

**THE STRUCTURE OF THE CURRENT HOUSING PROVISION IN SAUDI
ARABIA: AN INSTITUTIONAL PERSPECTIVE**

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Abstract

Over the past five decades, large petroleum reserves have made Saudi Arabia one of the top twenty economies in the world. Changes to the economics and politics of the oil industry in the 1970s led to an unprecedented and rapid expansion of the country's economy and to higher levels of internal and external migration to major Saudi cities. This has intensified the demand for housing, and particularly for affordable housing. However, despite being well-resourced, the government of Saudi Arabia has struggled to meet this increasing demand for housing. This research explores the underlying factors contributing to the Saudi housing shortage, using an innovative framework that combines insights drawn from institutional theory (which has rarely been applied to the Saudi context) with critical realism. This is used to explore qualitative data (drawn from document analysis and interviews) in order to demonstrate that institutions play a key, though sometimes contradictory, role in influencing the provision of housing in Saudi Arabia. The research focuses particularly on relationships between three sets of actors: the first set includes the state actors which are involved in the regulation process of the housing provision; the second set includes other actors who implement these regulations, this includes the financiers, developers, and marketers who represent the capital interests of the Saudi housing market. Finally, the last set includes the end users of the final product represented by individual consumers.

The thesis seeks to position the housing shortage at the crux of a complex series of relationships between the institutions in which these actors work, portraying a fragmented landscape in which there is a poor degree of integration and coordination between significant organizational players. Mismatches between the cultural norms, and the written and unwritten rules and regulations of different institutions, are reflected in a governance landscape where land use policy and financial mechanisms are poorly connected, and where both strategic urban planning and more quotidian types of planning permission are not joined up with individual construction projects. This disjointed institutional landscape is further complicated by the existence of competition between two governmental bodies leading to conditions of intensified capitalist land accumulation. The emergence of this fierce capitalist market has meant that development has become a source of vast surplus value, raising the price of housing and problematizing the delivery of more affordable types of dwelling.

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Declaration

I, the author, confirm that the Thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (www.sheffield.ac.uk/ssid/unfair-means). This work has not been previously presented for an award at this, or any other, university.

CHAPTER 1 Introduction

Shelter is one of the most significant and fundamental needs for every human being (Bahamam, 2000), yet many countries across the globe have been gripped by an affordable housing crisis in recent years, and Saudi Arabia is no exception. Changes to the economics and politics of the oil industry in the 1970s led to an unprecedented and rapid expansion of the country's economy and higher levels of internal and external migration to major Saudi cities. This has intensified the demand for housing, and particularly for affordable housing. However, despite being well-resourced, the government of Saudi Arabia has struggled to meet this increased demand for housing.

This research explores the underlying factors contributing to the Saudi housing shortage, using an innovative framework that combines insights drawn from institutional theory (which has rarely been applied to the Saudi context) with critical realism. This will be used to explore qualitative data (drawn from document analysis and interviews) in order to demonstrate how institutions, play a key, though sometimes contradictory, role in influencing the provision of housing in Saudi Arabia.

The thesis focuses on the relationships between government organizations and other actors involved in the provision and regulation of new housing, particularly the relationship between the state (represented by the government departments and government policy) and the market actors (the financiers, developers, and marketers who represent the capital interests of the Saudi housing market). Finally, the thesis explores the relationship between all these actors together with potential consumers. It seeks to position the housing shortage at the crux of a complex

series of relationships between the institutions in which these actors work, portraying a fragmented landscape in which there is a poor degree of integration and coordination between significant organizational players. Mismatches between the cultural norms, and the written and unwritten rules and regulations of different organizations, are linked in complex ways to a governance landscape where land use policy and financial mechanisms are poorly connected, and where both strategic urban planning and more routine types of planning permission are not joined up with individual construction projects. This disjointed institutional landscape is further complicated by the existence of competition between two governmental bodies, leading to conditions of intensified capitalist land accumulation. The emergence of a capitalist market has meant that development has become a source of vast surplus-value, raising the price of housing and problematizing the delivery of more affordable types of dwelling.

1.1 Background to the Housing Shortage

Saudi Arabia has witnessed major political and economic changes over the last century. During the nineteenth and early twentieth century, the country's land was the site of a territorial struggle between the Al Saud and some of the Arabian tribes, which ultimately culminated in the victory of King Abdul-Aziz Al Saud, and the recognition of his realm in the Treaty of Jeddah (1927). Oil was first discovered in Dammam in 1932. The country began to produce oil commercially in 1938, under the commercial aegis of ARAMCO, the Arabian American Oil Company (Rabenau, 2011). By the 1950s, Saudi Arabia was a major exporter of oil to the American market, thanks, in part, to the situation of its oil fields close to the coast.

In 1953 the government decided to transfer all the government's agencies from Makkah province to Al-Riyadh. This decision triggered the establishment of new development projects such as the Project ALMalaz which in turn had a significant impact on the Saudi housing sector by introducing alternative planning and building techniques. As a result, Al Riyadh started to expand due to the rapid urbanization, and the country's economy began to shift from an agrarian and nomadic pastoral economy to a more settled, urbanized, export-oriented industrial economy (Garba, 2004), necessitating the building of new infrastructure, as well as the introduction of basic planning and land use regulation (Al-Hathloul and Edadan, 1993). In particular, the Ministry of Municipal and Rural Affairs (MOMRA) was created to support the development and urbanisation of Saudi cities. However, the role of these organizations 'remained passive until the 1960s' (Al-Hathloul and Edadan, 1993, p. 40).

The 1970s witnessed an oil boom. The volume of oil that was exported increased dramatically, and revenues from taxation and duties on foreign oil-producing companies soared. The intensity and rapidity of accompanying urban change meant that the regulatory regime was expanded. A series of five year strategic plans for the economy were produced, outlining major ambitions for state provision of infrastructure, education, and health services, as well as providing loans for the purchase of houses (Gamboa, 2008). These were supplemented by a series of master plans for major cities. The Saudi government revenues increased as the oil price increased, which improved the economy for the country and subsequently increased the salary for citizens enabling the purchase of homes .

These measures provided sufficient supply in the kingdom of Saudi Arabia and met the increasing demand for housing, with some authors claiming that by the mid-1980s, the country had shifted from a condition of shortage to a condition of surplus (Tuncalp 1987). It can be said that these measures worked well for the 1970s housing market. The limited housing supply back then was able to balance the increasing (yet limited) demands caused by the increasing (yet manageable) number of people moving to Saudi big cities. However, since the 1980s more people kept migrating to Saudi cities increasing the demands on housing. During this period oil revenues in Saudi Arabia fell, though the country remains one of the richest in the world (Rabenau, 2011). The Saudi housing market was in short supply to the first time. The 9th Development Plan estimated the demands on housing to be at 1.25 million units between the years 2010 to 2014 at 250,000 units a year (MEP, 2010). Currently, the annual demand is estimated to be between 150,000 and 200,000 units (MOH, 2013; Abdelatti et al., 2017).

Yet the target for house-building during the 9th Development Plan period was just 950,000 units, leaving a deficit of 300,000 units (Khan, 2013). However, the actual deficit was much higher than this figure, because (as Figure 1.1 illustrates) previous plans had fallen short of achieving their ambition to deliver hundreds of thousands of new homes (MEP, 2014). According to independent economists, in 2010 the country had a deficit of some two million units, and the gap has been continuously growing (Reuters, 2010). To compound the problem, the Ministry of Housing estimated that the housing supply shortage will add another 1.2 million units to the deficit between 2017 and 2030 (MOH, 2017). Low and middle-income families are particularly poorly affected by the changes (Rabenau, 2011).

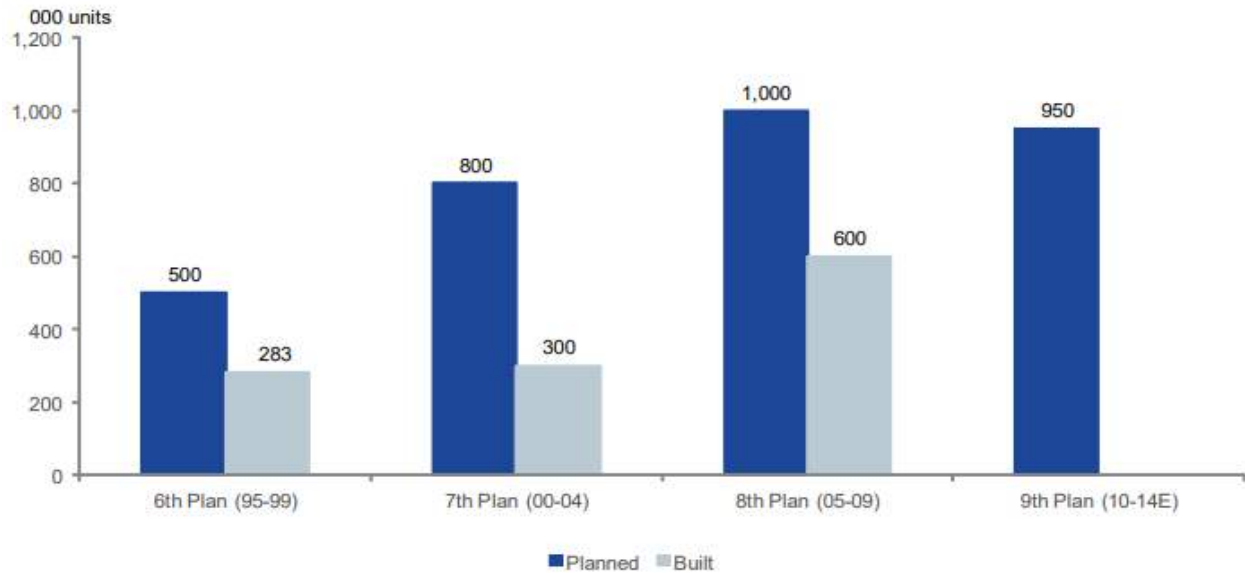


Figure 1.1: Unmet housing targets, 1999 onwards (MEP, 2014)

This thesis will investigate the complex and multiple factors behind the current housing shortage in Saudi Arabia, asking why a Kingdom that is well-resourced and that possesses mechanisms for strategic planning has failed to provide affordable housing to its most vulnerable citizens at this kind of scale. The research will focus particularly on the role of actors within institutions, following hitherto unanswered exhortations from Al-Hathloul and Edadan (1993) to be more attentive to the role played by institutions in the generation of the crisis. The thesis, therefore, adopts an institutional approach to explore the relationships between different actors and bodies within the system, and the ways in which the housing sector, and the rules and relations that govern it, are structured. However, attention will also be paid to the ways in which organizations' cultures respond to wider social factors, especially cultural, demographic and economic change (Sidawi, 2009).

1.2 Explaining the housing shortage: the advantages of an institutionalist perspective

In Saudi Arabia, there are more than 38 agencies involved in housing construction (Rabenau, 2011). However, the culture in these agencies is complex and the relations between them are difficult to trace. Furthermore, there is yet to be a study that addresses the Saudi housing sector from an institutional perspective. Besides, the previous studies concern on the technical and physical aspects of housing and neglect the institutional perspective. In this regard, Salama (2006) has noted this lacuna:

...little emphasis was placed upon addressing the socio-cultural, economic aspects in an integrated manner and the way in which they influence one another as different disciplinary issues. This is clearly evident where one could see studies that place emphasis on policy and economic issues without looking at the impact on other critical concerns such as cultural and environmental aspects. On the other hand, the authors notice other types of studies that place emphasis on the physical characteristics of dwellings...” or neighbourhoods, “... again, without clear indicators of how physical aspects can be linked to socio-cultural concerns. (p. 70)

As Salama indicates, mainstream economic theories have not adequately explained the housing shortage. Those working within such frameworks tend to focus on simple, disembodied mechanisms of supply and demand, without any wider understanding of the actors and organizations, or the political and cultural factors, that contribute to a housing crisis (see, for example, Al-hubashi, 2012; Alzamil, 2014; Sidawi and Meeran, 2011). The problem with such a narrow perspective is that it tends to promote narrow and conventional solutions, which often involve increased centralization and the management of housing through greater governmental involvement. Because institutions are excluded from the analysis of the problem and presented only as an aspect of its solution, the possibility that part of the problem could lie within those organizations tends to be missed.

Adam et al. (2005) note the need to address the complexity and the messiness of housing as a social phenomenon in any analysis. They point to the value of an institutional approach when it comes to recognising the agency of organizations, and the importance of factors like inter-organizational relationships, the wider policy context, the written and unwritten rules of organizational conduct, and informal organizational customs. Such a perspective can reintroduce social interactions and human elements to the discussion, countering a neoliberal turn that is “reluctant to entertain the possibility that human agency has a role other than to step back from markets, freeing them up to work the greatest efficiency” (Smith et al., 2006, p. 84).

Similarly, an institutional approach draws attention to the need to move beyond supply-and-demand models and to consider the social and economic factors that structure the experience of housing. In particular, it is necessary to challenge a view that prevails in the Saudi context, that housing is merely a market, in which individuals engage freely. Where this view is dominant, the “institutional actors in the housing market became virtually invisible, with no explicit recognition that they may have individual motivations, or pursue particular business models, that influence how markets work” (ibid, 85). Instead, the institutional approach demonstrates the way in which housing forms part of a wider series of social structures, in which individuals experience radically unequal conditions that affect their ability to afford a home. It is therefore, necessary to approach the Saudi shortage from a viewpoint that takes into account the actions of multiple stakeholders acting according to established modes and codes of conduct, not merely as the outworking of the ‘invisible hand’ of the market.

A further advantage of institutionalist approaches lies in the fact that they tend to be more sensitive to context than economic approaches, which sometimes imply that a set of solutions that have been developed for one context can be translated, wholesale, to another. For example, Al-Hubashi, (2012) and Al-Zamil (2014) compare the Saudi Real Estate Development Fund (REDF) with similar western financial schemes, as if the context were almost identical and therefore irrelevant. Such a comparison neglects the fact that the Saudi housing shortage emerges out of a unique social, economic, political, and historical context, as well as from a very different set of institutional structures. While findings from one context may have an application to others, generalizations need to be made with great care. Overall, this thesis is committed to unpacking specific institutions and identifying the complex interrelationships between them, in order to understand the specificities of the Saudi context. Only once this work is complete will the thesis consider the relationship of the cases under scrutiny to other contexts outside those of the study.

Moreover, this study will answer the question of why the Saudi Arabian state has failed to deliver adequate levels of housing supply to circumvent severe housing shortage when the country is economically well-resourced and has strategic economic and urban planning systems in place since the 1970s. In this context, many people migrated to major Saudi cities since the 1980s, which has led to increase in the demand for housing. In recent years, the housing shortage in the Kingdom of Saudi Arabia has become a significant problem. The Saudi government spent tens of millions of dollars to solve the housing problem. However, with the kingdom revenues reduced due to the decreasing oil price, the Saudi government reduced expenditure, which led to decreasing salaries and rewards for citizens thus impacting capacity to purchase housing.

Furthermore, it has been found that previous studies have investigated the housing problem simply from a supply and demand perspective, using quantitative methods, and mainstream economic theory. Therefore, this study fills the gap in the literature and addresses the institutional framework that impacts on housing.

1.3 Research Questions, objectives, and approach

This research seeks to answer the main question of: Why has the Saudi Arabian state failed to deliver adequate levels of housing supply to circumvent severe housing shortages when the country is economically well-resourced and has strategic economic and urban planning systems in place since the 1970s? To answer this question, the main research question was divided into the following sub-questions:

1. What are the individual and organizational actors involved in the Saudi Housing system?
What are their roles, responsibilities, and relationships?
2. What formal and informal rules are in play in the Saudi housing governance system?
3. How do the formal and informal rules shape the relationship between the government and all other actors involved in the process?
4. What rules and regulations are in play in the Saudi housing market?
5. What type of relationships and partnership exist between the public and private actors in the Saudi housing production process, and how do these relationships and partnership affect the development process?

Further, the primary objectives of the research are:

1. To understand how social relations, cultural expectations, and ideological assumptions shape housing shortages in Saudi Arabia.
2. To identify the existing relationships between the government departments.
3. To understand how the existing relationships between the government departments affect the formal rules, procedures, and policies of the housing sector.
4. To identify the roles and responsibilities of private sector actors in the housing development process.
5. To understand how the roles and responsibilities of private sector actors in the housing development process interact with cultural norms and government departments.

To answer the research questions and achieve the research objectives, the researcher will proceed by investigating the major *organizations* that are involved in the Saudi housing system, identifying the actors involved, and outlining their roles and responsibilities. The researcher will consider their informal internal cultures of working, their formal systems of policy and regulation, and the practices of actors within them. The investigation will be both objective and subjective, investigating both what these *organizations* do, and the ways in which they understand their role in relation to the wider sector. The relationships between these *organizations*, in a wider, inherited socio-cultural and economic landscape will then be considered, since this plays an important role in structuring the way in which the housing shortage is framed as a problem, and the structures of provision that are developed in response to it.

To develop institutional perspective for this research, the researcher has integrated insights from a number of different authors. The two major sources he drew upon were Patsy Healey's theory

of institutional structure and agency (Healey, 1992), and Ball's concept of structures of housing provision (1986a; 1986b; 1998; 2006; 2013).

Healey (1992) applies the structure and agency model in order to explain the complexity of the development process. Her model focuses on the link between structure and agency empirically by focusing on the various agents/ actors who can act independently and make decisions, whilst their choices are limited and influenced by the complex institutional structure. The model relates the agents' role, strategies and interests to the available resources, institutional rules and organizing ideas in which agents operate. According to Healey, these rules can be presented as law or as habits and tradition. The model analyzes four levels of the development process. The first level describes the process, its events, agents, and the outcome produced. The second level identifies the agencies involved in the production and consumption and analyzes the power between them. The third level evaluates actors' strategies and interests which determine their role and connections. Finally, the last level considers the social environment surrounding the development process, while Ball focuses on the network of relationships embodied within the various institutions associated with the production process. These two theories were carefully applied, in a way that acknowledges their value and short comings, and were further supplemented by González and Healey's (2005) approach to explain the social nature of institutions. Harvey (1985) and Aalbers (2008) are also used to understand the basic relationship between demand and supply. The details of these theories will be outlined in a detailed discussion in chapter 2.

This research is underpinned by the insights of critical realism regarding ways in which structures precede agents, making it necessary for the researcher to trace empirical events back to structural causes (Sayer, 2011). This dovetails neatly with institutionalism's understandings of historicity, which emphasize the perdurance of institutional structures as the framework for agency (Sayer, 1992), even where that agency aims to transform the structures in question (Archer, 2003). Commensurate with an institutional perspective, a qualitative methodology was used to reveal institutional mechanisms at a deeper level.

Data collection proceeded in two phases. Firstly, secondary data were reviewed, including literature on the Saudi housing shortage, existing policies, and other government documents. The aim was to identify the various institutions influencing housing policy and delivery, and thereby to identify suitable research participants. A series of semi-structured interviews were then conducted with a range of invited participants from different institutions involved in the Saudi housing market, including policy makers, developers, financiers, academic researchers, and others. Due to the limited time available for this research, it was not possible to interview representatives from all of the 38 bodies involved; instead, the researcher focused on an in-depth study of the most influential institutions, pursuing depth over breadth. Connections were constantly drawn between this primary data and the secondary literatures already reviewed, to triangulate across the information.

1.4 Contribution

The contribution of the research is multifaceted. Empirically, the study aims to challenge existing understandings of the housing shortage in a Saudi Arabian context, thus developing a new

academic analysis of the problem. The researcher will show how a narrow framing of the housing problem is contributing to the development of policies that simply did not address the underlying causes of the crisis, which are institutional and socio-cultural in nature. The researcher identifies five main areas where there are problems: contradictory policy; a lack of institutional coordination, especially between public and private sector groups; geographically and socially unequal access to finance between different social groups (an issue which is not reducible to Islamic religious rules over banking); uncertainties over land ownership; and the prioritization of the 'needs' of higher income groups with a demand for larger houses, instead of the provision of support for low-income groups or those who want smaller units (in particular, working couples and younger people).

Methodologically, it represents the only study to apply institutionalised analysis with a critical realist approach to structure and agency to a Saudi Arabian context. Further, the framework that the researcher used combines insights from previous scholars, especially Healey (1992) and Ball (1998; 2006), to produce a hybrid approach that is attentive to the role of institutions in relation to questions of power, process, relations, formal strategies and rules, as well as to the structuring influence of wider social relations and ideology.

Practically, the study formulates an alternative series of recommendations that draw on a deeper and more holistic understanding of the problem. These remedies hopefully have a practice relevance to policymakers and practitioners in Saudi Arabia, beyond the academic context of the study. My aim in adopting an institutionalise perspective is therefore not simply to produce a better analysis of the problem but to be in a position to suggest a more effective series of

recommendations for its solution. In the course of the thesis, I hope to show that it is only a broader, holistic analysis of the housing shortage, one that takes the role of social and political institutions into account; that is capable of finding the wide-ranging solutions that are needed.

1.5 Thesis structure

This thesis is structured around seven chapters. This first chapter is an introductory chapter which provides a brief description of the Saudi housing crisis background since the 1970s, and the associated changes since then. This provides a deep understanding of the current hindrance within the development of housing units to meet the needs of the population as identified by the government strategies.

Chapter 2 reviews the academic literature on housing and institutional frameworks from a theoretical standpoint. It starts with older institutional models, showing how these evolved into the latest institutional theories, and outlines the ways in which this theory has been applied to housing in a number of contexts. The need to consider market-oriented institutions and their relation to regulatory bodies is discussed in-depth, with a view to expanding the discussion to including the urban planning system and the regulation and management of land ownership.

Chapter 3 introduces the methodology and research philosophy. It describes the hybrid institutional and critical realist theoretical framework that the researcher used, and justifies the use of particular qualitative methods to gather and analyse primary and secondary data. It also discusses how issues of validity and reliability were handled, and highlights ethical issues confronted during the research project.

Chapter 4 provides a detailed description of the housing shortage in Saudi Arabia, with some historical background, outlining the central problem with which this research grapples. After this point, the study moves beyond context and history, to build an understanding of the governance, political, and financial landscape, and the wider influence of cultural, religious, and socio-economic factors over housing delivery.

Chapter 5 begins the analytical section of the thesis in order to identify the failure in the Saudi Arabian housing market at organizational, cultural, and financial levels. The analysis identifies the relationship between the primary and secondary actors in the Saudi housing system. The chapter uses the institutional framework to reveal the major problems associated with the housing provision in Saudi Arabia.

Chapter 6 reviews the Structure of Provision (SoP) and the influence that this has on housing delivery. Coordination and cooperation (and the lack thereof) are discussed, with especial attention paid to the links between private sector financial institutions and public sector policy makers. The influence of government policy on land supply and price is a particular focus of attention.

Chapter 7 concludes the thesis by summarizing its main findings in light of the research questions. The methodological, empirical, and practical contributions of the study are outlined, and a summary provides a set of policy recommendations, as well as reflections on opportunities for future research.

CHAPTER 2 Theories Of Housing Provision

2.1 Introduction

The factors involved in housing development are geographically, culturally, and historically specific, so that any general framework that seeks to model development must be capable of analysing a wide range of processes, events and mechanisms across the economic, social, and institutional domains. The purpose of this chapter is to justify and to elaborate on my theoretical approach. Firstly, I will briefly explore neoclassical economic theories of development, giving a summary of their strengths and weaknesses, to understand the historical context of the Saudi housing demand and supply and how the country's formal and informal rules have affected the housing prices and the delivery process. Secondly, I will introduce the importance of the relationship between structure and agency; briefly look at the structure and agent-centred theories of development, before suggesting that combined structure-agency models are more useful for explaining complex processes of housing policy development. This leads to a discussion of institutionalism theories as a variant of structure-agency approaches. After a brief outline of broad institutionalism approaches, I shall analyse two particular development models in detail: the work of Healey and Ball. I will argue that institutional models provide analytical categories to the housing researcher that other, more traditional approaches do not possess, though (somewhat surprisingly) they have seldom been applied to a Saudi Arabian context.

2.2 Neoclassical economic models and their drawbacks

Mainstream or neoclassical economic models argue that the property prices are determined by the interaction of supply and demand. Thus, they have dominated discussions of the real estate market for decades (Harvey, 1982). The underlying assumptions of these models can be traced back to the work of Adam Smith and his conceptualization of neoliberal market economy, in which supply and demand play the role of an “invisible hand” adjusting the prices of commodities, including housing. The underlying assumption of the neoclassical economic theory states that human beings make individual rational choices, which result in neglecting the role of socially structuring forces (Smith et al., 2011). Therefore, the urban development process is depicted as demand-driven and thus quantifiable: the intersection of production/supply and demand is translated more or less directly into housing prices (rent, developer profits) (Ball, 1998).

Within neoclassical models, competition is supposed to ensure that needs are met. Thus, this often results in raising the arguments stating that markets should be allowed to operate in a more or less unregulated state to avoid supply-side blockages and to promote growth (for example, this is a particularly influential discourse in discussions of the British spatial planning system as a drag anchor on economic growth) (Smith et al., 2011). Perhaps unsurprisingly, these approaches also depict developmental activities as an unproblematic and straightforward process (Healey, 2007). Hence, these models can be used to predict how changes to demand and supply affect the price of property. Such modelling is common across both the property industry and the policy sector, since it enables analysts to alter major variables and observe how market

dynamics react across micro and macro levels including for example forecasting the effects of controlling key costs or profits (Healey, 1992; Gore and Nicole, 1991). Therefore, such forecasts can be used to produce projections for the effects of overall economic shifts on the housing market, for example the introduction of a greater number of Brownfield or Greenfield sites. In short, the models claim to work across geographical and cultural boundaries, and therefore tend to downplay factors that are specific to particular areas. Nonetheless, most housing policy initiatives take these approaches very seriously (Smith et al., 2006).

However, there is a considerable amount of literature suggesting that these models are inadequate when it comes to analysing the complex factors affecting housing shortage (Smith et al, 2006). In this context, Healey (1992) has identified four main problems with mainstream economic models:

Firstly, they oversimplify the property industry by dividing the industry into a few actors or sectors, and thus they do not reflect the complexity of the housing landscape, or the overlaps of roles, responsibilities, and interests. Instead, the model tends to *homogenize in ways that underestimate the* heterogeneity of actors in the housing market. A notable example thereof is the assumption that consumer demands and investor demands are homogenous. Secondly, the models treat agents as entirely rational and often do not consider the non-economic interests of stakeholders. They, therefore, underplay affective, social, and environmental factors that may influence spatial decision-making. Thirdly, neoclassical models are based on historical data, and assume that the future will look much like the past. As such, they are not equipped to analyse the impact of large-scale social change, and cannot take into account the effects of economic

shocks, even where these are the adverse outcome of the market forces under scrutiny (for example, the role of property in the 2008 financial crisis) (Smith et al., 2011). Finally, these models do not consider the power relations at work in the development process, and therefore underestimate the role of institutions and structural forces that condition the relations between the multiple stakeholders involved in the development process (Healey & Barrett, 1990).

Since this approach oversimplifies the housing market, and fails to consider non-economic factors, such as actors' power and interests, it is inadequate to explain the complexity of the housing sector in Saudi Arabia. On the other hand, this approach may provide understanding for the market historically through the analysis of demand and supply for Saudi housing market.

Furthermore, such models are poorly equipped to identify structural forces that shape individual decisions. Some academic responses have been to focus either on structure or agency separately, in ways will be explored in the next section. The recognition that these models only provide partial accounts has led to attempts to combine the two in structure-agency theory, which will then be discussed.

2.3 Structure and agency centred models of development

2.3.1 Structure-centred models

Structure-centred models tend to be concerned with a macro-level exploration of the developmental process. These models are theoretically positioned in Marxist philosophy, focusing on the ways in which markets are structured through the power relations between labour and capital, and the struggle over the surplus generated by development activity. They

deal with political economy, are tend to be strong at analysing the role of state and the circuits of capital within capitalism.

The work of Harvey (1982) and Boddy (1981) is particularly influential in this field. These two authors analyse how production, finance capital, and the government are linked within the development process, often with a focus on European and American contexts. This is useful, and relevant as well in the Saudi Arabian context However, in practice they tend to lose sight of the relationships and the interaction between the actors engaged in the development process. Boddy (1981) explains the generation of profit, and the accumulation of value, via a model that analyses the circuits of capital that operate within the development process. He categorises these circuits into three stages: industrial, commercial, and interest-bearing:

Circuit 1 or the industrial circuit: A sum of financial capital (M) is converted into a sum of commodity capital (C') through a production process (P). Money is used to purchase labour power (l) and construction materials (p) to provide a means of production which results in a built environment commodity:

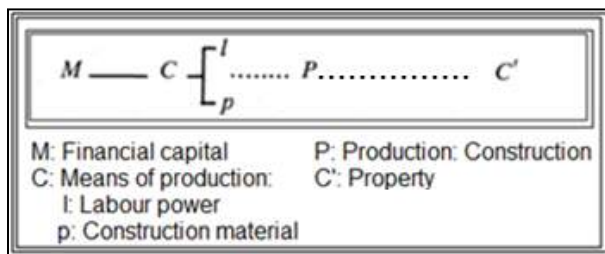


Figure 2.1: Circuit 1 or the industrial circuit, converting the money capital to commodity capital

Circuit 2 or the commercial circuit: In this circuit; commodities are exchanged between different parties. For example, real estate companies use money (M) to buy different commodities (C) than they sell on at a profit (M'): $M - C - M'$. This circuit can be related to circuit 1 by the reinvestment of surplus value in construction projects. The circuit of money capital ends as it begins with money, and represents the concentration of surplus value in the hands of those who own the means of production.

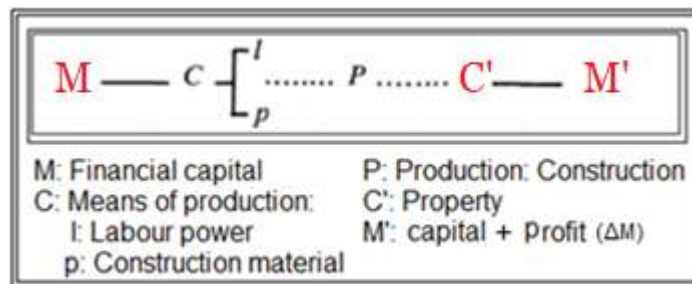


Figure 2.2: Circuit 2 or the commercial circuit, converting the commodity capital to money

Circuits 1 and 2 thus describe the process by which capital takes different forms (financial capital, ownership of the means of production, commodity capital). Each form of these capitals presupposes the existence of the others. The circular movement of money capital (M) and its ability to reproduce and expand its value as capital (M') is essential to the circuit.

Circuit 3 or the investment circuit: this tertiary circuit involves the investment of capital in research and development. Via technology and science, the production process can be improved and rendered more efficient, enhancing the profitability of the first two circuits. Investment of capital in interest-bearing financial products is also part of this circuit.

As Boddy points out, these circuits often interact closely with each other. For example, the industrial and commercial capital circuits may be closely related in a way that acts to concentrate surplus value (Figure 2.3). The advantage of this model is that its principles can be applied to any mode of production, anywhere. For instance, if a property developer borrows finance from a bank, uses that money to build a building, and sells that building for a profit, the process and effects of surplus value generation and capitalist accumulation will be broadly similar in Ireland and in Saudi Arabia. Yet this also points to a disadvantage of the model: while powerful, it is so general in its analysis that it may neglect non-capital-based influences on the process, for example the influence of different tax and regulatory regimes (Boddy, 1981).

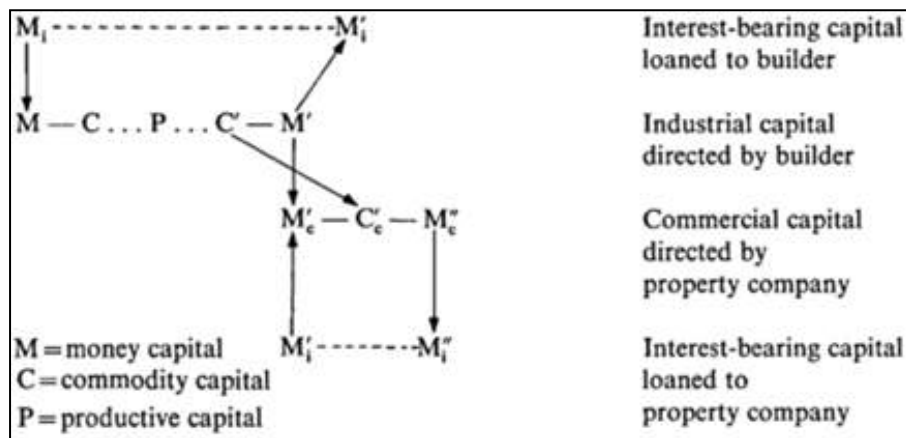


Figure 2.3: The development process as circuits of development (Boddy, 1981, p. 273)

An example of the sophisticated and sensitive application of a structure-based model to an empirical context is illustrated by the work of Leitner (1994). She analyses differences in the volume of urban construction activity from both a spatial and a temporal point of view. Her multi-scalar analysis shows how international, national, regional, and local economic and political

structures played a role in influencing the construction of offices in different urban centres in the United States between the 1960s and 1980s, with different effects in different places. Another example is Coakley (1994), who shows how structural forces shape and influence real estate and financial markets in London, tracing the influence of government regulation of construction, economic policy, and banking regulation.

In an influential argument, Harvey (1985) divides the circuits of capital very differently from Boddy (see Figure 2.4). He suggests a primary circuit of capitalist production and social reproduction, in this circuit the financial sector works to finance the production process; a secondary circuit in which financial capital flows into fixed assets, including real estate; and a tertiary circuit in which the state builds up the welfare and funds investment in social, scientific, and technological innovation. This suggests that Harvey sees real estate as an asset where the investment and disinvestment of money can be directed to achieve the best use. The advantages of such an analysis is that it can capture the role of public policy in shaping all three circuits, as individual states seeks to regulate the development sector, while also capturing the effects of international economic forces on the built environment. Alongside the role of the state, Harvey (1985) emphasizes that of international credit systems, which can stimulate or suppress the production and distribution of property. This makes the framework rather more flexible and sensitive to contextual differences than Boddy's work, though its flaw is arguably still that it pays insufficient attention to the role of different organizational and institutional agents at a micro level (Healey, 1990). There are also questions about the applicability of both of these models to non-European and non-American forms of capitalism, and to non-capitalist countries. This is

because, although these models attempt to overcome some of the theoretical limitations of the political economy and the underdeveloped areas of Marxist analysis, the analysis is still problematic as they pay less attention to the limitations of economic categories and the extra-economic dimensions of capital.

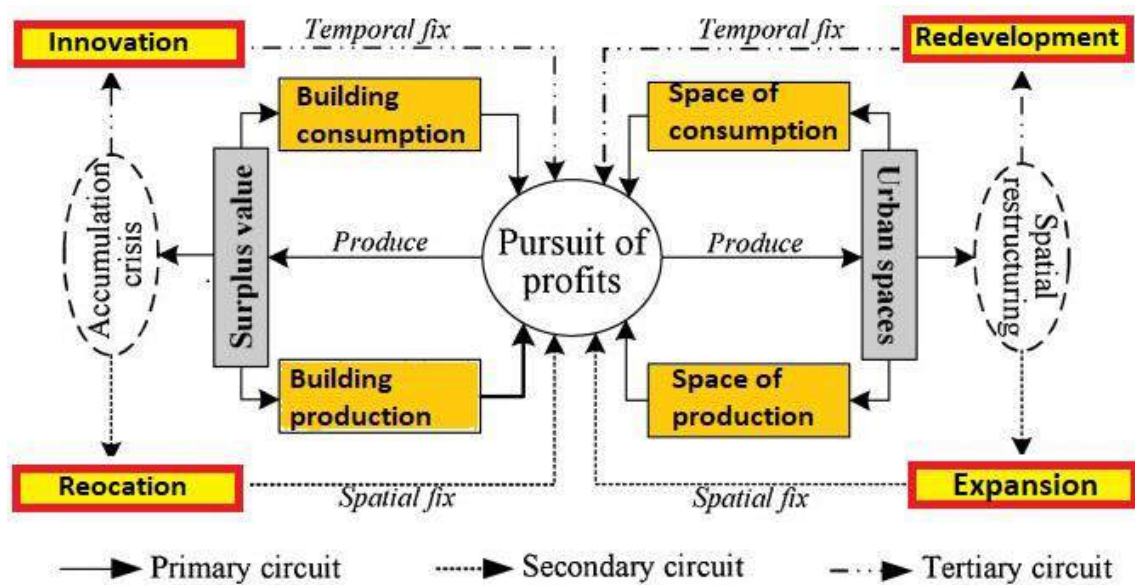


Figure 2.4: The primary (1), secondary (2) and tertiary (3) circuits of capital (Harvey, 1978)

Following Harvey's work, Aalbers (2008) build on his quaternary circuit of capital. According to Aalbers the fourth circuit rises when the financial sector does not finance the production process (in circuit one), the real estate companies (in second circuit), or the building up of the welfare status (in tertiary circuit). Instead the growth of money capital takes place through finance. Aalbers (2008) argues for the existence of a quaternary circuit, within this circuit finance becomes independent power by being decoupled from the production process (instead of facilitating other markets, financial market trades in money, credit, and security; as an investment channel). As a result both financial and nonfinancial firms become involved in the financial market (Aalbers,

2008). Aalbers argue that this circuit operates at a global level, and is probably most relevant for looking at the Saudi context. This international financial market carries capital from one country to another, making it internationally mobile. This allows capitalists to exploit emergent markets, investing their financial capital where it is most profitable. As such, Aalbers's idea represents the geographical extension of Harvey's secondary circuit. It represents another set of mechanisms by which capital that is over-accumulating in the primary circuit can be switched into the secondary, to engage in another series of transactions for the purpose of further accumulation. The fourth circuit therefore extends the remit of financialization - the $M - M'$ circuit in which capital becomes an entity in itself through the trade in money, credit, shareholding, and security.

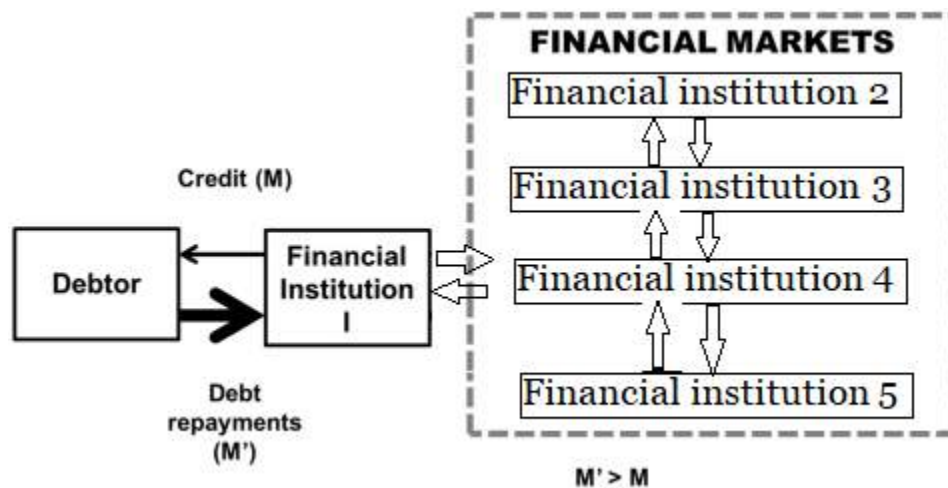


Figure 2.5: Aalbers's (2008) fourth circuit

In summary, models that focus on the role played by structural forces provide a critical analytical framework for capitalist economies. Though Saudi Arabia does not have a European-style capitalist economy, instead the country has a Middle Eastern variant of capitalism. Harvey's concept of the four circuits of capital is nonetheless useful when it comes to analysing the

housing market in Saudi Arabia, and the role played by financial capital, the state, and production in the housing market. This remains relevant even in a non-western capitalist system. In the case of Saudi Arabia, these models help to understand the patterns which have limited the choices for actors involved in the development process. Harvey can explain such constricting patterns at the local level, whereas Aalbers can expand it to a global level of financial activity. For example, the fact that powerful capitalists have been able to capitalise over land and accumulate land can be explained by Harvey's (1985) second circuit of capital. The failures of Saudi government housing policies seem to favour investors purchasing land from owners who had received the plots from the government's land grant scheme.

2.3.2 Agency-centred models

In contrast to the models discussed above, agency-centred models consider the roles played by the different actors involved in the development process, and the social interactions between them. Gore and Nicholson (1991) call this a 'behavioural' or 'decision-making' model, and subdivide such approaches into two main categories: models that treat actors as independent agents, and models that assume that the actions of one set of actors can be understood only with reference to actions of another. In the first view, development outcomes are the result of individual choices, in the second, they are the outcome of a struggle and a bargain between actors.

An example of the former is the independent actor model proposed by Bryant et al. (1982) showing the land conversion process from non-urban to urban use in the context of Canada (Figure 2.6). The authors categorize the various agents involved in the conversion process into

two types: primary and secondary agents. The primary agents are those who have a direct involvement or interest in the land (i.e. they use or own it); the secondary agents are those who have an indirect interest in it (for example, planners, politicians, financiers, and lawyers). The model is useful in the way it connects the roles played by the various actors with the events that took place during the development process. However, it tends to simplify the process in two ways: it assumes that actors have just one clear role, and it excludes external actors altogether. This limits its applicability to more complex areas of the development process beyond land conversion.

	Non-Urban Use	Non-Urban Use with Pressures for Change	Urban Interest seen in Land Purchases; Land Use is Traditional	Active Purchase of Raw Land	Active Development	Active Purchase of Developed Land
Primary Decision Agents	Farmer	Farmer Land Dealer	Farmer Land Dealer Developer	Developer	Developer Builder	Builder Householders Industries Firms
Secondary Decision Agents		Financier	Financier	Financier Lawyer Realtor Planner Politician	Financier Lawyer Planner Politician	Financier Lawyer Realtor

Figure 2.6: The land-conversion process (Bryant et al., 1982)

Drewett (1973), who sought to understand the development process in Britain, proposed another agency-based model. His analysis put developers at the heart of the process, under the assumption that they were the key agents who spotted opportunities, organized the process, and built and marketed the spatial products. With a particular focus on the conversion of land from agricultural to private residential use, Drewett relates decisions made by these key actors to each

stage of development (see Figure 2.7). His model assumes a linear process that proceeds neatly from one stage to the next, the strength of which is that it captures chains of dependency that mean that development can be halted by a particular problem at critical stages. However, the model is poor at analysing social relationships that influence the development project, and tends to exclude all other agents than the developer themselves, resulting in a situation where all other factors, including institutional and organizational problems, are seen as having no real influence. Furthermore, the ways in which those of other agents, such as construction labourers, policy makers, and financiers, restrict individual choices by key actors is largely ignored (Good child and Munton, 1985).

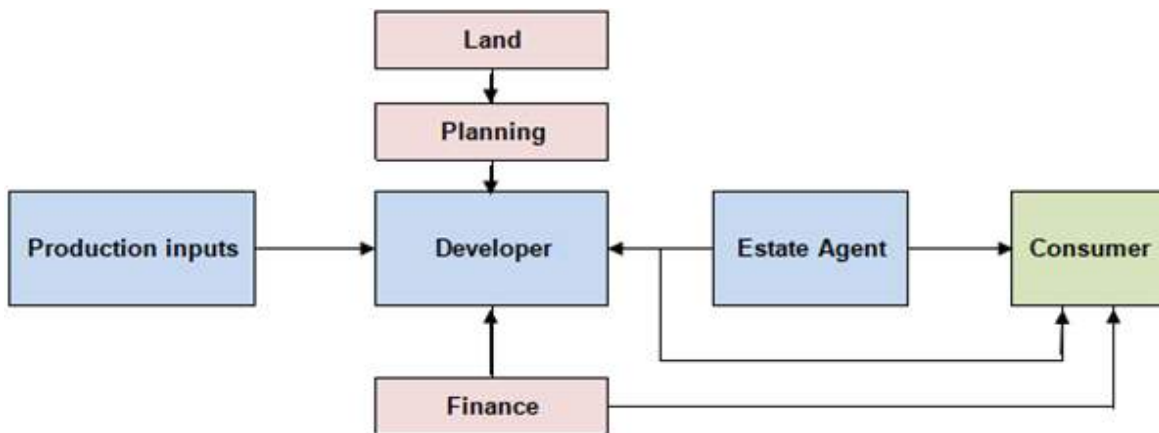


Figure 2.7: The land-development process according to Drewett (1973)

To overcome some of the confusions in Drewett’s model, Goodchild and Munton (1985) suggest a more general agent-centred model for the development process. They based their analysis on two key decision points: the identification of suitable land for development and the initiation of the construction work on that land. In the model, six different routes to development are identified, in a manner that highlights the fact that there are several stages before the actual

building process commences (see Figure 2.8) of particular importance are (1) land allocation; (2) land sale (3) obtaining planning permission (4) commencing construction. If problems are encountered at any one of the four stages, the whole project must be revised. While this represents a considerable advance on Drewett's work, the model is still linear, and may not cover atypical development such as conversion projects or redevelopment. More seriously still, it does not take account of any external factors that may affect the building process, such as the economic climate or wider international, national, regional, or local policy.

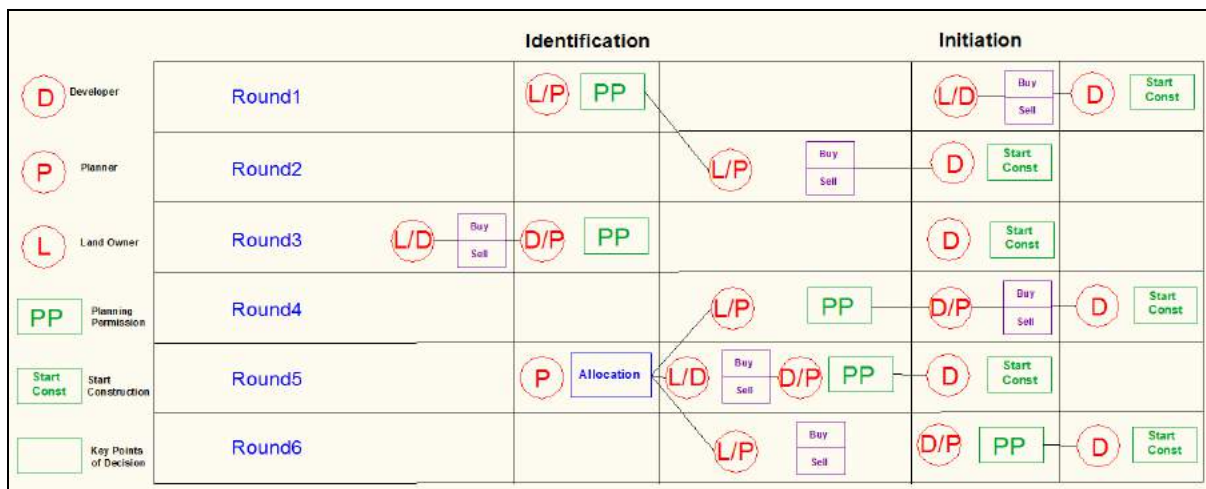


Figure 2.8: The land development process: a descriptive model (Goodchild & Munton, 1985)

These agency models have the advantage that they acknowledge development as a process that occurs in a given context and that involves a plurality of actors, whose relationships, strategies, organizational positions, and interests influence the outcome. In other words, a degree of complexity is enabled by these analyses (Ball, 1998). These models appreciate the importance of agencies and explain how a key stakeholder's interest can impact the whole process. One

example is Drewett (1973) who acknowledged that projects developers and planner as key agents in the development process that shape the urban development environment. Another example is Robin Goodchild and Richard Munton (1985) who recognised land owners as important players because their decision can significantly affect the land use in the development process. This will help to stage the process in more depth to understand the housing shortage crisis before the construction process has even started. This is very relevant to the Saudi Arabian housing sector as the land price makes about half the price of the house itself due to land owners' behaviours.

It is obvious that these agency models allow considering other actors involved in the development process (such as developers, planners, and landowners). However, they fail to examine the diversity of such key actors' types, strategies, and behaviours. Besides, they are weak on the distinction between organizations and institutions, and tend to exclude wider cultural, social, and economic factors that are in play in the development context. Their generalizability from culture to culture is also questionable, as is their relative inability to relate political and economic power relations at the macro level to micro level process of development (Healey, 1995).

For my purposes, I distinguished between two types of agents: Primary agents and secondary agents. This will go along with institutional idea which is built on those who decide the rules of the game (primary agents) and those who play the game (secondary agents). Both primary and secondary agents work together to shape the market.

2.4 Structure-agency solutions and institutionalism

2.4.1 Giddens and solutions that combine structure and agency

To this point, agent-centred models and structure-centred models of development have been discussed. This section moves on to consider theoretical approaches that try to find a meeting point between the two, with a role for both structure and agency. Within studies of housing markets, such approaches tend to emphasize the relationships and interactions between the parties involved in the development industry, both human and organizational. They carve out a much larger theoretical space for the idea that markets are not merely technocratic and economic creations, but are shaped by the affective and social relationships between actors, and their collective frameworks for understanding the world. In this view, the market prices of properties and land are formed via the accumulated experiences of the people who are involved in selling and buying property, and those involved in all aspects of market regulation. In such a view, the exchange value of property is formed via a multitude of social interactions. Unsurprisingly, these approaches also understand the development process to be an ongoing complex, messy social phenomenon (Smith et al, 2011).

Early but rather under-theorised approaches include the event-sequence models. These explore the events that take place from the moment a building project is initiated to its completion (i.e. from the moment a piece of land is chosen for production until its consumption as a building or property) and to analyse the roles of structure and agency within this process. The advantage of more sophisticated event-sequence models is that they enable an in-depth analysis of the development project in question. This approach takes the context very seriously and avoids

generalization (unlike positivist and econometric models). However, the complication of this approach can be that no two projects are the same, and that events do not always unfold in the same temporal sequence. This makes an event-based framework difficult to develop and apply with any consistency across cases, making it difficult to see patterns and commonalities. One consequence is that this model can be linked to the postmodern epistemological stance in which the researcher looks at each individual developmental process separately, as being spatially and temporally distinctive (Healey and Barrett, 1990). Another downside of such models is that their focus on a timeline of events tends to downplay the role of the actors and their relationships, and the way in which interactions between individuals and institutions play an important role in development. Moreover, these models tend to be closed, in that they assume a definite start and an end to the development process, meaning that they can fail to capture the cyclical nature of the development process and its relation to other circuits of capital (Barrett et al, 1978).

