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URBAN LAND USE IN EGYPT

APPENDIX

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

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PREFACE

The materials presented in this appendix volume were prepared to accompany the main text of the Joint Land Policy Team's report, Urban Land Use in Egypt. It is hoped this volume will provide a useful background and resource. It should be noted that it has not been possible to take full account of the new building regulations, the new housing law and the 1976 national census.

Appendix I

POPULATION AND THE NATIONAL PATTERN OF URBAN GROWTH

A. POPULATION

The population of Egypt has been growing rapidly over the past 30 years as a result of a sharp decline in the death rate with only a small but continuing decline in the birth rate. (See Table 1) The 1976 population of Egypt was 38.2 million. The urban population is growing much faster than the population as a whole. (See Table 2) Between 1947 and 1960 (the last dates for which complete information is available), the population of the country as a whole grew at a rate of 2.4 percent annually. During the same period, the population in urban areas (with populations of 20,000 or more persons) grew at an annual rate of 3.5 percent and the total population in urban areas grew at a rate of 4.2 percent per year.

Analysis of the population increases indicates that this trend has continued since 1960. The percentage of the total population residing in urban areas rose from 29 percent (1947) to 36 percent (1960) to 44 percent (1976). ^{1/} The total population in urban areas rose from 5,475,000 (1947) to 9,370,000 (1960) to 16,782,000 (1976). ^{2/}

Thus, the urban population in 1976 was almost equal to the total population of Egypt in 1947. The present annual rate of population increase is 2.3 percent for Egypt as a whole. The population in urban areas is increasing at approximately 3.7 percent annually. This rate of increase is likely

^{1/} Central Agency for Public Mobilization and Statistics, (CAPMAS), 1976 Census

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

TABLE 1
 Birth, Death and Infant Mortality Rates
 1935 to 1971
 (per thousand)

Year	Crude Birth Rate	Crude Death Rate	Natural Increase	Infant Mortality
1935	41.3	26.4	14.9	161
1940	41.3	26.3	15.0	162
1945	42.7	27.7	15.0	153
1950	44.4	19.0	25.4	130
1955	40.3	17.5	22.8	136
1960	43.1	16.9	26.2	109
1965	41.4	14.1	27.3	113
1970	35.1	15.1	20.0	---
1971	34.6	13.1	21.5	---

SOURCE: Estimates by Central Agency for Public Mobilization and Statistics as stated in Robert Mabro, The Egyptian Economy, 1952-1972, p. 29.

TABLE 2
Growth of Egyptian Cities with a Population
of 25,000 or More Persons in 1960

City	Location in Egypt	Population			Percent of Increase 1947 to 1960	Percent of Increase 1960 to 1970
		1947	1960	1970		
Cairo (metro)	Upper	2,963,000	4,820,000	7,260,000	3.8	4.2
Cairo 1/	Upper	2,090,654	3,346,000	4,961,000	3.7	4.0
Alexandria	Lower	919,024	1,513,000	2,032,000	3.9	3.0
Giza 2/	Upper	66,156	250,000	711,900	10.8	11.0
Yemaliya	Lower	68,229	276,000	167,500	11.4	-4.9
Port Said	Lower	177,703	244,000	313,000	3.2	2.5
Suez	Lower	107,244	203,000	315,000	5.0	4.5
Tanta	Lower	119,926	184,000	253,600	2.1	3.3
Mehalla Kubra	Lower	115,758	172,000	255,800	3.1	4.1
Al Mansura	Lower	101,965	152,000	212,300	3.1	3.4
Imbaba 2/	Lower	--	136,000	--	--	--
Damanhur	Lower	84,352	126,000	161,400	3.1	2.5
Zaqazig	Lower	81,811	124,000	173,700	3.3	3.4
Asyut	Upper	90,103	122,000	175,700	2.4	3.7
Fayoum	Upper	73,642	102,000	150,900	2.5	4.0
Minya	Upper	70,298	94,000	113,000 5/	2.3	3.1 5/
Beni-Suef	Lower	57,106	79,000	--	2.5	--
Damiatta	Lower	53,631	72,000	--	2.3	--
Sohag	Upper	43,168	62,000	--	2.8	--
Shubra al-Kheima 3/	Upper	--	60,000	252,500	--	15.5
Qena	Upper	42,929	58,000	--	2.3	--
Shahin al-Kom	Lower	41,636	57,000	--	2.2	--
Benha	Lower	37,880	51,000	--	3.0	--
Malawi	Upper	35,624	57,000	--	2.9	--
Aswan	Upper	26,343	43,000	221,700	4.7	15.4
Qalyub	Lower	30,021	43,000	--	2.8	--
Kafr Dawar 4/	Lower	--	43,000	--	--	--
Boulaq Dakrur 2/	Upper	--	42,000	--	--	--
Guerga	Upper	33,631	42,000	--	1.7	--
Manuf	Lower	31,475	42,000	--	2.2	--
Aknmin	Upper	34,788	42,000	--	1.5	--
Dessuq	Lower	31,334	39,000	--	1.7	--
Kafr al-Sheikh	Lower	--	39,000	--	--	--
Abu-Kebir	Lower	--	38,000	--	--	--
Bi'beiss	Lower	24,814	38,000	--	3.3	--
Belqas	Lower	34,771	38,000	--	0.7	--
Idku	Lower	30,033	38,000	--	1.8	--
Tahta	Upper	37,095	36,000	--	-0.2	--
Mit Ghamr	Lower	29,030	36,000	--	1.7	--
Sinballawein	Lower	25,648	36,000	--	2.6	--
Matariya	Lower	--	36,000	--	--	--
Luxor	Upper	27,457	35,000	--	1.9	--
Edfu	Upper	26,192	35,000	--	2.3	--
Rasheed	Lower	29,558	32,000	--	0.6	--
Senuris	Upper	25,757	32,000	--	1.7	--
Zifta	Lower	27,404	31,000	--	1.0	--
Beni-Mazar	Upper	23,032	31,000	--	2.3	--
Gehina	Upper	--	31,000	--	--	--
Gharbiya	Upper	--	31,000	--	--	--
Kafr Zayat	Lower	21,516	30,000	--	2.6	--
Biala	Lower	28,757	29,000	--	0.1	--
Ashmun	Lower	23,047	29,000	--	1.8	--
Al Mansala	Lower	21,752	29,000	--	2.2	--
Manfalut	Upper	21,309	29,000	--	2.4	--
Temsa	Upper	23,765	28,000	--	1.3	--
Maghagha	Upper	21,041	28,000	--	2.2	--
Abnub	Upper	--	28,000	--	--	--
Pakra	Lower	21,262	27,000	--	1.9	--
Semenud	Lower	--	27,000	--	--	--
Abu-Tiq	Upper	25,952	26,000	--	0.0	--
Al Fashn	Upper	21,009	26,000	--	1.7	--
Eanah	Upper	25,811	25,000	--	-0.3	--
Qum	Upper	21,229	25,000	--	1.3	--

NOTES: 1/ The boundaries of the municipality (Governorate) of Cairo have shifted dramatically since 1947. In 1947 Cairo included Imbabah, Boulaq Dakrur, and a part of the present city of Giza on the west bank of the Nile. This area had a sizeable growth in population between 1947 and 1960. As of 1960 the Cairo Governorate includes only settlements on the east bank of the River but has been extended to the northeast and to the south to include the industrial city of Helwan. 2/ Boulaq Dakrur and Imbabah were included in the Cairo Governorate in 1947. A part of the city of Giza was also included in the Cairo Governorate in that census. 3/ Shubra al-Kheima and the cities mentioned in footnote 2 are included in the estimate for the Cairo metropolitan area population in 1970. 4/ A part of the Alexandria metropolitan area. 5/ This estimate of population is for 1966. The estimate of rate of annual population increase is for the period 1960 to 1966.

SOURCE: Janet Abu-Lughod, "Urbanization in Egypt: Present State and Future Prospects", *Economic Development and Social Change XIII*: 313, at 318-322 (April 1965) and Team Calculations.

TABLE 3

Population Increase in Egyptian
Cities with Estimated Population
Over 150,000 in 1970

Name	Population			Percent Increase 1947-1960	Percent Increase 1960-1970
	1970	1960	1947		
Cairo (Metro- politan)	7,260,000	4,820,000	2,963,000	3.8	4.2
Alexandria	2,032,000	1,513,000	919,024	3.9	3.0
Suez	315,000	203,000	107,244	5.0	4.5
Port Said	313,000	244,000	177,703	3.2	2.5
Mehalla Kubra	255,800	172,000	115,758	3.1	4.1
Tanta	253,600	184,000	139,926	2.1	3.3
Al Mansura	212,300	152,000	101,965	3.1	3.4
Aswan	201,500	48,000	26,343	4.7	15.4
Asyut	175,700	122,000	90,103	2.4	3.7
Zagazig	173,300	124,000	81,813	3.3	3.4
Ismailiya	167,500	276,000	68,229	11.4	-4.9
Damanhur	161,400	126,000	84,352	3.1	2.5
Fayoum	150,900	102,000	73,642	2.5	4.0
Total	11,672,000	8,086,000	4,949,102	3.8	3.7

SOURCE: Central Agency for Public Mobilization and Statistics.
(1970 population figures are estimates).

to continue for the foreseeable future. Approximately 41 percent of the population of Cairo and 42 percent of the population of Egypt as a whole are under the age of 14. (See Table 4).

There have been a number of predictions regarding the future population growth of Egypt and its urban areas. (See Tables 5, 6, and 7) The most reasonable assumptions seem to be those of the TAMS group. (See Table 6) They have produced two alternative projections of an urban population. One projection is for an urban population of 42.0 million (70 percent of the total) by the year 2000, assuming a rate of growth of gross domestic product of 6.5 percent annually and a gradually declining rate of population increase to 1.63 percent by 1995. The second projection is for an urban population of 44 million (67 percent of the total population), assuming an annual population increase declining only to 2.2 percent annually by 1995 and a rate of increase in gross domestic product of 11.0 percent between 1975 and 1980 and 9.0 to 10.0 percent from 1980 to 2000. The lower projection would seem to better fit the present fact of a lower rate of economic growth, but it may still be optimistic regarding a birth rate decline. A conservative estimate of a population rate decline, using existing rates of population growth of 2.3 percent annually for Egypt as a whole and 3.7 percent for urban areas, would yield a total population of 66.0 million and an urban population of 40.1 million in the year 2000.

The rate of growth in the Cairo metropolitan area has dropped in the last few years which gives cause for optimism. It grew at a rate of 3.8 percent per annum for the period 1947 to 1960 but at only 3.2 percent per annum for the period 1960 to 1976. That figure is probably understated because it includes transients. However, if we assume a 3.2 percent annual growth rate, greater Cairo would still have a population of 17.0 million in the year 2000 as compared to the TAMS estimate of 19.6 million to 22.6 million. Regardless of which estimate is correct, the problem is immense. The change in the rate of growth was even more substantial for the Cairo Governorate. It grew at a rate of 3.7 percent per annum from 1947 to 1960 but at only 2.5 percent per annum from 1960 to 1976, to a present population of 5.1 million persons.

B. NATIONAL PATTERN OF URBAN GROWTH

The urban population is not evenly distributed throughout Egypt's urban centers but is concentrated in the larger centers, especially in the Cairo metropolitan area. That

TABLE 4
Population Age-Sex Distribution
1973
(in thousands)

Age Group	EGYPT			CAIRO		
	Males	Females	Total	Males	Females	Total
0-4	3,194.7	2,973.9	17.5	501.4	450.8	17.3
5-9	2,343.7	2,241.3	13.0	356.4	353.1	12.9
10-14	1,990.8	1,959.3	11.2	316.1	320.8	11.5
15-19	1,758.1	1,735.3	9.9	280.2	298.9	10.5
20-24	1,485.7	1,525.9	8.6	245.1	255.1	9.1
25-29	1,301.3	1,313.7	7.4	210.0	217.1	7.7
30-34	1,142.2	1,136.0	6.5	201.8	186.7	7.0
35-39	978.8	1,012.0	5.7	163.7	155.5	5.8
40-44	854.5	851.3	4.8	144.6	122.0	4.8
45-49	729.7	729.3	4.1	114.4	101.2	3.9
50-54	621.8	589.7	3.4	96.2	78.1	3.2
55-59	497.8	485.8	2.8	73.5	61.0	2.4
60-64	370.9	366.0	2.1	51.7	40.6	1.7
65-69	244.0	239.4	1.4	33.3	27.3	1.1
70 or more	262.0	287.1	1.6	32.5	27.9	1.1
Total	17,776.0	17,446.0	100.0	2,820.9	2,696.1	100.0
	35,222.0			5,517.0		

SOURCE: Central Agency for Public Mobilization and Statistics.
Cairo 1974, December 1974, Document 1269A/74, p. 128.

TABLE 5

Population and Projected Urban Population of
Greater Cairo, 1882 to 2000

Year	EGYPT			GREATER CAIRO				
	Population (000)	Annual Rate of Growth	Urban Population (000)	Annual Rate of Growth	Percent of Urban	Population (000)	Annual Rate of Growth	Percent of Egypt
1882 (C)	6,712		786		11.7	520		7.7
1897 (C)	9,715	2.5	1,322	3.5	13.6	812	3.0	8.4
1907 (C)	11,287	1.5	1,529	1.5	13.5	977	1.9	8.7
1917 (C)	12,751	1.2				1,063	0.9	8.3
1927 (C)	14,218	1.1				1,434	3.0	10.1
1937 (C)	15,933	1.1				1,770	2.4	11.1
1947 (C)	19,022	1.8	5,475		28.8	2,963	5.3	15.6
1960 (C)	25,832	2.4	9,370	4.2	36.3	4,820	3.8	18.7
1966 (SC)	30,139	2.6	11,875	4.0	39.4	6,113	4.0	20.3
1975 (E)	37,169	2.4	16,900	3.9	45.5	8,816	4.2	23.7
1980 (F)	41,466	2.2	20,364	3.8	49.1	9,183*	0.8	22.1*
1985 (F)	45,884	2.1	24,458	3.8	53.3	11,432	4.5	24.9
1990 (F)	50,401	1.9	29,360	3.7	58.3	13,622	3.6	27.0
1995 (F)	54,988	1.8	35,115	3.7	63.9	16,959	4.5	30.8
2000 (F)	59,992	1.6	41,907	3.6	69.8	21,114	4.5	35.2

NOTES: (C) = Census, (SC) = Sample Census, (E) = Estimate, (F) = Forecast, * = Disregard as inaccurate.

SOURCE: Central Agency for Public Mobilization and Statistics, Forecast Estimate by TAMS Group, 1976. (See Table 6).

