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The Helwan Housing and Community Upgrading Project for Low-Income Egyptians

THE LESSONS LEARNED

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PREFACE

The purpose of this paper is to attempt to draw some lessons learned from AID's financing of and involvement in a major low-income housing and community upgrading project in Helwan, an industrial area in the South District of the Governorate of Cairo.

The main project components consisted of a new community program of expandable core housing units with infrastructural and community facilities designed as an alternative to the GOE's standard five-story walk-up apartments, an upgrading program in conjunction with land titling and home improvement loans, institutional development in the form of improved administration within the GOE for carrying out housing programs and development policy, and for an improved housing finance system, particularly related to low-income families. Cost estimates for the project at the time of AID authorization of the project totalled $160 million; an AID grant of $80 million and a GOE contribution of $80 million equivalent. The estimates by category are shown in Annex No.4.

On October 31, 1988, AID's Regional Inspector General's Office in Cairo issued an Audit Report for this project. The focus of the audit was "to determine whether the project was achieving its stated goals and if those goals were being achieved in an efficient and effective manner. The audit showed that, after ten years and the expenditure of $134 million, the project was still far from reaching its objectives. As of June 1988, not a single low-income family occupied a house in the new community and many of the promised services in the upgraded communities were years from being delivered." (Annex No.1 is the Executive Summary of the Audit)

Recommendation No.1 in the audit states "that USAID/Egypt analyze in detail the history of the Helwan project and prepare and distribute to Bureau and Agency officials a lessons learned paper that would help avoid similar deficiencies in future low-income housing projects." This paper is in response to the audit recommendation.

In addition to interviews, this review concentrated on the key documents, i.e. the initial studies with the GOE carried out in 1976-77, the PID, the PP, the Project Agreement, interim evaluations carried out in 1982 and 1984, the initial implementation plan for the project and modifications, the final reports of the major American A&E contractor and the technical assistance contractor, a selected review of the Project Implementation Letter file (there were more than 100 PILs) and the audit report along with substantial USAID documentation related thereto.

It should be noted that two major interim evaluations of the project were done; one in 1982, which focused more on the Helwan New Community, and one in 1984, which dealt with the Upgrading Component. During the past year, the USAID has devoted considerable staff time to reviewing the project's implementation history as a result of the audit. This paper, which was prepared with less two person months of consulting time, has attempted to look at the broader issues. It could not get into the many individual minor problems (and successes), nor did it attempt to review in detail financial aspects of the project.

Consultants Selected for This Study

This study was undertaken by Donald Gardner, who spent two weeks in Cairo on site, and Alfred P. Van Huyck, who, along with Mr. Gardner, interviewed persons in Washington, DC. It should be noted that, when the Helwan project was initiated, Mr. Gardner was the Deputy Director of the Office of Housing and Urban Programs, AID, in Washington DC, and subsequently worked as a consultant on another project in Egypt. Mr. Van Huyck was the leader of the first AID housing mission to Egypt in 1976, and was involved in the preparation of the 1977 Urban Land Report (both referred to in this study). From 1979-1982, he was PADCO principal-in-charge of the National Urban Policy Study in Egypt and consulted with the AID Mission on its urban program strategy in 1985.

Therefore, both consultants involved in this study have some knowledge about the project, particularly in its early stages. While this may result in some bias on the part of the consultants, it should be recognized that this report is not an "evaluation" of the 10-year program, nor an attempt to "second guess", but rather an effort to constructively define a set of valid lessons learned.

EXECUTIVE SUMMARY

The Helwan Housing and Community Upgrading Project for Low-Income Egyptians has been considered a failure by many. As of this point, it has not achieved its policy objectives nor all of its institutional development objectives; although, it is possible further progress may be made subsequently. It suffered through various delays. There is some evidence of management shortcomings in AID, the local and international contractors, and the GOE. There have been technical errors in construction that were costly in time and capital.

While recognizing all of these documented facts, the conclusion of this review is that the project should not be viewed as a basic failure. The Helwan New Community will ultimately provide housing for more than 100,000 low- to moderate-income Egyptians which would not otherwise have been available in the housing stock; and, the community upgrading will provide substantial improvements in the standard-of-living and the environment for an additional 100,000 plus Egyptians.

The project ultimately will have met its physical construction targets and, while the length of time of development was longer than it should have been, it is not unreasonably excessive given the complexity of the various project components.

The Context for the "Lessons Learned"

Extracting the lessons learned from a complex project that extended over a decade would be a formidable task in any situation, but it is made more complex in the Helwan housing project case because of the overall context in which the project was developed in the 1970s. There are four major contextual issues that need to be understood in order to draw lessons from the experience:

1. Egypt in the mid-1970s was experiencing an economic boom period with very high rates of real growth in the GNP and, therefore, the government was very optimistic about development prospects. In all sectors, it was reluctant to accept policy changes, lower physical standards, or set only modest objectives.

2. The AID mission in Egypt was just starting a massive program build-up in development projects, and rapidly expanding its staff. Yet all of AID's processes and procedures were to be observed. There is no doubt that this compromised the systematic development of programs such as Helwan housing in that the pressure was on to reach agreements on PIDs and PPs with the GOE (and AID Washington). As such, it appears that many potential problems were glossed over in project preparation. Later in the project, it appeared that the importance to AID to maintain "disbursements" from the pipeline influenced decision-making about the project even after the full range of policy differences with the GOE was recognized.

3. The initial housing policy objectives and standards which were promoted by AID and its consultants, reflected the state-of-the-art of international housing assistance at the time. Both the World Bank and AID were supporting sites and services projects and settlement upgrading throughout the developing countries, using public sector agencies for implementation, and seeking affordability and full-cost recovery from the low-income beneficiaries. While these truly low-income project concepts were never fully adapted for the Egyptian context, they were, nonetheless, the starting point for negotiations between AID and the GOE.

   In the 1990s, no donor is supporting these kinds of projects, using public sector agencies, except in highly specialized situations. Instead, the current state-of-the-art is to provide housing sector loans, often through housing finance agencies coupled with policy change. The donors have realized that the project types of the 1970s, while generating mixed results, were not cost-effective. Therefore, it is highly unlikely that AID or any other international donor would attempt to create a project such as the Helwan housing program in the 1990s. One could say, therefore, that most of the basic "lessons" from Helwan and similar projects worldwide have already been learned.

4. The Helwan project was at a much greater scale and complexity than any similar housing project attempted by international donors.

The Generic Lessons Learned

Based on the contextual description provided above, there are some "generic" lessons to be learned:

1. Successful projects require a mutual understanding and agreement between AID and the government on the policy objectives that will be sought at the time of project authorization. It is unlikely that such agreement can be reached after the project is under way, and the "sunk costs" begin to mount (both financial and in terms of public commitments).

2. Once under way, if major disagreements on policy arise, there are only two viable choices: 1) cancel the project as the World Bank did with its similar housing project in Egypt in the 1970s; or, 2) stop the project and reach a new agreement on policy and objectives which is acceptable to both parties. For example, negotiating a new project mix that reallocates the budget to those elements for which there is policy agreement.

The Helwan housing program took a non-viable course to micro-manage and struggle with the GOE over all aspects of the project in a never-ending dialogue which led to delays, mismanagement, and mistakes.

The Organization of the Report

The body of the report contains six chapters dealing with the major components of the project. The format is to present the history of the project briefly, the current status of each of the components (noting that considerable physical development has occurred since the Inspector General's report in mid-1988), and then a section which attempts to draw the lessons learned. It is these sections on the lessons learned that are summarized here.

Lessons Learned from Project Preparation

The project preparation experience had many good features in that it attempted to frame the issues broadly in housing policy and program terms and it involved a joint collaborative effort with all of the GOE ministries and organizations which would later have a role to play, with one critical exception. It appears that inadequate effort was made to work with or inform the Cairo Governorate officers or the Governor about the project or to design a role for them in the project itself. This failure was later to cause considerable difficulty and delays in project implementation because the Governorate had considerable power over the approval process and could withhold support.

1. The lesson learned is that it is crucial in development assistance projects to involve the local government as the public sector client of choice whenever a project or program will involve that level of government.

2. The second critical lesson is that major projects need sustained project preparation on a level commensurate with the complexities of the project. The AID approach in this case was to involve a large number of consultants for very short periods of work in the field so that each aspect of the project development was undertaken separately with intense time pressure on the consultant groups. Part of the cost of this approach is that there was inadequate time for dialogue with senior GOE officials, and this contributed to the eventual misunderstandings concerning standards and objectives.

3. The third lesson is that, when participants in an AID project design team have a large vested interest in making a project happen because of their ideological bias, or because of future potential contracts and job postings, it may result in more optimistic positions concerning the project under preparation than would otherwise be warranted. A more strict enforcement of the restrictions on awarding future contracts to participants in a project preparation team would seem justified.

Lessons Learned from Project Objectives

Almost none of the original project policy objectives will be achieved. There has been no material change of GOE housing policy, no reduction of subsidies, no retargeting of beneficiaries, and no extension of housing finance to lower-income groups (as will be discussed later), and no change in the role of the private sector in housing.

The entire question of "policy objectives" in development assistance is one that needs to be debated. It is particularly important now that AID and other donors are increasingly adopting a "sector" rather than a "project" approach.

1. Experience has shown that donors cannot "buy" policy change even when the amount of funding is substantial. Policy change comes about only when the host country is convinced of the wisdom of policy change as it applies to its own political, economic, and social condition. In Egypt, these conditions never developed.

2. Furthermore, policy change--at least, at the scale contemplated in the Helwan housing program--is often not within the specific control of the agency directly responsible for the work. The Helwan project was vested in a special unit of the Ministry and was, in fact, isolated from the main housing programs of the Ministry. There was little chance for dialogue on housing policy issues with anyone of real power or stature in the Ministry. More importantly, overall policy for any particular development sector involves other ministries and even the Cabinet.

   The lesson learned from this is that policy objectives that are within the specific control of the host country client agency should be selected. To include policy changes beyond the control of the agency directly involved in implementation are unlikely to be adopted.

Lessons Learned from the Helwan New Community

There were major modifications made to the new community development program throughout the decade. Half of the new community neighborhoods will have completed apartment units, some of five and six stories in height. The other half will have first floor completed units constructed with the assistance of loan financing.

1. Why the changes? The people that count in the Ministry charged with responsibility for implementing the project, and this includes the Minister, never bought the concept of a core housing project. Nor do they, at least as far as this review determined, even buy the concept of construction-by-owner being tried in half of the project at present. The feeling is that once the initial first floor units are completed, the adding of additional units in the form of second and third floors will be chaotic at best, control will be impossible, and sub-standard communities will result.

2. An obvious lesson learned is that if a demonstration project is to be attempted, it should be much smaller than the Helwan New Community project. If innovation is being sought (i.e., attempting to reach lower-income families with more affordable solutions through self-built, or core housing, projects), then a more modest project is easier to introduce and can be finished more quickly. Helwan was so large that, even if it had not had technical problems, it would have taken years to construct; so there is ample time for those people opposing the concept to drag their feet and attempt to get it changed--exactly what happened.

3. Another lesson learned is that the design of projects, particularly housing, should carefully take into account local practices and approaches. As mentioned earlier, sites and services and core housing were very much in vogue in the late 1970s as the way to solve developing country housing problems. As described by one person, "this was a concept seeking a project in Egypt." And, in hindsight, the GOE was not ready to accept a Helwan New Community with core housing. Such a project might have been tried outside of Cairo (though the World Bank failed with this approach), or some modification of the walk-up apartment currently being constructed by the GOE (i.e., unfinished units in a smaller project) and demonstrated its value and then moved on from there. It is better to go with something that is acceptable and can be done more easily and quickly than attempt to force change and fail.

The lesson to be learned from the affordability and subsidy issues concerning the project has been documented many times before in other housing program evaluations. It is that it is not possible to provide high standards of infrastructure and construction (no matter how small the dwelling unit) and still have the project affordable to low-income households without subsidy.

All over the world, governments have been unwilling to accept the level of standards of infrastructure and construction necessary to truly make the housing projects affordable. Egypt has been no exception. For this reason, donors are now reluctant to attempt direct house construction projects with public sector entities.

In the Helwan New Community, it was clear as early as 1981 that the housing would not be affordable to the original target group. What has followed has been largely a cosmetic effort to adjust the criteria to minimize the "gap".

The second lesson is that the mandated income group targets (whether the more usual 50th percentile or the 60th percentile as in the Egyptian case) have been irrelevant in fact. As was documented by the Integrated Development Consultants' report, the beneficiaries are most willing to allocate higher percentages of income to obtain housing; inflation and wage increases quickly make the mortgage payments affordable; and increasing market values (particularly between the subsidized selling price and the market price) make such housing a very profitable investment to the beneficiary household.

A further point to be considered is that households in most developing countries, up to the 80th or 85th percentile, have great difficulty in meeting their housing requirements because of lack of access to land and finance. Therefore, one can question what is "magical" about assisting those between the 40th and 50th percentile as opposed to equally needy households between the 50th and 80th percentile.

