

**THE WORLD BANK**

**ARAB REPUBLIC OF EGYPT**

**ANALYSIS OF HOUSING SUPPLY MECHANISMS**

**FINAL NOTE**

February 2007

**Sustainable Development Department  
Middle East and North Africa**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective February, 2006)

Currency Unit = Egyptian Pound (LE)  
Egyptian Pounds 5.71 = US\$1

## ABBREVIATIONS AND ACRONYMS

CAPMAS	Central Agency for Public Mobilization and Statistics
ESW	Economic Sector Work
ECES	Egyptian Center for Economic Studies
FY	Fiscal Year
GCR	Greater Cairo Region
GOE	Government of Egypt
GOHBC	General Organization for Housing and Building Cooperatives
GOPP	General Organization for Physical Planning
GSF	Guarantee and Subsidy Fund
HDB	Housing and Development Bank
HFF	Housing Finance Fund
ILD	Institute for Liberty and Democracy
IDSC	Information and Decision Support Center
MENA	Middle East and North Africa Region
MHUUD	Ministry of Housing, Utilities and Urban Development
MOI	Ministry of Investment
MOLD	Ministry of Local Development
MOMDP	Ministry of Defense and Military Production
NAHP	National Affordable Housing Program
NAHPA	National Affordable Housing Program Agency
NIB	National Investment Bank
NUCA	New Urban Communities Authority
PPP	Public Private Partnership
TAPR II	Technical Assistance for Policy Reform II
USAID	United States Agency for International Development
WB	World Bank

Vice President:	Daniela Gressani
Country Manager/Director:	Emmanuel Mbi
Sector Director:	Inger Andersen
Sector Manager:	Hedi Larbi
Task Team Leader:	Ahmed A. R. Eiweida
Task Manager/Study Author:	Sameh Wahba

# Table of Contents

TABLE OF CONTENTS.....	I
LIST OF FIGURES.....	III
LIST OF TABLES .....	III
LIST OF BOXES .....	IV
ACKNOWLEDGMENTS .....	IV
EXECUTIVE SUMMARY.....	VI
CHAPTER 1. INTRODUCTION.....	1
1.1 Objective and methodology.....	1
1.2 Contents .....	3
1.3 Limitations.....	3
CHAPTER 2. EVOLUTION OF HOUSING POLICIES IN EGYPT.....	4
2.1 Evolution of housing policies in Egypt in the past five decades and their effect on the housing market .....	4
2.2 New housing policies and programs in Egypt.....	7
CHAPTER THREE. FORMAL HOUSING SUPPLY AND STOCK CHARACTERISTICS IN URBAN AREAS IN EGYPT .....	9
3.1 Introduction.....	9
3.2 Formal housing Stock in urban areas in Egypt .....	9
3.3 Government entities responsible for housing supply .....	17
The New Urban Community Authority (NUCA).....	18
The General Organization for Housing and Building Cooperatives.....	19
The Joint Projects Agency.....	20
The Housing Finance Fund .....	20
The Housing and Development Bank.....	21
Governorates .....	21
3.4 Government-built housing products and characteristics .....	22
Low-Cost/Economic Housing .....	22
Mubarak Youth Housing Project.....	25
Future Housing program.....	27
Sites-and-Services and similar approaches.....	27
Family Housing .....	28
Emergency Housing .....	29
Public-Private-Partnerships (Free Housing).....	30
National Housing Program.....	31
3.5 Rental housing market: reforms after five decades of rent control.....	32
3.6 Vacant Housing Stock in the Formal Housing Market.....	33
3.7 Housing Investment .....	36
Overall Investment .....	36
Private Sector Investment in Housing Construction.....	37
3.8 Mechanisms for Housing Finance in Egypt .....	39
3.9 Assessing the formal housing supply system in Egypt .....	41
CHAPTER FOUR: INFORMAL HOUSING SUPPLY IN EGYPT: TYPOLOGIES, QUANTITIES AND QUALITIES.....	43

<b>4.1 Introduction.....</b>	<b>43</b>
<b>4.2 Informal Settlements Population In Egypt .....</b>	<b>43</b>
<b>4.3 Typologies and number of informal settlements in Egypt.....</b>	<b>45</b>
<b>4.4 Informal land acquisition and housing construction mechanisms and characteristics.....</b>	<b>52</b>
Socio-economic conditions in three informal settlements in the Greater Cairo Region.....	53
Agricultural land conversion and informal housing development process .....	55
Financing the Construction of Informal Housing Units .....	58
Dealing with local authorities when building without permit .....	58
Land Prices within Informal Settlements .....	59
Construction Cost, Prices of Housing Units for Sale or for Rent .....	60
Selling Prices and Rental Values of Housing Units in Informal Settlements .....	61
Housing Supply and Demand in Informal Settlements .....	62
Access to infrastructure in informal settlements.....	63
Willingness to pay for formalization .....	64
<b>4.5 Concluding Remarks: Formalization of the informal sector as an affordable housing supply alternative for the urban poor .....</b>	<b>65</b>
<b>CHAPTER FIVE: REGULATORY FRAMEWORK GOVERNING URBAN PLANNING AND DEVELOPMENT IN EGYPT.....</b>	<b>66</b>
<b>Local administration system in Egypt.....</b>	<b>66</b>
<b>Urban Planning in Egypt: Existing situation and key challenges and issues.....</b>	<b>68</b>
Evolution of Urban Planning in Egypt .....	68
Institutional and legislative framework governing urban planning in Egypt.....	69
Current problems facing the implementation of urban planning process .....	71
<b>Recent government efforts to improve the urban planning process.....</b>	<b>75</b>
Recent proposed changes in the urban planning legislation .....	77
<b>CHAPTER SIX. CONCLUDING REMARKS: THE NEED FOR A NEW AFFORDABLE HOUSING STRATEGY .....</b>	<b>79</b>
<b>6.1 Summary of key findings.....</b>	<b>79</b>
<b>6.2 Next Steps .....</b>	<b>81</b>
<b>BIBLIOGRAPHY.....</b>	<b>85</b>
<b>ANNEXES .....</b>	<b>85</b>
<b>Annex 1: Detailed statistics on publicly and privately-built formal housing.....</b>	<b>86</b>

## List of Figures

Figure 3.1 Formal housing units produced by the public and private sector, 1982-2005.....	13
Figure 3.2 Implementing agencies' share of total public housing output, 1982-2005.....	15
Figure 3.3 Number of formal housing units built by sector and category, 1982-2005.....	17
Figure 3.4 Publicly-built housing units by implementing agency and category, 1982-2005.....	22
Figure 3.5 Unused housing units number and share of total stock by governorate, 1996.....	36
Figure 3.6 Total formal investment in the housing sector, 1982-2005.....	37
Figure 4.1 Investments in urban upgrading by sector, 1993-2004 (in million LE).....	52
Figure 4.2 Owner occupation in three informal settlements in the Greater Cairo Region.....	54
Figure 4.3 Status of housing developers in three informal settlements in the Greater Cairo Region.....	55
Figure 4.4 Evolution of average land prices at time of purchase and construction in three Greater Cairo Region informal settlements, 1997-2003.....	60
Figure 5.1 Proposed institutional framework governing urban planning in Egypt.....	78

## List of Tables

Table 2.1 Evolution of housing policies in Egypt and their impact on the housing market.....	5
Table 3.1 Total housing units in urban and rural areas in 1986 and 1996.....	11
Table 3.2 Comparison of annual growth rate of urban population and urban housing stock by Governorate, 1986-1996.....	12
Table 3.3 Total publicly-built housing units by implementing entity, 1982-2005.....	14
Table 3.4 Distribution of urban public housing by Governorate, 1982-2005.....	16
Table 3.5 Housing Units built by the private sector in New Urban Communities by type.....	18
Table 3.6 Total NUCA investment in New Urban Communities by sector, 1982-2004.....	19
Table 3.7 Housing units built by NUCA by new urban community, 1982-2004.....	19
Table 3.8 Housing Units built by the Housing and Development Bank by Governorate.....	21
Table 3.9 Cost of low-cost and economic housing units.....	23
Table 3.9 Analysis of economic housing unit cost including land and off-site infrastructure.....	24
Table 3.10 Construction cost overruns in an economic housing project in Banha city.....	25
Table 3.11 Mubarak Youth Housing Scheme implemented since 1996.....	26
Table 3.12 Cost of Mubarak Housing units implemented by the Ministry of Housing.....	27
Table 3.13 Emergency housing units by Governorate and national five-year plan, 1982-2005.....	30
Table 3.14 Total Number of rental and owned housing units, 1986-1996.....	33
Table 3.15 Difference between number of housing units and number of households, 1986-2005.....	35
Table 3.16 Vacant units in the Greater Cairo Region in 1986 and 1996.....	36
Table 3.17 Total formal investment in the housing sector by implementing entity, 1982-2005.....	37
Table 3.18 Private sector investments in housing construction in new Urban Communities.....	38
Table 3.19 Evolution of housing cooperative soft loan terms and conditions.....	40
Table 4.1 Informal settlements number and population in ten Governorates.....	44
Table 4.2 Contradictory informal settlement statistics for the Greater Cairo Region.....	44
Table 4.3 Population of informal settlements in urban areas, in 1996.....	45
Table 4.4 Informal housing in Greater Cairo, Alexandria and Tanta, ILD/ECES.....	47
Table 4.5 Stakeholders and roles in the informal/squatter development process.....	49
Table 4.6 Status of informal/squatter settlements according to the National Upgrading Program by Governorate, 2004.....	51
Table 4.7 Problems faced by informal developers and solutions devised to overcome them.....	58

Table 4.8 Evolution of construction costs in three Greater Cairo Region informal settlements.....	61
Table 4.9 Average house prices in three Greater Cairo Region informal settlements, 2001-2003.....	62
Table 4.10 Average rental values in three Greater Cairo Region informal settlements, 2003 .....	62
Table 4.11 Housing tenure status and vacant housing stock in three Greater Cairo Region informal settlements, 2003.....	62
Table 4.12 Infrastructure problems in informal settlements .....	64
Table 5.1 Responsible Governmental Bodies for Planning or Approval of Plans.....	71
Table 5.2 Status of update of city and village official administrative boundaries, 02/2005.....	74
Table 6.1 Housing typologies in Egypt, 2000.....	81
Table A-1 Total housing units built by the public and private sector, 1982-2005.....	86
Table A-2 Total publicly-built housing units by implementing entity, 1982-2005 .....	87
Table A-3 Formal housing units built by the public and private sector by type, 1982-2005.....	88
Table A-4 Housing units built by the public sector by housing type and five-year Plan, 1982-2005 .....	89
Table A-5 Difference between number of households and number of housing units—vacant or unused units—by Governorate, 1986-1996 .....	91
Table A-6 Total housing investment by the public and private sector, 1982-2005 .....	92
Table A-7 Government soft loans provided by the different entities, 1982-2006 (in million LE) .....	93
Table A-8 Soft loans allocated to economic housing in Governorates, 2000-2005 (in LE million) .....	94
Table A-9 Comparison between planned and executed housing Units by the public and private sector, 1982-2005 .....	95
Table A-10 Comparison between planned and executed housing Units by Governorate, 2000-2005 .....	96

## List of Boxes

Box 3.1 <i>Madinaty</i> , a new real estate development through partnership.....	31
Box 4.1 The Three Informal Settlements.....	53
Box 5.1 Egyptian Laws Governing Housing, Urban Planning and Development.....	72

## Acknowledgements

This note, prepared under Phase II of the Urban Sector Update ESW which focuses on affordable housing policy in Egypt, was prepared by Sameh Wahba (Urban Specialist, Task Manager) based on significant inputs provided by Mostafa Madbouly (Director of the Technical Office, General Organization for Physical Planning, Ministry of Housing, Utilities and Urban Development). The note benefited from detailed comments and insights from Loic Chiquier (Lead Financial Officer, FPDSN), Ahmed Eiweida (Sr. Urban Management Specialist, Task Team Leader), and David Sims (Housing and Urban Consultant). Detailed comments were also received from members of the housing steering committee: Sherif Oteifa (Advisor to the Minister of Investment), Sahar El Tohamy (Advisor to the Minister of Housing), Tham Truong (Program Support Component Team Leader, Technical Assistance for Policy Reform II project, USAID), Raymond Stuyk (Chief of Party, Egypt Financial Services project, USAID), and Sahar Nasr (Sr. Financial Economist, Task Team Leader of affordable housing subsidies ESW and mortgage market development project, MNSED). The team was ably assisted by Amira Fouad Zaky (MNCO3) and Natasha Hafez.

The team would especially like to express its debt of gratitude to the many senior government officials and members of the private sector who graciously provided their time, documentation, data, and expert feedback and guidance in the process of preparing this note.

Peer Reviewers including Maria Emilia Freire (Sr. Advisor, FEU), Lawrence Hannah (Lead Economist, FEU) and Abhas Jha (Sr. Infrastructure Specialist, LCSUW), provided valuable feedback to strengthen this note. Mustapha Rouis (Acting Country Director for Egypt, Yemen and Djibouti) chaired the Review Meeting and provided follow up guidance to the team. The Policy Note was issued under the guidance of MNSSD Management, including Hedi Larbi (Sector Manager, Urban and Transport) and Inger Andersen (Sector Director).

## Executive Summary

***Since the mid-1980s, the urban housing stock's annual growth rate was almost double that of the urban population, with the result that the total urban housing stock far exceeds the number of urban households and a significant number of units is vacant.*** The average annual growth rate of the urban housing stock in Egypt (3.6%) far surpassed that of the urban population (1.9%) during the inter-census period (1986-1996). By mid-2005, the total number of housing units in urban areas in Egypt reached close to 9.49 million units. By contrast, in January 2005, the total number of urban households was estimated at 6.84 million units. The result is that in 1996 there were 1.4 housing units per urban household and 2.64 million housing units that were vacant or unused. Taking into account multiple unit ownership (10% of urban households owned/controlled 20% of the total housing stock), there still was in 1996 about 20% of the total urban housing stock that could be considered to be available on the market, whether units ready for occupancy, that are still under construction or which remain unfinished for a long time.

***During the inter-census period (1986-1996), formal housing production covered 62.8% of the total urban stock produced, with the informal sector responsible for the remainder.*** During the inter-census period (1986-1996), the total urban housing stock grew by an annual average of 241,916 units, of which 151,896 units (62.8%) were formal and the remainder (90,021 or 37.2% of total) were informal. In the 1986-1996 period, the public sector built 29.5% of all new (formal and informal) housing units built in urban areas during this decade and 47% of the formal housing stock, with the private sector responsible for 33.3% of total housing stock and 53% of formal housing stock. The largest producer of urban housing during this period was the informal sector, conservatively estimated to have delivered 37.2% of all new units (the ratio would be higher if we account for replacement units).

***Over the past 25 years, the public sector has built as much as 36% of all formal housing units supplied in urban areas, which came at a significant cost of LE26.4 billion to the public coffers.*** A plethora of public agencies and programs for direct or supply of affordable housing exist in Egypt today. These include Governorates, housing and development companies, the Joint Projects Agency, the General Organization for Housing and Building Cooperatives, the Housing Finance Fund, the Housing and Development Bank, development agencies, and the New Urban Communities Authority. Together, these entities have delivered 1.26 million public housing units during the period 1982-2005 (36% of all formal housing units built during this period in urban areas) at a total cost of LE26 billion, excluding the cost of land and off-site infrastructure. By and large, the largest supplier of public housing was the Governorates, which were responsible for the supply of 44% of the total public sector-built stock in urban areas during this period and mostly targeting low and moderate income households. This shows the extent of local government contribution to public housing supply, an impact that could have been even greater had they not had limited local revenues and had their mandate evolved to enabling access to affordable land and housing within their jurisdiction instead of direct supply. The Housing Cooperative system delivered as much as 22% of the total public stock provided in the 1982-2005 period, although it is increasingly seen as out of favor with the General Organization for Housing and Building Cooperatives' budget falling to less than one-fifth of its peak of over LE1 billion in the 1995-98 period. Finally, NUCA was responsible for 20% of the total public stock, but similarly its total investment has fallen to about 5% of its peak of about LE1.1 billion in the 1997-99 period.

***The positive trend has been the steady increase of the private sector's share of annual formal housing production over the past decade up to 90%.*** With respect to the formal sector, the



private sector contributed 64% of all formal housing units built in urban areas between 1982 and 2005, with the total investment having exceeded LE60 billion. The 1992-99 period was the only trough observed in the private sector's performance, where its share of the formal housing stock was less than half (ranging between 33-48%). Since then, a positive trend has been the steady and significant increase in the private sector's contribution, which reached 88-90% of all new formal units since 2002 with an average of 145,000 units per year. At the same time, the public sector's annual average fell to a little over 18,000 units, which points to public sector withdrawal from direct supply and an invigorated private sector playing an increasingly important role in housing supply.

These statistics and findings reinforce the argument that *the urban housing crisis in Egypt is not a quantitative/scarcity problem but distortions to the housing market caused by an accumulation of ill-conceived and inadequate policies that led over time to creating a mismatch between supply and demand and to severely curtailing private sector investment in housing supply*. The problem manifests itself among other things in a large share of the existing urban housing stock being kept vacant and under-utilized, and in private sector withdrawal from investing in the rental housing sector to focus instead on the upper segments of the market catering for homeownership (which is simply unaffordable even for middle-income groups in the absence of housing finance). It is also argued that there was, and still is, a mismatch between housing demand and supply, with on the one hand an oversupply of formal housing for upper-middle and high-income groups (at the same time as demand was dampening due to weakened purchase power), while on the other hand there is a shortage of supply for low, moderate and even middle-income groups, leaving the informal sector to meet their needs.

*Limited income groups, unable to afford formal housing or adequately located and serviced land upon which to build especially in large cities, found that they had no option but to seek shelter in informal and squatter settlements.* Construction costs in the informal sector, even with a 20-30% cost add-on in extra-legal payments to circumvent problems with local authorities and utilities and navigate the bureaucracy associated with informality, are still more affordable than formal housing supply. The end housing product is more suited to people's needs and the progressive construction method is more adapted to their priorities and affordability level. What is interesting is that even in the informal sector, there is an oversupply of housing units, estimated in the GCR at 500,000 units and in a sample of three informal settlements at 15-20% of the total stock.

In summary, *there is a large stock of formal and informal housing units that are vacant and which could be brought back to the market if an appropriate regulatory framework and incentives to owners/developers could be secured and effectively implemented/enforced* (including enhancing the security of property rights to land and real estate, and ensuring when needed expeditious court-administered tenant eviction procedures in case of end/breach of contract terms and conditions). In addition, *the positive trend of increased private sector participation and investment in housing supply needs to be capitalized upon, and obstacles facing the private sector need to be removed, if it is to play the lead role in housing supply*. Adequate (supply-side and/or demand-side) incentives will need to be provided for the private sector to cater to the needs of low and moderate income groups, including making available well located and serviced land, streamlining bureaucratic procedures for land subdivision and building permit issuance and property registration, and enhancing the end-users' affordability levels through among other things enhanced access to housing mortgage finance.

*The main challenge today is to devise affordable housing policies and strategy that address the distortions that to date constrain the housing market from functioning efficiently.* The first

critical steps in this regard were the abolition of the rent control legislation in 1996, after five decades in which it severely distorted the housing market, and the set up of the regulatory and institutional frameworks governing housing mortgage finance. The key remaining challenges that the new affordable housing policy will need to address are to: (i) *put in place the institutional and regulatory frameworks and incentive structure needed to enable an expanded private sector role in the delivery of affordable housing* in a competitive and transparent framework; (ii) *rationalize the subsidies provided to limited-income groups* by eliminating distortionary and off-budget instruments and *developing efficient targeting instruments* that could be easily administered; and (iii) ensure that the regulatory framework and incentives allow *the development of a viable rental market* to serve the needs of the lowest income groups in conjunction with some homeownership opportunities (which are more expensive and thus less scalable).

***The formulation of a national affordable housing policy framework and strategy*** over the next stage would comprise the following:

- (i) a quantification of existing supply and demand-side subsidies, both on- and off-budget, their fiscal burden, intended and unintended consequences, recipients, and winners and losers from the existing system, in view of preparing a comprehensive assessment of the merits and limitations of supply versus demand-side subsidies to guide policy and decision-making;
- (ii) formulation of the institutional, regulatory and financial frameworks, including the role, responsibilities and mandate of the key government stakeholders in the affordable housing arena, needed to expand private sector participation in affordable housing delivery;
- (iii) identification of targeting criteria that are relatively easy to administer and enforce, and which can efficiently reach the intended beneficiaries;
- (iv) development of adapted planning regulations and building standards, and streamlined procedures for land subdivision and building permit issuance; and
- (v) recommendation of the best approach(es) to meet the six-year target of 500,000 affordable units (product mix, whether new construction, incentives for vacant unit owners to put them back on the market or informal settlement upgrading; homeownership versus rental sector; etc), while implementing the long-term policy reforms.

The affordable housing strategy will be informed by an overview of international experiences related to demand-side (e.g. Chile's housing voucher program), and production/supply-side (e.g. the US Low-Income Housing Tax Credit program) interventions.

Specifically, the new affordable housing policy and strategy will need to address the following key issues:

- Changing government's role in the housing sector from one of direct supplier of housing to an *enabler of the housing market* to function more efficiently through the delivery of the incentives needed to expand private sector participation in affordable housing supply. This will require reforming the institutional and regulatory framework governing the housing sector, including an expanded role for *local authorities* in enabling the supply of affordable housing.
- Addressing the *distortions* that led to a mismatch between supply and demand of housing, increased the cost of housing and created inefficiencies in terms of residential mobility and significant unit vacancy. This requires among other things tackling the restrictive planning and building regulations, accelerating the removal of remaining rent control

- effects (especially that a large number of existing rent controlled units is grand-fathered), and expanding access to housing mortgage finance.
- Streamlining the complex bureaucratic and costly procedures governing the issuance of *land subdivision* and *building permits*.
  - Designing a transparent, non-distortionary and well targeted *subsidy system* to enable the urban poor to have expanded access to affordable land and housing options.
  - Develop mechanisms to expand poor people's *access to finance* for housing construction and acquisition, including contractual savings schemes and housing micro-finance.
  - Expanding *options* for the urban poor to access affordable housing by reintroducing sites-and-services schemes (which offer small land parcels, gradual infrastructure delivery and leave building to beneficiaries in the aim of lowering upfront costs), upgrading policies to regularize squatter/informal settlements and enable them to continue to supply affordable housing options and absorb a portion of Egypt's expected population increase.
  - Creating the necessary incentives to *formalize the informal market* and capitalize on this dynamic sector to take part in housing delivery in the formal market.

Finally, while the abovementioned measures are all necessary, they are not sufficient to improve the functioning of the urban housing market. The Government of Egypt should also focus on the two equally important and complementary reform efforts which have been recently initiated, but which still need to surmount significant obstacles if they are to deliver the intended results. These are *the activation the recently (re)structured housing mortgage finance market and the reforms of the urban land and property registration and taxation systems*, which are both critical to the efficient functioning of the housing (and land) market. With regards to land and property registration, the GOE has taken a first important step by lowering the cost of the service (a flat fee system for registration with a ceiling of LE 2,000 has been in place by Law since August 2006). The next steps are to mainstream the application of the parcel-based registration system in urban areas, streamline and automate the process, develop service standards, and most importantly, ensure effective coordination between the Egyptian Survey Authority and the Ministry of Justice's Real Estate Publicity Department. With regards to property taxation, the Ministry of Finance is currently preparing draft legislation to address the main dysfunctions of the existing system, namely high tax rates, long lists of exempt properties, very low collection rate, and poor property valuation practices with the assessment updated only every ten years.

# Chapter 1

## Introduction

In Egypt, central government has assumed quasi-total control over the urban housing sector for most of the past five decades including the policy/decision-making process, planning, finance and direct implementation/supply. Egypt is one of few comparator countries where government still is directly involved in large-scale housing construction activities, although the past decade has witnessed a major expansion of private sector participation in formal housing construction. Yet, despite a huge investment estimated at LE26.4 billion over the past 25 years in direct housing supply (not including the opportunity cost of land and infrastructure delivery), there is still a perception of a major housing crisis in Egypt as perceived by escalating land and housing prices, and the perception of the problem keeps worsening over time.

What is without doubt is that the housing and land markets in Egyptian cities are not functioning efficiently. The urban land and housing markets are highly segmented. A dysfunctional urban land and property registration system, and Government ownership of most of the land available for development and urban expansion, and the fragmentation of this control among a large number of public entities operating under different regulatory frameworks and procedures, within the framework of a rigid supply-driven and poorly enforced land use planning and development control process and with little inter-agency coordination, have jointly contributed to the many problems facing the urban land market. The urban housing market in most cities suffers from a serious mismatch between supply and demand. In particular, there is an over-supply of formal housing in the middle and upper segments of the market, while there is a shortage of supply in the lower segments, leaving the informal sector to meet the needs of low and moderate-income households. The rental market suffered the consequences of rent control legislation and rigid tenant protection practices, which over five decades managed to freeze investments in the sector and create a developer-bias towards supply for home ownership.

Meanwhile, as a result of rapid urban population growth and faced with expensive housing and land prices and rigid/unrealistic planning and development regulations, the informal settlement continued unabated in meeting the need and demand for affordable housing that aligns with low, moderate and middle-income groups' locational preferences. Most such informal development took place through the conversion of agricultural land on the peri-urban fringe to urban uses. It is estimated that over the course of the past 4-5 decades more than one million feddans (420,000 hectares) of agricultural land were lost to urbanization, resulting in the formation of unplanned settlements with very high population densities and which for the most part lack basic services.

The problem is that over the past five decades several government policies have caused significant distortions to the urban housing (and land) market. Only recently (in effect over the past decade), did the GOE start taking actions to address the distortions of the housing market. Such actions ranged from the critically-needed removal of rent control legislation (although for political reasons, existing contracts were grandfathered) to the unrealistic approach of increased public supply of affordable housing, which comes at a great cost and great inefficiencies.

### 1.1 Objective and methodology

The objective of this ESW, requested by HE the Minister of Housing, Utilities and Urban Development, is to assist the GOE in: (a) formulating a coherent national affordable housing

strategy which puts in place an effective institutional and regulatory framework that creates the necessary conditions for an efficiently functioning housing market, devises the incentive structure needed to promote increased private sector participation in affordable housing supply and the subsidy package to enable limited-income households to access affordable housing, and addresses distortions in factor markets; and (b) designing the foundations and key elements of the national affordable housing program for Egypt, which aims to enable the delivery of 500,000 affordable housing units in the coming six years.

The objective of this note—the first part of the ESW—is to critically analyze the existing situation on housing supply in urban areas in Egypt. This includes examining existing formal and informal mechanisms for the supply/ delivery of urban housing in Egypt, institutions responsible for supply and regulation, the characteristics of the formal and informal housing stock (supply trends, prices, construction and factor market costs, etc), and the institutional and regulatory framework governing urban/ land use planning and development in Egypt.

This note, combined with the Phase I of the housing demand study financed by USAID through the Technical Assistance for Policy Reform (TAPR II) project and which examines issues of housing needs, affordability and subsidies, provide a rapid overview of the existing situation of the urban housing sector in Egypt. The next steps include several outputs:

- *Phase II housing demand study (to be undertaken by USAID—TAPR II)*, which will undertake a large survey of a representative household sample in the Greater Cairo Region to examine in detail the existing housing situation and the nature of their demand including needs, affordability, locational, product and financing preferences, among other things. This study represents a critical input in the design of an overall affordable housing strategy, including well targeted and efficient housing subsidy mechanism.
- *National affordable housing policy (to be undertaken by the World Bank)*, which will represent the Phase II of the current note, and which will assist the Government of Egypt (GOE) to develop effective institutional and regulatory frameworks and incentive structure needed to enable/encourage private sector participation in affordable housing supply. One particular objective and self-contained component of the overall strategy will provide recommendations on how to rationalize the subsidies provided to limited-income groups by eliminating distortionary and off-budget instruments and developing efficient targeting instruments that could be easily administered.

The preparation of an affordable housing strategy will rely on the following inputs:

- (i) Policy discussion with key policymakers in Egypt in a high-level policy workshop to be organized by the GOE in collaboration with the World Bank (at a selected interval during Phase II). The workshop would ideally be chaired by the Prime Minister of Egypt and would be attended by key stakeholders, including line ministers, senior government officials and heads of authorities concerned with the housing sector.
- (ii) In-depth discussions with concerned line ministers and senior officials heading the main authorities responsible for delivering and/or enabling the delivery of affordable housing. These discussions (ongoing throughout Phases I and II) aim to map out the existing situation, identify issues and challenges, past and ongoing improvements, and discuss potential reforms. Key stakeholders include: (i) MHUUD, and affiliated concerned authorities; (ii) MOI, and the affiliated Guarantee and Subsidy Fund (GSF); (iii) Ministry of Local Development, responsible for overseeing local authorities, and senior local government officials in Cairo and Alexandria Governorates; and (iv) Ministry of Finance.

- (iii) Input from experienced housing and urban development consultants in mapping out key issues in the affordable housing sector and the institutional and legal/regulatory framework governing housing and urban planning and development in Egypt;
- (iv) Analysis of existing housing studies, planning and housing documents and statistics, legislative texts, and other sources of information available; and
- (v) Involvement of experienced international housing experts to distill lessons from international experience on good practices and unsuccessful efforts in enabling the delivery of affordable housing, and participate in adapting these experiences and lessons to the Egyptian context within the scope of the high-level policy workshop.

## **1.2 Contents**

This note is organized in five chapters, following the introduction. Chapter two briefly summarizes the evolution of housing policies in Egypt throughout the past five decades, and their implications of the functioning of the housing market. Chapter three examines formal housing stock in urban areas and the different supply mechanisms and volume of investment by the public and private sectors, in addition to examining the rental market (in light of past distortions due to rent control) and the phenomenon of vacant housing. Chapter four examines the informally developed housing stock, including informal settlements and housing typologies, mechanisms for land acquisition and housing development. Chapter five examines the institutional and regulatory framework governing urban planning and development in Egypt. Chapter six presents brief concluding remarks and recommendations for the next phase.

## **1.3 Limitations**

This note quantifies the total and urban housing stock based on the most recent available housing census information (1986-1996). Complete data on formal housing supply, both from the public and private sector, is available until mid-2005. The lack of up-to-date census information implies that data on informal housing production is based on production rates from the 1986-1996 period. The findings of the 1996-2006 census on the total and urban housing stock, and accordingly the rate of informal production, will be integrated upon availability, and will be at the basis of the next phase recommendations.

Land, a critical factor market in housing supply, has not been addressed in this note since the World Bank recently completed a comprehensive assessment of existing public land management practices in Egypt and developed detailed recommendations for reform in the form of a roadmap that was prepared in close consultation with key stakeholders and endorsed at the highest level of government (Egypt Public Land Management Strategy, 2006—Volume I with the Policy Note and Volume II with Background notes on access to land by sector). Related recommendations to improve the efficiency of the public land management system will be integrated in the affordable housing strategy in the next phase.

Finally, this note focuses primarily on the assessment of the existing situation and as such it only provides broad-based directions of the needed policy, institutional and regulatory reform to improve the efficiency of affordable housing delivery. The detailed recommendations and implementation action plan will be dealt with in the second phase.

## Chapter 2

# Evolution of Housing Policies in Egypt

### 2.1 Evolution of housing policies in Egypt in the past five decades and their effect on the housing market

In Egypt, central government has assumed quasi-total control over the urban housing sector for most of the past five decades including the policy/decision-making process, planning, finance and direct implementation/supply. Egypt is one of few comparator countries where government still is directly involved in large-scale housing construction activities, although the past decade has witnessed a major expansion of private sector participation in formal housing construction. The problem is that over the past five decades several government policies have caused significant distortions to the housing market. Table 2.1 examines the evolution of policies over the last five decades and their impact on the housing market. The key findings and issues are as follows:

- The private sector withdrew from the rental market as a result of restrictive rent control and strict tenant protection laws, and instead shifted its focus on supply of formal housing for upper-middle and high income housing units for ownership, and of informal housing for low, moderate and middle-income groups who were left without affordable housing alternatives.
- Limited supply of formal housing in existing cities and considerable supply of public housing for limited-income groups in new urban communities, whose location was for the most part undesirable due to their distance from job opportunities and the lack of adequate services and amenities. As a result and despite huge public investments, new communities have only managed to attract a fraction of their target population.
- Meanwhile, the informal settlement phenomenon continued unabated in meeting the need and demand for affordable housing that aligns with low, moderate and middle-income groups' locational preferences. Most such informal development took place through the conversion of agricultural land on the peri-urban fringe to urban uses. It is estimated that over the course of the past 4-5 decades more than one million feddans of agricultural land were lost to urbanization, resulting in the formation of unplanned settlements with very high population densities and which for the most part lack basic services.
- The emergence of a peculiar phenomenon in the form of a significant share of the urban housing stock remaining vacant, held by households as investments or for their children's future use, or remaining in public and private developers' hands (whether ready for sale and occupancy or in buildings that are left unfinished for long periods of time). Indeed, in 1996, there were 38% more housing units than households in urban areas (about 2.8 million units in total), of which more than half could in theory be considered to be on the market. Meanwhile, low and moderate-income groups are faced with a severe housing crisis in terms of the lack of affordable and adequately located/serviced housing options outside of informal/squatter settlements.

**Table 2.1 Evolution of housing policies in Egypt and their impact on the housing market**

<i>Housing Policy, date applied</i>	<i>Issuing &amp; implementing entity</i>	<i>Policy Objectives</i>	<i>Long term effects</i>
<b>Rent Control laws, 1952-1958- 1961- 1962</b>	Central government	Freezing housing rent increase and reducing rent by 35% of 1944 value to ensure affordability (construction had come to a halt in the 1940s and rents greatly increased)	- Private sector withdrawal from an unprofitable rental housing market, resulting in the long-run in a deficit in housing stock mainly for lower-income groups. - Reluctance of private owners to maintain existing housing stock as a result of insufficient rent revenues, deterioration of stock.
<b>Provision of subsidized public housing projects since 1954</b>	Central Government. Public housing development companies assumed lead role from 1954 to 1961 then local authorities since 1962	Providing subsidized housing to low-income groups in cities; Lowering housing supply cost through using prototypical units without services/facilities	-Encouraging rural/ urban migration -Unclear maintenance responsibility led to deterioration of stock -Inflexible cookie-cutter design not adapted to family size or evolving needs led to significant transformation of housing blocks, increased densification and poorer living conditions.
<b>Nationalization of private construction and housing development companies (e.g. Maadi, Heliopolis)</b>	- Central Government. Companies affiliated with central government or Cairo Governorate	In line with government policy to nationalize privately-owned companies	-Significant expansion of housing construction in Cairo (new suburbs of Maadi and Medinet Nasr) -Increased inefficiencies in nationalized companies and larger fiscal burden to the State budget.
<b>Limiting annual investment in housing to LE 30 million in 1956; imposing ceiling for annual contract work to any private company at LE30,000</b>	Central Government	Lowering capital investment in housing and shifting towards industrial development.	-Major reduction in housing construction, coupled with rapidly growing population in cities, resulted in the emergence of informal settlements
<b>Major reduction in public investment in housing and infrastructure after 1967</b>	Central Government	Focusing limited financial resources to rebuild the military forces after the 1967 war	- Additional reduction in housing and infrastructure investment, further increasing informal development
<b>New rent control laws in 1965, 69, 70 reducing rent for newly built units (furnished flats exempted)</b>	Central Government	Further attempt to appeal to low-income groups faced with limited housing options	-Continued general private sector withdrawal from rental market; increase circumvention of restrictive rent control through furnished flats; emergence of key money (upfront lump-sum payment) to make up the difference between low rent and market rents.
<b>Public housing supply in existing (old) cities stopped</b>	Central government through MHUUD	Focusing government resources on new urban communities; poor people encouraged to settle there	Increasing the gap between supply and demand of affordable housing in existing cities, and further encouraging informal development.
<b>Encouraging private sector return to housing market by raising ceiling of annual investment for contracting companies to LE 100,000, then to LE 500,000</b>	Central Government	Encouraging private sector to return to housing and urban development sector; allowing foreign-owned companies to bid without maximum ceiling; and allowing private sector to enter into trading and production of some building materials along	Move in the right direction but continued rent control meant focus on housing supply for sale without investment in rental, a burden on low/middle-income groups who could not afford market units. Government set a ceiling of 33% of units in any building for sale and the rest for rent, yet investors circumvented rule. Phenomenon of vacant units started as owners preferred to leave their units unoccupied rather than renting under rent control regime.



