. RETURN

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523
BIBLIOGRAPHIC INPUT SHEET

FOR AID USE ONLY
Batch 92
ARDA

1. SUBJECT CLASSIFICATION	A. PRIMARY Urban development and housing	LA00-0000-G232
	B. SECONDARY General--Egypt	

2. TITLE AND SUBTITLE
Urban land use in Egypt

3. AUTHOR(S)
(101) Joint Land Policy Team in Egypt; Egypt. Ministry of Housing and Reconstruction

4. DOCUMENT DATE	5. NUMBER OF PAGES	6. ARC NUMBER
1977	112p.	ARC

7. REFERENCE ORGANIZATION NAME AND ADDRESS
AID/SER/H

8. SUPPLEMENTARY NOTES (Sponsoring Organization, Publishers, Availability)
(Appendix, 143p.:PN-AAG-047)

9. ABSTRACT

Describes the present use of urban land in Egypt and presents a comprehensive policy for planning future urban development. The preface, a concise summary of the findings and recommendations of the Joint Land Policy Team, reviews the reasons for Egypt's current residential land shortage and briefly outlines recommendations for reform policies. Part One, the "Background to Policy Formation", presents an expanded assessment of current land trends and includes urban growth statistics, information on the economics of housing, and a description of existing development and housing programs. In Part Two, the "New Policy Framework", various aspects of future programs are considered, including planning processes, taxation, the establishment and financing of a Land Development Agency, and institutional development in the Ministry of Housing and Reconstruction.

10. CONTROL NUMBER PN-AAG-046	11. PRICE OF DOCUMENT
12. DESCRIPTORS Egypt Land use National planning Urban planning	13. PROJECT NUMBER
	14. CONTRACT NUMBER AID/SER/H
	15. TYPE OF DOCUMENT

AID 590-1 (6-74)

RETURN

URBAN LAND USE IN EGYPT

Report of

THE JOINT LAND POLICY TEAM

Ministry of Housing and Reconstruction
Ministry of Planning
Arab Republic of Egypt

with

Office of Housing
Agency for International Development
United States of America

AUGUST 1977

URBAN LAND USE IN EGYPT

Report of

THE JOINT LAND POLICY TEAM

Ministry of Housing and Reconstruction
Ministry of Planning
Arab Republic of Egypt

with

Office of Housing
Agency for International Development
United States of America

AUGUST 1977

August 1977

Mr. H.G. Hassan Mohamed Hassan
Minister for Housing
and Reconstruction
Cairo, Egypt

The Joint Team for Land Policy in Egypt is pleased to submit its report on Urban Land Use in Egypt. We hope that this report will be of assistance to the Government of Egypt in the continuing task of developing a national urban land use policy appropriate to the conditions of the time and reflecting the growing demand for urban land.

The request that this joint study be made underlines the importance given by your Ministry to the need to develop an urban land policy which can guide the national pattern of urban settlement; ensure that the larger cities grow in a more controlled manner and not at the expense of agricultural land; and enable land speculation to be curbed. In the report we have addressed all these issues and have developed lines of action. We feel sure that if implementation of these actions is to lead to successful and desired outcomes, our recommendations should be coordinated with those of the Joint Housing Team for Finance and the Housing and Community Upgrading Team whose main recommendations we have seen.

Field work in Egypt was commenced by our research in mid-February and was taken up by the team as a whole on the 26th of February and ran through the 17th of March. Frequent reporting sessions, followed by discussion sessions on draft recommendations, were held during the period in the MOHR building under the Chairmanship of Mr. Salah El Bindary, Undersecretary of State. These meetings were of undoubted success and enabled the blending of international experience and the local expertise of the Egyptian team members to take place with utmost dispatch and most amicably. It is thought, and hoped, that the recommendations which were the outcome of these discussions are both practical and operational. Those

particularly suited for immediate application are specially listed at the front of this report.

The Joint Land Policy Team wishes to acknowledge the excellent spirit of cooperation which dominated the field work and the very effective administrative support offered by your Ministry. The report carries forward the task of establishing an operational housing and urban land development policy and enables the next step of establishing a workable set of implementation procedures to be undertaken. This will be difficult but rewarding work. Please accept our best wishes as you continue in your task of seeking to meet the housing needs and residential land needs of the people of Egypt.

Sincerely,

THE JOINT LAND POLICY TEAM

TABLE OF CONTENTS

Page

Acknowledgments
Preface

SUMMARY OF FINDINGS AND RECOMMENDATIONS. 1

A. Objectives 1
B. Summary of Findings. 1
C. Short-Term Recommendations 4
D. Suggested Administrative Steps 6
E. Long-Term Recommendations. 7
F. Supplementary Recommendations. 8
1. Background to Policy Formulation 8
2. The New Policy Framework 10

PART ONE
BACKGROUND TO POLICY FORMULATION

Chapter I:
URBAN GROWTH TRENDS. 23

Chapter II:
PRESENT LAND USE 25

A. Planning Standards and the Urban Planning Process 26
B. Rent Controls. 27
C. Land Speculation and Land Taxation 29
D. Affordable Housing 32

Page

Chapter III:
PRESENT HOUSING AND LAND USE POLICY. 37

A. The Land Development Process 39
B. Desert Lands 39
C. The Housing Program 1977/78. 39

PART TWO
THE NEW POLICY FRAMEWORK

Chapter IV:
ORGANIZATION OF THE LAND PLANNING PROCESS. 45

A. Land Policies. 45
B. National Urban Land Use Strategy 46
C. City Strategies. 47
D. Plans and Planning Approval. 48
E. Subdivision and Building Standards 50

Chapter V:
LAND SPECULATION AND LAND TAXATION 53

A. Urban Land Taxation 54
1. The Present System 54
2. Recommendations for the Long-Range Future. 54
3. Early Action Recommendations 55
4. Capital Gains Tax. 56
5. Vacant Land Tax. 56
B. Rent Control Modifications 57
1. The Present System 57
2. Recommendations on Rent Control. 58

Chapter VI:
THE LAND DEVELOPMENT AGENCY. 61

A. Functions. 61
B. Institutional Structure. 61
C. Execution. 61
1. Acquisition of Land. 63

Page

2. Land Development 64
3. Sale or Lease of Developed Plots 65
D. Target Groups. 66
1. Public Land Users. 67
2. Private Sector Land Users. 67
3. Low-Income Users 68
E. Lot Size and Coverage Standards. 70
F. A Draft Urban Land Development Program 72
G. Program Costs and Cash Flow. 76

Chapter VII:
FINANCING THE LAND DEVELOPMENT AGENCY. 79

A. Land Development Fund. 79
B. Land Bonds 80
C. Short-Term Loans 82
D. Special Purpose Grants 82
E. Gifts of Land. 83
F. Land Readjustment. 83
G. LDA Revenues 84
H. Summary of Project and Program
Finance Concepts 86

Chapter VIII:
INSTITUTIONAL DEVELOPMENT IN THE MOHR. 89

A. The Focus of Policymaking. 89
B. Department of Housing. 89
C. Organization for Physical Planning 91
D. Work Programming 92
E. Department of State Lands. 94
F. The Organization for Land Development. 94
G. The Governorates 96
H. Institutional Growth 96

Chapter IX:
TRAINING 97

APPENDIX VOLUME (bound separately)

Appendix I:
POPULATION AND THE NATIONAL PATTERN OF URBAN GROWTH

Appendix II:
RIGHTS TO LAND IN EGYPT

Appendix III:
LAND USE IN CAIRO

Appendix IV:
RENT CONTROL

Appendix V:
REAL PROPERTY TAXATION

Appendix VI:
LAND PRICES AND LAND SPECULATION

Appendix VII:
THE LAND DEVELOPMENT PROCESS

Appendix VIII:
PLANNING, SUBDIVISION AND BUILDING REGULATIONS

Appendix IX:
AN EVALUATION OF THE PROPOSED 1977 HOUSING PROGRAM

Appendix X:
EDUCATION AND TRAINING

Appendix XI:
INCOMES AND HOUSING EXPENDITURES

ACKNOWLEDGMENTS

THE JOINT LAND POLICY TEAM

United States of America

Mr. David Oakley
Team Leader and Land Planner, PADCO

Mr. Jeffry R. Stubbs
Urban Economist, PADCO

Mr. Samuel A. Sherer
Lawyer and Planner, PADCO Consultant

Mr. Mokhtar A. Saleh
Researcher and Architect Planner, PADCO Consultant

Ms. Sonia Hammam
Researcher and Informal Sector Specialist

Government of Egypt

Dr. Salah El Bindary
Undersecretary of State, Ministry of Housing and Reconstruction

Dr. Saad El Din Hanafi
Undersecretary for Housing and Public Utilities, Ministry of Planning

Eng. Nassef Hussein
Secretary General, Technical Bureau for Housing and Public Utilities, MOHR

Counselor Kamal Ibrahim
Legal Advisor, Ministry of Housing and Reconstruction

Eng. Gamal Zaki
General Manager, Nasr City Housing and Redevelopment Company

Many people gave freely of their time to assist the Joint Land Policy Team. We wish to particularly acknowledge assistance given by the following:

Ministry of Housing and Reconstruction

Eng. Michael Rafael
Advisor to the Minister

Eng. Ramzy Shenouda Morcos
Supervision Engineer

Eng. Kamal S. Shehayib
Vice Chairman, General Organization for Physical Planning

Eng. Salem Nasr Habib
Vice Chairman, General Organization for Physical Planning

Eng. Mohamed Kamel Hassan
Director General, General Organization for Physical Planning

Eng. Ahmed Gharib
Director, Building Inspection Department

Eng. Tarik Selim
Technical Office

Eng. Mohamed Nosihy Ghareb
Director, Physical Planning Dpartment

Maadi Housing and Reconstruction Company

Eng. Gamal El Din Fahim
Chairman

Eng. Fawzi Girgis Farag
Chief Engineer

General Organization for Building and Housing Cooperatives

Eng. Fouad El Gohary
General Director

Governorate of Cairo

Mr. Amin Abu-Zeid
Director General, Physical Planning Dept.

Eng. Anis Ghali
Director, Physical Planning Department

Governorate of Alexandria

Eng. Fouad Abdel-Megid
Undersecretary, MOHR

Eng. Abdel-Aziz Saber
Director General, Physical Planning Dept.

Governorate of Giza

Mr. Talat Mohamed Hussein
Mayor, Giza City

Eng. Raafat Ghobrial
Chief Engineer, Giza Governorate

Department of Real Estate and Land Registration, Ministry of Justice

Mr. Anwar Abdel-Hammeed
Undersecretary

Mr. Ezzat Nigm
Director

Ain Shams University

Dr. Rushdi Butros
Professor, Architecture and Planning, Faculty of Engineering

Dr. Abdel-Aziz Soliman
Professor, Architecture and Planning, Faculty of Engineering

Dr. Foud El Faramawy
Professor of Architecture

Private Architects and Developers

Eng. Hussein Sabbour
Chairman of the Board
Sabbour Associates, Cairo

Eng. Salah Hegab
President, Sabbour Associates, Cairo

Eng. M. Kamel Zeitoun
Architect-Cousultant, Giza

Eng. Mohamed Essam Atta
10,000 Units Project Manager
Arab Contractors, Osman Ahmed Osman

Eng. Islam Ibrahim Abdu
Assistant, 10,000 M Units Program, Osman Ahmed Osman

PREFACE

The report of the June 1976 Joint Housing Team drew attention to the constrained situation for housing action in Egypt and to the economy's inability to support the program proposed which, in itself, was both inadequate in scale and in character.

The report, in drawing attention to the need for a national urban strategy, drew attention to a need for further study of various elements that would make up such a strategy. Among these elements was the need to develop an operational land policy.

This present report is the record of the 1977 Joint Land Policy Teams' work. These teams were established to investigate the nature of such a policy after the 1976 report drew attention to a need for a land policy to accommodate needs of all population groups. Such a policy should be related to all types of population, particularly the growing urban population, and also be related to abilities of differing urban population groups to pay for developed land and housing. Stress has been laid on the term "operational." This was interpreted to mean administratively possible ways to meet needs of the urban population.

In conducting studies for this report, some revision was made of the target groups set forth in the 1976 report. An attempt is made, in a preliminary way, to relate these groups to characteristic types of residential development found in Cairo. The purpose was to provide an economic basis for a new range of standards related to a variety of subdivision types which are actually indicated in Cairo's land developments.

The Joint Land Policy Team agreed with an implication of the 1976 report -- while ideals are very necessary in shaping policy, in themselves they are not enough to formulate either policy or a housing and shelter production plan and program. Knowledge of the present and how it came to be so is also important, as is knowledge of the willingness to implement legal sanctions and knowledge of the construction industry's ability to meet proposed program challenges, within the time and budget proposed. Policy is concerned with realizing an ideal as well as with making a set of administrative decisions,

institutional arrangements, and investment decisions that will move the land and housing situation ahead. The pattern of these decisions was of central concern to the team.

The Joint Land Policy Team was asked to study and analyze the following:

1. Existing land use in major urban areas.

2. Nature of land ownership and the extent of government ownership or control.

3. Nature and extent of illegal occupancy.

4. Available useable land for housing development.

5. Laws and regulations affecting and governing land, land use, transfer, etc.

6. Economics of the land market in the major urban areas.

7. Existing land taxation methods and policy.

8. Government agencies involved in land use planning, control, and development.

9. Involvement of the private sector in land trading and development.

10. Other related issues.

The purpose of these studies was to make practical proposals for development of a national urban land policy including, but not limited to, land use planning and control, land adjustment, utilization of government lands, coordination of land development, land taxation and policy administration.

Central Cairo near the office of the governorate. Note the high concentrated building bulk on sites. Occupancy rates are high, and some families even live on the roofs.

Nasr City in Cairo. Because land is held for investment purposes or speculation or is not built on (often because of rent control or difficulty in obtaining building materials), there is much developed land that lies vacant.

Cairo metropolitan region north of Pyramids Road, Giza. Much development, both legal and illegal, is taking place on agricultural land.

Control of the spread of urban communities is essential. Stopping the spread into agricultural land when desert land is available nearby is of considerable importance to the economy and food supply of Egypt.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

In Cairo the Joint Land Policy Team reached agreement in March 1977 on land planning objectives and on short- and long-term recommendations, as outlined below.

A. OBJECTIVES

1. To increase the supply of urban land in proportion to the needs of users. In certain priority cities, emphasis was placed on all potential immediate users, particularly the low-income groups in Cairo and Alexandria.

2. To so influence, over the long run, public and private development that the result would be improved patterns of urban land, more efficient spatial arrangements, and a fairer distribution of urban land among the needy.

3. To encourage an economic land market so that real needs are satisfied, land is used efficiently, and scarce capital resources are mobilized.

4. To reduce speculation in urban land.

B. SUMMARY OF FINDINGS

1. Egypt is presently experiencing rapid urban growth. There is a lack of serviced land for all potential urban uses, especially for housing. The situation is intensified by the absence of an overall land use policy and of a systematic approach to the present and future development of urban land.

2. There are four major contributing factors to be considered.

2(a) <u>Lack of an appropriate range of planning standards that would allow different standards for different uses as well</u>

as permit coordinated project preparation. Egypt does not currently have a comprehensive planning framework through which specific projects are related to city-wide plans for future development. Laws do exist regarding building and subdivision standards. However, there are no requirements relating new subdivisions, building construction, or renovation specifically to city-wide plans that set priorities for the future pattern of urban development. Thus, urban growth occurs on an ad hoc basis. The proposed planning law would provide such a framework when it is enacted. In addition, although the new building regulations allow the governorates to set different building standards for different areas of a city, such standards have yet to be developed.

2(b) Existence of rent controls which discourage private building while encouraging relatively well-off persons to remain in subsidized apartments. The following are important steps in the process of gradually alleviating the effects of rent control upon the supply of urban rental housing: the recent increases in allowable rents based on present market values as opposed to 1970 construction costs; 10 percent of construction cost (versus eight percent previously) and seven percent of land cost (versus five percent previously); and 15 percent of the cost of a major improvement (versus 12 percent previously). These are included in the new housing law.

Rent control cannot be eliminated in the short run. However, the long-run effect of such controls has been to limit the supply of rental housing, especially for lower-income persons who are recent migrants to the city. The low rents and the inability to evacuate tenants has also led to a neglect of building maintenance which is likely to cause health and safety problems in the near future.

2(c) Existence of land speculation intensified by the lack of taxes or other penalties for holding vacant or underutilized land. Rent controls, the lack of sufficient or underviced urban land, lack of taxes on vacant or underutilized land and an influx of Arab and wealthy Egyptian investors led to a rapid increase in urban land prices after the 1973 War. In many areas, prices increased at a rate of 50 percent per annum during the period 1973 to 1975, although the rate of increase has declined for the last 18 months.

The incentive to hold land is heightened by the lack of taxes on use or disposal of vacant land. In addition, the present system of urban land taxation based on the annual rental value of all occupied buildings is related directly to rent control, and the amount of tax collected is thus small and not closely related to the present value of the land and the building. Finally, there is no tax on the gain in value

of property when it is sold. The only fee assessed then is a transfer fee for re-registration of the property.

Thus, there is no major incentive to force use of developed vacant land. The rapid population growth of Cairo and Alexandria indicates that land prices are likely to continue to rise in the near future at a rate of at least 10 percent per annum. This will continue the attractiveness of land speculation, unless steps are taken to control its profitability.

2(d) Lack of affordable housing, especially for the middle-income and lower-income population groups. The Joint Housing Team Report of June 1976 put major stress on relating the kind and scale of housing provided to the size of income groups and their ability to pay for housing. The 1974/75 Household Expenditures Survey conducted by the Central Agency for Public Mobilization and Statistics (CAPMAS), as adjusted to assume a 30 percent increase between 1974 and 1977 to parallel the rise in the consumer price index, indicates an estimated current median income for urban households of approximately LE 550 per year. Based on current building costs, such an average household can afford a house of approximately 55 square meters without subsidy. These figures indicate that households below the median income level can afford housing not larger than the lower range of present economic housing -- 40 square meters -- without a subsidy. Thus, new standards of building and planning must be considered if low-income households are to be housed efficiently. This necessity is recognized by the proposed housing regulation which requires that 70 percent of economic housing be not greater than 45 square meters in size and set aside for households with annual incomes no greater than LE 420.

3. The solution to these problems can only come from a well-structured national urban land policy, including short-term and long-term planning for future growth. Such a policy should emphasize the use of desert lands rather than agricultural lands. It should use policies regarding housing, water and sewer facilities to structure development and, thus, order present "informal development."

A structured planning system with a strong legal basis, such as is found in the proposed planning law, and a Land Development Agency would be administrative methods of achieving such a goal. In addition, strengthened coordination is required within the Ministry of Housing and Reconstruction and between that Ministry and the new Agency for Reconstruction and New Cities, the governorates, and the water and sewer authorities.

C. SHORT-TERM RECOMMENDATIONS

1. In the Ministry of Housing and Reconstruction (MOHR), make an appointment at the Deputy Minister level. The duties should include: authority over the land planning, land development and housing provision process; coordination with the General Organization for Physical Planning and of the Department of State Lands and the Department of Housing Design in MOHR; and liaison with water and sewer authorities and with land development and planning operations carried out by a proposed Land Development Agency, the governorates, and the housing companies. Form a Policy Development Unit, to develop the policy proposed herein and translate it into action.