Therefore, while one can criticize the Helwan New Community for failing to meet the target group criteria, the criticism would be better placed on the rationale used to set those particular criteria in the first place.

Lessons Learned from the Community Upgrading Program

Once again, current thinking about upgrading projects has evolved from the time the Helwan Community Upgrading program was initiated; so, in a sense, most of the lessons have already been learned and practices modified.

1. First, it is widely recognized that a project should be a self-contained set of activities. The crucial failure of an outside donor project to provide the essential sewer lines should have been considered in advance and the dependency avoided. In this regard, it is interesting to note that the World Bank selected areas where rehabilitation of the sewer lines was the activity to be undertaken, rather than the construction of new lines depending on off-site development in order to obtain any benefits.

2. Second, most upgrading projects worldwide would not have attempted such massive high standard improvements to the infrastructure and community facilities. When the total urban area suffers huge deficits in these kinds of facilities, there is always a high probability that the low income target groups will be "bought out" by others seeking to obtain the benefits (and who are in a better financial position to maximize the opportunities). Conversely, it makes little sense from an overall economic development sense to now try to restrict the process of capitalizing on these major improvements through the overall renewal of the site to a higher and better use. The point is that upgrading should be related to the affordability and standards required by low-income target groups.

3. Third, all donors today recognize that charging below market interest rates on loans for home improvement or enterprise development is an unwise decision for the obvious reasons, now self-evident in the Helwan project. If the financial intermediary cannot sustain the loan program and cover the costs of loan origination and servicing with its own funds, then the project will stop once the initial capital grant funds have been expended.

   However, in defense of the Helwan loan program, it should be noted that the World Bank and AID both were attempting to move interest rates from very low levels toward market rates through incremental changes in lending of the publicly provided funds during the 1970s. The failure of this approach was not self-evident until the 1980s and donor policies were changed.

4. Finally, the land tenure issue has plagued upgrading programs worldwide. Unless agreement is clearly reached at the outset, it makes it much more difficult to clarify it during the course of the project. Since land tenure issues are of such paramount importance, it is surprising that it has taken all of these years to make them a subject of study (such a study is now being completed with USAID funding). The use of alternative forms of tenure, other than "fee simple title", is a reasonable approach.

Lessons Learned from the Management and Construction of the Project

On the construction implementation side, there are some observations that can be made because they are almost endemic to AID projects.

1. First, the project appears to have been far too diverse in its components and in the number of contractors to have worked well. Too many contractors with responsibilities that overlapped led to disputes (the soil testing issue reflects this). Two entirely different components in a new community and separately located upgrading communities on seven sites appeared to spread the management too thin.

2. Too many Egyptian agencies and AID were involved, and they had to give approvals which provided an almost built-in scenario for delays.

3. AID should maximize the use of local contractors (design and construction) in housing projects. Housing projects do not require international expertise except in a specialized consulting role. In this project, there appear to have been significant delays encountered because of continuing disagreements on technical solutions between international and local consultants. In the end, there was still faulty construction on the model homes sub-component and the Egyptians ended up re-excavating foundations on the plot sites.

4. Finally, AID has lost what little leverage it had on how the project finally comes out because its inputs are essentially over. Yet, the housing construction is just getting started in the new community and the sewerage infrastructure has yet to be tied into the trunk system in the upgrading. Nor has the cost recovery program been finally determined in the upgrading component. The Project Agreement will provide little protection on the final results given the history to date, though it is uncertain whether the outcome would change in any case.

Lessons Learned from Institutional Development

Institutional development was one of the inherent objectives of the project. However, there is little evidence to support success in this aspect of the work. There were two main Egyptian entities involved, the Executive Agency for Joint Projects (EAJP), a service agency under the Ministry of Housing, which was created for this project (and initially had responsibility for the World Bank projects as well); and the Crédit Foncier Egyptien (CFE), a housing finance bank.

The EAJP has grown to a staff of approximately 500 persons with a large Helwan office. However, the choice of establishing a separate government unit rather than working through the normal government bureaucracy is a debatable issue.

The rationale for having a new organization was that it would be flexible to new ideas and could engage new and presumably higher quality staff. On the negative side, it is hard both to start a new organization and expect it to work efficiently at the same time.

However, the key problem is that a new agency is isolated from the rest of the bureaucracy responsible for implementing the national housing programs and where housing policy is formed and implemented. By AID's focusing on a new special agency it essentially isolated itself from the broader questions of national housing policy and this undoubtedly contributed to the failure to influence policy.

Lessons Learned from the EAJP

1. The lesson learned is that whenever AID seeks creation of a new organization to manage its project, it should make sure there is no feasible existing alternative, and should be particularly cautious in this respect when there is significant policy content to the undertaking.

2. If AID does seek a new entity for its projects then it becomes essential that the new agency be sufficiently empowered to undertake the work as designed. In the case of the EAJP it was established as a "weaker" service agency rather than as a "stronger" general organization. Therefore, it was unable to keep revenues generated from the project (as initially designed) and has been ineffective in achieving inputs from other organizations to the project on a timely basis.

3. The failure to include the local governorate level in the project has led to considerable difficulty in implementation, particularly in the upgrading component, since the governorate is administratively responsible for the neighborhoods selected. For example, there still is no resolution of the land tenure issues. For example, progress on land tenure has only been realized recently when the Cairo Governorate became concerned with the issue, and the final resolution is still to be finalized.

Lessons Learned from the Crédit Foncier Egyptien

The project envisioned an overall contribution to the development of housing finance in Egypt. It is unlikely that this will materialize from the Helwan project. The CFE has been providing servicing of project funds being lent for home improvement loans, mortgage loans, and small enterprise loans for a percentage fee. However, it accepts no financial risks itself and indicates that it will discontinue these kinds of activities upon completion of the project because of the below market rate interest charged on the funds, and lack of sufficient quantities, particularly in the upgrading component. Even the applications for loans are processed by the EAJP and not the CFE.

1. The lesson learned is that if projects are designed to assist in the development of housing finance institutions then they must be undertaken with market rate interest rates and should involve the institution directly in the financing of the project with some share of risk.

2. Housing finance is directly related to the overall financial markets and savings mobilization policy of the country. It is unrealistic to try to achieve fundamental change in housing finance policy solely through working with low-income household beneficiaries in a project format.

Lessons Learned from the Overall Technical Assistance

There was a huge investment in technical assistance in all aspects of this project over a very long time, even now the main technical assistance contractor is working on some specially funded follow-up studies. There was no effort to evaluate the technical assistance component of the project *per se* in this study. Several lessons can be concluded from the review:

1. Large technical assistance teams over a sustained period seems to result in the consultants becoming essentially supplemental staff with implementation responsibilities on a day-to-day basis. Insofar as this reduces the incentives of the host country agency to perform it negatively affects institutional development. It would have been more efficient (and cost effective) to have increased short-term specialized assistance and reduced the resident advisors (and generally reduced the overall level of technical assistance support). Long-term resident advisors should be seen primarily as coordinating short-term technical assistance and supporting host country project management as a project evolves.

2. Another problem with large, fixed-in-place teams is that their work is dictated by their being there rather than what the project needs at the time. As a result, a lot of premature work is often undertaken before it can be effectively utilized. For example, all of the efforts by the technical assistance team on organizing cooperatives has not been utilized in the new community program. It was more successful in the upgrading program because the community was in place to work with.

Lessons Learned From Evaluation

There were two outside evaluations done in 1982 and 1985 (community upgrading only).

1. These evaluation reports raise an interesting question on the "worth" of evaluations that essentially present findings and recommendations in such a way as not to "offend" the project implementors by identifying all of the problems in an understated manner and offering no specific recommendations for significant explicit action.

2. Consulting firms that provide AID with a broad range of technical assistance services might feel constrained in providing strongly worded evaluations when they know that the impact within AID would create a major problem.

3. The internal and external evaluations of the project during its history did not provide a sufficiently clear or precise set of analysis or recommendations to allow AID senior management above the immediate project level to truly understand the magnitude of the problems associated with the Helwan housing program nor the range of specific options for correcting the problems.

Summary Conclusion

In reality, the lessons to be learned from the Helwan housing project are either already well understood by AID (and other donors) or are fairly obvious conclusions. While the Helwan project might make an excellent management case study, it offers only limited potential for improving future housing programs.

The projects of the 1990s will have no resemblance to the Helwan program in content or in style. This demonstrates that international donor thinking is constantly evolving and learning from the past. The Helwan program has contributed to this learning and perhaps this will be one of its major contributions to development.

INTRODUCTION

Throughout the history of international development efforts, certain projects have been singled out for various reasons for extensive criticism. The Helwan Housing and Community Upgrading project for low-income Egyptians is one of these projects. Usually, this occurs because a certain project suddenly gets critical media attention and/or becomes the subject of negative Congressional interest. No donor agency is immune from these kinds of "spotlighted projects." Examples can be drawn from all continents and all donor agencies.

Most often, these projects have certain common characteristics. They have failed to meet their policy objectives. They have experienced long delays. They have been the subject of mismanagement. They have had technical errors in construction. And, because of their scale, these kinds of problems become magnified and begin to take on a "life of their own."

Experienced development specialists know how difficult international development cooperation really is given the complexities of the process. A process involving two national governments; a host of local and international agencies and organizations, each with their own agenda and individual personalities; and an evolving political and economic environment.

This introduction is not to minimize the lessons that should be learned from the Helwan housing program, but rather to place the project in its proper perspective. There are four contextual elements that should be recognized before exploring the specifics of the Helwan housing program.

1. **The Egyptian Context in the mid 1970s**
   The mid-1970s were years of major economic progress in Egypt. After many years of stagnation, the country was enjoying a series of extremely favorable events:
   - The oil price increases (Egypt is an oil exporter)
   - The reopening of the Suez Canal
   - The expansion of tourism
   - Increasing workers' remittances from the Gulf States
   - President Sadat's "open door policy" to stimulate private enterprise investment

   As a result, real economic growth rates nearing 10 percent annually were being achieved. The improved political climate, particularly the Camp David accord, had stimulated massive commitments of international assistance from many donors including AID.

This boom period resulted in enormous confidence in the GOE that massive development progress could be achieved in a very short period of time and that this development could be maintained until the year 2000.

Therefore, planning in every development sector, and spatially throughout the country, was undertaken in an environment largely free of resource constraints. The GOE initiated implementation of this vast and extremely expensive development program at the highest standards. For instance, the National Urban Policy Study (NUPS) in 1979-82 documented that the GOE resisted all efforts to moderate development plans and standards. This study indicated that Egypt's urban development policy would not be sustainable; and, indeed, that the macro-economic environment would take a major downturn in the 1980s. However, the NUPS work was rejected by the GOE and not distributed in government. It was against this national policy background that the Helwan housing program was developed.

2. The AID Mission Program Build-Up

The AID program was re-established in the 1970s. The total levels of annual AID commitments to Egypt were exceeded only by those to Israel worldwide. There was, however, one major difference. The Israel AID program was a direct cash contribution, while it was determined that the Egyptian program would proceed on a commodity import and project-by-project, program-by-program basis following all of the AID guidelines and procedures.

Therefore, at the time the Helwan housing program was being developed, the AID mission was attempting a massive program start-up and was rapidly expanding its staff and consultant support. AID was involved in complex and difficult negotiations simultaneously with many ministries and organizations of the GOE. The pressure was clearly on to begin to move this massive program with both the media and Congress applying critical pressure (particularly about the build-up of the pipeline and the urgent need to increase disbursements).

There is no doubt that this compromised the systematic development of various programs and projects, and created a climate to reach agreements on policy objectives and program content without fully resolving all of the issues. PIDs and Project Papers during this period tended to be "sales documents" in order to reach agreement rapidly with the GOE and within AID. In one sense, the local AID Mission during this period had two separate clients to satisfy--the Egyptian client organization and AID Washington staff which reviewed and critiqued all proposals as they were developed.

The Helwan housing program was caught up in this environment and, as a result, the Project Agreement and policy objectives while signed by the GOE did not, in fact, represent true agreement between the parties. As will be commented upon below, the World Bank housing programs that were being developed simultaneously with the AID Helwan housing program suffered from precisely the same situation.

3. The State-of-the-Art of International Housing Assistance in the 1970s

The state-of-the-art of international housing assistance in the mid-1970s was also a contextual factor underlying the Helwan housing program. This was the period of time in which the AID Office of Housing and Urban Programs and the World Bank were advocating sites and services projects and settlement upgrading throughout the world.

The idea of sites and services projects was to provide a plot of land with basic infrastructure sometimes with a small core house that the beneficiary household could later expand. This approach was designed to reduce significantly the cost of the then common public housing project of a four-story walk-up flat. Such projects were intended to be affordable to lower-income people and have full cost recovery without subsidy.

Settlement upgrading consisted of installing basic infrastructure into already existing low-income settlement areas, often illegally occupied, and frequently included community development activities and home improvement loans. A critical component of these projects was to provide an appropriate form of secure land tenure. These projects also were supposed to be affordable to the below median income groups and enjoy cost recovery. However, this was usually vaguely related to such things as increased property taxes or user fees to be eventually developed.