Barrett et al. (1978) tried to tackle the problem of rigidity in the event-sequence models by proposing a 'development-pipeline' model (see Figure 2.9) to evaluate land and policy development. Their model takes a triangular shape reflecting a grouping of events into three different types. Firstly, there are development prospects and pressures, including public sector activities (taxation, planning, and investments) and private sector responses. The interaction of the two shapes supply and demand in the property market. Secondly, there are issues connected with development feasibility, including profit projections, and issues connected with the identification of building sites and the start of construction. Thirdly, there is implementation, the actual process of development from the commencement of construction to post-development

tasks such as management and use. This model has some advantages over other event-sequence models. Firstly, it is more flexible, so the users can trace the progress of activities related to projects, developers, and sites. Secondly, it shows that the developmental process is an evolving and dynamic process, involving non-static relationships involved that change over time. Thirdly, it addresses the fact that developments encounter difficulties and acknowledges that some of these problems are more critical to success or failure than others. Finally, the model considers the role of external forces in shaping the events, with a role for the wider economy and the state.

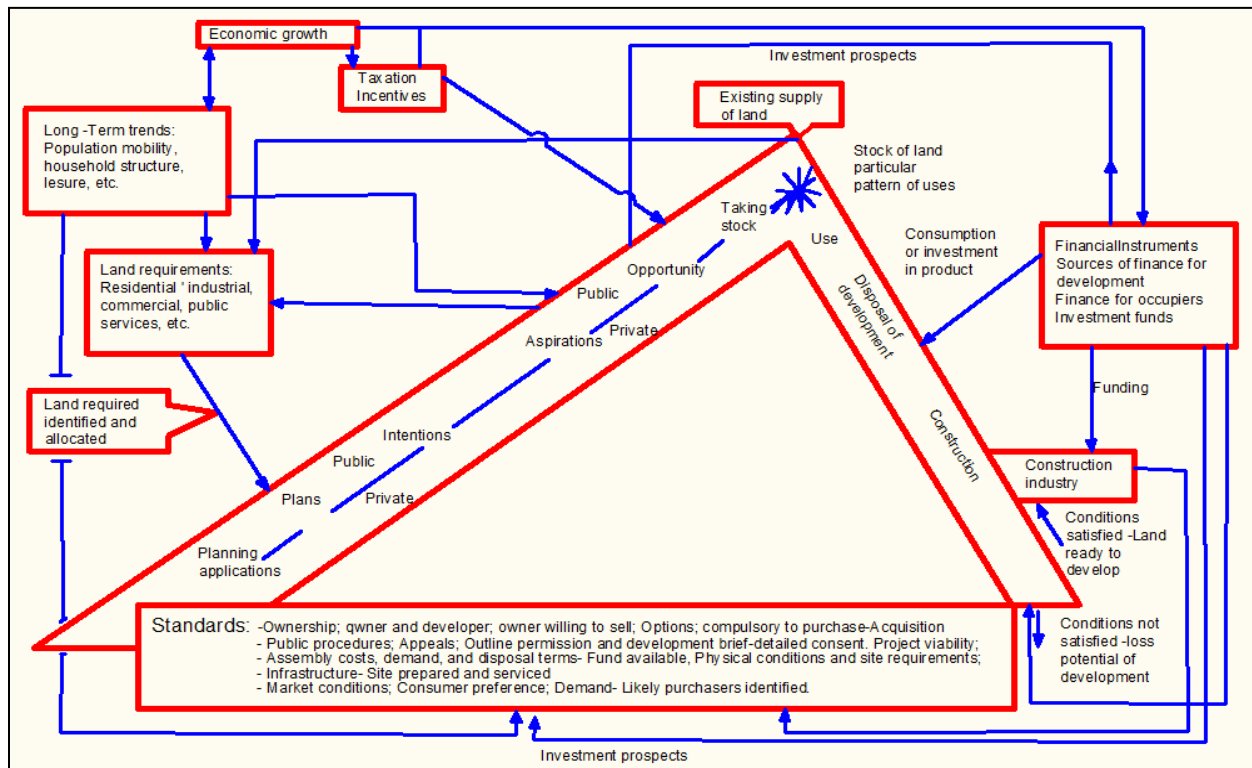


Figure 2.9: The developmental-pipeline model (Barrett et al., 1978)

However, Barrett et al.'s suggestion is far from perfect. External forces are considered in a way that largely predefines their role. While the state is considered, there is no acknowledgement of the effects of a wider, general climate (a broader policy context, public support, or opposition). Both demand and supply are taken as unproblematically given, as is the case with economic

models. Furthermore, the model is exclusively focused on private developments, and therefore ignores some public sector involvement: for example, tasks such as land reclamation by the public sector, which occur between the “implementation” leg and the “development pressure,” leg of the model.

These ways of thinking developed further as the fundamental theoretical underpinnings were being developed by scholars in other disciplines, and then adopted by planning and development theorists.

The fundamental social theory behind most structure-agency models is that of structuration, developed by Anthony Giddens. This suggests that both individual and structural agency, are at work in society, and that the two are causally interrelated. In terms of the study of housing development, this means that neoclassical economic models based on supply and demand are replaced by a more political and social approach that takes account of a wide range of cultural, social, and political factors. For example, the UK housing market witnessed rapid change during the 1990s when American and Japanese property companies began to operate in the country, taking financial advantage of low interest rates (Healey & Barrett, 1990). Mainstream economic models had not predicted the shift, because they did not take account of the factors affecting a globalized property market, and assumed that the future would continue trends established in the past. Structure and agency models are arguably better equipped to understand a property market that is volatile and unpredictable (Smith et al., 2006).

One of the earliest structure-agency models that attempted to apply Giddens’ thinking to the development industry was Ambrose’s (1986) ‘development system’ model. This explored the

'development system' in terms of three main fields: the state, the finance industry, and the construction industry, though he also considered the public (especially consumers, voters, and pressure groups who were all capable of influencing key stakeholders). Ambrose also represents those fields in a diagram. The diagram illustrates the way in which money is pumped through the system, as finance, physical resources, labour, investment, and political factors come together to connect human agents (politicians, consumers, producers, builders, financiers, and the public).

Ambrose's model provides a number of advantages. It recognizes the significance of relationships between actors without reducing them to a matter of atomised agency. It also shows how an agent or actor can be denied choice due to interlinked factors that directly or indirectly prevent them from taking a step or acting in a certain way. Furthermore, it presents an integrated view of the developmental process as a systematic complex of processes in which many parts come together. To analyse the system, it is necessary to analyse the interaction between the parts. Finally, it offers a flexible way of thinking about the development system, that can be used to differentiate between types of development, yet it is also readily applicable to conventional development, land conversion, and land redevelopment (Healey, 1995).

However, the model is not without its commensurate disadvantages. It assumes that events that unfold after the development process is over are unimportant, for example property maintenance and management. During the development process, it ignores micro level tasks, such as issues related to land allocation and the organization of construction. It is also weak on the interrelationships between the finance sector, the construction industry, and the state, the

importance of which was illustrated by Harvey's Marxist work, discussed in the earlier section (Healey, 1990). This forms part of a wider failure to deal adequately with organizational and institutional dynamics.

An alternative application of structure-agency theory to development is that of Healey and Barrett (1990). In their view, the role of structure has been largely overlooked in the development process, an omission which their work is designed to correct. They draw on Giddens' work to explore structure in terms of the rules that are acknowledged by agencies involved in the development process; contrasting it with the resources that are available to agents (these are the primary components of development as a form of production, including land rights, finance, labour, information, and know-how). In other words, rules and ideas set by institutions in a wider social and political process govern how resources are used. Further, Healey and Barrett (1990) defined the agents as those that encompasses all parties involved in the development process who can act independently and make their own decisions whether organizations or individuals.

However, this model has received severe criticism from Ball (1998), on the grounds that it introduces too great a separation of structure and resources, overarching economic theory and human agency. Ball argues that institutions – as the links between structures and agents - tend to disappear, being replaced by a somewhat vague concept of 'agency' without considering the wide variation of agents, the interrelationships that ties different agents together, and all the activities and events involved in the process. For Ball (1998) the structure of provision is more like a web of relationships associated with institutional and social networks.

In conclusion, Ambrose's model provides a detailed analytical framework for the analysis of specific projects. However, it is weak at describing institutional and individual agency, and tends to ignore the relational aspects of the development process. The work of Healey and Barrett (1990), while more sophisticated, still draws the same criticisms from Ball (1998). These disadvantages point to the need for a model that can cope with both the relational and processual nature of the development process, and the underlying forces that structure it, including the role of institutions in shaping the interactions of agent and structures. In short, these models provide some insights into how developmental processes proceed in Saudi and the developmental process events that will be explored. This includes how the actors identified development opportunities, acquired finance, and marketed the end product. The next section will discuss a persuasive series of solutions to these problems that form a sub-group within structure-agency approaches: institutionalist theories.

2.4.2 Institutional approaches: an introduction

Ball (2006) and Smith (2006) argue that institutional approaches blend a structural and an agentic approach that advances our understanding of the housing market beyond the deracinated approach of neoclassical economics. They also argue that those working within neoliberal paradigms do not appreciate the impact of actors on the market efficiency. Further, according to these authors, governments have relied all too heavily on a denuded quantitative understanding of the housing market, which ignores many of the factors that govern housing costs.

Institutionalism has become a very broad area of research across the social sciences (Payne, 2013), yet defining an institution has proven to be a remarkably complicated matter. In the 1930s, Hamilton (1932, p. 84, cited in Hodgson, 1998, p. 52) defined institutions in terms of the temporal persistence of a loose set of social ideas and practices. In his view, an institution was “a way of thought or action of some prevalence and preference, which is embedded in the habits of a group or the customs of people.” Veblen (1919, p. 239, cited in Hodgson, 1998, p. 53) largely agreed with this emphasis, viewing institutions as “settled habits of thought common to the generality of men.” Hodgson’s more recent work (2006, p. 2), however, emphasises the authority and power of institutions, and their role in moulding society, as “systems of established and prevalent social rules that structure social interaction.” Mirowski takes this further; stressing institutions as a stabilizing social force, a set of “transpersonal rules that endow individual economic actors with the ability to cope with interpretations of action and with change” (cited in Arvaniditis, 2014, p. 53). Finally, in Douglas North’s view (1990) institutions are informational organisations that can encompass tradition, custom, culture, and habits.

What these different definitions share is an emphasis on institutions as enduring social features that enable the continuation of formal rules, cultural tradition, personal habits, and structural forms of power. This research adopts a broad definition and uses institution to refer to the collection of the formal and informal working rules that ensure a certain set of beliefs, attitudes, practices, habits, and power relations endure over time, or, more colloquially, the formal and informal ‘rules of the game’ (Lowndes, 2001) that govern the process of housing provision in Saudi Arabia. As I shall argue later in this chapter, they constitute one of the ‘generative

mechanisms' that critical realists argue are at work in society, and that make certain types of human agency possible.

The scope of what counts as 'institutions' within new institutionalism is very broad. To a traditional understanding of institutions as organized bodies (e.g. corporations, banks, universities), new institutionalisms add integrated and systemic social entities like language, money, and law. Furthermore, institutions are defined in a way that includes not only formal rules but also informal cultural constraints. Alongside formal rules applied by the official bodies of a state through its economic, judicial, and political structures, new institutionalisms place informal restrictions in the shape of socially accepted and often unwritten rules that stem from human interactions, without any participation from traditional official organizations (North, 1994). As Lowndes (2001) and Ball (2006) argue, organisations and institutions should not be treated as if they are the same, even if they are interdependent. For Lowndes (2001) institutions provide "the rules of the game" while organisations, like individuals, are players of the game, "collective actors subject to wider institutional constraints and also as arenas within which institutional rules are developed and expressed" (p. 1958). Ball (2006) agrees that the two are conceptually distinct, though he stresses the fact that they cannot be completely separated: "the form and content of organisations is essentially determined by the rules. The study of markets and institutions; thus becomes unravelling of riddles of pre-given rules" (p. 24). Organizations here become the visible and empirical manifestations of a series of hidden institutional dynamics.

2.4.3 Neo-institutionalist economics

The 'new institutionalism' has developed the detail of how institutions function within society, and which rules, and kinds of rules, are given priority has diverged between different disciplines. According to Arvanitidis (2014), neo-institutionalisms take the main ideas of neoclassical economic thought and expand their analysis and application. However, the underlying philosophical assumptions of mainstream economics are preserved intact and unchallenged by such an approach. Neo-institutionalisms make the twin assumptions that individuals make rational economic decisions and that markets work in perfect competition, and therefore tend to use quantitative methods to analyse data. Transaction costs are a particular focus of interest within neo-institutional economics, as researchers have sought to understand how they are shaped by information and informational limitations. This forms part of a wider research agenda that seeks to understand the political and legal factors, which shape transaction costs, and thereby influence economic growth.

Transaction costs are related to expenses associated with the costs additional to the original price of goods and services. In housing industry, work coordination between organizations and individuals is an essential part of determining the amount of transaction costs. Therefore, effective communication and information availability can impact the workflow and shape the communication pattern between different agents which in turn can reduce time and cost.

However, the neo-institutionalism definition of a transaction is different from that of mainstream economists in being broader. Transactions are not restricted to the transfer of goods or services from one party to another, but are defined in a way that encompasses other resources, such as

legal rights. Neo-institutionalisms therefore acknowledge that such transfers happen within a wider social and political world that is constituted by sets of rights and rules. Their quantitative methodology therefore seeks to explore a broader context, a wider range of transactions, and a more varied selection of possible influencing factors. This significantly expands the research questions that can be asked, for example expanding neoclassical analyses of housing to include the expenses, revenues, and procedures involved in monitoring and maintaining property rights (Coase, 1998).

Neo-institutionalism approaches are therefore also more sensitive to economic and social context, understanding these are factors that influence both transaction costs and the wider economy. However, their model of individual agency is still somewhat limited: neo-institutionalism takes the view that individuals are self-directed and free in making their choices, paying scant attention to factors structuring personal decision-making (Rutherford, 1994; Hodgson, 1998). Where neoclassical economists tend to work with a model of the individual as free, rational, and informational well-informed, neo-institutionalisms tend to treat individuals as opportunistic: information is regarded as unequally distributed and those who hold more data about how the market works can benefit from their situation to reduce transaction costs (though it is not possible for any one person to achieve a complete and omniscient overview of all available information; Demsetz, 1997; cited in Cars et al., 2002). As such, as Hodgson (1998) has pointed out, the discussion of the role of institutions within neo-institutionalism tends to be limited by the assumption of free and optimizing agency on the part of individuals. That said, neo-institutionalism is aware of the political and social role of the state in formulating rules and

regulations that influence other actors. The effects of the state are both personal and institutional, as it shapes the internal and external structures of organizations and decision-making in ways that shape the dynamics of transaction costs (Arvanitidis, 2014). However, what is missing from these accounts is the complexity which arises from multiple rationalities, and the role of non-state actors, culture etc. as factors in actors decision making.

Neo-Institutionalism	
•	Grafts institutional content onto mainstream economics
•	Extends conventional economic thought, but challenges its basic behavioural assumptions
•	Explains organizational structure by taking account of :
-	Opportunistic behavior of agents
-	Information asymmetry
-	Transaction cost
•	Takes transaction cost as transfer of resources in the legal sense and transfer of sanctioned rights
•	Defines the subject matter as the analysis of costs and procedures associate with the exchange of resources and with the creation, maintenance, use and change resources, i.e. property rights
•	Institutions are defined as the formal rules, norms, and conventions that facilitate transactions between agents and ensure economic co-operation
•	Limitations:
-	Falls under the spectrum of positivism and employs deductive methodology
-	Neo-institutionalists are more prone than other institutionalists to use rigorous mathematical and econometrics modeling to analyze the working of institutions and the role they play in the operation of the economy
-	Assumptions drawn from neoclassical economics: the tendency towards equilibrium, optimizing behavior and methodological individualism

Figure 2.10: Summary of neo-institutionalism's strengths and weaknesses (Arvanitidis, 2014).

2.4.4 Old institutionalism

For Hodgson, the distinguishing feature of old institutionalism (within economic theory, as opposed to political science (Hay, 2002) is that it rejects “the mainstream approach to economic theory, with its conception of the utility-maximizing individual” (1988, p. 177). Instead, it advances a fuller conceptualisation of human action as motivated by established patterns of behaviour, or habits: “For the "old" institutionalisms, habit is regarded as crucial to the formation

and sustenance of institutions” (ibid, p. 180). As Rutherford has argued, this forces a bringing together of the economic and social worlds, and a recognition of the fact that the economy is made of cultural, political, legal, social, and physical sub-systems. A much wider range of influencing factors must, therefore be taken into account if we are to understand the ways in which agents operate in this combined and unified social system (Hodgson, 1988). Theoretically, this moves further away from a model of individuals as rational economic agents, to give greater attention to the role played by institutions in shaping economics. In support of this approach, Rutherford (1994) argues that society is not formed of free-individuals but rather of rules, values, and norms that are shaped by the specific culture of a society.

As Hodgson (1998) points out, this means that old institutionalism is more sensitive to cultural difference than neo-institutionalism or neoclassical economics. This is reflected methodologically, as their rejection of the idea of the rational economic individual (*homo economicus*) is accompanied by a downgrading of mathematical and quantitative analysis to a secondary role. Instead, old institutionalism considers theory first, with a view to determining possible cultural factors at play in any given situation beyond those of free individual motivation. Historical empirical data about socio-economic institutions is used in a comparative way that is sensitive to geographical and cultural difference. This introduces new domains into the analysis, enabling the development of a more situated approach that is much more attentive to structuring influences. Both individuals and institutions have agency, but that agency is embedded in a wider network of social interdependence.

Old Institutionalism

- The emphasis is on cultural and institutional factors that is not in neoclassical economics
- Statistical and mathematical analysis are used but not as primary tools of analysis
- Extensive use of comparative empirical and historical material concerning socio-economic institutions
- Rational individual and equilibria are rejected. Individual is embedded within the institutional structures. Individual habits, customs, interests, values are considered and the idea of whole view of social world is acknowledged
- Economy is taken as part of the social world not something that exists outside of the social interactions

Figure 2.11: Summary of old institutionalism (Hodgson, 1998; and Arvanitidis, 2014)

2.4.5 New institutionalism

New institutionalism builds on the insights of old institutionalism, but tends to portray the relationship between actors and institutions more reflexively. Instead of seeing actors hemmed in by established rules and practices, new institutionalisms argue that individuals and institutions exist in a dialectical and mutually shaping relationship. Rules are made of the actions of individuals and the broader economic, political, and social field they manoeuvre in; individuals are correspondingly shaped by a landscape created by different institutions and their established ways of thinking and acting. The approach is thus one, which sees the interplay between structure and agency as fundamental, with clear parallels with both Giddens' structuration approach – drawn on explicitly by Healey – and with critical realism.

Far from being the rational and informed actors of neoclassical and neo-institutionalism theory, the individual actors of new institutional theory have a limited knowledge of transaction costs, and access only a fraction of the available information. Their agency is not perfectly free, but shaped by the cultural and institutional context in which they operate (Arvanitidis, 2014). New institutionalisms not only accept that culture is important in determining individual preferences,

but see individuals as both shaping and shaped by a wider set of cultural institutions and mores (Arvanitidis, 2014).

Furthermore, new institutionalism opens up a domain beyond transaction costs for analysis, looking also at 'transformational costs' or the expenses associated with production. Since transactional and transformational costs relate to one another, this further increases the complexity and role of institutions (North, 1994). For Arvanitidis (2014, p. 39), this is part of a much wider broadening of the economic analysis: "they start with transaction costs and property rights analysis, but go further to challenge the conventional assumptions of long-run equilibrium and economic rationality." As well as paying more attention to cultural factors, new institutionalism is also more temporally specific, challenging the assumption that the economic future will inevitably resemble the past. This does not, however, entail a commitment to a revolutionary model of change: new institutionalisms instead tend to be committed to the idea of gradual shifts, caused by incremental alterations to the social, political, and economic fabric. The durability of institutions is thus emphasized.

Hodgson (1998) has criticized new institutionalism in economics, arguing that it takes a positivist approach and depends on a style of economic modelling that is not far removed from that of neoclassical economics. In his view, despite theoretical assurances regarding the interdependence of individual agents and institutions, new institutionalism still assumes a notionally free individual who is restricted by an institutional socio-cultural context, neglecting the ways in which institutions support individual agents in taking action. However, within the field of public policy a rather different 'sociological institutionalism' has developed, which is both

more philosophically constructionist and thoroughgoing in its commitment to institutions as both enabling and constraining action (Lowndes, 2001).

New Institutionalism
<ul style="list-style-type: none"> • Beyond transaction costs and property rights to challenge the conventional assumptions of long-run equilibria and economic rationality • Defines institutions as the formal rules and informal constraints that together shape human interaction • Institutions are acknowledged to affect individual behaviour but only in terms of choices, constraints and information presented to the agents • New institutionalism recognizes the interrelationship between institutions (i.e. the rules of the game) and organizations (i.e. the players of the game) <p>All these definitions, "new" and "old" institutionalist alike, involve relatively broad concepts. They encompass not simply organizations-such as corporations, banks, and universities-but also integrated and systematic social entities such as money, language, and law. The case for such a broad definition of institutions is that all such entities involve common characteristics:</p> <ul style="list-style-type: none"> • All institutions involve the interaction of agents, with crucial information feedbacks. • All institutions have many characteristic and common conceptions and routines. • Institutions sustain, and are sustained by, shared conceptions and expectations. • Although they are neither immutable nor immortal, institutions have relatively durable, self-reinforcing, and persistent qualities. • Institutions incorporate values, and processes of normative evaluation. Institutions reinforce their own moral legitimating: that which endures is often-rightly or wrongly-seen as morally just. • The institutions are defined as the formal rules, norms, and conventions that facilitate transactions between agents and ensure economic co-operation • Limitations: <ul style="list-style-type: none"> - Ambiguous and mixing theoretical traditions such as old institutionalism and conventional economics

Figure 2.12: Summary of new institutionalism (Hodgson, 1998; and Arvanitidis, 2014)

2.5 Mixed Models

The theoretical framework for this thesis, outlined below, was formulated from a hybrid of Healey and Ball's research. However, other recent institutionalism writings in urban development literature offer valuable insights which I have also sought to incorporate. For example, how economy can be seen as a socially constructed phenomenon, and how various actors interact and play their roles and responsibilities in an institutional and cultural arena while governed by formal and informal rules. On the other hand, how institutional relations can show social dimension and influence the housing market. This section briefly reviews these points,

before I show how these elements are integrated in my own model by examining two different institutionalism approaches that grapple with this problem: Patsy Healey's mixed development model, and Ball's 'Structures of Provision' approach. The two will be compared and contrasted with a view to establishing a theoretical framework for this study.

Most of the mainstream economics models explored in this study are built upon the law of demand and the law of supply. The model suggests that by controlling all other factors, product demand will increase by decreasing its price, and the product supply to the market will increase by increasing its price. However, a considerable amount of theories suggests that economic models cannot provide adequate understanding to the complex housing shortage crisis beyond supply and demand (Healey, 1992; Smith et al, 2006). They assume that the relationship between the state and market is the basic block of any housing development process. The need to consider political social and economic factors that structure the housing sector has drawn the attention to institutional approach as a broad area of social science (Payne, 2013). The effectiveness of the state's policies regulates the housing market, which in turn determines the efficiency of the development process, sustainability and equity (Adams, 2008). Based on this assumption, Adams (2008) emphasized the impact of formal rules and policies on the housing market demand and supply. Policies have the ability to help in overcoming the market failure and decreasing transactional cost. Despite the fact that the interaction between the individuals involved in the development process shapes the housing market, it should be noted that their activities are governed by multiple factors, predominantly the state's policies which are socially constructed as a result of continuous interaction between formal and informal market actors.

This demonstrates the housing market is a complex, multi-dimensional process which goes beyond that of the economic concept, rather even though economics plays a role, it is also impacted by a broader institutional context which includes formal rules of the game, unwritten informal social conventions, and the relationship network that links public and private sector actors (Adams et al., 2005).

Smith et al (2006) criticised the economic models that claim to predict housing market prices and their wide influence on setting property market prices. According to these authors, governments have over-relied on reports generated by economists and a qualitative inquiry with a social constructionist approach may be valuable in terms of improving our understanding of how prices are formed at the property market. Smith et al (2006) think 'a neo-liberal turn seemed reluctant to entertain the possibility that human agency had a role other than to step back from markets, freeing them up to work greatest efficiency' (p. 84). The consequence of such a bias in property research was that 'institutional actors in the housing market became virtually invisible, with no explicit recognition that they may have individual motivations, or pursue particular business models, that influence how markets work. Today, in contrast, it seems appropriate—as the intellectual critique of neo-liberal market economies gathers momentum and as reports commissioned by governments stress the need to re-regulate both the demand for, and supply of housing' (Smith et al, 2006, p. 85).

Smith et al. (2006) argue that markets are themselves not a 'given', but a series of interactions that reshape the world, and that markets are not only made of demand and supply of properties (as on the traditional view), but they also depend on the interactions and complex roles and

responsibilities that multi-stakeholders play in the market. In this view, the economy should not be seen as a defined set of pre-existing structures but as the creation of policy, institutions, and practice (innumerable transactions):

...economic ideas (such as those embedded in the way markets work) are realised in practice not because they are essential or convenient to particular types of transaction, but because politicians and politics choose to reconstitute the world in this particular way. Miller claims that this 'virtual' reality, created in politics; is what drives economic expectations and that this is possible because economists and their models have accrued so much power in the prevailing political economy that they set the terms of reference. (Smith et al., 2006, p. 88)

The authors illustrate their argument via a case study of the Edinburgh housing market, which discusses the role-played by a variety of actors including solicitors, buyers, sellers, developers, surveyors, and mortgage providers. They also examine institutional features of the process of purchasing property, including legal regulation and the closed bidding process managed by estate agencies, in which a market price determined by a surveyor is used as a basis for a mortgage valuation, grounding the whole legal process of valuing a property for sale. For Smith et al. (2006) this shows that prices are made by the system that surrounds property sales, by the surveyors, developers, and solicitors who are engaged in property buying and selling. Their fieldwork reveals that if many buyers view a property, that means that the price of the property is lower than the market value; therefore, the seller can increase the price. They claim that the price is, therefore not set by supply and demand, but 'virtual', constructed by powerful institutions and human agents who work within the property market.

The model of urban development proposed by Adams et al. (2005) is similarly committed to social constructionism. They propose a Political Economy of Institutionalism (PEI), in which the analysis of institutions occurs across three broad categories:

1. Relationships between various actors
2. Regulations and rules (formalized by the government and by development sector institutions)
3. Customs and conventions (informal rules and practices)

Interactions between a wide range of actors in an institutional and cultural landscape governed by formal and informal rules and regulations influences the whole development process, down to practices, prices, and profits. The advantages of a PEI perspective are that it can consider a huge range of factors that influence the development process, from the legal domain to the political. Urban development emerges as a social process, not merely as a production process governed by neoclassical rules of supply and demand, and it changes when the social relations between key actors shift.

As this suggests, the PEI sees the economy as a socially constructed phenomenon, with different characteristics at different levels of the property market. This is a view that allows for significant geographical and temporal variation: not only is each property market unique, but its various micro- or sub-markets also functioning differently. Policy must, therefore be tailored to the individual circumstances that pertain in a particular place.

Payne (2013) has used the institutional approach to explore the behavioural practices of speculative house-builders in the United Kingdom, and particularly their response to government housing policies that affect their business. Her analysis focuses on Brownfield development projects and uses a mixture of quantitative and qualitative data. Her findings were that there are three main types of Brownfield developer: pioneers (the industry leaders); pragmatists (those

who were willing to consider Brownfield sites for housing); and sceptics (those who remained unwilling to use Brownfield sites). Payne discovered that pioneers reduced their building costs by entering into agreements with landowners (usually local councils) and sharing profits. Payne's work illustrates how institutional relations have a social dimension, which exerts a very real influence in modifying the ways in which housing is delivered, and its market cost. This insight will be retained in my own methodological approach

The mainstream economics failure to address the importance of social relations called for a wide adoption of the institutional approach in order to understand the built environment complexity (Ball, 1998). The previously discussed housing development theories show that enduring efforts have been made by scholars and development process analysts to create models that are applicable to different types of settlements. Smith et al. (2006) examined the role of a wide variety of actors involved in the development process, specifically against the institutional features. Adams et al. (2005) goes deeper to provide a model that sees economy as a socially constructed phenomenon. Payne (2013) further builds on these theories to illustrate how speculative behavioural practices can affect the housing market. However, none of these models indicate the driving factor of the finance sector, construction industry and state relationship (Healey, 1990). Besides, the concept of institution is very loose which makes the application of this approach rather problematic. Seeking a broader context of the social and political environment of the development process in order to understand the complexity, Healey's mixed model shows a further development in thinking.

2.5.1. Healey's mixed model of development

Healey (1992) sought a model, which combines the structuring forces while considering social relations. She emphasizes on the necessity to address the social relations process by stressing the need to:

address both the processes which organise the relations of economic activity within the development process and point to the complexity of the event-sequences, agency interests, strategies and relations involved. (Healey, 1992, p. 34)

Healey (1992) argues that many attempts to model the development process have been designed for capitalist economies, where the structures and agencies are organized in a characteristic way. In her view, this limits the applicability of these models to environments outside the global north, an issue to which I return later in this chapter. Even within a European and American context, she argues, econometric models in particular are ill-equipped to understand shifts in the way the property market works over time. Still more seriously, such models do not explain how the key actors' subjective perceptions, decisions, and ideas relate to the economic situation and policy regime. In response to these problems, Healey aims to develop a model for development that can deal with temporal, spatial, and cultural variations, and that can be used to analyse all types of developmental projects, ranging from mega projects to single units, under any political and economic conditions. Healey's (1992) influential solution to these problems combines event-sequence and structure-agency approaches (Figures 2.13 and 2.14). Her institutional model of development process considers the complexity of events and agencies involved.

Healey's model divides the development process into four layers. The first layer identifies the processes through which the production has been achieved. The development process is described and staged as a series of events, which constitute the whole process, and the agencies

involved in development. The second layer looks at the different roles played in the development process by actors, paying particular attention to the power relations that exist between them. The third layer evaluates the interests and strategies that shape the roles played by the different actors involved, in order to understand the relationships between them, with a particular focus on the ways in which resources, rules, and ideas shape their relation to the development process. The final layer assesses how wider ideological ideas, regulations and social relations influence the development process. According to Healey's model, the different agents /actors involved within the single process are given different labels, roles, responsibilities, and interests. These actors are then placed in a structure and are required to work within an individual cohesive process. The model then focuses on the dualist nature of interactions within this structure between the various individual actors and other elements that drive the whole process (Figure 2.13 below).

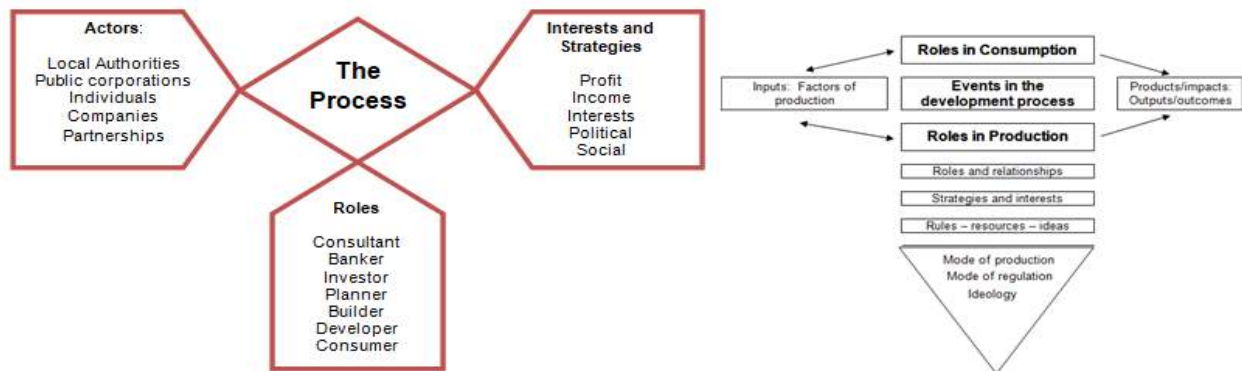


Figure 2.13: Consolidated model of the development process (Healey, 1992)

The model depicted in Figure 2.14 extracts the way through which land and property are brought into market and consumed to the process of economic production and consumption. Healey and Barrett (1990, p. 90) claim that understanding the process which produces the built environment

“especially the process of land and property development” is “critical to our understanding of urban development and our attempts at managing urban development processes”. Following Boddy (1981), the model includes factors influencing the production process such as land and property rights, development permissions and rights, construction labour, and projects to service or clean sites ready for construction. The model also deals with several types of capital, from personal and family savings to interest-bearing commercial capital used to finance investment, to state funding. On the side of consumption, the model includes the property and financial investments of various stakeholders, as owners, mortgagers, and lenders, as well as the influence of wider social groups who aim to have an impact on the development process, for example environmental pressure groups.

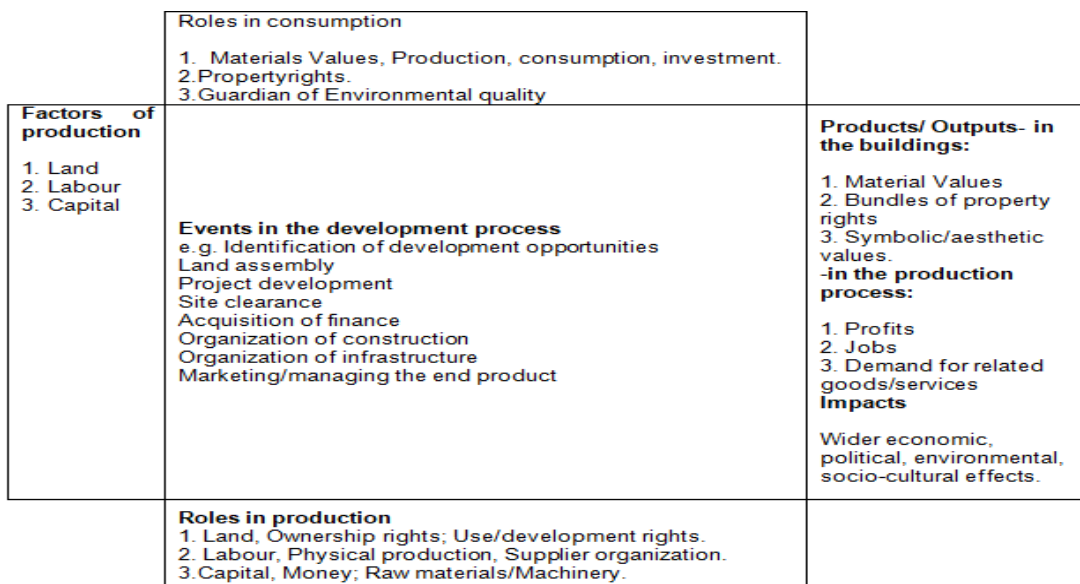


Figure 2.14: A model of the elements of the development process (Healey, 1992, p.42)

Healey claims that this model is universal: it considers interactions between agents; it identifies the role of interests within the process; and it enables an in-depth analysis that makes it of use

to policymakers. Most importantly, Healey claims that her model addresses questions of both structure and agency, allowing both to be investigated in one model (Healey & Barrett, 1990). Not only is it sensitive to both individual agency and the role of organizations and institutions, but it also investigates influential links between the interests, roles, responsibilities and strategies of organisations and wider institutional rules, material resources, and social ideas (Healey, 1992). Despite its strength of analysis, Healey's institutional model has received a number of criticisms. For instance, Hooper (1992) and Ball (1998) raise concerns over the ambiguity of the somewhat vague definition of institutions in the model, pointing out that it is unclear precisely what it covers. Because Healey's model does not make an explicit empirical link to a range of development locations, her claim that the model allows for spatial variation is unsubstantiated. Moreover, as Van and Lambooy (1993) point out, Healey tends to consider material resources a rather static and invariable element and consequently neglects the dynamic role that these can play as agents in their own right, a tendency that also makes her framework less temporally flexible than she claims.

Another study done by Fisher and Collins (1999) successfully applied a very similar approach to two case studies. The first case illustrates a project to build a 63,000 m² low-rise office building in Newcastle Business Park, Newcastle upon Tyne, UK. The project ran between 1988 and 1991. The second project involved the development of 83 hectares of harbour land in Cape Town and ran between 1989 and 1997. Similarly, Wu (2007) used Healey's approach to investigate two housing redevelopment projects in Shanghai: New Fukangli and International Ladoll City. The two cases were chosen because they both involved the same development company (Jing'an

Property Group) and the same neighbourhood, though the projects happened at different times, with a two-year gap between two. In the case of the first project, New Fukangli, the socialist government promised that they would redevelop the area, and the Jing'an Property Group, to whom the contract was awarded, was directed to build housing units. 80 per cent of these were for sale to residents at a discounted rate, while the rest of the housing units were to be sold at a market rate. Residents had input into the design of the overall project and the properties, meaning that their input had to be balanced against factors like cost, the demands of other stakeholders, and political requirements. Healey's multi-factorial approach allowed the different roles played by various organizations to be considered by Wu in the context of a wider climate of political, social, and economic forces (Gonzalez and Healey, 2005).

Two years later, the Jing'an Property Group was invited by the government to build the International Ladoll City project. However, learning from the previous project and realizing that the government was likely to demand a certain percentage of discounted units for locals; they chose a cheaper area of land to maximize profits. Their strategy worked, and in 2000, the Shanghai Property Fair listed the area as one of the most luxurious property developments in central Shanghai.

Healey (1990) has herself analysed how Hebburn riverside in Tyneside (from 1979-1989) was transformed from a shipyard to a 52-acre housing estate with almost 500 units, including a recreational area and a park. This remarkable development occurred at a time when Tyneside was the poorest local district in England. Healey uses her approach to describe how the property rights were transferred from industrial companies to the local authority, mortgagers, households,

and a training agency. The project was funded by government tax income, though 72 agents across 8 major agencies were also involved. The case reveals how a single agency can play multiple complex roles: for example, as the local authority was concerned about the environmental quality and economic feasibility of the development, it set the accountability rules, financed the project, facilitated production, and acted as the central development coordinator, all at the same time.

As her own approach developed, Healey responded to some of these criticisms, and applied the theory to empirical cases. However, her interest in social justice in the context of urban regeneration in the UK took her theoretical development in a rather different direction, as set out in her three-tier model of her sociological institutionalism approach (Healey, 2004). A key term in her analysis of governance is 'social innovation', which she defines as "changes in governance institutions and agency that intend to or have the effect of contributing to improving quality-of-life experiences in a socially inclusive and socially just way". These include mechanisms that are designed to alleviate poverty and marginalisation, including measures to give power and a voice to those who are disadvantaged (Gonzalez and Healey, 2005).

Institutional analysis in this study focuses on examining the housing development in Saudi Arabia through examining the dynamic interaction between different actors with the structure of the Saudi governing system. The interaction between the various agents and the structure can be empirically analyzed by studying the relationship between the network of formal and informal rules (which include regulating policies and cultural preferences) that affect agents' activities and practices within the network (Healey, 1992; Healey and Barrett 1990). Since social interactions

and market transitions are structured and conditioned by institutions, the conceptual framework of institutions and Healey's model offers a way to understand the structural framework within which actors/ agents make their own decisions.

The analytical theme for this study was synthesized following this approach to elaborate how the relationship between agents/ actors has shaped the structure that governs the development process. Initially the study identified the primary and secondary actors, their roles, responsibilities, and interests as shown in Figure 2.13. Then, the approach organized all the governing rules and resources within the structure by labelling the production process primary resources (such as land, labour, finance and expertise), and by identifying the institutional rules and organizing ideas that govern how these resources should be used. The analytical process was able to generate four main categories that focused on the process rules and management, the production challenges, the consumption limitations, and the relationship between the various actors.

Cars et al. (2002) draw attention to the importance of the relationship between urban policy, institutional capacity, and governance capacity. Their aim is not explicitly development-related, but rather seeks to uncover

... the complex relations through which collective action is mobilized and organized to give 'voice' to particular qualities of place which some people desire or seek to defend, from ease of transport movement, to protection of valued habitats, to delivery of health care in convenient ways for busy people or helpful ways to comfort ethnic minorities, to the re-visioning of their city in the minds and lives of citizens, to opportunities for young people. (Cars et al, 2002, p. 21)

For the authors, governance is not a fixed and simple hierarchical order delivered in a top-down way by a series of institutions, but a dynamic, complex, and mutable part of the urban

environment that is constantly being reshaped by external influences. When governance relations are analysed, therefore, it is important to explore the ways in which wider ideas, values, and interests concerning the qualities of places become embedded in interactions that eventually inform policy. This relational view of governance processes suggests that agency and structure are interlinked in a continuous and evolving process, with each shaping the other (Gonzalez and Healey, 2005). This non-static view of governance will form part of the framework deployed in this study.

In this research, the rules of the game (the production and consumption process) are defined by the interaction between multiple levels of primary and secondary institutional layers. Secondary actors rely on these rules on the action arena, their roles, responsibilities, and relationships shape the Saudi housing sector production factors: land, labour, and capital.

2.5.2 Ball's 'Structures of Provision' approach

Ball (1998, p. 1501) agrees that many economic models have “limited, stylised institutional behaviour” and they have continuously failed to address neither the power relations nor the heterogeneous nature of the actors (Healey and Barrett, 1990) and he calls for a more institutionally sensitive model. According to both Healey (1992) and Ball (1998) the development process is very complex and involves a wide range of events between various actors in different stages, therefore the economic, institutional, and social contexts that affect the housing development process should be considered

To allow for additional institutional input poses problems, this includes how to identify institutional elements, and how to recognize the roles and responsibilities of the various actors in shaping the housing market. Healey's institutional model attempts to provide an approach that is able to establish an empirical link between structure and agency by relating the construction roles and the various agencies' strategies and interest, to the material resources, institutional rules, and organising ideas. Healey claims that this model joins sociological institutional and urban analysis. On the other hand, Ball (1998) argued that issues related to consumption in the context of governments housing policies is essential, yet is inadequate. He further adds that a comprehensive analysis must consider investigating the broad social relations associated with the entire process of housing provision in question. Ball (2013) continues to point out that the development process cannot be simply defined as a process of creating physical structures and delivering them to consumers, instead, it involves a wide range of social and economic dynamics and interests, something that Ball captures with the concept of a "structure of provision" (SoP):

...each historically specific set of social agents can be defined as a structure of building provision. By provision; it is meant; the production, exchange, distribution, and use of a built structure. (Ball, 1986a, p. 84)

Ball's institutional model of SoP focuses on the organizations involved in the development process and "...the practices and networks that influence the way in which those organisations operate and interrelate" (Ball et al., 1998, p. 108). According to this definition, the SoP model combines a very wide range of actors involved in the development process from start to finish, such as financiers, land owners, developers, construction workers, real estate firms, and final end-users, and the relationships between them at any given point in time (Ball, 1986b; Ball,

1998). All of these factors determine the market, and the physical built environment that results there from. This has made Ball's SoP model a broader and a more thoroughgoing approach which overlaps with the preceding models such as that of Healey's earlier work, incorporating many of their elements. The model covers institutional treatment from mainstream economics and considers structure-agency institutionalism of Healey with a wider emphasis on social agencies engaged in the structure. Within this approach one can see the influence of earlier work on the development process, but importantly Ball develops this into the idea of showing how the actors involved are institutionally linked.

Rather than focusing on the structuring dynamics of the production process Ball's work rejects the dichotomy between structure and agency and considers the role of agents and the relationships between them as the most important element. He explores the influence of both institutions and market over the rules of the development process. The perspective is postmodern, in the sense that it seeks to recognise the history of institutions and their underlying social relations without imposing a universal, trans-historical definition of the ideal relationship between the two. Both institutions and markets are subject to change, due to external environmental pressures, economic shifts, and changes to technology, policy, and taste (Ball, 1998). SoP involves an analysis of the economic roles of particular social agents and how these social agents influence each other, for example, exploring the ways in which the state provides subsidies to a particular category of social agent, or imposes laws limiting certain actions (Ball, 1986b).

The SoP model was established to identify and respond to the limitations found in both neoclassical and Marxist models of the development process. For example, the former conceives of the development process as a dichotomous relationship between supply and demand, while the latter explores how external class struggles and social conflicts affect the development process. In Ball's work, however, these forces are seen as an integral part of much wider SoPs (Ball, 1986b, see Figures 2.15 and 2.16). The central tenets of the SoP approach are:

1. Organisations and markets are concerned with specific types of buildings.
2. Markets and organisations are mutually influential parts of a wider SoP.
3. There is no universal type of development process, and countries may have a range of SoPs. In this sense, any types of building that were produced in a specific period, and the organisations that were involved forming those buildings, can be SoPs.
4. It is not possible to decide how SoP will alter in future, because of the unpredictable nature of changes to markets, technologies, government policies, public tastes, and organisational strategies. Therefore, SoPs can only be investigated using a specific inductive enquiry.
5. The SoP is a conceptual device, not a theory in itself, but a methodology into which theories can be embedded. It is highly contextual and each type of buildings must be investigated in the context and time in which it was built.
6. The researcher can choose which institutions and relationships must be included, thus giving more emphasis to the SoPs that the researcher believes are important for a given context.

To illustrate the argument, Ball (1986a, 1986b) outlines the SoPs for owner-occupied housing provision in the UK (Figure 2.15) and for council housing provision (Figure 2.16). The arrows in the figures represent the relationships between elements and agents, but these must be understood in light of the argument that these interrelationships also have significant effects on the rest of the actors. According to Ball, though SoP was developed in a UK context, its attentiveness to contextual specificity and intricately complex relations means that it can be applied in other global contexts. However, the SoP approach is not without problems. One difficulty is the lack of guidance and criteria as to how one should analyse different components of each SoP (Gore & Nicholson, 1991). Ball (1998) himself points out the problem of the historically contingent nature of SoPs, which means that it is highly empirical rather than reliant on a priori frameworks. Nevertheless, the data it collects can be original and high in quality, overcoming some weaknesses associated with other models, such as neoclassical frameworks of development (Gore & Nicholson, 1991).

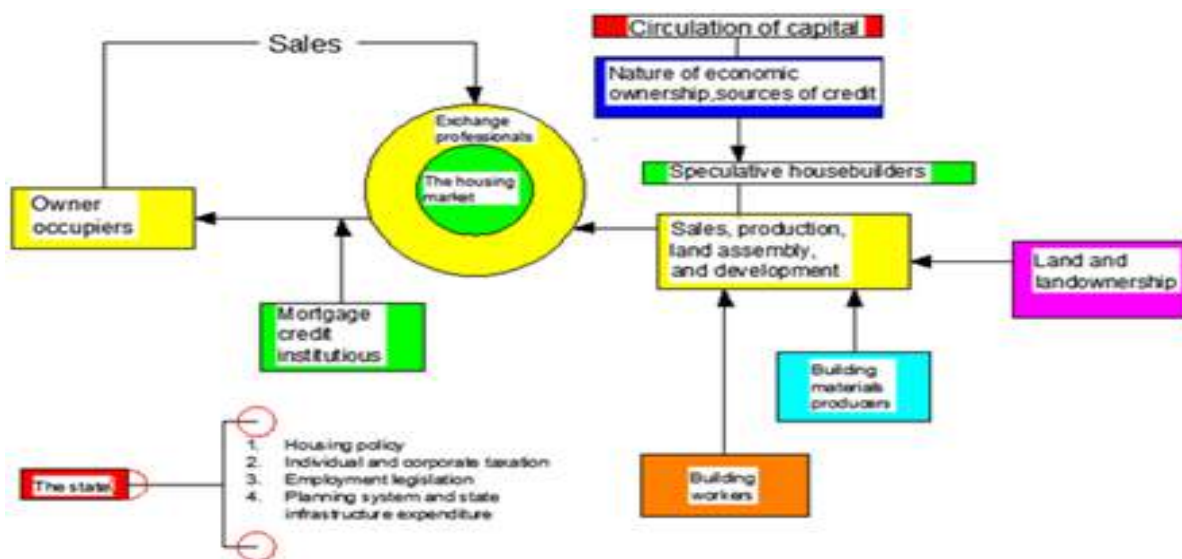


Figure 2.15: The structure of owner-occupied housing provision in the UK (Ball, 1986a)

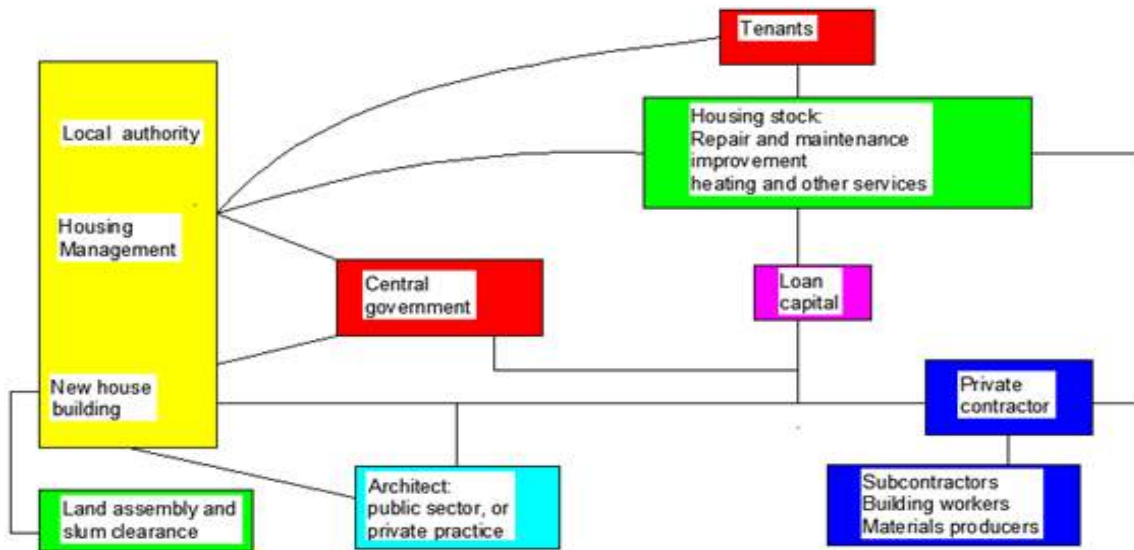


Figure 2.16: The structure of council housing provision (Ball, 1986a)

To illustrate how SoP can be used outside a UK context, Wu (1996) applies Ball's framework to understand the structure of public housing provision in urban China. He argues that a lack of understanding of the SoPs is one of the main reasons why China has faced difficulties in commercializing the delivery of housing. Chinese public housing SoPs comprise state-work units (danwei), which are directly governed by the socialist state. They can involve four types of agent: state agencies and institutes, private organisations, collectives, and state enterprises. In his analysis, Wu shows how work-units directly influenced the subsidization of public housing development by the government, leading to the exclusion of municipalities from housing decisions. He illustrates his argument by comparing Shanghai before and after public housing reformation. Prior to reform, the work-units were inefficient and provided poor quality housing; afterwards, when SoP were changed to give more powers to the private sector and municipalities, quality improved. The reforms also introduced a land-leasing system, enabling real-estate companies to gain a foothold in the market as a totally new component of the SoP.

