcomes are better than those found in other MENA countries, and life expectancy has already reached 74 years. Rapid progress has been made on infant and maternal mortality rates, malnutrition has dropped markedly, and HIV/AIDs prevalence is extremely low. More than 80 per cent of the population are covered by health care benefits.¹²

1.5 GOVERNMENT

On paper Tunisia is a procedural democracy, with a republican presidential system and a bicameral parliament composed of the Chamber of Deputies and the Chamber of Advisors. The President is elected every 5 years, and he appoints a Prime Minister and cabinet of ministers. Regional governors (of 24 governorates) and local administrators also are appointed by the central government. Largely consultative mayors and municipal councils are

elected. An independent judiciary exists. The military does not play an obvious role in politics, but its influence, through ex-army presidents, has been strong.

Following independence from France in 1956, President Habib Bourguiba established a strict one-party state. He dominated the country for 31 years, repressing Islamic fundamentalism and establishing rights for women unmatched by any other Arab nation. President Zine El Abidine Ben Ali, of a military background, acceded to the executive office in 1987, replacing Habib Bourguiba whose health was failing. Prior to this Ben Ali was Bourguiba's prime minister. The day of the succession, 7th of November, was until recently celebrated by the State as national holiday.

The regime has been expert in passing laws that make it appear democratic to outsiders. Since 1987, Tunisia has reformed its political system several times. It has formally abolished life presidency and opened up parliament to opposition parties. In reality, however, all power was monopolized formally by the President and his party and informally by influential families such as the all-powerful Trabelsis from the President's wife's side. The President's party was renamed from Bourguiba's Socialist Destourian Party and was known as the Constitutional Democratic Rally (RCD in French). It was composed of about 2 million members and more than 6,000 representations throughout the country. The RCD was intertwined

and largely overlapping with all-important State institutions. Further reforms were announced by the President in 2009.

Until the revolution, hardly anyone dared to openly criticize the regime. All protest was severely suppressed and did not get reported in the media. Self-censorship was widespread. Daily newspapers ran eulogistic articles praising the President whose picture graced the first page of newspapers on a daily basis. Large pictures of President Ben Ali and 'spontaneously' erected banners praising him were found on all public buildings and majors streets. The internet was severely restricted. Nevertheless the internet has witnessed a considerable development with more than 1.1 million users and hundreds of internet cafes, known as *publinet*.

In December 2010, sparked by the self-immolation of a fruit seller in the small central town of Sidibouazid, Tunisia witnessed a wave of increasingly large public protests against the regime of Ben Ali, partly underpinned by internet social media. Unarmed demonstrators from all walks of life joined in calling for more democratic freedoms, an end to security repression and corruption, and improved living conditions for the poor and unemployed. To the astonishment of many observers who had assumed that the regime's strong security apparatus and cooptation of many in the middle classes guaranteed unwavering control, the protests spread and escalated. On 18 January 2011, the President Ben Ali and his family fled the country. Since this time the situation in Tunisia can best be described as a social revolution in progress. Most of the security system has been dismantled, and ministers and personalities closely associated with the former regime have been progressively dismissed and even arrested.

1.6 EDUCATION

Education is given a high priority in Tunisia and education expenditures account for 6 per cent of GDP. Basic education for children between the ages of 6 and 16 has been compulsory since 1991. In 2007 a full 97.4 per cent of primary school age children were enrolled, and primary school completion rates were 91 per cent for girls and 87 per cent for boys. And an astounding 57 per cent of the labour force has received some tertiary education. Tunisia ranked 17th in the category of "quality of the [higher] educational system" and 21st in the category of "quality of primary education" in The Global Competitiveness Report 2008-9, released by The World Economic Forum.¹³ There are six universities and colleges in Tunisia.

While children generally acquire Tunisian Arabic at home, when they enter school at age 6, they are taught to read and write in Standard Arabic. From the age of 8, they are taught French while English is introduced at the age of 12.

1.7 URBAN DEVELOPMENT AND CURRENT URBAN ISSUES

In planning terms, the Tunisian authorities have for years recognized that there is imbalance in regional and urban development. The north and eastern coast, especially the agglomerations of Greater Tunis, Nabeul/Hammamet, Sfax, and Sousse, have been the main destination of rural-urban-migrants for decades. Greater Tunis enjoys significant agglomeration and scale economies. At 2.4 million inhabitants, it now contains almost one quarter of the country's population, and it is in addition the seat of government (which, it might be added, is very centralized). Sfax and Sousse are manufacturing centers and ports, and the whole of the eastern coast is the locus of most of Tunisia's tourist industry. It is these northern and coastal areas that receive most rainfall, enabling a more intensive agriculture than in southern areas of the country. On the other hand, large cities in the interior (such as Kairouan) and small cities in the south, west and interior have stagnant economies, which do not attract much migration. According to Ghazi Ali Khedhri, the General Director of the Territorial Planning Division (*Direction d'aménagement du territoire* MEHAT), some 70 per cent of the country's total population is concentrated along a 30 km band of coastline.¹⁴

Tunisia, with a very successful program of population control, has seen a marked reduction in rural to urban migration in the last 10 years. Currently most migration is from city-to-city, since over two-thirds of the population live in urban areas.

In policy terms the government has been trying to correct these regional imbalances, through special investment and industry zones in lagging areas, through higher budgets for services in these areas, and through the promotion of eco-tourism. However, the advantages of the increasingly urbanized north and east are such that there is little if any impact of these policies on the ground. Various commentators have observed the continuing deterioration of urban centres in the interior and the growth of peripheral settlements around the major cities.¹⁵

In Greater Tunis and around major cities urban sprawl has become a major problem. In the 1970s and 1980s large peripheral informal settlements had been created,

but at least these were relatively compact. Now, however, urban sprawl is fueled primarily by middle and upper class suburban developments and real estate speculation, both approved and unapproved. Large lots are becoming more frequent. Also, there is a growing environmental problem as this urban sprawl extends into orchards and agricultural fields.

Another important urban trend in Tunisia is the depopulation of the traditional urban cores, which started in the 1970s. For example, the population of the city centre of Greater Tunis has been halved over the 1975-2004 period. This depopulation is due

to the collapse of old residential structures and the conversion of residential use to city-centre commerce. Ex-inhabitants of these central areas can now be found in peripheral settlements.¹⁶

1.8 CROSS-CUTTING ISSUES: GENDER, HIV/AIDS, YOUTH AND CAPACITY BUILDING

In Tunisia women enjoy higher civil liberties than in other Arab countries. For example, both legislative chambers are composed of more than 20 per cent of women, and enrollment and completion rates

Table 1.2: Basic Facts and Figures on Tunisia

Item	Year	Value
Area	2010	163,610 sq.km.
Population	July 2011	10,629,186
Percentage of population under 15 years	2011	23.2%
Median age	2010	30 years
Life expectancy at birth	2008	75.0 years
Current population growth per year	2011	0.98%
Gross Domestic Product (PPP)	2010	USD 100.3 billion
GDP per capita (PPP)	2010	USD 9,500
Tunisia's GDP in global ranking	2009	72nd
Exchange rate TD to USD	2010	1 USD = 1.35 TD
Central Bank base interest rate	2009	4.5%
Annual growth of GDP	2010	3.4%
Prevalence of HIV/AIDs	2010	less than 0.1%
Under one mortality rate	2008	18.4 deaths in 1000 births
Consumer price inflation rates	2010	4.5%
Human Development Index	2010	0.683**
Human Development Index ranking	2010	81 st **
Percentage below poverty line	2005	3.8%
National Gini Coefficient	2005	40
Number of households	2004	2,185,839*
Mean household size	2004	4.51*
Percentage urban population	2010	67%
Mean household expenditure	2005	TD 684/month*
Median household expenditure	2005	TD 503/month*
Net out migration	2010	0.3% of population
Illiteracy rate	2009	25.7%
Primary school completion rate	2008	92.8%
Unemployment	2010	14%
Youth (15-24 years) unemployment	2005	30.7%

* Institut National des Statistiques

** <http://hdrstats.undp.org/en/countries/profiles/TUN.html>

Source for all other indicators: <http://www.indexmundi.com/tunisia/>, quoting CIA Factbook

Table 1.3: Population Growth and Urbanisation in Tunisia

Year	Total population	Annual Growth Rate (%)	Total urban population	Urban population percentage
1975	5.59 million	N/A	2.65 million	47.5%
1984	6.97 million	2.48%	3.68 million	52.8%
1994	8.79 million	2.35%	5.36 million	61%
2004	9.91 million	1.21%	6.43 million	64.9%
2010 (est)	10.5 million	0.98%	7.04 million	67%

Source: AUGT 2008(a), p. 4.

for girls and women in primary, secondary, and tertiary education are equal to or exceed those for boys and men. Tunisia is the only Arab country where polygamy is forbidden by law. This is part of a provision in the country's Code of Personal Status, which was introduced by the former president Bourguiba in 1956 and gave women equal rights in most spheres. It remains to be seen if Tunisia's positive gender policies will remain in place once political pluralism takes hold in the country.

There is a very low incidence of HIV/AIDS in Tunisia. The University of California San Francisco HIV Watch web site estimates that 3,700 persons in

the country were living with HIV/AIDS in 2007, and that the incidence was less than 0.1 per cent of the population.

As described above, youth in Tunisia benefit from a good education system. However, unemployment among youth and recent graduates is very high, and was one of the underlying factors that led to the massive protests in January 2011, which led to the downfall of the Ben Ali regime.

SECTION ENDNOTES

¹ This section is based on a number of sources, including Wikipedia 2010

² AUGT 2008(a), p. 4.

³ United Nations 2008.

⁴ AUGT 2008(a), p. 4.

⁵ The Governorate of Tunis includes 21 delegations and contains the Municipality of Tunis with a 2004 population of 983,000.

⁶ Ibid., p. 4

⁷ El-Sheikh 2010, p. 5.

⁸ Ayadi 2005.

⁹ US Central Intelligence Agency 2010.

¹⁰ Institut National des Statistiques 2007.

¹¹ Ben Romdhane 2008.

¹² World Bank 2011. For more detailed information on Tunisia and the MDGs, see UNDP 2004.

¹³ World Economic Forum 2009.

¹⁴ Interview published Prospective 2010.

¹⁵ United Nations 2009.

¹⁶ Horwood 2010.

POLICY, INSTITUTIONAL AND LEGAL FRAMEWORKS

This chapter focuses on the policy and institutional frameworks relating to housing and urban planning/management. It first takes an historic approach, describing the efforts of government over the last three decades to regulate and plan for urban development, to develop institutions, programs, and policies to support affordable housing, and to combat poverty. Then descriptions of the main institutions in housing operating today and the programs they support are presented. Included are short summaries of activities of NGOs and foreign donors in supporting housing in Tunisia.

Before proceeding, it is worthwhile to summarize the results of the efforts by government and its institutions to develop and support the housing sector, mainly through enabling measures and programmes. It is undeniable that there has been impressive progress in advancing the accessibility and quality of shelter for a very large segment of the Tunisian population. For example, now household coverage rates for treated piped water and electricity are at almost 100 per cent and coverage for wastewater in urban areas exceeds 85 per cent. Since 1960 over 300,000 low-cost housing units have been built directly by State enterprises. The banking sector has developed a sophisticated range of housing loan products to target a wide range of clients, including low-income families. Small lot subdivisions and core housing have been piloted. And Tunisia has one of the best records of any country in the MENA region in terms of sustained urban upgrading programmes that primarily target poor informal neighbourhoods.

2.1 GENERAL INSTITUTIONAL AND ORGANIZATIONAL ENVIRONMENT

From the 1960s Tunisia has aimed to promote and guide national development through a series of five-year national social and economic development

plans. The housing and urban development sectors have been important elements in these plans, and they underscore the policy of the government that housing is both a social right for citizens and an important economic sector. To this end, the government has over the last four decades set up a plethora of institutions dealing with housing and has also developed a large and evolving corpus of legislation dealing with housing production, housing markets, housing agencies, real property rights, and urban development.

A characteristic of the institutional environment for housing and urban development in Tunisia is the concentration of powers at the central level, either in ministries or central government agencies and banks. This has remained true over decades, even though there have been efforts to give local administrations (*communes* or *municipalités*) greater roles and to improve their capacities, and there have been attempts to involve the private sector in housing production. National-level executive agencies have also made efforts to improve their coordination with local units, especially in land assembly and delivery, slum upgrading and central city rehabilitation, and integrated urban project development.

2.2 BRIEF HISTORY OF HOUSING POLICY IN TUNISIA¹

To understand how Tunisia has arrived at its current institutional and programmatic approaches to housing, it is important to see how housing policy evolved over the last four decades and in particular how this evolution has been influenced by the changing national development policy environment as well as by periodic international assistance.

Immediately after independence in 1956, Tunisia nationalized a number of key economic sectors that

had been dominated by the French. Only the public sector could fill the vacuum, and it was this sector that took the lead in economic and social development. Also, politically and economically this meant strong direction and control from the center.

Starting in the 1960s, Tunisia launched a very ambitious social housing program, mainly through the National Property Company of Tunisia (SNIT), the *Société Tunisienne de Banque* (STB), and government ministries themselves. This housing was financed by the State through generous subsidies, and as in other areas of the economy it was the centrally controlled public sector that dominated completely. In the 1970s, as urbanization accelerated and the phenomenon of *gourbis* (informal peripheral urban settlements) proliferated, the government's first response was demolition and resettlement in government housing. In 1974 the National Housing and Savings Fund (CNEL) was set up, as was the Housing Land Agency (AFH) and ONAS, the national wastewater company. Thus SNIT could concentrate exclusively on the construction of social housing, leaving the associated land provision, sanitation, and finance to other institutions.

However, it slowly became clear that direct government housing provision could not solve the growing housing problem alone. Slowly, policy dialogue and pilot projects began to shift emphasis towards enabling housing strategies. In the late 1970s pilot efforts included core housing financed by CNEL, sites and services, smaller, lower standard and more affordable social housing units, and the first comprehensive slum upgrading project in Mellassine in Tunis. This last project led to the acceptance by the government of the concept of upgrading or gradual improvement of infrastructure and housing in a particular area, rather than wholesale demolition and urban renewal. In 1981 Tunisia established ARRU a new government agency charged with carrying out and coordinating upgrading activities throughout the country. At the same time ONAS began to be heavily involved in extending sewerage networks to deprived urban areas. This shift in policy towards urban upgrading was strongly supported by international donors.

In the 1980s more efforts were undertaken to diversify modes of housing production and specifically to involve the private sector. Land development and sites and services projects were initiated, aiming to provide serviced housing lots both at individual builders and the nascent corporate private sector.

In 1986 Tunisia began to go through a structural adjustment process and with it came a shift toward

IT IS UNDENIABLE THAT THERE HAS BEEN IMPRESSIVE PROGRESS IN ADVANCING THE ACCESSIBILITY AND QUALITY OF SHELTER FOR A VERY LARGE SEGMENT OF THE TUNISIAN POPULATION.

less government control, less regulation, and a more private sector oriented economy. Tunisia published its first housing policy document in 1988 (enshrined in the Seventh Social and Economic Development Strategy) and directly after this in 1989 CNEL was transformed into the Housing Bank, an autonomous State corporation which was eventually partially privatized. The private sector became seen as an important potential producer of lower cost housing, and in one project (El Mourouj IV) a private developer purchased land from AFH. Also, the Loan Fund to Support Local Authorities (CPSCL) was set up to lend funds to municipalities.

In the 1990s and up to today the trend to involve the private sector in low cost housing has continued, with many laws and measures aimed at stimulating the private developer sector. However, whereas the government has reduced its direct housing production role, the private sector has only reluctantly stepped in to produce housing that is really affordable. This situation has been exacerbated by the almost total disappearance of public land for housing and rapidly rising urban land prices. And although many private banks have begun to provide mortgage financing and the number of housing loan schemes offered through FOPROLOS and other government financing schemes have increased, the high cost of housing and land has made the situation untenable for poorer households seeking to acquire housing units.

In the Eighth National Development Plan (1992-1996) the government declared its intention to strengthen the local government system. It also expressed the need to address urban problems by strengthening local institutions both financially and managerially. CPSCL, which provides finance to municipalities, was reformed into a more independent and stronger institution. Also, central government agencies such as ARRU, AFH and ONAS became more involved in integrated urban upgrading. Even so, the move towards more decentralization in government has not progressed much.

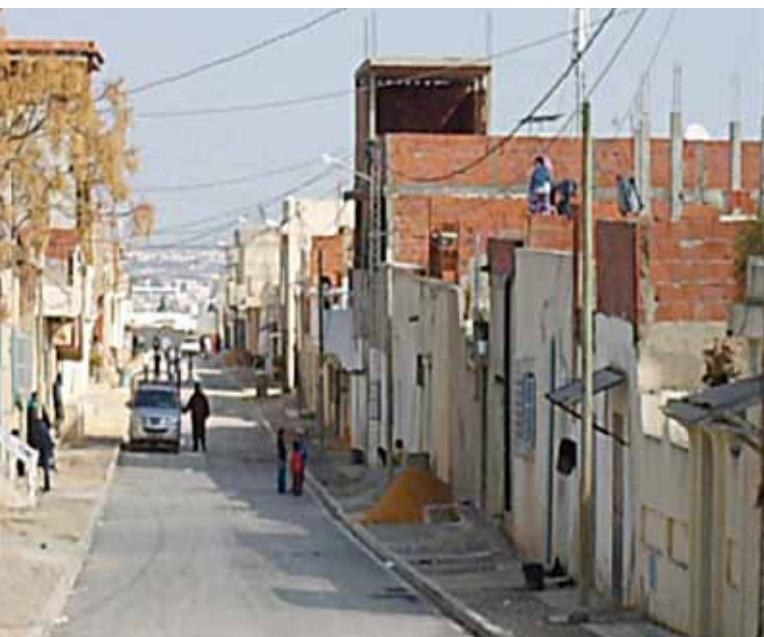


Figure 2.1 Before and after urban rehabilitation, Hay Farhat Hashadi in Al Mahmoudia

Source : L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajruba al tunisia fi majal al had min al iskan al fowdaoui* » (The Tunisian Experience in Limiting Random Housing), power point presentation, June 2010

In 1995-1998 the Sustainable Tunis Project was carried out by the Municipality of Tunis and its partners, focusing on urban environmental issues. This was supported by UN-HABITAT and UNEP under the Sustainable Cities Programme.

Over the period 2001-2003 a City Development Strategy for Tunis was developed within the Cities Alliance framework with support from the World Bank and UN-HABITAT. Consultative approaches were emphasized, which engaged the private and NGO sectors and academics as well as government officials.

The current status of national housing policy is reflected in a number of measures adopted by the Council of Ministers in September 2010 (which builds on the national housing strategy adopted in 1988):²

- The servicing of 5,250 hectares of new land for building, with the optimal exploitation of these raw lands according to urban plans.
- The production of 123,000 units of social housing with simplified procedures for loan financing and attention to cost-efficiency.
- Continued upgrading of housing in high-density towns and increasing budgetary allocations for this purpose.
- Continuation of the development of different housing finance mechanisms oriented towards and suitable for the different social classes,

including reform of the interest rates applied to them.

- The Housing Bank (BH) is to be strengthened and encouraged to diversify its housing finance products, including its housing-savings schemes, reduction of interest rates charged on its loans, and raising the funding available for housing credit.
- Encouraging the further entry of commercial banks into housing loan programmes
- Further improving the living conditions of low income residents in popular quarters.
- Integrating into housing policy the importance of sustainable development and respect for the environment, including in terms of building materials, architectural design, and conservation of natural resources.

It is expected that these measures will benefit over 4 million citizens (some 688,000 families), which will require investments on the order of TD 1.06 billion.

2.3 LEGAL AND REGULATORY FRAMEWORKS RELATED TO HOUSING AND URBAN DEVELOPMENT

Since independence in 1956 the Tunisian Government has issued a series of laws, decrees, and acts aiming at improving housing production, land

availability and servicing, access to housing finance, and improving older deteriorated urban areas. The most important of these are listed below, organized according to the dates of the legislation: It should be noted that the Tunisian government has frequently modified legislation through decrees and acts, aiming to keep the corpus of legislation relating to housing and urban development cohesive and up-to-date.

- **Law 154 of 1959** set the regulations for the formation and operation of housing cooperatives.
- **Law 5 of 1965** promulgating the Code for Real Property Rights, modified by law 98 of 2005. A decree (*Décret 1646 de 1998*) regulates the co-propriety of buildings and groups of buildings.
- **Law 21 of 1973** enabled the establishment of the Housing Land Agency (AFH, *Agence Foncière d'Habitation*).
- **Law 34 of 1976** relating to building permits, modified by **Law 18 of 1990** and further modified by a number of ministerial acts between 1995 and 2007.
- **Law 35 of 1976** organized the relationship between owners and tenants in dwellings (i.e. for rental housing). It was amended by **Law 122 of 1993** to grant permanent occupancy rights for certain social categories. Rentals were further regulated by an Act (*arrêté*) in 1999 dealing with building approvals for vertical construction of multi-family dwellings for rent.
- **Decrees 54 of 1976 and 624 of 1978** authorising the National Pension and Social Fund (CNRPS and CNSS) to grant loans for home ownership or land purchase.
- **Law 54 of 1977** enabling the establishment of the Fund for Promotion of Housing for Salaried Employees (FOPROLOS, *le Fonds de promotion des logements pour les salariés*.) This law has been frequently modified over the years by decrees in 1977, 1993, 1995, 1998, 1999, 2000, and 2007.
- **Law 55 of 1981** organizing the real estate agent profession, modified by Law 77 of 2005.
- **Law 69 of 1981** enabled the establishment of the Urban Rehabilitation of the Renovation Agency (ARRU, *L'Agence de Réhabilitation et de Rénovation Urbaine*)
- **Decree 1413 of 1988** establishing the General Directorate for Housing within MEHAT
- **Law 17 of 1990** organized the real estate developer profession, which allowed private developers to acquire, service, and subdivide land and construct housing estates and gave them incentives to construct affordable social housing. Various other laws and decrees and acts have further regulated the operations of real estate developers, mostly in 1990 and 1991.
- **Law 46 of 1990** modifying the Urban Planning Code (*Code de l'aménagement du territoire et de l'urbanisme*) to deal with slum areas, illegal housing, and informal urban settlements. This Code was further modified by Laws 122 of 1994, 78 of 2003, and 71 of 2005.
- **Law 320 of 1992** allowing private civil works companies to enter into government contracts.
- **Law 108 of 1995** established the Greater Tunis Development Agency
- **Law 77 of 2004** enabling the establishment of the National Home Improvement and Rehabilitation Fund (FNAH, *Fond national d'amélioration de l'habitat*). Two decrees in 2007 further elaborated the funding of and access to this Fund.

2.4 KEY GOVERNMENT PLAYERS IN HOUSING PROVISION AND IMPROVEMENT

The following paragraphs list the key players currently involved in housing provision and improvement in Tunisia, and also briefly describe their functions. They are organized into two categories, central level ministries and agencies, central level housing finance institutions, and central level infrastructure authorities. The operations and rolls of most of these institutions are elaborated in much more detail in subsequent chapters.

CENTRAL LEVEL MINISTRIES AND AGENCIES

The Ministry of Infrastructure, Housing and Regional Development (*Ministère de l'Équipement, de l'Habitat et de l'Aménagement du Territoire* or MEHAT) is the apex institution dealing with housing in Tunisia. It is responsible for preparing, coordinating and guiding national housing policies and strategies, mainly through its Department of Housing (DGH, *Direction Générale de l'Habitat*, formed in 1988). This Department is responsible for developing housing programmes and also for monitoring policy implementation and programme

achievements. The Ministry also has a Department of Planning, which is responsible for urban planning in the country, as explained in Section 2.6 below.

The **Housing Directorate** (DGH) of MEHAT is responsible for developing housing programmes and policies and also for monitoring policy implementation and programme achievements through its Housing Observatory (OIE, *l'Observatoire de l'Immobilier et du Foncier*). See also Box 2.1.

The **Tunisian Housing Corporation** (SNIT, *la Société Nationale Immobilière de Tunisie*) was established in 1957 and has functioned as the main agency for the provision of social housing for low and middle income families in Tunisia. It is a corporation wholly owned by the State. By 2010 SNIT had built about 261,000 housing units. Its level of production is currently much reduced from earlier decades. In the past SNIT has undertaken neighbourhood renovations in Bab-Souika / Halfaouine, the demolition of oukalas (old trading khans), and the demolition of rudimentary housing, relocating inhabitants in new units. SNIT decentralized in 1979 and since then has operated under three divisions, in addition to its national headquarters in Tunis which covers Greater Tunis plus the governorate of Nabeul. SNIT North has its headquarters in Bizerte and operates in the governorates of Béja, Le Kef, Jendouba et Siliana. SNIT Center has its headquarters in Sousse and operates in the governorates of Sousse, Monastir, Mahdia, Kairouan et Kasserine. Finally, SNIT South operates in the governorates of Sfax, Gabès, Tozeur, Gafsa, Medenine, Kébili, Sidi Bouzid et Tataouine.³

The **Company for the Promotion of Social Housing** (SPROLS, *la Société de Promotion des Logements Sociaux*) is another public enterprise which, like

SNIT, builds mainly social and economic housing. Its levels of production both now and in the past have been less than those of SNIT.

The **Housing Land Agency** (AFH, *Agence Foncière d'Habitation*) was created in 1973 with the powers to expropriate land for the public good as well as the pre-emptive right to purchase land. AFH was created to supply land for the construction of affordable social housing, to enter into land markets to control prices and to reduce land speculation, and to assist municipalities in land management.

CENTRAL LEVEL BANKS AND FINANCE INSTITUTIONS

The **Housing Bank**, (BH, *Banque de l'Habitat*) was established in 1989, replacing the former government National Housing and Savings Fund (CNEL, *Caisse Nationale d'Épargne Logement*). The Housing Bank was set up as an autonomous bank accountable for its financial results and able to raise funds through the sale of share capital. It makes loans to individuals for house purchase, house improvement, and residential land purchase. BH has also been instrumental in supporting private sector involvement in housing projects, mainly through construction loans to qualifying private developers. Over half of BH disbursements for low income housing are made to private enterprises.

There are roughly 20 **private commercial banks** in Tunisia that have housing loan programmes for individuals, mainly targeting middle and upper income families.

The **Housing Promotion Fund for Salaried Persons** (FOPROLOS) was created in 1977 to assist lower income groups to acquire housing. The fund is partly financed through employer contributions, and it finances the construction or purchase of social housing according to preset criteria. By 2006 it had financed roughly 20,000 units for low-income social categories.

The **National Fund for House Improvement and Rehabilitation** (FNAH, *Fond National pour l'Amélioration de l'Habitat*) was established in 2004. As a result of ARRU's first three urban improvement and rehabilitation projects, it was deemed necessary as a means to support low income families living in these upgrading areas. Loans are disbursed for home improvement for those whose salaries are below a set minimum.

The **National Solidarity Fund 26-26** (FSN, *Fonds de Solidarité Nationale 26-26*) was established in 1992 with the objective of supporting the poorest of the

TUNISIA IS FORTUNATE IN THAT IT HAS SIGNIFICANT CAPACITIES TO CARRY OUT RESEARCH AND STUDIES ON ASPECTS OF THE HOUSING AND URBAN DEVELOPMENT SECTORS AND ALSO TO MONITOR HOUSING MARKET BEHAVIOUR. IN THIS TUNISIA IS AHEAD OF ALMOST ALL MENA REGION COUNTRIES.

poor to attain decent living standards. The fund is financed from the government budget and private and corporate donations. In 2006 the fund was allowed to finance the improvement of housing for the very poor living in upgrading and rehabilitation areas both in Greater Tunis and other large towns.

CENTRAL-LEVEL INFRASTRUCTURE AUTHORITIES

Financially autonomous national infrastructure authorities are responsible for the provision and operation of (1) potable water, (2) wastewater, (3) telecommunications and (4) electricity and gas throughout Tunisian cities. Main roads and transport corridors in towns and regions are the responsibility of the Roads and Bridges Authority, an arm of the Ministry of Transport and Equipment. These central-level institutions and their performance are described in detail in Chapter 8.

2.5 KEY NON-GOVERNMENT PLAYERS IN HOUSING AND THEIR ACTIVITIES

By far the most important non-government player in Tunisia's housing sector is the **individual housing builder**. As will be seen in Chapter 3, it is individual families which have built the majority of urban housing units, usually accessing land directly from private land owners or, sometimes, through various government land development and subdivision projects. Most of this individual construction is legal (i.e. building permits are obtained), but also much housing, especially in the 1970s and 1980s, was built informally. Individual house building remains the most important housing production mode today.

Private sector developers and real estate companies had hardly any activities in Tunisia from the 1960s through the 1980s. However, starting in the 1990s, and following enabling legislation and the adoption of policies that aimed at attracting the private developer to produce affordable housing, private housing developers have become more and more prominent. However, their production of housing suitable to lower income families has proven to be weak, and even today they tend to concentrate on middle class apartment housing and up-scale residential projects.

For both individual builders and private developers, the **construction contractor and building trade enterprises** are all important. These are described in Chapter 9.