These kinds of projects were being developed worldwide and almost always with central government agencies. Generally, the projects had very low costs per capita ranging from around $750 per capita for sites and services and less than $100 per capita for upgrading; costs very different than those utilized within the Egypt program even at the outset.

It should be noted here that these kinds of projects rarely resulted in achieving policy objectives sought by the donors; and today, 13 years later, the World Bank does not undertake such projects and AID only on a very selective basis as other methods of supporting housing through sector loans to housing finance agencies have now been found to be much more cost effective and relevant way to proceed.

The initial AID team discovered that the British Government Overseas Development Agency was supporting a sites and services project (El Hekr) in Ismailia, which was already well into initial construction. This project was being done by the Governorate of Ismailia with the direct personal support of the then Governor. It is interesting to note that this project eventually received an honorable mention from the International Aga Khan Architectural Award in the 1980s. However, the Central Government, and particularly the Ministry of Housing, was adamantly opposed to the sites and services concept and did not want it utilized in Helwan.

The World Bank succeeded in obtaining agreement with the GOE to construct two sites and services projects very similar to the low construction standards of El Hekr in Assuit and Alexandria and an IDA loan for these projects was actually signed. As the project designs moved ahead, however, fundamental disagreements developed between the World Bank and the GOE over the underlying policy issues. As a result, after two years of fruitless negotiation between the World Bank and the GOE, both of these sites and services projects were cancelled and the funds channeled into a much less controversial "solid waste disposal project" in the respective cities.

The experience of other donors is important because it underscores the depth of feeling within the GOE about lowered housing standards and the acceptability of any alternatives to its commitment to provide walk-up apartment solutions.

It is also of some interest to note that the World Bank's upgrading projects did move forward and are considered a limited success. They were both small projects (in the $3 million range) concerned only with modest environmental improvement. They included cleaning and rehabilitation of existing sewer lines, solid waste disposal, and paving of streets. The World Bank reports that, although these projects were implemented successfully, the absence of any basic change in municipal management policy and procedures means that these areas are already subject to deterioration through the lack of follow-up maintenance.

4. **The International Professional Skills Involved**
The Helwan housing program did not parallel AID's world experience nor the policy and program format of typical housing projects supported by the Office of Housing and Urban Programs in other countries of the world (with the exception of Korea, which was a unique case). It was, from the outset, conceived on a much larger scale with much higher standards, and with many more components and complexities.

This is important because the professional skills mobilized for the project (including the initial AID project management team and consultants) were experienced only in the much simpler and smaller-scale kinds of sites and services and upgrading projects. The Helwan project did not have associated with it international expertise experienced in the scale and complexity of the undertaking.

The Helwan housing program was, after all, at the scale of Reston or Columbia new towns then being built in the United States. It is inconceivable that the Gulf and Western Company or the Rouse Company (the private sector firms building the new towns) would have attempted their projects with professional teams that had been experienced only with small-scale projects of different standards and objectives. Yet, this was the case in the Helwan housing program.

SUMMARY OF THE CONTEXTUAL ISSUES

There is no question that these contextual issues had a major negative impact on the development and implementation of the Helwan housing program. In summary:

1. The GOE was undertaking a massive development program at very high standards in almost every sector throughout the country, including a massive investment in walk-up apartment housing (between 7,000-10,000 units per year from 1973-1976. Given its optimism about the future development potential of the country, it saw little reason to compromise on standards and alternative forms of housing.

2. Nonetheless, the GOE clearly was eager for the project and the $80 million grant and AID was equally eager to undertake the project. Thus, many issues were "glossed over" to reach agreement (as was also the case in the World Bank projects).

3. Even the initial compromise set a scale of program and level of sophistication unfamiliar to any of the AID experts involved in the initial design and subsequent work of the program.

4. The state-of-the-art regarding housing at that time has proved to be an unsustainable approach anywhere in the world, and is no longer a major component of either AID's or the World Bank's current programming efforts in the housing sector.

The Generic Lessons Learned

From this introduction, it can be seen that there were some "generic" lessons to be learned. These include:

1. **Successful projects require a mutual understanding and agreement on the policy objectives to be achieved before a project gets under way. It is unlikely that such agreement can be reached after the project is under way, and the "sunk costs" begin to mount (both financial and in terms of public commitments).**

2. **Once under way, and major disagreements on policy arise, there are only two viable choices: 1) cancel the project as the World Bank did; or 2) stop the project and reach a new agreement on policy and objectives acceptable to both parties. For example, negotiating a new project mix that reallocates the budget to those elements for which there is policy agreement.**

AID decided in the Helwan housing program to take another approach: to micro-manage, which resulted in a constant struggle with the GOE over all aspects of the project in a never ending dialogue, which led to delays, mismanagement and mistakes.

It is not the purpose of this report to question this decision, but merely to note that policy objectives should have been modified formally to meet the reality of what could be achieved under the circumstances.

All of the criticism leveled by the Inspector General's report on the failure of the project to achieve its policy objectives is valid but totally unrealistic policy objectives were created at the outset and never formally recognized as being impossible of implementation. This was the real problem.

The Success of the Helwan Housing Program

It needs to be recognized that, in spite of all of the problem issues that will be discussed in this report, the Helwan housing program should not be viewed as a basic failure.

Contrary to the Inspector General's report, which was based on field work prior to June 1988, the physical aspects of the project are now moving rapidly toward completion. In the new community, some 7,200 plots are fully serviced and community facilities are, for the most part, completed. Housing construction is now well under way and the initial sales have taken place.

Ultimately, more then 20,000 moderate income Egyptian households (more than 100,000 persons) will be able to purchase new housing units which would not otherwise be available had AID not continued to press ahead with this project in spite of its many difficulties. A decade is not an unusually long time in developing countries for a massive housing project such as Helwan to reach its current state. It should be noted, for example, that several projects in Cairo of similar size developed independently in both the public and private sector have taken a decade or more to complete. In part, the new community project suffers criticism because it set for itself a highly optimistic completion schedule.

In the upgrading component, seven areas in Helwan with a population 100,000 plus have already received some benefits and ultimately will receive substantial improvements in their environmental condition. This, also, is no small contribution to the improvement of the standard-of-living of moderate-income Egyptians.

A decade from now, these projects in Helwan may well be considered successful from the perspective of their contribution to the beneficiaries.

CHAPTER 1

HISTORICAL BACKGROUND LEADING UP TO THE AUTHORIZATION OF THE PROJECT[1]

Many of the lessons to be learned from this project have their roots in the project preparation process. In this chapter, the various steps leading up to project authorization are reviewed.

FIRST MISSION 1976

In early 1976, the GOE requested AID assistance for its housing sector in order to address the "housing problem", which was believed to be a deficit of 1.5 million housing units.[2] In response, AID provided a group of consultants headed by a staff member of AID's Office of Housing that worked as a team (The Joint Housing Team) with Egyptian counterparts from the Ministry of Housing and Reconstruction and the Ministry of Planning.

In June 1976, this team produced a report titled "Immediate Action Proposals for Housing in Egypt". According to AID documentation, the report, which focused on shifting the emphasis of GOE housing programs from programs for middle- and upper-income families to providing new programs aimed at lower-income groups, was well received in Egypt, reported in the local press, and discussed in the National Assembly. The report also recommended reducing subsidies, encouraging the private sector to play a greater role, and developing both a land policy and overall national housing policy. (The specific recommendations of the report are contained in Annex No.2)

SECOND MISSION

Following the issuance of this report, and further discussions between the USAID and the GOE, it was decided to continue the collaborative approach by undertaking a series of studies more sharply focused on specific problems: housing finance, urban land use, and housing and community upgrading for low-income Egyptians. As with the initial study, a joint team approach with the GOE was followed; but, in this series of studies, the number of Egyptians and organizations working with U.S. consultants was expanded to include representatives of the Ministry of Finance, the Crédit Foncier, the Nasr City Housing and

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[1]This historical examination has utilized the Project Implementation Document and the studies that preceded the PID, the Project Paper, and the related feasibility studies and interviews with selected people involved at that time.

[2]It is interesting to note that, when the 1976 housing census was published in 1980, housing unit production had kept pace with household formation during the inter-census period. The reason that the GOE felt that there was a 1.5 million housing unit deficit is that they did not count the production of the informal sector in their calculations.

Redevelopment Company, and the General Organization for Building and Housing Cooperatives, along with the Ministry of Housing and Reconstruction and Ministry of Planning.

The point to be emphasized here is that a broad range of Egyptians representing the key organizations in housing at that time were involved in the development of recommendations that would help shape the design of the project. Certainly, at this stage of the project's development, AID cannot be faulted for failing to bring most of the key players into the process.

In charge of the studies for AID was the individual who eventually became the first project manager in the USAID. Field work for the studies was carried out in March/April 1977 and, based on draft reports, the USAID moved ahead to develop a PID for the $80 million project.

The site for the Helwan new community was selected during this period based on recommendations made by a representative of the consulting firm that was in charge of the housing and community upgrading study work, the same firm which was later to receive the main technical assistance award. The site was later to receive a great deal of criticism because of the poor soil conditions for building foundations and because the installation of infrastructure was to prove very expensive. However, it is important to note that the site was in an excellent location for housing. It was located abutting the new ring road that was under construction around Helwan. It was between the government's new town (15th of May New Town) and the heart of the old Helwan City. The land was owned by the governorate and, therefore, presumably could be made available to the project without undue delay.

At this stage of the project, the site appeared to be an excellent choice. The unresolved issue was not why the site was originally selected, but why, as the engineering evidence began to mount as to development difficulties, AID and the GOE subsequently did not review the decision to continue the project on this site. These development difficulties made it at least highly possible that the site could not be developed for the kind of affordable, unsubsidized housing for low-income people that was contemplated originally. On the other hand, the location was excellent for more expensive housing for higher-income target groups that could afford the higher site preparation costs.

PID PREPARATION

Nevertheless, based on recommendations in the sub-report on Housing and Community Upgrading, the PID focused on development of a new community in the Helwan area to provide core housing units for some 5,000 families and three upgrading projects: one in Helwan, one on the northern edge of Cairo, and one in central Cairo. The bulk of the $80 million grant that AID was proposing plus the GOE contribution was to go for the construction of the physical facilities.

The PID also emphasized that the project was to "assist and encourage the GOE to accelerate *already introduced changes* in its national housing program, redirecting efforts to lower-income levels; to develop a better housing finance system; to redirect most of their own housing funds into upgrading of existing housing and encouraging self-built housing under planned and controlled conditions, as opposed to the present uncontrolled urban sprawl." Identified in the PID as an *"important issue is the extent of the GOE's willingness to continue to move toward a more rational housing policy"*, a concern that would continue to plague the achievement of project objectives.

The final report encompassing the 1977 studies was issued in August 1977 and, again, was widely circulated. A history of the project design process contained as an annex to the Project Paper indicates that the recommendations in the report were approved (presumably by AID and the GOE), setting the stage for the preparation of studies leading to the design of a "Low-Cost Housing and Community Development Project." To guide the development of the project, a statement of working objectives (which included program policy objectives, program action objectives and organizational objectives) was jointly agreed to and signed by AID and the Ministry of Housing and Reconstruction in July 1977. These objectives are contained in Annex No.3 and are sweeping in their scope.

PROJECT PAPER PREPARATION

It is not clear from the record exactly what additional studies were done as part of the preparation of the Project Paper except for the final engineering feasibility study done by a U.S. joint venture in association with an Egyptian firm. The final report of the Feasibility Study was dated September 30, 1978 and followed an interim report dated June 5th and a draft final report dated July 27th. (The Project was authorized in August 1978 presumably taking into account the final draft report.)

The engineering feasibility study was based on criteria set forth in a series of seven position papers issued by AID during the development of the project and various housing concept plans, population data and other design criteria furnished by AID and GOE ministries, including the Ministry of Housing and Reconstruction.

One of the problem areas in project implementation that has been cited often, including the audit report, was that the site selection was poor and that inadequate soils testing had been done. The engineering feasibility report does point out under its technical soundness analysis that "development of the new site is difficult due to the presence of underlying limestone." The report also says that because of the "high degree of technical capability among Egyptian construction firms for the class of work required on this project... it is not anticipated that it will be necessary to employ foreign construction firms for any portion of the work."

The study does indicate that U.S. firms would do design of utilities and site development for the new community and perform construction management for the entire new community work. The engineering firm indicated that because of the limited time span of four months to do the planning (the contract was only signed on April 27, 1978), the level of design must be considered conceptual and the cost estimates a grade order of magnitude.

SUMMARY OF THE LESSONS LEARNED IN PROJECT PREPARATION

The project preparation exercise had many good features in that it attempted to frame the issues broadly in housing policy and program terms, and it involved a joint and collaborative effort with all of the GOE ministries and organizations that would later have a role to play, with one critical exception.

It appears that inadequate effort was made to work with, or inform, the Cairo Governorate officers or the Governor about the project, or to design a role for them in the project itself. This failure was later to cause considerable difficulties and delays in project implementation because the Governorate had extensive power over the approval process and could withhold support.