Given the recent formation of the Agency for Reconstruction and New Cities reporting to the Prime Minister, which includes the General Organization for Physical Planning, coordination would be required between a new Deputy Minister and the head of this new agency.

2. Establish a Land Development Agency (LDA) to assemble land through purchase, expropriation, or readjustment; develop land or provide land for others to develop; sell or lease developed lands.

3. Establish a land development budget for the LDA, the housing companies, and the governorates in the context of five-year and annual budgeting.

4. Pass the proposed planning law to provide the basis for development of general plans and strengthening of the General Organization for Physical Planning of MOHR. Amend the proposed planning law to provide a specific section that would allow development of a range of minimum standards for the particular types of subdivisions in a city. Establish specific model building standards for different types of areas in accordance with the new building regulations established under Law No. 106 of 1976 which allow a governor to adjust the standards, depending on social and economic conditions.

5. Reduce land speculation through a capital gains tax on the sale of land or buildings with higher rates for land than for buildings. Such a tax is based on the gain in value of the property and, thus, is more equitable than the proposed transfer tax on the sales price of land and buildings. Enact the proposal which would allow the government the right of first refusal on land sales, as if it were the neighbor (right of *shuf'a*).

Reduce land speculation through the development of an annual property tax, in which the tax would be either a site value tax on the value of land alone or a tax in which higher rates were placed on land value than on the value of buildings. Enact the proposed two percent annual penal tax on vacant land. The assessments required to implement such a tax could later be used to carry out the property tax system.

6. Develop project preparation and management procedures that would allow public sector land projects to be financially self-supporting wherever possible. Restrict subsidies to plots for low-income households. Devise layout and infrastructure designs suited to public sector land development for low-income groups.

7. Develop financing methods whereby a low-income household can finance purchase of a lot. Such methods might include lease-purchase arrangements, cross-subsidy within a project, and long-term low-interest loans.

8. Refine mechanisms available under existing law for land adjustment to allow redevelopment of existing urban districts where there are a multiplicity of owners.

9. Allow real estate taxes to be set higher in cities such as Cairo or Alexandria, as a method of discouraging industrial development and population increases in those cities.

10. End the public rental housing program which provides relatively large size units to a few households with a significant subsidy per person. Instead, adopt a policy of building public housing for sale to lower-income groups of the population. Such an approach would be part of a comprehensive policy of providing land and housing for each income group in the population.

Such a policy has been developed by a regulation in which 70 percent of public housing units must be 45 square meters or less in size and go to households having annual incomes of LE 420 or less, while the remaining 30 percent of public housing units must be 60 square meters or less in size and go to households having incomes of LE 600 or less per year.

11. Consider procedures to simplify the process by reducing the number of steps and by reducing the fees both for land registration and for obtaining building permits. Such a step might be a requirement that a sketch of the land rather than a surveying map is sufficient. These procedures might encourage greater use of registration and building permits by low-income persons who now avoid them in many cases. The proposed low-income community upgrading and sites and services projects should be used to test such alternatives.

12. Establish a series of training courses in MOHR in survey, subdivision economics, planning, project management, and similar techniques. Focus on applied skills, not theory. Link this training program with the training program to be financed by the World Bank.

D. SUGGESTED ADMINISTRATIVE STFPS

Listed below are the administrative steps needed to enable the land policy package to be brought into being.

1. Undertake a study of the detailed steps necessary to establish both a Land Development Agency (LDA) and a Land Development Fund to be managed by the LDA. That study should stress the problems of finance, management, and implementation as well as the relationship of the LDA and the Land Development Fund to both the National Housing Development Fund and to carrying out squatter upgrading and sites and services projects proposed by the Joint Housing and Community Upgrading Team. It should also give particular attention to the beginning of the land development operation and its possible effect on urban land prices before redistribution begins. It should consider how much land would be required, held, and developed at any one time in the Cairo metropolitan region to effect urban growth patterns and lower land prices.

2. The MOHR should be reorganized to carry out land development, public utility, housing and planning functions more effectively.

2(a) A Deputy Minister should be appointed to restructure and lead the professional departments of State Lands and Housing Design and to coordinate closely with the water and sewer authorities and the General Organization for Physical Planning now situated in the new Agency for Reconstruction and New Cities. This reorganization should be set in place prior to development of the LDA. It would establish the institutional context in which land development projects can be implemented. In addition, the administrative and professional staffs of these three departments should be at appropriate full-time strength by the time of implementing the initial land development and upgrading projects to be carried out under this program. Review other proposals for institutional changes within MOHR and implement those changes required to successfully carry out a Land Development Agency.

2(b) Undertake (within the LDA framework and revised housing and planning standards approved by the MOHR) a range of carefully selected projects in land development and

environmental upgrading. These should be financed and institutionalized so that each can be seen as the forerunner of a coordinated set of programs that will benefit a wide range of population groups, particularly low-income groups.

2(c) Institute work programming as described in this report (Chapter VIII, Section B) within the professional departments of MOHR to ensure (within broad objectives of efficiency) that responsibility for preparing the national land strategy and individual city strategies is clear. Also ensure that it will be possible for MOHR to issue land planning strategy instructions to the LDA on a timely basis for it to commence land development and land banking functions and the process of developing projects that return the revenues from such activities for the public good, such as assistance to low-income persons.

2(d) Coordinate water supply and sewerage programs with the LDA in order to give the same priority to new land development as to the extension of such systems in already developed areas.

3. Eliminate legal and administrative barriers to more flexible building and planning standards.

3(a) Pass the proposed planning law with the suggested amendment to Section 10 to allow for flexible planning standards to fit specific cities and specific neighborhoods within cities. (See Chapter IV, Section E.) Institute staff training in the MOHR, governorates and districts to ensure that the new planning law can be effectively administered.

3(b) Establish a working committee on building standards and land use standards for economical use of urban land. This committee would prepare model building standards to the governorates related to grouping within a subdivision, characteristic building forms and material uses and ability to pay of different income groups. It would also propose land use standards related to type and frequency of use and tied directly to specific income groups.

E. LONG-TERM RECOMMENDATIONS

1. Continue the process by which rents are gradually raised to reduce the harmful effects of rent control, as indicated in the new housing law. Decontrol rents over a period of 10 to 15 years. Tie rent increases to predetermined price and cost indices.

2. As rent control is eased, introduce an annual site value or property capital value tax to control land speculation and produce land revenue for government. When such a tax is fully implemented it would eliminate the need for a separate penal tax on vacant land. However, the proposed capital gains tax on the sale of land and buildings would be retained as a permanent part of the tax system.

3. Provide that revenues derived from the sale of land developed as part of a land development project and used for industrial and commercial projects should be used by either the governorates or a Land Development Fund for other land development projects.

4. Establish the principle that larger housing plots developed under programs of the LDA should be sold at a price that helps to subsidize the smallest size plots.

5. Strengthen the ability of the governorates to carry out development functions by providing them with sufficient administrative and financial capability. In the long run, it is recommended that they be given all income from real property taxation and that the governor be encouraged to raise taxes as he is authorized to do under the new local government law (Law No. 52 of 1975).

F. SUPPLEMENTARY RECOMMENDATIONS

1. Background to Policy Formulation

1. As a policy intention, housing solutions should be related to the ability to pay for housing of the target groups defined by household income. This concept should be used to restructure housing policy formulation.

2. Housing policy should be developed so that the element of subsidy is as clearly defined as possible and is as small as possible.

3. Housing policies should seek to meet the needs of all income groups. Programs should be developed that:

3(a) Relate the housing program to population and incomes and to specific groups in the population and their abilities to pay for housing.

3(b) Provide a public and private sector financial plan showing the specific sources of financing to complete the

program. The plan should show current expenditures and incomes as well as new capital expenditures.

3(c) Establish a land development program.

3(d) Devise a planning framework that instructs implementing agencies on sizing of lots; provision of infrastructure such as water, sewerage, drainage, roads, footpaths and electricity; and housing standards. These should all be related to household income levels.

3(e) Test, through survey techniques, the assumptions of how present housing stock is used. Give an estimate of the overall effect on existing housing conditions of the proposed programs.

3(f) Prepare a section in the financial program to show how low-income groups would finance land purchases and house construction. Also identify the sources of financing and the size of the program.

3(g) Give an estimate of the building materials required and of the financial program for building materials supply to house builders.

4. Undertake a detailed study to recommend specific changes to be adopted in the property tax system if this report's recommendations on annual property taxes and taxes on capital gains realized on the sale of real property are accepted.

5. Undertake a detailed study of the impact of rent control on land prices and housing construction. The study should include guidelines on how to implement the recommendations in this report for the gradual relaxation of rent control.

6. Undertake a study of ways by which the procedures and costs for obtaining registration of land and building permits can be simplified and reduced to encourage their greater use by low-income persons who now avoid such complicated legal formalities.

7. Organize requests for technical assistance, as and where required, to carry out the actions described above.

2. The New Policy Framework

1. Organization of the Planning Process. It should be recognized that the process of land use planning is shaped by government directives, by institutional arrangements for pursuing planning objectives and projects, by devising and implementing appropriate laws and regulations, by the approval of land development and building proposals, and by the inspection of development works in the field to ensure that what has been constructed is what was approved.

1(a) Two kinds of demands have to be reconciled in the planning process. One demand is that the land program meet community needs. The other demand is that land meet individual needs. The first is associated directly with government policies; the second is influenced by government policies but is managed by the real estate market in land. Neither government decree nor real estate alone can manage land -- a balance of power has to be struck. Ensuring the viability of this balance is a prime objective of land policy.

1(b) An important government directive is the national urban land use strategy. This is needed to ensure that the newly urbanizing population is more widely spread in the country and that, wherever possible, desert lands are used for urbanization rather than agricultural lands. Such a directive will reflect studies and decisions of a comprehensive national urban growth plan.

1(c) Land development, housing, and municipal improvements should be tied to placement of industries and other job-creating activities in the newly urbanizing areas. A positive policy of discrimination in favor of the new areas will be needed for allocating governmental and economic activities and for arranging rates of urban taxes so that Cairo and Alexandria become less attractive for new development than new areas.

1(d) The present policy of seeking to divert future urban growth to new desert land locations is to be encouraged and given emphasis in specific plans. Where agricultural service towns have to be expanded for local economic reasons, intensive development should be practiced that raises residential densities and building on individual plots.

1(e) Within such a comprehensive plan, city strategies are required that can control anticipated growth of the major cities, especially of Cairo and Alexandria. These cities will continue to take the main thrust of urban population growth for the next 10 to 15 years. Required guides and structure plans should be prepared now.

1(f) The new towns around Cairo are unlikely to draw population away from Cairo in the next 10 years, although they may assist in striking a new distribution and density pattern for the greater metropolitan region of Cairo in 20 years. It is recommended that the new towns be seen as part of the national settlement pattern of distributing the population more widely. Thus, the new town proposals should be examined critically to see if they are effectively designed with roots in local and regional situations.

1(g) One method to achieve this goal would be to use a twin city approach. Thus, a new town would be established as a twin to an existing large urban center or to an existing cluster of rural towns. The intention is to populate the new town with a high proportion of people from the already existing town or city. This method would provide an immediate nucleus of persons with common interests for the new town while providing employment for persons who may not be regularly employed in the existing area. It could provide much more rapid development for the new town than if it relied on individual settlers.

1(h) On a wider scale, the specific locations of these new towns is especially important for the stimulation that they offer for their own development and the development of their district and province. Such cities should be carefully located to take full advantage of proposed new industries and economic development. Ultimately, it is only metropolitan-level amenities and services that will attract city entrepreneurs from Cairo and Alexandria to new towns. A national urban strategy must take account of that fact and thus limit the number of such new centers.

1(i) It is important for these structure plans (and for those of Canal towns and new towns around Cairo) to be put on a firm legal basis so that a framework is created in which projects can be appraised for consistency with overall plan intention and so that disciplined planning control can be maintained. The provision in the proposed planning law, that surrounding regions must be taken into account when planning expansion of existing towns, is a good one.

1(j) The new law would establish a good framework within which new subdivisions would be established. However, it should allow for differing ranges of standards in low-income areas, in middle-income central-city areas, and in high-income areas. It is recommended that Section 10 of the proposed planning law be amended to read as follows.

> Detailed regulations of this law shall set regulations and standards for subdivisions.

> These standards may differ for different cities and for different areas of the same city, based upon present and proposed land use, character of the population, socioeconomic conditions, and public welfare considerations. However, all such standards must meet minimum requirements for health and safety.

Such an amendment would be parallel to the provision in the new building regulations which allows a governor to approve building standards for a particular project or area which differ from the model standards set out in those regulations. The proposed planning law with this amendment would be a first step toward developing a coherent approach to land development.

1(k) Steps should be taken to ensure that this law's administration and enforcement are possible, by instituting staff changes and staff training for the authorities who will have responsibility for ensuring compliance (the MOHR, the governorates and the district councils).

1(l) In addition to a law which permits ranges of subdivision planning standards, there is also a need to create physical standards. Lower subdivision standards for specific areas would allow the kind of flexibility which is essential for upgrading projects and also highly desirable for sites and services projects. At the same time, a set of standards which contains an upper range would permit an area such as Zamalek, Cairo to maintain its standards. The rigidity of the existing one standard for all has led to many illegal, unplanned subdivisions and to a failure to maintain existing high-standard areas.

1(m) Besides the need for more flexible subdivision and building construction standards, implementation of low-income community upgrading and sites and services projects proposed by the Joint Housing and Community Upgrading Team is a good opportunity to develop procedures for improving coverage of the land registration and building permit systems. Both sets of legal regulations are now often ignored in low-income areas and in newly urbanizing areas. Both the cost and the administrative procedures required might be reduced. A local office within the community to handle such matters would be a good addition to implementation of these projects.

2. Land Speculation and Land Taxation. Looking 10 to 15 years ahead, it is desirable to adopt a tax that falls more heavily on land value than on buildings. The tax should be applied to vacant land as well as developed land. Such a tax would discourage land speculators. If this were

to be combined with a capital gains tax on real property, it could be very effective in increasing the supply of land and in generating revenues.

2(a) The administrative complexities of a tax system and its enforceability must be given weight equal in tax selection to appraisal of its planned effect. It is recommended that a capital gains tax be placed on land and buildings with immediate effect and that a moderate tax on land value (either a site value tax or a property value tax) be instituted in the mid-term future.

2(b) Over the next 10 to 15 years it is recommended that rent controls be eliminated or changed in concept to support a situation in which excessive rent charges are controlled by a combination of land value taxation, betterment fees, and capital gains taxes. A step in the direction of decontrol has been made in the new housing law which substituted market value for 1970 construction costs in the determination of rental levels and increased the allowed rate of return to 10 percent of construction costs and seven percent of land cost (as opposed to eight percent and five percent previously).

2(c) In addition, a transitional policy is recommended for early action which builds upon a proposal in the June 1976 Joint Housing Team Report. Rent controls should be abolished on new construction below 90 square meters. This act should encourage more private construction of such low- and middle-income housing. Present rent controls should be revised so that actual rents paid for government-controlled housing relate to monthly incomes. This will avoid unnecessary subsidies.

2(d) Within this overall policy direction, there are two options: i) the gradual decontrol of all units to provide an economic return in a period of 10 to 15 years; and ii) the exemption from controls of all new units or of new units built in selected areas as well as gradual decontrol of existing units. The Egyptian Government has already made some significant steps toward such gradual decontrol of rents, but the problem remains a serious one for the future.

3. <u>The Land Development Agency</u>. Early establishment of a Land Development Agency (LDA) is a major recommendation of the Joint Land Policy Team. This agency should be specifically charged with carrying through the government's program for ensuring an adequate supply of urban land in accordance with national urban settlement and urban growth policies. This agency would be responsible for coordination of the land development processes currently carried out on an ad hoc basis by the governorates, the public sector development companies,

private individuals, and the national government ministries (particularly the MOHR and Ministry of Awkaf).

3(a) The agency could function either as a general organization under the MOHR or as semiautonomous public corporation. The semiautonomous corporation would be the favored form, except for government regulations which require that almost all profits from such companies must go back to the public treasury. Pending a change in these regulations, it is recommended that the LDA be established for the present as the General Organization for Land Development of the MOHR.

3(b) The General Organization for Land Development (LDA) should be responsible for development of serviced urban land and for its subsequent sale or lease to individuals, corporations, or government agencies. The policy regarding its operations would be set by MOHR and coordinated with the policies of the General Organization for Physical Planning and the Department of State Land. For efficient operation, the LDA would have three or more branches: one each in Cairo and Alexandria, and one or more for the rest of the country. (This is the present organizational framework for the water supply authority.) These branches would be responsible to the particular governor of the area in which the project was located as well as to the Minister of Housing and Reconstruction. The branches would carry out or administer land development within their jurisdictions.

3(c) The MOHR could give the LDA the authority to expropriate land, although this authority has currently been delegated to the governorates. Land can be expropriated not only for public services, such as road widening, but also for the replanning of an existing area (Law No. 27 of 1956). Under that law, land can be designated for redevelopment purposes, but its value for expropriation purposes must be set within two years of the decision to expropriate. The definition of "public welfare" used under this statute and the general expropriation statute (Law No. 577 of 1954) is broad enough to encompass any type of project or land development purpose, as long as adequate compensation is paid as required under the Egyptian Constitution.

3(d) The power of formal expropriation should probably remain with the governorates, although the money to pay compensation for such takings might come, in whole or in part, from the LDA. However, it should specifically be given the authority to purchase land and it should be allocated state-owned land by the Department of State Lands. This authority would allow the LDA flexibility to hold land for future development (in perhaps 10 to 20 years). This would help stabilize the price of land by developing land and releasing

it to the market as necessary to relieve speculation pressures. If the LDA can purchase land quietly, without a formal process of expropriation, it may be able to avoid raising present land prices still further.

3(e) The LDA would be responsible for planning and subdividing land in coordination with the Department of Housing and Public Utilities in the governorate concerned. As is generally the case, it would be responsible for preparing land and subdivisions into plots and for laying out roads, footpaths, and public areas. It would also be responsible for internal distribution within subdivisions of water supply, sewerage, drainage, street lighting, and other public utilities. To provide such infrastructure its projects must be given equal priority for water and sewerage facilities with already existing residential areas. To counter delays in development of serviced land, the LDA should also be given the authority to provide funds for major extensions of water, sewerage, drainage, and electricity to developing areas when funds cannot be provided from governorate budgets. However, such funding should be coordinated with the governorate's plans for provision of municipal services.

3(f) The sale of land to potential builders of dwellings, with restrictions on its later use, would appear preferable to long-term leaseholds.

3(g) The sale of state-owned land by the LDA administering the Land Development Fund presents a conflict with the local government law (Law No. 52 of 1975) which grants revenues from such sales to the governorate. Article 36 of that statute grants to the governorate half of the sales price of buildings (or lands destined for building purposes) that are owned by the state and located within urban municipal boundaries. This provision was meant to give necessary assistance to governorate budgets. However, it makes a Land Development Agency difficult. To counter this difficulty, the Ministry of Housing and Reconstruction has proposed that Article 36 be amended to provide that one-half of the amount collected by the governorate from the sale of such lands be set aside for land development and housing purposes. Such a proposal would appear to allow for other governorate needs as well as to provide sufficient funds for land development and housing.

3(h) It is proposed that the LDA restrict its activities to land -- it should leave all housing construction to other public agencies, housing companies, or individuals. It should become specialized in the task of land development and should establish the expertise and capital necessary for this task.

