



NATIONAL REPORT
ISLAMIC REPUBLIC OF IRAN

PREPARED FOR

HABITAT III

Draft for Review

In the Name of God

The Compassionate, the Merciful

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Tehran, I.R of Iran

April 2015

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Foreword:

At present, for the first time in the history of mankind, more than half of the world's population is living in urban areas and it is anticipated that this number will increase to more than two thirds by 2030.

It is therefore that the United Nations Human Settlement Program decided to hold its third conference, HABITAT III, with an emphasis on urban challenges and issues in Quito, Ecuador in 2016. And it is in line with this that the governments should develop their National Reports that present the outcomes of their evaluation of the implementation of the agenda of HABITAT II.

Upon receiving the "Guideline and Format for the Preparation of National Reports", The Islamic Republic of Iran embarked on the preparation and writing of this report through holding meetings and consultations with the related stakeholders in governmental, public and private sectors.

This is the outcome of these expert and consultation meetings which is being presented as the Draft National Report. These meetings will continue until the Final National Report is completed.

The Islamic Republic of Iran hopes that while completing this report with effective and joint cooperation with UN HABITAT, to be included as one of the important countries in the drafting team of the **New Urban Agenda**.

Abbas Akhoundi

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The Islamic Republic of Iran

Chapter one: Urban Demographics Issues and Challenges for a New Urban Agenda

1. Managing rapid urbanization

Rapid urbanization and the daily increase in the population of the country's cities on the one hand and the heightening of the problem of the concentration of urban population in larger cities and the strengthening of this calls of cities in the urban structure of the country on the other, are amongst the most important indicators of the shift in the country's urban population over this 20 years (1996-2015).

During this time the country's population has increased from 36.8 million in 1996 to 48.3 million in 2006 and to more than 53.6 million in 2015.

During this period the number of cities in the country increased from 624 in 1996 to 1016 in 2006 and 1242 in 2011. The number of cities in Iran is expected to surpass 1395 in the current year.

During the same time the percentage of the country's population living in urban areas has increased from 61.3% in 1996 to 68.5% in 2006 and 71.4% today. The rate of increase has slowed down over the past few years and the urban population is expected to comprise around 74% of the total population this year.

In this period while the average population size of the country's cities decreased because of the large number of rural and small population centers changing to cities and was reduced from around 60,000 in 1996 to 47,000 in 2011, the ratio of the population of mega cities (cities with populations of more than one million) in the urban population increased from 33% to 36.2%. In line with that the ratio for large cities (those with a population of more than 250,000) has also increased from 60.3% of the country's urban population to 67.7%.

During this 20 years the ratio of the population of large cities to the overall population of the country has decreased from 54.7% in 1996 to 53.5% in 2011. The decrease in the same ratio for small cities (those with populations of less than 50,000) is from 19.8% to 18.9%. Conversely the relative ratio of the population of average cities (those with populations between 50,000 to 250,000) has increased from 25.5% to 27.6%.

The most important reasons for rapid urbanization are:

- Increase in the number of cities with the conversion of a number of rural habitats to cities;
- The merging of rural areas and informal settlements on the fringes of some cities into them;
- The inability of rural areas in keeping their population and the vast migration from rural to urban areas to the extent that the number of villages declined from 68,122 in 1996 with a population of 23 million to 61,748 with a population of 21.2 million in 2011;
- The better **ability** of large and mega cities in keeping their inhabitants and attracting new ones from smaller cities
- The impact of the development plans and projects in increasing the capacity of larger cities to absorb new population and the increased desire of the people to migrate to and live in these cities;

- The belief amongst migrants from rural areas and small cities that they will have access to more and better urban services and new and higher paying jobs in bigger cities;
- The impact of the administrative, political and economic centralization on population concentration in provincial capitals and manufacturing poles;
- The unequal and non-proportional distribution of resources and opportunities in the have and have-not regions of the cities and its consequence on the creation of large central cities in provinces and the domination of single-city regimes in their urban structures
- Difference in the in the amount and degree of the urban population increase in different parts of the country based on their population size, rural migration to them, implemented development and employment generation plans and projects and...

Shift trend of the number of cities and urban population in 1996 to 2011

The Country's Population	1996		2006		2011	
	Number of Cities	Population (thousands)	Number of Cities	Population (thousands)	Number of Cities	Population (thousands)
Total	614	36,818	1,014	48,260	1,139	43,646
More than one million	5	12,156	6	15,129	8	19,433
250,000 to one million	18	7,991	20	10,343	21	9,243
100,000 to 250,000	36	5,133	54	8,373	57	9,122
50,000 to 100,000	60	4,260	70	4,840	81	5,657
10,000 to 50,000	260	5,888	310	6,973	324	7,120
Less than 10,000	233	1,391	552	2,602	648	3031

Source: 1396, 2006 and 2011 population and housing census, Iran Statistical Center

2. Managing rural-urban linkages

Two-way linkage and connection between cities and villages situated in common geographical areas have limited varieties from the perspective of location of cities and villages in respect to each other and also working connection between them. Cities have differing direct (daily) and indirect (satellite) areas of influence based on their population and economic size. In general the bigger a city's population and economy, the larger it's area of impact and influence and the stronger and more effective the urban-rural connection in these areas. Villages situated in the daily area of influence of cities, in general act like the disconnected fabric around those cities in the sense that they house the urban workers and low-income groups and conversely the cities hold jobs for the working members of these groups and also the market for the rural products and the provider some of their services and needs. In some cases urban businessman build their manufacturing units in these villages in order to utilize the work force living there. This is while rural areas situated far from the cities this relationship is comprised only as the supply of part of their needs and services

and the sale of their products in the city. The intensity of this relationship declines with the increased distance between the city and the village and its variety is reduced as well.

Altogether it can be said that: without taking note of the rural areas the development of the cities will not be sustainable. Due to their predominant activities rural areas play an important role in supply food to the urban population and throughout history this security has created the grounds for the establishment of the cities. Therefore contemporary cities cannot enjoy sustainable development without relying on the capacities and abilities of the villages around them.

In addition to the to the role of rural areas in creating food security for the urban population, migration from them to the cities is the source of many of the urban problems and the reduction of this migration requires attention to these villages in order to keep their population there and to increase the desire of the rural population to be active in agricultural activities and the production of food for the urban population.

The Iranian rural population has been shrinking since the 1960s and today in addition to the reduction of the ratio of the rural population to the overall population of the country, its actual number is declining as well. This is leading the lessening of the utilization of farmland and its gradual destruction on one hand, and the increase in urban population and the appearance on new problems alongside unresolved ones on the other. The Interior Ministry as one of the effective organizations has played an important role in slowing this trend and increasing the desire of the rural population to not migrate during the recent 20-year period.

The government has pursued a new supportive approach towards the rural societies since 1999 when the first Islamic Council elections were held in the rural areas and 2001 when the wave of the creation of dehyarys (rural municipalities) was started, which by offering unprecedented new public services can be effective in increasing the desire of the rural population to stay in place. As an implementation agency dehyarys have responsibility of offering public services and supplying parts of the necessary infrastructure for improved quality of life in the villages. Their duties in villages is similar to that of municipalities in cities. Services offered by them were unprecedented in the rural areas and have played a determining role in improving the quality of life and satisfaction of the rural population. The Islamic councils have very specific supervisory roles over the dehyarys and the facilitation of their activities at the rural level.

Presently 31,119 dehyarys are active in the country's villages and 84.6% of the villages with a population of more than 20 households today have one. The wide coverage by them can play an important role in reducing the rural-urban migration and maintaining the rural capacity for supporting urban life and development and its expansion in the country. The main duties of dehyarys include the supply of public services, the building of public infrastructure, supervision over construction, safeguarding the environment, and cooperation with government agencies in implementing their development plans. Their services do not replace any of the government's and are new ones being offered to the rural population. They head of the dehyarysis selected by the Islamic council of the village which in return are elected by the direct votes of the village residents who through this see themselves as having a role in determining the future of their village and this increases their desire to stay and not migrate.

In addition to the above actions taken towards increasing the rural-urban connections since 1996 have included increasing employment opportunities and supplying the services needed by the rural population in their villages on one hand and the strengthening of the offering of urban services to them (the offering of services, employment opportunities and markets for their products) on the other. Some of these actions, in spite of the decrease of the number of villages from 68,122 with a population 23 million in 1996 to 61,748 villages with a population of 21.2 million in 2011 include:

- The preparation of complex urban plans for the countries mega cities and their satellite town and villages and attention to the development of the cities and villages inside these groupings as one.
- The preparation of urban district and regional plans and attention to the development of the cities and villages in each urban district or region as one and to classify the implementation process within the scope of a grouping, a system...
- The preparation of plans for the establishment of new cities to accomodate the overflow of population from large and mega cities
- The offering of medical and treatment services to rural areas within the scope of provincial and urban district networks and...

3. Addressing urban youth needs

To be completed in the final version

4. Responding to the needs of the aged

Based on the law alongside its other duties the State Welfare Organization is responsible for looking after the aged needing care. This organization offers its services to the elderly with the following frameworks:

- 1- Medical and nursing care: In order to reduce problems related to age prevention of old age diseases and treating the existing ailments
- 2- Rehabilitation: Including medical, social, professional and educational rehabilitation in order to increase the abilities of the aged in dealing with the consequences of age, better coping with their surroundings and maintain maximum independence.
 - a) Medical rehabilitation: Medical services, physiotherapy, occupational therapy, speech therapy, optometry, nursing series with the objective of improving the quality of life for the elderly within a group
 - b) Occupational therapy: Identifying and strengthening the professional abilities of the aged in order to improve their mental, physical and social capacity
 - c) Social rehabilitation: social worker aid in order to improve social coping and resolving social issues of the aged

d) Educational rehabilitation: Offering principles for a healthy life to the aged such as personal care, prevention of consequences of age, avoiding risky actions, healthy eating and art therapy to the elderly and their families

These services are offered in the Welfare Organization's centers as follows:

1. Rehabilitation, care and nursing homes: Offering services including care and rehabilitation including medical, physiotherapy, occupational therapy and speech therapy to the elderly at all hours of the day and night
2. Day rehabilitation and educational centers: Offering educational and medical, social and professional rehabilitation during some hours every day. There is one active center in every province.
3. At home rehabilitation and care centers for the aged: Offering care and rehabilitation centers including medical, physiotherapy, occupational therapy, speech therapy, and psychological and social counseling services to the eligible elderly in affiliation to at least one of the day or overnight centers
4. Comprehensive rehabilitation centers for the elderly: Offering rehabilitation services including medical, physiotherapy, occupational therapy, speech therapy and psychological and social counseling to the elderly

There are currently two plans being implemented in the office of the aged of the organization:

- The elderly rehabilitation plan in the urban-rural network: This plan has been designed and carried out to teach the elderly methods for a healthy life in all dimensions and help them cope with old age, and at the end allow them to have a healthy and successful life.
- Community-based rehabilitation plan: Considering the fact that implementing rehabilitation programs with a participatory approach, active presence of the aged and his families and to have the programs be designed as community-based, increases and completes their impact, the participation of those benefiting from the program, their families and local community is an important principle in rehabilitating the aged.

Also based on the law, the responsibility of issuing licenses for the establishment and running of rehabilitation centers and nursing homes for the elderly, as well as overseeing their operation, is that of the State Welfare Organization.

These centers welcome the elderly and offer counseling and social aid services to the aged, their families and relatives. These services include nursing home services for those who can't be rehabilitated (the disabled), the derelict, the destitute, and the offering of the necessary services such as feeding, cleaning, bathing, dressing, health care, treatment, medication, medical rehabilitation, leisure and free time activities.

5. Integrating gender in urban development

The Constitution of the Islamic Republic of Iran and all the upstream plans and documents (the Fourth and Fifth Development Plans) have required the government to create the grounds for the elevation of women and to restore their material and spiritual rights.

In the Fifth Development plan the government is mandated to prepare a comprehensive development plan for the participation of women in society with the objective of strengthening role in society, to prepare the bill to strengthen the institution of family, and to take actions to prevent violence against women. The following rules and regulations are the basis of the attention to the gender issue and the position of women in the urban development process.

- The law for guardian-less women and children
- The law for increasing the coverage of rehabilitation and support for the disabled and women head of households by the State Welfare Organization
- The law for organizing and supporting work at home
- In article 230 of the Fifth Development Plan the government was required to prepare and pass “the comprehensive development plan for women and family affairs”. This plan includes various aspects including the development and organizing of the economic and livelihood affairs with a priority for at home jobs for women head of households and women who are not taken care of by the spouses or parents, and social welfare, the document for which has been prepared. Amongst the actions carried out in this regards include the allocation of subsidies to all households, especially women headed households and those not being looked after.
- The preparation the bill for the protection of women against violence
- The preparation of the charter for the citizens rights in order to support and strengthen the rights of the people.