TABLE 6

Population Forecasts for Egypt, 1975 to 2000

Year	Population (000)	Annual Growth Percent From Year	Expected Rate of Growth Output 5/		High Rate of Income Growth 4/		Annual Growth Percent From Year	Urban Population (000)	Urban Population as Percent of Total	Annual Growth Percent From Year	Urban Population (000)	Urban Population as Percent of Total	Annual Growth Percent From Year
			Urban Population (000)	Urban Population as Percent of Total	Urban Population (000)	Urban Population as Percent of Total							
1937(C)	15,933	1.79	UA	UA	UA	UA							
1947(C)	19,022	2.38	5,475 2/	29.1	4.20	5,475	29.1	4.20					
1960(C)	25,832	2.60	9,370	36.3	4.00	9,370	36.3	4.00					
1966(SC)	30,139	2.40	UA	UA	4.00	UA	UA	4.00					
1975(E)	37,169	2.20	16,900 3/	45.5	3.80	16,900	45.5	4.00	37,169	2.40	16,900	45.5	4.00
1976(E)	38,000	2.20	17,542	46.2	3.80	16,900	45.5	4.00	38,061	2.40	15,576	45.5	4.00
1980(E)	41,466 1/	2.05	20,364	49.1	3.75	16,900	45.5	4.00	41,848	2.35	20,562	45.5	3.95
1985(F)	45,884 1/	1.90	24,458	53.4	3.70	16,900	45.5	4.00	46,995	2.30	24,951	45.5	3.90
1990(F)	50,401 1/	1.76	29,360	58.3	3.65	16,900	45.5	4.00	52,654	2.25	30,217	45.5	3.85
1995(F)	54,988 1/	1.63	35,115	63.9	3.60	16,900	45.5	4.00	58,840	2.20	36,487	45.5	3.80
2000(F)	59,992 1/		41,907	69.8		45,000	75.0		65,601		43,967	67.0	

NOTES: C: Census, SC: Sample Census, E: Estimate of Current Population by CAMPAS, F: Forecast.

SOURCE: 1/ Memorandum by Ralph Wadkus of Tibbets-Abbot-McCarthy-Stratton, entitled "Egypt," October 10, 1976. 2/ Abu-Lughod, Janet, "Urbanization in Egypt: Present State and Future Prospects," Economic Development and Cultural Changes. 3/ Memorandum by Ralph Wadkus of Tibbets-Abbot-McCarthy-Stratton, entitled "Comments on the Population Redistribution Projections in Chapter I, "Population", Vol. II, Human Development, Suez Canal Regional Plan, August 23, 1976. 4/ Based upon an extrapolation of GDP growth from 1975 to 1980 of 11.0 percent per annum. 5/ Based upon a GDP growth rate from 1975 to 1980 of 6.5 percent per annum.

TABLE 7

Population Forecasts for Major Urban Centers
(High Range)

Urban Area	Population of Egyptian Urban Areas (in millions)			Percentage Distribution of Egypt's Urban Population			Growth Rates of Egyptian Urban Areas		
	1975 Estimate	2000		1975	2000		1947-1975	Unplanned 1975-2000	Planned 1975-2000
		Unplanned Possible	Planned Possible		Unplanned	Planned			
Metropolitan Cairo	8.5	22.6	19.6	50.3	50.2	43.6	4.00	3.99	3.40
Alexandria	2.5	6.6	7.1	14.8	14.7	15.8		3.96	4.26
Mansura-Mehalla-Tanta	0.9	2.4	2.1	5.3	5.3	4.7		4.00	3.45
Suez Canal Region	0.6	1.7	5.0	3.6	3.8	11.1		4.25	8.85
Asyut	0.2	0.6	0.5	1.2	1.2	1.1		4.20	3.73
Aswan	0.2	0.5	0.4	1.1	1.1	0.9		4.00	3.45
Satellites, New Cities	--	--	0.6	0.0	--	1.3		--	--
Mersa Matruh	0.1	0.1	0.6	0.3	0.3	1.3		3.73	9.65
Other Urban Areas	<u>3.9</u>	<u>10.5</u>	<u>9.1</u>	<u>23.1</u>	<u>23.4</u>	<u>20.2</u>		<u>4.04</u>	<u>3.45</u>
Total	16.9	45.0	45.0	99.7	100.0	100.0	4.00	4.00	4.00

SOURCE: Memorandum by Ralph Wadkins of Tibbets-Abbott-McCarthy-Stratton, entitled "Comments on Population Redistribution Projections in Chapter I, "Population", in Volume II, Human Development, Suez Canal Regional Plan, August 23, 1976.

metropolitan area has a population of approximately 8.0 million persons, about 48 percent of the urban population of Egypt. Its percentage of the total population of Egypt has risen from 16 percent in 1947 to approximately 21 percent in 1976.

(See Table 5) The second largest city, Alexandria, has a population of 2.3 million and is growing at a rate of about 2.7 percent annually. This rate of growth is a sharp decline from 3.9 percent annually for the period 1947 to 1960, and parallels that of the Cairo metropolitan area. However, together these two metropolitan areas comprise 10.3 million persons, or about 60 percent of the urban population of Egypt.

Historically, the dominance of Cairo and Alexandria has lasted for the last 2,000 years. Alexandria waned in importance under the Arab and Turkish caliphates but was revived by Mohammed Ali in the nineteenth century with the extension of commerce and the advent of modernization. However, they have performed, and continue to perform, nationwide and worldwide functions. Cairo is the largest city in the Middle East and is the center of Arab culture as well as Egypt's capital. It thus attracts much international diplomatic, commercial and industrial activity as well as performing its national functions. Alexandria is the leading seaport and a leading Mediterranean center, although its position as a cosmopolitan center is waning.

Other than Cairo and Alexandria, there are no centers in Egypt with a population of more than 325,000 persons. Four cities (the Canal cities of Port Said and Suez and the Delta cities of Tanta and Mehalla Kubra) have populations of from 250,000 to 325,000 persons. There are seven additional cities (the Canal city of Ismailia; the Delta cities of Mansura, Damanhur and Zagazig; and the Upper Egypt cities of Asyut, Fayoum and Aswan) with estimated populations of over 150,000 persons in 1970. (See Table 2) The canal cities were growing rapidly. However, the damage caused by the 1967 and 1973 wars has halted their growth until major reconstruction schemes presently being planned can be carried out.

The sparsity of cities in Upper Egypt south of Cairo should be noted. (See Table 8) The major centers of Asyut, Fayoum, and Aswan are all growing at rates above 3.7 percent annually. Aswan grew at a rate of 15 percent annually between 1960 and 1970, during the period when the Aswan Dam was being constructed. Its rate of growth has now slowed substantially, but its industry and electric power should make it the dominant center of Upper Egypt by the year 2000 with a population of 300,000 to 400,000 persons. However, there are only five other cities in Upper Egypt that had populations exceeding 50,000 persons according to the census of 1960. None of these cities has rapidly increased its population during the intervening period.

TABLE 8
Geographic Distribution of Cities
and Towns in Egypt by Region
and Size of City in 1960

Size class	Regional and Sub-regional Central Places				Nationwide Functions	
	Upper Egypt		Lower Egypt		Number	Name
	No.	Name	No.	Name		
Primates	0		0		2	Cairo Alexandria
Cities of 50,000 to 300,000	9	Giza ^a Embabah ^a Asyut Fayoum Minya Beni-Suef Sohag Qena Malawi	9	Tanta Mehalla Kubra Mansura Damanhur Zagazig Damietta Shubra Khayma ^a Shebin el-Kom Benha	3	Ismailiya Suez Port Said
Large towns 25,000 to 49,999	18	Aswan Bulaq Dakrur ^a Guerga Akhmim Gehina Gharb Tahta Luxor Edfu Senuris Beni-Mazar Manfalut Terma Maghagha Abnub Abu-Tiq Al Fashn Qus Esneh	21	Kafr al Sheikh Menuf Qalyub Kafr Dawar ^b Dessuq Abu-Kebir Bilbeiss Belqas Idku Mit Ghamr Sinballaween Matariya Hosh'Aish Rasheed Zifta Kafr Zayat Biala Ashmun Manzala Fuwa Semenui	0	
Small towns 20,000 to 24,999	12	Waraq'Arab ^a Al-Bedari Dairut Kom Ombo Al Hawamdiya Beyba Balyana Awseem ^a Al Minsha' Al Quseya Al Nakhela	12	Sherbin Gamaliya and K.G. Tala' Qurein Al Ma'sara Kafr al-Garayida Amint al-Heet Khanka ^a Sirs al Layyin Bahteem Al Batanun	0	
Total	39		42		5	

NOTES: ^aPart of Cairo Metropolitan Region.
^bPart of Alexandria Metropolitan Region.

SOURCE: Abu-Lughod, Janet L. "Urbanization in Egypt: Present State and Future Prospects", Economic Development and Social Change XIII: 313, at 331 (April 1965).

The overall disparity in the rate of urban growth is shown most clearly if one examines all urban centers except Cairo, Alexandria, and the Canal cities. Such areas listed as urban centers in 1947 grew at a rate of only 2.3 percent annually between 1947 and 1960, compared to a rate of increase of 3.5 percent annually for all such urban centers and 4.0 percent for Cairo, Alexandria, and the Canal cities. The rate of growth was much lower for smaller cities. The eight other cities presently with populations over 150,000 (see Table 3) grew at a rate of 2.9 percent annually, while the 38 other urban centers with populations above 20,000 only grew at a rate of 2.0 percent annually. Although there are no firm statistics for cities with populations below 150,000, this trend appears to be continuing, although the growth rate for Cairo and Alexandria has declined substantially.

In recent years the larger cities of over 150,000 persons which are well-located within the country have grown rapidly, while the smaller cities have either grown more slowly, or, in some cases, even declined. Within Lower Egypt, the larger cities and towns along the Alexandria-Cairo axis have grown most rapidly, while those on the eastern side of the Delta have grown more slowly. Rapid growth has also been experienced in several of the larger towns in Upper Egypt, especially in Aswan as a result of the Aswan Dam. A field trip from Cairo to Alexandria revealed the fact that there is a considerable amount of industry in the cities along this developing urban corridor and a substantial amount of construction activity to be seen -- indications that urban growth is likely to continue and to be dominant in and between these centers.

It has been stated that Egypt is over urbanized for its current state of economic development. This is probably not so if the transition to a modern society (which is now well advanced in Egypt) is to spread out and incorporate the lives and activities of the greater part of the population. Certainly, population is arriving in urban places ahead of the ability of those places to absorb the intake by offering urban work, urban residence, and urban services.

While it is probably true that Egypt is not over urbanized, given its economic and political development objectives, it is true that its pattern of urban growth is over centralized. After Cairo and Alexandria, there are no cities of large size. However, this is not an unusual situation in countries that have urbanized and developed their economies over the last 50 or 60 years from an agricultural and internationally dependent status to a more diversified, more internationally equal, trading partner status. The natural tendency in forming governmental institutions, in locating commerce and

new industry, and in extending transport facilities has been to build on strength and locate these in the existing one or two large urban centers. It is only later that the concentrated urban growth is seen to be in some respects a hindrance rather than an asset. Then the problem arises of how to distribute further urban growth more widely throughout the country as a whole. This is the major issue to be dealt with today -- the dispersal of new urban population growth away from the Cairo metropolitan area.

Within this context, it is difficult to predict the future rate of urban growth. It is dependent on a number of factors, including the overall population growth rate, the growth rate of industrial activity, and government policy toward 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 population growth rate projections for the major urban centers, working within a forecast of total urban population of 45 million persons by the year 2000. (See Table 7) If existing urban population trends continue, the population of metropolitan Cairo is predicted to reach 22.6 million while the population of Alexandria is predicted to reach 6.6 million. Substantial growth is predicted for the existing large Delta cities with slower growth in the cities of Upper Egypt, including Asyut and Aswan. If major investment is accomplished outside Cairo and if satellites and new towns are developed, it is expected that Cairo's population would be 19,600,000; that Alexandria's would be 7,100,000; that the Suez Canal region's would be much larger, at a total of 5,000,000; and that the combined population of the various satellites and new cities would be 600,000 (although this last estimate is below that of government for the year 2000).

C. PROGRAM FOR ORDERLY URBAN GROWTH

A past pattern of urban growth in Egypt has been linear between the major centers of Cairo and Alexandria. In the past 100 years, a secondary urban axis has developed along the Suez Canal. The major thrust of present urban policy in Egypt is to rebuild and strengthen this secondary axis by reconstructing the cities of Port Said, Suez and Ismailia into major centers with populations of 750,000 to 1,000,000 persons by the year 2000 (about three times their present populations).

In addition, a program of new cities and satellite cities has been planned for the Cairo metropolitan region and the urban corridor between Cairo and Alexandria, based upon the work of the Greater Cairo Planning Commission in the 1960s. (See Appendix III: Land Use in Cairo) Four towns -- Sadat City, 10th of Ramadan City, 6th of October City, and El Obour City -- are in the planning and design stages. Each town is scheduled for a population of approximately 500,000 persons by the year 2000. In addition, the industrial suburb of Helwan is being expanded and housing is being planned for its workers. The completion of the planned subdivision of Nasr City is also being given top priority. Finally, the city of Aswan is being expanded as an industrial and governmental center.

These development schemes are laudable. However, they will require many years to implement as well as vast capital resources that are not presently available. Even if successful in reaching their objectives, they could not begin to solve the problem of urban population growth in the short run. Thus, efforts must be made directly in Cairo and Alexandria to order the present and future development of these cities with regard to land use, housing and municipal services. It is estimated that Egypt has an existing housing deficit of 1.5 million dwelling units and that population growth will create the demand for an additional 1.6 million dwelling units by the year 2000. Cairo itself has a present housing deficit of approximately 750,000 units. This number does not account for the effect of overcrowding. In 1966 it was estimated that the overall density was two persons per room, at least in the central part of Cairo.

Thus, a national urban growth policy must concentrate on short-run improvements to existing urban areas as well as on the long-run creation of new urban centers. One of the major means of slowing migration to the greater Cairo metropolitan area and Alexandria would be emphasis on development of intermediate cities (cities with present populations of at least 50,000 persons). The development of these and other urban centers could result in a more equitable regional distribution of growth and could preserve valuable agricultural land, although at high initial capital costs. Their growth may result in a slower rate of growth for Cairo, which nevertheless will continue to grow to a level of 19 to 22 million by the year 2000 according to some estimates.

Intermediate towns such as Tanta, Mehalla Kubra, Al Mansura, Damanhur, and Zagazig in the Delta and Asyut and Faiyum in northern Upper Egypt should form growth points of an alternative urban strategy. However, there is a limit

to their national role in any strategy, for they are surrounded by valuable agricultural land or suffer other physical restrictions. This implies that they should be seen as urban segments of rural-urban metropolitan regions, having good interregional social and economic ties and good communications to maintain these and make such ties possible. These towns, if expanded, will exhibit a high intensity of urban land use and vertical residential expansion.

Attention to these towns and to linking them into the urbanizing zone that spreads between Cairo and Alexandria seems to require as much government policy attention as development of the Canal towns and of the Aswan region. Perhaps more so -- for action in the western Delta region will affect more people more quickly than either Canal towns or Aswan developments.

Such an approach would demonstrate the positive advantage of distributing urban growth more evenly. That is, more local and agricultural people would be given the opportunity to partake in the benefits of urban life nearer their traditional homeland regions, either by moving into a medium-sized but growing city nearby their village or by visiting it regularly for trade, education, health attention and amusements. The latter should be considered as urban magnets. If playgrounds, film cinemas showing the latest films, and popular traveling markets back up increases in urban work opportunities and commerce, then young professionals may reside in an otherwise unpopular local town. Similarly, more conservative people may be encouraged to stay because of traditional religious and cultural developments, such as a mosque with space available to accommodate thousands during festivals.

The development of these intermediate cities could then place development of Canal cities into perspective as an export and industrial base for Egypt instead of being developed mainly in response to an expanding population base. They could contain international trade and industrial sites and be centers for high-income tourism and shopping linked to the free trade zone. A large amount of luxury housing might be developed for international and Arab customers as an alternative to Damascus or Cairo. An international airport near Ismailia would help stimulate this process.