Following enabling legislation in 1959, **housing cooperatives** came to be popular, although housing production by cooperatives has never reached a

Box 2.1: Tunisia's Information Base for Housing and Urban Development

Tunisia is fortunate in that it has significant capacities to carry out research and studies on aspects of the housing and urban development sectors and also to monitor housing market behaviour. In this Tunisia is ahead of almost all MENA region countries.

The Greater Tunis Development Agency (AUGT, Agence d'Urbanisme du Grand Tunis) was established in 1995 to develop urban studies, to monitor urban development, and to develop intervention plans for Greater Tunis as well as other urban centers. It has a dedicated research facility, the Regional and Urban Observatory for Greater Tunis (Observatoire Urbain Régional du Grand Tunis), and this facility publishes a number of very useful statistical, mapping, and thematic reports.

In 2002, MEHAT's Direction Générale de l'Habitat decided to create a housing observatory (L'Observatoire de L'immobilier et du Foncier, OIF). This observatory was set up with technical assistance from AUGT and has been functioning since 2006. This Observatory prepares trimester reports on housing indicators, and it has embarked on a GIS system at the national scale. It also undertakes focused studies of aspects of the housing sector, and the following have been some of its outputs:

- 1. Condominium ownership in residential building in Tunisia*
 - 2. Elements of a new locational policy for the housing sector*
 - 3. Anarchic or un-controlled housing in Tunisia*
 - 4. Social housing in the Tunis District*
 - 5. Vacant housing in Greater Tunis*
 - 6. Construction costs of social and economic housing*
 - 7. Dilapidated and unhealthy housing in Tunisia*
- It also compiles periodic thematic reports, which have indicators on*
- Building permits issued*
 - Social housing*
 - Land for sale*
 - Housing for rent*
- Finally, OIF publishes trimester information bulletins.*

significant scale, and currently they are mostly inactive. Typically, once a cooperative was formed, it would acquire and service land and build houses, then transfer these to its members. Housing cooperative members were usually those working in government

institutions, such as the military, the police, and ministries.

NGOs, PVOs, and local community associations have been very weak in Tunisia, especially since legislation in the 1960s introduced a new regulatory system that forced local associations into larger, national organizations, which were under the quasi-control of the government. Only in the late 1990s did the government begin to perceive that community organizations could have a positive role in local economic and social development. Such development-oriented NGOs remain very marginal, although there have been attempts to include the community participation dimension in some urban area development and rehabilitation projects. On the other hand there are a large number of associations, mostly national, which are active in the social welfare field, but these depend almost completely on State subsidies. There are also local and national environmental NGOs that are very active, but they tend to focus on preserving natural resources, wildlife, and water bodies.⁴

There are a number of **universities and training institutes** in Tunisia that have departments relating to urban development, housing, and land administration. Their faculty members carry out research and figure prominently in conferences and colloquies on urban issues. Most prominent are:

- Ecole Nationale d'Architecture et d'Urbanisme de Tunis, University of Carthage
- Institut Supérieur des Technologies de l'Environnement et de Batiment (ISTEUB), University of Seven November, Carthage
- Institut Préparatoire aux Etudes d'Ingenieurs de Sfax, University of Sfax
- Institut de Recherche sur le Magreb Contemporain, Tunis

2.6 KEY GOVERNMENT PLAYERS IN URBAN DEVELOPMENT

The following paragraphs list the key players currently involved in aspects of urban development and also briefly describe their functions. They are organized into two categories, central level ministries and agencies, and local level institutions. The operations and rolls of some of these institutions are elaborated in much more detail in subsequent chapters.

CENTRAL LEVEL

In Tunisia the **Department of Urban Planning** (*Direction de l'Urbanisme*) of the MEHAT is responsible for developing city and land related studies, structure plans, master plans, and area development plans. Its main task is the preparation of city plans (called plans d'aménagement urbain, PAU) either directly by the Bureau's technical staff or through consulting firms. Most cities and towns have had comprehensive plans prepared, and in many revisions are common. These are mainly physical land use plans, which function as "guidance" documents to provide a general framework for land development and infrastructure decisions. They are not rigid and do not define in detail all land uses and residential densities. Municipalities themselves are expected to fine-tune plans on a more-or-less continuous basis. These plans are the basis for permissions to subdivide land and designate land uses. They govern densities and, ultimately, the issuance of building permits. Also, central land development agencies such as AFH and AFI plan and execute their projects in cities using the approved city plans for guidance and in consultation with municipalities and infrastructure providers.

It should be noted that in case a town does not have an approved development plan, or in areas outside communal boundaries, the MEHAT remains the sole permit authority. Thus emerging towns and peri-urban areas may in some cases be bereft of the planning advantages inherent in city development plans.

The **Ministry of Interior** and **Ministry of Finance** perform important financing and supervision functions over local authorities, as explained below.

The **Urban Rehabilitation and Renovation Agency** (ARRU, *Agence de Réhabilitation et de Rénovation Urbaine*) was created in 1981 and is in charge of renovating and rehabilitating old quarters and unregulated informal residential areas in cities. ARRU has gained a reputation for excellence in terms of its structure, operations, functions, and mandate. Over the 1982-2009 period over 36 slum/informal neighbourhoods have been upgrading in larger cities throughout Tunisia. Currently ARRU is continuing to consolidate its activities and is the main arm of the National Programme for Rehabilitating Popular Neighbourhoods (PNRQP, *Programme national de réhabilitation des quartiers populaires*, established in 2004). In a particular neighbourhood ARRU typically focuses on improving water, sanitation, roads, electricity, and public spaces, and at the same time it coordinates with central and local sectoral authorities for the provision of schools, clinics, and

house improvement. ARRU works closely with AFH to ensure that land is available for social housing or serviced plots for those affected by its urban upgrading efforts.

The **Greater Tunis Development Agency** (AUGT, *Agence d'Urbanisme du Grand Tunis*) was established in 1995 to develop urban studies, to monitor urban development, and to develop intervention plans for Greater Tunis, by far the largest urban agglomeration in Tunisia. It assists municipalities through capacity building and technical assistance to prepare plans for neighbourhood extensions and urban rehabilitation. It also acts as a research facility for the MEHAT, providing data, maps, and studies to support urban planning and action plans in Greater Tunis and other cities, as needed. AUGT's research and information functions are handled by its Regional and Urban Observatory for Greater Tunis (*Observatoire Urbain Régional du Grand Tunis*).

LOCAL LEVELS

There are some 250 municipalities (*communes*) in Tunisia, ranging from the very large such as Tunis to the very small (populations of less than 20,000). Each is administered by a communal council elected by the local population. The head of the council is then elected by council members.⁷ The powers of communal councils are narrowly defined, and their actions are subject to supervision of both the governor of the relevant governorate (26 governors, also appointed by the President) and ultimately by the Ministry of the Interior. Commune councils have the right to own and develop land and to levy property and other taxes. However, in most communes the majority of both capital and recurrent budgets are covered by transfers from the central government.

Performance of municipalities in Tunisia varies, and except for the largest cities (e.g. Tunis, Sfax, and Sousse) municipalities find it difficult to perform their urban management functions due to inadequate staff, lack of professional staff, and insufficient own-source revenues, even though there have been a number of programs initiated since the 1980s aimed at increasing municipal capacities. In many municipalities tax collection is poor. The Central Projects Unit of the Direction des Collectivités Publiques Locales in the Ministries of Interior and Finance offer management and technical assistance services to municipalities. Also, the *Caisse de Prêts de Soutien des Collectivités Locales* (CPSCL, part of the DCPL) operates a loan programme for municipal capital investments.

The main responsibilities of municipalities are solid waste collection, local streets, local sewers,

Box 2.2: Tunisia's Success at Urban Upgrading

It can be said that Tunisia is a leader in the MENA region in effective upgrading of slums, informal settlements, and deteriorated city centres. In fact, over three decades the Tunisian Government's programs of urban upgrading and rehabilitation have improved the lives of more people than any other housing or land development programme in the country. Today urban upgrading is firmly placed as an important component of Tunisia's housing as well as urban development policies. Its achievements are well documented in the literature.

Tunisian authorities started to adopt enlightened policies towards low-income urban areas in the late 1970s. Several urban development projects were initiated in 1978-79 with some support from international donors. These projects sought to integrate informal and squatter areas into the surrounding urban fabric, regularizing land tenure, and upgrading local infrastructure. By 2003 some 25 per cent of urban dwellers in some 700 neighbourhoods had been reached by these rehabilitation programmes, and the number of beneficiaries was estimated at 1.5 million. This was due to the effective institutional structure, which was set up, most notably with the establishment of the Urban Rehabilitation and Renovation Agency (ARRU, Agence pour la Renovation Urbaine) in 1981. It was also made possible by a sustained commitment by the government to make financial resources available.⁵

In 2004 the National Fund for Housing Development was set up to complement the rehabilitation and regeneration work of ARRU by focusing on the eradication of primitive buildings and the rehabilitation of housing, including dilapidated ancient structures such as wakalas in medieval Tunis.

A new program in 2007-2009 improved living conditions for 26 neighbourhoods, covering 166,000 residents. Among other achievements, this program facilitated the construction of 329 km of roads, 70 km of canals and sewerage networks, a light network, the rehabilitation of thousands of homes, the development of sports and leisure centres, and the creation of industrial estates and thousands of micro-projects, creating an estimated 7,500 jobs. There is currently a 2009-2012 program underway that aims to rehabilitate another 56 neighbourhoods in 21 regions covering 260,000 inhabitants.

Although successful in most aspects, the PNRQP (Programme national de réhabilitation des quartiers populaires) has been criticized for an almost complete lack of grass-roots community participation. Also, its continued effectiveness requires continuous budgetary support from the central government, since formulae for full cost recovery remain problematic.⁶



Figure 2.2 Tunis Medina after rehabilitation (Tunis Municipality and the Society for Rehabilitation of Old Tunis)
Photo © Tarek El-Sheikh

markets, street lighting, parks, and most recreational services. The main urban development functions (e.g. main roads, water and wastewater, electricity, land use planning and land subdivision), however, are the responsibility of central-level agencies, as described above. Central infrastructure agencies such as SONADE and ONAS can be delegated by municipalities to undertake local works, and technical cooperation between these central authorities and municipalities is common. Municipalities have been given the power to issue building permits, but these must be approved centrally.

2.7 INTERNATIONAL ASSISTANCE TO HOUSING AND URBAN DEVELOPMENT IN TUNISIA

Tunisia has had a long history of collaboration with bilateral and international donors in the areas of housing and urban development. In fact, Tunisia has probably received more assistance to these sectors than any other country in the MENA Region. A number of projects and programmes were carried out in the 1970s, 1980s, and 1990s, and these included loans and/or grants to help finance housing and municipal development projects, usually with a significant amount of technical assistance attached. Two of the most prominent donors were USAID and the World Bank (which sometimes joined together as project co-financers) as shown in Table 2.1. USAID's Regional Housing and Urban Development Office

(RHUDDO), which provided considerable technical assistance and capacity building to Tunisia as well as other countries in the region, was located in Tunis from 1977 until its closing in 1997.

International assistance from USAID and the World Bank to the sector has slowed significantly since 2000. The U.S. Agency for International Development (USAID) ended any new projects in Tunisia in 1994, when Tunisia's economic advances led to the country's "graduation" from USAID funding. On the other hand, the World Bank has continued to support Tunisia with a number of narrowly-focused urban infrastructure projects (although it has ended its involvement in Tunisia's housing sector). Such World Bank projects in 2000-2010 were:⁸

- Urban Water Supply Project, 2005, USD 38 million
- Tunis West Sewerage, 2006, USD 67 million
- Sustainable Municipal Solid Waste Management Project, 2007, USD 22 million
- North Tunis Wastewater Project, 2010, USD 52 million

Currently there is only one World Bank pipeline project related to urban development, "Integrated Local Development (Municipal Development)" valued at USD 60 million which is scheduled to start in 2011 and is co-financed with the AFD. This

Table 2.1: USAID and World Bank Projects in Tunisia in Housing and Urban Development 1960-2000

1960s	1970s	1980s	1990s
USAID HG-001 Cité Carnoy, USD 5 million, 1966, low-middle income housing	USAID HG-002 Ibn Khaldoun, USD 15 million 1972, lower income housing with SNIT	World Bank, Third Urban Project, USD 25 million, upgrading, sites and services, support for establishment of ARRUE	USAID HG-004D Municipal Finance, USD 15 million, 1992, Support for CPSCCL and local authorities
	World Bank First Urban Project, 1976, Urban Transport and Support for the District of Tunis	USAID HG-004A Urban Development, USD 24 million, 1985, Land Development with CNEL and AFH	World Bank, First Municipal Development (PDM-1), USD 75 million, 1992, Support for CPSCCL and local authorities
	USAID HG-003 Upgrading and core houses, USD 20 million, 1977, Ibn Khaldoun, Mellassine Upgrading, and CNEL core houses	World Bank, Fourth Urban Project, USD 30 million, 1986, continuation of Third Urban Project	USAID HG-005 Private Participation in Environmental Services, USD 40 million, 1993
	World Bank Second Urban Project, USD 14 million, 1979, Upgrading and Sites and Services	USAID HG-004B Urban Development 1986, USD 24 million, 30 towns programme, with ONAS servicing	Second Municipal Development (PDM-2), USD 80 million, 1997, continuation of PDM-1
		USAID HG-004C Housing Bank, 1988, USD 15 million, support for Housing Bank	
		World Bank Fifth Urban Project, \$58 million, 1989, support for Housing Bank and private sector participation in housing	

Source: Lippe 1997, pp 19-20.

effort finances urban investments through the Fund for Loans and Support to Local Authorities (CPSCCL Caisse des Prêts et de Soutien aux Collectivités Locales).

Project reviews of both USAID and World Bank projects which were carried out in the 1980s and 1990s were generally very positive, not only in terms of achieving project objectives and targets, but also in the impact these projects have had in influencing housing and urban development policies in Tunisia. It was said that much of the shifting of government policies away from the direct provision of low-cost housing and towards more enabling housing strategies was influenced by these projects. Specifically, support

to the private sector (both corporate and individual) for increasing its activities in affordable housing provision could be attributed to the impact of these projects. Also, these projects aimed at improving the availability of housing finance and the supply of serviced land for housing, both of which are elements of an enabling housing strategy. Donor support to improve the performance of local administrative units in municipal management and planning also achieved some success, although the rigid control through the Ministry of Interior over municipalities and their feeble legal mandates constrained such efforts.⁹

The French Development Agency (AFD, *Agence Française de Développement*) has been very active in

Tunisia starting in 1992. As of 2010 AFD and its private investment arm PROPARCO had committed financing of Euro 1.76 billion to the country. One of its lead sectors in Tunisia is water and sanitation (roughly 10 per cent of its country portfolio in 2009), including financing, capacity building and ensuring the adoption of sustainability principles. Also, since 1995 AFD has committed Euro 170 million for seven projects as part of its programme of upgrading peripheral popular urban areas which include local infrastructure and integration of urban fabrics (*L'aménagement des quartiers populaires: un développement urbain sans bidonvilles*). Another initiative, the *Programme National de Réqualification Urbaine* (PNRU, supported with a loan of Euro 50 million in 2008), has two components: (1) Servicing of new urban expansion areas to absorb families of modest incomes, with a pilot project in El Matar in Sousse; and (2) Rehabilitation of historic town centers in Kairouan, Sousse, Sfax, and Tunis). Included in the PNRU are grants for studies and for institutional development of ARRUE. The AFD is also active in Tunisia in urban public transport: since 2008 AFD has financed the extension of the light metro system for Tunis with a loan of Euro 40 million. And AFD is a co-financer (along with the European Commission, and the European Investment Bank and KfW) of the Rapid Rail Network for Greater Tunis (RFR, Réseau Ferré Rapide du Grand Tunis, started in 2010) and also of another project relating to air quality and energy conservation in urban public transport. Finally, AFD has supported capacity building for municipalities. For this AFD has (1) committed lines of credit totalling Euro 150 million channelled through CPSCS of the Ministry of Interior and (2) is co-financing with the World Bank the delivery of garbage trucks to selected municipalities and other institutional and training support for municipalities under the Programme Sectoriel Municipal.¹⁰

The European Union (EU) has had an active development cooperation programme with Tunisia for decades. Currently the EU supports Tunisia in

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TODAY URBAN UPGRADING
IS FIRMLY PLACED AS AN
IMPORTANT COMPONENT OF
TUNISIA'S HOUSING AS WELL
AS URBAN DEVELOPMENT
POLICIES.

the areas of the economy and commerce, manpower training, agriculture, energy and the environment. Although none of its activities are strictly in the housing or urban development sectors, the EU supports sustainable environmental management and energy-conservation measures, some of which relate to urban areas.¹¹

The German Development Bank KfW has been active in Tunisia for years, especially in the water sector. It has contributed heavily to ONAS to design and improve technical aspects of wastewater systems and to develop better tariff schedules.¹²

Many other international development agencies have been or are active in Tunisia in housing and urban development, although mostly on small scales and mainly confined to support for technical assistance, capacity building, policy dialogue, and sectoral studies. Among them are IDRC, GTZ, UN-HABITAT, and UNDP.

SECTION ENDNOTES

¹ Much of this section, up to 1996, is based on Lippe 1997, pp. 10-12.

² Agence Tunis Afrique Press 2010.

³ SNIT Website 2011

⁴ An example of a local development association is the Association Locale de Developpement – Rohia – Siliana, which assists a rural area in a number of activities such as micro-credit and environmental services. Even though the Association aims at the “improvement of the local habitat,” improving housing per se is not one of its activities. (Mansouri 2007.)

⁵ Kraiem 2003.

⁶ For more information see Malouch 2007.

⁷ The head of the Commune of Tunis is appointed by the President of the Republic.

⁸ World Bank 2011(b)

⁹ Lippe 1997, p 16.

¹⁰ AFD Website 2011

¹¹ EC Website 2011

¹² KfW Website 2011

KEY PLAYERS IN HOUSING

Tunisia has witnessed an impressive growth in its housing stock in the last three decades. Who builds this housing, in terms of quantity, type, and location? This chapter provides an answer by reviewing the main producers and their modalities. Both past and, especially, current housing provider volumes will be assessed. Possible future trends will also be discussed.

3.1 HOUSING PROVISION IN TUNISIA SINCE 1994

Tunisia has recorded impressive increases in its housing stock, especially in the last two decades. Housing units have been created at a faster rate than the growth of the population, even in urban areas where population growth has been greatest. The growth in the inter-censal period 1994-2004 is presented in Table 3.1.

Based on this table, the average annual increase in urban areas was 51,469 housing units per year and 11,760 housing units in rural areas, or a total average annual increase of 63,229 housing units. Most of this increase occurred in urban areas, where the annual rate of increase of housing units was an impressive 3.6 per cent, and even higher in Greater Tunis at 4 per cent. Partial information for later years shows that this rate of increase of housing units is being

maintained or even increasing. For example, it is stated that mid-census estimates for 2009 show that the total number of housing units in Tunisia was 2,886,800, which translates into an annual increase of 77,200 units per year over the 2004-2009 period.¹ This begs the question: who is building all of these units?

3.2 OVERVIEW OF CONTRIBUTIONS TO THE HOUSING STOCK BY TYPE OF PROVIDER

According to the *Observatoire de l'Immobilier et du Foncier* (OIF) at MEHAT, over the 2006-2010 period a total of 252,000 new housing units were registered. The breakdown by mode of production was overwhelming “individual,” with “private developer” coming second and public or social housing coming a very distant third, as can be seen in Table 3.2.

Are these figures accurate? It is understood that they derive from property permits and registrations of the municipalities. They probably do not include all rural housing or extra-legal informal housing. It is also not confirmed that all these units are “ready to occupy.” Unfortunately, it is difficult to answer these questions, especially given that municipal performance is variable and that records are less-than-perfect in some

Table 3.1: Increase in Number of Housing Units in Tunisia 1994 - 2004

	1994			2004			% Annual Increase		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Tunis	199,436	0	199,436	265,585	0	265,585	2.9		2.9
Grand Tunis	373,877	25,931	399,808	554,952	38,063	593,015	4.0	3.9	4.0
All Tunisia	1,211,267	657,255	1,868,522	1,725,979	774,851	2,500,830	3.6	1.7	3.0

Source: AUGT 2008(c), p. 4

Table 3.2: Annual Production of Housing Units in Tunisia by Provider 2006-2010

	Individual	Private	Public	Total
2006	40,950	6,270	3,112	50,332
2007	36,432	6,910	544	43,886
2008	41,208	8,408	982	50,598
2009	39,252	11,946	796	51,994
2010	42,448	11,946	796	55,190
Total	200,290	45,480	6,230	252,000
Per cent of total	79.5%	18%	2.5%	100%
Average Annual Rate	40,058	9,096	1,246	50,400

Source: El-Sheikh 2010, p. 16. El-Sheikh's figures relate to the first semester of each year. These have been doubled to reach annual figures.

communes. However, it is clear that if the volume of housing production is underestimated by MEHAT, it is the private individual housing producer that is undercounted. On the other hand, public housing production and that of the formal private sector will definitely be recorded accurately.

Therefore, the main conclusion is clear. Currently and over the last few years, it is private individuals who build or commission the large majority of new housing units in urban Tunisia, as well as practically all the new housing in rural areas. Private developers come a distant second, selling houses and apartment units to families. Housing units produced by the State, mainly by SNIT and SPROLS, come a very distant third. The following sections describe the housing production activities of each of these three types of producers.

3.3 THE PRIVATE INDIVIDUAL HOUSING PRODUCER (*AUTO-CONSTRUCTEUR*) BOTH FORMAL AND INFORMAL

While it is clear that the private individual mode of housing production has and continues to dominate the housing sector in Tunisia, paradoxically there is little available information about the phenomenon. It is presumed that almost all of this production is individual houses, villas, or small multi-family buildings, although the sizes and amenities of these units are hard to calculate (see also Chapter 5, which discusses the current housing stock in Tunisia). It is also unclear what portion of this mode is formal and what is informal. In the following paragraphs formal versus informal housing produced by private individuals are treated separately.

Formal Individual Housing

Formal individual housing is produced under prevailing laws and regulations, meaning that the producer obtains a building permit for both new construction and additions (which in turn requires that the land plot conform to planning and subdivision regulations and that housing plans conform to the Building Code, among other requirements, as described in Chapter 9).

The building permit regime is quite bureaucratic and usually entails considerable cost as well as time. The formal individual builder must first acquire land in areas which have been designated for residential use by the Urban Development Plans (PAU) and conform to subdivision plans. In most cases he or she must purchase the land from existing private landowners, who may be ex-farmers or subdivision companies. Although the government Housing Land Agency (AFH) has programs that create small plots of land

TUNISIA HAS RECORDED IMPRESSIVE INCREASES IN ITS HOUSING STOCK, ESPECIALLY IN THE LAST TWO DECADES. HOUSING UNITS HAVE BEEN CREATED AT A FASTER RATE THAN THE GROWTH OF THE POPULATION, EVEN IN URBAN AREAS WHERE POPULATION GROWTH HAS BEEN GREATEST.



Figure 3.1 Up-scale private individual cum developer apartment buildings, Tunis City
Photo © Tarek El-Sheikh

at moderate prices specifically for purchase by lower income families who wish to build their own homes, it is understood that the quantity of such land plots is very limited. Thus, for the majority of individual housing producers, the only recourse is to find parcels of land on the open market. This market, due to land scarcity and to speculation, has become extremely expensive.

Modest income families that have acquired a land parcel may qualify for State construction loans from the Housing Bank (BH) or other agencies at advantageous terms and interest rates similar to those operating for housing unit purchase, but normally requiring significant equity contributions (see also Chapter 7, Housing Finance). However, the funds available for these construction loan programmes are limited and demand far outstrips supply. In addition, there are many bureaucratic conditions put on these loans.

In effect, the high cost associated with acquiring land on the open market, combined with the high cost of construction and associated permits, means that for most wishing to build their own homes “formally,” affordability is the crucial issue. Only lower-income families that can either leverage considerable family equity or are lucky enough to qualify for government land and financing can hope to become sanctioned owner-builders.

Informal Individual Housing

Informal housing is defined as housing that is built in contravention of planning, subdivision, and/or building permit regimes in place. In Tunisia there are a number of terms to describe the phenomenon, such



Figure 3.2 Example of individual-built low rise apartment buildings, Al-Zohor Neighborhood
Photo © Tarek El-Sheikh

as *l'habitat clandestin*, *l'habitat anarchique*, *le logement insalubre*, *quartiers spontanés*, etc. For years government policies have tried to prohibit the phenomenon, and in addition among planning and housing professionals informal housing is considered a plague, a cancer, and a challenge to State authority.

What is the volume of informal housing currently being built in urban Tunisia? Government figures show that, whereas informal housing production was common up to the 1980s, considerable success has since been achieved in limiting its spread and in upgrading older informal areas (see Box 3.1.). MEHAT has published figures which show that in 2010 there were only 4087 building violations for substandard housing in Tunisia, of which the largest number, 1904 violations, were found in Greater Tunis. In 2009 there were 4114 violations nationally, of which 2137 were in Greater Tunis, meaning a slight reduction over the previous year.²

If these “violations” are equivalent to all informal housing units produced, then in 2009 and 2010 informal housing production represented 8 to 10 per cent of national production and roughly 15 per cent of private individual housing construction. However, this would seem to underestimate the phenomenon. There is ample anecdotal evidence that a substantial amount of informal housing is being built, especially on marginal peri-urban land outside municipal boundaries or in zones not designated for residential use and not issued with “violations.” The illegal construction of additional floors onto structures is also common. One author has called it *urbanisation galopante dans la peripherie* (galloping urbanization on the periphery) and *des milliers de constructions*

anarchiques qui poussent comme des champignons, champignons, sans aucune planification, ni aménagement (thousands of anarchic buildings which spring up like mushrooms, without any planning or services).³ It is common for the informal building process to avoid or circumvent municipal control, and the relationship has been described as a game of “cat and mouse.” This may involve construction at night, or with a “fine” paid to the municipal inspector to ignore the building being constructed until it is finished and inhabited. Whole areas are said to be developed by *lotisseurs clandestins* (clandestine land subdividers) who subdivide land, paying bribes and selling it on to individual builders. In these cases there is safety in numbers. Since the State is loath to employ bulldozers and demolition crews on inhabited housing, it is all-important that finished houses are occupied as quickly as possible. In addition, it is often possible to fabricate building permits.

In most cases of informal construction, the land has been bought from the previous legal owner. However, there are some continued cases of squatters building on State domain land, although it is impossible to know how common this is (in fact, in the literature the word “squatter” and “informal” are sometimes erroneously used synonymously).

Examples abound. Sijoumi, Ras Ettabia, Ettadhamen, and neighborhoods in the districts of Sidi H'çine, Jayara, Mnihla, and Ejoumi are all typically established informal settlements in which illegal densification is common.⁴ New areas on peripheral land can be found in many locales, especially around small towns that are within the geographic orb of Greater Tunis (and where there might be less municipal control).

Most Tunisian commentators can see nothing good in informal housing areas. They see only shoddy construction, narrow lanes, people piled on each other, windows that open onto walls, no green space, insufficient basic infrastructure, little in the way of public services, public health problems, noise, and nauseating odours. Even worse, they are described as being inhabited by criminals and menacing gangs, of breeding delinquency and anti-social behaviour, and of destroying the aesthetic of the urban landscape. And these same commentators lay the blame for all this squarely upon the municipalities, who they say are lax in their control duties or even complicit in the anarchic process.

This common pejorative attitude towards all informal housing is widespread, but ironically there is evidence that currently a substantial amount of illegal building is actually being carried out by the well-to-do or middle classes, who are building villas in peripheral and peri-urban areas within commutes by car of the major cities. For them the big advantage is being able to find much cheaper land, which allows them to afford huge plots and to build without the onus of control.

What commentators of informal housing in Tunisia rarely mention is that large spontaneous urban zones represent the cheapest form of housing and the only type of housing process that many, perhaps over 50 per cent of urban families, can afford (see Chapter 4 on housing affordability). In addition, it is ignored that these zones generate considerable employment and enterprise opportunities, and that most of the informal housing stock is of quite good quality. It is perverse that the same commentators that castigate current informal housing practices will describe



Figure 3.3 Informal progressive construction, Sidi Hussain Area
Photo © Tarek El-Sheikh



Figure 3.4 Densifying informal neighbourhood, Al Zohor Area
Photo © Tarek El-Sheikh

the government's past successes in upgrading and rehabilitating older informal urban areas (see box Chapter 2) in glowing terms, ignoring the fact that these areas were the product of the same informal processes that are ongoing today.

The effects of the Tunisian Revolution on housing modes of production are hard to read as of yet. But there is considerable mention in the Tunisian press of incidences of new informal areas and of land and even public housing squatting. It would seem that, in this climate, the informal mode of housing production only increases.