The implementation actions and activities of the Islamic Republic of Iran in the economic, support, health and legal dimensions have been carried out by government organizations and offices such as the State Welfare Organization, the Interior Ministry, the Imam Khomeini Aid Committee, The Office of the Vice-President for Women and Family Affairs, the Cooperatives, Labor and Social Affairs Ministry, Ministry of Agriculture and other line agencies, the most important of which during the recent 20- year period are as follows:

Economic and Support

1. Covering the implementation costs of self-employment for women by support institutions and overseeing the sustainability of these plans with a budget equaling 5% of the funds allocated for the Imam Khomeini Aid Committee and the State Welfare Organization.
2. Implementation of employment generation projects through support for cooperatives and the micro-credit fund
3. Offering services to women by the municipalities including:
 - Offering public transportation services in the cities, such as in urban buses, in the metro, special taxis for women with women drivers

- The building of parks for women
- The establishment of sports facilities for women in the cultural centers
- The building of neighborhood houses with diverse programs such as free training for women to introduce them to methods for improving their lives, first aid, raising children and...
- The establishment of women only spaces in terminals and large parks in order to cater to the needs of women such as breastfeeding and attending to newborns and children

Legal

- The establishment of social centers for girls vulnerable to social malaise (health homes)
- The hiring of female police officers to attend to the affairs of women
- Decisive and stern punishment of those disturbing and harming women across society
- Information dissemination and public awareness campaigns in regards to crimes involving desecration of women, especially women in cyber space, with the approach of preventing these crimes against women

Medicine and Health

- The establishment and running of birthing centers and training of midwives in rural areas, the implementation of special plans for the health of women, the national plan of dispatching health convoys for women to the deprived parts of the country, the holding of specialized workshops for pregnancy health during natural disasters

Political and Social

- The election of 78 women in the latest rounds of Islamic City Council elections in the country
- An increase of 79.76% in the number of women in the City and Village Islamic councils from 1997 to 2003

NGOs

- Coverage of 1.5 million of the needy individuals in society (especially women heads of households) and their continuously benefiting from the services of the Imam Khomeini Aid Committee
- Priority in paying housing facilities including those for the purchase, construction and small to large repairs in the form of grants and loans to women head of households (even in cases when they remarry) by the Imam Khomeini Aid Committee

6. Challenges experienced and lessons learnt in these areas

6-1- experienced challenges

A. Managing rural-urban linkages

- The relative continuation of change in land usage for agricultural land in rural areas especially the villages surrounding mega cities
- Weakness in creating proper structures for effective management of rural-urban connections
- Structural weakness for the stakeholders and those in charge in integrated planning for rural urban areas
- The continuation of government control in fulfilling development objectives

B. Addressing urban youth needs

- Ambiguity and lack of coordination in the higher management regime (policy making, planning, coordination, implementation, supervision and monitoring) with employment generation for the youth
- The unemployment rate of the youth being higher than the average unemployment rate in the country
- Lack of flexibility of presiding laws and regulations in the job market for youth employment
- High rate of unemployment for college graduates
- The unemployment rate for young women being higher than young men
- Weakness in information dissemination in the job market
- Discrepancy between professional and vocational training and needs of the job market
- Lack of attention to the employment generating sectors, (including the service industries), in line with creating employment opportunities for the youth
- The youth having a small share of the employment opportunities created in recent years in comparison with their employment needs
- Lack of attention to strengthen the spirit of entrepreneurship in the country's education system and subsequently a decline in the possibilities for having the youth entering into the private sector and self-employment

C. Youth housing

- The continuous decline in the ability of families in order to supply housing to the youth due to the increasing varieties of expenses relating to the changes in life styles and the increased desire of the youth to own large housing units and the domination of the school of thought that government support for youth housing is only an expense
- Low impact of the small savings from limited revenues of the families in supplying youth housing and inadequate financial support by the government
- The high share of housing in the expense basket of the families, especially in income deciles one to five
- The programs for the economic stability of the youth not being in line with the support mechanisms

- The dominance of the increasing costs of housing over the increase in the economic abilities of the youth
- The high demand for housing by the youth, affected by the increase of the relative rate of the youth population
- The increase in the migration of youth from villages to cities and from smaller cities to bigger ones

6.2: Lessons learnt

A. Managing rural-urban linkages

- The creation of a participatory management system within the framework of local governance;
- Creating the foundations for stakeholders having more of a role;
- Educating and informing the managers, implementation specialists, local leaders and rural population.

B. Youth employment

- Adopt a youth-based approach the youth in creating equal employment opportunities through:
 - Increasing the share of the youth seeking work in the existing job opportunities in the country
 - Involving those in charge of youth affairs in the country's employment decision makings and decision takings
 - Increasing the access of the youth to equal opportunities in the job market
- Correlating the trainings and expertise (formal and informal) with the needs of the job market in order to increase utilization through the establishment of:
 - Connection between the overall needs of the industries and jobs with the vocational training system
 - Connection between overall needs of the job market and the higher education system
 - Support for vocational training by private sector enterprises
 - Expansion of specialized internship in line with the needs of the job market
 - Cyclical review of the training courses in line with the needs of the job market
 - Simplifying the laws and regulations overseeing the job market through:
 - Correcting the laws and regulations of the job market including the social security system, salary structures and...
 - Correcting the laws governing capital markets including tax laws, banking and finance systems, and...
 - The elevation of the culture and morality of work and entrepreneurship through:
 - Correcting the perspective of the youth in regards to the motivation towards entrepreneurship rather than finding jobs
 - Increasing the participation of mass media in culture building and elevation work morality
 - The offering of the meaning of work morality in the official education in the country
 - Institutionalization of the notion "merited work" across the society

- Capacity building in manufacturing and job creation through:

- Increasing investment security and creating the proper grounds for internal and foreign investment in manufacturing
- Creating the proper grounds for the presence of the private sector in manufacturing and job creation
- Creating the grounds for offering special facilities for private sector enterprises in order to support the special youth job creation program

C. Youth housing

- Supplying housing for the youth with priority for the employed over the unemployed, married over single (except for youth taking care of their father's family), age groups in succession 25 to 29, 20 to 24 and 15 to 19 (except when the youth is the head of the household)
- Determining the place of youth housing and making it transparent in the economic and financial programs, the monetary and banking system, and the subsidies mechanism and also the urban development plans and programs, especially for specific youth groups, low income groups, young couples and...
- Pursuing support policies to increase the economic abilities, ease of access, increasing the mental and physical security in supplying proper housing for the youth
- Gradual change in the housing model for the youth from ownership to rent

7. Future challenges and issues in these areas

7.1. Future challenges and issues

A. Managing rapid urbanization

- Housing shortages and increase land prices
- Widespread informal settlements
- Problematic city centers
- Poverty of urban culture
- Environmental issues such as, water and air and sound pollution,
- Shortage of the capacity of urban passages and roads, and traffic problems
- The rise in social malaise such as unemployment and...
- Shortage of urban services and facilities
- Lack of required facilities for the leisure of the inhabitants
- The emptying of some rural areas and the decline in agricultural and livestock breeding

B. Managing rural-urban linkages

- Increase in the soil and water pollution
- The decline of the sensitive ecosystems
- Limited potable and agriculture water
- Natural threats and disasters
- The reduction in food resources
- The increase in poverty

- The expansion of informal settlements in the villages surrounding mega cities

C. Youth employment

- Improper grounds for investment by the private sectors and foreign investment
- Increase of unemployment amongst the educated youth (especially girls) and the lack of proper foundations for utilizing their abilities
- Lack of the institutionalization of the culture of work and the weakness in professional work morality amongst the youth and the dominance of the perspective of job seeking instead of entrepreneurship amongst them
- The reduction of the access of the youth to job opportunities due to the ineffectiveness of the job market
- Low utilization of the work force due to a lack of correlation between what is taught by the educational and vocational system with the expertise needed by the job market

7.2. Recommendations

A. Managing rapid urbanization

The creation of an effective structure for managing housing in urban groupings through the identifying and analysis of the urban space in the country's urban network through the use of quantitative models, and the offering of the required policies and solutions for the proper distribution of the urban population in the country

Controlling the growth of large and mega cities through the decentralization of their activities and services and paying adequate attention to the distribution of these resources at all levels of the country's urban network

The strengthening of small and medium cities through the synchronization of the country's urban system with the objective of land use and spatial planning

The guidance of manufacturing and employment centers to small and medium cities

Maintaining and keeping local and specialized forces in small and medium cities

Preparing an economic competitiveness plan for the cities

Special attention to the to the transportation network and road connections in each area

Identifying active manufacturing and service centers in small and medium cities

The strengthening of electronic communication infrastructures in small and medium cities

The strengthening and expansion of the connection of border cities with those inside the country and external neighbors

B. Managing rural-urban linkages

- Structural reforms in the management of planning of the country (with an emphasis on integrated rural-urban management)
- The development of the NGOs participating in development at the national, regional and local levels
- The establishment and development of comprehensive management over resources, especially land, within the framework of good governance

- Adequate investment in infrastructures, especially transportation infrastructures, rural efficiency, easy access to the markets, expansion of employment and public services for vulnerable groups, especially women and youth
- Emphasis on the linkage between the issues of rural areas and cities and the necessity for integrated development planning for the rural-urban areas within the framework of the rural-urban linkage approach.
- Attention to the bearing capacity of human habitats, especially villages
- Not pursuing the policies limiting rural-urban migration (population stabilization policies) and emphasis on policies for improving social and economic conditions and increasing the efficiency in agriculture and non-agriculture productions with the goal of giving a role to rural areas in national growth

C. Addressing urban youth needs

- Capacity building in manufacturing and employment with the approach of maximum utilization of employment opportunities for youth employment
- Culture building and reforming the perspective of the youth with an approach of - institutionalization of work morality and entrepreneurship amongst them
- Enabling the youth through elevating their knowledge and expertise
- Strengthening job opportunities for the youth with an approach of regional and gender equality
- Correcting the laws, regulations and rules and making the job market transparent in in line with increasing the utilization of the youth work force
- Youth housing:
 - The elevation and reform the society's perspective to the role of youth housing in sustainable development, mental health and improvement in quality of life through:
 - ✓ To create the grounds for the youth to obtain their rights, legal demands and duties in regards to housing
 - ✓ The fulfillment of the duties and responsibilities of the youth and families in regards to youth housing
 - ✓ Expansion and development of the savings culture in families and youth in order to strengthen the culture of savings for youth housing
 - Strengthening the role of government in creating the grounds and foundation for supplying youth housing and strengthening the support programs through:
 - ✓ Forecasting and allocating subsidies especially for youth housing from the government's budget in a targeted framework
 - ✓ Utilization of the country's insurance industry for supplying housing to the youth who due to unemployment and lack of adequate income lack housing
 - ✓ The encouragement and support of the government for investments by municipalities, government, non-government and public institutions in the construction of housing for youth especially in areas where there is a high demand

- ✓ Enhancement of the role of youth housing planning in the overall housing planning of the country
- Enabling the youth towards their obtaining proper housing through:
 - ✓ Fostering the financial and economic strength of the youth in order to use it in the building, production and supply of housing
 - ✓ Collaborating the establishment of modern, transparent, and easy systems of savings and depositing, taking into consideration the youth economic and financial conditions
 - ✓ Collaborating with the establishment and development of the country's Specialized Network for the Youth Housing
 - ✓ Establishing the youth housing subsidies payment system through the Youth Housing Investment Funds

D. Integrating gender in urban development

- The need to prepare and develop gender indicators in information and statistics for urban planning
- Attention to increasing the abilities and fulfilling the needs of women (especially heads of households, the disabled and those taking care of themselves) in macroeconomic plans and policies with a poverty reduction approach
- The necessity for strengthening the role of women in the local management of villages and cities and increasing the participation of women in plan as an important agent in the development of local communities
- The effort for the more just and equal distribution of educational opportunities considering the vastness of Iranian territory and climate variety
- Pay attention to women in urban planning and the creation of proper utilization for them across the cities (especially the disabled and the elderly)
- The importance of foundation making for the elevation of the active participation of women in overall national development policy making and planning
- Offering cultural and life skills training in mass media and also at the level of neighborhoods and cities with the objective of capacity building for women and to gain the public trust towards their participation
- Effective and continuous planning for increasing the literacy rate of women and girls alongside removing the obstacles to their access to training and learning trades
- Supportive planning for the role of women in running the affairs of their homes and the raising of their children and also their participation in social matters through the formation of local women associations
- The need for separately identifying the needs of women and men living in the neighborhoods and increasing their abilities as the connection between the families living in urban areas and the organizations in charge of these areas
- The importance of carrying out scientific, research and practical activities in regards to the necessity of considering gender dimension in urban development

- The need to strengthen the connection and cooperation of the government with civil institutions and to consider the importance of the role of active women NGOs in achieving development and urban planning, and the establishment a database of the non-governmental organizations active in this area.

DRAFT

II. Land and Urban Planning: Issues and Challenges for a New Urban Agenda

There are diverse planning processes and a hierarchy of public agencies which determine land management and planning throughout urban areas in Iran. The planning processes vary according to the preparation and adoption of plans depending on their scopes, scales, and periods of validity. The inefficiency of urban management mechanisms thus pose challenges which demand a New Urban Agenda.

8. Ensuring sustainable urban planning and design

At the national level, the main actors in urban planning and development in Iran include Ministry of Interior (MoI), Ministry of Roads and Urban Development (MRUD), and the Cultural Heritage, Tourism, and Handicrafts Organisation (ICHHTO) with their respective local branches in every county and city¹. MRUD wields authority over the development of city plans while MoI supervises city administration and funds certain urban projects. ICHHTO plays an important role in planning for urban areas of architectural/cultural/historic value.

Provincial governors are selected by the Minister of Interior (MoI) and appointed by the President. They are the most important actors at the provincial level, responsible for coordinating all provincial activities that are executed in a top-down manner. The Municipalities Organisation (MO) was established under the MoI in 2002 to support and coordinate the development of urban infrastructure and delivery of urban services. At the same time, provincial service agencies are controlled by their respective ministries.

MRUD was established in 1953, originally as the Ministry of Development and Housing (MDH). It was renamed Ministry of Housing and Urban Development (MHUD) in 1974 and its mandate was extended to include planning at national and provincial levels. In a reorganisation of the Government, MHUD was merged with the Ministry of Roads and Transportation in 2011 to form the present MRUD. Other than MRUD and MoI, several other ministries are either responsible for providing services in urban areas or impact urban development through their activities

According to the *Law for Development and Housing* (February 1973) the then Ministry of Housing and Urban Development (MHUD) was established to manage housing development as well as the development of master plans for urban and semi-urban areas. Higher Council for Architecture and Urban Planning (HCAUP) was also established within MHUD based on the same law.

