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# ARAB REPUBLIC OF EGYPT

## URBAN SECTOR UPDATE



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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May, 2008)

Currency Unit = Egyptian Pound (LE)  
Egyptian Pounds 5.33 = US\$1

## ABBREVIATIONS AND ACRONYMS

BOT	Build, Operate, and Transfer
CAPMAS	Central Agency for Public Mobilization and Statistics
CDA	Community Development Association
CDS	City Development Strategy
EEAA	Egyptian Environmental Affairs Agency
ERA	Egyptian Railways Authority
ESA	Egyptian Survey Authority
ETA	Egyptian Tunnels Authority
GAFI	General Authority for Free Trade Zones and Investments
GAID	General Authority for Industrial Development
GDP	Gross Domestic Product
GOE	Government of Egypt
GOHBR	General Organization of Housing and Building Research
GOPP	General Organization for Physical Planning
GSF	Guarantee and Subsidy Fund
GTZ	German Technical Cooperation
HIECS	Household Income, Expenditures, and Consumption Survey
IBRD	International Bank for Reconstruction and Development
IDSC	Information and Decision Support Center
KFW	German Bank for Reconstruction
LE	Livres Egyptiens
LEC	Local Executive Council
LGU	Local Government Unit
LPC	Local Popular Council
MENA	Middle East and North Africa
MFA	Mortgage Finance Authority
MHUUD	Ministry of Housing, Utilities, and Urban Development
MOA	Ministry of Agriculture
MODMP	Ministry of Defense and Military Production
MOED	Ministry of Education
MOF	Ministry of Finance
MOI	Ministry of Investment
MOLD	Ministry of Local Development
NCUPD	National Council for Urban Planning and Development
NDP	National Democratic Party
NHP	National Housing Program
NGO	Non-governmental Organization
NOPWASD	National Organization for Potable Water and Sanitary Drainage

NUCA New Urban Communities Authority  
PPP Purchasing Power Parity  
UNDP United Nations Development Program  
USAID United States Agency for International Development  
TDA Tourism Development Authority  
Ziman The official boundary between agricultural and desert land

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## EXECUTIVE SUMMARY

### Objective

1. *The objective of this note is to present a succinct and up-to-date review of the urban sector in Egypt, with a focus on issues for which there is new insight or emerging Government interest.* The note concludes with a set of recommendations of ways to improve the government's response to the urban challenge. Some will require legislative/regulatory reform, which implies a medium to long term perspective. Others include straightforward measures which could be initiated with minimal changes to the existing institutional structure and for which legislative change is not required.

2. *The adopted approach to prepare this note included an extensive review of recent studies of Egypt's urban sector and related topics and analysis of key issues.* In order to remain focused on urban issues and challenges, this note does not attempt to cover all related subjects at the same depth, especially issues which have been covered recently in detail. These include the housing sector (two reports were recently completed on housing supply and demand issues by the Bank and USAID, 2007, and the Bank is currently advising government on affordable housing policy and subsidies), the land sector (World Bank, Public Land Management Strategy, April 2006; and ongoing technical assistance in land registration and mortgage market development by the Bank and USAID); and sub-national government finance issues (World Bank, Intergovernmental Relations and Fiscal Decentralization, January 2006; and the recently initiated USAID-funded 'Egyptian Decentralization Initiative' over the 2006-2011 period, and which aims to improve the effectiveness, responsiveness to citizens' priorities, transparency and accountability of local government in Egypt.

### Background

3. *Egypt is facing a daunting urban challenge.* In the next fifteen years, Egypt's population is expected to increase by 27 million inhabitants to reach over 100 million. Most of this increase will occur within urban areas and in the "urban villages" within urban agglomerations. Accommodating this huge population increase in such a short period is a major challenge for the Government. Urban economies will need to generate a large share of the approximately 700,000 jobs that are needed for new entrants to the labor market each year, especially for limited income groups. New urban dwellers will also need access to affordable housing, and the GOE will need to deliver related urban infrastructure and public services. It is estimated that 300,000-400,000 housing units will on average need to be built annually for the coming 15 years, of which some two-thirds for limited income households. In addition, a majority of Egypt's existing urban population is of limited income and suffers from a lack of appropriate urban services, high levels of unemployment, and inadequate and crowded housing. Well over 16 million urban inhabitants live today in informal and squatter settlements.

The main findings of this report can be summarized as follows:

- Urbanization in Egypt takes on forms and processes which are not well understood and as a consequence urban policies are sometimes weak or counter productive. For

example, the official definition of urban place grossly underestimates the extent and growth of Egypt's urban population and thus the scale of the challenges facing the urban sector. Also, analysis of past internal migration patterns shows that (1) there is little residential mobility and families are very reluctant to move any significant distance and, especially, to move into the new desert communities, (2) migration is now mostly urban-to-urban and the past mass exodus from rural areas has practically halted, and (3) there is considerable overspill of urban centers into their rural hinterlands combined with hundreds of emerging towns in rural governorates.

- Until now policies and actions in the urban sector have mainly consisted of State-driven, supply-side interventions. A well-intentioned desire to reshape settlement patterns, to promote desert development, and to create new modes of urbanization has led to actions which rely upon the State as the main determinant and financer and is predicated upon its ownership of public (desert) lands. Over the last 25 years this has meant that huge public resources and the apparatus of the State have been oriented towards shifting urban populations and activities to the desert.
- Due to the focus on development in the desert, the dynamics of urbanism in the Nile Valley and Delta, which together contain over 95% of the country's population, have largely been ignored. Existing Egyptian cities and towns have massive informal areas and lack the tools necessary to guide their growth.
- It is rare that GOE urban development projects include a strategy of capturing the appreciation value of their investments ("unearned increment"), cross-subsidization or cost recovery.

4. *Urban development policy reform in Egypt has picked up new momentum recently.* The appointment of a new Cabinet in 2004 resulted in a climate of reform, especially in terms of improving the investment climate. Against the background of the urban challenge ahead, the government reform momentum has begun to extend into urban policy, including planning, land management and housing, all of which were characterized by top-down policy making and centralized implementation with little role for local government or the private sector. As a result, many of the issues confounding both the urban and housing sectors have begun to receive serious review. Among the most significant nascent reforms, whose implementation is underway or has been announced, are efforts to improve urban planning practices (a switch away from top-down master planning to expanded local government and stakeholder participation in strategic planning and City Development Strategy formulation, following Alexandria's lead), a more realistic approach to dealing with urban expansion on agricultural land, reforms to housing policy and finance, rethinking development standards and urban upgrading practices, and the introduction of the concept of cost recovery to urban projects as in the Bank-financed Alexandria project.

A summary of important recent reforms includes:

- For the first time in decades the prohibition of urban expansion on any agricultural land is being questioned;
- Urban planning approaches are being modified to be less top-down and more participatory;

- MHUUD has introduced core housing and sites and services into its mix of public housing products;
- Reform of the housing sector, particularly the introduction of a market-oriented mortgage finance system and a new National Housing Program (NHP) for low-income Egyptians, is well under way;
- The approach to upgrading of informal and squatter areas in Egyptian cities has begun to move away from simply providing lacking infrastructure to encompass citizen participation, social development, and local economic development;
- Institutional and tariff reform in the water and wastewater sector, long over due, is receiving attention; and
- The concept of cost recovery in major urban projects is beginning to be applied.

### **Key Recommendations:**

5. A set of recommendations of ways to improve the government's response to the urban challenge have been put together. Some will require legislative/regulatory reform, which implies a medium to long term perspective. Other recommendations include straightforward measures which could be initiated with minimal changes to the existing institutional structure and for which legislation need not be changed as a prerequisite.

- ***Re-evaluate the Desert Development Strategy and Increase Attention on Guiding Growth in Existing Cities.*** It is clear that the goal of shifting population growth away from existing cities into New Towns in the desert is not being achieved in accordance with stated objectives and targets. The enormous outlay of public resources to spur development in the desert is a sunk cost (see Section 5). And while a few New Towns have succeeded in attracting growth (especially around Greater Cairo) and would require significant public investments in urban transport and amenities to ensure that the momentum can be sustained, most have simply burdened limited public funds with little results. In light of the scarce public resources, the GOE needs to undertake an in-depth assessment of the viability and potential of each of the 20 existing New Towns, and the land and urban management tools that have worked in the New Town context, to guide policymaking and allocation of future resources. At the same time, more institutional focus and resources are clearly needed to guide/manage urban growth where it is actually occurring, namely in existing cities.

- ***Create Appropriate Planning and Building Standards for Urban Land Subdivision and Affordable Housing.*** Although new residential projects which aim to stimulate the owner-builder or self-help housing process have recently been launched by MHUUD in the New Towns, the planning and design standards which apply are still high (especially the new towns' maximum plot coverage ratio of 50%, low population densities averaging 20% of those of existing cities, height restrictions, etc) and it is doubtful that they will be able to achieve to any great extent the housing affordability outcome that underlies the dynamic informal housing sector, which these formal progressive construction mechanisms are aiming to reproduce. The recommendation is not an across-the-board reduction in urban standards and building codes, but rather that specific processes and

standards be designed for designated new “popular” neighborhoods that would enable an effective process of down-market penetration in line with the limited affordability levels of urban households (see analysis in Section 5 and Annex 2).

- ***Expand Control over Asset Management to Local Authorities and Enhance Their Ability to Pursue Sustainable Financing Mechanisms.*** Accelerating the slow pace of decentralization in Egypt and the necessary reform of the existing bureaucracy, objectives which the reform-minded Cabinet currently in place in Egypt has set for itself, is bound to be a long-run endeavor (see detailed analysis in Section 4 and Annex 1). A number of initiatives could be undertaken in the short term to improve and strengthen existing local systems and institutions dealing with urban finance and management. For instance, central government could issue decrees to provide guidelines to governorates which would: (a) expand the allowed expenditures from local funds to specifically include the servicing of governorate land for urban purposes, such as sites-and-services subdivisions; (b) strengthen the management, reporting requirements, and transparency of these funds; and (c) allow the creation of sub-accounts within the local funds which are earmarked for specific urban projects in defined geographical areas. Establishing clear mechanisms for urban project accounting, whereby governorates (and municipalities within which urban projects are located) will manage the income and outflows of particular projects and their performance is assessed accordingly, is an important measure to strengthen urban management capacity and create sustainable financing mechanisms. More importantly, this project-based approach is one way of starting to institutionalize the process of budgeting at the local level of recurrent expenditures, particularly related to operation and maintenance costs for infrastructure investments. A key challenge for Egypt's cities is identifying investments and revenue sources that will generate the capacity to finance future developments. This will require Egyptian cities to mobilize their own resources, leverage public assets (land particularly) more effectively, capture land value increments and eventually access finance based on their own fiscal strength.

#### **Other Recommendations:**

- ***Create a Policy Making Council and Improve the Urban Information Database for Decision-making.*** There is a need for a high-level policy making body to develop and implement an urban growth strategy. The Unified Building Law will lead the way in creating such an entity by establishing a National Council for Urban Planning and Development (NCUPD), to be headed by the Prime Minister, and to include concerned ministries and government authorities, as well as representatives from civil society and planning experts. Council responsibilities are to include approving urban development policies, resolving conflicts between ministries, and authenticating national and regional urban plans. This entity should be augmented to include membership of concerned sectoral and non-sectoral line ministers. Particularly important is the active engagement in the council of institutions such as the General Authority for Free Zones and Investments (GAFI), the General Authority for Industrial Development (GAID), and the Tourism Development Authority (TDA) which will ensure that urban planning and development policy decisions are coordinated with economic development initiatives. The GOPP should serve as the Technical Secretariat for the Council, providing technical advice on strategic development plans, as well as preparing briefs on urban growth patterns, national spatial strategies, guidelines and regulation to accommodate demand for investment needs for affordable housing and other social development policy objectives.

Key to the effectiveness of the Council is a better understanding of and information about urbanization processes in Egypt to inform policymakers and allow better feedback about the impacts of urban policies. Foremost, this effort requires recognition that the current definition of what is urban has become unrealistic and leads to inadequate policymaking and public resource allocation. An initiative is needed to create and maintain an urban ledger with an improved and regularly updated definition of urban areas and, subsequently, a mapping and tracking of demographic and socio-economic trends. The urban information database should be maintained by GOPP (via the newly established urban observatory), in close cooperation with the Central Agency for Public Mobilization and Statistics (CAPMAS) and the Ministry of Local Development (as the lead entity in revising administrative classifications). The sharing of information could be facilitated through the Information Decision & Support Center (IDSC), a think tank established to support the Egyptian Cabinet's decision making in socioeconomic development.

- ***Pursue Institutional Reform and Capacity Building for Urban Management.*** Institutional reform and capacity building is a subtext which runs through all of the other recommendations. Needed institutional reform to remove fragmented and overlapping mandates and improve coordination for urban development can only be achieved over the long run, and capacity building and technical training is paramount to any effort to decentralize urban management to the local level (see Section 4 and Annexes 1 and 2). The current momentum for reform, especially in the past three years as government has come to realize the limitations of its supply side approach (to land use planning, housing, etc) and the un-sustainability of the extensive subsidies it provides (in serviced land, housing, infrastructure, etc), can make such reform gradually take place. Until then and certainly beyond, at the technical cadre level, there is a whole gamut of skills (including least-cost, financial and economic feasibility analysis, capturing the unearned increment, cost-recovery, internal cross-subsidization, appropriate planning and housing standards, land and property market analysis, etc.) that need to become integral part of Egypt's urban planning and management vocabulary.

- ***Improve Public Land Management Mechanisms.*** State-owned land conversion will remain important for urban development. It is particularly critical to revisit the sectoral public land management model with the aim, in the short term, of improving its functioning through a more rational use of the significant public land stock currently controlled by various government authorities, and to ensure an efficient land allocation and development process, better cost recovery, and better coordination among these authorities (see detailed analysis in Section 3 and Annex 3). Also needed is a revision of former allocations of public land with urban potential, both in the New Towns and particularly allocations in near-desert areas which are close to existing urban agglomerations in the Nile Valley and Delta. This includes public land controlled by sectoral ministries (especially agriculture and land reclamation) that is not yet allocated to end users, and which was found in light of later development plans to have a high opportunity cost. The same is needed for public land allocated to end uses and which remains undeveloped for long periods of time for such reasons as speculation, unsuitability of the land for the permissible use, and attempts by beneficiaries to convert the allocated use (usually land reclamation) to much more profitable urban uses. If some of these public lands can be made available for future urban use, the government will have in effect established an important land bank for urban growth.

- ***Reduce Land and Property Speculation and Improve Mechanisms to Capture the Appreciation in Value (the unearned increment) Due to Public Investments.*** Foremost of these would be the improvement of the property tax regime as a whole and an extension of this regime to include vacant serviced urban land. The property tax system needs major overall reform, especially in terms of assessments based on market value that are updated regularly, significantly fewer exemptions, better recording and mapping of taxable property, and better collection. In addition, local governments should gain larger shares of the generated revenues, which should be part of the incomes going into governorate local funds that can be used flexibly to finance service delivery. In the short term, and following the Alexandria project design, local governments should be encouraged to formulate urban development projects on public land which can generate revenues (mostly from land sales) that can cover the cost of infrastructure delivery, and ideally cross-subsidize under-funded areas of service delivery (see detailed analysis in Section 3).

- ***Review the Means and Tools to Guide Urban Development on Private Lands.*** Recent national policy deliberations have led to the realization that limited urban development on agricultural land should be allowed. It is imperative that there is a serious effort to revisit and reform the means and tools for guiding urban development on private lands. More relaxed land subdivision and plot exploitation standards which can compete with informal norms and cost structure are needed (see detailed analysis in Section 4). Also needed is a more comprehensive approach to explore the use of various urban land development tools and simplified procedures as part of integrated management packages. Among these are: (a) improved land and property registration, with priority for private agricultural lands which are under urbanization pressures and/or have been declared urban/village expansion zones; (b) streamlined building permit procedures; (c) application of improvement and betterment taxes; and (d) a regulatory framework governing land assembly and land readjustment processes.

# **Introduction**

## **Egypt's Urban Challenge**

1.1 Egypt is facing a daunting urban challenge. In the next fifteen years the country's population is expected to increase by 27 million inhabitants to reach over 100 million, and most of this increase will occur in urban areas. Urban economies will need to generate millions of jobs for this increase in urban population, especially for those of low and moderate income. New urban dwellers will also need access to affordable housing, and the GOE will need to deliver related urban infrastructure and public services. In addition, a majority of Egypt's existing urban population is of limited income and suffers from a lack of appropriate urban services, high levels of unemployment, and inadequate and crowded housing. Between 16 and 21 million urban inhabitants today live in informal areas and squatter settlements (depending on the definitions used), amounting to between 45 to 60% of the urban population.

1.2 Cities and towns in Egypt generate most contributions to national GDP, and the potential for economic growth in Egypt is found mostly in and around urban agglomerations. Thus existing cities, especially Greater Cairo, Alexandria, and key secondary towns, need to be made more efficient and work better, to reinforce their role of engines of growth of an expanding national economy.

1.3 There is a dual challenge – (a) to improve the livelihoods of the current and expected urban population, and (b) improve the efficiency and economic environment of cities to generate needed employment opportunities and promote national development. It is critical to examine past and evolving GOE urban sector policies – specifically those of spatial planning, management, and investment – to assess to what extent these have achieved intended objectives and have spawned unintended consequences. This requires assessing institutional and regulatory frameworks governing the urban sector, and the responsibilities, roles, and capacities of local government.

## **Objective of this Report**

1.4 The objective of this paper is to present a consolidated, succinct, and up-to-date statement of what is known about the urban sector in Egypt. It will attempt to answer: What are the main issues and challenges facing the urban sector? And: What are policy implications at various levels of government? It concludes with a set of recommendations on ways forward.

## **Approach and Methodology**

1.5 The achievement of this objective has required an extensive review of a number of recent papers and studies of Egypt's urban sector and related subjects. The urban sector in any country is a bit of a catch-all, with ill-defined boundaries, which extends through other economic sectors as well as various national development issues. One of the principles is to keep focused, but at the same time to cast a wide enough net to capture important information regarding urban dynamics and policies that may not at first appear to be specifically urban.

1.6 Also, in Egypt there has recently been considerable attention paid to aspects of urbanization and urban policies, and this note leads from, and rests to a large extent upon, previous work. In fact, the importance of previous and on-going work cannot be overemphasized. For this reason, annexes to this paper provide an extensive bibliography on Egypt's urban sector and on-going donor technical assistance programs which touches on important aspects of the country's urban sector.

### **Report Limitations**

1.7 In order to remain focused on urban issues and challenges, this note does not attempt to cover all related subjects in depth, especially those which have been recently addressed by other World Bank reports. Specifically, this note complements and should be read in conjunction with the following very recent reports:<sup>1</sup>

- World Bank, *Arab Republic of Egypt: Analysis of Housing Supply Mechanisms*, Final Draft, February 2007, which reviews the supply side of urban housing systems in Egypt and focuses on identifying constraints to the production of more suitable and affordable housing. A companion report, USAID: *Housing Demand Study for the Arab Republic of Egypt*, June 2006, looks at demand for urban housing and housing subsidies.
- World Bank, Draft Policy Note: *Egypt Public Land Management Strategy*, Vols. I and II, April 2006, which looks at the management of Egypt's extensive government controlled land holdings from an investment perspective, and also covers key issues such as land tenure, State land management, land registration, and land/property taxation.
- World Bank, Policy Note: *Intergovernmental Relations and Fiscal Decentralization, Egypt Public Expenditure Review*, January 2006.
- World Bank, Policy Note: *Egypt Housing Reform Framework*, 2008.
- USAID, Min of Investment, *Housing Demand Study for Greater Cairo*, June 2007. (an expanded housing survey covering all urban areas of Egypt is being carried out in 2008, and results will be available in early 2009.)

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<sup>1</sup> A recent World Bank report (*Arab Republic of Egypt: Upper Egypt – Challenges and Priorities for Rural Development*, May 2006) covers challenges and priorities for rural development.



# Population, City Systems, and Urbanization

## The National Population: Its Growth and Salient Features

1.8 Underlying any country's urbanization, is the growth and changing characteristics of its population. Egypt's total population was 72.5 million at the time of the 2006 Census and is estimated to be growing by 2.03% per annum,<sup>2</sup> which is substantial but below that of some other countries in the MENA region.<sup>3</sup> The rate of growth has slowed, especially from the 1960s and 1970s when it peaked at 2.8% per year. Total fertility has also fallen from 7.2 children per female in the 1960s to 3.4 in 1998. However, regional differences are significant, with total fertility in rural Upper Egypt estimated at above 4.5.

1.9 Is Egypt firmly on the trajectory of its demographic transition? Will fertility levels continue to decline, with the population eventually reaching near equilibrium? There is no consensus on this issue, and although UN population projections see continued decline in fertility in Egypt, there are some indicators which show that fertility rates have leveled off and that the resulting natural increase may remain high for decades. What is certain is that – even if overall fertility continues to fall – the momentum of higher birthrates from earlier decades will continue to work through the population pyramid, producing a large portion of females of childbearing age.<sup>4</sup> This large proportion of women of child bearing age will in turn contribute to higher numbers of live births, even if total fertility continues to decline. For this reason projections of Egypt's future population can vary widely.<sup>5</sup>

1.10 What are some salient characteristics of Egypt's population? The following are a number of features which have relevance in a discussion of the urban sector:

- The young account for a high percentage of Egypt's population. Those 15 years and younger represent 37.5% of the total. Dependency ratios are low but increasing slowly.
- Low educational levels and illiteracy remain stubbornly high. In 1996, illiteracy was 49.6% in rural areas and 26.6% in urban areas (female illiteracy was much higher), and a further 17.9% of rural and 19.8% of the urban population had not finished primary school.<sup>6</sup>
- Every year there are at least 600,000 new entrants to the labor market as well as considerable numbers of existing unemployed and underemployed.<sup>7</sup> The economy's ability to create productive employment has traditionally been limited, and more and more workers continued to find jobs in the huge informal sector,

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<sup>2</sup> CAPMAS, 2006. The 72.5 million refers to the population resident in Egypt. CAPMAS estimates that there were an additional 3 million Egyptians resident abroad in 2006.

<sup>3</sup> It is interesting to note that average annual population natural increase rates of the Arab Maghrib countries clusters around 1.5%, whereas those for the Arab Mashraq cluster around 2.8%.

<sup>4</sup> The share of reproductive-age women (age 15-49) was 23.1% of the total population in 1986 and increased to 25.7% in 1996. This number is expected to rise to 26.5% of the total by 2025. (Khalifa, 2000)

<sup>5</sup> See for example Khalifa, M., DaVanzo, J., and Adamson, D., (2000); "Population Growth in Egypt: A Continuing Policy Challenge", Issue Paper #183, Center for Middle East Public Policy.

<sup>6</sup> Census of Egypt 1996.

<sup>7</sup> The most recent official figures put the unemployment rate at 10.7%, the highest for years, with the rate for the educated at 17.4%. The problem of unemployment is aggravated since the labor force is estimated to be expanding at 2.3% per year, higher than population increase of 2.0% per year.

which is to a large extent an urban phenomenon.<sup>8</sup> This ever-chronic situation may however be starting to change recently. A 2007 study by the Regional Population Council based on a longitudinal survey of 8,349 households deduced an important decline in the national unemployment rate from 11.7% in 1998 to 7.8% in 2006.<sup>9</sup> Other key findings of the study include: (1) the greatest decline in unemployment occurred in rural areas, especially for women<sup>10</sup>; (2) Greater Cairo was the only region in Egypt to not have experienced a decline in the unemployment rate; (3) the absence of new government job opportunities appears to have induced female technical secondary and post-secondary graduates to withdraw from the labor force (rather than remain unemployed or seek private employment), hence part of the decline in unemployment may be attributed to a decline in the labor force size; and (4) the proportion of new entrants among the unemployed has continued to climb, confirming that unemployment in Egypt is essentially a problem of youth insertion in the labor market.

- Although the agricultural sector has been an important segment of the national economy, a recent study<sup>11</sup> reveals that the demand for labor in the agriculture was projected to account for only 5% of total national demand for labor over the period 2001-2005, a strong indication of the sector's relative labor saturation.
- Rates of natural increase in population are relatively higher in rural and Upper Egyptian governorates, but the variations are not dramatic. For example, CAPMAS estimates that the average natural increase rate for the nation was 2.03% in 2006. Excluding frontier and Canal Zone governorates, natural increase rates are higher in Alexandria (2.10%), El Fayoum and Beni Suef (2.36% and 2.11%). Natural increase rates are lower than the average in most of Lower Egypt, Port Said, Cairo, Suhag and Aswan.
- Although the percentage of those living below the poverty line is smaller (19.4% in 2004/2005) than many other developing countries, poverty is endemic and may be increasing since inflation has been somewhat higher. Upper Egypt, where 28% of Egypt's population lives, and in particular rural Upper Egypt, has the highest incidence of poverty in the country: 34 percent of the people there are poor and half of all poor Egyptians live there.<sup>12</sup> There is considerable debate about poverty definitions and levels in Egypt, but it is important to note that there is a huge clustering of households just above the poverty line, making the overall number of poor very sensitive to where the line is drawn.

## **Spatial Distribution and Density of Egypt's Population**

1.11 It is rare to find a report on Egypt's spatial development that does not include a phrase along the lines of: "95% of the population lives on 4% of the land area," which often leads to

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<sup>8</sup> Traditionally Egypt's main employment generators had been (a) government and public sector service (b) agricultural labor, (c) working in the Gulf. None of these sectors are expanding, and government service is shrinking. The formal private sector is expanding rapidly, but from such a small base that its ability to absorb significant numbers is limited.

<sup>9</sup> Assaad, Ragui, "Labor Supply, Employment and Unemployment in the Egyptian Economy 1988-2006," Economic Research Forum Working Paper 0701.

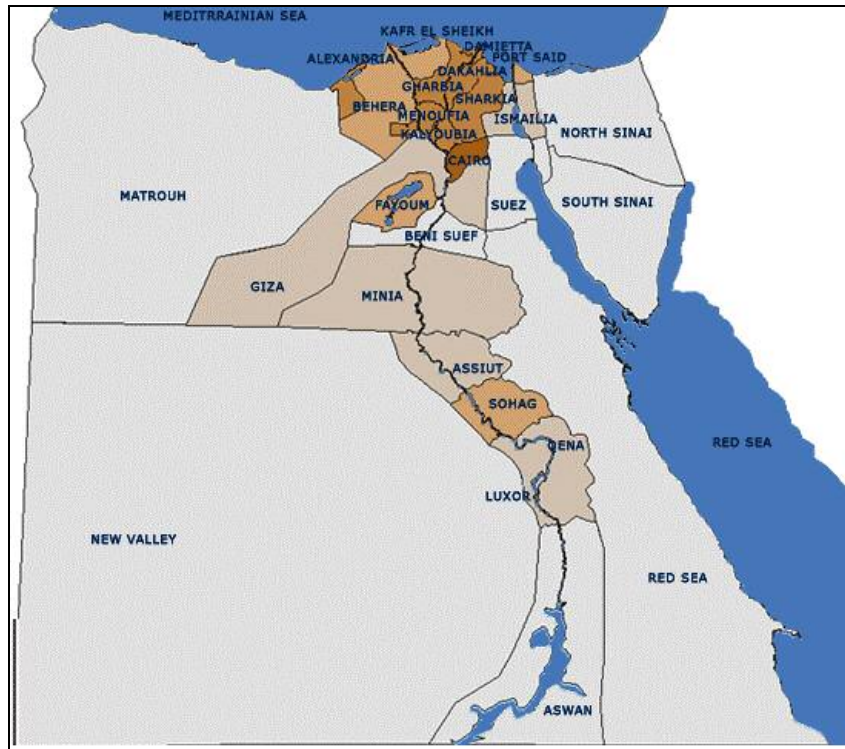
<sup>10</sup> According to the study, the decline in unemployment for rural women may be due to better measurement.

<sup>11</sup> Egypt Human Development Report (2005).

<sup>12</sup> Egypt- Poverty Strategy Paper. World Bank, September 2004.

images of relentless overcrowding in the Nile Valley and the Delta, and which typically serves as the entry point to discussions of the imperative that Egypt should expand into the desert. Certainly the Valley strip and Delta are the home to most Egyptians and remain the loci of practically all economic activity, and in spite of enormous efforts on the part of the government, population growth continues to concentrate almost exclusively within it. In fact, Census figures show that there is has been a remarkably stable pattern of geographic distribution of the population by governorate over the period 1976-2006, as shown in Table 1.

**Figure 1: Governorates of Egypt**



Source: General Organization of Physical Planning

**Table 1: Population Distribution by Governorate 1976-2006**

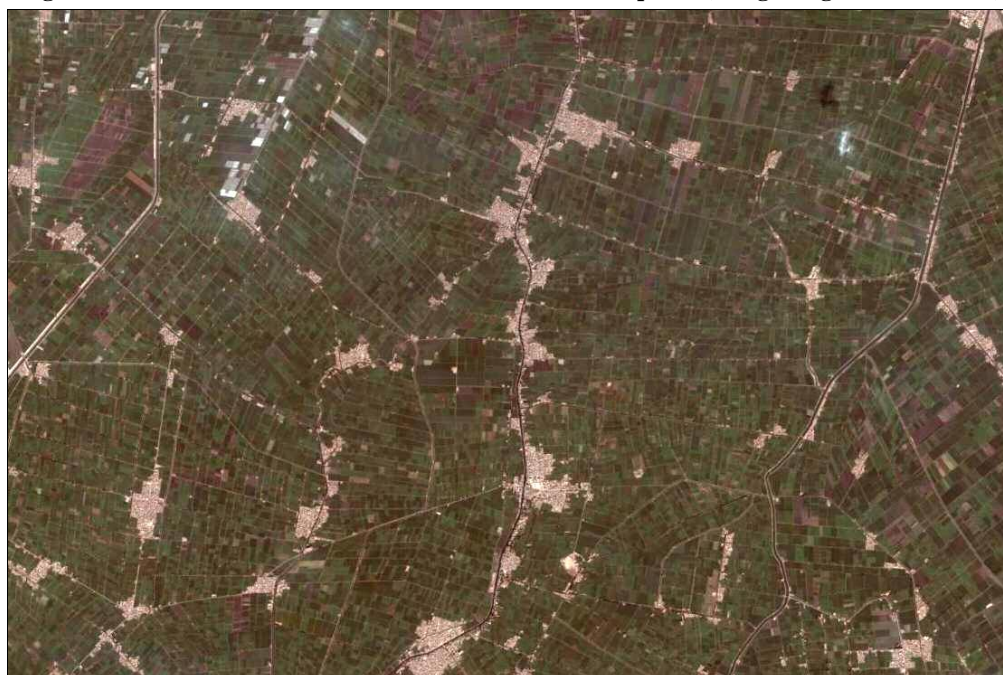
Governorate	1976	1996	2006
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Cairo	14	12	11
Alexandria	6	6	6
Port-Said	1	1	1
Suez	1	1	1
Ismailia	1	1	1
Giza	7	8	9
Kalyoubia	5	6	6
Lower Egypt	42	42	36
Upper Egypt	28	28	29
Frontier	1	1	2
total	106	106	100

Source: CAPMAS Census of Egypt various years

1.12 The main concentrations of population – Lower Egypt with 36% and Upper Egypt with 29% -- have remained largely unchanged over the last 35 years. Although Cairo Governorate’s share of the population has decreased slightly, this is more than outweighed by the increase in the populations of the adjacent governorates of Giza and Qaliubia, most of which are part of the Greater Cairo metropolitan area. Desert areas have to date absorbed very few permanent migrants, whether in the new towns or in the newly reclaimed areas. This issue is further discussed below in Sections 3 and 5.