3.4 THE FORMAL PRIVATE SECTOR

The formal private housing sector, composed of small, medium, and large property developers, has been positively encouraged by Tunisian Government policy since the National Housing Strategy was formulated

Box 3.1: History and Extent of Informal Housing in Tunisia

Just after the 2nd World War in the late 1940s, the first wave of informality appeared in Tunisia with the creation of "gourbivilles" in near-central locations of the major cities. These were populated by a massive rural exodus, and most were made up of rudimentary structures predominated by single rooms rented to families. At the time of independence in 1956 a "belt" of gourbivilles surrounded Tunis and its Medina. The government response to these "gourbis" was demolition and either resettlement or forced return to the villages of origin.

The second wave of informality began in the 1960s and peaked in the 1970s with the creation of peripheral spontaneous urban settlements around major towns, on marginal and other land that was either bought or squatted. Housing varied from rudimentary to quite substantial courtyard and multi-family units, usually only a single story high. Over time, owners invested considerably in this housing. In some cases whole new areas were created by clandestine land subdividers, and in these quite regular, grid-pattern areas housing was generally of acceptable quality, but roads were mostly narrow and utilities were completely lacking.

Surveys conducted in 1980 in Tunisia's main urban areas identified some 210 squatter/informal areas with more than 500,000 inhabitants, representing 28 per cent of the total population of the cities investigated.⁵ The phenomenon continued throughout the 1980s and 1990s. In Ben Arous,

one governorate of Greater Tunis, it was estimated that in 1989 over 434 hectares, representing 16 per cent of the total urbanized space of the governorate, were covered by informal settlements.⁶

Most observers feel the pace of informality slackened by 1990, though no serious studies are known to have tried to quantify the continued growth of informal areas. Starting around 1980, the government began to launch a more nuanced policy of upgrading most of the larger informal areas through ARRU and other dedicated bodies. By the 1990s the upgrading efforts had been enshrined in national policy and implemented through the framework of PNRQP (see box in Chapter 2). These upgrading and rehabilitation efforts are considered by most Tunisian as well as foreign observers to have been very successful and are frequently described.

In fact, most of what we know of informal housing development comes from write-ups of Tunisia's successes in urban upgrading of older types of informal settlements. Little is known about new informal development. As in many other Arab countries, it seems that the phenomenon of informal housing today is somewhat embarrassing, and it is preferred to refer to the history of informality and how older areas have been successfully transformed. The implication is clear: real intervention into or support for the informal housing process only occurs post-facto through various kinds of upgrading once an area matures. The State's policy towards newer informal areas remains negative and preventive, however popular newer informal areas may be, and even though local authorities are passive or even active agents for them. Of course, it will be extremely interesting to see how policies towards and acceptance of informal housing processes will play out in Tunisia's post-revolutionary phase.

in 1988. In February 1990 Law 17 created the enabling legislation for private real estate developers, which set the framework for the formation, registration, and operation of these real estate developers. An association of real estate developers was formed in 1994. In the early 1990's decrees have given private developers tax-breaks and other incentives to produce modest and affordable housing. Land for such housing projects is, in some cases, provided by AFH at both market and below market rates.

In 2010 there are 1782 registered private real estate developers in Tunisia, up from only 50 in the early 1980s.⁷

Recently, the volume of private developer housing has been increasing in Tunisia, from an estimated 6,270 units in 2006 to almost 12,000 units in 2010. Whether

this strong growth trend will continue remains to be seen. In any event, the majority of private developer housing aims at the middle and upper classes, although in the Tunisian real estate press there is talk of the need to go slightly down market to meet a larger segment of housing demand. The perception among many Tunisians is that private developers, who enjoy many concessions from the State, market units at inflated prices and can reap enormous profits.

3.5 THE STATE AND SOCIAL HOUSING

The main State producer of public housing is the National Housing Company of Tunisia (SNIT, *La Société Nationale Immobilière de Tunisie*) and there is also the Company for Social Housing (SPROLS, *La Société de Promotion des Logements Sociaux*).

Although currently State-produced housing represents only roughly three to five per cent of total housing unit production in Tunisia, this low rate is a recent phenomenon. This can be seen from the past rhythms of SNIT production, where production was much higher, especially in the period 1969-1986, as shown in Table 3.3:

Even though its housing production role has decreased, SNIT remains responsible for management of the substantial number of units it has built. Also, in 2001 SNIT was charged by the Council of Ministers with regularizing the legal and technical status of its housing stock, in order that each beneficiary of a SNIT housing unit could obtain legal private title. As of 2010 a total of 99,170 units had been regularized in this manner.

Over the 2008-2010 period the total disbursements of SNIT averaged roughly TD 70 million. This translates into a rate of disbursement for new units at TD 47,400 per unit, including general administration charges. The large majority of units built by SNIT are of the “social” or “economic” categories, although a minority of units are of “high standing”, and in addition SNIT builds commercial units integrated into its housing projects, usually on the ground floors. It also integrates a mix of unit sizes (one bedroom to three bedroom units) into its projects. Since the 1990s SNIT has reduced the average size of its units to make them more affordable, and also to meet demand from smaller households (which are becoming more and more common in urban Tunisia).

SNIT acquires serviced land for its projects either from AHD or from the allocation of existing public lands at no cost. SNIT is however responsible for on-site infrastructure.

Families or individuals seeking SNIT housing units make applications directly to SNIT offices or by internet. Applicants must meet income and other criteria, and once vetted an application goes on a waiting list. For those applying for “economic” or “high-standing” units, when there are units available priority goes to the oldest date of application. The same priority applies for “social” units, but in specific projects beneficiaries can be chosen by lottery. An applicant may chose to pay the whole amount, in which case the unit is immediately delivered. An applicant may also arrange for financing for the unit from one of the many mortgage programmes available (which are usually financing programmes available



Figure 3.5 New peri-urban informal housing

Source: L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajruba al tunisia fi majal al had min al iskan al fowdaoui* » (*The Tunisian Experience in Limiting Random Housing*), power point presentation, June 2010



Figure 3.6 Private developer apartment blocks, Tunis City
Photo © Tarek El-Sheikh

from government agencies, see Chapter 7). In this case once financing is arranged the unit is delivered.

To give the reader a more concrete idea of the activities of SNIT, two housing projects recently completed are presented:

Résidence Bahi Ladgham, El Mansoura, Municipality of Soukra:

This project, planned in 1998, includes 864 apartment units plus commercial units on the ground floor, with the four upper floors reserved for housing. The

project also contains a children's garden, a primary school, playgrounds and landscaping. Housing units range from one to three bedrooms plus living room.

Résidence Carrefour

Constructed between 1992 and 1995, this complex is located in La Cite Khadra, Municipality of Tunis. It is comprised of 133 apartment units of "semi-standing" quality in blocks of G+7, plus a separate commercial block of G+1. Apartments range in size from one to three bedrooms plus living room.

In addition to SNIT, there is another public enterprise that produces low-cost housing: the Company for Social Housing (SPROLS, *La Société de Promotion des Logements Sociaux*). Apartment units of 50 m², 75 m², 80 m², and 100 m² are built as well as duplex houses in the 50 to 65 m² range. The organization was formed in 1977 (Law 53 of 1977) and modified in 1993 (by Law 78). It is an affiliate of the Ministry of Equipment and Transport. SPROLS is smaller in output than SNIT. Since its inception it has built 21,333 housing units in different parts of the country. Currently it is constructing 468 housing units.⁸

CURRENTLY... IT IS PRIVATE INDIVIDUALS WHO BUILD OR COMMISSION THE LARGE MAJORITY OF NEW HOUSING UNITS IN URBAN TUNISIA, AS WELL AS PRACTICALLY ALL THE NEW HOUSING IN RURAL AREAS. PRIVATE DEVELOPERS COME A DISTANT SECOND, SELLING HOUSES AND APARTMENT UNITS TO FAMILIES. HOUSING UNITS PRODUCED BY THE STATE... COME A VERY DISTANT THIRD.

3.6 EMERGENCE OF LARGE REAL ESTATE DEVELOPERS

Starting in 2006, a number of "mega projects" have been announced, mostly around Tunis but also Sfax, Sousse, and Bizerte. These huge integrated real estate ventures are mainly financed by Arab capital. Some are under construction and some have been delayed. They represent a trend that can be seen throughout Arab countries such as Egypt, Morocco,

Table 3.3: Total Production of Housing Units by SNIT, 1969-2010

Plan	Period	Number of housing units produced	Implied annual rate in units per year
	1969-1973	33,663	6,733
	1974-1976	41,689	13,896
5 th Plan	1977-1981	71,000	14,200
6 th Plan	1982-1986	60,620	12,124
7 th Plan	1987-1991	19,089	3,818
8 th Plan	1992-1996	6,625	1,325
9 th Plan	1997-2001	12,533	2,507
10 th Plan	2002-2006	8,415	1,683
11 th Plan	2007-2010	5,904	1,476

Source: SNIT website, <http://www.snit.com.tn/html/pgfr.html>

and even Yemen, where luxurious gated residential communities are promoted, aimed at a new class of wealthy families who seek a high and exclusive quality of life. Some of the projects announced or under way in Tunisia include:⁹

Tunis Sports City, being promoted by the Bukhatir Group near Tunis, is an integrated real estate project that, in addition to high-quality apartments, offers a center of sports, including two stadiums, a golf course, and an Olympic-size pool. The first phase has been completed. Total investment cost is said to reach Euro 3.7 billion.

Mediterranean Gate is an integrated gated-community near Tunis announced by Sama Dubai Group. This project is currently understood to be “on hold.”

Les Jardins de Gammarth on the Bay of Gammarth offers a mix of luxurious residences, including apartments, duplexes, and villas, promoted by the Tunisian *Société Carthaginoise de Développement Touristique*.

La Cité Bled El Ward, estimated to cost USD 10 billion, is a huge project of the Emirati firm Al Maabar International Investments Company located on 5000 hectares at Sebkhat de l’Ariana north of Tunis. In addition to high-standing residential units, it will contain beaches, sports amenities, and other attractions.

Al Qusoor Marina is a large luxury residential and boating complex of Emaar Property Limited (Dubai) to be located near Sousse.

Taparura, located some three kilometers north of Sfax, is a grand project on 400 hectares which

when completed will include tourist villages and a residential city of 22,000 inhabitants.

While such exclusive projects may stimulate the real estate sector and add to the local economy, they can by no means be considered to be producing housing units affordable by anyone but the richest Tunisians. In addition, this phenomenon of high-end residential complexes seems to preoccupy government planners and officials more and more as well as the Tunisian real estate industry. And each of these projects takes up enormous amounts of land which (1) might have been used for more affordable housing projects and (2) further exacerbates the already acute scarcity of developable land around major cities. The issue of land scarcity for housing is taken up in Chapter 6.



Figure 3.7 Résidence Bahi Ladgham

Source: SNIT website <http://www.snit.com.tn/html/pgfr.html>, accessed 30 March 2011.



Figure 3.8 Résidence Carrefour

Source: SNIT website; <http://www.snit.com.tn/html/pgfr.html>, accessed 30 March 2011.

3.7 POSSIBLE CHANGE IN MIX OF HOUSING PROVIDERS

It is difficult to look into the future of Tunisia's housing production. Certainly it can be expected that the formal private sector, which is involved in everything from huge mega projects to small housing schemes, will increase and deepen its modalities of production. But if what is observed in other Arab countries is to be any indication of trends, in Tunisia the private sector will remain aimed primarily at the upper ends of the urban housing market, where they know demand and profit margins can remain high. Private sector actors will be seduced by the mega project integrated real estate venture mirage. It will be risky for these developers to move down into the real middle class market, where they will find stiff competition coming from the owner-builder and from the individual who



Figure 3.9 New SNIT housing estate in Sidi Hussain, Tunis

Photo © Tarek El-Sheikh

acquires land and commissions house construction. This competition at the lower-middle market level is all the more stiff since the individual production mode is considerably cheaper than purchasing a completed unit from a developer, economies of scale notwithstanding. (See also Chapter 5.)

Do State housing producers have much hope for the future? Recent trends are not promising, and re-expansion of the sector up to, for example, SNIT production levels of the 1990s will require huge additional budget commitments from central government. However, it would seem that there is a chance to encourage more diverse and less expensive products as part of the social housing portfolio. Small complete units (such as studio apartments), small core housing, and very small serviced building plots will be more affordable and at the same time allow



Figure 3.10 SNIT low-rise apartment complex, Sidi Hussain, Tunis

Photo © Tarek El-Sheikh



Figure 3.11 SNIT Low-rise apartments complex, Sidi Hussain, Tunis

Photo © Tarek El-Sheikh



Figure 3.12 Tunisian mega project model

Source: http://www.lereflex-immobilier.net/actualite_immob.php?id=2462, citing www.mille-et-une-tunisie.com, accessed 30 March 2011.

a given budget to go further. In the past SNIT and other players have experimented with some of these alternative products, and thus the expertise exists. Furthermore, SNIT should not be in the business of producing middle-class, high quality apartment blocks, which directly compete with products of the private developer sector.

Whatever the future of social housing and private developer housing in Tunisia, it is inevitable that the private individual will remain the prime mode of housing production in Tunisia. Thus it is logical that ways are found to better support the process and to allow more social and economic classes to join this mode of production.

...THE PHENOMENON OF INFORMAL HOUSING TODAY IS SOMEWHAT EMBARRASSING, AND IT IS PREFERRED TO REFER TO THE HISTORY OF INFORMALITY AND HOW OLDER AREAS HAVE BEEN SUCCESSFULLY TRANSFORMED. THE IMPLICATION IS CLEAR: REAL INTERVENTION INTO OR SUPPORT FOR THE INFORMAL HOUSING PROCESS ONLY OCCURS POST-FACTO THROUGH VARIOUS KINDS OF UPGRADING ONCE AN AREA MATURES.

SECTION ENDNOTES

¹ Agence Tunis Afrique Press 2011.

² El-Sheikh 2010, p. 11.

³ Maârouf 2010

⁴ Horwood 2010, p. 6.

⁵ Kraiem 2003, pp. 16-17

⁶ Hechmi 1989.

⁷ MEHAT website 2011.

⁸ SPROLS Website 2011.

⁹ Lereflex-immobilier Website 2011.

HOUSING NEEDS AND DEMAND

In this chapter an attempt is made to establish the scale and nature of national housing needs and demand. Here national “housing needs” is defined as the absolute physical shortfall or gap between the number of suitable housing units in the country at any particular time and the number of suitable housing units needed to adequately house the whole population. Thus gross housing needs are based on demographic parameters and on existing housing stock shortfalls, projected and compared to government estimates.

In this chapter housing demand is defined as the national demand for available housing units that are financially affordable to those seeking housing. Thus this is effective demand within existing housing markets, including the markets for State produced housing. The starting point in affordability analysis is household income distribution by deciles, assumed household ability-to-pay for housing, and assumed access to certain financing schemes (described in detail in Chapter 7). This allows a rough assessment of effective housing demand for the median household

and others in the income distribution. This will lead to a discussion of current coverage, identifying which groups are excluded from finance systems and thus which must rely on savings and other own-sources.

4.1 GROSS HOUSING NEEDS

Current household formation estimates, urban and rural

A thematic report prepared by OURGT gives a good analysis of the number of households and their evolution in Tunisia, based on the 1994 and 2004 Census results. Over this period the total number of households grew from 1.70 million in 1994 to 2.19 million in 2004. Details of this evolution are given in Table 4.1.

This table shows that the number of households in the urban milieu is increasing rapidly, at 3.1 per cent per year, and even faster in Grand Tunis, at 3.4 per cent annually. Given that over the same period the Tunisian population was only increasing at an

Table 4.1: Evolution of the Number of Households in Tunisia 1994-2004

		Tunis City	Grand Tunis	All Tunisia
1994	Urban households	195,557	357,457	1,093,205
	Rural households	0	25,669	611,558
	Total households	195,557	383,126	1,704,763
2004	Urban households	244,018	498,124	1,488,656
	Rural households	0	35,872	697,183
	Total households	244,018	533,996	2,185,839
Annual increase between 1994 and 2004	Urban households	2.2%	3.4%	3.1%
	Rural households	0%	3.4%	1.3%
	Total households	2.2%	3.4%	2.5%

Source: AUGT 2008(1).

Table 4.2: Estimated Number of Households and Additional Households, Urban and Rural, for Selected Years

Year	Estimated no. of urban households	Estimated additional urban households	Estimated no. of rural households	Estimated additional rural households	Estimated no. of total households	Estimated additional total households
2009	1,727.4	53.5	756.5	9.8	2,470.0	63.3
2012	1,893.1	58.7	786.4	10.2	2,679.5	68.9
2015	2,074.7	64.3	817.5	10.6	2,892.1	74.9
2018	2,273.6	70.5	849.8	11.0	3,123.4	81.5

estimated 1.2 per cent per year (urban at 1.83 per cent and rural at 0.17 per cent), it is clear that Tunisian households are forming at a more rapid rate than the general population increase. This is due, as discussed above in Chapter 1, to a general trend towards smaller families combined with a high concentration of men and women of marriageable age (which is a result of former high population growth in the 1970s and 1980s).

The total estimated population of Tunisia in 2009 was 10.33 million and the total number of households 2.47 million (the urban population in 2009 was estimated at 6.92 million). The observed increase of the total number of households in the 1994-2004 period was 2.5 per cent per year (3.1 per cent per year for urban households and 1.3 per cent per year for rural households). It is assumed that these rates of increase in the number of households are continuing. This means that in 2009 it is estimated that 53,549 urban households and 9,835 additional rural households were added.¹

Assuming the same rate of household formation continues into the future, it is possible to project the new annual household formation as shown in Table 4.2. Such figures seem reasonable, given that in all Tunisia marriage rates have been averaging at some 76,000 marriages annually, as shown in Table 4.3.

Should it be assumed that all newly formed households will require new housing units? Even though in Tunisia the trend is towards smaller, nuclear families, at least a small portion of newly forming households will be accommodated in existing housing units, particularly in “traditional house” type of housing. Here it is assumed that 10 per cent of new households in urban areas will be so accommodated as well as 20 per cent of new households in rural areas. Under these assumptions, the future annual need for new housing units for additional families can be calculated as shown in Table 4.4.

In addition to this housing need, it must be assumed that some dilapidated, sub-standard, and overcrowded housing units in the existing housing stock are in need of replacement (mainly due to the extreme age of units, their small size, and their deterioration). Commonly in country housing analysis this need is estimated at between 1 to 2 per cent of the housing stock per year. Because of the relative young age of most of the housing stock in Tunisia, we have selected a 1 per cent replacement rate, which would yield total needs for replacement as shown in Table 4.5.

Using the figures derived from tables 4.3 and 4.4 it is possible to estimate total annual housing unit needs. However, first a question must be asked: Are there vacant units in the existing housing stock which could be used either to accommodate newly

Table 4.3: Registered Marriages and Divorces for All Tunisia, 2004-2008

Year	Number of Marriages	Number of Divorces
2004	68,976	10,062
2005	73,971	11,576
2006	81,340	11,711
2007	76,809	12,557
2008	78,748	12,035

Source: Institut National des Statistiques, *Annuaire Statistique de la Tunisie*, 2008, pp 47 and 51.

Table 4.4: Estimated New Housing Units Needed to Accommodate Newly Forming Families for Selected Years

Year	Estimated additional urban housing units needed	Estimated additional rural housing units needed	Estimated additional total housing units needed
2009	48.2	7.8	56.0
2012	52.8	8.2	61.0
2015	57.9	8.4	66.3
2018	63.5	8.8	72.3

forming families or for replacement? According to the INS, in 2010 there were 2.50 million housing units for 2.19 million families in Tunisia, implying a surplus of 310,000 units or 14.4 per cent of the total.² However, some of these units were for secondary homes, as described in Chapter 5, and, in any event, any housing stock will exhibit a certain amount of vacancies due to market imperfections and market speculation. Considering these factors, for this analysis it is assumed that none of the vacant housing units in Tunisia can be used to meet housing unit needs. Thus the estimated total housing needs in Tunisia can be calculated for selected years as shown in Table 4.6.

Comparisons with government housing needs figures³

In the 10th Plan (2002-2006) the aim was to produce 272,000 new housing units at a rhythm of 54,400 units per year. These were to be distributed as follows:

- 202,000 units to meet the need for newly forming families

- 53,000 units to replace deteriorated units
- 17,000 units to be rehabilitated in popular quarters

In fact, over the 2002-2006 new housing units were created nationwide, at a rate of 51,000 units per year, a shortfall of about 6 per cent compared to production targets.

In the 11th Plan (2007-2011) it is estimated that there is a need for 300,320 new housing units (or 60,060 per year), of which:

- 260,000 units to meet the need for newly forming families (or 52,000 per year)
- 10,000 units to overcome current overcrowding in existing units (or 2,000 per year)
- 30,000 units to replace deteriorated units in the existing housing stock (or 6,000 per year)

As can be seen by comparing these figures with those in Tables 4.3, 4.4, and 4.5 that 2007-2011 Plan

Table 4.5: Estimated need for replacement of the housing stock for selected years

Year	Estimated urban housing units needing replacement	Estimated rural housing units needing replacement	Estimated total housing units needing replacement
2009	20,600	8,100	28,700
2012	22,900	8,300	31,200
2015	25,400	8,550	33,950
2018	28,300	8,750	37,050

Table 4.6: Estimated Total Housing Units Needed in Tunisia Each Year for Selected Years

Year	Estimated total urban housing units needed	Estimated total rural housing units needed	Estimated housing units needed for all Tunisia
2009	68,800	15,900	84,700
2012	75,700	16,500	92,200
2015	83,300	16,950	100,200
2018	91,800	17,550	109,350

Table 4.7: Derivation of Estimated 2010 Urban Household Expenditures by Income Decile (in Tunisian Dinars)

Decile	INS 2005 annual per capita expenditures	INS 2005 monthly per capita expenditures	INS 2005 monthly household expenditures	Estimated 2010 total monthly household expenditures	Estimated 2010 urban monthly household expenditures
First	416.2	34.7	156.4	211.2	241.4
Second	651.5	54.3	244.9	330.6	377.8
Third	843.4	70.3	317.0	427.9	489.1
Fourth	1,025.7	85.5	385.5	520.4	594.8
Fifth	1,216.9	101.4	457.4	617.4	705.7
Sixth	1,454.3	121.2	546.6	737.9	843.4
Seventh	1,721.7	143.5	647.1	873.5	998.5
Eighth	2,134.4	177.9	802.2	1,082.9	1,237.8
Ninth	2,852.8	237.7	1,072.2	1,447.4	1,654.4
Tenth	5,887.7	490.6	2,212.8	2,987.3	3,414.5
National Average	1,820.6	151.7	684.2	923.7	1,055.8

estimates for newly forming families at 52,000 units per year is very close to that calculated here (56,000 in 2009). However, the 2007-2011 Plan estimates for replacement needs, at 8,000 units per year, is much smaller than replacement needs calculated here (28,000 in 2009, using conservative estimates). It is difficult to resolve this discrepancy.

Conclusion on housing needs

The calculations made here concerning gross housing unit needs involved a number of assumptions and thus may be questioned. But even if different assumptions are used (e.g. that the replacement rate is less than 1 per cent of the existing housing stock annually), it is clear that government calculations somewhat under-estimate needs. And these under-estimates become more acute as projections into the future are made.

IT IS CLEAR THAT GOVERNMENT CALCULATIONS SOMEWHAT UNDER-ESTIMATE GROSS HOUSING NEEDS. AND THESE UNDER-ESTIMATES BECOME MORE ACUTE AS PROJECTIONS INTO THE FUTURE ARE MADE.

4.2 CURRENT HOUSING DEMAND AND AFFORDABILITY

Household income (expenditure) distribution and household size

The latest data on household income distribution can be inferred from the INS Survey of Household Expenditures and Consumption, a large representative sample survey carried out over a year in 2005.⁴ Overall national average expenditures were TD 8,211 per household per year or TD 1,820 per capita average expenditures per year. Urban averages per year were TD 9,367 per household and TD 2,171 per capita. Rural averages per year were TD 5,728 per household and TD 1,161 per capita.⁵

The INS Survey of 2005 also gives average total *per capita* annual expenditures for each decile of the national population, as shown in Table 4.7. Note that the INS Survey does not break down decile expenditures by urban and rural. Also, only per capita expenditures were given, not household expenditures. To reach urban household expenditures in 2010 the following were assumed:

- The total expenditures per household decile in 2005 are expanded by 6.5 per cent per year to reach year 2010 (the observed rate of increase in average household expenditures over the 2000-2005 period).
- The national household size of 4.51 at the time of the 2005 INS Survey is applied to all per capita expenditure deciles.

- The household expenditures in each decile are inflated by 9,367/8,211 (the average household expenditures in urban areas versus the national average) to arrive at an approximation of urban household expenditure distribution.

Note that these are household expenditures, not incomes. The difference is household savings, which in most similar countries is negative or zero in the lower income deciles including the median. Thus for affordability analysis in these deciles household expenditures are assumed to equal household income.

Also note that household expenditures (as a proxy for incomes) derived from the INS 2005 Survey include all sources of income, including salaried, secondary, self-employed, and real and imputed returns on capital. Thus these urban household expenditure (income) levels by decile are optimistic and may exaggerate the ability to pay for housing.

Housing costs and rental values

What does a modest housing unit currently cost in Tunisia? Although general information about average housing prices is available, it is much more difficult to arrive at a reasonable cost for small, modest units at the lower end of the housing market, and there is no information about housing costs for informal *auto-construction*. For example, under government FOPROLOS programs the cost per square meter ranged from TD 350 to TD 733, including land. Recent reports state that in the lower end of the urban housing market, for which there is considerable unmet demand, housing prices range from Euro 159 to 425 (TD 318 to TD 850) per m² including land.⁶ According to the MEHAT's Housing Observatory, in 2010 the average price of a housing unit was TD

57,945 at a size of 134 m², or TD 432 per m². Also, in 2010 the average price for an apartment was TD 47,000 and TD 39,000 for a small house.⁷

To be conservative, it is best to postulate three different basic housing types to be used in the affordability analysis, as follows:

Type One: 90 m² unit costing TD 61,600 (2010 prices) including land (roughly as in FOPROLOS 3 program), at a rate of TD 733/m².

Type Two: 65 m² unit costing TD 36,400 (2010 prices) including land (roughly as in FOPROLOS 1 housing program), at a rate of TD 560/m².

Type Three: 75 m² unit costing TD 22,500 (2010 prices) including land, built progressively by owner-builders on peri-urban land, at a rate of TD 300/m²

It should be pointed out that housing prices are increasing rapidly in Tunisia, with increases in the country averaging 8 per cent per year according to *Tunisia Today*, and even at higher rates in the Tunis region.⁸ In addition, most urban areas of Tunisia are experiencing very high increases in market prices for land. Thus the price of these housing units constructed here can be considered very conservative.

For rental housing, there is some data on rents collected by the MEHAT's Housing Observatory for 2010. In Tunis, housing unit rents are said to range from TD 288 to TD 4,490 per month. The lowest rents are found in Ben Arous district, ranging from TD 190 to TD 1,250 per month. Presumably rents in other low-income areas outside the Tunis region are less, say in the TD 110 to 160 per month range.⁹

Table 4.8: Estimated Price-to-Income Ratios for Three Housing Types, by Income Decile (Urban Tunisia)

Urban Income Decile	Per capita Income per year (TD)	Household Income per year (TD)	Type One units	Type Two units	Type Three units
First	416.2	1,877.1	32.8	19.4	12.0
Second	651.5	2,938.3	21.0	12.4	7.7
Third	843.4	3,803.7	16.2	9.6	5.9
Fourth	1,025.7	4,625.9	13.3	7.9	4.9
Fifth	1,216.9	5,488.2	11.2	6.6	4.1
Sixth	1,454.3	6,558.9	9.4	5.5	3.4
Seventh	1,721.7	7,764.9	7.9	4.7	2.9
Eighth	2,134.4	9,626.1	6.4	3.8	2.3
Ninth	2,852.8	12,866.1	4.8	2.8	1.7
Tenth	5,887.7	26,553.5	2.3	1.4	0.8
National Average	1,820.6	8,210.9	7.5	4.4	2.7

Table 4.9: Percentage of Monthly Household Income Required to Pay Modest Monthly Rents by Decile

Decile	Urban Household Monthly Income in 2010	Monthly Rent at TD 110	Monthly Rent at TD 160
First	241.4	45.6%	66.3%
Second	377.8	29.1%	42.3%
Third	489.1	22.5%	32.7%
Fourth	594.8	18.5%	26.9%
Fifth	705.7	15.6%	22.7%
Sixth	843.4	13%	19%
Seventh	998.5	11%	16%
Eighth	1,237.8	8.9%	12.9%
Ninth	1,654.4	6.6%	9.7%
Tenth	3,414.5	3.2%	4.7%
National Average	1,055.8	10.4%	15.2%

Household price-to-income ratios for house purchase

Using the housing types derived above, it is possible to calculate income-to-price ratios for home purchase as shown in Table 4.8.

As can be seen, price-to-income ratios are very high for the lower household income deciles for all three types of housing. In other countries similar to Tunisia a ratio of 5 is considered reasonable.¹⁰ On this basis, only for the very modest “informal” Type Three units are price-to-income ratios at or below 5 for the Fourth Decile (i.e. encompassing some 60 per cent of urban households). For Type Two units this ratio is reached only for the Seventh Decile, and for Type Three units this ratio is reached only for the Ninth Decile. Under these assumptions even Type Three units are beyond the theoretic means of almost 40 per cent of Tunisian households.

