

INFORMATION ON HOUSING

HOUSING IN AFGANISTAN

EXECUTIVE SUMMARY

1. Afghanistan has largely mountainous terrain. Many of its people live in tribal cultures and settlements.
2. Traditional Afghan homes are very private even by most of the under-developed countries standards.
3. Most of its financial infrastructure has been destroyed because of internal conflicts and wars imposed.
4. The country faces massive challenges to reconstruct and build new homes for its citizens.
5. Afghanistan's estimated housing backlog is about 1-1.5 million units.
6. According to World Bank estimates, an investment of \$US 2.5 billion in Kabul alone would be required, excluding land, for rehabilitation and new construction.
7. While Afghanistan is working on developing its financial sector as well as capital markets, multilateral institutions such as the World Bank and IFC are providing much-needed technical and financial assistance.
8. A world Bank Study recommends the following future program and policy:
 - a) Strengthen the legal framework and necessary infrastructure, the prerequisites for developing the housing finance market. These include a sound legal environment for market participants such as financial institutions, housing developers, and property buyers and sellers; improved systems for property titling and registration and enforcement of liens; and establishment of a legal and regulatory framework for the insurance industry.
 - b) Develop the mortgage market by enhancing capacity in commercial banks, introducing new housing finance products, and putting into place a guarantee facility to mitigate the risks for commercial banks relating to property titling and registration or enforcement of liens.
 - c) Develop housing microfinance by creating incentives for microfinance institutions to engage in nonmortgage lending. To create such incentives, the government and donors should provide technical assistance to microfinance institutions in piloting and rolling out expanded microfinance lending for the housing sector.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1. HOUSING IN AFGHANISTAN:

1.1 TRADITIONAL AND MODERN HOUSING¹:

1. Afghanistan has largely mountainous terrain. Many of its people live in tribal cultures and settlements.
2. Traditional Afghan homes are very private even by most of the under-developed countries standards. The conventional Afghan home is a mud-brick structure. It generally has one entrance, with a greeting room just inside the door. Nearby is a large visiting area, used particularly when male guests are present. Females will typically meet in the women's quarters, away from the males. The kitchen contains an underground oven, where bread is commonly baked, and heat is used for warmth during cold weather. Good housekeeping is considered imperative and integral to hospitality. Shoes are not worn in the home.
3. In rural areas of Afghanistan, life is centered on the Qalla [KHA-lah], a walled compound where the extended family – parents, wife (or wives), young children, grown sons, their families and unmarried female relatives will all live together in the compound. These houses are largely of mud brick and frequently grouped together. Walled compounds enhance family privacy as well as security. The walled nature of the compound is, again, tied to protecting women and family honor. As a gesture of good will, it will serve a group or individual well to request permission to enter a 'qalla' or any village, when possible. This gives the residents time to sequester the women and prepare to receive visitors.
4. Even in urban areas, family privacy is maintained. Older individual houses are behind high walls, totally sheltered from passers-by. Inside the home, there is usually a room, like a formal parlor, in which the men of the family can receive male visitors without violating the privacy of the family. Soviet-era apartment construction did not typically allow for extended families to live together, nor did they have separate women's quarters.
5. Nomadic tribes still reside in tents in many areas. Nomads take their dwellings with them in the form of tents. The style and material will differ with tribes and region but are built with or without frames. The frameless tents are made from durable black goat hair. The styles of tents are the southern and western 'Pashtun' tents, the northern and eastern 'Ghilzai' tents, the barrel-vaulted 'Baluchi' tents, and the arabic style tents of the 'Aimaq'.
6. The semi-nomads live in yurts, tents with a wooden framework. The pole frame is covered on the outside with reeds and woven colored cloth bands. Decorated felt is tied onto the poles on the inside of the yurt. These decorations will change depending on the tribe or ethnic group. The door may be wooden or a heavy rug-like material. There is a raised wooden disk at the top of the yurt which forms a chimney cap and allows smoke to exit but keeps the rain and snow out.