<i>Housing Policy, date applied</i>	<i>Issuing &amp; implementing entity</i>	<i>Policy Objectives</i>	<i>Long term effects</i>
		with public sector.	Increased building material supply in the market (after scarcity)
<b>New rent laws to encourage private sector return to housing market (1977- 1981)</b>	Central Government issued the law; local government was mandated to monitor implementation	Rents kept low (7% of cost) also for new units built just before law, but above-middle/luxury units exempt from control. Newly built units can rent at higher rates but rate is frozen after agreement is reached. Setting up condominium owner association for O&M of apartment buildings	Directing private housing investment to upper income groups to avoid rent restrictions. Universal key money phenomenon to overcome rent control restriction resulting in major distortion in the housing market Low and middle income groups without affordable housing alternative except in informal settlements. Poor maintenance of housing stock estimated not to exceed 0.7% of asset value.
<b>Establishing new cities and communities around existing cities</b>	Central government through Ministry of Housing and Construction's General Organization for New Urban Communities	Directing population growth to the desert outside Nile valley and protecting agricultural land from informal encroachment. Incentives to expand economic activities and create new jobs in these new locations. Direct public supply of formal, affordable housing to low-income groups and new formed families to settle in these new cities	Concentrating public investments in new cities with little left for housing supply in existing cities. Unbalanced development in new cities with housing construction without adequate infrastructure services in initial phases resulting in vacant units and deserted new towns Increased direct public involvement in implementation increased cost of housing and services in new cities and increased fiscal burden to make them affordable. New communities attracted industrial development and created jobs (especially after Cairo's closure to new industry) but could not attract people to live there
<b>Reactivating Housing Cooperatives through presidential decree</b>	Ministry of Housing and Construction. Centrally managed and monitored by General Organization for Housing and Building Cooperatives	Encouraging individual/cooperative investment in low/middle income housing via subsidized building materials, serviced land and below-market housing finance	Construction of more than 275,000 units in the last two decades by more than 1,900 cooperatives, although with significant leakage to non-deserving groups. Providing subsidized loans exceeding LE 14.6 billion between 1982 and 2004 to construct the housing units.
<b>Law 4 of 1996 concerning rent of vacant housing units not subject to rent control laws.</b>	Central Government through MHUUD	Encouraging private owners of vacant units and investors to return to rental market on a free market basis without any government restriction on rent levels or duration	Allowing in the long-run large number of vacant units to rent on free market basis, thus providing a solution to a large number of newly formed families and middle/upper-middle income groups. Slow start as owners of vacant units are still wary of whether courts will enforce tenant eviction
<b>New public housing schemes in new urban communities (Mubarak Youth Housing,)</b>	Central Government through MHUUD	Offering affordable quality housing to new formed families with heavy subsidies to encourage settling in new cities	Imposing heavy financial burden on State budget in the long run, which threatens the ability to sustain this program (which could only offer about 70,000 units in 10 years).

Source: Compiled by Madbouly (2005)

## 2.2 New housing policies and programs in Egypt

During the Presidential elections in 2005, President Mubarak pledged that the Government of Egypt (GOE) will deliver/facilitate the delivery of 500,000 new affordable housing units in the six year period from 2005 to 2011. Based on existing affordable housing supply and subsidy practices (per unit subsidy amounting to 70-75% of total development cost inclusive of infrastructure and the opportunity cost of land), the price tag of this program would amount to USD5 billion, which means yearly subsidies of USD0.7-0.75 billion per annum (around 0.8% of GDP) to deliver 85,000 units. Two entities work to deliver the President's National Affordable Housing Program (NAHP), but both face major challenges related to implementation.

The first entity is *the National Affordable Housing Program Agency (NAHPA)*, placed under the Ministry of Housing, Utilities and Urban Development (MHUUD). NAHPA offers public or private developers upfront lump-sum subsidies of up to LE15,000 per eligible limited income household to reduce the cost of newly built housing units, in addition to making available in new towns and at no cost land and off-site infrastructure through the MHUUD's New Urban Communities Authority (NUCA). Basic program elements include 63 sqm units in walk-ups, 50% in new towns and 50% in existing cities. Households should be eligible to contract 20-year mortgage loans extended by Banks (so far mostly public banks including National Bank of Egypt, Misr Bank, and Housing and Development Bank—HDB), at fixed, below-market interest rates of around 10% (market priced mortgage loans would be priced at 12-15%). The subsidy is paid directly to the developers to lower housing prices. A 7.5% annual increase of the monthly installment is envisaged in order to minimize the initial monthly payment (LE160 in year 1) and boost the credit affordability. A down payment of only LE5,000 is required. Since then, several other proposals have been put including expandable core houses and sites-and-services.

Private developers were invited to express interest in either 100% affordable housing developments or in mixed income/use developments under NAHP and 27 companies have already registered for the program. Yet, the NAHP remains at a very early stage, and private sector engagement is yet to start. By the end of 2006, 87,699 units were nominally under NAHP, of which 27,338 units were built and delivered to beneficiaries in new towns and governorates and the rest under construction.<sup>1</sup> Yet, only 13.1% of all the units completed or underway were developed under the proposed NAHP institutional protocols and financial system including access to mortgage finance (with the consequence that public banks would be expected to scale up subsidized lending). The bulk of the first year units were in reality carryovers from the existing public housing delivery system. It is thus too early to assess the NAHP. Yet, even though NAHP announced welcome improvements over past housing subsidy programs (emphasis on private developers, beneficiaries to choose from several financing options, and introduction of new housing typologies), it still remains a supply-side subsidy program with inherent limitations (on whether it reflects actual demand/needs, possible abuses by developers and leakage, and the need to identify eligible households as in a demand-side subsidy program) and is still at a very early implementation stage to be assessed. The program also seems to lack sufficient monitoring. Finally, the challenge to harmonize and unify under one roof the multiple on/off-budget subsidies underway remains.

---

<sup>1</sup> In Governorates, 22,906 units were built and delivered to beneficiaries and 43,872 units were under construction, mostly by governorate housing directorates and to a lesser extent General Authority for Housing and Building Cooperatives (GAHBC) and MHUUD's Housing Finance Fund. In new towns, 4,432 units were delivered and 16,479 units were under construction, mostly by the GAHBC and to a lesser extent NUCA.

The second such entity is *the Guarantee and Subsidy Fund (GSF)*, placed under the authority of the Ministry of Investment (MOI). Its mandate is to offer an upfront subsidy for households with a monthly income below LE1,500. As the monthly mortgage repayment cannot exceed 25% of household income, the resulting maximum monthly installment is LE375 (which implies in reality moderate/lower middle income groups). The upfront subsidy of up to LE10,000 can reach a maximum of 15% of the value of the housing unit, which in turn cannot exceed LE75,000. Households are required to make a 10% down-payment. The mortgage loan is extended at market terms. Contrary to the NAHP, the GSF is a demand-side subsidy. It applies to existing units on the market (provided their value satisfies GSF terms and are either registered or deemed to be “registerable”) and to new construction (developers of GSF-approved schemes in new towns can apply to NUCA to obtain land at no cost and off-site infrastructure at 50% of its actual cost).

The GSF’s mandate also includes the provision a guarantee to lenders to repay up to 3 monthly installments for households in default/arrears, but this function has not yet been activated. The fact that the mortgage market is still in an infancy stage (primarily as a result of the limited share of urban land and property that is registered) affects the functioning of both the GSF and the NAHP, but the GSF faces an additional challenge in its limited access to adequate budgetary resources. As a result, its subsidies were confined to a few specific cases of NUCA units or assets transferred to the GSF (about 3,000 units).

What is clear is that the effective implementation of the NAHP will require delivery of significant support to the implementing entities. Yet, more importantly, the implementation of a program of this magnitude will require the GOE to accelerate its housing (and land) sector reform program if it is to effectively and efficiently deliver the required number of affordable housing units. This requires reforming existing policies in the affordable housing sector including: (i) transforming the role of the public sector from direct supplier to enabler of private sector delivery of housing; (ii) reducing expensive construction costs by revising the unreasonably high planning and building standards that lead to inefficient land utilization; (iii) reforming and rationalizing the currently excessive subsidy package, especially off-budget (e.g. land cost write down) and distortionary (e.g. below-market mortgage interest rate) subsidies that inevitably limit coverage; (iv) addressing the problem of poor site locations that do not reflect people’s preferences; (v) reforming public land management practices, wherein many geographic and sectoral public agencies control and allocate public land without coordination or coherence; (vi) reforming the dysfunctional land and property registration system in urban areas to facilitate access to finance and activate the mortgage market; (vii) developing effective targeting mechanisms to reach low-income groups (currently the main emphasis is on reaching young professionals among middle and moderate income groups); and (viii) revising inadequate urban upgrading strategies through *inter alia* emphasis on land tenure legalization. All these issues will comprise the pillars of the critically needed new/revised national affordable housing strategy.

## Chapter 3

# Formal housing supply and stock characteristics in urban areas in Egypt

### 3.1 Introduction

A plethora of public agencies and programs for direct or supply of affordable housing exist in Egypt today, including Governorates, housing and development companies, the Joint Projects Agency, the General Organization for Housing and Building Cooperatives, the Housing Finance Fund, the Housing and Development Bank, development agencies, and the New Urban Communities Authority. Together, these entities have delivered 1.26 million public housing units during the period 1982-2005 (36% of all formal housing units built during this period in urban areas) at a total cost of LE26 billion, excluding the cost of land and off-site infrastructure. The public sector did provide the bulk of affordable housing units built during the 1982-2005 period with 82% of all low-cost and economic housing units. During the 1982-2005 period, the private sector contributed 64% of all formal housing units built in urban areas, with a total investment of over LE60 billion. However, only 45% of the private sector's supply was in the form of low-cost and economic units that serve lower-income households. During the 1986-96 inter-census period, the formal sector—private and public—delivered an average of 63% of all housing units (152,000 units out of a total of 242,000 units each year), with the private sector's contribution increasing to up to 88-90% of the total formal housing stock in recent years. These figures point to increasing public sector withdrawal from direct supply and an invigorated private sector playing an increasingly important role in housing supply.

This chapter examines the characteristics of the formal housing stock in urban areas in Egypt and the different supply mechanisms, production rates and volume of investment by both the public and private sectors. The chapter examines in detail the different public entities responsible for the delivery of affordable housing, as well as the different characteristics of their products. The chapter also analyzes the rental market and especially the distortionary implications of the past imposition of rent control legislation. The phenomenon of vacant housing is examined, as well as the volume and breakdown by sector of investment in the housing sector over the past 25 years. The chapter also briefly sheds light on prevailing mechanisms for housing finance that were relied on heavily in the past, especially the housing cooperatives system. Finally, concluding remarks are presented.

### 3.2 Formal housing Stock in urban areas in Egypt

*The urban housing stock in Egypt far exceeds the number of households.* According to the 1996 census, the total housing stock in Egypt included 15,707,666 units divided into 8,157,136 units in urban areas (51.9% of the total stock) and 7,550,531 units in rural areas (48.1% of the total stock). Between 1996 and June 2005, a total of 1,355,617 units were added in urban areas by the public and private sector (the cordon for urban areas that is based on the 1985 aerial photography is the basis for building permit issuance, which means that no formal periodic record

exists for construction in rural areas). As such, *the total housing stock in urban Egypt reached 9,492,753 units by mid-2005.*<sup>2</sup>

By contrast, in January 2005, *the total number of households living in urban areas was estimated at 6.84 million.* As such, in 2005, the number of housing units available in urban areas exceeded the number of households by over 38%.<sup>3</sup> From a quantitative perspective, these figures suggest that there is no (or at least there should not be) a housing shortage in Egypt.

***A significant share of the urban housing stock is vacant.*** In reality, however, there is a serious housing problem in Egypt in terms of mismatch between the supply of and demand for housing. Evidence suggests that formal housing supply, especially over the past two or so decades, is biased towards middle and high income groups, leaving significant unmet demand by low and moderate income groups. A study conducted by the Ministry of Planning in 2001 uncovered interesting findings on household ownership/occupancy of the total housing stock as follows: (i) 2% of families owned/controlled three housing units each; (ii) 8% owned two housing units each; (iii) 67% owned, leased or occupied one housing unit each; and (iv) the balance (23%) who represent the poor in Egypt lived in deteriorated housing conditions, such as government's emergency housing units and precarious housing in slums and squatter/informal settlements. Assuming a representative sample, this implies that the 0.68 million urban households who control more than one unit each owned a total of 1.50 million housing units (i.e. 10% of urban households control 19.6% of the urban housing stock). The data also suggests that the 6.84 million urban households owned or controlled 7.66 million housing units. These figures suggest that about 20% of the total urban housing stock may in theory be on the market (including units that are ready for occupancy or under construction/ unfinished) and that an even larger share of the total urban housing stock is vacant.

The survey also uncovered interesting findings on housing types. Owner-occupied units were divided as follows: 30% of households live in middle, above-middle or luxury housing with an average of 3-4 rooms per unit; 55% live in economic housing units with 2-3 rooms per unit; and the remainder (15%) live in low-cost, mostly one-room units.<sup>4</sup>

***The urban housing stock annual growth rate between 1986 and 1996 far exceeds that of the urban population in the same period.*** Table 3.1 shows the housing unit stock by Governorate in 1986 and 1996. Cairo Governorate alone accounts for over one-quarter of the total urban housing stock, although its share of the total urban housing stock dropped from 29.5% in 1986 to 28% in 1996. The Greater Cairo Region (Cairo Governorate along with the urban areas of Giza and Qalyubia Governorates) accounts for 44.2% of the total urban housing stock in 1996, having grown at 3.4% per annum during the 1986-1996 period. The housing stock's average growth rate per annum was less than the national average for the same period (3.6%). This was mainly due to

---

<sup>2</sup> These figures exclude housing units converted into workplaces/non-residential uses (accounted separately in the census). Such conversion is common practice in Egypt due to lack of dedicated office parks/spaces.

<sup>3</sup> According to CAPMAS, Egypt's total population in January 2005 was estimated at 69,312,914 inhabitants (15.17 million households). The urban population was estimated at 29.68 million inhabitants, the average household size 4.34 persons, and the number of urban households 6.84 million. In rural areas, the population was estimated at 40.32 million inhabitants, the average household size at 4.84 persons, and the number of rural households at 8.33 million.

<sup>4</sup> Law 106 of 19xx and its amendments classifies housing in Egypt in five categories/classes, which differ mainly according to surface area, number of rooms, and finish quality: (i) low-cost (munkhafid al-taklifa, average 45 sqm units); (ii) economic (iktisadi, average 60sqm units); (iii) average (mutawassit, average 90 sqm units); (iv) above-average (foq al-mutawassit, average 100 sqm units); and (v) luxury (fakher, units over 125-140 sqm).

a slower than average growth in Cairo where the housing stock grew by 3.1% per annum. By contrast, the urban housing stock in Qalyubia and Giza Governorates grew by 3.9% and 3.8% respectively. In Alexandria, the urban housing stock also expanded rapidly, having grown at an average of 4% per annum.

**Table 3.1 Total housing units in urban and rural areas in 1986 and 1996**

	Total housing units, 1986				Total housing units, 1996				% annual growth of urban stock
	Urban stock	% of urban total	Rural stock	Total stock	Urban stock	% of urban total	Rural stock	Total stock	
Cairo	1,692,962	29.5%	0	1,692,962	2,287,615	28.0%	0	2,287,615	3.1%
Alexandria	786,883	13.7%	0	786,883	1,160,402	14.2%	0	1,160,402	4.0%
Port Said	91,534	1.6%	0	91,534	150,267	1.8%	0	150,267	5.1%
Ismailia	85,174	1.5%	0	85,174	128,882	1.6%	0	128,882	4.2%
Suez	63,914	1.1%	138,822	202,736	99,618	1.2%	197,580	297,198	4.5%
Qalyubia	262,642	4.6%	510,464	773,106	386,308	4.7%	762,276	1,148,584	3.9%
Sharqia	201,102	3.5%	548,809	749,911	316,939	3.9%	756,928	1,073,867	4.6%
Dakahlia	284,120	5.0%	286,038	570,158	413,220	5.1%	486,490	899,710	3.8%
Damyitta	109,971	1.9%	237,937	347,908	149,670	1.8%	359,283	508,953	3.1%
Monifia	254,076	4.4%	389,898	643,974	337,723	4.1%	541,974	879,697	2.9%
Gharbia	101,899	1.8%	360,717	462,616	172,520	2.1%	512,178	684,698	5.4%
kafr sheikh	186,311	3.2%	416,794	603,105	244,618	3.0%	591,994	836,612	2.8%
Behira	69,875	1.2%	56,560	126,435	106,475	1.3%	99,907	206,382	4.3%
Giza	639,056	11.1%	326,946	966,002	927,899	11.4%	559,692	1,487,591	3.8%
Fayoum	88,782	1.5%	230,548	319,330	122,629	1.5%	282,879	405,508	3.3%
Beni-Sweif	88,806	1.5%	232,375	321,181	123,072	1.5%	294,296	417,368	3.3%
Menia	149,634	2.6%	453,004	602,638	184,385	2.3%	528,003	712,388	2.1%
Assuit	172,741	3.0%	321,750	494,491	213,535	2.6%	398,439	611,974	2.2%
Sohag	126,625	2.2%	399,643	526,268	200,577	2.5%	537,671	738,248	4.7%
Qena	127,446	2.2%	361,595	489,041	134,841	1.7%	393,125	527,966	0.6%
Luxor city	70,589	1.2%	108,529	179,118	106,396	1.3%	127,451	233,847	4.2%
Aswan	0	0.0%	0	0	44,415	0.5%	49,777	94,192	NA
Red Sea	20,807	0.4%	6,357	27,164	32,843	0.4%	7,815	40,658	4.7%
New Valley	11,383	0.2%	11,234	22,617	17,630	0.2%	16,307	33,937	4.5%
Matrouh	22,443	0.4%	11,321	33,764	44,209	0.5%	28,320	72,529	7.0%
North Sinai	24,605	0.4%	12,647	37,252	41,476	0.5%	12,479	53,955	5.3%
South Sinai	4,587	0.1%	4,006	8,593	8,971	0.1%	5,667	14,638	6.9%
<b>TOTAL</b>	<b>5,737,967</b>	<b>100.0%</b>	<b>5,425,994</b>	<b>11,163,961</b>	<b>8,157,135</b>	<b>100.0%</b>	<b>7,550,531</b>	<b>15,707,666</b>	<b>3.6%</b>

Note: Housing units converted into workplaces are not included

Source: CAPMAS, 1986 and 1996

*The result is that in 1996, there were 1.4 housing units for each urban household.* What is interesting is that the growth rate of the urban housing stock during the 1986-1996 period far surpassed the urban population growth rate (See Table 3.2). Whereas the urban housing stock grew by an average of 3.6% per annum during the 1986-1996 period, the urban population grew on average by 1.9% per annum during the same period, almost half of the average growth rate of the urban housing stock. Only in Red Sea and South Sinai Governorates, two fast-growing areas on account of tourism, did the urban population growth rate exceed that of the housing stock production. As a result, there was an average of 1.4 housing units per household in 1996 (this ranged from a low of 1.19 housing units per household in Aswan to a high of 1.94 housing units per household in Matrouh). In other words, in 1996, the number of urban housing units in Egypt exceeded the number of urban households by 2.3 million (28.4% of the total urban housing stock; 39.7% of the total number of urban households). If the results of the Ministry of Planning study

on multiple unit ownership were to be taken into account (that 0.68 million urban households owned a total of 1.50 million housing units), in theory, there still was 1.48 million urban housing units that could serve the needs of newly forming urban households, housing stock replacement and upgrading needs, etc.

**Table 3.2 Comparison of annual growth rate of urban population and urban housing stock by Governorate, 1986-1996**

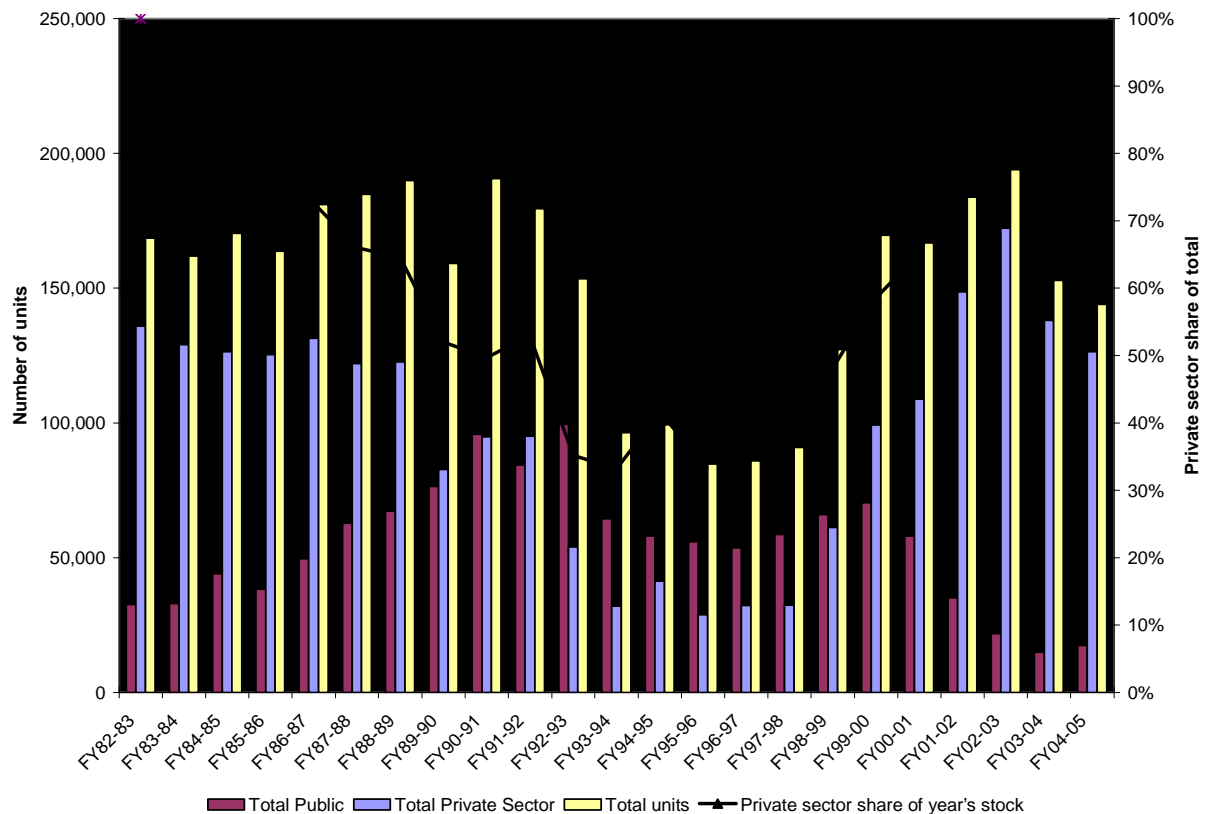
	1986			1996			Housing units per household 1996	% annual growth of urban population 1986-96	% annual growth of urban housing stock 1986-96
	Urban housing stock	Urban population	Number of urban households	Urban housing stock	Urban population	Number of urban households			
<b>Cairo</b>	1,692,962	6,007,280	1,362,195	2,287,615	6,800,992	1,658,779	1.38	<b>1.2%</b>	<b>3.1%</b>
<b>Alexandria</b>	786,883	2,896,459	706,453	1,160,402	3,339,076	798,822	1.45	<b>1.4%</b>	<b>4.0%</b>
<b>Port Said</b>	91,534	393,841	96,059	150,267	472,335	112,461	1.34	<b>1.8%</b>	<b>5.1%</b>
<b>Ismailia</b>	85,174	324,852	79,232	128,882	417,527	97,099	1.33	<b>2.5%</b>	<b>4.2%</b>
<b>Suez</b>	63,914	185,830	41,666	99,618	250,578	61,416	1.62	<b>3.0%</b>	<b>4.5%</b>
<b>Qalyubia</b>	262,642	909,388	201,638	386,308	1,174,466	277,652	1.39	<b>2.6%</b>	<b>3.9%</b>
<b>Sharqia</b>	201,102	713,159	152,384	316,939	964,731	219,257	1.45	<b>3.1%</b>	<b>4.6%</b>
<b>Dakahlia</b>	284,120	1,092,966	232,052	413,220	1,340,815	297,959	1.39	<b>2.1%</b>	<b>3.8%</b>
<b>Damyitta</b>	109,971	406,745	84,739	149,670	509,790	111,551	1.34	<b>2.3%</b>	<b>3.1%</b>
<b>Monifia</b>	254,076	931,676	208,896	337,723	1,058,615	249,086	1.36	<b>1.3%</b>	<b>2.9%</b>
<b>Gharbia</b>	101,899	443,779	91,690	172,520	548,013	119,653	1.44	<b>2.1%</b>	<b>5.4%</b>
<b>kafr sheikh</b>	186,311	761,914	156,130	244,618	910,276	195,338	1.25	<b>1.8%</b>	<b>2.8%</b>
<b>Behira</b>	69,875	262,882	57,148	106,475	359,645	82,299	1.29	<b>3.2%</b>	<b>4.3%</b>
<b>Giza</b>	639,056	2,109,157	473,968	927,899	2,589,807	613,698	1.51	<b>2.1%</b>	<b>3.8%</b>
<b>Fayoum</b>	88,782	358,241	73,110	122,629	437,671	93,320	1.31	<b>2.0%</b>	<b>3.3%</b>
<b>Beni-Sweif</b>	88,806	357,082	71,274	123,072	446,773	95,464	1.29	<b>2.3%</b>	<b>3.3%</b>
<b>Menia</b>	149,634	542,521	117,684	184,385	643,059	140,406	1.31	<b>1.7%</b>	<b>2.1%</b>
<b>Assuit</b>	172,741	603,659	126,553	213,535	764,206	155,643	1.37	<b>2.4%</b>	<b>2.2%</b>
<b>Sohag</b>	126,625	530,324	108,229	200,577	678,657	139,929	1.43	<b>2.5%</b>	<b>4.7%</b>
<b>Qena</b>	127,446	517,960	107,017	134,841	517,649	104,787	1.29	<b>0.0%</b>	<b>0.6%</b>
<b>Luxor city</b>	70,589	312,501	61,637	106,396	415,130	85,242	1.25	<b>2.9%</b>	<b>4.2%</b>
<b>Aswan</b>	0	0	NA	44,415	166,308	37,373	1.19	<b>NA</b>	<b>NA</b>
<b>Red Sea</b>	20,807	69,359	14,184	32,843	117,499	22,596	1.45	<b>5.4%</b>	<b>4.7%</b>
<b>New Valley</b>	11,383	48,318	8,628	17,630	68,408	13,155	1.34	<b>3.5%</b>	<b>4.5%</b>
<b>Matrouh</b>	22,443	80,870	15,201	44,209	117,762	22,822	1.94	<b>3.8%</b>	<b>7.0%</b>
<b>North Sinai</b>	24,605	104,160	19,218	41,476	149,147	30,009	1.38	<b>3.7%</b>	<b>5.3%</b>
<b>South Sinai</b>	4,587	9,383	2,266	8,971	27,400	5,121	1.75	<b>11.3%</b>	<b>6.9%</b>
<b>TOTAL</b>	<b>5,737,967</b>	<b>20,974,306</b>	<b>4,589,564</b>	<b>8,157,135</b>	<b>25,286,335</b>	<b>5,839,800</b>	<b>1.40</b>	<b>1.9%</b>	<b>3.6%</b>

Source: CAPMAS, 1986 and 1996

**A dysfunctional urban housing market.** These statistics and findings reinforce the point that the housing problem in urban Egypt is not a quantitative one. Instead, it is argued that an accumulation of inadequate ill-conceived policies led over time to distorting the urban housing market, a problem that is manifested among other things in a large share of the existing urban housing stock being kept vacant and under-utilized. It is also argued that there was and still is a mismatch between urban housing demand and supply. In particular, there is an over-supply of formal housing in the middle and upper segments of the market, while there is a shortage of supply in the lower segments, leaving the informal sector to meet the needs of low and moderate-income households. It is also argued, although more speculatively, that even in the informal sector, there is an over-supply of housing units. An unpublished study by Denis and Sejourne 2003 cross-examined census data and satellite imagery of the Greater Cairo Region (GCR) and argued that over 500,000 of the vacant housing units are in informal and squatter settlements. A

study by Madbouly and Lashin in 2003 (discussed in detail in the next chapter) found a vacancy rate of 15-20% of the total housing stock in three informal settlements in the GCR.

**Figure 3.1 Formal housing units produced by the public and private sector, 1982-2005**



Source: Ministry of Housing, Utilities and Urban Development (2005)

***The private sector contributed 64% of all formal housing units built in urban areas between 1982 and 2005, but over the past four years its contribution has significantly increased to 87%.***

Figure 3.1 shows the total formal housing stock built by the public and private sector between FY1982-1983 to FY2004-2005 in urban areas (see also Table 3.3). The private sector was responsible for close to two-thirds of the 3.54 million formal housing units produced during this period. The private sector's share varied from a low of 33% of the total formal housing stock in FY1993-1994 to a high of 90% of the total stock in FY2003-2004. In the last four fiscal years for which data is available (FY2001-2002 to FY2004-2005), the private sector produced more than four in five housing units. This suggests that only lately is a trend of private sector dominance of the housing production sector cementing itself. However, it is unclear whether this trend is due to a recent shift in government policy and role away from direct housing supply to one of enabling the housing market to function efficiently (leaving the supply function to private developers) or caused by fiscal constraints that hindered the public sector from directly supplying housing (especially since the public sector supplied more than half of all housing units produced each year as recently as the FY1992-1993 to FY1998-1999 period).

***In the inter-census period (1986-1996), the public sector built 30% of all new housing units in urban areas, with the private sector responsible for the balance. The largest producer of urban housing during this period was the informal sector with 37% of total new units.*** On average, 153,880 formal housing units were built each year between FY1982-1983 and FY2004-2005 by



both the public and private sector. By contrast, the rate of public housing production during the 1952-1981 period was 37,290 units per year, merely 25% of the subsequent 1982-2005 period (the total output during 1952-2005 was 1,118,710 public housing units). During the inter-census period (FY1986-1987 to FY1995-1996), the total number of formal housing units built by both the public and private sector amounted to 1.5 million units. By contrast, data from the 1986 and 1996 census shows that the urban housing stock increased during this period by 2.4 million units. This means that the formal sector accounted for 62.8% of all urban housing production during the 1986-1996 period, through the joint efforts of the public sector (0.7 million housing units, 29.5% of total newly added urban housing stock) and the private sector (0.8 million housing units, 33.3% of total newly added urban housing stock). The remainder of the newly added urban housing stock between 1986 and 1996 (0.9 million housing units, 37.2%) was produced by the informal sector. The informal sector's share would be much higher if it included the informal housing built in so-called "urban villages," which are officially classified as rural but would be considered urban in countries such as India and the Philippines. These settlements can house up to 75,000 inhabitants, share the population and building density and development patterns of urban areas, and usually offer cheap housing to lower-income groups who commute daily to work in neighboring cities.

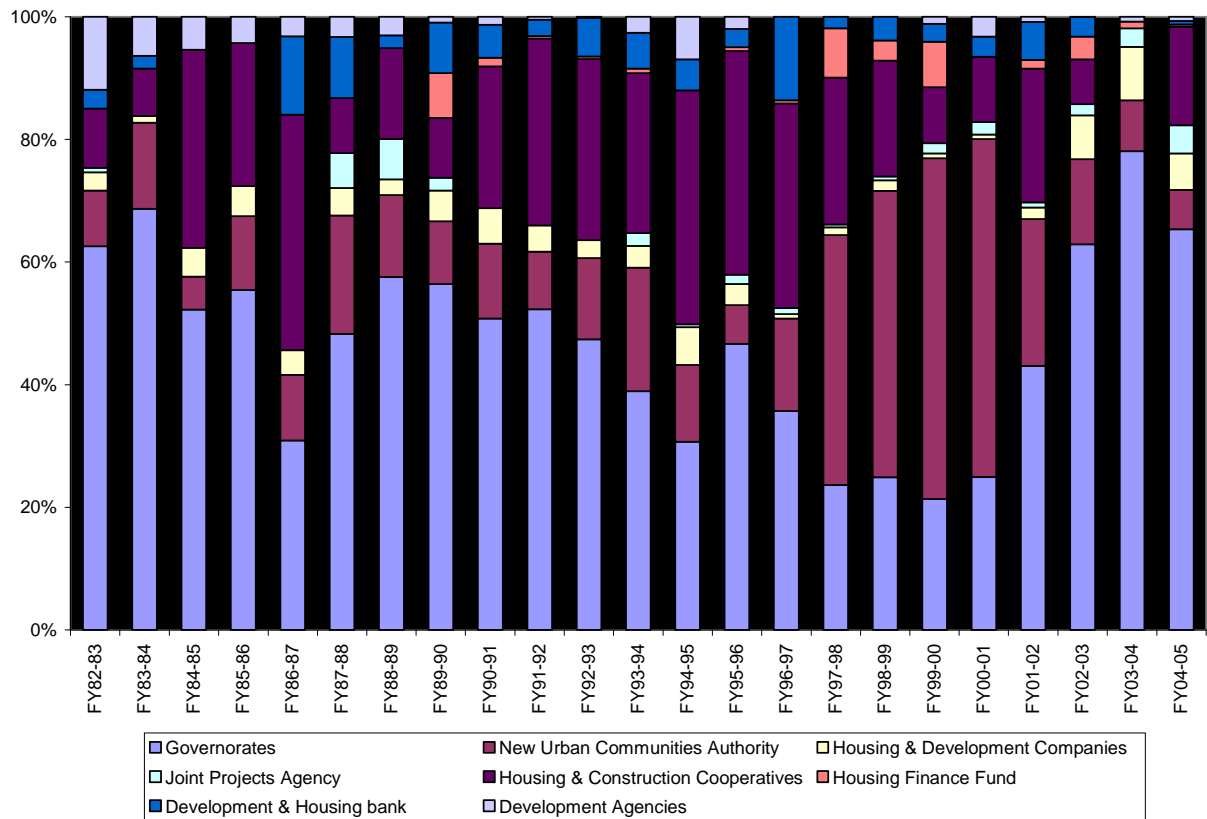
***Governorates are the largest supplier of public housing, with 44% of the total public housing stock.*** Between 1982 and 2005, the government directly supplied 1.26 million housing units, an average of about 55,000 units per year. The peak public sector production occurred in FY1992-1993, building close to 100,000 housing units. Governorates are the largest producers of publicly-built housing in urban areas, accounting for 44.0% of all units built between FY1982-1983 and FY2004-2005. The Ministry of Housing, Utilities and Urban Development (MHUUD)'s New Urban Communities Authority (NUCA) and Housing and Construction Cooperatives respectively built 20.0% and 22.1% of all publicly built units during the same period. The balance is shared by several entities including the Joint Projects Agency, the Housing Finance fund, the Housing and Development Bank, and development agencies (See Table 3.3). Figure 3.2 shows large year-to-year variations between these different entities, but some patterns can still be seen. NUCA was particularly active between 1997 and 2001. Since 2003, Governorates have supplied over 60% of the publicly-built urban housing stock each year. More importantly, the public sector's annual output of housing units has been gradually declining. Indeed, the public sector's output in 2005 (17,440 units) stands at 17.5% of its peak production a decade earlier (99,450 units in 1992).