**Figure 2: Rural Settlement Patterns in the Delta in El Daqahlia (Google/Digital Globe 2007)**



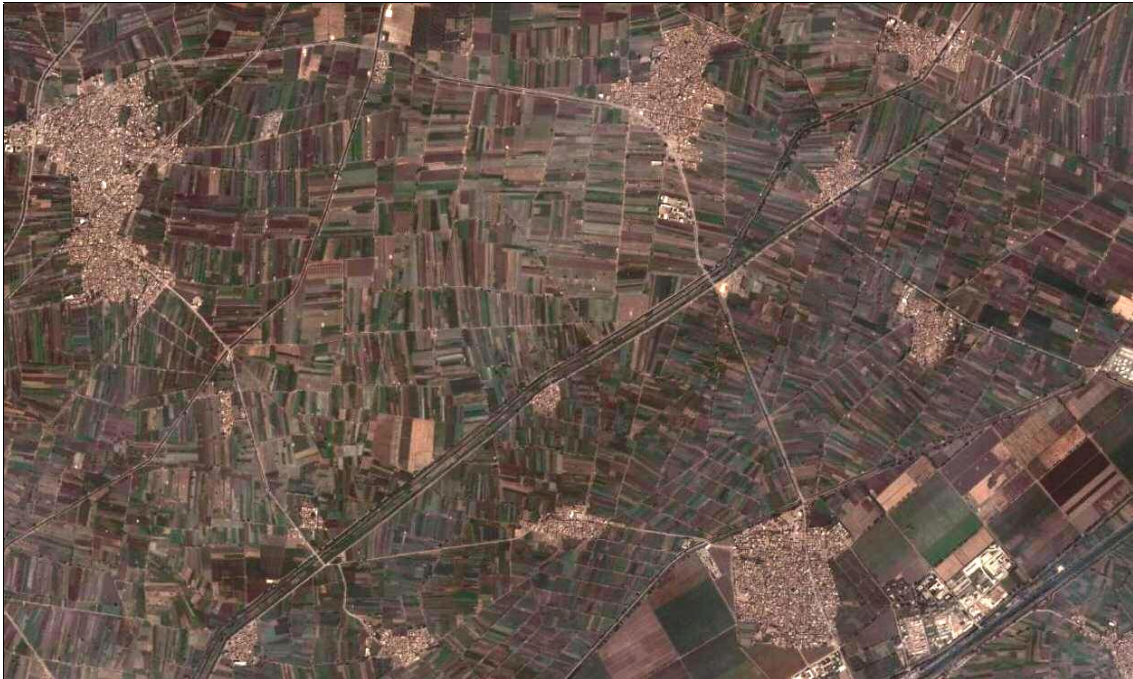
1.13 Densities of habitation in Egypt are very high by international standards. Overall rural population densities can exceed 2000 persons per square kilometer (20 persons per hectare). In cities, overall densities range up to 500 persons per hectare (240 persons per feddan),<sup>13</sup> and

<sup>13</sup> The density of Greater Cairo is at least 40,000 inhabitants per km<sup>2</sup> or 400 inhabitants per hectare. (World Bank 2000, p. 22.)

in informal settlements net residential densities can exceed 2000 persons per hectare (960 persons per feddan).

1.14 Throughout the Nile Valley and Delta, there is a very productive small-holder agricultural hinterland, all of which enjoys perennial irrigation which allows up to three crops per year. In rural areas of the Delta, 57% of family landholdings are less than 3 feddans (1.26 hectares), and in rural Upper Egypt a staggering 82% of landholdings are under 3 feddans.<sup>14</sup> There is a dense fabric of hamlets, villages, “mother villages,” and small towns. One of the striking features of rural areas is the large size of dense village agglomerations, which can easily contain over 10,000 persons.

**Figure 3: Rural Settlement Pattern in El Minya, Upper Egypt (Google/DigitalGlobe Image)**



1.15 Another unique feature of Egypt’s spatial population patterns are the short distances and reasonably good systems of transport and communications, which bind and interconnect settlements in the Valley. No village is more than a few kilometers from a sizable town, and movement to, and from, the main urban centers is quite efficient. It is rare to find an unpaved road connecting settlements, and levels of water and electricity provision to rural households are reasonably high, even by international standards. This “interconnectivity” is helped by the north-south linear structure of transport and settlement south of Cairo, the use of major transport corridors in the near desert which skirt heavily settled areas, and the fact that practically all human settlement in Egypt is situated on very flat topography.

### **Levels of Urbanization and the Problem with the Official Definition of Urban Place**

1.16 Official figures report that in 2006 a total of 42.6% of Egypt's population was urban, residing in 214 urban places. As Table 2 shows, this percentage grew slowly but steadily until 1976-1986, declined slightly over the 1986 – 1996 period, and remained virtually

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<sup>14</sup> World Bank, *Arab Republic of Egypt: Upper Egypt – Challenges and Priorities for Rural Development*, May 2006, p. 14.

unchanged over the 1996 – 2006 period. Can it be that Egypt is the only developing country where urbanization rates have recently been declining or remaining constant? The answer is no, and such an aberration points directly at the problem of the definition of urban areas in Egypt. The Census records urban and rural populations according to an arbitrary administrative definition of what is an urban place. (see Box 1) As Denis and Bayat have documented in 2000, such administrative definitions have led to a gross underestimation of urbanization, one which is progressively more and more out of touch with reality.<sup>15</sup>

**Table 2: Egypt Urban and Rural Populations 1947-2006 (in thousands)**

Year	Urban	Rural	% Urban	% Rural
1947	6,363	12,604	34%	66%
1960	9,965	16,12	38%	62%
1966	12,033	18,043	40%	60%
1976	16,036	20,59	44%	56%
1986	21,216	27,038	44%	56%
1996	25,286	34,027	42.6%	57.4%
2006	30950	41631	42.6%	57.4%

Source: CAPMAS Census various years; www.capmas.gov.eg

**Box 1: The official definition of urban places in Egypt**

The official Census definition of urban areas in Egypt is purely administrative and thus is problematic. Urban areas considered to be either:

- (1) urban governorates – limited to Cairo, Port Said, Suez and, until recently, Alexandria;
- (2) agglomerations which have been declared “cities” and have a city council, or
- (3) the capitals of rural districts (*marakaz*) and capitals of rural governorates.

This definition has no relation to the size of the agglomeration’s population or its importance as an urban area. As a result, the urban population of Egypt has been located largely in the same geographic space for decades. The redrawing and reclassifying of Census areas by CAPMAS are rarely carried out, and the Ministry of Local Development is less likely to decree new urban areas for administrative purposes.<sup>16</sup>

1.17 By any definition, Egypt is already overwhelmingly urban, with estimates varying widely depending on the definitions adopted. Denis and Bayat carried out an analysis of the 1996 Census and, using the definition of urban places as settlement agglomerations of more than 10,000 inhabitants, calculated that Egypt was at least 66.8% urban, residing in 628 urban places.<sup>17</sup> It could be argued, on this basis, that the urban population was 39.8 million in 1996, which if projected to 2006 would represent an urban population of at least 49 million inhabitants, or 67.5% of the national population.

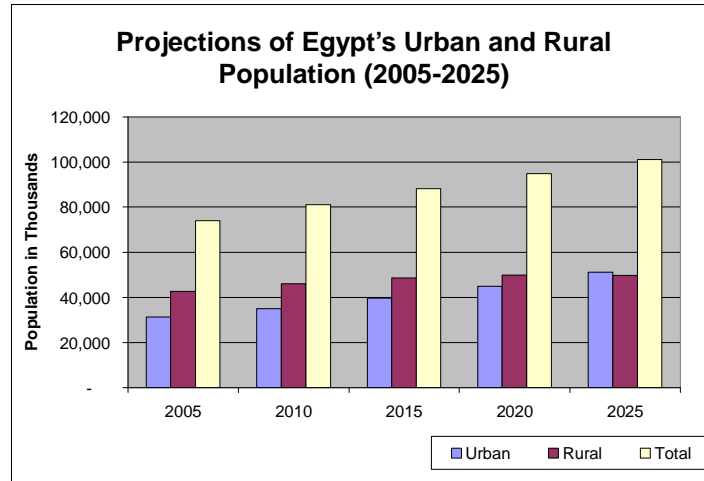
1.18 In comparison, according to the existing definitions of urban place in Egypt, the United Nations Population Division of the Department of Economic and Social Affairs, 2003, estimates an increase of urban population of Egypt to reach about 52 million inhabitants by 2025, while rural population will reach about 49 million inhabitants (Figure 4).

<sup>15</sup> Bayat, A., and Denis, E. (2000). “Who is Afraid of Ashwaiyyat?” in *Environment and Urbanization*, Vol. 12, #2, October 2000, pp. 185-199.

<sup>16</sup> Declaring a rural agglomeration to be administratively a city commits the government to provide higher levels of services and changes in representation in Parliament.

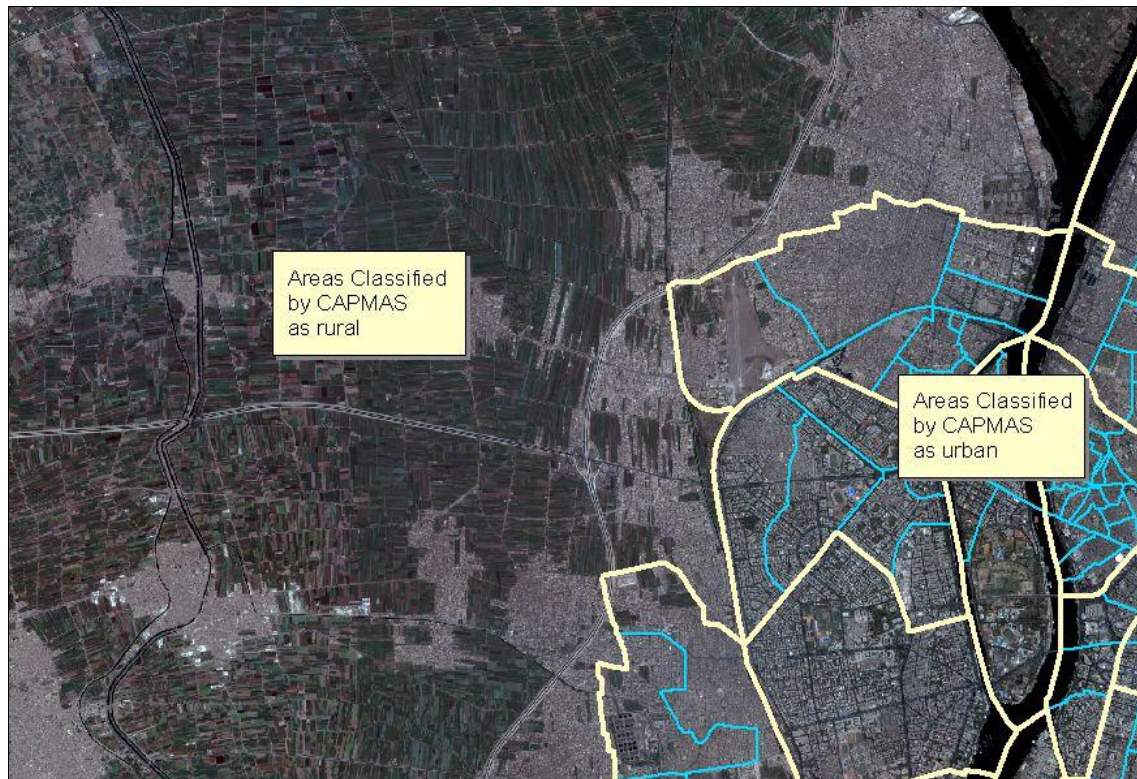
<sup>17</sup> Bayat and Denis (2000).

**Figure 4: Projections of Egypt's Urban and Rural Population (2005-2025)**



Source: United Nations Population Division of the Department of Economic and Social Affairs, 2003.

**Figure 5: Urban Overspill in Northwest Greater Cairo (author, using Google/DigitalGlobe Image)**



1.19 There are two main types of recent urbanization patterns that have been missed by Census enumerations:

1.20 *Overspill from urban centers into village agglomerations in the agricultural hinterland:* This could also be called spontaneous urbanization of agglomerations on the periphery of the large cities, in larger villages and in small towns. The phenomenon can be traced, for example, in the significantly higher annual growth in population in rural areas surrounding secondary towns in the recent past, as shown in Table 3.

**Table 3: Population Growth of Secondary Cities and their Rural Hinterlands (1986-1996)**

Secondary City	City Population Growth Rate	Rural Surrounding Growth Rate
Mahall al-Kubra	0.93%	2.25%
Tanta	0.98%	2.17%
Mansora	1.53%	2.22%
Beni Suef	1.23%	4.02%
Minia	1.18%	2.48%
Assuit	2.32%	2.49%
Aswan	1.42%	1.97%

Source: Derived from Bayat and Denis, 2000 (based on 1986 and 1996 census).

1.21 Three factors have contributed to the phenomenon. First, commuting into towns from outlying agglomerations has been made considerably easier by the appearance in Egypt in the 1990s of private, informal microbus “service/shared” taxis, which are increasingly becoming the reliable mode of collective transport in Egypt. Secondly, residential accommodation in these surrounding areas has become relatively much cheaper than similar housing found within cities. (See also discussion of informal modes of urban development in Section 3 below). Finally, there has been for three decades a trend of out-migration from older city cores as commercial and other non-residential activities crowd out housing possibilities, and most of these end up in fringe and satellite settlements which are defined as rural under the Census definition.

1.22 *Emerging small towns:* Many small agglomerations in dense rural areas throughout Egypt have begun growing to reach well over 10,000 inhabitants, and their economic functions have begun to diversify away from purely agricultural activities. In fact, these “urban villages” or small towns can be considered market towns and the loci of trade, petty manufacturing, and services for the larger rural hinterlands, as well as the location for certain footloose enterprises..

1.23 The phenomenon of these emerging towns underscores an important point about the economics of Egypt’s countryside. Even in the most “rural” governorates non-agricultural activities predominate. For example Census figures for 1996 show that in all of rural Egypt, only 50.5% of working persons aged 15+ (8.40 million persons) were engaged in agriculture, fishing, and related activities.<sup>18</sup>

### **Dynamics of Migration**

1.24 In the middle decades of the twentieth century, and especially after industrialization efforts in the main cities, Egypt witnessed high migratory flows from rural areas to the cities, and in particular to Greater Cairo, Alexandria, Mahalla el Kubra, and Aswan.<sup>19</sup> This classic migration profile generated the imagery of a continuing stream of peasants moving to the towns, bringing with them their particular lifestyles and bestowing upon Egypt’s “modern” cities a less desirable rural character. However, as early as 1986, Census figures showed that net rural-to-urban migration had diminished greatly. In an article in 1988, Fredric Shorter demonstrated that, in fact, the population growth of Greater Cairo was practically all

<sup>18</sup> Census of Egypt 1996.

<sup>19</sup> In the 1960s and 1970s rural to urban migration was also stimulated by the nationalization of agricultural land and fragmentation of land holdings.



explained by natural increase and expanding boundaries, with net in-migration almost at zero.<sup>20</sup>

1.25 *So what is the true picture of current internal migration in Egypt?* First, it is important to realize that the Egyptian population tends to stay where it is. According to the 1996 Census, only 6.3% of the total population changed residence in the ten year intercensal period, or roughly 0.6% per year on average. As pointed out in concurrent investigations of Egypt's housing sector,<sup>21</sup> there is little urban residential mobility (estimated at 2% of families per year in Greater Cairo), housing choices are unaffordable to the vast majority, housing markets are partly dysfunctional, and for most Egyptian families, the move to a new location is a once in a life-time decision, usually at the point of marriage.<sup>22</sup> So whatever spatial development policies are espoused (new towns and agricultural settlements in the desert, stimulating urban growth poles, etc.), historic migration patterns show that there is a tremendous "stay at home" inertia.

1.26 Interesting, if relatively smaller, movements in population are taking place, but they have little or nothing to do with spatial policies. The following is a list of what is known about recent migration patterns and their causes which will have an impact on Egypt's future urban structure:

1. *The bulk of migration to cities is urban – urban, usually step-wise from smaller to larger towns.* Rural-urban migration is limited, mostly occurring very locally to small emerging towns and markaz centers from nearby rural areas. This fact is, surprisingly, unrecognized by some policy makers who still see massive rural to urban migration as a problem.<sup>23</sup>
2. *Urban dwellers are leaving the older urban cores in large numbers, mostly for fringe and outlying informal settlements.* The causes are mainly the increasing commercialization of downtown space, the slow deterioration of much of the older housing stock, and urban core families seeking better accommodation. Such a trend was noticeable in Cairo as far back as 1966, when six central districts (*qisms*) lost population, increasing to 18 in 1986 and to 22 by 1996. In the 1996-2006 period the trend continued, with many core and historic districts having lost significant populations: The same movement out of city cores can be seen in Alexandria, Mansoura, Tanta, Mahalla el Kubra, and other secondary towns, although the scale is smaller.
3. *Informal settlements in Egyptian cities (mostly peripheral) are huge and growing rapidly.* A recent study shows that in 2006, the population of informal areas of Greater Cairo were growing at an average of 2.57% per annum, compared to less than 0.40% per annum for "formal" Cairo. Informal settlements were estimated to represent 65.6% of the Greater Cairo Region's population (with 10.7 million

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<sup>20</sup> Shorter, F., (1989) "Cairo's Great Leap Forward: People, Households, and Dwelling Space", in *Cairo Papers in Social Science*, Vol 12., American University in Cairo.

<sup>21</sup> World Bank, *Arab Republic of Egypt: Analysis of Housing Supply Mechanisms*, Final Draft, February 2007, and USAID: *Housing Demand Study for Greater Cairo*, June 2006,

<sup>22</sup> According to the Census (special volume on internal migration, December 1998), "marriage" was the reason for changing residence for 30.4% of cases, and "accompanying others" 29.0% of cases. "Work" was the reason in 22% of cases.

<sup>23</sup> In a very recent newspaper article, the new "desert backdoor" initiative (*el zahir el saharawi*) is described as having the objective of absorbing rural population growth and "limiting the massive internal migration from rural areas to existing cities." (*Al Ahram*, 28 December 2006, p. 17.)

people).<sup>24</sup> Over the 1996 – 2006 period, the following very large informal areas of Greater Cairo registered very high annual growth rates: Waraq 2.6%, Imbaba markaz (including Kirdasa) 3,66%, el Umranniya 2.9%, Manshiet Nasser 4.5%, Markaz Qaliub 3.3%, Markaz Ousim 3.6%, El Khanka (including El Khusus) 4.7%.

4. *Migration to the new desert urban communities has been practically insignificant.* For example, the total population of all the new towns and settlements in Cairo's desert in 1996 did not exceed 150,000 persons,<sup>25</sup> and 66,000 of this population was in 15<sup>th</sup> May; a public housing project which was grafted onto the Helwan suburb. For comparison, over the 1986-1996 period, the population of Greater Cairo grew by over 2.1 million persons. In other words, by 1996 all the new towns and settlements around Cairo had not absorbed the equivalent 6 months of Cairo's growth. The 2006 Census recorded only 602 000 people living in the new towns around Cairo<sup>26</sup>, representing an absorbing of 451 000 persons or only 13.8% of the 3 million people added to all Greater Cairo over the 10 years. At the national level, the new desert communities have had even less a demographic impact. In 2006 the population of all Egypt's new towns (20 towns as recorded by the Census) did not exceed 766,000 persons, or only 1.06% of Egypt's total population. And over the 1996-2006 period all new towns only absorbed 4.3% of the nation's population increase.
5. *Certain secondary towns seem to be attracting significant number of migrants,* especially the cities of the Canal Zone (Port Said, Suez, and Ismailia, where there are free zones industrial estates, and perhaps most important, near-by desert land to expand upon), but also smaller frontier towns like Marsa Matrouh and Hurghada (where tourism is booming).

1.27 To sum up recent migration patterns in Egypt: “On the one hand, there has been a stabilization and diffusion of urbanization and on the other, a stabilization of rural-urban migration. In other words, Egypt is currently experiencing a double movement of deconcentration at both the metropolitan and national levels.”<sup>27</sup>

### City Size and City Ranking

1.28 Official Census figures allow the ranking of Egyptian cities by their population sizes over the 1960 – 2006 period, as shown in Table 4.

**Table 4: Evolution of Number of Cities by Population Size (1960-2006)**

	1960	1976	1986	1996	2006
Over One million	2	2	2	2	2
500,000-One Million	0	0	0	0	2
100,000-500,000	12	17	20	24	35
50,000-100,000	8	18	31	51	57
20,000-50,000	46	67	80	75	74

<sup>24</sup> Séjourné & Sims, Concept Note: Dynamics of Peri-urban Areas Around Greater Cairo, World Bank, March 2008.

<sup>25</sup> Including 10<sup>th</sup> of Ramadan.

<sup>26</sup> New Towns include New Cairo, Shorouk, 10 Ramadan, El Obour, El Badr, 15 May, 6 October, and Sheikh Zeid.

<sup>27</sup> Bayat and Denis (2000), p. 186.

Less than 20,000	53	52	59	62	35
	121	156	192	214	205

Source: Population Censuses by CAPMAS

Note: The cities of Giza and Shubra el Kheima are included as part of Greater Cairo. Also, the reduction in the total number of cities over 1996-2006 is due to Census area re-definitions

1.29 In 2006 the two largest cities, Alexandria and Greater Cairo, made up 65.3% of the official urban population of Egypt. As one moves down the city ranking, one finds no cities in 2006 with populations between 3 million and 1 million inhabitants, but two between 500,000 and one million and 35 secondary cities at the 100,000 to 500,000 level (almost all of these are long-established governorate capitals). Below this are 57 towns at the 50,000 to 100,000 level and 109 towns with populations below 50,000.

1.30 The two large agglomerations of Alexandria and Cairo are considered primate cities by many observers, given their weight of numbers and the concentrations of economic enterprises, including most national institutions. Certainly Greater Cairo could be labeled a “primate” city, with its concentration of higher-order economic activities and of most international institutions.<sup>28</sup> However, the use of the term “primate” often has a negative connotation, implying that the largest city(s) capture more than their share of investments and preclude the development of alternative urban growth poles. Concepts of “urban bias”, “spatial distortion” and “regional disparities” are frequent adjuncts, with the implied need to correct this through more disbursed investment programs. Certainly there is an imbalance, especially in that Greater Cairo has a population that is at least 25 times larger than the largest secondary city (Port Said). But in developing countries the dominance of one large mega-city is frequently the norm, as a look at Thailand, Turkey, Iran, and other countries of roughly similar sizes as Egypt will show. And Egypt has Alexandria, currently with a population of 4 million inhabitants, which is growing at least as rapidly as Greater Cairo. Thus it is best to be cautious when looking at city ranking in Egypt and to avoid value judgments of what, after all, is the accumulation of decades of history and which represent trends which are extremely difficult, if not impossible, to alter.

### **Egypt’s Cities, Regions, and their Economic Competitiveness**

1.31 A wide economic disparity gap exists among governorates in Egypt. The GDP per capita in 2002 ranges from a high of LE 12545 in Port Said to a low of LE 3120 in Assiut. Significantly, there seems to be a strong positive correlation between urbanization and levels of per capita GDP; average per capita GDP for urban governorates (LE 10457) is almost twice as high as average per capita GDP for the rural governorates of the Delta (LE 5245) or Upper Egypt (LE 5197).<sup>29</sup> Urban governorates have contributed the largest share of the national GDP, with the governorate of Cairo alone contributing 20.5% —almost twice its share of the national population. Alexandria governorate’s share of the GDP is also higher than its share of the national population, although not to the same extent as Cairo (Table 5). This is a strong indication of the effect of relatively higher levels of employment in non traditional sectors and agglomeration of clusters of economic activities. The ripple effect of

<sup>28</sup> For example, it is estimated that Greater Cairo contains 55% of the nation’s university places, 46% of hospital beds, 40% of pharmacies, 43% of public sector jobs, and 40% of private sector jobs. (GOPP presentation, “Future Vision of the Greater Cairo Region in the Light of Current Urban Growth Challenges”, 2005, in Arabic).

<sup>29</sup> Abdel-Rhman, Mohamed (2006). *Regional Disparities and Competitiveness in Egypt*, Working Paper.

Cairo and Alexandria governorates has spread into neighboring governorates. The two major beneficiaries are Giza and Damietta with the highest per capita GDP among all rural governorates.<sup>30</sup>

1.32 Greater Cairo has captured, and continues to capture, a large share of national public and private investment and to attract business enterprises. Partly this is due to its dominant role as Egypt's portal to the outside world and interconnectedness with the forces of globalization. For example, as research carried out by Denis and Vignal shows, in 2000 metropolitan Cairo accounted for 83% of all foreign establishments (including brands and franchises) found in Egypt.<sup>31</sup> Certainly there are global economic and cultural links with Alexandria, but Greater Cairo will inevitably remain the one Egyptian agglomeration with a significant international stature. It is after all the largest city in Africa and the Middle East and the political and cultural fulcrum of the Arab world.

**Table 5: GDP per Capita by Governorate (2003)**

Governorates	GDP per capita LE	Contribution to National GDP (%)	Contribution to National Pop. (%)	GDP/Per capita Index
GOVERNORATES WITH GDP PER CAPITA ABOVE THE NATIONAL BENCHMARK				
Port Said	12,545.6	1.15	0.77	1
South Sinia	11,984.6	0.19	0.09	0.94
Cairo	10,543.2	20.45	11.14	0.79
Suez	9,495.2	1.15	0.7	0.68
Alexandria	8,364.5	7.99	5.48	0.56
Red Sea	8,307.5	0.38	0.27	0.55
Matrouh	6,604.3	0.44	0.38	0.37
North Sinia	6,490.2	0.5	0.44	0.36
Damietta	6,481.7	1.74	1.54	0.36
Giza	6,380.6	8.96	8.06	0.35
Ismailia	6,210.5	1.33	1.23	0.33
Elwadi El gadid	5,885.8	0.25	0.24	0.29
GOVERNATES WITH GDP PER CAPITA BELOW THE NATIONAL BENCHMARK				
Kalyoubia	5,590.9	5.4	5.54	0.26
Gharbia	5,511.1	5.41	5.63	0.25
Kafr El Sheikh	5,223.8	3.37	3.7	0.22
Luxur	4,957.1	1.38	1.6	0.19
Behera	4,845.5	5.66	6.71	0.18
Dakahlia	4,535.1	5.57	7.05	0.15
Menoufia	4,368.3	3.52	4.62	0.13
Sharkia	4,336.3	5.5	7.29	0.13
Qena	4,075.4	2.97	4.19	0.1
Menia	4,060.6	4.07	5.76	0.1
Aswan	3,971.3	0.42	0.6	0.09
Fayoum	3,746.2	2.25	3.45	0.07
Beni Suef	3,454.1	1.93	3.22	0.04
Suhag	3,399.2	3.21	5.43	0.03
Asyout	3,119.9	2.65	4.87	0
Benchmark	5,742.1	100	100	0.28

Source: CAPMAS, the Statistical Yearbook, 2004.

1.33 Within Egypt, Greater Cairo's strategic central geographic position gives it comparative locational advantages in addition to its agglomeration economies. It is at the southern apex of the Delta and is astride the country's main lines of transport and communications, which are improving rapidly throughout Egypt. Also, Greater Cairo has a vast desert hinterland both to the East and West which gives it room for expansion and

<sup>30</sup> The South Sinai governorate records a per capita GDP that is higher than Cairo and Alexandria (LE11984). This higher GDP per capita is attributed to the concentration of tourism facilities and other high income generating services that are publicly owned and their revenues are transferred to the central government rather than to local population.

<sup>31</sup> Denis, E., and Vignal, L., "Cairo as Regional/Global Economic Capital?", in Singerman, D., and Amar, P., *Cosmopolitan Cairo: Politics, Culture, and Urban Space in the New Globalized Middle East*, AUC Press, 2006, pp. 130-131.

absorption of newer, global modes of production and consumption. Cairo's dominance in the Egyptian economy is also seen in the manufacturing sector. In 1996, of 16 industrial poles or manufacturing concentration areas found in Egypt, 9 were to be found in Greater Cairo (excluding 10 Ramadan but including 6 October new towns), and their cumulative estimated production value represented 57.2% of the nation's total. (Alexandria, with four industrial poles, represented an additional 22.5% of the total).<sup>32</sup>

1.34 Certainly Greater Cairo has witnessed diseconomies of agglomeration in recent decades, especially due to worsening traffic congestion and air pollution. It is unclear whether these challenges have as of yet reached the scale where they would outweigh metropolitan attractions, but what is clear is that they are rapidly eroding Greater Cairo's livability and efficiency, and thus require significant interventions to limit the continued deterioration. The World Bank Greater Cairo Urban Transport Strategy (2006) predicts that a "do-nothing scenario" would lead by 2022 to a 50% reduction in the average travel speed within the agglomeration from an already low level of 21km per hour in 2001, accompanied by a tripling of the average trip time. A similarly alarming picture is predicted with respect to pollution and the economic losses to pollution and congestion, which were conservatively estimated in 2001 at LE 3 billion (or 4% of local GDP).

### **Box 2. Can Backward Regions Catch Up With Advanced Ones?<sup>33</sup>**

There is an increasing interest on how economic development can be accelerated in the poorer regions of developing countries. A pertinent question is whether backward areas really need special treatment? Or will factor mobility and trade within countries quickly equalize per capita incomes across regions? If such tendencies toward equalization or convergence are strong, then policy should ensure only that barriers to internal factor mobility and trade are removed. But if convergence is slow or nonexistent, direct interventions may be needed to ensure that poorer regions share in the benefits of faster national growth.