¹ Afghanistan; Society & Norms-<http://uwf.edu/atcdev/Afghanistan/Society/Lesson5Housing.html>

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.2 AN OVERVIEW OF THE COUNTRY, THE HOUSING AND THE FINANCIAL SYSTEM²:

1. Most of its financial infrastructure has been destroyed because of internal conflicts and wars imposed.
2. The country faces massive challenges to reconstruct and build new homes for its citizens.
3. Afghanistan's estimated housing backlog is about 1-1.5 million units. Most cities in Afghanistan have an acute shortage of livable housing because the country has virtually been at war during the past two and a half decades. For this reason, most of the social and economic infrastructure in the country has been destroyed.
4. According to World Bank estimates, an investment of \$US 2.5 billion in Kabul alone would be required, excluding land, for rehabilitation and new construction. Informal settlements provide shelter for 80% of the population and constitute 69% of Kabul's residential land.
5. Kabul is facing a severe informal settlements problem, mostly on government land (World Bank Report "Housing Finance in Afghanistan: Challenges and Opportunities" July 2008).
6. Afghanistan had a state owned housing finance bank, which for various reasons could not continue as a viable and sustainable entity and was closed down in 2003. The continuing conflict in Afghanistan for the last 25-30 years is primarily responsible for the decay and demise of the financial infrastructure. Sixteen commercial banks operate in the country and most of them are enthusiastic about participating in housing finance. The state-owned Bank-e-Millie is aiming take a lead role. Most secondary market housing transactions are conducted with cash. The banks are limited to short-term housing loans of 3-5 years. While the banks may have excess liquidity, the tenor of their liability book does not permit creating long term assets.
7. Afghanistan financial markets are still not developed and the availability of long term funds is the binding constraint on the banks to provide long term housing finance.
8. The Ministry of Urban Development and Da Afghanistan Bank (Afghanistan's Central Bank) are now playing proactive roles to develop housing and housing finance in Afghanistan. Some NGOs are also becoming actively involved in micro-housing and micro housing finance. The Government has an ambitious project to create 450,000 housing units to partly meet the housing backlog. The current government initiative includes 20,000 affordable housing units on government provided land and infrastructure.
9. While Afghanistan is working on developing its financial sector as well as capital markets, multilateral institutions such as the World Bank and IFC are providing much-needed technical and financial assistance. However, the Government must play a much bigger role in promoting affordable housing

² An overview of Four South Asian Financial Systems by ZMR-GH BANK HOUSING JOURNAL: July-Sept-2009.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

and housing finance alongside developing a Regulatory Framework, Title Registration and Mortgage Laws.

TABLE 1 : SOCIO-ECONOMIC STATISTICS:

Countries	Populati on (mil)	Housing Backlog (mil units)	Populati on Growth Rate (%)	Urban Populatio n (% age of total)	House Hold (mn)	MD* To GDP Ratio (%)	Occup ancy	Population Density Per sq km	GDP/ Capita (PPP)
India	1100	72	1.4	29	214	5	5.3	373	2469
Pakistan	160	7	2.1	35	23	2	7.1	206	2361
Bangladesh	156	5	1.8	26	26	2	6.1	1198	1155
Afghanistan	24	1.5	NA	NA	NA	<1	NA	NA	NA
MD=Mortgage Debt									

"International Housing Finance Program 2008." Wharton-University of Pennsylvania. June-July 2008.³⁴

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.3 WORLD BANK STUDY ON HOUSING FINANCE IN AFGHANISTAN; CHALLENGES AND OPPORTUNITIES⁵:

This study examines the constraints on the housing sector in Afghanistan. It evaluates government policy on housing, looks at the state of housing finance, and examines legal and regulatory barriers with a bearing on the housing market. The report provides policy recommendations aimed at helping to develop a private-sector-led housing market. To assist in formulating policies and implementing actions, the study recommends forming a housing finance task force under the sponsorship of the government. Such a task force could help foster wider discussion among the government, financial institutions, microfinance institutions, nongovernmental organizations, civil society, and other stakeholders.

1.3.1 THE CHALLENGES:

- a) During the conflict of the past two and a half decades the social and economic infrastructure of Afghanistan was virtually destroyed.
- b) About six million Afghans left the country, mainly Many of those who returned found their houses destroyed and their land under new ownership, having illegally changed hands many times.
- c) Most cities in Afghanistan now face acute housing shortages, with returnees living in inhuman conditions.
- d) In the informal settlements of Kabul two-thirds of houses are occupied by more than one family, and almost 9 of 10 families live in just one or two rooms.