**Table 3.3 Total publicly-built housing units by implementing entity, 1982-2005**

	Governorates	New urban communities	Housing & dev't companies	Joint projects agency	Housing & construction cooperatives	Housing finance fund	Dev't & housing bank	Dev't agencies	Total units
Total	553,776	251,061	43,118	17,652	278,277	22,168	63,674	28,347	1,258,073
% of total	44.0%	20.0%	3.4%	1.4%	22.1%	1.8%	5.1%	2.3%	100%

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Figure 3.2 Implementing agencies' share of total public housing output, 1982-2005**



Source: Ministry of Housing, Utilities and Urban Development (2005)

***Are Governorates receiving their fair share of public housing investment relative to their share of population?*** The Greater Cairo Region (GCR) received 45.8% of all publicly built housing units in urban Egypt in the 1982-2005 period (33.8%, 9.1% and 2.8% respectively in Cairo Governorate, urban Giza and urban Qalyubia). Cairo Governorate received more than its “fair share”, receiving over one-third of all public housing units built but accounting in 1996 for slightly over one-quarter of the urban population. The other two urban-only governorates also received more than their fair share. In Upper Egypt, only Qena and Aswan received more than their fair share of investment in public housing. Table 3.4 provides the breakdown of urban public housing built between 1982 and 2005, by Governorate.

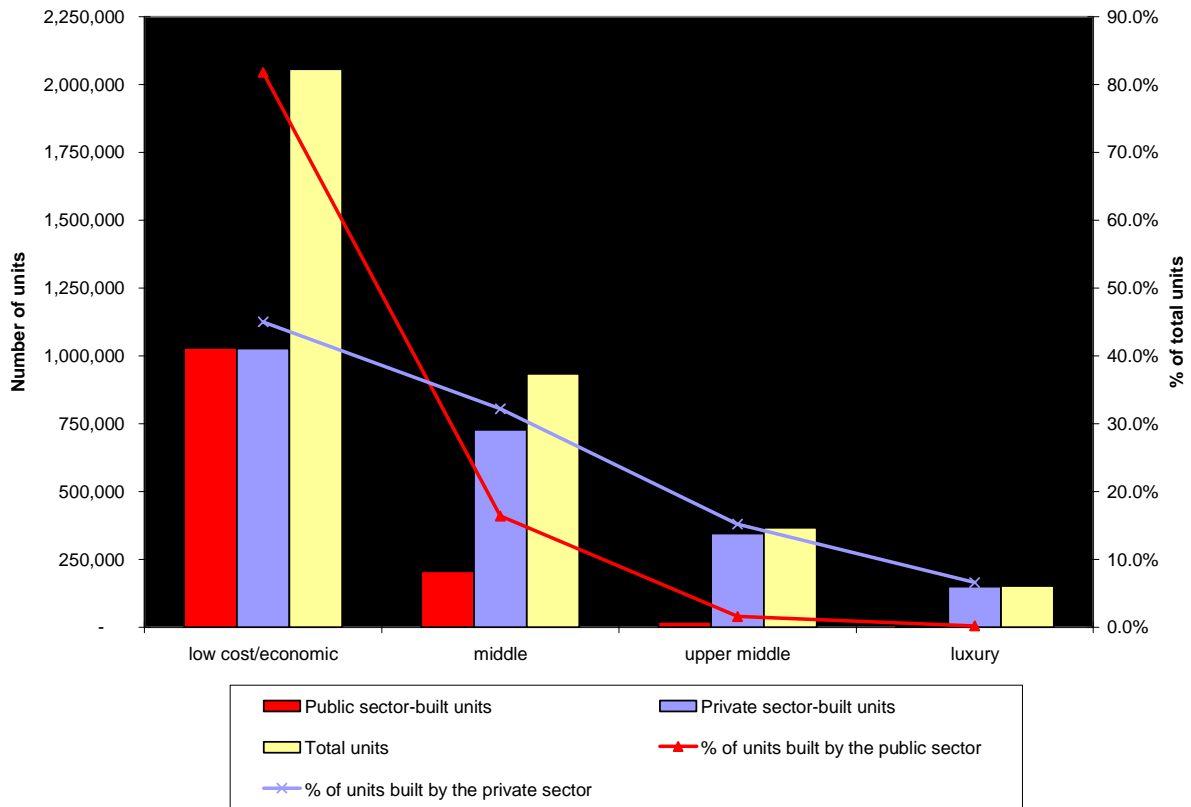
**Table 3.4 Distribution of urban public housing by Governorate, 1982-2005**

	1982-1997	1997-2002	2002-2005	Total 1982-2005	Share of total public housing units 1982-2005	Share of urban population, 1996	Housing share / share of urban population
<b>Cairo</b>	1,024,619	141,343	35,343	1,201,305	<b>33.9%</b>	26.9%	<b>1.3</b>
<b>Alexandria</b>	376,710	47,747	33,673	458,130	12.9%	<b>13.2%</b>	1.0
<b>Port Said</b>	56,519	21,304	11,455	89,278	<b>2.5%</b>	1.9%	<b>1.4</b>
<b>Ismailia</b>	36,551	24,549	8,843	69,943	<b>2.0%</b>	1.7%	<b>1.2</b>
<b>Suez</b>	55,516	33,076	14,996	103,588	<b>2.9%</b>	1.0%	<b>3.0</b>
<b>Qalyubia</b>	52,836	27,828	18,010	98,674	2.8%	<b>4.6%</b>	0.6
<b>Sharqia</b>	85,578	38,031	31,173	154,782	<b>4.4%</b>	3.8%	<b>1.1</b>
<b>Dakahlia</b>	48,953	21,794	62,752	133,499	3.8%	<b>5.3%</b>	0.7
<b>Damyitta</b>	43,706	27,507	4,219	75,432	<b>2.1%</b>	2.0%	<b>1.1</b>
<b>Monifia</b>	36,930	20,850	20,595	78,375	2.2%	<b>4.2%</b>	0.5
<b>Gharbia</b>	32,991	20,373	12,425	65,789	1.9%	<b>2.2%</b>	0.9
<b>kafr sheikh</b>	34,515	12,506	7,685	54,766	1.5%	<b>3.6%</b>	0.4
<b>Behira</b>	41,366	22,484	14,005	77,855	<b>2.2%</b>	1.4%	<b>1.5</b>
<b>Giza</b>	157,474	96,738	67,189	321,401	9.1%	<b>10.2%</b>	0.9
<b>Fayoum</b>	17,332	15,279	6,508	39,119	1.1%	<b>1.7%</b>	0.6
<b>Beni-Sweif</b>	18,342	15,484	12,041	45,967	1.3%	<b>1.8%</b>	0.7
<b>Menia</b>	10,903	10,902	4,667	26,472	0.7%	<b>2.5%</b>	0.3
<b>Assuit</b>	30,008	21,124	13,137	64,269	1.8%	<b>3.0%</b>	0.6
<b>Sohag</b>	33,025	27,380	21,890	82,295	2.3%	<b>2.7%</b>	0.9
<b>Qena</b>	21,727	33,477	35,212	90,416	<b>2.6%</b>	2.0%	<b>1.2</b>
<b>Luxor city</b>		4,878	10,172	15,050	0.4%	<b>1.6%</b>	0.3
<b>Aswan</b>	17,668	7,070	13,564	38,302	<b>1.1%</b>	0.7%	<b>1.6</b>
<b>Red Sea</b>	22,350	7,082	5,295	34,727	<b>1.0%</b>	0.5%	<b>2.1</b>
<b>New Valley</b>	7,264	2,823	2,836	12,923	<b>0.4%</b>	0.3%	<b>1.3</b>
<b>Matrouh</b>	9,815	2,858	3,658	16,331	0.5%	0.5%	1.0
<b>North Sinai</b>	29,912	31,723	17,356	78,991	<b>2.2%</b>	0.6%	<b>3.8</b>
<b>South Sinai</b>	7,498	1,928	2,202	11,628	<b>0.3%</b>	0.1%	<b>3.0</b>
<b>TOTAL</b>	<b>2,310,108</b>	<b>738,238</b>	<b>490,901</b>	<b>3,539,247</b>	100.0%	100.0%	

Source: Ministry of Housing, Utilities and Urban Development, 2005

Figure 3.3 shows the distribution of the formal housing stock built by both the public and private sector between 1982 and 2005, classified by housing category: low-cost/economic, middle, upper-middle, and luxury (See also Annex 1). Low-cost and economic housing represents 81.8% of the total housing units built by the public sector during this period, and only 45% of total housing units built by the private sector (in total, these represent 58.1 % of all production).

**Figure 3.3 Number of formal housing units built by sector and category, 1982-2005**



Source: Ministry of Housing, Utilities and Urban Development, 2005

### 3.3 Government entities responsible for housing supply

Since the nationalization of large construction companies in 1961, central government has played a lead role in direct housing supply in what has been a largely centralized system. Problems of lack of autonomy in decision-making, lack of performance-based incentives and adequate checks-and-balances, and overstaffing, however meant that these public sector companies were by and large inefficient. The problem was also compounded as a result of their involvement in national housing and development projects based on direct order (*taklif*) from central government, often with administratively-set prices and margins that do not reflect market conditions. Many of these companies have also been forced to contract significant debts from banks as a result of arrears by central government and/or cost overruns due to inefficient implementation, which affected their balance sheets and creditworthiness with both lenders and suppliers.

Central government also provides extensive subsidies to make housing affordable to beneficiaries including land price write-down to developers and supply of long-term financing at below-market interest rates (6% compared with 14% real market rate). The result is a significant fiscal burden and an inability to meet actual needs. Priority for these highly subsidized units is usually given to newly married couples and families that lost their shelter in slum clearance programs or as a result of their building's collapse.

At the local level, public housing programs in governorates are, with few exceptions, part of the central government domain. Governorates typically borrow from two public sector institutions—

the National Investment Bank (NIB) and the Housing and Development Bank (HDB)—to implement public housing programs. The insufficient transfers for affordable housing relative to needs and demand prompted Governorates to use local off-budget instruments to supplement their affordable housing programs, particularly through the Local Services and Development Fund (LSDF).

Today, public housing is supplied by many government entities. *At the central level*, several entities affiliated with MHUUD directly finance and build housing, including NUCA, the General Organization for Housing and Building Cooperatives, the Joint Project Agency, the Housing Finance Fund, and the HDB. Several other line ministries also implement housing projects for civil servants, especially the Ministries of Defense, Interior and Awkaf. No statistics, however, are available concerning these programs. At the local level, Governorates implement housing programs through their housing directorates.

### *The New Urban Community Authority (NUCA)*

Since its establishment in 1979, NUCA has developed 20 new urban communities (or new towns) that is manages through semi-autonomous new town authorities. A total of 450,894 housing units were built in these new urban communities to date, of which NUCA is responsible for 251,061 units (55.7%). The private sector built the remaining 199,833 units (44.3%) through a mix of real estate developers, individuals building their own houses, and housing cooperatives constructing housing complexes. The breakdown of housing units built by the private sector is shown in table 3.5.

**Table 3.5 Housing Units built by the private sector in New Urban Communities by type**

Year	Economic	Middle	Upper Middle	Luxurious	Total
Until 1995	977	14,938	10,264	933	27,112
FY1995-1996	194	6,092	2,438	404	9,128
FY1996-1997	920	1,051	1,331	44	3,346
FY1997-1998	1,241	1,852	1,260	804	5,157
FY1998-1999	1,317	1,668	663	1,041	4,689
FY1999-2000	640	1,215	1,949	463	4,267
FY2000-2001	711	4,969	2,150	774	8,604
FY2001-2002	1,501	17,371	18,775	15,267	52,914
FY2002-2003	933	24,501	26,363	8,838	60,635
FY2003-2004	649	8,004	3,128	206	11,987
FY2004-2005	976	4,577	6,116	325	11,994
<b>Total</b>	<b>10,059</b>	<b>86,238</b>	<b>74,437</b>	<b>29,099</b>	<b>199,833</b>
<b>% of total</b>	<b>5%</b>	<b>43%</b>	<b>37%</b>	<b>15%</b>	<b>100%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

By the end of FY2003-2004, NUCA had invested more than LE23.4 billion to develop these new towns, of which LE6 billion was spent on building housing (See Table 3.6).

**Table 3.6 Total NUCA investment in New Urban Communities by sector, 1982-2004**

Investment	First 5-year Plan 1982/1987	Second 5-year Plan 1988/1992	Third 5-year Plan 1993/1997	Fourth 5-year plan 1998/2002	Fifth 5-year Plan 2003/2004	Total
Water supply and sanitation	271	543	1,350	3,676	848	6,688
Housing	492	743	1,053	2,340	1,193	5,820
Roads	300	473	891	2,402	270	4,336
Services	243	902	1,852	2,923	677	6,596
<b>Total</b>	<b>1,306</b>	<b>2,661</b>	<b>5,146</b>	<b>11,340</b>	<b>2,987</b>	<b>23,440</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

*NUCA focused its housing construction efforts in the Greater Cairo Region.* NUCA built housing in 17 out of the 20 new towns (the remaining three new towns are still in the inception phase with infrastructure development underway). Yet, NUCA focused its efforts in the eight new urban communities that were intended to de-concentrate the GCR's population density (New Cairo, El Shorouk, El Sheikh Zayed, Badr, El Obour, 15<sup>th</sup> of May, 10<sup>th</sup> of Ramadan and 6<sup>th</sup> of October). In these new towns, the total number of housing units that NUCA built amounted to 147,659 units, or 62% of the 237,637 housing units that it built in the more than two decades to 2004 (See Table 3.7). This represents a significant share of public investment in housing in an urban area that only accommodates some 42% of the total urban population.

**Table 3.7 Housing units built by NUCA by new urban community, 1982-2004**

	Housing units built	Housing units underway	Total housing units	Percent of total housing units
New Beni Swif	5,157	586	5,743	2.4%
New Nubariya	1,894	0	1,894	0.8%
New Assuit	2,930	200	3,130	1.3%
Tieba	1,579	200	1,779	0.7%
New Cairo	32,657	0	32,657	<b>13.7%</b>
El-Shorouk	25,078	390	25,468	<b>10.7%</b>
El-Sheikh Zaied	11,045	20	11,065	<b>4.7%</b>
New Menia	3,848	0	3,848	1.6%
Badr	15,476	765	16,241	<b>6.8%</b>
El Obour	19,467	407	19,874	<b>8.4%</b>
New Damietta	11,140	378	11,518	4.8%
New Salehiya	626	0	626	0.3%
Borg El-Arab	8,941	840	9,781	4.1%
Sadat	8,384	430	8,814	3.7%
15 <sup>th</sup> May	16,410	0	16,410	<b>6.9%</b>
10 <sup>th</sup> Ramadan	25,944	0	25,944	<b>10.9%</b>
6 <sup>th</sup> October	42,845	0	42,845	<b>18.0%</b>
<b>Total</b>	<b>233,421</b>	<b>4216</b>	<b>237,637</b>	<b>100.0%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

### *The General Organization for Housing and Building Cooperatives*

The MHUUD-affiliated General Organization for Housing and Building Cooperatives (GOHBC) started its housing supply program since it was established in 1971 in lieu of the General Housing Cooperative Foundation. GOHBC concentrates its activities on housing construction and the provision of soft loans. In terms of housing construction, GOHBC managed to build 278,277 in

the period between 1982 and 2005, an average of 12,099 units per year (Tables A2 and A6 in Annex 1 provide detailed information on, respectively, the number of housing units built and the total housing investment by GOHBC by year during the period 1982-2005). GOHBC also provided LE 5 billion, which financed its housing construction activities as well as projects by individuals, housing cooperatives (often organized along professional lines), housing funds including those of the Armed Forces and the Police, and other organizations including the Joint Projects Agency. The evolution of the housing cooperative sector over the years and the financing products on offer are detailed in a later section in this chapter.

### ***The Joint Projects Agency***

The Joint Projects Agency was established in 1979 to carry out an urban upgrading project in the Helwan district, south of Cairo, financed by a USAID grant of USD 80 million. The project included the upgrading of seven neighborhoods and the construction of new housing for poor households. Since 1982, the agency—established through the conversion of the Project Implementation Unit—has been involved in the construction of 17,652 housing units, a mere 1.4% of total public housing units built between 1982 and 2005. The first generation housing built in Helwan was in the form of “core houses,” which households could then progressively expand at their own pace according to their needs and means. These were then replaced with the typical low-cost housing apartment buildings.

Over half of the housing stock built by the Agency in the period between 1982 and 2005 (9,344 units or 53% of total production) was built in just three years between FY1987-88 and FY1989-90. Since then, the Agency has had a negligible contribution to the total public housing stock, building an average of 664 units per year. This owes to the very limited budget that the Agency has at its disposal, which over the past five years averaged around LE5 million per year. The Agency, with grant funding provided from the UAE, is currently building new low-cost housing units that will serve to resettle the squatter households from Manshiet Nasser who were displaced as a result of the urban upgrading program currently underway.

### ***The Housing Finance Fund***

In the last two decades, the Housing Finance Fund was responsible for the construction of more than 22,000 housing units mainly in new urban communities, again a minor contribution (1.8%) to the total public housing stock during the 1982-2005 period. NUCA provides the Fund with the serviced land that it needs for housing development at no cost. The Fund subsidizes the units to low-income households by bearing the difference between actual cost and the affordable prices asked of beneficiaries.

Similar to the Joint Projects Agency, the Housing Finance Fund suffers from erratic production rates. In FY1989-90 alone, it financed the building of close to 6,000 units or over one-quarter of its total production in the 1982-2005 period. Similarly, during the three years from FY1997-98 to FY1999-2000, it was responsible for the supply of over half of its total 1982-2005 production. Yet, since 2000, the Agency has barely averaged 366 units per year. Its budget peaked to LE36 million in FY1997-98, only to suffer from steady decline of funds since then. In recent years, the Fund's resources, as with the Ministry's transfers to other entities such as the Joint Projects Agency, were increasingly being diverted to the Mubarak Youth Housing Project. As a result, by FY2003-04, the Fund only had LE3.5 million at hand and the delivery rate during the same year stood at only 160 low-cost units. By FY2004-05, it only managed to deliver 62 units, while in that year it was without funds.

### *The Housing and Development Bank*

The Housing and Development Bank (HDB) was established by a decree of the Minister of Economy and Foreign Trade in 1979. The HDB was mandated to provide long-term soft loans for low-income households, as these were left behind in a housing market increasingly dominated by private developers catering only to the homeownership needs of higher income households. The Bank started with a licensed Capital of LE 100 million and paid capital of LE 54 million. In 2003, the licensed capital was raised to LE 300 million with paid capital of LE 108million. Since its establishment, the Bank financed the construction of 74,776 units (See Table 3.8). New Urban Communities received the highest share of HDB investments, with 37.3% of all units. Interestingly, the GCR only received 8% of total housing units, whereas Alexandria received 19.4% of the total units that HDB financed.

**Table 3.8 Housing Units built by the Housing and Development Bank by Governorate**

<b>Governorate</b>	<b>Number of Units</b>	<b>Percent of total</b>	<b>Governorate</b>	<b>Number of Units</b>	<b>Percent of total</b>
Cairo	3,420	4.6%	Fayoum	1,084	1.4%
Giza	1,509	2.0%	Sohag	1,776	2.4%
Alexandria	14,491	19.4%	Qena	592	0.8%
Qalyubia	1,020	1.4%	Aswan	1,764	2.4%
Dakahlia	5,184	6.9%	North Sinai	2,984	4.0%
Sharkia	1,231	1.6%	Port Said	2,059	2.8%
Gharbia	624	0.8%	Marsa Matrouh	581	0.8%
Kafr El-Sheikh	1,746	2.3%	Red Sea	1,620	2.2%
Beheira	2,888	3.9%	New Communities	27,911	37.3%
Ismailia	2,292	3.1%	<b>TOTAL</b>	<b>74,776</b>	<b>100.0%</b>

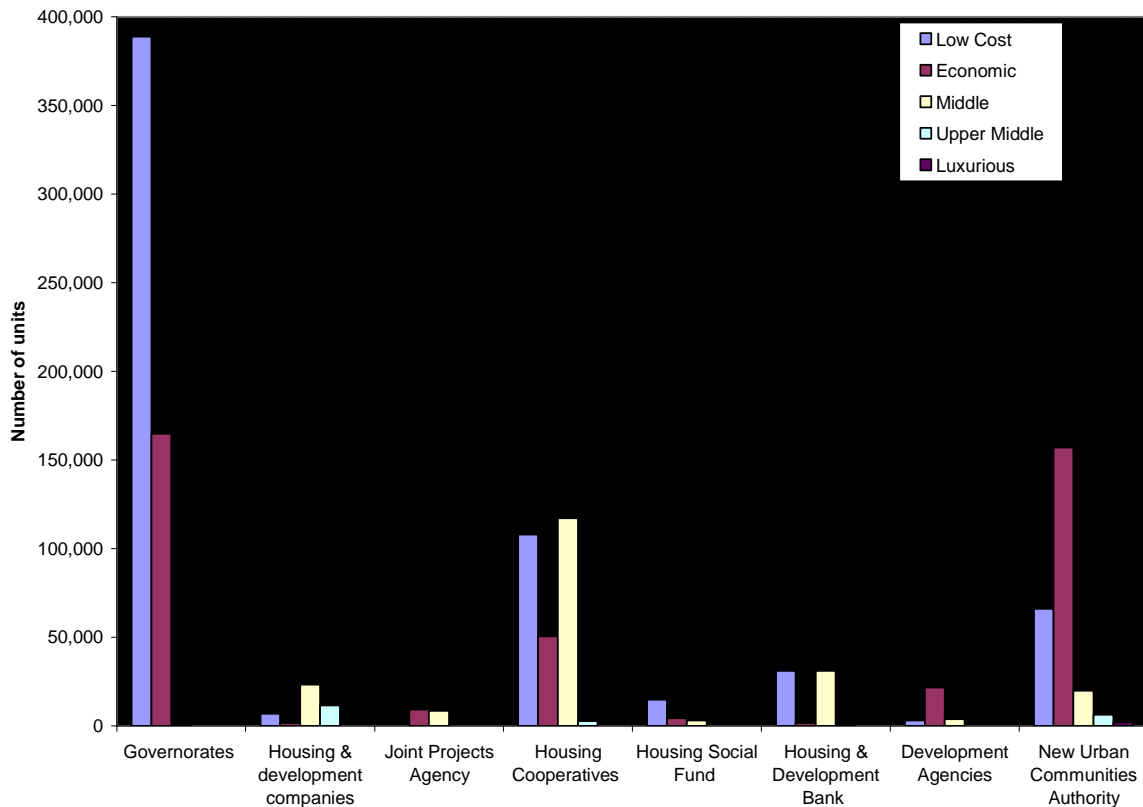
Source: Housing and Development Bank, 2005

### *Governorates*

Relying on central transfers supplemented by own local revenues, Governorates have managed to build 553,776 units between 1982 and 2005 (on average, more than 24,000 units per year). This represent 44% of the total public sector-built stock and 16% of total formal housing stock built in urban areas during this period. The majority of these units targeted low and moderate income households. These figures show the extent of local government contribution to public housing supply, a figure that could have been even higher had they not had limited local revenues. Clearly, local government plays an important role in the housing sector. This role, however, would be more effective if it evolved from direct supply to enabling access to affordable land and housing within their jurisdiction. Figure 3.4 shows Governorates contribution in housing supply by housing type/class between 1982 and 2005, relative to other authorities/entities (See Annex 1). Governorates predominantly built low-cost and economic housing units. Low cost housing amount to 388,842 units (70% of total) and economic housing amount to 164,790 units (29.8% of total).



**Figure 3.4 Publicly-built housing units by implementing agency and category, 1982-2005**



Source: Ministry of Housing, Utilities and Urban Development (2005)

### 3.4 Government-built housing products and characteristics

There are several typical housing products built by government. These can be conceptually subdivided into the following product categories: (i) the prevailing low-cost and economic housing products; (ii) an improved version of the economic housing unit product, namely the Mubarak Youth Housing Program (which was replicated in an NGO-implemented program called Future Housing); (iii) emergency housing/shelter; (vi) the sites-and-services approach and a variation along the same theme called the Family program; and (v) innovative Public-Private-Partnership (PPP) schemes implemented by NUCA, although apparently discretionary in nature.

#### *Low-Cost/Economic Housing*

Government-provided low-cost housing schemes were introduced in Egypt as early as the 1940s in projects aimed at accommodating low-income workers such as in Imbaba and Giza. After the 1952 revolution, the Government of Egypt (GOE) adopted a national public housing program for the urban poor, which was implemented in several governorates between 1954 and 1965. This public housing scheme was called *Iskan Shaabi* (equivalent to economic housing in today's categories). Each public housing scheme consisted of several prototypical apartment blocks on sites provided with the necessary utilities and roads. The typical block is five-story high and comprises four housing units per floor, meaning 20 housing units each. Unit sizes range from 52 sqm to 65 sqm. However, during the 1970s, public housing schemes lost their prominence as the GOE focused its resources on developing New Towns. However, since 1982 to date, there was a

major shift back to direct government supply of both low-cost and economic housing schemes in existing cities within the governorates and in new cities.

A typical *low-cost housing* scheme provides unfinished housing units with average areas ranging between 52 sqm. and 79 sqm. Units are provided without internal subdivision walls except for the kitchen and bathroom which are the only finished spaces. Beneficiary households would then complete their units over time according to their financial capacity. The design of units followed a standardized modular system with small construction spans (3.0-3.6m maximum) and a narrow frontage that was intended to minimize construction costs. Open spaces within the overall low-cost housing scheme layout were kept to a minimum and served to provide necessary basic services. ‘

*Economic housing* units represent the predominant public housing product provided in turnkey fashion. Unit areas range from 63 sqm to 79 sqm. Most central and local government entities, including housing cooperatives, NUCA, Housing Finance Fund, HDB and Governorates’ housing directorates, have provided such housing over the past two decades. In terms of quality, the typical economic housing unit had a very basic internal finish including cement floor tiles, coat-painted for walls, halfway ceramic tile walls for bathrooms and kitchens, mosaic tiles for kitchen and bathroom floors. The external finish was equally basic, with facades covered with rough cement plastering.

Table 3.9 presents the prevailing cost of low-cost and economic housing units today. Construction costs increased significantly in recent years mainly due to a rapid rise in building material costs especially for steel reinforcement bars and cement. The price per ton of steel increased 250% in the 2003-2006 period (from LE 1,200 to LE 3,000) while a ton of cement increased 370% during the same period (from LE 100 to almost LE 370).

**Table 3.9 Cost of low-cost and economic housing units**

Year	Housing type	Unit area	Average construction cost (LE/sqm) *	Average unit cost (LE per unit)
2003	Low-cost	52-79 sqm	353	18,356-27,887
2003	Economic	65-97 sqm	362	23,530-35,114
2006	Low-cost	52-79 sqm	500-600	32,500-39,000
2006	Economic	65-97 sqm	500-600	48,500-58,200

Source: Data from the MHUUD housing sector (2006)

\* Includes utilities but excludes the cost of land and off-site infrastructure

MHUUD’s analysis in 2003 of actual construction cost of housing units revealed that costs were beyond the affordability of target groups. An official document from the Prime Minister’s Office in 2003 confirms these findings. The report quotes that the actual cost of a 70 sqm economic unit at LE 29,000 of which LE 10,000 represented the unit’s share of land and off-site infrastructure cost. These figures were analyzed to determine the total housing unit cost including land and off-site infrastructure, and the unit’s share of common space. ***A 70 sqm economic housing unit is thus expected to cost LE47,500-55,000 inclusive of the cost of land, off-site infrastructure, and construction cost with its share of common space*** (5 sqm per unit for staircase and distribution lobby). This figure is based on a construction cost ranging from LE500-600 per sqm depending on location and finish, a LE133 per sqm of the cost of land and off-site infrastructure based on a 40-50% land coverage ratio (See Table 3.9). It is important to note that, according to the above figures, if the land coverage ratio for economic housing schemes were to be, say, 100%, the cost of land and off-site infrastructure would increase to about LE700 per sqm, which is clearly an excessive figure.

**Table 3.9 Analysis of economic housing unit cost including land and off-site infrastructure**

<b>Housing Type:</b> Five-story high economic housing block with four units of 70 sqm per floor and shared space with staircase of 20 sqm	
Buildable land area per apartment block	300 sqm
Gross land area per apartment block	600-750 sqm (land coverage ratio of 50% and 40%)
Units number per block	20
Unit's share in the cost of land and external infrastructure	LE 10,000
Total block's share of land and off-site infrastructure cost	LE 200,000
Cost per sqm of land with off-site infrastructure	LE 266-333
Unit share of land with off-site infrastructure cost per sqm	LE 133 (70 sqm unit + 5 sqm share of common space)
Unit construction cost per sqm in 2006	LE 35,000-42,000 (LE500-600 per sqm)
Total unit cost including shared space, land and off-site infrastructure	LE 47,500-55,000 (LE75 * LE500-600/sqm + LE10,000)

***High infrastructure standards and low land coverage ratio result in increased cost of public housing supply.*** One particular problem is that the planning and design standards for off- and on-site infrastructure delivery in these schemes tends to be high, especially in terms of road width, provisions for parking, etc. In addition, water and sanitation comprise 40% of the cost of off- and on-site service delivery. This is broken down as follows: the water supply network's share of total cost is 5%, the share of the water purification station is 10%, that of the sewerage network is 8%, and the sewage treatment plant is 17%.

***Cost overruns, a frequent occurrence, represent another key challenge.*** Economic housing units are offered to beneficiaries at predetermined prices. This means that any increase/overrun relative to estimated costs translates into a higher government subsidy per housing unit and, as is often the case, a reduction in the number of completed housing units relative to plan. Such cost overruns have been a common feature in all public housing projects implemented in the last two decades, which calls for a solution to the inefficient construction management that is typical of the public sector. Another factor that contributes to increased cost is administrative overheads, several fees, charges and taxes, which together with the typical arrears contractors face when working for the government, often translate into actual costs that exceed initial cost estimates by 30% or more. Ambiguity in the bidding documents specifications, delays in implementation, and increase in factor prices, also add to the total cost. The following table (3.10) shows the difference between estimated and actual construction costs in an economic housing project built in Banha city by Qalubia Governorate's Housing Directorate.

**Table 3.10 Construction cost overruns in an economic housing project in Banha city**

<b><i>Estimated Cost (from tender documents)</i></b>	
Estimated cost per housing block	LE 466,803
Estimated unit cost	LE 20,296
Estimated construction cost per square meter excluding infrastructure	LE 290
<b><i>Actual Cost (after implementation)</i></b>	
Actual cost per housing block	LE 606,478
Actual unit cost	LE 26,368
Actual construction cost per square meter excluding infrastructure	LE 377
<b>Percentage cost overrun (excluding infrastructure)</b>	<b>29.9%</b>

Source: Housing Directorate in Qalubia Governorate, 2004

### ***Mubarak Youth Housing Project***

In 1996, the MHUUD launched the *Mubarak Youth Housing Project* as a variant on existing public housing schemes with the aim of developing attractive housing in terms of architecture and urban design, and varied prototypes in terms of area and unit layout that can meet the needs and demand of different households.

The main target group is newly established households of young professionals from the low and moderate-income groups. The eligible age bracket is restricted to between 25 and 40 years of age for the head of household. The average monthly income for the target group is around LE 300-350, which was used to decide on a monthly installment of about LE 73 (which should not exceed 25% of monthly household income). Additional eligibility requirements include: (i) proof that the household does not own or rent other housing unit (a requirement that is very difficult to ascertain due to the lack of automated databases for public housing projects, and which ends up requiring several months of checks); and (ii) proof of permanent/formal income for the applicant. These requirements are in effect well adhered to and enforced, except for reported household income which is likely to be underreported (heads-of-households report formal income only from their day job, and any income supplements from second jobs or informal employment are usually omitted). Once an application is received, the Youth Housing Agency checks its accuracy. If the Agency determines that the applicant misrepresented the household information, especially with respect to ownership or occupancy of other public housing units, the MHUUD confiscates the down payment.

Between 1996 and 2004, the project provided close to 70,000 housing units together with needed infrastructure services and amenities (open spaces and parking lots). Project implementation took place in 15 new urban communities. The distribution of units built constructed is shown in Table 3.11.

The project was implemented in three stages, which differed according to unit size. The first stage provided 100 sqm units, the second 70 sqm units, and the third and ongoing stage provides 63 sqm units. The gradual reduction of unit size reflects the MHUUD's concern over the extent of subsidies channeled through the program and the rapid escalation of factor costs since 1996 (especially construction and infrastructure costs), which prompted the Ministry to reduce unit size to maintain the per-unit subsidy constant and the units affordable to the target group.

**Table 3.11 Mubarak Youth Housing Scheme implemented since 1996**

<b>New Communities</b>	<b>Phase I 100 sqm</b>	<b>Phase II 70 sqm</b>	<b>Phase III 63 sqm</b>	<b>Total</b>
10 <sup>th</sup> of Ramadan	848	0	2,046	<b>2,894</b>
El-Shorouk	3,516	4,665	2,063	<b>10,244</b>
Al-Obour	4,088	3,083	2,073	<b>9,244</b>
New Cairo	3,788	14,961	0	<b>18,749</b>
15 <sup>th</sup> of May	692	0	0	<b>692</b>
6 <sup>th</sup> of October	2,896	2,949	4,081	<b>9,926</b>
El-Sheikh Zaied	0	5,199	0	<b>5,199</b>
El-Sadat	0	140	0	<b>140</b>
New Damietta	0	3,449	2,496	<b>5,945</b>
New Beni Suif	0	60	1,085	<b>1,145</b>
New Menia	0	220	1,700	<b>1,920</b>
New Asyut	0	0	1,869	<b>1,869</b>
Tiba	0	0	492	<b>492</b>
<b>Total</b>	<b>15,828</b>	<b>34,626</b>	<b>17,905</b>	<b>68,359</b>

Source: Ministry of Housing, Utilities and Urban Development (2005)

To date, the Mubarak Youth Housing Program is estimated to have cost the State L.E. 2.75 billion in construction cost alone, i.e. a little over LE 40,000 per unit. This is an addition to the cost of land and off-site infrastructure, which were fully assumed by the State. Moreover, the State offers a direct subsidy equal to 40% of the unit's construction cost, and the balance is paid through beneficiary equity contribution (down-payment) and soft loans provided by government (including the GOHBC and HDB) and the Nasser Social Development Bank.

*Extensive direct and indirect subsidies reaching close to 75% of total development cost and the reliance on sale proceeds of land in new urban communities to partly finance the program are unsustainable and greatly reduce the ability to scale up.* The government's subsidy to this program therefore includes a direct subsidy in the form of a write-down of 40% of the unit's construction cost, and indirect subsidies through land and infrastructure cost write-down, and provision of soft loans at below-market interest rate. Indeed, the Government made available to beneficiaries a total LE 1 billion in soft cooperative loans on the following terms: LE 15,000 loan amount, an interest rate of 6% per annum (relative to 14% market rate) and a 40-year repayment period with a grace period. Nasser Social Development Bank also offered beneficiaries a secondary soft loan of LE 4,500 repayable over 15 years with an interest rate of 8% per annum. Nearly 40% of the construction cost (LE 1 billion) was cross-subsidized from NUCA's sale of land for higher income groups in new urban communities. Using the case of the typical third stage 63 sqm unit, the USAID/TAPR II Housing Demand study estimated the extent of per unit direct subsidy at 68.1% of construction cost, which increases to as much as 74.7% of total development cost including the opportunity cost of land (estimated at LE 200 per sqm) and the cost of off- and on-site infrastructure (estimated at LE 150 per sqm). Not surprisingly, the program could only build less than 70,000 units in the 10-year period since it was initiated, i.e. less than 7,000 units per year. Table 3.12 shows the actual cost of the three Mubarak Youth Housing Project stages.