#### ***Subnational Disparities in Per Capita Incomes***

Despite widespread absence of internal barriers to trade or factor mobility, average per capita incomes vary considerably across subnational regions, especially in developing countries. The largest disparities are usually in large developing countries where transport costs are important, such as Argentina, Brazil, Indonesia and South Africa, although there are notable exceptions like India. Size seems to be less of a factor among industrial countries. Regional disparities are low in Australia and Canada and higher in smaller countries such as France, Germany, Italy, and Japan.

#### ***Evidence on Convergence***

Traditional growth theory predicts that in a country with low barriers to goods and factor mobility, there should be a trend toward convergence in per capita income across regions. In addition, many countries and economic unions of countries have adopted regional development policies aimed at assisting such convergence. Since the mid-1950s, with the exceptions of Australia and Germany, disparities in regional per capita incomes have fallen in nearly every industrial country, although slowly. Changes over time are less clear for developing countries. For example, only Brazil, China, and Indonesia showed continuous reductions in interregional inequality from the 1970s to the early 1990s. In Colombia and Mexico disparities narrowed in the first half of that period but widened in the second half, while in India there was an increase in interregional inequality.

#### ***Policy Conclusions***

The results so far suggest that income disparities across subnational regions in developing countries are likely to remain substantial for some time. Relying on market forces alone to remove subnational inequality is not enough, yet long experience with regional policy in industrial countries suggests that there is no easy way to iron out subnational differences.

<sup>32</sup> Ibid., pp. 136-137.

<sup>33</sup> Edited from "Can Backward Subnational Regions Catch up with Advanced Ones?" PREM Notes: The World Bank, July, 1998.

Some lessons have emerged. First, countries that have displayed significant subnational convergence (France, the United Kingdom, the United States) encouraged private sector development in backward regions, although the relative merits of the various instruments used—investment and employment incentives, industrial estates, local development corporations—remain a matter of debate. The currently popular approach, of bringing together the private sector and other actors to develop an informal marketplace to encourage appropriate clusters, seems to offer considerable promise.

Second, there is little evidence that large public infrastructure investments in subnational regions can be used to create growth poles. Countries that have tried this (Brazil, Italy) have had little success and experienced slow subnational convergence. Cross-regional investments in major highways run the risk of making it easier for firms to relocate in developed centers and supply more backward areas from there. Public investment seems most appropriate when it is led and justified by private demand.

Third, there is also not much evidence that strategic investments in a leading sector or industry will do the trick. Such investments are often capital-intensive and prove costly mistakes (as in Brazil and India).

Fourth, equalizing fiscal transfers between the national government and sub-national regions, while possibly justified on equity grounds, do not seem to generate economic growth in backward regions. Fiscal equalization has had a strong appeal in a number of countries and federal systems (India, Italy, the European Union), and has doubtless raised per capita incomes in poorer regions on a one-off basis. There is no evidence, however, that such transfers generate economic dynamism, and poorer regions may become permanently dependent on the central government.

1.35 The Alexandria Governorate, located on the Mediterranean Sea 210 km north of Cairo, had a population of 4.11 million inhabitants in 2006 of which more than 95% lived in Alexandria City and the remainder lived in Burg Al Arab New Town and its surroundings. Alexandria acquired a unique place in history as a cosmopolitan city and a cultural landmark. Today, many aspects give Alexandria important competitive advantage in Egypt and the Middle East region including:

- Unique archeological and cultural heritage assets that are spanning various eras and constitute rich urban fabric and modern landmarks. The reconstruction of Bibliotheca Alexandrina, which attracts alone one million visitors every year, is positioning the city as a regional hub of knowledge, science and dialogue among cultures and civilizations;
- Important transportation infrastructure, with two of Egypt's leading seaports that handle some 60% of the country's imports and 47% of exports, two international airports, good highway and rail links to the rest of Egypt and neighboring countries;
- A well established, fast growing and diverse manufacturing sector (40% of Egypt's industrial investments), that employs about 30% of the local labor force in Alexandria in the following sectors: chemicals & petrochemicals, textiles & garments, food processing, oil refineries, steel & iron, and pharmaceuticals, most of which have been growing at rates ranging from 5-8% over the past three years; and
- The ability to further diversify its economic base in sectors with great but yet untapped potential, such as tourism (Alexandria remains the main local tourism destination, but only receives 3% of Egypt's international visitors each year), information and communications technology (ICT), research and development

(R&D), and the services sector on account of a better-than-average educated labor force and more competitive wages.

1.36 Although the governorates of Cairo and Alexandria are clearly the main economic engines of the country, other governorates have concentrations of industries that may serve as a foothold for growth. Port Said is a strong producer of textiles, Damietta has a large concentration of furniture manufacturing industries, and there are various heavy industries in Suez (chemicals & petrochemicals, steel & iron, and non-metallic mineral products). In addition to industries with growth potential, Port Said, Suez and Damietta possess natural resources and have sea ports on major water ways which could enhance prospects of growth in export oriented industries and tourism.<sup>34</sup>

1.37 In any event, competitive factors which influence the performance of the Egyptian economy are more of a macroeconomic nature and relate to its ability to conform to and benefit from world economic trends. These in turn rest upon the central government generating reforms which improve the investment and business climate at both the central and local levels. To the extent that reforms are successful and Egypt achieves the much-desired economic transformation, it is likely that a) Greater Cairo and Alexandria with improved rationalization and effectiveness of public spending can continue to contribute significantly to the national economy as Egypt's main engines of economic growth (growth poles), b) Port Said, Suez and Damietta have the potential to grow as Egypt's 2<sup>nd</sup> tier growth poles (growth centers), while c) specific investment programs will need to target key development issues in other governorates, with a special focus on Upper Egypt.

### **Box 3. Regional Development Strategies in Spain<sup>35</sup>**

Spain has a long history and experience in regional development. Two cases are presented here. The first illustrates that relying solely on infrastructure, although essential for regional development, is not sufficient as it represents a piecemeal approach. The second reveals that a more integrated and balanced strategy that is tailor-made to address region's comparative advantages and weakness is more successful in accelerating regional development

#### ***Infrastructure is a necessary, but not sufficient, condition for arresting the decline of lagging regions - the case of Galicia***

The region is located in the westernmost fringe of Europe. It has a population of 2.7 million with its largest city of Vigo having a population is around 283,000. Traditionally, agriculture and fishing have been the main economic activities in the region. As a result of development policies, parts of the region became industrialized. The crisis of the 1970's provoked a steep decline in agriculture and leading industries, resulting in increasing unemployment. To address this, the region received substantial aid from the central government and the European Union. The regional development strategy was top-down with infrastructure at the core. The provision of infrastructure in the form of building two motorways was intended to reduce the isolation of the region, in addition to attracting foreign direct investment (FDI). This highly visible type of investment in infrastructure was also seen as the easiest way to spend central funds and was supported by public opinion.

Although this investment contributed to solving bottlenecks, it did not bring strong results in terms of sustainable development to the region. The investments in infrastructure were not matched with efforts to strengthen regional competitiveness and entrepreneurship as well as promote the endogenous resources of region. This led to the further decline of the region. During the period 1988-1995, the region attracted only 1.1 percent of total FDI coming into Spain. Moreover, the unemployment rate stayed close to the national level. In summary, the failure to address effectively the problems of human resources and the regional production fabric curtailed the effectiveness of the regional development policies since they were based on infrastructure and FDI.

<sup>34</sup> Abdel-Rhman (2006).

<sup>35</sup> Ibid.

***Integrated and tailor-made development strategies yield positive results - the case of Navarre***

The Navarre region is located on the Paris–Madrid axis. Its population is around 531,000 and the population of its largest city of Pamplona is around 179,000. Traditionally a rural region, since the mid eighties, it has been successful in attracting FDI; the establishment of a Volkswagen plant is an indicator of this success. In addition, local firms have shown great dynamism and the transition from agriculture to industry and (increasingly) services has been smooth.

Although the region received far less funding from the central government and the European Union, especially in comparison to the Galicia region, it managed to achieve much higher growth rates. Due to the shortage of development funds, the region adopted a development strategy with less emphasis on infrastructure, while not completely disregarding it. The focus of the strategy was on supporting existing firms and attracting FDI. Policy guidelines aimed at reducing structural bottlenecks and strengthening the comparative advantages of the region's economic fabric.

Measures taken to realize these development objectives included:

- (1) Certain tax abatements for new investment;
- (2) Subsidies for permanent job creation;
- (3) Soft loans for the development of technology and innovation, or for the purchase of industrial land; and
- (4) Incentives geared toward training or retooling the skills of the labor force (skill training programs were set up with the needs of the local firms in mind).

As a result of implementing these policies, the region's industrial employment now stands 48 percent higher than the country and its unemployment rate is less than half of the national average. The region attracted 2.1 percent of total foreign investment in Spain over the period 1988-1995. As a result, Navarre is now one of the leading Spanish regions.

The lessons to be learned from the Spanish experience is that balanced and tailor made strategies for regional development that address comparative advantages and weakness of regions need to be encouraged. Trying to implement partial development strategies that concentrate on the provision of infrastructure or any other single policy area and hoping that other development problems will wither away may produce little result.

## **Dimensions of Urban Poverty, Household Incomes, and Slums**

1.38 In Egypt the subjects of poverty, poverty levels, and incidences of poverty has recently gained increasing attention. At the national level, those living below the nutrition-based poverty line were estimated at 17% in 2000 and 19.5% in 2005.<sup>36</sup> By far the highest concentrations of the poor are in the rural areas of Upper Egypt, as can be seen from Table 6.

**Table 6: Percentage of Inhabitants below Poverty Line by Region**

<b>Regions</b>	<b>1995/1996</b>	<b>2004/2005</b>
Metropolitan	13.10	5.67
Lower Egypt Urban	8.34	9.00
Lower Egypt Rural	21.53	16.66
Upper Egypt Urban	10.82	18.60
Upper Egypt Rural	29.32	39.06
<b>All Egypt</b>	<b>19.41</b>	<b>19.56</b>

Source: World Bank, May 2006, p. 2.

<sup>36</sup> World Bank, Ministry of Planning (2002), *Poverty Reduction in Egypt, Diagnosis and Strategy*, Volume 1, June 2002, Report no. 24234-EGT, and UNDP (2003), *Subjective Poverty and Social Capital: Towards a Comprehensive Strategy to Reduce Poverty*, April 2003.



1.39 Urban areas consistently show much less incidences of poverty than the national average, especially in the “metropolitan” governorates of Cairo, Alexandria, Port Said and Suez. However, income distribution is such that there is a clustering of Egyptian families slightly above the poverty line, so the number of poor is very sensitive to where that line is drawn. Also, urban poverty may also be underestimated due to the use, to date, of official definitions of urban place in all poverty calculations.

1.40 *Urban Household Income Distribution:* Preliminary results of the HIEC Survey of 2004-2005<sup>37</sup> allow the construction of household income and expenditure distribution tables for the national urban population, as is shown in Table 7.<sup>38</sup>

1.41 As can be seen, the median urban household income is LE 1046 per month or, at 2005 exchange rates, about US\$ 1.83 per person per day. However, in terms of purchasing power parity (PPP), the real dollar figure would be significantly higher than this, given that basic consumption items are relatively inexpensive in Egypt and that basic foods, particularly bread, are partly subsidized by the State. (The impact of steep rises in the cost of living, including food crisis, in the 2006-2008 period in Egypt have not yet been factored into these analyses.)

**Table 7: Urban Household Income and Expenditure Distribution by Decile 2004-2005 (LE per month)**

Decile	Household Income		Household Expenditures	
	Minimum	Maximum	Minimum	Maximum
First	0	533	0	487
Second	533	678	487	598
Third	678	797	598	702
Fourth	797	908	702	800
Fifth	908	1046	800	909
Sixth	1046	1199	909	1037
Seventh	1199	1397	1037	1205
Eighth	1397	1699	1205	1451
Ninth	1699	2371	1451	1988
Tenth	2371	-	1988	-

Source: Calculated from annual urban household expenditure and income by 20 bands, from CAPMAS Household Income Expenditure and Consumption Survey 2004/05, preliminary results.

1.42 What is striking about Egypt’s urban income distribution is its very high compression or lack of depth. For example, a simple doubling of income from LE 595/month will capture a full 50% of all urban households. Certainly there are those who are desperately poor and there are those who are very wealthy, but the bulk of urban households have low to moderate incomes which cluster within a relatively narrow range.

1.43 *Income heterogeneity in geographical space:* In Cairo, and in Egyptian cities in general, urban poverty is not notably concentrated in particular geographic areas. There are a few small and marginal urban pockets with high concentrations of the desperately poor, but most poor families are found mixed in with lower and middle income families in a wide

<sup>37</sup> CAPMAS, Household Income, Expenditure, and Consumption Survey, carried out every five years with a large random sample of 40,000 households.

<sup>38</sup> Note that all sources of income are included, and for both income and expenditures non-cash as well as cash items are counted. Also note that income and expenditure levels have not been corrected for family size.

number of older core neighborhoods and in the vast informal areas of the major cities. A small percentage of poor families may also be found even in older upper class neighborhoods. Conversely, in most informal areas, will be found a percentage of well-off entrepreneurs, traders, and professionals. This mix of income groups or “income heterogeneity” in geographical space is due to a number of historical factors, including limited residential mobility due to rent control and imperfect real estate markets. The situation in urban Egypt contrasts with that in many developing countries’ metropolises, where high concentrations of exclusively poor and destitute inhabitants can be found in huge slums.<sup>39</sup> In fact, it could be said that Egypt (and MENA cities in general) does not exhibit the large slum phenomena so apparent in African and Sub-Asian cities. (foot IDRC article.)

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<sup>39</sup> For a description of poverty, slums, and informal settlements in Greater Cairo which includes the construction of typologies of slum and informal areas, see Sims, “Cairo City Report”, in UN-Habitat (2003), *Global Report on Human Settlements, The Challenge of Slums*, Earthscan London, Part IV, Summary of City Case Studies, pp. 195-228. This report can be downloaded from [www.ucl.ac.uk/dpu-projects/Global\\_Report/cairo.htm](http://www.ucl.ac.uk/dpu-projects/Global_Report/cairo.htm)

# Factors And Processes Of Urban Expansion And Service Delivery

## General

1.44 This section presents a review of the causes and processes of urban expansion and service delivery and the main factors of city production as they currently operate in Egypt. The intention is to provide an analysis of how land is assembled and converted to urban use, how urban infrastructure and services are delivered, how housing is provided, and how industrial areas are created. Finally, the “unearned increment” in land and property values due to urban expansion is identified, as well as who captures it and to what extent it is leveraged to finance urban development.

1.45 How Egyptian cities and towns grow depends largely upon the role of government and the effects (including unintended effects) of its policies. Such government’s influence is implicit in the discussion here, but is further reviewed and assessed in subsequent sections, particularly in Sections 4 and 5.

## Supply of Land for Urban Expansion and Processes of Its Conversion<sup>40</sup>

1.46 From the mid-nineteenth to the mid-twentieth century Egyptian cities grew and expanded under what could be called the capitalist-enterprise mode of land development, guided in part by State regulatory frameworks and favors. Private enterprises (frequently foreign controlled) bought up private agricultural land holdings on the urban fringes and land filled, subdivided, and serviced them, with revenues coming mainly from the sale of land parcels. These private companies also developed near-fringe desert lands through concessions from Government authorities. The most famous of this mode of development was suburban Heliopolis undertaken by the Belgian entrepreneur Baron Empain at the turn of the century.<sup>41</sup> Inevitably most such development was aimed at the wealthy and the middle classes, although certain working class neighborhood subdivisions intended for tenement housing blocks were also developed (e.g. Boulaq in Cairo, Moharram Bey in Alexandria, and the “Arab” quarters in Port Said and El Ismailia).

1.47 After the Revolution in 1952 and subsequent nationalizations, the conversion of land for urban purposes underwent drastic changes. The State became the main supplier of land and also the main means of financing land conversion.<sup>42</sup> The private sector was totally eclipsed, and the former process of private subdivision practically ceased, only to begin to recover very recently. And as converters of land for urban use, private enterprises still rely on the State for access to raw and even serviced land, and their space for maneuver remains

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<sup>40</sup> For a much more detailed investigation of urban land development as it concerns public land management and land tenure and its institutional and legal framework, see the World Bank Policy Note – *Egypt Public Land Management Strategy*, Volumes 1 and 2, Finance, Private Sector and Infrastructure Group, MENA, draft, April 2006.

<sup>41</sup> In fact, the early development of all Suez Canal Cities was carried out on desert land or landfill by the private and foreign-controlled Suez Canal Company.

<sup>42</sup> Although the State controlled the conversion process initially, private and informal land markets took over for subsequent transfers. It should be noted that in Egypt the exchange of land is extremely simple and inexpensive as long as one relies on simple *ourfi* contracts which are easily sanctioned by the courts or powers of attorney. Conversely, trying to transfer land through the routines of official registration is, for most, practically impossible.

constrained by State control and land regulations. Except in the new towns, such opportunities for private developers hardly exist. The onerous subdivision laws – which apply to any land subdivided into three or more parcels – and building standards, as well as servicing requirements under the 1940 subdivision law, now part of Law 3/1982, makes it extremely difficult for private companies to exploit what very few parcels of land are owned privately (usually due to older allocations ostensibly for agricultural reclamation). It forces even them into informality.

1.48 Today, it can be said that there are two distinct sources of raw land for urban use. On the one hand there is State owned/controlled desert and near-desert lands, and on the other privately owned/controlled agricultural land (including agricultural land nominally in State control but farmed by tenants). Although there are a few cases which blur this distinction, in general terms such a stark dichotomy can be applied for all of Egypt’s supply of land for urban purposes. Each land conversion process is discussed separately in the following paragraphs:

1.49 *Conversion of State Desert Lands:* State desert lands have been the source for almost all formal urban development in Egypt in the post-Revolution era. These have been mainly desert tracts, with the Medinet Nasr project, commenced in the early 1960s<sup>43</sup> being the first large such undertaking. However, until the loss of agricultural land due to urban expansion became an issue starting in 1978, State urban projects also relied on agricultural tracts under State control, mainly either Awqaf lands or lands nationalized under Land Reform.<sup>44</sup>

1.50 The system of conversion of State lands for urban use could be described as one of “negotiated administrative fiat.” At the heart of the process is assignment (*takhsis*) of land by an authority to a public, cooperative, or even private entity which, for large tracts, in turn subdivides and disposes to the end user. At first the process was disorganized, but following legislation mainly in 1975 and 1979 the disposal of State lands was vested primarily in one of the following:

1. The armed forces and police, who enjoy a kind of “first right” based on security needs
2. The new urban communities authority of MHUUD for areas designated for new towns
3. The land reclamation authority under the Ministry of Agriculture
4. Governorates for State lands within 2 kms. of the official limit of cultivation

1.51 In the last twenty five years, the *takhsis* process has evolved considerably. Regulations are now in place which require review of assignment by committees and nominal prices are to be set on some lands and market prices to others, as well as stipulations as to exploitation and build out within a certain period. These regulations have been progressively imposed in attempts to combat favoritism and land speculation, since it became clear that parcels of desert land, especially those under urbanization pressures, had the potential for tremendous windfall profits upon resale.<sup>45</sup>

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<sup>43</sup> For a description of the Medinet Nasr project, see Abu-Lughod, J. (1971), *Cairo 1001 Years of the City Victorious*, Princeton University Press, Princeton New Jersey.

<sup>44</sup> The large industrial areas of Tibiin and Shubra el Kheima are examples of earlier State projects on agricultural land. Another example was the huge Medinet el Awqaf residential subdivision, known today as Mohendiseen, including parts of Aguza and Dokki. Interestingly, the Medinet el Awqaf project was actually conceived in 1948, a few years before the Revolution.

<sup>45</sup> Resale of State lands by beneficiaries is virtually always possible through informal means, prohibitions notwithstanding.

Figure 6: Example of stalled subdivision development (Muqattam Middle Plateau, started in 1979), Google/DigitalGlobe Image (from 2005)



1.52 Unfortunately, these control systems have only partially been successful, and land speculation is still a major motive for desert development, especially for lands near to urban agglomerations or those perceived to have future urban potential. Much of urban development in the desert remains characterized by walled vacant tracts, empty subdivided plots, and buildings left unfinished. And in spite of attempts to control and coordinate desert assignments and to put them under the framework of master plans and structure plans, the results remain somewhat chaotic. For example, GOPP calculates that there are some 282 km<sup>2</sup> of desert lands under development around Greater Cairo (equal to half the built-up area of the existing metropolis) which are not sanctioned by the approved 1997 Master Plan and that these areas alone will absorb some 3.3 million persons.<sup>46</sup> One common means of creating urban land is to obtain desert land designated for agricultural reclamation purposes and then eventually subdivide this land for housing and other urban uses. “Farms” along the Cairo-Alexandria desert road are prime examples of this.

1.53 An important exception to the formal conversion of State desert land for urban purposes is the phenomenon of squatting by individuals. Termed *wadaa yed* or “hand claim” (and somewhat confusingly sanctioned in the Egyptian civil code, depending on the interpretation), desert fringes have been subject to decades of creeping urban development, in some cases resulting in huge informal settlements.<sup>47</sup> It is important to note that the process has a long history and that only recently has the State been able to control/limit it, at least in

<sup>46</sup> GOPP Presentation. It is interesting to note that GOPP’s inventory of un-sanctioned desert land developments excludes a significant number of former desert schemes which at the time were totally un-sanctioned but evidently have been incorporated in more recent versions of the GCR Master Plan.

<sup>47</sup> Examples in Alexandria include Ameriya, Dekhela, even upper class Agami. In Cairo the main examples are Manshiet Nasser and Ezbet el Haggana.

new areas where desert land has a potentially high value and/or is plainly visible to authorities.<sup>48</sup> It should also be noted that security of land tenure for squatted land in these areas is remarkably good once a settlement has reached a certain size. In addition, the threat of demolition is low, and when it occurs inhabitants are usually offered alternative housing.

**Figure 7: Example of slow build-out in new town subdivisions (El Obour New Town, subdivision started in 1989) from Google/DigitalGlobe Imagery dated 2005**



1.54 The process of informal conversion of desert land for urban purposes almost always grafts itself onto nearby settlements or cultivated land. Pioneering locals stake out parcels with markers and/or simple walls, frequently building a single room of cheap materials and/or planting some trees. Subdivided parcels are sold at bargain prices, since it is in the pioneer's interest to quickly attract development, both to increase the market value of his remaining plots but also to make clearance by authorities more difficult. In fact, the principle of "critical mass" is paramount, since once there are enough structures and inhabitants in an area or extension, their removal represents too much of a headache for local authorities. Once an area has reached critical mass and individual investments are perceived as safe, one sees a progressive consolidation, with re-subdivision and sale of the remaining larger plots (which in turn helps finance construction) and the building of permanent multi-storey residential structures. This process of maturation leads to greater densities, the appearance of population-serving commerce, small workshops, and mini-bus informal public transport. Basic infrastructure follows as the now large population has a certain political voice, starting with electricity and following with water and paving of main roads. Eventually the government will build sewers, schools and clinics.

<sup>48</sup> In Greater Cairo, for example, the large mature desert *aashwaiat* such as Ezbet el Haggana and Manshiet Nasser are largely constrained from further expansion, but in areas which are "out of eye" such as the desert fringes in Khanka, Abu Zaabal, Tibn, el Suf and even Aftih, new agglomerations of desert *aashwaiat* are replicating, expanding, and consolidating.

**Figure 8: Recent Example of Informal Development on Desert Land – Atfih, Giza (Google/DigitalGlobe Image)**



1.55 Conversion of Agricultural Lands<sup>49</sup>: Except in extremely rare cases, all conversion of agricultural land for urban purposes is informal. Over decades this process has resulted in what is now the single largest kind of urban settlement – and they can be found around virtually every city and town and even village in Egypt.

1.56 In the 1960s and 1970s this process was relatively straightforward, unconstrained by government prohibition.<sup>50</sup> A farmer would divide an agricultural strip into small plots (usually 80 to 120m<sup>2</sup> in area) and offer them for sale, usually through word of mouth although also through informal brokers or *simsars*. In some cases, an entrepreneur would buy up field parcels and carry out the subdivision himself. A narrow strip of two to four meters would be reserved for an access lane, normally along the boundary of the agricultural strip. Those who purchased plots would progressively build small apartment blocks, adding floors over time as finances permitted. This process would occur on the fringes of urban agglomerations and also at the edge of villages, especially those which were coming under urbanization pressures. Needless to say, areas subject to this conversion process were unplanned, had no subdivision permits, and structures needed no building permits.

1.57 At first there would be no utilities, although a shallow tube well usually sufficed for water supply, and wastewater was handled by septic tanks and soakaways. Once the population of an area consolidated, electricity networks would be introduced by government power distribution companies. Also at some point canals would be filled in to create main

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<sup>49</sup> Annex Three presents a full discussion of informal urban settlements in Egypt, including estimates of their size and growth and contributions to the urban housing stock.

<sup>50</sup> It is interesting to note that with the construction of the High Dam at Aswan in 1964 the annual flooding of much of the agricultural plain in the Nile Valley ceased, making it much more convenient to build on such land.

roads which eventually were paved. In most cases water networks and, finally, sewerage lines would be introduced.

**Figure 9: Example of Informal Conversion of Agricultural Land for Urban Purposes – Giza (Google/DigitalGlobe Image)**



1.58 It needs to be noted that throughout the land conversion and build-out process security of land tenure is extremely solid. Even the threat of demolition of illegal structures is very weak.

1.59 This process replicated itself time and again, creating in Greater Cairo and Alexandria huge informal settlements which today contain hundreds of thousands of inhabitants. They and their smaller cousins on the peripheries of provincial cities and towns suffer however from poor accessibility, extremely high residential densities, and insufficient schools and other government services. Also, due to the ever increasing densities, water and wastewater networks are seriously overloaded. And municipal authorities tend to concentrate road paving, traffic and solid waste collection services in the “formal” parts of town, leaving the informal areas largely to fend for themselves.

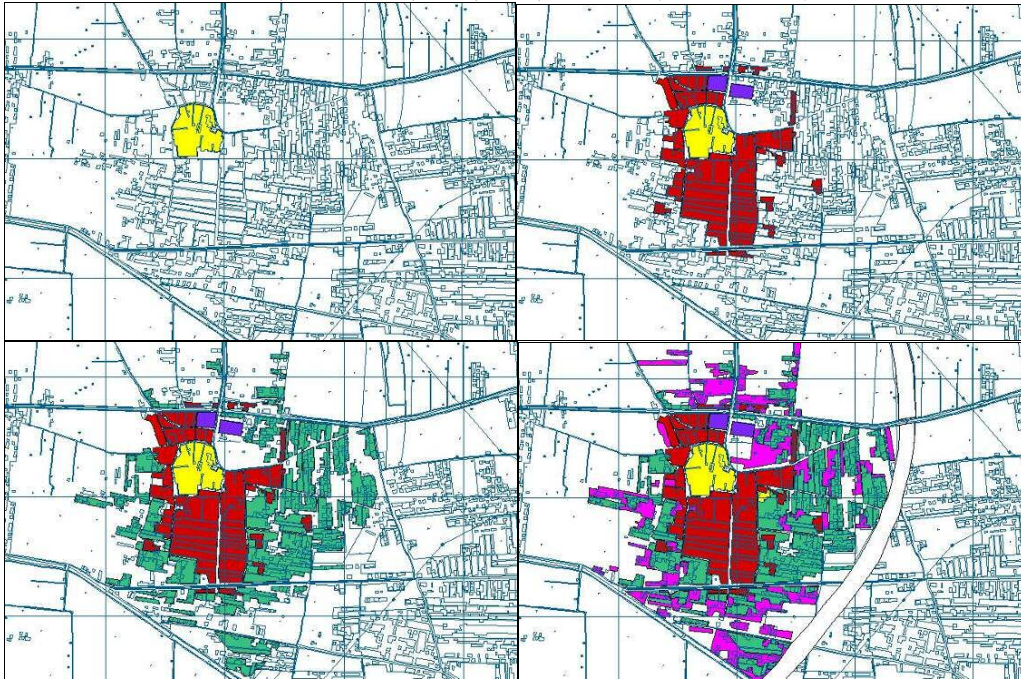
1.60 In the 1980s and 1990s government authorities became increasingly preoccupied with preventing the creation of more informal development on agricultural land, and there has been a noticeable slowing of horizontal expansion, at least on the fringes of Greater Cairo and provincial towns.<sup>51</sup> In effect, the costs (mainly bribes) and hassles involved in informal conversion have risen, pushing the process into “out of sight” agricultural pockets and around peri-urban villages where control is less strict. Yet the incentive to convert agricultural land

<sup>51</sup> The degree of control and prohibition of informal conversion of agricultural land appears to vary from one city and governorate to the other, largely due to the personality of the governors and other local government leaders.



for urban use is still extremely high. The best feddan of land sold for agricultural purposes in the Nile Valley may fetch up to LE 120,000, whereas the same land subdivided and sold for building purposes will command not less than LE 350 per m2. In other words, even allowing for 20% of the land for circulation, there is a price markup which is nine fold.<sup>52</sup>

**Figure 10: Example of Informal Expansion on Agricultural Land, El Muatamiddiya Village, outside Cairo, Years 1947, 1977, 1993, and 2000 (source: author)**



## Urban Infrastructure Provision and Operation

1.61 Virtually all urban infrastructure services in Egypt – water, wastewater, roads and bridges, parks and open spaces, electricity, and telephones – have until recently been provided exclusively by government agencies, and most of this provision is financed directly or indirectly from the budget of the Central Government. Of those infrastructure services which impose fees or user charges, only telephones and electricity services nearly recover operation and maintenance costs.<sup>53</sup> Even with the recent trend towards privatization and greater roles for the private sector in Egypt, today the private sector’s role is severely limited to on-site infrastructure provision in up-market subdivisions and gated communities, mainly in the new towns. Public-private partnerships for urban infrastructure are almost unknown

<sup>52</sup> During application of the new village boundaries project (*el hayz el amrani*, see Section 6), GOPP found that an average qirat of agricultural land was selling for LE 4-6000, whereas a qirat of similar land would fetch LE 50,000 for building purposes.