3(i) The LDA should charge other public agencies market rates for developed land provided. Even though this represents an intergovernmental transfer, it is recommended that it be a regular cash transaction, because of the nature of LDA financing. Anything less than full market rates would lead to decapitalization of the LDA. In the case of lands for public facilities to serve private residential development, the costs of the land would be passed on to the adjacent private parties and the land would be dedicated to public purposes without cost.

3(j) The LDA should provide land to private sector land users for both residential and nonresidential purposes, according to overall development plans. It is through these sales or leases that the LDA can achieve the objective of controlling land speculation. It will be a policy decision matter to determine the methods whereby the LDA meets these needs.

3(k) It will be necessary for the LDA to maintain a constant market analysis in order to guide its land development activities to respond to real market demand. The plot layouts, sizes, and infrastructure standards must all be considered in LDA's planning process. The ability of the LDA to respond to the needs of various income groups with the variety of plot types and prices required will in large measure determine the success of its undertaking.

3(l) The LDA should also provide plots for nonresidential uses such as industry and commerce. These plots should be integrated into the LDA's physical planning to ensure balanced development. For the most part, nonresidential plots should be auctioned but, in some cases, negotiated sales or leases will be appropriate where it is important for a particular kind of development to take place in support of overall planned objectives.

3(m) Sales or leases to private sector users should be oriented to generate surpluses for the LDA. The success of the LDA will depend on its ability to compete in the private sector market and to achieve operations that are financially profitable.

3(n) Low-income land users will constitute the largest group for which land should be developed. The land agency operations for this group will require substantial administrative attention. For such users, the LDA should provide developed lots ready for building. The standards for streets, lot sizes, and infrastructure should be such that the cost of the lots can be recovered from the users without undue financial hardship. This means, initially, that there will be very small lots (say approximately 60 square meters) with residential streets designed primarily for pedestrian traffic,

initially unsurfaced. It also means that infrastructure may be improved incrementally, as the ability to pay of the residents permits.

3(o) A properly organized residential district survey should be undertaken to perfect the selection of economic lot sizes. The results should form a basis for developing a range of standards that will permit lot sizes and building coverages appropriate to the needs and dwelling styles of varying income groups.

3(p) An early responsibility of the LDA would be preparation of an urban land development program for towns and cities within the framework of the national strategy for the distribution of the urban population.

4. Financing the LDA. The Joint Land Policy Team recommends that a Land Development Fund be established. It should be similar to the National Housing Development Fund established in 1976 under the Ministry of Housing and Reconstruction. This fund would receive initial capital from the national budget in the form of either a grant or a long-term loan. A long-term loan would better symbolize the self-financing aspect of the operation. However, a budget allocation is better suited to the present budgeting procedures used by the national government. In addition to this grant, the fund would probably need additional grants or loans during the first five to eight years of its operation, until its revenues exceed its outlays. The length of this period would be dependent on the size of the land development program, the amount of initial capital, and whether developed lands were sold or leased. (The stage at which self-financing is reached would be later if developed lands were leased rather than sold, but the principle remains the same.)

4(a) As with the Nationoal Housing Development Fund, the Land Development Fund should have the authority to borrow from banks, to receive donations, to receive funds from international sources and to float bonds. The power to float bonds might not be immediately available, assuming competition with the issue of housing development bonds is to be avoided at this time. However, it might well become a prime source of revenue in the future, when a mortgage market is firmly established.

4(b) The initial capital for the fund and revenues from additional sources, including land bonds, short-term loans, special purpose grants, gifts of land, land readjustment and revenues from the LDA's own operations would be used exclusively for land development. Revenues from land sales would then also be placed in the fund with the use of this money restricted to land development.

4(c) The administration of the fund would be under the Ministry of Housing and Reconstruction along with the General Organization for Land Development, assuming this is the name given to the LDA. However, the Board of Directors should probably include representation from the Ministries of Planning, Local Administration, Awkaf, and Finance.

5. Basic Finance Concepts. The key basic concepts of project and program finance proposed by the Joint Land Policy Team are as follows:

5(a) Lot sizes, streets, and other public land uses and infrastructure standards should be such that project costs are within the ability to pay of the intended occupants. The pattern of these standards needs to be studied further, but the Joint Land Policy Team has observed quite adequate housing built in Cairo on 60 square meter lots.

5(b) Revenues from larger lot sales (250 square meters and larger) or from sales to higher-income groups and revenues from commercial or other lot sales should be used to reduce costs charged for the smaller lots. Experience in other countries suggests that it may be possible to reduce the costs of larger lots by this means. This implies in Cairo an actual development cost of LE 10 per square meter for middle- and lower-income areas and a subsidized cost of 60 to 75 percent of that amount, or LE 6 to 7 per square meter, to be borne by the low-income purchaser.

5(c) Mechanisms should be developed to enable the financing of lots sold to low-income persons. Two of several possible methods for accomplishing this end are:

> Small loans from the Credit Foncier, a cooperative, or a credit union to cover the cost of part of the lot plus the first story of the house. These loans might be tied to compulsory savings by the low-income purchaser, to help guarantee repayment of the loan.
>
> Initial rental by the low-income household until a single-story house is constructed to acceptable standards. The lot would then be sold to the occupant and all or a large part of the rental payments would be considered as equity payments.

5(d) The objective should be to generate a sufficient financial surplus in the majority of projects to enable the continued expansion of the program. This implies, in turn,

pricing near market value with subsidies only for low-income families.

6. Institutional Development in the MOHR. The focus for urban land policy formulation and development should be a Deputy Minister in the MOHR. This person could be responsible to the Minister for all land development activities to coordinate actions of the Departments of Housing and State Lands which are each responsible for aspects of land development. The Deputy Minister should also coordinate physical planning activities with the new Agency for Reconstruction and New Cities and water and sewer activities with the appropriate authorities. This officer would also be the person through whom the head of the LDA would report to the Minister.

6(a) These departments will need to develop work programs that are approved by the Deputy Minister in charge of a joint committee. These work programs should present: a full description of each planning task; the objectives of the work; the name of the officer in charge; the assisting staff; the time it will take to do the work; the other departments involved; the name of the implementing body when the plan is prepared; and the contribution of the study to other tasks, to meeting objectives, and to general planning knowledge. There should be quarterly monitoring of progress. This technique ensures well-thought-out land planning work.

6(b) The state has the authority necessary to carry out a land development program. It can expropriate land. It can carry out a land adjustment program using Law No. 27 of 1956 regarding expropriation for replanning existing areas. New legislation may be required to carry out land adjustment in new areas. It can develop land and sell or lease developed plots.

6(c) A major problem is precisely defining the role of the LDA in such a way that it is coordinated with and does not impinge upon the authority of the governorates in the area of land control and development. The additional problem of financing through a revolving Land Development Fund is one that can only be settled by a statute parallel to that for the National Housing Development Fund.

6(d) The governorates will actively implement the new activities. The balance of executive powers between MOHR and them must, therefore, be determined. Their planning capacity in physical administrative and financial matters will need reinforcing.

7. Training. A training unit should be established at once in the MOHR so that its staff and the LDA's staff can obtain

intensive on-the-job and short-course training in needed skills (survey, project preparation, programming of work, subdivision economics, squatter upgrading, planning techniques, etc.). Training links should be established with the program to be financed by the World Bank.

Part One

BACKGROUND TO POLICY FORMULATION

Chapter I

URBAN GROWTH TRENDS

The urban population of Egypt is growing much faster than the population of Egypt as a whole. Between 1947 and 1960, when the last two national censuses were taken, Egypt's population grew at a rate of 2.4 percent annually. Urban areas with populations of 20,000 or more grew at a rate of 3.5 percent, and the total urban population grew at a rate of 4.2 percent. The percentage of the total population residing in urban areas was 30 percent in 1947, 36 percent in 1960, and 44 percent in 1976. 1/ The total population in urban areas was 5,475,000 in 1947, 9,370,000 in 1960, and 16,782,000 in 1976. 2/ Thus, the urban population of 1976 was almost equal to the population of Egypt as a whole in 1947. The present annual rate of population increase is estimated at 2.3 percent for Egypt and at 3.7 percent for urban areas.

The rate of increase was greatest for the Cairo metropolitan area; Alexandria; the Canal cities of Ismailia and Suez; and for the city of Aswan. The Cairo and Alexandria metropolitan areas together comprised 5.3 million persons in 1960 (almost 60 percent of the urban population). By 1976 that total had increased to 10.3 million persons (still 60 percent of Egypt's urban population). The Cairo metropolitan area had the greatest growth, and it now has approximately 8.0 million persons. It has grown at a rate of 3.2 percent annually since 1960. The growth rate for Alexandria also slowed from 3.9 percent between 1947 and 1960 to approximately 2.7 percent annually since 1960. Growth of the Canal cities has also lessened, because of the 1967 and 1973 wars. Thus, a greater

---

1/ Central Agency for Public Mobilization and Statistics (CAPMAS), 1976 national census.

2/ Janet Abu-Lughod. Cairo: 1001 Years of the City Victorious (Princeton University Press, 1971), p. 121 for 1947 and 1960 statistics.

proportion of the total urban population is now concentrated in the greater Cairo metropolitan region.

This disparity in urban growth rates is shown most clearly if one examines all urban centers except Cairo, Alexandria and the Canal cities. The urban centers of 1947 grew only 2.3 percent annually between 1947 and 1960, compared to 3.5 percent annually for all urban centers. Urban areas outside Cairo, Alexandria and the Canal area grew only 3.6 percent annually, compared to 4.2 percent annually for the country as a whole. Although there are no firm statistics, this trend appears to be continuing. Outside these three urban areas, only Aswan, as a result of the High Dam, is growing rapidly. And, of these areas, only the Cairo region is continuing to grow rapidly. Thus, the major problems connected with rapid urban growth are concentrated in the Cairo metropolitan area.

It is difficult to predict future urban growth rates and patterns of dispersal, since the answer is dependent on the overall population growth rate, on growth rates and locations of industrial activity, and on government policy toward national development in general and family planning in particular as well as toward family financial support and subsidy programs. However, the TAMS group has recently prepared projections of major urban population growth rates within a total urban population forecast of 45,000,000 by the year 2000. 3/ The group demonstrates that, if existing urban population trends continue, the population of metropolitan Cairo will reach 22.6 million while Alexandria will reach 6.6 million by 2000. Substantial growth is predicted in existing large Delta cities with slower growth in Upper Egypt cities, including Asyut and Aswan. If there is major investment outside Cairo and if satellite cities and new towns are developed, it is expected that the urban populations would be: Cairo 19,600,000; Alexandria 7,100,000; Canal cities 5,000,000. The combined population of various satellites and new towns is projected at 600,000, although this is below government's estimate. The magnitude of these figures is intimidating for any urban land planning team.

3/ For more detail, see Appendix I.

Chapter II

PRESENT LAND USE

The situation caused by rapid urban growth is intensified by the absence of an overall land use policy and of a systematic approach to the present and future development of urban land. There is presently a lack of serviced land for all potential urban uses, especially housing. This need is most evident with regard to low-income households, leading to overcrowding of buildings on sites, to overcrowding of rooms, and to illegal subdivisions and squatting. 4/

There are four major factors to be considered as contributing factors:

1. Lack of an appropriate range of planning standards as well as an appropriate legal framework that would allow different standards consonant with different uses as well as permit coordination of project preparation.

2. Existence of rent controls which discourage private building while encouraging relatively well-off persons to remain in subsidized apartments.

3. Existence of land speculation intensified by the lack of taxes or other penalties for holding vacant or underutilized land.

4. Lack of affordable housing, especially for the middle-income and poorer population groups.

4/ See Appendix II for background to land rights in Egypt.

A. PLANNING STANDARDS AND THE URBAN PLANNING PROCESS

Egypt does not currently have an overall planning framework through which specific projects are related to city-wide plans for future development. There are laws regarding building and subdivision standards. However, there are no requirements relating new subdivisions, building construction, or renovation specifically to city-wide plans that set priorities for the future pattern of urban development. 5/ Thus, new subdivisions are approved on an ad hoc basis. A proposed planning law exists in draft form which would set up a system for city master plans to be developed with which later projects would have to be specifically coordinated. This draft law was submitted to the People's Assembly by the Ministry of Housing and Reconstruction (MOHR) in 1973. It is presently being revised.

The subdivision regulations established under Law No. 52 of 1940 set standards for minimum road widths, house sizes, and construction of lots that are too high for middle- or lower-income developments. It is therefore not surprising that many illegal subdivisions have developed in fringe areas of the city, as at Manshiat Nasr and Imbaba. There is sufficient legal authority to clear such areas; however for political reasons these areas will not be removed. Even so, these areas are not supplied (except unusually) with municipal services such as sewerage and drainage or road and footpath surfacing. Their illegal status means that the owners are not paying property taxes to the government.

Detailed building standard regulations for Law No. 106 of 1976 have just been approved. These regulations provide detailed instructions regarding internal room height, stairways, elevators, w.c.s and other public infrastructure that are difficult to meet in low-income housing construction. However, they also provide that a governor may set different standards for specific areas. That provision will prove necessary in developing community upgrading, sites and services, and low-income housing projects.

5/ Appendix VIII gives the background to planning, subdivision and building regulations.

There are other roadblocks to making low-income and middle-income construction a part of the formal housing system. These include the fees required for a building permit and the need for architectural drawings.

B. RENT CONTROLS

Rent controls have altered an even supply of urban land that might have resulted from the cooperation of governmental and private developers. 6/ The present system of rent controls in Egypt began in 1944 when military regulations set rental prices back to May 1, 1941, rates to counteract wartime inflation. This regulation was codified by Law No. 121 of 1947, which exempted post-1943 buildings from its terms. Beginning in 1952, a series of laws were passed at approximately five-year intervals that reduced rentals on new construction. These acts also reduced existing rents by 15 or 20 percent for buildings constructed since the last such law was passed. Finally, Law No. 7 of 1965 made an additional reduction of 20 percent in rental values for all buildings constructed after January 1, 1944. Thus, rents for all buildings constructed between 1944 and 19[illegible] re lowered below the initial rate set when that build[illegible] s constructed. During this period, furnished apartments [illegible] exempt from rent controls, as were buildings selling in[illegible] dual units as condominiums.

Law No. 52 of 1969 established a system by which rental prices were based on a percentage of return on investment equal to 8.0 percent of the construction cost and 5.0 percent of the land cost per unit. However, the rates set in 1970 for allowable construction costs were way below current construction costs; thus, rents are low with regard to market value. The law requires an estimate of the unit's rental value when application is made for a building permit. This rental value, though, was often not applied if it differed from arbitrary values set by the Rent Control Board. The new housing law has increased the percentage of return to 10.0 percent of the construction cost and 7.0 percent of the land cost for such new units. In addition, it has increased the rates allowable for construction costs to present market value. These changes will make a significant difference in

---

6/ Appendix IV gives the background to rent controls.

the return available from construction. However, it will still not compete with other investments, such as National Bank of Egypt certificates which yield an annual tax free return of 7.0 percent.

Article 36 of Law No. 52 of 1969 allows a landlord to increase his annual rent equal to 12 percent of the cost of a major restoration. This percentage was increased to 15 percent of cost by the 1977 housing law. However, that rent increase is still limited to 50 percent of the building's current value. Thus, the rental increase allowed would be very small for the older rental (pre-1941) buildings that are most in need of major improvements. Because of this, and because of uncertainty about the effect of this provision on taxes, it has been rarely used.

In addition, the Cooperative Authority has new power to provide loans for the repair and maintenance of buildings and is then allowed a 15 percent increase in rents (a step consistent with Article 36 of Law No. 52 of 1969 mentioned above).

However, there are also steps in the other direction. Until recently, furnished apartments and condominiums were exempt from rent controls. However, Military Regulation No. 4 of 1976 prohibits renting more than one furnished apartment in each Egyptian city, except in certain specified cases (mostly for foreigners). In addition, it limits sale of apartments as condominiums to one unit, or 10 percent of the total units, in a building. These measures were recently codified in the new housing law.

The military regulation and the new housing law also set stiff penalties for acceptance of key money by landlords and/or tenants. Key money is a payment made when a lease is signed. It is used as a means of evading rent control. It may be paid to the owner or to the previous tenant or both, depending on the circumstances.

Owners will charge key money equivalent to the difference between regulated rents and actual costs for newly-built units. Similarly, tenants will ask for key money on surrendering a rented apartment for secure lodgings or office space.

Thus, for tenants, key money is considered a form of capital or equity which will be returned to them, probably with an increase in value, if they decide to leave the apartment. Such key money currently varies between LE 500 and LE 2,000 per room and reaches as high as LE 5,000 for large units in choice locations. Although key money payments are illegal,

they are one of the mediating processes with regard to rent control. They are, therefore, unlikely to be reduced or removed in the near future.

The rent control statute makes it almost impossible to demolish a building or to evacuate tenants. As a result, the tenant has a very strong position from which to collect back his key money. For unfurnished apartments, the landlord cannot demand that the tenant vacate, even at the end of a contract, unless the tenant uses the building inappropriately, abandons it, or fails to pay rent within 15 days of receiving a registered letter notifying him of his arrears. If a building is falling down, the landlord can seek a demolition order. However, the tenant must be given official notification and has the right to object to the order. Even if a court order for demolition is granted, it is rarely enforced. Thus, the lack of incentives for maintenance is fortified by an inability to make effective use of a building site for all practical purposes. Such old buildings are worth almost nothing to the landlord.

In effect, then, rent control has put a stop to building low- and middle-income housing except for sale as condominiums. What housing is being constructed is either by public sector companies, is public economic housing, or is built by small entrepreneurs who build one or several units. Entrepreneurs usually live in one unit and gradually build a second, third, or fourth story. The provision of the proposed housing law that limits condominium sales and rentals of furnished apartments may reduce development of low- and middle-income housing by construction companies still further.