**Table 3.12 Cost of Mubarak Housing units implemented by the Ministry of Housing**

Year	Stage	Unit area (sqm, net)	Average construction cost excluding utilities (LE/sqm)	Average net construction cost (LE/unit)	Monthly installment (LE)
2003	Type I	100	417	41,700	73
2003	Type II	70	512	35,840	73
2003	Type III	63	460	28,980	73
2006 *	Type III	63	615	** 38,745	73

\* Estimated and the basis for the calculation of costs.

\*\* The unit's cost would exceed LE56,000 if the cost of land and off-site infrastructure were included (the share of a 63sqm unit of land and off-site infrastructure is estimated at LE17,500). In this calculation, the unit's share of land is estimated at 50 sqm (a five-story structure and a land coverage of about 25-30%). Land is assumed to have an opportunity cost of LE 200 per sqm and an infrastructure cost add-on of LE 150 per sqm. The cost of public amenities typically provided in such developments is, however, difficult to estimate.

Source: Ministry of Housing, Utilities and Urban Development (2005)

***Similar to NUCA-built housing, the Greater Cairo Region enjoyed the lion's share of Mubarak Youth Housing Program.*** Seven new urban communities adjacent to the GCR received 56,948 or about 83.3% of the total number of units built through the program. The geographic focus of several important public housing programs on the GCR further exacerbates the primacy of the region, and suggests an important bias in the share it received of public investments.

### ***Future Housing program***

This Non-Governmental Organization (NGO)-implemented program is mentioned in the section on public housing because it was modeled after the Mubarak Youth Housing Program and has enjoyed the same land and infrastructure subsidy package from the MHUUD. In March 1998, a NGO called "*Gameyet el Mostaqbal*" (Future Society), headed by HE the First Lady of Egypt, was set up to implement a new housing program called Future Housing aimed at fostering social inclusion of lower-income groups and fostering solidarity between rich and poor. The NGO's board of directors comprises prominent businesspeople active in real estate, manufacturing and the construction sector, who contributed the capital for this program.

The project followed the same objectives of the Mubarak Youth Housing Program, namely to build 70,000 housing units of 63 sqm each in new communities. Beneficiaries pay LE 1,000 in down payment to register for the unit and obtain a soft loan of LE 15,000, which they repay in monthly installments of LE 67 over a 40-year period with an interest rate of 5%. The project's first phase provided 15,000 units at an estimated cost of LE 30,000 per unit excluding land and infrastructure cost (which has been provided for free by the MHUUD). In the second phase, an additional 25,000 units was built with the same terms.

### ***Sites-and-Services and similar approaches***

Egypt had only a handful of sites-and-services projects for the urban poor. The concept was first introduced through donor agencies during the course of implementing some informal settlements' upgrading schemes in the cities of Ismailia (since the mid-1970s) and Aswan (during the 1980s). The sites-and-services approach consists of providing poor households plots of land with basic services (sometimes a core house, say one room, could be added) and left to progressively build their houses at their own pace and according to their needs and preferences. The approach is

useful in cutting investment costs to the minimum and allowing individual households to tailor the housing development according to their own circumstances. In the above-mentioned donor-funded urban upgrading projects, households that resettled voluntarily to reduce to an acceptable level population densities or compulsorily to make way for necessary infrastructure were given sites on vacant State-owned land near the existing informal settlements. Sites for the settlement's expansion were also provided. The scheme usually comprises small-size planned parcels together with some basic urban services such as schools, community facilities and open areas. In the case of El Nasseriya, Aswan, a model house was also built by the project as guidance for beneficiaries. These projects also provided for housing development loans to enable the urban poor to build or improve their housing units.

Plot sizes in these schemes ranged from 90-200 sqm. Parcel sizes were allocated according to family size, need and affordability level. Allocation among households within the same category was made by public lottery. In Ismailia, the price of land within the sites-and-services project was determined on the basis of prevailing land prices in adjacent areas and adjusted according to the affordability level of the target groups. Land prices in such projects are also often determined through a participatory approach among the local government and the community, moderated by the project's technical team. In Ismailia, the majority of plots were sold at prices ranging from LE 2.25-10 per sqm. Prices today in settlements undergoing tenure regularization and upgrading in Ismailia are about LE 20 per sqm. To cross-subsidize poor families, a limited number of plots in prime locations are sold at a later stage in a public auction, fetching market rates that help offset the reduced prices for households.

Although this approach proved to be a success in Ismailia and Aswan, it has not been replicated elsewhere in Egypt despite much promise to provide an effective solution for low-income housing in urban areas in Egypt. The success of such projects depends mainly on the selected site location, especially proximity to employment centers and services, a cost structure that minimizes subsidies while at the same time relates to household affordability levels (hence the need for much consultation), and adapted service standards that neither create slums nor represent a huge fiscal burden to the government. Often are attached to such projects an adapted housing loan program (whether housing micro-finance or in earlier projects a soft loan) to facilitate house improvement/development. And where land is provided at a below-market price, measures need to be introduced to minimize expected land speculation.

### ***Family Housing***

This scheme, adopted by the MHUUD in the past 203 years in new urban communities, is a variation on the sites-and-services theme. The idea is to provide land parcels ranging between 150-300 sqm for households to build three-to-four-story structures as apartment buildings or expanded family dwellings. The MHUUD facilitates payment terms by asking for a small down-payment followed by an equal number of installments over a 4-5 year period. The MHUUD also makes available at no cost 11 different architectural designs for such housing. Beneficiaries are required to build within five years of receiving the land.

At the time of its launch, this program represented the main attempt at a break from the prevailing NUCA practices in terms of public land allocation for residential purposes to accommodate middle income strata. Residential land parcels in such new urban communities in the GCR region as Sheikh Zayed, 6<sup>th</sup> of October and New Cairo, were typically averaging between 600-1,000 sqm at an average cost of LE 450-500 per sqm then. The smaller parcels of the Family Housing program were allocated at around LE 300 per sqm, with facilities in payment.

### ***Emergency Housing***

The emergency housing program was introduced in Egypt since the 1960s to provide temporary shelter for poor families who lost their shelter as a result of structural failure/collapse and in the aftermath of natural disasters (earthquakes, floods, etc) or wars. Since emergency units were meant to provide temporary shelter only, their design and construction was kept at a basic level. These units usually take the form of single-loaded corridors with one-room shelter per family and with shared utilities (kitchen and bathroom). Emergency housing units have an average size of 20-25 sqm. The idea was that affected families would stay in such temporary shelter for a short period until it receives government assistance to access alternative permanent shelter. However, in light of the limited financial resources available and government's inability to meet increasing housing needs, such units have turned for almost all families into permanent shelter.

Conceived as a low-cost temporary solution but turned into permanent shelter, it is not surprising that emergency housing blocks rapidly turned into urban slums due to poor materials used (to keep construction cost low), non-existent maintenance, and severe overcrowding. As a result of the rapid built environment deterioration in these areas, the government reduced the number of emergency housing that it has built in recent years in favor of other alternatives and has identified many such areas for redevelopment.

***Geographic distribution of emergency housing.*** Surprisingly, Suez Governorate alone accounts for over half of all emergency housing units built since 1982 (23,332 units out of a total of 46,366 units in Egypt). The GCR accommodates 27.1% of the total, with Cairo Governorate accounting for 25.5%. The rate of production of such housing dropped from an average of 3,500 units per year during the 1980s to about 1,000 units per year since the 1990s to date (See Table 3.13).



**Table 3.13 Emergency housing units by Governorate and national five-year plan, 1982-2005**

Governorate	FY 1982-87	FY 1987-92	FY 1992-97	FY 1997-2002	2002-2005	Total 1982-2005	% of total
Cairo	7,515	4,330				11,845	25.5%
Alexandria	186	63	510	305	108	1,172	2.5%
Port Said	125	744	384			1,253	2.7%
Ismailia	224	90	240	368	384	1,306	2.8%
Suez	7,848	6,800	3,200	3,924	1,460	23,232	50.1%
Qalubia	48		48	48	96	240	0.5%
Sharqia	50			20		70	0.2%
Dakahlia	435					435	0.9%
Damyitta			20	90	126	236	0.5%
Monifia	280		21	12	16	329	0.7%
Gharbia	24	196		48	144	412	0.9%
kafr El-Sheikh		20	40			60	0.1%
Behira		20	20	70	504	614	1.3%
Giza			215	209	65	489	1.1%
Fayoum		80	340	130	130	680	1.5%
Beni-Sweif	274	80	80	85	77	596	1.3%
Menia	720	264	312	216	288	1,800	3.9%
Assuit		460		76		536	1.2%
Sohag				95		95	0.2%
Qena							0.0%
Luxor city				50		50	0.1%
Aswan		360	64	35	57	516	1.1%
Red Sea			72			72	0.2%
New Valley	24	64				88	0.2%
Matrouh				60		60	0.1%
North Sinai							0.0%
South Sinai				180		180	0.4%
<b>Total</b>	<b>17,813</b>	<b>13,571</b>	<b>5,566</b>	<b>6,021</b>	<b>3,455</b>	<b>46,366</b>	<b>100%</b>

Source: Ministry of Housing, Utilities and Urban Development (2005)

#### ***Public-Private-Partnerships (Free Housing)***

The so-called free housing scheme was recently introduced by MHUUD as a way of promoting public-private-partnerships (PPP) for the supply of affordable housing for low and middle-income groups. The process relies on NUCA making available serviced land in new urban communities free of charge to real estate developers seeking to develop large-scale mixed-use development. In return, developers earmark a specific percentage of the development (usually several residential blocks) in the form of housing units with average areas of 70-100 sqm, which are given to NUCA in return for the forgone land and infrastructure cost. NUCA then makes available such units to targeted low-income groups, complete with a soft loan repayable over a 40-year period. Thus far, about 3,000 housing units have been agreed upon through this program in a development called Madinaty (See Box below), but have not yet been delivered.

### **Box 3.1 *Madinaty*, a new real estate development through partnership**

Within New Cairo city, a new major real estate project is currently under implementation, the largest such project ever built in Egypt covering an area of 3,360 hectares. The project is being implemented by the Alexandria Company for urban development, one of the pioneer real estate development companies which carried out several projects in various new urban communities. One of these projects includes El-Rehab city in New Cairo. After negotiations with NUCA, both parties agreed to enter in a partnership to establish a new real estate project known as "*Madinaty*". Through this partnership, NUCA has granted the land free of charge, with the condition that the private company installs some of the infrastructure, valued at LE 127 per m<sup>2</sup> for external infrastructure from source points to the site boundaries and LE. 110 per m<sup>2</sup> for internal infrastructure. The investment company has agreed to install the internal infrastructure services and some of the external infrastructure (including electrical and telecommunication networks), leaving only water supply, sewerage and roads to NUCA. In return, the investment company has agreed to provide 7% of the total cost to NUCA in the form of housing units for low-income beneficiaries after the project is completed.

The problem, however, is that this very promising PPP approach to affordable housing provision appears to be implemented in a discretionary way by NUCA, which negotiates deals on a case-by-case basis. If, instead, this program were to be transformed into a rule-based system and competition is introduced between real estate developers (rather than negotiating after the fact with developers), the outcome is likely to be more transparent and maximize the number of units and other terms and conditions. The operation and maintenance responsibilities costs would also better be assumed by developers. In summary, this program provides much promise to address the affordable housing shortage, but will need to be further refined and developed.

### ***National Housing Program***

The President's 2005 electoral program called for a new affordable housing program which aims to build or enable the building of 500,000 affordable housing units in the six years to 2011, which would be located in new urban communities or existing cities. Initial government ideas for implementing this program have focused on three key issues: (i) Government provision of direct subsidies to beneficiaries as a one-time payment without resorting to distortionary and indirect subsidies (especially subsidized interest rates), the idea being to link beneficiaries to the newly developed housing mortgage finance system and using the to-be-determined subsidy as a grant or towards the down payment; (ii) Emphasis on the role of the private sector in housing supply and on PPP; and (iii) Emphasis on activating the rental market alongside the homeownership program.

Some schemes under consideration include offering small land parcels of 120-150 sqm, with a 50-70 sqm core housing unit. The government would provide LE 15,000 in direct subsidy and the beneficiary would pay a down payment to be determined according to the land and housing area. Beneficiaries would then progressively expand their housing. The other scheme under consideration is a housing unit with an average area of 63 sqm. The government would provide a LE 15,000 direct subsidy whereas beneficiaries would pay LE 5,000 in down payment and obtain a mortgage loan repayable over 20 years with a graduated payment that starts at LE 160 per month in year one and increases by 7.5% per annum.

The MHUUD and the Ministry of Investment are the two main entities involved in the national housing program and have established strong cooperation and coordination modalities, with the Ministry of Investment taking the lead on subsidy and housing mortgage finance issues and the Ministry of Housing on supply mechanisms and PPP for affordable housing delivery.

### **3.5 Rental housing market: reforms after five decades of rent control**

The series of rent control laws imposed by the GOE as early as 1944 but especially during the 1950s and 1970s has had serious distortionary effects on the housing market in Egypt. Although originally conceived as a temporary measure in the aftermath of World War II and later extended to preserve housing affordability for limited income groups, rent control coupled with stringently enforced tenant protection legislation that made evictions practically impossible steered housing investment to concentrate solely on building housing for sale (called *Tamleek*) and focus on the upper income segment of the market, totally ignoring the rental market and the needs of low and moderate-income housing. At first, rent control law applied only to units built during the 1940s, but controls were gradually extended and applied to all new constructions. This prompted the application of the so-called key money for new rental contracts or to release an old rent-controlled agreement. Key money is a large lump-sum payment that is roughly equivalent to the net present value of the difference between market rent and the frozen rent level over the duration of a long-term tenancy contract.

Key money paid to landlords may compensate for artificially low rents and thus make rental arrangements somewhat acceptable, but this approach has not succeeded in securing a cash flow with which to maintain housing, with the results that buildings with rent-controlled units are on the whole very poorly maintained. By law, tenants were required to pay only part of their share of maintenance cost (typically one-third of the cost) with two-thirds coming from landlords. The latter clearly had no incentive to maintain their assets throughout the life of the contract, when the rental yield received could be LE10-20 per month. And with tenants facing year-on-year increase in key money (sometimes in excess of 30% per annum) in parallel with the spiraling increase in land and housing construction costs, there was no incentive to maintain the units on behalf of tenants.

The fact that rent-controlled contracts could also be passed from one generation to the next has prompted the private sector to direct its investments towards high-return housing developments, mainly catering for sale and focusing on the upper segment of the market. Residential mobility also came to a minimum, as households would not release their units whether or not they needed them. The widower retaining a five-bedroom rental unit that would normally be released in favor of a smaller space in a properly functioning rental market was common place. Moreover, the social equity dimension was not realized, as many upper income households occupied residential units and many high-paid professionals such as doctors occupied clinics at monthly rents of LE 10 for 150-200 sqm units (Zamalek and downtown are two districts where these are prevalent). What is ironic is that the withdrawal of the private sector from construction of rental housing which caters primarily to lower-income groups forced many younger households to seek housing units at relatively higher rents in informal settlements (between LE 100-150).

The rent control legislation was reversed in 1996, and the new law (No. 4 of 1996) allows new rental contracts in both newly built units and pre-1996 vacant/vacated units to be set on market terms (rent level, duration of contract, and any other terms and conditions). Existing tenancy contracts were grandfathered with a maximum of one generation transfer of the first rent-control contract. Yet, anecdotal evidence and the limited investment in new rental housing suggest that owners on the whole still fear that courts would not enforce a tenant eviction upon end or breach of contract due to social considerations, and such perception appear to continue dictating owners' behavior. And even if this were not the case, taking a tenant to court, in a system that is clogged down with land and property-related disputes, is perceived to be a serious hassle with significant transaction cost.

From a quantitative perspective, almost all housing units built during or before the 1970s were subject to rent control. Unfortunately, no accurate figure exists on the number rent-controlled units today. The 1996 census (the last accurate data on the effect of the rent control law) shows the rapid increase in the homeownership rate in urban areas, from 35.3% of the total housing stock in 1986 to 49.1% in 1996 (See Table 3.14). The same inter-census period shows also a rise in the number of vacant and unused units (discussed in detail in the next section), a continuation of the distortions caused by rent control coupled with a major increase in construction activities during the 1990s. The 1996 census shows a very slight reduction in the number of rent controlled units from 44.6% in 1986 to 44.1% in 1996, likely to indicate the release of a first wave of units possibly on account of the hype that surrounded the preparation of the law.

**Table 3.14 Total Number of rental and owned housing units, 1986-1996**

% Housing	1996 Census			1986 Census		
	%Urban	%Rural	% Total Housing Stock	%Urban	%Rural	%Total Housing Stock
Rental units that are rent-controlled	<b>44.09</b>	4.74	22.83	<b>44.62</b>	3.89	24.98
Rental units not subject to rent control	<b>0.43</b>	0.03	0.22	--	--	--
Owned units	<b>49.08</b>	86.59	65.16	<b>35.34</b>	83.76	56.40
Undefined	5.97	8.13	6.48	16.03	0.00	8.30
Others	0.43	0.51	0.47	4.02	12.34	8.03
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: CAPMAS, 1986 and 1996

Other MHUUD statistics point to a potentially positive effect of Law No. 4 of 1996 in terms of encouraging increased private sector investment in housing construction. Indeed, the number of building permits for housing construction obtained by private investors and individuals in the five-year period before the abolition of the rent control law (1991-1996) was 191,400 permits. By contrast, in the five year period after the passage of Law No. 6 of 1996, the same figure jumped to 462,728 permits, a 240% increase. This is not say that the resulting housing units were intended for the rental market, but such increased momentum in construction activity is a positive sign that may indicate the unlocking of investments in a sector previously constrained by poor legislation.

Rents for apartment units contracted under the new law are fairly high in Cairo, and are estimated to average around 33% (if not more) of median monthly household income for an average unit. This is thought to impose a particular burden on poor families and newly formed households who find it harder to find affordable rental accommodation among the formal stock in large cities, and thus resort to informal settlements. It is, however, hoped that as in other cities where rent control was removed leading to an immediate overshooting of rent levels that rents will gradually normalize as the market reaches stability.

### **3.6 Vacant Housing Stock in the Formal Housing Market**

One of the paradoxical issues, as mentioned before, is the perception of an acute housing crisis in urban areas in Egypt at the same time where a very large number of housing units remain vacant and unused. In a city such as Cairo, some 14.5% of the total housing stock is vacant, a relatively

large number for a city perceived to be at the heart of the housing crisis. Several reasons explain why such a large housing stock remains unused or vacant.

The most important explanation of such unused housing stock is the rent control legislation that froze rents at significantly below-market levels and which remained in force for five decades from 1944 to 1996. Coupled with stringent tenant protection laws and with the courts unwilling to evict tenants irrespective of unit vacancy or non-compliance with contractual terms, such distortionary legislation acted as a disincentive to: (i) real estate developers, who stopped investing in the rental sector and focused development activities on high-end housing slated for homeownership; (ii) owners of vacant units, who became reluctant to release these to renters for fear of not being able to repossess them; (iii) building owners, who stopped maintaining units whose rental yield represented only an insignificant fraction of needed maintenance and capital investments, and who found themselves with a liability instead of an asset (since no investor would purchase a rent-controlled unit with an existing lifetime tenant); and (iv) households occupying rent-controlled units, who would not release such units even if they stopped using/needing them, except upon receiving a significant payment that became known as key money (this prevented the residential mobility that is typical in normal market conditions).

It is therefore not surprising to find that owners of vacant housing units (whether purchased as an investment or for their children's future use, both of which were common practice) would rather keep these vacant instead of renting them. This attitude is thought to have persisted to a large extent even after the reversal of the rent control law, as many owners of vacant units appear to opt for a wait-and-see approach (especially until a pattern of court-enforced tenant eviction starts taking place). New investment in rental housing under the new rental law has started in a rather modest way.

A second important explanation is that until very recently investing in land or real estate was the only available or viable channel for investment and perceived as a safe way of storing wealth. Several households would thus place all their savings to acquire housing units (and where they occupied rent-controlled units, such unit would constitute their first owned unit), whether for investment or for future use, including their children's.

Thus, vacant units are of five types: (i) rent-controlled units whose tenants or their heirs no longer need or use them, but which they keep until they receive what they perceive as an adequate key money; (ii) units which households purchase for the future use of their children; (iii) units or even entire buildings which remain for a long time under construction, unfinished yet or lacking access to infrastructure, as households gradually invest their savings in real estate as a way to store wealth; (iv) units which have still not been sold by developers, a problem which was exacerbated in recent years as a result of an oversupply of real estate in the middle and upper segments of the market that was coupled with a decline in purchase power due to a major devaluation of the Egyptian Pound in the past five years); and (v) units purchased as an investment, but whose expected return is not in their potential rental yield but rather in the expected asset appreciation. Interestingly, in the latter case, even when a household places a unit for sale, a general trend is not to settle for less than the asking price. The asking prices are often unrealistic, as they tend to project past upward trends instead of current market dynamics. It appears that many households would rather wait instead of selling short of their asking price (with little consideration given to the opportunity cost). This trend has become especially apparent in the past few years. Indeed, despite the oversupply and shrinking demands, asking prices in many cases continue to be unrealistic, which means that such assets remain unlocked. Finally, a generally weak property rights system due to lack of registration of land and property in urban areas further constrains the housing market due to the high associated risk with purchasing from unknown parties.

A 2003 report by El-Shoura Council (the lower house) on the housing crisis in Egypt estimated that: (i) 42.5% of vacant units are held for younger family members' future use; (ii) 37.5% of vacant units are at various stages of construction (many of which may be lying unfinished for a long time) or lack infrastructure; and (iii) 17.3% are on the market for (re)sale.

The number of vacant or unused housing units is estimated as the difference between the number of families and the number of available housing units, and is provided in Table 3.15 for the two census years of 1986 and 1996. The respective figures for 2005 are based on the estimates of the MHUUD and are only provided for urban areas where the number of (formal only) housing units is inferred on the basis of building permits. As seen in the table, the total number of housing units in both urban and rural areas increased from 11,163,961 to 15,707,666 in the 1986-1996 period, a net addition of more than 4.5 million units (2.4 million in urban areas and 2.1 million in rural areas). During the same period, the total number of households increased from 12,707,600, a net difference of close to 3.0 million households. Thus, between 1986 and 1996, the total number of newly added housing units exceeded that of newly established households by over 1.5 million, which represents 34.6% of total newly built units added during this period. As a result, the percentage of unused or vacant units to the total stock increased from 12.8% to 19.13% between 1986 and 1996 in Egypt. In rural areas, the share of unused or vacant units to the total stock rose from 5.16% to 9.11%, whereas in urban areas, the ratio increased from 20.06% in 1986 to 28.41% in 1996. The fact that there are much more vacant units in urban areas than in rural areas, even though Egypt's urban population is still 43% of the total, reflects the urban bias that characterizes housing investment.

**Table 3.15 Difference between number of housing units and number of households, 1986-2005**

	<b>Number of households</b>	<b>No. of Housing Units (not included working places)</b>	<b>Difference between number of families and housing units</b>	<b>% of housing units vacant, unused or still unsold by developers</b>
<b>1986 (census)</b>				
<b>Urban</b>	<b>4,586,872</b>	<b>5,737,967</b>	<b>1,151,095</b>	<b>20.06%</b>
Rural	5,145,856	5,425,994	280,138	5.16%
Total Egypt	9,732,728	11,163,961	1,431,233	12.82%
<b>1996 (census)</b>				
<b>Urban</b>	<b>5,839,877</b>	<b>8,157,135</b>	<b>2,317,258</b>	<b>28.41%</b>
Rural	6,862,723	7,550,531	687,808	9.11%
Total Egypt	12,702,600	15,707,666	3,005,066	19.13%
<b>2005 (MHUUD estimates)</b>				
<b>Urban</b>	<b>6,338,000</b>	<b>9,492,753</b>	<b>2,654,753</b>	<b>27.97%</b>
Rural	8,330,000	NA	NA	NA
Total Egypt	15,168,000	NA	NA	NA

Source: CAPMAS 1986 and 1996

The GCR houses a large share of the total vacant or unused housing stock in Egypt (estimated at over 40% of the country's total vacant stock), a proof of the concentration of housing investment in the region that accommodates more than 40% of the urban population (See Table 3.16). Finally, Figure 3.5 presents the number of vacant and unused housing units by governorate and

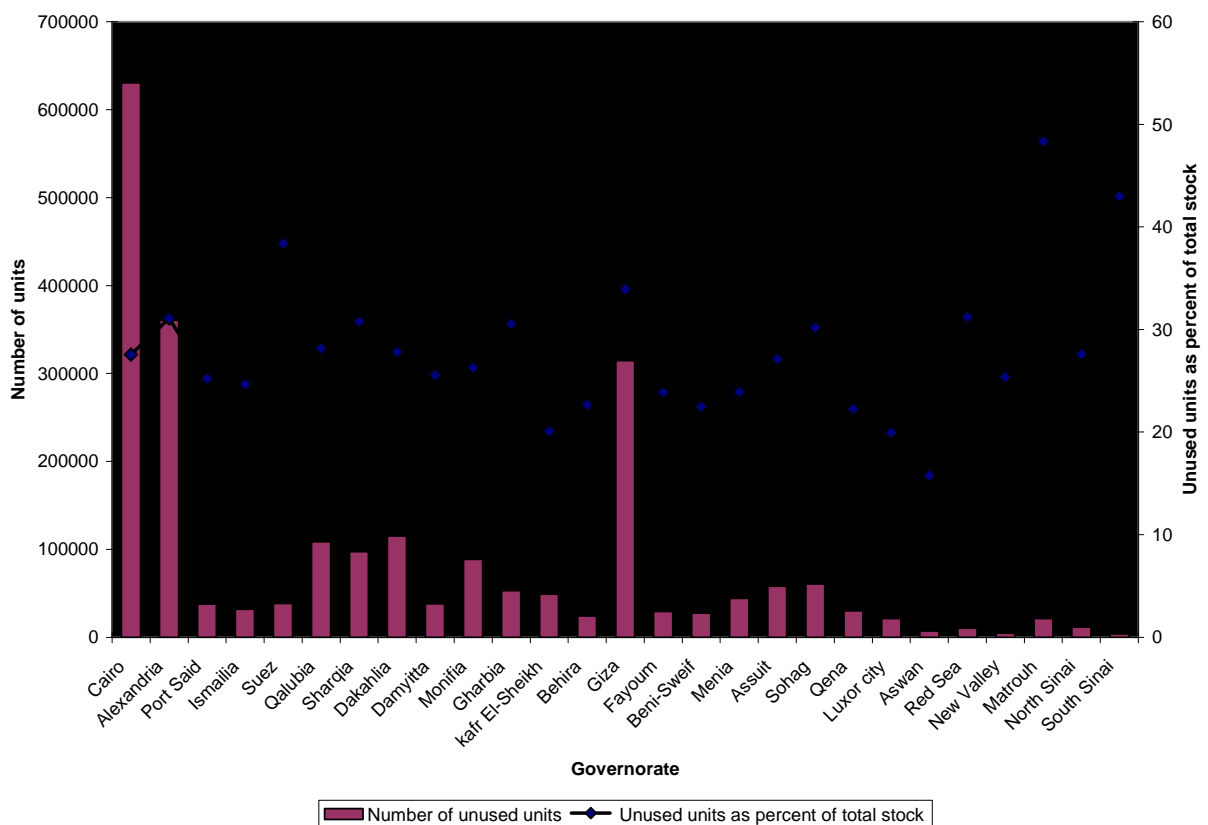
the share this represents to the total housing stock (Table A5 in Annex 1 provides the detailed data broken down by Governorate).

**Table 3.16 Vacant units in the Greater Cairo Region in 1986 and 1996**

Greater Cairo	Unused or vacant units in 1986	%of total unused or vacant units in Egypt in 1986	Unused or vacant units in 1996	%of total unused or vacant units in Egypt (1996)
Urban	549,263	47.71	1,060,186	45.75
Rural	27,359	9.76	162,544	23.63
<b>Total</b>	<b>576,622</b>	<b>40.29</b>	<b>1,222,730</b>	<b>40.69</b>

Source: Based on CAPMAS 1986 and 1996

**Figure 3.5 Unused housing units number and share of total stock by governorate, 1996**



Source: Based on CAPMAS 1996

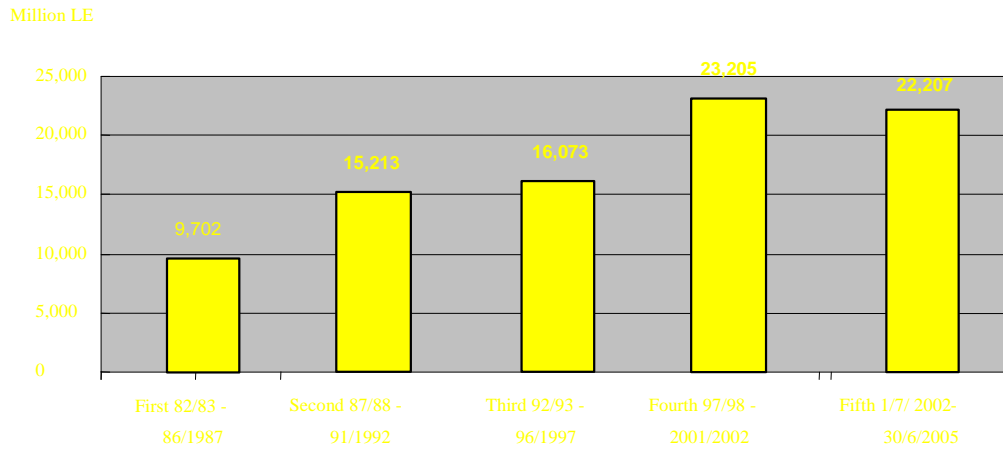
### 3.7 Housing Investment

#### Overall Investment

Total investment in the formal housing market in the period between 1982 and 2005 reached LE 86.4 billion (Figure 3.6 provides a breakdown of total investment by five-year plan). Of these, public sector investment reached a total of LE 26.4 billion (30.6%), while the share of the private sector reached as much as LE 60.1 billion (69.4%). The figures show an upward trend of increased housing investment, which comes in response to a rising demand for housing units

especially in urban areas in Egypt. Indeed, the urban population is forecasted to increase by an average of 2.1% per annum against an overall population increase of about 1.9%.

**Figure 3.6 Total formal investment in the housing sector, 1982-2005**



Source: Ministry of Housing, Utilities and Urban Development, 2005

These investments reflect only new housing construction (whether newly added or replacement stock), and do not include land or infrastructure costs. These numbers also reflect formal housing investment only and exclude investments in the informal sector (the latter were subject to a recent exhaustive study by Hernando de Soto's ILD and ECES, and which is discussed in the next chapter). Table 3.17 lists the total public and private sector investment in the formal housing market, excluding land and infrastructure, since 1982, with a breakdown of public sector figures are subdivided by implementing entity (Annex 1 provides a detailed breakdown by year).

**Table 3.17 Total formal investment in the housing sector by implementing entity, 1982-2005**

Implementing entity	Total investment (1,000 LE)
<b>Public Sector investment, by entity:</b>	
Governorates	8,529,123
Housing & Development Companies	2,171,361
Agency for Joint Projects	28,315
General organization For Housing and Building Cooperatives	8,876,918
Housing Finance Fund	305,084
Development & Housing Bank	1,302,988
Development Agencies	266,503
New Urban Communities Authority	4,711,851
<b>Total public sector investment in the housing sector</b>	<b>26,370,643</b>
<b>Total private sector investment in the housing sector</b>	<b>60,063,975</b>
<b>Total investment in the housing sector</b>	<b>86,434,618</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

### *Private Sector Investment in Housing Construction*

Despite the recent reactivation of private sector presence in the housing supply market (with Egypt's open door policy in the 1970s), it has rapidly assumed the lead role as evidenced by its two-thirds share of formal investments in the sector (this would be even higher if investments in the informal sector were included). Total private investment in formal housing supply since 1982 has exceeded LE 60 Billion. In new urban communities, the private sector has been especially



active in construction of all categories of housing. Table 3.18 shows the annual investment in housing construction by the private sector in new urban communities between 1982 and 2005. In these new towns, the private sector invested close to LE 9 Billion in housing construction, not including the cost of land and infrastructure.

**Table 3.18 Private sector investments in housing construction in new Urban Communities**

<i>year</i>	<i>Economic (LE1,000)</i>	<i>Middle (LE1,000)</i>	<i>Upper Middle (LE1,000)</i>	<i>Luxurious (LE1,000)</i>	<i>Total (LE1,000)</i>
<i>Until 96/97</i>	<i>41,820</i>	<i>552,025</i>	<i>420,990</i>	<i>55,240</i>	<i>1,070,075</i>
<i>97 / 98</i>	<i>24,820</i>	<i>46,300</i>	<i>37,800</i>	<i>32,160</i>	<i>141,080</i>
<i>99 / 98</i>	<i>26,340</i>	<i>41,700</i>	<i>19,890</i>	<i>41,640</i>	<i>129,570</i>
<i>99/2000</i>	<i>19,200</i>	<i>48,600</i>	<i>97,450</i>	<i>30,095</i>	<i>195,345</i>
<i>2000 / 2001</i>	<i>21,330</i>	<i>198,760</i>	<i>107,500</i>	<i>50,310</i>	<i>377,900</i>
<i>2001 / 2002</i>	<i>45,030</i>	<i>694,840</i>	<i>938,750</i>	<i>992,355</i>	<i>2,670,975</i>
<i>2002 / 2003</i>	<i>27,990</i>	<i>980,040</i>	<i>1,318,150</i>	<i>574,470</i>	<i>2,900,650</i>
<i>2003 / 2004</i>	<i>25,960</i>	<i>440,220</i>	<i>218,960</i>	<i>17,510</i>	<i>702,650</i>
<i>2004 / 2005</i>	<i>39,040</i>	<i>251,735</i>	<i>428,120</i>	<i>27,625</i>	<i>746,520</i>
<i>Total</i>	<i>229,710</i>	<i>3,254,220</i>	<i>3,587,610</i>	<i>1,821,405</i>	<i>8,934,765</i>
<i>Percent of total</i>	<i>2.6%</i>	<i>36.4%</i>	<i>40.2%</i>	<i>20.4%</i>	<i>100.0%</i>

\*land and utilities prices are not included in these figures

Source: Ministry of Housing, Utilities and Urban Development, 2005

***Significant increase in private sector housing investment in new urban communities in recent years.*** Since 2000, private sector housing investments in new communities have increased significantly. The five years between 2000 and 2005 have witnessed 82.8% of total private sector investments in new urban communities, indicating that new urban communities (namely those surrounding the GCR, and particularly New Cairo, Sheikh Zayed and parts of 6<sup>th</sup> of October) have become viable place to invest. Such private sector investment came in response to an increase in demand in recent years for middle, upper-middle and luxurious housing, especially in gated communities or “compounds” as they are called in Egypt.

***The result was an oversupply of high-end housing, simultaneously with weakening demand.*** However, several circumstances jointly contributed to an oversupply of high end units. The long lag in the real estate development cycle from the concept and design phase, the permitting process to the actual delivery of units, does not enable developers to foresee and take into account supply competition. Even though supply tends to be based on a projection of past demand/prices into the future, the housing construction pipeline in new urban communities greatly expanded in the late 1990s and early 2000s, catering extensively to the higher segments of the market and resulting in an oversupply of such units. This situation was further exacerbated with a weakened purchase power that affected the demand for such units. The result was much lengthened units’ time on the market, and significant mark downs in prices. At the same time, the government increased its attention to the issue of non-performing loans in the public banks, which had been instrumental in financing the real estate development sector. Faced with all these issues, many developers, especially those who were highly leveraged, had to scale back their ambitious development plans. For example, the developers responsible for the large scale real estate development called Beverly Hills in Sheikh Zayed returned back to NUCA 50% of the land that they had initially obtained. Another large scale development, called Dream Land, was restructured to about 30% of its initial plan.