The lesson learned is that is critical in development assistance projects to involve the local government as the public sector client of choice whenever a project or program will involve that level of government.

The second critical lesson is that major projects need sustained project preparation on a level commensurate with the complexities of the project. The AID approach, in this case, was to involve a large number of consultants for very short periods of work in the field so that each aspect of the project development was undertaken separately with intense time pressure on the consultant groups. Part of the cost of this approach is that there was inadequate time for dialogue with senior GOE officials, which led to the eventual misunderstandings concerning standards and objectives.[3]

The third lesson is that when participants in an AID project design team have a large vested interest in making a project happen because of their ideological bias, or because of future potential contracts and job postings it may result in a more optimistic position concerning the project under preparation than would otherwise be warranted. A more strict enforcement of the restrictions on awarding future contracts to participants in a project preparation team would seem justified.

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[3] An interesting side note is that the then Minister of Housing later left his position and worked as a housing consultant on the Egyptian team assembled for the National Urban Policy Study (NUPS). After working six months on this study, he indicated that he finally understood what AID was trying to say when he was Minister. The point is that AID often thinks that the policy reforms being advocated are "self-evident" when, indeed, it requires adopting an entirely new way of thinking about an issue, which is never easy to do.

CHAPTER II

PROJECT OBJECTIVES

According to the Project Paper, "the purpose of the project is to demonstrate the premise of a proposed new housing policy--that basic housing and community facilities can be provided for low-income families which is socially acceptable, at a price they are willing to pay, and which provides to the GOE a substantial recovery of its investment."

Thus, it was clearly recognized that the impact of the project toward contribution to the solution of Egypt's housing problem had to be through its demonstration effect. Its absolute impact in number of housing units built would be minimal, despite the commitment of $80 million.

The ultimate impact of the project, however, was to be in the changes to Egyptian Government housing policy arising either out of the discussions and dialogue related to the project or in its successful demonstration effects.

The major policy changes being sought were summarized in the PP as follows:

- A switch in the GOE's emphasis in its housing programs from middle- to low-income families;
- A reduction in public sector housing subsidies by reducing the standards of housing, land and supporting facilities to accommodate lower-income groups and to recover costs from these groups;
- Distribution of subsidies taking into account the ability of beneficiaries to pay and in a manner that demonstrates the amount and extent of the subsidies;
- Extending the housing finance system to lower-income groups, but with a rationalized interest rate structure; and
- Encouraging mobilization of private savings to be invested in housing through the private sector and encouraging the private sector to participate in all aspects of the housing program.

It is useful to quote here the introduction to the PP's annex on Project Economic Considerations:

"The GOE/AID housing project is designed to demonstrate to the GOE that:

"1) With the same limited GOE budget resources, core housing will provide more housing starts than could be obtained building finished 5-story walk-up apartments;

"2) Various affordable housing solutions can be provided for families at or below the median income level in planned, serviced areas;

"3) On site costs are affordable for families below the median income;

"4) On site costs for the project are recoverable allowing for replicability of the project;

"5) Upgrading the existing housing stock can restore and expand available housing; and,

"6) An effective working partnership can exist between a government sponsored activity and the private sector to provide housing relying mostly on private initiative."

"The Project is very successful relative to other planned GOE projects in:

"1) Providing services at a low cost per beneficiary;

"2) Recovering costs to be reinvested in future projects;

"3) Minimizing the level of subsidy;

"4) Reaching lower-income families;

"5) Generating private domestic savings; and,

"6) Increasing private sector involvement.

"The project is a leader relative to current and past Egyptian housing efforts. It reflects a major economic and political move from the traditional highly subsidized approaches to low-cost housing. It does not appear possible to design a more effective project given the political realities, past GOE experience and practice, and public attitudes and customs. The AID/GOE approach represents the maximum innovation and cost reductions possible until demonstration projects produce some measurable results."

THE LESSONS LEARNED FROM PROJECT OBJECTIVES

Almost none of the original project policy objectives will be achieved. There has been no material change of GOE housing policy, no reduction of subsidies, no retargeting of beneficiaries, and no extension of housing finance to lower-income groups (as will be discussed later), and no change in the role of the private sector in housing.

A clue to the potential difficulties in achieving project objectives is contained in the last part of the Project Paper quoted above when it states: "It does not appear possible to design a more effective project given the political realities..."

As stated in the Introduction, the failure to achieve policy objectives does not mean that the physical work of the project will be a failure. The project will provide housing and will have upgraded the selected communities.

The entire question of "policy objectives" in development assistance is one that needs to be debated. It is particularly important now that AID and other donors are increasingly adopting a "sector" rather than a "project."

In the case of the Helwan housing program, the policy objectives reflected the "conventional wisdom" of international donors at the time. Today, no donor would attempt to recreate the new community part of the program. This lesson has been learned well by all. For example, donors have generally recognized that the public sector is not the best partner for housing development. The emphasis today is to work directly with the private sector, or in forms of public/private partnerships.

If a donor wished to invest a similar amount of capital in the housing sector, it is likely that in the 1990s it would take the form of housing sector loan or grant to a housing finance intermediary rather than a specific housing project or, in the case of upgrading, deal more broadly at the municipal level.

Experience has shown that donors cannot "buy" policy change even when the amount of funding is substantial. Policy change comes about only when the host country is convinced of the wisdom of policy change as it applies to their own political, economic, and social condition. In Egypt, these conditions never developed.

Furthermore, policy change--at least, at the scale contemplated in the Helwan housing program--is often not within the specific control of the agency directly responsible for the work. As will be discussed later, the Helwan project was vested in a special unit of the Ministry and was, in fact, isolated from the main housing programs of the Ministry. There was little chance to dialogue on housing policy issues with anyone of real power or stature in the Ministry. More importantly, overall policy for any particular development sector involves other ministries and even the Cabinet.

The lesson learned from this is that policy objectives should be selected that are within the specific control of the host country client agency. Policy changes beyond the control of the agency directly involved in implementation are unlikely to be implemented.

CHAPTER III

THE HELWAN NEW COMMUNITY

This component of the project (as set forth in the PP) envisioned the construction of 6,697 core (expandable) housing units along with 512 additional lots on a 150 hectare site in the industrial suburb of Cairo known as Helwan. The site was to have a full range of infrastructure serving each plot, including water, sewerage and electricity, as well as solid waste collection stations. In addition, a range of community facilities were to be provided including schools, health centers and community centers.

The size for those plots to contain core units was to range from 50-65 square meters. The core units themselves were to start from a basic wet core of 4 square meters and range up to a 30 square meter three-room house. Individual plots of 100 square meters without any type of unit were to be sold at auction. The intent was to assist beneficiaries by providing them with designs to expand their units along with loan funds for construction. It assumed that eventually most plots would contain three-story units when complete. The project was to include a model house component that would contain not only the basic units to be offered but units demonstrating what could eventually be constructed. At 5+ persons per family unit, the project was projected initially to have some 36,000 people and an additional 74,000 when all units were completely finished (i.e., another 5+ persons, per family unit, per floor, for each plot).

The idea was that the core house approach would maximize the input of individuals, would reduce subsidies by lowering standards and making available credit so families could afford to pay and, thus, lower the cost to government and enable it to expand its housing programs for low-income families. Beneficiaries in the project, except for those buying plots at auction, would be limited to those whose income did not exceed the 60th income percentile, be employed in industry in Helwan but reside elsewhere and not own another dwelling elsewhere in the Cairo area. Size of the unit for an individual would be determined by ability to pay under the loan program.

The Status of the New Community Program

In the New Community sub-project today, all of the infrastructure (water, sewerage and electricity) is in place and the mechanism for home mortgage loans established. The project has been sub-divided into ten neighborhoods. However, in five of these neighborhoods (neighborhoods 1, 2, 5, 9 and 10), the GOE changed the concept entirely and has moved to construct five- and six-story walk-ups on 1,200 plots (consistent with what it has traditionally done). Although presumably obtaining USAID approval for this change, no record exists to indicate formal AID approval before the work started on Neighborhoods 1 and 2. USAID subsequently approved the change on the basis that such completed flats, to be sold without "subsidy", would provide more variety to potential buyers and highlight the contrast between different approaches.

Some 3,300 apartments are now being constructed in Neighborhoods 1 and 2 (walk-up flats), with another 924 units in Neighborhood 5. As of July 1989, 730 of the units in Neighborhood 5 have signed contracts to buy, 500 of these are complete and 375 beneficiary families have moved in.

No construction has started yet in Neighborhoods 9 and 10, which will contain about 3,000 apartments. Because the switch to walk-up apartments was formally endorsed by AID only after the fact, AID did not approve the use of AID funds for construction of the units. The EAJP has instead obtained financing from the General Organization of Housing and Building Cooperatives (GOHBC). EAJP will repay the GOHBC from the repayments of the loans it makes to the purchasers of the units.

With regard to the remaining neighborhoods, i.e., Neighborhoods 3, 4, 6, 7 and 8, the core housing concept was also abandoned in favor of a construction-by-owner approach. This change was approved after USAID determined that the core unit approach limited flexibility of site use and precluded cooperation between neighbors in such areas as utilizing the same contractor to build a block of units at the same time and using common foundations. The concept adopted involves the award of a block of approximately 30 plots to beneficiaries. These beneficiaries form a building cooperative. The EAJP takes bids on the construction of first floor units and approves the award of a construction contract. The building cooperative elects a block foreman to deal with the contractor. EAJP must approve the progress payments. The assumption is that the beneficiaries will eventually add additional flats through construction of second and third stories when and as they can afford to for the purpose of renting or for relatives.

The latest information available is that this component will consist of 4,700 plots. Construction of houses in Neighborhoods 3 and 4 is under way, with some 200 plots sold by June 1988 and another 200 by October 1988. Up-to-date specific information in sales and actual construction was not obtained during this study, other than that the Neighborhoods are about 50 percent complete, but that the current schedule is running behind. AID has requested EAJP to submit an implementation plan for neighborhoods 6, 7 and 8.

How does the construction-by-owner program compare with the fully complete walk-up apartments being constructed by EAJP through contractors? Annex 6 provides a detailed comparison based on June 1988 construction contracts. In summary, the cost of housing under the construction-by-owner program is expected to range from approximately LE 9,000 to LE 13,000 for units on plots sized from 50 to 85 square meters, including land. The cost of the government flats for units of approximately the same size or slightly smaller are expected to range from LE 8,000 to LE 11,000. The lower cost for the completed apartments is because the land costs, including infrastructure, are being distributed over the full number of stories, whereas in the owner construction program the first floor units absorb all of the land/infrastructure costs. Nevertheless, initially the apartment unit will be offered to buyers at a lower cost and on a ready to move in basis and where the buyer will not have to participate in a construction program.

The loan program, both for purchase of the plot and for the construction of the unit, has been established and is operating. CFE has a branch office in Helwan to carry out the program. Annex 7 describes the steps of how the program works in detail. CFE has now disbursed LE 3.5 million, but it is not clear the number of loans that have been made. The maximum loans for construction are LE 6,000, LE 7,000 and LE 8,000 for the three sizes of plots against construction costs which CFE says are currently running at LE 7,500, LE 9,000 and LE 11,500, higher than the June 1988 estimates contained in Annex 6. The beneficiary must also pay a downpayment of about 40 percent for the plot which ranges in cost from LE 3,360 to LE 5,040, i.e., LE 60 per square meter. Thus, for even the smaller plot and unit, the downpayment to the beneficiary is now running almost LE 3,000. Out-of-pocket costs are even higher since the beneficiary must pay 1-1/2 percent of the loan mount to CFE for processing the application.

What is not clear is how affordability is achieved through the estimated monthly payments. The table provided by the USAID (Annex 6) indicates, for instance, that the monthly payments for a 56 square meter plot and finished unit would be LE 74. This is presumably based on a LE 11,063 loan, i.e., total cost of LE 13,063 for plot and construction with an LE 2,000 downpayment. This would hardly be within the payment capacity of a worker earning LE 140 per month, the maximum currently permitted according to that table, e.g. 25 percent of 140 would be 35; LE 74 would be over 50 percent of the stated maximum income.

USAID funded a study by an Egyptian firm, Integrated Development Consultants, which was to investigate the selection criteria and affordability issues. Their report dated October 1989 states "Operational definition of affordability as shown in project plans have not been met, with a particularly great gap during the first years of the mortgage period." (p.29)

However, their report goes on to make a quite strong case of why the affordability criteria is not a very useful criteria. They note that if the affordability were measured at 30 percent on household income instead of 20 percent or 25 percent, how many more of the beneficiaries would have met the affordability criteria. They also showed how various levels of expected wage and salary increases to the beneficiaries over the next five years would increase the percentages of affordability.

The report did not explore the even larger question of the subsidy involved in the project. There has not been any estimate of the "write-down" subsidy (i.e., how much of the total investment will not be recovered through principal payments); however, it is likely to be considerable.

It is possible to estimate the interest rate subsidy. The flats are being financed at 4 percent annual interest for 27 years. This reflects no change from government policy of the past decade.