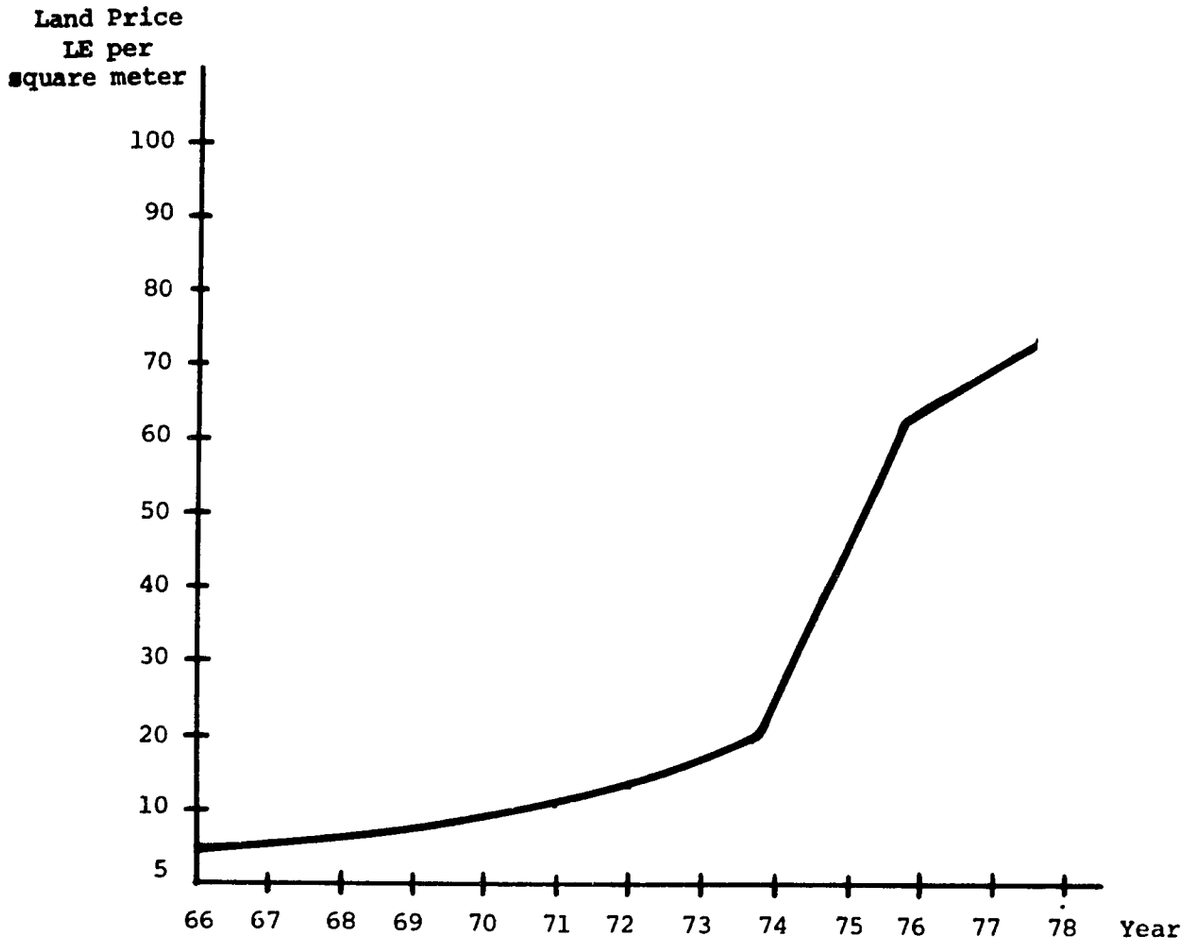
Rent controls cannot be eliminated in the short run. However, the long-run effect of controls has been to limit the supply of rental housing, especially for lower-income persons who are recent migrants to the city. It has also led to a neglect of building maintenance which is likely to cause health and safety problems in the near future.

C. LAND SPECULATION AND LAND TAXATION

As a result of rent controls and the lack of sufficient serviced urban land, there has been a significant increase (particularly since 1974) in the cost of vacant land within urban areas. 7/ Chart 1 gives an estimate of land price increases over the period 1966 to 1977. In many areas, prices increased at a rate of 50 percent per annum during the period 1973 to 1975.

CHART 1

Land Prices in Newly Developed
Residential Areas of Cairo, 1966 to 1977



Some of the increase has been due to an influx of Arab investors, initially from Saudi Arabia and Kuwait but more recently from Lebanon. However, the new Foreign Investment Law (Law No. 43 of 1974) prohibits the purchase of vacant land by such foreign Arab investors except when the land is intended for construction. 8/ Since such housing projects are exempt from rent controls, 9/ there have been purchases of land and some construction of luxury housing. It is too early to tell how rapidly other parcels purchased under this law will be utilized for housing. Most of it is likely to be for luxury housing.

The stability and new sense of national confidence since the 1973 War has led wealthy Egyptians to purchase land. There was and is little available in the way of alternative domestic investment at the same rate of return. Land purchases are also attractive because there is an expectation of rapid urban growth from the large amounts of Arab capital that have come to Egypt. In addition, the policy of the 1960s of selling publicly developed land at cost has encouraged purchase by or subsequent resale to speculators. This process can be seen both in New Maadi and Nasr City. In the former area, 75 to 80 percent of the lots are undeveloped, while 50 percent of Nasr City lots are undeveloped. The lack of finance for house building (which can easily be four to six times the cost of the land) coupled with delays (generated because of controls on building materials) have made the process of house building difficult, even without the present economic incentive to hold vacant land.

The incentive to hold land is heightened by the lack of taxes on use or disposal of vacant land, although a proposal has been made for a 2.0 percent annual penal tax on vacant land. The present system of urban land taxation in Egypt is based on the annual rental value of all occupied buildings. The rental value is determined as a function of land and building costs established under the law relating to rent

---

7/ Appendix IV in the appendix volume to this report surveys the history of land prices and the character of land speculation.

8/ Law No. 43 of 1974 concerns Arab and foreign capital investment and free zones. See Article 3 (iii).

9/ Ibid., Article 19.

controls. The tax rate ranges from 10 percent for room rentals of less than LE 3.0 monthly to 40 percent for room rentals of more than LE 10.0 monthly. 10/ This tax has been abated for monthly room rentals of LE 5.0 or less. In addition, there are five additional taxes for national defense, national security, an occupancy fee, a guards fee and a cleaning tax. These taxes are normally paid by the tenant and range from 10.5 percent to 21.0 percent of the room rental value. This is higher than the property rental value tax itself. Finally, a municipal services fee is paid to the governorate which amounts to 2.67 percent of the room rental fee.

These fees are not based on market rental values but on the artificial values used in fixing rents for rent control purposes. Thus, the state does not recover the amount of tax revenue that it would if real market values were used. Legislation under consideration would reduce the tax revenue still further by abating the basic property value tax for room rentals of up to LE 8.0 monthly as well as both the basic property value and additional taxes for all room rentals of LE 5.0 or less monthly.

There is, thus, no tax on holding developed vacant land. The tax is a tax on income rather than a tax on increases in property value or on wealth. In addition, there is no tax on the gain in value of property when it is sold. The only tax that might serve such a tax is a betterment tax with regard to a road improvement. However, a transfer fee for re-registration of the property must be paid, ranging from 3.0 to 7.0 percent of the sales price.

Thus, there is no major incentive to use developed vacant land. The rapid population growth of Cairo and Alexandria indicates that land prices are likely to continue to rise in the near future at a rate of at least 10 percent per annum. This will continue the attractiveness of land speculation, unless steps are taken to control its profitability.

D. AFFORDABLE HOUSING

The concepts of relating the kind and scale of housing provision to the size of income groups and their abilities to

---

10/ Law No. 56 of 1954, as amended by Law No. 129 of 1961. The tax is figured on net income equal to 80 percent of gross rental income. Thus, 20 percent of gross income is allowed as a deduction for expenses.

pay was introduced in the Joint Housing Team Report of June 1976. Until now, the concept of affordability has not been widely used as a basis for housing appraisal or housing policy formation in Egypt.

The theme that ran through the Housing Team Report of 1976 is reflected in this report. The range of needs and the ability to pay for developed land or a dwelling are wide. A starting point for formulation of policy is the definition of the target groups of concern and of their abilities to pay. This should be coupled with a study of the characteristic types of land subdivisions and house types that each group occupies. 11/

The Joint Land Policy Team had little time to work in detail with income figures. However, the 1974/75 Household Expenditures Survey by the Central Agency for Public Mobilization and Statistics (CAPMAS) for urban areas provides a good approximation. That survey is somewhat biased toward higher-income groups, probably as a result of the failure to include in the survey that segment of the urban population which does not hold regular employment or live in permanent dwellings.

As adjusted, and assuming a 30 percent increase between 1974 and 1977 (the same as the rise in the consumer price index), it is estimated that the current median income for urban households is approximately LE 550 per year (See Chapter VI, Section E). This figure may be high, as income is unlikely to have risen as rapidly as the consumer price index, especially since the prices of most wages are relatively constant relative to the fixed prices for food and housing. Thus, LE 500 per year would be a more conservative estimate, and we use it here. However, LE 550 per year may be reasonable for Cairo, as it is likely that the median household income there is greater than elsewhere. Both figures relate well to the interview experience of the Joint Land Policy Team in Cairo and Alexandria. It understates the actual level of living, because of the widespread policy in Egypt of subsidizing food, transport and urban life generally.

Rural median incomes are of the order of 50 percent of those for Cairo and Alexandria. The differences in income and the pattern of subsidies such as urban food, housing, and transport thus provide a strong incentive to migrate toward the cities.

11/ See Appendix III.

Annual Household Income (LE)	Percentage of Households	Percent of Income Available for Housing
300 or less	34	15
300 - 500	17	15
500 - 700	14	15
700 - 900	11	15 - 17
900 - 1,300	14	17 - 20
1,300 and above	10	20

These income ranges must be related to the ability of each particular income group to afford housing, in order to determine the parameters of a housing and land development policy. Working with available data and the experience of the 1976 Joint Housing Team, 12/ it was estimated that the percentage of income available for housing was from 15 percent to 20 percent. 13/ These figures are above amounts actually spent on housing (about 14 percent according to the 1974-75 CAPMAS survey), largely because of the effects of rent control.

Building costs (Table 1) vary from LE 20 per square meter to LE 45 per square meter for well-finished upper-income housing. These figures are calculated from official unit costs which tend to understate the real cost. Thus, most households below an annual median income of LE 500 are not able to afford units larger than 25 to 30 square meters. A substantial number of households are not able to afford units larger than 15 to 20 square meters.

The median household with an income of LE 500 per annum can afford approximately 55 square meters, but many families have incomes below the median. The present economic housing units range in size from 40 to 60 square meters. They can be afforded by low-income families only if they are subsidized. Since it is not profitable for the private sector to build for rental and since government can only provide economic units for a few, the housing supply is far short of the demand.

Affordability has an influence on residential land use. It is noticeable in Cairo that different income groups adopt differing forms of layout, building density, and building

---

12/ See the Introduction section of the 1976 Joint Housing Team Report.

13/ See Appendix XI to this report.

TABLE 1

Official and Market Construction Costs
for Residential Building 1976

(LE per square meter)

	Percent 1/ Housing Budget Allocation	Official 1/ Control Cost 3/	Public 1/ Sector Cost 3/	Private 2/ Sector Cost 3/
Low-Cost Housing	70	8-12	35-40	25-30
Middle-Income Housing	25	12-16	40-45	30-35
Upper-Income Housing	4	16-20	-	35-45
Luxury Housing	1	-	-	50 & over

SOURCES: 1/ Ministry of Housing and Reconstruction. 2/ Interviews with private contractors. 3/ Excludes land costs.

form. 14/ Knowledge of this is important to shaping planning standards and building controls, but it seems evident that no one set of standards will meet the needs of all income groups in Cairo and that economic land standards will form the basis of an affordable housing policy.

14/ See Table 3 in Chapter VI.

Chapter III

PRESENT HOUSING AND LAND USE POLICY

The Government of Egypt's housing objectives and housing programs were reviewed by the Joint Housing Team in 1976. The government's land use objectives are reflected in the development companies' activities (such as those in Nasr City and Maadi) and in development of the Canal towns and new towns. These activities, in a generalized way, reflect the national urban strategy of urban dispersal. While clear in concept, it still has to be worked through in regional level plans.

The basis of housing and planning policy is a knowledge of the people of Egypt and why they live and work in the way they do. This must be coupled with an understanding of the forces making for changes in their way of life and in places of living and work.

A move toward structuring a knowledge base was made through the work of the Joint Housing Team and through debate on its report of June 1976. This structured knowledge, when deepened, will form a base from which a comprehensive housing, settlement, and land use policy can be developed.

A. THE LAND DEVELOPMENT PROCESS

Land development processes are instigated at the national level by government decisions: to expand an existing city (Aswan for example), to redevelop war-damaged cities (as in the Canal Zone), or to establish new towns (as around Cairo). At city and local levels, land development takes place either within the framework of existing law or outside the law.

The MOHR is responsible for a very large reconstruction and development program in the Canal Zone. Master plans have already been prepared for Port Said, Suez, and Ismalia. Work is in progress on a regional plan for the Canal Zone. Other large-scale planning activities include study of road approaches

to the Cairo metropolitan area and study of the coastal area of the western desert from Alexandria to Sidi Barrani and further west. Planning work is at an advanced stage for new towns of El Obour, Sadat City, and 10th of Ramadan City.

Within the existing cities (especially in the Cairo metropolitan area), formal land development is mostly undertaken by public companies and governorates who either develop the land or sell it to housing cooperatives for development. In addition, there are private companies who purchase land and develop it, but this is a rather rare activity. Together, this kind of formal land development, within the processes of the law, occupies about 50 percent of total land development activity. Much of this land when developed lies vacant.

At present, much of the pressure for housing in urban areas is relieved by informal developers. Their activities are useful in a social sense, since they meet the needs of lower-income and middle-income families who otherwise would have no urban housing. But they are anti-social in another sense, because it is easiest to carry out such developments on valuable agricultural land. Most of the housing constructed in the Cairo area is built by private individuals or small contractors, often on illegal subdivisions. Often, the decision to sell or subdivide agricultural land occurs when the land is inherited by children now living in urban areas. These grown children are often trained professionals who have no desire to return to farming. Moreover, increases in the costs of land prices also cause them to subdivide. The economics of the situation make it difficult to avoid such development once agricultural land is included within urban boundaries and is no longer subject to legal restrictions placed upon the use of agricultural land for nonagricultural purposes.

The informal land development process in metropolitan Cairo's fringe areas is facilitated by the practice of financing practiced there. In low-income areas, a down payment of 10 to 20 percent of the cost of the land is paid. The landowner is then paid a small monthly amount until the land is fully paid off. Payment over a long period will result in a larger total payment, as if interest were being charged. The house to be built on the purchased land is often built gradually over a period of years, as money and building materials are accumulated.

15/ See Appendices III and VI.

This informal process works fairly effectively to provide land for sectors of the urban population who otherwise would not be served. Basic utilities of water, sewerage, drainage, and paved roads are often not provided, because much of this kind of development is illegal.

Tacitly, this illegal process has been adopted informally by government as part of the urban development strategy. In Manshiat Nasr, built illegally in a central area of Cairo, the governorate has agreed to provide some utilities.

B. DESERT LANDS

The wider strategy of government that urban development should take place on desert land is not being followed through by planned action around those existing cities that have an agricultural frontier. Unless planned action is taken to develop desert lands with utilities, informal development of agricultural land will continue because of the following:

1. It is possible.

2. The transitional stages, which may cover many years, are very bearable. The house constructors live partially off the rural environment and partially in the newly established urban world. Until government policies and implementation procedures combine to ensure a continuous supply of opened-up desert land for urban purposes, illegal development and transformation of use of agricultural land will continue.

It is presently estimated that approximately 40,000 feddans annually are being changed from agricultural to urban uses. During the period 1952 to 1971 only 908,500 feddans were reclaimed for agricultural use from the desert, despite a formidable effort over those years.

C. THE HOUSING PROGRAM 1977/1978

The current housing program is based upon an estimate of the number of new households requiring housing created annually. The urban population growth of Egypt for FY 1977/1978 is estimated at approximately 620,000 persons (124,000 households), given a present urban population of approximately 16,782,000 and a rate of urban population growth of 3.7 percent per annum. It is generally assumed that 11 to 15 percent of these new households will go to live with relatives. Thus, the net number of new households who will be immediately seeking housing

is about 100,000 households . In addition, it is estimated that approximately 12,000 urban units must be replaced annually. Extensive housing construction is planned for the Canal cities. Thus, actual urban demand in Egypt is probably 150,000 units annually against a government target of 100,000 units for the year.

The housing program includes public-sector economic housing, housing primarily for middle-income groups built by the housing and reconstruction companies, and housing for groups such as standards and industrial workers. In the private sector, the main types include cooperative housing, housing built by Egyptians working overseas, housing built by Arab and foreign investors, and housing built by individuals.

The economic housing program is the key component in government's program. In the past, the units have been let on rentals of LE 1.0 to 2.0 per room, which is a highly subsidized rate. End-use surveys are not available, but occupancy of the units seems to be by upper-lower- and lower-middle-income groups, many of whom are government employees.

The 1977/78 program plans for 34,000 units, of which 7,700 are already under construction. Of this number, 10,000 economic units are proposed for reconstruction areas which together have about four percent of Egypt's existing urban population. The supply rate is, thus, worse outside the reconstruction areas than it first appears. The private sector is envisaged as producing 66,000 units, of which 50,000 are to be cooperative housing, individual housing, and housing purchased by individuals living abroad. In the program, no breakdown is available of the private housing projects by income group, so it is not possible to judge here to what extent low-income groups will be helped.

A Housing Development Fund which will be administered by MOHR has just been established. Its funds will come from a variety of sources for onlending to the cooperatives and to the governorates for economic housing. It is expected that the fund will be financed primarily from the sale of bonds and from government's budget. For 1977, government has allocated LE 15 million and hopes for a further 10 million from the sale of bonds. This budget is not shown as part of the housing program. The operations of this fund will be under the supervision of the Credit Foncier, as proposed by the Joint Housing Team for Finance.

In addition to the policy control mechanisms of the Housing Development Fund and Credit Foncier, there is the system of subdivision permits, building permits, and building materials rationing. The building materials subsidies

contribute to, but are not reflected financially in, the housing program estimates.

The 1977 housing program is ambitious in terms of financial expenditure. The recent regulations issued by the Ministry of Housing -- that set aside 70 percent of public sector housing for households earning less than LE 420 per year for units 45 square meters or less in size and the remaining 30 percent for units of less than 60 square meters for households with LE 600 or less income per year -- show a commendable shift toward ensuring an emphasis on low-income housing. However, the emphasis of the program as a whole is still on middle-income housing, most often financed through the housing cooperatives. In addition, the amount of housing planned is less than projected demand, yet the present cost to government is already very high because of its financing of subsidized economic housing, subsidized house purchase loans, and materials subsidies. Further, there is almost no land development program to assist low-income families in obtaining lots of legally acceptable size at prices they can afford.

The 1977 housing program appears as a public sector expenditure program with physical targets for both the public and private sectors. Its primary usefulness is in public budgeting, since it leaves many areas of action in housing implementation to other sources of control. A housing finance plan is apparently prepared separately. As such, the present housing program presentation offers a poor basis for administration, since it does not allow key financial and administrative control mechanisms to be cross-related.

It is highly desirable for a more comprehensive type of programming to be introduced which would state underlying assumptions, identify key relationships, and integrate the proposed control mechanisms. Such would include the following:

1. The relationship of the program to population and incomes and to specific groups in the population and their abilities to pay for housing.

2. A public and private sector financial plan, showing the specific sources of financing to complete the program. The plan should show current expenditures and incomes as well as new capital expenditures.

3. A land development program.

4. A plan component that gives instructions to the implementing agencies on lot sizing, infrastructure provision, and housing standards. These all should be related to household income levels.

5. The assumptions of how present housing stock is used and an estimate of the overall effect upon existing housing conditions of implementing the proposed program.

6. A section in the financial program to show how low-income groups would finance land purchases and house construction, together with an identification of the sources of financing and the size of the program.

7. An estimate of the building materials required and of the financial program for building materials supply to house builders.

Part Two

THE NEW POLICY FRAMEWORK

Chapter IV

ORGANIZATION OF THE LAND PLANNING PROCESS

The process of land use planning is shaped by government directives, institutional arrangements, devising and implementing appropriate laws and regulations, approval of land development and building proposals, and inspection of development works in the field to ensure that what has been constructed is what was approved. Institutional developments are reviewed later in this report. This chapter discusses planning policy, law and the planning process, and subdivision standards and controls.

A. LAND POLICIES

Land policies stem from the hierarchy of decisions taken at differing planning levels, as listed above and as modified by the special character of the land problem in any particular city. These policies should reflect an understanding of the needs of government, industry, and residential areas. Land policies seek to give direction to the mix of forces that create demands for land.