Affordability of rental housing

For rental housing, it is possible to estimate affordability by urban expenditure (income) decile, as shown in Table 4.8. Two low monthly rental levels are posited, TD 110 per unit and TD 160 per unit, as discussed above. It is assumed that an urban household can devote 25 per cent of monthly income on housing rents. Table 4.9 shows that the lower rent is quite affordable, reaching down to the Third Decile of the urban income distribution, meaning that only roughly 20 per cent of households cannot afford such rents. The higher rent level is affordable down to the Fifth Decile, meaning that 50 per cent of households cannot afford such rents, even though these rents are still quite modest.

Housing affordability for house purchase under different housing finance programs

Income-to-price ratios only give a rough idea of ability to pay for new housing. For more precise calculations of what housing implies in terms of monthly income, it is first necessary to make assumptions of what percentage of monthly income can be devoted to housing, either in rents or in loan instalment payments. For this analysis, 25 per cent of income devoted to housing is assumed the base case, a percentage that is quite common in country housing affordability analysis. This is then varied to 15 per cent and 35 per cent of income, as shown in Table 4.10.

Although it may be reasonable to expect that most households can mobilize 25 per cent or more of monthly incomes to pay for housing, it should be remembered that households face other recurrent costs associated with housing (such as water and power consumption as well as maintenance). Also, for the lowest household income deciles such basics as food and clothing consume a large portion of income, and thus these families may struggle to mobilize even 25 per cent of income.

Secondly, it is necessary to consider what might be the financing systems/mortgages that would be available to each household expenditure (income) level. This means determining the interest rate of the mortgage, the term of the loan, and the required down payment. In Tunisia, the benchmark annual interest rate set by the Central Bank is currently 4.5 per cent, changed down from 5.25 per cent in January 2009 (Tunisia has no prime bank rate or free capital market, rather the cost of capital is managed by decrees of the Central

Table 4.10: Estimates of Amount of Urban Household Monthly Income Available for Housing Payments

Decile	Urban Household Monthly Income 2010	At 15% of Income (in TD)	At 25% of Income (in TD)	At 35% of Income (in TD)
First	241.4	36.2	60.3	84.5
Second	377.8	56.7	94.5	132.2
Third	489.1	73.4	122.3	171.2
Fourth	594.8	89.2	148.7	208.2
Fifth	705.7	105.9	176.4	247.0
Sixth	843.4	126.5	210.8	295.2
Seventh	998.5	149.8	249.6	349.5
Eighth	1,237.8	185.7	309.5	433.2
Ninth	1,654.4	248.2	413.6	579.0
Tenth	3,414.5	512.2	853.6	1,195.1
National Average	1,055.8	158.4	264.0	369.5

Bank). Currently the best return on deposits is 4.15 to 4.25 per cent, and the loan rate for mortgages under some *Banque de l'Habitat* programs varies from 3.5 per cent (for FOPROLOS 1) to 5.75 per cent (for FOPROLOS 3) to 7 per cent (for New HB 1 to 3). Obviously these lower rates imply heavy subsidies compared to the cost of capital. It is prudent to select a rate which has no subsidy element, and for this reason the analysis here will employ 7 per cent as a reasonable annual interest rate, one which allows a 2.5 per cent spread for administrative costs, risk, and overheads. The term for the mortgage finance will be taken at 20 years and the down payment at 15 per cent of house cost, following the most common of BH programs.¹¹

Under these assumptions, the monthly loan instalment payment can be calculated for each of the three types of housing unit, as shown in Table 4.11.

By comparing these results with the amount of monthly urban household income available for housing payments by decile derived in Table 4.10 above, it is possible to make the following conclusions:

Housing Unit Type One is only affordable, at 25 per cent of income, down to the Ninth Decile, meaning that 80 per cent of urban households cannot afford this unit. Even if it is assumed that the household can mobilize 35 per cent of income for housing payments, this unit is only affordable down to the Eighth Decile, meaning that under this assumption 70 per cent of urban households cannot afford the unit.

Housing Unit Type Two is only affordable, at 25 per cent of income, down to the Seventh Decile, meaning that 60 per cent of urban households cannot afford this unit. Even if it is assumed that the household can mobilize 35 per cent of income for housing payments, this unit is only affordable down to the Fifth Decile, meaning that under this assumption 40 per cent of urban households cannot afford the unit.

Housing Unit Type Three is affordable, at 25 per cent of income, down to the Fourth Decile, meaning that only 30 per cent of urban households cannot afford this unit. Assuming that the household can mobilize 35 per cent of income for housing payments,

Table 4.11: Calculation of Monthly Mortgage Payments by Type of Housing Unit

Housing Type	Housing Unit Cost (TD)	Down payment @ 15% (TD)	Total Housing Loan (TD)	Annual Mortgage Payment (TD)	Monthly Mortgage Payment
Type One Housing Unit	61,600	9,240	52,360	TD 4,942	TD 411
Type Two Housing Unit	36,400	5,460	30,940	TD 2,920	TD 243
Type Three Housing Unit	22,500	3,375	19,125	TD 1,805	TD 150

ALMOST A MAJORITY OF URBAN HOUSEHOLDS CANNOT AFFORD TO PURCHASE A MODEST UNIT, EVEN ASSUMING THAT THEY CAN QUALIFY AND OBTAIN HOUSING LOANS. AND SINCE MANY HOUSEHOLDS CANNOT QUALIFY FOR HOUSING LOANS...THERE ARE MANY OTHER FAMILIES THAT CANNOT EVEN BEGIN TO PURCHASE/ BUILD A NEW UNIT...

this unit is very affordable down to the Third Decile, meaning that only 20 per cent of urban households cannot afford the unit.

4.3 URBAN HOUSEHOLD HOUSING AFFORDABILITY: GENERAL CONCLUSIONS

The analysis undertaken here shows that, both in terms of cost-to-price ratios and in terms of standard housing loan programmes, urban households in the lower income deciles will find it extremely difficult to afford even modest housing units. The calculations made here involve a number of assumptions, but even if more optimistic assumptions are used, the conclusion stands that almost a majority of urban households cannot afford to purchase a modest unit, even assuming that they can qualify and obtain housing loans. The only housing type that is affordable to urban households under the median income is that which is self-built in peri-urban areas and may be deemed illegal. And since many households cannot qualify for housing loans for various reasons, there are many other families that cannot even begin to purchase/build a new unit. In sum, it can be concluded that there is a huge housing affordability challenge in urban Tunisia, and one that, owing to rapidly rising housing values, is bound to get worse.

SECTION ENDNOTES

¹ AUGT 2008(a), p. 4, also Institut National des Statistiques 2008, pp. 8-12.

² El-Sheikh 2010, p. 14.

³ MEHAT 2011.

⁴ Institut National des Statistiques 2007.

⁵ Ibid., p 17.

⁶ Oxford Business Group 2010, p. 127.

⁷ El-Sheikh 2010, p. 17.

⁸ Tunisia Today 2010.

⁹ El-Sheikh 2010, p. 17.

¹⁰ An article appearing in 2003 estimated that the housing price-to-income ratio for the median Tunisian household was 6.3. For comparison, it also mentioned that in developing countries the housing price-to-income ratio averaged 7.8, whereas for developed countries the ratio averaged 3.9. See Management & Nouvelles Technologies – Magazine Online, 2003.

¹¹ Tradingeconomics website 2011.

CURRENT HOUSING STOCK

This chapter summarizes the current housing stock's size, urban/rural and geographic breakdown, main typologies, physical conditions, occupancy and size conditions. Also summarized are the forms of tenure governing the housing stock. This is followed with a description of the main housing typologies, who produces them, and their geographic predominance. In this discussion the temporal aspect of the housing stock is included, i.e. its growth and changing composition over time. As far as possible, data on housing costs are included.

5.1 HOUSING STOCK SIZE AND GROWTH

The Census gives reasonably good statistics on the housing stock. It recorded a total of 2.5 million housing units in both urban and rural areas in 2004. The number of housing units has been increasing steadily since 1975, as shown in Table 5.1: The highest rate of growth was in the 1984-1994 period when the housing stock increased by 3.6 per cent annually.

Table 5.1 suggests that growth of the housing stock was greater in urban areas such as Greater Tunis, where an annual growth of 4 per cent per year was

...IN URBAN AREAS THE ARAB/COURTYARD HOUSE IS EQUALLY POPULAR AS THE VILLA, AND THAT TOGETHER THEY ACCOUNT FOR 90 PER CENT OF URBAN HOUSING UNITS. SURPRISINGLY, APARTMENTS UNITS MAKE UP ONLY 10 PER CENT OF THE URBAN HOUSING STOCK.

recorded in the 1994-2004 period. The higher growth of the urban housing stock is confirmed in Table 5.2. In 1994-2004 the urban housing stock was growing at 3.6 per cent/year, more than twice the rural rate of 1.7 per cent per year. By 2004 the urban housing stock was well over twice that of the rural housing stock. Although figures are not available for later years, it can be assumed that the urban housing stock continues to grow much faster than that of rural

Table 5.1 Increases in Housing Units in Tunisia and Greater Tunis 1975-2004

Year	All Tunisia		Greater Tunis	
	Number of housing units	Annual rate of increase	Number of housing units	Annual rate of increase
1975	1,021 thousand		168 thousand	
1984	1,313 thousand	2.8%	264 thousand	4.6%
1994	1,868 thousand	3.6%	400 thousand	4.3%
2004	2,500 thousand	3%	593 thousand	4%

Source: AUGT, 2008(c), p. 4.

Table 5.2 Rates of Growth of the Housing Stock 1994-2004 in Rural and Urban Areas

	1994	2004
Urban housing units	1,211,267	1,725,979
Rural housing units	657,255	774,851
Total housing units	1,868,522	2,500,830
Rate of growth of urban units 1994/2004		3.6%
Rate of growth of rural units 1994/2004		1.7%
Rate of growth of total units 1994/2004		3.9%

Source: AUGT, 2008 (c), p. 4.

areas, and that by 2010 there were probably three times the number of housing units found in urban areas over rural areas.

5.2 HOUSING TYPES

The INS has developed a typology of housing for Tunisia, as follows:

- Arab house or courtyard house (*Maison Arabe* or *Houch*) also called the “patio” house
- Villa or floor of villa (*Villa ou Etage de Villa*)
- Studio unit or small unit attached to a villa (*Studio* or *Issue d'une Villa*)
- Apartment (*Appartement*)
- Crude or precarious unit (*Rudimentaire*)
- Undeclared (*Non-déclaré*)

In 2004 the distribution of the housing stock according to this typology is shown in Table 5.3. The Arab or courtyard house predominates at just over half the housing stock, followed by villas or floors of villas. Together these two typologies represent

almost 90 per cent of housing units found in Tunisia, included both rural and urban areas.

The urban/rural breakdown of the housing stock by typology in 2004, presented in Table 5.4, shows that in urban areas the Arab/courtyard house is equally popular as the villa, and that together they account for 90 per cent of urban housing units. Surprisingly, apartments units make up only 10 per cent of the urban housing stock. For the rural housing stock, it is almost completely dominated by the Arab/courtyard house.

The relative growth in housing typology numbers is given in Table 5.5 over the period 1994-2004. It is obvious that in both all Tunisia and in Greater Tunis (which can be used as a rough proxy for urban Tunisia) most growth has been in the villa typology. For the country as a whole villa-type units were produced at a rhythm of over 40,000 units per year, by far the highest additions to the housing stock nationwide. Apartment units were also popular, growing at 5.5 per cent per year, but from a much lower base (at 7,700 units per year). Arab/courtyard houses grew at a very reduced rate of 0.9 per cent, but in numeric terms their growth was still substantial, at a rhythm

Table 5.3: Distribution of the housing stock by typology for all Tunisia 2004

Housing typology	Number of Housing Units	Percentage of Total Housing Stock
Arab house or courtyard house	1,286,850	51.5%
Villa or floor of villa	927,132	37.1%
Studio unit or small unit attached to a villa	48,401	1.9%
Apartment	186,209	7.4%
Crude or precarious unit	20,899	0.8%
Undeclared	11,515	0.5%
Total	2,500,830	100 %

Source: AUGT 2008(c) p 14.

Table 5.4 Distribution of urban and rural housing units by typology in 2004

Housing typology	Urban Areas	Rural Areas	Total Tunisia
Arab house, courtyard house, or “bourj-studio”	42.3%	80.9%	54.3%
Villa or floor of villa	47.2%	17.7%	38%
Apartment	10%	0.1%	6.9%
Crude or precarious	0.6%	1.3%	0.8%
Total*	100%	100%	100%

* “Non-declared” and typology not included in totals

Source: AUGT 2008(c) p 15.

Table 5.5 Increase of housing units by typology 1994 – 2004, Tunisia and Greater Tunis

Housing typology	All Tunisia annual percentage increase of units 1994-2004	Greater Tunis annual percentage increase of units 1994-2004
Arab house or courtyard house	0.9%	1.2%
Villa or floor of villa	6.1%	5.3%
Apartment	5.5%	5.7%
Other*	3.5%	9.8%
Undeclared	2.3%	2.4%
Total	3%	4%

* Combines typologies “crude or precarious unit” and “studio unit” or “small unit attached to a villa”

Source: AUGT 2008(c) p 16.

of over 11,000 per year, greater than the growth of apartments. It is interesting to note that in Greater Tunis the Arab/courtyard housing type grew at 1.2 per cent, higher than the national average, adding over 2,000 such units annually to the housing stock of Greater Tunis. Evidently the Arab/courtyard house is still popular even in urban areas.

5.3 HOUSING UNIT SIZES

The Census presents housing unit sizes in terms of the number of livable rooms. Normally this means that all rooms in a unit are counted as livable except those used for kitchen, bath, circulation and storage.



Figure 5.1 Tunis City private “villa type” neighborhood
Photo © Tarek El-Sheikh



Figure 5.2 Example of rural housing, outside Sidi Bu Said
Photo © Tarek El-Sheikh

Table 5.6 Distribution of housing units by size, 1994 and 2004

	Greater Tunis		All Tunisia	
	1994	2004	1994	2004
One Room	7%	3.5%	14.0%	6.9%
Two Rooms	23%	21.7%	29.5%	26.6%
Three Rooms	36%	40.1%	30.4%	37%
Four Rooms	22%	24.3%	17.7%	21%
Five Rooms	12%	10.4%	8.4%	8.5%
Total	100%	100%	100%	100%

Source: AUGT 2008(c) p 23.

In 2004, for the whole country the average unit size was 2.98 livable rooms. This normally means a unit of two bedrooms plus living room. This average was only slightly higher for Greater Tunis at 3.16 livable rooms. For the country as a whole the average size has been increasing significantly over time, from 2.24 rooms in 1984, to 2.77 rooms in 1994, to 2.98 in 2004. Similar increases in average unit size are observable for Greater Tunis.

The distribution of housing units by size in 1994 and 2004, shown in Table 5.6, is revealing. First, it is clear that there is a consistent improvement in housing units as expressed by size. In both all Tunisia as well as Greater Tunis the percentage of one room units was reduced by half. The percentage of two room units (small units, normally one bed plus living) also decreased. On the other hand, larger units of three and four livable rooms increased their percentages significantly both in Greater Tunis and in the country as a whole. The percentage of five room units also increased in the country, but these largest units lost ground in Greater Tunis, probably because of higher land and housing prices.

Census figures do not include estimates of housing stock size expressed in terms of usable surface area.

5.4 OCCUPANCY OF HOUSING UNITS

The Census classifies housing units as either being occupied, used as a second home, or vacant. Table 5.7 shows the distribution of housing units according to these three categories for urban and rural areas in 2004. To give an idea of trends, for the country as a whole the rate of increase of non-occupied housing units increased by 3.5 Build-Operate-Transfer annually over the 1994-2004 period, compared to a rate of 2.9 per cent. Similarly, in Greater Tunis unoccupied housing increased more than occupied housing, at 4.2 per cent per year versus 4 per cent per year.

The relatively high rate of vacant units in Tunisia, and the trend for the number of vacant units to increase at rates higher than that of occupied housing, is probably an indicator of considerable speculation in the housing market, with owners preferring to hold their units off the market (see also Chapter 10).

5.5 TENURE OF HOUSING UNITS

The Census of Tunisia has three categories of tenure: owned, rented, and shared. Home ownership is very dominant in Tunisia. In 1994 over 70 per cent of Tunisian families owned the housing they lived in. By 2009 this portion had risen to 2.29 million households,

Table 5.7 Distribution of housing units by occupancy status in 2004

	Occupied Units	Secondary Units	Vacant Units	Total Units
Urban areas	83.7%	5.3%	11%	100%
Rural areas	86.7%	4.3%	9%	100%
Total Tunisia	84.6%	5%	10.4%	100%

Source: AUGT 2008(c) p 29.

IN 1994 OVER 70 PER CENT OF TUNISIAN FAMILIES OWNED THE HOUSING THEY LIVED IN. BY 2009 THIS PORTION HAD RISEN TO 2.29 MILLION HOUSEHOLDS, OR 79.2 PER CENT OF ALL HOUSEHOLDS. THE PERCENTAGE OF HOUSEHOLDS RENTING THEIR ACCOMMODATION WAS 16.3 PER CENT IN 2004, DROPPING TO AN ESTIMATED 15 PER CENT IN 2009.

or 79.2 per cent of all households. The percentage of households renting their accommodation was 16.3 per cent in 2004, dropping to an estimated 15 per cent in 2009. Families sharing the same housing unit decreased from 6.1 per cent in 2004 to 5 per cent in 2009.¹ However, the number of families sharing housing units in urban areas was estimated at 12 per cent of all families.²

It is national government policy since 1988 that at least 80 per cent of all families should own their dwellings. This goal appears to have been achieved.

5.6 HOUSING CONDITIONS AND ESTIMATES OF PRECARIOUS, DETERIORATED, OR OTHER MARGINAL HOUSING

The Census has one category of housing unit, “rudimentary,” which includes substandard, precarious, and deteriorated units. It is reported that the number of such units nationally has fallen dramatically, from 44 per cent of the housing stock in 1996, to 8.8 per cent in 1984, to a miniscule 0.9 per cent in 2009 (representing only 8,660 units nationally).³

Tunisian housing authorities are justifiably proud of these statistics, and the precipitous drop in rudimentary housing units is mainly due to the government’s very active programs of urban upgrading and associated housing rehabilitation starting in the late 1970s and continuing up today (see Chapter 2).

Tunisia may have almost eliminated rudimentary housing, but some units remain very small. As shown

above, some 6.9 per cent of units in 2004 had only one livable room. However, the proportion of these units to the total housing stock has been decreasing.

In terms of water, power, and sanitation services coverage, housing in Tunisia scores extremely high, with near universal coverage in urban areas, as discussed in Chapter 8.

5.7 AVERAGE HOUSING AND HOUSING LAND PRICES

Data on housing costs in Tunisia is sparse, and depends on what market segment and what locale one is investigating. One report states that in 2010 the average price of a housing unit of 135 m² was TD 57,950, or TD 429 per m² (it is not clear if land costs are included).⁴ Government-financed housing under the FOPROLOS programs are currently priced at between TD 660 to TD 810 per square meter including land.⁵

Whatever the accurate figures for housing unit prices on the market are, it is clear that these prices have been increasing rapidly, partly due to input inflation (especially for urban land and building materials) but also due to speculation in the real estate market itself. For example, it is reported that the average price of a single-family house increased from TD 23,845 in 2006 to TD 39,000 in 2010, with an increase of over 60 per cent in four years or 13 per cent per year. Average apartment unit prices were even higher, increasing from TD 32,710 in 2006 to TD 47,027 in 2010, with an increase of 44 per cent in four years. Overall, it is said that housing prices have been increasing by at least 8 per cent per year since the early 1990s.⁶

As one moves up the housing market, anecdotal information on housing prices is more accessible. For example, one magazine article mentions that average prices in 2010 for high-standing housing in Carthage averaged between TD 2,500 to TD 3,000 per m² and TD 1450 to TD 3,000 in Berges du Lac. In Hammamet and Sousse similar property prices were between TD 1,200 and 2,500 per m², and in Sfax they reached TD 800 per m².⁷

Data on housing land costs are extremely hard to come by and of course depend greatly on the specific locale, the level of services, and the permissible exploitation (FAR). Land in Greater Tunis developable for housing purposes is said to average TD 665 per m², but variations are great. In one low-income area (Sidi Hussain) the price starts at TD 167. In Nabeul the average price is TD 242 per m², and the lowest starting price is TD 125 in Al-Hawareiah District.⁸

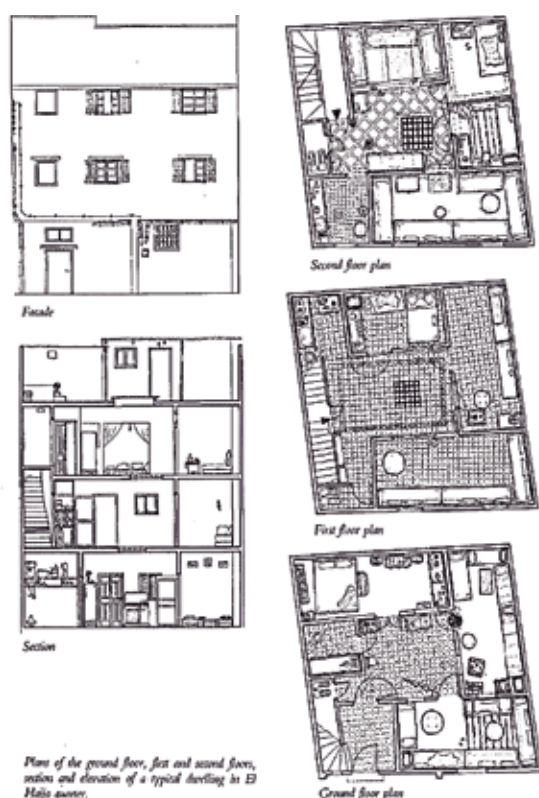


Figure 5.3 Old multi-story courtyard house in El Hajja Quarter, Tunis.

Source: *Miramar Magazine* (1984)

Of course land prices in more desirable areas are much higher. For example, square meter land prices for serviced residential land in the better quarters of Tunis can easily fetch TD 1,300, TD 800 in La Manouba, and TD 500 in Sfax.

There is no information readily available for the prices of informal housing units exchanged through informal markets, nor for the prices of land being exchanged for informal building purposes.



Figure 5.4 Courtyard house urban fabric, Baja old town

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

5.8 HOUSING TYPOLOGIES DESCRIBED

The statistics given in the above sections give a fair idea of Tunisia's housing stock, but they do not give a tangible idea of the types of buildings in which Tunisians live. In this section an attempt is made to describe the physical and architectural characteristics of the main housing typologies.

The **Arab, courtyard** or **Houch** house type is, as its name implies, built around a central court which normally provides light and ventilation to the whole dwelling and also provides circulation. In traditional urban areas this house would normally be built over one or two floors, although higher structures were possible, as shown in Figure 5.3.

In traditional town centers the Arab/courtyard house imparts a unique urban fabric, as can be seen from Figure 5.4. and Figure 5.5. But even in informal quarters started in the 1970s and 1980s one can see the popularity of the Arab/courtyard house, as shown in Figures 5.6, 5.7, 5.8, 5.9, and 5.10.

Villa housing is now the fastest growing type of housing in Tunisia. It can be both formal and informal and usually found on fringe and peri-urban locations. Formal villa housing has lot sizes that normally vary from 300 to 900 m², although in peri-urban locations lot sizes can be much bigger. Heights are generally two to four floors, with some villas having housing units on each floor. Examples of various types of villa development can be seen in Figures 5.11, 5.12, 5.16, 5.18, and 5.19.

Apartment housing units can be found in older areas of towns as well as in fringe subdivisions.



Figure 5.5 Sfax inner city courtyard housing

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.6 Cité El Zohour informal house neighbourhood

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.7 Informal neighbourhood mainly of one-story Arab/ traditional housing on fringe of Manuba.

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.8 Recent informal fringe housing subdivision in Hay el Rafaha, west of Tunis

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.9 Fouchana rehabilitated informal area, south of El Arous

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.10 Sayeda Al Manoubia older informal area of single story houses in process of densification

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.11 Up-scale villa housing development, peri-urban Nabeul

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.12 Lower class villa development in peri-urban area of Manzel Tamim, Cap Bon

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.13 Baja, new area zoned for 4-6 story apartment buildings

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.14 Social housing project: apartment buildings and single story row housing

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.15 Oued El Leil, low-rise duplex social housing

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

Apartment buildings are usually from four to nine floors with two to four units per floor. They may be built by private developers, both those operating on a small-scale (one or two apartment blocks at a time) or those undertaking huge real estate projects, for which apartment units are an integral part. Apartment blocks are also built by State enterprises. Currently the main government producers, SNIT and SPROLS, both concentrate almost exclusively on housing estates composed mainly of apartment blocks. Examples of apartment areas are shown in Figures 5.13 and 5.20.



Figure 5.16 West Ariana new villa subdivision, average lot size 600m²

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.17 Sfax, new row house and duplex social housing
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.18 Sfax peri-urban villa sprawl at Sakiet ed Dieir
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.19 Sfax peri-urban villa sprawl
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.



Figure 5.20 Sfax apartment buildings
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

SECTION ENDNOTES

¹ El-Sheikh 2010, p. 16.

² Magazine on Line, 2003, p.3.

³ El-Sheikh 2010, pp. 11 and 13.

⁴ Ibid., p. 17.

⁵ Ibid., p. 17.

⁶ Khelifi 2010.

⁷ Ibid.

⁸ El-Sheikh 2010, p. 17.

URBAN LAND SUPPLY

In this chapter we examine how land for housing is created and used. The official land administration registration system is covered, including the cadastre, charges for development, security of tenure, and the key players in the land sector. Government policies towards urban and rural land are also investigated. Finally, this report will look at the processes of informal conversion of rural land for housing purposes in peri-urban areas.

6.1 URBAN LAND ADMINISTRATION, POLICIES, LEGAL FRAMEWORK, AND TAXATION

Traditionally, lots of agricultural land and urban property was held as collective property, either through undivided inheritances or endowed land. From the mid-nineteenth century this system has given way to the predominance of individual land and property ownership. Today the bulk of land useable for urban development is under private ownership. The government remains a significant land owner, though mainly of remote State domain lands. Municipalities also own some lands.

Under French occupation an extensive land cadastre and property registration system was set up in Tunisia and remains in place today. The cadastre is operated by the OTC (*Office de la Topographie et du Cadastre*, see below), and its Property Tribunal (le Tribunal Immobilier) is where actual land registration and title transfers take place. Property records are preserved at the Directorate of Conservation of Real Property (DCPE, *La Direction de la Conservation de la Propriété Foncière*) of the Ministry of Justice.

Most land administration and taxation relates to land under agricultural use in Tunisia. However, urban land is also subject to taxation. An annual tax on vacant urban (communal) parcels (*la taxe sur*

les terrains non bâtis) is levied by local (municipal) authorities. The rate is either 0.3 per cent of the real land value or is based on a progressive tariff according to the urban zone in which it is located. It is understood that this tax applies only to lands for which there is an approved local urban plan.¹ Once vacant land is developed, it and the associated real property are taxed under the property tax regime, described in Chapter 10 on housing markets.

Such a tax on vacant developable urban land is a rarity in countries of the MENA region. Although the actual tax rate is very low, it should have some affect dampening speculation of vacant urban land, at least discouraging the “freezing” of land parcels for years and years in hope of a purely speculative windfall gain.

It should be mentioned that the general principles of the country’s land management strategy (*Schéma Directeur d’Amenagement du Territoire*) were set out in 1997. This strategy was influenced by Agenda 21 and had as an objective the effective, sustainable and equitable development of Tunisia’s cities and regions over a time horizon of 20 years. Also, a master plan for Greater Tunis (*Schéma Directeur d’Amenagement du Territoire du Grand Tunis*), was prepared in 2007 and sets out development parameters until 2021.²

6.2 KEY PLAYERS IN THE URBAN LAND SECTOR

There are a number of players in the urban land sector. The following is a list of those with the most important roles. However, it must be noted that urban land markets and exchange in Tunisia is mostly an individualistic affair, with most lands bought and sold by private individuals.

First, in terms of land use planning, urban land in Tunisia is quite well planned and managed.

Since the 1960s the *Direction Generale de l'urbanisme* (DGU) has prepared and revised hundreds of urban development plans (PAUs) throughout the country. As of March 2011 the DGU's website lists 264 urban areas (communes) for which PAUs have been prepared. Most of these have legal status, having been approved by *décret* or *arrêté*. A few, mainly relating to smaller municipalities, are still under preparation or awaiting approval. These plans are prepared by the *Direction des Lotissements* of DGU, either directly or are commissioned by the DGU to Tunisian consulting firms. In addition, the DGU, through its *Direction de la Coordination*, makes efforts to ensure that these plans are coordinated with the relevant municipalities, with other central agencies such as AFH and ARRU, and with the central infrastructure authorities. Finally, the standards and norms of subdivision for different categories of residential areas are prepared by the *Direction des Lotissements* of the DGU.