For the Plot C land building, the loan portion is LE 11,063 resulting in a monthly payment of LE 73.7 (7 percent for 30 years). If it is assumed that the 15 percent interest rate of the Crédit Foncier represents "market interest", then the financial subsidy can be calculated. The monthly payment on the same LE 11,063 loan would be LE 139 (90 percent increase) or conversely the payment of LE 73.7 could amortize a loan of LE 5,800 (or LE 5,263 lower).

If there is a substantial percentage of arrears incurred as well, consistent with overall government experience. This unintended subsidy will, of course, add to the totals.

There is no repayment record on loans made to date since they are all too new and there is a one-year grace period before repayments must start (interest is paid, however). One problem which has arisen is that some of the individual borrowers do not want to give a power of attorney to the block captain for their section so that he can receive disbursements from CFE for payment to the contractor. They want to be paid directly by CFE so that they individually can pay the contractor, not a satisfactory arrangement, but reflecting their apparent belief that they can control work on their units better in this way.

Contractors, as a result, have been coming to CFE and saying they cannot get paid by either the block captain or the individual. While hopefully not a major problem, it points out the kinds of problems that can arise when individuals have to cooperate on building houses where the whole approach is a new one. It probably underlies some of the resistance by the GOE to this approach and why there is a feeling that it is simpler to provide a completed unit.

Finally, with regard to the new community program, 1,300 plots ranging in size from 100-200 square meters and to be used for commercial business will be offered at auction to the highest bidders. This program is under way. CFE will offer financing on its regular terms, i.e., 14-15 percent over a short term for land.

The Lessons Learned from the New Community Component

There were major modifications made to the new community development program throughout the decade. Half of the new community neighborhoods will have completed apartment units, some of five and six stories in height. The remaining half of the project has also been modified with serviced plots being sold and loans provided to the beneficiaries to have a completed single story unit built; the remaining two stories for rent or for relatives to be constructed when the beneficiary can afford to do so.

Why the changes? The people that count in the Ministry charged with responsibility for implementing the project, and this includes the Minister, never bought the concept of a core housing project. Nor do they, at least as far as this review determined, even buy the concept of construction-by-owner being tried in half of the project at present. The feeling is that once the initial first floor units are completed, the adding of additional units in the form of second and third floors will be chactic at best, control will be impossible and sub-standard communities will result.

There appears not to have been enough consideration in the design of the project given to its experimental nature; that this was to be a pilot project introducing new concepts and to demonstrate that these concepts would work. The conclusion that emerges here is that normally you would not conduct an experiment with a project of this size.

Although the project started as a core housing project, this concept was never accepted by the Egyptians and AID eventually concurred. Agreement was then reached to change to a serviced land project with high infrastructure standards. Why was a serviced land project more acceptable than core housing? The Egyptians are concerned that a core housing project would turn into a "planned slum" as people expanded their units. In addition, the Minister was interested in numbers of units to be added to the stock in any given year; hence, a completed unit with the second and third stories added had the potential for more units quicker. Financing of the core housing was originally to be part of the Egyptian contribution so it was easy to initially change to a serviced land concept and then eventually to walk-up apartments for half of the project.

In the interest of expediency and getting the project disbursed and built, AID has backed off of the original project design to a degree that the core housing concept, whether or not valid, has been lost and the substitutes, construction by owner and completed apartment units, both provide the beneficiary with a completed unit. Is there any discernible progress in change of thinking or of programs? The GOE is now financing with its own low-cost housing programs apartment units whose interiors have not been finished, leaving it up to the beneficiary to complete the work. Ministry officials say that the debate over Helwan has influenced their thinking on providing a lower standard unit. Others say that the private sector has been employing this approach for some time and this has been the major influence on the Ministry.

An obvious lesson learned is that if a demonstration project is to be attempted, it should be much smaller than the Helwan New Community project. If motivation is being sought, (i.e., attempting to reach lower-income families with more affordable solutions through self-built, or core housing, projects), then a more modest project is easier to introduce and can be finished more quickly. Helwan was so large that, even if it had not had technical problems (see below), it would have taken several years to construct, so there is ample time for those people opposing the concept to drag their feet and attempt to get it changed--exactly what happened.

Another lesson learned is that the design of projects, particularly housing, should carefully take into account local practices and approaches. As mentioned earlier, sites and services and core housing were very much in vogue in the late 1970s as the way to solve developing country housing problems. As described by one person, "this was a concept seeking a project in Egypt." And, in hindsight, the GOE was not ready to accept a Helwan New Community with core housing. It might have been better to go with some modification of the walk-up apartment now being constructed by the GOE, i.e., unfinished units, in a smaller project and demonstrated its value and then moved on from there. It is better to go with something that is acceptable and can de done more easily and quickly than attempt to force change and fail.

According to some sources, the Minister for Housing and Reconstruction, who has been the Minister for some 14 years, has never visited the Helwan project. It is pretty hard to make your case through demonstration in such an atmosphere.

The lesson to be learned from the affordability and subsidy issues concerning the project has been documented many times before in other housing program evaluations. It is that it is not possible to provide high standards of infrastructure and construction (no matter how small the dwelling unit) and still have the project affordable to low-income households without subsidy.

All over the world, governments have been unwilling to accept the level of standards of infrastructure and construction necessary to truly make the housing projects affordable. Egypt has been no exception. For this reason, donors are now reluctant to attempt direct house construction projects with public sector entities.

In the Helwan New Community, it was clear as early as 1981 that the housing would not be affordable to the original target group. What has followed has been largely a cosmetic effort to adjust the criteria to minimize the "gap".

The second lesson is that the mandated income group targets (whether the more usual 50th percentile or the 60th percentile as in the Egyptian case) have been irrelevant in fact. As was documented by the Integrated Development Consultants' report, the beneficiaries are most willing to allocate higher percentages of income to obtain housing; inflation and wage increases quickly make the mortgage payments affordable; and increasing market values (particularly between the subsidized selling price and the market price) make such housing a very profitable investment to the beneficiary household.

A further point to be considered is that households in most developing countries, up to the 80th or 85th percentile, have great difficulty in meeting their housing requirements because of lack of access to land and finance. Therefore, one can question what is "magical" about assisting those between the 40th and 50th percentile as opposed to equally needy households between the 50th and 80th percentile.

Therefore, while one can criticize the Helwan New Community for failing to meet the target group criteria, the criticism would be better placed on the rationale used to set those particular criteria in the first place.

CHAPTER IV

COMMUNITY UPGRADING PROGRAM

As originally designed, the upgrading project was to include five illegal and poorly urbanized communities in Helwan and one in North Cairo encompassing some 10,000 families or roughly 50,000 people. Such areas, since they are illegal settlements, had been outside of official government policy and programs, yet a large percentage of Cairo's population lives in such areas.

The upgrading program consisted of the provision of piped water and sewerage facilities along with schools, health centers and community centers. Provision of these facilities was to be coupled with programs to provide legalization of tenure, a home improvement loan program and a vocational training center. Technical assistance was to be utilized to organize community association to maximize the potential benefits.

The Current Status Today

Seven areas, all in Helwan, comprising some 100,000 people have now been upgraded with water, a sewer system and roads. One controversial issue is that the sewer systems were supposed to tie in to the major trunk system being constructed with EEC financing. That project has encountered major delays and the sewer system is not useable until the trunk line is finished.

All community facilities comprising schools, community centers and related facilities were complete by early 1989 with only minor exceptions.

The one aspect of the project that has received considerable praise has been the community organization work of the technical assistance contractor. A sustained effort has been made to work with the communities selected for upgrading and to build up the capacity of local neighborhood NGOs. This aspect of the project is now recognized as a high priority in development assistance work throughout the donor community. The Helwan housing project can take great pride in its innovative work in this area.

The first home improvement loan was made in March 1981 and to date nearly 3,000 loans have been made with almost LE 5 million outstanding. No new loans, however, have been made since June 1987 because of lack of funds. Repayment is over 20 years by borrowers who are employed by companies, 10 years for self employed. The latter must have a guarantor. In the case of company employed borrowers, the company confirms the employment and the salary, but does not guaranty.

Loan size is determined by CFE on the basis of the repayment period, the 7 percent interest rate that is charged and allowing 25 percent of income toward repayments. According to CFE, some 300 loans are delinquent, about 10 percent. One problem is with company employees who leave the company for some reason and then stop making payments.

Extending land title to the occupants of these communities has still not been achieved and this is a further problem. It is bogged down in the Cairo Governorate.

A small enterprise loan program was introduced into the upgrading component of the project at some point and, presumably, formally approved; although, this review did not turn up in the documentation. This program provides for extending small loans to enterprises in the upgrading areas for working capital, shop improvement and equipment. There have been some 327 loans made to date and the outstanding balance on all loans is almost LE 600,000. The fund started with a capitalization of LE 300,000.

Loans are made for five years on the basis of a promissory note. The interest rate is 7 percent, plus 3 percent additional for administration, for a total of 10 percent. Delinquencies, according to CFE, are running at 25 percent. CFE cited, as one reason, that some borrowers obtained their loans and then moved. This is questioned by some as unlikely in this kind of neighborhood, but was definitely cited by CFE as a problem.

Total financial inputs into the Upgrading Component, according to USAID records, were about LE 30.5 million in Spring 1989. Almost LE 5 million was attributed to the technical assistance. The TA contractor devoted a large part of its efforts to the upgrading component.

This component of the project generally has been deemed to be successful and is definitely considered to have had an impact on policy thinking at the GOE and/or at the governorate level. The problem, however, of vast numbers of people living in illegal settlements with very poor services must be dealt with. Therefore, programs that attempt to address a specific and visual problem such as this with basic improvements have greater receptivity than those introducing a new way to build new housing. Obviously, any group of people living in such areas will be happy to get the services and tenure. But, if this approach is to be adopted on a large scale, the question of cost and where the resources will come from must be addressed.

The issues of land title and cost recovery in the Helwan project upgrading component have yet to be resolved; but both must be settled before the upgrading program approach can be extended in a major way. This project has gone ahead without the resolution of these issues.

Although the governorates have title to land, the overall question of land title remains a national issue. A new law passed in the early 1980s specified that squatters could be provided with title to the land on which they lived. Before that, the settlements were considered illegal and therefore nothing was done. But the process of providing title has been going very slowly. The Cairo Governorate sees it as a difficult issue since it does not want to establish a precedent that title will be automatically granted in all informal areas.

There is also the issue of what to charge. The technical assistance contractor is completing both a land titling report and a cost recovery report financed by AID, which is scheduled for completion soon. The Project Paper contained a cost recovery plan for on-site infrastructure through plot charges and tariffs, none of which are in effect yet. One problem is that the major trunk sewer system to which the project communities were to tie into has been delayed. Thus, the sewer systems installed in the upgraded areas are inoperable and will probably be so for several years. This is outside of AID's control (the trunk system is financed by the EEC) but AID declined to finance an alternative off-site collector. Until the sewer system is hooked up and the land title question resolved, it is difficult to set up a system of charges.

There is an additional issue related to providing land title. Many squatter areas, and Helwan appears to be no exception, are located in areas where the land is very valuable because of its location, e.g., urban centers often grow up around squatter areas. When infrastructure is provided to this land, followed or preceded by providing title, the land can become extremely valuable and the beneficiary has the potential to reap a significant windfall.

Apparently, this is a potential problem in Helwan where outside "investors" are already exploring possibilities. The possible result will be that investors buy up a lot of properties, demolish existing structures and build for a different income level. The former resident has a quick infusion of cash and then must find another place to live. The Governorate is now working on ways to solve this (e.g., 99-year leases, giving title but with the proviso that the beneficiary must get approval to sell; or, if sold, it must be sold back to Governorate). It is an unresolved issue and one reason the title question is still pending.

Although both the home improvement and small enterprise loans have moved ahead and have been considered successful, there are serious questions as to replicability. As it stands now, CFE is administrating the program for a fee at an interest rate well below market. Unless it were to lend at rates at which it could recover its costs, both transaction costs and interest costs, and have a solid security in the form of title to property, there is no chance it would continue this program on its own. (There is a more complete discussion of the housing finance below in the section on Institutional Development.)

Lessons Learned from Community Upgrading

Once again, current thinking about upgrading projects has evolved from the time the Helwan Community Upgrading program was initiated; so, in a sense, most of the lessons have already been learned and practices modified.

First, it is widely recognized that a project should be a self-contained set of activities. The crucial failure of an outside donor project to provide the essential sewer lines should have been considered in advance and the dependency avoided. In this regard, it is interesting to recall that the World Bank selected areas where rehabilitation of the sewer lines was the activity to be undertaken, rather than the construction of new lines depending on off-site development in order to obtain any benefits.

Second, most upgrading projects worldwide would not have attempted such massive high standard improvements to the infrastructure and community facilities. When the total urban area suffers huge deficits in these kinds of facilities, there is always a high probability that the low income target groups will be "bought out" by others seeking to obtain the benefits (and who are in a better financial position to maximize the opportunities). Conversely, it makes little sense from an overall economic development sense to now try to restrict the process of capitalizing on these major improvements through the overall renewal of the site to a higher and better use. The point is that upgrading should be related to the affordability and standards required by low-income target groups.