Higher Council for Architecture and Urban Planning (HCAUP)

The HCAUP is presided over by the Minister of MHUD, now MRUD. The Deputy Minister for Urban Development and Architecture is the Secretary of HCAUP, under whom a Director-General manages the Secretariat. Other members of HCAUP include the Ministers of Interior, Economy and Finance, Culture and Islamic Guidance, Education, Power, Jihad Agriculture, and Defence. In addition to these ministers, three Vice-Presidents are voting members of the HCAUP: (i) Vice-

¹Currently, Iran has 31 provinces, around 428 counties, and close to 1242 cities with subordinate rural settlements.

President for Strategic Planning and Supervision; (ii) Head of ICHHTO; and (iii) Head of Environmental Protection Organisation. HCAUP has four main functions:

- Overall urban development policies;
- Commenting on by-laws affecting zoning, land use, and main urban functions;
- Adoption of urban master plans; and
- Adoption of urban criteria, regulations, by-laws, etc.

Master Plans and Detailed Plans are regularly prepared for Iranian cities—theoretically every ten years. For small towns, MoI prepares an abridged version of a Master Plan called Guidance Plan. Together, these plans determine the official municipal boundaries and streets layout as well as land use and building density (the ratio of built area to the plot area for each single plot). The municipality then uses these regulations to issue building permits.

In practice however, on the average, a meagre 15 per cent of the adopted Master Plans have been implemented. During implementation, much of the land earmarked for residential construction is hoarded or enters the speculative market, whereas land outside the municipal boundaries attracts informal settlements. Master Plans have been criticised for use of outdated basic data and erroneous forecasts as well as for proposing infeasible wish lists in the form of a maps. Furthermore, due to funding shortages, municipalities increase permissible building density and change pre-determined land use at an extra cost for issuing building permits. This practice actually nullifies the original intention of the urban plans. Despite all this, master and detailed plans remain the most important guidelines for urban development in Iran.

Locational Plans and Thematic Plans are prepared for certain areas of the city or to address certain issues in the city, respectively. Other types of plans are prepared for areas bigger than that covered by a master plan. These include metropolitan area plan, provincial physical plan, national physical plan, and territorial development plan. The latter is somewhat similar to the national physical plan but is prepared by the Vice-Presidency for Strategic Planning and Supervision.

The approval of master plans by HCAUP has an established process: (i) a qualified consultant is commissioned by the provincial Housing and Urban Development Organisation (HUDO), which is the provincial office of MHUD; (ii) after the plan is prepared, it must be approved by the Provincial Planning Council; (iii) it is then reviewed concurrently by the HCAUP's technical committee and the office of Physical Plans at MHUD, before final submission to HCAUP. In principle, HCAUP does not examine the Detailed Plans (see below). Such plans—as well as modifications which do not essentially change the existing Master Plan—are adopted by Commission for Article 5. This commission is formed at both provincial and county levels. It is headed by the provincial or county governor-general and attended by the head of the Islamic City Council, Mayor, and representatives of MHUD and some other ministries.

Councils are elected in rural and urban areas according to the Law for Islamic Councils (1982; revised 1986). Municipalities operate under the supervision of city councils, directly elected by the citizens every 4 years. If a city council is not elected, the Ministry of Interior intervenes and supervises the municipality. Almost all municipalities have a city council today. City councils appoint mayors. For villages with populations of more than 100 people or 20 households, rural

councils are elected with 5 members. For each rural centre with fewer than 100 people or 20 households, there are 2 representatives but no council. Alternatively, a number of adjacent small settlements may share a common council. Rural areas may have a rural mayor. Furthermore, larger cities are subdivided into districts, which are managed by district mayors. A historic urban zone may also be defined as a distinct district with its own district mayor. Regulations on planning for and protection of historic urban zones are developed in co-ordination with ICHHTO.

In September 2002, other consultative levels were also formed, namely county and provincial councils. City and district councils send their representatives to county councils. County councils in turn elect a council for the province. Each representative of the provincial councils attends the Provincial Planning Council with the right to a single vote. The Supreme Council of Provinces is formed by the representative councillors from provincial councils. The first Supreme Council of Provinces was formed in October 2002. The lower councils answer to the higher councils, while the Supreme Council answers to the Parliament. The provincial, county and township governors can appeal to the higher councils against the decisions of the lower councils. Drafts for laws and acts can be proposed either by the Government or by the Parliament or by the newly established Supreme Council of Provinces.

9. Improving urban land management, including addressing urban sprawl

Urban land management

The responsibility of urban land management rests with key public agencies such as MRUD and its subsidiary agencies, city councils and municipalities; as well as private sector entities including real estates.

National Land and Housing Organization (NLHO) was established under the MRUD to manage urban land. It was initially established according to the *Urban Land Law* in 1981 as Urban Land Organisation (ULO) to manage land ownership in the post-revolutionary period. ULO continued to function between 1987 and 1995. In 1993, however, ULO and the Housing Organisation were merged to establish the current NLHO. According to its statutes (1996), NLHO is a public company affiliated with MRUD. Its mandate includes implementation of Urban Land Law; planning for the housing sector; investment in housing through public-private partnerships; and guiding materials production. As a result through NLHO, the Government has undertaken significant land acquisitions.

The amount of land the Government came to possess, could be used for developing and supporting the implementation of land management practices that deal comprehensively with potentially competing land requirements for agriculture, industry, transport, urban development, green space, protected areas and other vital needs. On the other hand, any shift in Government action on land supply could affect land prices and hence the overall inflation rates.

In practice however, public supply has been regulated by mid-term development plans rather than responding to effective market demand. The bureaucracy governing land allocation, development costs and limited financing for infrastructure further reduces supply of serviced land.

The quantity of land supplied has therefore been a small fraction of land acquired for any given year—often not exceeding 10 per cent.

Furthermore, until 1994, practically most of the land was allocated at the same nominal price regardless of location, but a ‘market-based’ approach for land pricing has been used ever since. Thus public land is supplied at the current market price for purchase of private property. A vicious cycle thus forms whereby an increase in the prices of public land leads to an increase in the overall market prices and vice versa.

Currently five methods are used for pricing land allocated by the Government:

1. Market price for small plots arrived at through bidding based on current market value estimations;
2. Negotiated price for mass production of housing through agreement to allocate large parcels of serviced land to housing developers or negotiated share of the equity. This pricing might also include some discounts for developers of rental housing;
3. Allocation of land to individual applicants at ‘finished cost’ price. The latter is essentially the original method of pricing and is used in special cases supported by Government policies;
4. Long term (99 years) lease of land for Mehr Housing; and
5. Special pricing for transfer of plot ownership to Mehr Housing owners.

None of these pricing policies are reflective of any intention to impact the market.

Addressing urban sprawl

To address the urban sprawl, two MRUD subsidiary agencies have been established to (i) undertake slum upgrading and urban regeneration in cities; and (ii) develop new towns to provide adequate housing for excessive urban population.

The body responsible for slum upgrading is the Urban Development and Renovation Organisation (UDRO), which is now reorganised as a holding company and is more appropriately called Urban Development and Renovation Corporation. Founded under the Ministry of Housing and Urban Development in 1996, UDRO’s projects were initially focused on deteriorated historic fabrics. Since 1999, UDRO has undertaken upgrading projects in informal settlements. UDRO has several provincial subsidiary companies. It is headed by a Deputy Minister of Roads and Urban Development. Its role was reinterpreted to deal specifically with urban slums by Article 4 of the Law of the Third Five Year Economic, Social, and Cultural Development Plan—leading to the revision of its bylaws and its restructuring after 2004. UDRO’s mission includes the following:

- Foreseeing and preventing the proliferation of urban slums;
- Identifying and collecting accurate information about slums;
- Preparing renovation, upgrading, and enabling plans for urban slums;
- Institution-building, cultural advocacy, creating the tools, capacity-building, and coordination to realise community-based participatory renovation; and

- Providing leadership, supervision, and control for operations, such as community-based development initiatives, catalytic projects, advocating best practices, reorganising, and enabling informal settlements.

Based on its years of experience, UDRO's approach has gradually evolved through five key stages:

1. Carrying out catalytic projects, comprising limited interventions in deteriorated fabrics aimed at stimulating development and investment;
2. Addressing problematic urban fabrics, which included, in addition to implementing catalytic projects, land acquisition to merge plots and widen streets to allow for increased vehicular access;
3. Urban renewal, carried out with increased attention to socioeconomic, cultural, and demographic issues in both deteriorated fabrics and informal settlements;
4. Participatory renovation in which a number of influential partners—in addition to the Central Government—were involved, such as local agents, mayoral administrations, the private sector, banks, local cooperatives, social groups, charity organisations and, to some extent, the community.
5. Moving toward regeneration—with the aim to maximise community participation, Government's activities are now concentrated on creating a supportive environment for regeneration through stakeholder engagement.

Currently, the official definition of slums in Iran is based on location, with reference to official city boundaries, and includes informal settlements and deteriorated fabrics. These two types can be further divided on the basis of their origins into:

- i) declining areas within the city;
- ii) slums outside official city boundaries;
- iii) slums formed in suburban villages;
- iv) slums recently incorporated into cities;
- v) squatter settlements; and
- vi) slums formed in and around brown fields.

The current focus is on reshaping existing structures, avoiding direct intervention, delegating significant authority to local agents, reorganising spaces and functions, and planning for the optimal utilisation of existing capacities. A wider range of issues are now taken into account and local capacities and enabling approaches have become important areas of focus.

It is based on the following principles:

- Reducing and preventing urban poverty;
- Increasing urban resilience through upgrading and retrofitting;
- Enhancing identity and protecting cultural values; and
- Employing good urban governance in regeneration to promote social cohesion.

The above aims are to be achieved through:

- Knowledge management and enhancement of intellectual assets concerning urban upgrading and renovation
- A set of plans and soft initiatives with an enabling approach; and
- A series of activities to promote and facilitate urban regeneration.

New Towns Development Corporation (NTDC) was established in 1988 to develop satellite towns. Its original ambitious program, which was subsequently downsized, included planning and constructing some 26 new towns around major cities of Iran. NTDC is currently a public holding company, which has developed some 17 new towns near populated cities.

10. Enhancing urban and peri-urban food production

Enhancing urban food production is still in its initial phases in Iran. Although, only agricultural activity is allowed in urban peripheral areas, areas the agricultural land use of such areas is converted once the city boundaries are expanded. Thus, land allocated in this way for agriculture is essentially land reserved for future development. On the other hand, some primary initiatives have addressed urban food production at pilot level.

For example, NTDC seeks to promote hydroponic agriculture in the periphery of new towns. To this end, in each new town, a task force is formed with the participation of Management and Planning Organization, the Bank for Agriculture and Ministry of Agriculture to promote and support hydroponic food production in green-houses. Graduates of agriculture as well as other interested parties can participate in this scheme.

Domestic urban food production—such as production of vegetables, mushrooms or vermicomposts—has also been pursued by some NGOs as an income-generation activity for poor households.

Some experimental pilot projects for food production on green roofs have also been undertaken.

11. Addressing urban mobility challenges

Public transportation plays a limited role in urban mobility in Iranian cities—only about 41% in 2005, about 1% of which is the share of urban rail transport (subway). The *Law for Development of Public Transport (2007)* required that the share of public transportation in urban mobility should rapidly increase to 75%. It also requires that the Government promotes, *inter alia*:

- development and expansion of urban railroad network;
- Improvement of vehicular traffic;
- Substitution of petrol and gasoline with CNG;
- Production of energy-efficient hybrid cars;
- Obligatory technical inspection of light and heavy vehicles;
- Development and expansion of parking space and passenger terminals.

Another concern in this *Law* is the reduction of mortality rate.

Decisions affecting urban mobility at national level are made by the Higher Council for Traffic Coordination (HCTC) which was established in 1995 as a multi-sectoral task force. The secretariat

of HCTC is established under the MoI. Similar task forces are also formed under the Provincial Government.

The Union of Public Transportation Organizations (UPTO) was established in 2005 to oversee urban mobility in cities with a population between 30,000 to 100,000. Currently some 1091 cities are targeted by UTPO which make up about 92% of all Iranian cities. In these cities, UTPO provides the following services:

- Renovation, mobilization and development of the public urban fleet (taxi, bus, van, etc.)
- Insurance coverage of urban public drivers;
- Managing fuel allocation to private cars;
- Managing automobile technical inspection centres; and
- Managing passenger terminals.

In metropolitan areas, other means of public transportation such as Bus Rapid Transport (BRT) has been tested. The municipality has also tried to promote environment-friendly transportation means, such as cycling.

12. Improving technical capacity to plan and manage cities

Academic education

Since 1984, urban planning has been taught at Master's Level in Iranian Universities. Bachelor-level courses were launched in early 2000s, however. Until this date, the participants in urban planning courses were mainly architects. Currently, some six prominent schools of architecture have urban planning courses, and a few also offer PhD-level education. The curricula of these courses focus on urban planning history, theories and methods and priority is given to physical planning and urban design. However, limited attention is paid to practical topics such as urban economy, financing urban projects and urban management. These topics are also not a priority in research institutions such as Tehran Planning and Studies Centre, Architectural and Urban Studies Centre of Iran, the Iranian Centre for Architectural and Urban Planning Studies, and the Centre for Studies, Philosophy and Techniques of Iranian Islamic Architecture and Urban Planning. Covering these practical issues is still a key challenge in academic education and research in Iran.