### 3.8 Mechanisms for Housing Finance in Egypt

In response to the limited options available for financing formal housing construction/acquisition, the GOE has in 2001 developed a regulatory framework for housing mortgage finance in Egypt, and subsequently capitalized the first specialized lending institutions. The latter are still today at an inception stage, struggling to overcome the obstacle of weak property rights as a result of the limited registration of property in urban areas. Until then, the instruments relied upon to finance housing construction and acquisition were the following:

*Real estate development loans from commercial banks*, provided at market interest rates (around 14% per annum today) against developers' provision of guarantees acceptable to the bank. These loans are usually used to finance the construction of upper middle and luxury housing.

*Housing acquisition loans from the Housing and Development Bank*, offered at lower interest rates than in commercial banks to middle, upper-middle and high income households to finance the purchase of housing units, against sufficient guarantees.

*Government employee housing projects fund*, structured to enable civil servants in different line ministries and public authorities (e.g. armed forces, police officers, university faculty, etc) to finance housing acquisition. Typically, the sponsoring entity provides extensive subsidies to match beneficiary contributions (usually in the form of an upfront deposit and monthly paycheck deductions). There is no accurate data, however, on the quantity of units provided through these mechanisms or on the specific terms.

*Government soft loans for housing cooperatives*: Government-subsidized loans for lower income groups formed through housing cooperatives have reached close to LE 16 billion in the period from 1982 to 2005. The typical housing unit loan is about LE. 15,000 with an interest rate of 5-6%, repayable over 40 years with an average monthly installment of LE.73. The government's subsidization of the interest rate in such a system is estimated at 70% of loan amount.

Egypt has had a long history with soft loans through the cooperative system, which started in 1976 with the objective of serving low and middle-income groups. Individuals were encouraged to form cooperatives to be eligible to access soft loans for housing construction. Syndicates and professional organizations relied extensively on this system to build housing projects for their members. Law No. 14 of 1981 on housing cooperatives exempted all housing units governed under this law from the different taxes and charges paid by other projects. In addition, land was sold to cooperatives at 25% discount, which could increase up to 50% with Minister of Finance decree. Housing cooperatives were also entitled to obtain subsidized building materials from public sector companies. The evolution of the terms and conditions of the cooperative lending system are provided in Table 3.19.

**Table 3.19 Evolution of housing cooperative soft loan terms and conditions**

Year	Soft Loan Value	Interest Rate	Payment Period
1976	Cooperative Housing Project: (i) LE. 1,500 for unit and LE. 100 for foundation (economic unit); (ii) LE. 3,000 for unit and LE. 200 for foundation (Middle unit) Non-Cooperative Project: (i) LE. 5,600 for Economic Unit; (ii) LE. 7,500 for Middle Unit	3%	30 years
1976	Value of loan then raised to LE.5,000 per unit	3%	30 years
1977	Cooperative Housing Project: (i) LE. 5,000 for economic unit; (ii) LE. 6,000 for Middle unit Individuals/non-Cooperative: (i) LE. 3,000 for Economic Unit; (ii) LE. 4,000 for Middle Unit	3%	30 years
1980	Cooperative Housing Project: (i) LE. 4,000 for economic unit; (ii) LE. 6,000 for Middle unit For Individuals: (i) LE. 3,000 for Economic Unit; (ii) LE. 5,000 for Middle Unit	3% to be increased to 5% for loans above LE. 5,000	30 years
1982	LE. 8,000 in existing old cities LE. 9,000 for cooperative housing in new communities LE. 6,500 for all borrowing cases	3% to be increased to 5% for loans above LE. 5,000	30 years
1984	Same value of previous loan of 1982	4%	30 years
1989	LE. 8,000 in existing old cities LE. 10,000 in new communities LE. 8,000 for all borrowing cases	5%	30 years
1990	LE 10,000 for low-cost housing units in South Sinai, North Sinai, New Valley, Red Sea and Matrouh governorates	6%	30 years
1991	LE. 10,000 for three Suez Canal governorates	6%	30 years
1992	LE. 12,000 for three Suez Canal governorates	6%	30 years
1992	LE. 15,000 for Sadat, Borg El-Arab and El-Salhia cities	6%	30 years
1992	LE. 12,500 in new urban communities	6%	30 years
1994	Soft loan increased up to LE. 14,000 for all borrowers for units with area 90 sqm or less.	6%	30 years
1996	Soft loan increased up to LE. 15,000 for units with area of 70 sqm or less	5% for new projects 6% for old projects with unit's area more than 70sqm	40 years 30 years
2005	Unit area benefiting from soft loan increased from 70 sqm to 77 sqm	5% for new projects 6% for old projects with unit's area more than 70sqm	40 years 30 years

Source: General Organization for Housing and Building Cooperatives, 2005

However, it became clear that such a system was untenable due to the great fiscal burden caused by the high subsidy per unit and the many excesses faced by the system from non-eligible groups. As a result, the Ministry of Housing gradually scaled back on such soft loans in recent years while shifting towards other public housing schemes, especially the Mubarak youth housing project. The cooperative system is now at about 50% of its peak during the 1988-1993 period, where it provided about LE 1 billion annually in soft loans. Annex 1 shows the total soft loans allocated annually by the different governmental agencies between 1982 and 2005, and provides a detailed geographic breakdown of soft loans provided by Governorates for economic housing in the 2000-2005 period.

*Governorates' Local Services and Development Fund and Social Housing Fund:* Governorates' main source of finance for housing construction is the National Investment Bank (NIB), with the remainder coming from the Local Housing Fund. The latter are capitalized through the sale of land within the local government jurisdiction (inside the *zمام*), and fees and user charges from building permits, infrastructure and several other services. Governorates such as Alexandria have managed to mobilize considerably large funds for their own housing programs.

The terms are similar to those of MHUUD programs such as the Mubarak Youth Housing Project. Usually, applicants apply for housing units in the governorate by submitting applications stating that they are Governorate citizens and have no other housing units within the jurisdiction. The governorate screens and ranks the applications according to the selection criteria. Those selected to receive a unit pay a down-payment ranging between LE 3,000-8,000 and obtain a LE 15,000 soft cooperative loan administered by the Governorate, with monthly installments ranging from one Governorate to the other (from LE 73-80 up to LE 160 in some cases). It should be noted that although LE 187 million was allocated in FY 2004-2005 for Governorate-administered housing soft loans, only LE 116.5 million or 62% was disbursed by the Governorates (See Annex 1). This was mainly due to the NIB restriction that these loans be disbursed to Governorates on a quarterly basis against a local revenue share used by Governorates as collateral for the loan. Most Governorates lack the local resources needed to unlock their allocation of soft loans.

*Savings and sale of assets (property, jewelry, etc)* still represent the main channel for financing individual housing construction or purchase for all but a few in Egypt and especially for limited income groups, a result of several supply and demand-side constraints on the availability of housing mortgage finance until very recently. This will be discussed in more detail in the next chapter on the informal sector.

### **3.9 Assessing the formal housing supply system in Egypt**

Despite extensive governmental involvement in subsidizing and delivering affordable housing to the urban poor in Egypt especially between 1982 and today (over LE26 billion of investments not including the cost of land and infrastructure, or an average of LE1.13 billion per year), the public sector's average annual contribution of around 55,000 units covered only about 20% of total housing demand in urban areas. The rest was met by the private sector in both the formal (33% of total stock) and informal market (37%, although likely to be a much higher figure). The public sector contribution represented 35.0% of the total number of newly built formal housing units in urban areas between 1982 and 2005 (of which 81.8% was in the form of low-cost and economic housing) and 30.4% of total formal housing investment.

Recent figures on publicly-built housing units show the government's inability to achieve its targets in terms of number of housing units, only realizing 60% of its planned outputs (Annex 1 tables compare government and private sector plans versus execution). Surprisingly, the one entity within government that proved relatively more effective in terms of realization of plans and the volume of housing delivered was Governorates despite very limited local resources.

Yet, despite all such investments, the perception of a housing crisis still exists, more than ever before. In particular, a mismatch exists between housing supply (catering to middle and higher segments of the market) and the pent up demand by moderate and low-income groups. This owes to the ill-conceived housing policies adopted by the government, especially between the 1950s and 1970s. Such policies led to several negative consequences including serious shortage of

formal affordable housing, the private sector's withdrawal from the rental and lower segments of the housing market, the proliferation of informal housing, coupled with severe distortions to the urban land market in terms of difficult access to State-owned land and lack of urban land and property registration.

The problem is that throughout the years, the government's main solution to the housing problem continued to center around direct involvement in the delivery of affordable housing in different forms since the 1950s including public housing, youth housing and most recently the national housing program (as with its predecessor, the latter would be implemented by the MHUUD but with an explicit objective of reducing the subsidies involved). Recent government housing programs such as the Mubarak youth housing project generated great demand due to careful planning and architectural designs, but sustaining such heavily subsidized housing programs quickly came to the surface as an insurmountable challenge especially in light of such increasing demand. The program has only managed to build 7,000-8,000 units per year since its inception in 1996, tiny a fraction of the 250,000 unit annual demand estimated in urban areas in Egypt. The other form of direct government intervention—subsidized loans for housing cooperatives—proved to be a highly distortionary instrument and has failed to achieve its objective from a quantitative and targeting perspective, as these loans were often captured by civil servants and middle or upper-middle groups who formed such cooperatives.

In recent years the government has placed much emphasis on activating the mortgage finance market. Although the GOE issued a new housing mortgage finance law in 2001 to enable access to housing finance, the mortgage market has still not developed, mainly on account of the lack of land and real estate registration. The law also established a special Guarantee and Subsidy Fund (GSF), attached to the Mortgage Finance Authority to support low-income households through extending subsidies to ensure that mortgage finance is within the affordability of the urban poor. The GSF targets poor households (with annual income of less than LE10,000) who seek to obtain a mortgage loan for a middle-of-the range housing unit (in the economic and middle typologies, with unit areas averaging 60-90 sqm) by covering the difference between the market interest rate (around 14%) and a 6% interest rate. The Fund was initially capitalized by about LE150 million from NUCA and Housing Finance Fund proceeds, and the aim is to establish a sustainable revenue stream through a dedicated portion from land sales in new urban communities. The GSF has only been recently operationalized, and by June 2006 has extended LE25 million in subsidies.

As government failed to meet the demand for affordable housing, the informal housing market assumed the lead role in the provision of affordable housing. The informal sector remains and is expected to continue in the near future to be the main supplier for low-income housing units in the absence of reforms to the housing market. The latter include among other things enabling the urban poor to access urban land and housing finance (including housing micro-finance schemes that are adapted to their affordability and their tendency to build their housing progressively), and streamlining the bureaucratic procedures to obtain land subdivision and building permits.

## Chapter 4

# Informal Housing Supply in Egypt: Typologies, Quantities and Qualities

### 4.1 Introduction

In a context of rapid population growth and urbanization in Egypt over the past four decades, much of urban development and housing construction was informal. Today, informal settlements along with squatter areas (together lumped under one label in Arabic known as *Ashwaiyat*) are thought to accommodate anywhere between 12 and 16 million inhabitants, or about 40-50% of Egypt's urban population and over 20% of total population. The informality label characterizes housing built in violation of existing urban planning legislation and the building code, often by converting (legally owned) agricultural land to urban uses without land subdivision or building permits, and in almost all cases without registered property titles (whether legally-owned land and property or squatter).

There is little consistent or credible data on informal settlements in Egypt. Such settlements were usually neglected by public officials, until the incidents of social unrest took place in such places as Imbaba and Ain Shams in the early 1990s. Subsequently, the first comprehensive and updated government inventory of informal settlements was completed by Shura Council in 1993. Later, Hernando de Soto's ILD and ECES conducted a comprehensive multi-year study of informality in Egypt in the end of the 1990s. This chapter will draw on existing data to shed light on informal housing in Egypt, its typologies, quantity, settlement characteristics, informal housing supply mechanisms, costs, land prices, and housing construction process.

### 4.2 Informal Settlements Population In Egypt

**Official data on informal settlements is inconsistent.** The 1993 Shura Council report provided the first official information on the number of informal settlements in Egypt and their population, listing 406 settlements in 10 governorates with over 7 million inhabitants, which then represented 40% of Egypt's urban population (See Table 4.1). A report by Cabinet's Information and Decision Support Center (IDSC) in 1997 (released in 1999) provided contradictory information, counting 1,034 informal settlements with a total area of 344 km<sup>2</sup> in 22 Governorates, inhabited by 12 million persons. The third and most recent set of figures comes from the Ministry of Local Development (MOLD) in 1999-2000, which listed 1,174 settlements in 22 governorates including Luxor city. This figure was subsequently revised downwards in 2002 to be 1,221 informal settlements.

**Table 4.1 Informal settlements number and population in ten Governorates**

Governorate	Informal Areas		Total urban population	Informal as % Total urban population
	Number	population		
1 Cairo	79	2,437,988	6,774,000	35.9
2 Giza	32	1,398,000	2,332,000	62
3 Kalubia	60	686,350	1,494,071	46
4 Alexandria	40	1,162,750	3,284,668	34
5 Fayoum	28	99,853	425,400	23.5
6 Bani suif	46	144,770	458,225	31
7 Menia	30	273,000	558,366	49
8 Assuit	49	401,000	1,590,451	25
9 Sohag	34	381,180	675,983	56.4
10 Qena	8	22,700	72,311	31.4
Total	406	7,007,591	17,665,475	39.7

Source: Shoura Council Report 1993

According to the national committee for upgrading formed by a Minister of Local Development decree in 2000, such contradictory data among other things stems from the lack of a common definition among such entities as IDSC, CAPMAS and local governments. The GOE's launch of the national informal settlement upgrading program in 1993 made it imperative to identify and quantify the number of such settlements and their population so as to allocate required funds for their upgrading. Each governorate rushed to identify informal settlements in its jurisdiction based on its own criteria since the definition provided by the IDSC was perceived to be ambiguous and unclear, which resulted in discrepancies. To give one example, Table 4.2 shows how informal settlements statistics for the Greater Cairo Region differ by entity.

**Table 4.2 Contradictory informal settlement statistics for the Greater Cairo Region**

Governorate	Shoura Council info.93		Governorate/IDSC 1997		MOLD 1999/2000	
	Informal Settlements	Pop. No.	Informal Settlements	Pop. No.	Informal Settlements	Pop. No.
Cairo	79	2,437,988	76	2,098,469	81	-
Giza	32	1,398,000	36	706,953	36	-
Qalubia	60	686,350	62	589,343	67	-

The total informal settlement population in Cairo governorate according to the 1993 Shura report amounted to 2,437,988 inhabitants, which then represented 35.9% of its total population. In Giza Governorate, informal settlements accommodated 1,398,000 inhabitants, 62% of total population, which meant Giza housed the largest concentration of population living in informal settlements in Egypt. Table 4.3 shows figures for other governorates as well. The 1997 IDSC report estimated the number of informal settlement population in Cairo at 2,098,469 inhabitants living in 76 areas. In Giza Governorate, the informal settlement population equaled 706,953 inhabitants residing in 36 areas. The 1999-2000 MOLD report indicates that there are 81 informal areas in Cairo, 36 in Giza and 67 in Qalubiya it increased to 67 as indicated by MOLD 1999/2000. IT is believed that the most reliable official data on informal settlements is the MOLD report, which was submitted to Cabinet in 1999-2000, which is the last official count to date. A comprehensive research

argued that in 1996, of the 20.8 million inhabitants living in urban areas in 20 governorates, over 8 million lived in informal settlements, or 38.6% of the total urban population (See Table X).<sup>5</sup>

**Table 4.3 Population of informal settlements in urban areas, in 1996**

	<b>Total Informal Population (1000)</b>	<b>Total Urban Population (1000)</b>	<b>% of informal Population to total urban population</b>
1 Cairo	2,438	6,774	36
2 Giza	1,398	2,332	60
3 Qalubya	1,398	1,494	46
4 Alexandria	686	3,285	35.4
5 Fayoum	1,163	325	30.7
6 Bani suif	100	458	31.6
7 Menia	145	558	49
8 Assuit	273	1,590	25.2
9 Sohag	401	676	56.3
10 Qena	381	723	31.3
11. Aswan	23	560	28.5
12. Ismailia	170	395	43
13. Suez	130	280	46.4
14. Port Said	140	560	43.7
15. Gharbia	420	1,700	24.7
16. Dakahlia	200	800	25
17. Monufya	230	850	27
18. Kafr El-Sheikh	180	700	26
19. Damietta	160	650	25
20. Behira	170	700	24
<b>Total</b>	<b>8,028</b>	<b>20,819</b>	<b>38.6</b>

Source: CAPMAS 1996

### 4.3 Typologies and number of informal settlements in Egypt

In several studies and official reports<sup>6</sup>, housing types and the nature of land tenure were used to determine the different typologies of informal settlements, as follows:

**According to type of housing:**

- (i) Shacks and construction in non-permanent materials, usually of tin and wood, represent the dominant typology of informal housing particularly for recent rural migrants settling in the cities' peri-urban fringe.
- (ii) One-room dwellings with shared utilities.
- (iii) Cemetery dwelling.
- (iv) Housing in non-residential buildings or spaces (spaces earmarked for staircases, garages and rooftop dwellers, occupancy of workshops, shops, monuments, etc).

<sup>5</sup> A.Soliman-2004, *A Possible Way Out: Formalizing Housing Informality in Egyptian Cities*, University Press of America, Inc. UK.

<sup>6</sup> This builds on the analysis in a Conference on Informal Housing in 1994 (building on the Shura Council work), Arandel (1997), and the MOLD in 1999



- (v) Housing built without a permit is also considered informal, as with houses that did not abide by the applicable planning or building standards (setbacks, land coverage, etc).

***According to land tenure:***

- (i) Housing built on illegally owned/occupied land, including squatting on State/public or privately-owned land
- (ii) Housing built on legally owned land that was illegally converted from agricultural to urban use
- (iii) Housing built on legally owned land that was illegally subdivided (i.e. without land subdivision permit)
- (iv) Housing built outside of the urban boundaries or cordon, i.e. without planning permission

Although this definition encompasses a wide range of informality in Egypt that would include old historical cores, slums, etc, the GOE's efforts have tended to focus on areas which have formed since the 1960s on the outskirts of cities on both agricultural and desert land. This left a large number of underserved and slum areas in the inner city, which did not match the definition for eligibility in urban upgrading efforts, without improvement. Such areas or housing types today (slums, decaying housing in historical areas, cemetery and rooftop dwellings, etc) have large concentrations of precarious housing, on the whole lack clear legal tenure and access to services, and have become the locus of significant urban poverty in cities.

Finally, a comprehensive study by Hernando de Soto's ILD and the Egyptian Center for Economic Studies (ECES) classified informal housing and real estate in Egypt in two categories as follows, which were quantified and estimated to equal some USD 73 billion in "dead capital":<sup>7</sup>

- Informal housing with informal origin, totaling *8.5 million housing units* distributed into:
  - 4.7 million units built on agricultural land within or outside cities boundaries;
  - 0.6 million units built on State-owned desert land within cities; and
  - 3.2 million units built outside village administrative boundaries (*haiez*).
- Informal housing with formal origin, totaling *3.4 million housing units* distributed into:
  - 0.8 million units of old public housing built by government since the 1950s with no clear tenure status, and which as a result of rent control led to informal sale of many units;
  - 0.9 million units new public housing built by cooperatives, many of which have been sold and resold informally and are currently without clear tenure status;
  - 0.7 million units in the city core in the form of dwellings built without permits and which were sold under simple condominium arrangements (*tamleek*) but are almost impossible to transfer/convert;
  - 0.5 million units in historic areas, which suffer from ownership disputes resulting from inheritance claims and/or religious trust status (*waqf*, which is a very poorly document tenure system) that may extend back to centuries. Such units include some that are under rent control and many precarious units; and
  - 0.5 million units in old subdivisions, built without permit, subject to rent control and including many precarious units.

---

<sup>7</sup> Hernando De Soto, "Dead Capital and the Poor in Egypt", ECES, 1997.

**Table 4.4 Informal housing in Greater Cairo, Alexandria and Tanta, ILD/ECES**

Type/subtype	Greater Cairo					
	Net surface area in km2	%	No of dwellings units%	%	Current value in LE million	population
<b>Informal Settlement on Agricultural land</b>						
on private agriculture land	105.5	43	2.207.239	48.6	109.488	5.839.362
on core village land	3.5	1.4	60.584	1.3	2.816	164.824
on gov. agriculture land	4.2	1.7	127.871	2.8	5.212	431.240
<b>Informal Squatting on desert land</b>						
on local administrated land	4.3	1.8	79.416	1.7	2.755	216.793
on reclaimed (Desert) land	3.9	1.6	74.657	1.7	3.139	212.284
on decree (Desert) land	3.2	1.3	34.201	0.8	1.373	83.270
on armed forces land	1.6	0.7	17.201	0.4	0.686	41.635
on public domain wada-yad	3.1	1.2	33.327	0.7	1.333	80.667
<b>Informal areas with formal Origin</b>						
public housing	31.4	12.8	635.841	14	119.488	1.505.939
under rent control	45.4	18.5	624.049	13.7	50.324	1.366.528
dwellings units ex-permit	27.8	11.4	327.966	7.3	18.483	754.312
core historic / confused	9.1	3.7	239.582	5.3	10.608	497.035
<b>Non classified</b>	2	0.9	77.889	1.7		201.446
<b>Total all types</b>	245	100	4.540.023	100	325.705	11.395.335

Type/subtype	Alexandria					
	Net surface area in km2	%	No of dwellings units%	%	Current value in LE million	population
<b>Informal Settlement on Agricultural land</b>						
on private agriculture land	23.8	24.4	184.5	22.1	62.119	922.5
on core village land	1.5	1.5	61.470	7.4	18.265	307.350
on gov. agriculture land	2.2	2.2	62.350	7.5	2.076	311.750
<b>Informal Squatting on desert land</b>						
on local administrated land	9.8	10	82.000	9.8	2.448	410.000
on reclaimed (Desert) land	4.5	4.6	47.850	5.7	1.428	239.250
on decree (Desert) land	3.0	3.1	19.140	2.3	0.571	95.470
on armed forces land	1.3	1.3	8.294	1	0.247	41.470
on public domain wada-yad	3.2	3.3	20.416	2.5	0.609	1.02.310
<b>Informal areas with formal Origin</b>						
public housing	14.8	15.1	114.451	13.7	20.601	501.379
under rent control	15.8	16.1	112.328	13.5	8.986	456.850
dwellings units ex-permit	12.2	12.4	59.033	7.1	3.305	240.425
core historic / confused	3.8	3.9	43.123	5.2	1.910	160.9
<b>Total all types incl. not classified</b>	245	100	833.456	100	122.565	3.850.504

Type/subtype	Tanta					
	Net surface area in km2	%	No of dwellings units%	%	Current value in LE million	population
<b>Informal Settlement on Agricultural land</b>						
on private agriculture land	5	26.3	44.550	33	1762.0	222.75
on core village land	2.3	12.1	22.950	17	918	114.750
on gov. agriculture land	3.2	16.9	13.500	10	540	67.500
<b>Informal areas with formal Origin</b>						
Public housing	4.5	23.7	31.050	23	931	155.550
Under rent control	2	10.5	10.800	8	344	54.600
dwellings units ex-permit	1.5	7.9	8.100	6	243	40.500
core historic / confused	0.5	2.6	4.050	3	121.5	20.250
<b>Total all types</b>	3.8	100	135.000	100	4860	675.900

Source: ILD/ECES (2001).

As the government's response to informality started taking shape in 1993 with the adoption of the National Upgrading Program for Informal Settlements, interventions have focused on the two main types of informality:

- *Informal settlements on agricultural land*, which constitute about 80% of all informal settlements in Egypt, typically take place through the informal subdivision of privately-owned land into small plots, which are sold to individuals who gradually build their own houses. Even though Egyptian laws prohibit the conversion of agricultural land to urban uses (only 2% of the land is permitted to be built upon), owners of agricultural land near cities face a land price multiplier of up to 10-20 if they converted their landholdings to urban uses. As a result, many agricultural landowners informally subdivide their lands for urban development. If a landowner who built an informal house on agricultural land sought to legalize his/her asset, the process promises to be very long, bureaucratic, costly, and may easily fail to yield any results. The ILD/ECES study estimates that in four out of six junctures in the process, the applicant may well end up with a prison term and/or heavy fines. And in the unlikely event of success, it will take 6-11 years. As such informal settlements gradually consolidate, the problems of lack of government recognition and absence of services (utilities, paved roads, schools, healthcare centers, etc) accentuate. Subsequent government interventions aiming to upgrade these areas typically face the problem of lack of vacant land on which to provide needed services and amenities, and the difficulty of retrofitting utility networks or widening the narrow roads and lanes (mostly 2-5m) to allow minimum vehicular access.
- *Squatter settlements on State-owned desert land* evolve differently from informal settlements, often relying on individual efforts, the (re)settlement of a group of squatters in the aftermath of an event, or to some extent organized land invasions as found in other cities (e.g. Lima, Peru). The Civil Code does not recognize or allow for adverse possession on State-owned land, unlike squatting on privately-owned land which could be legally recognized after "15 years of peaceful, unconcealed and uninterrupted occupancy (Hiyaza in Arabic)". Squatters thus constantly face the threat of being evicted by government, which means that they largely build temporary low-cost shelter in the early squatting stages. And as their perceived threat of potential eviction decreases (often as a function of perceived implicit government recognition/tolerance of

the settlement through, say, provision of services, payment of property taxes, etc), they gradually replace their temporary shelters with permanent structures. These areas also suffer from lack of infrastructure and services, and often from such problems as high rate of unemployment and illiteracy. Interventions in these areas thus typically require an integrated approach combining infrastructural and socio-economic development.

Both types of settlements share similar problems, including unorganized and very narrow street networks (2-4m wide), lack of sufficient vacant land or public space to provide needed services, and small land parcels averaging 80-120 sqm with nearly 100% land coverage ratio (no setbacks and minimal light wells). Due to the lack of construction licensing, there are no restrictions on building heights, which, over time, produces extremely high residential densities (sometimes in excess of 1,000 persons per Feddan). Surprisingly, the quality of much of the informal housing stock in urban areas in Egypt, especially in the GCR, is of good quality. The most common type is 4-7 story apartment buildings with reinforced concrete frame and slab construction and brick infill walls.

Table 4.5 examines the different stakeholders that are involved in informal housing development and their roles in the process of development and consolidation of such settlements.

**Table 4.5 Stakeholders and roles in the informal/squatter development process**

	<b>Informal settlements on agricultural land</b>	<b>Informal settlements on state desert land</b>
<b>Owner-builders</b>	<ul style="list-style-type: none"> <li>• Subdivide and sell their land, retaining a plot for their house.</li> <li>• Organize construction</li> <li>• Deal with local authorities</li> <li>• Incrementally build their house according to need and savings</li> <li>• Rent vacant spaces/units until needed by family members</li> </ul>	<ul style="list-style-type: none"> <li>• Invade land, subdivide it and build their own units</li> <li>• Sell land to others (mostly relatives)</li> <li>• Organize construction work</li> <li>• Incrementally build their house according to need and savings</li> </ul>
<b>Brokers/informal sub-dividers</b>	<ul style="list-style-type: none"> <li>• Act as intermediaries between buyers and sellers of land</li> <li>• Buy land from small owners and subdivide it for their interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Act as intermediaries between buyers and sellers of land</li> <li>• Acquire large parcel of land, subdivide and sell it to new comers to the area.</li> </ul>
<b>Contractors</b>	<ul style="list-style-type: none"> <li>• Build large buildings in short time and achieve fast profit</li> <li>• Deal directly with subdividers or owner-builders</li> </ul>	<ul style="list-style-type: none"> <li>• Build large buildings in direct agreement with professional subdividers</li> </ul>
<b>CBOs and local leaders</b>	<ul style="list-style-type: none"> <li>• Organize the community to pressure local authorities to provide the settlement with basic infrastructure</li> <li>• Organize self-help efforts to provide basic infrastructure and services, working with professional contractors</li> <li>• Represent communities in negotiations with government to acquire basic rights, specially through lobbying and political manipulation.</li> </ul>	

Source: developed from ILD/ECES, The Extralegal Economy, 2003

The proliferation of informal housing in Egypt is directly related to several government policies that have distorted the housing market. These include: (i) rent control (which distorted the rental

market and diverted new formal private sector supply to higher-end segments of the market and for sale only); (ii) heavily subsidized public housing programs which have prevented scaling up in a way that could address increasing demand/needs for affordable housing; (iii) the inefficiency of direct public sector supply of housing; (iv) complex unwieldy building regulations and a very bureaucratic, costly process for building permit issuance; (v) unrealistically high planning regulations and standards; and (vi) a dysfunctional urban land market due to the lack of secure property rights and the many difficulties associated with acquiring public land.

These combined interventions made compliance with formal rules and regulations difficult and greatly increased the cost of housing supply, which meant that the informal sector became the only channel to cater to the needs of a large number of low, moderate and even middle-income families who could not afford formal housing options in the absence of a functioning rental market. By contrast, the informal market allowed freedom from the high costs and unwieldy regulations associated with formal construction, especially since families could build their houses progressively according to their needs and affordability level. Key to the process is the role played by the owner-builder which included land development, site management, and contracting, with every step of the process sanctioned not by formal contracts, but through informal networks and trust.

The formal land development/subdivision process has proven totally incapable of capitalizing on the dynamism of small scale informal owner-builders and enabling them to formalize and expand their activities. Unrealistically high land subdivision and building standards (maximum land coverage of up to 50-60%, large setback requirements, large right-of-ways even for local streets and collector roads, etc), in addition to the significant costs and bureaucratic hassles associated with formality, shut out small scale land developers.

The GOE's 1993 intervention to upgrade these informal settlements through the National Upgrading Program of informal settlements only came in reaction to the increasing social unrest that emanated in such settlements, and especially after the incidents in Imbaba and Ain Shams in 1991-1992. The program aimed to upgrade 1,201 (98.4%) of the 1,221 informal settlements that were identified under the program through the provision of needed roads, utilities, and services (although without land tenure legalization/formalization). The remaining 20 (1.4%) settlements had either undergone or were slated for clearance. After investing more than LE 2.8 billion in 13 years to implement selected upgrading activities in 895 settlements, the program was considered to have had mixed results. The main positive outcomes were government recognition of informal settlements and residents' right to have access to basic services and adequate facilities, and the delivery in many areas of basic infrastructure such as water supply and sewerage networks together with schools and healthcare centers, which resulted in improving living conditions.

However, the policy/program was criticized for the following reasons:

- Little if any attention was given to legalizing/formalizing land tenure. This is not to say that this admittedly critical issue is reported in surveys at the top of residents' priorities or needs. Many families living informal settlements appear to suffice with the perceived land tenure security as a result of implicit government recognition of their settlement, in the form of public service delivery. Yet, this problem constrains the functioning of the land and real estate market (often forcing transactions to take place only among limited networks of trust, which reduces asset prices), and as explained in detailed by de Soto, results in a form of "dead capital" that cannot be collateralized and converted into credit which to finance housing improvement or business start-ups and expansions.

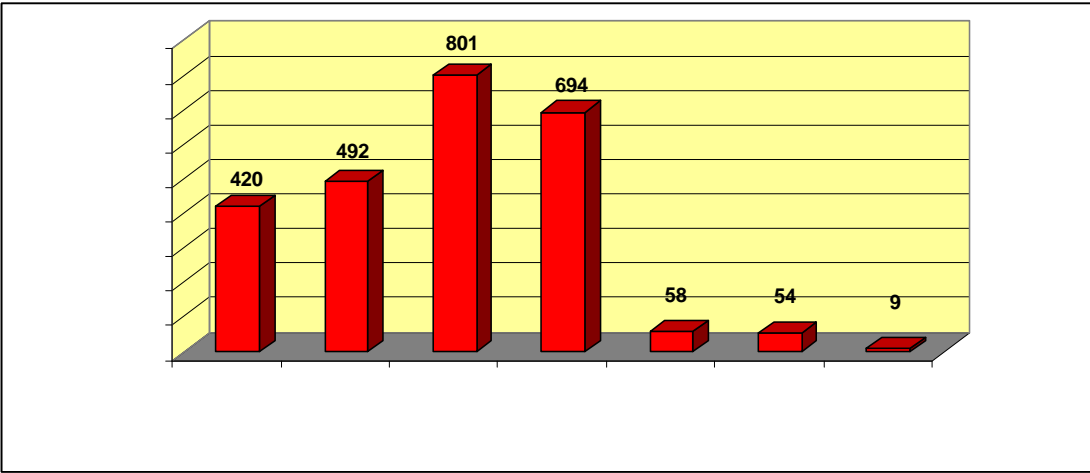
- The program concentrated on bricks-and-mortar with little if any attention to socio-economic development. Surveyed residents of informal settlements place at the top of their top priorities tackling the problems of unemployment and poverty.
- Very little attention was devoted to community participation through NGOs and CBOs and the private sector plays no role in the process.
- Even as utility networks were installed in informal settlements, many residents could not connect their houses to these networks in order to benefit from these huge infrastructure investments. Egypt's Planning Law No. 3 of 1983 explicitly prohibits local authorities from granting permission to connect to infrastructure networks to housing units lacking formal legal status, which all these settlements were. Only those who could bypass such restrictions through connections or gifts were connected to the networks.

**Table 4.6 Status of informal/squatter settlements according to the National Upgrading Program by Governorate, 2004**

Governorates	Total Informal Settlements	Areas to be cleared and resettled				Areas to be upgraded			
		Cleared	Ongoing	Not yet started	Total	Upgraded	Ongoing	Not yet started	Total
Cairo	81	5	5	3	13	0	68	0	68
Giza	36	0	0	0	0	0	36	0	36
Qalubia	67	0	0	0	0	8	59	0	67
Alexandria	54	5	2	0	7	5	42	0	47
Behira	81	0	0	0	0	3	7	71	81
Monofia	53	0	0	0	0	2	18	33	53
Gharbia	47	0	0	0	0	10	37	0	47
Kafr El-Sheikh	51	0	0	0	0	1	49	1	51
Sharkia	83	0	0	0	0	0	19	64	83
Beni Suef	52	0	0	0	0	0	52	0	52
Menia	30	0	0	0	0	30	0	0	30
Fayoum	28	0	0	0	0	0	28	0	28
Assyout	84	0	0	0	0	84	0	0	84
Sohag	67	0	0	0	0	41	26	0	67
Quena	66	0	0	0	0	66	0	0	66
Aswan	35	0	0	0	0	33	0	2	35
Dameitta	90	0	0	0	0	0	0	90	90
Dakahlia	121	0	0	0	0	0	0	121	121
Port Saied	7	0	0	0	0	0	0	7	7
Ismailia	15	0	0	0	0	0	15	0	15
Suez	8	0	0	0	0	0	8	0	8
Luxor	15	0	0	0	0	0	0	15	15
Matrouh	24	0	0	0	0	0	0	24	24
North Sinai	17	0	0	0	0	0	0	17	17
Red Sea	9	0	0	0	0	0	0	9	9
<b>Total</b>	<b>1,221</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>20</b>	<b>283</b>	<b>464</b>	<b>454</b>	<b>1,201</b>
<b>Percent of total</b>	<b>100%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>1.6%</b>	<b>23.2%</b>	<b>38.0%</b>	<b>37.2%</b>	<b>98.4%</b>

Source: Ministry of Local Development Information Center 2004

**Figure 4.1 Investments in urban upgrading by sector, 1993-2004 (in million LE)**



#### **Box 4.1 The Three Informal Settlements**

**6<sup>th</sup> of October area** is a 4 square kilometer area located between Boulaq El Dakroul and Ard El Lewa districts, close to Nahia street, one of Giza's main thoroughfares. The area was formerly agricultural land and still has some residual agricultural pockets, which have continued to attract migrants to settle there, particularly fruit merchants coming from Upper Egypt. The population living in 6th of October is estimated at 120,000-140,000 inhabitants.