The responsibility for land surveying and maintaining the national land cadastre lies with the *Office de la Topographie et du Cadastre* (OTC), a public enterprise which since 2010 is under the tutelage MEHAT. The OTC was founded under French colonial rule in 1886. Its current legal status was confirmed by Law 100 of 1974. Its main offices are in Tunis but it maintains branches in Bizerte, Sfax, and Sousse. Its activities include:

- Maintain a complete topographical and geodesic system for all of Tunisia
- Undertake all technical works concerning registration of real estate properties and the cadastre.
- Define all public domain lands
- Carry out land subdivision and property surveys and works

The Housing Land Agency (AFH, *Agence Foncière d'Habitation*) was created in 1973 with the powers to expropriate land for the public good as well as the pre-emptive right to purchase urban land for housing purposes. AFH was created to supply land for the construction of affordable social housing, to enter into land markets to control prices and to reduce land speculation, and to assist municipalities in land management.

In addition, municipalities are sometimes important players in urban land markets, either as owners of land reserves (in rare cases) or as enforcers of building control edits. Private developers are important actors on the demand side of the land market. Infrastructure authorities, all of which are centralized public



Figure 6.1 Example of a clandestine informal subdivision
 Source: L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajriba al tunisia fi majal al had min al iskan al fowdaoui* » (*The Tunisian Experience in Limiting Random Housing*), power point presentation, June 2010

enterprises, influence land markets by their decisions whether and when to serve a particular area. Finally, the government's considerable urban upgrading programs, led by the Agency for Urban Rehabilitation (ARRU), have had impacts on many towns and have restructured urban land uses (see Box 2.2 in Chapter 2).

6.3 SOURCES OF LAND FOR HOUSING: CONVERSION OF AGRICULTURAL LAND

Over the last 50 years Tunisia has seen its cities, towns, and even villages expand several-fold over vast areas. Almost all of this land had been held privately, usually by farmers, orchard-owners, and large landowners. Thus the main mechanism supplying land for urban use, and in particular for housing, involves the conversion of this privately-held agricultural land into serviced urban land parcels.

Overseeing and guiding this conversion are the urban development plans (PAUs) prepared by the DGU. The DGU, with the relevant municipality, then prepare detailed neighborhood and land subdivision plans (with average plot sizes in the 250 to 600m² range). Private land owners then are free to subdivide and sell their lands according to these plans. Most purchasers are individuals seeking a single plot to build housing. However, large-plot purchases are also made by private developers seeking to create housing estates, and these purchases may be on fringe areas that have not yet been covered by approved urban plans. Also, the AFH can also be a large-plot purchaser in order to assemble land necessary for social housing projects.

WITH LAND FOR URBAN DEVELOPMENT BECOMING MORE SCARCE AND, ESPECIALLY, MORE AND MORE EXPENSIVE, IT IS INEVITABLE THAT COMPETITION FOR LAND ON THIS PERI-URBAN FRONTIER BECOMES MORE AND MORE ACUTE.

The progressive provision of roads and utilities to an area completes the land conversion process. In Tunisia it is rare that municipalities or other State authorities undertake to plan, subdivide, and service a new neighborhood with land under multiple private owners before any development takes place. Usually infrastructure development is progressive and in parallel with take-up and building-out on individual plots of land. This process may take years or even decades to complete.

Not all land for housing comes through conversion of privately held agricultural land. In the past some city expansion occurred on State domain land found on town fringes. Obviously this land was highly sought after since State enterprises could acquire this land at nominal cost to be used for a variety of purposes, including the construction of social housing estates. However, this source of land for urban expansion has almost completely dried up. Already in the 1980s the most attractive of State lands had been urbanized, mainly for SNIT social housing.³ Subsequent decades

of land assignments for various projects have virtually exhausted this resource.

6.4 LAND MARKETS, LAND VALUES, AND URBAN SPRAWL

The sale, purchase and subdivision of land parcels is governed through well-articulated land markets. On the more formal, larger scale raw as well as serviced land is exchanged with the help of real estate agents, land development companies and land brokers. On the more informal, smaller neighborhood scale transactions are generally person-to-person, with market knowledge through word-of-mouth. However, even in these informal markets a land broker (usually a part-time land agent with good local contacts) may play an important role.

In the last 10 years urban land prices have increased dramatically in almost all cities and towns, especially in and around the major agglomerations in the northeast and coastal belt. It is the increasing price of buildable land that many observers perceive as the main reason for rising real estate values, including what is perceived as increasingly unaffordable housing prices.⁴ And rising land market values attract many investors who see land as guaranteeing the best return on capital. Pure speculation on land is inevitable.

One consequence of rapidly rising land values is urban sprawl, which has become a serious problem in Tunisia. Those seeking land whose price is not exorbitant will look further and further away from town centres and major urban corridors. And those who are car mobile (according to the INS at some 25 per cent of households in Tunisia have use of an automobile) will not mind an eventual commute of an hour or so, which would put them 50 to 80



Figure 6.2 Gabes western fringe: informal subdivision and marginal land conversion

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe



Figure 6.3 Gabes, south of Sanani al Nahal: semi-formal land subdivision

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe



Figure 6.4 Sfax peri-urban villa sprawl into olive orchards
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

kilometres away from their place of employment or schooling. This sprawl, much of which is unchecked and illegal, has begun to challenge assumption that orderly urban growth can be implemented through land use plans and pure police power.

For illustrations of urban sprawl around Tunisian cities, see the satellite imagery presented in Chapter 5.

6.5 EVOLUTION OF URBAN LAND POLICIES AND THE ISSUE OF RESIDENTIAL DENSITIES

As mentioned in Chapter 1, the Tunisian authorities have for years recognized that there is imbalance in regional and urban development, with the north and eastern coastal areas, especially the agglomerations of Greater Tunis, Nabeul/Hammamet, Sfax, and Sousse, being the main drivers of urbanization and the economy. The government has been trying to correct these regional imbalances through regional investment plans. However, the scale and agglomeration advantages of the increasingly urbanized north and east are such that there is little if any impact of these policies on the ground. Various commentators have observed the continuing deterioration of urban centres in the interior and the growth of peripheral settlements around the major cities.

At the city scale, Tunisian urban development policy has been remarkably unchanged for decades, with the production of urban plans (PAU), now covering some 295 urban centres, as the main means to articulate urban land policies and to guide development. Other urban development actors, such as ARRU, AUGT, AFH, and the infrastructure agencies follow these plans. Coordination among these different



Figure 6.5 Kasserine east fringe: Formal land subdivision
 Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

authorities has not been perfect, and there is now a policy of more concerted coordination, involving also municipal authorities.

As mentioned in the previous section, urban sprawl has become a worry for planners and is seen as one of the most pressing challenges facing urban Tunisia. It makes infrastructure provision much more expensive and compromises any attempt to implement any kind of energy-efficient and environmentally sustainable policies.

Belatedly, planning authorities have realized that Tunisian cities are not dense enough. In PAUs the normative planning density for residential areas is now set at 40 families per hectare, or roughly 190 persons per hectare. Such densities for residential areas are still extremely low. Currently discussions are underway to raise these normative densities, and planning regulations are said to be in the process of modification so that higher building heights and smaller plots can be allowed. For example, a residential area where G+2 was the maximum allowed height now is being relaxed to allow G+4. It is not clear how far this policy shift has advanced in local plans and how much of an effect it will have. It is a laudable policy change, but in a sense the damage has already been done. After decades of planning for low residential densities, enormous and very scattered peripheral and suburban areas surround all Tunisian cities. These rely on mainly the private car for mobility, which in Tunisia continues to increase rapidly in usage.

In 2009 an ad hoc governmental commission convened to determine, with the support of the OTC, the reasons why the delivery of land titles was frequently delayed. The issue of conversion of



Figure 6.6 Medenine informal sprawl cluster on arid land

Source: Google Earth ©2011 Google Image, ©2011 Europa Technologies ©2011 Digital Globe, accessed 30 March 2011.

agricultural land into building land came up, and it was agreed that such conversion, in order to conform to stipulations of the law, was not at all straightforward. A number of government agencies must be involved, including specialized agencies of MEHAT and the ministries of the environment, of agriculture, and the National Commission for Agricultural land, in order for a specific agricultural area to be integrated or not into an existing PAU. Delays and even no decision are common.⁵

6.6 INFORMALITY AND TENSIONS ON THE PERI-URBAN FRONTIER

Most developable land around Tunisian cities and towns can be called peri-urban. This “peri-urban frontier” is where agricultural land is converted to urban use and where rural settlements grow and slowly metamorphose into urban neighbourhoods. With land for urban development becoming more scarce and, especially, more and more expensive, it is inevitable that competition for land on this peri-urban frontier becomes more and more acute. There are three types of peri-urban land conversion:

- Formal land and real estate developers seek to assemble large tracts for projects (if not also for speculative investment) and pressurize planning authorities to expand communal boundaries and to designate more and more land for development purposes, even though much of this land has been declared green belts and natural land reserves, a prominent feature of almost all Tunisian urban plans.
- Middle class and well off urban families will seek peri-urban land for the construction of individual villas. As shown in Chapters 3 and 5, it is the private

individual who is by far the dominant housing producer in urban (and of course rural) Tunisia, and the most popular type of housing is the villa (including separate units on each floor of a villa). Those seeking land for villas would of course prefer a fully serviced parcel in a planned neighbourhood with all amenities, but for most the land costs, even for small parcels, are prohibitive. The alternative, and one which allows the acquisition of a much larger parcel, is to buy land informally, either directly from a farmer or through a land assembler. This latter case usually involves purchase of one or more farms in their entirety and then selling off individual building lots. Of course there may be no utilities and the access road may be poor, but these will be upgraded over time. And car mobility means that one is not bound to a locale where all services are within walking distance.

- Poor families, seeking a modest affordable plot of land upon which to build progressively, will also target peri-urban areas. And it is possible to find such tiny plots of land in many areas, particularly those in and on the immediate periphery of existing villages (where services of some kind are bound to exist). The very cheapest land will be inaccessible and marginal, perhaps subject to flooding or other hazards. In some cases informal land subdividers (*lotisseurs clandestins*) will buy up a sizable area, somehow obtain at least neutrality from communal or village authorities, and subdivide the land into very small plots with only narrow access roads.

THIS PROCESS BY MULTIPLE ACTORS TO FIND SUITABLE CHEAP LAND MAKES FOR A VERY COMPETITIVE SCRAMBLE FOR LAND. YEARS AND YEARS OF GOVERNMENT PROGRAMMES TO CREATE FORMAL ALTERNATIVES TO INFORMAL AND UNREGULATED LAND CONVERSION ON THE PERI-URBAN FRONTIER HAVE NOT BEEN ABLE TO STOP OR EVEN APPRECIABLY SLOW THE PHENOMENON.

Box 6.1: Periurban Land Dynamics: Case of Menzel Bouzelfa, Cap Bon

The Cap Bon peninsula, which roughly corresponds to the governorate of Nabeul, contains some 600,000 inhabitants and is one hour plus by car from the capital Tunis. It is one of the most densely inhabited areas of the country, mainly due to its high-value agriculture and horticulture (it produces almost 15 per cent of national agricultural production), but also because of its good network of towns and, especially since the 1980s, its seaside tourist potential. (Cap Bon boasts 25 per cent of the hotel capacity in Tunisia.) Demographic growth, mainly fed by migration from other rural areas of the country, has been a constant in Cap Bon.

Menzel Bouzelfa is a small town in Cap Bon and is typical of similar towns in the region. The settlement, originally a small market town serving the agricultural hinterland, was compact in form and centred on a traditional medina core. Expansion started at a slow rate in the 1980s, but recently the rate and nature of this expansion has accelerated. Urban additions onto the town fringe continue, but now new "clusters" of housing are springing up on much of the agricultural land. There is also linear sprawl along main roads. Urban expansion now menaces the very survival of the important agricultural sector. Speculation in land prices is also common, and some formerly cultivated fields are now left fallow. In addition, most of the new housing in the area is not served by any wastewater networks, and sewage overflow from septic tanks poses a serious health hazard.

Owners of agricultural lands are under pressure to sell plots, and as the prices offered increase, so does the pressure. Younger family members are more ready to sell than their parents, but some claim that they prefer to maintain their rural way of life.

The communal (municipal) council members are elected, and almost all of them come from families who have been in agriculture for decades. Thus most of them are landowners elected by landowners, and they tend to see things from that perspective. Thus the communal council is quick to agitate for extensions to the urban plan (PAU), which usually results in immediate rises in the price of lands newly included in the urban zone. At the same time it is reluctant to enforce the ban on illegal construction, since much of the demand for land is coming from informal housing builders.

(Source: Khessairi, 2009.)

This process by multiple actors to find suitable cheap land makes for a very competitive scramble for land. Years and years of government programs to create formal alternatives to informal and unregulated land conversion on the peri-urban frontier have not been able to stop or even appreciably slow the phenomenon. Although not a desirable situation, it is a fact that only on the peri-urban fringe can a lower income family (who is not lucky enough to acquire land in one of the few government projects) ever hope to secure its little plot of land and embark on the process of building and owning its own home.

SECTION ENDNOTES

¹ Profiscal.Com 2011.

² Horwood 2010 p.9.

³ Lippe 1997, p. 11.

⁴ Khefifi 2010.

⁵ OTC Website 2011

HOUSING FINANCE

Housing finance systems are quite well developed in Tunisia, as is the banking system in general. This chapter examines the housing financial sector, including its institutional, legal and regulatory frameworks. We concentrate on finance available for households, and include an assessment of accessibility to credit and targeting mechanisms. We also look at finance for housing providers, including the developers as well as State enterprises. The role of savings groups and micro-finance for low income households are also examined.

7.1 THE LEGAL AND INSTITUTIONAL FRAMEWORK FOR HOUSING FINANCE IN TUNISIA

Organization of both the banking sector and the housing finance system in Tunisia dates back to legislation promulgated in French colonial times. For example, the first legislation that set up the legal nature of buildings and their ownership was promulgated in 1871, and included a system for mortgage loans, including pledges and repossession.¹ Obviously this legislation has been modified many times, most recently by Law 46 of 1996. In effect, mortgage financing using real property as collateral that can be repossessed is firmly entrenched in the Tunisian judiciary system as well as in society.

Institutionally, the apex actor in housing finance in Tunisia is the Housing Bank (BH, *Banque de l'Habitat*) which was founded in 1989 and replaced the National Fund for Housing Savings (CNEL, *Caisse Nationale d'Épargne Logement*), a fund for financing social housing which itself had been in existence only since 1974. BH manages the main government housing loan programmes. It is a full investment bank, which has a number of affiliates. Although its core business is housing finance, it carries out a number of other banking activities. In

mid-2007 it had a total property loan portfolio of TD 1.22 billion.

Other institutions and funds that operate in the housing credit sector in Tunisia include

- Roughly 20 private commercial banks in Tunisia that have housing loan programmes for individuals, mainly targeting middle and upper income families.
- The Housing Promotion Fund for Salaried Persons (FOPROLOS, *Fonds de Promotion des Logements pour les Salariés*) was created in 1977 to assist lower income groups to acquire housing. This fund is managed by BH.
- The National Fund for House Improvement and Rehabilitation (FNAH, *Fond National pour l'Amélioration de l'Habitat*) was established in 2004 as a means to support low income families living in urban upgrading areas. Loans are disbursed for home improvement to those whose salaries are below a set minimum.
- The National Solidarity Fund 26-26 (*Fonds de Solidarité Nationale 26-26*) was established in 1992 with the objective of supporting the poorest of the poor to attain decent living

A HUGE NUMBER OF TUNISIAN FAMILIES SIMPLY CANNOT NOW AFFORD TO MEET THE INSTALMENT PAYMENTS REQUIRED BY THESE HOUSING LOAN SCHEMES, AND THE FUTURE LOOKS EVEN BLEAKER.

standards, mainly through the funding of housing improvements of the very poor living in upgrading and rehabilitation areas both in Greater Tunis and other large towns.

7.2 FINANCING TO INDIVIDUALS FOR NEW HOUSING UNIT ACQUISITION

Over the years a number of schemes have been developed to provide financing to individuals to purchase or construct their own homes. These stretch back to the 1950s, when classic highly subsidized government housing loans were provided to low income beneficiaries. No equity contribution was required and loans for up to 30 years bore no interest. These programmes were modified in the late 1960s, and loans were made available which had terms of 20 years, annual interest at 5 per cent, and 20 per cent of equity as down payment. Still later terms were reduced to 15 years and 30 per cent down payments were required. It is obvious that at that time the government was becoming more concerned at the huge cost of highly subsidized schemes.²

Currently the main housing loan programmes in Tunisia for new housing unit acquisition are as follows:

Savings/loan regime for housing purchase

This system was started in the late 1970s by CNEL (the precursor to BH) as a means to instil a tradition of family savings in Tunisia. Since 1989 and under the BH, the government has adopted a number of efforts to strengthen the savings/loan system and to make it more attractive. Improvements were, for example:

- Supplemental credit for unit acquisition allowed equal to the amount saved
- Interest rates for loans reduced from 8.25 per cent to 6.75 per cent (at the same time saving rates were reduced from 6.75 per cent to 5.25 per cent). The spread, at 1.5 per cent, remained the same.
- Increase in the loan amount to 2.5 times the amount saved over 5 years and 3.0 times for the amount saved over 6 years.
- Introducing a loan repayment grace period for some clients
- Creation of a new category which, for a savings of TD 20,000, allows a base credit of TD 60,000 plus a supplementary credit of TD 40,000.
- Increasing the loan term from 13 and 20 years to 25 years.

Even with these and other measures taken to strengthen and expand the saving/loan regime for housing, it appears that it has yet to take the large role in housing finance envisioned. For example, the BH issued only TD 53.7 million in savings/loan credits for housing in 2009, down from TD 66.1 million the previous year. This may be due to the recent introduction by BH of the AL Jadid Savings scheme, which also required prior savings. The AL Jadid Savings scheme is described below.

FOPROLOS

The Housing Fund for Salaried Employees (FOPROLOS, *Fonds de Promotion des Logements pour les Salariés*) was started in 1977, has gone through a number of modifications, and is managed by the BH. It is a direct loan system to individuals or families. Curiously, loan terms and sizes are based on what the government has determined as the industrial minimum (monthly) wage (SMIG, *salaire minimum industriel garanti*). This base wage is currently set at TD 280 and is only rarely adjusted upward, never enough to keep up with consumer inflation. There are currently three FOPROLOS loan categories and these are presented in Table 7.1

The three categories of FOPROLOS aim at very low income to moderate income individuals and families. FOPROLOS 1, which is very much subsidized, is affordable down to the second decile of current urban household income distribution and even below that. (See Chapter 4 for derivation of affordability.) FOPROLOS 2, which is somewhat subsidized, can be affordable by the fourth to the sixth decile of urban household distribution. FOPROLOS 3 which is still somewhat subsidized, is only affordable by those whose incomes put them in the seventh decile of urban household distribution or above.

In 2009, to make FOPROLOS loans even more attractive, subsidy rates have increased and annual interest rates have been reduced for FOPROLOS 1 from 3.5 per cent to 2.5 per cent, for FOPROLOS 2 from 5 per cent to 4 per cent, and for FOPROLOS 3 from 6.75 per cent to 5.75 per cent.

Al Jadid Savings

The BH has recently added a range of three “supplemental” loan schemes, which are based on prior family savings, called Al Jadid 1 Al Jadid 2, and Al Jadid 3. Conditions for these schemes are shown in Table 7.1. They are all aimed at families whose incomes are higher than those of the FOPROLOS schemes, and all interest rates are fixed at 7 per cent per year for a maximum loan term of 15 years. They vary in the number of years of prior savings (from 4 to 6 years)

Table 7.1: Main Individual Housing Loan Schemes Managed by the BH

Loan Scheme	FOPROLOS 1	FOPROLOS 2	FOPROLOS 3	Al Jadid (HP1)	Al Jadid (HP2)	Al Jadid (HP3)
Income	1 to 2 times SMIG	2 to 3 times SMIG	3 to 4.5 times SMIB	variable	variable	variable
Unit Area	Individual 50m2; Family 65m2	75m2	80-100m2	variable	variable	variable
Nominal Cost of Unit	TD 39,000	TD 50,000	TD 54,000 to TD 67,500	variable	variable	variable
Downpayment	10% of cost	10% of cost	15% of cost	4 years prior saving	5 years prior saving	6 years prior saving
Term	25 years plus 3 year grace	25 years plus 3 year grace	20 years plus 1 year grace	15 years	15 years	15 years
Interest Rate	3.5%	5%	5.75%	7%	7%	7%
Maximum loan amount	90% of cost to maximum of 130 times SMIG	90% of cost to maximum of 170 times SMIG	90% of cost to maximum of 210 times SMIG	TD 53,000	TD 67,000	TD 83,000

Source: El-Sheikh 2010, p. 23.

and in the maximum credit amount (ranging from TD 53,000 to TD 83,000). These loan conditions put Al Jadid Savings schemes at or near money market rates, which means there is little or no subsidy inherent in either the interest rates or in the term of the loan. Also, they do not have maximum income requirements to qualify, nor is the amount of the downpayment set (presumably to encourage larger equity contributions by beneficiaries). Thus Al Jadid Savings can be considered a “liberal” housing loan system, one much more in tune with market realities. The downside is the fact that, based on the maximum credit amounts allowed, Al Jadid Savings are aimed only at the upper middle classes and above. For example, Al Jadid 1, the lowest scheme that allows a credit amount of TD 53,000, will only be affordable (at a price-to-income ratio of 5) by the ninth and tenth deciles of the urban household income distribution.

According to the BH Annual Report for 2009, direct housing loans released under FOPROLOS schemes amounted to TD 173.4 million in 2009, substantially up from TD 147.7 million in 2008.

Other housing loan schemes for new housing

It is understood, in addition to the main government loan schemes described above, that there are a number of other housing loan programmes. For example, various “social funds” such as CNRPS and CNSS have advanced members’ loans of TD 12,000 to build or purchase houses with interest rates of 8.25 per cent per year over 15 years. Also, government authorities and companies are known to provide their employees with

soft loans to build houses. Finally, it is said that some 20 commercial banks now offer housing mortgages under market terms that make them profitable for the banks.

7.3 FINANCE TO HOUSING PROVIDERS

There is an extensive State programme of pre-finance for residential property developers, which is managed by the BH. As described in Chapter 3, this financing system was part of the national housing strategy (1988) that saw the private sector as an important housing producer. The necessary enabling legislation for private developers was adopted in 1990.

Registered private developers can access loans under these programmes for the purchase of land, for servicing land, and/or for the construction of housing units. The BH can finance up to 80 per cent of the total cost of a project if the housing units are “social” units, and up to 70 per cent if they are “economic” or “high-standing” units. The annual interest rates charged for these loans vary as to the category of housing:

Social housing units:

Base Rate (currently 4.5%) plus 2%

Economic housing units:

Base Rate (currently 4.5%) plus 2.5%

High Standing housing units:

Base Rate (currently 4.5%) plus 3.5%

During the 2003-2006 period the BH financed a total of 17,817 housing units for a total cost of TD 683 million (at TD 38,000 per unit). Of this financing, public developers (e.g. SNIT, SPORLOS) were able to build 4,748 units and private developers 13,069 units. Also, there was a high concentration of financing of high standing housing units at 67 per cent of total financing. This would hardly seem to be a pro-poor way to manage limited financing resources!

It is understood that since 2006 the BH has continued to make advantageous loans available to private housing developers to finance construction. According to the BH 2009 Annual Report, loans amounting to TD 119.7 million were disbursed to private property developers.

It should be pointed out that standard housing loans to individuals, as described in Section 7.2 above, are available to finance house construction by these individuals as well as to purchase completed units. However, it is not known how extensive or popular this individual house construction finance is, nor what are the special terms and conditions.

7.4 HOUSING IMPROVEMENTS AND MICRO-FINANCE

National Fund for Home Improvement (FNAH, *Fonds National pour l'Amélioration de l'Habitat*) was created in 2004 to allow those in urban neighborhoods undergoing upgrading to have recourse to cheap loans for house maintenance and improvement. Only those living in these designated upgrading areas (usually under ARRUE programmes) are eligible for such loans. Conditions and the amounts available vary as to beneficiary household incomes, as shown in Table 7.2. In all FNAH schemes, the repayment period is five years.

Besides such geographic-specific programmes for housing improvements, are there any other systems in Tunisia? Even though micro-finance is well

established in Tunisia, it does not appear that any existing programmes are available that specifically offer micro-loans for house improvement.

Micro-credit began in Tunisia in 1990 with the Association ENDA Inter-Arab. The main primary financier of micro credit systems is the *Banque Tunisienne de Solidarité*, founded in 1999. This bank disburses loan funds to specialized local NGOs (*associations de micro-crédit*). Individual loans normally do not exceed TD 1,000 with a maturity of one to three years. Interest on these loans are very advantageous at below-market rates of 5 per cent per year, plus administrative charges. Micro loans are mainly aimed at setting up or expanding a micro enterprise, although they can also be used for "improving living conditions," which would seem to include home improvements.³

7.5 OVERALL ASSESSMENT

The mortgage-based housing finance system that Tunisia has built up over four decades is impressive in terms of its coverage and maturity, diversity of its products, and ability to innovate. It is probably one of the best of such systems among MENA countries. According to one article, which cites a report of the Tunisian Central Bank (BCT), currently an astounding 93 per cent of housing unit acquisition in Tunisia is financed through the country's banking system.⁴ However, there are still certain outstanding issues, especially concerning pro-poor policies and inclusion. Here, some of these are briefly discussed.

Funding sources

There are multiple sources of funds for housing finance in Tunisia. As seen above, some resources are mobilized through savings/loan schemes for housing finance. Also, the BH can issue stock and bonds to raise funds on capital markets. In addition, the housing loan funds for low-income housing are augmented by payments from the Solidarity Fund 26-26. However, it is understood that the largest

Table 7.2: FNAH schemes for housing maintenance and improvement

Beneficiary Income level	Loan Amount	Annual Interest Charged
Less than the lowest industrial minimum (monthly) wage (TD 280)	TD 1,000 to TD 2,000	0%
One to two times the lowest industrial minimum (monthly) wage	TD 2,000 to TD 3,000	2%
Two to three times the lowest industrial minimum (monthly) wage	TD 3,000 to TD 4,000	3.5%
Three to five times the lowest industrial minimum (monthly) wage	TD 5,000	5%

Source: El-Sheikh 2010, p. 25.

contribution to funding the various housing loan schemes is through annual central government budgetary allocations. Given the subsidy element inherent in most of the loan schemes for low income housing, it is inevitable that the State must replenish the various funds and in some cases directly finance loan schemes. Although information is not available about the annual burden of housing loan programmes on the central government's budget, it must be considerable.

Interest rates and subsidies

In most of Tunisia's housing loan programmes that aim at lower income families, advantageous conditions are mainly provided through setting the loan repayment interest rates lower than is prevalent on the market. Today market interest rates for secured loans are at least 7 per cent and in many cases exceed 8 per cent or even 9 per cent. Compare this to the FOPROLOS 1 loan interest rates at 2.5 per cent and 3.5 per cent and the FOPROLOS 2 loans at 4.5 per cent, and it is obvious that considerable subsidized financing is latent in the advantageous interest rates. However, it is difficult to calculate the real subsidy element on these loan packages, which makes budgeting subsidies difficult. In many countries a system of up-front cash subsidies earmarked for each unit or borrower operates. Under such a system budgeting subsidies are clear, as is the amount of subsidy inherent in different loan programmes.

Targeting

Targeting by all government-supported housing loan funds is based on individual or family income, i.e. through means testing. Applicants must state their total incomes and provide supporting documentation. Since many of the loan products have subsidy elements, the BH and other agents spend considerable efforts to verify and vet these applicants. It seems that vetting is successful in ensuring that clients can meet their instalment repayments, since overall BH's default rate is only 7 per cent of outstanding loans.⁵

For the lowest FOPROLOS scheme, self-targeting would seem to operate, although it is not known whether this is intentional. FOPROLOS 1 finances a family housing unit of 65m² (50m² for individuals), which many families might find too small and thus only those of very low income who are desperate for housing might apply.

It is understood that families seeking to buy land for house construction can obtain credit from government loan programmes as long as they qualify. If land plus building are combined together in the loan, credit for land purchase would seem reasonable.

THE MORTGAGE-BASED HOUSING FINANCE SYSTEM THAT TUNISIA HAS BUILT UP OVER FOUR DECADES IS IMPRESSIVE IN TERMS OF ITS COVERAGE AND MATURITY, DIVERSITY OF ITS PRODUCTS, AND ABILITY TO INNOVATE. HOWEVER, THERE ARE STILL CERTAIN OUTSTANDING ISSUES, ESPECIALLY CONCERNING PRO-POOR POLICIES AND INCLUSION."

But if it is possible to use this credit to seek land that a family could otherwise not afford, then there is a danger of further aggravating the already serious land scarcity issue.