1.3.2 THE ALLEVIATION:

- a) To alleviate the severe housing shortage will require concerted actions by the government, the private sector, donors, and stakeholders.
- b) The World Bank estimates that in Kabul alone investment of \$2.44 billion will be needed for rehabilitation and new construction. Efforts to develop the housing sector need to focus on several challenges: resolving legal issues relating to land ownership, tenure, and transfer; creating a legal framework and necessary infrastructure for the housing market; broadening access to finance and developing the mortgage market; and extending microfinance loans to cover housing for low-income groups.

1.3.3 ECONOMIC AND FINANCIAL SECTOR OVERVIEW:

- (a) The Afghan economy has sustained strong GDP growth in the past few years, with per capita income rising from \$123 in 2001/02 to \$300 in 2005/06. Projected GDP growth for the medium term is 10–12 percent a year, which would lead to a steady rise in per capita income to about \$482 in 2010. The country's population, about 24 million today, is projected to reach about 37 million by 2015. That will compound the housing problem in Afghanistan, especially in such cities as Kabul, Jalalabad, Maser-e Sharif, and Kandahar. But higher incomes may provide opportunities for a growing housing market as long as the right kinds of policies and interventions are put into place.

⁵ Housing Finance in Afghanistan: Challenges and Opportunities-July 2008.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

- (b) Among the biggest constraints is the very limited outreach of financial services in Afghanistan. Small and medium-size businesses and the housing sector have almost no access to bank credit and only limited access to banking services. The World Bank, in *Doing Business 2008*, ranked Afghanistan 159th among 178 economies on the ease of getting credit, a measure that reflects the quality and coverage of the credit information system and the legal rights of borrowers and lenders.
- (c) The country has 2 state-owned and 14 private commercial banks now in operation, and 15 microfinance institutions providing financial services to urban and rural borrowers. But most banks avoid lending for housing, which typically involves long-term commitments to the client. Among the main reasons for this is the lack of an adequate legal framework to protect financial institutions in the event of default. But several laws awaiting enactment by the Parliament—such as secured transaction, mortgage, and negotiable instruments laws—should clear the way for banks to extend long-term loans.

1.3.4 HOUSING SECTOR:

The housing shortage in urban areas has led to the expansion of informal settlements without access to the most basic city services. In Kabul informal settlements provide shelter for 80 percent of the population, cover 69 percent of the residential land, and with the land value excluded, represent fixed private capital investment of \$2.5 billion. Much of the informal housing in Kabul is built on government land, self-constructed by migrants, and in poor condition. A World Bank study called for upgrading rather than demolishing the informal settlements, and regularizing the tenure of their households.

1.3.4.1 GROWING DEMAND:

Projected population growth will add to the housing needs, especially in urban areas. Kabul’s population grew by 15 percent a year between 1999 and 2002 and is expected to continue to grow by 5 percent annually as a result of migration and natural growth. Countrywide, the demand for housing was estimated at 1.0 million units in 2006 and is projected to grow steadily, to reach 1.25 million in 2010 and more than 1.5 million in 2014.

1.3.4.2 NEW SUPPLY:

- (a) Despite the enormous need for housing, few new housing developments are under way in Afghanistan, though several are planned. Municipalities, the Ministry of Returnees, and the Ministry of Urban Development are responsible for housing construction for returnees from Pakistan and the Islamic Republic of Iran. Kabul has distributed 22,000 plots at an average price of \$5,200, transferring the title after 40 percent of the construction is completed. Jalalabad has distributed 4,400 plots at an average cost of \$5,000 as part of a housing zone intended for 20,000–30,000 plots.
- (b) In addition, the Ministry of Urban Development plans to build a large “new city” near Kabul with 250,000 housing units, costing \$13,000 per home, to house 700,000 inhabitants. The government will donate the land to a developer, whose profit will be guaranteed by fixed prices. The project is expected to cost \$250 million. Plans call for it to be completed by 2013, with a pilot site for 20,000 homes to be launched in the near future.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

- (c) Middle-class housing development programs like this one, which provide significant subsidy through free land, are not properly targeted to the people who most need housing support. The subsidy could be better directed to improving water, sanitation, and other infrastructure for low-income housing.