Combined with decentralization, this made it possible for public housing to be produced using market-oriented mechanisms, whereas in the planned economy, work-units had soaked up surplus value from labour (Wu, 1996).

In summary, the housing market is structured through the power relations of capital, resources, and labour. The relationship between these agents is complex and the balance of power between them varies and depends on the stages of the development process. Healey (1991) and Ball (1998) argue that the established models of development do not explain the wider institutional forces of urban development process. In particular, Healey's (1991) criticism is targeted at the weakness of existing models in addressing the relationships of the various actors and structures in a way that would consider both structures and agency in one analytical framework without separating them. Since economic and existing models proved being inadequate, Healey (1991, p. 231) suggests that "more attention needs to be given to the institutional dimensions such as strategies and interests of the supply side of the development process", and she suggests structure agency model. She introduced her model claiming to have solved the ontological gap of structuration. Healey claims that her model takes institutions into account, and that it is universally applicable to any and every developmental project (Healey, 1992). Ball's (1998) criticism of Healey focuses on her claim that the model is generalizable and applicable to all developmental process. Showing the problems in Healey (1990/1992), Ball argued that interests of any institutional members can be very different and Healey's claim that her model is applicable to all situations may not be true. He debates how to look at institutions the right way and develops his institutional model which he calls "Structures of Provision" SoP. He does not claim

that his “structures of provision” is a general model but rather a methodology that can be adapted for various developmental projects. Ball’s approach accommodates all types of development activities without any restriction and is believed to be analytically strong (Gore and Nicolson, 1991).

Although Healey and Ball are not explicit about their philosophical attachment, from their assumptions it may be argued that their use of multiple institutional mechanisms could go with assumptions of realism. Although, it must be noted that none of these authors are explicit about it, both the theorists assume that institutions are real and independent of agents. Ball and Healey argue for causality of the institutions and their generative powers of having an impact upon agencies. These assumptions are in-line with critical realism’s argument that causal powers do not always have to be observable directly but can be probed and investigated if researchers observe their effects (Sayer A. , 1992). Also critical realism argues that there is a reality independent of our knowledge and this reality is subjectively understood (Bhaskar, 2014). Ball’s (2006) inclusion of history and how structures are formed and condition agency is in-line with critical realism (Archer, 2003). Therefore, it may be argued that Healey’s and Ball’s work are realist in assumptions.

2.5.3 Approach adopted in this research

To understand the development process, it is imperative to analyse its complexity by breaking it down into its essential components. For example, we need to identify actors involved in the process, their relationship with one another, their contribution, and the significance of each event at different stages of the process. A good model is capable to describe and analyse the

entire development process, and acts as a framework to explain how the process works. Many development process models focused on different ways of thinking. For example, (a) neo-classical models focus on balancing supply and demand (b) event sequence models focus on dividing the development process into stages and identify the order of these events (c) agency models focus on actors involved in the development process, their roles, responsibilities, and the interests which drive their strategies, and (d) structure models which focus on the political and economic driving force that power the entire development process.

The literature on developmental process models in general shows that models of development have evolved from traditional economic models to institutional models. Therefore, the focus of literatures has evolved from the capital flowing into and out of the various sectors of the economy, to those, which focus on the agencies and structures. According to Healey (1992) a successful model would consider a combination of many perspectives. Economic models try to predict housing phenomena, claiming scientifically robust generalizable patterns (Healey, 1990). However, these predictions have not always been correct (Smith et al, 2006). These studies dominate the built environment literature and analyses are often based on supply and demand economics assuming that markets operate in perfect competition and consumers are rational agents (Ball, 2013). As a result, economic models have not only failed to predict or explain volatility and sensitivity of housing markets but do not address the complexity of market structures (Healey, 2007). In contrast, the institutional models recognise the complexity of the development dynamics and acknowledge the actors, their roles, responsibilities, and the relationships between them that shape urban development sector.

Healey (1992) proposes an institutional model which she called structure and agency model. The model analyses the development process by exploring the input and outcome events, the network of relations and the driving interests, and the actors' roles and responsibilities; with reference to formal rules and informal values. However, Ball argues that the structure should be seen with reference to social relations that are embodied in the institutional aspects of the housing market and he defined this approach as the Structure of Provision (SoP).

Saudi Arabia's housing market has a unique cultural and institutional structure. For instance, Healey (1990/2007) and Ball (2013) provide two very rich institutional models. Healey's model relies on key factors to break down the development process into different layers of analyses. However, Healey's model fails to address the interactions between the different agents, and shows a weak consideration to cause-affect relationships. Ball (1998) in comparison brings a contextual dimension to the development process and suggests his SoP. Ball's SoP considers each type of development as a unique environment, because each process is associated with unique institutional and social relations. Therefore, Ball rejects the idea of "universal explanation" of development process. When these two models are combined, they complement each other, forming a more robust analytical framework. The former lacks a clear definition of institutions while the latter fills this gap. On the other hand, Ball's analytical framework is loose but it is powerful in probing institutions specific for the context under investigation. This research will combine Healey (1990/2007) and Ball (2013) to achieve the aim of understanding housing supply constraints in Saudi Arabia from an institutional perspective.

This research tries to understand the housing shortage in Saudi Arabia in a multifaceted way, drawing on the perspectives of different stakeholders: policymakers, financiers, builders, and development firms. The main reason for employing an institutional approach is that it offers a perspective that can study the roles played by both individual and organizational actors, in a wider context of culturally, geographically, and temporally specific rules and regulations. Such a model can integrate structure and agency, creating an understanding of the social, economic, governance, and political factors that affect housing delivery in a given place at a given time, alongside the relational interactions and the events occurring within the development process. It can integrate stakeholder relations, governance, policy, and both formal and informal organizational regulations with wider institutional questions to explore the underlying factors affecting housing shortage in Saudi Arabia, with the aim of formulating advice for policymakers that will enable a more sustainable housing sector.

The particular variant of institutionalism that I deploy blends insights from Healey (2005/1992) and Ball (2013/1998). From Healey's model, I adopted the idea that it is possible to achieve a consolidated model of development that considers both structure and agency, whilst also (a) being attentive to both events that take place during the multiple stages of the entire process and the social relations amongst the involved agents (b) being able to evaluate the role played by each agent (c) considering agents' interests which drive their strategies (d) and the varied resources available. Healey's work is particularly strong on questions of power, allowing an exploration of this as a feature of personal relationships, institutions, and ideological discourses (especially the role of ideas). However, Healey's work has its drawbacks: It tends to be less strong

on material factors within the development process; it defines institutions in a fairly vague and inclusive way; and it can be inattentive to historical change.

Here Ball's (2013/1998) SoP approach can fill some important gaps. It is more flexible than Healey's approach, and more sensitive to cultural differences. It is also stronger on the role played by organizations, which is a central feature of the Saudi housing context. Ball's approach views institutional structure with reference to all forms of social relations, rules, and practices. In that sense; Ball provides a review of institutional theories and adds economic views. However, Healey's framework of analysis is a more systematic analysis of the development process in terms of events, processes, actors and their relationships, and interests or strategies when compared with Ball framework of analysis.

A central commitment that I have taken from Gonzalez and Healey (2005) is the idea that social innovation for social justice happens when standard discourses are challenged so that existing policies can be altered. This requires that institutional factors are properly researched and fully understood.

Figure 2.17 presents the theoretical approach used in this research. It combines insights from the approaches adopted by Ball and Healey to delineate the agents and structures of the Saudi housing system. From Ball, it takes the idea of the SoP as a crucial tool for identifying the distinct components of the Saudi Arabian housing system. Two are particularly important in the Saudi context. The first consists of the key individual and organizational actors who have a stake in the housing industry. The second involves the processes, rules, regulations, norms and cultures that surround those actors and colour their interactions. Together, these components form up the

housing market, which is affected by the interactions both within and between these categories. From Healey, the framework takes the notion that structuring forces play a critical role, and that these can be reasonably general, and applicable across geographical contexts. For example, the government has a particularly significant role at the top of the diagram, as the provider of sets of influential, housing-specific rules and regulations. In this thesis, I will argue that the Saudi housing shortage can be explained as a result of complex interactions between the agents and institutions shown in this diagram.

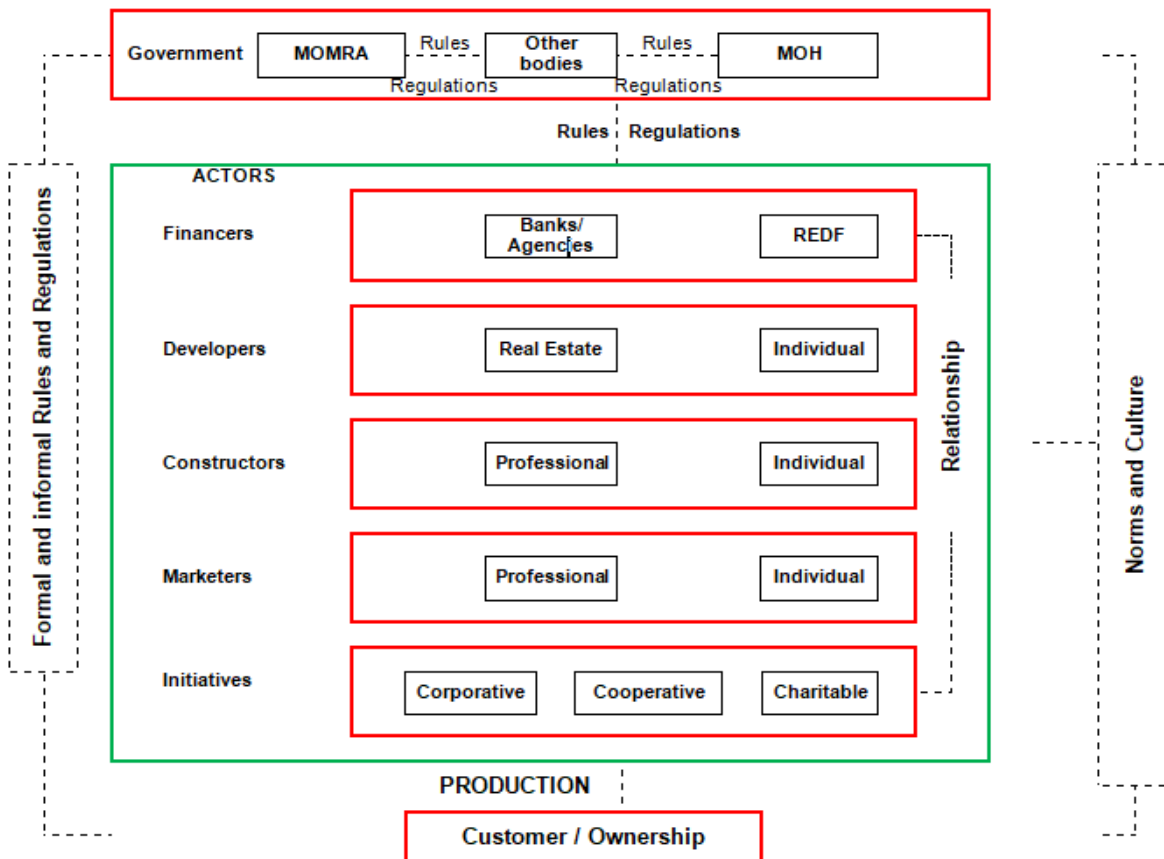


Figure 2.17: Saudi SoPs for Housing

I was particularly interested in developing an approach that would consider historical factors, showing how past events have shaped the existing situation and produced the housing shortage

that we see today. Importantly, in temporal terms, the individual actors identified here are always already functioning in a historically given cultural and social situation. The institutional structures within that situation tend to pre-date the actors, and to exert a formative influence on them, in an ongoing manner. However, actors themselves exert a reflexive influence, as they seek to shape, reproduce, or transform the structures in which they operate (Giddens, 1984; Bhaskar, 2008). This can impact not only on the relationships between agents but also on the surrounding formal and informal rules, practices, norms, and regulations (both those that are specific to the housing system, and those of the wider culture in which it operates). In keeping with Ball's insight, all the details of the structure of provision are temporally mutable and dynamic. However, in line with Healey's notion of institutions as temporal, the power and cultural norms of institutions tend to exert a stabilizing influence, so that change tends to be incremental and slow, rather than revolutionary in nature.

This thesis adopts a perspective that draws on institutionalist structure-agency approaches. Its underlying theoretical commitments are realist, and it seeks to draw on the Marxist literature, which stress the significant role of the economic basis of community in identifying its social structure as a whole, in addition to the psychology of the people within it. And on institutional approaches that find a balance between structure and agency. As such, in its foundational commitments, it leans more towards Healey than Ball: while both make a strong case for the causal influence of institutions and their generative power of shaping relations with agents, Healey's model has a stronger sense of the temporal perdurance of structural factors (including institutions), whereas Ball's model is more invested in an idea of change and flux. I believe that

Healey's work is firmer in its suggestion of a reality independent of human agency (though she argues that this reality is subjectively understood via socio-cultural frameworks). Healey's work is explicitly based on Giddens' structuration theory (Gonzalez and Healey, 2005), seeing structure and agency as inseparable in reality, though analytically distinct. This makes it possible to study how agents act within structure. Critical Realism (CR) gives a much clearer role to causation and the inherent causal powers of both structure and agents (Sayer, 1992). This is useful, as it makes sense of the causal effectiveness of institutions, while still being entirely compatible with the way structure and agency are seen in the new institutionalism. The methodological implications of adopting critical realism as the underlying philosophy for the thesis are explored further in Chapter 3.

The theoretical position set out assumes there are complex and contextual-specific institutional systems in the real world setting. Both Healey's and Ball's approaches, as well as my synthesis, are very general, and so widely applicable. They do not make any assumptions about how the market works, or the nature of the state; rather, it leaves these open as empirical questions. In particular this raises the issue of the relationship between the public and private sectors in the development process, to which I now turn.

2.6 Relationship of state and private sector

Literature on private and public sector involvement in the housing sector tends to assume the status quo in the global north as applicable everywhere, assuming a market in which the private and public sectors already have a well-delineated role. As I shall argue in this section, this

assumption does not hold for Saudi Arabia, where the private sector has played a relatively small role in housing provision over the recent past.

Recent theory from European and American scholars has tended to emphasize the importance of the public sector to housing provision, in a context where the private sector is tending to play an ever greater role. For example, Forrest and Murie's (1988) theory of public sector involvement in the housing market states that the housing sector cannot perform at its optimum level without active involvement from the public sector. In the absence of active intervention from the state, in other words, a society cannot be created that provides housing for all citizens. More recently, however, arguments for market regulation have been questioned. Zhu (2005) argues that public sector involvement in the housing market leads to rigid products and high priced transactions, but recognises that constant fluctuations in house prices, due to wider economic conditions, necessitate public sector involvement to regulate prices and improve profitability and efficiency. According to the United Nations (2001), the role of the public sector should be that of a facilitator. The state should strengthen housing sector initiatives led by the private sector in accordance with a neoliberal profit motives: rather than building housing, the modern state should merely support commercial companies in delivering it. According to the 2016 World Bank Annual Report, the role of the private sector in the delivery of housing sector can be expanded via a three-pronged approach. In this view, curtailment of the expenses related to welfare, mass privatisation of various government organisations, and deregulation of the sector will all produce a situation in which housing can be delivered more cheaply and effectively.

The role of the state in the global north has therefore partly shifted from one of production, monitoring, and control of the housing sector to one of assisting the private sector to deliver its profitable goals (Zhang, 2001). This has been prompted by narratives that have emphasized the need for private sector interventions and deregulation of the housing market in order to unleash the power of market competition (Harvey, 2005). Moreover, despite the ambition to create complete synchrony between public and private sectors, however, the conflict of interest is still exists between private sector developers, local authorities, and the wider public sector (Mackintosh, 1992). On this context, Jacobs (1999) quoting Healey and Barrett (1999, p. 97), argues that active partnerships between the public and private sectors create mutually beneficial opportunities for government to access the financial resources it needs to encourage development and support land and property markets, while private firms can benefit from new investment opportunities and reduce investment risks.

For Kemeny (2002), it is the private sector that retains ownership of the housing system, with the public sector (government) only interfering when overall profitability declines sufficiently, for example expediting investment by offering subsidies to investors. As soon as the housing system becomes more lucrative, the public sector once more retreats. As Harvey (2005) argues, the public sector therefore plays an instrumental role in maximising the wealth and profitability of the private sector, sometimes to the detriment of the public at large. Furthermore, Craig and Porter (2006) maintain that neoliberal capitalism has altered the balance of risk and profit between the public and private sectors, giving maximal advantages to large multinational corporations.

Furthermore, the role of both public and private sectors is changing as relatively new, hybrid models like Public-Private Partnerships (PPPs) have emerged. PPPs are defined as active collaborations between public and private sector agencies in order to strengthen housing, infrastructure, and supply delivery. They are supposed to link skills and capabilities from the private sector to public sector objectives (International Monetary Fund, 2006). PPPs are often utilised to build roads, schools, hospitals, airports, railways, and water and sewerage infrastructure. They provide private funding opportunities to the public sector, stimulating investment without adding to traditional forms of public sector debt. By levying taxes on general public on use of these amenities, public sector revenues can also be increased (IMF, 2006). Furthermore, the PPPs encourages the private sector's to provide a professional workforce and managerial capabilities, which make a much greater rate of innovative and reflect on the public sector (IMF, 2006). As Jamali (2004) has emphasized, however, PPPs rely on involvement from the public sector, as a partner or even as a controller, with the state's ability to offer assistance to various stakeholders, to take on risk, and to provide clear regulations all affecting return on investment. Jacobs (1999) even argues that PPPs can be conducted in a way that nurtures the involvement of community, achieving significant benefits for local and national government, housing organisations, and the private sector. In this view, all parties have a vested interest in proving that private-public partnerships provide enhanced benefits, which would not have been achievable without pursuing shared working: Jacobs uses the example of a local council using private housing agencies to deliver essential service to illustrate this.

Critics of PPPs point to the limited power possessed by the public sector over the investment once it has been made, the reduced negotiating power of the state, the increased prices charged to consumers in the form of surcharges, the increased cost of transactions, and political challenges associated with the introduction of the profit motive into work traditionally performed for the public good (Parvu and Voicu-Olteanu, 2009). Jacobs (1999) also notes that PPP inhibits the ability to create the conditions for economic renewal, creating considerable pressures on private sector housing agencies by increasing residualisation and devaluing their ability to establish their own policy programme.

2.7. Conclusion

This chapter has reviewed major theories and models of development, from neoclassical economics to Giddens model, and from structure-based to agency-focused approaches. The neoclassical economics models have been criticised on account of the lack of appreciation of institutions and organizations involved in the process. Thus, the mainstream economic frameworks do not seem to provide any better understanding other than analysing demand and supply, and how market operates in increasing and decreasing housing supply. On the other hand, the structural models are connected through power relations between the owner, labour, and capital; power struggle between various stakeholders over surplus generated from development activities. Therefore, this model shall help us through the implementation of the four circuits developed by Harvey (1986) and Aalbers (2008). After that, the agency model has an active role of social interactions and different actors. Thus, this model shall help us in

explaining how stakeholder interests can influence the whole process; especially in the land market sector and being impacted by land owners' behaviours in Saudi Arabia.

When we consider structure-agency and institutionalism, we find that theoretical approaches define a role for both structure and agency and such approaches tend to emphasize the relationships and interactions between the parties involved in the development industry, both human and organizational. Moreover, institutional approaches mingle a structural approach with an agentic approach that enhances our understanding of the housing market. On the other hand, institutionalism refers to the interrelations between institutions and organizations, and institutional analysis considers interactions between different actors, and how these influence developmental processes and the whole systems. Finally, the SoP model brings together the various actors involved in the development process from start to end and the relationships between them at any given point of time.

Based on this review, my own theoretical approach was then outlined. Hence, the theoretical framework that will be applied in this study shall be institutional approach combining Healey (2005 & 1992) and Ball (2013 & 1998). Healey's (1992) structure and agency theory, and Ball's (1986a; 1986b; 1998; 2006; 2013) structure of provision theory were further supplemented by González and Healey (2005), Harvey (1986), Aalbers (2008). In this sense, these findings were adopted to develop the necessary theoretical basis for my investigation. Also, we can address the problem of a lack of PPP in Saudi Arabia through understanding the involvement of private sector as a partner and as a controller and its ability to effectively liaise with the public sector by offering assistance to various stakeholders and clear regulations and well-defined returns on

investment. However, this theory shall not be applied effectively in Saudi Arabia because the controlling entity is the public sector.

Through this theoretical framework, research questions have been developed to investigate the Saudi housing market and how different actors interact and play their role and responsibilities through formal and informal rules and identify individual components and the interrelations between them in order to understand the whole housing system in Saudi Arabia.

The next chapter shall explore methodological questions, outlining the ways in which these theoretical commitments informed the methodology of the study.

CHAPTER 3 Methodology

3.1 Introduction

Despite economic strength and a relatively stable population, Saudi Arabia is suffering a housing crisis (Rabenau, 2011). This thesis seeks to investigate the causes of this situation. The previous chapter determined the theoretical approach to be adopted and noted the complete absence of studies applying an institutionalism lens to the Saudi context. The objective is to understand the interaction between various agents (individual and institutional) within the process, in order to understand the roles, responsibilities, rules, regulations, and norms, which surround the policy context. This, in turn, will allow the factors affecting housing supply and the wider market to be pinpointed.

3.2 Research questions

The application of the theoretical model outlined in Figure 2.17 involves a set of research questions, which have been developed in light of findings from the literature review, and the limitations of different institutionalism approach outlined in the previous chapter. They aim to provide a set of questions that will allow the intricate relationships that condition the Saudi housing sector to be identified.

The main research question is:

Since the 1970s, why has the Saudi Arabian state failed to deliver adequate levels of housing supply to circumvent severe housing shortages, when the country is economically well-resourced, and has strategic economic and urban planning systems in place?

This is further broken down into a series of sub-questions:

1. What are the individual and organizational actors involved in the Saudi Housing system?
What are their roles, responsibilities, and relationships?
2. What formal and informal rules are in play in the Saudi housing governance system?
3. How do the formal and informal rules shape the relationship between the government and all other actors involved in the process?
4. What rules and regulations are in play in the Saudi housing market?
5. What type of relationships and partnership exist between the public and private actors in the Saudi housing production process, and how do these relationships and partnership affect the development process?

These questions will allow a multi-layered approach that addresses a plurality of factors that are contributing to the current housing shortage. The rest of this chapter will place them within a wider research framework that has been designed to provide the tools necessary to investigate the above research questions. The following section discusses the underlying research philosophy adopted in more depth.

3.3 Methodological choices: qualitative versus quantitative approaches

Existing studies of the Saudi Arabian housing market often use a quantitative research approach (e.g. Alhubashi, 2012; Alzamil, 2014; Rabenau, 2011). One reason for this could be positivism's

dominance within Western intellectual contexts, since theoretical approaches from Europe and America are often applied without revision in non-Western contexts (Ball, 1998). Such a mono-method bias (Bryman and Bell, 2015) means that there is a dearth of qualitative research that traces the deeper causes of built environment problems, in what Edwards et al. (2014) call the 'thick' description of social phenomena, digging into institutional relationships, and subjective factors such as feelings and opinions.

This has even been recognised by quantitative researchers themselves: Rabenau (2011) contends that proper understanding of housing shortages would require a detailed qualitative investigation of the issues from different perspectives of different actors involved in housing in Saudi Arabia. He raises suspicion over the reliability and validity of government data, such as the Ministry of Housing's Housing Sample Survey (2011), which only collected simple data, such as income level, for 5,100 households across Saudi. Quantitative research data of this type simply does not probe deeply enough to address the underlying causes of the housing shortage issue in Saudi Arabia. This thesis aims to be a contribution towards correcting this imbalance, as it brings a critical realist and institutionalist perspective to a new problem and a new context, probing the deep relationships between individuals and organizations, formal and informal rules, policy, market-driven logics, and the personal impacts of the housing crisis on the wider population.

Maxwell (2012, p. 2) argues qualitative research provides an opportunity to investigate complex social phenomena that may have several components and parts, and is flexible in nature. It is an effective way of "collecting and analysing data, developing and modifying theory, elaborating or refocusing the research questions, and identifying and addressing validity threats", and tends to

approach these in such a way that they are “usually all going on more or less simultaneously, each influencing all the others.” Maxwell’s (2012) ‘iterative’ model of qualitative research was followed in this study, along with an abductive approach from critical realism. The critical realism combines historicity, pluralism, context-specificity and an ethical mission, which I will discuss in more detail in the next section. I applied this methodology to my research questions, building a conceptual model to delineate the concepts that would assist me in understanding the housing shortage phenomenon in Saudi Arabia. This then allowed me to develop a set of methodological tools to address the problem of the housing shortage. However, the non-linear nature of the process enabled me to go back and revise or refine these where necessary, in order to introduce new ideas or concepts as the investigation proceeded. This allowed me to preserve a rich evidence base, which remained steadfastly plural in its understanding of the causal factors influencing housing shortage. The final phase of Maxwell’s model, research validity and reflexivity, will be discussed later in this chapter (see Section 3.6).

I have also drawn inspiration from a seminal article by Al-Hathloul and Edadan (1993), on settlement patterns in Saudi Arabia. This explores historical, cultural, and anthropological aspects of institutional structures from medieval Saudi’s pre-unification period till the discovery of oil and the oil boom of the 1970s. It is one of the very few works on the Saudi Arabian built environment that combines sensitivity to the social, the spatial, and the economic, while also focusing on an institutional dimension. I have sought to bring a similarly multifaceted approach to my study of the housing crisis, though my research concerns a much more recent period.

3.4 Research philosophy

The philosophical paradigm chosen for this research is critical realism. Critical realism (CR) is a philosophy of social science initiated by the late Roy Bhaskar. Most of the known theorists who are sometimes described as social constructionists do not deny the existence of a material world, but merely question to what extent it is possible for us to access that world outside of cultural frameworks. Other than a few less reputable papers published in the 1990s, not many theorists adopt a truly sceptical (in the ancient Greek sense of the word) position about the existence of a material world. In particular, critical realism utilizes a realist ontology (such as an object existing as an external reality), while constructivism argues for the individual construction of social reality, therefore, there are multiple realities. Moreover, critical realists maintain that there is an objective world that exists independently of researchers (Fleetwood, 2005) and that any knowledge claims about this world are fallible (Al-Amoudi and Willmott, 2011). Compared to positivists, critical realists do not limit knowledge of the objective world to “empirical facts (i.e. things that are observable) which positivists often quantify and correlate in an attempt to generate universal statement or ‘law’ about the world” (Edwards et al, 2014, p. 3). Whereas the positivist researcher may seek to record event regularities between dependent and independent variables, and reach findings based on surface-level patterns, critical realists seek deeper explanations of the causes of events amongst the influence of a multitude of factors. They claim that causal explanations require both description and explanation of the real properties and powers that generate any given phenomenon. This necessarily requires a qualitative approach,

as quantitative analysis is unable to provide a highly nuanced account of processes (Danermark et al., 2002).

But how and why is critical realism important for this research? Firstly, it is a holistic approach to causality (Bhaskar, 2014). Critical realism aims to generate a more detailed, causal account of social phenomena. The approach thus challenges existing research that has sought to analyse the Saudi Arabian housing context in terms of independent and dependent variables, for example, the work of Al-hubashi (2012). It allows a more dynamic, and in-depth, analysis of multiple causal factors in a wider socio-cultural and economic context. Secondly, it combines subjective and objective approaches, allowing macro-economic factors that structure housing to be considered alongside subjective interactions and interpretations that inform individual, institutional, and organizational decision-making.

Thirdly, critical realism possesses a complex sense of causal power. Power is not merely something that is possessed in a static fashion: it has to be actualised or exercised (Bhaskar, 1979). For example, a knife has the power to kill someone, but that power must be actualised in order for it to become a murder weapon (Sayer, 2011) – so while government and other actors hold power, actualising it requires a set of institutional circumstances which allow this (Connelly, 2009). Similarly, the Saudi government has the power to ease housing shortages by introducing more available and flexible mortgages, but this power may require the existence of wider entities and properties (favourable laws, cultural attitudes to debt etc.) to be actualised. Thus, critical realism is an approach that places causality in a broad context, including a wide range of cultural, social, environmental, political, and economic factors (Fleetwood, 2005).

CR is consonant with institutional theories of development, such as those surveyed in the previous chapter, which finds a balance between structural and agentic layers of analysis. It also enriches the institutionalist frameworks selected for this study, as its conception of the dialectical relationship between social structures and agency represents a more sophisticated model than that offered by either Ball or Healey based as they are in a structuration approach (Bhaskar, 1998; Archer, 1998). In particular, it offers a more worked-up account of the endurance of historical features in the social landscape (Archer, 2003), without reducing such explanations to broad-brush structural interpretations with general applicability.

In critical realist research, researchers may use a logic that works from abduction, as Edwards et al. (2014) explain:

Abduction re-describes the observable everyday objects of social science (usually provided by interviewees or observational data) in an abstracted and more general sense in order to describe the sequence of causation that gives rise to observed event regularities in the pattern of events. It involves combining observations, often in tandem with theory identified in the literature review, to produce the most plausible explanation of the mechanisms that caused the events. (p. 17)

In this type of research, the researcher does not form a distinct hypothesis that can be tested via experiments that control for variables. Instead, the researcher undertakes an iterative process that shuttles to-and-fro between theory and data. This abductive method allows theory to be refined, as new connections between causal mechanisms are identified. In the case of this thesis, this means that a broad institutional approach was adopted as a general framework (see Figure 2.13), without inferring substantive content and causal mechanisms in any detail. These were allowed to emerge during the phase of data analysis, as the empirical data was used not to

illustrate a pre-existing framework, but to develop it as insights emerged. Operationalising theory thus involved refining and redeveloping it, in an ongoing fashion, so that there were moments where data enhanced theory, and where theory enhanced data. At several points, I had to go back to the literature to seek theoretical enrichment when I noticed that my model did not include concepts to cover the phenomena that I was observing. These concepts had to be brought in from related theories and interconnected with my approach, so that they were consonant with the broader institutional framework that was at the centre of this research.

Finally, the spirit of this research is that the housing shortage in Saudi Arabia represents a situation that can be improved. This ethical commitment to the amelioration of a negative set of circumstances is central to critical realism, which seeks to identify causal relationships in order to intervene more effectively and productively. It thus combines historicity, pluralism, context-specificity and an ethical mission to seek improvement (Sayer, 1992). Furthermore, neither institutionalism nor critical realism have previously been applied to the context of the Saudi Arabian housing market, with research instead taking a more positivist approach (see Al-Zamil, 2014 for an example), which means that this thesis represents a distinctive and synthetic contribution to knowledge, bringing a body of existing theory to a context in which it has previously never been deployed.

3.5 Data collection and data analysis

The data were collected from two resources: primary resources and secondary resources. Primary resources are interview surveys developed for this study with the objective of collecting information from a sample. The secondary resources consisted of gathering information from

reliable sources, including existing research produced by well-known scholars on the Saudi Arabian housing sector. Therefore, this section describes the instrument used for data collection and the procedure used for data collection.

3.5.1 Data collection methods

Having established my theoretical model and my underlying research philosophy, I proceeded to define the research methods that I would use to collect the data needed to answer the research questions (Saunders et al., 2015). Critical realists argue that social investigations require several different kinds of data, due to the multiplicity of causal factors at work in any situation, and the need to identify both agents- and structure-centred elements within the analysis (Fleetwood, 2008). I quickly settled on two main methods: interviews and document analysis. Interviews were mainly used to understand agential perspectives while secondary data were mainly explored to understand structural elements. However, there were critical intersections and interrelations between the two; for example, instances when the interview data was used to expand the findings from the secondary data and vice versa.

Interviewees were not treated as subjects possessing perfect and objective knowledge of housing shortages in Saudi Arabia. Since this research involves very different stakeholders within the Saudi housing sector, it was important to preserve a sense of the multiple explanatory narratives at work and to evaluate these against one another and against the secondary data (Mason, 2002). A subjective perspective was deployed that sought to understand the relative positions of research subjects, very much including their point of view as actors. However, their narratives were also compared with one another, and with the secondary data, to establish their validity.

This proved to be a remarkably powerful approach to the interrogation of causal relationships. For example, many interview participants blamed Saudi culture for the housing shortage, arguing that cultural habits and norms had significantly contributed to the housing shortage, particularly the preference for bigger houses. However, a comparison of this finding with the structural secondary data revealed that government policies simply did not allow the consumer to choose between different house sizes. Instead, dwelling size was imposed upon them, though most of the participants were either not aware of this or did not mention it in their interviews. This points to a central advantage of the critical realist commitment to uncovering hidden causal mechanisms: a more superficial analysis of the data that lacked an analysis of institutional rules and regulations would not have brought this hidden factor to light.

In terms of the documentary analysis, historical scholarly papers offered an important data source, enabling me to understand how institutions had evolved through time. They provided a critical perspective on the present situation, by allowing insight into how it had developed. My use of historical data sources also paid respect to Ball's SoP approach (2006), which gives a particularly important role to understanding the ways in which temporal changes that are apparently in the past actually influence contemporary development. The past thus becomes part of the present, a casual factor in the institutional landscape that explains areas of strength and tension in relationships, and dynamics of change (Ball, 1998). This also helps the researcher to understand the perdurance of institutional and structural features, and the way that they shape agential contributions (Aalbers, 2008; Ball, 2006).

Policy documents and formal, written rules and regulations were also gathered and analysed to better understand the structural features of the Saudi housing market. These included documents addressing issues of finance, construction, and property and land rights. Policy papers presented a particular challenge, since large volumes of information needed to be sifted and filtered according to their significance for the research questions. To make a selection all the more difficult, some of these were indirectly related to the causes of the housing shortage. In the end, to time and resources constraints, I decided to focus on the major policy documents that had a clear relationship to the shortage I sought to investigate.

3.5.2 Interview themes

A semi-structured approach to interviews was adopted. This has several advantages compared to structured interviews, including the ordering of questioning and the application of consistency. It was also important to give respondents time and space to elaborate on their answers, so that the possibility of discovering a new factor or new causal mechanism was not restricted (Somekh and Lewin, 2005). The semi-open-ended interview questions were designed after relevant literature on the housing shortage had been reviewed, bringing pre-determined themes from the theoretical framework into the empirical domain in order to test the causal relationships between structures, processes, actors, agencies, and the wider social, cultural, and economic context. Of course, such selections are theory-laden, and involve interpretative choices that will influence the research (Sayer, 1992).

The themes that were used to design interviews were as follows:

- Formal and Informal Rules – These included formal rules, procedures, and regulations, as well as informal embedded practices that organisations followed and adhered to in producing and reproducing housing conditions.
- Policies – These are such a significant structural element in the landscape that they were given a separate category. Policy had a major influence on the interactions between actors and organisations involved in the housing sector.
- Actors – This included individual and organizational bodies, including developers, government bodied, non-government bodies, builders, banks, marketers, and non-profit housing cooperatives.
- Relationships – This includes relationships between individual and organizations at different levels.
- Roles and responsibilities – These form an important part of institutions, and have a major effect on established practices and social positions. Roles are often determined politically, drawing attention to the power dynamics that structure construction in the built environment. There is a considerable degree of complexity at the intersection between the cultural and political aspects of Saudi Arabia’s housing crisis.
- Norms and culture – This include the wider culture and preferences of consumers and institutions, and the informal rules that govern interactions and relationships between actors.

Specific interview questions were then formulated on the basis of these main themes emerging from the literature review and the research questions. These were designed to collect two broad

types of data. The first category of question was designed to reveal structural data on the Saudi Arabia housing development process. The second was engineered to reveal the roles and relationships of key actors.

All the interviewees were asked similar questions, establishing a comparable framework across different perspectives on the built environment. However, respondents were given the opportunity to elaborate, and sometimes to deviate, from the order of questioning, where this allowed a more natural flow to the interaction between the interview and the interviewee (Bryman, and Bell, 2015). Financial mechanisms that allow the public access to housing were a particular focus for the research. The Real Estate Development Fund (REDF) was given special emphasis as it is the only government mechanism to provide housing finance to citizens, allowing some 25% of the Saudi population to own homes. Consequently, the central interview questions included an investigation of this policy, asking whether it has been successfully implemented, and what barriers exist to further improvement (including cultural aspect that govern attitudes to housing). The role of land grants, and the criteria that govern eligibility for these government measures, were a similar of attention. The research sought to trace both the internal organizational culture of the organizations administering these schemes, and the relationships, particularly the degree of cooperation, between them.

3.5.3 Selecting interview participants

Although data collection and fieldwork took three months in total, much planning work took place prior to this in terms of identifying the best people to interview. To do this, I contacted a range of people from various backgrounds and asked them to nominate those whom they

considered to be the most experienced in the field. I researched each of the recommendations, and identified those who were best placed to answer my questions, and chose accordingly. I sent formal requests via email to each potential participant three months in advance of the field work. The majority of times, it was not possible to contact the person directly, so that several layers of management had to be contacted in order to reach them. In total, the data collection process took six months: three months to identify participants and to prepare the interviews, and a further three months to interview the participants. In total, thirty eight interviews were conducted between April and June 2016.

Due to the nature of the data collection process, a cross-sectional time horizon was been adopted, providing a snapshot of the housing policy system. This was largely due to the limited temporal horizon for the PhD, which made longitudinal data collection impractical, although such an approach would have been useful. Additionally, a longitudinal approach would have been particularly challenging to adopt due to the access issues and the complexity of the research topic.

Purposive sampling was used to specify “the characteristics of the population of interest” and to locate individuals with these characteristics (Johnson and Christensen, 2008, p. 239). This is a form of non-probability sampling where the researcher sets the inclusion criteria based on the topic of the research and a set of criteria that ensure representativeness (Bryman and Bell, 2015).

The interviewees were chosen depending on their role in the provision of housing, their representativeness of different bodies in the Saudi housing industry, and their influence in the field. The aim was to include a wide variety of actors who play important roles in the development

of housing, in order to gain a coherent and inclusive picture. I was particularly concerned to find participants who were involved with various policy initiatives to provide finance to consumers, and who were connected with key organizations (the banking sector, the Ministry of Finance, the Ministry of Housing and Municipal Affairs, and those administering the REDF loan scheme). Private developers, real estate companies, and marketers were also included on the basis that they represent key participants in the built environment, with first-hand knowledge of the constraints on housing supply. They also form a critical link between the government and the consumer. In addition, the private developers, real estate companies, and marketers were selected due to their companies and activities that cover several cities in the kingdom of Saudi Arabia. As well, they adopted the housing problem. Therefore, they can obtain the interviewer with accurate and real information about the housing problem through their experience.

The locations for interviews were agreed with interviewees beforehand, the interviews took place in Riyadh City from different private and public actors. This city was selected due to the centralization of governmental departments where decisions affect all other cities. Interviews were conducted in Arabic, the primary language of Saudi Arabia. Initially, the interviewees were asked whether they were happy with recording the interviews. Most agreed, but three did not wish to be recorded. In these cases, notes were taken of the conversation instead.

Actors	Number of interviews
Academic researchers	9
Bankers	5
Private developers	8
Policy makers	9
Corporate housing	3
Charity housing agents	2
Real estate marketing	2
TOTAL	38

Figure 3.1: Interviewee Sample (see Appendix 2)

Policy makers

The Saudi housing sector is predominantly a governmental institution, which means that policy set and maintained by local and national governmental officials plays a major shaping role over the planning, financing, and development of housing (for more information, see Chapter 4). Representative policy makers were interviewed from key ministries, including the Ministry of Housing, Ministry of Finance, and the Ministry of Planning.

Academic researchers

Academic researchers in the fields of housing policy and real estate play a significant role in identifying problems and offering solutions that can feed into policy. It is important to note that many of these academic researchers play multiple complex roles, contributing to the housing market in a way that mixes the theoretical and the practical. For example, many of these researchers are consultants and advisers to policy makers and therefore can be considered as part of policy making process. They can be well-known and highly influential players in the Saudi housing sector, and are widely regarded as important figures in the navigation of the complexities

of the existing system. However, this research maintained a critical viewpoint on their accounts, favouring an inclusive approach which balanced views and perspectives from different organisations.

Private developers

There are two main types of developer in the Saudi Arabian housing market:

Real estate developers: These are institutional developers, consisting of professional real estate companies. They tend to build multiple units in a single project. However, the number of projects they undertake is limited.

Individual developers: These are not professionals, but individuals who seek to build smaller projects. Their level of expertise in housing development varies widely. Most take on small projects and build just a few units at a time. However, these small projects collectively represent 80% of the total market supply (MOH, 2013).

It was important to interview both types of developer in order to understand their role within, and impact on, the Saudi housing market. Real estate developers were contacted directly through their office contact details (i.e. telephone, e-mail). I called and sent emails to ten different Real estate developers, a total number of seven responded to my calls and emails, three apologized and four were interested in participating. Whereas individual developers had no offices so I had to reach them through personal contacts. Three architect friends introduced me to a large number of individual developers and I chose four out of that list.

Marketing agents

Marketing agents play a significant role in Saudi housing provision. They are the first point of contact between prospective sellers and potential buyers, and an important player in the development process. They advise both sellers and buyers, giving the former vital information on market demand, whilst guiding potential consumers on the affordability of a particular product. They thus have an impact on the overall pricing of the housing units that are offered in the market. In this study, two types of marketing agents were interviewed:

Professionals from licensed marketing companies: These are the official companies which run specific strategies to attract and interact with potential customers in order to drive the sale process. They usually leave the market to determine the prices based on the demands and supply, and match their customers' affordability with a specific product.

Non-professionals who act as marketers without a licence: Nonprofessional marketing agents are not official bodies; they are independent individuals or groups of people. It can be said that they use their wide network of connection to link potential customers (i.e. a buyer) with potential service provider (i.e. individual developers, contractors) for commission. Nonprofessional marketers have become an importance part of the process since they deal with individual developers who are a major player in the Saudi housing sector.

Financers

I sought to interview housing financers in Saudi Arabia: representatives of commercial banks and other financial companies who provide mortgages to the general population. These organizations play a critical role in mediating the affordability of housing for ordinary citizens.

Both the literature review and the secondary data analysis showed that this group is highly crucial within the sector, but poorly researched and understood. Despite the fact that many researchers identify the REDF as a problem within the provision of housing (Al-Mayouf and Al-Khayyal, 2011), the few studies that have involved financiers only collected quantitative data from them (Rabenau, 2011), meaning that this research represents a ground-breaking attempt to analyse these organizations, their position, and the constraints that they face in providing finance for housing.

Three further sets of actors who play a minor role in the housing system were included, as they are involved in alternative models of housing provision which potentially offers insights into ways to improve affordability more widely.

Corporate Housing

Although different Saudi Arabian companies and organisations adopt different housing programs to their employees, these actors play a crucial part in the Saudi Arabia housing sector. For example ARAMCO provides home ownership loans for Saudi employees to build their own dwellings. The amount of the loan money depends on the employees' age and salary and repayments are made through monthly deductions. These subsidised housing programs are part of the housing sector and hence were included in the interview sample.

Cooperative Housing

There are several cooperative projects to provide housing in Saudi Arabia. They often involve two or more parties working together or to achieve a common goal and improve living conditions for their members. Housing cooperatives represent one potential solution to the challenges of the

Saudi Arabian housing sector. However; the number of active cooperatives is very limited and their contribution is currently insignificant.

Charitable Housing

Several charities in the Kingdom have been providing housing to the neediest families for more than thirty years. These charities are interested in developing housing blocks and then letting units to poor families who meet specific social and financial criteria. Although charitable housing is considered to be a critical actor in the provision of housing for low-income groups, it serves very limited number of families, and has very limited contribution due to the lack of continuous financial support.

3.5.4 Secondary data

Secondary quantitative data were also gathered from reliable sources, including existing research produced by well-known researchers on the Saudi Arabian housing sector (e.g. Rabenau, 2011). According to Smith (2008), secondary data are not only important in understanding what is going on in a given context, but also provide a very rich, reliable, and economical way of investigating social phenomena. Most of the secondary data collection and analysis took place before the interviews were conducted. The reason for this was that these sources of information were useful in giving a preliminary sense of the various roles and responsibilities of different actors and the issues and constraints that they might face. It also enabled me to develop a rudimentary sense of the relationships between organizations, and suggested the importance of both structural aspects of institutions, and historical relations between them. By conducting a thorough exploration of secondary data, I was better equipped to contextualise the perspectives

and concerns of the actors, and to understand the specificities of their localised contextual position.

I made particular use of data on labour markets, economics, changing patterns of employment, and other factors that put pressure on housing were derived from national statistics published by the Saudi Arabian government. These data showed the extent of the housing shortage problem, and provide an insight into its historical development. They also allowed access to the unique geopolitical and economic context of Saudi Arabia, allowing me to develop an explanation that was contextually-specific. However, these data were of less use in determining the underlying causes of these phenomena (Sidawi, 2009), necessitating the use of primary interview data to explore the deep underlying reasons for the shortage. These also enabled a more focused exploration of institutional issues, overcoming gaps in the work of previous scholars, such as Rabenau (2011) and Al-Zamil (2014).

3.5.5. Data coding and thematic analysis

All interviews were conducted in Arabic, the first language of Saudi Arabia. The data coding process was also carried out in Arabic to ensure that the research maintained a strong hold on the data and there was no loss of information caused by translation. Only after this were the interviews translated into English. In order to ensure consistency and accuracy, the translation was checked by an independent linguist (Saunders et al., 2009) who is proficient in both Arabic and English. The recordings and the notes were filed and translated into English after the data collection process has finished.

I adopted a manual approach to analysis, as opposed to using a computer package like Nvivo, having had extensive previous experience in the in-depth manual analysis of data. I coded the data to categorise it into various themes for further analysis (Bryman & Bell, 2015), using a systematic, multi-step approach to identify patterns and key areas of interest. I followed the advice of Braun and Clarke (2006), whose step-by-step guide to thematic analysis provides a clear methodology for this process (Figure 3.2).

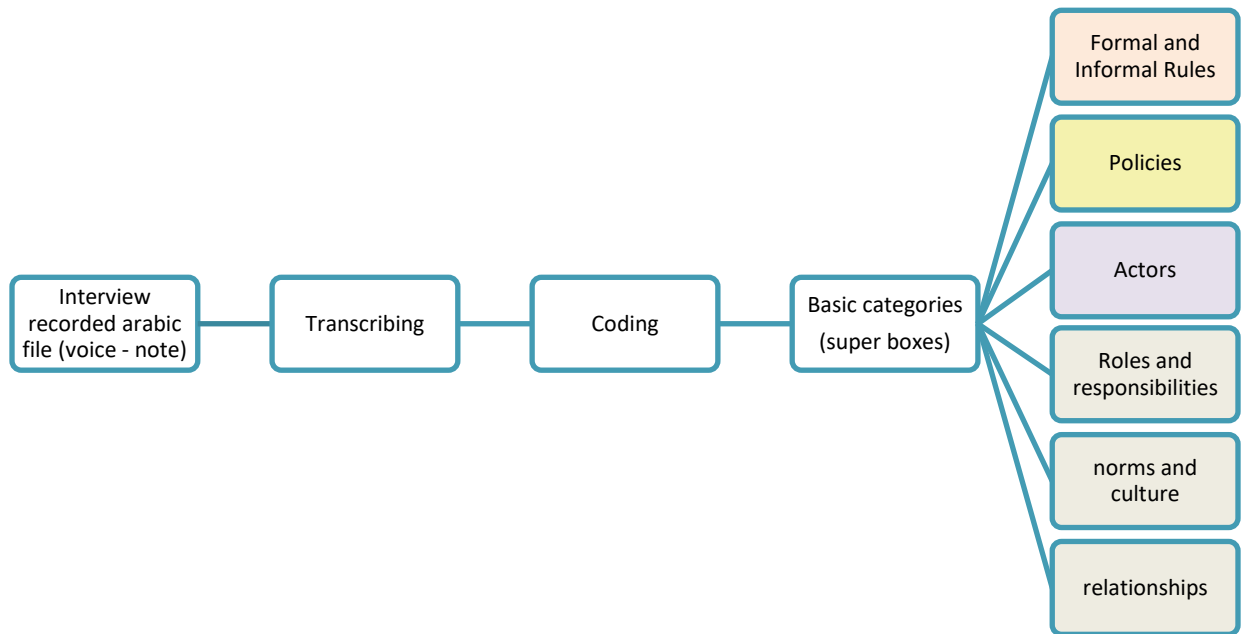


Figure 3.2: The process for identifying themes in the data

Braun and Clarke’s (2006) first step is for the researcher to familiarise themselves with the data. This involves analysing the content and identifying and prioritising the information that is most relevant to the research question. This then allows the researcher to grasp the broad shape of the data, and to begin to see rudimentary patterns within it. The transcription of recorded

interviews into written form occurs at this stage. The second step involves generating the main themes for analysis. These themes were identified after reviewing the relevant literature on the housing shortage to bring pre-determined themes from the theoretical framework into the empirical domain in order to test the causal relationships between formal and informal rules, processes, actors, agencies, and the wider social, cultural, and economic context. Of course, such selections are theory-laden and involve interpretative choices that will influence the research (Sayer, 1992). The main themes used in this research are : formal and informal rules, policies, actors, relationships, Roles and responsibilities and norms and culture. After identifying the main themes as broad themes of the analysis, this research used two types of data: extensive (such as data obtaining from reviewing literature); and intensive (such as the data obtained via interviews). Further, this research selected the main themes of the analysis from previous literature as broad themes then provided substantive sub-themes and codes for data collection as in-depth data (Fletcher, 2017).

To identify substantive sub-themes and codes for data analysis, the interviews were carefully re-read for recurring concepts, with more and more codes identified, until I reached the point no new analysis was possible. This is the point I decided to stop any further analysis (Saunders et al, 2009). These codes were subsequently sifted into broader themes in step three. This process found links between common terms, enabling the clustering of similar kinds of statement together as main themes, with sub-themes clustered beneath them. Step four involves the researcher reviewing the themes, establishing those that are most important for the research, and checking definitions and names to ensure that they represent proper theoretical categories.

