

LOCAL DEVELOPMENT II URBAN PROJECT

Submitted to
USAID / CAIRO

Submitted by
WILBUR SMITH ASSOCIATES

In association with

PUBLIC ADMINISTRATION SERVICE
DEVELOPMENT CONSULTING OFFICE

DELOITTE HASKINS AND SELLS
ENGINEERING AND GEOLOGICAL
CONSULTING OFFICE

**REPORT ON
ISMAILIA GOVERNORATE
LAND MANAGEMENT UNIT
OPERATIONS AND FUNDING**

**Prepared For
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October, 1988

TRIP REPORT- LAND MANAGEMENT

DESTINATION: Ismailia Governorate

DATE: Oct. 17-18/1988

PARTICIPANTS:

- Ms. Habiba Eid; General Director of Ismailia Governorate Urban Planning and Land Management Agency.
- Mr. Sayed Mohamed Abdel Galil; Financial General Manager of Ismailia Governorate Land Management Agency.
- Engineer Hanaa Abdel Moneim; Urban Planner under the Ismailia Governorate Land Management Agency.
- Technical and Financial staff of the 3rd Region of GOPP
- Assistant Secretary General and 3rd District Chief of Ismailia Governorate
- Mrs. Laurice Demian; IA Contractor BSDS Financial Advisor
- Dr. Zarif Botros; IA Contractor Training Advisor

PURPOSE:

The purpose of these meetings was to pursue additional more detailed data regarding financial operations of the Ismailia Governorate Urban Planning and Land Management Agency. Additional meetings were held with the Technical staff of the 3rd Region of GOPP and Assistant Secretary General and 3rd District Chief in Ismailia to clarify current training activities.

OBSERVATIONS/DISCUSSIONS:

- A. Legislative Mandate and Background; Regarding the historical background for the establishment of the Agency and its legal basis, Ms. Habiba indicated that the establishment of the Urban Planning and Land Management Agency was based on:
 1. Law No. 43/79 of Local Government which gives the right to each Governorate to initiate uses of the Housing

Fund;

2. Recommendations of the Technical Assistance consulting office "Clifford Culpin and Partners" regarding Ismailia Demonstration Projects;
3. The Agency was established according to Ismailia Governor's Decree No. 425/1986. Article one Section C of this Decree stated that:

"The Projects mentioned hereunder belong to the Economic Housing Fund",

- 1- Urban Planning and Land Management Agency;
- 2- Upgrading Hai El Salam Project;
- 3- Upgrading Abu Atwa Project;
- 4- Upgrading Manshiet El Shouhada;
- 5- Kantara Shark Urban Planning Agency;
- 6- Fayed City Upgrading Agency;
- 7- Cooperative Housing Project; and,
- 8- Industrial zone project..

As noted above, the Urban Planning and Land Management Agency is considered one of the eight projects under the Housing Fund. The Agency is responsible for allocations of all governorate land within Ismailia City.

Ms. Habiba pointed out that the informal private housing sector, though uncontrolled, has supplied more units to the national housing stock than all public efforts combined, even though it currently receives no government support. This was an additional incentive to establish the Agency as a land delivery and control function to control delivery of sites and services.

- B. Relationship to the Housing Fund: Ms. Habiba indicated that a committee had to be formed for each project by Administrative Executive order from the Governor. The Project Committee is charged with the responsibility for specific project areas under the control and supervision of the Governorate Secretary General. Each project has a separate budget and surpluses of each project are to go back to the Housing Fund at the end of every fiscal year. During discussion with the Financial Manager, it was clear that this has not happened in regards to the Land Planning and Land Management Agency. Every year this Agency has had a new plan to be executed and financed using the surplus over and above other sources of revenue. Miss Habiba also indicated that Urban Planning maps and designs for each project had to be reviewed by their Agency.