<sup>53</sup> User charges and fees are set centrally and, with few exceptions, are the same throughout Egypt. Due to reforms in 2005 water consumption charges were raised in certain localities, but they remain very low (currently 29 piastres per m3 in Cairo), and sewerage fees are assessed as a 25% surcharge on water consumption. Although there is a program to install water meters, until now the vast majority of urban consumers are assessed a flat rate which is based on an estimate of a building’s consumption.

and are largely restricted to city beautification in exchange for advertising opportunities, although recently BOT arrangements have been introduced for certain urban services.<sup>54</sup>

1.62 Central ministries and authorities plan and budget additions to system capacities and extensions to network coverage in order to keep up with urban growth. In most official urban areas, this has resulted in adequate to good system coverage. According to the 2004 EHDS the percentage of urban households connected to utilities were as follows:

**Table 8: Urban Infrastructure Service Provision Levels**

<b>Infrastructure service</b>	<b>% of urban households with service</b>	<b>% of rural households with service</b>
Electricity from grid	99.6%	96.9%
Piped Water	99%	82%
Public Sewerage	urban areas of rural governorates: 85% urban governorates: 96%	22%

Note: "urban" is the official definition

Source: 2004 Egypt Human Development Report, Ministry of Planning and UNDP, pp. 127, 184 and 190.

1.63 These high coverage rates are the result of huge State investments in the infrastructure sector over the last three decades, partly supported by foreign aid. As can be seen from the above table, public sewerage services are still lacking for some urban households and a large majority of rural households (many of whom are in peri-urban and urbanizing agglomerations), and at the same time wastewater systems are the single most costly of all urban infrastructure services. Over the last 20 years investments in water and wastewater in Egypt have exceeded LE 50 billion. Power and telephone providers have been reformed into "economic authorities" that have a certain budgetary independence, and currently similar reform is being carried out for the water and wastewater sector, with independent companies being established progressively at the governorate level, under the umbrella of a national holding company.

1.64 Many observers of the water and wastewater sector, including donors, had for years pointed to a number of serious weaknesses: (1) a very low nationally-set water consumption tariff that did not allow revenues to even cover operations and maintenance costs of potable water and wastewater systems, (2) a rigid and centralized command-and control set of institutions which gave local authorities no flexibility in operations and investments which made coordination in policy making next to impossible, (3) a bloated civil service staff whose salaries consumed most allocations in the sector, and (4) the application of block water consumption charges rather than those based on metered consumption.

1.65 Areas without utilities services tend to be those in peri-urban and urban village locations where new urban expansion is taking place and infrastructure provision is lagging. In addition, the quality of service is frequently poor, especially in locations where rising urban densities put heavy demands on older networks, in particular in mature informal settlements. Thus in these areas power cuts and brownouts may be common for electricity, telephone switching stations may be overloaded, water pressures may be low and the water quality dubious, and sewage blockages and resulting overflows may be common. Inadequate system performance is aggravated by the frequent problem of inadequate funding for

<sup>54</sup> Cairo Governorate has let BOT contracts for the construction of a number of parking garages and for electronic on-street parking in downtown Cairo.

operating costs, by poorly trained staff, and by very centralized administrations which find it difficult to adequately respond to local situations.

**Figure 11: Example of Advance Infrastructure Provision, New Cairo (Google/DigitalGlobe Image)**



1.66 For urban utilities services as well as for street paving and public spaces, there is an observed bias towards central areas, main boulevards, and neighborhoods where the better off live. In informal (*aashwa'i*) areas, infrastructure assets and services are normally of inferior standards. The same can be said for community facilities and solid waste collection services. This is a reflection of the centralized means of allocating limited resources for such services and the stiff competition to capture these resources.

1.67 Although the recently established Holding Company for Water & Wastewater is creating affiliated utility companies located at the governorate level, in practice the system is still highly centralized, especially in terms of budget allocations, new projects, staffing, and technical planning.

### **Urban Social Services Provision and Operation**

1.68 The main population-serving facilities found in urban areas are all provided by government agencies. These are various levels and types of schools, vocational training centers, health centers and clinics, youth centers, and even most mosques. As with infrastructure services, the construction and running of these services depends on central government allocations through line ministries and service directorates at the governorate level. Governorates have some discretion as to where new services are to be located, but the resources needed to build them are mostly centrally determined.

1.69 Egypt has a massive school construction program, and new health centers and clinics and youth centers are built at a rapid rate. However, budgets for operations and maintenance remain meager and are badly managed, with the result that the quality of services is frequently poor. In particular, the education system remains very weak, with very crowded classes, high attrition (school dropouts), and school leavers poorly educated and with skills which do not match with demand in the labor market. However, this is a systemic problem throughout Egypt and is not confined to urban areas.

1.70 The private sector has become more and more prominent in the delivery of health and education services in urban areas, not because of an explicit government policy but due to the inferiority of government-supplied services.<sup>55</sup> More and more private schools are being built in Egyptian cities, mostly aimed at the children of the well-to-do and the middle classes. However, the phenomenon of private schools is also to be found emerging even in the more mature informal settlements. Likewise, private clinics and hospitals are extremely common. In some poorer urban areas NGOs and community development associations are providing much needed basic health services, kindergartens, and illiteracy classes.

1.71 The provision of education, health, and other public services by government is seriously constrained by the fact that sites must be found which are on State land. The central government budget allocates practically zero funds for land acquisition.<sup>56</sup> This translates into education, health and other service budgets without a line item for land purchase. The practice, which has continued for decades, is to situate new facilities on any available and serviced government land which can be found. This means that it is becoming increasingly difficult to construct facilities in urban areas which allow easy access to the populations which are meant to be served. This is particularly a problem for schools, which require extensive plots of land. The result is that one commonly finds a grouping of schools together at an isolated site, far from populated neighborhoods, simply because this was the only State land available. This factor, probably more than any other, underlies the failure to provide access to the most basic of urban services, especially primary schools and neighborhood health clinics.<sup>57</sup>

### **Housing Production Processes and Housing Markets**

1.72 Residential areas constitute the majority of urban space in any city, and thus the urban form of Egyptian cities is inevitably shaped by housing processes. As explained in Section 3 above, the conversion of land for urban use is mainly either State-directed on desert land or determined by informal processes on agricultural land. How housing is produced is directly related to these two distinct processes.

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<sup>55</sup> In 2006 a new initiative was announced whereby 3500 schools are to be constructed and maintained by private sector companies and leased to the Ministry of Education. The IFC is assisting this initiative under a success-fee arrangement. Although this program has received much attention, it has still not become operational and some observers question the viability of the scheme. A similar arrangement is now under discussion for health services.

<sup>56</sup> In the national budget for 2006/2007, the category "land purchase" amounts to less than 0.2% of all investment allocations, and these funds are exclusively used to purchase rights-of-way for new road construction through eminent domain.

<sup>57</sup> This phenomenon constitutes a serious gender bias, since in more traditional urban areas girls and women are discouraged from moving outside the immediate neighborhood.

1.73 A recent Ministry of Investment / USAID study estimated the breakdown of newly added urban housing stock during the 1986-1996 intercensal period in Egypt as follows:<sup>58</sup>

**Table 9: Distribution of Urban Housing Units Built 1986 – 1996 by Sector**

Sector	Units Built	Percentage Share
Government	718,300	27.6%
Private	706,500	27.2%
Informal	1,175,200	45.2%
Total	2,600,000	100.0%

Source for “government” and “private” sectors MHUUD, Housing and Utilities Sector;  
The “informal” sector was estimated by the residual method.

1.74 This shows that almost half of all urban housing units in Egypt built during the period were produced by the informal sector.<sup>59</sup> In fact, studies of Greater Cairo have shown in 2000 almost 60% of the population of the metropolitan area lived in informal settlements created since 1950, and that the population of these areas was growing at an average of 3.2% per year versus an increase of less than 1% per year in “formal” areas.<sup>60</sup> The other two sectors, the formal private and government sectors, each contributed about the same share of the total. The following paragraphs briefly describe the process of housing production of each sector.

1.75 *Private Sector Mode of Housing Production:* The formal private sector has been taking on an increasingly important role in urban housing production, especially since the late 1980s. Private developers mostly build single apartment blocks with individual units for sale, although in the new towns and a few other locations some have begun to develop whole neighborhoods and gated communities. Parcels of land are normally purchased by individual developers in regular subdivisions carried out by State-owned real estate companies or the New Towns Authority.

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<sup>58</sup> *Housing Demand Study for the Arab Republic of Egypt*, TAPR II, USAID, Ministry of Investment, June 2006, Annex B, p. 168

<sup>59</sup> These figures refer to the official definition of urban places. If urbanized rural areas were included, the contribution of the informal sector to the housing stock would be much higher.

<sup>60</sup> CEDEJ (2002), Information System for Informal Settlements

Figure 12: Private Sector Housing in Medinet Nasr Subdivision (Google/DigitalGlobe Image)



1.76 They may also purchase land parcels on the open market inside cities. The apartments and villas which are constructed are mostly aimed at the upper end of the urban housing market.<sup>61</sup> Private developers may be individuals or incorporated as various kinds of companies. The most common mode of financing construction is for the developer to use his own equity to purchase the land (usually facilities are offered by the State whereby the developer pays for the parcel over 7-10 years in equal installments). He then prepares designs and proceeds to sell units “on paper” or soon after construction starts, with clients paying a down payment to reserve the unit and subsequent time payments roughly in parallel with construction. Another payment is required before delivery of the unit, and sometimes a residual, never more than 25% of the total cost, can be paid over 3 to 5 years after possession. Any cost of capital or hedging for inflation is buried in the installment payments. In other words, the developer normally requires little of his/her own equity to finance the project, and he/she may even avoid large bank loans.<sup>62</sup>

1.77 It must be noted that, until very recently, there was no housing mortgage system in Egypt. The purchaser of housing units has had to rely totally on his own equity and what he could leverage from informal and personal sources. Even today, 5 years after the promulgation of the Mortgage Law and intensive efforts by the government supported by donors, the number of housing units which are being financed by mortgages is small (in the hundreds of units nationwide).

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<sup>61</sup> According to the MHUUD, over the 1982-2003 period only 37% of units produced by the formal private sector were classified as “low cost” or “economic”. See USAID (2006) Chapter 5.

<sup>62</sup> Recently some bigger developers have been offering slightly better finance conditions. Also, larger developers in the new towns have resorted to serious private and public sector bank loans to finance construction.

**Figure 13: Gated Community in Six October (Google/DigitalGlobe Image**



1.78 *Government Sector Mode of Housing Production:* The Egyptian Government, through a number of schemes and State institutions, has been producing housing units for those of limited income at a significant scale for decades. Over the last 23 years production has averaged 54,000 units per year, although in the last three years the average has fallen to 18,000 units per year. All such housing has been built on State land, either in the new towns or on land provided by governorates at city fringes. Financing has come mostly from the Central Government, the bulk as very soft long term loans through the National Investment Bank. Governorate public housing is partly funded through governorate economic housing funds, whose sources of income include earmarked local taxes and fees and a portion of land sales revenues.

1.79 Public housing units are in the range of 60 to 100 m<sup>2</sup> surface area in multi-story walk-up apartment blocks. Citizens apply for units against very simple criteria, and where demand is high units are rationed through random draws from eligible waiting lists (the *quraa* process). Beneficiaries pay a down payment and also small installment payments over 30 to 40 years. The construction of units is heavily subsidized, and land and infrastructure is provided at no or low costs. If indirect as well as direct subsidy elements are included, the subsidy element on government housing can reach over 75% of the total cost of a unit.

Figure 14: Public Housing, Shorouk New Town



1.80 One weakness of the system is the recourse to “costless” State land for construction. Over the years such land has become very scarce, forcing the location of public housing in more and more remote desert locations. As pointed out in Section 3 above, there is a similar competition from service authorities for State land to locate schools, clinics, etc. The net result is that often public housing units are in such inconvenient locations that the low-income beneficiary families cannot pursue their livelihoods and leave the units vacant. This happens in the new towns as well as in remote locations in governorates.

1.81 *The Informal Sector Mode of Housing Production:* The process of land acquisition and conversion for informal housing is described above in Section 3. The informal housing construction process is financed totally by individuals and families. Sources include savings, informal loans from friends and relatives, conversion of other family assets, and auto-finance through sale or rental of early units. Remittances from Egyptians working abroad have been a very important source of finance, especially in the 1970s and 1980s. The dominant mode of progressive building – room by room and floor by floor – allows the rate of investment to be tailored to family finances.

1.82 Informal housing is usually small apartments (40 to 80 m<sup>2</sup>) in multistory walkups. Structural integrity of buildings, especially those recently built, is good (mostly over-designed RC frame construction) as is the overall quality of construction. However many Egyptians in the building professions maintain a very negative attitude towards informal housing and the social dynamics of informal settlements. Certainly some buildings have poor light and ventilation, streets are narrow, there is no open space and few public services, and densities are very high, but these are results of the lack of any planning or building control rather than deficiencies in the mode of housing production. Good construction is more or less guaranteed since it is the builder himself who will own and “consume” the product.

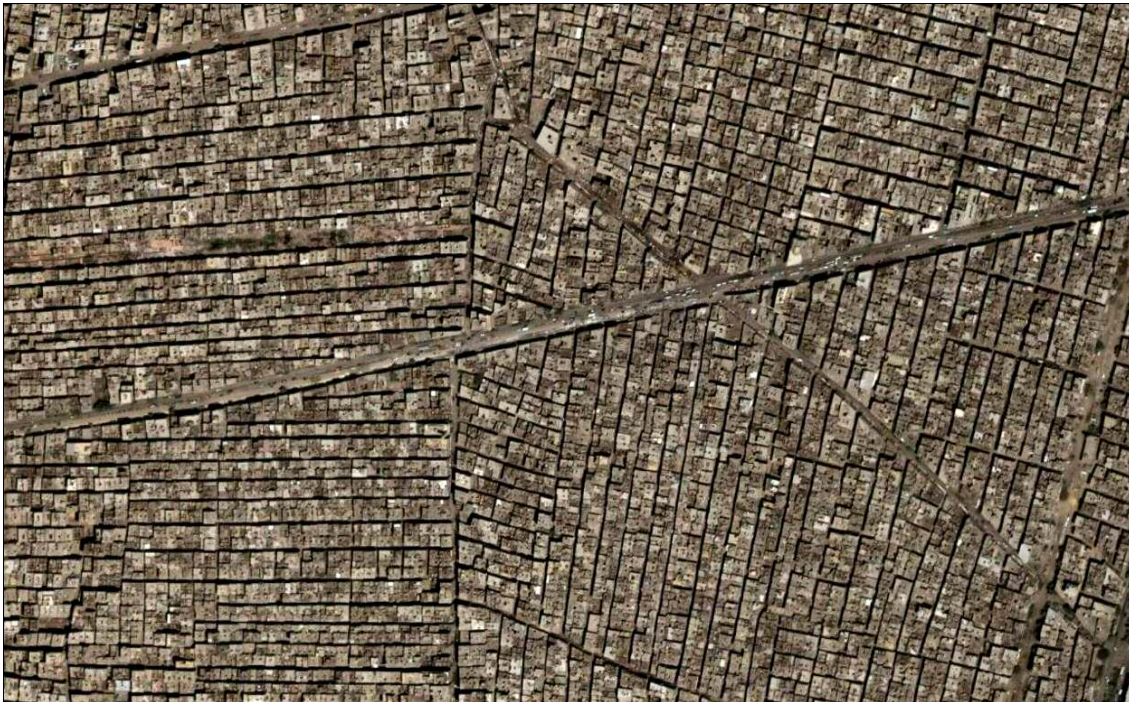


**Figure 15: New Informal Housing, Giza**



1.83 Most of those who undertake the informal housing process can be called “owner-builders.” They and their relatives will almost certainly live in some of the units in the finished building. The owner-builder will normally rely on local masons or engineers for design, and they will themselves purchase materials, hire labor, and supervise construction. They must invest considerable time and effort in understanding the details of the process and local market realities. As a result, the costs of building are usually considerably less than similar construction by the private sector and government. They avoid the heavy costs of building permits and other fees, although this is somewhat offset by the need to pay bribes to local authorities.

**Figure 16: Mature Informal Area -- El Mounira el Gharbia (Google/DigitalGlobe Image)**



1.84 *Housing markets:* Housing markets in urban Egypt, through which the distribution and re-distribution of housing units takes place, can be described as partly dysfunctional. The following are some of the dimensions of this dysfunctionality and underlying causes:

- 1 As much as 50% of existing dwelling units in Egyptian towns remain under rental control with absurdly low rents set in the 1950s and 1960s.<sup>63</sup> Such units cannot be put on the market except through very dubious methods (*khilu* or *tanazol*), and the rental contract can be inherited once by offspring of the original renter, thereby ensuring that these units will remain off-market for decades to come.
- 2 Much housing on the market is simply unaffordable by most Egyptians. There has been a consistent tendency on the part of the private sector (and even in some informal areas) to over-supply units which appeal to the well-to-do and middle classes, with the result being a glut at the upper end of the market, both in cities and in the new towns. Very high planning and building standards set by government contribute to the high costs of these units.
- 3 Vacancy rates of housing units are very high in urban Egypt, reported to be in excess of 20 to 30% of the housing stock, depending on the definition of "vacant". These high vacancy rates are partly due to points (1) and (2) above and partly due to property speculation, as is discussed below.
- 4 There has been, until recently, no mortgage financing available to those who are equity-poor. Even under the new mortgage regime started in 2001, virtually all informal housing is excluded since properties must be registered, and with prevailing interest rates remaining high (14% per year), the installment payments are beyond the means of most. As pointed out in Section 2 above, urban Egypt's household income distribution is very concentrated in the LE 500 to LE 1200 per month brackets (which represents over 50% of all urban families), and at 25% of income this only allows monthly payments for housing of between LE 125 to LE 300. New subsidized mortgage schemes being considered by government for an apartment of 70m<sup>2</sup> will require monthly installment payments which will be affordable only by families in the highest two deciles of income distribution.

1.85 Even with these dysfunctional aspects, there are active housing markets operating in all Egyptian cities both for rental and purchase of units. These markets make no distinction between properties in informal settlements and those in formal areas. Using traditional contractual arrangements property exchange is straightforward, inexpensive, and out of sight of government. Various studies bemoan the lack of registered real estate agents and appraisers and modern systems exchange of market information, but for most Egyptians the informal and semi-formal market mechanisms work well. Word of mouth and informal neighborhood agents (*simasra*) dominate market exchange, supplemented by signs and newspaper listings.

1.86 There is evidence that the rental sub-market is picking up under the new, time-bound rental contract valid since 1996, and that these rental systems are popular across the housing market range, including in informal settlements. For example, it was found that over 81% of housing unit transactions in Greater Cairo over the 2001-2006 period were rentals under the new law.<sup>64</sup>

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<sup>63</sup> Even though this form of rental contract was abolished for new construction in 1996, the fixed rental contracts remain valid for a huge portion of housing units occupied before this.

<sup>64</sup> See USAID, Min of Investment, *Housing Demand Study for Greater Cairo*, June 2007.

## Creation and Operation of Industrial Areas<sup>65</sup>

1.87 Since the 1952 Revolution and subsequent nationalizations, the creation and operation of industrial areas in Egypt has been almost exclusively a State undertaking. Large smoke-stack industrial areas were created or expanded in the 1950s and 1960s in Helwan, Shubra el Khaima, El Mex, Moharam Bey, Suez, and Mahalla el Kubra, dominated by large public sector enterprises. Public sector heavy industries were also established in Upper Egypt in Naga Hamadi and Aswan. Under Sadat an authority for industrial free zones was established with sites in Alexandria, Port Said, and eventually Cairo for private as well as public sector investors, but take-up was very slow and warehousing and distribution enterprises dominated. Starting in the late 1970s and continuing until today two main types of industrial zones have been established, mainly aimed at private investors:

Figure 17: Industrial Zone Six October (Google/DigitalGlobe Image)



1.88 *Industrial Areas in the New Towns:* The first generation of new towns – Tenth of Ramadan, Six of October, Sadat City, and El Amiriya el Gedida – each had large, planned industrial zones attached. Cheap land and 10 year tax holidays aimed to attract the burgeoning private capitalist sector, and the permit regime for foreign investors meant that they practically had to locate in the new towns. The results were dramatic, and by now the new towns boast over 2700 factories with a labor force said to exceed 250,000.<sup>66</sup> These industrial areas are managed by the relevant new town agencies. The main problem with these industrial areas from a planning point of view was that the labor force, which was intended to live in the new towns, never did, due to the unaffordable housing costs, in spite of considerable incentives. Today vast fleets of buses and minibuses transport these workers daily to these industrial zones from mostly informal settlements of Cairo proper, from Bilbeis, from Ismailia, from Alexandria, and from Menufia. Industrial pollution, mainly in the form of untreated effluent, also is a problem with these sites.

1.89 *Industrial Areas in the Governorates:* Governorates throughout Egypt were quick to establish industrial zones themselves, with support from the General Authority for Industrial Development (now called the Industrial Development Authority). These tended to be large

<sup>65</sup> See also World Bank (2006), Draft Policy Note: *Egypt Public Land Management Strategy*, Vols. I and II, April 2006.

<sup>66</sup> Madbouli, M., (2005) Background Paper on Urban Planning, Management and Administration, UN Common Country Assessment in Egypt, UN-Habitat, p. 60.

desert tracts which were demarcated but lacking power, roads, and water supplies, at least at first. They were established without feasibility studies on the extent and nature of market demand or location attributes. Furthermore, investors in these areas did not enjoy the incentives found in the new towns. Consequently take up has mostly been very disappointing, and even today most of these areas are largely empty.<sup>67</sup> Those few areas which have registered a measure of success have been located quite near to existing populated areas where a pool of cheap labor is available.

**Figure 18: Industrial Zone, Ismailia (Google/DigitalGlobe Image)**



1.90 Overall, the creation of industrial areas in Egypt over the last three decades can be described as a process of government supply-side edict, with limited concern for the demand for industrial space nor for the requisite input factors (especially good infrastructure and a nearby source of labor) which make industrial zones work. It is important to note that the phenomenon of private sector developed and managed industrial zones, so common in Southeast Asia, has almost never occurred in Egypt.<sup>68</sup> Also, there have been almost no examples of industrial enclaves created closer to urban areas aimed at small and medium enterprises, and the concept of ready-to-move-in industrial space for rent (also known as flatted factories) has only been tried, again by government, in a couple of new town locations. The ability of manufacturing firms to relocate and expand or contract in response to market forces is severely limited. It is no surprise that, even in successful industrial areas in the new towns, a large number of factories are closed, idle, or operating at a fraction of their capacities.

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<sup>67</sup> One exception is the industrial area directly west of the provincial town of Assiut, which appears to have matured well; another is Abou Rawash in Giza. The industrial zone west of Ismailia could be considered a partial success, as could zones in Suez and Alexandria.

<sup>68</sup> The Gulf of Suez heavy industry zone located at Ain Sukhna was established in the late 1990s under MHUUD, with a port and three large tracts to be developed and run by private sector conglomerates. The results to date are very disappointing.

## **Financing Urban Expansion and Capturing the Urban Value Added**

1.91 It should be clear that both the financing and land required to create and expand urban areas in Egypt is mainly the role and responsibility of government. Within this context, the question must be asked, who profits? Is it government or is it private persons and entities?

1.92 Any urban expansion generates a surplus value on the lands and properties which are under urbanization pressures. Land prices rise beyond the cost of servicing land, and lands continue to increase in value as an area matures, especially along main streets and other locations with commercial potential. The value of buildings also rises. A fundamental aspect of urban development strategies in many cities throughout the world is to capture at least some of this surplus value or what is sometimes called the “unearned increment” of urban growth in order to finance further urban development, in particular for the purchase of further raw land and for the heavy infrastructure investments required to service this raw land. Certainly, private developers are very aware of the concept of unearned increment and use it to steer their projects to profitability.

1.93 Does the Egyptian government, whether central or local, capture any of the unearned increment? Does it value the opportunity cost of land? The answer is, simply, hardly ever. Instead, it is the person or entity who acquires the plot of land or flat or building created by the State who stands to benefit. It is they who know very well that the value of their acquisition will appreciate and that, whether or not the asset is needed, that there is a potential windfall profit at some point in the future.

1.94 As far as is known, such strategies have rarely even been articulated by Egyptian authorities. And the cases where they have actually occurred are very few.<sup>69</sup> The concepts of full cost-recovery for urban projects, either through careful land pricing, internal cross-subsidies, or subsequent taxes or liens (or user charges for utilities), are rarely applied. The following reasons or causes can be identified:

- There remains in Egypt the culture that “the State shall provide”, mainly through central budget allocations. These allocations are seen by ministries and governorates and other authorities as an annual event, and their responsibility is perceived as ending once these funds have been properly spent. Their interest seems to be limited to justifying and leveraging greater allocations in the next annual budget.
- Local governments (governorates or municipalities) have restricted powers to retain and re-invest revenues from land sales in urban projects. They have limited discretion in managing their assets, and the proceeds from the sale of assets returns largely to central government. Any fiscal autonomy enjoyed by governorates is being further eroded by a recent decision of the Ministry of Finance to consolidate all revenues into the State treasury and to cancel independent government bank accounts.
- The new town authorities under NUCA are the only urban entities who explicitly have the legal right to retain and re-invest revenues and thus auto-finance development.<sup>70</sup> However, it appears in practice that this right has been captured by the MHUUD itself (and the central Treasury) and has not allowed the new town agencies to begin to act with a mentality even approaching that of the private developer.

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<sup>69</sup> Perhaps the only clear example of such an approach was a series of successful urban development projects carried out by the Governorate of Ismailia in the 1980s with foreign technical assistance.

<sup>70</sup> As set out in Law 159/1979, NUCA is able to act with considerable financial autonomy.

1.95 In other words, the unearned increment is left to be enjoyed by those individuals and private entities some of whom “get in on the ground floor” of a project and hold the land or property until it appreciates in value. This is speculation pure and simple, and it is widespread in Egypt as it is in many countries.

1.96 Property, especially land, is perceived in Egypt as always gaining in value, a better investment than banks and the best hedge on inflation. The government is aware of this, and many mechanisms have been put in place to eliminate speculation or at least control it and limit the worse excesses. The following are three of the measures commonly taken by government:

- The release of lots to developers and plots to individuals in government subdivision schemes include stipulations in the contracts which require construction within a certain period or the land is re-possessed. The transfer of these lands to third parties is prohibited, except through the government agency managing the subdivision.
- With subsidized housing programs, contracts usually stipulate that the resale or rent of the asset to a third party is prohibited, at least for a set period.
- Land and public housing are often distributed through preliminary contracts which stipulate purchase through installment payments which range from 10 to 40 years. During this period legal ownership remains with the State (or its financial intermediary), and thus the State retains a certain control over the land or property until all installment payments are completed.

1.97 In practice, however, either these stipulations are not enforced or land and properties are sold/rented informally, far from the view of authorities.<sup>71</sup>

1.98 The holding of land and property for speculation does not incur any significant cost. Urban land taxes do not exist,<sup>72</sup> and Egypt’s property tax regime exposes built properties to only the minute annual payments, if any. Also, there are no municipal urban service rates attached to properties. In addition, although there is a law which allows the imposition of a Betterment Tax, it is so complicated that it has almost never been applied.

1.99 The result is that an owner incurs no cost for holding “dead” property (land and buildings which are vacant and generate no returns). It is common to find massive amounts of empty land in subdivisions, buildings half finished, empty apartments, etc. This phenomenon is very common in the new towns, but also in other desert subdivisions. The losses in economic terms are staggering, even if the financial return to the owner, at the time of resale, may be positive.

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<sup>71</sup> As pointed out in Section 3.5 above, it is extremely common for properties in Egyptian cities to be exchanged using *ourfi* contracts, court sanctioned or not, and powers of attorney.

<sup>72</sup> In the 1980s the concept of a vacant land tax was introduced in some governorates, but the application of the tax proved difficult and eventually such a tax was declared unconstitutional.

# **Institutional, Regulatory, and Financial Frameworks Governing Urban Management and Expansion**

## **General**

1.100 The preceding section looked at the factors and urban expansion and how urbanization takes place in Egypt. This section examines the laws, regulations, finances and institutions which govern urban expansion and urban management.

## **Overall Institutional Framework and Overlapping Mandates**

1.101 Almost all formal urban development takes place on desert tracts of public State land. How this public land management works has been very well described in the Bank's recent policy note entitled "Egypt Public Land Management Strategy." Although written from the perspective of improving the supply of land for investment, it sums up well the situation:

1.102 The problem is not one of limited supply of public land for investment. Instead, it is the scarcity of well-located, properly serviced and adequately priced land that is adapted to the needs of investors, which in turn is the result of a dysfunctional public land management system. In effect, decades of reliance on the sectoral development model have resulted in a complex and fragmented institutional landscape for public land management, characterized by an unusual split between: (a) multiple central government authorities controlling public land outside of the Zimam, divided along sectoral lines and (b) local governments controlling public land within the Zimam, divided along geographic lines. This unusual situation is the result of the accumulation of layers of legislation over the past four decades, with as many as 45 directly and indirectly related laws and decrees that are not harmonized and are often conflicting. This institutional and legal disarray highlights the need for a more coherent land policy framework.

1.103 Overlapping, duplication, and sometimes contradictory decision making has negatively influenced the urban planning process in Egypt. 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. One delaying body for approvals of major land development projects is the Operation Authority in the Ministry of Defense "*haie't el-aamaliat*" since the approval of this body is crucial for "national security," but there is no time frame specified for acquiring such approval.

1.104 Another key problem is the plethora of laws and regulations governing or influencing urban development both on public lands and, more generally, on existing cities. Several laws, Presidential, Prime Ministerial or Ministerial decrees have been issued over time without coordinating with those already existing. Despite the good intention of such laws and decrees, the result has been a labyrinth of regulations that have been misused in several cases to ban or delay the development of appropriate physical plans. The 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.

1.105 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 an 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.

### **Local Governments, Local Financing, and Decentralization**

1.106 There are currently 217 urban administrations in Egypt. These are local government units (LGUs) which are either urban governorates (Cairo, Port Said, Suez and until recently Alexandria) or are administrative headquarters of rural governorates (22 governorates plus Luxor). Governorate and city administrations are run by appointed local executive councils (LECs) and there are parallel elected local popular councils (LPCs). Here the main problems as they relate to the proper delivery of urban services and to efficient municipal management are highlighted.

#### **Box 4: Decentralization of Public Land Management in China**

Urban land in China is owned by the State, but its management has been progressively delegated to provincial and municipal governments, who allocate this land to users on long-term use rights. By the mid-1990s central government approval for allocations of public land were only needed for very large areas of land, the area differing depending on the nature of the land use. Central government retained the authority to retrieve public land from local governments for major investment projects of national interest. But otherwise, local government had full management of public land within their boundaries.

In the 1990s, demand for land for urban uses grew rapidly, in part due to a relaxation of legal restrictions which had partitioned the urban and rural economies into water-tight compartments, including tight restrictions on urban migration. Local government had some public land to reallocate from failed state enterprises, but also began to rapidly expand their borders into rural areas, where land was owned by rural collectives. Local governments acquired land compulsorily at compensation rates based on land values in rural, agricultural uses, and then auctioned or otherwise allocated that land for urban uses at much higher prices.