Training Municipal Councils

Municipal councils allow for community representation at the local level. Citizens directly elect the councillors who then nominate the mayor. Yet, line agencies in charge of urban service provision in the cities (e.g., water and sewerage, electricity, gas, and communication) are local arms of their respective ministries. Thus, the scope of activities performed by municipal authorities—i.e. councils and mayors—is rather limited. The *Municipalities Law*, dating back to the earlier part of the twentieth century, originally authorised 53 sets of duties for mayoral administrations. However, in subsequent periods, many of these duties were taken over by the central or provincial

organisations, so that in recent years mayoral administrations have only performed 21 sets of duties with another 7 duties managed jointly by them and governmental organisations.

Since the Third Five Year Development Plan (2000~2004), a number of municipal responsibilities—potentially up to 22, according to one internal study conducted at the MoI—were supposed to be given (back) to mayoral administrations. In practice the scope of this re-delegation initiative has been limited. Yet, the institutionalisation of directly-elected municipal councils in the last decade has resulted in some degree of devolution in light of their authority and responsibility vis-à-vis mayoral administrations and mayors. Whereas prior to the late 1990s, mayoral administrations were integrated in the structure of MoI and the Government, they are now seen as ‘public’ institutions that are monitored by municipal councils as representatives of urban residents. The authority of municipal councils has nonetheless been limited due to the legal ambiguities surrounding their position and activities.

The Municipalities Organization (MO) was established in 1997 to undertake, *inter alia*:

- Training and capacity-building of municipal staff and councils;
- Applied research in urban and rural management;
- Promoting use of advanced technologies in urban management;
- Review of existing laws and regulations and elaborating guidelines and rules of procedure for municipal activities; and
- Establishing specialized municipal databanks.

Capacity-building has been a challenge for MO because of its own limited capacity and experience in using effective training methods and on-job training. Furthermore, in small cities, there is a marked deficiency in specialists with adequate skills needed by the city. Another factor contributing to inefficiency of MO training is constant change in scope and mandate of municipalities as well as municipality personnel and councillors.

13. Challenges experienced and lessons learnt in these areas

Ensuring sustainable urban planning and design

Although development plans are prepared to manage the needs of the growing urban population, urban planning processes are still inadequate vis-à-vis the pressing development needs and the urban sprawl. Despite establishment of several elected councils at city and national level, a major factor causing the inadequacy of the urban planning process is still the lack of adequate stakeholder consultation.

Since neither the implementing agencies nor the community is adequately consulted, the actions proposed within the development plan do not correspond to the needs of the community. This in turn leads to lack of trust on part of the community as well as a weak or absence of co-ordination between implementing agencies. As the implementing agencies are not fully committed to the provisions of the development plan they often do not budget the necessary funding for

implementation. It is roughly estimated that, on average, only 15% of master plans are actually implemented.

In this situation, the poor are usually excluded. The exclusion of the needs of the poor starts a deterioration process in the historic fabric. As the provisions of the plan favour new construction, the investment is decreased in the historic fabric. This starts a dilapidation process: population density increases; housing becomes sub-standard and the area underserved; there is little or no maintenance of the buildings or the urban infrastructure. In such a situation a form of low-cost informal housing develops which attracts new settlers such as legal or illegal migrants, lower income groups, and informal workers. The area also becomes susceptible to crime. These will lead to further reduction in investment. Inside the city, the process produces deteriorated historic urban areas. Outside the city, the same process leads to growth of informal settlements.

Improving urban land management, including addressing urban sprawl

Not corresponding to demand, the limited supply of urban land has led to increasing building to floor ration and population densities way above the urban master plans; conversion of agricultural land use to residential and commercial land uses; expansion of informal settlements in the periphery; as well of multiple cases of illegal land subdivision, informal tenure, and land use conversions.

Despite continuous increase in scope and volume, slum upgrading and regeneration efforts, slums continue to form around the cities and deterioration continues within the city. Addressing the above issues faces the following challenges:

- Elaboration and adoption of comprehensive land law which will eradicate legal gaps which are a key determining factor in inefficient land management through a close cooperation between all stakeholders in particular, MRUD, NHLO, UDRO, the Judiciary Force, Land Registration Department, Municipalities and Department for Forests, Pastures and Natural Resources.
- Adoption of a market-responsive policy for land allocation and pricing through a close cooperation between NHLO, UDRO, Real Estates, local authorities and Provincial Empowerment Task Forces.

Enhancing urban and peri-urban food production

Lack of awareness is a key challenge in promotion of urban food production, which has left many of its opportunities unexplored. Lack of adequate agricultural land is also another problem. In many cities, the existing gardens and agricultural land also require urgent conservation. Provision of water is another major impediment, since most cities only have a potable water network, while digging wells is prohibited to preserve the subterranean water table.

Addressing urban mobility challenges

Key challenges in urban mobility arise because of the fact that public transportation still plays a secondary role in urban mobility. In reality, Personal car ownership is still implicitly favoured in urban design which leads to the low accessibility, effectiveness and efficiency of public transportation. Despite efforts in metropolitan areas, use of environment-friendly modes of transportation such as pedestrian access and cycling is still limited. Despite recent R&D efforts by

universities and research institutions, environmentally-sound transportation technologies are not readily available. Furthermore due to legal and other constraints, public transportation is not favoured as a prospective investment area for the private sector.

Improving technical capacity to plan and manage cities

However, limited attention is paid to practical topics such as urban economy, financing urban projects and urban management. These topics are also not a priority in research institutions such as Tehran Planning and Studies Centre, Architectural and Urban Studies Centre of Iran, the Iranian Centre for Architectural and Urban Planning Studies, and the Centre for Studies, Philosophy and Techniques of Iranian Islamic Architecture and Urban Planning. Covering these practical issues is still a key challenge in academic education and research in Iran.

Capacity-building has been a challenge for MO because of its own limited capacity and experience in using effective training methods and on-job training. Furthermore, in small cities, there is a marked deficiency in specialists with adequate skills needed by the city. Another factor contributing to inefficiency of MO training is constant change in scope and mandate of municipalities as well as municipality personnel and councillors.

14. Future challenges and issues in these areas

Future challenges and key issues in these areas that could be addressed by a *NewUrban Agenda* follows.

Ensuring sustainable urban planning and design

Currently, planning structures are predominantly centralised, most planning processes remain top-down, urban plans are approved and implemented through a hierarchy of processes based on their scopes, scales, and periods of validity.

There is a need to:

- Continue with decentralisation initiatives and delegate planning authority to local level;
- Giving a voice to vulnerable groups, women, youth and the poor in inclusive planning processes; and
- Giving due consideration to the dynamic nature of urban development, market influences and implicit inequity challenges.

Improving urban land management, including addressing urban sprawl

Rapid urbanisation and inefficient functioning of land and housing markets have given rise to speculative activities and rising real estate prices. In the absence of adequate formal housing, the urban poor seek affordable informal shelter—either outside formal city boundaries or within the city in deteriorated fabrics—where sub-standard land divisions, lack of basic services, unregistered plots, and informal transfer of ownership significantly reduce housing costs.

Informal shelter solutions lead to the formation of ‘slum areas’, where residents have lower qualities of life and fewer opportunities. Slums are often associated with lack of basic services and high population densities, low quality construction, and/or lack of full tenure rights. The physical, socioeconomic, cultural, and legal characteristics of slums significantly limit personal opportunities

for growth and deter civic participation. Despite extensive slum upgrading and regeneration by the Government, slums continue to form around the cities and deterioration continues within the city.

There is a need for:

- Effective use of public acquired land stock to regulate land and housing market prices;
- Ensuring adequate provision of land for urban housing and infrastructure projects in proportion to urban growth;
- Developing appropriate land development standards to avoid excessive land preparation costs formulated only on technical bases;
- Providing for flexible, affordable and adequate housing finance modalities;
- Vigorously pursuing implementation of catalytic projects, slum upgrading and urban regeneration initiatives; and
- Stimulating private investment in housing provision; and
- Encouraging micro-investments by the target population in an effort to foster inclusive urban regeneration.

Enhancing urban and peri-urban food production

Major challenges in promotion of urban food production include:

- Lack of awareness on part of private sector and people on techniques, methods, legal implications and public support;
- Lack of adequate agricultural land in urban areas and/or periphery
- Lack of rules and regulations promoting use of public green spaces for agricultural purposes; and
- Lack of adequate water for agriculture.

There is a need for:

- Developing rules and regulations to promote urban and peri-urban agriculture;
- Use of recycled drainage and waste water for urban and peri-urban agriculture; and
- Raising awareness.

Addressing urban mobility challenges

Challenges in addressing urban mobility include:

- Despite existing regulations, increase in fuel prices and costs, public transportation still plays a secondary role in urban mobility;
- The use of personal vehicle is still implicitly favoured in urban design;
- The accessibility, effectiveness and efficiency of public transportation is low;
- Despite efforts in metropolitan areas, use of environment-friendly modes of transportation such as pedestrian access and cycling is still limited;
- Due to legal and other constraints, private sector investment in public transportation is still limited;
- Access to environmentally-sound transportation technologies is limited.

There is a need for the Government to:

- Provide for diversified environmentally-sound and affordable modes of public transportation; and

- Stimulate private investment in development of accessible -friendly modes of transportation and technologies.

Improving technical capacity to plan and manage cities

Challenges in improving technical capacity to plan and manage cities include:

- Urban planning and management practical issues are not prioritized in academic education and research;
- Limited on-job regular training for city managers and/or councillors;
- Lack of specialists with adequate skills essential to manage smaller cities; and
- Lack of regular training corresponding to constant change of city managers, personnel and councillors.

There is a need for:

- On-job training programmes for city managers, personnel and/or councillors, organized regularly, delivered by both practitioners and academics, and corresponding to iterations of office; and
- Applied research conducted jointly by universities and implementing agencies.

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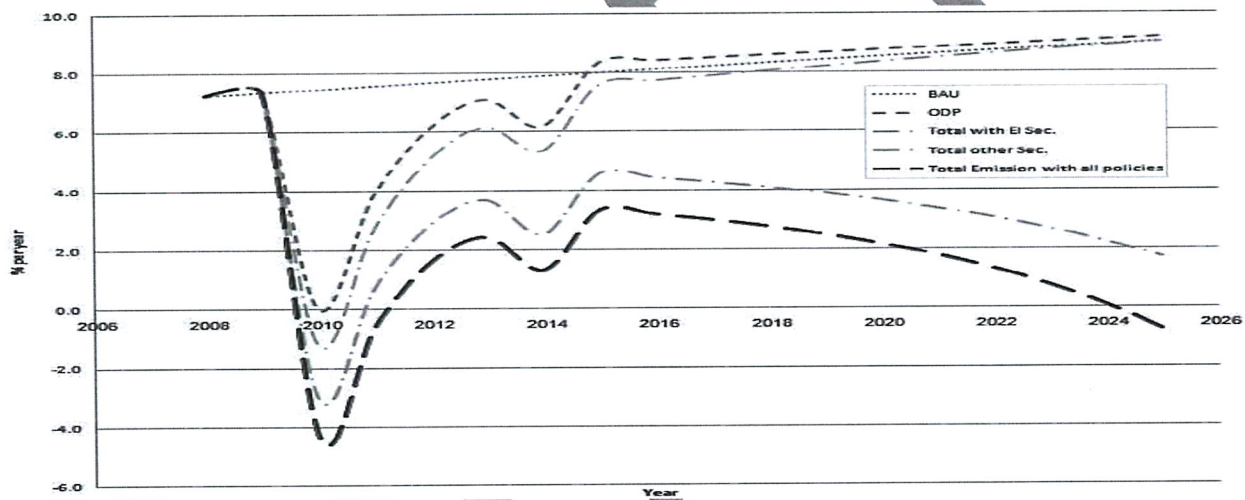
CHAPTER III: Environment and Urbanization: Issues and Challenges for a New Urban Agenda

15. Addressing climate change

1- The emission of greenhouse gases is one of the important and contributing factors in the climate change in the country and if the previous trend continues, the emission of carbon dioxide will increase from 500 million tons per year in 2006 to more than 2.2 billion tons per year by 2025. The organizations involved in the issue have adopted policies that if carried out simultaneously, the amount of Carbon dioxide in energy sector will decrease from 2.2 billion to 700 million tons in 2025.

2- Since 2010, after the allocation of gasoline quota, the greenhouse gases emission experienced a declining trend; however, it is anticipated that it will return to its basic scenario during the incoming years.

3- If all the greenhouse reduction related policies are carried out, the pollutants will reduce to 64% in 2025 in the country.



16. Disaster risk reduction

In 2007, The National Disaster Management Organization (NDMO) was established under the supervision the Presidential Office. The objectives and functions of the Organization include 4 main areas of Prevention, Preparedness, Response and Reconstruction. Considering the above areas, policies of the Organization against natural disasters and for reducing risks are as follows:

1. To promote training and to increase public awareness and culture of safety and preparedness against natural disasters among the authorities and communities,
2. To promote research and scientific studies and to support the available disaster mitigation and management centers in order to identify contributing factors in reducing impacts of such disasters with the priority of earthquake risk;
3. To identify meteorological events, natural disasters occurrence and their impacts and possible damages through the development of the National Atlas of Natural Disasters;

4. To develop a national integrated monitoring system and to improve early warning and long-term prediction systems by using modern and advanced technologies
5. Site selection, improving and conforming land use of the urban and rural population centers and facilities in critical and important regions in accordance with seismic zonation of the country;
6. To improve management and supervision on constructions by using professional staff and training skilled workforce at all levels, to promote the construction engineering system and technical-vocational communities, to utilize the best practices of earthquake-prone developed countries, to refrain substandard and unsafe constructions against earthquakes, to purchase obligatory construction insurance, to utilize all building codes and standards that are related to planning and implementation, standardization of basic structural construction material, requiring utilization of standard, resistant and good quality construction materials, and to promote modern and sustainable technologies and construction of light weight structures;
7. To Formulate and adopt appropriate rules and regulations to identify construction violations;
8. To reduce vulnerability of the country to the seismic hazards, focusing peoples' lives, a unified management to permanent preparation and effective response to and take control of any critical situation
9. To identify climatic change and its impacts and consequences on the territory and adopt appropriate solutions, develop and amend urban and rural development plans appropriate to the relative earthquake risk in different areas of Iran, identify the climatic condition and include it as one of the basic pillars of land use planning. In addition to the above activities, municipalities of Tehran and other big counties and centers of provinces have established Disaster Mitigation and Management headquarters.