- C. The Structure and Content of A Typical Year Agency Budget: a typical budget was discussed with Mr. Sayed Abdel Galil, who indicated he needed permission from the Secretary General to let the TA Financial Advisor go through financial data. Because of limited time, there was no way of getting this permission. The Financial General Manager did provide the line items of both revenues and allocations with no actual numbers. (These are shown in Appendix A). He stated that the Agency has both a Current Budget and an Investment Budget. "Tables 1 and Table 2 (Appendix B) indicate these revenue and expenditure items".
- D. Procedures for Generating Revenues - revenues gained from land sales are considered the primary revenue resource. The Financial Manager clarified that land price was determined based on three procedures;
1. The price of the land, is decided by a Board of Directors according to market prices or comparable prices for similar areas and similar economic conditions.
 2. The actual cost of infrastructure.
 3. 10 Percent of (A and B combined) for administration expenses.

The Agency is applying Law No. 9/83 for bids and tenders procedures in selling of lands. According to this Law, the landowner is required to pay 30% of the total price immediately after the selling session and the rest of the price is to be paid in installments for a certain number of years decided by the Board of Directors at an interest rate of 7%. The interest percentage may be increased to 13 percent in case of the delay in paying any installments. This amount of interest represents another resources item for Agency revenues. Another source of revenues are fees imposed on net value increases for land over original prices. If new landowners sell their land after substantial land value increases are realized, they have to pay what amounts to capital gains fees. The Agency has two procedures in this regard:

- * If lands have been sold in public auction, the owner has to pay 15% of the actual land price to the Agency;
- * If lands have been sold to low income citizens at low prices, the Agency implements different rates on the original sales price, as follows:
 1. 50% of the original sales price for the first family

relatives living in Ismailia.

2. 100% of the original sales price for Ismailia citizens or residents.
3. 150% of the original sales price for Governorate outsiders coming to Ismailia to reside.
4. 200% of the original sales price for multiple buyers not residing in Ismailia.

- E. Budgeting of Staff Resources and Incentives/Bonuses
Concerning staff resources, most of the Agency employees are Governorate employees, who work full or part time for the Agency. The Board of Directors has the right to appoint short-term employees for the project according to project needs. (Short term employees represent 30 percent of the Agency staff at the present time).

A regulation addressing incentives disbursement to personnel working in all productive and services projects within the governorate was issued and attached to the Governor's Decree No. 425/1986 (See Appendix C). Article 5 of this regulation stated that employees who are not committee members are entitled to receive incentives as decided by the Administrative Committees, on condition that these incentives do not exceed 100% of their original monthly salaries. The Administration may decide to disburse 150% of their original salaries once a year or once every six months on condition that it does not exceed 15% of the added value achieved after setting depreciation and contingencies aside. In all cases the monies that the employees receive as incentives should not exceed 150% of their monthly salaries in their original agencies.

Concerning the new projects which are in their start up stage or further projects, Article 8 of the above mentioned regulation stated that employees are not entitled to receive incentives or any benefit package from any kind except, when a sufficient profit from investment actions, resulting from their performance, is realized.

- F. Financial Operating Procedures: The following procedures are realized for all projects to be implemented under Governorate supervision, Law No. 9/1983 for bids and tenders and its executive regulations is applied according to Article 10:

- * The Committee may delegate all or parts of its authorities to the Head of the Project Committee or its Manager. The financial regulations and instructions applied in the governmental agencies would be applied

on condition that they do not contradict these regulations.

- * The Project Management Committee establishes a system of labour appointment for the projects. Regarding non government employees, the appointments would be in case of emergencies or if project needs necessitates this requirement. Also special pension or retirement regulations are applicable under the above laws and executive regulations.
- * The Governorate Chief Accountant, "a representative of Ministry of Finance" has to control and review the financial transactions for all projects belonging to the Housing Fund. He has the right to supervise and instruct each project accountant to apply financial regulations. The Project Committee must prepare at the end of each fiscal year, a balance sheet showing the financial status of the project and the profits achieved. The Project Plan for the new fiscal year should be attached to the balance sheet. This budget and plan should be submitted to the respective Board of Directors.