1.3.5 HOUSING FINANCE:

- (a) Lack of institutional finance remains a major constraint to the development of a housing market in Afghanistan. The government-owned housing finance bank was closed in mid-2003 because of nonperformance. The 16 commercial banks operating in the country today, while perceiving the housing finance market in the main cities as potentially lucrative, have extended little financing to the housing sector.
- (b) While the availability of long-term funding remains a challenge, the problem is largely not a financing issue: the banks have excess liquidity. The problem is instead an inefficient financial intermediary function for generating long-term funds and the lack of a legal regime that supports long-term loans such as those for housing. The consequence is that houses are purchased on a cash basis, precluding all but the wealthy from participating in the market.
- (c) A housing finance system could provide benefits to the economy beyond development of a housing market. For example, instituting a sound property registration system would enable entrepreneurs to use their property as collateral for business loans. In addition, housing finance would help develop a long-term finance market for other industries, including infrastructure development. And private sector lending for housing would free scarce government resources for other social and economic needs.

1.3.5.1 HOUSING FINANCE OPTIONS:

- (a) Neither formal nor informal housing finance is significant. Bank e Millie, a state-owned commercial bank, has extended mortgage loans but has no set product—each is unique. Generally two-year loans, they range in size from \$400 to \$10,000.
- (a) Most commercial banks, public and private, are keen to launch a housing finance product in the near term. These banks, along with microfinance institutions, envision a wide range of housing loan products. A product designed by Bank e Millie would range from \$10,000 to \$20,000, with a monthly payment of more than \$100 over a 20-year term. Microfinance institutions, with the aim primarily of meeting short-term needs for home repair, envision loans ranging from \$100 to \$500, with a monthly payment of about \$50 and a maximum term of one year.
- (b) Some banks provide loans for the purchase of a home that are structured not as traditional mortgages but as lease-buyback arrangements. Under these loans, known as murabaha, the bank buys the property and resells it to the client at a markup, owning the property outright until final payment—an arrangement offering the bank a level of security not available with a traditional mortgage. In the microfinance sector one institution has extended loans for home improvements to slum dwellers.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.3.5.2 LACK OF HOMEOWNERS INSURANCE:

Until more private insurance companies establish operations and begin offering homeowners insurance in Afghanistan, however, the risk of lending to homeowners may remain too high. Banks are reluctant to offer large loans without insurance on the collateral—but no company in Afghanistan offers homeowners insurance protecting against fire or earthquake. Although the country’s insurance law was revised in January 2006, only one private insurance company has since started doing business. And the public sector Afghan National Insurance Company is barely functional and financially weak.

1.3.5.3 LEGAL AND REGULATORY ENVIRONMENT:

Lack of an appropriate legal and regulatory regime has prevented commercial banks and, to a lesser extent, microfinance institutions from entering the housing finance market. Inadequate enforcement of laws and structural weaknesses in the housing market have made housing finance an overly risky proposition. Among the reasons commercial banks cite for staying out of the housing market are the inability to establish clear title to property, the high cost of registering liens, and the lack of secured transaction or foreclosure laws.

1.3.5.4 TITLE INSECURITY:

- a) Establishing clear title to land is a major problem in Afghanistan. There is no coherent land registration law. In addition to several traditional means of property transfer, conflicting registry schemes have been put into place over the decades. And corruption and forgeries often lead to several competing claims to the same piece of property. In Kabul an estimated 70 percent of residents live on property that has not been formally registered.
- b) Land title has been complicated by the several legal regimes in place: customary law (*rawaj*), civil law (*qanoon madani*), religious law (*Shar’ia*), and statutory or national state law. In addition, frequent regime change has led to more than 60 different land laws and amendments to the state law. As a result, property may be legally held in several different ways, including through a customary document certified by the local *shura* or *jirga*.⁶ While *shuras* and *jirgas* are not officially recognized by the court system, they often provide the most effective way to conclude a transaction or resolve a land dispute.
- c) Given the complexity, it is unsurprising that few people have the skills or training to conduct a proper title search and declare title free and clear. Nor is there adequate capacity in (or records for) property appraisal, resulting in unreliable information on the true sales value of property. Adding to the problem, real estate licenses can be obtained for a small fee, and there is no mechanism for verifying credentials. \
- d) To help bring people into the formal land titling regime, the Supreme Court has cut the number of steps required to register property from more than 30 to just 4 or 5. That has reduced both the time required and the opportunities for corruption. In addition, the government has committed to lowering the cost of registration from 10 percent of the property value to 2 percent.