Recipients received long-term use rights and paid a single, up-front charge. This generated huge revenues for local governments in areas with strong demand for land. In 1998, central government approved land banking by local governments, in part to take over the land of failed state-owned enterprises, but local government quickly learned to use this mechanism for ever more systematic land management, and to acquire rural land for future demand. This decentralized land administration, and the vigor with which local governments seized the opportunities for growth it provided, has driven a huge wave of urban infrastructural development in China's cities. This has been funded to a large extent from land revenues and much of the development has been carried out in partnership with private developers. The results are phenomenal.





Lujiazui, Shanghai 1993



Lujiazui, Shanghai 2007

On the other hand, from 2003 central government became concerned about a number of issues: 1) abuses involved in land takings from rural communities (resulting in civil disorder in some areas), 2) the practice of municipalities using public land in their land banks to secure liberal loans from other banks (threatening stability in the banking system); 3) the excessive dependence of some municipalities revenue from one-time charges on land, which might prove unsustainable; and 4) lack of controls of the use of the huge off-budget funds provided to local governments by land allocations. The experiment with decentralization of public land administration, remarkably successful in growth terms, now stands in needs of reform.

### **Central Government Control over Local Authorities and Weak Popular Representation**

1.107 Despite the passage of 25 years since the enactment of the Local Administration Law in 1979, decentralization in Egypt has been limited. Elected representatives of local communities (LPCs) have limited real powers and their recommendations and decisions are at times not implemented. Most local decisions are made by, or need prior approval from the central government and its representatives, mainly Governors. Central government exercises control over the units of local government, and within governorates, power is centralized in the office of the Governor and his LEC. As such, the local administration system can be described as partly deconcentrated rather than decentralized.

1.108 Control by central government bodies over local government includes central government's appointment of all heads of LECs starting with the Governor and ending with the Village Chief (*Omda*). Other forms of central control include:

- Ministry of Finance and Ministry of Economic Development's approvals are needed for a governorate's budget, including the budgets of all lower-level LGUs.
- Cabinet approval is needed before LGUs impose new local taxes and fees, contract loans or obtain grants from foreign donors. This approval is traditionally made in a discretionary manner.
- The Ministry of Finance has a representative in each governorate to review the final accounts of the Governorate and lower-level LGUs, which are reviewed by the Ministry of Finance and audited by the Central Organization for Control and Auditing.
- Although line ministry directorates at governorate level are by law responsible of the delivery and operation of services and local utilities, their activities are constrained by the wide range of controls exercised by central ministries.

- The Cabinet has the power to dissolve local popular councils or overturn their decisions and activities pursuant to a report by the Minister of Local Development for reasons related to public interest.
- Central government's approval is needed before LGUs can establish investment projects involving partnerships with non-Egyptian capital and the Prime Minister's approval is needed before accepting grants or assistance from foreign entities or individuals.
- Central government may dissolve, freeze the activities and reverse decisions by any elected local popular council in certain circumstances (e.g. failure to fulfill its duties, actions deemed against the public interest, non-compliance with the legal framework).

1.109 There are also problems with governorate-level LECs which weaken their performance. Executive officials are subject to a dual supervisory system, in which a particular directorate is under the administrative supervision of the governor and at the same time under the technical supervision of the concerned ministry at the central level. This causes many instances of ambiguity, leads to administrative fragmentation and duplication, and often leads to conflicts between governors and central ministries on the direction, agenda and operations of the directorates and departments functioning within the governorate. In particular, most financial support granted to service providing directorates at the governorate level comes from central ministries, which further detaches directorates from the LGUs where they work.

1.110 In addition to the dual supervision system, the parallel fund disbursement process often proves to be an obstacle to effective planning. The formulation of the capital investment plan and resources allocation process, which the governorates' planning directorate undertakes, is often delayed until central ministries deliver information on forthcoming investments and appropriations aimed at directorates and departments at the local level.

1.111 Chief executives at all local government levels are appointed. This presents a challenge in that their allegiance may be to the executive authority rather than the local community. Governors are mainly appointed from outside the local administration system, while their backgrounds and the high degree of autonomy that they enjoy tend to reflect on governors' personal management style. At lower levels of local government, the heads are also not appointed from within the LGU's employees. Instead, they are usually local administration employees that are offered such positions as promotion and often times involving relocation to a different city/markaz.

### **Weak LGU Financial Autonomy and Control over Government Budgets**

1.112 Sub-national government expenditures in Egypt represent a small share of all government expenditures. For example in FY 2000-2001 they represented only 18% of the State Budget or 6.6% of GDP, and this small share applied both to capital as well as recurrent expenditures. By FY 2005/06, sub-national expenditures had declined to 15.6% of the total government budget or 4.6% of GDP.<sup>73</sup> In other words most public investments, a crucial

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<sup>73</sup> World Bank, Policy Note: *Intergovernmental Relations and Fiscal Decentralization, Egypt Public Expenditure Review*, January 2006, p. 15.

determinant of urban services and urban development, are outside the local government structure.<sup>74</sup>

1.113 The local administration budgets follow the same structure as the State's Public Budget of which it forms part.<sup>75</sup> The budget is divided in four sections, called *bab*, on both the expenditures and revenues side. Bab One constitutes wages and other personnel costs and Bab Two recurrent expenditures including operations and maintenance. Bab Three represents capital investments and Bab Four capital transfers. The revenue and expenditures sides must also be balanced and correspondent for each of the different Babs.<sup>76</sup>

1.114 The largest expenditure in any local administration budget will be wages and salaries (Bab One), typically consuming 60-70% of the budget. The capital investment budget (Bab Three) rarely exceeds 15% of the total. This means that local control over total State investments is tiny, representing only 1.7% of planned investments in the current national five year plan (FY2002-2003 to FY2006-2007).

1.115 On the revenue side, local governments rely on annual Central Government allocations (effectively central grants or subsidies) for over 80% of their budgets. Own-source or local revenues are limited by law to taxes on agricultural land, buildings and entertainment, motor vehicles, drivers licenses, and a portion of proceeds from land sales. Certain centrally-collected local revenues are partly returned to local authorities under rather unclear share formulas. Although governorates are permitted to borrow, in practice they only borrow from the National Investment Bank (under the Ministry of Finance). NIB provides soft loans (5% simple interest for 30 or 40 years), and these are mainly used to help finance subsidized public housing.

1.116 Governorates are allowed to operate special funds (local service and development funds, land reclamation funds, cleanliness funds, and economic housing funds), and these are the main vehicle allowing governorates some degree of fiscal autonomy. The main advantage of these special funds is that their resources are outside the State Budget and, unlike the main budget of a governorate; surpluses can be rolled over from one year to the next. However, the use of these funds is tightly defined, and their management is rarely transparent. The economic housing fund could be particularly important for funding urban development, as its main source of revenue is 50% of the proceeds of the sale of State land. However, this fund is almost exclusively used to finance the construction of subsidized public housing (which always runs at a loss).

1.117 Overall governorates have limited financial autonomy and little discretion over their budgets. At the city and *hays* levels, financial autonomy is even more limited, with most of the budget decisions taken at the governorate level. City and *hays* authorities do not themselves have semi-autonomous special funds, and they have limited ability to raise revenues either from user charges or fees to finance even small city improvement schemes.

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<sup>74</sup> This lack of local control over investments is somewhat mitigated to the extent that in some governorates local authorities have a say in budgetary expenditures which flow from line ministries through their directorates at governorate level.

<sup>75</sup> The State Public Budget includes all expenditure items and revenues of activities conducted by the administrative authorities, local administration units, public service agencies and funds. It does not include the budgets of the so-called public economic authorities (e.g. Local Water and Sanitation Authorities) and funds with an economic character.

Even when local authorities are able to generate local revenues (parking fees, rental of shops, etc.) these cannot be retained and re-invested.

### **Top-Down Supply-Driven Urban Planning**

1.118 Currently 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.

1.119 Several other line ministries prepare urban and regional development studies and plans without coordination with GOPP. Most importantly, the Ministry of Economic Development (formerly the Ministry of Planning) prepares regional development plans and studies. In addition, the Ministry of Tourism, through its Tourism Development Authority prepares coastal zone land development plans. All major plans whether at the national, regional or local level must be reviewed and approved by the Ministry of Defense and Military Production (MODMP). The ministries of agriculture and land reclamation, awqaf, and culture (through the Egyptian Authority for Antiquities) also affect directly the decision making in State land assignments for urban development.

1.120 At the local level, according to Law 43/1979, Governorates have authority over most urban planning and management activities such as housing, land development and infrastructure. Furthermore, urban planning Law 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 both the local executive and popular (elected) 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 markaz. This subordination has created several problems in fulfilling the requirement and priorities of two different entities, which might be not coordinated.

1.121 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 started to perform their roles in preparing detailed urban plans. 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.<sup>77</sup>

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<sup>77</sup> Recent movements towards reform in urban planning are discussed below.

## Unrealistic Planning and Building Standards for Urban Land Subdivision and Affordable Housing<sup>78</sup>

1.122 The standards articulated in the current urban planning law are designed for upscale, large construction projects. The deficiency of these laws to respond to existing urban pattern and morphology in cities and/or address lower-income development needs has led to the formation of informal settlements where households and property owners are not obligated to adhere to such unrealistic standards. Some specific elements of the law which may not reflect the practical needs and common use patterns of households include:

- Density. According to the urban planning law, gross population density in existing town and villages should not exceed 150 person/ feddan (312 person/ hectare) and in the New Towns, density should not exceed 100 person/ feddan (238 person/ hectare). For comparison, density in many existing cities exceed 240 person/ feddan (500 person/ hectare), while net residential densities in many mature informal urban areas are in excess of 960 person/ feddan (2000 person/ hectare).<sup>79</sup>
- Street Widths. According to the urban planning law, the minimum width of new streets including sidewalks is 10 meters. The average width of streets in existing cities is 6 meters and 3-4 meters in informal settlements.
- Minimum Lot Size. The urban planning law stipulates lots sizes that are not within the means of low-income households. Lot width is a minimum of 10 meters, with a lot depth that should not exceed two times the width. In informal settlements, lot widths range from 3 – 6 meters.
- Building Heights. The construction code limits building heights to only 1.5 times the width of road, e.g. for a 10m road, building heights cannot be more than 15m (5 floors), with further unrealistic height restrictions regulation in some areas, e.g. Naser City, Cairo. Such height restriction does not meet the efficiency target of provided infrastructure, and high value of land.
- Lot Coverage. A 60% lot coverage is currently allowed by the urban planning law. Due to the scarcity and high cost of land, lot coverage is usually 80% - 90% in cities and 90%-100% in informal settlements.
- Public Use Set-Asides. Land subdivision laws require that 33% of the land is set aside for public uses. In informal settlements, the land set aside for public uses averages 15% - 20%.
- Land Use. Land use standards require spatial separation of residential and industrial areas, whereas small workshops and residential uses are integrated in informal settlements.

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<sup>78</sup> The section draws heavily from Eiweida, Ahmed (1996), *Socio-Economic Characteristics and Environmental Problems Posed by Squatter Settlements and Possible Solutions in Egypt: An Integrated Framework*, The University of Glasgow (MSc thesis).

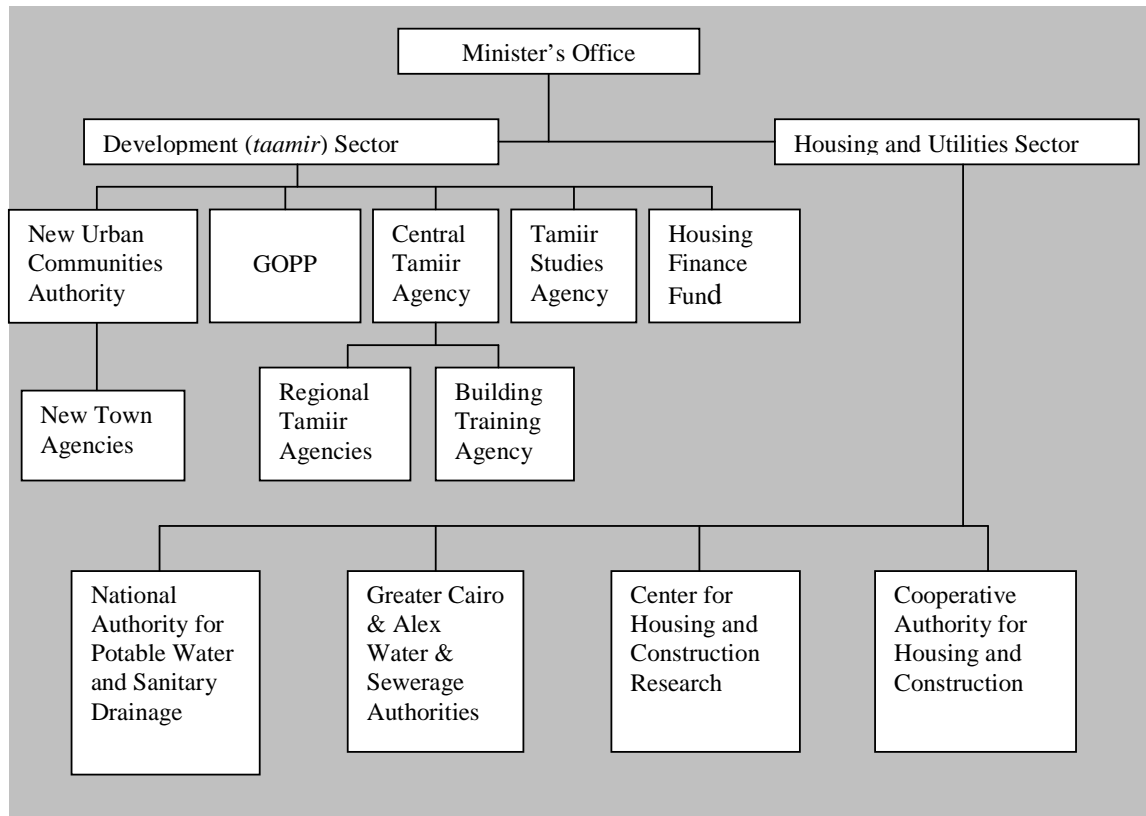
<sup>79</sup> Sims, D. (2007), "Evaluation of Housing Subsidies Programs and Lessons Learned", Egypt Housing Demand Study, Phase II.

Overall, the physical manifestation of the urban planning law is a density and mix of uses that does not reflect actual use patterns. Furthermore, the quantity of land required by the laws for residential development puts the cost of housing beyond the means of lower-income households.

### Unique Institutional Frameworks for New Towns and Desert Development

1.123 Law 59 of 1979 created the New Urban Communities Authority under MHUUD and gave it powers to develop State lands and generate revenues from this development. These powers meant that this Ministry was able to create urban areas in ways that neither governorates nor even other ministries could. This law and the record of new towns development is fully discussed in Section 5 below. Because MHUUD is such an important institution in planning, urban development, land management, housing, and desert development, its organizational structure and various entities is presented below (as of 2003, reflecting the impact of Law 59 of 1979).

**Figure 19: Organization Diagram of MHUUD<sup>80</sup>**



Note: This diagram represents the Ministry as of 2002. Recent reforms have created a State holding company which oversees new governorate water and wastewater companies (in nine governorates so far.)

<sup>80</sup> Based on MHUUD, *Mubarak wa al Amran*, p. 21.

## **Institutional Arrangements for Urban Transportation and Traffic Management**

1.124 The national primary and regional road networks are planned by the Ministry of Transport, through its General Authority for Roads and Bridges, usually in coordination with MHUUD. The Ministry of Transport also carries out studies on transport issues through its affiliate, the Institute of National Transport.

1.125 In terms of investments, main urban roads and bridges are financed by central budget through two means, either (1) allocations to the General Authority for Roads and Bridges of the Ministry of Transport, or (2) allocations to an affiliate of MHUUD, the Central Reconstruction Agency (*el gehaz el markazi lil tamiir*) and its branch reconstruction agencies (*aghizet el tamiir*) in the regions of Egypt. It is these regional agencies who implement some of the large urban projects such as the Cairo Ring Road (and the second ring road, sections of which are currently under construction), the Alexandria corniche, Nile bridges, flyovers, etc. The design of rights-of-way for these large projects are taken from urban master plans prepared by GOPP.

1.126 Sub-national roads and bridges are financed and maintained through the directorates of roads and bridges at the governorate level. Repaving and repair of roads is normally carried out by roads and bridges departments of city councils and *hayys*.

1.127 The railways in Egypt are under the Egyptian Railway Authority (ERA) which extends, improves, and operates the national rail network. Although some of its rail lines are heavily used by urban commuters, there is little coordination between the ERA and urban transport authorities. The ERA struggles to keep its existing system operating, since fares are heavily subsidized and the railways are frequently starved of funds, which makes O&M particularly difficult. Rail accidents are common.

1.128 The Cairo metro system is under a separate national authority, the Egyptian Tunnels Authority. Although strategic and network planning is coordinated through a special higher committee, the ETA operates independently of other urban transport systems and coordination (i.e. concerning unified fares and route planning) is poor.

1.129 Public bus systems are run by separate authorities at the governorate level and nominally under governorate control. However, in Greater Cairo there is one single authority, the Cairo Transport Authority, which operates a unified bus network spanning all of Cairo Governorate and the urban portions of Giza and Qaliubia governorates, as well as the Heliopolis tram system. Public bus systems in Egyptian cities have been in competition since the 1990s due to the rising popularity of private minibuses/shared taxis (9 to 24 passengers) which operate on fixed routes, but cause increasing traffic congestion. Minibuses are registered and controlled by governorate traffic departments, which also regulate private taxis (see below).

1.130 The responsibility for traffic management and control in Egyptian cities lies with the governorate-level traffic departments. But often the Ministry of Interior controls/amend plans made by these departments through its General Administration for Traffic (Traffic Police). Many observers note that the performance of these traffic departments and traffic police in organizing traffic, enforcing laws, improving driver behavior, and maintaining high volume flows on main urban arteries is poor. This is mostly a problem which relates to Greater Cairo and Alexandria, but even secondary towns suffer. In fact, better enforcement of traffic rules and improving driver behavior would have greater economic and social benefits than the

current solution, which is to build more costly highways, flyovers, and interchanges. As the number of vehicles in Greater Cairo continues to increase at a high rate, traffic congestion in Greater Cairo is looming as the single biggest threat to the metropolis's ability to function as the capital and economic engine of the nation.

### **Institutional Arrangements for Urban Solid Waste Management and Street Cleaning**

1.131 The collection of solid waste and its disposal in urban areas is a governorate responsibility, although the environmental impact of such services is regulated by EEAA under Law 4/1994. In the largest cities the traditional system of *zabaalin* collectors/recyclers still operates in richer areas, but most towns rely on governorate Cleanliness and Beautification Authorities for street cleaning, garbage pickup, and for operating landfill sites (incinerators are not used in Egypt.) In some towns building-to-building collection and street cleaning is contracted out to private companies. Starting in the late 1990s in Alexandria, and now extending to Cairo and Giza, governorates have contracted large international companies to run solid waste operations.

1.132 Cost recovery for solid waste collection services has always been problematic. In Alexandria, Cairo, and Giza a cleaning surcharge percentage was imposed on electricity consumption bills to pay for the services of international contractors, but such a practice was deemed unconstitutional by the courts. Presently a separate "cleaning" charge is imposed and collected along with electricity bills, the amount of which is still a percentage of electricity consumption.

### **Institutional Arrangements for Issuance of Building Permits<sup>81</sup>**

1.133 The application process for a building permit in an existing city starts with an application to the Planning/Engineering Department in the place of jurisdiction—the District (Hayy) office—to obtain planning authorization (the planned use is cross-checked against the zoning/land use plan) and receive a list of building regulations. The required permit is called *Shehadat Salaheyat al-Mawqe'e men al-Nahiya al-Takhtitiya*. In theory, this step is not needed in New Towns since the Takhssiss decision is based on an approved use and subsequent allocation of an appropriately sited parcel (the applicant will need nonetheless to obtain the building regulations from the New Urban Communities Authority).

1.134 By Law, the processing time for the planning authorization is 30 days from the date of receipt of the completed file, or if the information is readily available then the period is shortened to 3 weeks (it is unclear why such a long time would be needed). The fees to be paid are: (i) LE 20 application fee; and (ii) LE 0.4 in taxes. Once the planning authorization and building regulations received, the applicant prepares the building permit application file and submits it to the Engineering Department in the place of jurisdiction—the New Urban Communities Authority or the District office in an existing city.

1.135 By Law, the permit application should be processed within 30 days from the date of submission of the completed application file. The problem, however, is that to put together such a complex file takes investors/individuals a long time, many visits to the competent authority, and a lengthy cycle of submission/revision/rejection/resubmission, that is in many cases accompanied by extra-legal payments to expedite the process (a commonly heard

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<sup>81</sup> This section draws heavily from: World Bank (2006). Egypt Public Land Management Strategy Vol 2.



complaint is that applicants are at times requested to (re)draft the engineering drawings in private offices associated with municipal engineers).

1.136 Once submitted, the file is inspected by the Engineering Department (especially the construction drawings) against the building regulations. Once cleared, the application file is forwarded to the different entities whose approval of the development would be needed (only the Authority in question seems to determine what entities' approval is needed according to the specifics of the place and the project in question).

1.137 Once all approvals have been obtained (a process that may take more than a year), the application file is forwarded in the last step to the *Mujama'ah Al Ashriya* (a consortium of the large insurance companies) to be inspected by a private Consulting Engineer/Engineering Firm (with at least 25 years experience) designated by the *Mujama'ah* (from a list of experts pre-approved by the Minister of Housing) to ensure the structural integrity of the building. Once approved by the Consulting Engineer, the *Mujama'ah* issues to the applicant an insurance policy equal to 0.5% of the value of the construction work if in excess of LE150,000 (in the case of new construction) or LE75,000 (in the case of vertical expansion or modification). This last step of the process, introduced after the collapse of several structures in the 1992 earthquake, proved to be the major bottleneck of the whole process, as all applications throughout Egypt converge to one location in Cairo.

1.138 The fees involved in the issue of the building permit include: (i) LE5.5 for file processing; (ii) LE50 per floor up to a maximum of LE400 for permit issue; (iii) 1% of the value of construction to be permitted for the removal of debris, repair of damages, temporary unauthorized occupancy of streets and engineering stamp duties; (iv) LE 30 or LE60 if building in cities as stamp duty on the building permit according to Law 111 of 1980; (v) LE0.1 for revenue generation according to Law No.147 of 1984; and (vi) LE0.4 in other stamp duties and revenue generation fees. This is in addition to the insurance policy equivalent to 1% of the construction cost. With fees and insurance in excess of 2% of the construction cost, not including extra-legal payments, the process is clearly costly.

1.139 The construction cost figure used for assessing the building permit fees and the insurance policy is determined by a decree from the Minister of Housing, which is updated every few years. To date, these values are as follows: (i) in Cairo and Alexandria governorates and Giza City, LE 200 per sqm for the permit and LE 100 per sqm for the insurance policy; and (ii) for the rest of Giza governorate and other governorates, LE 100 per sqm for the permit and LE 50 for the insurance policy.<sup>82</sup> These values are well below average construction cost (at least LE500-600 for reinforced concrete structures, brick infilling and average finish), which is intended as a subsidy to the general public. Even if the objective from selecting standard cost figures and applicable zones is to simplify administration and/or eliminate opportunities for discretion, the approach is prone to arbitrariness and its rationale is typically unclear. Another problem with this "one-size-fits-all" pricing approach is that it misallocates resources and is counter to the government's stated policy objectives. In effect, the reliance on a universal subsidy favors better off groups who receive a significant subsidy and penalizes poorer people who are more likely to use low-cost building materials. A better idea is targeting the groups that the State may wish to

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<sup>82</sup> These figures were provided by the Deputy Minister of MHUUC in 2005 who remarked that the law's official publication by the Amiriyah Press has mistaken construction cost figures that are used to assess the building permit fees (LE 400 and LE 200). In 2005, these figures were instated by Minister decree.

subsidize/encourage such as the poor, which in this case can easily take place through geographic targeting. Another idea that is planned to be piloted in Alexandria in the context of the Alexandria Development Project is to exempt applicants from building permit fees in informal and squatter settlements, where most evasion from the complicated and costly process takes place. It is also unclear why an arbitrarily determined below-market price should be used (and thus requiring periodic amending decrees) rather than simply using a discount rate to market values that would automatically adjust to inflation and price fluctuations.

1.140 Construction must start within one year from the date of issue of the building permit. If not, a fee is paid to renew the building permit. Prior to initiating digging and construction of foundations, the owner must notify the Engineering Department in the New Urban Communities Authority or City or District in question to inspect compliance with the Tanzim (building) line. Inspections take place during and at the end of construction to ensure compliance with the approved drawings. In case of non-compliance, the owner is liable for a fine equal to the cost of non-compliant works and the infractions are removed at his/her cost.

1.141 The advantage in the case of new urban communities is that these approvals need only to be obtained once for the entire community, which significantly reduces the processing time for individual applicants. This is yet another incentive that (implicitly or ex post) favors locating in “organized” areas. Some investors interviewed during the Investment Climate Assessment study in 2005 stated that they had to individually seek all the additional approvals in new urban communities even though the overall area/site should in theory have been cleared by the Authority or development company in charge of the site for all parcels. In reality, removal of building infractions rarely occurs as municipal building inspections typically entail the payment of extra-legal payments for inspectors to disregard minor and sometimes major building infractions.

1.142 A detailed mapping process undertaken by the International Finance Corporation (IFC)’s Private Enterprise Program in the Middle East and North Africa (PEP-MENA) in the context of the Alexandria Development Project of the time, steps and cost of the building permit process facing investors seeking a building permit for a non-residential investment project in a district of Alexandria and in the new urban community of Borg Al Arab found the following:

- In the districts of Ameriya and West in Alexandria, the process required 36 steps and 103 days to complete, not including an average of 15 days for the Mujama’ah Al Ashriya.
- By contrast, in the new urban community of Borg Al Arab, the process required 9 steps and 9 days to complete, not including the 15 days for the Mujama’ah Al Ashriya.

1.143 The difference is clearly striking. And if it takes investors 103 days to issue the building permit in the district offices of the existing city, the situation can be expected to be much worse for citizens who might lack the financial clout of and facilitation services offered to investors. Moreover, the calculation of the time required in the above mentioned study assumes a fault-free unconstrained process where the file is complete and the process is underway without delays, mistakes, capacity/staffing constraints, etc, which is clearly an unrealistic assumption.

1.144 In brief, the process is by law clearly complicated and cumbersome. In practice, individuals and investors spend a priori a significant amount of time to ensure that the building permit file is completed. In existing cities, the process takes a significant amount of time (6-12 months) especially to secure individual approvals and may even take more than one year. The pre-approval in new urban communities is therefore a major advantage.

1.145 The simplification of the process requires among other things: (a) reconsidering the central bottleneck caused by the *Mujama'ah Al Ashriya* by removing it (to be substituted by private insurance) or decentralizing the service; (b) introducing a service standard wherein if the building permit is not delivered within a given period from the date of submission of the file without explanations or requirement of additional documents (say 21-30 days) the permit is considered granted; (c) municipalities to process the necessary pre-approvals for planned areas within their jurisdiction to facilitate the process for individuals and investors, in the same way that new urban community authorities do (or at least provide a one-window or co-location service for the concerned entities); (d) simplification of documentary requirements, including a cancellation of steps or documents which can be made available internally (such as *Shehadat Salaheyat al-Mawqe'e men al-Nahiya al-Takhtitiya*, Tanzim line or maps).

# Assessment of the Government of Egypt's Urban and Spatial Policies

## Main GOE Urban Policy and Spatial Strategy Formulations

1.146 The GOE does not have an official urban policy or urban sector strategy.<sup>83</sup> Rather it has a series of national sectoral policies, plus an overarching spatial strategy for desert development, in which new towns and settlements are the urban dimension. It is not that existing towns and cities and their problems are ignored, but that the long term solution to their problems is seen to lie outside those towns themselves, in the desert. It is in these new desert settlements that the un-crowded, organized, and modern urban Egypt is expected to be established.

1.147 This spatial strategy has been articulated many times and in many ways starting in the late 1970s, as is explained in the following subsection on the new towns policy and the subsequent section on regional development strategies.

1.148 In 1980-1981 a large study was commissioned by MHUUD (then called the Ministry of Reconstruction, Housing and Land Reclamation) entitled the National Urban Policy Study, under USAID funding. This study can be considered the only attempt in Egypt to have looked at the urban sector in its entirety. It came up with a set of balanced recommendations (see Box 5) which stressed the importance of directing scarce national resources towards stimulating growth and economic competitiveness of existing urban agglomerations as the best way of meeting national economic and social objectives. Notably absent were recommendations to create dozens of new cities in the desert and to give desert regions the highest regional development priority. The study was not well received. The Ministry never followed up on recommendations nor did it circulate the study's voluminous reports.

### Box 5: The National Urban Policy Study (1981)

The National Urban Policy Study was commissioned by the Consultative Committee for Development of the Ministry of Reconstruction, Housing and Land Reclamation. It was a large undertaking financed by USAID and carried out by international and local consultants. It produced 25 working papers and came up with a set of urban strategy recommendations which were aimed at (a) promoting economic growth, (b) improving the living conditions of urban dwellers, (c) protecting agricultural land, (d) limiting the population growth in Greater Cairo, and (e) establishing improved mechanisms for urban development.

The main urban strategy recommendations include:

- (a) Strengthening the comparative economic advantages of the Cairo and Alexandria Regions, combined with population deconcentration;
- (b) Supporting the rapid growth of the Suez Canal cities;
- (c) Managing and limiting urban expansion on agricultural land;
- (d) Investing heavily in the growth of key towns in Upper Egypt;
- (e) Improving institutional arrangements to allow cost recovery for infrastructure and housing; and
- (f) Providing land and stimulating investments in manufacturing, including for small and medium sized enterprises.

<sup>83</sup> A national urban sector strategy as such has never been articulated, with the exception of the NUPS study in 1981 (See Box 5).