G. Relationship to Private Sector and Other Potentials for Generating Revenues: Regarding current activities involving the private sector or other organizations, the following revenue producing actions are being considered. The Agency can prepare planning maps for the private sector, if formally requested, and according to the below prices agreed to hereunder:

- o Governmental Agencies at LE 250 per feddan (4200 sqm).
- o Non Governmental Agencies "Public or Private Sector Companies" at LE 1 per Square meter.

The following other revenue producing activities are being considered or are currently implemented;

- o The Agency is considering the operation of automobile gas and service stations to permit continuous income to its Fund, by leasing of agency controlled land to private vendors or selling of gasoline and services;
- o The Agency is about to assist in upgrading a Sport and Social Club and impose admission fees, as another source of revenue.
- o The Agency currently allows the use of survey equipment and staff to be hired by the public and private sectors

in return for just compensation for their use or services.

- H. Subsidies, Cost Recovery and Relationship to the Housing Fund: The sale of selected land resources is used to recover costs for upgrading projects. Cost recovery options are being considered to minimize subsidies to the extent possible, but most revenues used to finance needed services for new sites and costs of upgrading improvements come from land sale auctions. The imposition of fees for services to the private sector and revenues from taxing extra value gains in land sales of governorate property, (originally sold to low income individuals), are also used as cost recovery mechanisms.

The financial relationship of the Agency to the Housing Fund is binding by law. The Governor ultimately decides how much profit the Agency retains vs. how much goes to the Housing Fund. To date no net surplus revenues have been returned to the Housing Fund. This has been the subject of much inquiry from the Central Agency for Accounting. The governorate has simply ignored this condition up to this point in time. The Governor has given full support to the Agency in this regard.

- I. Unique Conditions Affecting Land Management Operations in Ismailia: It was indicated that most land within the governorate is owned by government even though building construction may be under private ownership. This has facilitated the process of upgrading existing communities in the urban built up areas.

The direct personal relationship between Governorate Authorities and the community inhabitants is considered a backbone for acceptability of what the Agency plans. Upgrading plans are discussed in meetings attended by the Governor, the Agency Representative and all the inhabitants concerned. Through these meetings the plans are discussed, reviewed, and approved. Persons are compensated for the buildings they occupy in case of being needed for upgrading purposes. Public ownership of land makes it easy to negotiate compensations to private owners to make improvements.

Ismailia governorate is therefore unique in having substantial land resources for auctioning off to help finance other improvements. This condition will not last forever however.

J. Observations: Problems and limitations regarding the Agency operations were identified and categorized into organizational, financial, technical and strategic characteristics:

o Organizational Observations - The following problems related to organization were identified;

1. There is a general lack of coordination between the Regional Office and the Governorate Urban Planning and Land Management Agency. Though the Regional Office is responsible for the Master Plan, it is considered no more than a consultant office. The only tangible cooperation between the office and the Agency is that the former trains the engineers of the later.
2. The Organizational structure of the Agency does not reflect the presence of the Regional Planning Office.
3. Though the Agency has its own Board and specialized staff, every upgrading project is run by an independent board formed from persons appointed by the Governor, not necessarily including representatives from the Agency or the Regional Office.
4. Though the Agency is sometimes considered a branch of the Housing Directorate and funded from the Housing Fund, it is an independent legal and financial entity in accordance to the Governors Decree. This conflicts apparently with other laws. Except for inquiries from the Central Accounting Agency this has not hindered operations, since the Governor has ultimate control and authority.

o Financial Observations - The following problems related to financial conditions were identified:

1. The Agency could benefit from exploiting opportunities related to available land resources. For example, it could devise more progressive land management strategies oriented to construction and income management activities in the generation of sub-projects in upgrading areas.
2. Land is mostly sold at a very low price as a desert or raw land. Though some site services are

provided, the Agency makes little or no effort to construct other public-services (market, gardens, clubs) besides a scattered block of flats to raise the value of the land and to gain stable income of such services through fees or leasing arrangements. At least part of the raw land of each area can be sold at a low price. The rest of the area can be retained to be sold at a higher price after certain services are provided.