**Saft El Laban area**, an 8 square kilometers area, was originally a village close to Giza's urban boundary which developed rapidly as a result of Giza's rapid urban expansion and increased proximity. Residents consider it part of Boulaq El Dakroul district. Saft El Laban was characterized by large agricultural lands. Saft El Laban's proximity to Giza attracted residents to settle there. Faced with increased urbanization pressures, farmers sold their agricultural fields and converted these to buildable land. Saft El-Laban today houses more than 230,000 inhabitants. The road network and urban fabric follow former irrigation canals and agricultural field boundaries respectively. Basic services and utilities are mostly non existent.

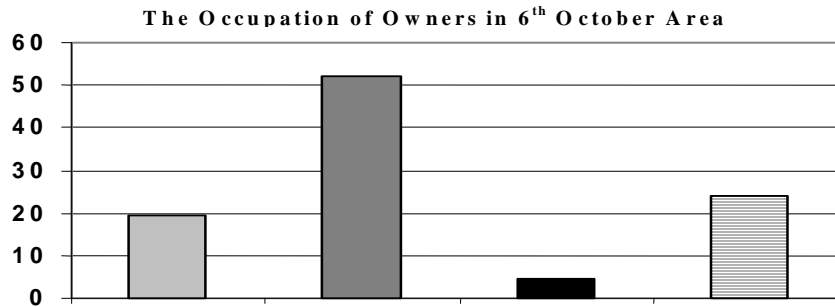
**El Matarya area in Cairo Governorate** is located on agricultural land east of Ismailia Canal bounded by El Kablat street to the south and El Trolley street to the north (the study area also covered El Aqad and El Raies Ezbas satellites of Qism El Matarya, Sheiyakhet El Ezab). El Matareya spreads over 3,700 feddans. The average population density is about 300 persons per feddan, which means a total population in excess of one million inhabitants. Land is mostly used for housing with some local retail uses. Industrial areas are found west of Ismailia Canal. The area is close to main transportation accesses and utilities.

#### ***Socio-economic conditions in three informal settlements in the Greater Cairo Region***

The study explored landowners' occupation, educational achievement and their motivations to settle in these informal settlements (See Figure 4.2). Contrary to a prevailing perception that informal settlements only house poor uneducated people, the study revealed that a considerable number of heads-of-households are professionals (engineers, accountants, lawyers, government officials and teachers) with higher educational achievement. However, the majority of heads-of-households in these areas have intermediate education and work as carpenters, drivers, blacksmiths, plumbers, painters, waiters etc. The third prevailing category of heads-of-households worked as contractors and land/housing brokers, with the balance consisting of pensioners.



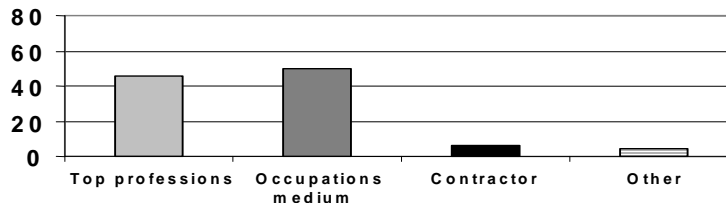
**Figure 4.2 Owner occupation in three informal settlements in the Greater Cairo Region**



**The Occupation of Owners in Saft El-Laban Area**



**The Occupation of Owners in Matareya Area**



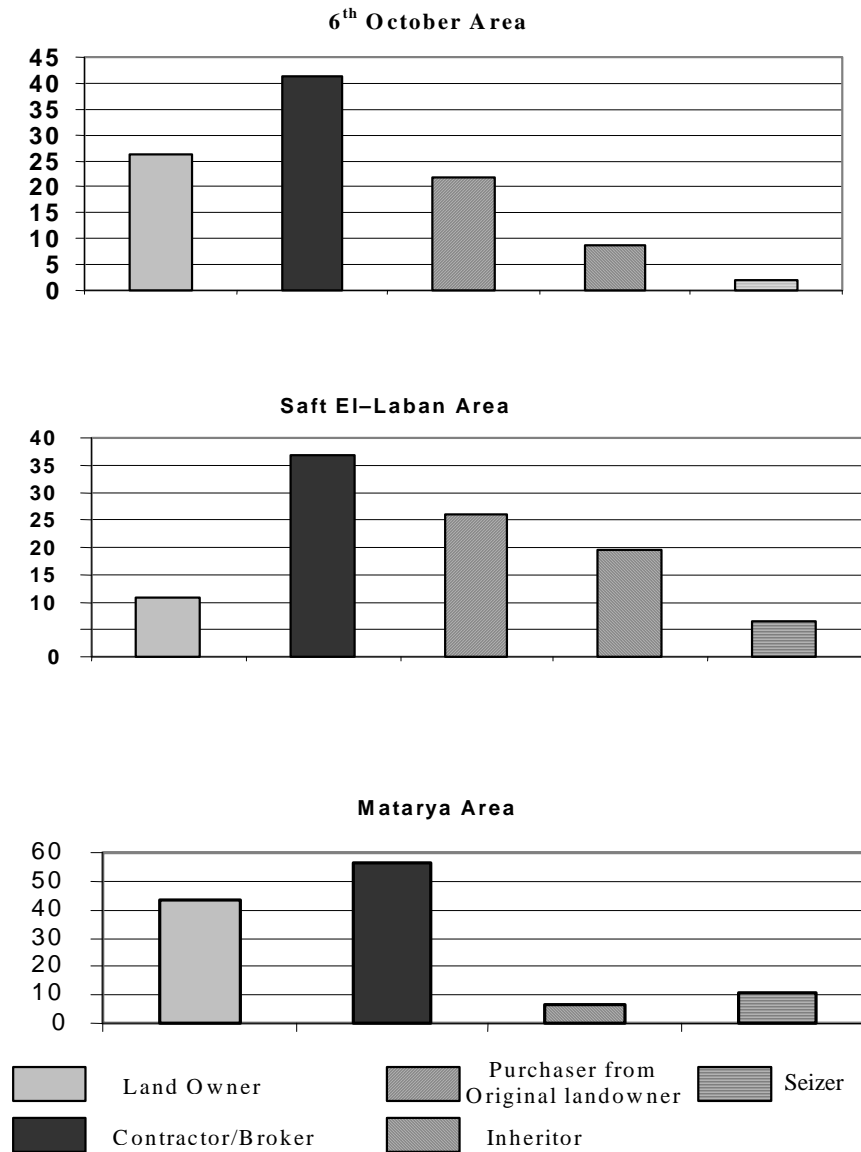
Source: Madbouly and Lashin, 2003

Concerning their origins, in the 6<sup>th</sup> of October area, the study found that 71% of housing owners or occupants came from the adjacent Boulaq El-Dakroul area; in Saft El-Laban, only 47% were originally from the area while the remainder were newcomers who settled in the area, attracted by the prospects of working in the GCR; and in Matarya, 52% of housing owners/occupants were originally from the area while the rest were newcomers who migrated from neighboring areas and villages in Qalubiya and the Delta region.

The motivations behind settling in these areas include: closeness to relatives, family or friends, proximity to the workplace (especially for those with informal and/or lower paying jobs, e.g., waiters, farmers, civil servants in lower service grades, shop owners, contractors, blacksmiths, teachers, etc), affordable land prices, relative ease of construction (obtaining a building permit is very complex), access to some basic infrastructure and transportation, among other reasons.

Housing developers in the three areas were found to be of five types: (i) *Landowners*, the farmers or their offspring; (ii) *Contractors or brokers*, individuals who buy large areas of agricultural or fallow land, subdivide them and sell small buildable parcels; (iii) *Buyers from the original landowner*, individuals who buy the land from the original landowner and build their own houses; (iv) *Inheritors*, offspring of the former group to whom land ownership is transferred upon the death of the landowner; and (v) *Seizers of land*, individuals who rely on their connections and influence to identify agricultural land without owners (often times, these are subject to inheritance disputes, were neglected/unprotected by their owners) or without official proof of ownership, and seize such land. Figure 4.3 shows the ratio of each group in the three settlements.

**Figure 4.3 Status of housing developers in three informal settlements in the Greater Cairo Region**



Source: Madbouly and Lashin, 2003

### ***Agricultural land conversion and informal housing development process***

All land in these areas was formerly used for agriculture. Faced with urbanization pressures, owners stop cultivating the land for a period of time until it turns to what is known as *Bour* or barren land, a status that they then seek to officially document through complex bureaucratic, time consuming and costly procedures so as to circumvent the laws prohibiting construction on agricultural land. The land is then subdivided and sold for housing construction. In other cases, rural houses or entire villages that get incorporated in the urban fabric are renovated and densified. In 6<sup>th</sup> of October area, 53% of the land was already *Bour* land; in Saft El-Laban, 72% of the land was already barren; while in Matarya, *Bour* land represented 85% of the total area. These figures reveal how agricultural landowners have largely succeeded to manipulate the laws prohibiting construction on agricultural land, in a process that is subject to much rent-seeking.

In most cases, it is not the agricultural landowners that undertake the development process themselves. Rather, they sell to developers (contractors or brokers) who in turn subdivide and sell the land. The latter group has acquired over the years significant experience in manipulating the laws, navigating the bureaucracy and dealing with local authorities in such a process, and they possess the needed capital to purchase and develop the land. Usually, such developers/brokers buy agricultural and *Bour* land, subdivide it into small plots according to demand, and then sell them. Original owners often refrain from direct involvement in such practices due to fear of the heavy sanctions involved with violating the law (prison terms and/or steep fines) or lack of the necessary capital, which is why they prefer to sell the land to the contractors/brokers. Those landowners who directly build on their own land usually do so to add shelter for family members.

To convert agricultural land to Bour status, the prevailing methods used in 6<sup>th</sup> of October area are as follows:

- Leaving the land uncultivated and unattended for 1-2 years.
- Informing contractors that there is a plot of land in the area in which they can dispose of their debris for free without anyone's objection and which is not far.
- Informing residents in neighboring areas that they can dispose of their waste there.
- Spreading the word that there is a site where youth can play football for free and sometimes mounting wooden posts (goals) to encourage playing.
- After some time, the land will have completely lost its agricultural character and no trace of it will remain except in the local agricultural department's old maps.
- The landowner will then submit a request to the Survey Authority to identify the land use and prove that the land is not fit for cultivation. This way, electricity can be supplied after construction. To prepare for the day of the land inspection, the landowner will conclude agreements with neighbors and residents to back his/her allegations. And, in many cases, the landowner will pay the inspection engineer or surveyor an amount ranging between LE50-200 depending on size and location.

The method used in *Saft El-Laban* is different:

- The landowner/farmer stops cultivating the land and hands over its agricultural certificate to the agricultural cooperative claiming old age and that his/her children opted for an "education path" and have no interest in cultivation.
- After a while, the landowner/farmer either sells or builds on the land. In both cases, an agricultural cooperative or local authority employee will issue him/her with a penalty.
- The landowner/farmer bribes the employee to hide the penalty paperwork for a certain period until building is completed. In case there will be legal proceedings,

by then the landowner/farmer will have finished the housing construction and will have already settled in it, making eviction very difficult if not impossible.

- If news of the building activity spread, the bribed employee produces the penalty paperwork to secure him/herself from accusations of neglect of duty.

Other methods are used in *Matarya*, where residents resort to one of the following two ways:

- Surrounding the land with a high fence and start building behind it (the most common way); or
- Digging the land and filling it with water and leaving it to turn fallow.

The choice of method mainly depends on the dynamics between landowners/farmers (especially in testifying in favor of each other) and their ability to coopt/corrupt local government officials and civil servants.

Construction of housing units is then usually undertaken by a local contractor since most owners lack the know-how or time to build their own housing. Local contractors are also experienced in dealing with district officials and navigating through the bureaucratic procedures as they usually have good contacts with local government employees. In these informal settlements, construction proceeds as follows:

- Those seeking to build identify a contractor and contract on building
- The contractor is usually responsible for building the concrete structure, with finishing works typically left to the landowner's responsibility.
- Payment is calculated based on the price per concrete column (usually LE 40-120 per column for the ground floor and increased by LE 5-20 LE for each floor above ground). Building materials are provided by the landowner.
- Bribes are directly paid by the landowner or by the contractor who then collects from the landowner.
- Contracting fees are paid in cash or installments. Installments often include a down payment of about 40% of total value, and the remainder is according to an installment schedule agreed by two parties. The landowner issues a check for the remaining amount in security to the contractor, which is then recuperated after paying the amount in cash.

Usually the landowners who carry out the construction process themselves have the connections and financial means that enable them to pay for all abovementioned expected costs. Such profiles usually include retailers/shop owners and civil servants.

In the three informal settlements, the housing units areas varied between 50 to 120 sqm (with a few exceptions in which housing units were larger, sometimes up to 300 sqm). The minimum height is 2 floors and the maximum is 8 floors in 6<sup>th</sup> of October. In Saft El-Laban, heights range from 1-4 floors, while in *Matarya*, the average height is 6 floors.

The total period of the construction is usually less than one year (in *Matarya*, it was 1-2 years). The majority of housing construction in the three areas took place between end of 2000 and 2001. This wave of building coincided with the People's Assembly and Local Council elections, and there were rumors about the cancellation of sanctions for building on agricultural land. To attract residents' votes, candidates exerted pressure on local authorities to provide these areas with utilities. All these factors helped in speeding up the building process. The short building duration was facilitated by the bribe money that was saved through such political interventions. Surveyed landowners unanimously confirmed that there is a facilitation "price tag" in each building stage ranging between LE 3,000-10,000 and sometimes LE 20,000 that must be paid if the building is finished. The amount depends on location, landowners' connections and financial status. When

the building process exceeds two years, it is due to obstacles faced by landowners from district officials, utility providers and the police, the inability to pay the money needed to solve problems, and increased building costs and expenses. Usually, landowners or building contractors acquire building materials from neighboring areas where all materials are available at convenient prices.

***Financing the Construction of Informal Housing Units***

Most surveyed landowners resorted to community-based savings mechanisms (informal rotating savings and credit organizations, known as Game'ya) and borrowing if they lacked the means. A small percentage of landowners borrowed from the banks using land as collateral, irrespective of whether it was agricultural or buildable land, as long as they had documents proving legal land ownership. Some people brought in partners to share construction costs and contractor fees or sold in advance un-built housing units (i.e. air right to development) and used the down-payments to finance construction.

The average household income of most landowners who built using own equity was between LE 500-1000 per month. Consequently, these landowners had to rely on additional financing, including the sale of part of the land to finance construction (a partnership of land and capital) or use inheritance, savings or informal gifts/loans to provide needed funds. Other landowners who were self-employed or had better paying occupations did not face such financial problems.

***Dealing with local authorities when building without permit***

The majority of landowners face problems with local authorities, the police and utility providers during the building process. The following table summarizes these problems and the solutions developed to circumvent them by landowners seeking to develop their houses.

**Table 4.7 Problems faced by informal developers and solutions devised to overcome them**

<b>Competent authority</b>	<b>Type of problem</b>	<b>Solutions used by developers</b>
Local authorities	<ul style="list-style-type: none"> <li>• Building on agricultural land~</li> <li><input type="checkbox"/> Clearance records</li> <li><input type="checkbox"/> Difficulty to obtain building permit</li> <li>• Record road works</li> </ul>	<ul style="list-style-type: none"> <li>• Compromise records work and payment form LE 2000.</li> <li>• Payment of bribes and/or use of influence</li> <li>• Contractors building work at night</li> </ul>
Police	<ul style="list-style-type: none"> <li>• Record road works</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of bribes and/or use of influence</li> <li>• Construction at night</li> </ul>
Utility companies	<ul style="list-style-type: none"> <li>• Difficulty in obtaining electricity.</li> <li>• Difficulty of access to water</li> <li>• Absence of a network of sewage</li> </ul>	<ul style="list-style-type: none"> <li>• Obtained from neighbors</li> <li><input type="checkbox"/> Illegal connection to main lines</li> <li>• Payment of bribes and/or use of influence to enable access to infrastructure</li> </ul>

Source: Madbouly and Lashin, 2003

Within the three surveyed informal settlements, the construction process in several cases proceeds through one or more of the following creative approaches to ensure that construction is completed without problems:

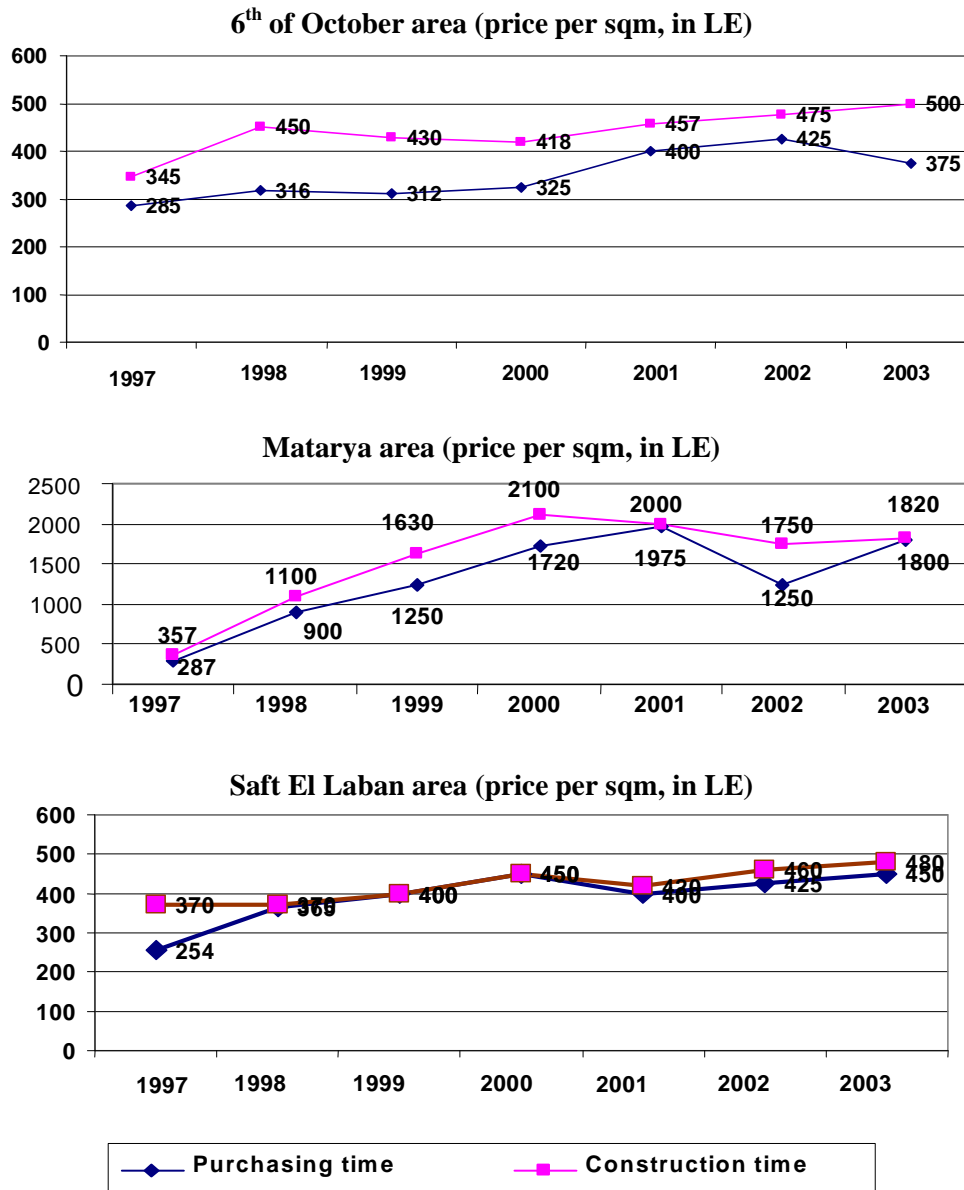
- Building activities in exposed areas that may be visible during the day typically take place at night, which is not only helpful in reducing the risks of government interventions to stop construction but also reduces the cost of bribes.
- Neighbors' cooperation is critical to prevent district officials or the police from entering the streets leading to the construction site. Some surveyed residents reported that during their construction process, they set up quarrels to divert attention or even mounted tent structures in the streets that are used to receive condolences in the event of a death.
- Hiring relatives and/or some armed men to surround the land and prevent district officials and the police from entering it. Some residents reported only resorting to this method as a cheaper alternative to bribes.
- Building a fake façade as a diversion especially in large land parcels, which officials may end up demolishing while construction is proceeding in the site. Then, the contractor can complete the construction without any obstacles as officials are unlikely to come back again.

***Despite a general government policy of preserving agricultural land against encroachment by informal development, the many relevant laws, decrees and regulations issued over the past two decades often sent contradictory messages.*** For instance, local authority staff uncovering illegal construction cannot take any measure except to issue a penalty, because the Law stipulates that a Governor decree is needed before removing any illegally built structure. In some cases, violators have even called the police for protection against local authority officials who come asking around (whether in their official duties or asking for bribes). By contrast, the Prime Minister's Decree (issued in a Deputy Military Ruler capacity) No. 1 of 1996 banning construction on agricultural land was considered effective in reversing an increasing trend of informal development, which has almost come to a halt in the GCR area for 1-2 years. Yet, the Prime Minister's decree in 2000 to allow utility connections for housing units built on agricultural lands before 1996 is thought to have made it difficult for local authorities to control/sanction informal development.

#### ***Land Prices within Informal Settlements***

Land prices in informal settlements vary greatly depending on location (especially proximity to the urbanized area, formal neighborhoods, the road and transportation network, etc) and existing access or proximity to areas with access to infrastructure services. The highest land values are found in settlements close to serviced neighborhoods, which facilitates access to infrastructure after the construction process. In the 6<sup>th</sup> October and Saft El-Laban areas, the average price per square meter ranged from LE250-290 in 1997 and increased by about 50% to LE 375-450 in 2003. In Matarya, the average land price increased at a much higher rate, from LE 280 per square meter in 1997 to LE 1800 in 2003, an increase of more than 540%. This was due to Matariya's advantageous location relative to the city center, proximity to main roads, and improved access to infrastructure. It should be noted that the price of land in these three areas reached its peak in 2000-2001 during election time, in which official tolerance of informal development increased.

**Figure 4.4 Evolution of average land prices at time of purchase and construction in three Greater Cairo Region informal settlements, 1997-2003**



Source: Madbouly and Lashin, 2003

***Construction Cost, Prices of Housing Units for Sale or for Rent***

The cost of housing construction in informal settlements typically depends on building materials cost, access to infrastructure, and the money spent to overcome problems with local authorities. The survey of housing construction costs in the three areas relied on inputs from local contractors and landowners (although the latter in many cases ended up paying much more than prevailing costs as a result of their little experience in construction and in dealing with local authorities). The survey found an increase in construction costs in 2001 (when informal building increased in line with the run up for the People’s Assembly and local council elections) as demand for

contractors and building materials led to significant cost increases. By contrast, in 2002, building cost per sqm decreased in line with a real estate market recession and a slowdown of construction activities. In 2003, prices increased again. Table 4.8 shows the evolution of construction costs in the three areas. Interestingly, despite the additional payments to overcome problems with local authorities (which are factored in the final cost figures and can add up a margin of up to 20-30% of the cost per sqm), construction costs in informal settlements in 2003 were still 10% cheaper than in public housing projects built in the same year. Even though the end up product differs (public housing, especially the Mubarak youth housing program, would have a better quality of finish), the figures suggest that informal construction would have a cost advantage if they were not subject to the extra payments.

**Table 4.8 Evolution of construction costs in three Greater Cairo Region informal settlements**

<b>Year</b>	<b>6<sup>th</sup> October</b>	<b>Saft El-Laban</b>	<b>Matarya</b>
Before 1997	250	235	200
1997	270	260	250
1998	310	310	300
1999	360	310	350
2000	400	350	400
2001	520	500	550
2002	380	400	400
2003	450	420	450

Source: Interviews with local contractors in Madbouly and Lashin, 2003

### ***Selling Prices and Rental Values of Housing Units in Informal Settlements***

The majority of housing built in these three areas mainly served as residence for the landowners, their relatives, and/or their children's future use. However, to recover part of the construction cost, many landowners rented (rather than sold) housing units in their houses/apartment buildings to low-income households who usually settle in such areas, in arrangements made to recover the units in the future at the time that their children needed them to get married (this was only made possible after the 1996 law abolishing rent control for newly built units, or in family and informal network-based arrangements). In a few instances, some units in apartment buildings were offered for sale.

The price of housing units per square meter was found to vary in the three settlements according to the location, access to roads and infrastructure, and the unit area (a premium on larger units existed). Typically, a 15-20% profit margin was found to be added over construction costs. The payment terms are negotiated between buyer and seller, and installments are often arranged over a 3-5 year period. The survey of several housing units came up with average prices for the three informal settlements, shown in Table 4.9.



**Table 4.9 Average house prices in three Greater Cairo Region informal settlements, 2001-2003**

Year	2001			2002			2003		
	6 <sup>th</sup> October	Saft El-Laban	Matarya	6 <sup>th</sup> October	Saft El-Laban	Matarya	6 <sup>th</sup> October	Saft El-Laban	Matarya
50 m2	32,500	27,500	26,000					25,000	
65 m2	35,000			25,000	23,000	32,500			
80 m2	48,000	38,000	44,000	30,000	26,000	40,000	40,000	34,000	45,000
90 m2	52,000	44,000	49,500	33,000			46,000		
100m2	55,000					50,000			65,000
120 m2	63,000	56,500	60,500		44,000		55,000		68,000

Source: Madbouly and Lashin, 2003

As for rental arrangements, the survey found that the practice of paying down-payments for rental contracts issued on the basis of the 1996 law still prevailed, in a surprising continuation of the key money practice. It appears that such upfront lump-sum payments, which landlords can use to repay debts contracted during the construction process, represent a trade-off against the monthly rental level. Such rental arrangements are sanctioned by contracts between both parties, which may stipulate an annual rent escalation clause, and receipts are given against payment of rent. Table 4.10 lists the average rental values found in the three settlements.

**Table 4.10 Average rental values in three Greater Cairo Region informal settlements, 2003**

Unit's Area	6 <sup>th</sup> October Area		Saft El-Laban		Matarya	
	Down-payment	Monthly rent(LE)	Down-payment	Monthly rent(LE)	Down-payment	Monthly rent(LE)
50 m2	3000-5000	75	4000-5000	120-200		
65 m2	7000-10000	80-170	10,000-12,000	80-170	10,000-15,000	80-200
80 m2	10,000	150-200	12,000-15,000	150-175	10,000-15,000	150-175
90 m2	10,000-12,000	150-250	15,000	100-250	12,000-15,000	100-200
100m2					12,000-15,000	120-200
120 m2			15,000- 17,000	150-250	30,000	120-200

Source: Madbouly and Lashin, 2003

### ***Housing Supply and Demand in Informal Settlements***

More than half of housing units in the three surveyed settlements were owned by the landowners' families or had been sold to others (called *Tamleek* in Arabic). A sizeable share of the housing stock (between 17% and 30%) was rented. And, what is interesting is that a large share (15-20%) of the housing stock in the three informal settlements comprised of unused or vacant units, a pattern that cuts-across all three settlements in the same way as in formal settlements. The same reasons apply, namely the still prevailing uncertainty of the ability to vacate a unit even as rent control was abolished for new contracts and vacant units, and the storage of wealth in real estate investment by building units for their offspring's future use.

**Table 4.11 Housing tenure status and vacant housing stock in three Greater Cairo Region informal settlements, 2003**

	6 <sup>th</sup> October Area	Saft El-Laban	Matarya
<b>Owned/Sold Housing Units</b>	56%	55%	68%
<b>Rented Units</b>	24%	30%	17%
<b>Vacant Units</b>	20%	15%	15%

Source: Madbouly and Lashin, 2003

### *Access to infrastructure in informal settlements*

As soon as construction is finished, landowners start seeking to connect their houses to the utility networks. Landowners and/or their contractors will undergo the same complex and convoluted process and struggle and resort to the same solutions to circumvent problems in dealing with local authorities, the police and utility providers as they did during the construction process. Residents who connect illegally to the water and electricity networks typically end up with an official notice from the administrative courts in this regard, which starts the formalization process. Residents will then resort to paying extra-legal payments to obtain their connections or go to courts to obtain formal recognition of their right to have access to infrastructure.

Interviews with landowners and contractors in the three informal areas revealed the following procedures to acquire the connections to infrastructure:

- *Electricity*: The first construction milestone is to finish both the ground and first floors as rapidly as possible. The landowner then submits a request for an electricity connection and pays the required hook-up fees and extra-legal payments to obtain the connection and the so-called “electricity metal plate”. When the metal plate is installed, the building will have obtained a “formal identity,” which is perceived as a security against evictions and payment of bribes. The landowner then continues the building process without problems with district authorities and the police, and with little extra-legal payments. The Prime Minister’s decree of 2000 obligated the Public Electricity Company to provide the service to all buildings in informal settlements without the approval of district authorities, as long as the landowner can prove that the land in question was not used for agriculture but that it was *Bour* or waste land (through a certification from the Survey Authority as explained earlier) and that the building is structurally safe (through a certification from a structural engineer registered with the Engineering Syndicate). This decree led to speeding up the building process and decreased extra-legal payments. Another decree annexed to the 2000 one stipulated that the district authority’s approval was only required for the main connection, not to the subsidiary connections. Thus, district authorities’ approval is now required to provide electricity to the ground floor, whereas connecting the other floors and individual housing units does not require district approval.
- *Water*: Connecting to the water network is done through extra-legal payments or through a connection from neighbors when the landowner is incapable of making the necessary payments.
- *Sanitation*: Neighbors typically share the costs of the necessary collection pipes and approach employees from the Sanitation Authority (acting in an individual capacity) to dig the individual or collective trenches and connect them to the main drain in return for mutually agreed payments.

All surveyed residents in the three settlements complained from various problems concerning utility connections (See Table 4.12).

**Table 4.12 Infrastructure problems in informal settlements**

Type	Problems
<b>Water</b>	<ul style="list-style-type: none"> <li>○ Weak water pressure</li> <li>○ Problems with Localities due to the lack of construction permits</li> <li>○ Regular disruption of water</li> </ul>
<b>Electricity</b>	<ul style="list-style-type: none"> <li>○ payment of regular bribes</li> <li>○ Non-approval of the local state corrections</li> <li>○ Frequent disruption</li> <li>○ Getting official notices against stealing the electricity which might lead to high fine or jail. ~</li> </ul>
<b>Sewage</b>	<ul style="list-style-type: none"> <li>○ Lack of public sewage network.</li> <li>○ Problems of overflow in the locally installed sewage</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>○ The presence of garbage and refuse in streets</li> <li>○ The presence of large insects</li> </ul>

Source: Madbouly and Lashin, 2003

***Willingness to pay for formalization***

The wide literature on informal and squatter settlements in developing countries indicates that most dwellers rank the formalization of their situation among their top priorities. The situation in Egypt is more nuanced when it comes to informal settlements. Residents in informal settlements built on illegally subdivided agricultural land tend to have a sense of security that they will not be evicted by government authorities. The reasons for such perceived security of tenure include their legal land ownership (even if the construction on agricultural land itself was illegal and despite the lack of a building permit), and the many shades of officialdom that they acquire over time (e.g. payment of property taxes—called *Awayed*—which represent a negligible amount but add much security, connection to the water and electricity networks, the construction of facilities in their settlements such as police stations that convey a sense of government recognition, etc). This sense of security has especially increased since the launch of the National Urban Upgrading Program in 1993. Recent surveys of several informal settlements in Alexandria (Participatory Rapid Appraisal in 20 settlements in 2005 and a large representative sample of 1,200 households from three settlements in 2006) confirm that land tenure regularization is not a top priority for residents of informal settlements in Egypt, and their willingness to pay for formalization is limited. This is not surprising since one of the main benefits from formalization—to be able to access finance using land as collateral—appears to be a remote prospect for both informal settlement residents and financial institutions in Egypt.

The survey asked residents in the three informal settlements in the GCR about formalization and their willingness to pay. In 6<sup>th</sup> of October and Saft El Laban areas, some 80% of the residents were willing to formalize their tenure status. However, when asked about their willingness to pay for formalization, the majority only agreed to pay Le 20 per sqm (the lowest cost option in the survey), whereas a considerable number suggested to pay only LE 10 per sqm. In Matarya, only 42% were willing to legalize their tenure position with an equally low payment. As such, while residents would not mind legalizing their situation, their willingness to pay is very limited.

#### **4.5 Concluding Remarks: Formalization of the informal sector as an affordable housing supply alternative for the urban poor**

Informal and extra-legal housing in urban Egypt, especially in the 1970-1990 period, represented a major stopgap to an impending housing crisis by delivering a massive stock of housing units, estimated between 50-70% of all newly provided housing in the GCR, and offering a wide range of affordable homeownership options to many poor households and rental arrangements for those without some equity to own an informal unit. But there is a perception that such opportunities are becoming fewer and more expensive, as the availability of cheap and adequately located land and of affordable housing is decreasing and demand continues to be high.

It is therefore critical to create conditions to capitalize upon and encourage the dynamic informal housing sector to continue developing affordable housing, while avoiding the challenges and issues faced by the sector. This requires adopting flexible and adapted planning regulations and building standards, streamlining bureaucratic procedures related to land subdivision and building permits, expanding community participation in planning, finance and implementation of service delivery, and a more responsive and cooperative role for local authorities in the process.

## **Chapter 5**

# **Regulatory framework governing urban planning and development in Egypt**

The urban/land use planning system has traditionally been centralized, supply-driven (with little gauge of demand) and inefficient, relying on inappropriate legislation with inadequate planning and land subdivision standards that do not reflect local conditions and needs, and which limit the efficient utilization of urban land. Indeed, the urban planning law prescribes inadequate and mostly undifferentiated standards including low gross population densities, limited land coverage ratio, large setbacks, a rigid zoning regime that prescribes detailed land uses without flexibility for the market to determine land uses, etc. The joint effect of planning and building legislation has been an existing land development control system that is cumbersome, bureaucratic and ineffective and thus adds to the land development cost and induces informality. Indeed, the law prescribed lengthy, complex and costly procedures to obtain land subdivision and building permits, as well as a burdensome inspection regime that is prone to rent-seeking. Planning practices also add to the problem. In effect, the master plans of most cities are either outdated or non-existent, and all cities have until recently had cordons (administrative boundaries, which also act as the official boundary for planning and service delivery, and thus separate urban authorized from rural unauthorized development) that were not updated since the early 1980s.

Substantial urban planning reforms are currently taking place in Egypt. The MHUUD's GOPP has recently completed a draft revised law—called the Unified Building Code—covering urban planning and building regulations with the aim of reforming the inefficient supply-driven top-down land use planning process and the cumbersome land development controls. The revised law mainstreams the strategic planning process through City Development Strategy (CDS) formulation process in lieu of the traditional master planning approach, and calls for decentralizing the preparation of strategic and detailed land use plans with technical assistance provided for local governments in need. The draft revised law also decentralizes to Governors the responsibility of establishing adapted planning and development standards in urban upgrading projects, instead of the traditional reliance on national blueprint standards set in the planning law, which are unrealistically high and ill-suited to upgrading projects. The law also addresses some constraints in the land development process. The draft is currently undergoing further review by Cabinet before submission to Parliament. At the same time, a major effort to revise the city and village boundaries is underway after more than 20 years of delay and stalling.

### **Local administration system in Egypt**

In 1960, a new local government system in Egypt has been introduced as a step towards decentralizing the services delivery to the citizens. This new proposed system is considered the forerunner of the present local administration system. The law 124 (1960) established a hierarchy of local government councils at the governorate, town, and village levels. Within each council, three kinds of members existed: elected, appointed and ex officio. The several regulations that followed this law in 1960s stressed that delegation of authority would be ministry-specific. Accordingly, the law delegated a wide range of functions to these local government units such as housing and public utilities (infrastructure) through which, each Local Government Unit (LGU) was encouraged to plan, supervise and implement development projects within its jurisdiction, but according to plans set by the central ministries. This means that LGUs were to execute

housing schemes in accordance with plans drawn up by the Ministry of Housing and Public Utilities.