There are two kinds of demands. One demand is for land to meet community needs. This is basically the outlook associated with government policies. The second demand is for land needed to meet individual needs. This is basically the outlook of those in the real estate market. Because there are these two distinctive demands, neither market forces alone or government decree and administration alone can effectively manage land. A balance of power has to be struck, so that price, location, scale of supply, and timing are all correctly in balance with demand. Ensuring this is a prime objective of land policy.

B. NATIONAL URBAN LAND USE STRATEGY

Since the forces making for growth in Cairo and Alexandria are both historic, modern, and self-reinforcing, implementation at the national level of regional or urban strategy cannot be expected to have much impact on the growth trends in these two cities over the next 10 to 15 years. It will be necessary to prepare development plans for Alexandria and Cairo and to see that they are implemented. These plans could include inducements to move out of Cairo and Alexandria to new areas, by offering lower taxes, higher salaries, and attractive housing of a variety which may not prove feasible or economic for Cairo and Alexandria with their more crowded and expensive residential land.

Alexandria, through its governorate office, is already pursuing development plans which include town expansion schemes to the east and west as well as some to the southwest, contingent on draining sections of Lake Maryut. Since a new urban area will be required in the Alexandria-Damanhur region in time, site prospecting should form an early part of government activity. This should take place first along the desert road going south and southwest of Damanhur.

A possible urban development strategy for Egypt could be linked to a policy for distribution of the newly urbanizing population, along the potential lines of urban growth. At the same time, this could be accomplished so that a maximum amount of agricultural land is maintained in use. This implies that, as far as possible, urban development should be on reclaimed desert land. Where it is desirable for economic purposes to raise the population of agricultural region service towns, an intensive form of development should be practiced which raises densities and the bulk of buildings on individual plots.

The three urbanizing regions of Egypt in order of magnitude and expansion are:

1. The urban corridor from Cairo to Alexandria at the west of the Delta.

2. The Canal towns.

3. Aswan.

Perhaps a further option would be an urban corridor from Cairo to Suez.

The western towns of the Delta, between Cairo and Alexandria, have been diversifying in their economy and have been developing for some time. Their line of growth could be paralleled in future by urban development on the desert lands that lie between the Delta Road and the Desert Road that join the two major cities.

Seen in the national pattern of urban growth, the purposes of new towns proposed around Cairo need to be examined. Currently, they are seen as being a solution to an ever growing Cairo. It is doubtful if this will be so, although they should help establish the greater metropolitan region of Cairo in 20 years time. The new towns are, thus, best seen as related to a national settlement policy of distributing the population more widely. They should, therefore, be appraised for location and impact on employment from this point of view. At present, they appear to be conceived as directly related to the international economy, without roots in local and regional life. Their location on desert lands does not necessarily rule out this latter possibility. A twin city approach might be developed. In this, a new town is established as a twin to an existing cluster of small towns or to a largish center. Then development of the new town could proceed with representation and population movement from this established area.

The Canal towns, if conceived as international industrial and trading bases for Egypt, are not likely to contribute greatly to solving the problem of urban population distribution. Their role is important industrially, and they could also be developed for Arab-world international shopping and tourism.

C. CITY STRATEGIES

Within the frame of reference provided by such a national policy, regional, subregional, and rural/urban balances for distribution of the regional population can be struck. In addition, specific towns suited to intensive or desert expansion can be identified and new town sites can be appraised.

Within national and regional strategies, plans for the control of Cairo and Alexandria can be devised that not only relate to the inner demands of forces working in and on those cities but which also give appropriate weight to the urban role and attractiveness of those cities in the national context. Out of the realization of such a planning context may come a plan for Cairo that permits the existing metropolis to develop in a more controlled way instead of being overwhelmed by in-migration.

D. PLANS AND PLANNING APPROVAL

In general, Egyptian law does not present many obstacles to the public development of urban land. Since the time of the pharaohs, there has been a general prejudice in favor of public ownership or, at least, public control of all land. The Land Rights Act of 1858 and the Agrarian Reform Act of 1952 gave form and impetus to the private ownership of land. But such rights have always been curtailed by the restriction that such lands must be used for socially desirable or public welfare purposes, as required in the present Egyptian Constitution. (See Appendix II) This view is reinforced by the great amount of land controlled by public agencies (including the Ministry of Housing, the governorates, and the Ministry of Awkaf) in urban areas and by the fact that all desert land is state-owned.

It is important to organize the process by which permission is given for land development. There is at present no official system of master plans or any other method of establishing priorities for land development projects, based upon plans for the current and future growth of urban centers in Egypt. Cairo and Alexandria both have had master plans prepared, but they do not have a legal base. Nor is there a system established by which specific land development projects in those cities must be consistent with the plan. Projects and subdivisions are approved on a one-by-one basis that may or may not further the general principles of these plans. No structural plans or zoning regulations have been adopted for specific areas of the city with which such projects could be compared. The preliminary master plans which have been developed for reconstruction of the Canal cities of Port Said, Ismailia, and Suez and for the new cities of 10th of Ramadan and Sadat City should be put on a sound legal basis.

A planning law has been proposed by the Ministry of Housing and Reconstruction which would remedy many present weaknesses in the planning process. This law provides for:

1. Mandatory preparation of urban and rural master plans to guide further development.

2. Regulation and approval of subdivisions, projects, and industrial zones by local district councils, the governor, and the General Organization for Physical Planning. Approval would be based on consistency of the project or subdivision with the master plan.

3. Strong penalties for violations of the above provisions and additional powers to local public authorities to carry out demolition of buildings and to halt nonconforming users, including levy of daily fines for noncompliance.

The detail of this proposed law is found in Appendix VIII. However, its provisions would require the local district council to take into account its surrounding regions in preparing master plans. These plans would have to be approved by the governorate council and the MOHR and would have to be reviewed at a maximum interval of five years. The local council would then be responsible for preparing physical planning projects, specifying land uses, and setting development controls for areas governed by the master plan. These uses should be controlled on a flexible basis. There is no need to strictly zone an entire city, but it would be useful to set restrictions for specific industrial, commercial, and historic zones. Restrictions on particular subdivisions are a more precise method of controlling development than are general and rigid zoning powers.

In this regard, the law gives the governor and local district council other powers to control subdivision development. The local council can reserve agricultural land within an urban area. It can also include lands next to an approved subdivision to be developed by the owner within a set period. If such development does not occur, the land can be expropriated and developed directly under the authority of the local council. In addition, the developer cannot advertise or otherwise deal with his subdivision, unless he has made a financial guarantee regarding provision of public utilities. Approval of the subdivision by the local council must be included in all contracts of sale, rent, or transfer.

With regard to planning, subdivision, and building standards needed to successfully carry out upgrading programs in existing neighborhoods, sites and services projects, and low-cost housing projects, the proposed planning law establishes a good framework within which planning can take place. However, as described above, it should allow for differing standards in different areas to implement such programs as has been done in the new building regulations under Law No. 106 of 1976 which permits the governor to set such differing standards.

The major legal impediments are not in areas related to the execution of land development programs, but rather areas related to rent control, landlord-tenant rights, and land taxation. Law No. 52 of 1969 regarding landlord-tenant relationships and rent control prohibits a landlord from evicting

any tenant, unless he abandons a building, creates a contrary use or nuisance, or does not pay rent when ordered to by a court. Thus, leases are in effect perpetual. It is not easily possible to gradually reduce rent control by restricting length of tenancy in private apartments and, thus, resetting rents by a new lease after a certain number of years. Even if a building is falling down, it is difficult to remove a tenant without a court order, despite provisions requiring building maintenance. Thus, enforcement of existing statutes is as much a problem as any impediments caused by such statutes.

With regard to land taxation, Law No. 56 of 1954 taxes only rental income from buildings and not vacant land itself. In addition, the tax base is eroded by rental values set by rent control. Law No. 222 of 1955 permits governorates to levy a betterment tax. However, in practice the application of this tax has been limited to situations in which land is expropriated to widen a road, when the tax is viewed as a method of collecting money to compensate for such expropriati In addition, the tax is only collected on the sale or transfe of property.

Thus, while legal obstacles remain to the execution of a successful land development program, these obstacles can be overcome by passing the draft planning law and by a broader view of legislation already enacted as well as more rigorous enforcement. Administration and enforcement are often more difficult than passing legislation, but they are a critical factor to the successful implementation of such a program.

The new planning law would offer a comprehensive base for planning and implementation. It should be passed immediately, as the first step toward developing a coherent approac to land development.

E. SUBDIVISIONS AND BUILDING STANDARDS

In addition to an adequate planning framework, there is need to revise present subdivision and building construction standards to permit flexibility in meeting the needs of diffe ent income groups. A range of subdivision standards, for example, would allow upgrading of present low-income areas to sufficient health and safety standards at a lower cost than is required to meet present subdivision standards under Law No. 52 of 1940. It would allow the governorate to upgrade new subdivisions that do not meet minimum requirements and then to charge the cost of the infrastructure provided to

the owner/developer. In addition, it would make possible the upgrading of existing densely populated areas of Cairo, such as the Citadel or Boulaq, where such standards of lot coverage and minimum street width are not currently being met. Such areas could be provided with improved sewerage or drainage facilities or street paving -- all of which would improve them greatly but which would probably not bring them up to the existing subdivision standards. If a wider range of subdivision standards could be afforded, there would not then be the need for sporadic legislation (such as Law No. 29 of 1966) to legalize previously illegal subdivisions.

Lower subdivision standards for specific areas would also allow greater flexibility for sites and services projects. These would provide land with a minimum level of public services to low-income families for low-income housing projects in which lot sizes might be as small as 40 square meters, with a house coverage of 70 to 80 percent. Such lot sizes and coverages would begin to reach the level of housing that could be afforded by households with yearly incomes of approximately LE 300.

On the other hand, a wider ranging set of subdivision standards would better allow an upper-income area, such as Zamalek in Cairo, to maintain its standards. The present subdivision standards are too high for low-income areas and too low for high-income areas. The rigidity of one standard leads to many illegal (and thus unplanned) subdivisions and to a failure to maintain existing standards.

We recommend that a wider range of standards be prepared by the Ministry of Housing and Reconstruction, in coordination with the Governorates of Cairo, Giza and Qaliubiyah. As a legal basis for standards to differ for separate areas of a city and between cities, it is recommended that Section 10 of the proposed planning law be amended to read as follows:

> Section 10. Detailed regulations of this law shall set regulations and standards for subdivisions. These standards may differ for different cities and for different areas of the same city, based upon present and proposed land use, character of the population, socioeconomic conditions and public welfare considerations. However, all such standards must meet minimum requirements for health and safety.

Such a specific change would completely clarify the ability to set such different standards under the proposed planning law. However, such standards appear to be already allowed by Article 41 which allows exemption f r a town or

part of a town for furtherance of the public interest or in consideration of local circumstances and development circumstances.

Standards covering a wide range of possibilities should also be set for building construction, especially with regard to types of materials used, internal height between stories, and maximum height restrictions. Such standards can be designed in such a way as to make it difficult to construct low-income housing at reasonable cost. More emphasis on standards for low-income areas should be placed on the availability of sufficient lighting, water, drainage and sewerage than on the exact way in which such services are delivered.

The new building regulations for Law No. 109 of 1976 which were recently promulgated permit governors to set standards for buildings for specified areas which are different from the model standards. Efforts must now be made to develop such specific standards and then get them accepted for specific projects.

Chapter V

LAND SPECULATION AND LAND TAXATION

The earlier chapter identified who buys urban land and why. Increases in vacant, urban land prices occur because of purchases by two kinds of persons: 1) those intending to build or resell later to make a profit; and 2) land speculators.

Urban land speculation in Egypt occurs at two stages in the process of land supply: 1) speculation on undeveloped land; and 2) speculation on developed land. While the former may serve some economic purpose, the latter can result in underutilization of infrastructure, undersupply of plots upon which to build, and consequent inefficiency and personal hardship.

Speculation basically results from the purchaser's appraisal of three economic variables: 1) rate of return to capital from opportunities available elsewhere; 2) expected increase in land value related to population and economic growth; and 3) land ownership patterns. The speculator will attempt to hold land as long as expected increases yield a greater return than capital invested elsewhere. In Egypt, housing bonds are to be offered with yield rates of 6.0 percent per annum. The Joint Land Policy Team believes this may represent the lower limit of acceptable return on a sure investment. The acceptable rate of return to a land speculator who faces considerable uncertainty may be of the order of 10 percent per year.

Not all persons withholding land from the market may do so for entirely economic reasons. A farmer, for instance, may keep his land instead of selling it, because he knows no other livelihood. Or, he may be unable to sell it because of tenant farmers. Another may buy a developed lot as a means of "banking" savings, even though he does not expect a high rate of return. Nevertheless, increases in land value do act as a signal that ultimately helps decide land uses.

A. URBAN LAND TAXATION

All forms of urban land taxation (except the rental value tax) have their basis in the concept that increases in urban land value can occur as a result of public or private action, rather than by the owner. Thus, these increases can be taxed to yield income to the government without denying the owner his income or without greatly affecting the economic allocation of land resources. Another conceptual basis for urban land taxes is that they are taxes upon wealth, income, or potential income. Urban property taxes can usefully encourage desirable land use patterns and discourage massive urban land speculation.

1. The Present System

The present system of urban land taxation is based upon the annual rental value of all occupied buildings. The rental value is determined as a function of land and building costs under the rent control policy. There is no annual tax upon vacant land, although a two percent annual penal tax on vacant land has now been proposed. The present form of tax is a part of the British legacy of administration and finance. As such, it is conceived more as a tax on income rather than a tax on increases in property value or on wealth. The tax is levied on the same basis for all occupied buildings, whether rented or not.

2. Recommendations for the Long-Range Future

It would be desirable to adopt a tax with more relationship to land value than to buildings that would be applied to vacant as well as built land. In broad terms, this would be a deterrent to land speculation which (combined with a tax on capital gains from the sale of real property) could be very effective in increasing the supply of land and in generating revenues. The tax should more directly involve the landlord and should be less of a deterrent to improvements. There are a number of different taxes that could be considered, including the following:

1. A property tax based on current market values of land and buildings.

2. A site value tax based on market values of land, regardless of whether there is building or not.

3. An incremental site value tax based on increases in land value.

4. A betterment fee based on increases in land value related to specific public projects and levied on administrative districts to be set separately for each project.

5. A vacant land tax such as that now proposed.

Each of these is described in Appendix V. The key point for present policy is that none except the second and the last can be implemented until an easing of rent control permits an adequate return to the landlord from both land and buildings. When this is achieved, there will be some surplus that can be taxed, whereas at present there is little to tax.

3. Early Action Recommendations

From the standpoint of land use control and based upon what is known about the overall taxation system in Egypt, the objectives of government, and administrative capabilities that exist, the Joint Land Policy Team recommends the following for immediate action:

1. A site value tax to be assessed (say) every two or three years. A simple method of assessment should be used, such as land value contours 16/ with simple formulas to relate values for specific pieces of land to the general contours. Such a tax would be heavy on properties with a high ratio of land value to building value, i.e., luxury housing, central commercial properties, and vacant land. The disadvantage would be that, in order to capture sufficient revenues, it could place a heavy burden on property owners who do not have income-producing properties.

2. If the site value tax is not accepted, a property value tax is recommended. The rate should be higher on the value of land than on the value of the building. The basis for assessment should be market value rather than construction cost. This, too, would ease the burden on high land-value properties. It is closer to the existing tax. It would

---

16/ A concept developed here by analogy with mapping heights of land in which one maps land values instead.

require assessment of both buildings and land, while the site value tax would require assessment of land only.

3. A capital gains tax to be imposed on the sale of real property is also recommended. 17/ This tax can be imposed immediately along with a moderate tax on land value (either a site value tax or a property value tax). It could be instituted quickly with relatively little administrative effort.

4. Capital Gains Tax

A tax on capital gains from sale of real property would be very effective in discouraging future speculation. Its advantage is that it requires little or no assessment, since it is charged at the time land is sold. Its disadvantage is that it is not collected until after the sale, thus reducing revenues. Such a tax is strongly recommended for Egypt. It would be compatible with either a property capital value or site value tax or with other proposed property taxes. It could, therefore, be a permanent feature of the Egyptian land taxation system. A reduced rate could be charged for increases in value as a result of building on them. This would encourage building while discouraging land speculation.

5. Vacant Land Tax

A tax on vacant land would be less clearly effective. Such a tax, to have any substantial impact, would have to be set at 3.0 to 4.0 percent of land value, or even higher. Thus, the effect of the proposed two percent annual penal tax on vacant land is uncertain. Also, it would have to be assessed regularly (say, every two years) at those rates in order to keep the actual rate close to the stated rate. Furthermore, it would have to reflect locational value accurately. A tax on land in Old Maadi would have to be substantially higher than a tax on land in New Maadi, in order to discourage speculation in the former where land values are much higher and possibly rising more rapidly.

The administrative effort involved is considerable. A vacant land tax requires delineation of developed areas, identification of vacant parcels in both legally subdivided and

---

17/ See Appendix V.

illegally developed areas, rigorous valuation, and frequent reassessment. Also, the tax could be easily evaded: the landowner need only build a watchman's shelter in order to argue that the land is not vacant. Furthermore, he can argue that he is unable to obtain building meterials or that he is saving in order to begin construction. It has been proposed that the tax be varied, depending on the number of stories built. This, however, would reqire setting norms for all properties and then assessing the status of each property with respect to them. Presumably, the tax would be levied only against unoccupied land or buildings. It could be evaded, too, by merely assigning a watchman to live in the building, regardless of the number of floors.

Based on the considerations above, it is recommended that the method of assessing vacant land, the frequency of assessment, the tax yield, and the economic impacts be weighed against each other. The level of administrative effort should then be considered. The tax should be implemented only if the effective rate can be set high enough to influence building decisions and only if the level of administrative effort can be kept sufficiently low. Such taxes have seldom been proved easy to administer. 18/

B. RENT CONTROL MODIFICATIONS

1. The Present System

Rent control was conceived during World War II as a means of reducing housing costs for lower-income people, by reducing but not entirely eliminating the landlord's profits. Rent control may have been thought of as a temporary measure, but it has now been thoroughly institutionalized.

The net effect of rent control has been to make it increasingly difficult for a middle-income landlord who wishes to remain honest to invest in housing. Many are driven to illegal actions, but even so the overall supply of middle-income rental housing appears to be decreasing. A few fortunate tenants benefit from the situation, but most are forced either to double-up in existing housing, or (if they are able)

18/ See Appendix V.

to buy a lot and build their own housing -- which may have been one factor in recent land price increases in Cairo. There may still exist landlords who would be willing to invest in new rental housing, but it will take a relaxation of the present regulations and assurances of a realistic, workable policy in the future to encourage them to act.

An undesirable economic effect of rent control which must be balanced against rent reductions to tenants is that it encourages less than economic land use patterns. The benefited tenant receives more space in a better location while many households receive less space in poorer locations.

Rent control often has its origins in the observation that a landlord is able to charge a high price for an older apartment which has long since been fully paid for, because of its location and longevity. Thus, he is receiving income in excess of his current effort. This excess can be reduced or eliminated, however, by a combination of land value taxation, betterment fees, and capital gains taxation. These would also increase the public revenues and allow improved services. Such a policy would, in the wider urban context, reduce land prices and encourage more economic uses of land -- which would in the long run result in decreased rental rates.