3. The fund the Agency earns from land is spent completely on area upgrading. No residual amounts are given to the Housing Directorate to be used in popular housing construction. Some of this construction is used to compensate the persons whose cottages or houses are destroyed for upgrading purposes.

- o Technical and Strategical Observations -The Master Plan defines land use, the type, height, or color of construction in built up areas and for areas subject to new site development activities. The master plan therefore serves as a technical and strategic tool to guide growth. Because of a lack of coordination between the regional GOFP and the Agency, often the master plan is not effectively updated on a timely basis to meet governorate needs.

Land is also sold without restrictions except for the color of building fronts. Even the width of streets does not match the future anticipated needs, which means that within 15 or 20 years new areas will be in need of future upgrading.

- K. Existing Training Activities and Needs: From the nature of the Agency's role and responsibilities and discussions with personnel concerned, the training needs can be defined as:

- * Physical Planning;
- * Feasibility Studies;
- * Land Marketing;
- * Land Survey;
- * Community Development;
- * Management and Development of Financial Resources.

The only training course available is:

- * Physical Planning and area upgrading for Agency engineers. The course is run by the 3rd. Region Center.

CONCLUSIONS:

Inspite of limited time spent with both the Agency Director, Ms. Habiba Eid, and the Financial Manager, Mr. Sayed Abdel Galil, the following documents were obtained:

1. The line items of both revenues and allocations of the Agency Budget. (Actual numbers have been omitted since approval could not be granted). (See Appendix A).
2. A copy of both the investment and current budget forms (Appendix B, Tables 1 and 2).
3. A copy of Decree No. 425/1986 issued by the Governor of Ismailia and a copy of the Regulation of Incentive Disbursement to personnel working in the projects. (Appendix C);
4. A copy of all financial documents used by the Agency, (Appendix D; (Forms 1 to 5).
5. Copies of all Housing Administrative procedures documents.
6. The Agency Organization Chart (Appendix E).

Submitted By: L. Demian
Zarif Botros

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APPENDIX A

Assets

Liabilities

Assets		Description		Liabilities		Description	
Total	Partial			Total	Partial		
			<u>Fixed Assets</u>				Allocations for construction of utilities/infrastructures and Environmental Services.
			Buildings				
			Furniture				
			Equipment and Machines				
			Depreciation				Credit Accounts

			<u>Services Projects</u>				Credit-Accounts under rectification
			Environmental Services				Credit-Insurances
			Contributions				Credit-Quarries
			<u>Current Bank Accounts</u>				
			Isaella Development State Bank				
			Alexandria Bank-Isaella Branch				
			<u>Bank Accounts - Suspended</u>				
			Isaella Development State Bank				
			Alexandria Bank-Isaella Branch				
			<u>Other Credit Accounts</u>				
			Loans				
			Advance Payments				
			Bills				
			Debit Accounts Under Rectification				
			Debit Installments				
			TOTAL				TOTAL

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APPENDIX B

Investment Revenues & Expenditures for the Period
7/1/1997 To 07/31/2000

Previous Months		Current Month		Total		Description	Previous Months		Current Month		Total		Description
L.E.	mm	L.E.	mm	L.E.	mm		L.E.	mm	L.E.	mm	L.E.	mm	
							Fixed Assets Services Projects Environmental Services Contributions						

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Statement of
Investment Revenues & Expenditures for the Period
7/1/1987 To 03/31/88