17. Reducing traffic congestion

1. In order to cut traffic congestion in the Iranian metropolitan areas, a number of measures were taken like to set up a traffic zone, traffic restrictions in downtowns at peak hours and also odd-even rationing scheme that only allows the moving of cars within the city on certain days depending on whether the license plate ends with an odd or even number;
2. Develop and expand subway transportation network in metropolitan areas;
3. Launch Bus Rapid Transit System (BRT) network in traffic congested cities to improve urban mobility;
4. Construct bridges and tunnels in big cities.

18. Air Pollution

Urban population growth, increase of energy consumption and motor vehicles, inefficiency of vehicles fuel, industrial activities are components of air pollution and the emission of such pollutants as mono-nitrogen oxides (NO_x), sulphur dioxide (SO₂), sulphur trioxide (SO₃), carbon monoxide (CO)...

The most important measures that have been taken during 1996 to 2014 to remove the problem of air pollution are as follows:

1. To include the issue of air pollution, particularly in megacities in the Third, Fourth and Fifth 5-Year Development Plans;
2. Establish the National Committee of Sustainable Development to address the issue of climate change;
3. Implement the fuel consumption reduction scheme for environment protection and the optimized energy consumption;
4. Prepare the scheme for air pollution reduction caused by natural disasters and the Comprehensive Plan for Air Pollution Control in eight Iranian megacities;
5. A joint letter of agreement between the Iranian and French officials, namely Air Quality Improvement Plan
6. Cooperation between Iran and Japan International Cooperation Agency (JICA) on introducing modern technologies in the area of pollutants control and management;
7. Implement the World Bank project on quality monitoring of air and water pollution
8. Adopt Malaké Declaration
9. Join the Vienna Convention for the Protection of the Ozone Layer and The Montreal Protocol on Substances that Deplete the Ozone Layer
10. Join the United Nations Framework Convention on Climate Change (UNFCCC)
11. The installation of and utilize the Pollution Indicator Boards all around the capital city of Tehran and other big cities of the country The Pollution Indicator Boards classify the level of each pollutant as either safe, hazardous or dangerous.
12. Carry out the scrappage scheme to dispose old and inefficient vehicles
13. Impose anti-air pollution standards and guidelines in automobile manufacturing factories;
14. Compulsory technical Inspection and Corrosion Control scheme
15. Improve the fuel quality standards

19. Challenges experienced and lessons learnt in these areas

The challenges of climate change and the related vulnerabilities could be categorized in the three following areas:

1-1-Direct damage as a result of the climate change: This type of damage is affected by factors such as increase in global temperature and sea levels, drought and its impacts on the out-migration of the population of vulnerable areas and their income resources, environmental health and drinking water accessibility, and finally climate change economic impacts.

1-2-Direct damage as a result of the commitments to reduce the emission: the economic loss caused by the emission reduction policies according to the Kyoto protocol will lead to the decrease of economic growth or increase of investment in the environment-friendly or green technologies and systems, as the economic damage by the above policies in different countries varies according to their different economic structures, flexibility and economic variety, and the amount necessary to reduce the emission of greenhouse gases.

1-3-Damage as a result of measures to tackle a problem: This sort of damage is the impact of policies to optimize energy consumption through the development of low-carbon and carbon free

(renewable) energy resources in the countries of Annex 1 of the Kyoto Protocol on the oil market and consequently on the economy of the oil exporting countries.

The most important challenges concerning the air pollution and climate change are as follows:

- Inefficiency of safeguarding of the related legislations,
- Inefficiency of quality control standards related to the air pollution reduction,
- Using substandard vehicles that are older than the approved lifespan,
- Lack of correlation among implementing agencies that are involved in the reduction of air pollution and climate change,
- Lack of an appropriate organizational structure to address climate change issues,
- Inefficiency of the process of tackling the dust pollution challenge both at national and regional levels,
- Improper functionality of catalytic converter and carbon canister in vehicles,
- Lack of enough allocation of national financial resources to address the climatic change related issues, as well as insufficient international allocations to this end,
- Underdeveloped public transportation systems,
- Weak functionality of pollution controlling systems in air polluting industrial units and workshops,
- Inefficacy of policies made for the management of water, soil and natural resources to tackle with desertification.

20. Future challenges and issues

The results of simulation studies on the climatic variables in Iran until 2040 compared to the period of 1976-2005 (basic period of observation) show that the domestic annual precipitation will decrease for about 9% and the heavy rainfall and rainstorms will increase to 40% more than the basic period of observation until 2040. On the other side, the simulations show that the average temperature will increase about one Celsius degree while the maximum and minimum domestic temperature will increase 0.5 Celsius degrees.

Climate change impacts issues such as the shortage of water resources, decrease of agricultural products, animal farming and fishery, and the forests and pastures and deforestation.

CHAPTER 4: Urban Governance and Legislation: Issues and Challenges for a New Urban Agenda

21. Improving urban legislation

Administering the public affairs of the cities and controlling the municipal resources exploitation by the private and public sectors requires adequate and appropriate legislations to determine the rights of all urban stakeholders and beneficiaries in an equitable way and ensure their realization. In the spheres of urban management and planning that should be undertaken by the government and public agencies, these legislations have great importance. To discipline the public sector's intervention in distributing the resources and monitoring the way they are utilized by the private sector, there are a number of legislations in Iran that have been improved over the course of time. The legislations pertaining to the functions of municipalities, Islamic councils and subsidiary agencies of the government that are involved in planning for cities are old and were adopted 20 years ago. They have been amended and modified during these two recent decades to be consistent with the arising needs, and to allow better urban management and planning.

One of the most important approaches of the government concerning urban management is to integrate decision-making bodies and direct the effective measures on urban development. The approach has been pursued since the Third to the Fifth 5-Year Development Plan aiming to reduce the government agencies' role in the cities and devolution to the municipalities. In 2014, the Comprehensive Urban Management Bill was developed and presented to the government. By approving this Bill, the municipalities will be assigned more responsibilities in the cities and the role of the government agencies will be diminished significantly. Another important occasion during the recent two decades in the area of urban management that allowed a new organized capacity of communities and grassroots in the administration of the cities was the establishment of Islamic Councils both in the urban and rural areas. These councils that are elected by the people have assumed a part of the municipal previous functions of the government. The councils function under the Islamic Councils Act and the related by-laws that were recently amended in 2006.

An important measure in the area of urban planning was the adoption or amendment of new legislations and the related by-laws. Some of the most important of them are as follows:

1. The Law on upgrading, revitalization and renovation of dilapidated and inefficient urban fabrics;
2. The by-law on the establishment of the Social Council of Iran;
3. The Establishment of New Towns Act;
4. The Recovery of and Support the Housing Supply and Demand Act;
5. Law of Public Transportation and Development and Fuel Consumption Management.

22. Decentralization and strengthening of local authorities

- As mentioned in the previous part, during the previous two decades positive evolutions have occurred in the area of the devolution of the urban development activities to the municipalities- as the most important authority in the local governments. This measure has had an increasing trend during the recent years. In addition to this and at a smaller scale, the

following are considered as the most important activities towards the decentralization from urban development plans and strengthening of the local entities:

- Establishing the sub-councils to administer the urban neighborhoods affairs;
- Constructing and exploiting the local cultural centers;
- Launching and empowering the Non-Governmental Organizations engaged in urban affairs;
- Fostering the role of the cities Islamic councils and the municipalities in the planning and implementation of governmental implementing agencies' development plans that are carried out.

23. Improving participation and human rights in urban development

One of the increasing demands of the society is participation in the public affairs both at local (urban and rural) and national levels. In order to meet the demand, governments have recognized the right of public participation at some different levels and have provided the people with the appropriate mechanisms to get effectively involved in a variety of urban management processes. One of the mechanism as elections that could be put in practice both at local and national levels. The presidency, parliamentarians, the Assembly of Experts for Leadership at national level and the City and Village Islamic Councils elections at local level are amongst the recognition of the peoples' right of participation in the public affairs administration and self-determination.

During the recent two decades, every two years the above elections have been alternatively held. The presidency, parliamentarians and City and Village Islamic Councils' Elections is held every four years, and that of the Assembly of Experts for Leadership is held every eight years.

One of the most significant concepts in the Iranian governance system is council in which the importance of including people's comments in decision-making process and the country's affairs administration- both at local and national levels- are effectively taken into account. By virtue of the Constitution of the Islamic Republic of Iran, councils are established in different forms from local to national levels and contribute to the decision making processes within a specified framework. At national level, The Islamic Parliament of Iran which is made up of the representatives who are directly elected by the citizens nationwide, functions as an independent power. It has an extensive authority and determining role in the state's management process.

In addition to the councils at local levels (village and city Islamic Councils) there are some types of council at the levels of districts, counties and provinces. Besides the Islamic Parliament of Iran, the higher councils of provinces represent the local councils at the national level with extensive authority. The views of higher provincial councils are considered as that of the members of the country's urban and rural Islamic councils all over the country. The said council is authorized to propose the adoption of rules to the Parliament (like the government) and contribution to the government planning.

During the previous two decades, the establishment of the Islamic Councils has been the most important participation of the people in the urban management. The councils' members are directly elected by the people. One of the responsibilities of the councils is the election of the mayor who is

the highest authority in the municipality. Moreover, the responsibility of policy making, planning and decision making about the city affairs and approval of the rules and regulations for the urban management are assumed by the Islamic Councils that have a 4-year period of functioning. In the latest elections of the Islamic councils in the cities, 7320 people were elected to constitute 1213 Islamic Councils for the urban areas.

In addition to the establishment of councils at city-level, people enhanced their participation in the administration of their cities through the sub-councils of the neighborhoods. The members of the sub-councils are elected directly by the residents of each urban neighborhood, conducting as the link between the citizens and the City Islamic council.

The future perspective of the city and the municipality and the work priorities of the municipalities for the next 5-year period are specified in collaboration and consultation with people.

24. Enhancing urban safety and security

In order to enhance habitability of the cities safety and security is of great importance. The sense of security and safety of urban society against crime, social deviations, aggression against their personal and social privacy, and accidents and disasters, are amongst the important factors in the enhancement of the quality of life in cities. The responsibility of security provision in the society and public and private spaces in Iran has been assigned to the Law Enforcement Forces (LEF). The provision of municipal safety is undertaken by the municipalities.

Firefighting and safety services are among public services that are done by the subsidiary firefighting units and organizations free of charge. At present appropriate firefighting equipment and safety services are available in most Iranian cities as a result of the growing trend to equip the cities with such services during the previous two decades. At present 1200 firefighting units are on call in different cities of the country with 4500 vehicles at a variety of levels of service. The basic service rendered by these units is the rescue operations and their equipment is appropriate to the city population and the rank of the firefighting unit. Metropolitan cities have access to the best and the most personnel and equipment to render firefighting and safety services. With the increase in the number of cities and the related firefighting and safety services, living in urban areas has been accompanied by more confidence. The urban population of the country covered by this service has been about 87.5% in 2013.

All of the Iranian cities are equipped with the regular waste collecting system and the coverage indicator of this urban safety activity is 100%. The ratio of recycled to the total common waste in cities is 21% that helps the hygienic safety and prevents the spread of some epidemic disease.

Security functions of LEF (police) are an important factor to improve security in cities. Iranian police is in charge of engaging, training and deployment of police force, establishment and management of police service centers, tangible and intangible urban environment monitoring over the urban areas and detection of crime, policing the violators and criminals in the cities and providing relief in the shortest possible time to the people. During the recent two decades, the LEF has increased police capabilities at the city level both qualitatively and quantitatively and at present there's an appropriate level of security for living in the cities. During the previous two decades a

number of significant measures were taken to enhance the security of urban areas in Iran, including the establishment of Police 110 unit specialized in rapid-response to the citizens, increase of the police service stations and increase of patrolling police at city level.

One of the policies of the LEF is to involve citizens in the police activities and promote the cooperation spirits with police. Student Police (police children colleagues) is an initiative to train children in the area of urban traffic by the Traffic Police of Iran, called (Rahvar of NAJA for short).

Another participatory scheme by the LEF is the neighborhoods police that limited police services are rendered to the citizens at specified locations by the trained force of the private sector, authorized by the Iranian LEF. The activity of this sort of police is mainly focused on crime prevention.

Among other approaches adopted by the LEF during the recent two decades is using the citizens comments and reports on the police force treating and functioning that increases their confidence to the police and facilitates the enforcement of regulations by the police. A telephone answering system records citizens' comments and complaints.

Accessible police is another initiative that leads to creation of an emergency police service unit through which, upon the receipt of report or demand of citizens the police will be organized to attend the scene of the crime at the shortest time possible.