This was an iterative task: using the abductive method described above (see section 3.4), I shuttled backwards and forwards between theory and data, comparing and contrasting one to another, and looking for additional concepts where necessary. In this way, I was able to find the local and contextual application for a more general theoretical model.

The main themes that were identified were: formal and informal rules, policies, actors, relationship, roles and responsibilities, norms and culture issues as shown in figure 3.2.

3.6 Research validity

Validity in qualitative realist research involves determining the degree to which a researcher's claim about knowledge corresponds to reality (Klenke, 2008). In this study, the types of validity proposed by Maxwell (2012) were adopted: descriptive validity, interpretive validity, theoretical validity. Descriptive validity is the validity of the interview data as they were recorded in the field, and encompasses questions of accurate and honest recording. The use of the Arabic language was here important: it maintained descriptive validity by allowing participants to speak in their original language, expressing their opinion fully without having to think about the translation of their words into a second language. Since I did the analysis in Arabic, there was no issue about problems of moving between languages at that stage. Although this issue could have been a concern when I came to move into English, however, none of the concepts involved seemed particularly problematic, and translated across easily.

Interpretive validity concerns the meaning people attach to their own descriptions or accounts, and covers questions of misinterpretation. To ensure that my data were valid in this sense, I repeated questions or asked for clarification from participants where I was unsure whether I had

understood them. As previously mentioned, interview data was checked against secondary data to establish validity. This also enabled me to identify how different agents viewed the development process, and to compare and contrast their views on what was happening. This was revelatory in terms of showing how close or far policymakers were from concerns of others in the process. When combined with an understanding of the institutional arrangements between actors, it allowed me to map which issues were present and yet hidden from some of the organizations and individuals involved in the process.

The final dimension of validity for Maxwell is theoretical validity, which involves the ways in which theory is applied (in this case, the theoretical frameworks drawn from Healey and Ball and an underlying research philosophy of critical realism). The validity of these theories has already been argued in the literature review section and a convincing case was presented for their use. In addition, the theoretical validity and interpretative power of Healey and Ball's institutional approach is supported by their use in previous housing research (see Chapter 2).

3.7 Ethical considerations

A number of ethical issues were considered across the course of this research, from the framing of the research questions to the writing of the conclusions. The ethical procedures and regulations of the University of Sheffield were followed at all times, and departmental ethics approval was obtained on the basis of a detailed submission of the research aims and design (see Appendix 1).

Due to the nature of the research, certain questions were quite sensitive. For example, housing shortage issues are somewhat taboo for government staff, and the problem is rarely openly

discussed. One reason for this is the government is under political pressure to build more houses: in the wake of the Arab Spring, the political climate in the Middle East and the Arab world in general has been one that is highly sensitive to issues that have the potential to spark conflict. In such a context, housing is not simply a domestic problem, but a matter for national security. Furthermore, the issue is particularly delicate because various political leaders and journalistic reports have recently started to criticise governmental agencies publicly for not meeting housing demands. This type of criticism is not common in a Saudi Arabian context, and many policymakers are dealing with it for the first time.

One of the advantages of a cross-sectional data collection approach was in managing the sensitivities of the situation. A short, sharp foray to obtain data avoided arousing undue anxieties and concerns about the research project, particularly in a context where the public dialogue around housing policy was intensifying on a daily basis. Furthermore, political changes were leading to alterations in government hierarchies, meaning that individual and organizational roles could potentially shift, affecting the research permissions obtained.

I obtained two types of permission for the research: organizational and personal. Before beginning the field work, I communicated with the organisations and individuals concerned to formally request access. I explained the research aims and objectives, and procedures for ensuring anonymity. I then supplemented this by requesting personal permissions from individual participants. I introduced myself to every participant interviewed, giving them a comprehensive overview of the research, and a full explanation of the nature of the project. This included guarantees of anonymity, an issue which I discussed at some length with every

participant. Interviewees were informed that they could stop their interview at any time, should they begin to feel uncomfortable, and that they were free not to answer questions should they wish. I also spent much time and energy developing questions that were tactfully phrased so that I could elicit information while allowing participants some latitude to shape their reply. These measures were indubitably necessary, since there was a risk of harming the careers of those participants who agreed to be interviewed, and of damaging relations with the bodies they represented. Participants were invited to discuss the research findings in order to validate the research results. However; none of the participants wished to take up this opportunity.

The recorded interviews were stored on secure university servers, and password protected. Each participant was given a number as an ID to replace his identity to maintain anonymity. The participants' current positions were not mentioned to maintain confidentiality (see appendix 2). All participants were classified into seven categories of academic researchers, bankers, private developers, policy makers, corporate housing, marketing agent and charity housing officers. Then, these categories were given numbers from 1 to 38, for example; Interviewee 6, academic researcher. These confidential and anonymous procedures were discussed and explained with all participants. Participants were informed that they could stop the interview at any time they felt, if they felt that the protection offered through anonymity was insufficient.

3.8 Limitations of the research

All studies have their limitations, this one included. When organizing interviews, I faced scheduling problems, with a high rate of cancellation and postponement among the interviewees, many of whom were exceptionally busy people. Some participants clearly found it

difficult to provide sensitive or critical information, perhaps due to fears about possible career consequences. Due to time constraints, I was unable to include property owners (housing consumers) in my study, which meant that I did not gather information on the constraints they face at the point of purchase. However, I was able to research the consumer experience via secondary data, which revealed many of the issues that ordinary people faced (Rabenau's 2011 study proved especially useful as a source of data in this area).

The generalizability of the research findings is also questionable, because the study is highly focused on the empirical contextual specificities of the Saudi situation. It applies an existing conceptual framework to an entirely new context, with the aim of generating insights about that particular place. However, some degree of cautious theoretical generalization to other Middle Eastern contexts is possible (see the thesis Conclusions).

3.9 Conclusion

Existing research on the housing shortage in Saudi Arabia has tended to adopt a positivist, quantitative approach. While this can be useful in revealing superficial regularities in the data, it is less powerful when it comes to identifying underlying causal relationships, particularly those associated with a sociological understanding of the role of structure and agency. In this chapter and the last, I have defended the innovative use of a qualitative institutionalist methodology and a critical realist research philosophy to investigate the Saudi housing crisis, on the grounds that these tools have explanatory power to identify hitherto hidden causal factors in a highly complex landscape.

This chapter has outlined the methodological approach taken in the study in more detail, explaining the practical application of the theoretical framework outlined in Chapter 2. In particular, it has detailed the methods used to identify overarching questions; to collect both primary and secondary data; and to code and analyse that data in ways that maintain the validity of the findings. Ethical considerations affecting the research, and limitations of the project were also discussed.

The next chapter discusses the Saudi Arabian context in some depth, providing some extremely important background to the central issue of the causes of the housing crisis. It will give an overview of the demographic and economic context in the Kingdom, before exploring housing provision in the existing built environment in some depth. The aim is not merely to capture the current situation, but to identify historical factors that have contributed to the current crisis. It will then outline some of the formal and informal rules currently governing housing development in Saudi Arabia. This information will set the scene for Chapters 5 and 6, which analyse the specific data gathered during my own research.

CHAPTER 4 Housing in Saudi Arabia: The Context for the Housing Shortage

4.1 Introduction

This chapter aims to provide a wide-ranging and temporally deep overview of the housing crisis in Saudi Arabia. It also provides information about the different types of housing that are available and their accessibility to various income groups. Further, this chapter will identify the major actors who play roles in shaping the housing market. Overall, it will begin to delineate some of the factors that affect housing supply and demand, including land availability, access to housing finance, and a body of formal and informal regulations governing the sector. Importantly, the narrative that this chapter tells aims to consider historical, as well as present-day factors, explaining not merely what and how things are, but how they came to be this way. Finally, this chapter provides the context in which the research question and sub-questions can be viewed and addressed.

4.2 The Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia is located in the southernmost part of western Asia. It has a total area of 2,250,000 km², and comprises about 80% of the total area of the Arabian Peninsula. The Red Sea borders the country from the west; the Arabian Gulf, UAE, and Qatar from the east; Kuwait, Iraq, and Jordan from the north; and Yemen and Oman from the south. The Kingdom was founded in 1932 by Abdul Aziz Ibn Saud, who unified four main regions: Alhejaz, Najd, Al-Ahsaa, and Aseer into one state (World Data Bank, 2016).

The country is divided into five geographical regions, the northern, the southern, the western, the eastern and the central region.

The Northern Region

The northern region contains four provinces namely Tabuk, Aljawf, Ha'il, and the Northern Borders. It has around 2 million population. Further, it is characterized by agriculture.

The Southern Region

The southern region contains four provinces namely Jazan, Aseer, Najran, and AlBahah. It has around 2.2 million population. In addition, it is characterized by moderate weather, agricultural products and mountains.

The Central Region

The central region contains two provinces namely Al-Riyadh and AL Qassim. It has around 9 million population.

The Western Region

The western region is the most populous in the kingdom. It has two important provinces to Muslims, which are Makkah and AL Madinah.

The Eastern Region

The eastern region is the largest by area and the third most populous after Makkah and Al Riyadh. It is considered the largest oil refinery in the world.

These regions are subdivided into thirteen administrative regions and provinces. The thirteen provinces and administrative regions were divided based on the internal migration in Saudi cities as presented in Figure 4.4, the amount of undeveloped land as presented in Figure 4.14, and

based on population growth and urbanization in Saudi Arabia as presented in Figure 4.2. However, details about these provinces is firstly presented.

Al Riyadh province, which is located in the central region; is the country's capital, and the central political and financial hub. The city underwent rapid urban growth after the periods that followed the oil discovery. The province reflects the high rate of the country's population growth, according to the national statistics, the city's population has grown from 19,000 inhabitants in 1920 to 150,000 inhabitants in 1960, and from 600,000 in the late 1970s to 7 million in 2016, and currently only 65% of them are Saudi (Saudi Statistics Authority, 2016). The city is divided more than fourteen municipal districts, and is considered the largest in the kingdom and in the Arabian Peninsula.

1. Makkah province, which is located in the western region and the most populous region in the kingdom. This province contains (1) the city of Makkah, the holiest place in Islam, it is the city where the prophet of Islam was born. (2) The province also contains the coastal city of Jeddah, which is considered to be the commercial capital of the country. Its seaport, which is located on the Red Sea, is the main entrance to the rest of the peninsula (Ministry of Foreign Affairs, 2016).
2. AL Madinah province, which is located in the northern part of the western region. It contains (1) the holy city of Madinah, where the prophet of Islam emigrated, lived and buried. (2) Yanbu, located on the Eastern coast of the Red Sea, about 350 kilometres north-west of Jeddah.

3. The Eastern province which is the largest by area and the third most populous after Makkah and Al Riyadh. The province is the country's home to most oil production industry. It contains (1) Al Dammam city and (2) Jubail city, which is considered to be one of most important global hubs for chemical industries. (3) Abqaiq city, which included the largest oil refinery in the world.
4. Tabuk province, which runs along the country's north-west coast in the northern region and contains the city of Tabuk which has the population of one million people.
5. Jazan province runs along the Red Sea coast in the southern region. It is the second smallest province in the country yet it has a population of 1,500,000 people (Saudi Statistics Authority, 2016) which makes it the highest density area in the kingdom.
6. Aseer province is another province, which is located in the western part of the southern region. It contains the city of Abha.
7. Najran province is located in the southwest part of the southern region along the border with Yemen.
8. AL Bahah province is a small area in the northeast part of the southern region, with a population of less than 500,000 (Saudi Statistics Authority, 2016)
9. AL Qassim province is located at the heart of the country in the central region; it has a population of 1,400,000 people. The province has agricultural assets with eight million palm trees, which makes it the country's alimental basket and gives it a high economic value.

10. Al-Jawf province is located in the northern region with a population of just above 500,000 (Saudi Statistics Authority, 2016). The region has three main cities: Sakaka and ALQurayyat.
11. Ha'il province is the northeast part of the central region. Its importance comes from its agricultural products like its neighbouring Al Qassim province to the south.
12. The Northern Borders region is the northeast part of the country and with a population of 320,000 people. It is the least populated area.



Figure 4.1: Map of Saudi Arabian provinces, with neighbouring countries (FWM, 2017).

4.3 Saudi government and economy

The economy is characterised by strong market competition in some areas but is nonetheless subject to strong centralised regulation by the state. The public sector plays an unusually influential role, reflecting the fact that the government owns lands and then makes grants of it

to Saudi citizens. Consequently, land theoretically has no commercial value; instead, it is the structures that occupy the 'space' (the house itself and the material from which it is built) that have value.

Saudi Arabia possesses the second-largest economy in the Middle East, after Turkey (World Economic and Financial Surveys-WEFS, 2010). In 2011, the total government revenue stood at 49.9 percent of GDP, with oil revenues representing nearly 46.2 percent of total GDP. The Kingdom is the world's largest exporter of oil, with daily production of over ten million barrels (OPEC, 2016). Over the mid to late twentieth century, high petroleum prices benefited Saudi Arabia, enabling the country to increase its capital resources and to achieve multiple national goals, whilst also reducing national debt and increasing their fiscal surplus.

However, a drop in oil prices since 2014 has posed a substantial risk to the Kingdom's economy and financial expenditure (IMF, 2015), revealing the extent to which the nation depends on this one commodity for its economic development. In general, the sale of oil provides over 90 percent of fiscal revenues and 80 percent of the export sources, so that the country's economy and the government revenues in particular, remain highly dependent on the global oil market (Aljazeera-Capital, 2015). Fluctuations in oil prices have a huge impact on national economic growth rates over a relatively short period of time: for example, in 2009 the real economic growth rate was at 0.1 percent, in 2010 it was at 4.6, and in 2011 it was at 6.8 percent (GAS, 2010).

Financially, the dependence on oil prices has consequences for the housing sector, not least because the government is the main financial player in resourcing housing.

The wild fluctuations in oil prices described above have a very immediate impact on the allocated budget for the housing sector and on housing prices more generally. Forecasts suggest that in a scenario where oil prices drop below the current levels, the government expenditure is expected to decrease and the housing production process will suffer a further decline leading to a further decrease in the housing supply and thus raise prices (IMF, 2015).

Politically, the country's leaders have recently started to adopt a more diversified economy, since the national revenue from oil may drop in the future (IMF, 2015). In order to reduce the risks attendant on over-dependence on oil and government policies, the role played by the private and public actors involved in the process of housing provision is likely to change (MOH National Housing Strategy, 2013). The current plan, laid out in the 2030 Vision document (Saudi Vision 2030), is to increase the contribution of both the non-oil-based public sector and the non-oil-based private sector. There are some signs that improvements are being made: in 2009, non-oil revenues started to contribute to the Saudi economy, with industry growing at 60.4 percent, services at 36.4 percent, and agriculture sector at 3.2 percent of GDP (IMF, 2015). However, these developments remain in their infancy, and do not necessarily represent sustainable future income streams.

4.4 Saudi population growth and urbanization

The population of Saudi Arabia grew extremely swiftly during the "oil boom" of the 1970s, contributing in significant ways to the housing shortage as the need for housing and services outstripped government provision (Garba, 2004). Figure 4.2 illustrates the extent to which the last 60 years have also witnessed a process of rapid urbanization, as the percentage of the

population residing in cities has dramatically increased. 30% of people lived in urban areas in 1960, but just fourteen years later in 1974, a majority (56%) were residing in cities. This proportion has increased steadily to the present day. In 2015, the urban population comprised 86% of the total population, whereas the rural population had plunged to 14%.

Year	Urban population		Rural population		Total	
	Population	Percentage	Population	Percentage	Population	Percentage
1960	1,222,419	30%	2,852,313	70%	4,074,732	100%
1974	3,925,301	56%	3,084,165	44%	7,009,466	100%
1980	6,338,886	66%	3,265,488	34%	9,604,374	100%
1992	12,541,801	74%	4,406,579	26%	16,948,380	100%
2000	16,910,947	85%	2,984,285	15%	19,895,232	100%
2010	23,066,430	85%	4,070,547	15%	27,136,977	100%
2015	27,108,419	86%	4,412,999	14%	31,521,418	100%
Expectations						
2020	30,362,096	87%	4,536,866	13%	34,898,962	100%
2025	33,097,667	88%	4,513,318	12%	37,610,985	100%

Figure 4.2: Population growth and urbanization in Saudi Arabia (Alzamil, 2014).

As Garba has shown, this led to rapid increases in the size of the country's cities. The capital grew from a population of 150,000 in the 1970s to approximately 4.2 million in 2004. Projections suggest that these increases will continue and that Riyadh will house some 10 million people by 2020 in an area of 1782 km² (Garba, 2004). As shown in Figure 4.3 the city has developed outwards in two planned phases based on urban growth, the first affecting an area of some 1150 km², the second a further 682 km² (Garba, 2004). As Al-Gabbani explains, this expansion is largely a result of the use of financial instruments to drive urbanization: the Saudi government saw the need for "low- to no-interest loans granted for even small developing firms to extend as far as necessary to assist the city's growth from a small city to a metropolitan zone in a short

period of time” (Al-Gabbani, 1991, p. 376, cited in Gamboa, 2008, p. 2). However, as in other locations, this ultra-rapid urbanization creates an enormous challenge for the provision of infrastructure and public services. The development process needs to take place in a sustainable and controlled way, to ensure that housing needs can be met, something that has not always been the case in the Saudi context (Garba, 2004).

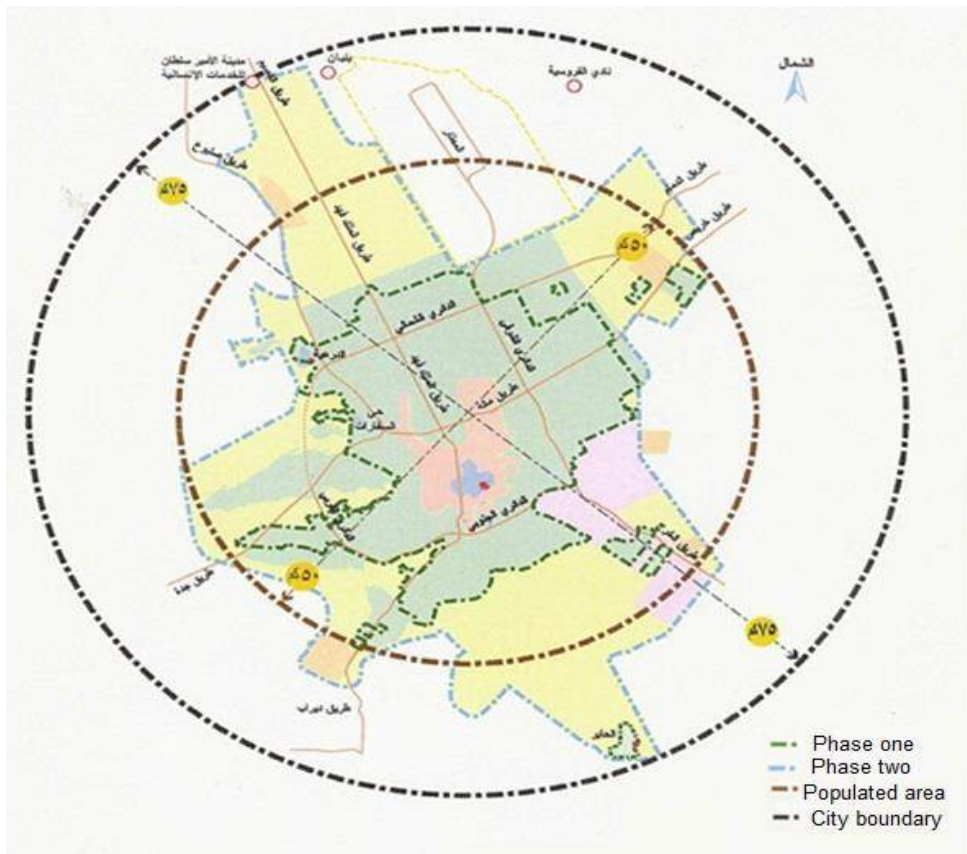


Figure 4.3: Urban growth boundary for Al Riyadh city (Amana, 2018)

4.4.1 Migration

Migration is one of the crucial contributing factors to the housing crisis in Saudi Arabia, intensifying the demand for housing in cities, and causing demographic imbalances between different provinces. In the Kingdom, there are two types of migration: internal and external.

1. Internal migration

Internal migration from small cities and villages is dominated by those looking for better job opportunities, improved educational opportunities, access to health services, or a more modern standard of living together. These factors increase housing demand for both rented and privately-owned accommodation (National Housing Strategy, 2013), especially in the provinces that have emerged as thriving urban centres, such as Riyadh, Makkah, and the Eastern region. Migration to these three provinces alone accounts for some 68% of the total internal migration in Saudi Arabia between 1970s and 2005. According to Sakran and Muneer (2005), most migrants move from small towns or villages to metropolitan cities.

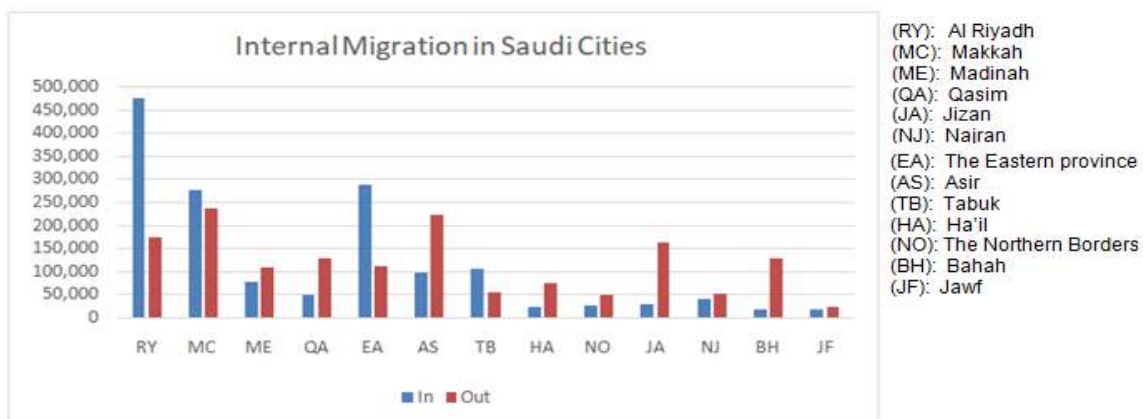


Figure 4.4: Internal migration in and out the Saudi cities according to the Central Department of Statistics and Information (CDSI, 2004).

2. External migration

The second reason for population growth in some provinces is external migration. This type of migration depends on economic and employment opportunities and infrastructure in metropolitan cities. Since the 1990s when economic migration became frequent, statistically this population comprised one third of the total population. Even though this number may fluctuate

with time, overall it remains static. For example, in Riyadh the migrant population makes up between 20 and 30 percent of the total population (HCDR, 2001). Most recently in 2016, the total population of Saudi was 31 million, of which approximately 9 million were economic migrants, therefore equating to a third of the population. Statistics suggest 1,452,927 of these are from India; 1,005,873 from Egypt; 894,109 from Yemen; 1,005,873 from Pakistan, 447,055 from Bangladesh; and 28,618 from Ethiopia. Around 89% of the private sector labour force in Saudi Arabia is comprised of external migrants, with the median age being 32-33 years (IFRC, 2015). The following figure illustrates the recent increase in their numbers from 2000 to 2015.

Country	Number of international migrants (thousands)		International migrants as a percentage of total population		Females among international migrants (percentage)		Median age of international migrants (years)	
	2000	2015	2000	2015	2000	2015	2000	2015
Saudi Arabia	5 263.4	10 185.9	25	32	33	32	32	33

Figure 4.5 Comparison of external migration in Saudi Arabia between 2000 and 2015 (GAS, 2015)

4.4.2 Residents' age structure

The rapid increase in the Saudi population during the last three decades has also been exacerbated by a high birth rate and lower mortality rate, partly a result of better quality health care (Salam and Elsegaey, 2012). Combined with the high rates of migration involving younger people, this is contributing to changes in the age structure of the population. 45% of the Saudi population is currently under 20 years old, a figure that suggests that the current housing crisis is about to intensify in the near future (GAS, 2018). Figure 4.6 breaks down demographic information by gender and country of origin (Saudi / non-Saudi) and shows a changing picture,

with migrants forming almost two thirds of the population in the age bands between 39 and 55, the majority being male. Further, most Saudi migrants and non-Saudi expatriates are single males who cannot afford to buy housing units, and hence opt to rent. This creates a good market for rental housing thus attracting investments away from building units for sale to own and occupy, therefore, pushing more people out of the ownership market to the rental market creating a cyclical process.

Population Age Bands

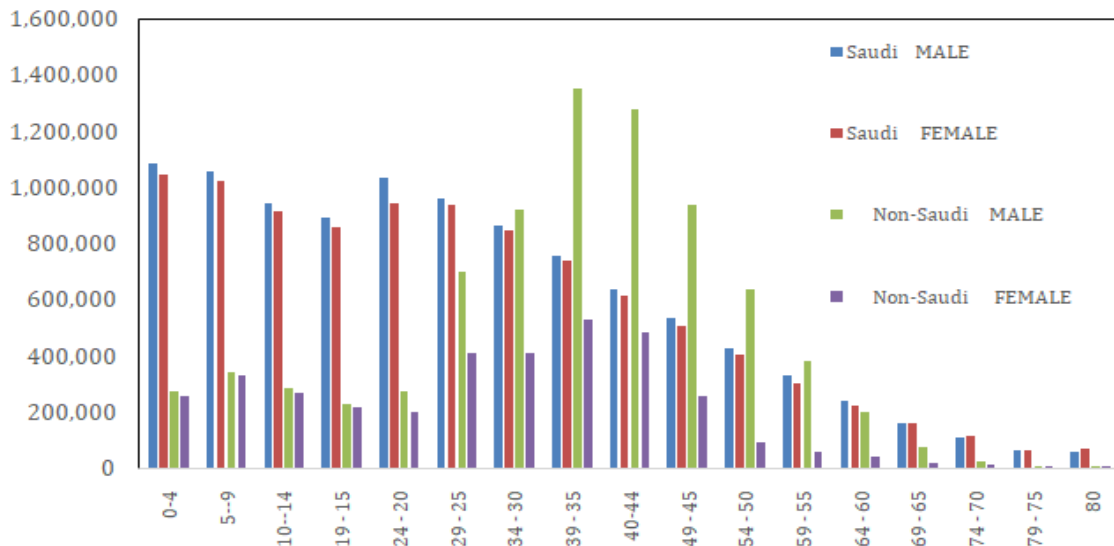


Figure 4.6: Population by age for Saudi and non-Saudi inhabitants (Saudi Statistics Authority, 2016)

When looking at the housing provision with Saudi, it is important to differentiate between the different groups of people, predominantly, those that are local Saudi and those who are single migrant men. Their housing needs are very different and require a different approach to ensure sufficient means are available. Whereas the local population are looking for family homes with the aim of purchase, migrant workers require smaller and short-term housing needs. The

importance of differentiation allows us to ensure that we approach the housing shortage in a targeted way to ensure that aims and objectives can be achieved.

4.5. The housing sector in Saudi Arabia

Traditionally, home rental has been the norm within the housing sector, though the government has explicitly committed to increasing rates of private home ownership. However, the excessive cost of housing units, especially within larger cities, constitutes a significant barrier to the achievement of their objective. As a result, between 2006 and 2011, the government issued regulatory and financial orders to support the housing sector, making a grant of more than three hundred billion riyals (the equivalent of approximately £60 billion at 2019 exchange rates) for the development of new housing in order to minimize the gap between supply and demand. However, despite these efforts, the housing shortage has persisted, and even shows signs of worsening because of the youth of the population. Clearly, existing efforts have not been effective in creating a meaningful remedy, making it all the more imperative accurately to diagnose the true causes of the problem (Rabenau, 2011).

4.6. Historical and cultural factors governing Saudi housing type

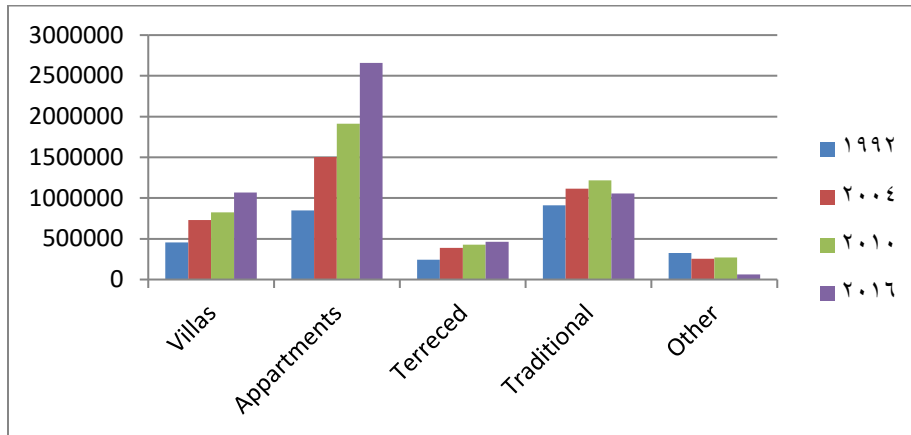
Cultural and religious mores play a key role in Saudi housing practices. Saudi customs, which are drawn from Islamic culture, stress the importance of hospitality. Those who own or rent a home are expected to pay a great deal of attention to ensuring the comfort of their guests, so that they feel “at home”. Most traditional Muslim societies are patriarchal, and men play an important role in this culture of hospitality, in a specially-designated public room within the house (Sobh

and Belk, 2013). The Majlis or “place of sitting” is considered to represent the masculinity and honour of a Saudi home. Traditionally, the Majlis is the only part of a Saudi house that is directly accessible from the street and the main entrance (Sobh, 2011).

Up to the early 1950s, Saudi homes tended to be inexpensively constructed from natural materials (mud, stone, and straw) available near the construction site; whilst using the relatively cheap labour of local construction professionals. Houses were small, though tailored to the needs of individual families and their financial circumstances (Bahamam,2002). These houses were predominantly self-funded, whilst some help was obtained from the local community.

In 1953, His Majesty King Saud Bin Abdul Aziz decided to move the government’s headquarters from Makkah and Jeddah to Al Riyadh. To support the construction development required, which included government buildings and employee housing, Project AlMalaz was initiated. The project was the first government intervention for housing which offered 754 villas (detached dwelling units) and 60 three-apartment buildings (providing 180 apartments in total) and many supporting facilities such as schools and health clinics. The country’s local builders were not experienced enough to build at such a large scale, hence the government had to use foreign architects and builders. This project was considered innovative in its approach due to a fundamental change in its building technique of using reinforced concrete and cement bricks, as opposed to the traditional mud houses (Fadan, 1983). The project introduced new streets layout, new type of housing units and new type of materials, which greatly influenced the design concept of the country’s houses and began to have an impact on the Saudi preference.

As urbanization gathered pace, apartments became the most dominant housing type in Saudi cities, with traditional houses in second place, and detached and semi-detached houses (e.g. villas) in third (Figure 4.7). The next sections outline these types of housing in more detail.



1992	325002	909005	241317	847233	454365
2004	255207	1114456	386911	1505429	729780
2010	271611	1218830	425968	1911248	824505
2016	63436	1054348	462538	2658453	1067862

Figure 4.7: Housing type in the Saudi cities and their percentage (MOH, Ministry of Housing Report, 2nd Edition, 2017).

Outside of these more publicly-oriented spaces, there is an expectation that domestic and family areas of the home will be very private. Islamic homes are designed to promote a culturally specific, functional family structure (Omer, 2010), and interiors are designed, built, and used around this expectation of carefully graded private spaces. Bahammam (1987) and Mortada (2011) suggested that the Islamic homes traditionally involve the negotiation of four types of relationship:

1. Privacy from neighbours' dwellings.

2. Privacy between genders.
3. Privacy between members who occupy the home.
4. Individual privacy.

Additionally, house design needs to consider and control the visibility of inhabitants, noise transmission (Bahamam, 1987), and odour (Sobh and Belk, 2011).

These cultural considerations about privacy limit consumer choices and have tended to lead to a preference for larger, more expensive, dwellings. This may be a contributing factor towards high construction costs, which are a significant barrier to the ownership of houses in the Kingdom (Bahamam, 2002). Any viable solution to the housing shortage must negotiate these cultural needs as an element in wellbeing and health. This does imply that these norms go completely unchallenged, merely that they are a factor that must be considered as an element in the housing landscape, and that their effects may be more severe on some social classes of consumers than others. Since these cultural mores are long-standing and certainly predate the present housing shortage, they are unlikely to be the sole cause of the housing problem (Mubarak, 2000).

4.6.1 Traditional houses

The number of these traditional houses varies from one city to another; however, they form about 40% of the total Saudi housings. The house design is based on a courtyard layout that emerges from Islamic social and religious beliefs, which require privacy for inhabitants. The courtyard must not face the main street, but must be an internal space, the seclusion of which is reinforced by high walls, high windows, and entrance areas, which segue between street and

domestic space. Windows that overlook one building from another are ideally avoided in this tradition of architecture (Al-Surf, 2014).



Figure 4.8: Traditional houses in Saudi Arabia (Pinterest, 2015)

4.6.2 Detached or villa-style houses

Detached villa-style houses date back to the 1940s, when ARAMCO began their housing ownership scheme in the eastern cities of Dammam and Dhahran. The percentage of villa-style houses is shown in Figure 4.7. In 1950, this style of architecture was introduced to the Al-Malaz suburban area of Riyadh city, and became a fashionable style for contemporary buildings, in part because it offered a solution that provides larger room sizes, while respecting the need for privacy and other religious social requirements. Developments in building materials and construction technology made these new residences highly desirable, inaugurating a new era in cultural preferences, as traditional houses came to be viewed as old-fashioned, unsuited to modern life, and undesirable. Unlike other types of housing, villas reflect the personality of the house owner. They can vary in size from the compact to the sprawling, but they tend to share a

series of features: a garden, a garage, and high walls (Mubarak, 2000). Although these houses are limited to major cities such as Riyadh, Jeddah and Makkah, they form about 25% of the total housing market.



Figure 4.9: Detached house in Jubail, Saudi Arabia (Islamic-city, 2017)

4.6.3 Semi-detached houses

A semi-detached house is a single-family dwelling house that is attached to one other unit. 18% of the Saudi population occupy this type of housing. Every occupier has high level of privacy and this design fulfils cultural requirements for privacy, since each house has two external doors, a large one leading to a guest hall (a male-dominated space) and an ordinary door, which can be used by family members. The design provides two floors: the ground floor is used for daily activities, and generally consists of a lounge, family living room, dining room, kitchen, utility room, and bathroom. The first floor always is specified for bedrooms, and bathrooms (Alzamil, 2014).



Figure 4.10: Semi-detached house in a Saudi housing project (MOH, National Housing Strategy, 2013)

4.6.4 Terraced houses

Terraced houses are single homes that are joined to a row of other homes, but still divided into two vertically organized living spaces. As with semi-detached houses, there is usually a lower level with daily living spaces (lounge, dining room, family living room, kitchen, utility room) and an upper floor with bedrooms and bathrooms. Most have a garage to the front of the house, and a garden at the back of the house. The size of the house depends on the size of the family, and their budget. This type of house consumes less land compared to detached and semi-detached houses, and tends to be relatively less expensive. However, it does not adequately meet the privacy requirements or the cultural preferences of Saudi inhabitants, since this type of houses has small courtyards, which are overseen by neighbouring housing units.



Figure 4.11: Terraced houses in Saudi Arabia (Alargan, 2016)

4.6.5 Apartments

Apartments consist of a series of rooms located within a multi-story building (often a designated residential block). They can have one or two floors. Although the housing market produces more apartments than other types of housing units, they are not popular because they fail to meet cultural expectations around privacy, and seem increasingly unfashionable when compared to large, villa-style houses. They are often seen as an entry point into the property market or as a necessity where no other option is available (Ahariqi et al., 2008). They are, however, more affordable than other types of accommodation. In general, an apartment consists of two or three bedrooms, a kitchen, a living room, and a dining room.



Figure 4.12: Apartment building in Riyadh, Saudi Arabia (Al-Riyadh, 2014)

4.6.6 Other housing

In addition to the above mentioned houses, statistics show that about 30% of the population live in other types of informal housing (Sultan, et al., 2012), often in unplanned settlements. Due to some people's limited financial abilities, other housing can consist of temporary structures, or houses built from corrugated iron. The quality of these houses is generally poor, and they are often built by the inhabitants themselves, using their accumulated practical experiences (El-Shorbagy and ElShafie, 2014). Shanty houses constitute one type of informal house: these are very simple homes with zinc ceiling and poor facilities. They are mainly situated in old areas of large cities such as Madinah, Makkah, and Riyadh. The proliferation of informal housing in some provinces is very high: statistics suggest that around 24% of houses in Makkah, and 42% of those

in Medina are of this type. These inexpensive types of housing are not suitable for families, but are generally rented by single, low-income workers (Musa, 2010, p. 22).

4.7 Housing ownership in the kingdom

The cost of housing plays a significant role in its accessibility to the population, and the system's failure to meet demand has contributed to a dramatic increase in prices. In Saudi Arabia, households are divided into four main types: owner-occupiers, tenants, employer-provided housing, and others (which include housing provided by the charitable sector). Alzamil (2014) calculates that around 40% of households are owner-occupiers, compared to a global standard of 70% (Sadiq, 2013). Between 2007 and 2011, the high cost of housing contributed to an increase in the number of people renting. The number of rented residential units grew to 2,149,137, some 46% of the total number of households (Alzamil, 2014). However, it is important to note this data does not differentiate between the different cohorts of people who rent. It is important to note that the rental market can be divided into two groups whereas rental units provide an economical choice for low and middle income families; the second cohort is the external migrant population, who make up a significant proportion of this cohort (Alshaikh & Alwazir, 2012). However, for this research, we will only address the local population, as the migrant population have their own needs, which are varied from short to medium stay, the inability to buy due to local laws, and the varied income of the workforce, which is from high to low.

The average household monthly income reaches to SAR 14,823, whereas, the average household monthly consumption expenditure reaches to SAR 14,584. However, the Saudi household savings rate is lower than 10 percent global standard recognized. This happened due to several factors

including unavailability data on household saving, limited saving products in the Saudi market, and finally a low level of financial literacy (GAS,2018). it is confirmed that Saudi Arabia's household savings rate has witnessed a downward trend in the past decade. As well, the analysis of the survey further revealed that the main reason behind the decline was the disproportional increase in the monthly income and monthly consumption in the past 10 years. While average household monthly income increased by percent, from SAR 14,084 to SAR 14,823 during the period from 2007 to 2018. At the same time, the average household monthly consumption expenditure grew 38.6 percent, from SAR 10,522 to SAR 14,584. In conclusion, the average household monthly income is directly relations with the household monthly consumption expenditure (GAS, 2018).

The government has a strategic plan to raise rates of ownership to 80% by 2024 (MEP, 2010, p. 335). To achieve this, it will be necessary to reduce the disparity between housing costs and incomes. In 2016, a housing report from the General Authority for statistics suggested that progress was being made towards this goal, citing a figure of 63% of housing as owner-occupied. However, many others argued that this figure was inaccurate, unrealistic, and unreliable (Rabenau, 2011). Because of this criticism, the figure was corrected to 46%, the disparity explained by a mistake in data collection that was rooted in the fact that all old unoccupied houses had been counted as owner-occupied (GAS, 2016). Furthermore, where several families lived together in a large property, each had been designated as owner-occupiers, resulting in the same property being counted multiple times.

4.8 Housing and land in Saudi Arabia

Land availability plays a fundamental part in the supply of housing in Saudi Arabia (Alzamil, 2014). Land in the Kingdom is divided into two categories: developed land and undeveloped land (MOMRA, 2011). Developed land has access to infrastructure, services, and other facilities provided by MOMRA; therefore, this type of land is regarded as suitable for the construction of housing units. The developed land lies inside city boundaries and the landowner might be the landowners or individual owners to build their houses.

Undeveloped land, by contrast, lies outside city boundaries or inside city boundaries and lacks essential infrastructure (HCDR, 2009). Besides, the speculators take the undeveloped land and when the infrastructure reach it, they will sell it at a high price.

Saudi Arabia has an abundance of vacant developed land; however, much of this is in the hands of landlords and real estate companies, who treat it as an investment vehicle for resale at inflated prices (Sultan et al., 2012). This increases land values and, correspondingly, the burden on local housing agencies that rely on this vital resource. The relative scarcity of developed land that is not being exploited in this way has contributed to the housing crisis. Figure 4.13 illustrates the relative distribution of used and vacant developed land against undeveloped land in Saudi Arabia, giving a sense of the scale of this problem.

This figure also shows that the amount of undeveloped land is very high in some provinces, particularly Makkah (71%), Medina (92%), Qassim (55%), Jizan (50%), Najran (55%), and Jaouf (61%). This suggests that a lack of developed land may also be contributing to a rise in land values, due to a lack of land supply. The high proportion of undeveloped land may also be one of the

main reasons for the spread of squatter settlements in some provinces such as Makkah and Meddina (Musa, 2010).

Province	Developed land		Undeveloped land %
	Used %	Vacant %	
Riyadh	19	44	37
Makkah	24	5	71
Medina	4	4	92
Qassim	28	17	55
Eastern Area	32	58	10
Asir	14	79	7
Tabuk	44	23	33
Hail	41	23	36
Northern Borders	49	29	22
Jizan	41	9	50
Najran	10	35	55
Baha	40	44	16
Jaouf	19	20	61

Figure 4.13: Developed & undeveloped land in hectares, by Saudi province (GIZ, National Strategy for Housing, 2011, p. 112)

4.9 Cost of housing

The growing gap between house prices in Saudi Arabia and the average Saudi household income can be depicted by comparing the situation in the Kingdom with that of the USA. In the United States, the average household income stands at 50,221 dollars, and the average house price is about 168,000 US dollars. The cost of a house is therefore roughly 3.35 times the average household income. By contrast, in Saudi Arabia, the average income is the equivalent of about 18,851 US dollars (according to General Organisation for Social Insurance (GOSI), while the average cost of a home is about 144,000 US dollars on average. The average home is therefore valued at 7.64 times the average salary (Saudi Gazette, 2012).

However, there is a significant difference in the cost of various types of houses in different locations in Saudi Arabia. In cities like Riyadh and Jeddah, the average price of an apartment was 485,833 Saudi Riyals (about 130,000 US dollars) in 2014, whereas the average price of a small

villa within the same cities was 1.06 million Saudi Riyals (around 427,000 US dollars) (Alzamil, 2014). Furthermore, as figure 4.14 shows, Riyadh and Jeddah have a high cost of houses because they are densely populated, so, the demand for houses increases. Furthermore, dense population is not the only reason for the high cost of houses. There are many other factors such as job opportunities provision and education and health services provision (Rebune, 2011). As previously mentioned, Saudi families prefer villas over apartments; however, the affordability of the former has increasingly become a problem. This cultural preference for larger and more private homes feeds into the housing market, since developers try to provide a product that can impress Saudi consumers and fulfil their expectations (Banque Saudi France, 2011).

City	Small size villa price	% of increase (2015)
Riyadh	SR1.23 million	19 percent increase
Jeddah	SR 1.54	17 percent increase
Eastern Province	SR768,000	

Figure 4.14: Cost of a villa in Saudi Arabian cities and percentage increase between 2010- 2015 (MOH, 2015).

Because of the continuously growing demand on rental property since 2008, major cities in Saudi Arabia have witnessed an annual increase in the rental costs. These have affected Riyadh, Jeddah, Makkah, and urban areas in the Eastern area. Part of the problem is that property developers are increasingly unwilling to participate in the rental market, instead preferring to provide more profitable housing for high income groups. This also minimises development risk due to a mismatch between incomes and the cost of units provided.

4.10 The roles of the public and private sectors in the Saudi Arabian housing market

Housing supply in Saudi Arabia is determined by a number of themes as mentioned in Chapter 2. The role of the government in built environment is all-powerful. The government centrally manages housing market and there is little room or say for the private sector (Al Mayouf & Alkhayyal, 2011). Rabenau (2011) argues that the Saudi government is over confident in solving the housing shortage issue, and as a result it interferes with almost every aspect of housing in Saudi.

There are predominantly two sets of rules: informal rules dictated by the market and by consumer preferences; and formal rules governing the various parties that are involved in the provision of housing, particularly those that are embedded within government agencies and ministries, including the Ministry of Housing (MOH), the Ministry of Economy and Planning (MEP), and the Ministry of Municipal and Rural Affairs (MOMRA). The state's dominance ensures public sector control of housing remains the norm, whereas the private sector participation is still limited. For example, the Ministry of Housing (MoH) has been the main agency responsible for the task of housing provision including affordable housing. MoH has allowed for the existence of double standard regulation system where all developers who are working in partnership with MoH are allowed a much more relaxed standards and regulations in comparison to those who are not. The roles and responsibilities of key public and private organizations and the interrelationships between them will be explored in this section.

4.10.1 A brief history of recent public sector involvement in housing provision

Most of the governmental bodies that deal with housing sector in Saudi Arabia today were established in the mid-20th century (MOH, 2010). The country's first planning agency was established in 1958. In the 1960s its budget was small as a result of financial constraints (the "oil boom" of the 1970s had not yet commenced), and most funds were devoted to major infrastructure developments. By 1965, it had become significant enough to warrant redesignation as the country's central planning department, and by 1975 it had become an independent governmental body, the Ministry of Economy and Planning (MOEP). It played a crucial role in the country's extraordinarily fast urbanisation due to the fast-growing population (Bahamam, 2011), preparing a succession of Five-Year Development Plans to guide development. These offer a series of guidelines and strategies that focus on the achievement of defined aims, including the provision of infrastructure and housing services. Most of the actors in the development process are required to abide by these plans. In practical terms, their recommendations regarding infrastructure are carried out by the Ministry of Municipal and Rural Affairs (MOMRA); while those concerning housing, construction are implemented by the Ministry of Public Works and Housing (MOPWH).

The Ministry of Public Works and Housing (MOPWH) was one of first major governmental bodies, and was established in 1975. Until 2003, it was responsible for the construction and maintenance of public sector projects, after which date many of its functions were absorbed by the Ministry of Municipal and Rural Affairs (MOMRA), also established in 1975. The scope of this organization is large, and includes almost all services that are necessary to maintain a healthy and clean

environment in the Kingdom (MOMRA, 2012). It was initially given responsibility for the administration of the municipalities, including city and town master planning, and the provision and maintenance of basic infrastructure, such as roads and social services. Until 2011, MOMRA was also responsible for granting land to Saudi citizens, through a scheme called the Municipal Land Grant (MLG). However, the granting of land is located outside city boundaries; therefore, the benefit from the granting is limited so Saudi citizens who got the grant seek to sell it at the lower price to speculators. Beginning in 1970, this has gifted free land to eligible Saudi citizens. From 2003, when MOMRA took over much of the remit of MOPWH, it has also acted as a provider of residential housing.

In 2005, the MOEP recommendation was to establish a central body to regulate the housing issues carried out by different departments in different agencies. Consequently, the General Authority for Housing (GAH) was established in 2007. However, in 2011 the General Authority for Housing was replaced by the Ministry of Housing (MOH). The MOH's main target was to develop new fully serviced plots of land in order to provide suitable and affordable housing units to low and middle income group. Many of these Saudi government agencies were involved in the housing systems management. However, in 2013 the Ministry of Housing became the central responsible housing authority. Figure 4.15 show the main regulating authorities from 1975 – present.

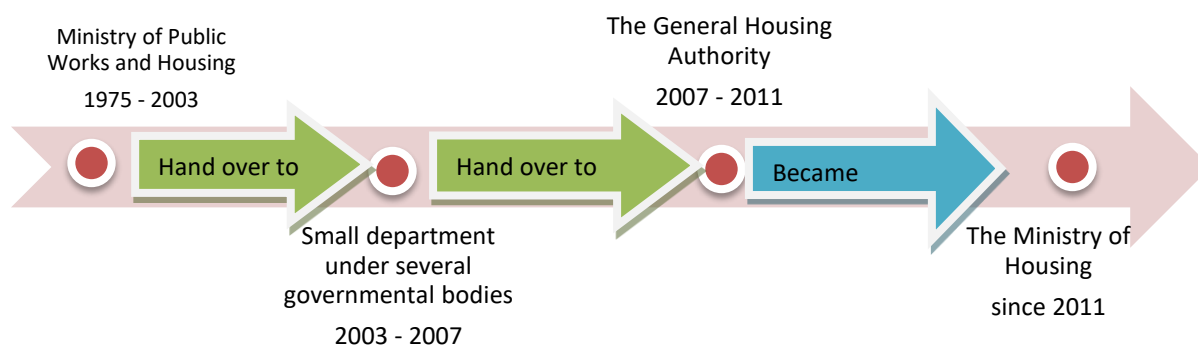


Figure 4.15: The main regulating authorities took responsibilities for housing from 1975 – present.

4.10.2 Current public sector bodies involved in housing provision

This section explains the housing programmes and initiatives that the Saudi government is currently undertaking in order to solve the housing crisis and promote ownership of private housing (MEP, 1975). They have largely been funded by enhanced national prosperity due to high oil revenues, which has enabled the government to establish new policies and introduce new initiatives.

In the present, the governmental bodies that regulate and run the housing market are as follows:

1. Ministry of Housing (MOH): This ministry was established recently in 2011 to take over and assume leadership of the housing sector (see figure 4.16). The ministry’s responsibilities vary between determining policies and creating partnerships with other actors involved in the housing provision system. Currently it takes the lead in setting the direction of the housing delivery process by determining broad national housing policy and standards, under a single national policy framework that allows adaptation to different local needs, in consultation with relevant stakeholders (MOEP, 2011).

2. The Real Estate Development Fund (REDF). The REDF is a governmental agency established in 1977. It is supervised by the Ministry of Finance and provides medium- or long-term interest-free loans to individuals or organizations for private or commercial housing projects (MOEP, 2011).
3. The Saudi Arabian Monetary Agency (SAMA). The financial sector is regulated and controlled by SAMA, which plays the role of a central bank in the Saudi Kingdom. Both the MOH and the REDF are funded by SAMA. As well, SAMA has an important role in real estate funding.

The first of these has already been discussed above and now the REDF will be presented in more detail.