March

Previous Months		Current Month		Total		Description	Previous Months		Current Month		Total		Description
L.E.	mm	L.E.	mm	L.E.	mm		L.E.	mm	L.E.	mm	L.E.	mm	
						Salaries, Wages & Fringe Benefits:							Revenues
						Contracted Salaries							Credit amounts due
						Overtime							Fines
						Casual wages							Miscellaneous revenues
						Incentives							
						Other benefits							
						Administ. & General fees							
						Per diem							
						Advertisements & Publications							
						Public relations							
						Telephone							
						Water & Electricity							
						Fuel and Oil							
						Boarding							
						Repair & Maintenance							
						Equipment							
						Stationery							
						Printing Materials							
						Miscellaneous Expenses							
						Part. fees							
						Current Surplus							
						TOTAL							

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APPENDIX C

Ismailia Governorate

Regulations of Incentives
Disbursement to Personnel Working
in all Production and Services Project
within Governorate Limits (Annex to
Governor Decree No. 425/1986)

Section (1)

Types of Projects Assessment

Article (1)

The projects following the Governorate are decided according to the volume of their investment components either the materialistic or the corporeal into two divisions:-

Type I

- 1) The projects whatever their purposes are, either productive of services, and whatever their nature are which the component of their investment exceeds LE 200,000.

Type II

- 2) The Projects whatever their purposes are, either productive of services, and whatever their nature are which the component of their investment do not exceed LE 2000,000.

Article (2)

The committee formed by our Decree issued in these regulations will enroll the current projects and the future ones under the two above-mentioned types. It will also modify any project if its financial status necessitates that.

Article (5)

The employees who are not committee members are entitled to receive incentives as decided by the administrative committees, on condition that these incentives do not exceed 100% of their original monthly salaries. The administration may decide to disburse 150% of their original salaries once a year once every six months on condition that it does not exceed 15% of the added value achieved. This should be done after setting the depreciation and contingencies aside. In all cases, the monies that the employees receive as incentives should not exceed 150% of their monthly salaries in their original agencies. Those who have rare vocations approved by the project's follow-up affairs committee formed by Article 10 of this decree are exempted from this condition.

Article (6)

It is prohibited that any employee within the Governorate boundaries fill more than one position in the committees of projects management or their executive and administrative agencies.

Article (7)

If the need or the public demand necessitates that an employee fills in more than one position in the project committees or their administrative agencies, he has the right to choose the best of the benefit packages or have more than one package from more than one project on condition that they do not exceed the above mentioned limits.

Section 3

General Rules

Article (8)

Concerning the new projects which are in their start-up stage or the future projects their employees are not entitled to received incentives or any benefit package from any kind except when they achieve a sufficient profit.

Article (9)

The rules of these regulation should not interfere with the rights of employees delegated for casual assignments in taking their payments disbursed on a casual basis as decided by the respective project committee.

Section 4

Some Financial & Administrative Rules

Article 10

Law No. 9/1983 concerning Bids & Auctions and their executive regulations are applied on all project following the Governorate.

Article 11

The committee of Project Management is given the authorities of the Under - Secretary shown in the above mentioned law and its executive regulations. The Committee may delegate all or parts of its authorities to the head of the Project committee or its manager.

Article 12

The Financial. regulations and instructions applied in Governmental Agencies are herein applied on condition that they do not contradict with these regulations.

Article 13

The Project Management Committee may establish a system of labor appointment in the projects following the Governorate for non-government appointments and the appointments on a loan in ease of emergencies or if the project needs necessitates that. Also pension special regulations are herein applied.

Date: 4/27/86

nm/Appendix

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Decree No. 425/1986

Issued By the Governor of Ismailia

Page (2) - Item (C)

The following projects are considered among the projects included in the account of funding economic housing.

- 1) Urban Planning & Development Agencies.

Article (2)

Markaz and City Chiefs each in his field of specialty and within the limits of his boundaries are delegated to manage and organize similar projects located in their boundaries in the light of the rules implied in the previous Article except the following projects:-

- 1) A special account for land reclamation purposes.
- 2) The account of funding economic housing.