25. Improving social inclusion and equity

To be completed in the final version

26. Challenges experienced and lessons learnt

To be completed in the final version

27. Future challenges and issues

To be completed in the final version

CHAPTER 5: Urban Economy: Issues and Challenges for a New Urban Agenda

28. Improving municipal/local finance

Municipalities and local bodies require sustainable and adequate financing to carry out their activities and to participate in urban development. This will reduce the financial shocks in the municipal activities and local bodies and allows for long term planning. The main financial resources of the municipalities in Iran are earned through tariffs and local revenues and government aid. Although they increased during the recent two decades, these revenues were unable to cover the demands of the municipalities. Cutting the government's financial help and driving the municipalities towards self-sufficiency led to the municipalities' effort to earn sufficient and sustainable revenue in different ways, some of which relied upon the revenue of fees received for construction permits and in cases beyond what was permitted by master plans (Urban density sales), and collecting fines for construction violations. There have been considerable efforts to improve the financial condition of the municipalities during the recent two decades. These efforts have had an important role in cities development and the government and municipalities each have had a share in this improvement. The government adopted rules and regulations and rules of procedure and issuing permits and municipalities by identifying financial resources and imposing the regulations have participated in the improvement of municipalities' condition.

Iranian municipality's revenue has had an increasing trend during the recent two decades, when the policy of reducing the reliance of the municipalities on the government contributions was put into practice and the municipalities had to focus on earning their revenue through local resources. The highest amount of municipalities' revenue in the recent two decades was financed through the construction permit fees in the cities. This revenue is not constant and varies according to the construction bust and boom cycles in different cities.

The Government contributions as one of the main financial resources of the municipalities was reduced over the past two decades as a result of the implementation of financial self-sufficiency of municipalities. The financial contribution of the government is more in small cities (based on population) that shows the tendency of the government to support cities of this size. The private sector's participation in financing for the municipalities is an important financial resource for the Iranian municipalities. The private sector's investment is used in different ways in the municipalities, one of the most important of which is issuing participation bonds. Their repayment is guaranteed by the government.

Another form of financing for the municipalities by the private sector is direct investment in their projects. The investment is done based on special regulations and has had an important role in increasing the financial power of municipalities' projects. This participation is increasing through the establishment of investment organizations in some municipalities.

In order to attract private investors, the municipalities have identified areas of investment and have introduced the projects that require investment. So far, two books about investment opportunities in municipalities' projects have been published by the Municipalities Organization. A national symposium was also held in Tehran in order to introduce mayors and investors to each other.

Low-interest rate loans are amongst other financial resources for the municipalities that are paid by the municipalities through the Loan Fund in order to implement the investment projects or renovation of the municipality equipment. In addition, a specialized bank, the shares of which belong to some municipalities offers loans to them.

29. Strengthening and improving access to housing finance

The following table shows the banking facilities paid to the housing sector during 1996 to 2012. Before 2001, housing facilities were financed only by the state banks and after this year by banking system including private and state banks, especially the Housing Bank (Bank-e-Maskan).

Total banking facilities granted to the housing sector (billion rials)

Year	Bank-e-Maskan	Other state banks	Private banks	Total
1996	1723	4567		6290
1997	2197	5411		7609
1998	2379	7823		11203
1999	5077	9818		14894
2000	5699	11452		17151
2001	6707	15385	73	22165
2002	80832	20848	364	30045
2003	80731	27262	3254	39246
2004	10171	30229	7418	47819
2005	22780	14482	15515	52777
2006	38350	19205	25129	82684
2007	36411	10009	22774	69194
2008	34545	4697	28757	67998
2009	56567	9546	23998	90110
2010	199500	15799	42255	259554
2011	142990	114293	28875	286158
2012	118682	77055	52777	248514

Source: CBI annual reports, Iranian Higher Institute of Banking, Functioning/performance report

30. Supporting local economic development

UN Human settlement program (Habitat) which aims to create better human settlements in the context of sustainable urban development has been considered with a "World City" approach in the 2016 Summit.

Globalization and universalization are two different approaches in urban affairs. Globalization approach includes simulation and complying with the models regardless of cultural, social, economic, ... requirements, while universalization approach seeks to enhance the ability of the aforementioned requirements as well as exchanging experiences and comparative advantages at the global level.

Accordingly, in globalization of cities considering subcultures and the local economy is of particular importance. In the third world countries due to a number of problems, including the lack of necessary infrastructure and lack of interaction and competitiveness of activities, the presence of government to provide infrastructure and competitive conditions in order to justify economic activities and support the local economy is essential.

Measures

The most important measures in this area during the 20-year period are as follows:

- A) During 1994 to 2014, the government has tried to remove the underlying and environmental problems within the framework of protecting the local economy development. The main allocations are as follows:

Title	1994	2004	2014
Government financial support	217233	663700	72787000

In million rials

The main plans that have been financed from the government general budget are shown in the table are as follows:

Government financial support by plan

Title	1994	2004	2014
Public, non-rail transportation	81024	275000	11350000
Urban rail transportation	0	161850	10887000
Urban facilities and amenities	135309	36000	18000
Urban Service	0	190850	50032000
Total	217233	663700	72787000

In million rials

- B) Enforcement of the law of urban and rural Islamic councils since year 2000 increased the independence of the institution of municipalities and village administration centers. The establishment of NGOs as non-governmental public institutions during the same period promoted environmental activities in urban areas, while enhancing people's participation in development activities in urban and rural areas.
- C) Utilizing more than 150 kilometers of urban and suburban rail systems as well as more than 2,500 CNG buses and over 300 thousand CNG taxis decreased polluting emissions while facilitating public transport services. Although the financial support of the government to decrease travel expenses through the promotion of public transport has been effective in implementing this project, its function has not been very well concerning finished price of the local economy products and their competitiveness in the business process of the same markets.

31. Creating decent jobs and livelihoods

To be completed in final version.

32. Integration of the urban economy into national development policy

To be completed in final version.

33. Challenges experienced and lessons learnt in these areas

a) Housing finance

The housing finance system in Iran is bank-based and has several limitations, including maximum amount of facilities granted, fixed mortgage rate, limited duration of repayment and lack of correlation between banking facilities and collateral value. In the housing finance sector, facilities are granted by the state commercial banks for construction in general and participatory construction. And in the transformation stage of facilities, civil participation changes to installment purchase. In the housing transaction sector, Bank-e Maskan is the only specialized bank in this sector that grants banking facilities in the framework of installment purchase contracts. Housing sector's indicators show that the housing finance system in Iran suffers from considerable problems and inefficiencies that are detailed as follows:

- Lack of competition in the housing finance sector

Financial system of the Iranian housing sector is based on banking system. The Study of housing finance system confirms that the necessary resources for the current activities in the housing sector, is exclusively provided through households' savings, public funds, public companies and sources of funding in the banking system.

However, aside from the lack of diversity in the methods of housing finance, there is not any competition among the financial institutions in granting housing facilities in the country. Despite the short and limited presence of nongovernmental banks and credit institutions in this field, The Central Bank of Iran (CBI) exclusively authorized Bank-e Maskan to provide housing facilities in the housing sector since 2008. In this situation there is no possibility of competition, development and improvement in granting facilities among commercial and specialized banks.

In addition, if Maskan Bank as the only exclusive bank-specialized in housing sphere- faces problems such as insufficient capital, etc., it will disrupt the payment of facilities to the housing sector.

- Lack of diversity in housing facilities

In the current situation, the granting housing facilities for each section, including interest rate and predetermined and equal repayment duration is determined and dictated by the CBI. This is under the circumstances that diversifying the types of loans and loan granting conditions based on the requirements of different regions and income groups that use it, is an inevitable necessity.

- Inflexibility of banking facilities rate of interest

One of the limitations of housing finance system is the lack of flexibility in facility rates. Rate of facilities for economic sectors will be determined by the Money and Credit Council and banks are required to grant facilities within the approved rates, without taking into account the credit risk and duration of facilities. This limitation in the condition of inflation in the country, especially for long-term facilities would be to the detriment of banks and this is the reason of the unwillingness of banks to pay long-term facilities that is suitable for the sector.

- The low ratio of the amount of facilities to the value of residential units LTV

The low ratio of the amount of facilities to the value of residential units is one of the challenges facing the housing finance system. Firstly, low LTV ratio has decreased effective demand for housing and those who enter the housing market have high incomes and considerable savings or are able to convert other belongings to housing.

- A high debt-to-income ratio

The high price of housing transactions, along with limited growth in per capita income and the short period of time to repay facilities has led to a high debt-to-income ratio.

The best tool for modifying this indicator is increasing the repayment period of housing loans, particularly for the target groups under the housing support programs.

- The absence of a secondary mortgage market

The absence of a secondary mortgage market has made the allocatable resources of banks in the form of long-term housing facilities be locked and further granting facilities be restricted. Therefore the housing finance sector that is largely dependent on financial bank resources is limited with slow development.

- Inefficiency of the taxation and subsidization system in the housing sector

Financial policies, including taxes and subsidies lack enough efficiency to enable government to achieve its policy objectives in the housing sector. In the housing sector, taxes account for a small share of government tax revenues and cash transactions in the sector are completely ineffective in the regulation of the housing market. In 2011 the proportion of property tax to total tax revenues is 2.6 percent and the proportion of property tax to total government revenues is 0.9 per cent.

b) Supporting the local economy

Insufficient resources, increased demand, the diversity of projects, increased prices and lack of adequate supervision on projects, are the most important challenges facing supporting the local economy.

Lessons learned from dealing with these challenges include developing the necessary rules and regulations, institution building and monitoring and control over projects.

34. Future challenges and issues in these areas

a) Access to financial resources for housing finance

- increasing the contribution of housing investment market in the housing finance resources

Considering the limited resources of the banks to grant loans including those for purchasing and construction, a change in the approach in the housing sector financing in using the capital market capacities is necessary. Therefore, legal reforms and re-engineering in practices of this approach is one of the challenges in this area.

- Requirements for system development in housing finance

Despite the housing finance needs for the investment markets, there are many obstacles facing the development of mortgage securitization. Factors such as the liberalization of the financial sector as well as legal, institutional, monitoring requirements are highly effective in development of advanced primary and secondary mortgage markets. The most important requirements of this system include:

(A) Fixing macroeconomic instability

Macroeconomic instability and fluctuating domestic interest rates has negatively affected the long-term financing. One of the major problems of the Iranian economy is a chronic inflation. Important and effective characteristics of inflation on housing finance market, are continued growth in interest rates and fluctuated nature of mortgage rates. Existence of high inflation is the cause of inefficiency of the methods and tools of capital market.

(B) Fixing legal obstacles

Financial repression is one the other main reasons for the lack of development in the housing financing market, because the limited access of banks to financial resources is one of the major factors restricting them in housing finance market. Additional and non-financial rules governing the market which is known as deregulations, should be replaced by other laws that achieve these objectives without extra cost or at a lower cost.

(C) The appropriate and effective development of secondary market

Stable macroeconomic environment, development of legal environment, competitive market structure, standardization of mortgage instruments, methods of making the right mortgage contracts, secondary marketing skills, desirable methods of service, better implementation of risk management, the development of institutional investors, are considered as the requirements of the secondary market.

- Removing the obstacles to increasing the amount of loans to housing prices (LTV)

One of the strategies to improve the LTV ratio and increase the ability of applicants in home purchases, is increasing the limit of housing facilities to at least 50% of the price of a residential unit. To encourage and develop a tendency to pay these facilities in the banking system, some

resources should be deposited to banks on behalf of the government to reduce some of the installment amounts paid by people. Therefore, the provision of these resources in a way that is not inflationary is a concern for policy makers.

- Inefficiency of the increased level of facilities

In order to avoid the effects of the increased level of facilities in home prices, paying attention to an increased supply and housing market control policies by means of taxation is necessary.

- Removing the monopoly of Bank-e Maskan as the only specialized bank

In order to increase the competition in the granting financial facilities and gaining benefits such as rate reduction of facilities, increased willingness to pay for long-term housing facilities, removing the monopoly of the Housing bank as the only bank specialized in housing domain, is one of the issues that should be considered in the sector's future policies.

- Creating a Housing loan Savings Fund

Governments in all countries are committed to strengthening the housing finance system and are widely involved in mortgage market through market mechanisms.

Almost anywhere in the world, the middle and bottom deciles of the population cannot afford the lump sum payment for housing.

Developing financing system has paved the way for citizens of developed and developing countries to provide themselves a shelter from a combination of past and future income to savings.

Hence one of the programs of the Ministry of Roads and Urban Development is creating a savings fund for housing for general purposes or for specific projects for housing development in all of the country's banks. This would be in line with developing the mortgage market.

- Establishment and launch of land and building funds.

Since the financing system in Iran is under-developed and highly non-efficient its size is small compared to the needs of housing finance in Iran. Both the supply and demand sides rely heavily on private savings and investments.

To compensate for these shortcomings, the land and building funds could be the beginning of a structural transformation in the system structure, and while carrying out this transformation and shifting the supply towards efficiency, could further impact on the conservation of land and building demand and also reduce the impact of speculation.

- Financing through mechanism of escrow accounts (Escrow Accounting)

Considering the problems and challenges in the field of buying real estate in the country, and lack of allocation of funds paid by the purchaser in construction that leads to the prolongation of construction, the loss of trust between the customer and the builders, lack of willingness for micro-investments in the housing sector, reduced chance of house purchases by the moderate-

income households in the country, design and development of escrow accounts for the financing of projects that will be completed and financed through advance sales is necessary.

B - Supporting the local economy

Challenges in supporting local economy include lack of resources, increasing demand, diversity of projects, increased prices and lack of adequate supervision on projects that their resolutions requires the formulation of regulations, institution building and monitoring and control over projects.

Targeting the supports of local economy and prioritizing the infrastructure and fixing the problems of people are recommendations that can be effective in the efficiency of applied policies in this area.