Aswan is a more regional and less international development center than the Canal cities. Its major role as an industrial center should help alleviate migration to Cairo from Upper Egypt. However, it is doubtful if Aswan will be able to grow rapidly until it holds a substantial population from the professional and managerial classes. Thus, its

development as a center in competition with Cairo, Alexandria, or the Canal cities may take several decades.

In this national pattern of urban growth, the new towns proposed around Cairo take on a special significance. Currently, they are seen as being a solution to Cairo's expansion. It is doubtful if they will draw population away from Cairo, however, within 20 years, they may help strike a new settlement distribution and density pattern for the greater Cairo metropolitan region. In time and distance, Cairo is close to 10th of Ramadan City and to Sadat City. This will undermine their separate development. However, changes in the present uniform rate of property taxation may assist a decision to live in the new towns if tax rates for Cairo (and Alexandria) were substantially higher in comparison. This discrimination in itself would be reasonable, since both places offer so much more than other settled areas in the country. The new towns are, thus, best seen as related to national settlement policies of distributing the population more widely, spreading urban growth more evenly, and locating urban employment opportunities outside Cairo and Alexandria.

The new town proposals should be examined critically to see if they are indeed designed to play this role or if they are linked too directly to the international economy without roots in local and regional situations. Their location on desert lands does not necessarily rule out this latter possibility and their success at the human level may well depend on development of strong ties at the functional level with existing urban places. A twin city approach might be developed in which a new town is established near an existing cluster of small towns or near a center. Development of the new town could then proceed with representation and population movement from the established area. This approach would be urban migration from a distinct area to a target destination near friends, where existing businesses could be transferred along with established customers. None of this would rule out in-migration from other parts of Egypt because the new towns should be open cities, attracting all comers from all income groups and localities.

Looked at as regional development levers, the new towns need to have their sites reexamined to evaluate the stimulation they can offer not only to themselves but to other districts, to twin cities, and to the development of a metropolitan region. Ultimately, only metropolitan-level amenities and services will attract the city builders away from the towering centers of Cairo and Alexandria.

Thus, the three urbanizing regions of Egypt in order of magnitude and likely expansion in time are: 1) the urban

corridor from Cairo to Alexandria in the western Delta; 2) the Canal towns; and 3) Aswan. A further option may be found in an urban corridor from Cairo to Suez.

Expansion and strengthening of existing centers along the urban corridor from Cairo to Alexandria and, perhaps, along the urban corridor from Cairo to Suez would be the best means of distributing urban growth and preserving valuable agricultural land. However, housing, sites and services, and municipal improvement projects must be tied to industries and other job-creating activities if such a plan is to be successful. In addition, policies regarding taxation and placement of government and economic activities will be necessary to encourage people to move into or leave Cairo and Alexandria.

Appendix II

RIGHTS TO LAND IN EGYPT

A. BACKGROUND

Rights and powers over land in Egypt are based on a mixture of age-old customs, Islamic laws, and influences of French and British legal systems. Private land ownership is a phenomenon of the last century.

From the time of the pharaohs until the nineteenth century, land in Egypt generally belonged to the state. The imperatives of being dependent on irrigation made it critical for the state to be able to control the use of land. This view was reinforced by Islamic law. At the time of the Moslem conquest of Egypt in the seventh century, only land and houses in towns could remain as private property (*mulk*). All other lands were considered to be spoils of war and property of the Moslem conquerors, i.e., property of the caliph. Fellahs (peasants) had the right to cultivate particular areas and to pass that right on to their children. They had no rights of ownership as such. However, at any period when the authority of the ruler lessened, his major lieutenants would gain actual power over lands they managed for the state and would be able to keep all revenues collected as well as pass the lands on to their children.

This situation was particularly prevalent in the seventeenth and eighteenth centuries during the decline of the Ottoman Empire when the appointed Pasha of Egypt allowed development of the *iltizam* system. Under this system, land was assigned to individuals by public tender in exchange for a sum of money and the promise to pay an annual land tax. In the course of time, these *iltizam* lands came to be held for life. Later, they could even be sold and inherited. During this period, a great deal of land came under the *waqf* system. Under this system, land was dedicated for religious purposes so that holders of *iltizam* lands could secure incomes from these lands for their heirs with the land exempt from property taxation (see below).

This system was ended in the early nineteenth century by Mohammed Ali, the founder of modern Egypt. He abolished the *iltizam* system and confiscated much of the agricultural land that had illegally become *waqf* land through that system. Thus, state ownership of land was once again generally restored in Egypt, except for small pieces in private ownership (*ib'adiyya*, *mulk*) which were mostly in cities and except for *waqf* lands legally held for religious or charitable purposes (most of which had been bestowed by the sovereign).

Mohammed Ali also began the process that led to creation of the modern rights of private land ownership. This movement started as an effort both to introduce land ownership for farmers and to provide for direct collection of property taxes by the state. A cadastral survey was carried out in which all land was registered in the name of the village where it was located. The members of the village were held collectively responsible for payment of the property taxes. In 1829 individuals were granted ownership rights to uncultivated lands (*ib'adiyat*) that had not been registered. In 1842 people were allowed to sell or transfer these lands. In 1846 individuals were allowed to pledge lands they cultivated (*kharajiyya*, *miri*) and to transfer them if they had a certificate from the head of the village (*shaikh al-balad*) or signed in the presence of witnesses.

In 1858 the Land Law of Khedive Said allowed cultivators ownership of their lands if they had paid taxes continuously for five years. Land could be mortgaged or sold. Land could be leased for three years and extended subject to local authority review. Such land could be inherited according to Islamic law, i.e., by female heirs. ^{3/} However, such ownership was not yet absolute. Owners of *miri* lands were not considered to have dominion/seisin (*raqaba*) over such land. They had no right to compensation if the land was expropriated. They could not bequeath property by will or bestow it in *waqf*. The growth of the market system in agriculture was favorable to private ownership, and these final rights were granted by the end of the century. ^{4/}

^{3/} In 1855 inheritance had been provided for male heirs (and under certain conditions to female heirs where there were no male heirs).

^{4/} This narrative is largely taken from Gabriel Baer, A History of Landownership in Modern Egypt, 1800-1950 (Oxford University Press 1962) especially pp. 1-12.

The establishment of private land ownership did not, however, lead to massive ownership of land by small farmers. 5/ Mohammed Ali and his successors granted large estates of both cultivated and uncultivated land to friends, advisors, and to bedouin sheikhs who agreed to settle down and forsake their wandering ways. Some of these estates were apparently formed by taking land from fellahs who had accumulated tax arrears or whose land was foreclosed after introduction of a mortgage system. Other fellah lands were abandoned by owners escaping the corvee, military conscription, or tax payments. Much land was registered in the name of the head of the village. Finally, foreigners came to own large estates through purchase, foreclosure, and through creation of land and mortgage companies. In 1901 foreigners held 11 percent of the cultivated area of Egypt, and foreign estates represented 23 percent of all large properties. 6/

The situation remained largely the same until the Revolution of 1952. The Agrarian Reform Act of 1952 7/ effectively opened up land ownership on a large scale. However, it was

5/ Mortgages were unknown in Islamic law which did not conceive of a real property security without the requirement of delivery of possession. The system of *hypothèque* was imported into Egypt from French law.

6/ See Robert Mabro, The Egyptian Economy, 1952-1972 (Oxford University Press, 1974), p. 59.

7/ Law No. 178 of 1952 limited agricultural landholdings to 200 feddans for individuals and 300 feddans for a household, if 50 feddans were distributed to each of two children. Law No. 127 of 1961 reduced the maximum permissible estate to 100 feddans per individual. Law No. 50 of 1969 reduced that estate to 50 feddans per individual and 100 feddans per household. Land in excess of that amount was to be requisitioned by the government over five years and paid for by government bonds. The government then redistributed the land to individual farmers in parcels of 2.0 to 5.0 feddans each, to be paid for over 30 years. It also sought to promote creation of new agricultural cooperatives to provide new owners with technical assistance, credit and marketing facilities. Effective agricultural cooperatives have yet to be realized on a broad basis. See Doreen Warriner, Land Reform and Development in the Middle East (Oxford University Press, 1957) and Gabriel S. Saab, The Egyptian Agrarian Reform, 1952-1962 (Oxford University Press, 1967).

only partially successful in reducing inequality. 8/ In addition, nationalization of holdings by the Mohammed Ali family and by large companies, and abolition of *waqf ahli* made some changes in urban areas (see below). Resentment against land holdings by foreigners culminated in the prohibition of such holdings, except under specified conditions. 9/ Basically, a foreigner may not acquire land, except up to 1,000 square meters as a personal residence. In addition, Arab investors who qualify under the Foreign Investment Act of 1974 may own land, if that land is to be used for construction purposes. 10/ Thus, some inequities have been removed.

The above history is necessary to understand present land ownership patterns in urban areas. It is perhaps most helpful in understanding the pattern found in urbanizing areas at the city's fringe. A greater proportion of land in Cairo and Alexandria has been held in private ownership. In addition, such cities, especially Cairo, have been under closer control by the ruler. Thus, much of the land was held by his family or immediate associates or given by him in *waqf* for religious purposes. The greater proportion of *waqf* land has made urban development more difficult, because of restrictions placed on the use of income from such lands. However, the basic pattern is the same.

In addition, history reinforces the predominant role played by public ownership and public control of land. Thus, the present Egyptian Constitution states that property is subject to the peoples' supervision and is protected by the state (Article 29). Private property must have a social function and be used to serve the national economy. Thus, it

8/ Between 1952 and 1970, 342,000 families were granted 817,000 feddans of land by the Agrarian Reform Authority. The percentage of cultivated land held by owners of less than 5.0 feddans rose from 35.5 percent to 57.1 percent. The very large estates disappeared. However, holdings of 50 to 200 feddans were relatively constant in terms of acreage, despite the reduction of the ceiling to 100 feddans and then to 50 feddans. Their share in the total area dropped only from 14.5 percent to 12.6 percent. Thus, a dual structure of larger farms and small-family farms remains, although the size of the larger landholdings is smaller. See Robert Mabro, The Egyptian Economy, 1952-1972 (Oxford University Press, 1974), pp. 68, 72-73.

9/ Law No. 81 of 1976; Decree No. 59 of 1977.

10/ Law No. 43 of 1974; Article 19.

may not be used in a manner incompatible with the general good of the people (Article 32). These provisions give broad latitude to the enactment of legislation and regulations that control land use and land development.

B. PRESENT SYSTEM OF LAND OWNERSHIP

Against this broad background, it is possible to consider the three current basic types of land ownership in Egypt: private ownership, public ownership, and *waqf* ownership.

1. Private Ownership

A vast majority of the land in urban areas in Egypt is now under private fee simple ownership (*mulk*). Such ownership has much of the same bundle of rights and obligations as under Anglo-American law or the Napoleonic Code. However, several differences which are important when considering land use are discussed below.

a. The Right of Preemption (*shuf'a*)

Under Article 936 of the Egyptian Civil Code, a neighboring owner has the right to substitute himself in the place of the purchaser in a transaction for the sale of real property if the land is reserved for building or has a building on it, if the land of the neighbor adjoins the land being sold on two sides and its value is at least one-half of the value of the land being sold, or if there is an easement or right of servitude in favor of the neighbor over the land being sold or in favor of that land of the neighbor. 11/

Thus, free alienation of land, especially for speculative purposes, could be made difficult. It has been proposed that

11/ This right is precluded if the person who is entitled to it has himself made a bid for the property. In addition, it is easily evaded. One such device is for the owner to make a charitable gift of one room to a prospective buyer who thereby becomes a co-owner. The buyer is then sold the rest of the house.

the government be allowed to step into the shoes of such a neighboring owner in order to better control use of urban land.

b. Inheritance and Family

Joint Ownership (*musha*)

The Islamic law of inheritance, as modified in Egypt, ^{12/} encourages the fragmentation of land holdings through the restriction of the disposition of land by will to a maximum of one-third of the estate and the distribution of the estate per capita among eligible parties rather than per stirpes. ^{13/} Thus, ironically, the increase in number of owners of agricultural land, by placing that land under the Islamic law of inheritance, has violated the age-old tradition that the right of cultivation went to the eldest son or able male heir.

To discourage such fragmentation, the Civil Code encourages family joint ownership of land (Articles 851-855). Such agreement must be made in writing for a period of a maximum of 15 years. If no period is fixed, each co-owner can withdraw from his share six months after he gives notice to that effect to the other co-owners. No partition of that land can occur as long as the agreement is in force. No sale of a share can be made to a non-family member without agreement of all co-owners. If such a person is allowed to buy a share, he merely becomes a partner in the family's joint ownership (Article 853).

It does not appear that such formal agreements are often made. However, land is often kept under the management of a

^{12/} See Law No. 77 of 1943 (inheritances) and Law No. 71 of 1946 (wills). Law No. 77 of 1943 allowed more flexibility with regard to distribution of the one-third bequeathable by will so that a widow or needy heir or non-heir can be given all or part without the need of the consent of the other heirs as under orthodox Sunni law (Article 37).

^{13/} Under the rule of per stirpes, each child of the descendant would share equally and children would step into the place of their father or mother as if the latter were still alive. The problem with this rule under the Islamic law of inheritance is the unequal position of sons and daughters and the unfortunate results that could be reached. Thus, a daughter of a son would take two-thirds of an estate while her aunt, the daughter of the deceased, would only take one-third (assuming the deceased had only two children and that his wife was already dead).

single family member rather than being formally divided, especially in rural areas. Thus, land may appear to be owned by one person but indeed be owned by many members of a family. It is, therefore, often difficult to purchase land in urbanizing areas because one must find all of the owners and get their agreement to the purchase.

c. Separation of Land Ownership
from Ownership of a Building or a
Story of a Building

Under Islamic law, there is no difficulty in distinguishing between ownership of land, ownership of the building on that land, or ownership of different stories of the same building. ^{14/} The right to build an upper story on an existing building adheres not to the owner of the land but to the owner of the existing upper story, although the building may not be heightened so as to injure a lower story. ^{15/} Thus, low-income persons can expand their houses, even if they do not own the underlying land upon which the house is situated.

d. Right of Prescription

Under the Egyptian Civil Code, the possessor or user of a plot of land can gain ownership of that land, if he occupies it continuously for 15 years and if the owner does not assert his rights. ^{16/} Thus, it would be possible for a squatter to gain legal rights after that period, de jure as well as de facto. Of course, in practice the government and the owner do not often make active efforts to make him leave the land.

^{14/} Civil Code, Articles 856-861.

^{15/} Civil Code, Article 861.

^{16/} A good-faith purchaser can gain ownership rights in five years (Article 969). Ownership rights on *waqf* land require 33 years (Article 970). An individual can gain immediate ownership rights to uncultivated land, but he loses those rights by non-cultivation or use for five consecutive years during the first 15 years following acquisition of ownership (Article 874).

2. Waqf

Waqf is a second type of non-public land ownership. It is fairly prevalent in urban areas and has played an important role in urban land development over the past 100 years, although that role is greatly diminished today. It is a peculiar institution of Islamic law that is similar to the right of mortmain under which the Roman Catholic Church held large amounts of land in Europe during the Middle Ages. It is also similar to the modern concept of trust. A *waqf* is the setting aside of property, generally real property, for charitable or religious purposes. The *waqf* is established in perpetuity and is irrevocable. The persons establishing the *waqf* loses his ownership in the property. Its ownership is generally held to be by Allah rather than by any living person. Such property is now administered under the authority of the Ministry of Awkaf.