⁶ A *shura* (the Dari term) or *jirga* (the Pashtu term) is a committee in a village, community, or township whose members are selected by the residents. Those selected are typically elderly, wealthy, and educated; are often landlords; and may have served as a commander during the war.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.3.5.5 LACK OF A WELL-FUNCTIONING COLLATERAL SYSTEM:

- a) A bank willing to extend a mortgage loan would face discouraging obstacles in creating a lien against the property to secure the loan and, in the event of default, in enforcing its security.
- b) The procedure for creating liens is bureaucratic, time consuming, and overly expensive. Even where a valid lien is perfected against the property, the lender has virtually no options available for acquiring and disposing of the collateral in the event of delinquency or default on the loan. Afghanistan presently has no mortgage, secured transaction, or foreclosure law.
- c) Under Shar'ia, foreclosure or eviction from a property that is the borrower's sole shelter is almost impossible. For this reason banks that use collateral first ensure that the borrower has two properties, then effect a lien against the second home.
- d) While property disputes are heard in civil court, the judges are poorly trained in property law. Moreover, there is little or no enforcement of judges' decisions.

1.3.6 HOUSING MICROFINANCE

Microcredit activity in Afghanistan was initiated in 2003 under an apex body, the Microfinance Investment Support Facility for Afghanistan (MISFA). By March 2008 the 15 microfinance institutions now under MISFA had 373,000 active borrowers among the country's low- and moderate-income families, had disbursed a total of \$420 million in loans, and had current outstanding loans of \$108 million.

1.3.6.1 POTENTIAL DEMAND:

- a) The country's microfinance clients have demonstrated a large demand for housing loans. Indeed, they often use microfinance business loans for home improvements. In addition, one microfinance institution has provided loans explicitly for home improvements.
- b) Estimates suggest that the total demand for housing microfinance could be substantial. In Kabul alone the financing need for home improvements and new construction in the informal housing sector amounts to an estimated \$276 million a year. Today those needs are met through relatives and friends, labor sharing, and family incomes. If microfinance institutions met only 10 percent of the demand, the financing requirement would be about \$28 million a year. In meeting this demand, microfinance institutions should initially use their own funding from MISFA, mobilized from donors. In the long run, however, market-based funding from commercial banks could promote the financial sustainability of microfinance institutions.

1.3.6.2 POTENTIAL CHALLENGES:

- a) There are two target groups for nonmortgage housing loans: the self-employed, based in rural and urban areas, and wage earners, based mainly in urban areas. Microfinance institutions are well placed to extend housing loans to these groups; an analysis shows that they have more comparative advantages and fewer disadvantages than other potential providers of loans for informal housing.
- b) Even so, several conditions need to be met to ensure effectiveness: detailed knowledge of the housing microfinance market, capacity building in loan appraisal techniques, effective guarantee mechanisms to limit risks, lending methodologies and policies designed for high-risk areas, and cost-effective ways to reach rural clients. In addition, microfinance institutions need to provide loans to women to promote their homeownership.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.3.6.3 A STAND-ALONE HOUSING MICROFINANCE BANK?:

Establishing a stand-alone microfinance bank specializing in housing microfinance is not a feasible option. Building a new institution takes time and capacity, and existing microfinance institutions are already providing 10–15 percent of loans for informal housing. Moreover, the countrywide presence of these institutions allows them to quickly and efficiently expand housing finance activities.

1.3.7 HOUSING POLICY DIRECTIONS:

- (a) The government of Afghanistan has taken some policy measures to overcome the housing shortage in the country. Its primary aims have been to create new serviced and unserviced land, improve land titling, support home construction and improvement, promote the conditions for housing finance, and establish a housing subsidy program for low- and middle-income communities. The policy on involving the private sector in helping to alleviate the housing shortage needs serious scrutiny, however.
- (b) In addition, the situation remains too tenuous for financial institutions to begin large-scale lending in the housing sector, with such legislation as the mortgage law and secured transaction law still awaiting enactment by the Parliament. Moreover, an overhaul of land policy is needed, as well as actions to promote housing finance so as to stimulate housing supply, particularly at the lower end of the market. Among the key policy measures are those needed to improve security of tenure, improve the framework for housing finance, and build the capacity of secondary participants in the housing market.