1.149 An important affirmation of Egypt's desert development imperative was articulated by President Mubarak in an address given to both houses of Parliament in 1996. After announcing the start of the Toshka mega land reclamation project, the President declared:

1.150 Leaving the narrow (Nile) valley and fanning out, in a planned and organized manner, throughout the country, has become an unavoidable necessity. In view of these facts, the conquest of the desert is no longer a slogan or dream but a necessity dictated by the spiraling population growth. What is required is not a token exodus into the desert but a complete reconsideration of the distribution of population throughout the country.<sup>84</sup>

1.151 Within a year of this Presidential speech, MHUUD produced the National Spatial Strategy which received wide media coverage. It aimed to redraw the population map of Egypt by marshalling huge investment funds to develop land reclamation, manufacturing, and extractive industries in the desert and to create associated new settlements, along with accelerating the new towns program. The ultimate aim was to correct spatial/population imbalances and de-concentrate urban areas in the crowded Nile Valley. Over the 1997-2017 period its stated goal was to increase the inhabited area of Egypt from 4% to 25% of Egypt's total land mass. The components of this ambitious plan are discussed in below.

### **The Dominant New Towns Policy and its Record to Date**

1.152 The new towns policy was launched in 1974-75 as an official recognition by the GOE that "the old inhabited areas along the Nile valleys are no longer able to absorb the increasing population and that Egyptians have to conquer their desert land in order to ensure the sustainable growth of the nation."<sup>85</sup> The aim of the new towns was explicitly to attract population, create an industrial base outside the Valley, and attract public and private investments.

1.153 The legislative underpinning for the new towns policy was Law 59 of 1979. This created the New Urban Communities Authority (NUCA) of MHUUD which was designated as the sole body responsible for establishing new communities, including the identification of sites, provision of on- and off-site infrastructure, setting standards, construction of housing and services, and distribution of land for investors. Individual new towns would be managed by "town development agencies" under and reporting directly to NUCA.

1.154 In order to attract both private and public investors, especially in the large industrial zones created in the first generation of towns, generous corporate and other tax holidays were offered (for a ten year period), and industrial sites were released at very cheap prices, with long repayment periods. Also, subsidized schemes were developed for industrial worker housing.

1.155 The "first generation" of new towns were planned to be geographically and economically independent of major cities (Tenth of Ramadan, Sixth of October, El Sadat, El

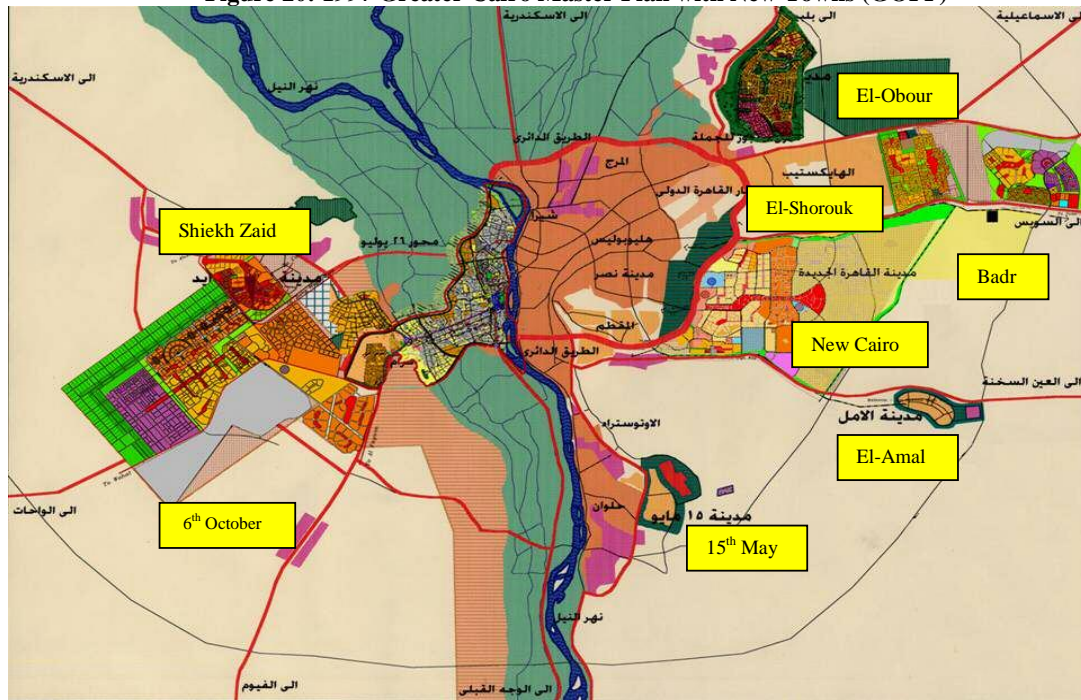
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<sup>84</sup> Reported in Al Ahran Weekly, 14-20 November 1997, p. 2.

<sup>85</sup> Madbouli (2005), UN Common Country Assessment in Egypt, p. 59

Obour, El Badr, and New Ameriya<sup>86</sup>) each with their own industrial base and large target populations.<sup>87</sup>

Figure 20: 1997 Greater Cairo Master Plan with New Towns (GOPP)



1.156 By the mid 1980s the concept of satellite settlements was launched, and this “second generation” of nine of new settlements was planned in the desert around Greater Cairo. In parallel, a “third generation” of new towns were established in the near desert as sister towns or twins to provincial cities. Examples include New Assiut, New Thebes, New Minya, etc. At present there are a total of 20 new towns which are functioning (at various degrees of capacity) and another 44 new cities and communities are on the drawing boards.

1.157 In the early 1990s there was a fundamental shift in the concept of new towns and the associated land management policy. Up until this time new towns were mainly developed to attract the working classes through the construction of State subsidized low-cost housing blocks.<sup>88</sup> With the change of ministers and increasing criticism of the quality and aesthetic of social housing, a much more “capitalist” mode of development was applied. First, the boundaries of existing new towns and settlements were dramatically extended, particularly in those cities around Cairo which were considered to have development potential. Huge tracts of land were subdivided and sold at near market prices both to individuals and to developers. Three “second generation” satellite settlements were amalgamated and boundaries extended to create New Cairo in the desert east of the metropolis, the area of which alone equals half the built-up area of existing Greater Cairo, and has a target population of 2 million. Also, huge new settlements of Sheikh Zeid and El Shorouk (both with target populations of

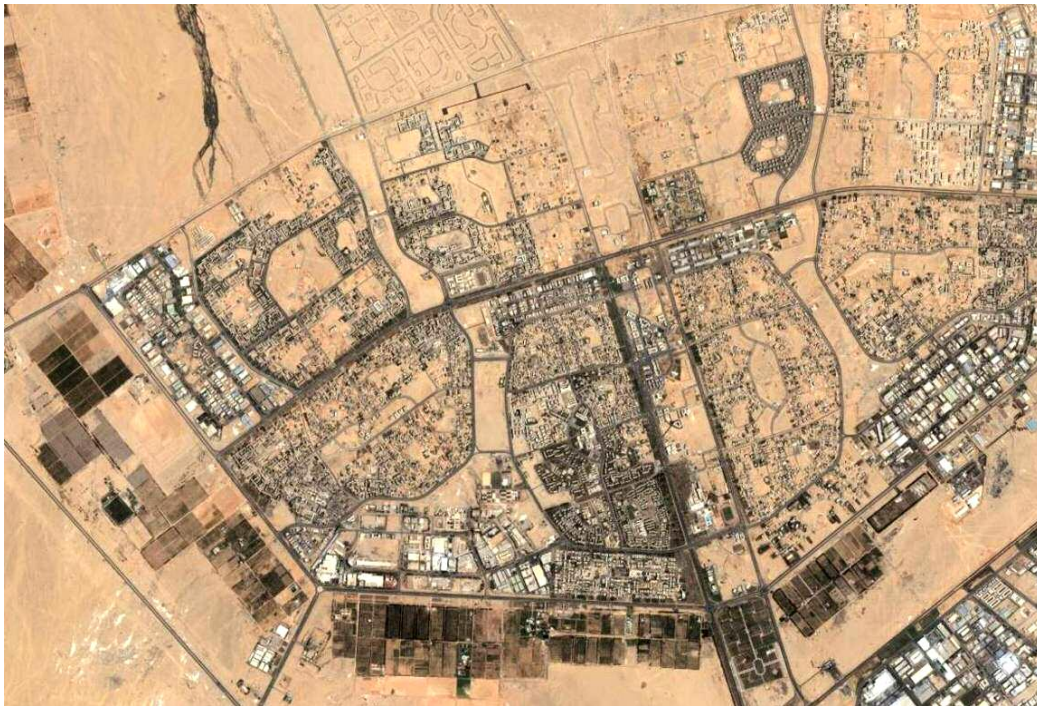
<sup>86</sup> New Ameriya was subsequently renamed Bourg el Arab el Gedida.

<sup>87</sup> For example, Sixth of October had an original target population of 500,000 which was raised in the late 1980s to 1 million, and currently the target is 2.5 million. The actual resident population was less than 160,000 in 2006.

<sup>88</sup> In the new towns there had always been high-standard residential sub-divisions in which subsidized parcels were allocated to individuals, but these were of secondary importance and the take up had been extremely disappointing.

500,000 inhabitants) were created. Massive amounts of land in these extensions and new areas were sold throughout the 1990s and more is being currently being released. This has brought welcome revenues to the Ministry and the State Treasury. Also, this new policy signaled a fundamental shift, with new settlements around Cairo at least, becoming the preferred location for the new middle classes and the rich, with the creation of gated communities and up-market subdivisions.<sup>89</sup>

**Figure 21: Tenth of Ramadan New Town (Google/DigitalGlobe)**



1.158 It should be pointed out that urban development in the desert is not limited to new towns created under Law 59 of 1979. Other government entities have also developed residential subdivisions, industrial zones, and housing estates. The armed forces, the Ministry of Interior, State housing companies, and others have also joined the scramble for desert sites with urban (at least speculative) potential. A recent study by GOPP of Greater Cairo has identified more than 11 large desert sites which are currently under development and which are not endorsed by the official 1997 master plan for Greater Cairo. In total they extend over 282 km<sup>2</sup> and are expected to eventually accommodate a population of 3.35 million inhabitants.<sup>90</sup>

1.159 The GOE (MHUUD) has recently launched a new concept in desert reclamation called “the desert backyard” (*el zhahir el saharawi*). The aim is to exploit areas within 5 km of the cultivated Nile Valley (mostly in Upper Egypt) by land reclamation combined with the construction of new villages and small towns. The rural communities facing such desert

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<sup>89</sup> Public housing estates continue to be constructed in the new towns, and starting in 1996 the Mubarak Youth Housing and Future Foundation Housing became the main programs, providing higher standard public housing with more aesthetic facades.

<sup>90</sup> *A Future Vision for the Greater Cairo Region in the Light of Current Urban Development Challenges*, Power Point presentation, MHUUD, GOPP, no date, in Arabic.

backyards would be encouraged to expand into these areas. The scheme recognizes for the first time the dynamic of “close-by” small-holder reclamation, which has been going on informally for decades along Egypt’s desert fringe, and aims to mobilize nearby rural community solidarity to advance into this “desert backyard” However, the experiment is still in its infancy, with 21 villages said to be planned or under construction. Also, it remains to be seen how the program will deal with the complicated land holdings which are to be found on the best near-desert areas, due to decades of progressive “hand claims” and informal settlement and reclamation. It is understood that this program will give a prominent role to the private sector, but the modalities for this are as yet unclear.

**Figure 22: El Minya New Town (Google/DigitalGlobe Image)**



### **Current Problems and Criticisms of the New Towns**

1.160 The main criticism of the new towns, readily acknowledged by MHUUD, is that they are not attracting anywhere near the planned populations, which overall was set to be 5 million inhabitants by 2005.<sup>91</sup> In 2006 the Census enumerated only 766,000 inhabitants in all the new towns extant at that time, or 2.45% of the 2006 official urban population and a tiny 1.06% of the national population.

1.161 Problems commonly identified with the new towns are as follows:<sup>92</sup>

- New towns have been developed through typical supply-side processes, with little consideration of location dynamics, target beneficiaries, the economic underpinning of new towns, and effective market incentives.
- Creating new towns is an expensive endeavor, since all basic infrastructure must be provided from scratch.
- The new towns over-rely on State investments, and their continued development will require even greater budgetary commitments.

<sup>91</sup> Madbouly, (2005) UN Common Country Assessment, p 60.

<sup>92</sup> Most of these problems are listed in Ibid., p 61.



- In some cases proper soil and other studies were not undertaken, and designated lands could not be developed.
- Although the new communities law envisioned the eventual handing over of new towns to the respective local government authorities, this has not occurred, because either (1) local authorities are perceived as not having the management capacities to maintain the high standards of the new towns, or (2) because local authorities cannot assume the service debts and liabilities associated with these new towns.
- Many private sector developers hurried to develop up-market sites without regard for market demand, leading many schemes to fail.
- In some cases proper soil investigations were not undertaken and designated lands could not be developed.
- Many new towns, especially those with industrial areas, are experiencing severe environmental problems.

1.162 Over the last twenty five years there have been numerous criticisms of new towns from various quarters. Most common are that the new towns are too expensive for average citizens. This is attributed to the high cost of housing units, the poorly developed shopping sector and resulting high food prices, and, especially, the high cost of public transportation. Also, the level of services (schools, health services, and entertainment facilities) is considered less than adequate.

**Figure 23: El Nubaria New Town (Google/Digital Globe)**



1.163 For most commentators the answer to these criticisms is, simply, that the government must provide more housing, cheap transport, and better services. However, the concept of the new towns themselves is rarely questioned. Solutions to the problems are typically simply more State investments, more private sector involvement, better coordination, and “integrated approaches.”

1.164 A deeper look at the new towns will show that there are fundamental problems which have never been recognized and which bring into doubt that idea that the new towns will ever generate the huge population shifts for which they were intended. This revolves around three main axes:

1. In the GOE's attempt to create a modern society in the new towns, they have imposed high urban standards which preclude the kinds of housing typically generated in existing cities and have proscribed the kinds of informal businesses which generate most employment in urban Egypt and which poorer urban Egyptians rely on to cope.
2. Distances to new towns from existing agglomerations are enormous and most new towns are completely disconnected from existing urban fabrics. The exception that proves the rule is the relatively successful New Damietta, which is surrounded mostly by rural settlements and is close to Damietta and other towns. In Greater Cairo the new towns of 15 May and to some extent El Obour have relatively good take-up due to their close proximity to other urban zones and to urban transport corridors.
3. Land distribution policies within the new towns have been wholesale and mechanistic, as if location doesn't count. There are huge distances within new towns, and there appears to be no sense of logical horizontal expansion from mature cores and little attempt at capturing the un-earned increment. There also has been poor build-out of lands allocated to the private sector, particularly plots in subdivisions allocated to individuals.

**Figure 24: El Shorouk New Town: Dispersed Development (Google/DigitalGlobe Imagery)**



1.165 In effect, the new towns have been created by and burdened with spatial supply-side policies and wholesale land distribution attitudes which, in spite of the best of intentions, simply don't begin to fit with or stimulate the urban processes and markets that dominate and replicate in Egypt. It is no coincidence that the only areas of new settlements that can today be considered successful are those isolated gated communities aimed at Egypt's small

segment of society that is well-to-do or middle class and car-mobile, and that such is limited to new towns around Greater Cairo.

### Impact of New Towns Policies on the Rest of Urban Egypt

1.166 Since most urban development initiatives rely on State finances, it is worth noting how past infrastructure funds have been allocated, as shown in Table 10.

**Table 10: MHUUD Investments through the New Towns Authority as % of Ministry's Total Investments**

Sector	1st 5yr Plan 1982/83 - 1986/87		2nd 5yr Plan 1987/88 - 1991/92		3rd 5yr Plan 1992/93 - 1996/97		4th 5yr Plan 1997/98 - 2001/02	
	LE million	% of total	LE million	% of total	LE million	% of total	LE million	% of total
Water and Sanitation	271	10.2%	542	8.6%	1350	8.1%	2818	17.9%
Housing	492	5.1%	743	4.9%	1053	6.6%	2220	12.0%
Roads and Bridges	300	52.0%	473	51.9%	891	38.9%	2133	38.8%
Services	243	39.3%	902	67.1%	1852	69.8%	2337	74.4%
Total	1306	9.6%	2660	11.2%	5146	13.6%	9508	22.2%

Source: Mubarak wa al Amran: *Ingazaat al Hadir li Bina' al Mustaqbil*, MHUUD, pp 21 and 22.

1.167 Two observations can be made in relation to the above table:

- First, the portions of the MHUUD's national investment budget going to the NUCA are very significant, reaching 22% in the 1998-2002 period. This is the percentage of infrastructure investments for the whole of Egypt, including rural and urban areas and even frontier governorates (where large public investments have been and continue to be made). In other words, the new towns, with far less than 2% of the population, are capturing over 22% of MHUUD public investments.
- Secondly, the percentage of national infrastructure investments devoted to the new towns is steadily increasing, and will increase even further if the GOE proceeds with its "desert backyard" initiative. Although it was becoming apparent that people were reluctant to move to the new towns and that not even a fraction of population targets were being met, the allocation policies have been maintained and even increased, with more new towns being announced and more State investments targeted at both new and earlier new towns.

### Regional Development Strategies and the Desert Development Imperative

1.168 New towns are only one dimension of Egypt's invasion of the desert. The whole gamut of the nation's economic activities are being financed and encouraged to locate on the 96% of the country's land mass which is uninhabited, with the aim of pulling the population out of the crowded valley and diverting migration to the existing cities. Ambitious integrated regional development schemes and "development corridor" schemes have been prepared for frontier governorates such as Sinai, the North Coast, the Red Sea, the New Valley, etc. with very ambitious population targets, and more are generated each year. The following points summarize these activities and point to important issues as they concern urban development.

1.169 Land Reclamation: Reclaiming fallow and desert lands for agricultural purposes has been going on for over 150 years in Egypt. After the 1952 revolution, and particularly starting in the 1980s, large desert areas in different parts of the country have been reclaimed

under a number of programs and through the General Authority for Land Reclamation (under the Ministry of Agriculture) and its State reclamation companies, MHUUD, and the military. In the late 1990s, two particularly large and ambitious schemes were launched in Toshka (west of Lake Nasser) and in Sinai (through the construction of the El Salam Canal). Even though this Note is not the place to go into details of the national land reclamation program or its challenges, it is important to highlight that many of these schemes call for urban and town development as integral parts of particular regional schemes, based on the intended objective for population movement to these new agricultural areas along with the secondary and tertiary economic activities which are to serve them. Unfortunately, to date the intended population shifts have not occurred to any great extent, neither in terms of farming populations nor in terms of associated urban settlements. Intense small farmer reclamation has only been targeted on a fraction of the reclaimed lands<sup>93</sup> and the majority of this land is being sold to medium and large private investors. The problem with these larger schemes is that they are highly capital intensive operations which use modern irrigation technologies rather than the conventional labor-intensive agriculture found in the Nile Valley. The result is that the numbers of agricultural workers required tends to be small. And given the high costs of moving to new agricultural settlements and cities in the desert, combined with Egypt's population inertia (see the discussion in Section 2 above), the anticipation on the part of government planners that land reclamation will spur significant population shifts out of the crowded Nile Valley is misplaced.

1.170 *Tourism:* Tourism, especially coastal resort tourism, is one of Egypt's success stories, mainly in terms of the rapidly increasing numbers of visitors and bed-nights and in terms of foreign exchange generated by tourism as "an invisible export". Government planners have put considerable faith in coastal tourism as a method of developing new networks of towns and cities along the country's very extensive desert coastlines. Unfortunately, as with agricultural land reclamation, evidence to date shows that tourism does not attract many permanent settlers and that the ancillary and support activities remain largely based in Cairo and other existing towns. South Sinai, with a booming tourism industry, is a prime example of huge investments and extensive urban infrastructure, but where over 90% of hotel, resort, restaurant, and amusement center staff live in dormitories and rotate back home on a monthly basis.<sup>94</sup> Due to the costs and social-dislocation involved, practically none of them ever considers relocating permanently with their families. The only tourist towns which can be said to be registering significant population growth are Hurghada on the Red Sea (mainly due to its proximity to the depressed governorates of Sohag and Qena) and Marsa Matrouh (domestic tourism only).

### **The Agricultural Land Conundrum**

1.171 In 1978 the GOE issued the first a series of progressively more strict decrees which prohibited construction on agricultural land. It had become apparent to decision-makers that urban development was spreading from towns and villages out into cultivated lands and that if left to continue sizable amounts of Egypt's limited but very productive lands<sup>95</sup> in the Nile Valley would be lost, with dire economic and social consequences. However, even with the

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<sup>93</sup> Under the "new graduates" program, five feddan parcels are distributed to unemployed applicants with secondary and university education, and sometimes distribution to "ahali" or peasants is included. There have only been isolated examples of success of this program so far.

<sup>94</sup> For a detailed analysis of demographic trends and economic opportunities in South Sinai, see EEAA, *South Sinai Environmental Action Plan*, (2004), DfID.

<sup>95</sup> 6.5 million feddans or 2.7 million hectares.

preservation of cultivated land having become one of the government's highest priorities the process has continued, and government estimates in 2004 put the total agricultural area lost at over 1.2 million feddans<sup>96</sup> since 1982. In 1996 the most aggressive government measure was taken, and a military decree was issued which placed offenders under summary judicial courts. This decree had a considerable restraining effect for a couple of years, but subsequently had little effect, and it was repealed in 2004.

1.172 It should be pointed out that over the same period Egypt's desert land reclamation efforts had added 2.5 million feddans of land under cultivation, although most of these lands have not achieved the same high productivity of the "old lands". Also, it is clear that the majority of the old lands lost were due to the expansion surrounding Egypt's thousands of villages and hamlets and not to the growth of cities.

**Figure 25: Informal Urban Expansion onto Agricultural Land: El Bashtil**



1.173 The result of official policies for the preservation of agricultural land has been dramatic in terms of urban management. Since urban growth around most cities was *de facto* illegal, it was simply out of local and central government control. No efforts were made to organize or guide such growth or to impose even the most rudimentary standards relating to street widths, public space, or land use, nor were any basic plans developed for transport corridors or infrastructure networks. The Ministry of Agriculture, charged with protecting agricultural land, maintained a policy of almost total inflexibility, even prohibiting the construction of most government establishments on agricultural land. And, over more than 25 years, the Ministry of Housing and its agencies charged with urban plans and management refused to be involved in any areas where there were urban pressures on agricultural land. The increasing evidence that Egypt's cities were being forever shaped by random, unplanned expansion was simply ignored. Fortunately this attitude has recently undergone a partial transformation. (See Section 6 below.)

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<sup>96</sup> The figure of 1.2 million feddans is stated in NDP (2004). There seem to be a number of different estimates of how much land is lost to buildings. According to the Chairman of the Desert Studies Center of AUC, 17,280 feddans of agricultural land are currently being lost each year, which he describes as "silent murder". (Al Misri Al Youm Newspaper, 24/07/2006, p. 3.)

1.174 As a consequence, most urban expansion around both Greater Cairo and Alexandria was left to fend for itself. And virtually all expansion around the majority of provincial towns in the Delta and Upper Egypt was proscribed and ignored. Only in towns such as Port Said, Suez, Ismailia, and to some extent Aswan and Qena, which could boast nearby State desert land, could central and local government agencies intervene to try to meet the demands of urban growth. In fact, it could be said that urban development policies only apply to these kinds of secondary towns with some desert hinterland.

1.175 In effect, informal urban development was ignored while it was taking place. But once significant numbers of people began to reside in these areas, some infrastructure services were slowly introduced by State authorities, as the State came to realize it must intervene before informal settlements became the foci of social unrest. This is the subject of the following section.

### **Policies and Actions to Deal with Informal Settlements**

1.176 Up until the early 1990s the government had largely ignored informal settlements in and around Egypt's cities. In 1992, after the problems of informal urban areas were highlighted by a serious security problem in some of these areas and the earthquake in Greater Cairo, the government launched a national Program for Urban Upgrading. A survey of informal urban settlements was carried out nationally, and areas were classified as either in need of upgrading (the majority) or removal and replacement (a relatively small number). The main problems in these areas were identified and upgrading focused on 909 areas in six investment sectors: electricity, planning and organization, municipal cleanliness, water, sanitary drainage, and road paving. This program represents, to date, the only effort in Egypt to systematically address the problems of informal urban areas and the needs of their low income inhabitants. The only other interventions have been a small number of donor-funded urban upgrading projects of a pilot nature.<sup>97</sup>

1.177 In 2000 a review of this national program was carried out by the Institute of National Planning.<sup>98</sup> It was found that considerable sums were being invested through various government agencies (LE 1915 million by 1999, of which Greater Cairo received LE 971 million or 51 percent), and most of the funds went for sewerage systems (roughly 40 percent), followed by potable water, electricity, and road paving respectively. However, the review pointed up a number of problems and deficiencies, the most important of which were as follows:

- accurate and systematic information on (and even maps of) informal areas and their needs were lacking
- frequently funds were allocated for large infrastructure projects that only partly (if at all) served needy informal areas, going instead to prestige roads, bridges, etc. in nearby formal urban areas
- it was often impossible to track what funds were actually spent on informal areas due to rigid accounting procedures

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<sup>97</sup> These donor-funded upgrading projects are carried out in partnership with municipal authorities and, if nothing else, have generated much information on and insight about the nature and problems of informal urban areas. See also Annex 4.

<sup>98</sup> Osman, M. and El Hakim, S. (2000).

- there was a marked difference between projects planned, those approved, and actual executed investments

**Figure 26: Recent Tower Buildings in an Informal Area of Saft el Leban**



1.178 These are deficiencies which are internal to the program or which reflect problems with the structure of government financial disbursements. More generally, the program could be faulted for what it did not cover. First, the effort was relatively small. Although according to the program roughly 5.7 million beneficiaries were targeted (yielding investments per capita of LE 335), in fact the number of persons living in informal urban areas is certainly in excess of 20 million, meaning actual per capita expenditures were under LE 115 per capita. Secondly, investments were not directed towards social services, especially schools, which are the most severe deficiencies in most informal areas. Finally, these investments were top-down. Local populations had no role in identifying needs or in overseeing or monitoring investment packages.

### **Urban Environmental Policies**

1.179 Egypt has a growing environmental movement, and environmental concerns were codified in Law 4 of 1994, which calls for strict environmental standards for development projects, as well as monitoring, and preservation of the environment. There is a Minister of State for the Environment, and the implementing agency is the Egyptian Environmental Affairs Agency (EEAA), which has or is establishing regional offices throughout the country and is responsible for natural protection zones. However, its structure is regional and sectoral, and there is no particular emphasis put on urban environmental problems.

1.180 EEAA has begun working with governorates (and their environmental departments) in such areas as dangerous effluents, protecting water bodies, air pollution, and other

environmental issues with an urban dimension. They have also been helping provincial governorates to improve solid waste management. EEAA enjoys considerable donor support.

1.181 Solid waste management is a governorate and local city council responsibility. The poor record of urban solid waste management in Egypt has generated much discussion and some concrete innovations in terms of management, contracting the private sector, managing disposal sites, recycling, etc. International contractors have been employed by governorates both in Greater Cairo and Alexandria. Partnerships with local community-based organizations for solid waste collection have also been piloted. However the issues of sustainable cost-recovery and good disposal/recycling mechanisms continue to complicate the subject in most Egyptian cities.



## Recent Urban Policy Reform Initiatives

### General Climate for Reform Post 2004

1.182 Egypt had a first wave of economic reforms in the 1980s. Throughout the 1990's many elements of the socialist command economy were slowly dismantled and such issues as artificial exchange rates, public bank monopolies, subsidies, and the huge and inefficient public manufacturing sector began to be tackled. Yet much more remained to be done.

1.183 In 2004 the President appointed a new Cabinet with a reform-minded Prime Minister and a number of new ministers with liberal economic views. Also, reform was put at the top of the agenda during the ruling National Democratic Party's annual policy conference. The resulting climate of reform has deepened, and has begun to extend into some of the remaining bastions of old style, top-down government, including urban development policies. In what is a refreshing change, many of the issues confounding both the urban and housing sectors have begun to receive a serious rethink. This section briefly highlights how there now appears to be a groundswell for change and first concrete steps, and it lays the foundation for additional policy reform recommendations made in Section 7 below.

### Tackling the Issue of Urban Expansion on Agricultural Land: A New Realism?

1.184 The ruling National Democratic Party's General Secretariat produced a policy paper in September 2004 called "Agricultural Land Preservation and Urban Growth Management in Egypt", as part of the annual party conference which was entitled "New Thought and Reform Priorities". It argued that the loss about 1.2 million feddans of agricultural land to building from 1982-2004 could have been partly avoided had the rigid rejection policy been modified and had planned areas been created for modest urban expansion. The paper directly questioned the wisdom of leaving rural areas and their protection to be the sole responsibility of the Ministry of Agriculture.<sup>99</sup> It argued that in order to achieve planned urban growth, in addition to desert development in the long run, certain amounts of agricultural land/pockets would have to be allowed to convert to urban uses.

1.185 In the last two years there have been two interesting proposed initiatives that begin to allow the conversion of agricultural land:

1.186 Expanding village boundaries (*el hayz el amrani*): GOPP, in coordination with local authorities and through special committees, has been preparing plans to define new boundaries which extend beyond the built up areas of villages and which would allow agricultural land owners inside these new boundaries to build or to sell to other builders. At the time of writing boundary plans have been prepared for 1700 of the 4500+ villages in Egypt, of which roughly 1000 have been approved by Cabinet decree. The boundaries run along clearly visible agricultural field boundaries or roads or canals. On average an additional 15 to 25% of the village's old built up area is so demarcated. It is intended that those wishing build or to sell for building purposes must pay a betterment tax. Given the very high markup the market puts on building over agricultural land, owners/builders should

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<sup>99</sup> For example, the paper argued that the Ministry of Agriculture's attempt to raise agricultural productivity to levels which would increase market prices of such land to avoid its conversion to urban use was futile. (NDP, 2004, p 9.)

gladly pay a portion of the gain as a tax. However, so far the scheme is not operational, and detailed plans of the expansion zones still need to be prepared.

1.187 Expanding city boundaries (*cordon el medina*): GOPP is considering a program to allow the expansion of city boundaries into surrounding agricultural lands, particularly to encompass agricultural land pockets, called "containing informal areas" (*tahzim el manatiq el aashwa'iya*). General plans for areas around Greater Cairo and Alexandria have been prepared. This idea is however still in its infancy; and there are many legal, regulatory, and procedural obstacles which need to be considered.

1.188 It should be pointed out that, as a result of the 2004 NDP policy paper, the Ministry of Agriculture has delegated the responsibility of approving any building activities within the administrative boundaries of villages and towns to the concerned Governor. This is a crucial step to allow local decision making in urban development and reduce the control of the Ministry of Agriculture.