Third, all donors today recognize that charging below market interest rates on loans for home improvement or enterprise development is an unwise decision for the obvious reasons, now self-evident in the Helwan project. If the financial intermediary cannot sustain the loan program and cover the costs of loan origination and servicing with its own funds, then the project will stop once the initial capital grant funds have been expended.

However, in defense of the Helwan loan program, it should be noted that the World Bank and AID both were attempting to move interest rates from very low levels toward market rates through incremental changes in lending of the publicly provided funds during the 1970s. The failure of this approach was not self-evident until the early 1980s and donor policies were changed.

Finally, the land tenure issue has plagued upgrading programs worldwide. Unless agreement is clearly reached at the outset, it makes it much more difficult to clarify it during the course of the project. Since land tenure issues are of such paramount importance, it is surprising that it has taken all of these years to make them a subject of study (such a study is now being completed with USAID funding). The use of alternative forms of tenure, other than "fee simple title", is a reasonable approach.

CHAPTER V

MANAGEMENT AND CONSTRUCTION OF THE PROJECT

Overall management of the project from the Egyptian side was to be provided by the Implementation Unit in the Ministry with the administration of the loan program to be provided by CFE. The actual construction of the project according to the PP was anticipated to "present no unusual problems of design or construction technique." It did suggest, however, that although individual components might be relatively simple, coordination and timely implementation of the overall program would be complex.

Because of this, and because the PP cited the fact that intensive construction activity in Egypt and the Middle East at that time had made heavy demands on Egyptian management and technical personnel, the AID designers of the project said that it would not be "possible to put full confidence in the *integrity* of local design *nor give a high probability* to the timeliness of construction." Therefore, the PP indicated that it was necessary for a U.S. A&E firm to have prime responsibility, utilizing local A&E's where possible, for the site and infrastructure design of the new community and for the overall construction supervision.

Housing and community facility design was to be awarded to local A&Es. A&E services in the upgrading areas would also be carried out by local firms. Construction contracts would be open to U.S. and Egyptian firms or joint ventures except for the treatment plant and power station which would go to U.S. firms.

It was intended that a major technical assistant contract would be awarded to an American firm to provide assistance to the Implementation Unit, in general; and, in particular, to those aspects relative to the upgrading program, to assist in the formation of cooperatives/homeowners associations and to assist the CFE in the design and implementation of the loan program.

Implementation Experience
The project is still not complete as to the actual physical facilities eleven years later. To examine why the construction of the project has taken so long and to see if any useful lessons can be learned from the experience, it is necessary to put some dimension to what has been constructed and how.

Apparently, some of the delays have been caused by incompetent or inexperienced project management, but it is hard to draw any useful lessons learned from that. Some of the delays and problems were caused by problems within the Egyptian bureaucracy, which AID can do little about, and these will be cited where they appear to have been major contributing causes to the delays. Finally, there are some problems arising from AID procedures that do have some potential as lessons learned.

The Egyptian contribution to the project (assisted by some of the USAID financing) was the design and construction of the houses in the Helwan New Community, the apartment buildings, the community facilities and the model houses. Design work was done by the consulting firm, Arab Bureau and construction was carried out by various Egyptian contractors.

Design and construction of infrastructure and community facilities in the upgrading component was carried out by Egyptian firms; although, in the case of infrastructure design, a local British-owned firm participated as a joint venture partner.

To summarize the status, all of the infrastructure in both the HNC and the upgrading areas is now complete, along with most of the community facilities. The sewerage system in the upgrading areas has not been able to tie-in with the main trunk line yet because of delays in a separate project and hence, are not operable. The model housing component is complete but with major problems (see below). With regard to the construction-by-owner component of the HNC in five neighborhoods (i.e., actual construction will be by contractors awarded blocks of units), construction of houses is under way in two of the neighborhoods but not in the others. For the GOE-financed apartments, construction is almost complete in three neighborhoods but has not started in the remaining two.

Day-to-day management of the project is the responsibility of the Executive Agency for Joint Projects (EAJP) which has a Project Implementation Unit (PIU) located in Helwan. Technical assistance was provided to EAJP by the Cooperative Housing Foundation (CHF).

Overall management was provided by a Steering Committee of which AID was a part and which apparently met infrequently. AID also had approval authority over most actions. The creation of a new agency, EAJP, to manage the project in itself has caused management problems. EAJP's shortcomings and whether it was really wise to create such an agency will be discussed in the following chapter on institutional development.

One of the most often cited reasons for management problems in the project has been the frequent turnover of key people: five EAJP Chairmen, five AID project managers, four AID Mission Directors, three CHF chiefs of party. (It should also be noted, however, that there has been only one Egyptian head of the PIU and one Minister, at least for the greater part of the project). Continuity of management may be an ideal to try to achieve in order to get consistency in approach, but the project has lasted eleven years, so personnel changes were unavoidable. Some of the delays might be attributed to these changes in management, but it does not appear that the mere fact of a change has been a major factor, *per se*.

The entire AID area of management, however, has come under general criticism. One of the most common criticisms was that AID assigned inexperienced managers to the project who did not have enough technical knowledge. Another was that decisions were made at lower AID levels without proper authority, and that things happened, or were approved, that should not have been. Perhaps, the second was a function of the first.

In retrospect, many GOE officials contacted felt that AID was far too involved in the technical details of the project. EAJP was in fact the "owner" of the project and should have been allowed to work out problems with the design and supervision firm on the infrastructure directly within broad project guidelines and without AID interference. On the other hand, there has to be assurance when AID is providing finance that physical facilities will be constructed at reasonable cost and in accordance with sound technical practices. "What happens if the facility falls down in five years?" Probably the truth lies somewhere in between.

Review of the files during this study indicates there were more than 100 project implementation letters (PILs) sent by AID. These letters represent an official communication. Although the files were incomplete and it is even possible that some numbers were not used and although some letters were to formally approve major submittals like the Project Implementation Plan and the Cost Recovery Plan, many represented various contract approvals, both large and small. Recognizing that these are AID procedures, it nevertheless represents a major management chore to be this involved.

Despite this detailed involvement in the project review process, the approval of one major change in the project is not documented, i.e., the change from construction-by-owner on serviced sites to construction of walk-up apartments in some of the neighborhoods. Major differences in the technical approach to the project by the various parties were also cited as factors contributing to delays. There were differences on soil conditions (a significant criticism in the Inspector General's report), and disagreements as to who was responsible, the U.S. A&E firm designing the infrastructure or the Egyptian A&E firm doing the housing and building designs. These differences took 10 months to resolve; but, when the model houses were constructed (180 units), major cracks developed in the units. Although initially intended to be sold, the model units are still sitting unsold and unoccupied.

The U.S. A&E designed the project so that the foundations on each plot had compacted fill and indicated housing could be built on such foundations. The Egyptian A&E felt otherwise; said it was not adequate and Egyptian contractors would not build on this foundation. When the Egyptians decided to move ahead with the walk-up apartments, all of the foundation work was torn out and deeper foundations excavated.

AID apparently felt that plot connections for water, sewer and electricity (the connection module) should be installed at the time the overall site infrastructure was constructed. The Egyptians felt it should be done when the housing unit construction started. AID prevailed and these connection modules were what was eventually broken off when the Egyptians went to deeper foundations; although, it did not destroy the infrastructure.

On the technical side, as opposed to the policy side (although perhaps related), the Egyptians (and this term is used to describe a representative number that we talked to) felt that you could not apply the core housing concept on plots with a maximum size of 85 square meters. The follow on construction would be too difficult. Therefore, they felt that you must do completed units. Eventually that view prevailed. The feeling now among the Egyptians is that the original concept was not practical in the first place.

Overriding many of the criticisms on the technical side was a general dissatisfaction with the work of the American A&E on the Helwan New Community. There were concerns that the firm was not qualified to undertake this type of project. It was not experienced in housing and site work, particularly in developing countries. In addition, the splitting up of the design and supervision work with the American joint venture, BWN, doing the infrastructure and site work and the Egyptian firm, Arab Bureau, doing the design of the community facilities and housing led to many of the delaying disagreements cited above. The firms had many differences. AID got involved and then there were differences between AID and the EAJP.

This review did not look into the selection process for BWN. Although it was a host country contract, selection in such contracts must follow AID procedures and be approved by AID. In hindsight, one can also question why two contracts were utilized when the design of the buildings and housing is so closely related to the site and infrastructure design.

There was a number of delaying factors arising from problems with the Egyptian bureaucracy, which caused the construction of the project to be slowed considerably. According to the decree between AID and the GOE, the EAJP became the owner of the project land. But the Governorate of Cairo owned the land in the first place. When EAJP went to move ahead with the project, the Governorate wanted to be paid. It apparently took two years to work out this problem.

It was eventually done through the Ministry of Housing, various committees within the government, and ultimately working its way up to the Council of State. EAJP compromised in the end, paying the Governorate LE 25 for each housing plot and 10 percent of the proceeds of those local plots sold commercially. There were also problems with the local Helwan authority with regard to approvals as the project progressed.

On imported materials needed for the project (e.g., electrical cable), the Customs Department delayed or would not release the materials. In the case of the electrical cable, the problem took four months to resolve. There were also tax issues affecting the American contractors.

Although such problems can arise in any AID capital project, in this case there appeared to be some weakness in coordination and a lack of clout by the implementing agency, EAJP, to work things out. This is a point that will be discussed further under the Institutional Development below.

With regard to the upgrading component, the technical aspects and the construction apparently went along very well. Design and construction of the infrastructure and community facilities has been carried out by Egyptian firms (although, in the case of the design, it was done in joint venture with a local British subsidiary).

However, due to delays in the completion of the major sewer trunk line for Helwan into which the sewer systems constructed in the upgraded communities were to tie, those systems are not operable and cannot be until the major line is finished. The major line is being financed by another loan and is outside of AID's control.

AID could have financed some off-site collectors at one point so that the upgraded communities could have sewer service, but decided not to on cost-effectiveness grounds. At that time, the main trunk sewer had a more optimistic schedule.

The only lesson learned here is that when financing an upgrading project, scheduling must be realistically meshed with other work on which it is dependent or the project must be self-contained. It certainly is not cost effective to have an important part of a project unusable because other parts of the system are not ready.

Lessons Learned in Construction and Management

In summary, on the construction implementation side, there are some observations which can be made but because they are almost endemic to AID projects, their categorization as lessons learned probably has limited usefulness.

First, from a project standpoint, the project appears to have been far too diverse in its components and in the number of contractors to have worked well. Too many contractors with responsibilities that overlapped led to disputes. Two entirely different components in a new community and separately located upgrading communities on seven sites appeared to spread the management too thin.

Too many Egyptian agencies involved who had to give approvals provided an almost built-in scenario for delays. And all of this in a project that was supposed to be experimental in nature and was to attempt to introduce new concepts to building housing projects in Egypt.

The lesson learned is if you are going to finance a housing project, keep it simple and attempt to focus on one firm concept, and do not try to introduce too many new elements or make frequent changes.

AID should maximize its use of local contractors, design and construction, in housing projects, and not be involved in so many approvals. Housing projects do not require international expertise except in a specialized consulting role. In this project, there appear to have been significant delays encountered because of continuing disagreements on technical solutions between international and local consultants. In the end, there was still faulty construction on the model homes sub-component and the Egyptians ended up re-excavating on the plot sites.

Relative to the often cited criticism that AID's project management in a project such as this requiring major design and construction expenditures needs to be more experienced, this report can only agree, recognizing again that it is difficult to reconstruct events that may relate to this. It would appear, however, that where there is a major amount of construction, there could possibly have been a more experienced AID direct hire engineer in a more active management role.

On the Egyptian side, a number of the above observations impacted on the ability of EAJP to manage effectively, e.g., the large number of contractors, the diverse nature of the project. But, as a new agency with little acceptance in the Ministry, it had neither the experience or the clout to deal with the technical problems it encountered. When AID is financing a large capital project such as this, it would appear that it should try to work with the existing bureaucratic structure rather than to create a new agency.

Finally, the way the AID inputs have been phased, AID has lost what leverage it had on how the project finally comes out because its inputs are essentially over. Yet the housing construction is just getting started in the new community and the sewerage infrastructure has yet to be tied into the trunk system in the upgrading. Nor has the cost recovery system been finally determined in the upgrading component. The Project Agreement will provide little protection on the final results given the history to date, though it is uncertain whether the outcome would change in any case.

CHAPTER VI

INSTITUTIONAL DEVELOPMENT

A key component of the project was to develop an Implementation Unit under the Ministry of Housing to manage the project. This unit was to be directed by a Steering Committee composed of key representatives of participating ministries and chaired by the Minister of Housing. In addition to its management responsibilities, it would facilitate the inter-relationships of the other ministries and organizations involved in such a comprehensive program which would ultimately contribute to the success of a new national housing policy. Through this unit, the MOH would increase its capacity to coordinate and implement the GOE's low-cost housing programs.