At present, the amount of urban land held under *waqf* has declined, and the powers of the private administrator/trustee have been taken over by the Ministry of Awkaf. However, the changes that have reached this result have only occurred in the past 30 years. The legacy of the past remains in the need to have the approval of the Ministry of Awkaf to develop or improve such land and in the question of whether it can ever effectively be taken for public purposes or must always be administered by that ministry. Thus, a review of the history of *waqf* and its importance in the history of Cairo and Alexandria is necessary to understand the present situation.

As the concept of *waqf* developed, there were two classes of *waqf* ownership: *waqf khairi* and *waqf ahli* (known as *waqf dhurri* or *waqf 'adi* outside Egypt). The income of a *waqf khairi* is immediately devoted to religious, cultural or charitable institutions. The income of a *waqf ahli* is assigned to a number of specified persons, generally relatives and descendants of the benefactor. Only after the death of all named persons will the income go to the religious, cultural or charitable institution named by the founder.

Waqf khairi has played a major role in financing mosques, educational institutions, clinics and hospitals, including the world-famous university of al-Azhar and many Cairo mosques. Thus, it has played a major part in the culture and modernization of Egypt.

Waqf ahli, on the other hand, has been a means for large landowners to leave property for the benefit of their descendants without having to pay property taxes, to preserve the

property as a single unit, and to limit the number of legal heirs who would receive benefit from it. Such land could not be sold to satisfy debt incurred by the beneficiaries. The property could not be mortgaged because its inalienable title could not be pledged against the loan. The amount of such *waqf ahli* land increased in the late nineteenth century both because of increased endowments of the Mohammad Ali family and the fact that an increased amount of private ownership meant that much land was for the first time eligible for transfer to *waqf* status.

Waqf ahli land created major problems for urban development ^{17/} because it could not be mortgaged and because profits, after maintenance and administrative expenses, had to be distributed among the beneficiaries instead of being reinvested in the property. There was no incentive for long-term preservation and increase in property value. ^{18/} Its abolition in 1952 ^{19/} led to a great increase in the rate of land development in Cairo and other cities.

Waqf khairi has not been abolished, but more and more control and administration has been given to the government, both at the national and governorate levels. In addition, there has been pressure on the Ministry of Awkaf to use such

^{17/} See Janet Abu-Lughod, Cairo: 1001 Years of the City Victorious, pp. 76-79, 154-158, 223.

^{18/} This generalization should not be taken too far, as there were three types of rental agreements for land under *waqf* which could lead to more effective use of land: 1) *Hikr* -- Lease for a period of up to 60 years. The recipient undertook property improvements and an annual rent that varied according to current property values (Civil Code, Articles 999-1014). Such rights were terminated in 1967. Law No. 92 of 1960; Law No. 32 of 1965. This right was the most usual one for renting urban commercial establishments. 2) *Idjaratein* -- A form of *hikr* created for buildings in need of repair. The lessor pays immediately a sum of money equal to the value of the building and then an annual fixed rent based only on the value of the land (Civil Code, Article 1013). 3) *Kholou-el-intifaa* -- Lease of property for an indefinite period of time for payment of an annual rent. The lessee undertakes property improvements. The *waqf* may retake the property at any time, after due notice, as long as it pays the lessor for his expenses (Civil Code, Article 1014).

^{19/} Law No. 180 of 1952.

lands for social purposes. Low-income housing projects have been constructed at al-Marj and Waqf City. However, in the older parts of Cairo, a large proportion of land is still held under *waqf* and under the administration of the Ministry of Awkaf and the semiautonomous Awkaf Authority which is responsible for managing Awkaf lands in a commercial manner, to achieve a return on investment and to invest income from such lands profitably. Thus, that ministry must be included in any discussions regarding urban land development and must be encouraged to carry out such redevelopment itself.

C. PUBLIC OWNERSHIP OF LAND

The third major type of land ownership in addition to fee simple and *waqf* ownership is the public ownership of land. There are two types of publicly-owned land in Egypt:

State domain (*aradi al-hukuma, mubah*).

Public domain (*atyan al-manafi' al-umumiya, matruka*).

1. State Domain

State domain originally referred to the desert and other uncultivated or unclaimed land which could become the property of anyone who settled and worked it. However, this meaning was gradually lost, as a result of the need for official permission to settle on such lands, the registration of these lands as state property, and their inclusion with other lands owned by the state under a central administration. At the present time, such state lands in urban areas are administered by the Department of State Lands in the Ministry of Housing and Reconstruction or by governorates. Such state lands now include lands expropriated from the former royal family after the 1952 Revolution. Reclaimed land, while managed by the Ministry of Housing and Reconstruction, is actually under the authority of the Ministry of Finance which collects rents and taxes due on that land. Such land is sold through the mortgage bank (Credit Foncier). Desert land is under the control of the semiautonomous Desert Reclamation Authority which has the authority to manage and sell it. It is easily transferred to a governorate or to the Ministry of Housing for specific development purposes, such as creation of a new city. 20/

20/ Interview with Mr. Mashari, Undersecretary for Land, Ministry of Housing and Reconstruction, March 1977.

2. Public Domain

Public domain is land owned by the state that serves as a public utility. It includes public roads, railways, land covered by military installations, the irrigation network, navigable rivers and streams, and state-owned lakes. For example, areas allotted for public ways, squares, parks, and other public uses, and public utilities within a subdivision become part of the public domain land.

The major distinction between state domain land and public domain land is that state domain may be transferred to private individuals while ownership of public domain may not. In addition, private individuals cannot gain ownership of public domain lands through continuous occupation over a set period of time (the right of prescription). Thus, such lands belong to the state without possibility of alienation, as long as they are being used for such purposes. Publicly-owned lands that may be used for land development purposes are, thus, state domain lands.

D. LAND DEVELOPMENT BY PUBLIC AGENCIES

Government agencies in Egypt have sufficient authority to develop publicly-owned lands in urban areas and to take privately-owned lands for public purposes in order to accomplish orderly land development.

1. Expropriation

There are two laws regulating the expropriation of land: Law No. 577 of 1954 (the general law of expropriation) and Law No. 27 of 1956 (expropriation of properties in urban areas for specific planning purposes). Under each of these laws, the general welfare purpose for which land can be taken is broadly construed. Thus, there is not the problem often found under Anglo-American law by which lands taken by expropriation cannot then be used to benefit private commercial purposes. However, adequate compensation must be paid to the property owner, as prescribed by the Egyptian Constitution. 21/

21/ Egyptian Constitution, Article 34.

a. Law No. 577 of 1954

Under Law No. 577 of 1954 the public purpose for which the land will be taken must be stated in a decree issued by the governor. ^{22/} This decree must also contain a general plan for the project (Article 2). The Department of Planning and Reconstruction establishes a committee, consisting of a representative of that department, a member or representative of the local council, and the tax collector. That committee is responsible for executing the expropriation procedures and for setting the amount of compensation to be paid.

Objections regarding the amount of compensation to be paid will be settled by a committee, consisting of a judge (appointed by the chief judge of the district court) as chairman, a member of the Survey Department, and a member of the Department of Planning and Reconstruction (which is responsible for carrying out the expropriation). The decision of that committee can be appealed to the district court (Articles 13-15).

In addition, there are provisions establishing a procedure for temporary expropriation, if necessary because of flooding, epidemic, or other emergency (Article 17). Such temporary occupation can last for a period of up to three years. Any longer period requires a permanent taking (Article 18). Compensation must be paid for that use.

Sections regarding setting the amount of compensation and the period for payment of that compensation are favorable to the government. Compensation for increased value because of development is not paid if the expropriation occurs within five years of the beginning of project execution (Article 20). In addition, the government can delay payment for up to five years, suffering only a penalty of paying four percent interest on that principal (Article 23).

Finally, the government is allowed to overexpropriate when required, in its opinion, to realize the project or to eliminate incompatible uses (Article 22).

^{22/} This authority was delegated to the governor by the Minister of Housing and Reconstruction.

b. Law No. 27 of 1956

Law No. 27 of 1956 sets up a similar procedure for expropriation of particular areas for urban renewal purposes. The expropriation procedure is carried out by the same committee as that which executes the provisions of Law No. 577 of 1954. The committee must proceed within a two-year period of the declaration stating the need for the land and its public purpose (Article 6). Payment may be made in terms of developed land as well as of money, so that the owner can receive some of the increase in land value resulting from development (Article 13). Thus, a land adjustment procedure could be instituted in existing residential areas without requiring changes to existing law regarding the public taking of land. The developed land must be sold by public auction, and that sales price will set the amount of land that the former owner will receive as compensation (Article 19-21). 23/

2. Powers to Use State-Owned Land

The government has broad powers to use state-owned land under Law No. 99 of 1902, as amended. It may develop such lands itself or rent or sell them to private developers under certain specified conditions. 24/ The control of urban lands is under the Department of State Lands in the Ministry of Housing and Reconstruction. However, much of the actual control of such lands has been delegated to the governorates. This role of the governorates was strengthened by the specific

23/ Such owners will be given priority to buy at the base price, if they are owed compensation equal to at least one-third of the base value of the property that they wish to buy (Article 20).

24/ Law No. 29 of 1958 specifies that state-owned properties can be sold or rented at a low price or rent to realize a public purpose. Such action requires a Presidential Decree if the property has a value of LE 1,000 or more. Such nominal rentals cannot exceed a period of 30 years. Law No. 100 of 1964, as amended, states the conditions for sale of desert and agricultural lands. Regulation No. 471 of 1967, by the Minister of Housing, establishes a procedure for the sale of reclaimed land, unoccupied inheritances, land owned or administered by insurance companies, public buildings, or sequestered estates when the value is not over LE 20,000.

enumeration of control over the use of land within its boundaries by the new local government law, Law No. 52 of 1975. ^{25/} The governorates also are empowered to buy land, although in practice their budgets most often exclude that option.

In addition, Law No. 549 of 1976 permits governors to sell state domain land within their jurisdictions. ^{26/} Such sale can be made to public sector companies, newspapers, or other entities serving public purposes, as long as there is approval by the minister concerned. Thus, industrial projects must have the approval of the Minister of Industry. Arab foreign investment projects must have the approval of the General Authority for Foreign Investment. Other projects with public welfare purposes must have the approval of both the minister concerned and the Minister of Finance. In addition, the governor may sell land to owners of buildings built illegally on publicly-owned land after November 12, 1952, as long as the sales price is equal to the present market value of the land. Thus, the governorates have great flexibility to influence land development by selling land to public companies, or even to private entities, in order to accomplish public development purposes.

A second area of power is the use of desert lands and lands under the authority of the Ministry of Awkaf or the military for urban development purposes. It is not difficult to get desert land transferred to the authority of the Ministry of Housing and Reconstruction for use as urban land. This authority has already been used in planning the new cities of Sadat City and 10th of Ramadan City.

Also, the Ministry of Awkaf is not as autonomous as it has been in the past (as related above). There is now a joint committee, with representatives from the governorate, the Ministry of Housing and Reconstruction and other interested parties to supervise the use of *waqf* lands. Law No. 180 of 1952 required the Ministry of Awkaf to invest income from the lands it administered in projects with socially desirable

^{25/} Law No. 52 of 1975, Articles 12, 13.

^{26/} The local council of a governorate was previously permitted to dispose gratuitously of, or to rent at a nominal value, lands under its control, as long as the value of such lands disposed of in one fiscal year was LE 25,000 or less. Disposal of lands with a greater value to private parties requires approval of the Ministerial Committee for Local Administration (Law No. 52 of 1975, Article 15.)

purposes. ^{27/} Finally, a Decree in 1963 called upon the Ministry of Awkaf to turn over all real estate properties under its jurisdiction to the governorates in which they were located. If lands were to be used for public purposes, the governorate was to recompense the Ministry of Awkaf up to 50 percent of the value of the property. If such *waqf khairi* properties were not required for public purposes, then the governorates were to recompense the ministry for 90 percent of the value and keep 10 percent for administrative expenses. ^{28/} This order does not appear to have been effectively implemented, but it has led to greater cooperation between these bodies.

A more difficult situation is found with regard to urban lands controlled by the military. At present, 30,000 feddans in Cairo are occupied by mostly obsolete military installations, including 1,000 feddans at the Almaza Air Base (which is presently planned for development). A more effective formal means for the transfer of such land is required. Such a plan was worked out in the early 1960s for development of Nasr City where the Ministries of Housing and Defense were jointly involved in the planning.

Thus, the Ministry of Housing and Reconstruction has great authority to control state-owned land and to sell it at a nominal price or to free it for the purpose of encouraging development. In most cases, such transactions have been either a delegation of authority over certain state-owned lands to the governorate or a sale of land to specific public-sector development companies.

3. The Role of the Public Sector Companies

There are 10 public sector housing and development companies under the general jurisdiction and authority of the Ministry of Housing and Reconstruction. They are responsible for the planned communities of Nasr City, Maadi, and Heliopolis as well as for the public housing program. These authorities

^{27/} Between 1952 and 1962, the Ministry of Awkaf is stated to have constructed 1,097 low-cost rental housing units and 104 units of upper-middle-income housing. United Arab Republic Annual Yearbook, 1962. Later figures were not available to us.

^{28/} See Janet Abu-lughod, Cairo: 1001 Years of the City Victorious, p. 223.

can buy and sell land. Thus, they can control land development both before and after construction is completed. (See Appendix VIII) However, they are restricted in the use that can be made of revenues obtained from the sale or rental of developed properties. When most Egyptian companies were nationalized during the 1961 to 1963 period, it was specified that their profits must be returned to the general treasury instead of being retained for future development, with some allowance for required current expenses. ^{29/} Because any change in this requirement for public sector housing and development companies would probably also require a change for other companies in other economic sectors, it has been recommended here that a Land Development Agency be operated as a General Organization.

E. LAND REGISTRATION

The land registration system in Egypt was adopted from the French. It was originally introduced by Mohammed Ali as a means of effectively increasing revenues from property taxes. Initially land was registered in the name of a village, but in the late nineteenth century individual property ownership brought registration of land by individuals.

All major rights to land must be registered with the local district office of the Land Registration Division of the Ministry of Justice or they are void both between the parties and as to third parties. ^{30/} These rights include mortgages and tax liens as well as transfer of property by sale or inheritance. The fee for registration is a major cost to the buyer on the sale of property. It ranges from 2.0 to 7.0 percent of sales price, depending on that value. ^{31/}

The present system used for registration is the grantor-grantee index introduced by the British, when they made a complete cadastral survey of the country at the beginning

^{29/} In general, 20 percent of revenues can be kept for new development.

^{30/} Law No. 18 of 1923, Article 1.

^{31/} The fee is two percent for LE 1,000 or less; four percent for LE 3,000; and seven percent for LE 4,000 or more. In addition, there is an application fee of LE 2.

of this century. ^{32/} However, the government is now changing to a system by which owners can be identified by lot number and address rather than only through knowing his name or his grantor's name. This system of mapping has been introduced into Tanta and Fayoum and is expected to be extended to other governorates in the next 10 years.

It is difficult to evaluate how much land is actually registered, although most land in the older areas of Cairo appears to be registered in some name even though it may be illegally occupied. However, the high cost of registration means that much land in the newly urbanizing areas is not registered. Since registration is necessary to create a legal right to land and thus also necessary for loans for housing finance purposes, some means must be found to create a more efficient land registration system in the near future.

^{32/} See H.G. Lyons, The Cadastral Survey of Egypt, 1892-1907 (Cairo, 1908). Under a grantor-grantee index, one cannot locate an owner of property without knowing his name or the previous owner's name.