### **Reform and Innovation in Urban Planning Practices<sup>100</sup>**

1.189 The draft Unified Building Law, which is soon to be signed into law, is made up of five chapters:

1. Urban Planning and Development
2. Building Code
3. Conditions for the Demolition of Buildings
4. Protection and Maintenance of Housing Buildings
5. Preservation of Buildings with Cultural or Architectural Importance

1.190 Chapter One of the Unified Building Law calls for the setting up of a National Council for Urban Planning and Development headed by the Prime Minister and including representation of the concerned ministries and government authorities. It also introduces a number of reforms which affect urban planning practices. GOPP's role will remain that of the apex body responsible for urban planning, but it will focus on:

- Developing and adjusting urban policies and strategies
- Preparing guidelines for planning and building standards
- Monitoring and guiding the preparation of local plans
- Encouraging the participatory planning process at local levels
- Monitoring urban development through "urban observatories"

1.191 The seven urban planning centers at the regional level will be GOPP's decentralized arms, and they will cooperate directly with the governorates and other local authorities and extend to them required technical support.

1.192 The Unified Building Law calls for the establishment of an urban planning and development directorate in each governorate. This will imply an important improvement in the stature and capacities of urban planning at the governorate level, where until now there are only urban planning departments under the housing directorates, and most of these are dormant.

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<sup>100</sup> See also Annex Two.

1.193 The Law also calls for changing the tools of urban planning from the traditional master plans and structure plans which were largely physical land use plans, to strategic plans and action plans which will incorporate socio-economic and environmental issues and also which will focus more on local economic development, environmental management and on promoting public private partnerships and stakeholder participation. Adopting strategic and action plans is very close to the City Development Strategy (CDS) approach sponsored by the Cities Alliance.

1.194 In addition, the new Law sets operational procedures for dealing with slums, informal settlements, down-town areas, industrial zones, and historic urban areas. As part of these procedures, the law emphasizes the importance of regularization of poor people's tenure.

1.195 One welcome change embodied in the new Law is the relaxing of planning of building standards and the delegation to governors to set local urban standards.

1.196 Besides this reformist draft legislation, recently new ways of approaching urban development have been applied at the governorate level. Of note is the consultative approach of the City Development Strategy (CDS) technique which has been applied since 2004 in Alexandria Governorate, funded partly by the Cities Alliance. (See Box 6.) The strategic thrust of such a technique is to engage all of Alexandria's stakeholders – businessmen, civil society, universities, cultural centers, as well as local authorities – in developing a vision of the future city, emphasizing and strengthening the city's comparative economic advantages, and tackling the city's problems in an open, participatory manner. In effect, Alexandria's City Development Strategy attempts to instill inclusive and corporate thinking into urban management and planning. The CDS approach pioneered in Alexandria has started to be replicated in the three governorates which make up Greater Cairo.<sup>101</sup>

### **More Practical Development Standards and Sites and Services**

1.197 In what is a very welcome development, MHUUD is now introducing housing schemes in the new towns which allow beneficiaries to build their own housing on small plots of land. Plots of 150 m<sup>2</sup> are being prepared along with standard building designs for multistory house construction with footprints of 75 m<sup>2</sup> (63 m<sup>2</sup> for the unit plus 12 m<sup>2</sup> for the stairwell). Sites have been allocated in six new towns so far. Beneficiaries will be given cash subsidies of up to LE 15,000 to help finance construction of the ground floor.

1.198 It should be added that small plots of land are also being prepared for small and medium industrial enterprises in 13 new towns and industrial areas. This scheme is being launched by the Industrial Development Authority and the SFD. Parcels of 300 m<sup>2</sup> are being offered at subsidized rates of LE 50/m<sup>2</sup> with 10 years to pay. The SFD is providing small investors with loans to help finance the construction of factories, purchase of equipment, and start up capital. A total of 1,470 land parcels are the target for the first phase.

1.199 In addition to these initiatives, as mentioned above the draft Unified Building Law has been prepared which combines under one law both planning, subdivision, and building regulations. This law also allows local authorities to set their own planning and building standards for particular urban areas within a specified range.

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<sup>101</sup> The CDS approach is also to be applied in five Upper Egyptian governorates with technical assistance provided by the World Bank. CDS profiles have also been completed in six other Egyptian cities, with technical assistance provided by UN-Habitat and funded by the Cities Alliance. ([www.gopp.gov.eg/habitat.02.htm](http://www.gopp.gov.eg/habitat.02.htm))

### **Box 6: Alexandria City Development Strategy**

Alexandria's endowments and challenges formed the backdrop for the Alexandria CDS, launched in 2004 with support from the Cities Alliance Program and the World Bank. The CDS consisted of formulating a long term vision and plan for sustainable development, as well as an implementation action plan through broad-based participation of key public, private, and civil society stakeholders. For sustainability, a CDS team, including senior local officials and directors of line ministries, was established. Several university professors, NOG representatives, and prominent business persons are members of the CDS team, including the advisory committees on local economic development, urban upgrading, environment and cultural heritage, and/or the larger CDS partnership forum which meets biannually.

The emerging long term vision is: "Alexandria takes advantage of its competitive endowments, better manages its local assets, removes constraints to private sector-led growth, which ensuring the socioeconomic integration of the poor."

The three CDS pillars are: (1) local economic development that builds on the city's endowments and comparative advantages and makes the local business environment more favorable to investors, (2) participatory urban upgrading of squatter and informal settlements that makes the poor both contributors to and beneficiaries of economic development, and (3) environmental rehabilitation of Lake Mariout and development of the surrounding land, which addresses the key challenges of environmental degradation and the under-utilization of this key asset. The CDS acknowledged the need to strengthen the urban management capacities in the city by establishing an efficient and adequately staffed City Development Agency to sustain the CDS process and monitor the implementation of its action plan.

Five development programs have been identified as follows:

- (1) Implement high priority economic infrastructure to support local economic development;
- (2) Improve the local investment climate for private sector-led growth;
- (3) Upgrade priority informal and squatter areas;
- (4) Develop human resources; and
- (5) Sustain Alexandria's participatory strategic planning process

These CDS programs constitute the foundation of several investment projects under each program, most of which are now under implementation, financed by the Government of Egypt

Source: Alexandria City Development Strategy: Moving from Vision into Strategy and Implementation. Process and Results 2004 – 2008. Alexandria Governorate, GOPP and World Bank, May 2008.

### **Reform of Housing Policies**

1.200 Since 2001 the GOE has (1) enacted a Real Estate Finance Law (No. 148 of 2001) which set up the legal and institutional framework for housing mortgages, which had been unknown in Egypt up to this point; (2) strengthened the framework for mortgage securities through amendments to the Capital Markets Law; (3) established a new regulatory institution, the Mortgage Finance Authority (MFA); (4) established a new Ministry of Investment (MOI) with a mandate to develop the mortgage market; and (5) encouraged the formation of new, dedicated real estate lending or mortgage companies. The GOE has also established a Guarantee and Subsidy Fund (GSF) to provide a cushion for borrowers from payment default and has a subsidized housing mortgage window for those of limited income. In the last two years the pace has quickened, and a number of actions are well underway which should stimulate both a vibrant mortgage market and better securitization within the financial system:<sup>102</sup>

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<sup>102</sup> USAID and the World Bank have both been involved in assisting these efforts. See Annex 4.

- The Ministry of Investment (itself a new ministry created in 2004) has been strengthening the apex and line institutions dealing with mortgages
- Mortgage financing is being adopted as a centerpiece in the reform in the government's public housing programs (see below)
- Both public sector and private banks have entered into three way partnerships with housing developers and mortgage authorities
- Pilot efforts are underway to improve and streamline property registration systems in urban areas, a pre-requisite for mortgage conveyance
- With World Bank help, liquidity facilities are being put in place to allow the development of secondary mortgage markets

1.201 In 2005, as part of the President's election campaign, a new National Housing Program (NHP) for low-income Egyptians was announced, which set the ambitious target of 500,000 new units to be constructed over six years. A number of the features of this new project constitute a radical departure from old practices:

- The former means of financing public housing units – an arcane system of central government soft loans combined with other sources – is being replaced with an up-front, once off cash subsidy of up to LE 15,000.
- Private sector companies are being actively encouraged to participate and to build units in the new project
- Flexible down payment arrangements from beneficiaries are being instituted, and the monthly installment payments are being structured under the mortgage finance system, to be managed by banks.
- Small size apartment units, core houses and sites and services, which are more affordable, are being included in the mix of unit types

1.202 These innovations of the NHP will not in themselves solve all the problems associated with supply-side housing interventions, and the NHP maintains many of the weaknesses of former approaches towards government housing provision, but they signal for the first time in decades that there is both the political will and the means to follow through on fundamental reform.<sup>103</sup>

### **Decentralization and Greater Powers to Local Government**

1.203 Reform aimed at decentralizing Egypt's centralized and top-down structure of central-local government is still in its infancy. However, debate is well underway, as signaled by the 2004 Egypt Human Development Report, which was entirely devoted to the issue of decentralization and, in particular, the benefits of articulated local voice and local control over resources. The Report proposed a set of recommendations for the short and medium term timeframe on the following main areas:

- Political reform

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<sup>103</sup> For a full review of past Egyptian housing subsidy programs and an assessment of the NHP to date, see "Review of Egyptian Housing Subsidy Programs and Lessons Learned", *Arab Republic of Egypt Housing Demand Study Phase II*, Ministry of Investment, USAID, TAPR II, March 2007.

- Administrative reform
- Fiscal decentralization
- Grass-roots participation
- Private sector service provision
- Monitoring and capacity building

1.204 There is now discussion in government and party circles of the need for new legislation governing local government, both administratively and, especially fiscally. As an indication of a move towards greater fiscal autonomy, this year the Ministry of Finance has empowered Governors to have discretionary control over the annual investment budget allocated to governorates (Bab 3), including the power to shift funds among line items.<sup>104</sup>

### **New Approaches to Urban Upgrading and Introduction of Participatory Development**

1.205 Partly due to GTZ/KfW pilot upgrading projects in Egypt,<sup>105</sup> and partly due to exposure to international experience, government authorities both at the central and governorate levels have begun to recognize that urban upgrading has many dimensions beyond infrastructure provision (which has been the upgrading approach in Egypt since the early 1990s, see the discussion in Section 5 above). Regularizing land tenure, improving social and municipal services, engaging NGOs and local community development associations (CDAs), and improving economic conditions and opportunities for small and micro-businesses have all become part of the upgrading menu. And engaging all stakeholders and promoting community participation in the process is slowly becoming the over-arching methodology for upgrading slums and informal settlements. One program of the Alexandria City Development Strategy includes integrated and participatory upgrading interventions in several squatter and informal areas of the city.

### **Reform in the Infrastructure Sector**

1.206 The water and wastewater sector in Egypt is now undergoing a series of reforms and institutional strengthening. Many observers of the sector, including donors, had for years pointed to a number of serious weaknesses, as has been discussed in Section 3 above: Starting in 2004 the Government of Egypt commenced a set of reforms in the sector, launched by the promulgation of Presidential Decree 135 (setting up of a sectoral Holding Company under MHUUD and the creation of affiliated local utilities companies progressively in governorates, nine so far) and Presidential Decree 136 (creating a regulatory body for the sector, the Authority for the Drinking Water and Sanitation Sector and Protection of the Consumer). The National Organization for Potable Water and Sanitary Drainage (NOPWASD) remains the main planning, designing and implementing agency for major projects in the sector with finance from the State budget. In addition, in 2005 water consumption tariffs were almost doubled, although they still are nationally-set and require further increases.

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<sup>104</sup> In 2006 USAID launched a five year technical assistance to support decentralization in six governorates, with a first phase in Assiut, Qena, and Behira.

<sup>105</sup> German Development Cooperation has been active in urban upgrading since it supported the Nasriya upgrading project in Aswan 1988-1999. Since 1998 it has supported upgrading of Manshiet Nasser (Cairo Governorate) and Boulaq el Dakroul (Giza Governorate). It has also supported upgrading in Ezbet el Walda (Helwan, 2004-2005) and a local initiatives program nationwide.

1.207 Subsequent to the GOE reform initiatives a number of donors have launched technical assistance programs to assist improvements in sectoral policies and institutions. Among them are the European Commission and USAID.<sup>106</sup>

1.208 At the time of writing a total of nine governorate-level water and wastewater companies have been set up and are in operation. In other governorates water and wastewater operations are still the responsibility of the housing directorates which are affiliated with the governorate administration. Also, the national Holding Company for Water and Wastewater is fully operational.

### **Capturing the Unearned Increment Due to Urban Development**

1.209 As discussed in Section 3 above, urban expansion generates a surplus value on the lands and properties which are under urbanization pressures, but the Egyptian government and especially its local authorities have very few means or abilities to capture some of this increase in value, whether to recover costs and or to finance further urban development.

1.210 This is not to say that the Egyptian government is not anxious to tap additional sources of revenue. Quite the contrary. But so far the concept of generating revenues from the surplus value due to urban development has been very limited. Choice parcels of land in the new towns and at other strategic locations are sold off to the highest bidder, but these are rarely due to urban expansion per se.<sup>107</sup> The gains benefit the State Treasury and not the locale or project which generate the surplus.<sup>108</sup>

1.211 For this reason the Alexandria City Development Strategy (CDS) and its emerging programs/capital investment plan can be considered a pioneering effort. This CDS involves four programs which will improve the city's competitiveness and redress intractable environmental and social urban problems. Much of the finance is from the central and local budgets, with some support from donor agencies. In order to achieve the cost recovery principle, one activity of the CDS calls for the development of State lands located along Lake Mariout which will then be sold/leased to private developers. The feasibility study of this land development project envisions that the revenues generated from land sales will more than cover the cost of all other high priority programs and projects that are included in the capital investment plan (Alexandria CDS, May 2008). Thus not only is there "capture of the unearned increment", this capture is to be used to cross-subsidize other project components which have no revenue potential, such as the urban upgrading component and rehabilitation of major roads.

1.212 The principles which the CDS represents are extremely important. The CDS and its proposed cross-subsidy and cost recovery principles could be the forerunner for a system of project-specific central government loans to governorates and cities, to be repaid from the surpluses generated by these projects. This in turn might lead eventually to a system for

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<sup>106</sup> The USAID project is "Water Wastewater Sector Policy Reform Project" and the European Commission assistance is "Egypt: Water Sector Reform Programme".

<sup>107</sup> The recent sale of a choice tourism site at Sidi Abd el Rahman on the North Coast to Gulf investors, which netted the GOE a multi-billion dollar windfall, is a prime example.

<sup>108</sup> NUCA has begun to show a certain corporate business sense in land management, and selected prime sites are being sold off at market prices by auction. But due to past wholesale allocation practices, there are precious few of these prime sites, and the revenues generated return in practice to the Ministry and the State Treasury, not the new towns themselves.

central-local investment budget loans, assuming there is reform of the current tight fiscal constraints imposed on local government.

1.213 The “government as developer” approach is one means to capture the unearned increment of urban development and to finance urban improvements. Another approach could be called “systemic instruments” whereby the State imposes regular taxes and fees on urban properties and thus generates revenues which increase as property values increase. The foremost such mechanism in Egypt is the property tax regime of the Ministry of Finance. This regime is largely dysfunctional,<sup>109</sup> with mechanistic and un-transparent tax rates which are based on imputed nominal rental values and do not at all reflect market values),<sup>110</sup> long lists of exempt properties, very low collection rates, geographic coverage which does not keep up with urbanization, and property evaluation assessments which are only carried out every ten years (if not less frequent). Also, property taxes only apply to built urban properties and not vacant or partly-occupied urban land. In addition, all new towns are exempt from the property tax. Thus it is welcome news that the Ministry of Finance is preparing draft legislation for an overhaul of the property tax regime. MOF has already announced a reduction in the base rate for the property tax regime.

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<sup>109</sup> The problems with the current regime are discussed in World Bank, February 2007, p. 83, and also in World Bank, Policy Note: *Intergovernmental Relations and Fiscal Decentralization, Egypt Public Expenditure Review*, January 2006, p. 27.

<sup>110</sup> Property tax rates are derived from calculations of the imputed annual rental value of a property, which are in turn set at 7% of the nominal construction cost.



## Conclusions and Recommendations: Ways Forward

### Conclusions

1.214 The findings presented in this report can be summarized as follows:

1.215 *Government's overriding imperative to create new urban communities and populate the desert prevails and continues to consume huge public resources.* Since the 1970s, the GOE has pursued a desert development strategy in the aim of correcting spatial/population imbalances and de-concentrating urban areas in the crowded Nile Valley. The focus of this policy has been on developing New Towns and settlements, and providing significant incentives to encourage economic activities to locate in uninhabited areas, with the aim of pulling the population out of the crowded Nile valley and diverting migration away from existing cities. Several ambitious new urban communities, integrated regional development schemes and "development corridors" have been prepared with very ambitious population targets (5.00 million inhabitants by 2005 in the new towns), and more ideas are being generated to create new villages in the desert backyard of congested cities. Such well-intentioned desire to reshape settlement patterns, to promote desert development, and to create new modes of urbanization has relied upon the State as the main determinant and financier of development, and has been predicated upon State ownership over public (desert) lands. This meant that over the last 25 years the apparatus of the State and huge public resources have been oriented towards shifting urban populations and activities out into the desert. Indeed, the share of Egypt's total infrastructure investment budget that was directed to the New Towns in the 1982-2002 period was approximately 22%, whereas today only 1% of Egypt's population lives in these desert New Towns. The share of national infrastructure investments devoted to New Towns is expected to continue increasing as the GOE proceeds with its recently announced initiative of creating new villages in the desert hinterland, and this despite the many signals that people are reluctant to move to new desert settlements. Moreover, in addition to the 20 New Towns that have been launched by the GOE, an additional 24 New Towns have been in the plans with their sites designated. It is unclear whether public investments in these additional New Towns will (or should at all) start soon.

1.216 *Yet, there is incongruence between the nature of existing urban growth patterns and the major urban development policy agendas of the Government.* While the concept of de-concentrating growth from the agriculturally fertile Nile Valley has merit, New Towns in the desert have not become the powerful magnets, attracting households away from dense urban areas as they were envisioned to become. For example, the total population of all the New Towns in 2006 was about 766,000 persons (about 2.5% of urban population). Urbanization patterns show that the majority of recent growth has occurred at the fringe of large cities and in emerging small towns in rural governorates. At the same time, migration has shifted from being primarily rural-to-urban to being largely urban-to-urban. As such, Egypt is experiencing a diffusion of urbanization wherein population is radiating out from existing cities and villages, but not the exodus of people from the Nile Valley to desert communities that was the focus of Government investments.

1.217 *The official definition of urban place grossly underestimates the extent and growth of Egypt's urban population and thus the scale of the challenges facing the urban sector.* The 2006 Census reports that only 43% of Egypt's population is urban, and that urbanization has stabilized compared with 1986 and 1996. The reality however is that Egypt is already primarily urban. The inconsistency between census findings and reality owes to the

definition of what is an urban area in Egypt; the census distinguishes urban and rural population according to an arbitrary administrative definition and outdated delineations that exclude much of the development at the periphery of large cities including urban growth beyond official city limits and the urban villages that consolidate near cities and accommodate a large population in need of affordable housing and which commutes daily to work in the city. Moreover, many small agglomerations in dense rural areas throughout Egypt have grown well beyond 10,000 inhabitants, and their economic functions have shifted away from purely agricultural activities. Indeed, they are transforming from small farming villages into small urban towns. This administrative classification of what is 'urban' affects policymaking and the allocation of resources. In effect, reclassifying a rural area into urban is not without cost, as central government will need to ensure adequate budget and financing for the newly incorporated urban areas with an appropriate level of services that are found in cities.

1.218 *The bulk of migration has recently become urban-to-urban, usually from smaller to larger towns.* Rural-urban migration has waned down significantly, mostly occurring locally to small towns from nearby rural areas. This represents a shift from past experience of high migratory flows from rural areas to the large cities. Another significant component of the urban-to-urban migration is a trend in which better-off urban dwellers are leaving older urban cores for formal new developments on the periphery of large cities and limited income groups to informal settlements at the fringe. This 'suburban flight' is attributed to the increasing commercialization of downtown space, the gradual deterioration of much of the older housing stock, and the pursuit of better, modern units in new developments.

1.219 *Yet overall, there is little residential mobility and families are very reluctant to move any significant distance and, especially, to move into new desert communities.* Census figures show that there has been a remarkably stable pattern of geographic distribution of the population by governorate over the period 1976-2006. The main concentrations of population have remained virtually unchanged over the last 35 years. Even within cities, households tend to be immobile. In fact, according to the 1996 Census, only 6.3% of the total population changed residence in the ten year period from 1986, roughly 0.5% per year on average. It thus appears that government's spatial development policies, such as the New Towns and agricultural settlements in the desert, are confronted with significant "stay at home" inertia.

1.220 *One of the challenges to the financial sustainability of public investments in urban areas is the fact that the government does not capture any of the appreciation from increased land values due to planning decisions or infrastructure investments, and does not generally pursue cost recovery or cross-subsidization principles in public schemes.* A fundamental aspect of urban development strategies in many cities throughout the world is to capture some of the surplus value or "unearned increment" of urban growth as a means of financing further urban development. The Egyptian government does not currently capture, whether centrally or locally, any of the unearned increment of land development or have a track record of cost recovery in the urban projects it carries out. Instead, it is the person or entity who acquires the plot of land or building developed by the State who benefits fully from the appreciation in value. Moreover, urban land taxes do not exist, and Egypt's dysfunctional real property tax regime results in negligible annual revenues that average at USD1 per urban property unit per year (New Towns in the desert which absorbed significant investment in construction in the past three decades are excluded from property tax payment). The result is that an owner incurs no cost for not developing land and property, and the Government forgoes the

potential long-term income stream generated by value-based property taxes, a major financing source for service delivery. To address this issue, the Ministry of Finance is currently preparing draft legislation to overhaul the property tax regime.

1.221 *In Egypt, central government control over local authorities continues to be significant and the mandate assigned to elected representatives is limited; reforms aimed at decentralizing the highly centralized, top-down government structure are still in their infancy.* Despite the passage of 25 years since the enactment of the Local Administration Law in 1979, decentralization in Egypt can be described as very limited. Elected local representatives have limited real powers, particularly as recent amendments of the Law removed their right to question local executives, thus causing further setbacks to the process of decentralization. Most local government decisions are made by or need prior approval from central government. Governorates have very limited financial autonomy (dependent on central transfers for more than 85% of total expenditures), and no discretion over their budgets except for three special funds. In particular, their operation and maintenance (O&M) budgets are severely under-funded (for instance, the entire O&M budget for Alexandria's roads is less than \$100,000 per year). At the city and *hany* (city quarter) levels, the situation is even worse, with practically all their budget decisions taken at the governorate level. There is now discussion in government on the need for new legislation governing local government, both administratively and more importantly fiscally. As an indication of a move towards greater fiscal autonomy, the Ministry of Finance has this year empowered Governors to have discretionary control over the annual investment budget allocated to governorates, including the authority to shift funds among budget line items.

1.222 *The urban planning system in Egypt has traditionally been centralized, supply-driven and ineffective, relying on inappropriate legislation and inadequate planning and land subdivision standards that do not reflect local conditions and needs, and which limit the efficient utilization of urban land.* Currently there are several entities within the Ministry of Housing, Utilities and Urban Development (MHUUD) and other line ministries which are involved in urban/land use planning at the national and regional level. The local administration and urban planning laws have assigned Governorates authority over most urban planning and management activities such as housing, land development, and infrastructure. Plans are to be reviewed and approved by both the local executive and popular/elected councils (Egypt has a bicameral local administration system) and finally signed off by the governor. At the city level, the local executive council should pursue planning and management of service improvement projects within its jurisdiction and secure the financial resources needed for implementation. Yet, in practice, few governorates have established an urban planning department to assume its stated role according to the laws, and municipalities are further hindered from fulfilling their assigned roles for various reasons. These include the across-the-board shortage of qualified staff (except to some extent in Cairo and Alexandria), problems of coordination and information sharing between different entities, lack of motivation, performance incentives and checks-and-balances, and an overall lack of a 'planning culture' within local government.

1.223 *The new Unified Building Law, currently in the final preparation stages, is expected to address some of the deficiencies of the existing planning system, especially the role of local government and the emphasis on participation in planning.* It calls for the creation of a National Council for Urban Planning and Development headed by the Prime Minister and including representatives of the concerned ministries and government authorities. Urban planning centers at the regional level will represent the decentralized arms of the MHUUD's

General Organization for Physical Planning (GOPP), and will cooperate directly with local authorities and extend the required technical support in light of existing capacity. The new Law calls for the establishment of an urban planning/development directorate in each governorate, which represents an improvement in urban planning's stature at the governorate level and would accordingly avail more resources (to date, there are only urban planning departments under the housing directorates, and most of these are dormant). Importantly, the Law also calls for changing urban planning tools from traditional master plans which were mostly supply-driven physical land use plans to strategic plans and action plans which will incorporate socio-economic issues and focus on local economic development, environmental management, the promotion of public private partnerships, and most importantly stakeholder participation in what is to become a demand-oriented process. This transformation was triggered in large part by Alexandria's pilot experience in formulating a participatory City Development Strategy (CDS) with Cities Alliance and World Bank support since 2003.

1.224 *Official policies for agricultural land preservation and the focus of efforts and resources on the development of New Towns in the desert have led to the proliferation of informal and squatter settlements and the inability to manage urban growth.* Urban expansion of most cities took place on agricultural land. Government's efforts to enforce its policy and prevent illegal growth were overwhelmed by the sheer scale of encroachment cases. The courts also seemed sympathetic to the housing affordability problem and aware of the rigid urban boundaries that had not been revised since 1985 (proceedings were dropped for over 99,000 cases). Only in 1996 did informal agricultural land conversion slow down significantly with the issue of a Military Decree banning agricultural land conversion, but the momentum picked up three years later. The result is that, today, at least 16 million inhabitants live in informal/squatter settlements, representing over 23% of the total population and over half of the urban population. The lack of efforts to guide growth or put in place realistic standards relating to street widths, public space or land use, the lack of plans for transport corridors, and the absence of infrastructure networks contributed to the problem. In 1992, after a rising social unrest in some informal settlements and the earthquake in Greater Cairo caught policymakers' attention to the problem, the government launched a national Urban Upgrading Program, but the latter only focused on infrastructure improvements. Recently, however, authorities have begun to recognize that upgrading has many dimensions beyond infrastructure provision, through two pilot projects implemented through NGO-government collaboration in Cairo. Improving social and municipal services, engaging NGOs and local community associations, and improving economic conditions and opportunities for small and micro-businesses have all become part of the upgrading menu. The regularization of land tenure is receiving increased attention, but it is yet to translate into a successfully completed pilot operation or become official policy. It is important to note, however, that overall security of tenure in informal/squatter settlements is remarkably good in Egypt with very little demolition/eviction, and especially as a settlement reaches a critical population mass.

1.225 *For the first time in decades, the prohibition of urban expansion on any agricultural land is being questioned.* In September 2004, the National Democratic Party's General Secretariat produced a policy paper in which it argued that the loss about 1.2 million feddans of agricultural land to urbanization from 1982-2004 could have been partly avoided had the rigid agricultural land policy been modified and had planned areas been created for modest urban expansion. It is argued that the achievement of planned urban growth, in addition to desert development in the long run, requires allowing the conversion to urban use of certain limited amounts of agricultural land. In the last two years there have been two interesting

initiatives that are beginning to allow the conversion of limited agricultural land. The first defines new boundaries which extend beyond the built up areas of villages and which would allow agricultural land owners inside these new boundaries to build or to sell to others. The second allows a measured expansion of city boundaries into surrounding agricultural land, particularly to encompass agricultural pockets at the fringe of the built up area that are subject to significant urbanization pressures and where farming activities has long stopped and which are engulfed by informal settlements.

1.226 *Reform of the housing sector, particularly the introduction of market-oriented mortgage finance system, has also begun.* Since 2001 the Government has: (a) established a new Ministry of Investment with a mandate that includes developing the mortgage market; (b) put in place the legal and institutional framework for housing mortgage finance, which was absent up to this date; (c) strengthened the legal framework for mortgage-backed securities through amendments to the Capital Markets Law; (d) created the Mortgage Finance Authority; (e) encouraged the formation of new, dedicated real estate lending or mortgage companies, and capitalized the first two lenders; and (f) focused since 2004 on improving property registration—the main impediment to mortgage market development, undertaking a dramatic reduction of fees in 2006, pilot automation efforts, and some legal changes to facilitate land and building registration in New Towns. The government also set up a Guarantee and Subsidy Fund (GSF) with a subsidized housing mortgage window for those of limited income and to provide a cushion for borrowers from payment default. The latter is yet to become fully operational as it faces a major resource constraint.

1.227 *A National Housing Program (NHP) for low-income groups announced in 2005 provides a significant shift from former practices.* As part of the President's election campaign, the NHP was announced with a target of 500,000 new units to be built over six years split equally between existing cities and New Towns. A number of features of this new NHP constitute a significant departure from old practices, including: (a) up-front one-time cash subsidy for eligible families to be provided to developers (through the MHUUD) or to buyers (through the GSF) to reduce the unit cost; (2) private developers are actively encouraged to participate and build units under the new scheme; (3) flexible down payment arrangements for beneficiaries; (4) core houses and sites and services, which are more affordable as they rely on progressive construction, are included in the mix of unit types, in addition to small apartment units (which were until then the only option). The program is still in its early implementation stages, which makes it too early to assess impact. The quantitative target, however, appears difficult to meet if only newly built units are included.

## **Recommendations**

1.228 Since 2004 there has been a new momentum in urban policy reform. Since most of the measures are still in their infancy, it is too early to tell if it represents a fundamental shift in thinking about the roles of government in urban development, and the overriding imperative to create new urban communities and populate the desert still prevails. But what began in 2004 represents a refreshing new openness, and this should be capitalized upon. There is a window of opportunity, and building upon it underscores the recommendations presented below.

1.229 Recommendations have been grouped into thematic clusters, as follows:

### **Key Recommendations**

Cluster 1	Re-evaluate the Desert Development Strategy and Increase Attention on Guiding Growth in Existing Cities
Cluster 2	Create Appropriate Planning and Building Standards for Urban Land Subdivision and Affordable Housing
Cluster 3	Expand Control over Asset Management to Local Authorities and Enhance Their Ability to Pursue Sustainable Financing Mechanisms

### **Other Recommendations**

Cluster 4	Create a Policy Making Council and Improve the Urban Information Base for Decision-Making
Cluster 5	Pursue Institutional Reform and Capacity Building for Urban Management
Cluster 6	Improve Public Land Management Mechanisms
Cluster 7	Reduce Land and Property Speculation and Improve Mechanisms to Capture the Appreciation in Value (un earned increment) Due to Public Investments
Cluster 8	Review the Means and Tools to Guide Urban Development on Private Lands

1.230 Some of what is recommended will require legislative/regulatory reform, which implies a long term view. Even so, recommendations include suggestions which are relatively straightforward, could be initiated with minimal challenge to the existing bureaucratic structure, and for which legislation need not be changed as a prerequisite.