Article (10)

A committee for the follow-up of Projects Affairs should be formed with the headship of the Secretary General and the membership of the following personnel:-

- 1) The Assistant Secretary General
- 2) The Under-Secretary of Finance at Ismailia
- 3) The Governorate Director of Finance

This committee will handle all administrative and financial issue pertaining to the projects following the Governorate, as well as review of modifications of the regulations mentioned in Article 8 of this Decree.

Article (3)

The Committee responsible for the management of each of the above mentioned project should prepare at the end of each fiscal year a balance sheet showing the financial status of the project and the profits achieved. Attached should be the project plan for the new fiscal year. This budget and plan should be submitted to the respective board of directors.

nm/Appendix

APPENDIX D

بالتواكؤ الكسبر

Amount

مبلغ:
... ..

إذن تسويات

Rectification Form



(4)

رقم التسوية: Rectification No
البيان: Description
التاريخ: Date

رقم صفحة الأستاذ Ledger Page #	البيان	لـ		منة	
		Credit		Debit	
	من مذكورين From				
	> a/c				
	> a/c				
	> a/c				
	> a/c				
	> a/c				
	> a/c				
	إلى مذكورين To				
	> a/c				
	> a/c				
	> a/c				
	> a/c				
	> a/c				

المسأبات

Accountant

يعتمد و المدير المال

Director of Finance Approval



الاسماعيلية في ١٩

Disturment Caucher

Cheek / Cash استمارة صرف شيك / نقدى

(5)

Name of Requester

اسم الطالب
مسئله السرف

سرفقات Vouch.	بيان السرف Description	المبلغ Amount	
		جنيه LE	ريال Riyal
	قطه وقدره		

مدير عام المهاز

General Director of Agency

المختص

Responsible
Official

بيان Description	المبلغ المستحق Amount Due	
	جنيه LE	ريال Riyal
من > / من > / من >		
الاستقطاعات Deductions		
نادى Duty-Stamp		
إصان		
كسب		
توقيع		
شيك		
دفعه		
الباقى فقط وقدره		

مدير المال
Chief of Finance

Receiver

رئيس الحسابات
Chief of Accounts

State

تاريخ

الراجح
Responsible

Received Check of Cash

استلمت القبه شيك / نقداً / رقم

Jamaica Social & Development Agency
وكالة التخطيط والتنمية العمرانية

رقم: ٠٠٣٦٠٠ جهاز التخطيط والتنمية العمرانية

Payment Order
أمر قبض - تولد

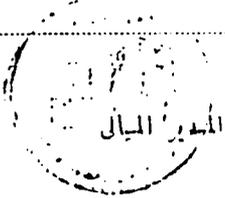
The Manager of Bank / السيد مدير بنك

Please accept payment of ^{جنيه} ^{مليون} ^(1,000,000) / برجا. قبول توريد مبلغ

in full / فقط وفي - درهم

Customer Co. رقم المقيد تحت رقم / From (customer name) من العميل

for / وذلك قيمة



ونوافي أصل قيمة الايداع S. date

198 / / رقم رفا في

المحوظة: يسرى مفعول الأمر اذة
valid till.

Damania, West
 Urban Planning & Development
 Agency
 جمهورية مصر العربية
 وزارة الإسكان
 جهاز التخطيط والتنمية العمرانية
 الشؤون الإدارية
 (2)
 بيان سداد القسط
 Premium Payment

Mr. _____
 Ledger No _____
 بيان سداد القسط
 Premium payment
 الخاصر بالسيد /
 مالك قطعة الأرض رقم
 Doney of Land piece No
 صفحة استاذ رقم

ملاحظات	مليم	جني
Land Price		ممن أرض
Interests		فوائد
Superficiary		احكار
Total		اجمالية