Indebtedness

In 2007, according to the INS, 19 per cent of Tunisia's active population, rural as well as urban, is indebted to banks and other financial institutions. Of all credit extended by banks, some 25 per cent is for consumer credit and the rest is for real estate, mainly for housing. In 2007 outstanding housing credit was TD 3.5 billion. According to an article in *Tunisia Today*, real estate credits absorb an astounding 40 per cent of the income of the active population.⁶ This figure seems to be an exaggeration, but it underscores how indebtedness, mainly for housing, extends throughout Tunisian society. Given this fact, can the almost total reliance on mortgage-based financing continue to dominate the housing sector in Tunisia?

Exclusion of some groups

Virtually the whole housing finance system in Tunisia rests on the ability of clients to meet regular monthly instalment payments over many years. And many programmes are directly linked to employment and regular, guaranteed salaries. The system does not fit with the unemployed, the part-time employed, the self-employed, the petty merchant, or the casually-employed, which together constitute the majority of the urban labour force. Also, if someone has personal or religious aversions to incurring huge debts, he or she is automatically outside the system. And of course the illiterate and poorly educated may find

themselves uncomfortable dealing with housing finance requirements.

Equity considerations

Looking at the array of housing loan products available through government programs in Tunisia, it seems that, with one exception (FOPROLOS 1), the targets are for the most part the urban middle and upper middle classes. As shown in Chapter 4, a huge number of Tunisian families simply cannot now afford to meet the instalment payments required by housing loan schemes, and the future looks even bleaker. If a government-operated housing finance system cannot respond primarily to the needs of

lower-income families, than what is its purpose? Could not the private developer sector combined with private banks relieve government systems from financing housing for the middle classes?

Another equity issue relates to the government policy of supporting the private developer sector. There are a number of funding, tax, and land incentives given to private developers, but this has not resulted in much, if any, affordable housing. Why not give the same kind of incentives to the private individual who is, after all, by far the main producer of housing in Tunisia?

SECTION ENDNOTES

¹ Decree 1281 of 1871, *le droit aux francais d'avoir des proprietes immobiliers*, titre VI and especially Titre XI on mortgages. See Bompard 1988.

² El-Sheikh 2010, p. 22.

³ International Organisation for Migration 2008

⁴ Khelifi 2010.

⁵ Francophonie Org 2006

⁶ Ghediri 2008

INFRASTRUCTURE AND BASIC URBAN SERVICES

This chapter presents a basic review of the provision of infrastructure in the housing and residential neighbourhood context. It is limited to water, sanitation, solid waste, roads, surface drainage, and electricity. The nature of infrastructure supply and improvements in coverage of infrastructure networks over time form a major part of this section. We also examine the institutional and regulatory frameworks governing infrastructure provision, the main actors and service providers, and infrastructure finance and cost-recovery issues.

8.1 BASIC URBAN INFRASTRUCTURE PROVISION IN A NUTSHELL

Indicators of coverage and percentages of the population serviced by potable water, wastewater, and electricity networks show very impressive achievements in the last three decades, to the point that coverage in urban areas (*milieu communal*) is now nearly universal, and that coverage in rural areas (*milieu non-communal*) is already high and increasing at very rapid rates. These achievements are remarkable by any measure, and the coverage levels of these services exceed those of almost all other countries in the Middle East and North Africa Region.

The drive for improved infrastructure in Tunisia has come mainly from the central government. There are centralized public authorities responsible for each main utility system throughout the country. These authorities cover both rural and urban areas (except for ONAS, which covers only communes (municipalities)). Each utility authority has branch offices in each governorate/region, but investment planning and programming remain centralized. Relations between utilities agencies and local authorities (*collectivités locales*) vary depending on the type of utility. The main infrastructure authorities are as follows:

Infrastructure Sector	Authority	Responsible
Potable water	SONEDE	<i>Société Nationale d'Exploitation et de Distribution des Eaux</i>
Wastewater and sanitation	ONAS	<i>Office National de l'Assainissement</i>
Electricity	STEG	<i>Société Tunisienne de l'Electricité et le Gaz</i>
Roads	DGPC	<i>La Direction Generale des Ponts et Chaussées</i>
Storm drainage		<i>Local municipalities and ONAS</i>

It should be pointed out that, with very few exceptions, the Tunisian government has not tried to privatise aspects of its infrastructure services so far. Each of the State authorities is monolithic in management and financing, and each has its own corporate and human resource development plans. Also, each carries out research and energy-efficiency programs and studies. There have been some recent pilot attempts to outsource infrastructure elements (e.g. water treatment and power plants through BOT, Build-Operate-Transfer, arrangements), but these remain few and far between.

8.2 POTABLE WATER

Expansion of coverage of potable water systems

Expansion of coverage of potable water systems has been dramatic since the 1960s, and as a result Tunisia has now achieved near-universal coverage in potable water. By 2006 a full 98.5 per cent of households in the country were served by public water systems, and in urban areas this coverage was 99.4 per cent. Almost all of this was piped water to the domicile, but for the whole of Tunisia there were also a small fraction that

INDICATORS OF COVERAGE AND PERCENTAGES OF THE POPULATION SERVICED BY POTABLE WATER, WASTEWATER, AND ELECTRICITY NETWORKS SHOW VERY IMPRESSIVE ACHIEVEMENTS IN THE LAST THREE DECADES, TO THE POINT THAT COVERAGE IN URBAN AREAS IS NOW NEARLY UNIVERSAL, AND THAT COVERAGE IN RURAL AREAS IS ALREADY HIGH AND INCREASING AT VERY RAPID RATES.

relied on public standpipes (roughly 8 per cent) or private providers (roughly 6 per cent).¹

Even though these average national figures shown above are very impressive, the geographical extent of water services coverage in Tunisia is slightly unbalanced. The following table shows the percentages of households connected to SONADE and DGGR water systems over 1994-2010.

As can be seen, the coverage is presently very good in every region, mainly due to improvements in system extensions in the North West and the Central West Regions since 1994. The North West Region is still lagging somewhat, at “only” 93 per cent coverage in 2010.

Institutional set-up

Responsibility for water supply systems in urban areas and large rural centres is assigned to the National Water Supply Authority (SONEDE, *Société Nationale d'Exploitation et de Distribution des Eaux*), a central water supply authority that is an autonomous public enterprise under the Ministry of Agriculture, Environment, and Hydraulic Resources (MAERH). Planning, design, and supervision of small and medium water supplies and irrigation works in the remaining rural areas are the responsibility of the General Directorate for Rural Engineering (DGGR, *Direction Générale du Génie Rural*). Management of investment planning and implementation of projects are conducted by the Regional Agricultural Development Commissions (CRDAs, *Commissariats Régionaux au Développement Agricole*).

The water sector in Tunisia has so far only seen very limited private participation. Despite a 1999 study on contracting and outsourcing, very few activities have been contracted out (security and cleaning, for example). However, the government envisages financing a desalination plant planned for Jerba through a BOT (Build-Operate-Transfer) arrangement.

Table 8.1: Percentages of Households Connected to Drinking Water Systems by Geographic Region for Selected Years, both Urban and Rural Areas

Region	1994	2004	2010 (provisional results)
Capital Region (governorates of Tunis, Ariana, Ben Arous, and Manouba)	98.1%	99.7%	99.9%
North East Region (governorates of Nabeul, Zaghouan, and Bizerte)	86.1%	95.5%	97.6%
North West Region (governorates of Beja, Jendouba, Le Kef, and Siliana)	64.9%	84.4%	93.1%
Central East Region (governorates of Sousse, Monastir, Mahdia, and Sfax)	87.6%	98.3%	99.2%
Central West Region (governorates of Kairouan, Kasserine, Sidi Bouzid)	74.8%	90.3%	97.3%
South East Region (governorates of Gabes, Medenine, and Tataouine)	85.2%	99.2%	99.8%
South West Region (governorates of Gafsa, Tozeur, and Kebili)	93.9%	98.5%	99.9%
National Total	84.7%	95.6%	98.3%

Source: Institut National de la Statistique, 2009, *Rapport annuel sur les indicateurs d'infrastructure*, p. 5.



Figure 8.1 Old and new water purification plants

Source: SONEDE facebook page, 2009

<http://www.facebook.com/group.php?gid=216936249223#!/photo.php?fbid=1324348107824&set=o.216936249223&type=1&theater>, accessed 30 March 2011.



Figure 8.2 Tunis in Ottoman times, old water standpipe system

Source: SONEDE facebook page, 2009 <http://www.facebook.com/group.php?gid=216936249223#!/photo.php?fbid=1324348107824&set=o.216936249223&type=1&theater>, accessed 30 March 2011.

Water Conservation and drinking water quality

Tunisia has evolved national water conservation and consumption strategies. As a semi-arid to arid country, it has had to deal with a relatively small amount of surface and groundwater, and in addition has had to cope with increasing drought in the last decade. Tunisia has developed and adopted numerous laws and plans regarding its water resources, starting with drawing up Water Master Plans in the 1970s and early 1980s.

Urban Tunisia enjoys good drinking water quality throughout the year in all locales. The quality of the water supplied by SONEDE and others in rural areas varies according to local conditions. SONEDE and the Ministry of Health monitor drinking water quality for its bacteriological and chemical quality, from production to distribution.

In 1996, a full 86 per cent of water withdrawals were allocated to the agricultural sector. In addition, the water sector also must meet the increasing water

demands from all urban and rural inhabitants, plus tourism and industrial needs. Through management and resource development, Tunisia's available water resources increased by 80 per cent between 1990 and 2010. This was mainly done by improving water saving measures, rationalizing water use, and developing unconventional resources, including the use of treated sewage water.

SONADE has a very low rate of water losses. Non-revenue water represented only 18.2 per cent of total water production in 2004.

Tariffs and Cost Recovery

Tariff changes are proposed by SONEDE and are ultimately approved by the government (Ministry of Agriculture, Environment and Hydraulic Resources, and the Ministry of Finance), which has on occasions refused requests for tariff adjustments.

Pricing for drinking water in Tunisia is similar to other countries in MENA region. There is a fixed fee

Table 8.2: Drinking Water Consumption Tariffs for 2001

Consumption level in m ³ for a three month period	Tariff in TD per m ³ of water consumed per three months
0-20 m ³	0.135
21-40 m ³	0.215
41-70 m ³	0.43
71-150 m ³	0.65
Over 150 m ³	0.79

Source: Wikipedia, 2011.

Table 8.3: ONAS Service Indicators, 1975-2009

Indicator	1975	1981	1991	2001	2009
Linear extent of wastewater network	900 km	1,450 km	4,683 km	10,206 km	14,503 km
Number of wastewater treatment plants	5	18	26	61	99
Number of communes (municipalities) served	23	30	70	144	160
Number of subscribers (connections)	122,000	159,000	456,000	993,000	1,502,000
The rate of connection to sewerage networks (percentage of urban population)	45%	49%	73%	82%	89%

Source: ONAS Webpage 2011.

Table 8.4: Evolution of ONAS Services and Coverage 1997-2009

Indicator	1997	2003	2005	2006	2008	2009
Number of communes covered	117	146	155	155	157	160
No. of inhabitants in communes covered	4.7 million	5.5 million	5.8 million	5.9 million	6.1 million	6.2 million
No. of inhabitants connected to network	3.7 million	4.6 million	5 million	5.1 million	5.3 million	5.5 million
Coverage rate in communes covered	78%	84%	86%	86.6%	87.6%	88.7%
Number of subscribers	0.7 million	1.1 million	1.3 million	1.3 million	1.4 million	1.5 million
Linear length of networks (km)	7,700	11,415	12,711	13,514	14,147	14,503
Number of treatment plants	52	70	83	95	100	106
Volume of water consumed by subscribers (million m ³)	152	193	219	227	250	256
Volume of water treated (million m ³)	123	188	201	216	230	238

Source: ONAS Webpage 2011.

and a proportional fee depending on household water consumption. In 2001 proportional water tariffs were as shown in Table 8.2.

SONEDE covers its operation and maintenance costs (and a small fraction of the investment costs) with its tariffs. The price of drinking water in Tunisia is uniform throughout the country, but the tariffs are progressive according to consumption, both to encourage water conservation and also to reduce the payment burden on very poor, low water consumption families.

8.3 WASTEWATER

In Tunisia the National Office for Sanitary Drainage (ONAS) is responsible for sanitation in cities, industrial, and tourist zones. It has achieved impressive success in extending coverage, both in terms of house connections, networks, and treatment plants over the last two decades. This section looks at the wastewater sector in Tunisia in terms of population coverage, wastewater treatment, institutional setup, cost recovery and tariffs, and programmed investments.

Expansion of Coverage of Wastewater Systems

The success of ONAS in extending wastewater collection services throughout urban areas of Tunisia

is quite impressive since 1975, as the figures in Table 8.3 show.

These statistics speak for themselves, telling a story of dramatic expansion of wastewater services to urban areas, especially in the 1980s and 1990s. The following table shows the evolution of wastewater services in Tunisia between 1997 and 2009 in greater detail:

Even though average national figures, as shown above, are quite impressive, the geographical extent of wastewater services coverage in Tunisia is somewhat unbalanced. Table 8.5 shows the percentages of households connected to ONAS sanitation systems by geographic region for selected years. As can be seen, whereas improved coverage in wastewater services was impressive in all urban areas of Tunisia over the 1994–2010 period, some regions continued to lag behind others. As of 2010 it could be said that the country was divided into three levels; the highest, with over 90 per cent coverage, was found in the Capital, Northeast and Northwest regions, the middle level was found in the Central East, Central West, and Southwest regions with 69 per cent to 80 per cent coverage, and the lowest level was found in the Southeast Region with only 52 per cent coverage.

Wastewater Networks and Treatment

As of 2006 there were 83 wastewater treatment plants in full operation with 9,650 linear km of networks collecting 178 million cubic metres of wastewater

per month. The largest wastewater treatment plant is situated in Choutrana, with a daily capacity of 120,000 m³. More treatment plants are under construction, under expansion, or planned.

In addition to its wastewater collection and treatment, ONAS has begun to study and implement the re-use of treated effluent. Currently, over 7,000 hectares planted primarily with orchards and livestock feed use treated water for irrigation, in consistency with national law.

ONAS has also begun a new initiative called its “spinoff program” (*programme d’essaimage*), which aims to encourage ONAS professional cadres and unemployed young diploma holders to create small and medium size enterprises associated with the sanitation sector. So far some 46 enterprises have been set up providing jobs for 279 persons.

Institutional Set Up

ONAS was established in 1974. Its main mandate is as follows:

- Combating water pollution;
- Planning and implementing sanitation sector programs and integrated wastewater treatment & storm water disposal projects;
- Construction, operation and maintenance of facilities intended for the sanitation of towns (*communes*) assigned to ONAS by decree;

Table 8.5: Percentages of Households Connected to ONAS Sanitation Systems by Geographic Region for Selected Years

Region	1994	2004	2010 (provisional results)
Capital Region (governorates of Tunis, Ariana, Ben Arous, and Manouba)	76.2%	91.7%	94.7%
North East Region (governorates of Nabeul, Zaghouan, and Bizerte)	71.9%	85%	92.6%
North West Region (governorates of Beja, Jendouba, Le Kef, and Siliana)	76.4%	88.6%	92.8%
Central East Region (governorates of Sousse, Monastir, Mahdia, and Sfax)	48.5%	72.7%	80.7%
Central West Region (governorates of Kairouan, Kasserine, Sidi Bouzid)	52.2%	71.3%	78.9%
South East Region (governorates of Gabes, Medenine, and Tataouine)	21.2%	41.9%	51.9%
South West Region (governorates of Gafsa, Tozeur, and Kebili)	33.5%	59.1%	69.3%
National Total	59.9%	78.3%	84.6%

Source: Institut National des Statistiques 2009, p. 19.

WITH VERY FEW EXCEPTIONS, THE TUNISIAN GOVERNMENT HAS NOT TRIED TO PRIVATISE ASPECTS OF ITS INFRASTRUCTURE SERVICES SO FAR. EACH OF THE STATE AUTHORITIES IS MONOLITHIC IN MANAGEMENT AND FINANCING, AND EACH HAS ITS OWN CORPORATE AND HUMAN RESOURCE DEVELOPMENT PLANS.

- Sale and distribution of sub-products such as treated wastewater and sludge.

It should be noted that the Directorate of Rural Engineering is responsible for sanitation in rural zones not covered by ONAS.

The mandate of ONAS also includes protection of the environment. Since 1993 ONAS's mandate was expanded to include acting as the main protector of water bodies and combating their pollution.

In 2002, ONAS had 5,500 employees, 4,000 permanent staff and 1,500 temporary or seasonal.

The performance of ONAS has been very good when compared to other countries in the region, but its effectiveness could be improved given the high ratio of employees per connection. Another issue is cost recovery (explained below) that does not cover all operating costs and almost no investment costs.

Tariffs

ONAS applies nationwide tariffs for its wastewater services based on the amount of water a subscriber consumes. These sanitation fees are invoiced and collected by the national water company SONEDE along with water consumption charges, then handed-over to ONAS.

The tariff structure of ONAS is progressive, depending on the amount of water a residential subscriber consumes. As of March 2011 monthly charges were as follows:

10 m ³ per month	TD 1.48	(TD 0.148 per m ³)
25 m ³ per month	TD 2.72	(TD 0.109 per m ³)

50 m ³ per month	TD 15.15	(TD 0.303 per m ³)
100 m ³ per month	TD 37.8	(TD 0.378 per m ³)
200 m ³ per month	TD 85.12	(TD 0.426 per m ³)

(Source: ONAS Website 2011.)

As can be seen, rates for low domestic water consumption are quite reasonable and affordable (a family of four consuming an average 100 litres/day/person would consume 12 m³ per month). Rates per m³ rise rapidly for larger consumers.

Financing, Cost Recovery, and Investments

The financing of capital investments for the wastewater sector relies on the State budget and on loans and grants. For example, in 2009, of a total investment package of TD 108 million by ONAS, 35 per cent came from the State budget and 65 per cent came from grants and loans.

Financing of ONAS's recurrent or operating costs comes from a combination of tariff charges, revenues from other services, and State subsidies. For example, in 2009 ONAS's total operating budget was TD 197.3 million, of which 54 per cent came from tariff charges, 36 per cent came from State subsidies, and 10 per cent came from revenues for other services.

It is clear from these figures that cost recovery for wastewater services remains an issue. Only some 65 per cent of operating costs are recovered and almost none of the investment costs are recovered.

The volume of annual investments in the wastewater sector rose steadily from TD 54 million in 1997 to a peak of TD 120 million in 2004. In the 2005-2008 period annual investments averaged TD 90 million.

The XXIIInd National Economic and Social Development Strategy (2010-2014) calls for total investments in the wastewater sector to be TD 815 million (or TD 163 million per year). These will finance further system expansion and new treatment plants as well as the following projects (some of which are ongoing):

- Small and medium town sanitation projects (6 towns)
- Fourth low-income neighborhoods sanitation projects (128 neighborhoods completed and 4 neighborhoods ongoing)
- El Attar 1 Wastewater Treatment Plant Construction
- Sousse, Kairouan, and Nefsa Sanitation projects



Figure 8.3 New sewerage main under construction

Source: ONAS "akhbar el tathir" No. 14, page 5. December 2010.

- Rural sanitation project
- Programme of rehabilitation and extension of wastewater networks and ONAS capacity building
- Study of Updating the Greater Tunis Sanitation Master Plan

8.4 ROADS AND SURFACE DRAINAGE

Main roads and highways in Tunisia are the responsibility of the *Direction Générale des Ponts et Chaussées* (DGPC), under the *Ministère du Transport et de l'Équipement*. It constructs, improves, and maintains a hierarchy of roads throughout the country. The lowest roads for which it is responsible are sub-regional roads that may pass through urban areas.

Below this, at the level of urban distributor and local access roads, communal councils (municipalities) are responsible for paving and maintenance of road and sidewalk surfaces. They are also responsible for the surface/storm-drainage of these roads.

The capacity of a particular municipality to cover all of its road and drainage responsibilities varies from one municipality to another, depending on financial and technical resources. Often the DGPC branch in a particular governorate is called in to execute these local road improvements. Similarly, ONAS may be called in to support surface water system improvements.

There are no mechanisms for cost recovery from users of urban roads.

8.5 ELECTRICITY AND NATURAL GAS

Over the last twenty-five years the public sector utility company, *Société Tunisienne de l'Électricité et du Gaz* (STEG), has achieved near-universal coverage



Figure 8.4 Installation of collector sewers

Source: ONAS "akhbar el tathir" No. 14, page 8. December 2010.

in electrical power in both urban and rural areas. As of 2009 the percentage of Tunisian households connected to the electrical grid stood at 95.5 per cent. This includes urban and rural areas and means that in 2009 only about 110,000 households were not served by the electrical grid in the whole country, and these households were found almost exclusively in remote rural areas. In 2009 STEG had a total of 3.04 million clients served by its low-tension network (mostly residential).

Earlier achievements were concentrated in urban areas (*milieu communal*), and by 1994 practically all urban households were connected (98.3 per cent). This figure rose to 99.7 per cent for urban areas by 2009.

On the other hand, in 1994 coverage in rural areas of the country (*milieu non-communal*) was only 66.3 per cent of households, with some areas seriously under-served. For example, in 1994 rural areas of the Governorate of Kasserine registered only 37.9 per cent



Figure 8.5 Back alley in older informal area of Hay Sidi Mansour, Sfax

Source: L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajriba al tunisia fi majal al had min al iskan al fowdaoui* » (The Tunisian Experience in Limiting Random Housing), power point presentation, June 2010.

coverage, and rural Kairouan registered only 45.8 per cent coverage. Improvements to electricity services in all rural areas were impressive in the 1994-2009 period, and now 98.8 per cent of all rural households are connected. In all governorates the rate is above 96 per cent. The evolution of the rate of household coverage (both urban and rural) in the 1994-2010 period by region is depicted in Table 8.6.

The reliability of electrical power is very good in Tunisia, and electrical capacities are sufficient to cover peak loads. For example, in 2009 STEG had a total installed generation capacity of 2,975 megawatts (independent producers added another 480 megawatts). This compares favourably with average peak daily demand (2,660 megawatts at 14:00 hours).

STEG also supplies natural gas to households through an extensive distribution network of 9,558 kilometres in 2009. However, the coverage rates are considerably lower than that for electricity. In 2004 it was reported that nationally only 11.9 per cent of households were served with piped natural gas, with the highest coverage rates in the governorates of the capital region (e.g 34.7 per cent coverage in Ben Arous Governorate, 30.6 per cent in Tunis Governorate, and 27.9 per cent in Manouba Governorate).² STEG has recently been making great efforts to expand the natural gas network. For example, in 2009 there were 467,100 low pressure clients (mainly households), up

from 332,900 clients in 2007, representing an annual increase of almost 20 per cent.³

STEG is a government enterprise wholly owned by the State. Its responsibility includes all aspects of electrical power (production, transmission, and distribution) and all aspects of natural gas (production, transmission, export, and distribution). It is overseen by a board of directors and managed by a *Direction Générale*, under which exist 13 directorates. Six technical units directly support the *Direction Générale*. In 2009 STEG had a total of 9,313 active employees, of which 2,366 were at management (cadre) level.

Financially, STEG is a growing concern, with revenues usually equal to expenditures. According to page 60 of STEG's 2009 Annual Report, total revenues were TD 2,160 million versus expenditures of TD 2,604 (including financing charges). The shortfall was made up from a State subsidy of TD 560 million, which allowed a net operating profit of TD 17.9 million out of which TD 9 million were paid in taxes.

8.6 INTEGRATED INFRASTRUCTURE PROVISION IN PARTICULAR AREAS

Although each national utility enterprise operates strictly sectorally, there have been a number of government programs that target specific urban areas with upgrading and rehabilitation projects,

Table 8.6: Percentages of Households Connected to STEG Electrical Network by Geographic Region for Selected Years

Region	1994	2004	2010 (provisional results)
Capital Region (governorates of Tunis, Ariana, Ben Arous, and Manouba)	98.1%	99.6%	99.77%
North East Region (governorates of Nabeul, Zaghouan, and Bizerte)	87%	98.8%	99.4%
North West Region (governorates of Beja, Jendouba, Le Kef, and Siliana)	77.9%	97.7%	99.1%
Central East Region (governorates of Sousse, Monastir, Mahdia, and Sfax)	93.3%	99.5%	99.7%
Central West Region (governorates of Kairouan, Kasserine, Sidi Bouzid)	61.3%	98.4%	99.2%
South East Region (governorates of Gabes, Medenine, and Tataouine)	90.4%	98.4%	99.4%
South West Region (governorates of Gafsa, Tozeur, and Kebili)	92.7%	99%	99.5%
National Total	86.8%	99%	99.5%

Source: Institut National des Statistiques 2009, p. 25.



Figure 8.6 Overhead medium and low tension power distribution in informal area

Photo © Tarek El-Sheikh

including basic infrastructure. These efforts, most of which could be called slum-upgrading projects, are briefly described in Box 2.2. Since 1981 such urban development projects have been managed by the national *Agence de Réhabilitation et de Rénovation*

Urbaine (ARRU), under a system whereby local authorities (*collectivités locales*) delegate to or share responsibilities with ARRU. The package of improvements generally include water, power, wastewater, and road infrastructure (in partnership with SONEDE, STEG, ONAS and municipalities), but also house rehabilitation, new social housing where necessary, and the provision of lacking health, education, youth, and cultural services.

8.7 EXTERNAL ASSISTANCE IN URBAN INFRASTRUCTURE IN TUNISIA

Foreign multilateral and bilateral donors have been involved extensively in supporting urban infrastructure in Tunisia for decades. The World Bank, KfW, the African Development Bank, the European Investment Bank, and AFD have all been financiers or co-financers of water and wastewater improvement and rehabilitation projects in the last decade. For an overview of donor involvement in Tunisia's housing and urban development sectors, see Chapter 2.

SECTION ENDNOTES

¹ AUGT 2008(c), p. 25.

² El-Sheikh 2010, p. 26

³ STEG 2009, p. 36.

CONSTRUCTION INDUSTRY AND BUILDING MATERIALS

Building materials and the construction industry are obviously crucial components of any housing sector. This chapter investigates the state of these components in Tunisia and assesses whether they represent constraints to affordable housing production and whether improvements could be made. In particular, focus will be put on the basic building materials used in housing construction and the main actors in housing construction, following the discussion of housing typologies developed in Chapter 5.

9.1 THE CONSTRUCTION SECTOR IN A NUTSHELL

Tunisia has a well-developed construction industry, which represents about 7 per cent of national Gross Domestic Product and generates about 300,000 job opportunities (some 13.5 per cent of the country's labour force). The country produces almost all of the basic building materials used in housing construction and even has export capacities. The building materials industry is quite modern and capital-intensive, and due to Tunisia's location and history there are close trading and investment relations with European countries (in particular France and Italy) and their building materials industries. It should be noted that overall there are currently some 700 firms producing building materials in Tunisia. Of these 19 are 100 per cent foreign-owned and another 60 include foreign capital.¹

Housing construction is almost exclusively carried out by Tunisian contractors and Tunisian expertise and labour. There are hundreds of small and medium-sized licensed contractors, and the activities of foreign construction firms in Tunisia are mainly limited to large and sophisticated construction projects. There are also an unknown but large number of informal builders and others self-employed in building trades, none of which are licensed.

THE BUILDING MATERIALS INDUSTRY IS QUITE MODERN AND CAPITAL-INTENSIVE, AND DUE TO TUNISIA'S LOCATION AND HISTORY THERE ARE CLOSE TRADING AND INVESTMENT RELATIONS WITH EUROPEAN COUNTRIES... AND THEIR BUILDING MATERIALS INDUSTRIES.

The construction and building materials industries in Tunisia have developed consistently since the 1960s, registering an impressive increase in building materials production and in the production of housing. Housing construction has grown out of a well-established traditional base, in terms of skills, use of local materials, and styles and aesthetics.

In addition to housing, the Tunisian construction industry also has significant capacities to carry out institutional, commercial, and industrial projects. In particular, it has a growing market in the important tourism industry.

In the last decade Tunisia has begun a love affair with large, integrated real estate projects funded mainly with foreign capital, most of which are aimed at the high-end residential and leisure property markets. These projects are demanding levels of sophistication in building materials, construction techniques, and management that are not always found within the country.

Costs of basic materials as well as costs of construction have been rising significantly in the first decade of the 21st century. However, these rising costs are not

as dramatic as other cost increases, in particular the prices of serviced urban land.

9.2 INSTITUTIONAL AND REGULATORY FRAMEWORKS GOVERNING THE CONSTRUCTION SECTOR

The production of building materials and their performance standards are regulated by licenses issued to manufacturing firms by the Ministry of Industry, as well as by environmental codes. It is understood that this licensing covers all major producers of building materials but that small scale informal producers (especially for cement block and concrete elements) are not covered.