While this delegation of responsibilities was on paper considerable, the reality was that local councils suffered from several weaknesses. The lack of qualified local staff to implement the proposed responsibilities was a major problem. The lack of local resources and scarcity of support and funds from the central government made the implementation of most of these responsibilities almost impossible. In addition, several problems such as, lack of proper guidance and direction from higher local levels, lack of clear guidelines to facilitate the gradual development of the assigned responsibilities, failure to clarify the relationships among the lower levels (city, village), the governorate and the central authorities, contributed to the fact that this law has turned to be just a good will lacked the capacity or real intention to empower it.

An important transformation of the local government system was set through law no.52 of 1975, which subdivided the local government units to five levels: Governorate, Markaz, City, Village and District. Each LGU would have a dual system consisting of Local Executive Council, whose officials are appointed, and Local Popular Council, whose members are elected by citizens within the jurisdiction of the LGU. The idea behind this dual system was to grant LGUs greater administrative autonomy and improving citizen participation through the local popular council which has the power to oversee and question the work of executive body. Despite this power, the daily operation of such system was quite different since the executive body assumed total control on setting priority and plan of actions while recommendation of local popular council come as a lower priority, especially when it is at odds with the directives from the concerned central line ministries. The weak position has been affirmed by the law 43, 1979 when the role of local popular council was greatly curtailed. It has been defined as a reviewing and advisory body rather than a decision-making entity. Law no.596 of 1979 granted governors and council chairpersons greater power in local administrative affairs. It has turned the governor to be the President's direct representative in the region and assume the executive authority of ministries for all public services functions devolved to local level. The position of governors has been empowered more in 1997 by abolishing the ministry of local administration and establishment of the Council of Governors which is directly accountable to the Cabinet.

The evaluation of this current local administration system now can reveal that the system is the concept of local decision-making and central control. According to the law, all state plans and budgets should be developed locally and then integrated and approved centrally. Locally elected councils at all levels should participate in the village, district, city and governorate development plans which would then be submitted to the ministry of finance for review and approval. However, in reality, a set of guidelines is developed by every central ministry and sent to the lower levels within the local government, which usually tend to accept these guidelines and develop their plans and budgets that reflect them. Within the governorate and district levels, executive councils contain directors of the deconcentrated line ministry branches responsible for services delivery (e.g. health, education, housing, etc). Although administratively affiliated to the governorate or district head, these directors are technically (although in reality much more so) affiliated with their respective ministries. This quasi-administrative system has been always debated whether it produced a better functional system as it was meant to be or not. On the other hand, the local people council within most governorates, especially, at villages and towns, tends to be completely dominated by the executive council. Such local people council depends mainly on the power of governor or chief and individual, who are members of it.

Article 12, in the law stated that the local people council assumes the supervision of various utilities and activities fall under the jurisdiction of the local level. Theoretically this gives great

power for these councils, but in reality, this supervision is always generalized and more advisory and evaluative than administrative and managerial. According to the law, the local people council at the governorate level will approve public projects aimed at meeting housing and construction needs and also suggesting projects needed for urban planning and reconstruction. The law, however, is not clear in showing where the basic initiative should rest for developing these projects. In addition, the director of housing in the governorate also have prime responsibility for the development of housing projects and even the executive council has the authority to specify all regulations pertaining to housing and urban planning projects. The consequence for this duplication is that few are willing to take responsibility for a decision that may prove to be against the law or subjected to any administrative penalties. Usually, the head of Housing, infrastructure or urban planning directorate in any Governorate tends to follow the orders and guides from the ministry before commencing any housing project. One exception for this common situation is the presence of a strong governor who will take the decision to develop the housing project on his own initiative.

### **Urban Planning in Egypt: Existing situation and key challenges and issues**

#### ***Evolution of Urban Planning in Egypt***

Urban planning was not known in the way it is practiced today until the 1950s. Until then, the responsibility of current urban planning activities has been scattered among the Organizational Department within Ministry of Public works and the Municipal and Rural Affairs department within Ministry of Health. Then, a General Directorate for Planning and Housing within the Ministry of Municipal and Rural Affairs was established to develop urban plans for Cairo and Alexandria. This entity has been canceled and its mandate has been transferred to the General Organization for Housing and Reconstruction which lacked the required technical and financial capacities to assume the urban planning tasks since it was mainly biased towards housing construction.

The Higher Committee for Greater Cairo Planning was created in 1965 to prepare a structure plan for the Greater Cairo Region regardless the administrative boundaries of the three Governorates constituting the region. Although this concept was considered a break with the past in terms of developing integrated development plans, however, the lack of administrative, technical and legal frameworks hindered this entity from performing its proposed tasks.

In 1973, the urban planning in Egypt has been officially recognized through the establishment of a national professional entity, the General Organization for Physical Planning (GOPP). Since this important step, the development of urban planning has passed into 3 different phases;

- First Phase (1973-1982), a presidential decree establishing GOPP has been issued in 1973 and set the mandate of this new entity together with the principle of urban planning policy. Based on this decree, GOPP has been working as a consultative entity to prepare urban plans for all Egyptian cities and villages through cooperation with concerned public organizations specially the local ones. The mandate of GOPP has included proposing required legislation for urban planning and capacity building of technical staff within the organization and local units as well.
- Second Phase (1982-1990); this phase has witnessed the issuance of Urban Planning Law 3, 1982 and its executive bylaw. According to this law, GOPP become the formal national organization responsible for setting the national policy for physical planning and

preparing physical development plans and programs, and monitoring the application of such plans. The law has emphasized the role of local government in preparing local physical development plan (Master Plans) at the city and village levels as well as detailed plans in cooperation with GOPP or any other professional consulting entities. The law sets a mechanism of ensuring public participation through the involvement of Local Popular Council "LPC" in decision making. In addition, the law has emphasized the revision of these plans every 5 years.

Although the physical planning law was a positive step towards empowering GOPP, an institutional change has been implemented which has changed the affiliation of the organization from being directly under the Prime Minister to be an entity within the organizational structure of the Ministry of Housing, Utilities and Urban Development which had negative impact on its supervisory planning role over all other concerned ministries and governmental organizations.

- Third Phase (1990-2004), this phase has witnessed the implementation of "decentralizing urban planning process within GOPP through the establishment of 7 regional centers to support the local government in performing their assigned tasks in urban planning.

Despite this considerable effort to institutionalize the urban planning process and ensure the decentralization of planning process to local government, the practice was not successful. The perceived lack of technical and financial capacity of local authorities to prepare master plans or detailed plans, has forced the intervention of GOPP in preparation of these plans in a massive way that exceeded the capacity of the organization itself in a way that forced it gradually to rely deeply on the support of private professionals and consultants. Although this step has helped GOPP to undertake its assigned tasks and duties, however, in the long term this contributed to the weakening of technical capacity of its staff and crippled its original responsibility of setting the national urban policy and building the capacity of local government in planning.

### ***Institutional and legislative framework governing urban planning in Egypt***

Today, there are several entities within the MHUUD and other line ministries which are involved in urban planning *at the national and regional levels*. These include:

- Within MHUUD, GOPP and its seven regional centers are involved in preparing urban development at different levels. Since its creation, GOPP has prepared and issued 86 cities' master plans, 25 regional plans, scores of studies and detailed plans in cooperation with concerned local authorities. In addition, Law no.59 of 1979 established the New Urban Communities Authority (NUCA) as the main responsible body for managing new urban communities. The law empowered it to prepare structure, master and detailed plans for new cities.
- Several other line ministries prepare urban and regional development studies and plans without coordination with GOPP. Most importantly, the Ministry of Planning and Local Development prepares regional development plans and studies. In addition, the Ministry of Tourism prepares coastal zone management plans. This situation has led to much duplicity and contradictory urban development plans.
- Other ministries exert significant influence on urban planning and development decision-making. All plans whether at the national, regional or local level must be reviewed and approved by the Ministry of Defense and Military Production (MOMDP). The ministries of agriculture and land reclamation, Awkaf, Culture (through the Egyptian Authority for Antiquities) also affect directly the decision making in urban planning in Egypt.



*At the local level*, according to law 1979, Governorates have authority over most urban planning and management activities such as housing, land development and infrastructure. Furthermore, urban planning law no.3, 1982 set the responsibilities of these activities upon the LGUs with the cooperation of GOPP. The plans have to be reviewed and approved by the local government councils and finally signed by the governor. At the city or Markaz level, according to local administration law and physical planning law, the local executive council should pursue planning and management of services' improvement projects within its jurisdiction and secure the financial resources needed to implement these projects. However, the main problem stems from the institutional framework where the head of services' department such as housing, infrastructure and others are technically accountable to their central ministries they represent, while administratively accountable to the Head of the City or Markez. This subordination has created several problems in fulfilling the requirement and priorities of two different entities, which might be not coordinated.

In practice, few governorates have established an urban planning department to assume its stated roles according to the physical planning law. In governorates such as Cairo, Giza and Sharkia, such entities have performed their roles in preparing detailed urban plans based on Governors' vision and policy towards their jurisdiction. In several cases, decisions concerning urban development plans within governorates have been taken based on the personal vision of the Governor, which may contradict or be in conflict with urban planning norms or national/ regional interests and lack the longer vision of overall development.

Table 5.1 presents the current institutional framework governing the urban planning process at the different levels and highlights the frequent duplicity and overlap between these efforts.

**Table 5.1 Responsible Governmental Bodies for Planning or Approval of Plans**

	Regional Planning	Structure and Master Planning	Detailed Planning
<b>Central Level</b>			
<i>Ministry of Housing</i> <b>GOPP</b>	●	●	● *
<b>NUCA</b>		● a	● a
<i>Ministry of Planning</i>	●		
<i>Ministry of Agriculture</i>		⊗ t	⊗ t
<i>Ministry of Defense</i> <b>Operation Authority for Military Force</b>	⊗ c	⊗ c	⊗ c
<i>Ministry of Culture</i> <b>Egyptian Authority for Antiquities</b>		⊗ d	⊗ d
<i>Ministry of Awkaf</i>		⊗ e	⊗ e
<i>Ministry of Environment</i>		⊗ f	
<i>Ministry of Tourism</i> <b>Authority for Tourism Development</b>	● g	⊗ g	● g
<b>Egyptian Survey Authority</b>		○	
<b>Local Level</b>			
<i>Governorates</i> <b>Department for Urban Planning</b>		● h	● h

● Prepare the plan      ⊗ Require its approval      ○ informed by the plan

\* By law, this should not be GOPP role, but undertaken upon requests from local government.

A For new cities/ communities

b For all cities and villages with agricultural land within the administrative boundaries

c For all planning levels as national security requirements, one main reason for delaying plans

d For locations or areas with historical or monumental values

e For areas with land owned by the ministry

f For areas with environmental value (e.g., natural protectorate areas or parks)

g For coastal areas and tourism value

h According to urban planning law, this is the main tasks of local government when it has the capacity to perform.

### ***Current problems facing the implementation of urban planning process***

The critical situation of tasks overlapping, duplication and even contradiction in decision making in planning linked with lack of coordination among these wide number of entities has negatively influenced the urban planning process in Egypt and contributed to the wide spread of informal development. Such overlapping and duplication together with the prerequisite to acquire approval of several governmental bodies, usually leads to the delay of finalizing the urban plans and enforcing them. The main delaying body is the Operation Authority in the Ministry of

Defense "*Haie't El-Aamaliat*" since the approval of this body is required for national security purposes, and that there is no time frame specified for acquiring such approval.

Another key problem is the plethora of laws and regulations governing or influencing the urban development and planning process. Several laws, Presidential, Prime Minister or Ministerial decrees have been issued along the time without coordinating with those already existing (See Box). Despite the good intention of such laws and decrees, the result was a mess of regulation that has been misused in several cases to ban or delay the development of physical plans. The clear discrepancy among the laws concerning urban planning appears clearly between the three following laws; Law 3/1982, the Third book of Agricultural Law/1983, and the Local Administration Law no. 43/1979.

#### **Box 5.1 Egyptian Laws Governing Housing, Urban Planning and Development**

- 1) Civil Code issued by Law 131, 1948
- 2) Law No.29/1958 for the rules of allocation of state owned land for free
- 3) Agriculture Law No.53/1966 and its amendments
- 4) Law No. 121/1974 for renting housing and other building uses and organizing the relation between owners and tenants
- 5) Law No. 169/1969 for Tax exemption on real estate and reducing rent values
- 6) Law No. 7/1965 for reducing renting value
- 7) Law No. 1/1966 for renovation, maintenance and raising the height of buildings
- 8) Law 52/1969 for renting housing and other building uses and organizing the relation between owners and tenants
- 9) Law No. 52/1975 for organizing local authorities
- 10) Law No.106/1976 for building codes
- 11) Law No.49/1977 for renting or selling housing and other building uses and organizing the relation between owners and tenants
- 12) Law No. 14/1979 for Cooperative Housing
- 13) Law No. 135/1981 for building or works violating the land subdivision law
- 14) Law No. 136/1981 for some issues related to renting or selling housing and other building uses and organizing the relation between owners and tenants
- 15) Law No.84/1968 for public roads amended by Law No.229/1996
- 16) President's decree No.1141/1972 for organising the work of El-Awkaf Authority amended by decree No.724/1981
- 17) Law No. 59/1979 on New Urban Communities
- 18) Law No.143/1981 for desert land amended by Law No.55/1988
- 19) Law No.3/1982 for Physical Planning
- 20) Law No.31/1984 for regulations of allocation of private state land
- 21) Prime Minister decree No.857/1985 for the rules of sale of private state land to hand claimers amended by decree No.1107/1995
- 22) Law No.3/1986 for resolving consequences of Agrarian Reform Law and its executive regulations
- 23) Minister of Agriculture and Land Reclamation Decree No.211/1990 amended by decree No.33/1994 (legal) for conditions and procedures of granting building licenses in the exceptional cases stated in article No.152 of Agriculture Law amended by Law No.116/1983
- 24) Law No.7/1991 for regulations concerning sale of private state property
- 25) Board of Directors of El-Awkaf Authority Decree No.91/1993 that sets the rules for land swapping of Waqf land
- 26) Prime Minister Decree No.2904/1995 regulating the transaction in land allocated to New Communities Authority The Military Ruling of the Prime
- 27) Prime Minister (as Deputy Military Ruler) Decree No.1/1996 that prohibits activities that cause agriculture land to become fallow or to build on it.
- 28) Law No.4/1996 for applying civil code on building spaces not subjected t rent control laws.
- 29) Law No.5/1996 for free disposition of State desert land
- 30) Law No. 101/1996 for amending law No.106/1976 for building codes

The contradiction between the urban planning Law 3-1982 and the third book of Agricultural Law of 1983, both issued with one year interval, is a clear example on the problems and negative implications of overlapping responsibilities and lack of coordination between laws. Both laws aim to protect agricultural land by prohibiting construction on it unless if located within the city or village administrative boundaries. Exception to build outside these administrative boundaries is given only to public buildings or specific agriculture-related construction not exceeding 2% of the land area. However, the Urban Planning Law stated that this approval is the responsibility of the minister of housing after consultation with the minister of agriculture, while the agricultural law states the opposite, placing the final decision in the hand of the minister of agriculture.

Furthermore, the urban planning law states that administrative boundaries and physical plans should be revised every five years to enable cities and villages to extend in a planned manner to accommodate the expected increasing population. The law requires administrative boundaries to follow natural delimiters of the urbanized area, which would then include vacant non-agricultural land pockets that could be utilized for accommodating future urban development and housing needs in villages and cities. However, the ministry of agriculture has defined boundaries differently. It relied on the 1985 aerial photography and set the administrative boundaries at the exact edge of the existing built area then. This meant that there was no planned space for future urban expansion. This subsequently became a major obstacle in terms of planning future urban development to accommodate population growth.

A special committee within GOPP had been established to define city and village administrative boundaries, including representatives from concerned ministries and agencies such as agriculture, local development, and defense. Although this committee's objective was to coordinate with these entities to expedite their approval, the multiplicity of decision-making and interests and the great influence exerted on the process by the ministry of agriculture caused substantial delay in setting these boundaries, which serve as a basis for preparing urban plans. After 20 years, the committee is still proceeding to enact administrative boundaries based on the 1985 aerial photography, which, as a result of fast informal urban development, have become absolutely irrelevant. Table 5.2 shows progress in defining these administrative boundaries so far.

The situation was much worsened with the issuance of military decree 1996 which prohibited any urban development on agricultural land even those land lie within the administrative boundary of the city/ village without prior approval of the minister of agriculture. This has meant that the ministry of agriculture has become the one who control and manage the urban development not the governorates or ministry of housing. Accordingly, confusion about the responsibility of urban planning and protection of agricultural land has increased dramatically and leading to more informal development on agricultural land.

The other contradiction among laws is the one between the urban planning law and local administration law no.43, 1979. The law no.43 has divided the country into 7 economic regions and emphasized the establishment of an authority and a higher committee for regional planning in each region with specific duties. The development plan of any governorate should be endorsed by the responsible regional committee and authority. At the same time the urban planning law has mentioned the regional planning as one of the main task of GOPP. However, both laws did not clarify the mechanism of preparing, approving and implementation of these regional plans.

Another important confusion between the two laws is the definition of five years development plans for local units. While the law no.43 takes it from the administrative and fiscal view, the law no.3 takes it from the urban development view. Accordingly, there is no linkage between the

development projects proposed in urban plans with the administrative and fiscal ones. In addition, there is no commitment on local government to implement the proposed projects within the master plans.

Also, since the law no.3 has stated that the responsibility of preparing master plans (which is considered the legal ones) lies on the local government, GOPP can not perform this task without a formal request from local government. In several cases, local government was reluctant to prepare master plans since there is no obligation within the current law for that and prefer to work in a more flexible manner and not to be bound with this legal plan even if it would give an overall comprehensive development vision.

**Table 5.2 Status of update of city and village official administrative boundaries, 02/2005**

Governorate	Total		Administrative boundaries defined		Administrative boundaries not yet defined		Percent of total still undefined	
	Cities	Villages	Cities	Villages	Cities	Villages	Cities	Villages
Cairo	1	0	0	0	1	0	0.0	
Giza	11	172	9	151	2	21	81.8	87.8
Qalyoubia	9	197	6	192	3	5	66.7	97.5
Alexandria	2	9	2	3	0	6	100.0	33.3
Behiera	15	497	11	377	4	120	73.3	75.9
Matrouh	8	98	0	0	8	98	0.0	0.0
Monofeya	10	313	6	310	4	3	60.0	99.0
Gharbia	8	318	8	311	0	7	100.0	97.8
Kafr El-Sheikh	10	206	5	198	5	8	50.0	96.1
Damietta	10	85	7	51	3	34	70.0	60.0
Daqhlia	18	479	14	425	4	54	77.8	88.7
North Of Sinai	6	82	1	0	5	82	16.7	0.0
south of Sinai	8	9	4	0	4	9	50.0	0.0
Port Said	1	0	0	0	1	0	0.0	-----
Ismailia	7	30	6	3	1	27	85.7	10.0
Suez	1	0	0	0	1	0	0.0	-----
Sharkia	15	496	15	452	0	44	100.0	91.1
Beni Sweif	7	222	7	195	0	27	100.0	87.8
Menia	9	359	9	337	0	22	100.0	93.9
Fayoum	6	162	5	147	1	15	83.3	90.7
Asyout	11	236	11	236	0	0	100.0	100.0
El-wadi El-gadid	4	70	1	33	3	37	25.0	47.1
Sohag	11	270	11	269	0	1	100.0	99.6
Qena	11	187	11	153	0	34	100.0	81.8
Aswan	10	97	10	47	0	50	100.0	48.5
Red-Sea	6	14	5	0	1	14	83.3	0.0
Luxor	2	15	2	14	0	1	100.0	93.3
<b>TOTAL</b>	<b>217</b>	<b>4623</b>	<b>166</b>	<b>3904</b>	<b>51</b>	<b>719</b>	<b>76.5</b>	<b>84.4</b>

Source: General Organization of Physical Planning, MHUUD (2005)

Apart from legislative problems, several technical, financial, administrative and organizational problems exist and represent major constraints towards the enforcement of urban planning in Egypt. The technical problems are represented in the following issues:

- The urban planning in Egypt so far follows the traditional model of preparing structure and master plans. Although, such types of planning may be technically feasible, however they lack the realistic vision in terms of applicability and understanding the local context. In addition, such traditional concepts can not accommodate the recent integrated development approaches such as sustainable development since they give much more emphasis on urban and physical issues.
- Lack of technical capacities among the local government to prepare, implement and monitor such plans. Except few governorates, the local government lack qualified urban planners or engineers who are able to perform the task of preparing such plans
- Lack of good line of communication between GOPP and its regional centers with local government, which create mistrust among the two parties and hinder the efficient collaborative working environment.
- In addition, the lack of urban development indicators and required information (e.g., urban, socio-economic, environmental data, updated maps, new information-aid tools such as satellite photos, inconsistency among different sources of information) that can support the decision makers and planners towards practical and realistic plans is a key issue in the Egyptian context. This applies to both central and local governmental entities.
- The absence of active participation from the local community. Although the urban planning law has emphasized this issue. It is being practiced only in the form of getting the approval from local popular council "LPC" rather than involving stakeholders in decision making, plan formulation or priorities' definition. There is no clear mechanism on how to mobilize the community participation in these important steps or activities within urban planning. As a result, most of plans do not reflect the real demands of local communities and come up with unrealistic and costly projects that can not be implemented.

Regarding the financial problems, as mentioned earlier, there is no linkage between projects proposed in master plans and planning fiscal budget of the local government unless there is a personal willingness from the governor to do that. In addition the weak capacity of local government to mobilize local financial resources and its great dependency on central governmental transfers that usually never meet the local demands hinder the implementation of such plans. In other wards, all urban plans set in away that are only targeting public financial resources for implementation. Issues such as public private partnership in or mobilizing community based organizations or NGOs are not well understood by both GOPP and local planners.

Regarding the administrative and organizational problems, the overlapping responsibilities among several planning bodies together with the weak coordination, whether vertically among different governmental levels, central, regional and local, or horizontally among sectoral and locational planning entities represents a major obstacle in front of urban planning enforcement. In addition, the lack of a special professional body within the local level to be the sole responsible for managing the urban planning process is another crucial issue ( although UP law no.3 stated the necessity of establishing a committee for urban planning in each governorate to perform this mandate, only few governorates have done that)

### **Recent government efforts to improve the urban planning process**

The MHUUD has recently adopted several measures to improve urban planning practices in Egypt. These steps were the main respond for the emerging pressure from central government, political parties and local community's organizations because of the increasing rate of annual loss of agricultural land as a result of urban informal development. The steps can be summarized in:

- Legislative intervention through adapting the urban planning law (within the unified building law). The new proposed planning law focuses on creating an enabling environment for decentralizing the decision making, plan formulation to the local level with great emphasis on ensuring local community participation through clear methodology. The law suggests the following changes :
  - Changing the role of GOPP to be the main responsible body for setting national urban development policies and strategies, guiding and monitoring the preparation of local plans, setting manuals and guidelines for urban planning and development using participatory planning technique, monitoring urban development and performance of local government through establishing urban observatories on national and local levels
  - Recognizing the regional urban planning centers of GOPP as the decentralized arms of GOPP to cooperate with local government and monitor its work and providing it with technical support and capacity building activities
  - The establishment of urban planning and development directorate within each governorate to be the main responsible body in managing the preparation and implementation of urban development plans with the cooperation of professional consulting firms
  - Emphasizing the development of regional development plans to ensure the integration of all development activities among different governorates within each region and avoid lack of coordination within this important level for economic development.
  - Changing the concept of urban planning from the traditional structure and master plans that mainly focus on urban aspects with the emphasis on physical outputs, to the strategic and action planning technique that focus on sustainable development and incorporating socio-economic and environmental issues such as local economic development, environmental management and prompting public private partnership and stakeholders involvement of all steps of plan formulation.
  
- Based on the initiative taken by the National Democratic Party (NDP) aiming to protect the agricultural land within villages and cities from further urban informal development, the Ministry of Agriculture has delegated the responsibility of approving any urban activities within the administrative boundaries of villages/ cities to the concerned governor. This is considered a crucial issue to enable local decision making in urban development and reduce the control of ministry of agriculture on this crucial issue, which for sure, does not lie within its mandate.
  
- GOPP has set a planning program for preparing all strategic plans for villages within the coming three years, while preparing strategic plans for cities will be conducted in a later stage. These strategic plans will be prepared based on a new aerial photography that is currently being conducted by Egyptian Survey Authority (ESA). GOPP has prepared a new guideline for preparing these strategic plans based on participatory approach. The main expected outputs of these plans would be new administrative boundary (*Haiez*) for each village based on its future growth needs, defining required developmental projects and setting their priorities and allocating them within a new detailed plan for the village. The 4623 villages have been scheduled along the three years period, given the priority for Delta's governorates to be finalized within the coming 18 months.

- Given the lack of technical capacity, to perform this new mandate and tasks, GOPP has entered in multilateral technical agreements with several international donors working in the field of urban management in Egypt such as UNDP, SIDA, CIDA and KOICA with further potential agreements in future with UN-HABITAT, World Bank and Cities Alliances to activate the proposed development framework in the new law. Two current ongoing projects with UNDP are focusing on institutional development of GOPP and its regional centers in terms of proposing new organizational structures, capacity building for its staff and developing its data management process together with developing manuals and guidelines for preparing, monitoring and implementing strategic plans for villages/cities and capacity building for local government staff on this new concept.
- Within the effort of improving the institutional framework of local government, especially the technical departments responsible for urban development, GOPP has worked with Ministry of Local Development in developing a preliminary new institutional proposal for local directorate responsible for urban planning and development. More details of this issue will be thoroughly discussed in the part of urban administration.

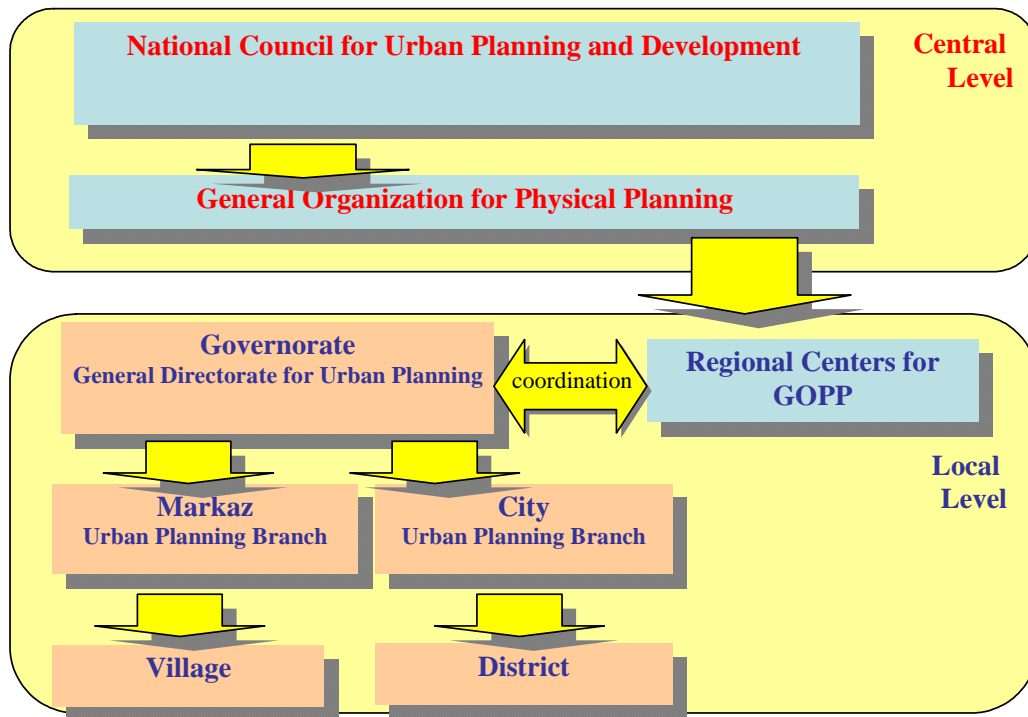
### ***Recent proposed changes in the urban planning legislation***

Recognizing the major challenge of enforcing urban planning and building regulations due to the contradiction between many laws and decrees issued over time, MHUUD proposed to combine all related laws for planning and building in one law to avoid any further conflict. The new law, named the Unified Building Law, comprises five chapters: (i) Urban Planning and Development; (ii) Building Code; (iii) Conditions for Demolition of Buildings; (iv) Protection and Maintenance of Housing Buildings; and (v) Preservation of Buildings with Cultural or Architectural Importance. The first chapter introduces major changes in urban planning practices in Egypt through emphasis on the decentralization of urban planning activities in accordance with the following institutional structure (see Figure 5.1):

- Establishing the National Council for Urban Planning and Development, to be headed by the Prime Minister, and to include the different concerned ministries and government authorities, as well as representatives from civil society and planning experts. Council responsibilities include approving urban development policies, resolving conflicts between ministries, and authenticating national and regional urban plans.
- The GOPP would be the main responsible body for managing the overall urban planning practice in Egypt and be responsible for preparing national and regional urban plans with guidelines for local ones. The law enables GOPP to play an important monitoring role on the local governmental bodies responsible for local urban planning.
- Establishing Urban Planning Directorates in each governorate to be responsible for urban planning practice on local level whether in urban or rural areas.



**Figure 5.1 Proposed institutional framework governing urban planning in Egypt**



The new proposed law suggests several layers of horizontal and vertical coordination among different governmental agencies to ensure the enforcement of the law, as seen in Figure X. In terms of planning practice, the law has developed the following modalities:

- The law adopts the concept of strategic planning rather than master planning in the aim of achieving dynamic, integrated development plans that are more likely to be implemented.
- The law emphasizes participatory planning and stresses on involving local stakeholders in the decision-making process. The law stipulates the process of ensuring the active participation of different stakeholders in the different steps of the preparation of the urban development plans starting from defining problems, priorities for intervention, preparing the plan, setting the required development projects and approving such plans and turning them into action plans.
- The law sets different operational procedures to deal with slums, informal settlements, down-town areas, industrial zones and historical areas. Within these procedures, the law emphasizes the right/importance of regularization of poor people's land tenure status.

The law was handed to the People Assembly by the end of 2006.

## Chapter 6

# Conclusions: The need for a new affordable housing strategy

### 6.1 Summary of key findings

Since the mid-1980s, the urban housing stock's annual growth rate was almost double that of the urban population, with the result that the total urban housing stock far exceeds the number of urban households and a significant number of units is vacant. The average annual growth rate of the urban housing stock in Egypt (3.6%) far surpassed that of the urban population (1.9%) during the inter-census period (1986-1996). By mid-2005, the total number of housing units in urban areas in Egypt reached close to 9.49 million units. By contrast, in January 2005, the total number of urban households was estimated at 6.84 million units. The result is that in 1996 there were 1.4 housing units per urban household and 2.64 million housing units that were vacant or unused. Taking into account multiple unit ownership (10% of urban households owned/controlled 20% of the total housing stock), there still was in 1996 about 20% of the total urban housing stock that could be considered to be available on the market, whether units ready for occupancy, that are still under construction or which remain unfinished for a long time.

During the inter-census period (1986-1996), formal housing production covered 62.8% of the total urban stock produced, with the informal sector responsible for the remainder. During the inter-census period (1986-1996), the total urban housing stock grew by an annual average of 241,916 units, of which 151,896 units (62.8%) were formal and the remainder (90,021 or 37.2% of total) were informal. In the 1986-1996 period, the public sector built 29.5% of all new (formal and informal) housing units built in urban areas during this decade and 47% of the formal housing stock, with the private sector responsible for 33.3% of total housing stock and 53% of formal housing stock. The largest producer of urban housing during this period was the informal sector, conservatively estimated to have delivered 37.2% of all new units (the ratio would be higher if we account for replacement units).

Over the past 25 years, the public sector has built as much as 36% of all formal housing units supplied in urban areas, which came at a significant cost of LE26.4 billion to the public coffers. A plethora of public agencies and programs for direct or supply of affordable housing exist in Egypt today. These include Governorates, housing and development companies, the Joint Projects Agency, the General Organization for Housing and Building Cooperatives, the Housing Finance Fund, the Housing and Development Bank, development agencies, and the New Urban Communities Authority. Together, these entities have delivered 1.26 million public housing units during the period 1982-2005 (36% of all formal housing units built during this period in urban areas) at a total cost of LE26 billion, excluding the cost of land and off-site infrastructure. By and large, the largest supplier of public housing was the Governorates, which were responsible for the supply of 44% of the total public sector-built stock in urban areas during this period and mostly targeting low and moderate income households. This shows the extent of local government contribution to public housing supply, an impact that could have been even greater had they not had limited local revenues and had their mandate evolved to enabling access to affordable land and housing within their jurisdiction instead of direct supply. The Housing Cooperative system delivered as much as 22% of the total public stock provided in the 1982-2005 period, although it is increasingly seen as out of favor with the General Organization for Housing and Building

Cooperatives' budget falling to less than one-fifth of its peak of over LE1 billion in the 1995-98 period. Finally, NUCA was responsible for 20% of the total public stock, but similarly its total investment has fallen to about 5% of its peak of about LE1.1 billion in the 1997-99 period.

The positive trend has been the steady increase of the private sector's share of annual formal housing production over the past decade up to 90%. With respect to the formal sector, the private sector contributed 64% of all formal housing units built in urban areas between 1982 and 2005, with the total investment having exceeded LE60 billion. The 1992-99 period was the only trough observed in the private sector's performance, where its share of the formal housing stock was less than half (ranging between 33-48%). Since then, a positive trend has been the steady and significant increase in the private sector's contribution, which reached 88-90% of all new formal units since 2002 with an average of 145,000 units per year. At the same time, the public sector's annual average fell to a little over 18,000 units, which points to public sector withdrawal from direct supply and an invigorated private sector playing an increasingly important role in housing supply.

These statistics and findings reinforce the argument that the urban housing crisis in Egypt is not a quantitative/scarcity problem but distortions to the housing market caused by an accumulation of ill-conceived and inadequate policies that led over time to creating a mismatch between supply and demand and to severely curtailing private sector investment in housing supply. The problem manifests itself among other things in a large share of the existing urban housing stock being kept vacant and under-utilized, and in private sector withdrawal from investing in the rental housing sector to focus instead on the upper segments of the market catering for homeownership (which is simply unaffordable even for middle-income groups in the absence of housing finance). It is also argued that there was, and still is, a mismatch between housing demand and supply, with on the one hand an oversupply of formal housing for upper-middle and high-income groups (at the same time as demand was dampening due to weakened purchase power), while on the other hand there is a shortage of supply for low, moderate and even middle-income groups, leaving the informal sector to meet their needs.

Limited income groups, unable to afford formal housing or adequately located and serviced land upon which to build especially in large cities, found that they had no option but to seek shelter in informal and squatter settlements. Construction costs in the informal sector, even with a 20-30% cost add-on in extra-legal payments to circumvent problems with local authorities and utilities and navigate the bureaucracy associated with informality, are still more affordable than formal housing supply. The end housing product is more suited to people's needs and the progressive construction method is more adapted to their priorities and affordability level. What is interesting is that even in the informal sector, there is an oversupply of housing units, estimated in the GCR at 500,000 units and in a sample of three informal settlements at 15-20% of the total stock.

In summary, there is a large stock of formal and informal housing units that are vacant and which could be brought back to the market if an appropriate regulatory framework and incentives to owners/developers could be secured and effectively implemented/enforced (including enhancing the security of property rights to land and real estate, and ensuring when needed expeditious court-administered tenant eviction procedures in case of end/breach of contract terms and conditions). In addition, the positive trend of increased private sector participation and investment in housing supply needs to be capitalized upon, and obstacles facing the private sector need to be removed, if it is to play the lead role in housing supply. Adequate (supply-side and/or demand-side) incentives will need to be provided for the private sector to cater to the needs of low and moderate income groups, including making available well located and serviced land, streamlining bureaucratic procedures for land subdivision and building permit issuance and

property registration, and enhancing the end-users' affordability levels through among other things enhanced access to housing mortgage finance.