Appendix III

LAND USE IN CAIRO

In Cairo the present land supply situation is widely understood by government officials as well as private landowners and developers in the city. It is recognized that the main actor in land is the government itself and that the present position represents the cumulative impact of a number of disconnected actions taken over a number of years. The unintended effect of these is:

1. Overprovision of urban land for higher-income groups, beyond their capacity or desire to build relative to rent control, building material shortages, and building costs.
2. Underprovision of urban land for the far larger groups of middle-income and poor households, resulting in overcrowding of buildings on sites and of rooms, illegal subdivisions, and squatting.
3. A distortion of the housing market, by providing heavily subsidized economic housing for a few while denying help to many.
4. Creation of a static situation through rent control, since people are encouraged to stay where they are instead of solving their own housing problems at their own expense. This situation denies newcomers to the middle-income group (such as university graduates, skilled industrial workers, and junior managers) suitable housing in suitable locations.

This situation is aggravated by continued population growth in Cairo. It is now above five million and contains 13 percent of the country's total population.

Studies carried out between 1966 to 1969 revealed a situation which has not been greatly amended since, despite efforts to improve the situation: 20.01 percent of buildings in the developed urban area were not connected to the public sewerage system; 28.7 percent were not connected to a water supply; and 41.1 percent were not connected to electricity.

A. RESIDENTIAL LAND USE

Having been briefed on the overall situation in Cairo, the Joint Land Policy Team focused on residential land use. An examination of existing residential districts revealed numerous mixtures of classes and types of people, of building structures, and of activities (other than dwellings) within houses. Nevertheless, seldom is every income group and every type of structure found in every residential locality.

An examination was made by members of the Joint Land Policy Team (by inspection) of Cairo's residential areas and characteristic profiles. These were identified by income groups, characteristic layouts adopted, characteristic house building forms, characteristic building materials used, and characteristic types of occupancy. Using this inspection technique (which needs checking and refining over a longer study period), the following types of residential communities were identified in the greater Cairo metropolitan region:

1. Rural settlements overrun by urban growth.
2. Urban settlements of rural character.
3. Illegal, unplanned subdivisions.
4. Planned and legal urban settlements under progressive development.
5. Medieval conservation and redevelopment areas.
6. Established upper-middle-income districts in the inner city, inner suburbs, and outer suburbs.
7. Formally planned high- and upper-middle-income districts (the companies).
8. Comprehensive development areas.
9. Lower-middle-income high-density residential districts.

TABLE 9

Typology of Residential Areas
in Metropolitan Cairo

Settlement Form (example)	People/Square Kilometer (1973) ^{1/}	Mean Annual Income Bands (LF 1975)	Proportion of Developed Land (1977)	Policy Implications and Approaches
Rural settlements overrun by urban growth (Rod-el-Farq, North Cairo villages)	117,630	below 250	3.0	Upgrade and legalize or adopt some land adjustment and partial redevelopment.
Urban settlements of rural character (Ain Shams, Warraq el Arab)	77,000	below 250 250 - 400	3.0	Legalize, establish standards for upgrad- ing, make some land adjustments and limited removal for road widening, or move popula- tion to new housing elsewhere.
Illegal, unplanned urban subdivisions (Turquman)	60,000	150 - 100 400 - 600	5.0	Legalize, establish standards for upgrad- ing, make some land adjustments, establish sites for community buildings, and prepare access roads.
Planned urban sub- divisions under progressive devel- opment (Bulaq el Dakrur)	10,000	400 - 60 600-1,000	3.0	Revise high layout standards for later sub- divisions, review for waste of urban land, and improve means of obtaining materials and licenses.
Medieval conserva- tion and redevel- opment areas (Old Cairo, El Khalifa)	70,000	250 - 400 400 - 600 600-1,000	5.0	Establish and upgrade conservation standards, provide building repair grants-in-aid, some limited urban renewal, and some limited slum clearance.
Establish urban districts (Inner city: Qasr-el-Nil; Inner suburbs: Gar- den City, Zamelik)	7,000	1,000-1,400 above 1,400	28.0	Provide some slum clearance and upgrad- ing in inner city areas, and provide some building repair and slum clearance in adja- cent areas.
Formally planned high- and middle-income districts (The Companies: Heliopolis, Maadi, Nasr City)	5,000- 6,000	1,000-1,400 above 1,400	31.0	Review layout standards and lot sizes, widen scope of projects to include other income groups, improve building material supply, review impact of rent control on rate completions of buildings.
Comprehensive develop- ment areas (Maadi: The Osman Company, Merry- land)	7,000	above 1,400 1,000-1,400	1.0	Set maximum permitted size of rooms and apartments, insist on a proportion of lower-middle-income groups in each project and a wider range of lot sizes.
Lower-middle-income high-density residen- tial districts (Shoubra, Bulaq, Bab el Sharia)	80,000	250 - 400 400 - 600 600-1,000	15.0	Install public utilities, improve refuse removal, and upgrade generally
Public housing proj- ects (economic housing: Zeitoun Zeinoh, indus- trial workers housing: Helwan)	40,000	150 - 400 400 - 600 600-1,000	5.0	Examine whole subsidy policy and selec- tion procedures, revise so those who could pay more rent do so, evaluate and revise architecture and layout standards.
Occupation of grave- yards		below 250 150 - 400	.5	Some removal of population to other sites, some clearance and land adjustment.
Roof squatters		below 250	.5	Resettlement and sites and services schemes.

NOTE: ^{1/} Taken from Central Agency for Public Mobilization and Statistics, Cairo 1974. Document
1269A/74, p. 137

SOURCE: PADCO estimates and analysis.

10. Public housing projects: economic housing and industrial workers' housing.
11. Occupation of graveyards.
12. Squatting on roofs.

1. Rural Settlements Overrun by Urban Growth

In layout, the rural settlements that have been overtaken by urban growth have a medieval and rural character. This is a result of the fact that they are served by passages and narrow trackways adequate for pedestrians, donkey riders, and animal cart traffic. Water is characteristically found nearby from a well. Installed sewerage systems do not exist. The characteristic buildings are single- and two-story courtyard houses and clusters of rented rooms around a shared yard. Materials used are locally available earth, poles, and red brick. Occupants have usually been in the community for a considerable time, some for 20 or 40 years. Newcomers often rent and travel significant distances to work. Some squatters were found on poor ground at villages edges.

In all, this type of settlement occupies about three percent of all urban developed land in the Cairo metropolitan region (including Giza and Qaliubiyah Province lands). Typical areas of this type include: Rod El Farag, Mit, Ogba, El Manyal, Imbaba, Dokki, and Shoubra El-Kheima.

2. Urban Settlements of Rural Character (Illegal and Newly Established)

In layout, these urban settlements resemble the rural medieval prototype. However, they have some wide trackways which offer an unpaved access for vehicles. Water is from nearby wells or provided wells within the community area. There is no installed sewerage treatment. The characteristic buildings are single- and two-story yard houses, but some are large three- and four-story buildings. No provision is made for community use buildings. Materials used are found locally: earth, poles, red brick, and stone. In addition, there is some use of concrete and reinforced concrete. Many occupants have been in the city less than 15 years, and some have been residents only half that period or less. Vestiges of tribal or family ties remain with their original small towns

or villages, with movement continuing between the two. Squatters occupy poor land and some roof areas.

The probable spread of these settlements in metropolitan Cairo is three percent of the developed urban land area. Typical locations for them are: Boulaq el-Dakrur, Warrag el-Arab, Ain Shams, Shoubra El-Kheima, Sagiet Mikke (Giza), El Mataria, and Manshiat Nasr.

3. Illegal Unplanned Subdivisions

These developments are generally laid out in rectangular blocks served by straight but narrow roadways. These are seldom surfaced yet provide for vehicle access. This type of layout is workable but below the approved subdivision standards of early 1977. Water is sometimes available in wells but is also delivered by private tankers. No sewerage lines are installed. Building materials are usually red brick, concrete, and reinforced concrete. The most common building type is a narrow frontage house which is progressively built up to five floors. This will sometimes also accommodate a family squatting on the roof in an earth-built rural-type dwelling.

Occupancy of these settlements is by the owner's household, typically with floors rented off. Some owners have three such buildings and rent out lower floors as shops or small workshops. Such areas can be as old as 40 years or as recent as a few years old, but most of them contain newcomers to Cairo who have established themselves or renters who seem well on the way to becoming established.

It is estimated that five percent of metropolitan Cairo's developed area is of this kind of residential settlement. Representative locations include: Eshash-Al-Turgman, Boulaq El-Dakrur, Shoubra, and El Mohammadi.

4. Planned and Legal Urban Settlements With Progressive Development

These areas are authorized urban subdivisions that are frequently developed on what was, until recently, valuable agricultural land. They meet current subdivision standards. Therefore, there is an excess of land devoted to roads, most of which are straight. The characteristic dwelling form is a wide frontage four- or five-story walk-up with either four or five apartments. Others are on wider lots. Construction

commonly uses reinforced concrete and is conventionally modern. Occupants are both old and new Cairo households in the middle- and upper-middle-income groups.

Probably three percent of the urban developed land of metropolitan Cairo is occupied this way. Examples of these settlements include: Boulaq-el-Dakrur, Manyal El-Roda, Shoubra El-Kheima, Shoubra, and Maadi.

5. Medieval Conservation and Redevelopment Areas

Older parts of Cairo offer the spirit of the city to many who live in them. They are, however, seldom entered by occupants of other parts of the metropolitan region. The winding streets do not encourage motor traffic, but they are often wide enough to permit access to carts, hawkers, and pedestrians. Water supplies are limited to a few points. Seldom is there any provision of sewerage lines. Although some shopping streets prosper, the property behind shops is often in a poor state of repair -- even in a state of collapse.

The typical residential building in redevelopment areas is four- to six-floors, sometimes with a narrow opening onto a walled yard which fronts the street. Construction is typically of stone, earth, poles, and unburnt and red brick. Where redevelopment has occasionally occurred, construction is of reinforced concrete. Occupants of these settlements basically have long-term roots in Cairo, but there are some newcomers. The typical life-style is a blend of work, leisure, and marketing within a colorful scene.

Probably seven percent of Cairo's developed urban land is used in this manner. Many of these areas typify the continuity of Cairo through the ages. As such, they provide the core of the tourist city. Typical samples of these settlements in Cairo are: Masr El-Qadima (Old Cairo), Citadel, El-Khalifa, El-Azbakia, El-Mouski, and El-Azhar.

6. Established Upper-Middle- Income Districts

Upper-middle-income districts are subdivided into three zones: a) the inner city and central business district; b) the inner suburbs; and c) the outer suburbs.

a. Inner City and Central
Business Districts

These areas have wide boulevards and canyon streets. Their buildings are constructed of stone and reinforced concrete. They abut street sidewalks and rise eight to 10 stories. Although water and sewerage systems are provided, they are frequently overloaded. Occupancy is a diverse mixture of shops, offices, and residences for middle- and upper-income groups. There is also some occupancy by low-income households and some squatters on the roofs.

Typical inner city and central business district areas include: Qasr El-Nil, Tahrir Square, El-Mouski, El-Azhar, and Bab-el-loug.

b. The Inner Suburbs

The inner suburbs are characterized by wide avenues and boulevards. Some villas are interspersed among tall blocks of apartments. The predominant construction type is stone-faced or rendered reinforced concrete structures. Occupants of the inner suburban areas are high- and upper-middle groups, those who staff the government, business, and professional offices.

Typical locations include: Dokki, Zamalek, Garden City, and El-Aguza.

c. The Outer Suburbs

The outer suburbs are laid out among adjoining streets. There are some tall apartment buildings; however, four-story walk-ups are more common which have eight apartments per building. These are constructed of reinforced concrete with brick or block panel infilling. The occupants are similar to those of the inner suburbs but, since prices are somewhat lower in the outer suburbs, they also contain some middle-income professionals and government servants.

These upper-middle-income areas occupy as much as 28 percent of the developed urban land of metropolitan Cairo. Typical outer suburb locations include: Pyramids, Helwan, Mukattam, and Maadi.

7. Formally Planned High- and Upper-Middle-Income Districts

These planned areas represent development areas of the companies. They can be conveniently divided into two periods: before the 1961 nationalization of the companies which was followed by changes in subdivision standards; ^{33/} and those developed after 1961 or currently being conceived.

Development before 1961 was characterized by broad suburban avenues in the European style. In central shopping districts these were flanked by apartment blocks while elsewhere they were flanked by villas. Reinforced concrete or stone materials were the predominant construction materials. Occupants were high- and upper-middle-income groups, with some government servants and foreigners. Typical districts of this type are early Maadi, early Heliopolis, and areas built by the Giza and Roda Companies.

After 1961, the companies greatly expanded their operations as semiautonomous government development agencies. Boulevards grew wider as an international engineering view of standards was adopted. At the same time, however, a lower priority was given to social and amenity standards. Typical construction since 1961 has been of reinforced concrete with an external infill of red brick or concrete block panel. The typical building type is a four- to five-story walk-up apartment building. This form exploits the law to the permitted maximum by offering eight or 10 apartments.

Occupants of the newer formally-planned areas include the newly rich and upper-middle-income groups, with some government servants. Within the company layouts, some land is reserved for public housing projects (see discussion below). Examples of newly-established areas are found at Maadi Extension, Mukattam, Nasr City, and Helwan. The companies were impressive developers of urban land. By 1977 their action areas represented 31 percent of all urban land in metropolitan Cairo, most of it dedicated to use by higher-income groups.

^{33/} The Nasr Company started in 1959 and its physical work began before nationalization which led to a revolution in development outlook as well as to the changes in subdivision standards.

8. Lower-Middle-Income High-Density Residential Districts

These areas have wide boulevards, often with tramways. Narrower roads connect to the boulevards. Unlike the lots of the companies (where the four- and five-story walk-ups are freestanding), the buildings of this type flank one another, creating narrow canyons. Red brick and reinforced concrete frame are the predominant construction materials.

Occupancy is by the middle- and lower-middle-income groups as well as owners of smaller businesses and lower grades of government servants. Roof squatters and an overall high density of building bulk on lots and occupancy of rooms are characteristic of these districts. Some 15 percent of the city is built this way. It helps to create the particular flavor of the outer ring of the inner city area. Services are overworked, and amenity buildings and parks are scarce. Typical locations include: Bab El Sharia, El-Wayly, Rod El-Farag, El Sayeda Zeinab, Boulaq, Shoubra, and El Khalifa.

9. Public Housing Projects

Public housing projects account for approximately eight percent of built-up Cairo. The two types are economic housing and industrial workers' housing.

a. Subsidized Economic Housing

A military-like barracks layout is usually adopted for these. Formally, and in planning terms, these are poorly integrated with the rest of the city. The two characteristic types of economic housing are tall blocks with lifts and four-story, slab-type, walk-ups. Standards of apartment and room sizes are as high, or even higher, than for public housing in Europe. Reinforced concrete is the typical building material, but prefabricated concrete is being introduced.

Residents of this type of public housing are not the lowest- or lower-income groups but are government servants and lower-middle-class persons. Many households do not require subsidized housing. Some even own housing elsewhere which they rent out. Typical locations include: Zeinoh, El-Gameliyal, Ain El-Sira, El-Darrasa, Matariya, Shoubra, Rod El Farag, Shoubra El-Kheima, Helwan, Imbaba, Sagiet Mikke (Giza), El Basatin, Citadel, El-hilmiya, Ghamra, El-Manyial, El-Sharabiya, Al-Zawya El-hamra, and Qubba.

b. Industrial Workers' Housing

In form and layout these areas are similar to the economic housing projects. Their occupancy, however, is dedicated to industrial workers. Major project areas are: Helwan, Shoubra El-Kheima, Abu-Zabal, El-Khanka, El-Masara, Tura, Abbasiya, and Nasr City.