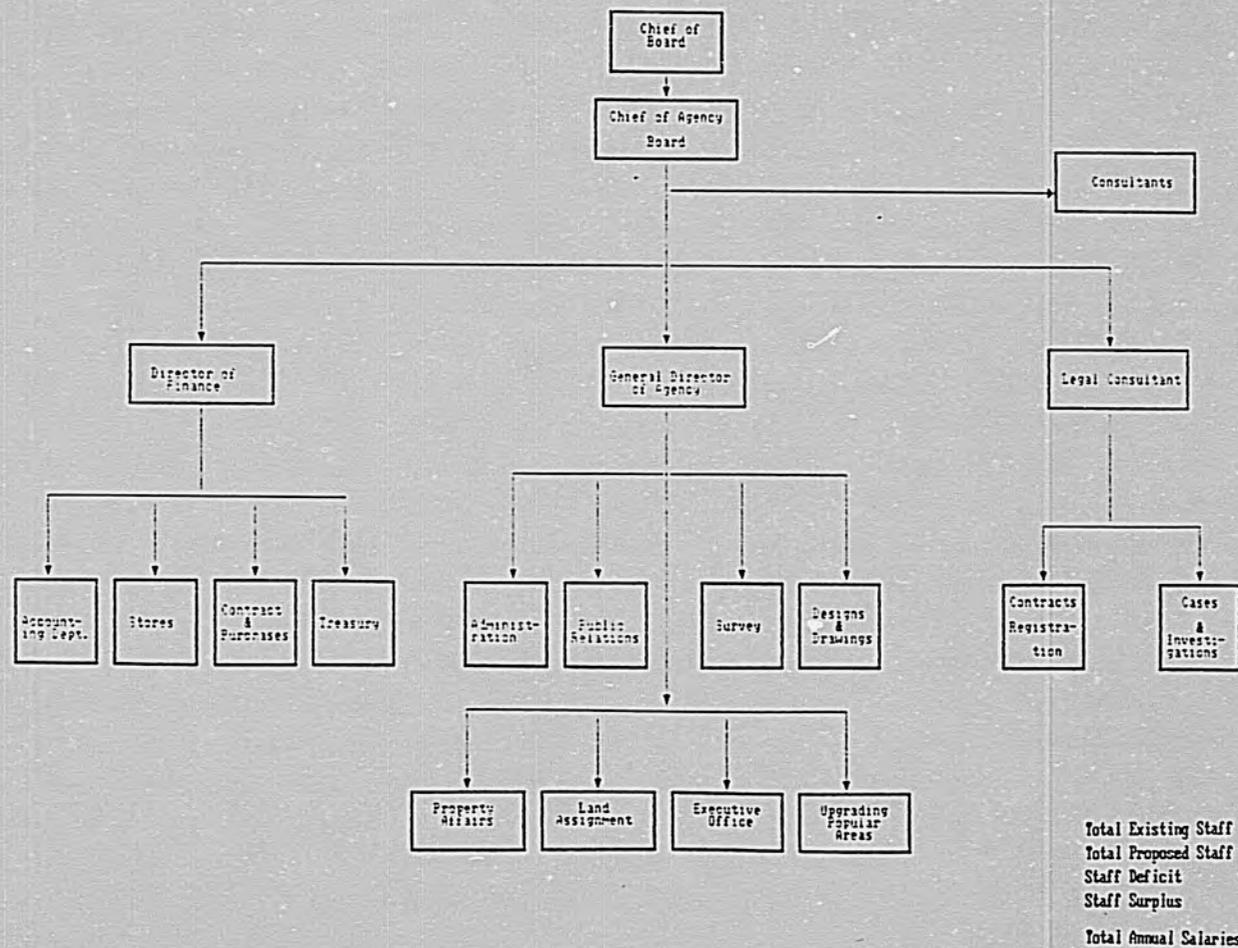
المدير المالي
 Finance Director

مراجع الحسابات
 Auditor

١٩ / /
 Date

APPENDIX E

PLANNING AND DEVELOPMENT AGENCY
OF ISMAILIA



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