In this context the participation of private sector and leaving the affairs to the Public, defining the place of the local economy in the urban economy, enhancing the local and regional skills and regulating them are some suggestions that can be applied to reform the future habitat agenda.

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CHAPTER 6: Housing and Basic Services: Issues and Challenges for a New Urban Agenda

35. Slum upgrading and prevention

Informal settlements/ Slums fall into four categories of irregular zones that due to several reasons, have been either discarded or excluded from the socio-economic, spatial, and physical development process. The zones include:

- Dilapidated fabrics with valuable historical backgrounds,-
- Dilapidated fabrics with rural backgrounds,
- Dilapidated fabrics with urban backgrounds, informal settlements, and
- Dilapidated fabrics with non-urban and inefficient land-use.

The characteristics of these categories are as follows:

- The dilapidated fabric zone: Residence of 10 million people, 2.8 million households, 2.6 residential units in 77 thousand hectares of dilapidated and valuable urban fabric,
- The informal settlements zone: residence of 11 million people, 3.2 million households and 2.9 million residential units in 56 thousand hectares
- Total area of problematic urban zones: 133 thousand hectares with a population of over 21 million of the total population nationwide and 6 million households

The quantitative and qualitative characteristics of these zones are different compared to those of urban fabrics. Some of the most important features of these zones could be summarized as follows:

- The residents' per capita income is lower, compared to the city average; lower endurance of residential units and higher density of person per housing unit;
- Critical regions are mainly cities and villages which encounter migration waves due to different reasons and the rate of land and housing demand in them is higher than the supply.
- In urban irregular zones, 1.5 million households live in houses with one room or less;
- In urban areas of Iran there are more than 3 million worn-out residential units, in need of renovation

During the last two decades, the Iranian government has made several efforts, either individually or with the collaboration of international entities such as the World Bank to regularize these areas. Cooperation with the World Bank which started within the Urban Upgrading and Housing Reform Project (UUHRP), included two parts of upgrading and enabling of informal settlements, and capacity building for the National Strategy to prevent the growth of informal and irregularized settlements zones.

In the area of urban upgrading, objectives such as physical upgrading, the enabling of the neighborhoods and the residents were pursued. The overall objectives in the area of structural reforms included the adjustment of the housing sector's rules and regulations, housing finance and allocation of subsidies/subsidization. Parallel to this plan and over the previous decade, the government has tried to develop legal frameworks (like National Strategy of Enabling Document, the Law on the Housing Market Regularization and the Law on Urban Regeneration) to expedite the upgrading and regenerating processes of the urban zones.

The Government has been pursuing the realization of the following objectives:

- Create the ground for sustainable and pervasive improvement of the environmental conditions to achieve human development;

- Foresee future informal settlement expansion and pave the way for the construction of adequate and affordable housing, delivery of basic services and infrastructures and accessibility of the low-income groups to them in the city in an formal manner;
- To create the basis for the dwellers of the informal settlements to enjoy the civil advantages and deepen civil culture, along with their all-out participation in the decision making and measures at local level;

The following strategic principles present how the above objectives will be realized:

- Integrated plan, budget and regularizing management, upgrading, renewing, empowering and enabling of the informal settlements at local, physical, social and economic levels;
- Reviewing urban development policies in order to regulate the process of supplying affordable land to the households;
- Prioritizing the quality improvement of residential environment and upgrading of housing with the aim of gradual enhancement, and preventing the gentrification of the dwellers from the target zones in the informal settlements;
- Creating a linkage between the pervasive social welfare system and aggregate subsidizing nationwide, with the use of plans and subsidies of the housing sector to support the low-income groups;
- Regularization management of the informal settlements and dilapidated fabrics, based on the community participation and the dwellers' empowerment
- Providing rapid accessibility networks, civil services and the required civil spaces;
- Taking advantage of the potential economic and social capacities of the old and central fabrics of the city;
- Formulate a comprehensive plan within a preventive and foreseeing framework for the regularization and gradual enhancement of housing condition, urban upgrading and resettlement;
- Localization of the low-income housing plans, the relevant rules and regulations of urban planning and also supply the land in provinces, urban agglomerations, cities and villages.

36. Improving access to adequate housing

A review of implemented policies in the housing sector

Since Habitat two which was almost concurrent with the start of the country's Second Economic, Social and Cultural Plan, we have gone through four more development plans. Amongst the important goals of the development plans for the housing sector was improvement in the access was improving access to adequate housing and base services for all households. The changes in housing and land policies and that challenge's caused by them during these years and within the Second to Fifth Development Plans can be described in short as below.

A. The Second Development Plan 1374-8 (1995-9)

The main approaches for the supply of housing in the Second Development plan was a heavier emphasis on market tools both on both the supply and demand sides, to offer land at market prices and to use the funds from the sales for building supported housing and upgrading distressed urban fabrics. On the supply side this was done through the encouragement and propagation of savings, mass building, building smaller units, paying direct subsidies on bank interests, and a reduction of the government's involvement in construction, and on the supply side through sale of land at market prices and using the resulting resources for the construction of supported housing, the opening of the land market with the goal reducing government's role, and the continuation of policy of offering

readied land with priority given to mass builders. The operational problems of this plan was an increase in the price of housing at a rate equal to inflation and the growth of informal settlements. Its main benefits were the improvement of land efficiency, lowering the advantages given in the offering of government land and movement towards the creation of new market institutions and improvement in the overall performance of land market.

B. Third Development Plan (1379-83) 1990-94

The main approach in the Third Plan was regulating the housing market and improving the performance of the open market through the opening up of the financial and credit markets and the encouragement of financial institutions to enter the housing sector by allowing them to set banking rates in loans, increasing the ceiling for housing loans, opening up the land market and reducing the government's role in it and the sale of land through auctions for the construction of rental or rent to own properties, the encouraging of mass building of housing through tax breaks, and the offering of land and credit. The consequence of implementing these policies was assessed as an increase in land and housing prices with a rate equal to that of inflation, an increase in the share of mass building of housing units and the growth of informal settlements.

C. Fourth Development Plan 1384-88 (2005-9)

The principle approach in this plan was the strengthening of the supply of housing through the increasing of the direct involvement of the government, instead of indirect involvement and guidance. The implementation of the Mehr Housing Plan, the Rural Housing reconstruction plan, injecting direct banking facilities from the Central Bank and government facilities into the Mehr and Rural Housing Plans, the creation of equality in access to housing through support packages for low-income families and stabilizing the land market through the allocation of the right to utilize land was amongst the implementation policies of this plan. The results of these policies was again an increase in land and housing prices equal to the rate of inflation, and the growth of informal settlements, reduction in the cost of land and housing for some urban low-income families, and creating the grounds and facilities for utilizing new technologies in avant-garde projects and creating models for the industrial construction of housing. The challenges of implementation of this plan included lack of cross-sector coordination for the building of infrastructures, improper locations for some Mehr Housing Projects, inadequate financial resources within the framework of credit lines by the Central Bank, the suspension of land management systems and the subsequent rise in land prices and the replacing of banking and private sector capital in the production of housing with that of the government.

D. Fifth development plan 1399-93 (2010-14)

The previous goals and policies continued in this plan as well and that the approach of increasing the direct involvement of the government in the housing market and the wider implementation of strengthening supply with the objective of controlling the housing market and increasing economic justice in the housing sector was pursued by the planners. The clear results of this plan was an increase in housing prices in line with inflation, and the continued growth of informal settlements. The implementation of the Mehr and Rural Reconstruction housing programs accelerated during these years. The program for giving deeds to rural housing units and the one for relocation in information settlements alongside offering reconstruction loans were part of this plan. For that

reason the fulfilling of the housing needs of some households and the expedition of the reconstruction of distressed urban fabrics can be considered as some of the benefits of this plan, while improper locations, lack of required coordination for the offering and infrastructure and over structure services, and lack of synchronization between urban and land development plans were part of the implementation problems of this plan.

The housing sector's performance

The housing sector's performance has improved the housing accessibility for urban households; therefore the housing shortage from one household per housing unit in 2005 decreased from 1642 units to 1165 in 2013.

Description	2006			2011			2013		
	Housing stock	Household	shortage	Housing stock	Household	shortage	Housing stock	Household	shortage
Urban	11432	12406	974	14782	15428	646	15555	16200	645
Rural	4428	5096	668	5173	5758	585	5382	5902	520
Total	15860	17502	1642	19955	21186	1231	20937	22102	1165

Despite the positive changes made in housing production, statistics show that there are more than 3 million worn-out residential units in the urban areas of the country in need of reconstruction. Furthermore, there are 1.5 million residential units in informal settlements suffering from unfavorable conditions regarding built-in area, per capita living space, and access to facilities and amenities.

Changes in population characteristics in recent years have resulted in the sharp decrease of household's dimension from 3.89 to 3.48 people. So despite the reduction in the built-in area used by the households from 2006 to 2011, the per capita area of the residential unit increased from 25 to 27.

Urban residential units' built-in area percapita during 2006-2011

Year	Average built-in area	Residential built-in area percapita
2006	108	25
2011	100	27

Despite the promising trend in housing production, developments at the macroeconomic level and increases in housing prices has reduced the home ownership rate and has increased tenancy. During 2005 to 2013 home ownership rate declined from about 72% to 67%.

Also, the housing affordability index, which shows the average price of a housing unit, increased from 8 to 12 times.

Currently, the housing sector of the country is faced with the crisis of accessibility for about 40% of the low-income groups to affordable adequate housing. This is the main challenge facing the Iranian government today.

Low-income relative housing condition (the four lowest income deciles)

Description	Low-income groups	Total society average
Ownership (%)	59.8	66.8
With non-durable houses (%)	49	19
Affordability index (equivalent)	32	12

Due to this challenges the “Mehr” housing scheme (Maskan-e-Mehr) has been implemented since 2008, aiming to decrease housing final costs through the removing of the cost of land on which the buildings were constructed. The Mehr housing scheme can be considered as one of the largest social supportive schemes in the provision of housing for the low-income groups after the revolution when the government of the time was trying to solve the housing problem of the low-income groups through the injection of massive subsidies.

General characteristics of “Maskan-e-Mehr” construction volume (1000 units)

No. of units with construction contract	1980
Built-in area under construction (10^3 square meters)	198133
Allocated land (hectares)	31957
Habitability (by population)	7553256
Net built-in area (10^3 square meters) (3.9 per housing unit)	145253

This project has faced numerous challenges, the most important of which are the lack of suitable locations due to the location of state lands and the total volume of liquidity due to a considerable increase in bank grants that led to an increase in inflation.

Following these challenges, the eleventh Iranian government, aiming at integrating social welfare and housing plans, has put “Social housing Plan” on the agenda.

37. Ensuring sustainable access to safe drinking water

Iranian Government has made a major investment to provide safe drinking water during the past three decades. Currently in the urban communities of Iran, 99.1% of households have access to municipal water networks and in rural communities 74% of households are enjoying drinking water. It is noteworthy that other factors such as family income level (average revenue per household) and health standards can have a significant impact on water consumption.

At present, Iran is one of the countries that are faced with drought crisis. About 90 percent of the country is located in the arid and semi-arid areas and renewable freshwater resources of the country are now around 130 billion cubic meters, 96 billion cubic meters of which are used (more than 92% of renewable resources) in different sectors as drinking, industry, agriculture, etc. Considering 20 billion cubic meters as environmental water rights of rivers and wetlands, the country has reached its peak in water harvesting of recoverable national resources. However, in other countries, on average, about 65 percent of renewable freshwater resources, are exploited.

It should be noted that in the current situation that we are approaching the peak of exploitable recoverable freshwater (out of 130 billion cubic meters of recoverable water resources, about 110 billion cubic meters could be exploited/ harvested out of which that 96 billion cubic meters is consumed). Supplying water for the future consumption of the country would not be possible without saving in water consumption and optimum water utilization and transferring desalinated water (desalinization of water) for national applications.

Iran has attempted for years to invest in modern methods of providing drinking water to provide more facilities for a greater part of the population. The use of desalination technology in coastal south line, is one of these cases. The share of desalination rate in 2013 was less than 3% of the fresh water located in Persian Gulf while the desalination capacity of the facility is equivalent to 106 million cubic meters per day.

The Iranian government has put several policies on the agenda to provide a sustainable provision and to enable sustainable access to safe drinking water that the most important part of this policy are as follows:

➤ **Enhancement of productivity and demand management in drinking water sector**

Enhancement of supply and demand management, awareness raising on the public culture of water consumption, and design and implementation of the optimal pattern of drinking and safe water in country.

➤ **Establishment of Comprehensive Planning in the sector of drinking water supply**

Developing and implementing a comprehensive plan to achieve qualitative and quantitative indicators of water and sanitation, both at national and international levels in order to enhance national health and public health.

➤ **Diversification of financial resources in funding water projects.**

Financing, mobilizing and diversifying the financial resources with emphasis on non-governmental resources and attracting domestic and foreign investments, appropriate to the water and sanitation sector's development strategies.

➤ **Risk management implementation**

Development of risk management and crisis and passive defense in designing, construction and exploitation of the installations with the approach of monitoring of the delivery of services and reduction of the drinking water structures and constructions vulnerability

➤ **Customer orientation and consumers rights**

Enhancing customer satisfaction and client rights through the establishment of systems to respond to customers, enhancing productivity, improving service quality indicators.

➤ **Using new technologies in water production and harvesting**

Diversifying the production and distribution of drinking water systems and utilizing unconventional water resources (such as rainwater harvesting, using air humidity, water distribution stations, desalination, water packing, double-networked systems, separating the different uses of water, etc.)