10. Occupation of Graveyards

The graveyards in Cairo are well laid out. They have straight streets and walled-in tomb houses. The tomb houses have room for visitors and have been converted into permanent residences. In many ways, they offer better living conditions than are found in high-density residential districts or in illegal subdivisions. Such occupancies represent about one-half percent of Cairo's developed land.

11. Squatting on Roofs

This form of settlement takes place throughout Cairo. The houses are generally a rural type dwelling made of earth and poles.

B. GREATER CAIRO MASTER PLAN

A physical plan to guide the city's rapidly spreading growth was prepared by the Planning and Executive Organization of the now defunct Greater Cairo Commission. ^{34/} This was truly a guide for master planning, but, in fact, many of the studies to which it drew attention have never been carried out. It was based on studies undertaken between 1966 and 1969; much of its statistical material is taken from a partial census conducted in 1966.

^{34/} Its professionals are now part of the General Organization for Physical Planning recently removed from the Ministry of Housing to the new Agency for Reconstruction and New Cities.

This preliminary plan is the only one to have been prepared to date that covers all of the greater Cairo region. It has, however, been somewhat overtaken by the actual growth of Cairo and subsequent decisions on new settlement patterns. Substantial growth has occurred outside the proposed outer ring road, along the Alexandria Agricultural Road, Ismailia Desert Road, Suez Desert Road, and in the El Marg Area. Also, more extensive development has already occurred on either side of Pyramids Road than was contemplated in the plan.

As a result of this growth, the new cities proposed for the outer edges of the greater Cairo region will be located much further away, at distances of 35 to 65 kilometers from Cairo. Separate planning studies for these cities have been completed, are underway, or will start shortly. A substantial development is still proposed, however, for El Obor. This is the site of one of the new cities mentioned in the plan. It lies in El Khanka District of Qaliubiyah. In Addition, a large-scale tourism project has been proposed for the Pyramids Plateau near the Fayoum Road. This is somewhat north of the site of another of the new cities cited in the plan.

The preliminary plan addressed itself primarily to future land uses in the region and to a possible means of accommodating these uses. The authors of the plan were not in a position (in 1970) to determine the resources necessary to implement the plan and, with the exception of educational and health facilities, they made no attempt to do so. Therefore, the plan was not specifically time-oriented and was not accompanied by programs for reaching the stated objectives.

Instead, it recognized the need for more detailed plans on each major administrative area and major center in the greater Cairo region. These plans were to address the questions of available resources and the feasibility of various infrastructure investments, plus the regulatory and incentive mechanisms that foster proposed land uses. As more detailed plans were developed, it was expected that the indicated patterns of land use set forth in the preliminary plan would be substantially modified.

However, the plan was never formally adopted. Unadopted, the plan had no legal teeth. As a result, it has remained an influential document in many official minds, but has had no official status. For a city the size of Cairo, which is developing in the way it is, something more effective is required. Without an appropriate planning concept, planning process, implementation controls and agencies, Cairo cannot be helped by or contribute to a national physical planning policy. This fact is a danger to the urban success of all government Canal, Aswan, and new town projects.

The planning region for Cairo is larger than the recognized but formally unadopted metropolitan boundary. Growth is spreading beyond Helwan to the south, well beyond Shubra al-Kheima and far into Qaliubiyah Province in the north, north of Imbaba and past the Giza pyramids to the west, and along the road to Suez to the east. At present, government industrial location actions and subdivision approvals are fueling this expansion at low density space standards. Working on a number of assumptions adopted for planning purposes, the plan allowed a population (assuming a continuance of the then current population trends) within Cairo of about 11 million within the described urban building boundary of the plan. The additional 16 million persons expected in the region by 1990 were projected for satellite and new towns.

1. Three Significant Users of Land

An influence to be added to the wider national, economic, and historic reasons for Cairo's population distribution is the behavior pattern of three significant users of land. Each leads to reactions by the others. Unless their interacting motivations are understood and their actions studied, all attempts to devise a useable land policy for Cairo will fail. A study of actions should, perhaps, be stressed, since announcements and ideal policies do not always coincide with actions. The three sectors of concern are: a) government; b) industry (large, modern, and international); and c) residential districts. They are each discussed briefly in the paragraphs which follow.

a. Government

The government can decide to use the land it owns to steer private investments and private development in certain directions. It can do so by determining its short-, mid- and long-term development strategies. It must then see that government department expenditures and governorate development expenditures are organized within a commonly shared budgeting process. Governments could have policy directives to guide directions of expenditure, i.e., priority to the north of Cairo or to the east of the road to Suez. By failing to plan the pattern and timing of development undertaken, the government loses a major factor in guiding the planning of town development.

b. Industry

Industry is often governed by location (to be near water, energy or a railway). This means that locations for new growth are restricted and that the only locations considered are near existing industry. Changing this situation is one of the strong arguments for developing urban corridors, extended towns, and new towns. Industry that is not dependent on location should be used to concentrate employment in areas where government has decided its new public utility investment will be placed.

There is a need to coordinate development decisions of various ministries in relation to an agreed upon urban strategy for land use. Industrial location decisions can preempt housing location decisions, as may have happened as a result of the Ministry of Industries permitting new factories to locate in Giza recently.

c. Residential Districts

The need for housing is often quoted as being a need for a certain number of units. This tends to focus attention on houses as such rather than on formation of residential communities. Further, it makes no distinction between the size and character of housing units required. Housing policy so stated leads to inadequate, and even faulty, policy formulation. It also leads to separate town development areas being set aside for public housing projects and for the upper-middle-income groups. This has happened in Cairo.

2. Regional Development Plans

It is likely that the impact of regional development programs upon slowing the growth of Cairo (and, to a lesser extent, Alexandria) will be relatively small for decades to come. This means that the most critical urban areas for development of an operational urban land policy will be Cairo and Alexandria. Urban land policies must also be developed for the Suez Canal cities, for satellite cities, and new cities. Eventually, it will be desirable to establish programs in such provincial centers as Al-Mansura, Tanta, Asyut, or Aswan. In the villages, there will be less concern for new land development. Most urbanizing development activity associated with the modernization of agriculture will be concerned with upgrading existing facilities to provide for a stable, or even declining, population.

Appendix IV

RENT CONTROL

A. PREVALENCE OF RENTAL HOUSING

Rental housing is common in Cairo, Alexandria, and other large Egyptian cities. Approximately 50 to 60 percent of urban housing is rented, much of it in two- to five-story units. Because the climate of Egypt is hot and dry, high ground coverage ratios and vertical, rather than horizontal, construction is well suited to the country. The predominant local building materials of clay and brick are amenable to such construction with a reinforced concrete frame.

Multistory dwellings have been part of Cairo since the City of Fustat was built in the tenth century. Building a house with part of it rented has been a means of providing a household shelter while acquiring an income and a capital asset. The benefits include economic security and/or a place for the grown-up children to live.

Field trips to various areas of Cairo indicated that persons of all but the lowest-income levels own and rent housing, while all except the highest-income groups regard renting as acceptable and practice it to some degree. The scarcity of land that can be cheaply urbanized and the already high value of agricultural land (between LE 0.5 to 1.0 per square meter in areas not influenced by urban expansion up to LE 16 per square meter in the Giza area) encourage continued vertical construction of rental housing in the foreseeable future.

B. HISTORY OF RENT CONTROL

1. Rent Control in the Past

The present Egyptian system of rent control began in 1944. In that year, a military regulation set current rental prices back to the rate as of May 1, 1941. This was designed as a

measure to help counteract wartime inflation. A similar provision had been enacted briefly during the period 1920 to 1924, to stop inflation following World War I. 35/ The military regulations were codified by Law No. 121 of 1947. However, this law exempted post-1943 buildings from its terms.

Beginning in 1952, a series of laws were passed at approximately five-year intervals in an attempt to reduce rentals on new construction. These acts also reduced existing rents by 15 or 20 percent for buildings constructed during the interval since passage of the previous law. 36/ (See Table 10) 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 1965 had been lowered below the initial rate set at the time of building construction. During this period, furnished apartments were exempt from rent control, as were buildings in which individual apartments were sold as condominiums.

2. The Present Rent Control System

Law No. 52 of 1969 is the principal statute covering the present rent control system (although it has been supplemented recently by Military Regulation No. 4 of 1976 and the new 1977 housing law). It replaced all previous laws regarding rent control, codified existing rent levels, established a system

35/ A decree (promulgated for one-year periods in 1920 and 1921 under martial law and enacted as law by the People's Assembly in 1922) limited the rent for unfurnished apartments or houses to an increase of 50 percent over the rent paid in August 1914. This rent control statute was allowed to lapse in 1924.

36/ Law No. 199 of 1952 reduced rents by 15 percent for buildings constructed between January 1, 1944, and September 17, 1952. Law No. 55 of 1958 reduced rents by 20 percent for buildings constructed between September 17, 1952, and June 5, 1958. Law No. 168 of 1961 reduced rents by 20 percent for buildings constructed between June 5, 1958, and November 2, 1961. Law No. 7 of 1965 reduced rents by an additional 20 percent for all buildings and rental units covered by the previous three laws, i.e., constructed between January 1, 1944, and November 2, 1961. The latter law also reduced rents by 35 percent for buildings constructed under the formula set by Law No. 46 of 1962 (see footnote 37).

TABLE 10
Rent Control Provisions
(by age of building)

Age of Building	Original Rent Control Costs	Reductions	Rent in 1977 as Percent of Original Rent Control Costs
Before 1944	Actual rent as of May 1, 1941, plus increases of 10 to 14 percent in 1947, depending on rental price	none	100% of 1947
1944 to 1952	Market rent.	15 percent in 1952 20 percent in 1965	68%
1952 to 1958	Market rent.	20 percent in 1958 20 percent in 1965	64%
1958 to 1961	Market rent.	20 percent in 1961 20 percent in 1965	64%
1962 to 1965	Set by formula equal to 8.0 percent of construction cost, plus 5.0 percent of land costs.	35 percent in 1965	65%
1965 to 1977	Set by formula equal to 8.0 percent of construction costs, plus 5.0 percent of land costs.	none	100%
1977 to present	Set by formula equal to 10.0 percent of construction costs, plus 7.0 percent of land costs.	none	100%

SOURCES: Law No. 121 of 1947; Law No. 199 of 1952; Law No. 55 of 1958; Law No. 168 of 1961; Law No. 46 of 1962; Law No. 7 of 1965; Law No. 52 of 1969; new Housing Law (passed in August 1977).

for determining rent levels for new buildings, and is the basic law regarding landlord-tenant relationships in general.

Under Law No. 52 of 1969, rental prices for new buildings were based on 8.0 percent of the construction cost and 5.0 percent of the land value at the time of construction. The former cost is based on officially set prices determined by housing type (Article 10). ^{37/} These official prices by housing type were set in 1970 by a decree of the Minister of Housing and Reconstruction. ^{38/} They were not revised, despite a rapid increase in construction costs over the last seven years. For example, the official cost for low-income housing was set at LE 8.0 to 12.0 per square meter, while the 1976 cost for such housing (if built by the private sector) was estimated at LE 25.0 to 30.0 per square meter. (See Table 11) Thus, the officially set prices bore no close relationship to the real price of construction.

However, the new housing law, passed by the People's Assembly in August 1977, contains provisions that represent a major step toward bringing rental prices for new buildings more in line with market values. That law increases the rate of return upon which rental prices for such buildings are based to 10.0 percent of the construction cost and 7.0 percent of the land value at the time of construction. More importantly, it increases the official prices by housing type upon which such rents are based from 1970 costs to market value costs. ^{39/} Thus such official costs are increased three or more times. This change should have a distinct impact on rents for new buildings in the future.

It should also have an impact on construction costs used to seek building permits. The Committee for Building Construction in the governorate must approve construction costs when a building permit is sought under Law No. 106 of 1976. A rental value based upon such actual construction costs is not often applied if it differs from the officially set values. In the recent past there was a great disparity between such values. Landlords could go to court to seek an expert opinion.

^{37/} This formula is the same as the one set under Article 1 of Law No. 46 of 1962 for buildings constructed after 1961.

^{38/} Decree No. 707 of 1970.

^{39/} The new housing law raises these figures to LE 50 to 60 per square meter for middle-income housing and to LE 60 to 90 per square meter for upper-income housing.

TABLE 11
 Official and Market Construction Costs
 for Residential Buildings, 1976
 (in LE per square meter)

Housing Type	Housing <u>2/</u> Budget Allocation	Old Official Rent Control Cost (to 1977)	Public <u>2/</u> Sector Cost <u>1/</u>	Private <u>3/</u> Sector Cost <u>1/</u>
Low Cost	70%	8 to 12	35 to 40	25 to 30
Middle Income	25%	12 to 16	40 to 45	30 to 35
Upper Income	4%	16 to 20	--	35 to 45
Luxury Housing	1%	--	--	50 or over

NOTES: 1/ Cairo costs excludes land costs. 2/ Decree No. 707 of 1970 of Minister of Housing and Reconstruction.
3/ Interviews with private contractors.

SOURCE: Ministry of Housing and Reconstruction.

However, this process is time-consuming and unlikely to make much change in the rental value allowed. For the near future this process should be unnecessary but such a problem could occur again in the future if official construction costs are not revised more frequently.

It is equally difficult to raise rents on existing construction. The original rents (set by a committee on each district of the governorate at the time of building completion) are to be revised at 10-year intervals, or at such

times as improvements are made (Article 8, 12). ^{40/} Such revisions have rarely taken place. In addition, Article 36 of Law No. 52 of 1969 allowed a landlord to increase his annual rent equal to 12 percent of the cost of a major improvement. That percentage was increased to 15 percent by the new housing law. However, the amount of that increase is limited to 50 percent of the present value of the building which was used in determining rental value. Thus, the rental increase allowed would be very small for the older (pre-1941) buildings that are most in need of major improvements. It is, therefore, difficult to raise rents, except when new tenants move into an apartment. This is an infrequent occurrence, because rent control keeps the present rent level lower than what would be the market rate.

Thus, the present rent control law presents a positive disincentive to investment in housing. Assuming real construction costs, that land value is 10 to 15 percent of the total cost of a housing project, and deducting rental costs from income, the rate of return to capital under the present law would be about 7.5 percent annually. Allowing for maintenance and repairs, the net return to the investor can be no more than 5.5 to 6.5 percent. This is substantially below rates of return to capital in other sectors of the Egyptian economy and is below the rate to be set for housing bonds, to be sold with a yield of 6.0 percent per annum. The recent changes have increased this return and are steps in the right direction.

The owner would benefit in the long run if he could find a buyer for the building. However, this is difficult because of restrictions regarding demolition of deteriorating buildings and removal of existing tenants. For buildings containing non-furnished apartments, the landlord cannot demand that the tenant vacate the apartment, even at the end of a contract, except when a tenant changes the use of the building to non-residential, abandons his lease agreement, or fails to pay back rent within 15 days after receiving a registered letter officially notifying him of the rent owed (Article 23). However, even then, the tenant can keep his rights under the lease agreement if he pays the rent due, plus an interest

^{40/} Article 12 of Law No. 52 of 1969 states that rent levels shall be reevaluated in case of improvements made five years or less after the setting of the basic rent level or when a contribution is set for lands that are benefited by public improvements (Law No. 222 of 1955).

charge of 7.0 percent before the final court judgment is rendered against him.