The Real Estate Development Fund (REDF)

The REDF scheme indicates the interdependences between financial, social, and political roles in the Saudi housing market. It uses financial mechanisms to stimulate the housing sector: all Saudi citizens are eligible to apply for interest-free cash loans of 500,000 Saudi Riyals (\$133,000), which is repayable over 25 years. Mubarak (1996) summarises the three conditions for REDF as follows:

- The applicant must be a Saudi citizen. Male applicants must be at least 21 years old (if single) or 18 years old (if married). Female applicants must be at least 40 years old, or divorced for 2 years. Widows must be the head of their family.
- The applicant must not have received a previous REDF loan.

- Up until 2015, applicants also had to provide proof of their legal title to a parcel of land in an approved land sub-division, but this condition has since been cancelled.

From 1975-1992, the REDF contributed significantly towards the achievement of its target of reducing the housing crisis. Over this period, the supply of houses was greater than demand: the REDF granted 411,711 personal loans worth 107,947,000,000 Saudi Riyals towards the building of 489,404 units (REDF, 2010). The fund had also provided 2,470 investment loans with a total value of 5,154,000,000, for the construction of 29,227 residential units, 2,857 offices, and 5,125 trade exhibitions. The total loans disbursed from the REDF from its inception until the end of 1995 amounted to 134.1 billion Saudi Royals (Mubarak, 1999).

Figure 4.16 show the performance of housing market in Saudi Arabia from 1970 to 2015. Between the years 1970 and 1989, despite the decline in oil in 1985, there was a balance in the size of supply and demand in the housing market through the supply of housing units required to be implemented according to the five-year plan (five-year development plans). However, after the Gulf War in 1990 and before 2000, the performance of the housing market has become disrupted, and high demand has become matched by a limited number of implemented housing units, as a result of the economic conditions. After 2000 and before the 2015 the size of the implemented units could not meet the high demand, despite the economic improvement.

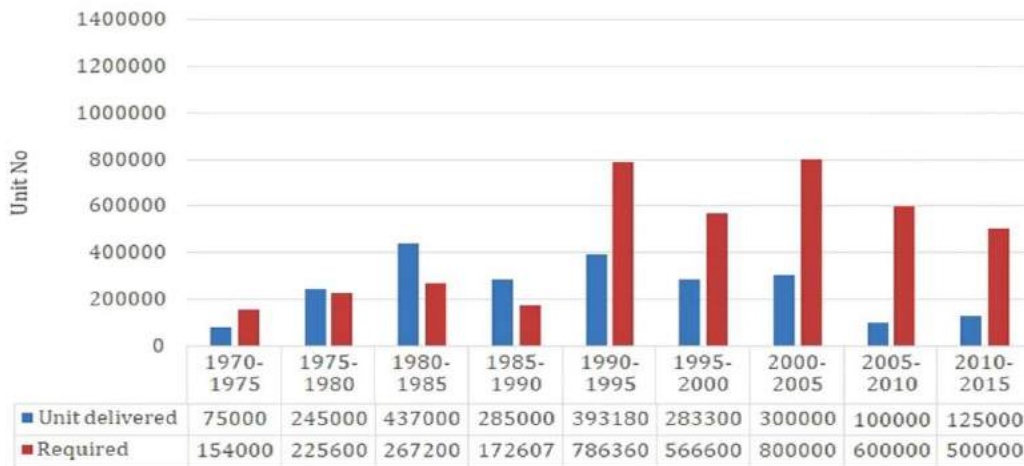


Figure 4.16: The performance of housing market (FYDP,1970- 2015)

However, the REDF scheme suffers from a significant number of critical issues. It has failed to diversify its sources of funding, which meant that the scheme suffers a lack of funds whenever the government's budget fluctuates. The aforementioned dependence of the Saudi Arabian economy on oil means that its budgets tend to change significantly and suddenly: for example, the REDF suffered a dramatic reduction when Saudi Arabia experienced an economic recession due to oil price fluctuations between 1985 and 1994 (Figure 4.17) and was cut back again in the 1990s after a further drop in oil prices as a result of the first Gulf War. A further problem lies in the scheme's open eligibility criteria: loans are granted equally to every Saudi citizen, regardless of the need, and with no reference to the variation in house prices between provinces. These critical issues are tabled in (Figure 4.18).

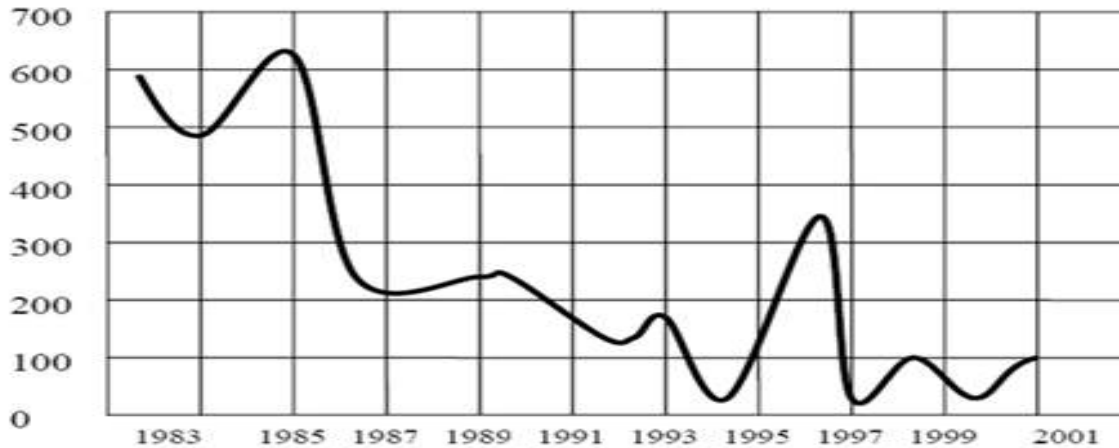


Figure 4.17: REDF budget in millions SR; between 1983 and 2001 (MOPWH, 2001)

Year	1974
Administration	Committee headed by Ministry of Finance (MOF) from 1974-2011. Ministry of Housing (MOH) since 2011
Funding	\$48,800,000,000 or (183,000,000,000 SAR)
Subsidy method	Interest-free loan equal to \$133,315 (500,000 SAR)
Eligibility	<ol style="list-style-type: none"> 1. Citizen 2. Single 3. Not owning adequate housing 4. Male should be at least 21, or 18 if married. 5. Orphans 6. Not applied for subsidy before <p>Additional conditions for females:</p> <ol style="list-style-type: none"> 1. Female should be at least 40 years old 2. Divorced women for two years or more 3. The widow; or a head of household
Priority list	Seniority of submission
Procedure	<ol style="list-style-type: none"> 1. Submission of documents: <ul style="list-style-type: none"> * Civil status * Prove the breadwinner (if the applicant is female) * Pledge approving that applicant not owning a house * Pledge approving the applicant did not previously obtain loan from REDF * ID letter from work * Sketch of plot site * International Bank Account Number (IB AN) * Sponsor or guarantees for the unemployed 2. Verification 3. Approval 4. Signing contract 5. Receive payments 6. Repayment
Critical issues	<ol style="list-style-type: none"> 1. Lack of financial funding. 2. The subsidy value does not take into account the variation of housing market among the provinces. 3. Eligibility criteria target all single citizens regardless of income level, which impacts REDF's budget. 4. Priority list depends on the seniority of submission, not the level of vulnerability. 5. More than 1,573,349 applicants on waiting lists. 6. The length of the waiting period of the loan. 7. Failure to diversify sources of funding (REDF, 2013). 8. Mechanisms of loan repayments ineffective. 9. REDF affected by fluctuations of government budget

Figure 4.18: Summary of the REDF policy (Alzamil, 2014).

The Land Grant

In the Saudi Kingdom, In 1970, a new scheme was inaugurated to offer eligible Saudi citizens a plot of land for free. Funded by higher oil prices, it offers applicants a minimum area of 400 m², which was increased in 1987 to 625m² thanks to a resolution from the Council of Ministers (No. 153). However, this increase in the area of plots led to a decrease in the number of successful applicants, resulting in the development of low density residential areas (Alzamil, 2014).

Male Saudi citizens over 18 years old who had not previously received a land grant are eligible; women have to meet further criteria. All applications are submitted to the relevant municipality, where the eligibility of the applicant is checked. Thereafter, they are dealt with on a first-come-first-served basis (MOMRA, 1995). If successful, the applicant is directly awarded the land grant, which is typically located on low-priced areas at the edges of the relevant city, at some distance from the centre. Despite the fact that the land grant programme has improved housing provision in the Kingdom, the scheme has recently begun to face some obstacles such as:

- A lack of developed land, meaning that the land that is granted falls outside of a city's developed boundaries. Consequently, it is not developed and does not have infrastructure and services. Some of these parcels of land are located in remote areas and applicants simply do not have the financial ability to service and build on them.
- This situation helps to fuel monopolistic land trading. Beneficiaries who receive parcels of undeveloped land usually sell them. They are purchased for resale by a number of wealthy land traders, who aim to buy up many parcels from individual applicants to form a larger holding (Al-hubashi, 2012).

- Applications are processed extremely slowly, which results in long waiting periods that can reach up to 30 years.

These critical issues are tabled in (Figure 4.19).

Year established	1955
Administration	Ministry of Municipal and Rural Affairs (MOMRA)
Funding	\$25,434,574,920 (95,400,000,000 SAR)
Subsidy methods	Mostly undeveloped land grant
Eligibility	Citizen Single Male, at least 18, except orphans and disabled Female (unmarried) age at least 25 Not applied for MLG before
Priority list	Widows and divorced women Orphans and special needs Unmarried female over 25
Procedures	Providing the required documents: Proof of citizenship Land grant application form and a Pledge form Review records of grants and Reviewing of request Application is Placed on the waitinglist. Announce the names of the beneficiaries of the grants. Determine the date for a "land lottery"

Figure 4.19: Summary of the land grant policy mechanism (Alzamil, 2014).

Land and Loan

The MOH launched this programme in 2011 to mitigate the housing shortage in all Saudi cities. There are two prongs to the policy. The first provides applicants with a parcel of developed land, which is connected to infrastructure and services, for a payment of SR 150,000. The second provides a loan (granted by the REDF) of 500,000 Saudi Riyals to build a dwelling on the land. However, in 2015 this policy was halted for review, because it had failed to achieve its aims: the need to pay a substantial chunk of the REDF loan towards the land meant that applicants did not have sufficient money left to construct a house on the site.

Since 2014, a different approach has been adopted. The MOH is now seeking to give private developers a substantial role in the programme, in a new era of Public-Private Partnerships (PPP). The central concept is that the government will provide developers with land to develop and build several types of housing to suit several types of consumers. Buyers will then borrow money from the government to purchase these units (Al-Arabiya News 13th Oct 2016). Since this represents a pivotal shift, the next sections will explore the public and private sectors of Saudi Arabia in more depth. A detailed conceptual discussion of differences between the roles played by the private and public sector in Europe and Saudi Arabia will be followed by a more empirical section delineating the roles of major private sector players.

4.10.3 Private sector actors in Saudi Arabia

According to the MOH (2013); the public sector is responsible for 10% of the market production, while the private sector is responsible for about 90% of the units that are constructed. The real estate companies account for just 10% of the market. This means that individual developers are the main supplier for the housing market at about 80% of the total housing productions (MOH, 2013). Many of these constructions carried out by individual developers who are contracted by citizens who are eligible for REDF and MLG. It is important to mention here that the quality of the housing units produced by small developers is often very poor due to poor building materials and old designs (MOH, 2013).

Despite the private sector providing the bulk of units provided, the sector's involvement in the current Saudi housing market seems relatively disorganized, with established public sector

organizations tending to take the lead. The fact that governmental organizations play multiple roles in the process of building houses weakens the position of private companies, giving them fewer opportunities to enter the market and thus limiting their experience and expertise. Moreover, private sector companies are not included in the policy dialogue; and play a minimal role in designing and implementing developmental plans (Al Mayouf and Al khayyal, 2011).

The role of the private sector in the Saudi Arabian housing market has been very limited until recently. Developers, bankers, marketing companies, and agents generally found themselves constrained by problems with their roots in the public sector, particularly a lack of suitable land for development (Al Mayouf and Al Khayyal, 2011), poor infrastructure provision, and the constraints imposed by development plans. However, this is now changing as the government seeks to work in closer partnership with the private sector in order to deliver a range of dwelling units that are varied in their type and size to suit different consumers.

However, this closer cooperation is currently proving difficult, due to a number of problems in the sector. Al Mayouf and Al Khayyal (2011) have highlighted the following requirements as a minimum to ensure that the system functions more effectively:

1. Transparent and sustainable cooperation between the government and the private sector in order to set up and achieve objectives for the supply of housing.
2. Shortening the time required to obtain planning permission and making the process and procedure clearer and more straightforward.

3. Legislative policies from the MOH to encourage private developers to get involved in developing and building new areas through rules that assist to facilitate for the private sector to get the loan.
4. Enhanced cooperation and communication between governmental ministries and developers.
5. Innovations in building materials, building codes, and national building standards to reduce construction prices.
6. Enabling the units' sale of off-plan, to generate funds for developers and reduce costs. When the developers buy the houses, they avoid the banks' loan because the banks' loan have a high interest rate. Therefore, they prefer to buy houses in low cost.
7. Securing a well-trained and skilled construction workforce, capable of producing high quality units to regulatory standards.

As this list suggests, the degree of cooperation between the government and the private sector is very limited. For example, the time needed to issue planning permission is governed by the timescales for communication between departments and governmental bodies, without much regard to the needs of developers.

Private finance

As mentioned in section 4.12.4, the REDF scheme has failed to provide sufficient funds for all applicants. Assessing the eligibility of applicants takes a long time, so that the waiting list is now extremely long. Furthermore, due to increasing house prices, the amount of money on offer is no longer large enough to build or buy a house in most major cities. In desperation, consumers

are seeking alternative sources of finance. However, further constraints on private sector involvement are the nature of private finance in Saudi Arabia.

As an Islamic country the payment of interest on a loan is considered “usury” and therefore prohibited. Furthermore, bearing a pledge or lien on a property is not common outside of government housing loans (Venkataraman, 2011). There is also no active and effective mortgage law in Saudi Arabia. Instead, banks mainly apply Sharia financial law, which is about risk sharing, considered to be a more secure alternative. However, banks do provide conventional loans to consumers, but these are based on income guarantee, not on property values, and are therefore not conventional mortgages. The majority of banks in Saudi Arabia do offer finance and real estate loans that are compliant with Islamic regulations, though their budget to do this tends to be quite limited. People thus have some degree of choice over alternative financing methods, though eligibility criteria and terms and conditions vary widely from scheme to scheme. As a result of the lack of a regulatory framework governing lending, private banks and agencies charge high interest rates, require large deposits, and impose stringent conditions. This makes it impossible for many people to obtain loans.

Currently available schemes in Saudi Arabia include:

1. Al Murabahah: Instead of lending out money, the bank will buy the desired real estate, and resell it to the client at a higher price. The money is paid back in instalments. This way, the bank has effectively made a profit and the client gets a property without paying interest (IMF, 2015; World Bank, 2006, p. 16).

2. Al Istinaa: The bank signs an agreement with the client for construction of a real estate product. A third party then delivers it to the client. It remains the bank's property until the client has paid back the cost in instalments (Institute of Islamic Banking & Insurance, 2008).
3. Al Ijara: The bank purchases real estate then leases it to the client. During the lease, or at the end of the lease period, the client becomes the owner of the property by purchasing it from the bank at an agreed sale price (IBIS, 2010).
4. Al Musharakah: The bank offers a part-share in a property in a capital/ investment partnership with the client, with profits and losses split between them. At the end of the term, the bank sells the part that it owns to the clients (IBIS, 2010).

Theories developed in a European context about the relative weight of public and private sector involvement cannot be uncritically applied to the Saudi housing market. Issues concerning wage relations, capitalist competition, systems of fiscal and monetary regulation, state forms of governance and international arrangements are quite specific to the global north (Brenner and Theodore, 2002). Public sector theory also tends to assume a government that is not authoritarian in its approach to the built environment, whereas the Saudi government centrally manages the housing market in a way that leaves little room for the private sector (Al Mayouf and Alkhayyal, 2011), not only deciding the number of houses that will be supplied but granting planning approvals for master plans and land subdivisions, revising engineering drawings, allotting building permits, supplying certificates of completion, and influencing the number of skilled construction workers in the sector. Rabenau (2011) has argued that public sector

intervention seriously impacts the role of the private sector, with a particular impact on small- and medium-sized enterprises. Rabenau (2011) states that the private sector on its own cannot resolve the issues in the Saudi housing market and the Saudi government must involve itself more actively, assisting with the transition from a supply-side support system to an enabling policy regime that will allow the private sector to meet consumer demand.

Furthermore, Rabenau (2011) claims that the PPP framework is particularly applicable to the Saudi context since it offers greater opportunities to address consumer demand by increasing the prospects of collaboration between public and private sectors, by providing increased financing to housing projects, by decreasing administrative costs, by ensuring higher levels of skilled and capable employees within the housing sector, and by improving efficiency and quality within the housing projects (Rabenau, 2011). However, the challenges of the PPP framework within the Saudi housing market are the lack of a coherent regulatory framework, and the lack of relevant public sector skills (Rabenau, 2011).

On the other hand, by Al Mayouf and Al Khayyal (2011) argue the private sector housing in Saudi Arabia is built via a collaboration between the government and the private sector, with the two working together to establish mutually acceptable objectives for a comprehensive housing policy.

4.11 Conclusion

This chapter has summarised the Saudi context in terms of the country's demographics and its recent economic and urban development. It has also given an overview of the cultural and religious factors that affect preferences for certain forms of housing over others, and has outlined

the formal and informal systems governing financial transactions for housing and land ownership. A brief history of the current public and private bodies that influence the housing sector was provided, along with a description of the relationship between these sectors in a Saudi context.

The next two chapters will present the empirical analysis of the findings of this research project, focusing on the formal and informal institutional relationships that govern the sector, and their influence of housing supply.

CHAPTER 5 Identifying failures in the Saudi Arabian Housing Market: Structures of Provision

5.1 Introduction

This chapter begins the presentation of the primary data analysis, exploring the institutional frameworks that are in play in the Saudi Arabian housing system. In general, the theoretical position set out assumes there are complex and contextual-specific institutional frameworks in the real-world setting. Both Healey's and Ball's approaches, as well as my synthesis, are very general, and so widely applicable. They do not make any assumptions about how the market works or the nature of the state; rather, it leaves these open as empirical questions. In particular, this raises the issue of the relationship between the public and private sectors in the development process. Firstly, this chapter identifies how the production process operates in the context of Saudi Arabia, the events that take place and the agencies involved. Next, this chapter investigates power relations and roles of different actors and how they influence limit/contribute to the supply of the units built. Lastly the rules, terms, ideas and resources the builders used/adhered will be examined. These sections will delineate in some detail the roles and responsibilities of the various organizations involved in the production of housing, and the formal and informal rules and regulations that govern their practices. They will particularly explore the relationships between these bodies, in order to shed new light on the causes of the housing shortage.

The few previous studies that have been conducted on the Saudi Arabian housing system have tended to focus on finding a single cause of housing shortage. For example, Bahamam (2000) insists that informal rules, specifically the preference for large houses, have led to the problem. In contrast, Rabenau (2011) blames formal rules and organizational disorder within the system, citing a slow and ineffective government land scheme that opens up unfair opportunities for the monopolists to take the advantage of high demand by selling sell pieces of land at inflated prices.

By contrast, my analysis is multi-faceted and will weigh the influence of several causal factors against one another. I will focus on three main problems:

1. The impact of informal institutional rules, or cultural expectations, on the housing system.
2. The impact of formal institutional rules, particularly a lack of procedural coordination between major institutions and a contradictory policy framework.
3. Interactions between informal and formal rules within the system, especially regarding:
 - 3.1. The interaction between cultural expectations about land ownership and administrative and legal uncertainties on this theme, which come together in the failures of the Municipal Land Grant system.
 - 3.2. The interaction between cultural expectations around housing finance and administrative and legal uncertainties surrounding lending and repayment, which come together in the failures of the Real Estate Development Fund, and a lack of alternative opportunities to borrow money to finance housing construction costs.

As this framework suggests, my analysis does not merely seek to establish informal and formal rules as separate causal factors within the housing shortage, but to look at the relationships between them. The aim is to move beyond easy solutions based on 'best practice' towards a deep and complex understanding of the Saudi Arabian situation.

I will begin by suggesting that the housing shortage in Saudi Arabia is conditioned by a polarised landscape in which a number of different factors are creating a shortage of housing supply for low- and middle-income families. I will focus on the ways in which the market is divided into two types of developer: high-end, large-scale companies producing high-quality construction for wealthy purchasers, and low-end, small-scale producers building low-quality houses for middle income families. The analysis will use these developers as individual actors who interact with other players in the housing production process such as financial actors; to play the game with different powers within the housing system in the kingdom. I will highlight some of the ways in which this polarised situation is contributing to the housing shortage in the country, leaving low- and middle income families vulnerable to an increasing housing crisis (Sidawi, 2009).

I will then explore the causes of this situation in terms of a number of significant factors. Firstly, I will investigate the informal rules that shape the housing system, in particular a cultural preference for large houses that fulfil cultural expectations of a gender-divided and private family home. This intersects with a culture that has not hitherto had to engage in 'Sekan Al-Marhala', or phased ownership of housing (i.e. the need to climb a 'housing ladder' over the life course). While these facets of housing ownership are changing as younger people seek to establish their independence in smaller flats and apartments, moving to a larger house at a later point, this

remains a distinct sub-culture in Saudi Arabia and not a mainstream experience. It is important to mention here that buying a house is dependent upon individual's income. The buyers' ability to spend more money on housing is influenced by the state of the country's economy and the interest rate. With the rising demand on houses, and limited supply, the housing prices have dramatically increased, whereas the buyers' financial ability has remained the same. Similarly, the unemployment rate and the interest rate affect the amount of monthly mortgage payment.

I will then explore the formal rules that determine the ways in which government institutions engage with the housing market. I am interested in two closely interrelated aspects: the ways in which government roles and responsibilities are organized, and the ways in which the policy landscape is set up to provide a series of written rules for the process. I shall argue that a combination of a disorganized and overlapping institutional landscape involving some 38 different authorities, and an ineffective and contradictory policy context are contributing to create long delays and inefficiencies in housing supply, increasing transaction costs and ultimately house prices.

I will then explore a number of specific issues in more detail, in particular the problems created by a lack of certainty over land ownership and a problematic system of land grants; and unequal access to the financial resources required to fund housing. In both of these cases, formal and informal rules interact with a specific policy landscape to produce a situation in which consumers with middle or lower incomes are left with few choices, while the involvement of private sector developers in filling this gap is limited. In the case of land allocations, a combination of economic factors and informal cultural mores that limit other opportunities for profitable investment are

combining with a dysfunctional policy of land grants to encourage a new form of land banking by an emergent, profit-driven, land-owning class (Alhubashi, 2012). This is contributing significantly to an increase in land prices, with implications for housing construction costs (Rabenau, 2011).

5.2 A polarised housing landscape: the two types of Saudi house developer

Housing development in Saudi Arabia is carried out by two different types of developers; professional real estate companies and individual developers. Both have to respond to the dialectic between formal and informal rules, cultural preferences and political power, outlined in chapter two. There are two very different housing products in the Saudi Arabian housing market: cheaper and lower quality houses, generally constructed by small-scale developers who aim to minimize transaction costs by using cheaper materials and labour; and larger, higher quality, houses, generally constructed by larger-scale developers to regulations that make more stringent demands in terms of materials and overall quality, thus raising transaction costs.

In a restricted market, the solution favoured by professional developers has been to build larger houses, of the type favoured by the sort of high-income consumer who could either afford to pay upfront or to access finance via national banking structures. They justify this as a 'side market' that serves specific consumers whose needs lie outside government mechanisms:

We have consumers who can afford buying our products. This is our market, and we prefer to stay away from any complexity. (Interviewee 19, private developer)

However, this remains a niche market. The lack of conditions to support larger-scale professional developers has led to the rise of smaller developers, who provide units at lower prices, often to

much lower standards. It is important to note that individual developers are not governed by laws as real estate developers; since they follow different scenarios.

Scenario one: They act as any regular citizens who want to build their own houses; once the construction is completed they sell it off.

Scenario two: They wait until an area is served either by the government or real estate developers and then they use the land (within that area) to start the construction process.

Following these scenarios, individual developers avoid from being conditioned to the complex pathway that real estate developers have to follow (as shown in figure 5.2). This explains why individual developers' contribution is much higher than real estates:

Our estimation shows that individual developers support more than 80% of the housing supply despite being unorganised actors. (Interviewee 29, policy maker)

This type of development is often conducted on an ad hoc basis by individuals who have obtained parcels of land with services already provided. They are therefore exempted from the costs faced by larger-scale developers for the provision of services and infrastructure. They hire small contractors to complete the work, often unskilled and inexperienced builders who are using cheap materials. These measures do not only reduce the quality of the build environment, but also its cost. The existence of this sector makes it difficult for well-established developers who are building to established codes to compete:

Small developers produce the majority of housing units in the country; without them the majority of consumers would not be able to afford to buy a house. However, they provide different units than those we provide. Their units do not meet our standards. Besides, they do not need to worry about paying for certain facilities, since they build small, on serviced land. (Interviewee 20, private developer)

There is a lack of unified professional building standards. Therefore, there are always quality issues in our housing market since small developers do not follow building codes or standards. (Interviewee 21, Private developer)

There is no fair competition and that is why there are many real estate developers who are not interested in the market. Unlike individual developers, real estate companies are obliged to deal with professional building companies and use high standards to guarantee their products. (Interviewee 7, academic researcher)

Unsurprisingly, those engaging in this type of development are often the same people who have received land grants and REDFL loans. Figure 5.1 illustrates the differences between the process followed by small developers and that followed by real estate companies. It shows that mega-project developers face additional hurdles in terms of having to negotiate with infrastructure companies, and with local authorities. However, due to the quality differences between these two types of houses, the longevity and future maintenance costs for small scale housing which built by small developers have increasingly raised concerns for all consumers. This challenges Drewett's (1973) model which places professional developers at the heart of every development as a key agent that orchestrates the entire process. Professional Saudi developers will not invest in the development process and provide affordable properties without some incentives.

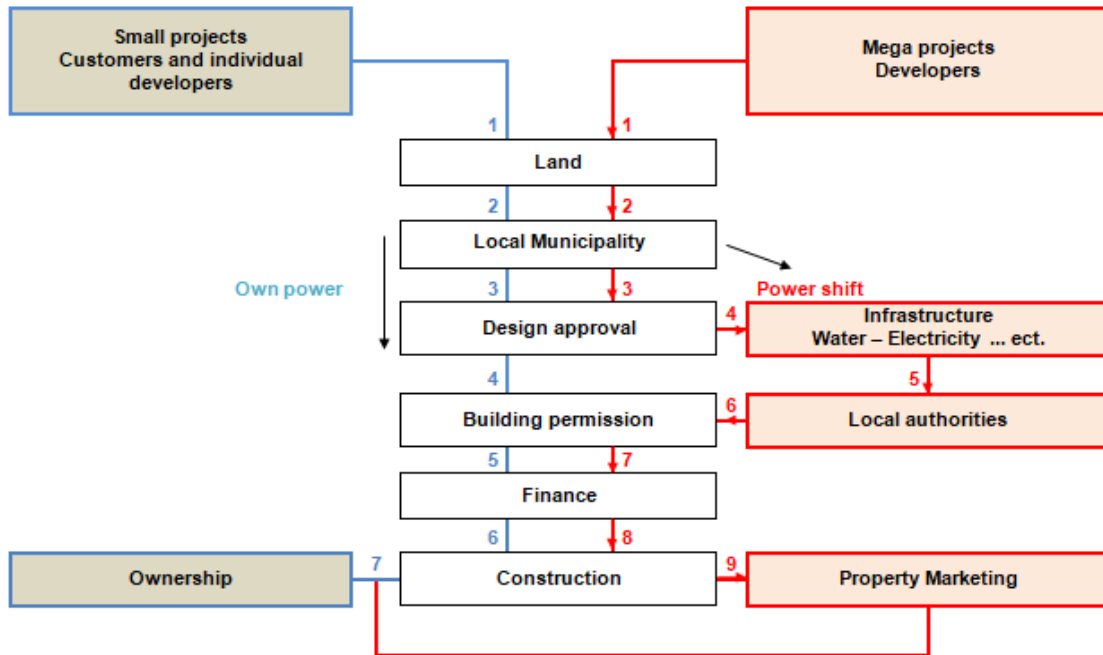


Figure 5.1: comparison between individual developers and real estate companies

Corresponding to this division in the housing supply process, there are differences in the way these two products are marketed, as two interviewees explained:

There are two major providers in the Saudi housing market. The product of these two players sets the final scene of the Saudi housing market. Individual developers provide relatively cheaper units. The quality of their product does not meet any standards. This product has create unprofessional individual marketers. (Interviewee 35, marketing agent)

The market structure has limited the growth and contribution of the larger and more dominant real estate firms and marketing agents, due to the lack of competitive prices. (Interviewee 36, marketing agent)

Figure 5.2 provides an overview of the relationships in the housing market, showing the ways in which larger developers utilise different sources of finance and different types of marketing from smaller developers. The market structure shows a disconnection between supply and demand as a result of government failure and consumer response. As a result, the market is left without

accurate data to understand the scale and nature of the problem. This leaves the problem to grow bigger influencing the supply side since there is no adequate way for the market to respond to actual and real need.

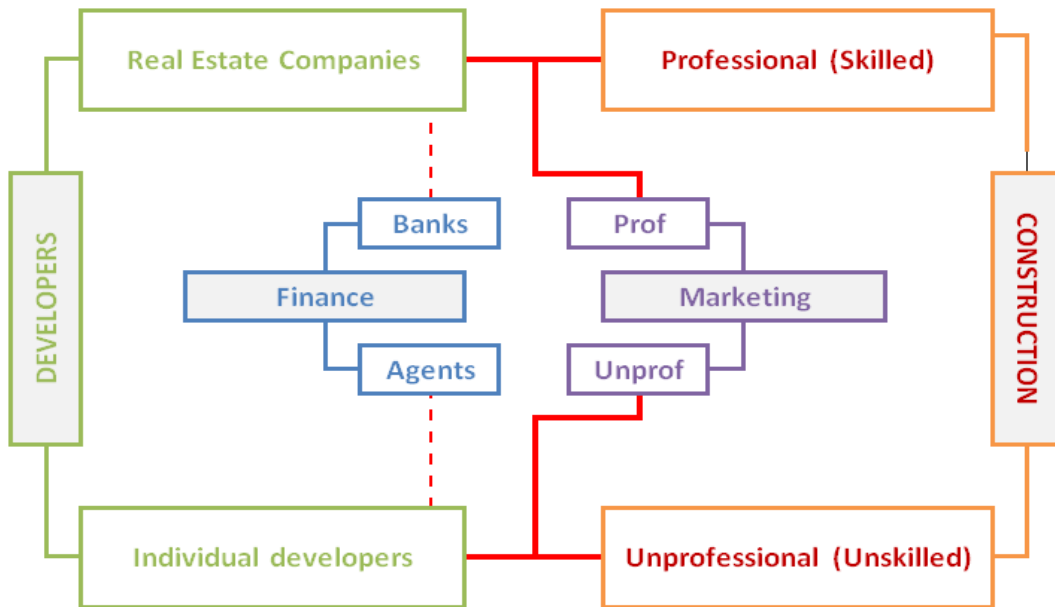


Figure 5.2: Secondary actors involved in the housing production in Saudi Arabia

Part of the problem, however, is that neither of these groups of marketers serves to link demand with supply. Professional marketers are specialised firms with staff who are full-time marketers for the more expensive real estate that is produced by larger-scale developers. However, the connections between larger developers and professional marketers tend to be somewhat ad hoc: generally the former seek assistance from the latter when a product is failing to sell. Market research consequently plays a lower role than it might do in the shaping of the market, and the mapping of real housing need. The result is that the requirements of lower- and middle-income buyers tend to be neglected:

We offer units of good quality, build according to good standards. However, the unit price does not match the customers' financial abilities. We communicate with potential consumers to assess their affordability to match them with their real need. However, the market need effective communication between us and the developers in order to provide the market needs. (Interviewee 35, marketing agent)

This problem is compounded by a lack of reliable statistics to capture data on the housing market, which would allow marketers and developers to align production with need. Since each city has its own requirements and challenges, the MOH has recently taken steps to alleviate this problem, establishing a central data bank (MOH, National Housing Strategy, 2013) to capture housing sector demand for each area.

The housing produced by individual developers tends to be sold by individual marketers, who tend to market these houses as a side job and are still less connected with a wider picture of demand in the market:

Individual marketers are non-professional marketing people who do this as a second job. They are connected with some individual developers to market their products. (Interviewee 36, marketing agent)

The empirical data collected from various interviewees show that the majority of consumers with limited financial resources seek individual marketers to connect them with inexpensive housing products, in a way that relies on personal connections rather than a wider and more holistic view of real estate:

With the existing housing shortage and the rising population, the demand and need for housing exceeded the real estate and professional developers' ability to meet market demand. This situation has created the chance for other players, such as individual developers and marketers, to take part in the housing sector. (Interviewee 35, marketing agent)

The data presented here illustrates a complexity of issues and conflicting attitudes and perceptions which form evidence of polarisation in the Saudi housing market.

5.3 Informal rules: cultural expectations

Several interviewees suggested that informal rules and cultural norms were a key cause of the housing shortage, in particular the cultural preference for larger and more expensive houses (see section 4.8):

The culture in the kingdom plays a very big role in the housing market problem. People prefer large homes for various reasons and these reasons are linked with the national culture and religion in Saudi Arabia. For example it is very common in Saudi culture that men and women have access to their dedicated living rooms. Also, it is part of Saudi culture that when extended families and guests visit homes they have access to gender-specific dining rooms. (Interviewee 6, academic researcher)

Generally, private developers shared the same view, and agreed that the causes of the current crisis lay in Saudi consumer preferences.

Much of the market is dictated by people's preferences. And their preference is in favour of large houses. (Interviewee 22, private developer)

Academic researchers have tended to accept this viewpoint also. Al-Sweedi (1985) has argued that wider culture affects policies, regulations, and the market, so that cultural and religious factors can shape housing demand. Bahamam (2000) agrees and insisting that the housing problem is culturally driven by a demand for un-affordably large dwellings with many living rooms that can accommodate a range of groups (a western style living room; a traditional Arabic living room; a separate living room for younger people; a living room for each gender; males and females). Surprisingly, in the view of these writers, these preferences are not modified greatly by

the socio-economic position of different demographic groups, all of whom strive for a similar style of dwelling. One of the policy makers summarised this problem:

We did a survey in 2011 throughout the country and we found that all Saudis, including ordinary Saudis, prefer extra-large houses, despite their income differences. The difference, when rich house owners are compared to the poor house owners, was that the poor received their land plots from the government grant scheme and the rich bought their land plots. (Interviewee 22, policy maker)

Rabenau (2011) agrees and argues that a preference for a luxurious style of housing is remarkably consistent across different socio-economic groups within Saudi Arabia, but the issue is not as simple as this simply being a result of 'Islamic culture'. The root of the cultural preference seems to lie in a sequence of historical changes in economics and policy. For example, ALMalaz project introduced new housing design in 1953; the oil boom in 1970s enabled the government to support their citizens financially through specially designed schemes, and the national culture that prefer houses which consider providing men and women dedicated rooms have reshaped the cultural preferences, as another interviewee pointed out:

The issue of housing complexity is deeply rooted in broader economic and demographic changes which shaped the culture of housing consumption and affected the production process. (Interviewee 7, academic researcher)

To elucidate this further, it is necessary to understand the ways in which consumer tastes were shaped during and after the oil boom. Broadly, the development can be divided into four phases.

STAGE ONE (BEFORE THE 1970S)

With Saudi citizens living in a largely rural country prior to the discovery of oil resources, the system managed to supply enough houses as both population growth and demand were still

relatively low. During this period the housing system was controlled by the Ministry of Municipal and Rural Affairs (MOMRA), which handled a wide range of responsibilities including urban planning, provision of infrastructure, land distribution, and land grants. As one interviewee commented:

Before the 1970s, Saudi cities were not crowded. People lived in small towns and the countryside. Housing demand was reasonable and under the whole control of MOMRA. (Interviewee 9, academic researcher)

STAGE TWO (1970 – 1985)

As previously mentioned, the oil boom of the 1970s witnessed rapid urbanization, and a growth in both internal and external migration (see sections 4.2-4.5). External migrants tended to have different housing preferences from Saudi citizens, being more comfortable with smaller residences for single people or small families, and with rented apartments. Yet both types of migration appear to have contributed to a new cultural preference, as traditional Saudi clay houses were replaced by a more modern style of unit, from apartments and terraced houses to villas. It was also at this rough period that the preference for increasingly large houses emerged. One interviewee explained the situation as a resistant response to the newly crowded nature of the urban experience:

As a result of continuous population growth due to internal and external sources, cities have started to become crowded, and there has been a wide range of diversity, which resulted in a new preference culture other than the old traditional ones. (Interviewee 7, academic researcher)

It was in response to this new demand for different types of housing that new governmental organizations were established. The land grant scheme and the REDF loans can be interpreted

as responses to these pressures, as can the fact that Saudis households pay less than 1 per cent of their utility bills, and no charges whatsoever for highways or streets. However, some interviewees argued that an unforeseen side effect of these schemes and subsidy programmes was that they created a culture of “getting things for free” amongst the population, instead of encouraging consumers to save money themselves towards housing. One interviewee asserted that this had created a culture of over-dependence on the government, though the speaker also noted that the government had encouraged this perception in the general population:

The lack of saving culture is a problem because people think the Saudi government is rich and can provide everything for free. The truth is when oil prices change in the global market, the government also suffers. This is how fragile Saudi economy is whilst it depends on natural resources. But, on the other hand, the government has been giving the impression that it can provide everything for free which is an illusion and you see it cannot. If it could, why would there be waiting-lines for both REDF and land grants? (Interviewee 3, academic researcher)

There are multiple issues of power and perception in play here; these issues are reinforced by the culture of government, norms and practices of how the government behaves. The government wants to give an impression of being all-powerful and economically well-resourced, so it is unwilling to admit that the housing system is failing and that it has not succeeded in providing this resource ‘for free’. Meanwhile, the public are unwilling to abandon their idealised picture of the large ‘modern’ dwelling house, even though such units are not being affordably delivered by the existing system. This leads to a search for unfeasible solutions, for example, a widespread public belief that the government can simply continue to increase its subsidy programmes in order to solve the problem (Bahamam, 2011).

Government provision of services and housing subsidies affects the housing market in two ways: it directly helps to shape consumers' cultural preferences towards an unrealistically large model of housing, and it indirectly affects land prices. As Rabenau (2011) has argued, the costs of the government programmes are indirectly capitalised into land prices, so that land buyers or developers bear the costs, ultimately raising house prices. This raises the issue of whether the subsidy programmes work as effectively as is claimed, an issue to which we shall later return.

STAGE THREE (1985 – 2000)

The mid 1980s saw dramatic fluctuations in oil prices, creating an economic recession in Saudi Arabia. Since the economy of Saudi Arabia relies heavily on oil industry, oil prices have started to impact the funds available to the government to solve the problem of increasing housing demand. In the wake of budgetary reductions, the waiting lists for REDF grew and limited the government abilities to serve more land to be granted. As a result land prices and inflation both increased. This has quickly created a situation where the value of the government loans has become insufficient to purchase even a small flat or apartment in major cities such as Riyadh. With this situation, the consumers' affordability has become limited; it was expected that their preference to bigger houses must change and adapt; however, despite these changes to the economic and governmental context, ordinary people seemed to maintain their preference for big houses, regardless of their increasing un-affordability.

This suggests that while in the earlier period the cultural norms and the government policies coincided there was a reasonable balance between the supply-demand components. However, the ever-increasing demand and the declining government resources have caused the

government to abandon the cultural preference for large houses and instead moved to promote smaller houses. However, cultural change has been much slower than expected. Hence, such variation in the speed of institutional and cultural changes have contributed to further the demand supply gap.

Culturally, Saudis continued to develop their preference for big houses, and got used to relying on their government to achieve this. Economically, the Saudi government continued to rely on oil prices. It is to be expected that the government subsidies schemes such as the REDF were affected. (Interviewee 6, academic researcher)

After the 1990s, specifically after the first Gulf War, public demand for housing kept growing, and the houses prices also increased in response to this demand. However, the funds available to support Saudi consumers stayed the same: no additional money was made available, in part because oil prices remained low. In real terms, REDF budgets suffered a massive reduction between 1985 and 1995, with a slight recovery in 1996 as a result of temporary re-capitalization.

STAGE FOUR (2000 – PRESENT)

Since the turn of the century, the waiting list for REDF has grown to more than 15 years (REDF, 2016) and the demand for housing has reached unprecedented levels due to demographic shifts. The housing market within Saudi Arabia is beginning to change in response. People are often left with no option but to buy smaller dwellings, with the result that flats are now becoming acceptable phenomenon for people from low- and middle-income groups. However, it is important to note that this is less a matter of preference than one of desperation: people are left with no other option. As one interviewee noted:

Villas prices are more than double the prices of flats. With limited financial abilities, members of the younger generation and some low/middle income people have started to consider this type of home. (Interviewee 1, academic researcher)

The average price of a flat is 548,225 Saudi Riyals, whereas villas average at 1,208,705 Saudi Riyals. To put this in the context, the average monthly salary of for a Saudi worker was 9,939 Riyals in 2017, according to a statistical report issued by the General Authority for Statistics (GaStat, 2017). For those working in the public sector, this rose to 10,735 Saudi Riyals, for those in the private sector, it fell to 7,570 Riyals. However, these averages conceal considerable variation between socio-economic classes of people, as Figure 5.3 from Gulf Business reveals.

CEO/MD – Multinational	\$38,325
CEO/MD – Local company	\$27,100
Hotel general manager	\$10,404
Lawyer	\$10,006
Real estate manager	\$8,689
Human resources manager	\$8,816
Construction project manager	\$8,757
IT manager	\$8,500
Recruitment manager	\$8,373
Head teacher/principal	\$7,217
Facilities management manager	\$6,934
PR account manager	\$6,542
Sales/marketing manager	\$6,112
Editor	\$5,169
Healthcare general practitioner	\$5,050
Office manager	\$4,841
Bank branch manager	\$4,725
Sales executive	\$4,420
Digital marketing specialist	\$4,414
Senior accountant	\$3,766
HR executive	\$3,457
Logistics executive	\$3,045
Receptionist	\$2,230
Overall average	\$8,560

Figure 5.3: Top salaries in Saudi Arabia (Gulf Business, 2018). On average 1 USD= 3.75 SR

As discussed in section 4.6, Saudi Arabia has a youthful population: 48.78% of the country's 33.4 million people are under 29 (General Authority for Statistics, 2018). This is already fuelling the housing crisis, and the situation is likely to worsen in the near future. However, expectations about housing amongst young people have also shifted in the past decade, as a new culture has developed of people leaving the parental home and marrying at a younger age. According to the national statistics, in 2016 nuclear families form 86.6% of the total 1,116,339 families in Al Riyadh (GAS, 2016). This indicates that the Saudi social life is being evolved and these youthful working couples seem to consider flats as more of a viable option, perhaps due to their increased affordability. As a result of this new demand, building flats has witnessed a continuous increase in the last decade.

Recently, there has been an increase in the number of people, mainly young couples, who have become interested in flats as a result of financial difficulties. (Interviewee 25, policy maker)

This was confirmed by another participant:

Much of the market is dictated by people's preference. Flats were not a preferable option until recently when the younger generation, who cannot afford big houses, started to consider them. Even though not all of the younger age group have difficulties in obtaining large houses, however, a little change in preference can help the housing market. (Interviewee 22, private developer)

Data shows that there are significant social and cultural elements that have been changing over last four decades. These demographic and preferences changes have affected the affordability and the demand on housing in Saudi Arabia. The growing population in major cities and the preference culture have been part of the main issues that have contributed to the housing crisis in Saudi Arabia. Providing large households and meeting cultural privacy concerns have resulted

in a socio-cultural constraints to the housing market. However, it is imperative to mention that the interaction between the formal rules and informal rules has shaped the housing market. The formal constraints intensified and contributed to the informal constraints in many ways. Although this research found that the government policies have directly contributed to encourage building big houses by providing large plots of land, the consumers' preference has driven the housing market to build bigger units.

Consequently, since the housing affordability is determined by the ratio between the consumer's income and the house price, the formal and informal rules factor has restricted the ability of low and middle income consumers to afford such expensive big products. Without enough alternative financial sources, low and middle income people have the lowest housing affordability and are the most vulnerable group in the housing crisis (Sidawi, 2009).

It is important to consider that people's needs are rooted in their culture, while culture has been found to change in the context of Saudi Arabia. While some people prefer bigger houses, the culture of preferring bigger houses has changed among the youth. Also, culture plays a part in the cases where extended family decide to live in a house in Saudi Arabia. Marriage is a cultural entity, and when people get married have children or grand-children, some families in Saudi still prefer to live together.

In summary, the interaction between formal and informal rules creates an unhealthy market which provides large homes targeting high income earners while ignoring the middle and low income classes who aspire to the culturally preferred larger homes regardless of their actual need and financial ability. Here we come to the complex issue of the line between necessity and

preference: at what point do economic circumstances come to be seen as unchangeable, such that they start to shape people's active choices, leading to a social change in preferences? The data here show that a shift may be occurring: for youngsters with an emerging culture of independence and living alone, such dwelling units may have become a preference, whereas for the wider public, they may remain a necessity.

One issue that contributes to the comparative unpopularity of flats is the problems that apartment owners can face when maintaining their buildings and managing shared areas, such as gardens, playgrounds, lifts, and other services. To overcome this problem, the Ministry of Housing's "Mullak" (owners' union) programme offers to provide registered members with a number of services, include building and housing unit management and maintenance.

We recognised that people were not interested in buying flats due to many issues linked to building maintenance and management. Therefore, we started the Mullak programme in order to support flat owners and work on solving their problems. (Interviewee 21, policy maker)

This has made flats a more attractive option. The impact of Mullak was cited by many interviewees as affecting housing preferences:

Also after the creation of the Mullak union, people seem to be more confident with owning flats because now if you have a leak from the ceiling in your flat you can claim or you can find someone who is responsible and who will look after it. This reassurance was not there before the new regulations were introduced. (Interviewee 24, policy maker)

Of course, when you have a listening ear [for your problems], you get more interested. Flat owners now know where to go and what to do when facing problems. (Interviewee 8, academic researcher)

A further issue has to do with temporal expectations. Improving citizens' awareness of the home buying process and options, the available subsidy schemes to match their financial position at the point of purchase, and the importance of the "real need" concept. This implies that people enter the property market to purchase a house, which matches their needs, but can then climb the property ladder at a later point in time according to their needs. This can be achieved by buying small yet satisfactory property, which can then be used as a deposit for a bigger house in the future when needed.

Both the secondary and primary data showed, the idea of buying houses in phases was not something the Saudi culture has recognised until the emergence of demand for smaller houses for couples and individuals. This cultural emergence be used to promote 'Sekan Al-Marhala' – phased ownership of housing, encouraging people to buy smaller houses first and then save for a bigger house which he or she will need once the 'need' for bigger housing arises and not before that. At the moment, people seem to culturally strive for the final big house to live in with bigger families and this could be one reason why people cannot afford housing.

While culture has been seen to have a dual role; dictating the market towards building bigger houses, in the meantime creating new housing markets such as preference towards flats among the youth. The government perhaps try to change cultural preferences by raising awareness among the public. Also, the cultural belief that everything could be provided for free could be changed by the government to some extent.

People in Saudi Arabia do not expect to have to climb the property ladder ('Sekan Al-Marhala') but expect to get their dream home from the outset:

Our problem is not related to resources. People do not believe in Sekan Al-Marhala, they want to buy their dream house from the first time. This is a serious cultural problem. The market provides low cost flats but people prefer to buy big houses or to get free land and interest free loan, and build big houses. (Interviewee 26, policy maker)

The average size of a house plot has now risen to some 750 m² (Bahamam, 2000), and in a context where land grants and government housing loans are now scarce, this is contributing to a drastic decrease in supply and increase in land and house prices.

What these factors together show is that there is a complex interaction between consumer preferences, government policy, and market conditions which constitutes what is taken as the “reality” of the housing market. The fact that the Saudi government has been willing to intervene in the market has given hope (perhaps false hope) to families that their dream of a large, detached house may still be fulfillable, in spite of market conditions that currently make houses of this type unaffordable for the majority of people. This also suggests the extent to which the housing issue is political: the housing aspirations of many Saudi citizens are founded on the notion of the State as a powerful player with a paternalistic attitude to its citizens, suggesting that there may be political ramifications for the credibility of that government if the housing situation is not solved. Figure 5.4 provides an overview summary of changes to cultural preferences that are currently impacting the housing market.