1.3.7.1 IMPROVE SECURITY OF TENURE:

- (a) Without a regime ensuring security of tenure, banks will be unwilling to lend in the housing sector. Microfinance institutions are less likely to need title for a mortgage guarantee, however, as they use alternative forms of collateral.
- (b) *Review and overhaul land titling.* To ensure single ownership, all title deeds—from both informal and formal registrars—need to be centralized in the land title office. Standardizing documents, limiting the number of registry offices, and computerizing the records could all support efficient searching.
- (c) *Improve the cadastre.* Technology is now available that would allow proper mapping for an accurate titling system in the country. The Afghan Geodesy and Cartography Head Office has already begun digitizing existing cadastral maps of about 800,000 properties.
- (d) *Ease title transfer and registration.* Simple, affordable procedures for title transfer and property registration would encourage people to use the formal registration process. That in turn should promote development of the primary and secondary property markets.
- (e) *Improve access to title for women.* Women’s difficulty in obtaining title to and ownership of property limits their access to formal finance in Afghanistan. Promoting a greater ownership share for women requires policy incentives. In India, for example, the microfinance institution Mann Deshi Mahila Sahakari Bank provides lower interest rates on loans to women who have title to property.

1.3.7.2 IMPROVE THE FRAMEWORK FOR HOUSING FINANCE:

The housing sector in Afghanistan operates under few guidelines and with almost no mechanisms for enforcing those guidelines. Remedying this situation will require concrete actions.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1. *Provide training.* Judges need training to gain the knowledge required to review and approve the decisions of shuras and other informal bodies and to make decisions themselves on property cases. And financial institutions need training to build their capacity in mortgage and nonmortgage home loans.
2. *Improve enforcement.* No formal eviction law is in place to protect either banks or tenants in cases of foreclosure. To ensure security for banks and property owners alike, actions to enforce land law must follow a formal procedure and be backed by a court order, not imposed arbitrarily for political reasons.
3. *Ease the burden of registering liens.* A quick, inexpensive, and transparent system for registering liens against property would encourage banks to enter the mortgage market. The time for processing liens should be shortened from two months to two weeks and the costs reduced from 6 percent of the property value to 0.5 percent.

1.3.7.3 BUILD THE CAPACITY OF SECONDARY PARTICIPANTS:

Development of a housing finance market requires a professional cadre of participants in all areas of the market. The quality of professionals in this field is generally low, and there are no real associations or codes of conduct providing minimum standards. Nor are there penalties for unprofessional conduct.

1. *Develop qualified property dealers.* Basic, minimum standards of professionalism for property dealers are needed to give banks the confidence to enter the housing finance sector. Entering this field requires merely a license obtained for a small fee from the Ministry of Justice, with no training or tests of qualifications.
2. *Build title search skills.* A group of people with the training to provide a qualified guarantee of title quality needs to be developed. Some lawyers are knowledgeable about title search, but too few to meet the demand. Computerization and centralization of title records will help make title search more straightforward.
3. *Ensure reliable appraisals.* Financial institutions must have strong confidence in the accuracy of property appraisals. Today in Afghanistan appraisals are conducted by property dealers or loan officers on the basis of inadequate market information. Making the property registration and transfer system simple and user friendly—so that people begin to properly register their property with the value paid—is one important step. Professional standards, to mitigate the risk of false valuation and corruption, could be achieved through licensing, regulation, and self-governing associations with strict codes of conduct. Certification could be provided by the government or by professional associations, under standards set by the government or subject to regulatory oversight.

1.3.8 RECOMMENDATIONS:

To develop Afghanistan's housing sector, with the overall objective of building a primary mortgage market and thus increasing the availability of affordable housing, the following future program and policy interventions are recommended:

1. *Strengthen the legal framework and necessary infrastructure,* the prerequisites for developing the housing finance market. These include a sound legal environment for market participants such as financial institutions, housing developers, and property buyers and sellers; improved systems for property titling and registration and enforcement of liens; and establishment of a legal and regulatory framework for the insurance industry.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

2. *Develop the mortgage market* by enhancing capacity in commercial banks, introducing new housing finance products, and putting into place a guarantee facility to mitigate the risks for commercial banks relating to property titling and registration or enforcement of liens.
3. *Develop housing microfinance* by creating incentives for microfinance institutions to engage in nonmortgage lending. To create such incentives, the government and donors should provide technical assistance to microfinance institutions in piloting and rolling out expanded microfinance lending for the housing sector.