1.231 It should also be noted that, while these recommendations address deficiencies in Egypt's approach to the urban sector, some also relate to improving the functioning of urban housing markets and the modes of affordable housing production.<sup>111</sup> In fact, housing and urban development are closely intertwined. However, the recommendations advanced here cannot hope to treat the subject of urban housing in a comprehensive manner, and the reader should be aware that a number of initial recommendations concerning housing have recently been tabled, and also that considerable further work on urban housing is underway.<sup>112</sup>

#### **Recommendation Cluster 1: Re-evaluate the Desert Development Strategy and Increase Attention on Guiding Growth in Existing Cities**

It is clear that the goal of shifting population growth away from existing cities into new towns in the desert is not being achieved. The enormous outlay of public resources to spur

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<sup>111</sup> See World Bank (2007), *Arab Republic of Egypt: Analysis of Housing Supply Mechanisms*, Final Draft, February 2007

<sup>112</sup> In addition to the recent 2006 and 2007 World Bank/MHUUD and USAID/MOI reports, housing studies are continuing in 2008 under these sponsors.

development in the desert is a sunk cost. While a few new towns have succeeded in attracting growth, most have served as a burden on limited public funds. Steps that the GOE could take to address the situation include:

- Assess the potential of each new town to determine its future viability;
- Evaluate and improve the land management tools in the new towns that are found viable; and
- Shift more institutional focus and resources to guiding urban growth where it is actually occurring, in and around existing cities.

### **Recommendation Cluster 2: Create Appropriate Planning and Building Standards for Urban Land Subdivision and Affordable Housing**

1.232 Although the new Unified Building Law delegates flexibility to governors in modifying planning standards and building codes, they remain extremely high. And although new residential projects which aim to stimulate the owner-builder or self-help housing process have recently been launched by MHUUD in the new towns, the standards are still high (not to mention the inappropriate locations) and it is doubtful that they will attract the dynamic of the informal housing sector to any great extent. Yet both of these initiatives are very welcome as first attempts at reform which are moving in the right directions.

1.233 As is mentioned under Recommendation #5 below, the ability to offer formal systems which can compete with the attractions of informal land conversion and housing construction is limited, and to transplant the informal dynamic to desert subdivisions will require offering land which is well located and affordable, standards which allow nearly the same exploitation (floor-area-ratios) as the informal sector now enjoys, and also through systems which entail a minimum of bureaucratic obstacles.

1.234 This is not a call for an across-the-board reduction in urban standards and building codes. Rather, it suggests that specific standards and processes should be designed for designated new “popular” (*shaabi* or *ahali*) neighborhoods. These would resemble what in international terms are called sites and services projects. They would form one segment or component of new urban agglomerations or extensions of existing cities. Small plot sizes, high plot coverage, narrow local lanes, and simple building specifications (mainly using model designs) and height limits would be part of the package. Also part of the package would be a drastic simplification of building licensing procedures and reduction if not elimination of associated fees. The incremental supply of services and infrastructure could also be applied. At the same time, these areas would be planned to contain a heterogeneous mix of residential blocks, including some land parcels on main streets which would be suitable for more up-market development. A strategy for progressive sale and release of these areas which captures some of the unearned increment would be integral to the packages.

1.235 The new form of urban development suggested here does not come from a complete void. The Ismailia demonstration projects of the late 1970s and 1980s showed how such principles can be successfully implemented. In addition, considerable work on compact residential blocks, small plot layouts, efficient infrastructure lines, mixing of land uses and income levels, stimulating the small developer sector, etc. was carried out for early designs for El Obour New Town (with GTZ assistance) and also as part of the World Bank financed Extension of Municipal Services Project for new urban areas in Greater Cairo (for Cairo and

Giza Governorates, 1984-1986). A starting point for creating a package of development guidelines would entail investigations of this earlier work.

**Recommendation Cluster 3: Expand Control over Asset Management to Local Authorities and Enhance Their Ability to Pursue Sustainable Financing Mechanisms**

1.236 The issues of central-local relations, local representation, and delegation of some State functions to governorates and municipalities are complicated and involve aspects of governance which extend far beyond the subjects of urban development and finance. As pointed out in Section 6 above there is currently debate about decentralization and devolution of powers to governorates. A whole set of legislation will need to be rewritten, including laws on local government powers, the role and powers of elected local councils (and, parenthetically, reform of the electoral process to make them more open and representative), intergovernmental fiscal relations, local control over budgets and the ability of LGUs to borrow for development projects.

1.237 In the short term, however, a number of initiatives could be undertaken to improve existing local systems and institutions which deal with urban finance and management. In particular, much greater use could be made of the local service funds found in each governorate, particularly those of the economic housing funds. Central government decrees could be issued to provide guidelines to governorates which would:

- Expand allowed expenditures from these funds to specifically include the servicing of governorate land for urban purposes, such as sites and services subdivisions.
- Allow the creation of sub-accounts within the local funds which are earmarked for specific urban projects in defined geographical areas
- Specify that the revenues obtained from land sales in urban projects must be deposited into these specific sub-accounts
- Improve the management, reporting, and transparency of these funds

1.238 At project level, there is a need to establish clear mechanisms for urban project accounting, whereby a governorate will need to manage both the income and outflows of particular projects and stand by their success or failure. The ultimate objective would be to give governorates (and the municipalities within which an urban project is located) a first experience in autonomous urban project management and the opportunity to identifying investments and revenue sources that will generate the capacity to finance future developments. This will require Egyptian cities to mobilize their own resources, leverage public assets (land particularly) more effectively, capture land value increments and eventually access finance based on their own fiscal strength.

1.239 As for city development, there should be a parallel shift from centrally-controlled, supply-side city master planning to dynamic urban development and management practices which are based on local stakeholder participation and are grounded in local realities and comparative advantages. Towns should be planned with an over-arching priority for inclusive local economic development. The CDS approach, as applied in Alexandria, offers a model on how this shift could be carried out.



#### **Recommendation Cluster 4: Create a Policy Making Council and Improve the Urban Information Base for Decision-Making**

1.240 There is a need for a high-level policy making body to develop and implement an urban growth strategy. The Unified Building Law will lead the way in creating such an entity by establishing a National Council for Urban Planning and Development (NCUPD), to be headed by the Prime Minister, and to include concerned ministries and government authorities, as well as representatives from civil society and planning experts. Council responsibilities are to include approving urban development policies, resolving conflicts between ministries, and authenticating national and regional urban plans. This entity should be augmented to include membership of concerned sectoral and non-sectoral line ministers. Particularly important is the active engagement in the council of institutions such as the General Authority for Free Zones and Investments (GAFI), the General Authority for Industrial Development (GAID), and the Tourism Development Authority (TDA) which will ensure that urban planning and development policy decisions are coordinated with economic development initiatives.

1.241 The NCUPD requires a Technical Secretariat that would review and provide technical advice on strategic development plans and feasibility studies, as well as prepare briefing on urban growth patterns, national spatial strategies, guidelines and regulation to accommodate demand for investment (in coordination with GAFI) and supply needs for affordable housing and other social development policy objectives, and enable the decentralized preparation of local spatial strategies and land use plans. The government entity most qualified to play such a role is the Ministry of Housing's GOPP, which is the national entity in charge of regulating urban and land use planning and which has seven regional centers to support local efforts in plan preparation. For such an entity to efficiently assume its planning regulation and support role and effectively coordinate with all concerned line ministries and authorities as well as serve as an impartial advisor to the Committee, it is proposed to re-affiliate GOPP with the Prime Minister's Office, as it has been during the early 1980s in its better performance years. Its current affiliation with the Ministry of Housing—a line ministry with a specific sectoral interest in land use planning decisions (housing and urban development), is in contradiction with a land use planning role that encompasses all sectoral interests (agriculture, environment, tourism, industry, etc) and which should impartially arbitrate between all competing land uses.

1.242 Key to the effectiveness of the Council is a better understanding of and information about urbanization processes in Egypt to inform policymakers and allow better feedback about the impacts of urban policies. Foremost in this effort entails the recognition that the current definition of what is urban is increasingly unrealistic and generates inappropriate or misplaced policies. An initiative is needed to create and maintain an urban ledger with an expanded definition of urban place and, subsequently, a mapping and tracking of demographic and economic trends. This new definition need not replace the CAPMAS definition, which could continue in parallel with the new one. With minimal resources, CEDEJ has shown in its analyses of the 1996 Census that a clearer picture of urban agglomerations and their dynamics can be carried out. With the detailed results of the 2006 Census expected in 2008, an enormous amount raw data will be available which, combined with improved mapping capabilities, can generate a truer picture of both the challenges and opportunities confronting urban Egypt in the 21<sup>st</sup> Century.

1.243 The urban information database should be maintained by GOPP (via the newly established urban observatory), in close cooperation with the Central Agency for Public Mobilization and Statistics (CAPMAS) and the Ministry of Local Development (as the lead entity in revising administrative classifications). The sharing of information could be facilitated through the Information Decision & Support Center (IDSC), a think tank established to support the Egyptian Cabinet's decision making in socioeconomic development.

1.244 Other efforts to improve the understanding of Egypt's urban dynamics also need to be undertaken. This calls for practical, applied research on some of the following subjects:

- Better and more consistent definitions of and data on urban service levels and standards which are regularly updated (e.g. concerning housing, infrastructure, social services). This task could be undertaken as part of creating an “urban ledger” as recommended above.
- The magnitude, characteristics, and trends in urban, peri-urban, and intercity daily commuter movements. As far as is known, there is practically no information base on this subject of urban public transport and its extensions outside of city boundaries.<sup>113</sup>
- Urban traffic networks and patterns, and identification of cost-effective management improvements which are feasible in the Egyptian context. This mainly concerns Greater Cairo and Alexandria, and the issue is of extreme importance for the continued economic viability of these metropolises. Currently traffic management is carried out by governorate traffic departments in what could best be described as “crisis management” which is not informed by traffic counts, flow analysis or modeling.
- Better and more consistent data about the Greater Cairo Region, whose information base is currently split among the Region's three governorates
- Inventories of public and private land coming under urban pressures which could be assembled and serviced for urban projects, and also the behavior of urban and peri-urban land markets. (See also the recommendations under #4 below for public land bookkeeping ledgers and inventories as part of reform of public land management.)
- Urban housing markets and systems, particularly the dynamic of informal housing processes and how to direct this dynamic towards near-desert locations. Egypt's urban housing sector is currently being investigated under parallel World Bank and USAID-supported efforts, but mainly as a means to address housing problems and not as part of coherent urban development strategies. See World Bank (February 2007) and USAID (June 2007).

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<sup>113</sup> The last significant study of urban transport in Greater Cairo was carried out by SOFRETU in 1998. It was largely based on a household survey and did not include origination/destination studies, nor did it look at commuter patterns outside the official urban areas of Cairo, Giza, and Qaliubia. (See World Bank 2000, “World Bank Urban Strategy Review: The Case of Cairo”.) It should be noted that JICA completed a set of feasibility studies for public transport and traffic improvements in Greater Cairo in 2002. See Japanese International Cooperation Agency (JICA), Cairo Regional Area Transportation Study, Final Report, Vol. 1, December 2003 (Pacific Consultants International).

- Improved and more accessible mapping of urban and peri-urban areas, especially using up-to-date satellite images. Among the mapping needs are accurate demarcation of census and administrative boundaries which relate to topography.

### **Recommendation Cluster 5: Pursue Institutional Reform and Capacity Building for Urban Management**

1.245 Institutional reform and capacity building is a subtext which runs through all of the recommendations presented above. Needed institutional reform to remove fragmented and overlapping mandates and improve coordination for urban development can only be achieved over the long run, and capacity building and technical training is paramount to any effort to decentralize urban management to the local level. The current momentum for reform, especially in the past three years as government has come to realize the limitations of its supply side approach (to land use planning, housing, etc) and the un-sustainability of the extensive subsidies it provides (in serviced land, housing, infrastructure, etc), can make such reform gradually take place. And until then, at the technical cadre level, there is a whole gamut of skills (including least-cost, financial and economic feasibility analysis, capturing the unearned increment, cost-recovery, internal cross-subsidization, appropriate planning and housing standards, land and property market analysis, etc.) that need to become integral part of Egypt's urban planning and management vocabulary.

### **Recommendation Cluster 6: Improve Public Land Management Mechanisms**

1.246 Even though much of what is recommended in this report calls for a re-focus of urban policy towards the vast majority of urban areas and urban population which lie within the Nile Valley and Delta, it is inevitable that State (mostly desert) land conversion will remain important for urban development. In spite of past land assignment practices which have locked out and wasted much prime desert land, the desert still represents a great potential "land bank" for future urban investment and development. What it needs is rational stewardship which recognizes the tremendous value of this land as a public asset. Thus there is a pressing need to address the structural deficiencies of the existing public (desert) land management system in Egypt. As has been analyzed in a recent World Bank report,<sup>114</sup> it is particularly critical to revisit the sectoral public land management model with the aim, in the short term, of improving its functioning through a more rational use of the significant public land stock currently controlled by sectoral authorities, to ensure an efficient land allocation and development process, better cost recovery, and better coordination among these authorities. In the medium and long-term, to address this structural problem a move towards a rationalized and integrated model of public land management is required, in parallel with gradual decentralization of public land management and land use planning. This will require consolidation and harmonization of the fragmented legal framework governing public land management, as well as significant efforts to standardize to the extent possible public land disposition and pricing methods, simplify the land allocation process, and ensure efficient allocation and utilization of public land assets.

1.247 A set of proposals for reform of public land management in Egypt has been elaborated in the recent World Bank report on public land management. These proposed reforms are

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<sup>114</sup> World Bank, Draft Policy Note: *Egypt Public Land Management Strategy*, Vols. I and II, April 2006

critical for the continued use of public lands as elements in a coherent urban development policy. Readers are thus encouraged to refer to this report (World Bank, April 2006, pp. 63-72). The main recommendations found in this report have been summarized in the Box 7 presented below.

1.248 The State needs to begin to correct former ill-advised and wasteful land allocations of public lands with urban potential, both in the new towns and, in particular, allocations in near-desert areas which are close to existing urban agglomerations in the Valley and Delta. In brief, this means canceling allocations, revoking contracts, and otherwise regaining control over whatever lands the proposed new public land authority can. Much of this land still lies vacant or has been subject to only minimal improvements. And in most cases the legal basis for retaking is sound, if sometimes politically unpopular. It should be apparent from discussions in this report that Egyptian urban growth and consolidation is extremely location sensitive, and that lands located on logical development paths and corridors are those which are economically best suited for urban development. If the State can re-possess some of these lands (and their underlying opportunity value) for future intensive urban use, it will have begun to provide a land bank for urban growth, one which could create opportunities for affordable residential development and for the means to finance urban expansion.

**Box 7: Elements of a Proposed Road Map for Public Land Management Reform in Egypt**

(from World Bank, April 2006, pp 63-72)

Issue a Prime Ministerial Decree requiring the preparation of a detailed inventory for all public land under the custody of each sectoral authority, The State land inventory and management record of each sectoral authority would be audited by independent auditors,

Transfer control over all public land that has not yet been assigned a controlling entity or a land use together with all public land under the custody of the sectoral authorities but which has not yet been developed to the Ministry of Finance (the rationale being that State land is one of the main public assets with an income-generating potential).

Initiate new wholesale allocations of State land whether to sectoral authorities or Governorates with a proven capacity to efficiently manage and dispose of State land. This would be authorized based on their submission of strategic development plans and feasibility studies.

Set up a HCSLM to ensure an integrated approach to public land management. The HCSLM would be headed by the Prime Minister and would include eight ministers: The Committee would assume the functions of reviewing and approving all new (wholesale) allocations of State land, based on the principle of competition between sectoral or geographic authorities and the need for supporting feasibility studies, development strategies and land use plans that are aligned with Governorate/local development and land use plans.

The HCSLM requires a competent Technical Secretariat. The government entity most qualified to play such a role is the Ministry of Housing's GOPP. For such an entity to efficiently assume its planning regulation and support role and effectively coordinate with all concerned line ministries and authorities as well as serve as an impartial advisor to the Committee, it is proposed to re-affiliate GOPP with the Prime Minister's Office.

There is a critical need for a "bookkeeping entity" that would establish, regularly update and maintain a Public Land Information System that includes a complete record of Public Lands, whether already allocated or not yet allocated, users and contract information.

The HCSLM would appoint one or two commissions to revise public land management policies and legislation. The Policy Commission would propose recommendations to reform public land management policies to improve the investment climate and harmonize/unify land allocation and pricing procedures based on a consultative process with key stakeholders, including the private sector. The Legal Commission would review all existing laws and decrees related to public land management and would prepare a draft of the new SLM Law

**Recommendation Cluster 7: Reduce Land and Property Speculation and Improve Mechanisms to Capture the Appreciation in Value (unearned increment) Due to Public Investment**

1.249 Presently there is no cost to owners who hold vacant urban land for speculative purposes and only very small costs for keeping dwelling units off the market. Also, as explained in Section 3 above, the State has very limited means to capture some of the unearned increment due to urban expansion and the rise in urban property values. What might be some measures which could improve the situation?

1.250 Foremost of these would be a vast improvement of the property tax regime and an extension of this regime to improved, vacant urban land. The draft of a new property tax law is said to be under preparation, and it is hoped that it will produce a stronger and more robust regime. But even if it does, the property tax system as a whole needs complete reform, especially in better collection, more frequent assessment, assessment based on estimates of market value, and better tax object recording and mapping. In addition, local governments should gain larger shares of the revenues generated, and these revenues should be part of the incomes going into governorate local funds.

1.251 Reform of the property tax regime and its implementation will provide a systemic solution throughout urban Egypt, but its benefits will accrue only in the long term, even assuming that its application is not undermined by political considerations. In the short term, however, local government units should be encouraged to formulate urban development projects on public land which can generate revenues (mostly from land sales) and pay for themselves. The World Bank supported CDS represents a sophisticated model of this approach, elements of which could be repeated in a number of cities and at various scales. Central government would set the guidelines and requirements for local governments to follow in preparing the feasibility of such projects, and could underwrite the upfront loan financing required to launch such projects.

**Recommendation Cluster 8: Review the Means and Tools to Guide Urban Development on Private Lands**

1.252 As described in Section 6 above, recent national policy deliberations have led to the realization that limited urban development on agricultural land should be allowed. This represents a fundamental shift from the strict prohibition of conversion of agricultural land for building purposes, and it represents a window of opportunity.

1.253 Until now implementing the idea is focused on allowing 10% to 20% surface area expansion of village agglomerations up to the new *haiyz* boundaries and as yet undetermined “infill” on city fringes. But how will the conversion of these private agricultural lands be managed and guided? And how will the required infrastructure and services be financed? Existing regulations are strict in terms of plot size, plot coverage, street widths, and percentage of land to be reserved for public use/circulation. Also, the fees are heavy and the bureaucratic routines are extremely burdensome. Due to decades of prohibiting the urbanization of agricultural land, practically the whole formal regime for private land

conversion and construction in Egypt has become dormant, and re-starting it, even for limited areas, represents a considerable challenge.

1.254 This challenge is all the more difficult since local inhabitants are very used to the dominant informal process, where there is no monetary cost (other than bribes) for subdivision and build-out, and maximum exploitation of the land is the norm.<sup>115</sup> Thus, even though the windfall gain for an owner of converted agricultural land is enormous, he or she will compare it to existing norms and will be reluctant to accept the losses and costs which formal conversion entails. The same can be said for whoever buys a subdivided parcel and wishes to construct.

1.255 Thus it is imperative that there is a serious effort to revisit and reform the means and tools for guiding urban development on private lands. Much more relaxed subdivision and plot exploitation standards which can compete with informal norms and costs will certainly be needed and welcome (see also Recommendation #3 below). But in addition, a more comprehensive approach is needed which would explore the use of various urban land development tools and simplified procedures as part of integrated management packages. Among these are:

1.256 *Land and property registration:* Any urban development schemes which are applied to private lands require information which clearly demarcates ownership. Presently the land and property registration and information systems in Egypt are totally dysfunctional, both in urban areas and also in the countryside. Various attempts are currently underway to reform the system, but the process is very slow and the obstacles are many. There is a strong argument to concentrate initial efforts at massive title or deed registration and parallel cadastre mapping on those private agricultural lands which are under urbanization pressures and/or have been declared urban/village expansion zones.

1.257 *Improvement and betterment taxes:* Legislation exists which allows the State to impose a tax on the increase in property values due to urban improvements, but in its present form such legislation is too complicated to be applied. Thus a careful re-drafting of this legislation and development of the capacities of local government and sectoral directorates to apply it could form an important means to guide urban development on private lands and generate significant revenues.

1.258 *Land assembly and land readjustment:* There is currently no enabling legislation in Egypt which allows land re-adjustment schemes on private lands under urbanization pressures, such as is applied in some East and Southeast Asian countries. It is an open question whether such an approach might be appropriate in the Egyptian context, but at least the feasibility of using such a tool should be explored. New, draft building and planning law allows such land assembly. .

1.259 In addition to the measures suggested above, there is a need to reform and streamline the permit regimes which deal with land subdivision and building construction and reduce or eliminate associated fees. These bureaucratic systems need to be converted from their present extremely burdensome and labyrinthine state to one which is user- and investor-friendly so that private developers and individuals are assisted in their efforts at converting

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<sup>115</sup> In a typical informal subdivision, at best only 15 to 20% of land is reserved for streets, whereas subdivision regulations call for at least one third of the land to be so set aside.

private agricultural land and carrying out investment projects, rather than being forced into illegality.

1.260 The matrix below details issues and recommendations included in this sector update. Recommendations are divided into two categories – those which are related to improved data collection or need for additional knowledge and those that put forth a suggested change in policy. When applicable, a specific government body is identified as the entity for which responsibility for carrying out the recommendation would most likely lie. In some cases, more than one agency or body would need to be involved in the information collection or policy reform.

TOPICS		RECOMMENDED ACTIONS		
Areas	Issues	Information/Knowledge	Policy Reform	Entity
<b>Urban Growth</b>	<ul style="list-style-type: none"> <li>- Rapid population growth and urbanization</li> <li>- Lack of an official urban policy or urban sector strategy</li> <li>- Administrative definition of urban underestimates impact and growth</li> <li>- Urban-to-urban migration high; households moving from city core to periphery</li> </ul>	<ul style="list-style-type: none"> <li>- Improved mapping of growth in urban areas</li> </ul>	<ul style="list-style-type: none"> <li>- Develop an official urban policy or urban sector strategy</li> <li>- Revise the administrative definition of urban place</li> </ul>	<p>GOPP MOLD</p>
<b>Institutions</b>	<ul style="list-style-type: none"> <li>- Overlapping mandates</li> <li>- Plethora of laws and regulations governing urban development</li> <li>- No clear urban policy making body</li> <li>- Need for coordination of urban plans with economic development initiatives</li> </ul>		<ul style="list-style-type: none"> <li>- Establish a high-level policy making council, National Council of Planning and Urban Development (NCPUD), with multi-sector representation (MHUUD, GAFI, GAID, etc) to better guide urban development policy</li> <li>- Appoint GOPP as Technical Secretariat to the council</li> <li>- Improve coordination</li> <li>- Remove fragmentation</li> <li>- Capacity building at the technical cadre level</li> </ul>	<p>Cabinet GOPP</p>
<b>Urban Planning and Building Standards</b>	<ul style="list-style-type: none"> <li>- Until recently, top-down supply driven urban planning; Unified Building Law (UBL) should provide improvements</li> <li>- High standards increase cost of housing production; trigger affordability mismatch</li> <li>- Master plans ineffective at thwarting informal development</li> </ul>	<ul style="list-style-type: none"> <li>- Study on link between building standards and affordable housing; feasibility of pilot project with reduced standards</li> </ul>	<ul style="list-style-type: none"> <li>- Revised standards for designated “popular” neighborhoods</li> <li>- At the city level, shift to dynamic urban development and management practices which are based on local realities and comparative advantage</li> <li>- Expedite approval of the UBL and preparation of its executive regulation.</li> </ul>	<p>GOPP NUCA MOLD GOHBR Parliament</p>



TOPICS		RECOMMENDED ACTIONS		
Areas	Issues	Information/Knowledge	Policy Reform	Entity
<b>New Town Development</b>	<ul style="list-style-type: none"> <li>- Enormous outlay of public resources</li> <li>- Low population absorption rate</li> <li>- Diversion of resources and attention from growth management in existing cities</li> <li>- Developed through a supply-side process</li> <li>- Have not been handed over to local government authorities as envisioned</li> <li>- In some cases, severe environmental problems</li> <li>- High urban standards preclude the types of housing generated in existing cities</li> <li>- Some are located far from existing agglomerations</li> <li>- Land distribution policies have been wholesale and mechanistic</li> </ul>	<ul style="list-style-type: none"> <li>- Deeper analysis of viability for existing and planned New Towns</li> <li>- Assessment of public land use; opportunities for new developments</li> </ul>	<ul style="list-style-type: none"> <li>- Improve land management tools</li> <li>- Shift institutional focus and resources to areas where growth is occurring</li> </ul>	<p>NUCA GOPP</p>
<b>Urban Development of Private Land</b>	<ul style="list-style-type: none"> <li>- Informal settlements on agricultural land</li> <li>- Large overspill from urban to village agglomerations on agricultural land</li> <li>- Small agglomerations in dense rural areas are growing</li> <li>- Urban dwellers moving to new informal areas on the urban fringe</li> <li>- Inadequate land registration system and very limited use of the registry hinders housing and land market functioning and limits access housing mortgage finance</li> </ul>	<ul style="list-style-type: none"> <li>- Accurate and systematic information (and maps) on informal areas</li> </ul>	<ul style="list-style-type: none"> <li>- Relaxed subdivision and plot development standards</li> <li>- Improved land and property registration</li> <li>- Streamlined building permit procedures</li> <li>- Application of improvement and betterment taxes</li> <li>- Regulatory framework governing land assembly and land readjustment processes</li> <li>- Continue reform of dysfunctional land and property registration system, including (1) institutional consolidation of survey and registry under one roof; (2) harmonize two registration laws; (3) discontinue/regulate proxy-registration procedures (<i>saha wa nafaz</i>, <i>saha tawqi'e</i>, power of attorney); and (4) conduct a major public awareness campaign</li> </ul>	<p>Governorates Municipalities MOLD MOA</p>
<b>Public Land</b>	<ul style="list-style-type: none"> <li>- State lands have been the source for almost all formal development in the post-Revolution era</li> <li>- Scarcity of well-located, properly serviced and</li> </ul>	<ul style="list-style-type: none"> <li>- Preparation of a detailed inventory for all public land under</li> </ul>	<ul style="list-style-type: none"> <li>- Introduction of cost-recovery on projects through land pricing, internal cross-subsidies or subsequent taxes or liens</li> </ul>	<p>Governorates MOLD GOPP</p>

TOPICS		RECOMMENDED ACTIONS		
Areas	Issues	Information/Knowledge	Policy Reform	Entity
	<ul style="list-style-type: none"> <li>- adequately priced land</li> <li>- Holding of land or property for speculation does not incur any significant cost</li> <li>- Government does not capture any of the appreciation in value generated by its development investments</li> </ul>	<ul style="list-style-type: none"> <li>- the custody of each sectoral authority</li> <li>- Create a Public Land Information System</li> </ul>	<ul style="list-style-type: none"> <li>- Consolidation and harmonization of the fragmented legal framework</li> <li>- Improve public land asset management (inventory public land, harmonize land disposition procedures, restrict land price subsidies to clear policy goals, measures to reduce speculation)</li> <li>- Correct ill-advised and wasteful allocations of public lands with urban potential</li> <li>- Transfer all unassigned public land to the Ministry of Finance</li> <li>- Improve the property tax regime</li> </ul>	Public Land Mgmt Entity
<b>Local Urban Finance and Management</b>	<ul style="list-style-type: none"> <li>- High degree of central government control over local authorities</li> <li>- Very limited local revenues</li> <li>- Local government have restricted powers to retain and reinvest revenues from land sales in urban projects and limited discretion in managing their assets</li> <li>- Most public investments, a key determinant of urban services and development, are outside the local government structure</li> </ul>	<ul style="list-style-type: none"> <li>- Examination of local financial management capacity</li> <li>- Better recording and mapping of taxable property</li> </ul>	<ul style="list-style-type: none"> <li>- Expand allowed expenditures of local service funds</li> <li>- Allow creation of sub-accounts for specific urban projects</li> <li>- Improve the management, reporting and transparency of these funds</li> <li>- Establish clear mechanism for urban project accounting</li> </ul>	Governorates Municipalities MOLD MOF
<b>Housing</b>	<ul style="list-style-type: none"> <li>- Large public sector role in housing delivery</li> <li>- Institutional overlap and fragmentation</li> <li>- Approximately half of housing production is informal</li> <li>- Lack of effective targeting of public subsidy programs</li> <li>- Rent control law distorts markets and creates incentive for holding vacant units</li> <li>- Recent mortgage system reforms and new youth housing program a promising improvement</li> <li>- Location of public housing schemes do not reflect people's preferences (focus on new towns)</li> </ul>	<ul style="list-style-type: none"> <li>- Examination of rent control and options for phasing out restrictions</li> <li>- Create an inventory of well located public land in cities that could be made available for affordable or mixed income housing development</li> </ul>	<ul style="list-style-type: none"> <li>- Rationalize housing subsidy programs and improve targeting</li> <li>- Create disincentives for holding vacant units</li> <li>- Shift public role from direct supplier to enabler</li> <li>- Introduce incentives to expand private and NGO participation in affordable housing development and management</li> <li>- Restructure existing public housing supply institutions (GOHBC, HFF, JPA, etc)</li> <li>- Enable development of mixed-income</li> </ul>	MHUUD MOI

TOPICS		RECOMMENDED ACTIONS		
Areas	Issues	Information/Knowledge	Policy Reform	Entity
	where few poor people can afford to live due to high transport cost, and lack amenities)		housing and mixed-use projects for cross-subsidization - Emphasize squatter/informal settlement upgrading; interventions in low-density areas permitting densification and land sharing schemes - Expand demand-side subsidies including for existing housing for those segments where supply market works to enable households to “shop” for right unit - Comprehensive approach to reform; requires high-level coordinating committee	
<b>Information Collection and Dissemination</b>	- Lack of tracking and mapping of demographic and socio-economic trends	- Mapping and tracking of demographic and socio-economic trends - Collection of data on urban service levels - Tracking of commuter movements, traffic networks and patterns - Inventories of public and private land		GOPP (urban observatory) IDSC MOED

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