## 6.2 Next Steps

The next step is the formulation of an affordable housing strategy for urban Egypt. From a quantitative perspective, the strategy will need to focus both on accommodating the expected demand from new household formation in the future as a result of population growth and continued migration patterns, and addressing the current deficit and backlog in the housing market. The affordable housing strategy will thus need to provide the appropriate conditions for enabling the provision of:

- New housing to accommodate the expected increase in the number of urban households by the target year;
- New housing to accommodate newly established limited-income households who are still without a shelter of their own; and
- Replacement housing for over 10% of existing urban households living in substandard housing (shacks, tents, cemeteries, rooms in shared units, freestanding rooms with shared utilities, etc—See Table 6.1) and for households living in precarious housing units in risk of collapse, for which administrative decrees for evacuation were issued by the concerned authorities but were not complied with.

**Table 6.1 Housing typologies in Egypt, 2000**

Unit Type	Urban	Rural	Average
Flat	78.58%	28.06%	51.29%
More than one flat	0.64%	0.77%	0.71%
Villa	4.41%	6.40%	5.49%
Rural house*	7.02%	50.73%	30.63%
Room(s) in shared unit	5.41%	10.55%	8.18
Freestanding room(s)	3.64%	3.20%	3.40%
Shack or tent	0.18%	0.22%	0.20%
Graveyard	0.03%	0	0.01%
Others	0.09%	0.08%	0.08%
Total	100%	100%	100%

\* Rural houses refer to villages that are subsequently integrated in the urban fabric

Source: CAPMAS, 2000

But the main challenge will be to devise affordable housing policies that address the distortions that to date still constrain the housing market from functioning efficiently. The first critical steps in this regard were the abolition of the rent control legislation in 1996, after five decades in which it severely distorted the housing market, and the set up of the regulatory and institutional frameworks governing housing mortgage finance. The key remaining challenges that the new affordable housing policy and strategy will need to address are to: (i) *put in place the institutional and regulatory frameworks and incentive structure needed to enable an expanded private sector role in the delivery of affordable housing in a competitive and transparent framework*; (ii) *rationalize the subsidies provided to limited-income groups by eliminating distortionary and off-budget instruments and developing efficient targeting instruments that could be easily administered*; and (iii) ensure that the regulatory framework and incentives allow *the development*

*of a viable rental market* to serve the needs of the lowest income groups in conjunction with some homeownership opportunities (which are more expensive and thus less scalable).

The formulation of a national affordable housing policy framework and strategy during the next stage would comprise the following key elements: (i) a quantification of existing supply and demand-side subsidies, both on- and off-budget, their fiscal burden, intended and unintended consequences, recipients, and winners and losers from the existing system, in view of preparing a comprehensive assessment of the merits and limitations of supply versus demand-side subsidies to guide policy and decision-making; (ii) formulation of the institutional, regulatory and financial frameworks, including the role, responsibilities and mandate of the key government stakeholders in the affordable housing arena, needed to expand private sector participation in affordable housing delivery; (iii) identification of targeting criteria that are relatively easy to administer and enforce, and which can efficiently reach the intended beneficiaries; (iv) development of adapted planning regulations and building standards, and streamlined procedures for land subdivision and building permit issuance; and (v) recommendation of the best approach(es) to meet the six-year target of 500,000 affordable units (product mix, whether new construction, incentives for vacant unit owners to put them back on the market or informal settlement upgrading; homeownership versus rental sector; etc), while implementing the long-term policy reforms. The affordable housing strategy will be informed by an overview of international experiences related to demand-side (e.g. Chile's housing voucher program), and production/supply-side (e.g. the US Low-Income Housing Tax Credit program) interventions.

Specifically, the new affordable housing policy and strategy will need to address the following key issues:

- Changing government's role in the housing sector from one of direct supplier of housing to an *enabler of the housing market* to function more efficiently through the delivery of the incentives needed to expand private sector participation in affordable housing supply. This will require reforming the institutional and regulatory framework governing the housing sector, including an expanded role for *local authorities* in enabling the supply of affordable housing.
- Addressing the *distortions* that led to a mismatch between supply and demand of housing, increased the cost of housing and created inefficiencies in terms of residential mobility and significant unit vacancy. This requires among other things tackling the restrictive planning and building regulations, accelerating the removal of remaining rent control effects (especially that a large number of existing rent controlled units is grand-fathered), and expanding access to housing mortgage finance.
- Streamlining the complex bureaucratic and costly procedures governing the issuance of *land subdivision* and *building permits*.
- Designing a transparent, non-distortionary and well targeted *subsidy system* to enable the urban poor to have expanded access to affordable land and housing options.
- Develop mechanisms to expand poor people's *access to finance* for housing construction and acquisition, including contractual savings schemes and housing micro-finance.
- Expanding *options* for the urban poor to access affordable housing by reintroducing sites-and-services schemes (which offer small land parcels, gradual infrastructure delivery and leave building to beneficiaries in the aim of lowering upfront costs), upgrading policies to regularize squatter/informal settlements and enable them to continue to supply affordable housing options and absorb a portion of Egypt's expected population increase.
- Creating the necessary incentives to *formalize the informal market* and capitalize on this dynamic sector to take part in housing delivery in the formal market.

Finally, while the abovementioned measures are all necessary, they are not sufficient to improve the functioning of the urban housing market. The Government of Egypt should also focus on the two equally important and complementary reform efforts which have been recently initiated, but which still need to surmount significant obstacles if they are to deliver the intended results. These are *the activation the recently (re)structured housing mortgage finance market and the reforms of the urban land and property registration and taxation systems*, which are both critical to the efficient functioning of the housing (and land) market. With regards to land and property registration, the GOE has taken a first important step by lowering the cost of the service (a flat fee system for registration with a ceiling of LE 2,000 has been in place by Law since August 2006). The next steps are to mainstream the application of the parcel-based registration system in urban areas, streamline and automate the process, develop service standards, and most importantly, ensure effective coordination between the Egyptian Survey Authority and the Ministry of Justice's Real Estate Publicity Department. With regards to property taxation, the Ministry of Finance is currently preparing draft legislation to address the main dysfunctions of the existing system, namely high tax rates, long lists of exempt properties, very low collection rate, and poor property valuation practices with the assessment updated only every ten years.

## **Bibliography**

CAPMAS (1996).

CAPMAS (1986).

Shoura Council Report 1993

ILD/ECES

Madbouly and Lashin (2003).

Ministry of Housing, Utilities and Urban Development (2002).

## **Annexes**



**Annex 1: Detailed statistics on publicly and privately-built formal housing**

**Table A-1 Total housing units built by the public and private sector, 1982-2005**

	Public sector		Private sector		Total units		Private sector share of year's stock
	Number of units	% of total	Number of units	% of total	Number of units	% of total	
FY82-83	32,645	3%	135,932	6%	168,577	5%	81%
FY83-84	32,991	3%	128,986	6%	161,977	5%	80%
FY84-85	44,057	4%	126,345	6%	170,402	5%	74%
FY85-86	38,352	3%	125,366	5%	163,718	5%	77%
FY86-87	49,602	4%	131,403	6%	181,005	5%	73%
FY87-88	62,824	5%	121,979	5%	184,803	5%	66%
FY88-89	67,306	5%	122,590	5%	189,896	5%	65%
FY89-90	76,480	6%	82,747	4%	159,227	4%	52%
FY90-91	95,875	8%	94,758	4%	190,632	5%	50%
FY91-92	84,394	7%	95,033	4%	179,427	5%	53%
FY92-93	99,450	8%	54,005	2%	153,455	4%	35%
FY93-94	64,433	5%	32,008	1%	96,441	3%	33%
FY94-95	58,026	5%	41,322	2%	99,358	3%	42%
FY95-96	55,897	4%	28,814	1%	84,711	2%	34%
FY96-97	53,611	4%	32,281	1%	86,892	2%	37%
FY97-98	58,534	5%	32,336	1%	90,870	3%	36%
FY98-99	65,925	5%	61,256	3%	127,181	4%	48%
FY99-00	70,375	6%	99,253	4%	169,628	5%	59%
FY00-01	57,977	5%	108,828	5%	166,805	5%	65%
FY01-02	35,146	3%	148,608	7%	183,754	5%	81%
FY02-03	21,788	2%	172,220	8%	194,008	5%	89%
FY03-04	14,945	1%	138,015	6%	152,960	4%	90%
FY04-05	17,440	1%	126,493	6%	143,933	4%	88%
<b>Total</b>	<b>1,258,073</b>	<b>100%</b>	<b>2,281,174</b>	<b>100%</b>	<b>3,539,247</b>	<b>100%</b>	<b>64%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-2 Total publicly-built housing units by implementing entity, 1982-2005**

	<b>Governorates</b>	<b>New urban communities</b>	<b>Housing &amp; dev't companies</b>	<b>Joint projects agency</b>	<b>Housing &amp; construction cooperatives</b>	<b>Housing finance fund</b>	<b>Dev't &amp; housing bank</b>	<b>Dev't agencies</b>	<b>Total units</b>
FY82-83	20,428	2,952	987	238	3,140	--	1,018	3,882	32,645
FY83-84	22,660	4,633	350	--	2,561	--	696	2,091	32,991
FY84-85	23,536	2,410	2,146	--	14,533	--	--	2,432	44,057
FY85-86	21,258	4,624	1,876	--	8,942	--	--	1,652	38,352
FY86-87	17,563	6,114	2,283	--	21,818	--	7,270	1,824	49,602
FY87-88	29,806	11,922	2,745	3,500	5,540	--	6,156	2,041	62,824
FY88-89	35,952	8,369	1,569	4,105	9,271	--	1,312	1,884	67,306
FY89-90	46,221	8,370	4,104	1,739	8,012	5,970	6,768	752	76,480
FY90-91	47,812	11,527	5,433	--	21,779	1,313	5,034	1,243	95,875
FY91-92	42,228	7,579	3,469	--	24,603	327	2,142	410	84,394
FY92-93	49,228	13,750	3,067	--	30,659	406	6,556	198	99,450
FY93-94	23,938	12,369	2,184	1,289	16,037	458	3,589	1,602	64,433
FY94-95	17,599	7,174	3,528	277	21,865	--	2,899	3,994	58,026
FY95-96	25,467	3,471	1,852	856	19,888	360	1,602	1,104	55,897
FY96-97	21,507	9,094	399	601	20,104	304	8,209	--	53,611
FY97-98	12,109	20,852	639	239	12,250	4,136	950	--	58,534
FY98-99	16,854	31,545	1,154	441	12,741	2,240	2,613	--	65,925
FY99-00	14,882	38,804	540	1,176	6,364	5,192	2,022	804	70,375
FY00-01	14,424	31,886	416	1,186	6,151	--	1,878	1,892	57,977
FY01-02	15,279	8,507	652	304	7,747	480	2,213	299	35,146
FY02-03	12,719	2,805	1,448	364	1,477	750	647	12	21,788
FY03-04	11,165	1,183	1,245	432	--	160	--	113	14,945
FY04-05	11,397	1,121	1,032	805	2,795	72	100	118	17,440
<b>Total</b>	<b>553,776</b>	<b>251,061</b>	<b>43,118</b>	<b>17,652</b>	<b>278,277</b>	<b>22,168</b>	<b>63,674</b>	<b>28,347</b>	<b>1,258,073</b>
<b>% of total</b>	<b>44.0%</b>	<b>20.0%</b>	<b>3.4%</b>	<b>1.4%</b>	<b>22.1%</b>	<b>1.8%</b>	<b>5.1%</b>	<b>2.3%</b>	<b>100%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-3 Formal housing units built by the public and private sector by type, 1982-2005**

5-year plan	Built by	Low cost / economic		Middle		Upper Middle		Luxury		Total	
		units no	%	units no	%	units no	%	units no	%	units no	%
1982-1987	Public	145,791	73.8%	44,615	22.6%	6,016	3.0%	1,225	0.6%	197,647	100%
	Private	351,578	54.3%	174,677	26.9%	80,164	12.4%	41,613	6.4%	648,032	100%
1987-1992	Public	317,991	82.2%	64,224	16.6%	4,284	1.1%	380	0.1%	386,879	100%
	Private	254,120	49.1%	154,387	29.9%	72,477	14.0%	36,123	7.0%	517,107	100%
1992-1997	Public	273,927	82.7%	55,493	16.7%	1,684	0.5%	313	0.1%	331,417	100%
	Private	74,787	32.7%	95,153	41.5%	43,241	18.9%	15,845	6.9%	229,026	100%
1997-2002	Public	245,879	85.4%	37,469	13.0%	4,609	1.6%	0	0.0%	287,957	100%
	Private	193,110	42.9%	138,346	30.7%	75,000	16.7%	43,825	9.7%	450,281	100%
2002-2005	Public	45,513	84.0%	4,590	8.5%	3,976	7.3%	94	0.3%	54,173	100%
	Private	154,318	35.3%	194,829	44.6%	75,044	17.2%	12,537	2.9%	436,728	100%
Total 1982-2005	Public	1,029,101	81.8%	206,391	16.4%	20,569	1.6%	2,012	0.2%	1,258,073	100%
	Private	1,027,913	45.0%	727,392	32.2%	345,926	15.2%	149,943	6.6%	2,281,174	100%
	<b>Total</b>	<b>2,057,014</b>	<b>58.1%</b>	<b>963,783</b>	<b>27.2%</b>	<b>366,495</b>	<b>10.4%</b>	<b>101,955</b>	<b>4.3%</b>	<b>3,539,247</b>	<b>100%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-4 Housing units built by the public sector by housing type and five-year Plan, 1982-2005**

<b>Public Organization / Type of Housing</b>	<b>Low Cost</b>	<b>Economic</b>	<b>Middle</b>	<b>Upper Middle</b>	<b>Luxurious</b>	<b>Total</b>
<i>Housing Directorates in Governorates</i>		104,445				104,445
Housing & development companies		773	4,187	2,682		7,642
Agency for Joint Projects		238				238
Housing Cooperatives		12,311	35,988	2,685		50,984
Housing Social Fund						0
Development & Housing Bank		1,498	88	80	48	1,714
Development Agencies		10,777	1,103		1	11,881
New Urban Communities Authority		15,749	3,239	569	1,176	20,733
<b>Total 1982-1987</b>		<b>145,791</b>	<b>44,615</b>	<b>6,016</b>	<b>1,225</b>	<b>197,647</b>
<i>Housing Directorates in Governorates</i>	151,697	51,066				202,763
Housing & development companies	4,058	744	11,415	1,103		17,320
Agency for Joint Projects		3,500	5,844			9,344
Housing Cooperatives	26,325	23,464	19,416			69,205
Housing Social Fund	5,122		2,488			7,610
Development & Housing Bank	10,060		16,480			26,540
Development Agencies	880	3,899	1,551			6,330
New Urban Communities Authority	23,549	13,627	7,030	3,181	380	47,767
<b>Total 1987-1992</b>	<b>221,691</b>	<b>96,300</b>	<b>64,224</b>	<b>4,284</b>	<b>380</b>	<b>386,879</b>
<i>Housing Directorates in Governorates</i>	135,098	2,641				137,739
Housing & development companies	2,372		7,584	10,701	4	20,661
Agency for Joint Projects		856	2,167			3,023
Housing Cooperatives	66,378	5,920	36,255			108,553
Housing Social Fund	1,130		398			1,528
Development & Housing Bank	13,614		3,174			16,788
Development Agencies	1,728	4,138	1,032			6,898
New Urban Communities Authority	34,136	5,916	4,883	614	309	45,858
<b>Total 1992-1997</b>	<b>254,456</b>	<b>19,471</b>	<b>55,493</b>	<b>1,684</b>	<b>313</b>	<b>331,417</b>
<i>Housing Directorates in Governorates</i>	67,444	5,960	144			73,548
Housing & development companies	414			2,987		3,401
Agency for Joint Projects		3,446				3,446
Housing Cooperatives	15,223	4,687	25,343			45,253
Housing Social Fund	8,544	3,504				12,048
Development & Housing Bank	7,388		8,284			15,672
Development Agencies	440	2,554	1			2,995
New Urban Communities Authority	7,034	119,241	3,697	1,622		131,594
<b>Total 1997-2002</b>	<b>106,487</b>	<b>139,392</b>	<b>37,469</b>	<b>4,609</b>	<b>0</b>	<b>287,957</b>
<i>Housing Directorates in Governorates</i>	34,603	678				35,281
Housing & development companies				3,719	6	3,725
Agency for Joint Projects		1,169	432			1,601
Housing Cooperatives	92	4,180				4,272
Housing Social Fund		750	232			982
Development & Housing Bank			2,960			2,960
Development Agencies	40	203				243
New Urban Communities Authority	1,384	2,414	966	257	88	5,109
<b>Total 2002-2005</b>	<b>36,119</b>	<b>9,394</b>	<b>4,590</b>	<b>3,976</b>	<b>94</b>	<b>54,173</b>
<i>Housing Directorates in Governorates</i>	388,842	164,790	144			553,776
Housing & development companies	6,844	1,517	23,186	11,561	10	43,118
Agency for Joint Projects		9,209	8,443			17,652

Housing Cooperatives	108,018	50,562	117,012	2,685		278,277
Housing Social Fund	14,796	4,254	3,118			22,168
Development & Housing Bank	31,063	1,498	30,986	80	48	63,675
Development Agencies	3,088	21,571	3,687		1	28,347
New Urban Communities Authority	66,103	156,947	19,815	6,243	1,953	251,061
<b>Total 1982-2005</b>	<b>618,754</b>	<b>410,348</b>	<b>206,391</b>	<b>20,569</b>	<b>2,012</b>	<b>1,258,074</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-5 Difference between number of households and number of housing units—vacant or unused units—by Governorate, 1986-1996**

Governorate	Unused Housing Units in 1986			% unused units to total units 1986			Unused Housing Units in 1996			% unused units to total units 1996		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Cairo	331,384	0	<b>331,384</b>	19.57	0	<b>19.57</b>	630,534	0	<b>630,534</b>	27.56	0	
Alexandria	144,184	0	<b>144,184</b>	18.32	0	<b>18.32</b>	360,647	0	<b>360,647</b>	31.08	0	
Port Said	3,363	0	<b>3,363</b>	3.67	0	<b>3.67</b>	37,919	0	<b>37,919</b>	25.23	0	
Ismailia	15,393	0	<b>15,393</b>	18.07	0	<b>18.07</b>	31,781	0	<b>31,781</b>	24.66	0	
Suez	22,235	25,879	<b>48,114</b>	34.79	18.64	<b>23.73</b>	38,242	46,120	<b>84,362</b>	38.39	23.34	
Qalubia	61,111	11,406	<b>72,517</b>	23.27	2.23	<b>9.38</b>	108,730	95,756	<b>204,486</b>	28.15	12.56	
Sharqia	48,737	43,706	<b>92,443</b>	24.23	7.96	<b>12.33</b>	97,531	67,567	<b>165,098</b>	30.77	8.93	
Dakahlia	52,266	7,325	<b>59,591</b>	18.4	2.56	<b>10.45</b>	114,998	71,213	<b>186,211</b>	27.83	14.64	
Damyitta	25,253	<b>-6,787</b>	<b>18,466</b>	22.96	-2.85	<b>5.31</b>	38,211	30,193	<b>68,404</b>	25.53	8.4	
Monifia	44,979	22,013	<b>66,992</b>	17.7	5.65	<b>10.4</b>	88,802	68,574	<b>157,376</b>	26.29	12.65	
Gharbia	10,170	6,718	<b>16,888</b>	9.98	1.86	<b>3.65</b>	52,761	57,341	<b>110,102</b>	30.58	11.2	
kafr El-Sheikh	30,248	<b>-20,800</b>	<b>9,448</b>	16.24	-4.99	<b>1.57</b>	49,151	30,667	<b>79,818</b>	20.09	5.18	
Behira	12,724	3,647	<b>16,371</b>	18.21	6.45	<b>12.95</b>	24,123	28,609	<b>52,732</b>	22.66	28.64	
Giza	165,613	20,034	<b>185,647</b>	25.92	6.13	<b>19.22</b>	314,654	91,331	<b>405,985</b>	33.91	16.32	
Fayoum	15,639	22,181	<b>37,820</b>	17.62	9.62	<b>11.84</b>	29,258	15,221	<b>44,479</b>	23.86	5.38	
Beni-Sweif	17,575	11,546	<b>29,121</b>	19.79	4.97	<b>9.07</b>	27,682	<b>-6,591</b>	<b>21,091</b>	22.49	-2.24	
Menia	31,913	28,270	<b>60,183</b>	21.33	6.24	<b>9.99</b>	44,103	<b>-21,044</b>	<b>23,059</b>	23.92	-3.99	
Assuit	46,241	15,782	<b>62,023</b>	26.77	4.91	<b>12.54</b>	57,952	19,136	<b>77,088</b>	27.14	4.8	
Sohag	18,394	50,106	<b>68,500</b>	14.53	12.54	<b>13.02</b>	60,555	43,228	<b>103,783</b>	30.19	8.04	
Qena	20,431	19,578	<b>40,009</b>	16.03	5.41	<b>8.18</b>	29,996	23,594	<b>53,590</b>	22.25	6	
Luxor city	8,928	14,437	<b>23,365</b>	12.65	13.3	<b>13.04</b>	21,237	11,476	<b>32,713</b>	19.96	9	
Aswan	0	0	<b>0</b>	0	0	<b>0</b>	7,001	8,714	<b>15,715</b>	15.76	17.51	
Red Sea	6,631	2,882	<b>9,513</b>	31.87	45.34	<b>35.02</b>	10,253	1,001	<b>11,254</b>	31.22	12.81	
New Valley	2,758	2,099	<b>4,857</b>	24.23	18.68	<b>21.47</b>	4,476	3,389	<b>7,865</b>	25.39	20.78	
Matrouh	7,232	<b>-640</b>	<b>6,592</b>	32.22	-5.65	<b>19.52</b>	21,365	9,416	<b>30,781</b>	48.33	33.25	
North Sinai	5,375	166	<b>5,541</b>	21.85	1.31	<b>14.87</b>	11,442	<b>-7,618</b>	<b>3,824</b>	27.59	-61.05	
South Sinai	2,318	590	<b>2,908</b>	50.53	14.73	<b>33.84</b>	3,854	515	<b>4,369</b>	42.96	9.09	
<b>Total Egypt</b>	<b>1,151,095</b>	<b>280,138</b>	<b>1,431,233</b>	<b>20.06</b>	<b>5.16</b>	<b>12.82</b>	<b>2,317,258</b>	<b>687,808</b>	<b>3,005,066</b>	<b>28.41</b>	<b>9.11</b>	

Source: CAPMAS 1986 and 1996

**Table A-6 Total housing investment by the public and private sector, 1982-2005**

	Public Sector Investments (in LE 1,000)									Total Private sector Investment (in LE1,000)	Total (in LE1,000)
	Governorates	Housing & Development Companies	Joint Projects Agency	General organization For Housing and Building Cooperatives	Housing Finance Fund	Housing & Development Bank	Development Agencies	New Urban Communities Authority	Total		
1982 / 83	180,904	35,512		153,000		24,369			393,785	1,390,000	1,783,785
1983 / 84	179,170	32,947		160,282		25,698			398,097	1,330,000	1,728,097
1984 / 85	203,175	43,356		201,579					448,110	1,310,000	1,758,110
1985 / 86	247,578	76,424		224,424					542,426	1,350,000	1,892,426
1986 / 87	233,128	90,229		213,323					536,680	2,050,000	2,586,680
1987 / 88	234,906	83,346		220,977					539,229	1,920,000	2,459,229
1988 / 89	639,740	115,328		426,056		38,507	30,483	142,286	1,392,400	2,320,000	3,712,400
89/1990	830,583	129,160		418,235	25,283	46,380	19,143	152,071	1,620,855	1,880,000	3,500,855
1990 / 91	380,299	142,477		278,909	24,512	73,534	8,203	201,442	1,109,376	2,120,000	3,229,376
1991 / 92	469,199	153,132		291,194	21,705	80,200	4,422	167,191	1,187,043	2,210,000	3,397,043
1992 / 93	398,135	140,582		299,931	21,256	53,094	955	129,976	1,043,929	1,540,000	2,583,929
1993 / 94	398,025	146,043		292,319	20,516	62,459	26,000	89,449	1,034,811	920,000	1,954,811
1994 / 95	456,829	142,953		225,148	35,450	112,095	55,922	109,931	1,138,328	1,100,000	2,238,328
1995 / 96	395,793	111,110		1,309,169	30,799	125,981	5,287	20,521	2,183,160	880,000	3,063,160
1996 / 97	366,568	99,233		967,567	18,033	96,623		298,927	1,846,951	1,120,000	2,966,951
1997 / 98	579,243	83,606		1,174,925	36,758	61,396		1,068,266	3,004,194	1,050,000	4,054,194
1998 / 99	407,521	119,913		261,421	27,229	141,061		1,156,442	2,113,587	2,030,000	4,143,587
99/ 2000	348,481	64,307	4,174	203,065	14,293	124,191	47,344	516,122	1,321,977	3,500,000	4,821,977
2000 / 2001	268,637	63,144		43,496	12,361	109,180	41,505	277,644	815,967	3,880,000	4,695,967
2001 / 2002	355,745	97,699	3,661	466,046	7,110	69,549	17,579	267,112	1,284,501	6,020,000	7,304,501
2002 / 2003	274,141	33,595	2,640	590,580	6,311	38,051	4,700	21,914	971,932	6,805,000	7,776,932
2003 / 2004	389,968	69,343	7,432	254,533	3,468	3,830	4,639	33,108	766,321	6,370,000	7,136,321
2004/ 2005	291,355	97,922	10,408	200,739		16,790	321	59,449	676,984	5,898,975	6,575,959
<b>Total</b>	<b>8,529,123</b>	<b>2,171,361</b>	<b>28,315</b>	<b>8,876,918</b>	<b>305,084</b>	<b>1,302,988</b>	<b>266,503</b>	<b>4,711,851</b>	<b>26,370,643</b>	<b>60,063,975</b>	<b>86,434,618</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-7 Government soft loans provided by the different entities, 1982-2006 (in million LE)**

Year	Governorates	General Organization of Housing and Building Cooperatives	Housing and Development Companies	Development & Housing Bank	Housing Finance Fund	New Urban Communities Authority	Egyptian Real Estate Bank	Arab Real Estate Bank	Emergency Housing	Housing Reserve	Total	Renewal & replacement in Governorates	General Reserve
1982 / 83	171	150	15	64	25	25					450	50	80
1983 / 84	171	150	15	50	20	20					426	40	49
1984 / 85	170	150	15	50	20	20					425	20	70
1985 / 86	171.5	150	15	40	20	10			10	18.5	435	20	120
1986 / 87	170	200	15	40	20	20			10		475	20	30
1987 / 88	170	200	10	40	20	20	10		5		475	10	40
1988 / 89	460	350	50	50	30	50	5		5	100	1,100		20
89/1990	460	350	50	50	30	50	10	5	5	90	1,100		15
1990 / 91	450	350	50	50	30	50	10	5	5	100	1,100		15
1991 / 92	400	295	40	40	20	40	5	5	5	45	895		
1992 / 93	380	290	40	25	20	30	5	5	5	200	1,000		
1993 / 94	325	300	20	40	20	50	10	5	5	30	805		
1994 / 95	230	225	20	20	10	30	5	5	5	25	575		
1995 / 96	250	225	15	20	10	30	5	5	5	40	605		
1996 / 97	220	155	15	10	10	90			5	25	530		35
1997 / 98	225	150	5			155			5	20	560		25
1998 / 99	190	150	5		10	245			5	5	610		25
99/ 2000	190	150	5		10	245			5	5	610		35
2000 / 2001	190	150			10	245			5	15	615		30
2001 / 2002	200	145		33	10	212			5	20	625		20
2002 / 2003	212	145		20	10	225			13		625		20
2003 / 2004	206	145		20	20	215			9	10	625		20
2004 / 2005	187	133		3.75	10	206.25			8	20	568		20
2005 / 2006	170	130		8.7	15	176.3			8	17	525		20
<b>Total</b>	<b>5,968.5</b>	<b>4838</b>	<b>400</b>	<b>674.45</b>	<b>400</b>	<b>2,459.55</b>	<b>65</b>	<b>35</b>	<b>133</b>	<b>785.5</b>	<b>15,759</b>	<b>160</b>	<b>689</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005



**Table A-8 Soft loans allocated to economic housing in Governorates, 2000-2005 (in LE million)**

	2000/2001			2001/2002			2002/2003			2003/2004			2004/2005		
	Planned	Available	%	Planned	Available	%	Planned	Available	%	Planned	Available	%	Planned	Available	%
Cairo	70	48.5	69	80	43.84	55	40		0						
Alexandria	8	1.3	16	7		0	6		0	5			6.6		
Port Said	15	7.6	51	15	30	200	40	40	100	40	32.656	81.6	50	41.717	83
Ismailia	10	8.8	88	8	8	100	8	8	100	12	3.5	29.2	3.7	1.56	42
Suez	8	7	88	9	9	100	9	7	78	13	19	146.2	6.7	6.7	100
Qalubia	4	4	100	5	8	160	5.1	5.1	100	5	4.677	93.5	5.7	3.427	60
Sharqia	3.5	2.75	79	3.5	1.349	39	3	0.473	16	3	0.316	10.5	5	0.632	13
Dakahlia	2		0	1	1	100	1	1	100	3		0			
Damyitta	2.5	0.434	17	2	2	100	2.5		0	1		0	1.4	3.9	279
Monifia	0.5	0.5	100	0.75	0.45	60	1.5	0.825	55	3.3	3.3	100	4	3.1	78
Gharbia	3.5	3.255	92	3	2.894	96	5	4.441	89	6	1.26	21	9	4.96	55
kafr El-Sheikh	3	3	100	2	1.289	64	3	2.5	83	5	4.687	93.7	7.4	6.746	91
Behira	7	1	14	7	7	100	8	8	100	14	7	50	16	4.099	26
Giza	0.4		0	0.5	12.5	2,500	12.5	12.5	100	17.5	8	45.7	2	2	100
Fayoum	5	5	100	5	1.514	30	5		0	6		0	5.4	5.4	100
Beni-Sweif	0.5		0	0.5		0	1.4		0	2		0	2.9		
Menia	3	2.35	78	5	5	100	6		0	2	3	150	2.4	2.236	93
Assuit	3.5	2.5	71	3.5	4.5	129	6	6	100	8	8	100	6.5	2.323	36
Sohag	3.5	2.925	84	3	4	133	5	2.05	41	9	5.05	56.1	15.7	7.44	47
Qena	4	1	25	6		0	6		0	5		0	6		
Luxor city	13	5.2	40	10	3	30	10	1.75	17.5	10	705	75	12.6	10.85	86
Aswan	6	0.22	4	4	6	150	5	3.822	76	8		0			
Red Sea	3	2.5	83	2.5		0	3		0	3.7	0.9	24.3	10.2	4	39
New Valley	0.1		0			0			0			0			
Matrouh	10	10	100	16	16	100	11	5.655	51	13	3.226	24.8	5.8	5.437	94
North Sinai	0.5		0			0	7		0	6.5	.0878	1.4	2		
South Sinai	0.5	0.5	100	0.75	1.75	233	2	1.75	88	5	.265	5.3	2		
<b>Total</b>	<b>190</b>	<b>120.334</b>	<b>93</b>	<b>200</b>	<b>169.086</b>	<b>85</b>	<b>203</b>	<b>110.865</b>	<b>52</b>	<b>206</b>	<b>112.426</b>	<b>54.7</b>	<b>189</b>	<b>116.528</b>	<b>62</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-9 Comparison between planned and executed housing Units by the public and private sector, 1982-2005**

year	Public sector			Private sector					Total		
	planned	executed	Executed as % of plan	planned	executed			Executed as % of plan	planned	executed	Executed as % of plan
					governorate	new cities	total				
1982-1987	238,750	197,647	83%	716,250	648,032		648,032	91%	955,000	845,679	89%
1987-1992	600,000	386,879	64%	900,000	517,107		517,107	58%	1,500,000	903,986	60%
1992-1997	802,431	331,417	41%	263,734	189,440		189,440	72%	1,066,165	520,857	49%
1997-2002	229,708	287,957	125%	918,832	374,650	75,631	450,281	49%	1,148,540	738,238	64%
2002-2003	50,000	21,788	44%	200,000	111,585	60,635	172,220	86%	250,000	194,008	78%
2003-2004	50,000	14,945	30%	200,000	126,028	11,987	138,015	69%	250,000	152,960	61%
2004-2005	50,000	17,440	35%	200,000	114,499	11,994	126,493	63%	250,000	143,933	58%
<b>Total 1982-2005</b>	<b>2,020,889</b>	<b>1,258,073</b>	<b>62%</b>	<b>3,398,816</b>	<b>2,081,341</b>	<b>199,833</b>	<b>2,281,174</b>	<b>67%</b>	<b>5,419,705</b>	<b>3,539,247</b>	<b>65%</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

**Table A-10 Comparison between planned and executed housing Units by Governorate, 2000-2005**

governorate	2000 – 2001			2001 – 2002			2002 - 2003			2003 - 2004			2004 - 2005		
	plan	executed	%	plan	executed	%	plan	executed	%	plan	executed	%	plan	executed	%
Cairo	1,000	2,000			1,766			1,728			800			1,332	
Alexandria	1,000	416			2,976					1,456	1,176	81	448	168	38
Port Said	3,752	2,064	41		3,128		1,872	4,256	227	1,872	1,680	89	7,504	3,724	50
Ismailia	2,008	1,468	147	1,000	1,224	122	1,000	60	6	1,000	384	38	1,000	96	10
Suez		560	70	1,200	800	67	1,440	1,580	109	1,400	920	66	1,400	1,400	100
Qalubia	786	300	75	400	410	103	400	202	51	400	588	147	400	96	24
Sharqia	430	220	37	600	204	34	600	40	6	600	136	23	600	80	13
Dakahlia	536	120	24	500	64	13	400			500	340	68	500	212	42
Damyitta	210	210		200	20	10	240	140	58	18			240	8	3
Monifia	58			800	77	10	408	30	7	100	18	100	150	48	32
Gharbia	540	435	161	834			600	381	64	650	573	88	500	12	2
kafr El-Sheikh		252	315	500	174	35	800	204	26	800	70	9	800	132	17
Behira	800	1,044	104	1,000	1,094	109	2,000	713	36	2,000	78	4	1,000	50	5
Giza													284		
Fayoum	1,450	400	80	500			500	50	10	600	130	22	320	440	138
Beni-Sweif	80	180	100		20		200	40	20	200	220	110	120	60	50
Menia	96	312	88	240	554	231	360	224	62	408	162	40	160		
Assuit	348	188	39	840	180	21	840	288	34	840	276	33	840	360	43
Sohag	614	240	21	2,200	140	6	2,200			1,000	392	39	1,000	80	8
Qena		400			100			340			340			260	
Luxor city		40		500	108	22	500	72	14	500	224	45			
Aswan		511	53	960	348	36	690	831	120	690	1,470	213	690	428	62
Red Sea	2,160	992	66		176		1,252			500	20	4		247	
New Valley	420	528	66	500	176	35		132		500	480	96	160	500	313
Matrouh	1,508			300	460	153	300								
North Sinai	760	120	12	760	1,080	142	600	800	133	1,000	320	32	1,000	560	56
South Sinai	1,996	1,424	71	2,000			2,000	608	30	2,000	368	18	2,000	1,104	55
<b>Total</b>	<b>20,552</b>	<b>14,424</b>	<b>74</b>	<b>15,834</b>	<b>15,279</b>	<b>96</b>	<b>19,202</b>	<b>12,719</b>	<b>66</b>	<b>19,034</b>	<b>11,165</b>	<b>59</b>	<b>21,116</b>	<b>11,397</b>	<b>54</b>

Source: Ministry of Housing, Utilities and Urban Development, 2005