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

1.4 HABITAT FOR HUMANITY AFGHANISTAN⁷:

Habitat for Humanity Afghanistan began its program in the northern province of Balkh in 2002. Habitat provided First Shelter homes to meet the demands of families in desperate need of immediate shelter. With no mortgage repayments required for First Shelter homes, costs were kept low by involving families and communities in construction. First Shelter homes used traditional mud bricks, mud and straw plastering, wooden doors and windows. Each house measured about 36 square meters. The buildings were designed to include two areas where people can live and work, earning a living by carpet weaving for example, with a traditional domed roof to enhance temperature control. By the end of July 2012, Habitat has wound down its presence and no longer operates in Afghanistan.

1. HOUSING NEEDS IN AFGHANISTAN:

- (a) Afghanistan is among the poorest countries in the world. Government estimates showed that four in 10 people live below the national poverty line. The incidence of poverty is more severe in rural areas. About 45 per cent of rural people and the nomadic Kuchi people are poor, as compared to 27 per cent of the urban population. Since the fall of the Taliban government in 2001, there has been an increase in demand for housing.
- (b) An estimated five million refugees have returned from neighboring countries. Others who are displaced within Afghanistan have also returned to their own towns or cities. The steady flow of refugees has exacerbated the problem of inadequate housing in the capital Kabul and other cities such as Jalalabad, Mazar-i-Sharif and Kandahar. Official government figures indicate that at least three million of the five-million strong population in Kabul are living in illegal and unplanned houses. The influx has pushed up the prices of land and construction materials. These pressures are particularly acute in urban areas where three in four Afghans live in poverty. Lack of clean water is common. Electricity is intermittently available in urban areas and non-existent in most rural areas. Although a banking system exists, housing loans are rarely granted. It is not uncommon for property titles to be contested, causing numerous disputes.

2. HOW HABITAT FOR HUMANITY WORKS:

- (a) Habitat for Humanity Afghanistan first started a Save & Build program in Yaka-Toot village near Mazar-i-Sharif, the capital of Balkh province. Under this model, 10 to 12 families form a group to save for the cost of building houses. When they have saved enough for the cost of one house, Habitat and its partners contribute the cost of another two houses and construction begins. The group repeats the savings cycle until all the member families have been housed. Save & Build was extended to the villages of Ali Abad and Turabi, just east of Mazar-i-Sharif in 2005. The savings groups each

⁷ Habitat For Humanity Afghanistan

INFORMATION ON HOUSING	
AFGHANISTAN	
HOUSING IN AFGHAISTAN	Document ID: HI/AFG/01

comprised an average of 17 families. Construction began in July 2005 and, by December 2011, more than 220 houses had been completed. Each house comes with a toilet and families are each given an 80-liter plastic container for storing water.

- (b) HFH Afghanistan also constructed classrooms and improved access to water and sanitation facilities in a local school in Ali Abad, Mazar-i-Sharif.

3. HABITAT HIGHLIGHTS:

- (a) December 2011: HFH Afghanistan helped to finish the construction of 15 houses in the Ali Abad community in Mazar-i- Shariff with financial support from Habitat for Humanity East Bay, a U.S. affiliate. Afghan families had first begun building the houses but were unable to complete the construction due to a lack of funding.
- (b) December 2010: Habitat held a joint dedication ceremony to mark the handover of 23 houses built for the Amani community as well as a three-classroom, Australian-funded school for the Turabi community. Both communities are located in Mazar-i- Sharif, in northern Afghanistan.
- (c) March 2010: HFH Afghanistan dedicated two classrooms benefiting about 200 students in the Ali Abad community. Habitat also built new toilets, repaired existing ones, installed new sinks and provided water, via a pipe, from a well.
- (d) June 2007: Habitat completed construction of 184 new houses for Save & Build groups in Ali Abad and Yaka Toot villages, east of Mazar-i-Sharif.
May 2007: A group of Swedish soldiers based in Afghanistan donated US\$2,000 toward the Save & Build project in Ali Abad community.
- (e) November 2005: A group of Canadian soldiers based in Afghanistan donated US\$4,800 to help Afghan school teachers in Mazar-i-Sharif to accelerate home construction.
- (f) June 2005: Home partners produced 240,000 mud bricks for their homes in Yaka-Toot and Ali Abad villages. 2003/2002: Some 365 families in the northern Balkh province were provided with First Shelter homes in Salbarun and Timorak villages.