If such a long-run policy is adopted, it is still possible that landlords could charge monopoly rates for rental units in key high-demand areas. This could be regulated by rent control, if it were decided to be worth the administrative effort. In such a case, rents would be set to provide an acceptable rate of return, based on construction, maintenance, and operation costs, plus current (not initial) land values. This would result in more economic land use, a viable private rental sector, and protection to tenants against exorbitant rates.

2. Recommendations on Rent Control

It is recommended that, over the long run, rent control should be either eliminated or changed in concept. The questions to be addressed are which strategy will enable a transition to take place and which policy will guide immediate action projects. The following policy on rent control was suggested in the June 1976 Joint Housing Team report:

> "We believe that rent control should be abolished on any new construction below 90 square meters to encourage more private initiative in this area. Present rent controls should be revised so that

the actual rents paid relate to monthly incomes to avoid unnecessary subsidies."

Within this overall direction, the options identified by the Joint Land Policy Team are described below:

1. Gradual decontrol of all units, to a level providing economic return, in a period of 10 to 15 years.

2. Exemption from controls, either of all new units or of new units built in selected areas, and gradual decontrol of existing units.

The latter would achieve a more rapid decontrol of the total stock. It would also encourage a revival of private sector building as well as more rapid utilization of newly developed vacant land. It would, unless applied to individual dwelling units, result in a halt to new additions to existing rental units. It would, if vigorously enforced, be more difficult to administer than the former, since owners of buildings would attempt to evade rent control by claiming a later completion date.

The former could best be achieved by making the rental rates for each structure subject to review at periodic intervals (say two to four years) and by basing them on the economic criteria described earlier. Thus, both the tenant and landlord would know when the review would occur and its basis. They would be able to plan accordingly. A structure-by-structure periodic review could result in tenant strikes or strong tenant influence in bargaining. The alternative would be periodic reviews for each tenant, at different times based upon initial occupancy. This would be more complex to administer but would perhaps be more effective in approaching economic rents.

It is not recommended that a unit be decontrolled on completion of a tenant's occupancy. This was attempted in England and resulted in the landlords attempting to evict tenants in order to get a new tenant at a higher, uncontrolled rate.

Decontrol of the existing dwellings will be difficult. One method would be to decontrol parts of a city sequentially, based on the age of the building. However, all such policies are difficult to implement. The present policy of gradual changes, such as the increase in the rates of return upon which rents are based and the percentage of cost of improvements which can be given as a rent increase, are steps in the right direction. Gradual, but steady, progress is the proper approach.

Chapter VI

THE LAND DEVELOPMENT AGENCY

The major recommendation of the Joint Land Policy Team for immediate action is that a Land Development Agency (LDA) be established specifically for carrying out a government program to ensure an adequate supply of serviced urban land. The agency would be responsible for coordinating the land development process which is currently carried out ad hoc by governorates, public sector development companies, private individuals, and national government ministries, particularly the Ministry of Housing and the Ministry of Awkaf.

A. FUNCTIONS

Such a Land Development Agency would have three major functions:

1. To acquire land by purchase, gift, exchange, expropriation or by allocation from the government.

2. To order development of land or to develop it itself.

3. To sell or lease developed plots. (If plots are leased, the agency would be responsible for their administration and for enforcing building and other restrictions placed on the plots.)

B. INSTITUTIONAL STRUCTURE

The agency could function either as a general organization under the Ministry of Housing and Reconstruction (MOHR) or as a semiautonomous, public corporation controlled by the government. The choice of a semiautonomous body has been favored in other countries for their land development agencies because semiautonomy allows greater emphasis on self-financing

and financial independence after an initial contribution of capital from the government. 19/

A semiautonomous land agency in Egypt would be independent enough to be secretive in its land purchase activities. It could pay wages high enough to attract appropriate staff and avoid some restrictions concerning government employment. Further, semiautonomy would make it easier to include representation from interested parties outside MOHR (such as the Ministries of Planning, Local Administration, and Awkaf) as members of its Board of Directors. However, present law and regulations greatly restrict use of profit by public-sector companies. Companies are not allowed to keep such funds, even if they are destined for making capital improvements to the business. Almost all such funds must be returned to the national treasury annually. 20/ For that reason, it is desirable, at present, for the LDA to operate as a government agency (General Organization for Land Development) that would function directly under the proposed Deputy Minister to overview work of the Departments of Planning, Land Development, and Housing Design.

The General Organization for Land Development would be responsible for development of serviced urban land and its subsequent sale or lease to individuals, corporations, or government agencies. The policy regarding its operations would be set by MOHR and coordinated with policies of the General Organization for Physical Planning and the Department of State Land. For efficient operation, the Organization would have three or more branches: one in Cairo and Alexandria and one or more for the rest of the country (as is the present organizational framework for the water supply authority). These branches would be responsible to the governor where the project is located as well as to the Minister of Housing. They would carry out or administer land development within their jurisdictions.

19/ In Sweden, land banking is undertaken by semiautonomous municipal land banking companies (Strada). Also see the Karachi Development Authority in Pakistan and the New York State Urban Development Corporation. A general discussion of this issue is found in the PADCO publication, Guidelines for Establishing and Administering Land Development Agencies in the Developing Countries, that was published in 1973.

20/ There has been some discussion in government circles that this ruling should be amended to allow agencies to build up capital.

Under the present law regarding local government and administration (Law No. 52 of 1975), the governorate has primary responsibility over land, expropriation of land, urban planning, and public utilities projects. 21/ Thus, any national project must receive the governor's approval and be coordinated with local projects financed by the governorate itself.

C. EXECUTION

Execution of the functions identified above would not require new legal authority for the Ministry of Housing and Reconstruction (MOHR).

1. Acquisition of Land

Land acquisition is not a major problem. The government owns 97 percent of the land area that is desert and otherwise uncultivated. (See Appendix II) It also owns either itself or thorugh the Ministry of Awkaf a large proportion of urban land.

MOHR presently has the authority to expropriate land, although this authority has been delegated to the governorates. Land can be expropriated for public services (such as road widening) and also for redevelopment of an area (Law No. 27 of 1956). Under that law, land can be designated for redevelopment, but its expropriation value must be set within two years of the decision to expropriate. 22/ The definition of public welfare used under this statute and under the general expropriation statute (Law No. 577 of 1954) is broad enough to encompass any type of project or land development purpose, as long as adequate compensation is paid as required under the Egyptian Constitution. 23/

21/ See especially, Articles 13(3) and 36 (Second)(c) and also Law No. 549 of 1976 permitting governorates to sell publicly-owned land to public sector companies and to other entities serving public purposes.

22/ Article 10.

23/ Artlcle 34 of the present Egyptian Constitution states that expropriation of private land must be for public utility purposes compensated in accordance with the law.

The power of formal expropriation should probably remain with the governorates, although money to pay compensation for such takings might come, in whole or in part, from the General Organization for Land Development. However, the LDA should specifically be given authority to purchase land and should be allocated state-owned land by the Department of State Lands. Such authority might require new legislation. This authority would allow the Organization flexibility to hold land for future development (in perhaps 10 to 20 years) and, thus, to help stabilize the price of land by developing land and releasing it to the market as necessary to relieve speculation pressures. If the LDA can purchase land quietly without a formal process of expropriation, it may be able to avoid raising present land prices still further.

2. Land Development

The General Organization for Land Development would be responsible for control of land, during the entire development process, with sales or leases to individuals, public sector companies, or private companies only when land is developed. Thus, the value accrued through development would return to the public, specifically to the Land Development Fund, to be used for further development projects.

The LDA would be responsible for planning and subdividing land in coordination with the Department of Housing and Public Utilities in the governorate concerned. As is generally the case, it would be responsible for preparing subdivisions into plots and laying roads, footpaths, and public areas. It would also be responsible for internal distribution within the subdivision of water supply, sewerage, drainage, street lighting, and other public utilities. To counter delays in developing serviced land, it should be given authority to provide funds for major extensions of water, sewerage, drainage, and electricity to areas being developed, when the funds for such extensions cannot be provided from the particular governorate's budget. However, such use of funding should be restricted to rare cases. In general, the areas to be developed should be coordinated with the governorate's plans for provision of municipal services.

The actual work of land development would generally be contracted out either to a public sector development company or to a private development company. However, the LDA must maintain the flexibility to step in and change contractors as required to complete the development process as efficiently as possible.

3. Sale or Lease of Developed Plots

There are advantages to both the sale and lease of developed plots. Sale would bring a greater immediate amount of revenue to the Land Development Fund for future projects. It would lessen problems of land administration by reducing the need to collect money monthly. It would be a more straightforward method of providing land to public sector development companies or private companies for construction of housing developments. This seems in accord with the desire of the average Egyptian to own land and a building as soon as this is within his financial means.

On the other hand, it is necessary to review the case for leasing. Leasing plots preserves the development value of the land for the government. It is not necessary to expropriate the land later if it is needed for another use. It is possible to write a restriction directly into a lease to permit government to take the land back without court proceedings, if building has not occurred within a specific amount of time (for example, three years). An individual can be stopped from holding vacant land for speculative purposes. However, leasing does require an elaborate administrative structure for collecting rents and enforcing restrictions contained in the leaseholds. This being so, land speculation is as effectively stopped through taxation of vacant land. A right of first refusal on the sale of land can be as effective as a leasehold restriction in compelling a person to build. Moreover, in other countries leaseholds have been found to have weaknesses as means of controlling land development. During the latter part of a leasehold period, renters will not make improvements in dwellings because they fear that their lease may not be renewed. 24/ If leases are automatically renewed or made perpetual, political pressures lead to rents rarely being set at

---

24/ See data from Netherlands and Sweden, the two European countries with the most experience in long-term leasing of publicly developed land. In the Netherlands, the original system, begun in 1896, was to provide leases for 75 years, after which the property would revert to public ownership. In 1915 this system was changed to a system of leases in perpetuity with rent revisions every five years. This change was made when tenants were found to be neglecting maintenance, repair and improvement of their plots. In Sweden leases are for 60 years, but are almost automatically renewed for successive periods of 40 years. Ground rents are revised every 10 years. This system was developed in response to agitation that these leases should not be allowed to expire when the result was ground rents rising as much as 1,000 percent.

market values. 25/ Thus, sale of land, with restrictions on its later use, would appear to be preferable to long-term leaseholds.

The sale of state-owned lands presents a conflict with the local government law (Law No. 52 of 1975) granting revenues from such sales to the governorate. Article 36 of that statute grants half the sales price of buildings or lands destined for building purposes owned by the state and located within urban municipal boundaries. 26/ This provision was meant to give assistance to governorate budgets. However, it would make it difficult to carry out the LDA's work program under discussion. Long-term leaseholds might be one answer to this problem. But a better solution would be an agreement with the governorates that the 50 percent destined for its treasury would be used for land development within its boundaries or that some portion, perhaps up to 25 percent, would go to the governorate treasury with the rest spent on local development projects. There would seem to be no conflict between the Land Development Fund and the governorate about the desirability of orderly land development, so an agreement of this nature should be possible.

D. TARGET GROUPS

It is proposed that the LDA deal solely in land, leaving all housing construction (except perhaps construction of a site office or other special units) to other public agencies, housing companies, and individuals. Thus, it can become specialized in the task of land development and can establish the necessary expertise and capital to develop land on a large scale, while leaving the task of housing construction to agencies better able to respond to housing needs of individual

---

25/ In Sweden ground rents are set only every 10 years by a rather complicated formula of from 4.0 to 8.0 percent of value. This rate is meant to indicate only the interest rate at which the local government was able to borrow for land acquisition. This value becomes negative quickly during the 10-year period, even if the inflation rate remains at the current level. In the Netherlands ground rents are 4.0 to 6.0 percent of the purchase value, revised every five years to account for increases in general price levels. Again, inflation is likely to be greater than that amount, and the lag factor exentuates that problem.

26/ Article 3b(Second)(3).

users. The LDA would provide developed land to both public and private users.

1. Public Land Users

The LDA would work in close coordination with other agencies of government to identify their land requirements and assure timely delivery of land in sizes and locations required. Chief among these would be the governorates which implement most of the economic housing program. The LDA would also work with the line agencies of government at all levels to meet their land requirements for such things as government buildings, schools, colleges, civil servants' housing, etc. Land required for public facilities, easements, and roads would also be deeded over to the appropriate government agency at disposition of the remaining parcels to private developers.

The LDA should charge other public agencies market rates for the developed land provided. Even though this represents an intergovernmental transfer, it should be a regular cash transaction because of LDA financing requirements. Anything less than full market rates would lead to decapitalization of the LDA. In the case of lands for public facilities to serve private residential development, the costs of land would be passed on to the private parties and the land dedicated to public purposes without cost.

One advantage of the LDA performing all public-use land-development functions is the efficiency and expertise which the LDA should bring to the task coupled with the advantage of working out of the land bank. The other agencies, relieved of the land acquisition and preparation function, should benefit by being able to concentrate on their special programs. It is, of course, essential for the LDA to be developed to the point that it can meet land requirements of other public users on a timely basis, before it can take responsibility for these functions. It will not be possible to do this immediately after formation of the LDA.

2. Private Sector Land Users

The LDA should provide land to private sector land users for both residential and nonresidential purposes, according to overall development plans. It is through these sales or leases that the LDA can achieve the objective of controlling land speculation. A policy decision will determine methods whereby the LDA meets these needs. They can either make direct sales or leases to individuals or to residential construction

companies. These could build housing on speculation for sale. This technique has been successfully used by the Karachi Development Authority in Pakistan.

Probable purchasers include the cooperatives, the smaller housing companies, private building organizations, and individuals. It is likely that the program will initially involve both direct sales or leases of fully developed lots to individuals as well as sale of areas for internal development and house building to cooperatives and companies. In the latter case, the LDA would become a wholesaler of land, while the retailing would be left to others.

It will be necessary for the LDA to maintain a constant market analysis for guiding its land development activities in response to real market demand. The plot layouts, sizes, and standards of infrastructure must all be considered by the LDA. The ability of the LDA to respond to the needs of various income groups, through variety in plot types and prices, will in large measure determine the success of its undertaking.

The LDA should also provide plots for nonresidential uses, such as industry and commerce. These plots should be integrated into overall physical planning to ensure balanced development. For the most part, nonresidential plots should be auctioned. But, in some cases, negotiated sales or leases will be appropriate when it is important for a particular kind of development to take place in support of overall planned objectives.

Sales or leases to private sector users should be oriented to generating surpluses for the LDA. Its success will depend on the LDA's ability to compete in the private sector market to achieve financially profitable operations. Failure at this point will doom the LDA. If it is possible to generate surpluses from sale of lots to private sector users, these can finance and cross-subsidize lots for low-income land users.

3. Low-Income Users

The low-income land users will constitute the largest group for which land should be developed. They require substantial administrative attention. This group has less access to adequately developed urban land at present, yet it makes up a majority of the urban population. Low-income land users include both individual builders and small landlord-builders who build housing for rent. Often, such a person will own two or three small residential apartment buildings. After he has constructed an initial unit for himself, an individual might

decide to rent a room or add an additional floor. For such users, the LDA can provide developed lots ready for building. But standards for streets, lot sizes, and infrastructure should be such that lot costs can be recovered from users without undue financial hardship. This means, initially, very small lots (say, of the order of 40 square meters) with residential unsurfaced streets. Also, infrastructure may be improved incrementally, as the ability to pay of the residents permits. For example, community water taps may be installed which can later be converted to house-to-house connections. In such cases, it may be possible to utilize labor provided by the community, to reduce costs and accelerate improvement. Small neighborhood cooperatives could be particularly effective in this way.

Most low-income land users will organize building themselves and will build incrementally, as their finances permit. They may contribute their own labor to all or part of the building effort. For the most part, building conditions in Egypt do not appear to be difficult, and there appears to be substantial knowledge of building techniques in low-income communities. However, observation also shows that many three- and four-story units have been built with inadequate reinforcement and that in Alexandria units tilt because of inadequate foundations on poor subsoils.

It will be necessary to consider how assistance can be provided to achieve better quality as well as the administrative controls that are appropriate. There are many possibilities to consider before a program can be recommended. Those with which the Joint Land Policy Team has had experience include provision of advisers on house building at subdivision sites; construction of on-site demonstration units; construction by the LDA or an appropriate building company of the foundation and a first-story reinforced concrete frame to ensure a sound structure; adoption of a strategy of leasing lots with an option to buy, but requiring construction to minimal acceptable standards of a first-story unit as a condition of the sale; and establishment of easily understood building codes which relate material use and design to the size and character of the structure.

In addition to help in house building and community organization, it is likely that most low-income land users will need financial assistance for house building, land purchase, or both. Land around Cairo, for example, may cost of the order of LE 10 per square meter with a very low level of development. A 60 square meter lot would, then, cost LE 600 -- three months' salary for a low-income worker and as much as eight years' savings. One effective way to finance land purchase is to lease land with an option to buy once building has reached a certain stage.

This, however, has the disadvantage for the LDA of reducing the immediate cash return. Another option would be for the LDA to establish savings accounts which could be used for lot purchases. Perhaps the best method, however, would be to provide a small loan to all land purchasers for part of the cost of the lot and for (say) the cost of materials for a first story. The amount of the loan could be related to the size of the lot and to building costs. Suitable administrative restrictions could be put on the program, to prevent use by higher-income groups who are able to obtain loans through other channels. The program could be administered by the Crédit Foncier or possibly by the Housing Development Fund, but it would require a separate administrative unit to be responsive to low-income recipients and to ensure overall financial viability. The Joint Housing and Community Upgrading Team has explored a number of these alternatives in its report.

E. LOT SIZE AND COVERAGE STANDARDS

For various districts in Cairo and other urban areas, there are minimum residential lot size and coverage ratio standards as well as standards governing street widths and areas. In Maadi, for instance, the minimum lot size is 350 square meters with a maximum lot coverage of 50 percent. For all subdivisions in Cairo, the minimum area for public uses is 33 percent of the total area. The purpose of these regulations is, presumably, to encourage high-quality structures with a long economic lifetime as well as to create an attractive neighborhood. They also raise the costs of housing and preclude viable housing options for lower- and, in some cases, middle-income groups.

There are available at present no end-user surveys that would shed light on occupancy patterns and income levels in various types of housing. The Joint Land Policy Team did, however, make informal field visits to various low-income areas. It conducted interviews with Egyptian officials, landlords, builders, and other persons knowledgeable about housing. Based on this information, estimates on expenditures for housing, and costs of land and housing presented earlier, it has been possible to construct a table (Table 2) showing incomes required to occupy a rental unit constructed on lots of different sizes to different standards. The estimates are based on an assumption that a four-story housing unit will be constructed in each case. If the number of stories is less, land costs will be a larger percentage of the total and (even though building costs may decrease slightly) unit costs will increase as the income required increases.

TABLE 2

Household Income Required For
Different Rental Unit Options

Lot Size (m2)	Building Coverage as Percent of Lot Size	Residential Coverage as Percent of Subdivision	Household Income Required to Rent (LE/Year)
350	50	34	2,010 - 3,015
250	60	34	1,450 - 2,200
150	100	30	
2 units			1,000 - 1,576
4 units			575 - 960
60	100	25	
1 unit			615 - 1,075
2 units			310 - 540

SOURCE: PADCO estimates.