If a building is falling down, the landlord can seek a demolition order. The tenant must be given notification and can object to granting the order (Articles 30-36). Even if a court order for demolition is granted, it is rarely enforced. In addition, tenants retain their rights (including the level of the rent) through any restoration process or renovation needed to correct building code violations (Article 38). 41/ Such protection of tenants' rights is laudable but only accentuates the problem of encouraging maintenance and improvement of buildings where there is no mechanism for a reasonable adjustment in rent level following the improvement. Thus, the lack of incentive for maintenance is fortified by the lack of ability to make effective use of the building. For all practical purposes, such old buildings are worth almost nothing to the landlord.

Therefore, rent control (which was conceived as a measure to reduce the cost of housing for lower-income people) has had the effect of reducing investment in such housing, especially by middle-income landlords. In addition, rent control encourages less than economic land use patterns. A building cannot be demolished to make way for a different use in the center of the city. The benefited tenant receives more space in a better location than he would if he had to pay the economic price of housing, while others receive less space in poorer locations. Rent control is especially discriminatory to low-income migrants, as opposed to long-term residents who are more likely to be middle-income persons. A wealthy lawyer may pay LE 3.0 rental monthly for a large apartment in Zamelak in a pre-1941 building, while a recent rural migrant may pay the same amount for a room in a house in Imbaba.

41/ See Articles 20 and 23 of Law No. 106 of 1976. The proposed housing law would make the landlord acquire both a permit of demolition and a building permit, before being able to demolish a building. In addition, the new floor area could not be less than twice the existing area. Tenants would be compensated and they would have priority to occupy a unit in the new building. This law would also set a fine of from LE 50 to 300 for interfering with the rights of a tenant. If the landlord did not rebuild within a set time the governor could authorize its completion at the landlord's expense.

C. RENT CONTROL AVOIDANCE

Given the above conditions, one would expect a great amount of avoidance of the provisions of the law and maximum use of the exemptions from that law. In fact, informal field surveys in the Cairo metropolitan area indicate that a majority of rental housing units are rented at rates effectively above the control rate. This result is accomplished in a number of ways, as discussed in the following pages.

1. Exemption From the Law

Law No. 52 of 1969 and prior legislation concerning rent control exempted furnished apartments, units rented to foreigners, and apartments sold as condominiums from their provisions. In addition, the Foreign Investment Law (Law No. 43 of 1974) exempts housing projects built by Arab foreign investors from rent control. ^{42/} However, with the exception of the latter, Military Regulation No. 4 of 1976 and the proposed new housing law would narrow or eliminate each of these exceptions. This would further exacerbate housing construction.

a. Furnished Apartments

Under Law No. 52 of 1969, a landlord could rent one furnished apartment in each of his buildings (Article 26). Under Military Regulation No. 4 of 1976, a landlord is not permitted to rent more than one furnished apartment in each city. ^{43/} However, the proposed housing law, as presently drafted, would extend the provision back to one apartment in each building but require an industrial and commercial gains tax to be paid on the rental revenue.

One might assume that this exemption would be used extensively. A landlord could place a few pieces of furniture in an apartment and call it furnished. However, it is estimated that there are only 19,000 furnished rental apartments

^{42/} Law No. 43 of 1974, Article 19.

^{43/} Military Regulation No. 4 of 1976, Article 1.

in Cairo, or approximately 5.0 percent of the total number of rental units in the Cairo Governorate. 44/

In addition, Egyptians living temporarily abroad may rent their own furnished residences. Tenants may also sublet their furnished apartments. 45/ Finally, landlords may rent furnished units beyond the maximum set above, if the rental is made to foreigners. 46/ These provisions have most of their impact with regard to luxury housing.

b. Condominiums

Under Military Regulation No. 4 of 1976 a builder cannot sell more than 10 percent of the total number of units in a building, or one unit if the total number of units does not equal 10 (Article 6). The only exemption is for houses built by the Cooperative Societies for Housing for their own members. This provision was enacted to try to close the loophole by which all units in a new building were sold rather than rented. It is probable, though, that it will have little effect, since it still seems permissible to sell a building to a cooperative or partnership made up of the potential buyers. These buyers would then have joint ownership of the building and each live in one unit. This is not dissimilar to the family joint ownership provisions discussed in Appendix II.

The market for condominiums attests to the severity of the housing shortage. Condominiums that sold for LE 5,000 to

44/ Ministry of Housing and Reconstruction estimate.

45/ Military Regulation No. 4 of 1976, Articles 1 and 2. The proposed housing law would attempt to lessen this practice by allowing a landlord to raise the basic rent, if the tenant sublets a furnished apartment. The allowable increases would be as follows: units built before January 1, 1944 -- 500 percent of the original rent; units built between January 1, 1944, and November 5, 1961 -- 250 percent of the original rent; and units built since November 5, 1961 -- 150 percent of the original rent.

46/ Other related exceptions are for tourists, accommodations for university students who are living outside their home city, state buildings, short-term summer or winter rentals for not over three months, and housing for workers in work zones. (See Regulation No. 486 of 1970).

8,000 in the late 1960s reached LE 10,000 to 15,000 in the early 1970s, LE 20,000 to 30,000 in 1974, and LE 40,000 to 50,000 in 1976. In choice locations on the Nile front, prices of LE 60,000 and above are now being quoted. Even in middle-class residential areas, it is now difficult to find a four-room apartment for less than LE 20,000.

2. Law Violations

a. Disregard of the Law

In many lower-income areas, especially in presently urbanizing areas (such as Shoubra al-Kheima or parts of Giza Governorate), informal community custom appears to be the rule. Rents are set at a rate that seems reasonable to landlord and tenant. The people appear content to live as free from government intervention as possible -- they simply disregard the law.

b. Key Money

Another violation of the rent control statute is the practice of accepting key money. This is a payment made by the tenant at the time he signs a lease. The money is not refunded when the tenant vacates the apartment. This money may also be paid to a previous tenant when leasing or sub-leasing that apartment. 47/

The origins of key money are twofold: it is a means of financing the completion of a house to be rented and is also a means of securing an economic return on the building through evasion of rent control. Thus, prospective tenants often pay both the owner of the building and the current tenant of the apartment, in order to secure lodgings or office space.

The amount of key money paid currently varies between LE 500 and 2,000 per room, reaching as high as LE 5,000 for large units in choice locations.

47/ Subleasing unfurnished apartments is prohibited, but this prohibition is widely ignored.

Military Regulation No. 4 of 1976 specifically outlaws the taking of key money (Article 13). It allows a violator to be arrested and states that he must pay a fine not less than the amount of key money taken and also return the key money that he received. The proposed housing law would increase that penalty to a maximum of three years' imprisonment, refund of the money, and payment of twice the amount of key money taken.

These provisions are not likely to affect the situation regarding key money. The provision prohibiting it is too difficult to enforce, and key money serves too great a need if new housing is to be built.

D. RECOMMENDATIONS FOR DECONTROL OF RENTS

Despite the fact that rent control has not been totally effective in Cairo, it has had a major effect in reducing the amount of low- and middle-income housing built. This same result has been true in other major Egyptian cities. To reduce this effect, it is important that, in the long run, rents either be deregulated completely or that they be set to provide an acceptable rate of return, based upon construction, maintenance and operations costs, plus current (not initial) land values. This latter alternative may be more viable politically. It would result in more economic land use and a viable private rental sector, while offering protection against exorbitant rental rates.

Such a program could not be initiated immediately. It would have to be accomplished gradually over a period of time. However, similar plans have been successful in many cities of the world, including New York and Washington, D.C. It is recommended that the two options discussed below be considered.

1. A gradual decontrol of all units, to a rent level providing economic return, could be accomplished in a period of 10 to 15 years. Such decontrol might be achieved by allowing rent increases to cover improvements to the building or to cover documented operating costs. It might be undertaken sequentially, by age of building or by area of the city. The latter method has administrative advantages, but the former has advantages regarding equity. When market level rentals have been reached, further increases could be regulated, to provide an economic return depending on the circumstances.

2. Exemption from controls could be granted for all new units or for new units built in selected areas, along with gradual decontrol of existing units. The 1976 report, Immediate Action Proposals for Housing in Egypt, recommended that rent control be abolished on any new units below 90 square meters in area to encourage more private initiative in the area of low-income housing. 48/ That would be one step in this direction.

The latter option would achieve more rapid decontrol of the total stock and 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 in existing rental units. It would, if vigorously enforced, be more difficult to administer than the former, since owners of buildings first rented near the date of the new policy would attempt to evade rent control by claiming a later completion date.

The former option 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 the reviews upon economic criteria. Thus, both the tenant and landlord would know when the review would occur and its basis. They would, therefore, be able to plan accordingly. A structure-by-structure periodic review could result in tenant strikes or strong 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 rates.

It is not recommended that a unit be decontrolled upon completion of a tenant's occupancy. This was attempted in England and resulted in landlord attempts to evict tenants in order to get new tenants at higher, uncontrolled rates.

48/ The Joint Housing Team, Immediate Action Proposals for Housing in Egypt. (June 1976), p. 59.

Appendix V

REAL PROPERTY TAXATION

A. GENERAL

Taxation of real property is a primary method of achieving orderly urban development because it reduces land speculation, encourages building upon vacant developed land, and promotes the more effective economic use of presently occupied land.

There are seven major types of taxes that can help to achieve these purposes:

1. Annual Rental Value Tax

This is a tax on actual rents collected from buildings and/or land. It is easy to assess but may also be easy to evade. It creates no disincentive to land speculation, but it does act as a disincentive to improvements.

2. Property Capital Value Tax

This is a tax based on an assessed present market value of the land and buildings. The assessment is based on sales of comparably priced property. This tax is the basic property tax used by the United States, Canada, Australia, and other countries. It is a modest disincentive to land speculation and a minor disincentive to improvement, as it falls jointly on land and buildings. It reflects increases in urban land value better than the rental value tax but not as well as the site value tax. However, it may be difficult to assess in areas with low turnover rates, and it creates hardships for nonincome-producing home owners.

3. Site Value Tax

This is a tax on the value of land only, based on actual sales of vacant land on the market. Because it is based on the value of land only, it is a strong disincentive to land speculation. However, it may be difficult to assess in low turnover areas (including central business districts), and it can create hardships for property owners who earn their income at home.

4. Incremental Site Value Tax

This is an annual tax based on the increase in value of land in one year over the previous year, corrected for increases in prices due to inflation. This tax most accurately reflects increases in land value. It is a very strong disincentive to land speculation, and it does not affect plans for improvements except by affecting land prices. However, it requires accurate annual or biannual assessment and can create hardship for home owners whose land produces no income.

5. Betterment Fees

This is a tax upon increases in land value resulting from specific public works. Such a tax is a good means of collecting revenues to pay for specific public improvements. However, it requires a definition of exactly who benefits from such improvements as well as forecasting of future land value, in order to define betterment as the difference between present land value and that future land value. Thus, it may prove difficult to administer. It also can create hardship for property owners on fixed incomes.

6. Tax on Short-Term Capital Gains

This is a tax on the sale of land and/or property. The tax rate may vary with the amount of time the seller has owned the property. The amount of gain to be taxed can be computed net of inflation increases. This type of tax acts as a strong disincentive to speculation. It is relatively easy to assess and administer. However, it may have an undesirable effect if the property owner delays sale in order to avoid the gain on the tax. In addition, it delays revenues to the public treasury until the time of sale or transfer.

7. Penal Tax on Vacant Land

This tax is based on the potential value of vacant urban land which is not built upon within a prescribed period of time. It is usually associated with a site value tax and levied at a tax rate that is some multiple of that tax rate. For example, in Taiwan the rates of the penal tax on vacant land may vary from not less than three to not more than 10 times that of the site value tax. Such a tax can be a modest disincentive to land speculation. It would have no impact on the nature of property improvements. However, it can create hardships for property owners who are genuinely unable to obtain financing for home construction. In addition, it could be evaded through construction of a very small improvement unless an elaborate administrative system is established which may not be worth the effort, compared to the relative effect of the tax.

Each of these types of taxes has its strengths and weaknesses. The property capital value tax, the site value tax, the incremental site value tax, and the tax on short-term capital gains have the strongest disincentives against the home owner who does not use his property to produce income and they are relatively difficult taxes to administer. The annual rental value tax is easy to assess and administer, but also easy to evade. It provides no disincentive to land speculation and is a disincentive to land improvement.

B. PRESENT SITUATION IN EGYPT

The present system of urban land taxation in Egypt is based on a rental value tax. It is levied on the annual rental value of all occupied buildings whether they are actually rented or not. 49/ There is no tax on land, only on buildings.

49/ Law No. 56 of 1954, as amended. Agricultural land is taxed under a separate system. Law No. 113 of 1939, as amended. This tax is levied on the basis of the annual rental value of all agricultural land which is or can be cultivated. The tax rate is 14 percent. Owners of less than three feddans are exempted. Once agricultural land is included within an urban boundary, it is no

.../

There is no specific tax on the sale of land and/or buildings. 50/ However, a proposal has recently been made for a two percent annual penal tax on vacant land. There is only a charge for the registration of the new right to the land upon sale or transfer. 51/ Thus, the tax system is conceived as one based on incomes rather than on increases in property value or wealth.

In addition, Law No. 222 of 1955 allows the assessment of a betterment tax in cases of major public improvements. This law has been narrowly applied to situations of road improvement where expropriation is paid and compensation must be paid to disposed landlords.

However, there is a proposed tax upon transactions involving immovable property and automobiles to be levied at the time of transactions. It is to vary from 1.0 to 12.0 percent of the sales price. As presently drafted there is a provision whereby the government can take the property at the stated price which is designed to discourage underreporting of the sales price. Such a tax would not be preferable because it is not based on a concept of gain in value of the property but rather only on its sales price. However, it would be easier to administer.

longer taxed as agricultural land. This is part of the system by which agricultural uses are ignored in urban areas. This assists rapid urbanization of such lands. See also Law No. 59 of 1973, amending Law No. 53 of 1966. That law attempts to halt the use of agricultural land for nonagricultural purposes by requiring a special permit from the Ministry of Agriculture specifically allowing such a use, including building. However, use of lands within urban boundaries is specifically exempted. (Chapter 9)

50/ However, the existing tax upon industrial and commercial profits applies to business firms and is levied annually at 39.7 percent of the net profits of all business transactions, including sales of real property. The first property transaction within a five-year period is exempt from the tax, so it does not generally apply to home owners. Law No. 14 of 1939, as amended. In addition, an individual income tax is levied upon both income from sale of property and income from property rentals. With regard to income from the sale of property, it is assessed on the same basis as the tax upon "industrial and commercial profits" but at sharply progressive rates ranging from 9.0 percent to 95.0 percent. Law No. 14 of 1939, as amended.

51/ Law No. 18 of 1923, as amended.