The project also envisioned major improvements in the housing finance system to serve low-income borrowers, in general, but also to provide the direct financing for beneficiaries in the project. The institution selected, the Crédit Foncier Egyptian (CFE), was at that time the major provider of housing loans and was to be the recipient of a range of technical assistance supplemented by some computer hardware, to enable it to better serve low-income borrowers. Among other things the project envisioned the introduction of monthly payment loans for the first time as well as the option of graduated payment mortgages and an effective interest rate of 7 percent, supposedly "much closer" to a market rate. (Annex No.5 provides the goals for the development of an expanded housing finance facility.)

Finally, it was envisioned that at the beneficiary level in both the new community and in the upgrading communities, cooperatives and homeowners associations would be organized to facilitate the development of the project.

The Executive Agency for Joint Projects

The project management unit, known as the Executive Agency for Joint Projects (EAJP), is a fully functioning organization. It is considered a service organization under the Ministry of Housing and Reconstruction. In addition to its headquarters operations, it has a Project Implementation Unit located at the new community project area in Helwan. It has a staff of about 500 of which about two thirds work at PIU in Helwan. It has three central departments at headquarters: Technical Affairs, Cooperative and Economic Affairs, and Financial and Administrative Affairs. A new Chairman was just appointed in mid-July 1989. Its status as a service organization within the Ministry does not, however, permit it to retain revenues from the project in order to establish a revolving fund for future endeavors, which was one of the objectives of the original project design.

First, it should be noted that the EAJP was created to manage both the AID Helwan Project and the World Bank's urban project. There were Project Implementation Units set up for each of the donor agency projects. The World Bank's project is almost complete, the GOE is completing it and the PIU associated with this project has been dissolved.

The rationale for EAJP's creation was that the Ministry was not interested in sites and services, core housing or upgrading. These were new concepts, the ministry staff was overloaded, there was no personnel to assign to the projects, no authority to do this kind of project, no experience and no procedures.

By creating a new agency, it could hire the expertise that the Ministry did not have and assist it through the technical assistance provided by AID. Another benefit of a new agency was that it would presumably be more receptive to new ideas, exactly what AID was trying to foster. At the time of the project's authorization, AID was just starting to deal with the GOE bureaucracy in housing. A new agency, it was believed, would make this much easier.

But there were problems associated with this approach. First, it takes time to get a new institution established. By the time a reasonable capacity to perform has been reached, the project is well along, or should be. That is, a new institution is in the process of being established at the same time the project is under development. An institution that is to play a major role in the implementation of a large and complex demonstration project should have been in place and operating before the project got under way, not developed simultaneously. In addition, the Minister did not really accept the concept of a new agency although EAJP was given the authority to manage the project.

The lesson learned is that whenever AID seeks creation of a new organization to manage its project, it should make sure there is no feasible existing alternative, and should be particularly cautious in this respect when there is significant policy content to the undertaking. EAJP was never part of the GOE bureaucratic network. Such new organizations often engender resentments or jealousies. It is difficult to develop the contacts and gain the acceptance necessary to get things done in the bureaucracy. All of these things were present in this project.

If AID does decide that there are compelling reasons to try and structure a new organization, it needs to ensure that the organization has the authority and basis to operate effectively. For instance, as stated earlier, although EAJP supposedly was given ownership of the land for the new community, the Governorate of Cairo never accepted this and an acceptable solution was not reached for two years.

AID should have understood, or done sufficient analysis to have understood, that EAJP should have been established as a general organization within the GOE bureaucracy to have been successful. One issue that has continued to plague the project is the resolution of keeping project revenues; not possible for EAJP in its present form as a service agency.

However, as stated above, it would have been better to go with project management that relied on the existing structure. Relative to the Helwan New Community, the Ministry already runs a major "Low-cost" Housing Program. That is what AID set out to influence. It would have been much better to have tried to exercise that influence from within. By choosing to go with a brand new agency, it seems to have made achieving the objective more difficult.

In the case of the upgrading component, this is a project whose concept now appears to be gaining some acceptance. But by definition, the neighborhoods that are involved are the responsibility of the Governorate of Cairo. Ownership of the land rests with the Governorate, so does the capacity to approve whatever cost recovery program is finally developed. Note that neither the land tenure question nor cost recovery have been settled and AID's project inputs are finished. The Ismailia Sites and Services/Upgrading Project, funded by the British Government, had significant success (started at the same time as Helwan) and it dealt directly with the Ismailia Governorate, not with a new agency.

With the conclusion of AID's inputs to the Helwan Project and the completion of CHF's contracts, EAJP appears to be slipping and it has lost staff. There has been some hope that EAJP could become a central upgrading agency but this appears unlikely.

Cooperatives/Homeowners Associations

The time available in this study did not permit any significant review of this aspect of the project. CHF, in its Project Completion Report, indicates that construction delays (it was 1986 before the first neighborhood was handed over to EAJP in the Helwan New Community by the infrastructure contractor), changes in the project from core housing to the construction by owner concept and a hiatus in the availability of construction financing for the beneficiaries all went to negate much of its work on developing the cooperative program. In addition, legal delays within the GOE bureaucracy as to registration of cooperatives acted as a further impediment. No cooperatives have yet been created in the two neighborhoods where the construction by owner program is finally off the ground.

CHF has organized an approach to create block groups among plot purchasers who in turn elect a block captain to represent them in project matters. These groups have in turn been organized into larger groups which include all of the beneficiaries from a particular factory.

Ownership in Helwan will be similar to a condominium; that is, there will be individual title for plots or apartments with some shared ownership of common facilities. There is no share in a cooperative that has a single title to an apartment building or group of houses. Thus, the advantage in creating a cooperative is as a "building cooperative", to associate with others to get a project built. But EAJP performs much of this role.

The beneficiaries are supposed to deal with the contractors through their block captains. Disbursements, after approval by EAJP, are supposed to be made by CFE to the contractors through the block captain who has been given power of attorney by the beneficiaries. But experience to date, admittedly only a small sample so far, indicates that problems are cropping up. Some beneficiaries, each of whom are individually charged with their loans, want to receive disbursements directly and deal individually with the contractor, not a very workable procedure. This kind of problem points out the difficulty of trying to organize people if they do not perceive a benefit.

If, as CHF indicates, the benefits of much of its work in research on cooperatives and trying to structure them was negated because of project delays, it points up how essential it is to schedule technical assistance at appropriate times. It also points up the particular problems associated with resident teams who may be out of phase.

While cooperatives may still be judged the approach to follow in this kind of project, it is too early to make that determination. Here again, as in the construction of the project, the project is entering a critical phase but AID's inputs are over and its influence will be limited.

With regard to the upgrading component, the organization of community development activities appears to have been very successful in the development of the project, i.e. the community facilities and activities and the structuring of the home improvement and small enterprise loan program. But its success has been due to exactly what has hindered the community organization in the new community.

That is, the communities already existed. There were people for EAJP, assisted by CHF, to work with from the beginning of the project who would benefit. It was not out of phase. CHF, in its project completion report, did cite as a lesson learned that you cannot expect a community to take on activities that local government should perform, e.g. solid waste management, and that this particular aspect has dropped off with the departure of the consultant. Thus it points out that there must be carefully defined limits to what a community can be expected to take on itself.

Crédit Foncier and the Development of a Housing Finance System

The project in its early stages envisioned an overall improvement of housing finance with particular emphasis on serving low-income families. The major institution providing housing finance at the time was the Crédit Foncier, a government institution which raised its money primarily through borrowings from commercial banks.

Among the objectives of the project was to rationalize the interest rates charged for home loans, to encourage the mobilization of private savings and investment in housing and to demonstrate that lending to lower-income families could be carried out in a profitable way. One approach set out in the PP to achieve the latter was to introduce a graduated payment mortgage. Technical assistance was to be provided to CFE to assist CFE to open a branch office in Helwan and to help structure the loans necessary to carry out the project.

The project has succeeded in the latter objective in that CFE has a branch in Helwan which has been making loans since 1981. Although there was no in depth review of CFE done in connection with this study, it appears that the office is operating reasonably effectively both in loans for home improvements, small enterprises and the initial stages of the construction-by-owner program. With the assistance of technical assistance by CHF, specific procedures for lending in the Helwan programs were developed. However, as pointed out in the project status section, CFE simply services the loans for a fee. It does not utilize any of its own funds in the program and, in fact, EAJP does the initial review of the beneficiaries' applications.

CFE does not use any of its own funds for these programs. It simply acts as an administrator for the programs for a fee. In fact, CFE does not review the initial applications under the construction loan program in the new community. These are reviewed by EAJP to see if the applicant qualifies (although this procedure probably relates to the allocation of workers by factory, income level, etc.). But neither does CFE do any review of construction contracts or approve disbursements. This is all done by EAJP. CFE indicated that it is even reluctant to collect payments because EAJP holds the loan contract. These are the kinds of things that normally would be done by the financial institution. In fact, there is some feeling in EAJP that EAJP should take on the entire financial role.

The CFE branch manager in Helwan said frankly that he did not feel that either of the loan programs in the Helwan upgrading communities had been successful. Delinquencies were too high and more guarantees were needed, particularly for the small enterprise program. Bear in mind that he is speaking as a banker from a typically conservative banking institution.

But one of the objectives of the project was to enhance the housing finance system. CFE puts up none of its money and simply services the loans for a fee. Nothing is at risk. When asked whether CFE would continue to lend to this type of clientele at the conclusion of the project, the answer was not at this rate of interest, not unless secure title backed up the home improvement loans and not unless more and better guarantees could be attained.

Although the interest rate established for the project, i.e. 7 percent, was above the GOE subsidized rate at the time the project got underway and is still above the rate used in the government's own low-income housing program, it is far below the market rate at which CFE lends its own funds; 14-15 percent. CFE clearly would not put any of its own funds into the program at 7 percent. It should be noted that CFE participates as a servicer of a portion of the government's program on a somewhat similar basis, i.e. it gets funds from the government and on loans them at 5 percent, keeping some margin as a fee. Such approaches will never bring lenders into lending for low-income families with resources that they raise in the market. It should also be noted that CFE now does take deposits from the public which it commenced to do at some time during the project period, although what effect initial recommendations by AID studies had on this is not clear. The graduated payment mortgage, probably too sophisticated instrument to introduce to Helwan borrowers, was never developed.

As pointed out in the project status section, delinquencies are running at about 25 percent in the small enterprises loan program and 10 percent in the home improvement loan program, both figures that CFE feels are unacceptable if the program were to be considered successful from its viewpoint. It feels additional guarantees are necessary, one of which would be good title as collateral on the home improvement loans, something not yet worked out. On the construction loan program in the new community it is too early to have any real experience yet, but here again there are questions as to how the loan contract is handled vis a vis EAJP. So even if the interest rate structure were modified in the project, it is unlikely that CFE would lend its own funds in a project structured like this one. Adequate guarantees are even more important when the high transaction costs for this type of lending are considered. CFE pays 11 percent on its deposits now and lends for 14-15 percent, taking a 3-4 percent spread.

In summary, as it now stands, the lending program developed for this project is not replicable. Once the project funds cease, the lending will cease unless the government puts in additional subsidized funds.

The Lesson Learned

If projects like this are to be used to help develop the housing finance system, then they must be done within a market context. Just to say that the rates are higher than they were before or that it is a step in the right direction will not work if as soon as project funds are gone the lending ceases. Finance institutions should also put up some of their own funds and if this requires improvements in the security of the loans this should be one of the objectives.

You also cannot demonstrate much in the housing finance area if the government is running its own low-income program with highly subsidized loans, the project has its own interest rates and procedures and the market has yet a third. Financial institutions, whether government or private, can usually be found to lend with subsidized funds coming out of other resources for a fee, but this will not contribute to the expansion of the system that is needed.

Since the Helwan Project started, a new National Housing and Development Bank has been created, owned by government institutions, public sector banks and public sector companies. It acts as both a developer and bank with some 50,000 units now under construction. Although it raises some funds through deposits, most if its funds come from government and it participates in the government's low-income housing program, making loans at 5 percent. With its depository funds, it lends at 14-15 percent for loans above the government's maximum.

Thus, if AID were to try and have an impact in housing finance, it would have to do so on a broader scale, not with an isolated project such as Helwan.

Technical Assistance

CHF has been involved in Helwan in a major way from its inception, and although the last of its resident team has gone with the completion of AID's project inputs, it is still finalizing reports on land titling and cost recovery being paid for by the USAID separately and not from project funds.

There is no doubt that CHF has done much useful work in the project, particularly in the upgrading component. There was no way to review all of the various reports that CHF has done over the life of the project or to judge the effectiveness of individual advisors over that period. However, there are some broader conclusions that surfaced and, if not specific lessons learned, should be areas that AID needs to consider in the future.

First, a CHF team was involved in preparing the report, "Housing and Community Upgrading for Low-income Families" in 1977 which formed the basis for this project. In fact, a CHF staff member helped draft the project description for the PID. One of the generally accepted conclusions of this report is that the project as developed was far too large for a demonstration project. CHF, with its almost $6 million contract plus another LE 3.7 million in local costs was a major part of the project.

It would appear that firms who participate in the design and development of a project should not be in a position to then participate in a major way in the implementation of a project. There is too much potential for judgment on the design to be influenced.