Thus, the maximum lot size likely to be feasible within an unsubsidized housing program designed for the population group below LE 600 per year is about 150 square meters. There can be expected to be a large demand for lots of 100 square meters and 40 to 60 square meters, based on the income levels of potential housing occupants in each area and on the types of housing they can build. The mix of lot sizes appropriate within any project or development area will be different, depending on the objectives of the project, on the income levels to be served, and on the types of housing expected to be constructed.

Table 2 illustrates that most projects should have a substantial number of small lots (approximately 60 square meters) and that many should have a majority of such plots. The team has seen quite adequate three-story houses, constructed on 60 square meter lots in Cairo, which are similar in size and dimension to American or European townhouses. It is believed that such housing can have a long life, if the streets and public spaces are well planned and if infrastructure and services are adequately provided.

A properly organized residential district survey should be undertaken to perfect the selection of economic lot sizes. The results could form a basis for standards that permit appropriate lot sizes and building coverages for varying income groups. If the average lot size is increased, it will be possible to develop the same physical area of land. But underutilization of the land developed may occur with a smaller number of persons, particularly low-income persons, being accommodated in housing built. (See Table 3)

F. A DRAFT URBAN LAND DEVELOPMENT PROGRAM

An early responsibility of the chairman or director of the LDA would be to prepare an urban land development program for Egyptian towns and cities. This should be structured within the framework of the national physical plan for distribution of urban populations, regional plans, and plans for controlled growth of specific cities.

While the program would consider needs of all sections and income groups, it would have a special focus on the needs of lower-income groups. The urban growth prospects of Egypt are presented elsewhere in this report. 27/ In brief, it is expected that the total urban population of Egypt will be approximately 42,000,000 by the year 2000, compared to 16,800,000 in 1976. The population of Cairo may be of the order of 18 to 22 million, even if Canal towns, satellite, and new towns are developed vigorously. Substantial increases in income would accompany urban population growth. This will lead to a demand for new suburban and urban locations. Income growth itself becomes a potential source of revenue for the proposed land development program.

To prepare a program, further assumptions have to be made. In practice, certain of these assumptions will be the responsibility of other ministries. However, in order to demonstrate the basic programming structure, a sequence of assumptions is presented here.

Income forecasts for the urban areas of Egypt are presented in Table 4. It is assumed that the national GDP growth rate in urban areas will be equal to the national average and

---

27/ Chapter I.

TABLE 3

Lot Sizes, Coverages, Densities and Costs

Size of Lot (Square Meters)	Building Coverage on Lot (Percent)	Units Per Floor	Persons Per Unit	Residential Coverage as (Percent of Subdivision)	Gross Density 1/	Cost Per Square Meter 2/	Cost Per Unit (LE)	Income Required (LE)
350	50	2	5	66	317	60-90	5,250-7,875	2,010-3,015
250	60	2	5	66	443	50-76	3,783-5,750	1,450-2,200
150	100	2	6	70	941	35-55	2,625-4,125	1,000-1,576
150	100	4	7	70	2,195	30-50	1,125-1,875	575-960
60	100	1	7	75	1,470	20-35	1,200-2,100	615-1,075
60	100	2	8	75	3,360	20-35	600-1,050	310-540

NOTES: 1/ Persons per feddan at four floors per building; if the number of stories is less, the land costs per square meter of floor area will be higher. 2/ Includes building and land costs.

SOURCE: PADCO analysis

TABLE 4

Estimated Household Income
in Urban Areas of Egypt
1977 to 1982

(LE per year)	1977 Percent of Households	1977 Number of Households (000)	1982 Percent of Households	1982 Number of Households (000)	Change in Number of Households (000)
0-300	34.0	1,143	28.0	1,129	-14
300-500	17.0	571	13.9	561	-10
500-700	14.0	470	14.4	580	+110
700-900	11.0	370	11.0	443	+73
900-1,300	14.0	470	14.7	592	+122
1,300 and above	10.0	336	18.0	725	+389
Total	100.0	3,360	100.0	4,030	+670
Mean Household Income	LE 500		LE 610		

ASSUMPTIONS:

1) The average household size in urban areas is approximately 5.0.

2) Total population in urban areas was approximately 16,800,000 persons in 1976 and will be approximately 20,150,000 persons in 1982, given the present urban growth rate of approximately 3.7 percent annually.

3) Changes in percentages of households in each income group assume an increase in per capita income of 4.0 percent annually or 21.67 percent over the period 1977 to 1982 and an equal distribution of incomes and income increases within a specific income range.

4) The percentages of the households in each income category for 1977 are taken from the figures used by the Joint Housing and Community Upgrading Team, for purposes of consistency.

SOURCE: PADCO analysis.

that per capita income growth will lag behind per capita GDP growth by two years. Thus per capita income growth is estimated at four percent annually for the five-year period, 1977 to 1982. The mean household income is estimated to rise from LE 500 in 1977 to LE 610 in 1982. It has been further assumed that income will increase at the same annual rate for all sections of the population. This assumption may over-estimate income at the lowest and highest ranges. The lowest range consists of many transients and temporary and unskilled workers who are less likely to see their incomes rise. The highest-income groups may have a smaller proportionate rise if national policies emphasize income redistribution from higher-income to lower-income groups. However, such policies, even if implemented, are unlikely to show much result in the short run. Table 4 indicates growth in the number of households with annual incomes of over LE 500 per year. Tables 2 and 3 suggest that programs to construct on 60 square meter lots and on 150 square meter lots for the lower- and upper-middle-income ranges respectively could be successful without the need for a subsidy. Households with annual incomes between LE 300 and LE 500 annually could afford only lots of 40 square meters to 60 square meters. However, they might be provided with a subsidy from the sale of commercial properties and larger lots (350 square meters and 250 square meters) for their market value and a use of the part of the revenue to lower the price of the smallest size lots.

The draft land development program outlined here is based on the above assumptions, particularly household income forecasts. The Joint Land Policy Team recommends that lot sizes and housing types be related to an income group's ability to pay for housing. Therefore, there should not be need for an overall subsidy program (although it may be possible to cross-subsidize lots to benefit lower-income groups through commercial and larger lot sales to high-income groups).

Furthermore, it is assumed that a percentage of households in each income group will be housed in addition to existing structures, which will not require new land development. The percentage to be housed on new lots varies from 50 percent for lower-income groups (who are expected to make more effective use of existing low-density housing area) to 65 percent for the highest-income groups (who are expected to be more mobile and to demand newer, more modern housing). As described elsewhere in this report, land and house building costs are very high relative to income. Thus, lot and house sizes are relatively small. The range of lot sizes is from 40 square meters to 350 square meters. Table 5 indicates that 53 percent of the lots might be 60 square meters or less, while 27 percent of the lots would be 100 square meters. Thus, 80 percent of all new lots to be funded under the program would be below the presently

TABLE 5

Draft Urban Land Development Program
1977 to 1982

Size 1/	Thousands of Lots	Feddans	Percent of Lots	Percent of Area
60	250	3,648	53	30
100	129	3,137	27	26
150	44	1,657	9	13
250	33	2,006	7	17
350	20	1,702	4	14
TOTALS	476	12,150	100	100

NOTE: 1/ In square meters. The average lot size if 105 square meters.

SOURCE: PADCO projections.

recognized minimum for well-to-do areas of Cairo. The total number of lots to be developed over the five-year period is 476,000 over a total area of 12,150 feddans (49.69 square kilometers). Thus, in this draft program the average lot size is 105 square meters, at an overall density in new residential areas of 415 persons per feddan.

G. PROGRAM COSTS AND CASH FLOW

In the same way that the nature of the national land development program is best illustrated through an example, so is the costing of such a program. (See Table 6) The Joint Land Policy Team could not make an extensive study of land development costs. There has, also, not been serious discussion about a desired and feasible scale for the program. However, assumptions have been made so that the operational principles of a revolving fund and the financial magnitudes involved can be illustrated.

TABLE 6

Illustrative Cash Flow for a Five-Year
Urban Land Development Program
(values in 1976 prices, LE millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Number of Sites	22,500	45,000	67,500	90,000	90,000			315,000
Expenditures Committed	16.5	33.0	4.95	66.0	66.0			231
Actual Expenditures	9.9	26.4	42.9	59.4	66.0	26.4		231
Income from								
Year 1	0.0	9.075	9.075					
Year 2		0.0	18.15	18.15				
Year 3			0.0	27.23	27.2			
Year 4				0.0	36.3	36.3		
Year 5					0.0	36.3	36.3	
Net Income in Year	-9.9	17.325	15.675	-14.025	-2.475	+46.2	+36.3	
Net Cash Balance in Year	-9.9	-27.225	-42.90	-56.925	-59.40	-13.20	+23.10	

NOTES: Assumes expenditures made over two years and incomes collected over two years beginning one year after construction is started. The average return on investment is 110 percent of expenditures. The average lot size is 105 square meters with a cost of LE 735 at LE 7.0 per square meter. Note that total expenditures of LE 231 million are enabled with financing of LE 59.4 million. A balance can, after five years, be put back into the program to enable continued expansion.

SOURCE: PADCO projection.

In the example shown, it was assumed desirable to finance a five-year program that would produce 315,000 residential lots, beginning at a production level of 22,500 lots per year and expanding to a level of 90,000 per year after four years. This would be sufficient to provide land for about 67 percent of urban area growth in Egypt. This is an ambitious program presentation, considering the levels of financing that would have to be assembled and the present institutional capacity in low-income land development.

At an average lot size of 105 square meters and an average expenditure per lot of LE 735 at an average cost of LE 7.0 per square meter, the total expenditures would be LE 231 million. With a 10 percent average surplus, however, and assuming vigorous and effective financial management, the capital required would be approximately LE 60 million in the fifth year. By the seventh year, there would be a substantial surplus, sufficient to finance an additional program of (say) 34,000 units per year. This would be sufficient to provide land for growth and remedy past deficits as well.

The program proposed is based on land requirements forecast earlier in this report and an optimistic assessment of the financial and institutional ability of Egyptian agencies to undertake such a program. It is possible that a realistically achievable program will be smaller. Nevertheless, the approach adopted has been to propose a sizeable program, in order for initial objectives to not be set too low. There is likely to be some debate over the lot sizes.

Chapter VII

FINANCING THE LAND DEVELOPMENT AGENCY

One of the basic principles for establishing an effective LDA is that it should be self-financing in the long term. The increased value derived from the land development process should allow such an agency to pay for its overhead and administrative expenses, to subsidize low-income housing sites from selling developed land for middle- and upper-income housing sites at market value, and to purchase and develop more land. In order to capture the profit from land development operations and influence the market, the LDA will need to hold significant amounts of land at all times. This will require access to large amounts of capital.

While it is anticipated that a self-financing agency can be created, capital will be needed for the initial operations. Some possible sources are public funding, but public capital is in short supply and the LDA will need the power to raise capital in the private market. Seven sources are identified here: a Land Development Fund, land bonds, short-term loans, special purpose grants, gifts of land, land readjustment, and revenues from the LDA's own operations.

A. LAND DEVELOPMENT FUND

The General Organization for Land Development as a government Land Development Agency (LDA) would be under the national government's budget and would be required to return any revenues received annually, beyond its administrative and overhead costs, back to the national treasury. This process would not allow for self-refinancing.

Thus, it is recommended that a Land Development Fund be established similar to the Housing Development Fund begun in 1976 under the MOHR. This fund should receive initial capital from the national budget in the form of either a grant or a long-term loan. A long-term loan would better symbolize the self-financing aspect of the operation. However, the Housing

Development Fund has received a grant, and that procedure is perhaps better adapted to present national government budgeting procedures. In addition to this grant, the fund would probably need additional grants or loans during the first five to eight years of its operation, until its revenues exceed its outlays. The length of this period would depend on the size of land development program, the amount of initial capital, and whether developed lands were sold or leased by the LDA. Self-financing would be reached later if developed lands were leased rather than sold, but the principle remains the same.

As with the Housing Development Fund, the Land Development Fund should have the authority to borrow from banks, to receive donations, to receive funds from international sources, and to float bonds. The power of floating bonds might not be immediately available, assuming competition with the issue of housing development bonds is to be avoided. However, it might well become a prime source of revenue in the future, when a mortgage market is firmly established.

The initial capital for the fund and additional sources of finance would be used exclusively for land development. Revenues from land sales would also then be placed in the fund with use of this money also restricted to land development.

The administration of the fund should be under the Ministry of Housing and Reconstruction and the General Organization for Land Development (assuming this is the name given to the LDA). However, the Board of Directors should probably include representation from the Ministries of Planning, Local Administration, Awkaf, and Finance.

B. LAND BONDS

One method for meeting substantial capital needs is the issuance of land bonds. Such bonds may either be development bonds (parallel to the national housing development bonds) or bonds issued in payment for land taken from private owners.

The first method of issuing development bonds is difficult, given constraints on the mobilization of funds for a land development and housing finance system as discussed in the report of the Joint Housing Team for Finance. The present level of interest rates in Egypt implies a negative real rate of interest to lenders, even assuming such bonds would be exempt from the 40 percent withholding tax on earned interest, as are the National Housing Fund bonds. In addition, such

bonds are likely to be relatively long-term issues. In the absence of a strong secondary market assuring liquidity prior to maturity without significant loss of yield, this market is likely to be overcrowded by the addition of land development bonds to the National Housing Fund bonds and the Savings Certificates of the National Bank of Egypt. Thus, the effective use of such land development bonds must await the development of a strong secondary market.

The second method of issuing bonds in payment for land taken from private owners also has great disadvantages, primarily resulting from government's failure to make payments for similar bonds issued for expropriation of excess holdings under the Agrarian Reform Program. Such bonds could be paid off from revenues generated by resale or lease of lands back to private users over time. However, such a return depends on a capital market for the land bonds, so that the holder who wants to sell the bonds can do so and receive immediate payment. This capital market is necessary for the bond holder to have flexibility in managing assets. Otherwise, individual hardships could result, particularly if the bond holder had previously depended on income derived from the land. 28/

We would discourage the immediate use of the second form of land bond until a satisfactory capital market is established, because of past experience. The first method might be used sparingly, as the amount of bonding power given the LDA will have to be decided on in relation to its overall effect on the national economy. There may be very real limits on total time to avoid negative side effects on other investments in the national interest.

Without the kind of land bonds suggested, or a similar instrument, the activities of an LDA would be substantially curtailed. The central concept is to finance the establishment of an adequate land bank from which to influence the land market. If the LDA cannot afford to establish a land

---

28/ One promising secondary market system being considered in a Central American country is to make land bonds exchangeable for equity in public industries. The Minister of Industry could then resell the bonds to major investors, such as the commercial banks or life insurance companies. Thus, the original property owner is given an opportunity to acquire productive assets while capital is provided for industrial expansion.

bank but is forced to work from project to project, it is doubtful that it will ever be able to influence the prices of land or provide sufficient plots for low-income groups.

C. SHORT-TERM LOANS

Even if the LDA has sufficient bonding power to establish the land bank, it will still be necessary to have substantial amounts of working capital in order to undertake the infrastructure improvements necessary to convert raw land into urbanized plots for resale or lease. That it have sufficient capital is very important.

Two key elements are involved. First, the LDA needs sufficient working capital to develop its land as required. Second, it needs to sell or lease its projects as soon as complete and to receive full value at the time of delivery. The LDA's working capital will come initially from government. It is probable that the sum will not be as large as is hoped for and that it will not be sufficient for the intended scale of operations. Therefore, the LDA should be given borrowing power with which to raise working capital. The loans can be for relatively short durations, probably 18 to 24 months, as long as the LDA does not have to provide credit facilities for sales or leases of its projects. The national government will be one source to be considered for short-term loans of this sort, but other avenues should be explored as well. If the loans carried a government guarantee and a market interest rate, they would be attractive to private investors, such as banks, insurance companies, and retirement funds. The total amount of money which can be allocated to land development will have to be determined in light of alternative needs for investment in other sectors of the economy. The terms and conditions of the borrowings will, therefore, be a matter of national economic significance.

D. SPECIAL PURPOSE GRANTS

The LDA should also be allowed to receive grants from government or international aid agencies for special purposes. It might, for instance, be considered in the public interest to subsidize the sale or lease of plots to low-income families. The long-term objective of the LDA might be to utilize surpluses generated from sales or leases to other private users. But, in order to make an early commitment to the needs of low-income groups, special subsidies could be used. Such subsidies should always come from grants outside the LDA or from

surpluses. They should never be allocated out of normal working capital. This is essential in order to maintain the operations of the LDA on a businesslike basis and to prevent decapitalization of the agency.

E. GIFTS OF LAND

The LDA should be allowed to receive gifts of land from either private parties or government. These gifts would have the effect of increasing working capital.

F. LAND READJUSTMENT

Land readjustment is a method of financing land acquisition through an administrative process. When a city area is ripe for urban development, it could be declared a Land Readjustment Project (LRP) area. A site plan could be prepared for the LRP which would replot the area with an appropriate pattern of streets and paths, providing sites for public as well as residential use. The residential land blocks created would, then, be further subdivided as needed for private construction.

The amount of land in the LRP required for streets and public use would then be measured and calculated from the plan. The capital cost of preparing the site, grading, paving the streets, pulling in water and sewer lines, installing the electric systems, etc. would then be calculated. Estimates would be made, at this point, of the probable market value of serviced and developed lots created by the project. By dividing the total capital costs of the project (that is, the infrastructure costs but not the land cost) by the probable total market value of the lots created, it is possible to establish what percentage of the area that is saleable would equal the cost of infrastructure construction. This area is known as the cost equivalent area.

A plan would be prepared in which the public agency retains the cost equivalent area plus land needed for public purposes and returns the remainder to the original landowners. After development, the public agency would sell the land retained by it to recoup its initial investment. The original private owners are left with developed land, in excess of the value of their original land, which they may then develop themselves, hold, or sell to a developer. Thus, both the public and the owner gain, and actual cash outlays by the public are held to a minimum. Suitable review mechanisms

should be established to ensure that land is returned to the original landowners in an optimal fashion. It would appear that land readjustment is legally possible within existing Egyptian expropriation and compensation laws. Thus, what is necessary is to develop administrative mechanisms within the existing legal framework.

Land readjustment has the advantage that it requires cash outlay by government only for infrastructure and, possibly, for compensation to landowners whose land cannot be returned once the project is executed. Its disadvantages are that landowners in the project area have no alternative but to sell their land, once the process is set in motion, and that the LDA must return much of the land to private ownership. Thus, the potential financial gain for the public purse is less than if the land had been totally acquired or than if some other method of finance had been used, such as issuing bonds. Land can, of course, also be acquired by expropriation with full cash compensation, but this requires a form of capital which is in short supply.

Land readjustment has been used with much success in Korea, where approximately 327 square kilometers have been developed by its use. In Seoul, land developed by readjustment amounts to a fourth to a third of the total developed area of the city. The characteristics of Seoul are rather similar to those of Cairo in terms of density, the shortages of housing finance, and the predominance of small-scale house building, although the cultural and historical setting is much different. In Korea, land readjustment can be initiated either by a public agency (a land development agency or municipality) or by a group of landowners (in which case the role of the public is to administer the process and review land plans).