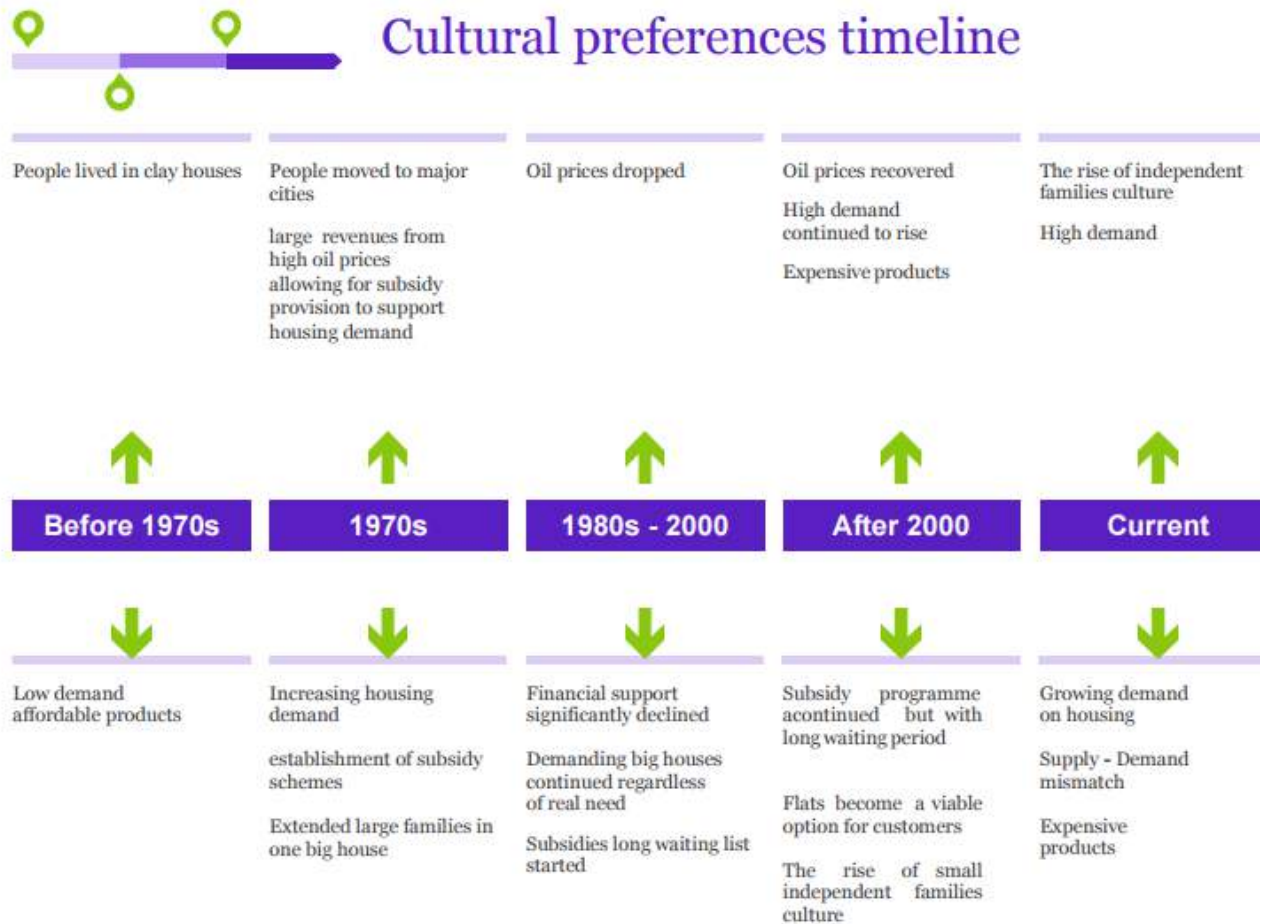


Figure 5.4: Cultural preferences timeline

5.4 Formal rules: a lack of institutional coordination and a contradictory policy landscape

As mentioned above, there are some 38 government agencies involved in the production and supply of housing in Saudi Arabia. Though this figure sounds high, it is not necessarily a problem in its own right. Healey's (1990) study of the transformation of a shipyard into a residential area in Newcastle, UK traced the involvement of some 72 agencies in the project. However, rather than creating confusion, the system was well coordinated at an organizational level, in part because a single agency provided direct oversight and coordination of responsibilities (Healey, 1990). It would be a mistake, therefore, to conclude that a complex organizational landscape is

necessarily an inefficient one. In this section, I will explore two closely connected problems with the Saudi Arabian housing system: a lack of procedural coordination between institutions, and a contradictory series of policies emerging from the absence of agreement on underlying values and priorities.

As Ball has argued, relationships between organization and particularly the levels of coordination and cooperation they display; are historically conditioned. As chapter 4 showed, the Saudi Arabian economy has undergone a period of dramatic change, leading to rapid urbanization. While government institutions initially appeared to keep pace with these changes, a fall in oil revenues from the mid 1980s coincided with a fall in housing supply. Inconsistencies in government roles and responsibilities, and poor coordination between government departments can be seen as emergent features of the institutional landscape which have contributed in significant ways to the housing shortage. As Wu (1996) has argued in the context of China, there is no global institutional template for a functional and efficient housing system; instead, the institutional landscape must be tailored to the highly individual political, social, and economic circumstances of an individual country. Structures of Provision must possess a degree of contextual and geographical specificity, in other words. In the case of Saudi Arabia, the government has an extremely dominant role in the housing sector, meaning that the impacts of any institutional inefficiencies are significantly magnified.

Furthermore, the impacts of procedural and policy-based disorganization are not limited to the practical functioning of the housing system. They also extend to the ways in which different institutional elements within the government perceive the problem. For example, there is no

currently existing agreement on real market need in Saudi Arabia, since different government agencies use different methodologies to calculate and report this vital statistic. The Council of Economic and Development Affairs (CEDA) is an advisory body that was created in 2015 by a Royal Decree and is responsible for governing the domestic affairs of the country. CEDA has one of the greatest responsibilities of implementing the Saudi Vision 2030 and initiating and developing the programs and plans that are necessary in this regard. This council is chaired by Crown Prince Mohammad bin Salman Al Saud and presides the 22 member team, and estimates the percentage of current home ownership at 47% (The Council of Economic and Development Affairs, 2016), the Central Department of Statistics place it at 60%, while research conducted by Almunajjed (2012) reports a percentage of just 30%. There is no agreement, therefore, on the extent of the problem at a basic level.

Lack of coordination between major organizations responsible for the supply of housing was mentioned by several interviewees as a causal reason for the housing shortage:

In the Saudi housing market, we have the right players in place. However, these players are not linked together to understand the market need. (Interviewee 1, academic researcher)

What we really need is responsible parties that can tie the pieces together to make an effective system. (Interviewee 27, policy maker)

Several respondents mentioned this lack of integration as a factor that had slowed down the development process, and thus acted as an impediment to an increase in supply. This supports the findings of Rabenau (2011), who argues that conflict and lack of cohesion in the systems designed to provide infrastructure services and to grant planning permission cause delays and leave developers in a state of confusion and uncertainty. These problems appear to be partly a

result of the fact that multiple independent parties are involved in the process, each with its own role, policies, and regulations. Inconsistencies and contradictions between organizations create a dis-unified and fragmented system that does not work effectively or efficiently. In particular, some procedures are duplicated across institutions, which results in time-consuming delays.

Amongst private sector interviewees, many respondents revealed multiple issues and concerns related to the formal procedures which regulate, govern, and influence the housing market in Saudi Arabia.

Private developers were clear that they needed the regulations and formal processes of the development system to be simplified. In particular, they pointed to duplication of effort and unclear lines of responsibility within the development process, resulting in a situation where different regulating bodies were responsible for overseeing the same element. Several interviewees argued that this lack of clarity creates delays and increases costs, which are then passed on to homebuyers.

The planning system in Saudi Arabia involves several agencies with different roles and responsibilities. Now there are 38 different departments or ministries. And the housing data is lost between these agencies. Imagine the difficulty in coordinating these to ensure a seamless experience for the public. Actually it just creates a headache. (Interviewee 19, private developer)

The core of the problem is that the system is complex and contradictory, there are many departments involved in the planning process, and there is a clear overlap between the government procedures that leads to long delays. (Interviewee 15, private developer)

In particular, they complained of procedural delays to the planning process. To obtain planning permission currently requires agreement from multiple bodies, and lack of coordination between

these various government departments, combined with the aforementioned duplication of procedures, means that the processing of approvals can take from 12 to 18 months. Two interviewees, both private developers, considered this to be serious obstacles and expressed their dissatisfaction with the planning authorities on this score:

The planning permission procedure is complex and disorganised, it takes a long time. On many occasions it takes more than a year to approve a development master plan. This is a serious obstacle for us. (Interviewee 15, private developer)

Although there are many challenges that we face as private developers, time remains one of the main obstacles. Procedures should have a specific and satisfactory timeframe. For us, time means money, any delay means an extra cost. (Interviewee 18, private developer)

The statement “For us, time means money” is interesting, suggesting that underlying this perception is recognition of the different cultures of public and private sector institutions, expressed in their differential relationship to time. The claim here is that the state should do more to accommodate the needs and the logic of private firms, stripping back its formal procedures and rules in order to expedite the development process. However, what is here presented as common-sense logic would actually involve a deep political shift in the culture of Saudi Arabia, away from state production and control of the housing system, towards a more capitalist-oriented model.

Yet alongside these calls for less state involvement, and a clearer set of procedures and policies, developers also wanted the state to be more involved in infrastructure provision. Multiple respondents expressed their frustration about inadequate provision of infrastructure, which relates back to a lack of coordination between the planning authorities and other government bodies involved in the planning process, such as service providers. The problem of poor

coordination grows bigger than, and extends outside the major ministries for housing to other governmental departments as the companies involved in utility services like electricity and water belong to public sector. The Saudi government is keen to privatize their electricity and water desalination companies so that a greenfield can be created that would attract new investment and would create new assets like sources of energy from renewable sources. This would help bridge the gap of poor coordination that exist at present. When seeking planning permission for a development, private sector actors often have to interface with each utility provider separately, and to show that their proposals meet not only the requirements of various government ministries, but those of individual utility companies. In many cases, these companies externalise much of the cost of service provision onto the developers, asking them to pay for the installation of basic utilities at the site. Several private developers expressed their dissatisfaction over this issue, in a manner that the state ought to play a greater role in the delivery of these services:

The planning authorities require the developers to interact with utility providers, such as the electricity, water and other companies. In addition to the local authorities' requirements, each company of these service providers has its own regulations and requirements to obtain planning approval. (Interviewee 22, private developer)

Last year, I want to develop some houses in area outside Al Riyadh. My location was less than 10% of the overall area. I spent a few months struggling to get building permission. The problem is that I am requested to pay for the service development to the whole area! Guess what! (laughing) I am waiting for another developer who would comply and pay for the services, after that I can start my development. (Interviewee 15, private developer)

It is the municipality's job to coordinate the development process. However, we provide the extra work and deal with service providers, and make extra payments to build electrical power stations, for example. (Interviewee 18, private developer)

The service provider companies use developers. We provide these services: water, electricity, and sewage systems. The companies only connect us to the nearest main stations if there is any. These services are very expensive to deliver to the construction site. The additional costs will be passed onto the end-user. (Interviewee 15, private developer)

Policies are complex and unorganised.... This is a serious obstacle for us. (Interviewee 15, private developer)

The Saudi Arabian government has itself recognised that there are institutional problems in play in the system that governs housing and has tried to simplify and reform the organisational landscape in response. The MOH was introduced in 2011 in efforts to overcome the level of duplication and inefficiency in government housing agencies and particularly to clarify areas of contradictory policy. However, this research suggests that it is not acting as a central point for the observation or regulation of the build environment in Saudi Arabia, but is instead creating further confusion by its attempts to aggregate powers to itself in new institutional arrangements while leaving many of the bureaucratic housing regulations untouched. For example, the ministry has adopted programs such as the REDF which was founded in the 1970s and the only difference is that this program is affiliated to the Ministry of Housing now.

In 2011, the Ministry of Housing was founded to take responsibility over all the tasks related to the housing issues in the kingdom. However, the ministry has not brought anything new and failed to meet the expectation of the government and citizens. (Interviewee 15, private developer)

The system still lacks a unified body with full power which can be the central agency of the overall urban planning and subsidy schemes management, with the result that, at various ministerial levels, there continue to be many areas where policies are overlapping and unclear which impacts all the efforts to tackle the housing crisis in the country.

This lack of institutional coordination leads to a lack of coherence in the policy landscape that governs housing. For example, there are still significant degrees of conflict between MOH and MOMRA not merely in terms of their roles, but in terms of the ways in which they make decisions. According to the MOH, the ministry develops various programs that stimulate the process of private and public housing production by launching different housing programs (such as Iskan) to provide the housing market with sufficient supply in order to overcome the housing crisis. The ministry also controls, supports planning and reinforces buildings quality by granting building quality licenses (MOH, 2015). Similarly, MOMRA plays a significant part in conducting the required development, and urban planning of the Saudi cities. The ministry is entrusted with providing and developing the necessary infrastructure of living areas in cities, towns and rural areas (MOMRA, 2014). The two ministries roles and responsibilities overlap and create a conflict especially when both are the two main authorities in charge of licensing various housing works. For example, when developing an area, MOMRA plans the number of housing units and provides planning permissions on the basis of the location and the capacity of infrastructure and services. Whereas the MOH grants planning permissions to construct housing units in the same area on the basis of market demand, a policy that tends to create a higher residential density within the city's structural plan. Figure 5.5 show Institutional roles and areas of overlap between MOH and MOMRA

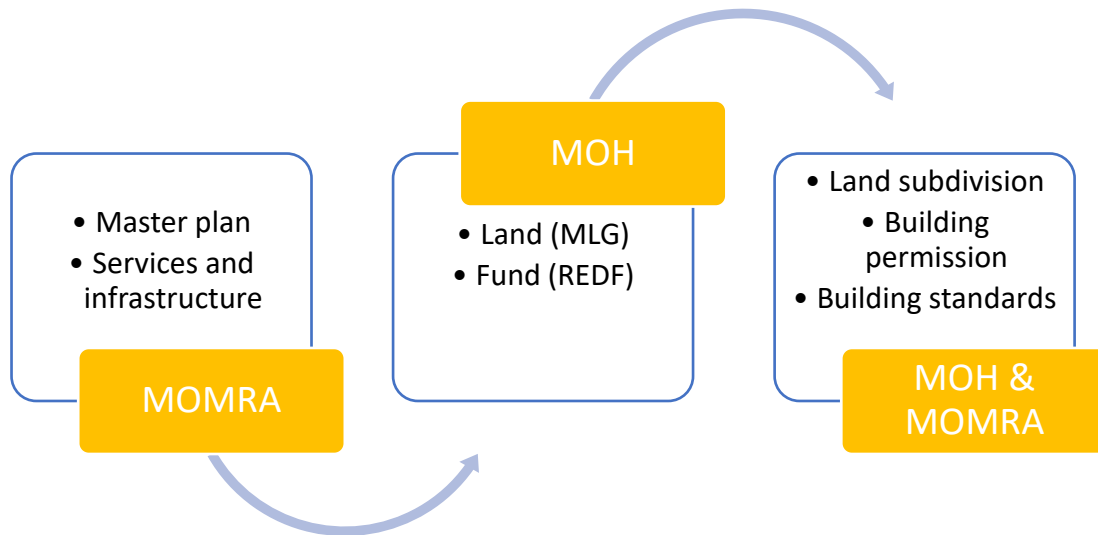


Figure 5.5: Institutional roles and areas of overlap between MOH and MOMRA

Indeed, the lack of standardized procedures; and the culture of political opacity; are leading to a situation in which a series of informal rules are being used to create new channels through which private sector actors can influence the development process, bypassing government regulations that are designed to ensure the interests of a wider public:

When developers propose a development plan that does not meet our regulations, the municipality asks for an amendment. Developers usually come back with the same plan, using personal connections to get the permission, which of course will cause delay if this was not successful. (Interviewee 28, policy maker)

According to this interviewee, delays and uncertainties in the process are creating opportunities for favouritism and corruption, as developers endeavour to use other routes to obtain the permissions they need. This interviewee seems to suggest that, at times, such routes prove successful, while, at others, they add to delays. At the very least, this therefore represents an

area where there is a perception that the development process can be bent to suit the will and needs of private sector actors.

5.5 Land: legislation, land supply, and the land grant

As discussed in section 4.12, the Municipal Land Grant (MLG) is a governmental scheme which grants land free of charge to eligible Saudi citizens. Data shows that MOMRA granted 2,120,426 land plots between 1975 and 2011, 28% of which were in the city of Riyadh (MOMRA Report, 2012). However, much of this land is not suitable for construction and is not used for the purpose of house development because the land that has been granted falls in unserviced areas with no infrastructure. Without significant government assistance to provide basic services, housing cannot be constructed on these sites. This problem was noted by multiple respondents:

More than 95% of the granted lands were not suitable for construction due to the lack of infrastructure. This proves that the scheme did not achieve its primary goal and we still have issues with land accessibility. (Interviewee 5, academic researcher)

Most land grant beneficiaries have no use for land with no services, and will usually sell it on. (Interviewee 17, private developer)

Al Hubashi (2012) has found that less than 5% of land grants have actually been used by beneficiaries either for construction or other purposes. Most of these concern instances of someone obtaining land within the city's master planned area, where access to basic infrastructure already exists. According to Goodchild and Munton's (1985) model the identification of suitable land is a crucial part of the development process before the actual construction process is commenced. Interviewees believed that such grants indicated a degree

of corruption within the land allocation system, since they tended to fall to those with power to exercise some degree of influence over the allocation of plots:

Land with services and infrastructure is limited, and to have access to it, you need to have significant level of power and privilege. (Interviewee 1, academic researcher)

There are some serviced plots of land within the city master plan, these lands are reserved, you want to get any of them? You need to have special contacts, if you know what I mean! (Interviewee 19, private developer)

Again, a degree of favouritism within the system creates a situation where one of its basic provisions, the allocation of land, is rendered more uncertain. In order to understand the problems relating to the land grant, I have subdivided the problems with all issues around the failure of formal rules into four stages (Ratcliffe, 1978), see Figures 5.8 and 5.9. In the first formal issue, the government grants land to an eligible beneficiary that is unsuitable for construction. The system has already failed in its mission to support an increase in housing ownership, since the plot is essentially useless for this purpose to the person to whom it has been granted.

In the second formal issue, the beneficiary of the land grant sells the land, often to a buyer who seeks to build up a portfolio of plots in the same area, from the same scheme. Effectively, this constitutes the transfer of land from the government to the private sector, allowing it to become a resource in the hands of a few wealthy individuals who are using it as a sink for surplus capital: Though Saudi Arabia does not have a European-style capitalist economy, instead the country has a Middle Eastern variant of capitalism. Harvey's concept of the three circuits of capital is nonetheless useful when it comes to analysing the housing market in Saudi Arabia, and the role played by financial capital, the state, and the production process in the Saudi housing market, as this still would be relevant even in non-western capitalist system. In the case of Saudi Arabia,

these models help to understand the patterns which have limited the choices for actors involved in the development process. Harvey can explain such constricting patterns at the local level, whereas Aalbers can expand it to a global level of financial activity. For example, the fact that powerful capitalists have been able to capitalise over land and accumulate land can be explained by Harvey's (1985) second circuit of capital. The failures of Saudi government housing policies seem to favour the capitalists invest in built environment and buy land from its original owners to whom the government's land grant scheme had given the land plots.

This creates additional problems and the land market becomes dominated by few large developers and landlords. (Interviewee 17, private developer)

Because the land is now in private hands, and the government systems do not legislate for this, there is no public control over the land's value or price in any onward sale. The system enables a few land owners effectively to control the market by holding land back and selling it at a slow rate, creating a situation of scarcity, high demand, and high prices. For many, the greatest profits can be reaped if the government includes this land in city development plans, and thus brings infrastructure and services, often many years after the initial purchase. In such a situation, landowners often choose to sell just a proportion of their holdings in the area, retaining the rest in order to increase profits further. Overall, then, the systems of land ownership and speculation that the land grant has introduced are contributing to a shortage in land supply and a consequent rise in land prices:

It's a chain, the government gives land to the public, they sell to monopolists, who keep it until services are installed then sell it to a private developer. They then continue to develop the land and sell smaller homes at a very high prices. (Interviewee 8, academic researcher)

This shows that there is a serious poor coordination between the government bodies resulting in a gap in the formal institutional and organizational framework.

There is no mechanism to prevent monopoly of land ownership. For example policies do not indicate any restrictions on selling granted land, neither do they force the applicant to build on the land. This has made the land grant scheme part of the problem. (Interviewee20, private developer)

It is important to stress that these problems are a matter of insufficient land on the market. There is a huge amount of developed (i.e. fully serviced) land within city boundaries, but most of it is under the control of monopolists who will not release it for sale until it becomes profitable to do so. This is a problem for developers, who argue that finding suitable land at affordable prices constitutes a major barrier to the private sector's ability to increase housing supply:

Look at the map! There is a huge amount of raw land in the city but with limited access because there is no pressure on these landowners to sell their land. The housing market's biggest problem is land banking; monopolists have made land prices increase dramatically. (Interviewee 21, private developer)

The land grant scheme has directly contributed to our current problem. We can hardly find suitable land within the city master plan to develop at a suitable price. (Interviewee 22, private developer)

One private developer suggested that wider economic conditions, particularly high unemployment rates and a lack of alternative safe investment options in the country were contributing to the situation:

Due to poor employment and investment options, in addition to the absence of a regulatory system, such as vacant land taxation, the Land Grant scheme has contributed to poor land availability. This has created a monopoly market and caused the rise in land prices. (Interviewee 19, private developer)

As Rabenau (2011) has noted, the land grant policy may have originally been intended to solve the problem of housing shortage, but is actually contributing to inequality by helping the rich to accumulate land as an investment vehicle in a situation of scarcity. The costs of higher land prices are passed on to ordinary homeowners. However, while Rabenau calls for the abolition of the scheme, he overlooks the possibility that such a measure could have unpredictable effects. In particular, it is necessary to understand how cancellation of the scheme could impact on cultural perceptions of the role played by the government in the housing system, and the political consequences that could potentially result (see section 5.2). It may be that the system can be reformed, in order to discourage the holding of both undeveloped (unserviced) land and developed (serviced but vacant) land within the area of a city's master plan. New mechanisms for land management, such as a land tax and even the expropriation of unused land, might also be able to prevent this vital resource from accumulating in the hands of the few (Allothman & Alnaiem, 2013).

Indeed, there are some indications that the Saudi government is moving towards such solutions for the problems of land grant scheme. The government recognised white lands (large plots of idle urban land in Saudi cities) as one of the major problems contributing to the current housing problem. At the end of 2015, Saudi Council of Ministries approved the new white land tax. Under the new law, each plot will be valued based on its readiness for construction, location, and size. The law imposes an annual tax of 2.5% of the value of any non-governmental idle land which is designated for residential or commercial use in Saudi towns and cities (MOH, 2015) in an attempt to prevent land accumulation and the drip-feeding of the land market to raise prices:

The government has recently imposed an annual tax on undeveloped lands in urban areas to stop land banking. The big land owners will be taxed 2.5 % of their undeveloped urban land value, and so they will be more willing to sell the lands than keep it. (Interviewee 27, policy maker)

This interviewee felt that these measures would quickly solve the problem. However, since they were only recently introduced, it is too early to say whether such optimism is well-grounded, though some indications shows that it has not worked yet, and has already produced undesirable results, for example the land prices have increased which may suggest that land owners have transferred the tax they pay to the land value.

Another issue around the failure of formal rules is related to poor coordination and the lack of clarity. One good example is land boundaries and uncertainties about the location of a particular parcel of land. As previously mentioned, the land grant scheme tends to gift applicants parcels of land which are either far away from the city centre, or outside the city master plan. The boundaries for these parcels are often unclear and inaccurate at the outset, a problem that is compounded by the fact that, as the city grows over time, its boundaries are altered. A lack of coordination between the Ministry of Justice which issues land ownership certificates, and the municipality authorities means that a lack of clarity over the exact location of boundaries is an extremely common problem for the planning system. This disorganization results in an extremely complex legal framework, which introduces lengthy delays as disputes over the location, validity, and the accuracy of individual land titles are rife. As a consequence, in order to ensure that a given land title is genuine and accurate, the Ministry of Justice insists on an extremely slow process of land registration, which nonetheless has failed entirely to remove uncertainty. As one developer explained:

People are granted land using available landmarks such as rocks as their boundaries. This creates ownership confusion and leads to forgery of deeds when the land enters the city development plan. And I honestly, do not want such ownership dispute surprises. (Interviewee 16, private developer)

The fourth issue around the failure of formal rules concerns the development process itself. When constructing small units (flats) private developers frequently seek to subdivide a parcel of land to produce a series of smaller dwellings to maximize their profits. This requires the extension of infrastructure services within the plot. The government requires developers to pay the costs of this privately, which increases the final price of the dwelling to the consumer. As with the example in section 5.3, the private sector simultaneously requires the state to be less involved in regulation, and yet to contribute to the costs of infrastructure provision. Decreasing house prices for Saudi consumers, they argue, is a matter of finding a new compromise between the public and private sectors. Figure 5.6: provide an overview the failure of the formal rules issues.

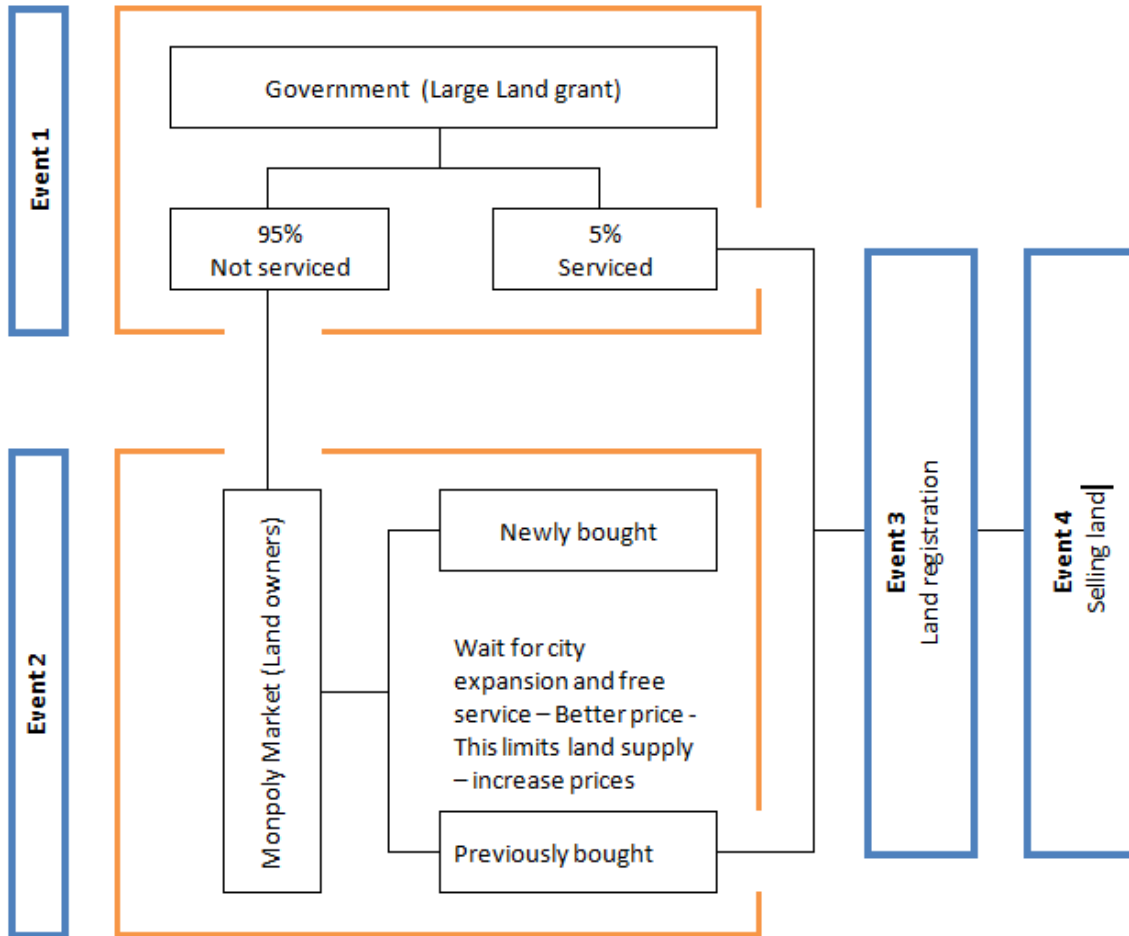


Figure 5.6: Land Grant scheme – failure of the formal rules

The following two figures identify areas of weakness in the land grant scheme.

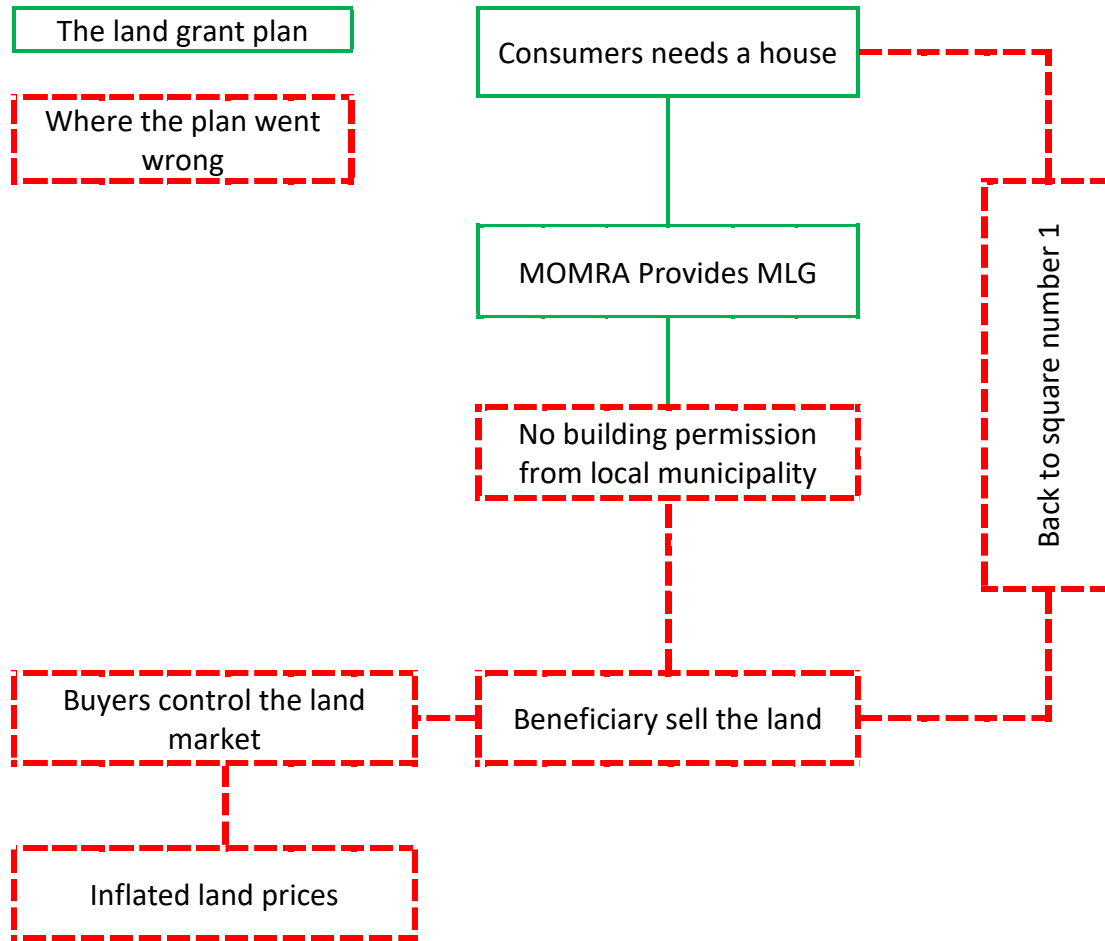


Figure 5.7: Ineffective and contradictory land supply policies (REDF / MLG)

Problem	Result
Eligibility policy targets all Saudi citizens	Absence of social justice Inviting more people to the scheme
Every Saudi citizen is a potential applicant	Accumulation of applications Increase waiting list Increase the waiting period
Increased the number of granted land	Lack of governmental land
95% of the Granted Land is not suitable for building	only 5% of the granted land were used for housing construction
No mechanism to encourage construction and to prevent monopoly	Increase the developed land price
No mechanism to repay the land value	No sustainability.

Figure 5.8: Summary of problems with the land grant

5.6 Unequal access to finance

For decades, the Saudi government formal rules which regulate financing the housing sector in the country have relied heavily on providing interest-free home loans. This policy has created a complex Saudi culture that relies on tax free life style, government loans and subsidies. Although the government loan scheme helped some Saudi families to build their dream home, affordable housing is still beyond the reach of many Saudi families. This has created a complex interplay of economic, policy and cultural factors.

However, lately the country has started to go through a period of time when it has to coexist with low oil prices. The waiting period to obtain the government housing subsidies started to pose a major challenge for the government and has affected the Saudi housing market. As a result, the Saudi government started to push forward new policies and initiatives to wean Saudi citizens off subsidies. New alternative options such as mortgage lending were introduced creating a cultural shock and the dream of owning a home remains elusive.

5.6.1 The REDF loan

The REDF scheme appears to have worked well from 1970 to 1985, during the first four “Five Year Development Plans”. During this period, housing supply met increasing demand. Most of the interviewees suggested that this was because the population during those years had increased only steadily, a viewpoint which tends to downplay what was effectively quite a dramatic shift (in 1974, the population was just under 4 million; by 1980, it had reached 6.3 million). According to the MOPWH, loans for private houses constituted the largest proportion

of the money granted during this period (Alzamil, 2014). Policy makers generally felt proud of the scheme's achievements:

Contribution of the Real Estate Development Fund (the REDF) towards housing in the Kingdom has provided the market with one million units since it was established. (Interviewee 30, policy maker)

REDF Policy was effective in the first four sets of the five year development plan. It helped one million families to own their houses. (Interviewee 9, academic researcher)

Another interviewee, however, suggested that the success of the scheme was actually due to the fact that the government invested generously during this timeframe, thanks to income from the oil boom:

The high oil price in the eighties of the last century enabled the REDF to succeed in solving the housing problem by covering all the demand and contributing to the development of the cities and towns. (Interviewee 31, policy maker)

REDF was initially effective when oil prices were satisfactory high. However, the system does not provide a sustainable solution and has started to fail after the mid-eighties with the first sign of oil prices fluctuation. (Interview 9, academic researcher)

In this view, it is the fall in oil revenues from 1985 (and especially after the first Gulf War in 1991) that caused a turning point in the success of the REDF. The narrative is simply that, in an economy so heavily reliant on a single commodity, a drop in oil prices constrained the funds available to the government to supply housing, particularly as the cost of construction materials and labour was also increasing at this time:

After the war, the public demand for housing kept increasing, prices also increased, however the funds available stayed the same. There was no addition money to invest into the fund because of the oil price. (Interviewee 2, academic researcher)

After the 1990s regional and international crisis, the prices increased due to many issues, the demands on housing started to grow; importing construction materials started to cost more, and do not forget that the labour market relies on international workers who cost more money. (Interviewee 2, academic researcher)

This view is supported in the secondary literature, as influential analyses have argued that the problems of the REDF are due to its reliance on unsustainable sources of income, and its vulnerability to market fluctuations (Deloitte, 2011; Al-Otaibi 2004).

However, I want to suggest that the problems of housing supply are not entirely explained by this narrative. There have been times of high oil prices, when the Saudi government nonetheless struggled to provide adequate funding for housing via the REDF. My argument is that there are inconsistencies at a procedural and policy level between the institutions administering the REDF and other government, financial, and legal institutions, and that these are the source of significant problems.

For example, the REDF loan used to be offered to applicants regardless of need, or of ability to repay. There were no mechanisms to prioritise applications from more needy and vulnerable groups. As one interviewee argued, the scheme's very open eligibility meant that it could not be used to target particular social groups, leading to a large number of applicants and draining the resources, without any means to prioritise those in most need:

One of the most serious barrier is that there is no plan or strategy to develop the REDF operational procedure to target particular groups. (Interviewee 12, banker)

Administratively, applications are supposed to be dealt with in the order in which they are received, so that there are no internal mechanisms that might allow a filtering of applications by need. While universal provision for citizens who are all regarded as equals may sound a laudable

goal, the delays within the scheme mean that its failures fall most heavily on those with lower resources. The gap between the number of loans required, and the number of loans granted has increased, resulting in delays to applications. Waiting lists have now reached some 600,000 applications and waiting times are approximately 15 years, indicating a system that has completely broken down (Al Zamil, 2014), a situation that may worsen in the near future, given the youthful demographics of the country (see section 4.4)

Another layer of impracticality is added by the fact that the REDF loan amount is fixed and is not regionally variable. It remains equal for all applicants, regardless of housing costs in their particular province. This is problematic because the loan money might be just enough to buy a house in small cities but it won't be enough to buy a house or even a small flat in big cities such as Al-Riyadh and Jeddah.

Applicants receive loan payments in phases, according to the construction of their house. Only 10% of the upfront cost of the house is provided once applicants have signed the initial loan contract. This is now insufficient to finance the first phase of construction, given the need to pay for land and expensive construction materials. However, the second payment cannot be accessed until the first phase is completed. Therefore applicants have to find alternative and additional sources of funding, either from personal savings or from alternative forms of loan. Due to the absence of a culture of saving, and the difficulties attendant on obtaining loans, the construction process often falters at this stage due to a lack of funds.

The mechanisms to ensure repayment of the loan are comparatively weak, even where the means to do so exist, leading to concerns about the system's financial sustainability:

REDF policy was successful in the beginning but it did not have the tools to maintain the programme's effectiveness in providing support in the housing sector. (Laughing) People who were granted the loan were not obliged to pay it back. (Interviewee 1, academic researcher)

REDF was initially effective; however, the absence of sustainability and the fluctuated oil price has negatively affected this system. (Interview 10, banker)

Let me make it short, the scheme didn't have the tools and policies to conserve and maintain its success, and started to fail after being challenged during regional and international crisis in the 1990s. (Interviewee 11, banker)

The scheme relies on the government to keep working efficiently, and the government relies on oil price which is subjected to regional and international factors. When any factor affects the country's oil industry, the government fund to the REDF scheme gets directly affected as it does not have any alternative tools to generating sufficient revenues to fund future loans. This sourcing problem is impacting the REDF scheme itself and leads to increase the number of applicants on the waiting list. The government sometimes responds to high REDF waiting list by allocating additional financial support as a form of recapitalization. However, the recent recapitalization policies of the REDF programme has had only a limited effect on this.

Some interviewees related part of this failure to wider problems in the country's legal system around the repayment of debt. Most of citizens who are granted the REDF loan are not concerned about their pledge to repay the loan money since there are no legal consequences. This shows how cultural issues have become interlinked with government policies affecting the system performance.

The absence of laws that force people to pay back their loans contributed to decrease the REDF ability to fund new applicants; this has resulted in long waiting lists. (Interviewee 14, banker)

Other interviewees stated that REDF failed because it is not doing what it was designed for:

REDF was designed to support people having limited income; the loan should not be given to people outside this category. The vast majority of the beneficiaries are people who earn a minimum of SR14,000, this makes REDF void. (Interviewee 12, banker)

Finally, until recently, one of the few conditions of the REDF loan was that applicants must own land. Though this has recently been changed, it meant that the problems of the land grant system and those of the REDF compounded one another. As some interviewees noted, both sides of the problem (land and housing loans) needed to be viewed together:

Yes, having enough funds is a major obstacle, but what can I do with the money when I have no access to an affordable serviced land? What can I do with the money when I have to go through a very long procedure to be granted planning permission? (Interviewee 16, private developer)

Figure 5.9 below provides a summary of the problems and consequence with the REDF loan.

Figure 5.10 illustrates a conceptual model of the financial structures and risks in the Saudi Arabian housing sector incorporating some of the issues described above.

Problem	Consequence
Eligibility policy targets all Saudi citizens	Absence of social justice Inviting more people to the scheme Impacts the programme's budget
Every Saudi citizen is a potential applicant and inadequate resources.	Accumulation of applications Increase waiting list Increase the waiting period
Increased the number of granted loans	The financial resources of the program consumed
Ineffective mechanism of loan repayment to diversify the programme sources	Lack of financial funds as the programme is affected by the fluctuation of government budget No sustainability
Provides loans equally	Social injustice due to the different financial requirements of different areas

Figure 5.9: REDF problems and consequence summary

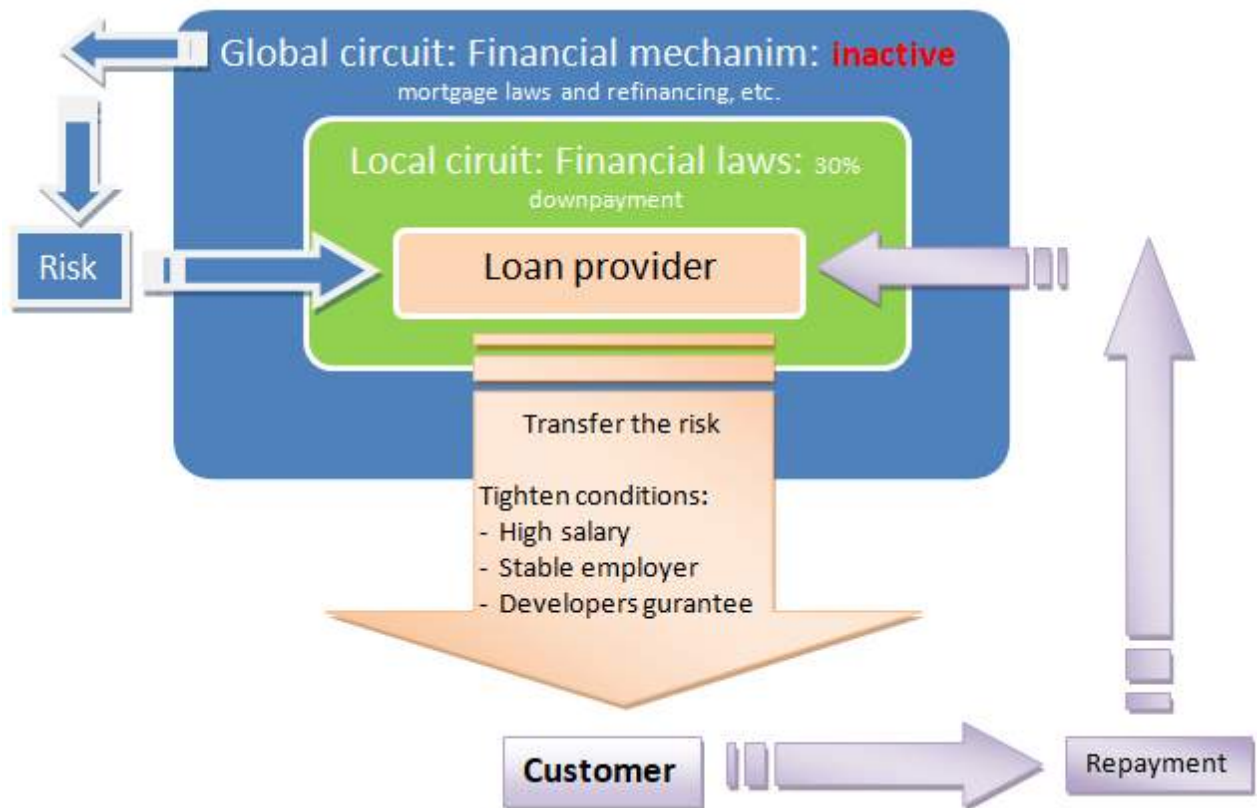


Figure 5.10: Financial structures and risks in the Saudi Arabian housing sector

5.6.2 Non-REDF sources of finance

In Saudi Arabia, the institutional mechanisms, including culture and rules and regulations, limit the availability of housing financial sources. All banks have a culture of complicated terms of finance to protect their investments. These rules and regulations are designed to maintain the power the banks hold and to transfer risk to the customers. The eligibility criteria to get a non-REDF fund from local banks requires applicants to produce a sponsor or guarantor for their application, placing it beyond the reach of low-income groups who lacked wealthier relations or contacts willing to support them, since their income is limited which creates some risks to any potential guarantor. Furthermore, the current financial system comprises only of local financial markets and is not integrated with global markets. The absence of links between local and global financial markets results in limited options. As a result, with the REDF scheme only serving households, developers who seek to provide housing on a larger scale must seek alternative means of funding these projects. Currently, their options are highly limited. They either have to rely on their own capital to self-fund (currently the most popular way to fund such projects), or they must obtain a loan from a commercial bank. The latter is not a straightforward process, in part due to the restrictions on usury in Islamic culture, and a lack of legal rights for lenders in the Saudi justice system. Furthermore, financial agencies and banks are extremely cautious about lending, due to the high risks involved. As several interviewees noted, this does not only prevent many private developers from expanding their businesses, but also affects individual consumers who are unable to find alternative sources of funding from the REDF:

There is a published report for the Housing Supply Survey that suggests that the average time limit regular consumers hold their land before starting to build is on it is 4 to 5 years.

This means that during this period they look for choices to fund their house building. This tells you how inefficient the financing facilities are. (Interviewee 2, academic researcher)

It is clear that the financial sector plays a very important part in the production process. However, obtaining finance for our projects is problematic due to the current weak mortgage system and the poor consideration of the refinancing agencies. Very few banks take the risk to provide the required loans, due to the absence of laws and protective regulations that handle borrower–lender rights. (Interviewee 18, private developer)

The difficulty of obtaining mortgages from Saudi banks is confirmed by Venkataraman (2011), who argues that these institutions prefer short to medium term loans, due to the lack of business security that surrounds longer-term borrowing. Firstly, a large part of the problem is the lack of legislation that empowers banks with the right to enforce repayment from the borrowers. Currently, the banks have minimal guarantee from the borrowers that the loan will be repaid. Secondly, the banks in Saudi Arabia do not have much exposure and access to global capital as they are extensively influenced by government policies. Thirdly, the interest of bank officers, who design the mortgage loan policies, are more aligned with global financial structures and less with the prevailing culture and financial problems that people in Saudi Arabia face (where the majority do not have much savings). Usually, the banks in western countries have access to international capital, work as an independent agent while following the policies of federal bank, and have very strong safeguards to recover the loan amount in case of default. Such measures are missing in Saudi Arabian banking laws and reduce the interest of banks to issue mortgage loans for low income people (Harding 2009). Policy makers, however, contended that the government was aware of the issue, and already in the process of launching new measures to increase the activity in the real estate market by stimulating conventional finance and mortgage lending. In 2012, new mortgage laws were introduced to facilitate access to finance by allowing banks to provide

a bigger share of the funding for home purchases. This represents a significant step towards paving the way for new mortgage structures to play a role in Saudi Arabian real estate finance:

The government has introduced new mortgage laws. This has made buying a property easier than ever before. (Interviewee 25, policy maker)

The government recognised the problem of access to funding and is doing its best to solve this problem. New mortgage laws were issued in 2012 and we are open to any suggestion to improve these. (Interviewee 29, policy maker)

It is still a little too early to assess the impact of these new regulations on the market, in the long run since they were only implemented in 2014. However, the preliminary evidence suggests that banks are still concerned about taking the risk as the new frameworks are very loosely defined and that the financial sector remains feel unsure about how such laws will work in reality, and whether they would be able to seize properties in the event the repayments were not made:

It is true that the government has introduced new financial laws to facilitate buying a property. However, there is little clarity and protection for our sector. It is therefore unlikely that the number of mortgages will increase at this moment in time. (Interviewee 11, banker)

The current mortgage law also imposes a 30% down payment (reduced to 10% in 2018). Due to the aforementioned absence of saving culture in Saudi Arabia, this represents a large barrier to low- and middle-income borrowers:

Until 2012, mortgage laws didn't exist. The new mortgage law is not really clear and does not provide the financial system with the security the sector needs. The vast majority of Saudis who buy property still have to make the full payment in advance. This has led to the current low housing ownership rate of about 30 – 40%. Change is slow, but it will be interesting to analyse outcomes in a few years. (Interviewee 14, banker)

Banks offer home loans, but only on a very limited basis. These loans are usually reserved for high income people. Such loans are not available to low and middle income people.

These people can only apply for REDF and wait. That is why REDF loans dominate the Saudi home financing market. (Interviewee 7, academic researcher)

A combination of long waiting lists for government help, and a lack of access to alternative sources of finance, means that lower earners, and even middle income groups, find it very difficult to achieve the dream of becoming home owners. The subsidy schemes that exist are simply not effective at prioritising their claims. The majority of the Saudi population are employed in slow-growing public sector, in jobs that involve general administration, education, and health. Their salary levels are at the lowest grade, and they earn around 3,000-5,000 Saudi Riyals per month. This is simply insufficient to allow these groups access to the restricted types of finance that are on offer, many of which are attached to a much larger dwelling. Consequently, they remain restricted to an informal type of housing (such as shanty houses in unplanned settlements, known as “slums”) or must enter rental accommodation. The largest of the informal settlements in Saudi Arabia are in Makkah, Medina and Jeddah. As per the reports published by the United Nations Habitat (as cited in Fallatah, Jones and Mitchell, 2018) informal settlements constitute about 43% in central area of Makkah and 23% in Medina. These settlements are in low rising buildings, housing mostly the migrant workers and low-income expats from various countries. In Jeddah, nearly 35% of the population resides in informal settlements owing to the demographic pressures, high rentals and inadequate as well as inappropriate regulatory framework. Like other cities in Saudi Arabia, mostly expat unskilled workers from other countries live in informal settlements along with some of the migrants from rural areas as well in Jeddah (Fallatah, Jones & Mitchell, 2018).

People with very limited income and very limited savings do not have any chance to access any subsidy programme, any private fund and they stay in rented flats. (Interviewee 9, academic researcher)

Overall, the financial landscape around housing finance is one in which uncertainty and insecurity, fostered by a combination of non-functional policy, government paternalism, and cultural mores, are standing in the way of national and international investment:

Frankly speaking, the Saudi housing finance market is chaotic. The REDF's performance is weak, the financial sector feels insecure and steps back from taking any risk, and international investors do not see the current Saudi housing market as safe for their involvement. Overall, the financial system does not support the development of the housing market. (Interviewee 12, banker)

No one should blame the private financial sector, the risk is high, no-one would take that risk with this cloudy unclear market. No clear financial regulations and no refinancing agencies! (Interviewee 12, banker)

However, while many interviewees mentioned access to finance as an issue, one of the developers opened a wider view, linking this issue with that of planning permission in a manner that draws attention to the need for temporal coordination between different aspects of the system. Even where a developer has funds available for construction, building work cannot necessarily begin, leaving them making interest payments while they wait for government permission to materialise. This indicates to the earlier issues of system coordination rather than solving isolated single causes by policy change.

Yes, access to finance is a problem for many developers. However, I am one of those who has enough capital to run their business, and I am one of those who has access to loans from private banks. The problem is not just about money, the problem is deep in the system itself. When I get a private loan, and the system does not provide building permission and the required infrastructure, what can I do with the loan money? Bear in mind I need to pay back the loan interest while I am not making any use of the loan money. (Interviewee 21, private developer)

This draws attention to a problem of scale within the Saudi housing market. Much of the attention of the government has been devoted to helping individual private developers, with little assistance for larger residential development firms. Such bodies require different financial support mechanisms than those building their own homes, or a small number of houses on a site. Elsewhere, this group of actors is usually supported via banks, private financial agencies, and government schemes, none of which are on offer in the Saudi context for the reasons outlined above. Essentially, cultural mores that discourage lending have fed into a financial and legal system that increases the risks and insecurities associated with the provision of housing finance. The result not only limits the involvement of Saudi private developers, but discourages the willingness of international players (in the sectors of both finance and construction) to involve themselves in the market. There are very strict rules with respect to the ownership of the property in Saudi Arabia for any foreign national or foreign company. The rules are separate for GCC members and non-GCC members. There are limits to the size of the land that can be owned or leased and the time frame in which such properties must be developed within the stipulated period of getting the property registered. However, there is complete restriction for investment or ownership of any land or property in the holy cities of Mecca and Medina. To date, the government of Saudi Arabia is conservative with respect to foreign investment in Real Estate as it means controlling the land, which is one of the rare and precious resources. The Vision 2030, might create more opportunities with the changing times and necessities (Al Tamimi & Company, 2020).