One of the concerns expressed in this project review was that CHF staff assigned as residents actually became supplemental staff to EAJP. That is, instead of providing technical assistance, they assumed day to day work functions. If AID is buying a management contract, that is one thing. If it is buying technical assistance to achieve institutional development goals, it is another.

If a technical assistance contractor becomes too much involved in doing the work of the institution it is supposed to be helping to develop, no matter what the expediency, in the end that institution will not benefit. There are at least some indications that this has happened to some degree.

Since large-scale TA contracts with large resident teams are a very expensive way to provide assistance, AID should consider the use of more short-term consultants (from one consulting firm source), expert in particular areas, who can provide assistance in developing special subjects and then leave implementation up to the host country agency. This can be managed by a much smaller resident staff. Long-term resident advisors should be seen primarily as coordinating short-term technical assistance and supporting host country project management as a project evolves.

PREVIOUS PROJECT EVALUATIONS

The Helwan housing program was evaluated (or reviewed on three separate occasions Each one had a somewhat different purpose or perspective.

1. **The Robert R. Nathan Associates Evaluation (February 1982)**
   This evaluation seemed to allude to almost all of the basic problems that have never been resolved in the project, but was clearly worded in "diplomatic terms" which underplayed the negative issues.

   For example, the report states (p.175): "At this stage of the project, it is not possible to draw firm conclusions about either the validity of project design or the prospects of meeting project objectives. No clear and decisive indicators have appeared thus far to suggest that the project will or will not meet its targets; the project is approximately on course. Some indication of the GOE's attitude toward the Project's housing strategy is apparent, however. As previously indicted, the GOE still prefers multi-storey walk-ups as a solution to low-income housing needs, although coupled with an increasing acceptance of the validity of the concept of sites and services."

   It is not possible to establish whether or not the evaluation team was more forthright in their oral discussions with the AID management team.

   This evaluation report raises an interesting question on the "worth" of evaluations that essentially present findings and recommendations in such a way as not to "offend" the project implementors by identifying all of the problems in an understated manner and offering no specific recommendations for significant explicit action.

   Consulting firms that provide AID with a broad range of technical assistance services might feel constrained in providing strongly worded evaluations when they know that the impact within AID would create a major problem.

2. **Evaluation of the Community Upgrading Component (July 1985)**
   This evaluation was under the leadership of an AID officer using individual consultants. It took a generally favorable position concerning the upgrading work that indeed has been the most successful of the two major project components. It was not concerned with the New Community.

   It did identify the failure to achieve any progress in the basic policy objectives concerning the installation and pricing of infrastructure.

   It advocated the expansion of technical assistance in order to accelerate the project.

3. **The Project Completion Report (August 1988)**
   The project completion report of the Cooperative Housing Foundation covered their contract period from July 1979. Approximately $10 million in technical assistance over the period was expended (not including the even larger design contracts).

Not surprisingly, this report represents the strongest possible defense of the project and what it accomplished. It highlights many very specific accomplishments in sub-components of the project. Most of the major problem areas are also identified, but cast in their most favorable light. Unfortunately, the report is not sufficiently reflective of the reality of the project to be a useful case study upon which to base lessons learned.

In summary, it can be said that the internal and external evaluations of the project during its history did not provide a sufficiently clear or precise set of analysis or recommendations to allow AID management above the immediate project level to truly understand the magnitude of the problems associated with the Helwan housing program nor the range of specific options for correcting the problem.

ANNEXES

October 31, 1988

EXECUTIVE SUMMARY

In August 1978, the U.S. Government and the Government of Egypt (GOE) signed the Helwan Housing and Community Upgrading Project Grant Agreement. The Executive Agency for Joint Projects (EAJP) was established by the GOE Housing Ministry to implement this project. The project purpose was to demonstrate the premise of a proposed new urban housing policy: that basic housing and community facilities could be provided for low-income families at a price they were willing to pay, and which would provide the GOE with substantial recovery of its investment. There were two major project components: development of a new community and upgrading of seven existing low-income areas in Helwan, which is located about 30 kilometers south of Cairo.

The total cost of the project was to be $160 million shared equally by both governments. As of March 31, 1988 USAID/Egypt and GOE expenditures under the project were $70,627,705 and the Egyptian pound equivalent of $62,949,678, respectively. The original Project Assistance Completion Date (PACD) was August 31, 1983, which was extended to August 26, 1988.

The objectives of this program results audit were to determine whether the project was achieving its stated goals, and if those goals were being achieved in an efficient and effective manner. The audit showed that, after 10 years and the expenditure of about $134 million, the project was still far from reaching its objectives. As of June 1988, not a single low-income family occupied a house in the new community and many of the promised services in the upgraded communities were years from being delivered.

The project was characterized by inordinate delays and questionable management decisions regarding, among other things, site selection, engineering, and the type and size of units to be built. Very little can be done about these matters now. The report recommends, therefore, that USAID/Egypt analyze the project's implementation history and issue a "lessons learned" paper to help A.I.D. avoid similar deficiencies in other low-income housing projects. The audit showed that many issues still need to be resolved in order to achieve the project's goals. Among them: (1) criteria for selecting the intended beneficiaries needed to be clarified; (2) 6 of 10 subdivisions in the new community had no housing plans; (3) the implementing agency cannot retain fund collections from project beneficiaries for further project use, as planned; and (4) $7.4 million in completed sewer and water lines were not expected to enter into service until 1990 at the earliest.

ANNEX 2

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Conclusions

It can be concluded that the national context within which housing policy must be formulated is greatly constrained. The existing housing deficit of 1.5 million dwelling units is enormous. Population growth will create the demand for an additional 1.6 million dwelling units by the year 2000. The economy, although improving, cannot support the level of housing investment which can materially overcome the shortage or even keep up with the new demand in spite of the high priority given housing. The national urban strategy, while correct in concept, will be too time consuming and costly to meet needs in the short run. Therefore, the continued growth of existing centers and particularly Cairo is inevitable.

There are no simple solutions for these problems. Housing will be an acute problem in Egypt, as in most countries of the world, throughout the remainder of this century. In the chapters which follow, the housing problem is analyzed and a series of recommendations are made which are aimed at optimizing the use of public and private resources in housing and in minimizing the human misery and hardships faced by the low-income people who are least equipped to compete for the scarce housing resources that are available.

Suggested Guiding Principles for Immediate Action

The Joint Housing Team suggests that the central objective of housing programs in Egypt be to achieve the maximum addition to the net housing stock of the nation. The fundamental emphasis must be in reducing the housing deficit and in achieving levels of production which can keep up with new household formation. Given the enormous numbers of total dwelling units to be provided, Egypt must concentrate its limited resources in the most efficient way. This will require substantial revision of current policies and procedures which will have the following major objectives:

1. Reduce the average cost per unit of housing units built in the public and private sector in order to build more units with the same level of capital investment. This will be possible by reducing the average size of the dwelling units built, lowering the infrastructure standards, improving the site planning and architectural design and by improving the building technologies used. (See Chapter II, "Reducing Public Sector Housing Costs".)

PROGRAM ACTION OBJECTIVES

1. The Egyptian Government will formulate an Egyptian national housing and land policy during the first stage of project planning incorporating these objectives.

2. The Egyptian Government will prepare with AID technical assistance after completing its national housing as land policy, a national housing and urban land plan. The plan should detail the implementation strategy and establish time schedules. It Should establish specific targets in time for the number of residential plots to be prepared and for the number and kind of dwelling units to be constructed, by target group and geographical area. It should set forth the details of an urban settlement upgrading program by the city.

It should specify the public investment levels required, the source of funds, and the administrative procedures to be followed. It should define the role of the private sector and identify steps to be taken by the public sector to facilitate its achievement. The national housing and urban land plan should be coordinated with the national economic development plan.

3. Upon approval of joint AID and Egyptian Government financing, a specific program will be prepared. This will consist of projects to include new urban settlements and upgrading of older neighborhoods, and other related activities such as building materials and housing finance to be detailed in the project paper. The projects will be compatible with the objectives listed above and, in addition, will :

Involve the introduction of new, innovative, site planning and physical design solutions which will substantiallylower the per capital costs of infrastructure and housing below current public sector practice in Egypt, by reducting dwelling unit sizes on the average, lowering infrastructure standards, increasing densities where appropriate, and utilizing less costly construction techniques.

Introduce related social and economic programming within project areas. It is too early to be specific on the content and organization of social and economic project components, but the objective will be to respond to the comprehensive needs of the neighborhood. Therefore, components to be considered for possible inclusion in some form might include : urban community development, education, health, nutrition, job generation and income enhancement, access to credit facilities, and community participation and self help.

Consider multiple delivery systems for the projects, through involvement of different public and private entities, alternative financial mechanisms, and appropriate procedures to involve the private sector, the existing and future residents and the informal sectors of construction and commerce.

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(In Thousands of US $)

A. Helwan New Community
(Building and Equipment)

ITEM	No. of Units	SUBTOTAL	TOTAL
1. Land Cost			$ 5,760
2. Off-Site Urbanization			
water			
severage		$ 2,633	
electricity		3,866	
roads			
Subtotal			6,499
3. On-Site Urbanization			
Site preparation		3,485	
water		1,600	
severage + Solid Waste Collection		2,001	
Electricity		12,953	
Street lighting		1,991	
Roads		1,654	
Subtotal			23,684
4. House Construction			
$4m^2$ Solution	800	716	
$10m^2$ partially enclosed Solution	1300	1,446	
$10m^2$ Solution	2000	2,852	
$20m^2$ Solution	2000	4,182	
$30m^2$ Solution	597	1,591	
Site/Services $100m^2$ auction lot	512	-	
Subtotal	7,209		10,787
5. Community Facilities			
Education		3,543	
Health		718	
Social Serv-Recreation		252	
Government Services		164	
Community/Coop Administ.		118	
Market		180	
Subtotal			4,975
6. Home Improvement Credit Program			4,000
7. Design-Construction Supervision (at 8% of construction costs)			3,690
Subtotal			$59,395

PROJECT MORTGAGE LENDING

A major aspect of the current project deals with the development of housing finance. At the present time Egypt has no institution with adequate resources or faculties to provide for national housing finance needs.

The goals of the housing finance aspects of the project can be describes as follows:-

a) To efficiently provide housing finance for the new community and the upgrading areas.

b) To provide direction in establishing a housing finance system capable of a substantial degree of self sufficiency.

c) To encourage the rationalizing of the housing finance interest rate structure.

These goals will be furthered by the implementation of the housing finance program for the project. The major aspects of the housing finance program are:-

A) The project will employ the Credit Foncier Egyptien to provide housing finance for both the new community and the upgrading areas.

B) Financing of the new community will employ the graduated payment mortgage. This will allow housing to be provided for families substantially below median income levels, while at the same time preserving housing funds through the use of more realistic interest rates.

C) Credit will be provided for home improvement, expansion and dwelling upgrading in lower income areas. Credit will be provided by the Credit Foncier through the use of short term 5-10 year loans. The project provides the first experiment in providing home improvement loans for low income households through the formal sector.

D) The project financing will introduce monthly mortgage payments in Egypt. This change will generate additional

Construction by Owner Program
Cost of Plots and Construction Loans

Type	Area m2	Land Cost IE	Construction Cost IE	Total Cost IE	Down Payment IE	Monthly Payment IE
A	56	3,375	6,000	9,375	700	57
B	67	4,050	7,000	11,050	1,200	65
C	84.	5,063	8,000	13,063	2,000	74

Repayment over 30 years - simple Interest of 7%.

Government Built Flats

Cost of Flats:

Type	Area m^2	Cost IE	Down Payment IE	Monthly Payment IE
A	50	8,400	1,550	IE 34
B	54	9,395	1,781	IE 36
C	62	11,391	3,391	IE 42

Repayment over 30 years - Simple Interest 7%

Helwan New Community Loan Program

The plan for the first floor construction in the HELWAN NEW COMMUNITY is a multiple step mechanism to ensure equal opportunity for as many as possible of the HELWAN workers.

STEP 1 The beneficiary applies for a land purchase by submitting an application to EAJP. He is required to put down from 20%-30%of the total price of the land and carry the remaining balance as a mortgage at a rate of interest that ranges between 4-7% to be paid over a period of 30 years.

STEP 2 EAJP reviews his application and determines whether he qualifies or not for receiving the plot and which size

PLOT TYPE A:56m
PLOT TYPE B:68m
PLOT TYPE C:84m

STEP 3 On condition that he qualifies, the CREDIT FONCIER EGYPTIEN is informed of the names of beneficiaries receiving the plots and approves the loans to be disbursed later to contractors upon the start of the physical construction.

STEP 4 Contractors are selected by EAJP through a competitive bidding process and granted works by blocks in the assigned neighborhoods.

STEP 5 To Maximize the full participation of beneficiaries in the construction process, block captains who are representatives of the beneficiaries handel the financial arrangements with the contractors upon approved payment orders from EAJP to CFE to pay for the completed works.

The contractors are expected to submit their invoices directly to EAJP in due time and according to proper contract conditions.