G. LDA REVENUES

The central concept of the LDA is that it be self-financing. This requires generation of revenues from its projects at an early date. The ability of the LDA to do this will depend on the overall structure of development finance operating in Egypt. Ideally, there should be development finance agencies (such as the Credit Foncier, savings and loan associations, or commercial banks) prepared to lend money to the private sector, to purchase land from the LDA, and to undertake subsequent development. In this situation, the LDA can obtain full price for the land as soon as it is ready for the market. This, in turn, allows the LDA to repay its borrowings for working capital and to generate its desired surpluses. In short, if the

LDA does not have to provide credit mechanisms to stimulate the sale or lease of its own projects, then the LDA can work much more efficiently. This should clearly be the goal. At present, however, there do not exist agencies capable of providing finance for the majority of houses built in Egypt. However, a report produced in parallel with this one proposes expansion of the role of the Credit Foncier.

In the interim, until strengthened financial mechanisms are established, it may be necessary for the LDA to serve as a financing agency, principally by leasing or selling lots with payments to be made over a period of time. In this case, it will be essential for the LDA to have full powers to reclaim land if payments are in default without elaborate delay and court procedures. The terms of finance should be set through market conditions and reflect commercial interest rates, etc. The LDA should be careful that its financing mechanism is not to be turned into a form of hidden subsidy to user groups.

Because the LDA is to undertake direct sale of sites and services plots to low-income groups, a special collection mechanism may be required. Experience has shown that low-income people do have the ability to pay and that they will pay, if they believe the value received is worth the price. However, all too frequently agencies expect low-income families to come to them to make payments. It is not surprising in such cases that collections are low and infrequent. the LDA will need to have on-site collection offices or to make convenient arrangements for payments to be made through another body, such as a commercial bank with a branch near the location. A preferred alternative would be to sell the lots through intermediary bodies, such as cooperatives or community or organizations, as proposed in the report of the Joint Housing and Community Upgrading Team. That approach might be easier to implement administratively.

The decision to sell land in fee simple title or to lease land for various periods should be determined by prevailing local conditions. Public interest may be better served by the government retaining ownership and, thus, the right to any investments in land value. On the other hand, long-term leases act like ownership, as experiences in Sweden and the Netherlands have shown, but rents rarely rise consistently with increases in value. In either case, the price set on the land should be at prevailing market rates. If it is desirable to ensure that special land needs or particular user groups are recognized, a negotiated sale is appropriate. But the LDA should still seek to achieve market prices for land.

The LDA should seek to maximize its revenues from other sources as well. The vacant land taken and held in the land

bank should be fully utilized before developed. Arrangements could be made to lease land back to the original owners for continued use, or short-term leases could be made with other private interests to utilize the land. The LDA should be empowered to assess betterment fees on lands not included in the land bank if they benefit from LDA activities, and these fees should capture a substantial part of the values created.

H. SUMMARY OF PROJECT AND PROGRAM FINANCE CONCEPTS

It is proposed by the Joint Land Policy Team that a revolving fund be established (Land Development Fund). It should be managed by the proposed Land Development Agency (LDA) for the purpose of financing land development projects, particularly those benefiting lower-income groups. Although it is recognized that not all projects will result in revenues in excess of costs (the effort to reach lower-income groups ensures they will not), it is expected that the fund, once established, can be expanded to finance an increasing land development program. Furthermore, it is expected that the discipline of managing the fund so that the agency is not decapitalized will contribute to better design, reduction of costs, and better management.

The key basic concepts of project and program finance taken together as proposed by the Joint Land Policy Team are:

1. That lot sizes, street and other public land uses, and infrastructure standards be such that the costs of the project are within the abilities to pay of the intended occupants. The pattern of these standards needs to be studied further, but the Joint Land Policy Team has observed quite adequate housing built in Cairo on 40 square meter lots.

2. That revenues from the sale of larger lots (250 square meters and larger) for higher-income groups and revenues from the sale of commercial and other such lots be used to reduce costs charged for smaller lots. Experience in other countries suggests that it may be possible to reduce the costs of small lots by as much as 25 to 40 percent of the costs of larger lots by this means -- implying in Cairo a cost of (say) LE 4.0 to 5.0 per square meter for a small lot while a larger lot is sold at LE 7.0 per square meter.

3. That mechanisms be developed to enable the financing of lots sold to low-income persons. There are various methods of accomplishing this, including issuing small loans to cover part of lot costs plus the first story of the house; establishing small savings accounts easily used by low-income groups;

renting the lot in perpetuity; or renting initially until a first floor house is constructed to acceptable standards and then selling the lot to the occupant upon receipt of full payment.

4. That the objective be to generate a sufficient financial surplus in the majority of projects to enable continued expansion of the program. This implies, in turn, pricing near market values and economic subsidies, if any, only for lower-income groups.

These ideas are best established in practice through use. The Joint Housing Team for Finance has recommended a significant expansion of Credit Foncier activities for it to contribute to shelter needs of low-income families. Demonstration projects in low-cost housing and community upgrading have been prepared by the Joint Housing and Community Upgrading Team. These projects should be developed in such a way that the MOHR and the LDA establish working relationships from the beginning that put land development on a new basis. This will ensure that existing expertise within the LDA is tested, that expertise gained through project implementation is not lost but gathered into an on-the-job training sequence, that new standards are employed, and that development costs are monitored.

Chapter VIII

INSTITUTIONAL DEVELOPMENT IN THE MOHR

The wide range of topics and activities that affect formulation of an urban land use policy and its implementation mean that a body must be created to focus formulation of policy and that another body closely connected administratively must be created to focus operation of policy. It is recommended that a Land Development Agency (LDA) provide the operational focus.

A. THE FOCUS OF POLICYMAKING

The focus for policy formulation and development should be in the MOHR headed by a Deputy Minister. This person could be responsible to the Minister for all land development activities. Duties would be to coordinate actions of the Housing and State Lands Departments in the MOHR responsible for aspects of land development and to be the liaison through which the head of the LDA would report to the Minister. (See Chart 2) He would also coordinate with the new Agency for Reconstruction and New Cities, particularly with the General Organization for Physical Planning, and with the relevant water and sewer authorities.

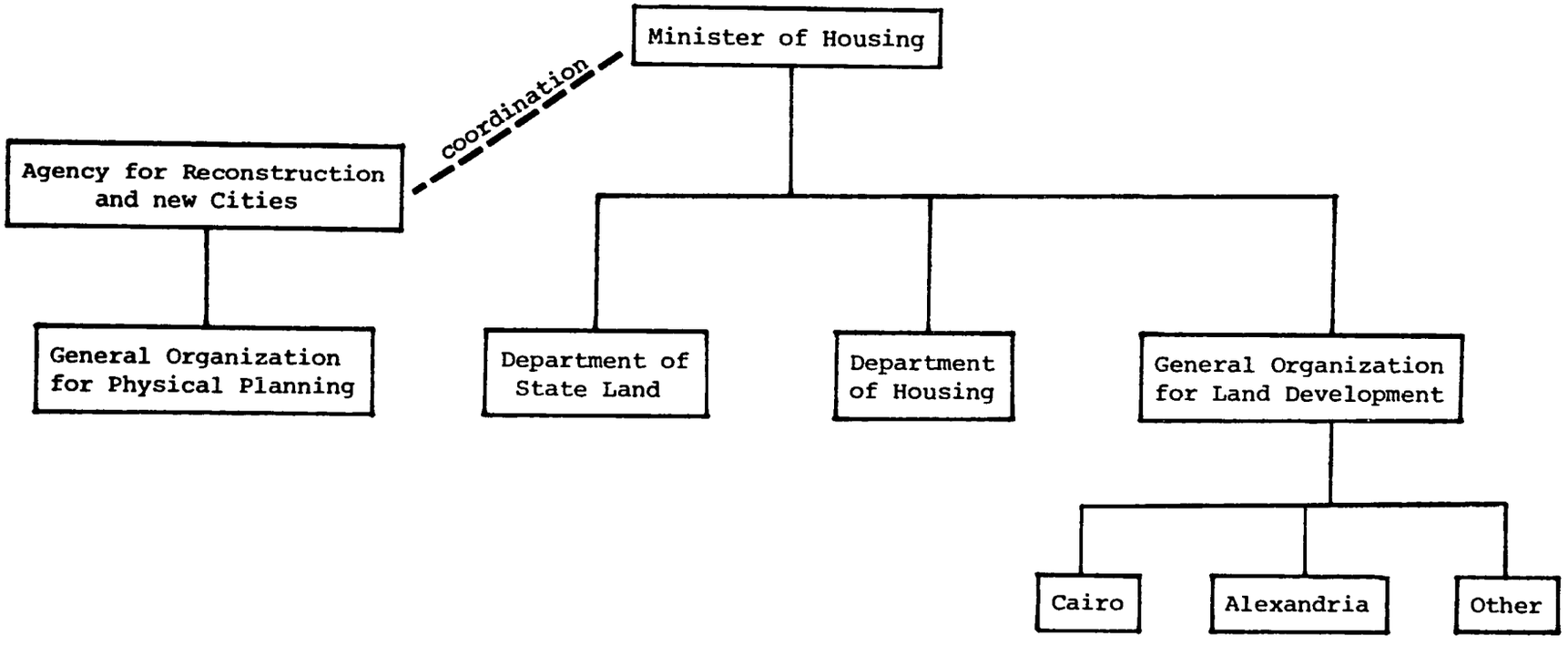
B. DEPARTMENT OF HOUSING

At present this is a very small department which can hardly be said to have a separate existence. It badly needs strengthening. Its work extends project design to two consulting firms. This is not an arrangement through which the MOHR can pursue needed design development work in residential development approaches and subdivision standards at a time of rapid change. The present group has to be enlarged to work daily itself with its two companion departments.

This department should be made responsible for developing layouts, design standards, and house types for all income groups as well as for characteristic residential localities, from squatter to upper-middle income. It should review the design of economic units. Working in conjunction with the

CHART 2

Recommended Organization Chart



General Organization for Physical Planning, it should develop economical subdivision forms appropriate to house types of differing income groups and localities. It should work toward developing building and community layout standards to guide private developers as well as governmental agencies. It would be a liaison point for the physical implementation of internationally funded projects.

The department should establish a land and housing policy unit to prepare and maintain a housing policy, to monitor implementation, and to control development through preparation of annual budgets, investment plans, and directives to existing agencies.

C. ORGANIZATION FOR PHYSICAL PLANNING

This department has some very able staff members and a great stock of data and survey knowledge. Despite this, it seems to be loosely harnessed to the planning task of the nation. There are seven key positions at the top of the organization: the Chairman, two Vice Chairmen, a General Administrator, and three Director-Generals (of Regional Planning, Local Planning and the Civil Works of Roads and Transport). Under them is a planning staff establishment of 126 with 36 positions unfilled. Of the 126, 11 are civil engineer planners (one with a diploma in planning or economics); and 51 are architects (28 are on planning or other jobs and two have planning diplomas). In addition, a support establishment exists for 15 planning-related professionals (six are sociologists, two are on other service, and two geographers are on other service). The three posts for economists are vacant. Of 32 technical drafting staff, 24 are posted. There are only 22 administrative staff in an establishment of 126. 29/

This department needs to become effectively responsible for national, regional, metropolitan, and city planning. While the Organization potentially has a very large staff, it is not a staff trained in land planning techniques. As presently staffed and constituted, it is not in a position to take up the land planning challenge of the next 10 years. Suitably strengthened, however, it is well placed to do so.

29/ Information supplied by the Staff Establishment Section of MOHR.

In order to function rapidly and appropriately, the Organization will have to develop reconnaissance methods of planning that focus on the main issues that govern use of land in particular towns and cities. A section of the Organization could be established as the "Greater Cairo Planning Authority" to coordinate activities of the three governorates with land in the Cairo urban region.

At present this organization has been made a part of the new Agency for Reconstruction and New Cities reporting to the Prime Minister. However, in the long run its work must be closely coordinated with the housing and land functions to develop an orderly urban development policy.

D. WORK PROGRAMMING

Work programs are required for each department. This is especially true for the planning functions generally carried out by the Organization for Physical Planning. These work programs should include a full description of each planning task, the objectives of the work, the name of the officer in charge, the assisting staff, the time it will take to do the work, the other departments involved, the name of the implementing body when the plan is prepared, and the contribution of the study to other tasks, meeting government objectives and to general planning knowledge. There should be quarterly monitoring of progress.

Some tasks to be included are the following:

1. Preparation of an inventory and mapping of existing land use in major cities and establishment (prior to detailed planning of land use) of strategies for each town, so that guidance can be given from an early date. The balance of requirements for industry, government, residence, and transport should be included.

2. Preparation of an updated analysis of national population, population growth, and population movement, with particular reference to urban growth, household types, and incomes.

3. Preparation of an analysis of government economic activity levels, their physical distribution, and their contribution to population movement and settlement formation.

When these tasks are carried through (with others), a new information base for land policy will be created which offers the following:

1. Knowledge in recorded and useable form on land use in urban areas.

2. The ability to plan from knowledge to achieve national as well as local objectives, when deciding on the location and size of new communities, linear city growth, expanded towns (in the Delta and along the Nile), and large development areas in existing cities.

3. A range of land use standards reflecting needs of different groups in the urban population, in terms of road and service standards, plot sizes and shapes, and abilities to pay.

4. Forecasts of needs based on trends and estimates of government's ability to affect these trends.

The department should set out criteria for the Minister's approval and then examine all currently proposed physical development projects, including regional schemes, new towns, and town expansion schemes. These should be arranged according to feasibility, cost, numbers of people assisted, recovery prospects, and impact on the national settlement pattern. After review by the Minister (and Cabinet) it may be considered advisable for further attention on new projects to be devoted to the few at the top of the list.

The department should prepare structure plans, land use plans, and town expansion plans in cooperation with the Department of State Lands with whom it should also develop planned investment implementation and recovery programs.

The plans should cover the following:

1. Identification of the city's character from the classification scheme devised for the nation. Determination of the level of planning input that can be offered and the intensities over a period of time.

2. Identification of the type of planning control and of the development guidance that will be offered.

3. Identification of what assistance can be offered and of the day-to-day and specific development issues that will be important to the town.

4. Advice on operating linkages between the town, the LDA, and other national agencies. Agreement on the local agency that will act as the local partner in joint planning ventures.

5. Establishment of an institutional mechanism for continued evaluation of land use programming.

In pursuing these objectives, three aspects of planning and implementation will be important:

1. Development of procedures in the local office responsible for planning and development functions, once the guide plan is prepared, that will lead to effective execution of development programs and implementation of projects.

2. Development of procedures that local personnel can maintain with little outside assistance.

3. Identification of institutional means for linking local effort to national programming and to public and private investments.

E. DEPARTMENT OF STATE LANDS

This department should move from being responsive to requests toward giving positive advance guidance and building a store of knowledge about locations of development lands. It should see that lands are allocated well in advance for specific purposes through legal dedication of government lands, land adjustment of private lands, and advice on acqusition for later resale through the careful use of a revolving fund working through the LDA. It should serve as the secretariat for a high-level committee on government urban land holdings and its programmed use. It should form specific committees for Alexandria and Cairo. It should have a committee form a land use budget for five years and should only approve development projects and large subdivisions which fall within the scheduled lands and budget. It should ensure, through policy monitoring, that subdivisions take on a character that meets needs of the area inhabitants where they are developed.

At present, the Department of State Lands is a small organization responsible to the Undersecretary for Financial and Administrative Affairs of MOHR. It could either be developed to undertake the above described functions or, alternatively, these functions could be transferred in whole or in part to the LDA.

F. THE ORGANIZATION FOR LAND DEVELOPMENT

A department existed which overviewed the land development operations of government, until two years ago when it was dissolved to give development companies freedom of action.

However, such a department, suitably strengthened, is needed whose existence does not undermine the autonomy of development companies. It should seek to broaden their activities and responsibilities, so that they encompass all groups in the population. Its functions were detailed earlier. 30/

The Board of the LDA should have strong representation from the MOHR, particularly from the three land-related departments discussed above. Also on the Board should be representatives of the water and sewerage authorities.

The Organization for Land Development should act as the Land Development Agency (LDA) to directly acquire and develop land. It should act mostly through development companies and governorates, treating them as its implementing agencies.

The LDA should be organized and financed to have a substantial impact on the land market in areas in which it operates. It should be organized as a semiautonomous public corporation, working on a business basis. And it should have a capital grant from which it can develop into a self-financing agency and attempt to generate surpluses for use in reducing development costs for lowest-income groups.

The LDA might be given special responsibility as a holding department for new town development. It might act as the agency through which new town development corporations are established, gradually releasing control as legislation, finance, and staffing make a new town's autonomy a reality.

The state has all of the necessary authority to carry out a land development program. It can expropriate land. It can carry out a land adjustment program using Law No. 2, of 1956 regarding expropriation for redevelopment purposes. It can develop land and sell or lease developed plots. A major problem is precisely defining the role of the General Organization for Land Development in such a way that it is coordinated with and does not impinge upon the authority of the governorates in the area of land control and development. The additional problem of financing through a revolving fund is one that can only be settled by statute, parallel to that for the Housing Development Fund.

30/ Chapter VI.

G. THE GOVERNORATES

The governorates will be the active implementers of the new activities. The balance of executive powers between MOHR and them must be determined. Their planning capacity in physical, administrative and financial matters will need reinforcing.

H. INSTITUTIONAL GROWTH

Institutions develop expertise and grow through implementing their terms of reference. It is important to development of newly organized departments that they take up responsibilities within the new setting as soon as possible. The proposal that a number of upgrading and sites and services projects be undertaken directly to test new approaches to shelter provision and financing for low-income groups provides the opportunity. At the same time, the projects can help shape the context and detail of programs that it will be the responsibility of the MOHR and LDA to design and implement.

This activity, integrated with proposals to widen the scope of the Credit Foncier and the development of a Land Development Fund, will establish the needed forward-looking approach. This should encourage development of an appropriate mid- and long-range housing and land use policy that both reflects and defines the purposes of the projects.

Chapter IX

TRAINING

Many professional staff members of the MOHR are well qualified for their jobs by educational background and experience. This can be expected to be so for the LDA also. For such men and women, a package of formal and informal training experiences, directly related to the new kinds of work tasks, is the most appreciated and effective method of training. 31/

The key to this approach is on-the-job-training, supported by orientation-to-tasks talks; project preparation study sessions through workshops, seminars, and visits to problem areas to test analysis approaches; and visits to schemes during implementation and after, for feedback on project preparation and implementation management. These experiences could, at times, be deepened by attendance at formal short courses organized by a MOHR trainee or university extension department.

There is need for the MOHR to designate a member of its professional staff as training officer for it and for the LDA, although once established the LDA should have its own training officer. It may not be necessary, or possible, for an officer to undertake this post on a full-time basis, but it is necessary for programming, arranging, and reporting about training sessions to be in the care of one individual.

It is important that training to strengthen existing professional capacity be seen as a long-term effort. There will be a continuous need for training as the LDA develops its program of opening new lands and upgrading squatter and central district areas. The aim should be institutionalization of training activities, so they become part of the life of the agency.

31/ See Appendix X.

With this in mind, it is essential to devote part of the effort to training trainers, so a multiplier effect can develop.

Under the appointed MOHR training officer, a training unit should be established in the MOHR, so its professional and administrative staff, and those of the LDA, can obtain organized on-the-job training and be offered short course intensive periods, in such skills as area survey; project preparation including financing, programming of work, subdivision standards and economics; squatter upgrading; planning techniques, etc. The short courses need not be more than one or two weeks in length. They should focus on applied skills instead of on theory. Training links from the MOHR program should be established with the program that is to be financed by the World Bank.