Overall, this has a negative impact upon the housing development system as competition, investment, and innovation remain stagnant within the sector:

The financial system works at a national level, and its performance is very limited due to the general feeling of insecurity. Our regulations do not suit international investors. The government is working on developing the financial sector to support the economy by stimulating national and international investment. (Interviewee 31, policy maker)

However, there is some evidence that the government is wary of introducing international financial players and capitalist developers into the Saudi housing market. One policy maker argued that protective measures were necessary to ensure that the country was not subjected to the types of financial crisis that the world witnessed in 2008:

We need to prevent any chance to develop financial crisis, as such that happened in 2008. (Interviewee 27, policy maker)

This suggests more active and ideologically-motivated resistance to opening the housing system to the financial and development markets, with questions of power in play which is beyond the scope of this thesis.

According to data obtained by the Gulf Business's report (2018) Saudi employees can be classified into three main groups as follows.

The high-income group: includes Chief Executive Officers (CEO) and Managing Directors (MD) whose salary ranges from \$27,100 – \$38,325 a month. People of this group have no problem in building or buying their dream home. It is important to note that Saudis from this group still have the right to obtain REDF loans and land grants.

The middle – upper middle-income group: includes managers, lawyers, and senior accountants and healthcare general professionals whose salary ranges from \$2,250 – \$10,000. Individuals' salary in this group can be subdivided into two sub groups; middle to upper middle income; the upper middle group can challenge accessing enough fund to build or buy their dream homes, however, the middle income group have no problem to build or buy basic level of accommodations (flat or small houses).

Low income group: includes people who earn anything between the national minimum wage and \$2,250. The Saudi Ministry of Labour (2015) fixed the minimum wage for Saudis in the private sector at SR 5,300 (\$1,412). Figure 5.11 below provides a summary of financial affordability issues.

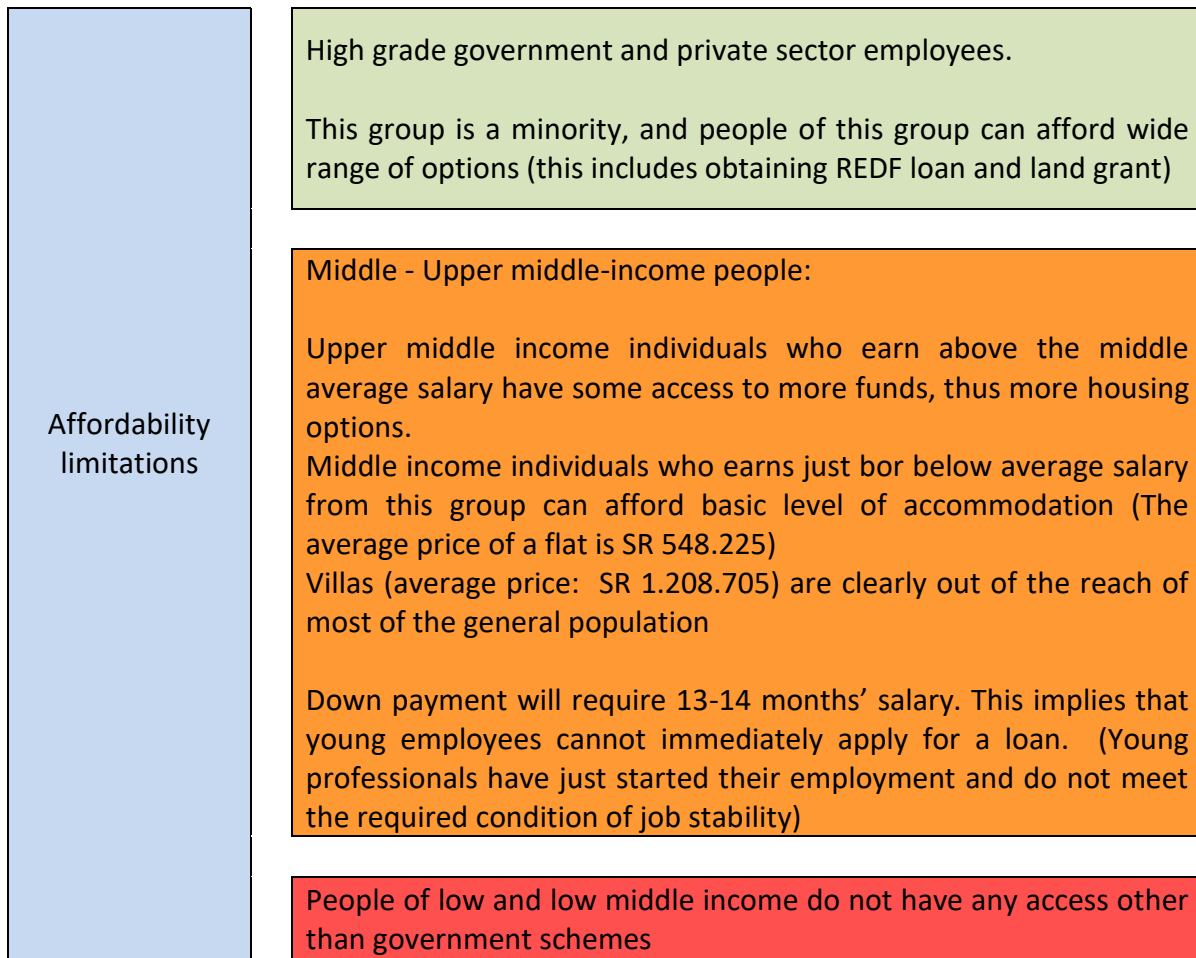


Figure 5.11: Summary of financial affordability

In conclusion, the system failure is at multiple interlinked issues. The system seems unable to change its practices very quickly. For example, the REDF and MLG arose from a time when culture and economics and policy all reinforced each other, but are now out of step due to lack of coordination, lack of alternatives. The Saudi government has been slow to react to the failure of key housing mechanisms, such as the land grant and the REDF, and has not introduced new financial and legal regulations to provide alternative sources of housing finance and the regulate the repayment of loans. These factors have limited the role of international private sector

financial institutions and private sector developers in the market, due to the high risks involved. Banks have tended to transfer these risks to borrowers, demanding high upfront deposits and restricting borrowing to the most low-risk, wealthy applicants.

Outside of government schemes, housing finance is therefore only provided by the national market. The products on offer cannot fulfil the needs of lower- and middle-income households, since they are restricted to those with higher salaries, they require the payment of large deposits, and money is generally lent for the short- to medium-term rather than for the types of term that characterise European mortgages. The result is that those at the lower end of the income scale have little choice when it comes to financial products that would allow them access to the housing market.

5.7 Failure of alternative models for housing delivery

Alternative housing models delivery can significantly contribute to solve the housing crisis. These models include corporative, cooperative and charitable housing. Overall, the contribution of these alternative housing models in Saudi is very insignificant.

5.7.1 Corporate housing

Some employers provide housing to their employees in Saudi Arabia. Generally, these schemes are divided into two groups. Companies such as ARAMCO and SABK belong to the first group, and provide home ownership programs, where employees eventually keep their homes when they retire. Other companies, such as hospitals, universities and army, provide a low-cost rental programme. When the employees retire, they are required to vacate these properties.

Employer programmes produce non-profitable, high-quality units at a competitive cost. In 1953, ARAMCO started “Home Ownership Programme” to accommodate its growing workforce. The company provides housing in partnership with the Saudi government: the government provides free land, while ARAMCO offers specially designed loans to its Saudi employees to help them to build or purchase family homes in their local communities. Additionally, ARAMCO has established a Guaranteed Rental Plan to encourage local contractors to build housing units for sale. This scheme guarantees rent payments for units over a five-year period (Fadan, 1983). These two schemes, the housing loan, and the guaranteed rental plan, allow ARAMCO employees to secure a residential home in any city or town within the Eastern Province (Al Mayouf and Al Khayyal, 2011).

One of the main factors contributing to the success of these programmes, when compared with other programs such as the REDF, is that companies have a range of means by which they can recoup outstanding loans, such as a monthly deduction. In contrast, the REDF official data shows that the REDF loan money recovery rate was only at 50% in 2016. The challenge is aggravated as the information about the 570,000 loanee’s information is not updated and the organization is facing difficulty in recovering the loan amount. The default amount has reached to a level of SR 6 billion by end of 2017 (REDF, 2016).

Our home ownership programme provides our employees with high-quality houses with very competitive prices. Our scheme is successful because we have enough funds, we plan; we set standards, and have a direct system to collect money owed to us, so always recoup our money. (Interviewee 33, corporate housing)

Some policy makers have noted the success of these schemes as a kind of model for the wider public sector to follow. However this would require changes to legislative and judicial frameworks around lending and debt management:

SABC and ARAMCO have shown successful outcomes as part of their corporate housing scheme. It would make sense for us to support them and others to follow the same strategy. (Interviewee 31, policy maker)

Other schemes provide employees with accommodation during the period of their employment only, offering them heavily subsidized rents but no long term residency rights. This type of scheme is used by public service and government providers such as the army, universities, and hospitals. The overall effect is to reduce the demand for housing, but at the cost of long term security in older age:

The low cost rent programme provides employees with a high quality houses during their employment to participate in reducing the demands on housing. (Interviewee 32, corporate housing)

Since this program offers no long term residency rights; it only delays the problem. There is some evidence that these programmes discourage consumers from thinking long term and buying or building their own homes; therefore finding themselves with no shelter when they are old and less able to build.

People think that providing cheap rent is a temporary solution. But it is not at all. In fact, this programme contributes in a negative way. The programme supports the customer when he is financially able to buy, but there is no support provided after retirement or change in employment. Which means that this programme prevents people from buying and building their future home when they can do so. (Interviewee 9, academic researcher)

Another interviewee felt that such schemes merely delayed the problem to older age:

The corporate schemes that do not provide home ownership postpone housing demand without solving the housing shortage problem. (Interviewee 23, policy maker)

5.7.2 Cooperative housing

Cooperative housing is available for those who are not long-term employees of companies like ARAMCO. As is the case elsewhere in the world; cooperative projects involve two or more parties working together to achieve a common goal, generally one that enhances service provision and living conditions for those involved. The movement dates back to 1844, and originated in Europe, though cooperative societies now target many activities and areas across the globe, including offering housing solutions (Abrahamsen, 1976).

Cooperative housing is different from charitable housing: it is not based on a philanthropic motive, but on a group of people working together for mutual aid and assistance, in order to improve their social and economic condition and achieve their goals and aspirations. However, it is not oriented towards profit (Fatah and Mansour, 2012). As a response to the housing shortage, the government has expressed interest in developing cooperative societies as part of the solution. The first cooperative housing association was established in the Kingdom of Saudi Arabia in 2006 in Qassim, and in 2008, the Cooperative Societies Law was issued by the Council of Ministers (Decree No. 73, dated 9/4/2008) to encourage the formation of further organizations. The new societies are under the direct supervision of the Ministry of Labour and Social Affairs, but are assisted and supported by a designated Council of Cooperative Societies, established under the Cooperative Societies Law (MOSA, 2008).

However, until 2016 there were only four housing cooperatives in the Kingdom, and their contribution was just about 2% of the overall annual housing constructions. In other areas of economic and social need, cooperatives have been more successful, with a total of 196 now active. Figure 5.12 shows the name, date of establishment, and number of members for the four housing cooperatives in the Kingdom (Alshadadi and Al Shahri, 2016).

Society Name	Established	No. of members	Province
Cooperative housing Society in Riyadh	2014	82	Riyadh
Cooperative housing Society in Al Qassim	2006	30	Al Qassim
Al-Yamama cooperative housing society	2009	48	Riyadh
Cooperative housing Society in Makkah Al mokkrama	2014	23	Makkah Al mokkrama

Figure 5.12: The current housing cooperative societies in Saudi Arabia Kingdom (to 2016) (Alshadadi and Al Shahri, 2016).

The Cooperative Society for Housing in Riyadh was established in 2014, in accordance with a decision from the Minister of Social Affairs (No. 77285 dated 15/9/2014). It aimed to provide its founding members with high-quality housing at reasonable prices. It has been largely successful with positive economic outcomes for the community in general. The total number of members at the time of incorporation was 15, with a capital of 972,000 Saudi Riyals. By the end of 2015, it had expanded to 82 members, and a capital of 3.5 million Saudi Riyals, and assets worth an estimated 1 million Saudi Riyals. Its stated aims are as follows (Alshadadi and Al Shahri, 2016):

1. To construct residential complexes to reduce the cost of owning a family home.
2. To offer low-income housing at competitive prices.
3. To improve the quality and quality of construction of low-cost housing complexes.
4. To provide building materials and maintenance services for existing buildings.

5. To improve the social and economic status of the members by achieving financial return.

However, there are a number of obstacles that limit the efficiency of cooperative societies. These limitations can be summarised as follows:

1. Culturally: Saudi Arabia has a weak culture of cooperative work across various fields, including housing. This explains the low number of housing cooperative societies that have been founded (Fatah and Mansour, 2012).
2. Institutionally: A lack of land grants from the State has inhibited the role of cooperatives in providing effective housing solutions to the members of the community (Alshadadi and Al Shahri, 2016).
3. Financially: Cooperatives have struggled to fulfil the requirements and conditions of banks and financial agencies and have therefore not been able to benefit fully from the financial systems and procedures sanctioned by the State; this is partly due to a lack of experience in the management of cooperative projects across government and the cooperative sector (Sadiq, 2013).
4. Lack of technical and administrative proficiency of the members of the boards of directors of cooperative societies (Alshadadi and Al Shahri, 2016).

Together, these problems severely limit the role currently played by cooperative provision in the Saudi housing sector:

The number of housing cooperative societies is very limited and their contribution is not effective or even of any significance. (Interviewee 1, academic researcher)

5.7.3 Charitable Housing

There are no regular official publications or statistics responsible for mapping poverty in the country; however, unofficial studies and reports suggest; it is very high. Based on data published by official statistics department the unemployment rate amongst Saudi citizens in 2018 stood at 12.9 (Reuters, 2018). GAS (2018) indicates that half of the Saudi population is below the age of 29 years old and one third is between 15 – 24 years old (see Figure 5.6: Population by age, nationality and gender). This means that over the next decade more are expected to enter the workforce and the youth unemployment is likely to continue. According to the National Strategy for Combating Poverty (NSCP, 2005) destitution poverty stands at SR1,724 per month and absolute poverty stands at SR3,817 per month or below.

By studying these statistics and the government reports we can conclude that the number of unemployed people stands at 3,000,000 person (unemployment rate= 12.9 which is nearly one third of the current total population, this is equal to 3,000,000 individuals). By considering that the average number of family members is 7.6 persons (GRC, 2013) the number of poor families due to unemployment is about 395,000 families. It is important to note that the NSCP (2015) estimated that 20.53% (6,000,000 family member = 1,000,000 family) of the Saudis are of low income group who earn less than SR3,000 (NSCP, 2015).

Thus this study assumes that the number of poor Saudis families due to unemployment and due to low income stands around 1,400,000 families. This matches the unpublished figures of the Ministry of Labour and Social Development which estimated the number of poor families whose income is at the lowest at 1,030,000 families in 2006) which represents 28 % of the total number

of households, the ministry report estimates the total number of Saudi families is some 3,600,000. A study on “housing needs in the country” revealed that many of these people are living in inadequate housing such as tents, camel hair houses, boxes, and other forms of insecure and unsafe accommodation (AlKhalifa, 2010). For many of these families, the majority of their income is spent on food and housing needs (Mottagi, 1997). This demographic is usually disadvantaged and they were unable to access REDF funding since they did not have the land to build on; which was one of the requirement to get the fund. This requirement was cancelled to help them to improve their situation; however, even if they get the loan after a long wait; they do not have land nor any savings to support the phased loan. While, they are obviously not a source of potential profit for the private sector, they have to seek other alternatives, mainly charity housing.

Over the past 30 years, a number of charitable initiatives have been set up throughout the Kingdom exist to offer support to those most in need (Bahamam, A., and Shalabi, F., 2016). As one interviewee explained:

Charity houses are generally adopted by individuals, and usually the charity programmes target only people who are in extreme need. They provide them with either housing units or full or partial help to pay their rent. (Interviewee 3, academic researcher)

The oldest of the charitable housing authorities was established in 1979 by King Faisal, and has built a model town in Abha city in the Asir region (Bahamam and Shalabi, 2016). According to Bahamam and Shalabi (2016), there are a further three charitable institutions which have played a particularly important role in housing provision:

1. King Abdullah Bin Abdul Aziz’s Foundation for the Parents of Housing Development

2. Sultan Bin Abdul Aziz Al Saud's Charitable Foundation

3. King Salman Bin Abdul Aziz's Association for Charitable Housing.

These charities develop housing blocks and then rent units to poor families who meet specific social and financial criteria. Sometimes, the charity benefits from royal sponsorship and support, and is able to use fundraising events to raise money. For others, charitable donors provide lands for housing projects.

However, this sector's contribution is very limited. The performance of charitable organizations throughout the Kingdom was surveyed in 2008 by Dr. Abdullah Al-Khalifah for the King Abdullah Bin Abdul Aziz Foundation for Development Housing. The results of his research show that there were about 69,000 households (2.5% of the total number in the Kingdom) who were in urgent need of housing. However, the total number of houses provided by charitable housing foundations did not exceed 5,000 over the period from 2002 and 2015. This number roughly tallies with statistics provided by individual foundations. The King Abdullah Foundation for Developmental Housing claims to have provided 2,652 units between 2002 and 2015; the Sultan Bin Abdulaziz Al Saud Foundation cites provision of a further 1,246 housing units between 2000 and 2012; and according to the King Salman Foundation for Charity Housing website report published in 2015 the foundation has provided 510 housing units since it was established in 2007. Together, these figures suggest that the overall contribution to housing supply from the charitable sector is very low, especially when compared with demand. Interviewees supported this view:

The charity housing is different from any other sector and has different objectives. It relies on different resources and targets different potential consumers. The houses of the charity sector are of acceptable standard, but are very limited in size and number. (Interviewee 38, Charity housing)

Furthermore, charitable housing programmes are often highly dependent on support from a single individual, to the point that they can close when that provider dies. This not only prevents their development over time, but creates severe problems for the maintenance and upkeep of existing homes:

The charitable housing sector offers housing for groups with special need. However, due to the lack of support and donations, it does not provide enough houses and its contribution is very low. This does not only limit the number of houses provided, but also it limits any maintenance service which might be needed in the future. (Interviewee 37, charity housing)

As a result of this problem, some of these charitable organizations have switched their approach, and now aim to help people by contributing to rental payments, rather than by supplying housing. While this may represent a more sustainable contribution for the institutions involved, it means that the contribution of charitable organizations to housing supply has been reduced.

5.8 The failure of Public-Private Partnerships

The Housing authorities keep adopting a direct housing delivery approach, essentially becoming a housing developer. For one interviewee, this state involvement in the provision of housing was another factor that had previously inhibited the private sector involvement:

Instead of being a regulating authority, the MOH took the role of developers. Being a provider, the MOH stood against private developers' involvement in solving the housing crisis problem. (Interviewee 22, private developer)

However, the failure of this housing policy led to the adoption of a new strategy in 2013: the pursuit of Public-Private Partnerships (MOH, National Housing Strategy, 2013). As one interviewee explained:

The MOH changed its strategies and began to encourage Public-Private Partnerships in 2014. The Ministry provided the land and the required infrastructure, which is of course conditional to some requirements. (Interviewee 23, policy maker)

However, actors working in the private sector argue that the conditions of these new partnerships are not attractive, and that the success of the programme is consequently limited. They object to the imposition of conditions: houses must contain a certain number of rooms and be of a minimum area of 180 m², they must be constructed within a strict timeline of 20 months, and must thereafter be maintained for 10 years. Finally, the unit must not cost more than \$133,000. As one developer argued, these conditions essentially eliminated the profitability of such schemes because they lead to high transaction costs:

The ministry has again failed to attract private developers. Our participation in solving the problem relies on profitability. Although the Ministry provides land for free, the \$133,000 is not enough to meet the requirements and make a worthy profit. This kind of participation is not feasible for us. (Interviewee 15, private developer)

However, others involved in the housing sector are less critical. They see this new strategy as the first step towards more PPP involvement, arguing that further dialogue between government departments and private sector actors will be necessary to improve the programme:

The MOH need to negotiate their requirements with the real estate developers in order to produce a better programme. (Interviewee 5, academic researcher)

However, many real estate developers currently prefer to work independently of the government programme, even though this subjects them to high land prices, long build times, high transaction costs, and dependence on government for implementation of servicing and infrastructure. Ultimately, they are willing to sell their products at a higher unit price and profit margin to those who can afford them. Consumers who cannot must look for an alternative provider.

5.9 Conclusion

In conclusion, the interactions between numerous actors in an institutional and cultural landscape is governed by formal and informal rules and regulations which influence the whole development process. However, if we synthesize the analysis so far, we see that both informal and formal rules are playing a role in the creation of the housing shortage (see Figure 5.15). On the one hand, a number of informal rules, particularly cultural and religious preferences, are creating a series of perhaps unrealistic expectations about the built form and size of Saudi houses, and about the role of the government in providing housing finance and land. These points to the need to look beyond the number of housing units delivered alone, to the size and type of housing that a given population deems to be adequate. In the case of Saudi Arabia, customers expect the government to grant relatively large plots of serviced land, and to provide financial support for the construction of significantly sized houses, even though these have become unaffordable in some cases (Bahammam, 2002).

Consumer preferences are thus a significant factor in the creation of a highly polarised housing market, in which there are two distinct sets of actors engaged in the production of two different types of housing. Large-scale developers have tended to focus on high-quality, expensive units

for wealthy families, which allow a considerable profit to be drawn, leaving the construction of less expensive houses in the hands of individual developers who build to lower quality standards. While employee housing schemes have had some impact in bridging this divide, other mechanisms (cooperative housing, charitable housing, and Public-Private Partnerships) have failed to make a significant impact on the delivery of homes for middle- and lower-income people.

Most importantly, however, these two aspects of housing supply are in dialogue with one another, each shaping and shaped by the other. Cultural preferences do not exist in isolation, but have emerged from a political culture that encourages people to regard the government as a paternalist provider. The government, on the other hand, have been unwilling to divert from their existing policies, and to communicate the impossibility of providing housing for free (Rabenau, 2011). Public sector culture has thus played a contributing role within these cultural preferences. Policies, in turn, have been shaped by an unwillingness by the government directly to confront the need to change public expectations around land and housing grants. These two institutional aspects of the situation, then, are mutually reinforcing. This can be clearly seen in the two examples discussed here: the Municipal Land Grant and the REDF loan. The combined effect of formal and informal complications has been to prevent the emergence of new solutions to the housing shortage problem. Figure 5.13 summarises these interactions.

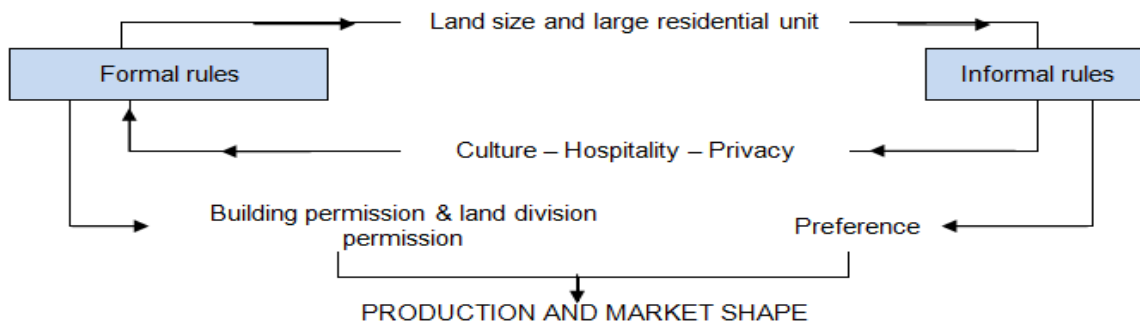


Figure 5.13: The interaction among the primary actors which drives the housing market

On the other hand, issues with the formal institutional rules governing the housing system are exacerbating the housing shortage. In particular, there are significant areas of overlap in organizational roles and procedures, leading to a lack of clear policy. Not only does this affect integration between government departments, but it has impacts on the involvement of the private sector in housing supply.

Figure 5.14 summarizes all the components of the structures of provision of housing in Saudi Arabia as derived from the analysis of data. The housing shortages are produced at three integrated and interlinked levels. The level one is the regulatory level, at this level governmental organizations and the inconsistency between these organizations are visible. It was found that government organizations and their institutions such as procedures and processes cause delays in the system. These delays are linked with the private sector companies as well, making the inefficiencies spread across the system. It is crucial to mention that at this level there is no accurate and / or unified data in which the secondary actors can rely on to run an effective way of productivity.

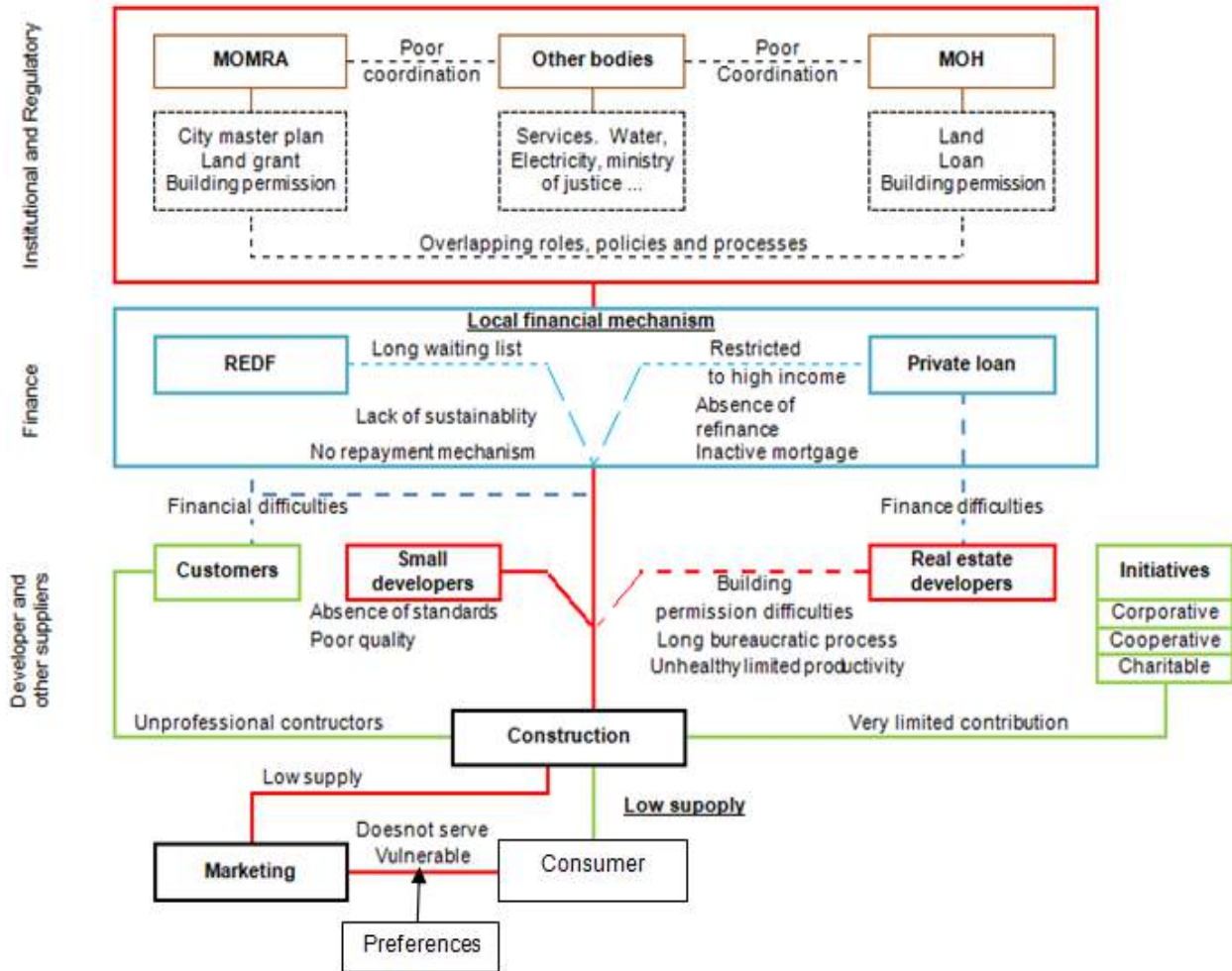


Figure 5.14: The current SoP for housing in Saudi Arabia

The second level of inefficiencies is caused at the financial level. At this level, both consumer and private sector as well as the government institutional mechanisms come into play. The consumer demands finance and resources, the government provides part of this funding via its institutions such as REDF and the land grant (material resources such as land). However, due to lack of mortgage regulations and suitable rules, the private finance sector is unable to cater for consumer needs at this level, putting pressure on affordability. Consumers are left with few choices, either to sell their land plots in the secondary market or hold onto their plots of land

until they manage to fulfil the banking criteria. Depending on the availability of funds, consumers choose to either build their houses through developers or individuals. While these obstacles are present in the system, preferences put a lot of pressure upon the provision of land and types of houses consumers require. Preferences towards bigger houses mean that the financial obstacles consumers face are even harder, as a result the three levels interact together and produce a complex inefficient housing provision structure. The institutional mechanisms including culture and rules and regulations cause the housing shortages overall. As a consequence, real estate developers find the market unhealthy and run their business independently through a smaller market that provides specific units to specific consumers.

Finally, housing initiatives play a very insignificant role in the Saudi housing market, either due to ineffective policies that do not provide home ownership programmes, or due to limited budgets as in charitable housing.

CHAPTER 6 Thematic discussion

6.1 Introduction

The unprecedented population growth and the continuously increasing rate of urbanization in Saudi Arabia have created unprecedented demand for housing. In the last chapter, I constructed a careful empirical analysis which explored the ways in which the interaction between informal and formal rules was acting to determine a market shortage of housing. In this chapter, I will break this analysis into a series of themes, to discuss it in more theoretical depth. After providing an overview of the SoPs for housing delivery in Saudi Arabia, I will discuss the role of power and process relations; the relationship between interests and strategies and structure/agency relations.

6.2 An overview of the institutional SoP for housing delivery in Saudi Arabia

Figure 6.1 provides an overview of the SoPs in the Saudi Arabian production process as it operates in the housing market. As Ball (1998a) argues, housing is not an isolated phenomenon. It is conditioned by economic, political, and cultural structures that are geographically, culturally, and temporally specific. In response to this, the SoPs for each national context look very different. In the case of Saudi Arabia, the empirical analysis can be divided into a number of layers, each of which deals with a different series of institutional relationships:

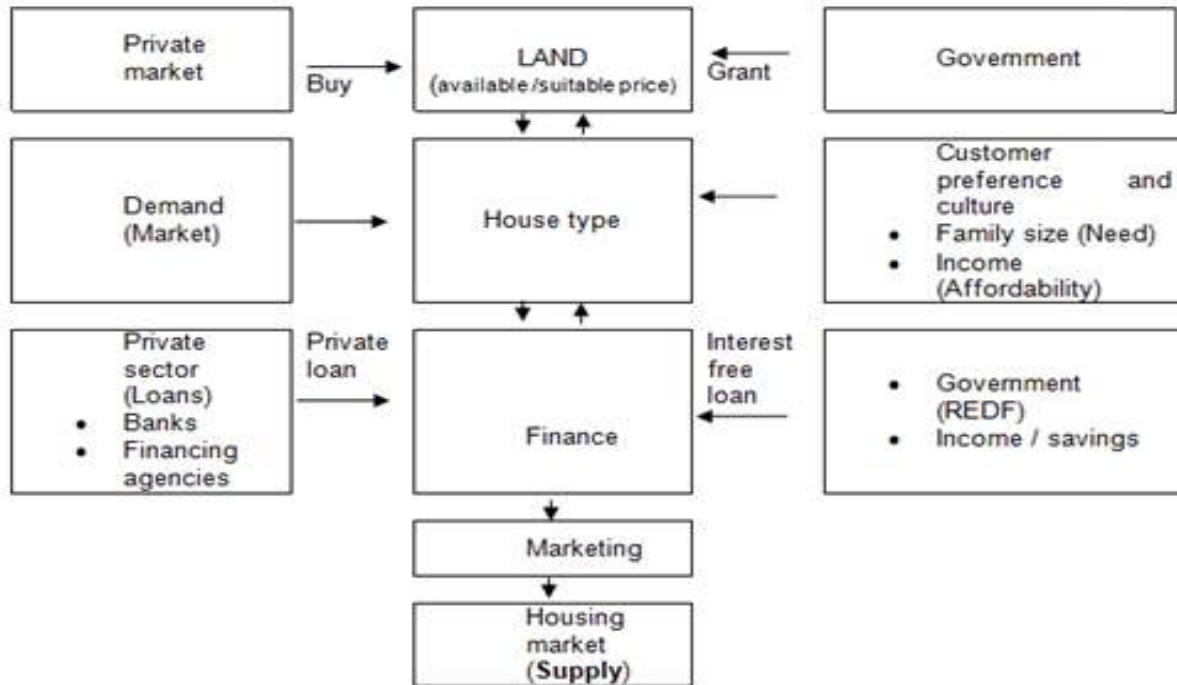


Figure 6.1: The SoPs in the Saudi housing production process

1. Layer one: the formative and fundamental shaping role played by informal rules and cultural preferences over the whole housing system, including the ideologically-informed expectations that people have of the wider mode of production and of the government's role within it, and their ideals and dreams about housing size and layout.
2. Layer two: the interrelationships between the regulative organizations that govern the process, which form a set of formal rules governing roles, procedures, and policies. For economic and political reason, these play a particularly dominant role in a Saudi Arabian context. The strategies and interests of different government agencies are included as part of this layer, as well as their underlying public sector ethos.

3. Layer three: the interface between layers one and two and private sector actors who are governed by a different, profit-driven logic, including non-governmental sources of housing finance (banks, financiers); the involvement of different types of developer (large- and small-scale); and the role of marketing as an afterthought to the housing process, rather than an intelligence-gathering operations to identify areas of demand.
4. Layer four: the involvement of alternative institutions, with alternative logics (corporate, cooperative, and charitable) in the housing sector.

In the case of Saudi Arabia, the figure shows how institutional mechanisms limit housing supply and create housing shortage in Saudi. At the top levels are the macro governmental organizations that produce and reproduce housing shortage through ineffective causal mechanisms such as poor coordination, cooperation, policies and repetitive roles and responsibilities. The most relevant and obvious institutional structures that contribute to housing shortages are the government controlled two schemes of land grant and REDF (the financial scheme). Both the schemes have unusually long waitlist, suggesting they must be changed. The structures of provision analysis, in this research found that the inefficiencies that we find in the events (Healey, 1992) of built environment are produced by deep and real mechanisms and the lack of necessary connections between them (Sayer, 1992). Following Ball (2013), the housing shortages have a history and it is historically emergent that what happened in the past we see the present as it is now. Similarly, the roles and responsibilities also have histories as do the agents who hold these roles and responsibilities.

While the governmental bodies historically emerged and influenced the economic, political and cultural institutions, these institutions in turn shaped the power and politics of the government in a dialectic manner shaping and reproducing housing shortages. Supporting Healey's (1992) idea that events are separate from the ideologies, interests and relations between the actors, the research separately analyzed how events are produced from interests and relations. There were conflicting interests between the policymakers on one hand, and the rest of the actors. For example, the banks required a secure banking system that would make themselves safe while the government had no interest in linking its financial facilities and capacities to the local banks or international banking industry. These contradictions in interests were retained and maintained in the presence of lack of coordination and cooperation between the actors.

There is evidence that healthy social relations between the organizations are lacking in Saudi. Social relations, interests and the working culture of these organizations seem to be generative causal mechanisms that reproduce the housing shortage events at the level of our empirical observation. This brings us closer to realistic evaluation of institutional structures. Institutional structures are multiple and cause the actual events of housing shortages that researchers observe. Many people might describe the housing shortage as lack of availability of mortgages and financial products (Opoku and Abdul-Muhamin, 2010). But digging deep into the institutional structures of what produces these regularities in the housing market uncovers generative mechanisms that limit mortgages. For example the lack of regulations that govern mortgage financing and lack of necessary connection between the banks and government finance without complementing mechanisms in place that interlink both institutional structures.

The third tier of the structures of provision in the above figure of institutional structures show how the institutional inefficiencies causal malfunction and limited capacities at the level of developers. While developers in Saudi can be both small scale developers and large private developers as well as cooperatives, corporate and charitable firms. The inefficient policies and procedures often resulting from ineffective social relations, interests and cultures create ineffectiveness at this level too. These cause issues such as delays in construction permission and absence of serviced land plots leading to a recursive rounds of related other institutional mechanisms such as emergence of monopolists and their powers in built environment. Further inefficiencies are created when private public partnerships are not active due to lack of encouraging policies.

In addition, there is also the element of culture putting pressures on the requirements and expectation of housing on consumers' side while the government reinforced without considering shifts in cultural norms and customer needs.

The inconsistencies in the structures of provision at different levels create an imbalance in the housing market. Houses are designed and catered mainly for the rich and those who can afford bigger houses. The biggest omission in the structure of provision is Healey and Gonzalez (2005) notion of emancipator dimension in housing policy design. The provision structures do not consider the vulnerable low and middle-income groups, and their needs.

Thus, the weak framework of government policies keep the waiting lines for REDF loans longer, and the lack of awareness diverts the government's attention to resolve this situation. Moreover, private developers and many other financial intermediaries (actors) are motivated to conserve

their self-interest. The government should be creating a conducive environment where financial institutions could provide adequate loans to the private developers for constructing large scale housing projects. At the same time, the banks should critically evaluate the payment capacity of the borrowers before issuing them the housing loan so that legitimate borrowers get access to funds (loans) as well as houses. In this way, all actors may get connected together to resolve the deficiency in housing market.

6.3 The role of power and process

As Healey (1992) and Ball (1998) argue, power relations play a key role in institutional structures. This study has revealed conflicts over power within and between every level of the analysis. However, the analysis further demonstrated the complexity of power relations, and the interactions within the role of process. It is important to note that both concepts work in cohesion with each other, and impact the overall outcome. Conflicts within the formal and informal powers, the private sector, and the interaction within the system and processes have exacerbated the conflicts between different institutes and lowered their productivity.

The role of power and process can be divided into three-levels:

Level one: The regulatory level, the conflict of power between MOH and MOMRA about land divisions creates a puzzling condition in the market. Simultaneously it adds to the disinclination for many developers to invest in the housing market because of the inconsistent standards, diverse policies and majorly due to the worsening circumstances between the two ministries. It is a prime example of a problem that, results in the process of becoming unhurried and compound. The contradiction between and within the different levels of governmental

organizations are quite visible at this level. There is a significant delay in the system only because of these complex procedures implemented by governmental organisations. It was found that government organizations and their institutions such as procedures and processes cause delays in the system. Another example of the conflict power is that between the REDF and Land Grant schemes. In an ideal world, such two schemes should work together in a coordinated manner to ensure that the government and end consumers are able to achieve the overall outcomes of home ownership. However, the reality is far from ideal when looking at the process. The old process starts with obtaining a loan through the REDF. After a prolonged period of waiting, the loan is authorised with conditions of land ownership and required building permission for the associated plot. The consumer is then faced with another challenge of having a suitable plot of land. Land ownership can either be through the land grant scheme, or via private means. However, process has its own challenges, and ultimately does not support the desired outcome. In the case of land grant scheme, 95% of land is un-serviced as mentioned earlier in chapter 5, and therefore building permission will not be obtained, and thereby REDF will not grant the loan. There is also an option for consumers to have the land serviced on their own but it is extremely difficult due to high prices. However, this is not the only barrier, as the real barrier lies in obtaining the funds to purchase such plots. This would rely upon savings or private loans to purchase a suitable land. However, both options impose difficulties as the savings culture does not usually prevail in the communities, and the ability to obtain a private loan is further reduced.

The government's REDF policies were changed to facilitate a more accessible process. The new regulations now for obtaining the REDF funds did not have the condition of providing land ownership and building permission. However, this did not solve any problem in the two programmes working together to achieve a single goal. Rather, consumers are granted with the same amount of money, yet they have no suitable land to build on, and the grant is not sufficient to purchase a prebuilt house. This demonstrates how the power sharing responsibilities between the REDF and Land Grant scheme to provide a single goal of home ownership work in isolation of each other, though in reality both of them should work cohesively.

As a result of these conflicts, obtaining financing or granted land goes through a long series of procedures, which increases the difficulty of obtaining housing. The power conflicts are not only seen between institutions or bodies working together but also lie within each individual institution due to the lack of suitable rules and regulations. Taking the case of the land grant scheme, the authorised institution should have the regulations in place to ensure that provided lands are used for the intended purpose. However, the lack of appropriate application of power means that lands are given to any applicant regardless of need and desire to obtain land to build on, or sell as a form of investment. Again, such practice within the system has led to an increase in land prices.

The conflict between different governmental schemes such as the REDF loan and the Land Grant scheme has created other players in the Saudi housing market. The predominant player that arose is the landlords. They utilize opportunities of purchasing un-serviced lands granted to the public through the land grant scheme as an investment opportunity. With time, and an increasing

demand on land, these landlords have contributed to not only the availability of land to build upon, but also the price. Therefore, with landlords holding significant proportion of undeveloped land, the power over land is transferred from the government to the landlords.

Level two: the financial level. At this level, both consumer and private sector as well as the government institutional mechanisms come into play, This demonstrates there is a real conflict of power and its application within the Saudi formal institutions, and less formal processes. Together, the lack of harmony within the system has led to a failure to achieve the overall desired outcomes of home ownership. However, the problem spans further in that the lack of power relationship management not only affects the formal and informal institutions, rather, its impact can be seen wider within the market providers such as real estate developers or the private financial institutions. Overall, this makes the system difficult to navigate and manage to improve the rate of home ownership amongst the low and middle income society. It is important to note that, the cultural attitude to debt results in a lack of legislation which renders mortgages coming into a conflict with an urgent need for alternative sources of mortgage finance. As discussed above, granting un-serviced land leaves consumers with no option but to buy a fully serviced land. Such land requires additional sources of finance which is limited by the lack of legislations to regulate the private financial services.

Power can be analysed by its absence, as well as its presence. It is interesting, for example, that MOMRA has not attempted to challenge the centralization of power towards MOH. Similarly, banks have done little to challenge the government about the lack of a suitable regulatory framework for lending. Power also has a historical and temporal feature regarding the housing

landscape. It emerges from social relations, but is also embedded in the institutional structures, and in the wider socio-political environment in which they operate. As SoPs for housing change, power dynamics within them also shift: for example, the decline in oil revenues has led to a collapse in government funding for housing. However, the underlying structures of the housing market in Saudi Arabia are remarkable permanent (Al-Hathloul, S., and Edadan, N., 1993). The government continues to exercise a great deal of power over other actors, in spite of the fact that the country is now facing an extreme housing shortage.

Level three: the relationships between the public and private sectors, the power struggle between the public and private sectors is clear. We found that the public sector is using its strength that it has gained through its possession of money and the issuance of legislation, it has practiced the role of the private sector in many times and thus the role of the private sector has become marginalized. This has affected the speed of procedures and thus the limited contribution of the partnership programs between the public and private sectors in solving the problem of housing shortages.

Again, power is not only within the formal institutions, but also plays a role within less formal processes as well. Looking at the formal/informal relationship, again we can see the lack of application of power of formal bodies to its citizens. REDF offers an interest free loan, with a contract signed between parties to pay back the sum. However, the reality is, repayment scheme is quite weak in terms of recovering bad loans, with no strict process for people who choose not the repay. The *Saudi Gazette* (2018) reported official data which claims that the REDF is facing difficulties because more than 570,000 Saudis who have obtained the loan, have not updated

their information which is needed to recover the loan money instalments from the borrowers. This develops a culture within society that is used to concept of “just receiving”, without the need to pay back, and thus does not encourage the save culture within society. The informal/formal relationship is also equally complex, with a power relationship evident. The Saudi consumer has become used to the concept of sizeable, which the Land grant scheme meets regardless of the real need.

The transfer of power from the government to the landlords who purchase the land for investment purposes has a bigger impact on the housing market. They are able to control the price and availability of land. In this case, people of higher income able to afford the purchase of land from landlords, are then able to utilize the REDF to build their homes. People of lower incomes are not able to purchase land from landlords, with land granted to them being un-serviced, thus any monies they receive from the REDF would not support home ownership. This shift of power provides an understanding and explanation into the data which indicates 85% of REDF recipients earn a salary of SR14,000 or more (Saudi Gazette report, 2018); this is despite the fact that the fund was set up to support people of limited income.

6.4 Conflicts, interests and strategies

The research revealed a multiplicity of fundamental problems within the Saudi Arabian housing system, many of which extend across the various levels identified in section 6.1:

1. A conflict between the cultural expectations of Saudi citizens and the affordability and wider financial sustainability of housing mechanisms.
2. Conflicts between government organizations regarding the overall ethos of public service.

3. Disagreements between government organizations around the roles and responsibilities of different bodies.
4. Contradictory and inefficient procedures and policies governing the interface between government organizations and consumers, the private sector, and other actors (e.g. the planning system), damaging the development of healthy relationships between these bodies.
5. Cultural and religious attitudes towards debt, an inadequate legislative framework for guaranteeing or replaying loans, informing both the REDL scheme and the absence of alternative private sector financial arrangements that are accessible for middle- and lower-income consumers.
6. Cultural attitudes towards land ownership, and a lack of alternative, profitable private sector investment opportunities, leading to land banking

Carrying the analysis across multiple layers leads to a more holistic understanding of each of these problems. For example, previous researchers have described the housing shortage as caused by a lack of mortgages and financial products (Opoku and Abdul-Muhamin, 2010). Digging deeper into the institutional structures that structure this lack, however, uncovers generative mechanisms in terms of cultural attitudes towards debt, a lack of legislation to render mortgage lending secure, and a slowness on the part of the government to recognise the systematic failure of alternative provision, such as the REDL scheme.

It is obvious that the government dealt with the housing problem by introducing new bodies rather than introducing new strategies. In 2011, the government introduced the MOH to

centralize the system, but did not provide any radical revision to policy or to private sector involvement in housing construction. Instead, the ministry initially addressed the problem by using a direct housing delivery approach, so that the government took on the role of developing housing. However, its success in this area was severely limited by budgetary constraints. The failure represented a wasted opportunity, and was a contributing factor in delaying the introduction of Public-Private Partnerships until 2014. Figure 6.2 shows the key factors deciding the equilibrium between the supply and demand of houses in Saudi Arabia.

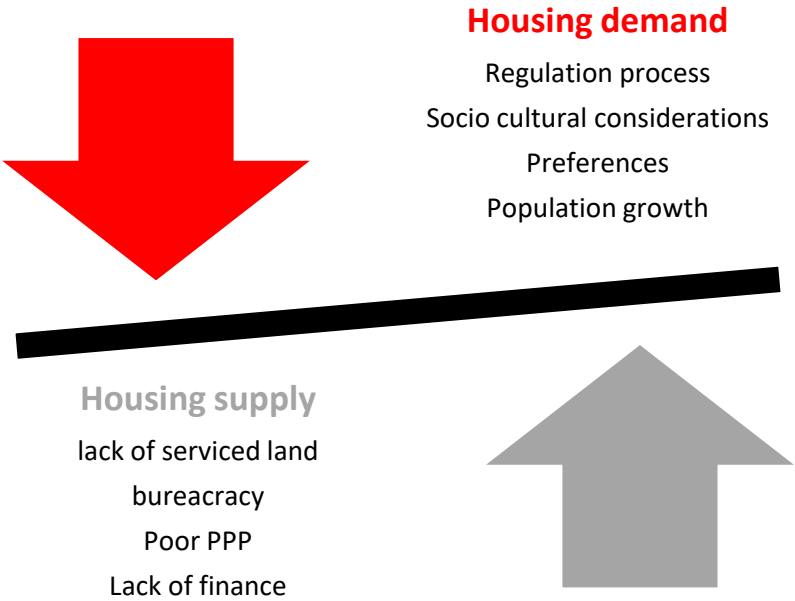


Figure 6.2: Supply demand factors

6.5 The interface between the public/private sector and capitalist accumulation

The research findings suggest that there are significant problems at the interface between cultural expectations; government roles, procedures, and policies; and the private sector. The interplay between the formal and informal rules of the housing system influences market supply

in ways that have encouraged problematic private sector practices, such as land banking, while discouraging potentially more favourable types of private sector involvement, such as the development of alternative sources of finance, and the involvement of larger-scale developers in the provision of housing for middle- and lower-income groups.

6.5.1 Land banking

The MOH plays a major role in housing finance, administering the REDF scheme and the land grant scheme. However, there is little connection between these government mechanisms and the private financial loans that are additionally required to fund the construction of a house. With the REDF scheme funding just 30% of house construction costs (Al-Zamil, 2014), owners need income from land sales (and often additional funds in the form of loans) to cover the shortfall (Sidawi and Meeran, 2011). Consequently, people tend to sell the land that they have been granted by the government to make up a proportion of the construction shortfall. In this way, public sector funding mechanisms actually encourage a private capitalist to accumulate land and aggressively indulge in the buying and selling of land for making profits. This situation is a direct result of policy failure, as parcels of un-serviced land that have been granted to individual applicants who are actually speculators. However, the situation is also a result of wider problems related to housing finance. To solve the problem of land banking, a more joined-up approach to the provision of infrastructure and services is needed, along with measures such as the recently introduced land tax to encourage the release of this valuable resource.

The events that are occurring are an illustration of Harvey's (1995) first and second circuits of capital, in which surplus value becomes sunk in land as a scarce and profitable resource. Land is acquired from individual consumers by those engaging in land banking. During circuit one, they sell existing land for profit, which is then reinvested in land in circuit two, increasing their stock. Another possible sink for these profits is houses themselves, which are then rented to those who are priced out of the housing market. The ability of a few land bankers to control this resource in a context of scarcity means that they are able to drip-feed the market to ensure profitability, even though this entails the creation of housing shortage. Unsurprisingly, Harvey's third circuit may not be present in Saudi to the level seen in the global north, due to a lack of competition between private sector developers and the intensive role of government in the housing process.