Tunisia has a well developed building permit regime, based on a series of laws and decrees, and it is frequently up-dated.² This building permit regime is enforced in all urban (*communal*) areas and is quite bureaucratic. In each municipality a Construction Licensing Commission is responsible for reviewing and approving all building permit requests. This commission includes the head of the buildings department, deputy head of the buildings department, chief engineer, representative of the Ministry of Housing and Equipment, representative from the Ministry of development, and representatives from each of the main utility companies (STEG, ONAS, and SONEDE). If the building commission finds minor issues with the designs, it will correct the plans accordingly and issue the building permit on a conditional basis. The permit applicant will be granted the building permit as long as the suggested changes to the plans are accepted and carried out. The building permit is valid for three years and can be renewed upon payment of a fee. The construction license file must include the following: (1) an application, (2) architectural plans approved by an architect and consistent with local building code requirements and land development regulations, (3) a file on safety concerns approved by an engineer registered with the Tunisian Association of Engineers, (4) proof of property rights, (5) a tax discharge document, (6) a topographical survey prepared by the qualified topographic services or an approved topographer, (7) work design documents (*dossier de coffrage*). Once license documents are approved by the Construction Licensing Commission, the applicant must submit structural design documents signed by an engineer registered with the Tunisian Association of Engineers, and a decree of alignment delivered by the Ministry of Housing and Equipment if the building is located on a classified road or an urban avenue. After 21 days, and in the absence of a response from the municipal

authority, the construction license is automatically granted. However municipal services reserve the right of demolition if the construction takes place without authorization. Following a Ministry of Housing and Equipment decree issued in April 2007, it is required that the architect responsible for the building works must be present to submit the application, and also that a *fiche technique* signed and stamped by an architect registered with the *Ordre des Architectes de Tunisie* accompany all building permit applications.

Such a building permit process is lengthy and costly. It would seem difficult for owner-builders, which represent Tunisia's main mode of housing production as explained in Chapter 3, to comply with all of the provisions of this process. This is particularly true of owner-builders of modest means. And due to two of the stipulations of the process—proof of land title and compliance with local building codes and land development regulations—it appears that informal housing construction in peri-urban areas is *de facto* illegal.

The regulatory framework for real estate developers and entrepreneurs is quite evolved. Law no. 90-17 is the basic legislation governing real estate developers, modified by Law 91-76, Law 91-98, and 00-94. Decree 91-1330 deals with the approval of *cahier des charges* of developers, and Decree 90-2165 governs the operations of the consultative commission dealing with real estate developers.

There are a host of other laws and decrees regulating building activities, building contractors, and engineering/architectural professions.

9.3 CONSTRUCTION INDUSTRY ACTORS

There are an estimated 800 registered construction firms in the country, most of which are small to medium sized and concentrate on smaller housing projects or act as sub-contractors in large projects. Only a handful of construction firms offer sophisticated services in all aspects of construction and their clients tend to be private developers or large institutions, including government agencies. Construction firms are mainly general building contractors, although there are also firms that specialize in particular services such as concrete, infrastructure, foundations, etc. In addition, there are an unknown number of informal builders who provide services to the country's huge housing owner-builder sector.

All construction contractors must be licensed through the Ministry of Transport and Equipment, General Directorate for Civilian Builders, Directorate



Figure 9.1 Example of construction in SNIT housing project, Sidi Hussain, Tunis
Photo © Tarek El-Sheikh

of Programmes and Licenses. These licenses are normally valid for five years and must be renewed. As of February 2011 there were 48 different categories of contractor listed by the Ministry. Categories included general contractors, building contractors, specialist building contractors, roads contractors, topographical survey contractors, etc. Some contracting companies were listed under more than one category.³

In addition to construction firms, the industry is supported by a considerable number of engineering and architectural firms as well as firms that offer construction management services.

Box 9.1: The Tunisian Association of Urban Planners

The Tunisian Association of Urban Planners (ATU, Association Tunisienne des Urbanistes) was created in 1981. The Association aims to promote urbanism and urban studies, fostering urban research, mobilizing urban stakeholders to improve the urban environment, and contributing to the training of urban planners. Its mission is to support urban planners who work in the public arena (compared to architects, who mostly work for private interests). Another objective is to enhance links between Tunisian urban planners and urban planners in foreign countries. The Association has participated in creating a training institute dedicated to environmental, urban, and building technologies. The ATU supports the certification process that is specific to the profession. The ATU organizes workshops and participated in drawing up the Development Strategy for the city of Tunis. It also organized an international symposium on Tunisian cities.

Source: CMI Marseilles Website 2010.



Figure 9.2 Example of very narrow frontage informal housing under construction

Source: L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajriba al tunisia fi majal al had min al iskan al fowdaoui* » (The Tunisian Experience in Limiting Random Housing), power point presentation, June 2010.

There are a number of active associations and unions in Tunisia for professionals and technical firms associated with the construction industry. These include:

- *Ordre des Ingénieurs Tunisiens* (Tunisian Association of Engineers)
- *Ordre des Architectes de Tunisie* (Tunisian Association of Architects).
- *Association Nationale des Bureaux d'Etude et Ingénieurs Conseils* (National Association of Engineering Consulting Firms)
- *Fédération Nationale des Entrepreneurs de Bâtiment et des Travaux Publics* (National Federation of Developers)
- *Chambre Nationale des Bureaux de Contrôle Technique pour le Batiment et Travaux Publics* (National Chambre of Technical Bureaux for Construction and Public Works)
- *Association Nationale des Ingénieurs Géomètres Experts Tunisiens* (National Association of Topographical Engineers and Tunisian Experts)
- *Association Tunisienne des Urbanistes* (ATU, the Tunisian Association of Urban Planners)

This last association includes a training institute dedicated to urban and building technologies. (See Box 9.1)

9.4 BUILDING MATERIALS: TRADITIONAL AND INDUSTRIALIZED PRODUCTION AND COSTS

Traditional building materials in Tunisia, used up to the Twentieth Century, were fired-brick, lime, sand, stone (in some areas) for masonry walls, and wood beams and tile for roofing. Mud brick was used for walls in rural areas, although mainly in remote and poorer settlements. In urban areas stone or brick walls and shallow tile vaults were used for the first floor of substantial buildings, with upper floors roofed with wood beams. Tunisia has had a long tradition of decorative ceramic tiles for wall cladding, most famously in the Cap Bon area.

Today the array of building materials used in basic housing construction can be summarized as follows:

Rural areas (normally for single-storey construction):

- Foundations: rubble stone and lime or cement mortar
- Walls: fired-brick or stone with cement mortar, and lime or cement plaster
- Roofing: wood beams, wood slats and mud or shallow tile vaults (special extruded tiles being used)

Urban and peri-urban areas (normally for ground plus one or two floor construction):

- Foundations: rubble stone and lime or cement mortar, or concrete footing and reinforced concrete (RC) ground beams
- Walls: RC frame with fired-brick infill using cement mortar, and lime or cement or gypsum plaster or ceramic tiles
- Floors and Roofing: concrete slabs or shallow tile vaults (with special extruded tiles)

As illustrated, there is a very broad dependence on *cement*, *fired-brick*, and *steel reinforcing bar* (and, of course, on sand, aggregate, lime, ceramics, glass, and gypsum). The production of these three main materials is described in the following paragraphs. It should be noted that energy consumption in the production of all three of these materials is high.

Cement

Tunisia is currently more than self-sufficient in Ordinary Portland Cement production, and over the last two decades its production capacity has increased steadily to keep up with rising demand. For example,

over the 2004-2008 period cement production increased from 6.36 million tonnes to 7.24 million tonnes, representing an annual increase of 3.5 per cent. Over the same period cement exports jumped from 978,000 tonnes in 2004 to 1.67 million tonnes in 2008, an increase of 70 per cent. The 11th Plan calls for national production to increase to 12.8 million tonnes by 2012, including new clinker production.

Ordinary Portland Cement is produced in six large-capacity factories, the first of which was built in 1936. The government privatized four of its six cement plants in 1998, and from 2004 to 2006 it sold its main gypsum plaster plant (*Les Plâtres Tunisiens*) and its main lime plant (*Société Tunisienne de Chaux*) to foreign interests.⁴

White cement is produced by SOTACIB, a joint venture between the Algerian and Tunisian governments. The national production of white cement exceeds consumption and a significant amount is exported. The same can be said for gypsum plaster.

The cement market is evolving, and a number of new firms have started to produce ready-to-use concrete. Also, Tunisian firms produce cement and steel elements for the construction industry, mainly in the form of pre-cast and pre-stressed beams and fixtures.



Figure 9.3 Detail of typical informal construction materials, Al Zohor Area

Photo © Tarek El-Sheikh



Figure 9.4 Detail of use of extruded brick and RC-frame in informal housing

Source: L'Agence de Réhabilitation et de Rénovation Urbaine (ARRU), « *al tajriba al tunisia fi majal al had min al iskan al fowdaoui* » (The Tunisian Experience in Limiting Random Housing), power point presentation, June 2010.

Prices of Ordinary Portland Cement have been increasing faster than general internal inflation in Tunisia. In 2004 the average factory-gate price for a tonne of Ordinary Portland Cement was TD 54.08, and this had risen to TD 76.71 in 2008, an increase of 42 per cent in just four years. The price index for cement, lime, and plaster increased by 50.3 per cent between 2000 and 2008, compared to a nation-wide price index increase of only 28.8 per cent.⁵ This is cause for alarm, since Ordinary Portland Cement is such an important component of Tunisian housing production, especially for low-cost housing.

Fired-brick

Today in Tunisia fired-brick is extensively used in housing construction at all levels, from modest self-built house extensions to infill walls in sophisticated reinforced concrete frame construction. The most popular type of fired brick is the hollow extruded brick block, which weighs little, is relatively cheap, and maintains fair insulating properties. Producing this type of brick requires relatively capital-intensive equipment and large-volume production. It is not amenable to low-volume, labour-intensive backyard firing. As of 2010 there were reported to be 56 brick factories in Tunisia. The brick industry in Tunisia is said to be expanding in step with demand. For example, production increased from 2,430 thousand bricks in 1990 to 3,770 thousand bricks in 1996, an increase of 55 per cent in six years.⁶

According to the *Annuaire Statistique de la Tunisie 2008*, the average sales price of “brick and tile” increased by 212 per cent from 2000 to 2008. Such a rate of increase was very high, much greater than the general price index over the same period (which increased by only 28.8 per cent).⁷



Figure 9.5 Example of RC concrete frame and extruded brick infill in social housing construction

Photo © Tarek El-Sheikh

Steel reinforcing bar

As with cement, the production of steel reinforcing bar in Tunisia is capital and energy intensive and is carried out in a limited number of factories. But unlike cement, local production of re-bar does not meet internal demand.

The State-owned *Société Tunisienne de Sidérurgie – El Fouladh* is the country's main steel producing plant. Its production of steel billets doubled in 2009, and it now has a capacity of 200,000 tonnes annually. In 2009 El Fouladh produced 98,000 tonnes of re-bar, and in addition it imported a similar amount of re-bar for local distribution. Besides El Fouladh, there are a number of smaller privately owned mills in Tunisia which manufacture re-bar from imported billets.⁸

According to the *Annuaire Statistique de la Tunisie 2008*, the factory-gate price of a tonne of reinforcing bar increased from TD 586 in 2004 to TD 1,179 in 2008, which represents a doubling in just four years. Although longer term price trend data is not available for re-bar, the huge jump in price from 2004 to 2008 should be a cause for worry as it suggests stiffly rising costs of an essential component in even modest housing production (the overall average price of steel products in Tunisia increased by 217 per cent from 2000 to 2008, representing an annual increase of 8 per cent).⁹

9.5 CONSTRUCTION SKILLS AND CAPACITY NEEDS ASSESSMENT

Construction skills in the formal construction industry are said to be good and evolving due to the relative sophistication of the industry and a partial integration with European markets. Basic skills

development takes place largely within firms, mainly through on-the-job training. Training and capacity building services are also offered by the various building trades and professional associations.

It is understood that the traditional system of apprenticeship still operates among the small and informal builder sub-sector.

Although the skill level within Tunisia's formal construction sector is adequate, the recent appearance of large, trans-national real estate projects has created demand for highly-specialized construction expertise and management, which cannot be easily met from the domestic labour market. However, these constraints are only felt in luxury housing schemes and do not affect affordable housing markets.

9.6 ENERGY COSTS AND EFFICIENCY IN HOUSING CONSTRUCTION

As has been described above, the main building materials used in construction in Tunisia, and in particular those used for basic housing production (cement, reinforcing bar, and brick), all have high energy inputs. The costs of these materials have also been rising in the last decade at rates that are two to three times that of general price inflation. In addition, construction processes themselves can be energy consuming, and building design in Tunisia has, until now, put little value on thermal insulation, orientation, and other energy-efficient measures. It is estimated that building construction in Tunisia accounts for 26 per cent of the country's total energy bill, slightly less than industry (36 per cent) and transport (31 per cent), and that its share is increasing. Thus it could be said that energy-efficiency and sustainability in the Tunisian construction industry is a crucial issue, and that it is worthwhile to look at Tunisia's energy profile and to review what efforts are being launched to make the housing sector more "sustainable."

Tunisia has few means of producing energy domestically, and thus the issue of "sustainability" is also one of national economic security. As of 2006 the country had modest proven oil reserves of 308 million barrels, the majority of which are located in the Gulf of Gabes and the Ghadames Basin. In 2005 Tunisia produced around 75,000 barrels per day of crude oil. This represents almost a 40 per cent decline from Tunisia's peak output of 120,000 barrels per day between 1982 and 1984. In 2007 the country's domestic consumption demand was estimated at 94,000 barrels per day, showing a large and growing shortfall in domestic production. Tunisia should be

able to supply part of its own petroleum needs for the next decade, but any significant production thereafter will be contingent upon new discoveries.

For this reason Tunisia is increasingly turning to natural gas to meet domestic energy demand. According to *Société Tunisienne de l'Electricité et du Gaz* (STEG, the state-owned natural gas and electricity company) natural gas represented 44 per cent of the total initial energy consumption in Tunisia in 2005, compared to just 14 per cent in 2003. It is estimated that in January 2006 Tunisia had 2.75 trillion cubic feet of proven natural gas reserves. Around two-thirds of the reserves are located offshore. In 2003, Tunisia produced 76 billion cubic feet of natural gas, while consuming 136 billion cubic feet of natural gas during that same year. Since then there have been additional discoveries and increased domestic production, but even so Tunisia remains a deficit country in terms of natural gas. Imported natural gas comes mostly through the Algerian-Tunisian pipeline, but also from European sources.¹⁰

It should be pointed out that Tunisia has very limited renewable energy resources. For example, the vast majority of Tunisian electricity is generated by fossil fuel plants. In 2003, Tunisian overall power generation capacity was 2,900 megawatts (MW). Of that capacity, 97 per cent came from thermal power plants, with the remainder accounted for by hydroelectric plants and wind farms. Several efforts in the last five years have been made to develop renewable energy resources, in particular wind power, with support from the Global Environment Facility (GEF) and German Technical Cooperation, but the prospects of any significant shift away from almost total reliance on hydrocarbons are poor. And it is almost certain that the costs of energy derived from hydrocarbons will continue to increase at steep rates.

TUNISIA HAS A WELL DEVELOPED BUILDING PERMIT REGIME, BASED ON A SERIES OF LAWS AND DECREES, AND IT IS FREQUENTLY UP-DATED. THIS BUILDING PERMIT REGIME IS ENFORCED IN ALL URBAN (COMMUNAL) AREAS AND IS QUITE BUREAUCRATIC.

IN TUNISIA THERE IS A VERY BROAD DEPENDENCE ON CEMENT, FIRED-BRICK, AND STEEL REINFORCING BAR. IT SHOULD BE NOTED THAT ENERGY CONSUMPTION IN THE PRODUCTION OF ALL THREE OF THESE MATERIALS IS HIGH.

Is Tunisia beginning to face the challenge of energy-efficiency and sustainability in the building industry? It appears that there are a number of recent initiatives that at least begin to tackle the problem. The following are worth mentioning:

- The National Agency for Energy Rationalization (ANME, *Agence Nationale pour la Maîtrise de l'Energie*) has developed a project called "Energy Efficiency in New Buildings in Tunisia." Since 2009 all new buildings are to be subject to energy audits, in particular in terms of thermal performance, and minimum technical specifications for different types of new building and their extensions are in place. These concern architectural design and modes of construction. Studies by ANME have shown that efforts to improve thermal insulation, including insulation of roofing and walls and double glazing of windows and other openings, add 3 per cent, in general, to up-scale housing construction costs, and 6 per cent to economic housing costs.
- In 2010 the *Agence Française du Développement* (AFP) concluded a feasibility study to establish a line of credit for local banks to finance the extra costs of construction due to adopting energy-efficient methods. This financing will be accessible to developers, investors, and individuals. It is expected that this financing programme will be in place by 2011.
- It is understood that there is an ongoing collaborative effort between UNDP, GEF, and the Tunisian Government to implement an optimal-efficiency code for residential and commercial buildings. This is part of an overall objective to assist Tunisia in reducing the growth of greenhouse gas emissions.¹¹
- At the end of 2010 the European Commission was preparing an institutional support project in Tunisia in the domain of eco-construction.¹²

Energy conservation in the housing sector has also been given emphasis in the policies of the MEHAT. By 2014 it envisions the construction of 70,000 buildings in Tunisia, which conform to criteria of energy efficiency, and 5,000 housing units utilizing solar energy.¹³

9.7 ISSUES RELATING TO BUILDING MATERIALS AND CONSTRUCTION AND AFFORDABLE HOUSING

Costs of basic materials are high and increasing at rates that are very much higher than increases in wages and incomes and even higher than general inflation. This is making the production of all types of housing units more and more expensive in Tunisia, further complicating the already difficult housing affordability equation, particularly for lower-income families (as described in Chapter 4). Rising building materials costs hit the individual builder (owner-builder) particularly hard, especially those who must struggle over years and even decades to amass the necessary finances.

Thus it would seem that efforts at developing alternative materials and at minimizing the use of expensive, energy-intensive materials in construction would be a welcome initiative.

The construction sector itself is very bureaucratic and regulated. In this sense, to many Tunisia appears to be little different from European countries. Not only does this control/regulation add to overall costs of construction (and increases time lost), it makes the activities of the individual housing producers very difficult, thus frequently forcing them into illegality. This is a crucial issue since so much of housing, particularly affordable housing, is produced by individuals. In turn, this suggests that there should be very straightforward and simplified regulations and standards for small footprint buildings.

SECTION ENDNOTES

¹ Oxford Business Group 2010.

² Legislation regulating building permits is based on Law no. 76-34 of 1976, modified by Law no. 90-18 of 1990 and at least eight regulations (arrêtées) issued by the Ministry of Housing.

³ MEHAT Website 2011.

⁴ *Agence de Promotion de l'Industrie* 2009, p. 139

⁵ *Institut National de la Statistique* 2008(b), pp. 210, 211, and 224.

⁶ Oxford Business Group 2010.

⁷ *Annuaire Statistique de la Tunisie* 2008, p. 211.

⁸ Arab Steel Website 2011.

⁹ *Institut National de la Statistique* 200, pp. 210 and 211.

¹⁰ STEG 2009.

¹¹ UNDP Tunisia Country Office 2011.

¹² EC projects website 2011.

¹³ MEHAT website 2011

DYNAMICS OF THE HOUSING MARKET

This chapter briefly examines the structure and functioning of formal and informal housing markets (and associated land markets) and the actors within them. New housing, secondary markets, and rehabilitation markets, including geographic spread, are all addressed.

10.1 THE STRUCTURE AND PERFORMANCE OF THE HOUSING MARKET IN TUNISIA

According to most business observers, the formal housing market in Tunisia functions very well. In fact, most commentary uses very glowing terms to describe the housing market, its expansion, and its future prospects. The following are some of the features of the housing market in Tunisia which are most talked about:¹

- The market has known a continuous rhythm of expansion over the last few years. To some, large parts of the country appear to be immense construction sites, with new projects and even new towns springing up out of the ground.
- Housing prices have also been rising, up to 80 per cent in ten years (due to inflation in building materials, high land servicing costs, speculative bubbles, etc.). High prices have recently led to housing units of “high-standing” to be left unsold. The market is said to be subject to “an inflationary spiral.”
- The average price per square meter for an apartment of high standing has more than doubled between 1994 and 2007, reaching over TD 1,400 per square meter in Tunis and the main coastal towns. In certain upscale quarters (*quartiers huppés*) like La Marsa, former price records have been completely smashed, with increases of 15 per cent per year.

ACCORDING TO MOST BUSINESS OBSERVERS, THE FORMAL HOUSING MARKET IN TUNISIA FUNCTIONS VERY WELL. IN FACT, MOST COMMENTARY USES VERY GLOWING TERMS TO DESCRIBE THE HOUSING MARKET, ITS EXPANSION, AND ITS FUTURE PROSPECTS.

- Price increases are also found at the lower end of the market. Social housing units are being sold and resold at as much as TD 800 per square meter, compared to TD 300 only 15 years ago.
- Even though there is an abundant supply and diversified supply of units on the market, the market continues to be overheated, due to a demand that seems insatiable. Whereas real estate developers and bankers can rub their hands with glee, the average Tunisian finds it more and more difficult to acquire even a modest unit.
- Demand for housing units is such that some private developers are able to start construction with 60 per cent of the units already commercialized and paid for, especially for high standing housing units in the Tunis area.
- According to the vice president of Amen Bank, property finance is the least risky of all bank loans. He also added that Tunisians see holding property as a symbol of social success, which pushes demand.

- In 2007 the Tunisian banking system disbursed about TD 5 billion of which 40 per cent came from the Housing Bank (BH) alone.
- Tunisia, like Egypt, was able to weather the global financial crisis of 2008, and real estate prices, although falling somewhat, were able to bounce back relatively quickly.
- The number of housing developers is rising at a grand rate. Although 30 years there was only SNIT, now they now number 1470, according to the Chamber of Property Developers (*la Chambre Syndicale des Promoteurs Immobiliers de Tunisie*).

Such is how housing and property markets in Tunisia have been seen since 2007 and continue to be seen by those in the business of housing. Of course, similar enthusiasm is common in other countries, since it is in practically everyone's interest to promote the sector.

As with other countries in the MENA region in the last few years, a prime characteristic of Tunisia's housing sector is its emphasis on the upper end of the market. This is where it is perceived that the most money can be made, even though to some it would appear that there is a glut of expensive and luxurious units on the market. Yet as explained in Chapters 3 and 7, private developers seem reluctant to aim more at the lower ends of the market. And why should they, if they can continue to generate profits from their current market segments?

Of course, what one hears from housing market commentators, finance experts, bankers, property developers and MEHAT is not the whole story. First, they tend to see the market as limited to the selling and buying of completed housing units. Since the majority of housing in Tunisia continues to be built by the eventual occupier (who is sometimes called the owner-builder), there is a vast amount of housing which never enters the market, except eventually perhaps in the secondary market. And on top of this there also exists an informal housing market, whose size and characteristics are unknown, precisely because it is extra-legal. Both of these markets really reflect the underlying land markets, since in both cases the majority of housing produced through self-help construction.

10.2 ACTORS IN HOUSING MARKETS

There are a number of actors who make up housing markets in Tunisia. These are mostly the obvious: housing producers such as private and State developers, housing finance institutions, and

government agencies such as the OFC (for the registration of property and its cadastre) that provide facilitating roles. These agents and institutions have already been described, particularly in Chapters 2, 6, and 7.

One category of actor deserving special mention is the property agent. These individuals and firms, working on a commission, help individuals find housing on the market. They concentrate on housing unit purchases, but most can also assist in the urban rental market. In 1981 Law 81-55 was passed establishing the National Chamber of Property Agents (CSNAI, *Chambre Syndicale Nationale des Agents Immobiliers*), which supports and regulates the profession. This chamber was sponsored by UTICA (*Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat*).

It is understood that membership in this Chamber is required to carry out some kinds of real estate brokering, but not all (it is required to open a commercial real estate office). It is certain that there are a host of un-registered informal real estate brokers who operate in informal housing markets. These tend to be based in one or two neighbourhoods or districts and operate largely by word-of-mouth. They may also work on a part time basis.

In Tunisia exchange of information about properties for sale (and rent) is carried out through multiple channels and media. Newspapers, specialized publications, advertising flyers and hoardings are common, and the internet (particularly blogs) is alive with housing market offerings.

EVEN THOUGH THERE IS AN ABUNDANT SUPPLY AND DIVERSIFIED SUPPLY OF UNITS ON THE MARKET, THE MARKET CONTINUES TO BE OVERHEATED, DUE TO A DEMAND THAT SEEMS INSATIABLE. WHEREAS REAL ESTATE DEVELOPERS AND BANKERS CAN RUB THEIR HANDS WITH GLEE, THE AVERAGE TUNISIAN FINDS IT MORE AND MORE DIFFICULT TO ACQUIRE EVEN A MODEST UNIT.

Box 10.1: Legislation in Tunisia Governing Housing Unit Rentals

Law 35 of 1976 is the legislation governing rental arrangements between landlord and tenant. This legislation allows a contractual rental arrangement between the two parties. The rent and period of rent can be freely agreed upon between the landlord and tenant in all market segments. There is no legal maximum annual rent increase for free market tenancies, but any increase must be stipulated in the contract (the usual level of annual increase in practice is 5 per cent). A security deposit or advance rent can be specified. In certain cases, if the tenant is a non-Tunisian individual a tenancy contract will require preliminary authorization.

During the contract term, the tenant can rarely be evicted. Non-payment of rent by the tenant after a reasonable notice (commonly two months) is one case for eviction through a summary court order. Eviction is also possible if the structure is liable to collapse or if an immediate member of the family intends to live in the premises. At term, the lease may be renewed by tacit agreement for the same period.

If a tenant were in occupation before March 3, 1978, or if the construction of the premises was completed before January 1, 1954, the tenant has automatic security of tenure. This is because laws in effect before Law 35 of 1976 had been extremely "pro-tenant," guaranteeing a secure and perpetual right of occupancy upon tenants. In contrast, it has been said that the 1976 law is "pro-landlord," although its stipulations are similar to many rental laws in effect in the MENA region as well as in some countries in Europe.

In 1993 Law 35 was amended by Law 122 of 1993 to grant permanent occupancy rights for certain social categories of long term renters.

Source: Skyscraper City Website 2011.

10.3 RENTAL MARKETS

Tunisia has a long history of legislation governing housing rentals. Currently, housing unit rentals are governed by Law 35 of 1976, a liberal contractual law described in Box 10.1.

As mentioned in Chapter 5, currently only 15 per cent of housing units in Tunisia are under rental tenure, and this percentage has been decreasing over time (a trend also found in Morocco). But even this small portion of the housing stock under rental tenure represents a large number in absolute terms, housing some 1.6 million people. Yet it appears that housing policy makers have largely ignored the rental sector,

as their main preoccupation has been to encourage house ownership. As far as is known, there are no programs of assisted rents or rent vouchers for the poor, and the State does not produce housing units for rent.

10.4 IMPEDIMENTS TO MARKET FLUIDITY: REGISTRATION, TITLING, FEES AND TAXES

In Tunisia's housing and associated land markets there are few impediments to the exchange of properties, including housing. In fact, Tunisia's comprehensive property registration, cadastre, and titling systems greatly facilitate housing market operations. The property transfer fee, however, is definitely an obstacle. The following paragraphs show how housing markets are supported or influenced by government systems of registration and titling, property transfer fees, and property taxes.

Registration and Titling

In 1885 the occupying French established a national property register in Tunisia. This quickly grew into an extensive cadastre and property registration system, which remains in place today. The cadastre and registration is operated by the OTC (*Office de la Topographie et du Cadastre*), and its Property Tribunal (TI, *Tribunal Immobilier*) is where actual land registration and title transfers take place. Land records are stored with The Directorate of Conservation of Real Property (CPF, *La Direction de la Conservation de la Propriété Foncière*) of the Ministry of Justice. There is a voluntary registration system (*immatriculation foncière facultative*) that starts with an application from the property owner and entails property surveying and preparation of a property dossier for a small fee. The cadastre itself, an object-oriented system, is obligatory for all properties and entails no cost.²

Property transfer fees³

Tunisia has a rather onerous property transfer system, one that adds significantly to the cost of any property transaction and thus impedes the smooth functioning of housing markets. Currently both the buyer and seller of a property must pay a transfer fee (imposed by the OTC) with the following rates on the declared value of the property:

- 6 per cent for individuals
- 1 per cent for private developers
- 3 per cent for resale (secondary market)
- 0 per cent for non-residents (tourists)

SINCE THE MAJORITY OF HOUSING IN TUNISIA CONTINUES TO BE BUILT BY THE EVENTUAL OCCUPIER, THERE IS A VAST AMOUNT OF HOUSING WHICH NEVER ENTERS THE MARKET, EXCEPT EVENTUALLY PERHAPS IN THE SECONDARY MARKET.

In addition, the seller pays a transfer fee at 1.5 per cent of the value of the property. This transfer fee must be paid each time a property is transferred. Curiously, the rate for private developers is much lower than that for individuals.