➤ **Reforms in drinking water pricing system**

Developing cost-based pricing, modifying tariff methods and simplifying tariff structures for water services.

➤ **Development of monitoring systems**

Developing and implementing a comprehensive system to utilize and monitor the quality and quantity of water resources in drinking and safe water sector (especially nitrate) and enforcing necessary standards and regulations to prevent environmental pollutants as well as discharge of raw sewage into the natural environmental receptors.

➤ **Reducing water loss and reconstruction of water installations**

Planning and implementation of operational plans in order to reform, reconstruct, rehabilitate, redeem and renovate, and modernize installations, equipment and old water networks.

38. Ensuring sustainable access to basic sanitation and drainage

The nominal capacity of wastewater treatment plants are about 2 billion cubic meters per year and if the existing trend continues, in 2041 the amount of wastewater produced in the country including urban and rural areas will increase to 7.9 billion cubic meters.

Improvement of the hygiene standards in recent decades, has caused a rise in producing wastewater. Declining effects could be obtained by improving the quality and technical efficiencies. Providing sustainable access to urban sanitation systems has become one of the central areas of planning system in Iran during the last decade. This very important issue has reduced the number of houses with an unsanitary sewage system.

According to available statistics, the kitchen sewage of about 17.7 % of the total 11.4 million existing housing units nationwide in 2006, was discharged in the surroundings of the residential area. This amount decreases to 13.1% in urban areas.

This amount has reduced to 16.9% in 2011, when the other sewage (except for the bathroom and kitchen) of 19.6% of housing units is discharged in the surroundings.

A comparison between the hygienic condition and welfare of the housing units nationwide and the urban areas in 2006

Area under investigation	Total housing units	Amount of sewage in surrounding area	Percentage of sewage in surrounding area
Nationwide	15859926	2812750	17.7%
Civil society	11431882	1501021	13.1%

Source: Statistical center of Iran-Census

Percentage of housing units that enjoy sanitation facilities

Year		Public drainage network	Private	Absorbing Well	Special waste reservoirs	Surroundings	Other, (N/A).
2011	Bathroom sewage	29.6	0.6	67.3	0.5	0.7	1.2
	Kitchen sewage	29.5	0.6	48.4	0.4	16.9	4.5
	other	29.5	0.6	46.4	0.5	19.6	3.2
2006	Bathroom sewage	22.6	0.9	74.2	0.5	-	1.7
	Kitchen sewage	22.3	0.9	51.5	0.5	17.7	7
	other	22.6	0.9	50.6	0.5	22.6	2.7

39. Improving access to clean domestic energy

Attention to the production and consumption of energy derived from renewable energy sources and clean and renewable fuels has increased during the recent years in Iran.

Utilization of renewable energy resources reduces urban pollution and the consumption of fossil fuels and at the same time provides for cost of urban management and paves the way to move towards the green economy.

Since 1996, fundamental and important measures have been taken in Iran, by the establishment of agencies and organizations that are involved in the management and policy making of promoting the use of renewable energy sources in the country. These measures are as follows:

- ✓ Adopting the long-term and guaranteed purchase of electricity produced from all renewable energy sources.
- ✓ Imposing taxes on electricity consumption
- ✓ commitment to deliver liquid fossil fuel or the equivalent amount of that to the beneficiaries of the renewable power plants
- ✓ Conducting research and innovation in localization of different energy production technologies from new energy sources
- ✓ Providing basic/ fundamental information for the construction of renewable energy installations

Iranian Government performance in the area of clean energy

Row	Title	Performance outcome
1	Supply of power required by households in remote rural areas	More than 1000 households
2	Construct photovoltaic projects	10.9 megawatt(MW)
3	Install wind farms across the country	128 MW
4	Small hydropower plants	65.4MW
5	Install power plants from biomass sources across the country	Capacity: 9.6 MW
6	Install geothermal plants in the northwestern Iran	Capacity: 5MW electricity
7	Pilot installation of Central Receiver System Solar Power Plant	Capacity: 250KW

The Iranian government is faced with the following challenges in the development of clean energy:

- Severe competition with the extensive and subsidized supply of fossil fuels
- Low tariff for electricity in the country
- The need to high financing for the investment in various renewable technologies
- International restrictions in transferring technical knowledge and provision of the equipment from some European countries.
- Enjoy the facilities of relevant international agencies and organizations to develop knowledge, technology and preparation work in the promotion and expansion of renewable energies in an appropriate, desirable and unconditional way
- Identifying and clarifying the vulnerability of the energy sector, especially of renewable and clean energy as a result of climatic change in the country.

40. Improving access to sustainable means of transport

One of the urban infrastructures that enhances the living conditions in the cities, is the urban access network and transportation system that allows citizens access to different destinations. Public transport infrastructures are created and maintained by municipalities. According to the Municipal law, all streets and other types of pathways in cities are owned by the municipalities that are committed to develop and maintain the network of urban pathways in order to enhance their functionality.

Public transport which aims to make cheap and convenient transport more accessible to the weaker members of society and reduce reliance on personal cars in intra-city transportation, has developed in quantity and improved by quality over the past two decades. This development has been the result of targeting the urban public transportation, reduced access time to the destination, strengthening the transportation fleet, changes in the pattern of fuel consumption, and ease of mobility through public transportation.

Over the last two decades the condition of public transportation services in urban areas has gradually improved. Now, with the development of public transportation services, as well as increase in the transportation fleet more people are using this mode of transportation and at the same time more vehicles are at the service of the citizens. The number of public transport vehicles and the population covered by each mode per cities are listed in the following table. One of the policies implemented in urban public transport has been the reduced consumption of diesel and gasoline. To this end vehicles' engines were modified to be compatible to natural gas. Currently, natural gas or gasoline or a combination of both (dual-fuel taxis) are used in the public transport network. Holding down the price of natural gas creates a tendency in owners of dual-fuel public cars to use more natural gas rather than gasoline. Another successful policy in public transport in large cities, has been shorter travel time to destination at a higher speed. This policy was first launched in Tehran through the launching of the Bus Rapid Transit (BRT) system.

Establishing rail transport in cities is another option that is less polluting to the environment and reduces the travel time considerably. Launching rail transport in metropolitan cities of Iran began a decade ago and is in progress now.

In the Transport Strategy of Iran, the convenient access to transportation via BRT systems and rail transport is one of the goals that can be pursued in public transport. It allows the ease of access to intra-urban public transportation/ inner-city public transportation which currently has been formed in most major cities.

41. Challenges experienced and lessons learnt in these areas

During the previous two decades, Iran has faced numerous challenges in the housing sector, the most important of which has been the imbalance between household affordability and housing prices. The existing trend at the housing market has made housing provision impossible for the low-income and even a large part of the medium-income households. The then government launched a scheme called Mehr Housing (Maskan-e-Mehr) in 2007 to tackle the problem. It was planned that through providing the mid-income households with free or low-cost land and low-interest rate loans, to make the mass production of housing for a large part of households in need possible. Along with the above initiative, during the recent decade, the Iranian government has tried to provide the residents of the urban dilapidated fabrics with housing construction loans in order to renovate the old and dilapidated housing units as well. In fact, housing production has risen sharply, relying on the government support that caused the general and medium index of the housing sector to have an acceptable performance. However, this pattern of government support has resulted in new challenges facing the housing sector. The increase of state support over the recent years has caused disruptions in the functioning of the market, an important of which is that the financial assets of the banking system in Maskan-e-Mehr replaced the private-sector's investment. The pattern of housing finance and reliance solely on the injection of funds from the Central Bank- which results in the increase in the monetary base- has left notable impacts on the macroeconomic variables, including the inflation rate. Over the course of time, this very issue became a contributing factor in the increase of housing prices and as a result decrease of affordable housing accessibility, particularly for the low-income groups. The escalation of informal settlements over the past two decades has been another challenge for the government. The growth of these settlements originates from such problems as uncontrolled growth of land prices in the cities and an increase in the intra-regional migration flows. To face this trend, much effort has been made since the 1990s. The dominant strategy is based on the local communities' empowerment and local institutions participation. However, the overlapping of the functions of the urban management agencies and institutions with that of the central government has neutralized the efforts. In addition, the overemphasis on physical dimensions and ignoring the poverty alleviation programs is the missing link that should be considered in this context.

42. Future challenges and issues in these areas

The Iranian housing sector is facing numerous challenges in planning for the future; most of which can be summarized as follows:

1st Challenge: sharp fluctuation and instability in the housing market

Periodical fluctuations were repeated in the housing boom and bust cycles many times. Since 1991, the sector has gone through four sequential cycles of boom and bust. Fluctuations in the housing sector stems from the main macroeconomic variables. Inefficiency of the Iranian land market and the increasing role of the old and exclusive players, along with the inappropriate interference of the urban management body in the market could be considered as other contributing factors in the persistence of instability of the housing market.

Sudden severe periodical fluctuations in the housing sector and the entry and exit of investments from one side changed the correlation between income and housing prices and has reduced the level of citizens' access to adequate shelter. On the other, it prevented the stability in the housing sector to improve the quality of construction, industrial housing production, and enhancement of construction management.

2nd challenge: the high price of land

The sharp rise in the price of land is one of the major issues and challenges in the housing sector during the recent two decades. In the period from 2005 to 2012, the average annual growth rate of the main variables of production in the cost per square meter in the housing sector has been as follows:

Land prices: 19%

Construction cost: 15%

These developments cause the proportion of land in the finished cost of housing construction rise from 48% in 2005 to 54% 2012 and as a result, create more distance between the households' affordability and the housing price. It should be noted that the increase in land prices over the previous years has neutralized the effectiveness of a considerable part of the supportive and monetary policies that have been made.

3rd challenge: housing provision is very difficult for the low and medium-income groups

In the housing market, high price of land on the one hand and inconsistency between supply and demand pattern on the other, made it very difficult to provide the low-income with decent housing

- About 5.3 million urban households didn't own a housing unit in 2013;
- About 47.5% of the urban households without housing ownership, were living under the poverty line and needed the extensive supportive measures of the public sector;

The inappropriate distribution of housing finance in the housing sector has led to the fact that even the mid-income households cannot afford decent housing.

4th challenge: inefficiency of the housing market

The inefficiency of the housing market can be considered from two aspects:

- 1) Inconsistency of the construction pattern and housing supply with the pattern of demand for housing as a shelter derived from the following factors:
 - Unaffordability for the low and mid-income groups to purchase standard housing
 - The regulations of land splitting, and the minimum land plot size that is not consistent with the low and medium-income households affordability
- 2) Separate and to some extent non-overlapping housing market for the consumer and investment demand of housing that shifted a significant portion of housing investment demand towards the construction of luxurious, large housing units for the upper-income households and is one of the contributing factors in sharp fluctuations of the housing market.

5th challenge: limited and inefficient housing finance system

The housing finance system is not developed enough to be able to respond the demand of its applicants.

- The banking system has a small share in the total housing finance;
- The mortgage market has shrunk to a great degree and got squeezed, with the ratio of the mortgage market value to the GDP being less than 1%. This indicator is 10 to 40 percent in developing countries and more than 40% in the developed ones;
- The housing loan is a negligible part of the housing price. In Tehran the housing loan in 2012, sufficed to just 5 square meters of a residential building. It is 16 square meters in Esfahan and a maximum 73 square meters in some towns.
- More than 75 percent of banking facilities granted during the previous years went into housing construction and supply that lacked enough efficacy;
- The position of capital markets in the housing finance system hasn't been significant.
- Housing finance is mainly based on the banking system and short-term monetary market;
- Loan repayment is difficult for low-income groups;
- Bank-e Maskan is the only bank committed to provide home purchase facilities in lieu of making deposits in the Housing Savings Fund;

6th challenge: the problem of growing informal settlements

Poor performance of urban planning system and inefficiency of land policies on one hand and the decrease of the household purchasing power on the other, have resulted in the dramatic growth of informal settlements during the recent years. Considering the current situation and the annual increase of land price, at least 30% of the new households are potentially prone to living in informal settlements.

7th Challenge: high volume of old and dilapidated housing units in need of renovation

- The majority of the urban areas have dilapidated fabric with about 77 thousand hectares of the urban land being in the dilapidated urban zone and are in need of renovation.
- The number of housing units in urban and rural areas in need of renovation by 2026 will be 3 and 2.3 million units, respectively.
- Inappropriate interventions in recent years has led to pushing low-income groups from within these fabrics towards the informal settlements.
- Unplanned interventions during recent years, has caused much damage to valuable historical fabrics.

8th challenge: inefficiency of the urban planning and management system

- Urban planning system has failed to regulate the flow of land supply in an appropriate way to maintain a balance between the demand and supply of land;
- Despite extensive investment in new towns, they have not been able to gain the expected success in attracting people;
- Urban rules and regulations lack the necessary compatibility with the characteristics of urban low-income groups in most cases that led to the growth of informal land market.

The over reliance of the urban management income system to the revenue gained through construction activities and sale of extra urban density during the recent two decades, in practice, has increased land prices in urban areas and thereby has caused an increase in housing prices. Lack of control over this process can lead to the failure of all medium-term housing plans.

9th challenge: The construction industry lacks optimum efficiency.

Construction period, construction costs and energy consumption in the construction sector is very high.

- Utilizing the industrial production method is still rare and the share of industrial house production is negligible.
- Market instability has increased the risk of investment in new technologies and this has been a structural obstacle against development of technology.
- The production is made in small scale.

10th challenge: regional inequalities in housing

Severe regional inequalities in the utilization of housing production and distribution, is one of the problems and challenges to be coped with. Most provinces at the country's borders are faced with income poverty on the one hand and unfavorable housing conditions on the other. In many of these areas housing construction is done for personal use and the markets lack modern housing development agencies.