The problem of land banking is driven by the ways in which the public and private sectors interact, and has not been much researched in the previous studies i.e. neither Alhubashi (2012) nor Al-Zamil (2014) discussed it. It is partly the result of recent changes introduced by the government to centralize its housing system. As a result of these steps, MOH now plays multiple roles in the housing system including influencing finance, land distribution, and design. This has correspondingly weakened the position of other important institutional structures in the housing system: for example, MOMRA formerly held responsibility for assessing the feasibility of land for development, and has conducted in-depth surveys of many parcels of land for this purpose. However, when administering land grants, MOH largely ignored MOMRA's assessments, granting the title to plots that are not within areas designated for the provision of infrastructure and

services. This lack of coordination is a driver of land banking, since it forces many individuals to sell the land they have been given, in order to purchase an alternative, better-located plot. Such sales tend to be at a low price, and those banking the plots tend to wait until the government announces the provision of future services and infrastructure in order to sell them at a much higher prices. Essentially, the government is creating value by designating land for the provision of services (a form of 'planning gain') but that value is being enclosed by the land bankers. Alternatively, private developers sometimes provide infrastructure and services themselves, where this can be done profitably. The net effect of the entire system is to increase house prices.

6.5.2 The role of developers

Private developers face many constraints while dealing in the housing market. The informal rules and preferences from the buyers encourage the private developers to build big houses, although they know that buyers have limited affordability for such large size houses. The complex formal rules and taxes further increase the transaction cost. Therefore, private developers try to attract rich population for selling these houses. It means that the houses do not serve the middle class population, for whom the government initially started the schemes. The role of private developers, however, could arguably be increased in the system in order to facilitate extra housing supply. This would involve the removal of barriers (in Figure 6.3) to their participation in a more market-oriented system in which they would provide products for middle- and low-income families, including:

1. Adjustments to consumer preferences that will ensure a more affordable product.
2. Simplification of roles and procedures of government departments.

3. A clearer and more coherent policy framework, particularly around planning and service and infrastructure provision.
4. Measures to deal with land banking.
5. Adjustments to legislation and financial arrangements to facilitate mortgage lending for consumers.
6. Adjustments to legislation and financial arrangements to facilitate lending to larger developers.

Problem	Example	Affect	Consequence
Cultural issues	Large home preference Large land grants Regulations restriction/ room numbers	House size Final product price	Customers' ability to buy
Land	Land accessibility Legal issues related to land title Land subdivision regulations	Land price Production time Transactional cost	Land affordability
Finance	Lack of lenders' right in the judiciary system Absence of siversity	strict measures by banks No sustainable sources	Reliance on self funds Financial difficulties
Bureaucratic planning delays issues	No timeline Poor time management Slow correspondence Poor cooperation	long turn around Development cost Final product price Customers' affordability	<ul style="list-style-type: none"> - Discourage real estate companies involvement - Customers' ability to buy
Coordination issues	Infrastructure difficulties Service providing difficulties	Work repetition Long delays Transactional cost	
Policies issues	Complex – unclear requirements High development contribution (40%)	Length of project The final project cost The final unit price Customers' affordability	

Figure 6.3: Summary of issues related to the housing shortage crisis

6.5.3 Financiers and banking

The lack of an effective lending system to finance housing construction is one of the biggest obstacles to housebuilding in Saudi Arabia. In particular, the role of the private sector is currently limited by the lack of regulatory legislation and Sharia cultural prohibitions on loans and lending,

which have both discouraged the development of alternative products. Additionally, the culture of dependency on the government subsidies, and that the government's dominance over the housing system tend to discourage the development of a financial market that could help middle- and low-income families.

Despite the multiplicity of barriers in this area, there are possible solutions that meet cultural and religious demands, while fulfilling the needs of consumers and private sector developers. For example, a link could be developed between REDF financing and the Islamic global mortgage finance market in order to cover the shortfalls of the former, given the costs of housing.

6.5.4 Developing Public-Private Partnerships

The Public Private Partnership in the housing sector of Saudi Arabia is inhibited at different levels. At the regulatory level the Public Private Partnership suffers from policies inconsistency, conflicts and lack of accurate and unified data related to housing demand, land availability etc. on which the secondary actors of private sector could rely on for future construction. For example, the basic needs of the private sector are - land availability, financing to support their construction budgets and the interested buyers. Moreover, if the construction is to be done at a very large scale, across multiple cities, then the private sector would also need a vision and government involvement as private developers have not done a very large scale affordable housing construction in past. There exists many gaps which are not empowering private developers for focusing on affordable housing. For example, the bureaucratic delays in approvals result in blockage of funds at the construction site. There is no unified information across all governmental departments due to which a state of confusion exists between the departments making private

developers to wait till the confusions are clarified. For instance, the number of houses in demand or the number of interested buyers are recorded differently in each department. In fact, the number of people applying for land allocation are also different across all government departments which makes a department to block the progress on a funding approval requested by a private developer, as the department does not find suitable demand for the to-be constructed houses.

Similarly, there are contradicting policies for land division between MOH and MOMRA. Even when all this aligns, the department level processes and approval conditions differ, which delay the final approval for private developers. With a limited capital, and long timespan of getting government approvals, and in the absence of a plan, the private developers lose interest in partnering with the government institutes for creating affordable houses.

The formal and informal rules have challenged the contribution of the private sector. The consumers' preference and their affordability have influenced the market supply, and the formal rules interactions with such informal rules has led to a poor management of the formal regulatory process that have significantly discouraged the private sector from taking its role effectively

6.6 Conclusion

This chapter has presented a deep discussion of the themes that synthesize and underpin the housing challenges faced by Saudi Arabia. Firstly, an overview of the SoPs for housing delivery in Saudi Arabia illustrated four dynamic layers and structures at play. Secondly, the role of power and process relations revealed three levels interacting in a formal/informal and often dysfunctional relationship. Several fundamental problems within the Saudi housing system were

then presented – the conflicts, disagreements, contradictions, and clashes of deep rooted cultural and religious attitudes. A holistic understanding of these challenges was provided. Finally, further difficulties were revealed at the interface between the components of the public sector, which is aiming to serve its citizens, and the capitalist ambitions of the private sector. A lack of clarity in roles and rules, financing arrangements, and partnerships remain at the forefront of the problems evident in these interactions. Further unravelling and recommendations addressing these challenges is presented in Chapter 7.

CHAPTER 7 Conclusion

7.1 Introduction

The purpose of this research was to design the first study to investigate the housing shortage in Saudi Arabia using an institutionalist approach. In particular, I sought to move beyond simple, one-factor explanatory statements and to focus instead on the interrelationships between multiple causes. In this chapter, I revisit the research questions, draw out some of the policy implications of the findings, and explain the theoretical contribution of the thesis, before outlining possible directions for future research.

The research successfully deployed a mixed methods approach, using documentary analysis of secondary data and semi-structured interviews to gather information to answer the research questions. These were subjected to a multi-layered analysis, which identified a series of interconnected institutional dynamics at work, which not only limited the supply of housing, but produced a polarised market with two main products: high-quality, high-cost houses for the rich that met stringent regulatory standards, and low-quality, low-cost houses for middle-income families that were less well constructed. An almost complete lack of provision for those on lower incomes, due to the failure of charitable schemes, was identified as a significant problem.

7.2 Theoretical contribution

The research employed an institutionalist approach which combined insights from Ball (1998a; 1998b; 2006; 2013) and Healey (1990; 1992; 2005), while also borrowing concepts from critical realism, and the Marxist approaches of Aalbers (2008) and Harvey (1985). This resulted in an approach designed to reveal the underlying SoPs in the Saudi Arabian context, across their

historical, geographical, and cultural aspects. In Ball's (1986a, p. 84) terms, "each historically specific set of social agents can be defined as a structure of building provision", where agents can be seen as organizations, sets of rules, and cultural norms as well as individual actors. In particular, this research draws on ideas of structured agency from critical realism, where theorists stress the fact that social structures are always already in place and condition the interactions before agents intervene.

By using a perspective drawn from critical realism, I have extended my understanding of the role played by structure in the Saudi housing system. Archer (1998) and Bhaskar (2008) both argue a strong case for focusing predominantly on enduring structures and for exploring agency in the context which such a perspective establishes. This has been the approach taken within this project. The conditions outlined in Chapter 4 are therefore more than a standard contextual introduction to Saudi Arabia: the country's history, its economic dependence on oil, its political status, its religious and cultural commitments, and its built environment all play an active role in structuring the housing system, and producing the housing shortage, in the present day. This represents a significant departure from previous research studies, which have adopted a more superficial and positivist approach, identifying patterns in data but not deep causal relationships between different institutions, and certainly not the relationships between multiplicities of such factors.

This means that the research has adopted a distinctive position in the structure/agency debate. In her work on Iran, Shojaie (2015) argues that structures and agencies mutually inform one another in a constant dialect. The problem with this view is that it takes insufficient account of

time: agencies tend to endure for a relatively short time compared to longstanding structures like culture. If the two were in a relationship that was entirely mutually dependent, it would be difficult to explain this phenomenon: instead, when particular agents ceased to operate, structures should suffer a corresponding alteration (Archer, 2003). In most cases, however, this is not the case (an exception might be the charitable housing situation outlined in section 5.6.3, where the death of a donor can mean the end of a funding stream, with disastrous consequences for the longevity of a particular programme). In many cases, however, institutional relationships exist precisely to prevent this from happening. In other words, agency is conditional on structure far more than structure is conditional on agency.

However, while this research has focused mostly on what Sayer (1992; 2011) calls the intransitive dimension of social reality, i.e. the objective structures that provide the conditions of the system, this thesis has also paid attention to the transitive dimension, i.e. the subjective and particular understandings that agents have of the context in which they exist. I have tried to retain a sense of the extent to which the perceptions of different interviewees are conditioned by their position within wider power relations, and their responsibility within an institution. I have also paid a great deal of attention to the shaping influence of cultural and ideological factors on the housing system.

The main research question for this thesis was:

Since the 1970s, why has the Saudi Arabian state failed to deliver adequate levels of housing supply to circumvent severe housing shortages, when the country is economically well-resourced, and has strategic, economic and urban planning systems in place?

During the research project, I broke this question down into a number of sub-questions, using an institutionalist lens:

1. What are the individual and organizational actors involved in the Saudi Housing system? What are their roles, responsibilities, and relationships?

There are many actors directly or indirectly involved with the housing system of Saudi Arabia. The primary actors can be described as policy makers such as government agencies, and secondary actors are the implementers of these policies such as banks, developers, marketers, and others. The existing research does allude on regulatory and policy aspects of housing; however, these studies treat policies as separate operating mechanisms and only make inferences based on secondary data. Through combination and triangulation of different data, both primary and secondary data, it was possible to find the interactions and intersections between policy regimes. The problem is that at every level there is no interaction between these parties, so we found that there is a lot of overlap between them in their roles and responsibilities and the power struggle. An example of conflict is the overlapping role and responsibilities of MOH and MOMRA related to building permits and land divisions. A key finding of this is how REDF and land grant scheme complicated one another limiting the purchasing ability of vulnerable prospective homeowners in Saudi while acknowledging the fact that there are various other regulations and policies indirectly related to how these two entities operate. For example, the financial regulations of banking sector such as mortgage laws and their disconnectedness with policy elements offered by the governmental bodies is rather unique contribution of this research. This research makes a shift from the existing approaches that isolate policy regimes

from one another such as the ones listed by Sidawi and Meeran (2011), who looked at financial regulations, and Al-Zamil (2014), who focused more on REDF policies rather than considering the cultural and real needs of the consumers. These actors are expected to work together theoretically but there exists many frictional instances that create conflict and make affordable housing a distant dream that may take much effort and time to fulfill.

Another question is yet to be answered i.e. how do the processes, actors, their roles and responsibilities of housing supply impact supply shortages? It was outlined in an attempt to explore this dimension of the dialectical relation between structures and agencies. Unlike previous research in Saudi Arabia, this research was able to identify the processes of housing in which different actors interact through their politically and historically assigned roles and responsibilities.

Not only the identification of the different roles and responsibilities add to our existing knowledge about Saudi housing sector, but also how these roles and responsibilities contradict or differ. This is an expansion of (Al-hubashi, 2012) rather un-detailed yet important and brief point. Al-hubashi mentioned the likelihood of repetitive roles between different agencies but did not go in-depth searching what they might be and this research explores the details. An important finding of this research was how the Ministry of Housing plays multiple roles influencing finance and land distribution and design. This resulted from the government's recent move towards centralization. The downside of centralization is that it contradicts with and weakens the power of other equally important institutional structures that gets activated by government organizations other than the Ministry of Housing. One example is the weakening of

application of rules and regulations of Ministry of Municipal and Rural Affairs, its duties and responsibilities of urban development and designing, that are in conflict with the Ministry of Housing (MOH). While Ministry of Housing seems to be the most powerful key player, its direct and indirect influence is immense. Similarly, Ministry of Housing also influences finance and indirectly the demand and house prices. The REDF finance grants are now approved and released by MOH and this process is detached from the private finance mechanisms.

The result of such separation confuses the consumers as they do not know how to mix and match between the government grant and available private finance options. The result of this is empowerment of capitalist accumulation process as Harvey (1985) and Albers (2008) described. The lack of choices for the consumers in terms of finance delays housing construction process at the consumer's end which makes the consumer hopeless of owning a house that is fully built for consumption. The land the MOH grants to the consumer is then negotiated and bought by the capitalist which enters to the second circuit of capital as capitalists re-invest their money into fixed assets and build houses that the consumers cannot afford to build. These houses are then rented out by the capitalists to the consumers. The capitalist use the rental income to double his overall income, and move on to the third circuit of capital in which he would invest in building technology or techniques of advancing labour manipulation.

The above finding also has hidden institutional structures that contribute in the favor of capitalist accumulation of land. Again, neither Al-hubashi (2012) nor Al-Zamil (2014) was able to capture these structures. These structures are dominant roles and act as the causal powers of MOH. MOH weakens the rules of MOMRA when it comes to feasibility and potentiality of habitable land area.

Whereas, MOMRA has its own plans of what area of land must be allocated for habitable purposes depending on their own feasibility survey, MOH when granting land does not consider MOMRA's habitation capacity. Instead, MOH grants land without considering whether the land plots are within the proximity of service provision of MOMRA's plans. This lack of coordination, cooperation and imbalance in power serves the capitalist best. It encourages the capitalist private developer to keep accumulating land by purchasing it from consumers who could not build houses due to lack of MOMRA's service lines and amenities. As the services come after few years, the private developers sell the land at higher prices to the consumers, or build expensive houses and later rent or sell them.

When these malfunctions operate in a loop increasing house prices, more institutional causal powers of culture interact with housing demand in a complex way. While some segments of culture such as preference of smaller apartment units have been preferred by the youth and single parents, this does not seem to align with the government policies. On the other hand, cultural norms of people preferring gender segregation and luxurious multiple living rooms have also causally shaped the housing shortage. Such a complex interaction of different institutions opens a new understanding of housing shortage phenomenon in Saudi Arabia. It is also supported by the research studies of Salam (2006), Al-Halhloul and Edadan (1993). Historically, the government created the culture of no-saving among the people as Saudi Arabia has a huge oil reserves which are sufficient for the government to satisfy all needs of the people for free (Rabenau, 2011). But Rabenau did not discuss role of institutional structures in aggravating culture of 'everything is for free'. This research found it is institutional structures through which

the government communicates with the public. Government's intentional policy impact is not realized in practice. This research found that until the government addresses institutional shortcomings as a whole and how governmental policies impact policies of other organizations and their institutional structures, the housing shortage may not be resolved. An example of this is how government funding system is detached from the private finance facilities. Specifically, how government's policy of restricting repossession of houses by the banks (when mortgage payments are not settled by the borrowers) has restricted private sector's ability to tailor mortgage products.

2. What formal and informal rules are in play in the Saudi housing governance system?

Existing research does allude to regulatory and policy aspects of the housing system in Saudi Arabia; however, these studies tend to treat policies as separately operating mechanisms, rather than as part of a wider governance landscape. Rather than pursuing this approach, I used a combination of semi-structured qualitative interviews and secondary data to create a picture of the formal rules that determine the role of government in the production of housing, from the relationship between departments to areas of procedural and policy-based contradiction. I then brought this layer of analysis into dialogue with the social, cultural, and ideological approach identified in the first sub-question, to explore the relationships between the two. The interactions between numerous factors in an institutional and cultural landscape is administered by formal and informal rules and regulations which stimulus the complete development procedure. Both informal and formal rules play a vital role in creating the problem. Depending on the availability of funds, consumers choose to either build their houses through developers or

individuals. While these complications are present in the existing system, private developers usually have the preference to build a big house in order to generate maximum profit. Therefore, the financial problems faced by consumers are even harder. As a result, the three levels interact together and produce a complex inefficient housing provision structure. Additionally, the impacts of culture, rules and regulations cause the housing shortages overall.

The research thus departs from previous approaches, which have isolated policy regimes as if they were hermetically sealed from other influences (see, for example, Sidawi and Meeran, 2011 who look at financial regulations in isolation, or Al-Zamil (2014), who explores the REDF alone). The explanatory power of this way of researching was able to reveal a complicated tangle of influences over the REDF and land grant schemes (cultural, legal, financial), and the ways in which formal and informal rules causally complicated one another to exclude middle- and lower-income earners from home ownership. On the other hand, problems with the formal official rules overlooking the housing system are worsening the problem of the housing shortage. To be specific, there are substantial areas where administrative roles and measures overlap, which ultimately leads to a lack of clarity in the policy. It is seen that not only does this affect corporation and integration between government divisions, but also creates a significant problem in the involvement of the private sector in housing supply.

The qualitative interview approach also enabled me to depart from existing research that is based on generalisations from survey data, for example, Rabenau (2011) and Al-Zamil (2014). While their work is valuable, it is disadvantaged by the fact that it tends to lose a sense of the importance of the relationships between multiple organizations and causal factors, in favour of

a simpler focus on market demand. This method can also tend to misrepresent the views of those who are questioned, by forcing simple answers to complex questions. Each person interviewed in this research had a range of issues that they believed had contributed to the housing shortage, and a large part of the story that they told was about the ways in which their organization was limited and constrained by other actors. This represents a very different, and far more situated and contextual, way of thinking about the issue of the housing shortage, moving away from the idea of that individual organizations exert power (Soliman et al., 2015; Salama, 2006) towards a dynamic view of a complex, heterogeneous housing landscape.

3. How do the formal and informal rules shape the relationship between the government and all other actors involved in the process?

Both informal and formal rules play a vital role in shaping the relationship between the government and other actors involved. These two different aspects are in question for the housing supply, and they are both very much influenced by each other. The government here is the paternalistic provider, which developed due to the immersion of a political culture that supports the idea of government being the paternalistic provider. It is more of a political culture rather than a cultural preference. In order to clearly communicate the impossibility of providing free housing, the government is unwillingly trying to divert from their existing policies. It is evident that government organizations and their foundations, like procedures and processes, cause major postponement in the arrangement. These interruptions can also be found in the private sector companies which allow inadequacies to spread across the system. Due to a lack of mortgage

guidelines and appropriate instructions, the private finance sector is incapable of providing for consumer needs at this level, again putting pressure on affordability.

As Salama (2006, p. 70) has noted, in the literature on the housing shortage in Saudi Arabia, little emphasis has been placed on “addressing the socio-cultural, economic aspects in an integrated manner and the way in which they influence one another as different disciplinary issues’ (ibid, p.70). This research addresses this enduring gap in the literature. It is not the only text that discusses cultural influences on the built environment in Saudi Arabia. However, other studies tend to look at this issue in a stripped-back and denuded way, for example exploring the cultural preferences of consumers for certain types of housing without evaluating the wider forces influencing such preferences, or their dialectical relationship with government policy (for an example of such an approach, see Al-hubashi, 2012). As Salama (2006) and Sidawi (2009) both note, one cannot treat culture as a constant that is fixed; instead, it must be considered as a dynamic and evolving element in any existing culture. Rather than seeing cultural preferences as a fixed and immovable entity, as Rabenau tends to do (2011), research should look at underlying shaping forces, in order to determine where change has already occurred, or is likely in future. For example, many policymakers have been slow to respond to a tendency amongst the younger generations in Saudi Arabia to live apart from their extended families, in smaller houses or apartments.

However, one of the problems revealed by the thesis is that the housing system is not very responsive to the idea of cultural change. Neither government departments nor the private sector tend to see culture as an arena in which is it possible to intervene, and neither sees the

preferences, views, attitudes, and ideological commitments of ordinary people as a domain for research, investigation, or policy-based intervention. Culture tends instead to be treated as a straightforward constraint: consumer preferences for larger houses and a culture of dependence on government land and housing grants are encouraged rather than challenged within the system, even though that system is currently not functioning to deliver housing in anything like the quantities required. For example, larger house sizes are actively promoted by sizeable government land grants, even though the land that is granted is often unsuitable for building. In discussing culture as a dynamic element in the housing shortage, this thesis has opened a new domain for analysis and critical thought.

4. What rules and regulations are in play in the Saudi housing market?

In simplified words, the Saudi Arabian government has made a lot of agencies, a lot of rules but missed out on creating a coordination between these agencies. The prevailing institutional mechanisms limit housing supply and create housing shortage in the country. There are many ineffective causal mechanisms such as poor coordination, cooperation, policies and repetitive roles and responsibilities which keep creating the gaps between the need of people and the housing facilities provided to them. For example, the two schemes viz. land grant scheme and financial scheme (REDF) have a very long waitlist showcasing that they need changes in the working model. Secondly, the government did not integrate the economic, political and cultural institutions with the financial institutes. It means that even though a land allocation scheme exists but the financial institutes are not ready to fund/loan it. Banks are driven by their own interests and look for a secure banking system that would make themselves safe while the

government had no interest in linking its financial facilities and capacities to the local banks or international banking industry.

These contradictions in interests were retained and maintained in the presence of lack of coordination and cooperation between the actors. Similarly, social relations, interests and the working culture of these organizations seem to be generating causal mechanisms that keep creating the housing shortage events. Though many people may say that there is short supply of houses, the actual reason seems to be the weak connection between the government policies and the banking institutes that govern mortgage financing. Moreover, private developers who have money to build houses, face delay in getting permission for construction or getting access to serviced land plots leading to a recursive round of related other institutional mechanisms such as emergence of monopolists and their powers in built environment. Further inefficiencies are created when private public partnerships do not evolve due to the lack of encouraging policies.

Apart from the institutional challenges, there are social and cultural challenges as well. People prefer bigger houses, though they can not afford them. Government is not providing provisions to encourage construction of apartments in bigger cities and those who prefer or afford them, lack the opportunity. So, the government is not considering the shifts in cultural norms and customer needs. The final result is that houses are available only for rich people and poor ones are left without. It also happens because real estate developers do not find the small size housing market healthy and profitable in the absence of government subsidies

This research is very outspoken about the dichotomy and bias in the existing studies on housing in Saudi Arabia. It finds a balance in these two views and suggests that natural shifts in culture

must be considered and government policies should reflect these changes. This research is novel in respect of culture as it views culture as both a constraining and enabling mechanism. This duality of culture is useful for institutional frameworks and potential future policy shifts, but how? It was found that rising costs and emerging trend of couples and novice workers preferring to live separately from their extended families, increase the demand for smaller houses but this shift in culture has not been registered in the policy logs.

Such a cultural shift provides two important implications which policy initiatives could possibly benefit from; a) policies can be tailored for differential needs reflecting both affordability and household makeup (Al-Zamil, 2014), and b) designing policies to facilitate the emerging new cultural patterns so that the policies are not fixed. When policies benefit from cultural shifts, culture plays an enabling role. A commonly cited issue regarding how culture constrains institutional capacities and put pressure upon them is the consumer preference of bigger houses due to cultures of segregation and lavish lifestyle inherited from the assumption that government would ultimately provide everything for everyone for free. The contribution of this research in this line of cultural aspects is innovative as it was found that government participates and promotes the larger house size through its ineffective policies that impose land size upon people, while people too, not everyone of course, demand bigger houses. Such a double inclusion is different from Rabenau (2011) who would not go into the details of the complexity of cultural aspect in housing.

5. What type of relationships and partnership exist between the public and private actors in the Saudi housing production process, and how do these relationships and partnership affect the development process?

Very few prior research studies on the housing market of Saudi Arabia raised the question on the role and involvement of private sector in this field. This research brings a new dimension in this area, as it has sought to identify not only the roles played by private developers, financiers, and marketers, but also highlighted the current state of interfaces between these agents and public sector actors. By researching the private sector, I was able to shed new light on the operation of the government agencies responsible for housing, revealing a surprising degree of disorganization and contradiction in their working model.

There exists a very weak relationship between the institutes, systems and the role each of the actors is playing. Private sector actors are governed by profit-driven logic. Many non-governmental institutes are governed by their desire to work independently without any control from other agencies. Banks are looking for safeguarding their financial interest and avoid giving mortgage loans to risky projects aimed for low income class people. Moreover, the involvement of different types of developers (large- and small-scale) and the role of marketing as an afterthought to the housing process, rather than an intelligence-gathering operations, aggravates the problem further. It also needs to be noted that employee housing schemes have had some impact in bridging this divide, other mechanisms (cooperative housing, charitable housing, and Public-Private Partnerships) have failed to make a significant impact on the delivery of homes for middle- and lower-income people.

This is a very new area of research in Saudi Arabia. The sub-question to explore this dimension of housing included: how public and private partnership can form collaboration for promoting a mutually benefiting program or are there any negative synergies existing between them that may result in failures of such partnerships? In this research, the experiences of many private developers and private builders were revealed. Their frustration of how the governmental bodies work and lack of coordination between the private sector and public sector confirmed that the synergy and partnership will not only be challenging but will be crucial to the development of housing sectors' future. The research findings show that private sector's capacity was limited due to various government policies and inefficient procedures. These inefficiencies include the delay in processing time and lack of recognition given by the government to the suggestion provided by the private sector developers. In this way, there is a strong need for coordination between institutional bodies and integration of government and private bodies along with a supportive structure.

7.3 Practical recommendations

One of the objectives of this study was to formulate recommendations that would help to resolve the housing shortage in Saudi Arabia. As the analysis has revealed, this is a severe and complex problem with multiple contributing factors that therefore requires a series of far-reaching and complex solutions. These factors include cultural barriers in the shape of housing preferences and expectations of government help; a fragmented and disorganized government landscape, in which contradictory policy and unintended consequences reign; an inhibited private sector which interfaces poorly with government and consumers; a lack of legislative and financial support for

Sharia-compliant housing loans; and the absence of support for low-income households. Practical measures for alleviating some of these issues are the subject of the following sub-sections.

7.3.1 Removing socio-cultural obstacles

Cultural factors have a significant impact upon the housing market in Saudi Arabia, and there is a mismatch between the housing that is desired by many families, and the housing that is affordable for them. Furthermore, many Saudi citizens expect that their needs will be met by the government, with little culture either of saving or of climbing a housing ladder. These issues have not been tackled openly by the government, who have instead simply allowed the housing crisis to worsen. A national conversation is required, in which social beliefs and values are interrogated, and the housing crisis brought into public view, in order to set more realistic expectations in future.

In particular, it would be helpful to introduce the concepts of a 'property ladder' that people need to climb over time, and of "real needs", encouraging people to identify alternative housing options that may allow them a comfortable lifestyle at an initially lower cost (for example, small, high-quality houses for young families). Policy should be used to create a climate that encourages individual financial responsibility, rather than an expectation that the government will pay for everything (see section 7.3.4). There is some evidence that this is already occurring, as younger people are living in smaller family units in smaller houses, including apartments. It will also be necessary for the government to define in a clearer manner precisely what it can and cannot do for its citizens.

Citizens also need to be able to access clearer information about alternative financing mechanisms for housing, and about the subsidy schemes that are available to them. Currently, many people are extremely bemused by the complexity of the finance options on offer.

7.3.2 Removing political obstacles

It is very apparent that the government departments and agencies that deal with housing need to be reformed in order to develop an effective institutional framework at national, regional, and local levels. This needs to be capable of providing mechanisms that can regulate the housing sector by introducing new laws and policies which are compatible with the structure of the Saudi housing market and Islamic religious restrictions on borrowing and that interact with consumer cultural preferences. The framework needs to facilitate better partnership working, to allow various agencies to operate more effectively and efficiently.

In particular, some degree of further centralization may be necessary in order to simplify complex procedures and requirements to reduce time-consuming delays obtaining permits and licences. This needs to find a new balance between the various government agencies that are involved in the housing process, so that their strategies and interests do not conflict with one another. However, this thesis remains cautious about a concentration of more power in the hands of government. Though this solution has been proposed by both Alzamil (2014) and Al-Hubashi (2012), Rabenau (2011) has instead proposed working towards more private sector involvement, on the grounds that government mechanisms have hitherto proven extremely rigid and ineffective in dealing with the housing shortage. A splitting of powers between the public and private sector will be necessary to achieve this, with roles and responsibilities clearly defined.

The government currently plans infrastructure, allocates land, builds housing, and provides services. This extreme level of governmental influence is unhealthy and is likely to become still more dysfunctional in the future. This study acknowledges that the emergent private housing sector needs to be provided with the conditions in which it can flourish by the public sector. However, this needs to be handled with caution, since the dominance of the government to date has deprived the private sector of expertise and experience.

Policy needs to be rendered more coherent, and developed in dialogue with a range of stakeholders. To make the development process more efficient, these need to focus on areas where there are serious technical issues. There also needs to be a greater focus on social innovation, and the emancipatory aspects of policy making, following the advice of Gonzalez and Healey (2005). For example, rather than granting land and loans to all applicants, the government needs to prioritise cases of greater need, perhaps via the introduction of means testing. Regional variation needs to be taken into account, and variations in personal need must also be considered.

In order to achieve these objectives, a non-political independent working group could be formed to conduct an evidence-based analysis of existing policy, and to suggest future improvements and areas for innovation. This would ideally include representatives from private, public, and third sector agencies, as well as experts on the real estate sector from the Universities. It could include policy makers, and (where necessary) its recommendations could feed into parliamentary proceedings at the Majlis of Shura (the Saudi Parliament), making it an influential voice on laws and regulations that relate to the built environment. The focus on developing policy in a way that

is informed by evidence, and working processes that are committed to fairness and transparency, should hopefully reduce opportunities for corruption and unhealthy forms of political influence over the policy process.

A second tier of interventions would focus on improving relationships and connections between various stakeholders and agencies involved in the development process. Standard Operating Procedures should be developed to define clear roles and responsibilities and to remove any duplication of effort. Liaison officers should be appointed, whose role it will be to interface between key organizations, to identify and remedy areas where coordination is weak, and to ensure that policy directives are diffused transparently and appropriately. There should be lines of communication between these liaison officers and the above-mentioned policy committee, so that any issues that cannot be resolved at this level are dealt with.

7.3.3 Removing obstacles to Public-Private Partnerships

The Saudi housing market currently lacks opportunities for large developers to build large-scale building projects. An absence of clear relationships between public sector agencies, and between the public and private sectors, is destroying opportunities to increase their participation via Public-Private Partnerships. National strategies designed to encourage this type of cooperation between the sectors have not been successful, in part due to a lack of financial mechanisms that could fund such endeavours, and the absence of a regulative and legal framework to protect lenders. Developing the country's mortgage laws to define and protect the rights of the various contracting parties will provide the solution to this problem.

7.3.4 Finance sector reforms

The absence of an adequate regulatory framework for loans on property is a significant barrier to home ownership. Greater coordination and cooperation across the public/private sector divide is needed to overcome this problem and to create new laws and policy to support Sharia-compliant forms of lending.

The government financial scheme REDF needs to be re-evaluated and completely changed. Despite the fact that the REDF scheme was initially designed to support low and middle income people, loans are granted to those who do not belong to this category. According to the REDF, 85% of REDF loans are granted to applicants with a monthly salary equal to; or higher than, SR14,000 (REDF, 2016). Al-Zamil (2014) has worked extensively on the problems of this scheme and recommends that it should be altered to prioritise those with lower incomes. However, in order for this to be affordable, any adjustment needs to be conducted in tandem with the removal of socio-cultural obstacles to the ownership of smaller houses. Rabenau (2011) recommends that the REDF be transformed into a banking arm under MOH, however, this research suggests an alternative approach: removing the REDF scheme from government control and outsourcing it to the private sector. One reason for this is, the resources invested in assessing and analysing applications could be better managed by private sector, who could offer both public and private sector forms of finance via banks. This would allow government finance to be streamlined with other sources of finance from the private sector, in order to provide customers with a combined product that was sufficient to cover the construction of a residence. This remedy would quickly reduce the 600,000 waiting list and would potentially create innovative ways of

blending REDF funds with new financial products, with capitalist competition creating innovation in the market. The MOH's role would become regulatory: it would periodically review the REDF process and eligibility criteria, but would cease to administer grants

The REDF could also be diversified to create a range of subsidy options that could be more tailored to the individual needs of consumers. These would be geared towards the provision of greater levels of assistance to poorer and more vulnerable families, but should be designed in such a way as to combat the impression that the government will simply pay for everything for families, creating a culture of financial responsibility. Three broad types of scheme should be considered:

1. Subsidies to help with mortgages, tailored to an individual's financial ability to pay, so that lower-income families receive greater help than higher-income families. The amount offered should not be fixed, but varied according to circumstances.
2. Subsidies for those who require a bank guarantee or down-payment to obtain a loan, of an amount that varies according to whether the buyer is a first-time purchaser of a house or not. These should encourage the practice of climbing the housing ladder, or 'Seken Al-Marhala'.
3. Subsidies to reduce the interest in a loan.

The government can develop the role played by the financial sector by providing a suitable regulatory framework for Sharia-compliant lending in order to provide clarity on the rights of both lender and lendee. These regulations must rights of ownership over houses to the banks before mortgages are fully paid, and must provide a right to repossess the house in case the

borrower fails to make mortgage payments. These regulations must be fair, however, and should also cover consumer rights, giving those facing repossession and eviction reasonable notice periods and alternative solutions. The banking sector must also look for ways of re-capitalizing its financial assets in the international Islamic finance market, in order to build consumer confidence (the examples provided by other Islamic mortgage markets can be studied, for example Malaysia, Indonesia and Emirates etc. and global links can be created to the wider world of mortgage finance).

Six per cent of mortgage loans in Saudi Arabia are offered by the banks (2% of gross GDP) compared to 70% for countries like the UK (Reuters, 2012 in Arabianbusiness.com). At present, Saudi law dictates that mortgages are calculated only on the basis of an applicant's salary, and not on property value (Opoku and Sidawi, 2011). Changing this would create space for alternative mortgage products, such as variable mortgages (where interest rates vary with the market), fixed rate mortgages (where interest rates are fixed), and interest-only mortgages (where the buyer pays only the interest on the loan, using other financial instruments to cover the capital). The REDF subsidies can be then linked with these types of mortgage, building a synergy between government subsidies and the banking sector.

Problem		Recommendation
Complicated home buying process	→	Make options available clear
Cultural preferences of big houses	→	Encourage the real need concept
Poor Public Private Partnership	→	Introduce clear regulations Provide enough serviced lands Provide enough and clear financial roles Encourage other initiatives such as cooperative and charitable housing
Relying on subsidy schemes	→	Provide enough financial regulations to encourage the private financial sector participation
Limited number of units suitable for low and middle income group	→	Provide enough and affordable units

Figure 7.1: Recommendation List Summary

7.3.5 Reforming the land grant

The land grant and REDF are both now offered by the MOH, but under these proposals, the latter would be managed by the private sector. The land grant, however, would need to stay under public management, though the process needs to be more fully coordinated with other stakeholders in both the public and private sectors. The relationship between the REDF and the land grant needs to be broken, so that the former is no longer dependent on the latter. This will

make the system more efficient; by removing situations where lands are granted but an REDF application has not come through, and vice versa.

In particular, the types of assessment conducted by MOMRA on infrastructure and service provision need to be adopted and included in MOH procedures. This will help to ensure that, when land is granted, it falls within a serviced area and is therefore suitable for construction. Opoku and Sidawi (2011) use the metaphor 'Ihya Al-Maut' for this type of land, which roughly translates as bringing something back from the dead, and here it "refers to the revival of the land" by providing the infrastructure and services it needs before granting it to potential consumers which "suggests that the land or property is brought back from the dead" (p. 146).

The government also needs to explore ways to prevent individuals from constructing their own houses, which complicates the issues surrounding house construction on granted lands. Instead, customers should purchase finished houses, in a more structured and organized market. This should be assisted by the decoupling of the REDF and land grant from one another: separating them allows more freedom and options to the consumer.

7.3.6 Alternative housing initiatives

The corporate sector requires some harmonization in the way it operates. At the moment, only SABK and ARAMCO are providing corporate houses for the lifetime of an employee, and this type of programme needs to be extended in a way that does not harm private sector participation. A mechanism needs to be developed whereby government, private sector construction firms, and corporations work together to offer a variety of options for corporate house ownership. Governmental incentives could be strengthened to encourage universities, the army, and other

public and private sector organizations to participate in such schemes. This can be achieved via financial reforms of the type outlined above (section 7.3.4), and by forms of government support, e.g. providing land and planning permission.

The MOH is supposed to encourage cooperation between the government and the charitable sector to provide vulnerable and disadvantaged groups with housing. However, current regulations do not encourage third sector actors to play any large role in housing provision. While Rabenau (2011) argues that this type of housing provision should continue to operate separately from the rest of the housing system, there is no real reason why the REDF could not be extended to provide long term loans to charities who serve the poorest and most vulnerable people in Saudi society. Charitable organisation donors may then pay back these loans. At present, these groups are disadvantaged by the complexity of the application system for the REDF and land grant, and by the fact that digital systems, to which they have little access, are increasingly used to apply. Charities must also be given a space and a voice in policy dialogues, and included in the types of working group mentioned in section 7.3.2 (Gonzalez and Healey, 2005). This could lead to other measures, such as the provision of land by the government, and other privileges that could help this group to own their own homes. The advantage for wider society is a more integrated, equal, and just social arrangement.

Cooperatives represent a possible sustainable solution for disadvantaged groups who have some resources that they can pool. They could be given further government support via schemes that could provide low-cost loans and regulatory support. This would also discourage people from building their own houses on an individual basis, instead providing them with the cost savings

associated with bulk delivery of several homes, to higher quality standards. This obviates one of the major problems with the REDF: the fact that it encourages self-builds, with an inefficient and expensive production process. It also prevents the problems discussed in earlier sections around the staged delivery of REDF loans, which can result in halted construction projects.

7.4 Research limitations

This section outlines some of the limitations of the research, and draws attention to possible future directions in which the project could be continued.

As with any academic project, there was limited time available for this research and it was not possible to include all potential participants. Homeowners are a notable absence, meaning that the thesis could not investigate their perceptions and views of the housing market in any depth. This restricted the findings of the sections on cultural expectations. Little data was gathered on the institutional arrangements governing the private sector in Saudi Arabia, which the findings reveal to be an important area for future research.

The data was collected in Saudi Arabia, so it is not possible to generalize the findings to other countries. This reflects the contextual specificity of the theoretical model used for the research, and also contemporary epistemological concerns about the tendency to assume that knowledge gathered in one place is universally valid.

This research was conducted at a time when housing shortages in Saudi had become a serious concern and some of the interviewees were hesitant to provide answers to some questions. Others participated more comfortably. However, the number of interviewees and the few instances of this problem did not have a large impact on the data. Absences were filled with data

from secondary sources, which also helped to ensure validity. However, in relation to this secondary data, there were problems obtaining quantitative data and in ensuring its reliability and validity, particularly in the areas of banking structures, mortgages, lending, and borrowing.

7.5 Directions for future research

There are several potentially fruitful directions for future research to deepen our understanding of the Saudi Arabian housing market:

1. Research into the potential impact of a transition to more private sector involvement in the housing market. This would model the effects of a change from a public-sector dominated housing market to a more privatized scenario, looking at several available options and their implications. The research could continue to employ an institutional approach, perhaps looking more deeply into the formal and informal rules that govern private sector actors, and the various organizations, practices, relations, roles and responsibilities at work in the private sector.
2. Research into the potential impacts of new legal and financial regulations, to model their possible effects on the system as a whole. This thesis found that Saudi Arabia lacks financial regulations, and that this is having a major impact on housing supply generally, and private sector involvement in particular. It would be particularly useful to have an understanding of the role played by Aalber's (2008) quaternary circuit of capital, where government financial facilities and private financial facilities merge and produce new financial products which can be used to re-invest and re-finance the housing system at a global scale. When it comes to finance, previous researchers (Sidawi, 2009) have often

argued that Islamic religious tenets are a barrier to such a globalized model. However, this research had found that financial organizations can find ways of overcoming this impediment, and that international financial organizations already offer Sharia-compliant products. Integrating these into the Saudi housing system, in a way that ensures adequate legal and regulatory protection for lenders and lenders, thus removing uncertainties inherent to the current system, may open up the housing market for global capital investment.

3. Future research into consumer perspectives and preferences could be very revealing, expanding the culturally-oriented findings of this thesis. It would be interesting to explore potential schemes to shift the common preference for larger houses, and to remove dependency on government by instilling a savings culture and an expectation that a housing ladder, with a range of products with varying degrees of affordability, has to be climbed. Whether policy alone can achieve these shifts, and what other tools might be available to intervene at the level of cultural expectations, are questions that require further exploration. It would also be useful to have a greater understanding of current shifts, such as the movement amongst the youth and couples without children towards smaller units of accommodation, including flats. A cultural approach that moved away from blaming the population for their preferences, towards understanding and trying to shift them, could be a potentially valuable addition to the housing literature.

4. As the demographic makeup of Saudi Arabia is changing rapidly, with external migration a significant factor, non-Saudi citizens are often ignored in Saudi housing research, yet they make up a sizeable proportion of the population and contribute in a major way to the economy. Future research is needed to understand this demographic and their needs in more depth, particularly as some of these migrants are poor, vulnerable, and ineligible for government schemes.
5. Research is required on technical solutions to reduce housing costs, such as alternative materials and designs, but also new legal and financial instruments. Salama (2006) argues that an interdisciplinary approach is needed to improve the Saudi built environment, very much including sociological as well as scientific and technological factors. However, such an approach is rare in a Saudi Arabian context, where there is a rigid division between science and social science. This research could be seen as a stepping stone in breaking this disciplinary division, especially given its critical realist commitments (Sayer, 1992).

7.6 Conclusion

This chapter has recapped the theoretical contribution of the research and has made a series of wide-ranging and practical recommendations to solve the housing shortage in Saudi Arabia. It has also outlined the limitations of the research and suggested new directions for future projects. The innovative aspects of the approach taken and the contribution to a wider academic literature have been underlined.

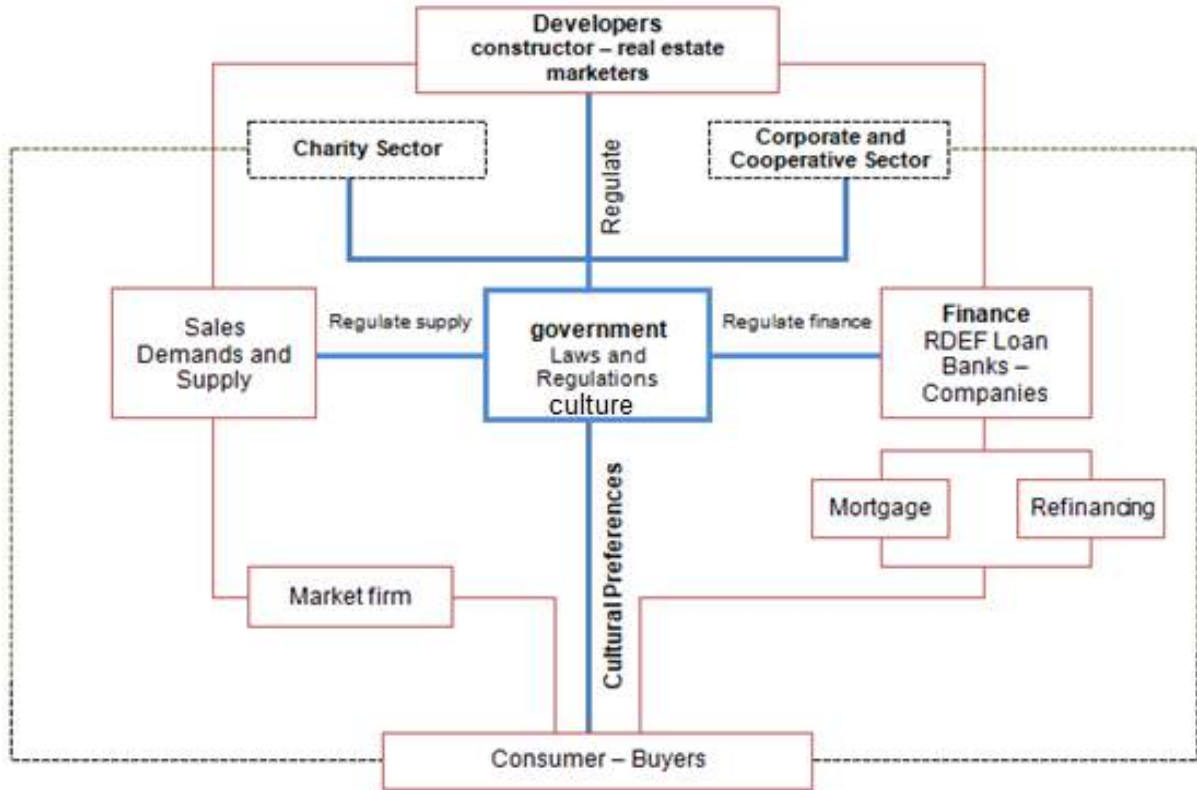


Figure 7.2: Recommended housing provision

Figure 7.2 demonstrates the links between the various organizations involved in the Saudi housing system. The informal and formal regulations and laws at the heart of the process orchestrate the whole process, and failure to resolve central contradictions between them (in particular between government policy and consumer housing preference) constitutes a major cause of the housing crisis. The failure of financial, legal, spatial, and regulatory policy to provide support for private house builders is a particularly unfortunate outcome. The system needs deep-rooted change to open its gates to international investors.

APPENDICES

Appendix 1: Research approval letter



Downloaded: 24/04/2016
Approved: 22/04/2016

Salman Aldalbahi
Registration number: 140150449
Town and Regional Planning
Programme: PhD Town and Regional Planning

Dear Salman

PROJECT TITLE: Understanding Housing Supply Constraints in Riyadh: An Institutional Approach
APPLICATION: Reference Number 004692

On behalf of the University ethics reviewers who reviewed your project, I am pleased to inform you that on 22/04/2016 the above-named project was **approved** on ethics grounds, on the basis that you will adhere to the following documentation that you submitted for ethics review:

- University research ethics application form 004692 (dated 24/03/2016).
- Participant information sheet 1008894 version 2 (24/03/2016).
- Participant consent form 1008893 version 1 (08/06/2015).
- Participant consent form 1016702 version 1 (24/03/2016).
- Participant consent form 1016729 version 1 (24/03/2016).

The following optional amendments were suggested:

Amend supervisor details. Delete 'only if true' in Consent Form (as set out in Section F)

If during the course of the project you need to [deviate significantly from the above-approved documentation](#) please inform me since written approval will be required.

Yours sincerely

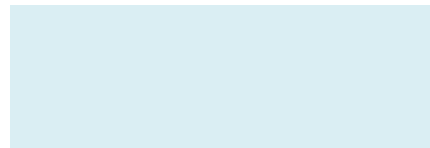
Simon Beecroft
Ethics Administrator
Town and Regional Planning

Appendix 2: Interviewee list details

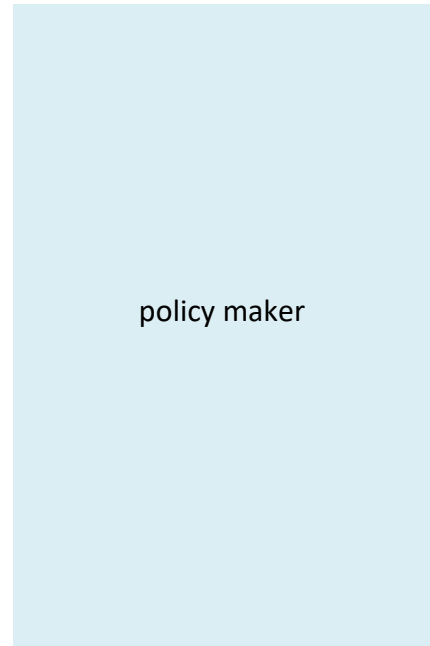
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Interviewee	10 11 12 13 14	Banker
Interviewee	15 16 17 18 19 20	private developer



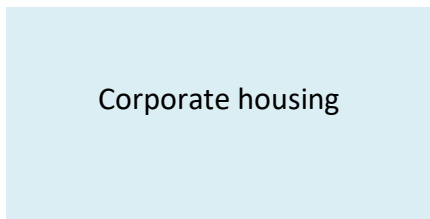
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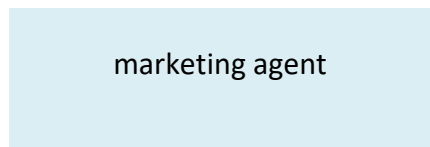
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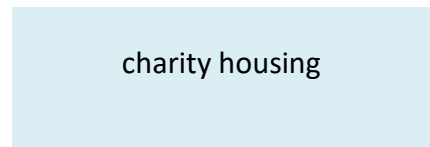
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Appendix 3: Consent form (Arabic Version)

استمارة قبول

هذا الاستبيان يملأ بشكل مستقل من قبل الشخص المساهم.

الاسم:

الإجابة نعم أو لا.

1. لقد قرأت وفهمت المعلومات في الصفحة المرفقة وكان لدي الفرصة للإستفسار.
2. أدرك أنه يمكنني اللإسحاب من المقابلة في أي وقت من دون الحاجة لإعطاء مبررات.
3. لدي العلم بأن المساهمة هي طوعية.
4. أنا راضي عن تسجيل النقاش مع الباحث.
5. لا أود إرفاق اسمي مع إجاباتي.
6. أرحب بإعطاء الموافقة على إجراء المقابلة.

اسم المساهم:

التوقيع:

التاريخ:

اسم الباحث:

التوقيع:

التاريخ:

ABBREVIATIONS

Abbreviation	Full designation
ARAMCO	Arabian American Oil Company
CEDA	Council of Economic and Development Affairs
GAS	General Authority for Statistics
GCC	Gulf Cooperation Council
MOH	Ministry of Housing
MOMRA	Ministry of Municipal and Rural Affairs
MOEP	Ministry of Economy and Planning
MOF	Ministry of Finance
MOJ	Ministry of Justice
MLD	Municipal Land Grant
OPEC	Organization of Petroleum Exporting Countries
PPP	Public Private Partnership
REDF	Real Estate Development Fund
SoP	Structure of Provision

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