Property taxes⁴

Municipalities have the right to levy an annual property tax on residential properties at up to 2 per cent of the unit's assessed value. Assessments of property values are supposed to take place every three years. An alternative formula can apply to rental properties. Actual enforcement/collection of this annual property tax varies enormously from municipality to municipality and even from tax zone to tax zone. Normally rates are much lower in suburban zones, and of course they do not apply outside municipal boundaries. Also, it is said that sometimes a property's assessed value can be reduced by payment of a bribe.

Annual property taxes do not impede housing markets directly, although since their application varies considerably from locale to locale, they can have a distorting effect on property prices.

SECTION ENDNOTES

¹ See for example Businessnews Website 2009 or Tunisie-valeurs Website 2008.

² Immosaique Website 2011

³ Scottrade Global Property Guide 2011

⁴ Ibid.

CROSS-CUTTING ISSUES AND GENERAL CONCLUSIONS

This chapter presents the main conclusions and findings of this housing sector profile. Tunisia's very positive record in the sector is recognised, as is the enabling strategy for housing developed by the Tunisian government. The most prominent issues relating to the housing sector and government policies are identified and, finally, policy implications are explored.

11.1 TUNISIA'S HOUSING SECTOR: AN IMPRESSIVE RECORD

There is no doubt that over the last thirty to forty years Tunisia's housing sector has recorded impressive gains. There has been considerable progress in advancing access to shelter of adequate quality for a very large segment of the Tunisian population. Mostly through the efforts of individual builders, the country has been producing housing faster than families are forming. State enterprises have also added significantly to the housing stock, building over 300,000 units of varying types and sizes since 1960. And in recent years, with considerable government support, the corporate private sector has become an important producer of housing. Infrastructure for housing has also advanced impressively; household coverage rates for treated piped water and electricity have reached almost 100 per cent, and coverage for wastewater in urban areas exceeds 85 per cent. In parallel, government social programmes have led to a dramatic fall in poverty rates, tumbling from 22 per cent of the population in 1975 to a mere 3.7 per cent today.

Achievements in Tunisia's housing sector are perhaps most impressive in terms of the institutions, regulations, and financing to support housing production and improvement.

The banking sector has created housing finance institutions through which a sophisticated range of housing loan products are channeled to target a

TUNISIA CAN EXHIBIT ALL THE OUTWARD HALLMARKS OF AN ENABLING STRATEGY FOR HOUSING YET STILL FALL SHORT IN TERMS OF DESIRABLE HOUSING OUTCOMES. MEETING THE HOUSING REQUIREMENTS FOR ALL OF A COUNTRY'S POPULATION IS A CONSTANT AND DIFFICULT STRUGGLE.

wide range of clients, including low-income families. Savings-for-housing schemes have been important housing finance mechanisms since the 1970s and are very strong today. There are State institutions dedicated to assembling and providing land for housing projects. Other State schemes provide small loans for house improvement and maintenance. Small-lot subdivisions and core housing have been piloted. And Tunisia has one of the best records of any country in the MENA region in terms of urban upgrading institutions and programmes that primarily target poor informal neighbourhoods.

11.2 AN ENGAGED ENABLING STRATEGY FOR HOUSING

Looked at as a whole, Tunisia's housing approach can be considered a shining example of the "Enabling Shelter Strategy," UN-HABITAT's conceptual policy framework for housing. This policy framework sees housing as a multi-faceted process. Production of housing itself should be dominated by a host of private sector actors, with the State's role being one

of “enabling” this process so that it is responsive to the shelter needs of all. The State thus concentrates on (1) ensuring suitable and affordable land is available for housing, (2) nurturing a set of housing finance schemes to suit all income-groups, in which subsidized lending targets the poor, (3) concentrating on access to infrastructure in residential areas, and (4) making sure that construction techniques, skills, and building materials technologies evolve to meet changing housing needs.¹

Although Tunisia scores very high in its “enabling” housing strategy, there are indications that all is not perfect and that many challenges remain. This is not a Tunisian problem alone. A country can exhibit all the outward hallmarks of an enabling strategy for housing – in terms of institutions and policies and programmes – yet still fall far short in terms of desirable housing outcomes. Even the most sophisticated housing policies and programmes do not in themselves somehow guarantee success. Rather, meeting the housing requirements for all of a country’s population is a constant and difficult struggle, one that requires deep analysis of processes, their impacts, and, one might add, an eternal critical eye.

The challenges that Tunisia’s housing sector currently faces need to be identified and analysed as a first step towards any housing policy deliberations. This is briefly done in the following paragraphs.

11.3 OUTSTANDING ISSUE OF HOUSING AFFORDABILITY

This report shows that, both in terms of cost-to-price ratios and in terms of standard housing loan programmes, urban households in the lower income deciles currently find it extremely difficult to afford purchasing even modest housing units. The calculations used involve a number of assumptions, but even if more optimistic assumptions are employed, the conclusion would stand that today a near-majority of urban households cannot afford to purchase a modest housing unit, even assuming that they can qualify and obtain housing loans. The only housing type that is affordable to urban households under the median income is one that is self-built in peri-urban areas and may be deemed illegal. And since many households cannot qualify for housing loans for various reasons, there are many additional families that cannot begin to purchase/build a new unit. In sum, it can be concluded that there remains a huge housing affordability challenge in urban Tunisia, and one that, due to rapidly rising housing costs and increasing land scarcity, is bound to get worse.

TODAY A NEAR-MAJORITY OF URBAN HOUSEHOLDS CANNOT AFFORD TO PURCHASE A MODEST HOUSING UNIT... THE ONLY HOUSING TYPE THAT IS AFFORDABLE TO URBAN HOUSEHOLDS UNDER THE MEDIAN INCOME IS ONE THAT IS SELF-BUILT IN PERI-URBAN AREAS AND MAY BE DEEMED ILLEGAL

11.4 OUTSTANDING ISSUES IN HOUSING FINANCE

The mortgage-based housing finance system that Tunisia has built up over four decades is impressive in terms of its coverage and maturity, diversity of its products, and ability to innovate. According to one article, which cites a report of the Tunisian Central Bank (BCT), currently 93 per cent of housing unit acquisition in Tunisia is financed at least partly through the country’s banking system. However, there are still certain outstanding issues, especially concerning pro-poor policies and inclusion, as discussed below.

Funding sources: There are multiple sources of funds for housing finance in Tunisia. However, it is understood that annual central government budgetary allocations provide the largest contribution to funding various housing loan schemes. Given the subsidy element inherent in most of the loan schemes for low-income housing, it is inevitable that the State must replenish its various funds and in some cases directly finance loan schemes. Although information is not available about the annual burden of housing loan programmes on the central government’s budget, it must be considerable. One central question is whether it is possible to assume that large budgetary support for housing will continue in Tunisia, especially in light of the many competing interests seeking government financial support?

Interest rates and subsidies: In most of Tunisia’s housing loan programmes aiming to lower income families, advantageous conditions are provided mainly by setting loan repayment interest rates below the prevalent market rate. Compare market interest rates for secured loans with government schemes, and it is

THE GOVERNMENT, IN CONJUNCTION WITH EXPERTS, ACADEMICS, AND TUNISIA'S YOUTH, NEEDS TO TAKE A HARD LOOK AT WHO ENJOYS WHAT HOUSING SUBSIDIES, INCLUDING INDIRECT SUBSIDIES THROUGH TAXES, LAND CONCESSIONS, AND PREFERENCES.

obvious that considerable levels of subsidized financing are latent in the advantageous interest rates. However, it is hard to calculate the real subsidy element in these loan packages, which makes budgeting subsidies difficult. In many countries a system of up-front cash subsidies earmarked for each unit or borrower operates. Under such a system budgeting subsidies is a clear process, as is the amount of subsidy inherent in different loan programmes.

Targeting: Targeting in all government-supported housing loan schemes is based on individual or family income, i.e. through means testing. Applicants must state their total incomes and provide supporting documentation. Since many of the loan products have subsidised elements, the BH and other agencies spend considerable efforts verifying and vetting these applicants. Yet is strict means-testing the best and only system of targeting? Is it not open to abuse? And most importantly, does it *a priori* exclude large segments of the population?

Indebtedness: Figures show that indebtedness, mainly for housing, extends throughout Tunisian society. Given this fact, can near total reliance on mortgage-based financing continue to dominate the housing sector in Tunisia?

Exclusion of some groups: Virtually the whole housing finance system in Tunisia rests on the ability of clients to meet regular monthly instalment payments over many years. Such a system is nearly irrelevant for the unemployed, the part-time employed, the casually employed, the self-employed, the independent entrepreneur, or the petty merchant. These groups together constitute the majority of Tunisia's urban labour force. Also, if a person has personal or religious aversions to incurring huge debts, he or she is automatically outside the system. And of course the illiterate and poorly educated may find it uncomfortable dealing with housing finance requirements.

11.5 OUTSTANDING ISSUES IN URBAN LAND SCARCITY AND THE PERI-URBAN CONFLICT

Most developable land around Tunisian cities and towns can be called peri-urban. This "peri-urban frontier" is where agricultural land is converted to urban use and where rural settlements grow and slowly metamorphose into urban neighbourhoods. With land for urban development becoming more scarce and, especially, more and more expensive, it is inevitable that competition for land on this peri-urban frontier becomes more and more acute. Today in Tunisia there are three main groups competing for this peri-urban land:

- Formal land and real estate developers seek to assemble large tracts for projects (if not also for speculative investment) and pressurize planning authorities to expand communal boundaries and to designate more and more land for development purposes, even though much of this land has been declared green belts and natural land reserves, a prominent feature of almost all Tunisian urban plans.
- Middle class and well off urban families will seek peri-urban land for the construction of individual villas. Those seeking land for villas would prefer a fully serviced parcel in a planned neighbourhood, but for most the land costs, even for small parcels, have become prohibitive. The alternative, and one which allows the acquisition of a much larger parcel, is to buy land informally outside planned areas. This is becoming extremely common around Tunisian cities.
- Poor families, seeking a modest affordable plot of land upon which to build progressively, will also target peri-urban areas. It is possible to find such tiny plots of land in many areas. The very cheapest land will be inaccessible and marginal, perhaps subject to flooding or other hazards. In some cases informal land subdividers (*lotisseurs clandestins*) will subdivide the land into very small plots.

This process by multiple actors to find suitable and cheap land makes for a very competitive scramble for land. Years and years of government programmes to create formal alternatives to informal and unregulated land conversion on the peri-urban frontier have not been able to stop or even appreciably slow the phenomenon. Although not a desirable situation, it is a fact that only on the peri-urban fringe can a lower income family ever hope to secure a little plot of land and embark on the process of building and owning its own home.

11.6 THE ISSUE OF HOME OWNERSHIP VERSUS RENTAL

Tunisia has a very high rate of home ownership, both of the existing housing stock and of new additions to it. Rental tenure is low and even decreasing, with only 15 per cent of total households living as tenants as of 2009. The government sees home ownership as something inherent in Tunisian culture and has adopted an 80 per cent ownership rate as an essential element of its national housing strategy. In most countries rental housing markets are much more extensive, and most housing experts see rental tenure as playing an important part in ensuring a good mix of housing alternatives. Rental systems, presented alongside home ownership, contribute to maximizing choice and mobility and thus allow housing markets to perform more efficiently. Also, rental housing can generate considerable revenues for families of limited income which, in many instances, has been shown to provide money for further housing construction by individuals. Tunisia could benefit from more rental housing.²

11.7 ISSUES RELATING TO BUILDING MATERIALS, CONSTRUCTION, AND AFFORDABLE HOUSING

Costs of basic materials are high and increasing at rates that are very much higher than increases in wage and income, and even higher than general inflation. This is making the production of all types of housing units more and more expensive in Tunisia, and also further complicates the already difficult housing affordability equation. Rising building material costs hit the individual builder (owner-builder) particularly hard, especially those who must struggle over years, or even decades, to amass the necessary finances. Thus it would seem that efforts at developing alternative materials and at minimizing the use of expensive, energy-intensive materials in construction would be a welcome initiative.

The construction sector itself is very bureaucratic and regulated. In this sense, to many Tunisia appears to be little different from European countries. Not only does this control/regulation add to overall costs of construction, it makes the activities of the individual housing producer difficult, frequently forcing the producer into illegality. This is a crucial issue since so much housing, particularly affordable housing, is produced by individuals. This in turn suggests that there should be very straightforward and simplified regulations and standards for small footprint buildings.

11.8 THE ISSUE OF EQUITY AND EXCLUSION IN HOUSING PROGRAMMES

Looking at the array of housing loan products available through government programs in Tunisia, it seems that, with few exceptions, the targets are the urban middle and upper middle classes. A huge number of Tunisian families simply cannot afford to meet the instalment payments required by housing loan schemes, and the future looks even bleaker. If a government-operated housing finance system cannot respond primarily to the needs of lower-income families, than what is it for? Could the private developer sector combined with private banks relieve government systems from financing housing for the middle classes?

Another equity issue relates to the government policy of supporting the private developer sector. There are numerous funding, tax, and land incentives given to private developers, but this has not resulted in much, if any, affordable housing. Why not give the same kind of incentives to the private individual who is, after all, by far the main producer of housing in Tunisia?

11.9 URBAN UPGRADING ISSUES

Tunisia's extensive experiment with urban upgrading and neighbourhood rehabilitation justifiably deserves praise. But until now these programmes have had little or no involvement with the communities affected. It is generally recognized that community participation in upgrading ensures more effective results, and mobilizing community initiatives can lower the overall financial burden of upgrading projects.

11.10 POLICY IMPLICATIONS: PRELIMINARY THOUGHTS

It is difficult to leap from analysis to policy recommendations. This housing sector profile has been a rapid exercise based on less-than-complete information and without exposure to policy dialogue among housing actors and stakeholders in Tunisia. On top of this, since January 2011 the political landscape in Tunisia has completely changed, and new political dynamics and forces are being unleashed which cannot but affect the way policies and programmes are developed in the housing sector.

Even so, now is an opportune time to suggest certain housing policy adjustments. Along with other revolutionary changes, Tunisians now expect a government which is much more transparent

with its policies, programmes, and actions and much more responsive to the needs of the poor and disadvantaged. Tunisians also expect a government that is less beholden to special interests. There are new democratic forces coming into play, and thus there is a great opportunity to seize the historic moment and begin to reconsider national housing policies and priorities. The following are some suggestions that will hopefully stimulate debate.

Equity, subsidies, and reaching those most in need

At the highest policy levels, the government, in conjunction with experts, academics, and Tunisia's youth, needs to take a hard look at who enjoys what housing subsidies, including indirect subsidies through taxes, land concessions, and preferences. This would be a kind of critical inventory to assess how well subsidies are reaching those in need. And to better define "those in need" a much more refined analysis of household affordability needs to be undertaken, as well as an identification of excluded social and economic groups.

Supporting the modest owner-builder

Popular among all classes, *auto-construction* (self-help housing building) is by far the most dominant mode of housing production in Tunisia. It would seem that the government should first and foremost be directing its enabling strategy towards this mode. This however, is not presently the case, and it is the corporate housing developer that garners the most support. It would seem logical to consider what measures are needed in terms of land, finance, infrastructure, and building standards to better stimulate those of modest means to house themselves. A key fact should not be forgotten: the owner-builder housing process generates housing which is much cheaper, more suitable, and, usually, of better quality than corporate/contractor housing.

Adopting more flexible finance packages would be one measure that would particularly assist the modest owner-builder and, in fact, anyone who does not have steady wage employment.

Promoting a variety of housing options

Other types of housing options such as rental units, housing cooperatives and condominiums in the form of apartment buildings should be considered to reduce demand on land and environmental impacts. Such models would need awareness building to encourage their acceptability and might also be encouraged through appropriate economic incentives, as appropriate, given the positive environmental attributes.

FOLLOWING THE DEMOCRATIC AWAKENING, TUNISIA NOW HAS A GREAT OPPORTUNITY TO ENGAGE LOCAL COMMUNITIES AS PARTNERS IN URBAN UPGRADING SCHEMES. CIVIL SOCIETY IS WEAK IN TUNISIA, BUT WITH PROPER SUPPORT NEIGHBOURHOOD ASSOCIATIONS COULD QUICKLY EVOLVE.

Market efficiency and market choice

There are a number of measures that could be considered to make housing markets more fluid and efficient. The property transfer fee, which in Tunisia is quite large, should be reduced or eliminated all together because it distorts market exchange. Instead, the annual property tax, which exists in Tunisia and is imposed by local authorities, needs strengthening and more equitable application.

To improve market flexibility and market choice, Tunisia needs to reconsider its bias towards home ownership. Ways to make rental housing systems work better and more efficiently in urban housing markets need to be investigated.

Community participation in urban upgrading

Following the democratic awakening, Tunisia now has a great opportunity to engage local communities as partners in urban upgrading schemes. Civil society is weak in Tunisia, but with proper support neighbourhood associations could quickly evolve. A number of community participation mechanisms can be grafted onto upgrading programmes, including monitoring and evaluation of projects and even participatory budgeting.

Land and the peri-urban frontier

Tomorrow's urban areas are being formed today, partly through "anarchistic" informal development on the peri-urban frontier. Rather than wait until these areas mature and are deemed targets for upgrading, i.e. development after the fact, is there no way to get ahead of the game? Are there no measures to be taken to combat sprawl and vacant land speculation? Are there no ways to encourage rational land subdivisions and compact, dense neighbourhoods? Must peri-urban developments be dependent on the private automobile?

One measure to be considered is to raise the vacant land tax and better enforce it. Such a tax is already on the books, and with technical support to municipalities it could become an important weapon in the fight against land speculation, an evil that both raises land costs dramatically and contributes to urban sprawl.

In anticipation of demand for urban growth and the need for urban housing, UN-HABITAT has identified planning of urban extensions to scale and in anticipation of demand for the coming 20-30 years, as a policy priority. This approach would address many of the questions raised here including the ability to provide rental housing units and other housing options, potentially in multi storey structures, to reduce urban sprawl and consequently the urban footprint of cities, eliminate unplanned extensions and a better plan for basic service deliveries.

Simplified Regulations and Control

To support the owner-builder process, the building code and the building permit regime should be revisited. Costs and hassles resulting from these bureaucratic processes could be greatly reduced if clear, simplified regulations and control measures were introduced for simple, small footprint buildings. The

corporate private sector has the means to handle the current bureaucratic framework, but the individual builder, especially the modest household who is struggling to build his home, does not.

Appropriate building technologies

Tunisia needs to explore alternatives to its current dependency on building materials with high-energy inputs, mainly cement, steel re-enforcing bar, and extruded clay brick. This will not be easy, but without local alternatives it is difficult to see how housing production will ever outrun its spiralling inflation and increasing non-affordability. Stabilised soil block would seem to be one sustainable candidate, as would a revival of the shallow brick vault for roofing.

The same can be said for construction technologies. There is a trend in Tunisia for more sophisticated and “corporate” construction techniques, which in turn require more imported technologies and expertise. Such a trend is inevitable, but it need not become exclusive. Less high-energy and more labour-intensive housing construction processes (more befitting the owner-builder) can exist side by side with modern construction methods (which befit large mega-projects).

SECTION ENDNOTES

¹ For a description of the housing enabling strategy, see UN-HABITAT 1997 and UN-HABITAT 2006.

² For arguments in favor of rental housing for the poor, see UN-HABITAT 2003.

APPENDICES

1. TUNISIA HOUSING SECTOR PERFORMANCE CONSTRAINTS MATRIX

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction	5. Labour and Employment
A. Institutional & organisational Framework	A1. No institutional or organisational constraints, but lack of coordination thus delays in designating land for residential subdivision.	A2. No known institutional or organisational constraints. Coordination between central infrastructure authorities and municipalities could be better.	A3. No major institutional or organizational constraints affecting access to housing finance. Tunisia has excellent record in loan product extent and mix.	A4. No critical constraint(s) to private sector cooperation with government in building materials and construction sector.	A5. No critical constraints affecting development of skilled labour in construction.
B. Regulatory & Legal Framework	B1. There is a vacant land tax, but it is not applied effectively. The property transfer fee is distortionary and applies to land as well as buildings. Overly low density and wide street standards.	B2. Tariffs are set nationally, not allowing variation to reflect local efficiencies (dense areas subsidise sprawl).	B3. No laws or regulations or over-regulation that prevent loans for housing to go to scale.	B4. No known discriminatory regulations, laws, norms or standards that adversely affect production costs of building materials & thus housing prices.	B5. Not applicable.

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction	5. Labour and Employment
C. Supply	<p>C1. Past low-density use of urban land and sprawl have reduced to crisis point availability of raw land.</p> <p>Stepped up designation of new residential land for development has not been effective.</p>	<p>C2. No current supply constraints, but may be in the future:</p> <p>Water sources are challenged by drought/global warming, and electricity must depend mostly on expensive hydrocarbons.</p>	<p>C3. No constraints constraining supply of mortgage loans & credit for housing. However, subsidized loans require topping up and thus raising money on capital markets not easy.</p>	<p>C4. No critical supply constraints in production and distribution which affect prices & generate artificial shortages/speculation with pervasive impacts on housing costs.</p> <p>However, most important building materials for affordable housing are capital intensive and high-energy consuming. Their prices are increasing rapidly, more than double general inflation.</p>	<p>C5. No constraints affecting supply of skilled labour for construction, except that educated young men see construction employment as non-prestigious.</p>
D. Demand	<p>D1. Land speculation is widespread and drives up all land prices, making access to land very expensive and unaffordable for most individuals.</p> <p>Also, allowing banks to loan for land purchase seems counter-productive in long term.</p>	<p>D2. No critical constraint on effective demand for infrastructure. Water, power, and wastewater fees are affordable (as long as household consumption is low).</p>	<p>D3. Generally, only those with steady, verifiable incomes can acquire loans for housing, leaving a huge segment without access.</p> <p>Also, due to high and growing cost, housing units are becoming unaffordable for a very large minority of households even with advantageous mortgage financing.</p>	<p>D4. Auto-construction households may have poor access to building materials compared to oligopolistic large contractors and developers (price and quantities).</p>	<p>D5. Contractors and developers may lean toward capital-intensive construction techniques to avoid labour problems (and to fit with image of modern building styles).</p>

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction	5. Labour and Employment
E. Policy	E1. Higher residential density and higher land exploitation is a policy but is hard to apply.	E2. A critical constraint to all infrastructure services is that revenues do not cover capital investment costs and thus expansion must rely on State budgetary allocations. And other means to recoup investment (e.g. through serviced land sales) are rarely applied.	E3. No bottlenecks in policy making & implementation that adversely affect suppliers and consumers of housing finance	E4. Government has begun a policy of energy-efficient building materials and sustainable construction technologies. But few attempts to discover alternative, low-energy and locally produced building materials, or to stimulate labour-intensive traditional building techniques. Especially those which fit the small-scale, progressive owner-builder.	E5. No known causes which hinder the creation of a skilled, properly-paid, and protected construction labour force, other than the very high rates of unemployment in the economy (i.e. extreme competition for jobs).
F. Implementation arrangements & instruments	F1. Special interests and promoters of luxury real estate projects constrain the supply of affordable residential land.	F2. (see E2.)	F3. No agreements between governments, financial institutions, banks that hinder housing finance to gain scale.	F4. Not applicable	F5. Not applicable
G. Institutional capacity	G1. Municipalities are weak in application of vacant land tax and property tax.	G2. No critical institutional and human resources constraints with the public utility companies.	G3. Capacities in the financial sector & particularly housing finance do not hinder supply or operation of financial institutions.	G4. Not applicable	G5. No known constraints to vocational training and capacity building in the building trades.
H. Affordability & price-to-income issues	H1. High and increasing land prices are making affordable land inaccessible. Continual land price increases further stimulates land price inflation.	H2. Ability to pay for water and electricity are not an issue for low-consumption households.	H3. (see D3)	H4. Most crucial building materials for affordable housing are capital intensive, high-energy consuming, and closely linked to foreign markets. Their prices are increasing very rapidly, making housing costs higher and housing less affordable.	H5. Labour costs represent less than 20% of housing costs and are not rising rapidly. Thus labour costs are not a crucial issue affecting housing affordability. (Building materials and land, however, are elements which very much affect housing prices and thus affordability.)

2. TUNISIA HOUSING SECTOR PERFORMANCE PRIORITY ACTION PLAN

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction Sector	5. Labour and Employment
I. Institutional & organisational Framework	<p>I1. Compact land development needs organized promotion by infrastructure authorities, municipalities and AFH.</p> <p>So too does the concept of internal-cross subsidies in land projects.</p>	<p>I2. Better coordination between infrastructure authorities and municipalities and AFH are needed for new land development schemes. (see also I1.)</p>	I3. None	I4. See M4.	I5. See M5.
J. Regulatory & Legal Framework	<p>J1. Changes of norms to allow compact subdivisions with high portion of small plots.</p> <p>Legislation for land pooling or land assembly. See M1.</p>	<p>J2. In new land development, lower standards need to be applied (see also K1).</p>	<p>J3. Subsidies need to be targeted only to low income households (stop government loan programmes for the middle class).</p> <p>Abandon practice of applying subsidies through interest rates on loans. Only market interest rates should be used, and subsidies should be up-front cash allocations.</p>	J4. See M4.	J5. See M5.
K. Supply	<p>K1. City-by-city, revise Urban Development Plans (PAUs) to ensure designation and release of residential land for compact subdivisions with high portion of small plots, aimed at owner-builders. (smaller plots, higher FARs and less generous public spaces)</p>	<p>K2. In newly coalescing peri-urban areas, infrastructure authorities need better response to provide minimal services to growing populations, even if these are deemed illegal.</p>	K3. As in J3 above.	<p>K4. To support M4, small scale, local production of key building materials (earth and cement block, pre-cast components etc.) should be part of the policy. Special incentives for small entrepreneurs.</p>	<p>K5. Vocational training programmes in using alternative, labour intensive materials in construction</p>

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction Sector	5. Labour and Employment
L. Demand	L1. Consider loans (or easy payment) for purchases of small plots by qualifying owner-builders.	L2. Same as K2.	L3. More flexibility on loan eligibility and creditworthiness of households, including aiming at the self-employed and informal business sector. Variable instalments, third party and peer group guarantees, micro-finance, insurance systems etc. are needed to expand the eligibility base.	L4. See M4.	L5. See M5.

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction Sector	5. Labour and Employment
M. Policy	<p>M1. Adopt national policy to (1) revise Urban Development Plans as recommended in K1, (2) increase vacant land charge and greatly strengthen its application, and (3) consider adopting a regime of land pooling/land assembly where the State can take up to 50%.</p>	<p>M2. Policies need to be developed (1) to provide better, more rapid infrastructure provision in growing peri-urban areas and (2) to recover infrastructure capital costs from land development.</p>	<p>M3. Adopt national policies to (1) dramatically expand housing credit eligibility as in L3, (2) use upfront cash subsidies rather than interest rate subsidies, (3) target subsidies only to low income households for modest housing, thus giving absolute preferential treatment to them, (stop government housing support for the middle classes), and (4) expand loan products geared specifically at the individual owner-builder.</p> <p>Government should not be in the business of financing any but strictly low-income housing.</p>	<p>M4. Most crucial building materials for affordable housing are modern, capital intensive, high-energy consuming, and closely linked to foreign markets. A general policy is needed to discover alternative, low-energy and locally produced building materials suitable for the small owner-builder, and to stimulate labour-intensive traditional building techniques.</p> <p>Government has begun a policy of energy-efficient building materials and sustainable construction technologies. These however add to overall housing costs, and should not be applied to low-income housing without temporary subsidies.</p>	<p>M5. Interventions which would improve construction labour skills and performance are few and would not necessarily have any major impact on housing costs, especially housing for poor families.</p> <p>However, there is scope for vocational training programmes in using alternative labour intensive materials in construction (including revival of some traditional techniques). This has direct links to M4.</p>

	1. Land	2. Infrastructure	3. Housing Finance	4. Building Materials & Construction Sector	5. Labour and Employment
N. Implementation arrangements & instruments	<p>N1. Consider adopting a regime of land pooling/land assembly.</p> <p>Re-orient AFH to become primarily a land assembler for compact urban subdivisions aimed primarily at owner-builder. (AFH should <u>not</u> provide land for developer housing projects.)</p>	N2. See M2.	<p>N3. Implementation arrangements and instruments need to be in line with policy shifts as in M3. One instrument would be public private partnerships in support to individual owner-builder. & preferential treatment to particular income segments.</p>	N4. See M4.	N5. See M5.
O. Institutional capacity	O1. MEHAT sponsors orientation seminars and training on creating compact neighborhoods through appropriate land policies.	O2. Not applicable	O3. MEHAT and Housing Bank sponsor orientation seminars and policy dialogues on main policy shifts regarding housing finance.	O4. To support M4, research and development of alternative low-energy, labour intensive building materials and construction techniques suitable for the small owner-builder is needed in MEHAT and in the private sector.	O5. To support M5, research is needed to see what specific skills are needed for construction labour and management to adopt low-energy, labour-intensive, even traditional, building materials and construction technology.
P. Affordability & price-to-income issues	P1. Same as in K1, M1, and N1.	P2. Same as in K2 and M2.	P3. Same as in J3, L3, and M3	P4. Same as in M4.	P5. See M5 and M4.

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