1. Rental Value Tax

a. Assessed Value

Under the rental value tax, the rental value for different types of buildings is based upon land and building costs set under the rent control policy. ^{52/} (See Appendix IV) Thus, the rental value is only a small proportion of the estimated market rental value. Until the passage of the new housing law, it was estimated that construction costs for new low-income dwellings were approximately three times costs allowed under the rent control formula. In most cases, the initial valuation is said to be made within a year of dwelling unit completion. It may be reviewed subsequently at the request of the landlord when, for instance, major improvements are made, but it appears that such requests are not often made and that rents are seldom increased as a result of increased land value. Law No. 56 of 1954 specifies that tax assessments are to be adjusted at eight-year intervals (Article 3). However, since tenants generally pay such taxes (although they are collected from the landlord) and since an increase in assessment would lead to an increase in rent, there is a strong incentive not to increase such assessments.

b. Tax Rate

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 monthly. ^{53/} This tax has been abated for monthly room rentals of LE 5.0 or less, ^{54/} which includes

^{52/} Law No. 52 of 1969. The rental value at the time of construction is now set at 10.0 percent of the official construction cost plus 7.0 percent of the land value (new housing law). The only exemptions are buildings owned by the state, consulates, public utilities, buildings on *waqf* land and serving social and religious purposes, nonfurnished cemetery buildings and agricultural buildings that are not rented (Article 1).

^{53/} See 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.

^{54/} Law No. 46 of 1968.

perhaps 30 percent of the housing stock of Cairo. The proposed housing law would exempt monthly room rentals of LE 8.0 or less from taxes. Thus, although this is a tax on income, in practice not much income is collected as a result both of rent control and of the large number of exemptions from taxation.

c. Administrative Structure

Although the appropriate ministries (Finance and Housing and Reconstruction) issue policy guidelines and set regulations governing rent control and rental value taxation, the implementation of these functions is decentralized. Each of the major urban governorates is divided into districts (in Cairo there are seven, in Alexandria there are four) which have a rent control committee and a taxation and revenue office. These function semiautonomously, although the latter offices transfer all of the funds collected by them to the revenue department of the governorate.

Judging from the information available, the quality of assessment of land value appears reasonably high. Detailed parcel maps are available and the rent control committee seems to be given a relatively high priority in governmental circles. However, there does not appear to be staff capability to assess building value as opposed to construction costs.

d. Evaluation

It has not been possible during this study to obtain either rent control or tax collection statistics. Field trips to various low-income areas in Cairo suggest that the tax is often ignored. In addition, it appears that areas with high ratios of land value to structure value (including commercial sites, key residential sites in very good locations, and most single-story "villa" housing) are very lightly taxed. Vacant lands are not taxed at all. Thus, the total level of effort is considerably less than could be achieved under a decontrolled rental market situation with frequent rent revisions and equally frequent tax assessments.

Yet, the present tax appears to be well-assessed and to yield substantial revenues. Its assessments are based on capital value calculations, a much more accurate and verifiable method than using actual lease documents as is done in many countries, such as in Pakistan.

However, it is linked in assessment to rent control. Therefore, as long as the rent control prices are below market value, the tax yield will also be low in comparison to what is possible.

It is more incident upon the building than upon the land; thus, it is a deterrent to improvements. In the event that rent controls were removed, it would be "passed on" to the tenant to a greater extent than other kinds of urban tax. Nor does it offer any economic disincentive to urban land speculation.

The administrative capacity to undertake assessment on a more frequent basis would be considerable, but it should be paid for by increased revenues, assuming gradual decontrol of rents.

2. Additional Taxes

In addition to the basic rental value tax, there are six other taxes upon rents: the national defense tax, the national security tax, the guards fee, the occupancy fee, the cleaning tax, and the public services fees paid to the municipality. As noted in Table 12, these taxes together range from 13.2 percent for monthly room rentals of less than LE 3.0 to 23.7 percent for monthly room rentals of more than LE 10.0. Most of them have presently been abated for monthly room rents of less than 3.0, so the effective rate of this additional taxation ranges from 6.5 percent to 23.7 percent. The proposed housing law would also abate these taxes for room rents of LE 5.0 or less monthly.

These fees are normally paid by the tenant, as is electricity. Prior to Military Regulation No. 4 of 1976, water charges were paid by the landlord. However, that regulation placed the burden for paying such charges on the tenant, although the landlord is still responsible for the proper maintenance of water tanks, pumps and pipes (Articles 10-11).

3. Land Registration Charge

All land rights in Egypt, including mortgages, must be registered or they are void. 55/ Thus, such rights must be

55/ Law No. 18 of 1923, Article 1.

TABLE 12
 Building Taxation Schedule, 1976
 (in percent of monthly rent per room)

Type of Tax	Monthly Rent Per Room				
	Less than LE 3	LE 3 to 5	LE 5 to 8	LE 8 to 10	Over LE 10
Basic Real Estate Tax <u>1/</u>	10.00% <u>2/</u>	15.00% <u>2/</u>	20.00%	30.00%	40.00%
National Defense Tax <u>1/</u>	2.50	5.00	5.00	5.00	5.00
National Security Tax <u>1/</u>	2.00	4.00	4.00	4.00	4.00
Guards Fee <u>1/</u>	2.00 <u>2/</u>	3.00	4.00	6.00	8.00
Occupancy Fee	2.00 <u>2/</u>	2.00	2.00	2.00	2.00
Municipal Fees <u>1/</u>	2.67 <u>2/</u>	2.67	2.67	2.67	2.67
Cleaning Tax	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
Total <u>3/</u>	23.17%	33.67%	39.67%	51.67%	63.67%
Total <u>4/</u>	6.50%	18.67%	39.67%	51.67%	63.67%

NOTES: 1/ Tax computed on net rent equivalent to the rent charged, less a 20 percent allowance for maintenance costs. 2/ These taxes have been abated. 3/ Without abatement. 4/ With abatement.

SOURCE: Ministry of Housing and Reconstruction.

reregistered upon sale or transfer. The fee for such registration ranges from 2.0 percent to 7.0 percent of the sales price ^{56/} plus a fee of LE 2.0 as an application fee. This charge is paid by the buyer and is normally the only fee paid on the transfer of land.

4. Betterment Tax

Law No. 222 of 1955 permits municipal councils to levy betterment charges to help pay for enlargement of public roads, drainage projects, bridge construction or renovation projects and other projects as set by the Council of Ministers (Article 2). In practice, this law has been almost exclusively applied to road widening projects in which land must be expropriated. Thus, the betterment charge is considered a means of raising the revenue necessary to pay compensation to displaced landlords. ^{57/} This charge is not paid at the time of the improvement but only at the time of transfer of property ownership. The new owner must get a certificate from the Department of Planning and Reconstruction in the governorate that no improvement tax is required to be paid before his right of ownership will be registered. This method alleviates the financial burden to the home owner, until such time as he will have the money to pay the charge, but eliminates any ability to make such improvement projects self-financing.

^{56/} The present fee structure is as follows: LE 1,000 or less 2.0 percent; to LE 3,000 4.0 percent; and over LE 4,000 7.0 percent.

^{57/} This attitude is a reflection of the traditional Islamic view that owners of property abutting a public thoroughfare "own" that property and are responsible for its maintenance, as long as their exercise of their rights does not infringe upon the rights of other owners along the street. This concept is quite different from the Western view that encroachments along public ways are prohibited unless specifically allowed. It leads to the view that the neighbors are responsible for paying compensation for the taking of such rights when public action enhances their own rights. See Janet Abu-Lughod, Cairo: 1001 Years of the City Victorious, p. 68.

5. Evaluation

The most conspicuous characteristic of the existing property taxation system is that it is based upon income instead of on land or property value. Thus, increases in land value are not reflected in taxes until rents are increased or the property is sold. Furthermore, this concept may make it difficult to introduce more progressive systems of urban property taxation, such as the property value or site value tax. Second, there is at present no tax upon vacant land within urban areas, although one is now proposed. Hence, the property owner can benefit from increasing land values while paying nothing for the cost of the services provided in the expectation that he will build. Third, there exists at present capital gains taxes (within the taxes on industrial and commercial profits and individual income taxes) which must be taken into account in designing a land tax system. Fourth, incomes overall can be highly taxed and the number of taxes is high. This may create resistance to the creation of additional or more severe taxes.

Within the overall taxation structure, the registration tax and proposed tax upon transactions involving immovable property will present a substantial barrier to free market transactions. For instance, a property owner who wishes to sell his property for a legitimate reason (say a change in job location) will be taxed at a fairly high rate, regardless of whether or not he makes a profit. Thus, he will tend to delay such a transaction, and this would be uneconomic.

Furthermore, the proposed transactions tax will have only a moderate effect upon land speculation. The advantage of such a tax is that it depends upon the sales price, which is readily assessed, not upon net capital gains which are more difficult to assess, particularly for older properties with missing or inaccurate initial purchase records. Nevertheless, the disadvantages outweigh the advantages, and such a tax is not recommended for this reason. Instead, a capital gains tax is proposed, as described later in this appendix.

C. RECOMMENDATIONS

Given the above conditions, the following is recommended based on the present socioeconomic, political, and administrative situation in Egypt. The administrative complexities of a tax system and its ability to be enforced must be given equal weight with its potential for creating orderly and efficient use of urban land and discouraging land speculation.

Thus, it is recommended that a capital gains tax be placed on the sale of land and buildings immediately and that a moderate tax on land value, either a site value or a property value tax, be instituted as soon as possible. (Tables 15 and 16 in Appendix VI show a possible rate structure and revenue projection.)

1. Capital Gains Tax

A tax upon capital gains from the sale of real property would be very effective in discouraging future speculation. (See Appendix VI) Its advantage is that it requires little or no assessment, since it is charged at the time of sale of land. The disadvantage is that it is not collected until after the sale, thus reducing revenues. Such a tax is strongly recommended for Egypt, with rates generally as described in the example found in Appendix III (50 percent). It would be compatible with either a property capital value or site value tax and of the other proposed property taxes and, thus, could be a permanent feature of the Egyptian land taxation system. A reduced rate could be charged for increases in value due to buildings, in order to encourage building while discouraging land speculation. Some members of the Joint Land Policy Team have suggested a tax upon the total sales value of property rather than a capital gains tax. Such a tax would be simpler to administer and would reduce the need to keep records of property values. But it would be much less effective and less equitable.

2. Type of Tax on Land Value

Such a capital gains tax should be combined with a tax on land value. It is desirable in the long run to adopt a tax more heavily incident upon land value than upon buildings that would be applied to vacant land as well as to built land. Such a tax would be more heavily incident upon the landlord and, within this broad framework, less a deterrent to improvements. As discussed previously, there are a number of different taxes that could be considered, including the following:

1. A property tax based on the current market value of land and buildings.
2. A site value tax based on the market value of land only, regardless of whether there is a 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 separately for each project.
5. A vacant land tax.

The key point for present policy is that none except the last can be implemented until the easing of rent controls 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. Thus the proposed penal tax on vacant land would serve as an initial step to a rational tax policy.

The selection of a tax on land value must be based on administrative as well as on economic factors. From the standpoint of land use, however, and based upon what is known about the overall taxation system in Egypt, the objectives of government and the administrative capabilities that exist, the Joint Land Policy Team recommends the taxes discussed below.

a. Site Value Tax

A site value tax, assessed every two or three years initially, using a simple method of assessment such as land value contours and a simple formula to relate values for specific pieces of land to the general contours. Such a tax would be heavily incident upon properties with a high ratio of land value to building value, i.e. luxury "villa" housing, central commercial properties, and vacant land. The disadvantage is that, in order to capture sufficient revenues, it can create a heavy burden upon property owners with nonincome-producing properties.

If the site value tax is not accepted (and it may be considered to be too far from current practice to be applied in Egypt), then a property value tax is recommended, with the rate higher upon the value of land than upon the value of the building. The basis for assessment would be market value rather than construction cost. This, too, would ease the burden on the high land value properties, and it is closer to the existing tax. It requires the assessment of both buildings

and land, while the site value tax requires the assessment of land only. 58/

b. Vacant Land Tax

A tax upon vacant land is of less clear feasibility but is easier to implement. Such a tax, to have any substantial impact, would have to be set at three to four percent of land value or even higher and be assessed regularly (say, every two years) at those rates, in order for the actual rate to be close to the stated rate. Furthermore, it would have to reflect locational value accurately in order to be of use. 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 (which may or may not be identified at present) in both the legally subdivided and illegally developed areas, rigorous valuation, and frequent reassessment.

With regard to the proposed 2.0 percent annual paid tax, the following suggestions are given about the method of assessment:

1. Norms should be set for lot coverage by buildings, for plots in different locations, and for sizes.
2. The tax should be levied upon vacant land and for land used at less than a minimum required intensity. The latter should be defined as a ratio of ground floor area to total lot area. The guide should be set sufficiently high to

58/ The problem of administration and assessment is a difficult one. However, Egypt should consider adopting the self-assessment technique used in Taiwan. For the land value and land value increment taxes, the landlord makes his own declaration of value, following a survey of comparable market values by the public authorities. If his declaration of value is 20 percent or more below that of the government, the latter may expropriate the land at the price declared by the owner.

discourage false building (such as a watchman's house), but sufficiently lower than expected, economic coverage ratios. This will avoid difficulties of assessment or application to lots with legitimate but small structures.

3. The tax should be levied in both legal and illegal developed areas. This will have the effect of not encouraging land speculation in the latter.
4. The assessment should be based on land value contours, 59/ and on frequently updated parcel maps yielding land ownership.
5. The tax should be reassessed (at least in key areas) every two years and should tie in all areas to a suitable price index.
6. A mechanism and criteria should be developed for defining developed and undeveloped land. A mechanism should be developed to amend developed land area boundaries at periodic intervals. These should be keyed to reassessments and not be subject to political pressure to delay amendment.

Based on the considerations above, it is recommended that the method of assessing a vacant land value tax, the frequency of assessment, the tax yield, and the economic impacts be studied carefully. The level of administrative effort, staff, and training needs 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, if ever, proven easy to administer.

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

c. Rental Value Tax

The first question addressed by the Joint Land Policy Team was whether the present system of rental value taxation would be an adequate and equitable source of funding for urban services, if and when rent controls are either discontinued or eased to permit adequate financial returns to the landlord. The Team believes that the present system could be sufficient and adequate, but little more, if extended to vacant land, reassessed regularly (after the easing of rent controls), and based on land values and building costs. The rate on the land should be as high or higher than the rate on buildings. This is the opposite of present practice. Except for taxing vacant land, these changes are consistent with the present concept of the tax and could be accomplished under the present assessment method, although the reassessment effort would need to be greater. The resulting net tax rate on vacant land would be relatively low, however, probably in the range of 1.0 to 3.0 percent, and the tax would not reflect increases or decreases in building values. For these reasons, it would be better over the long run to adopt a site value or capital value tax.

Appendix VI

LAND PRICES AND LAND SPECULATION

A. GENERAL

Land prices reflect competition for land within a particular land market. The character of the supply in relation to the demand brings about a particular disposition of land values. These are modulated by government legislation and the ways of leasing, owning and obtaining rights to land.

Demand is influenced by the level of development in a country, region or urban area and, thus, the desirability and usefulness of the land for specific uses. As a modern economy develops, urban land becomes more valuable for financial, commercial and industrial purposes as well as for attendant residential uses.

Supply of urban land is defined as the present availability, or potential short-term availability, of public utilities, such as water, sewerage, drainage and paved roads. It is also determined by governmental policies regarding acceptable land uses. Land speculation occurs when there is rapid urban growth so that supply exceeds demand and when no penalty exists, such as a tax on holding vacant land, so land cannot be held to reap benefit from expected increases in land value.

B. PRESENT SITUATION IN EGYPT

Egypt has been beset by a period of rapidly rising land prices in urban areas and by speculation in vacant land. From 1973 to 1975 land prices in urban areas, most particularly Cairo, rose at a rate of 20 to 50 percent per annum. (See Table 13 and Chart 1). That rate has presently slowed to approximately 10 percent per annum, but is still a significant factor in the inefficient use of urban land.

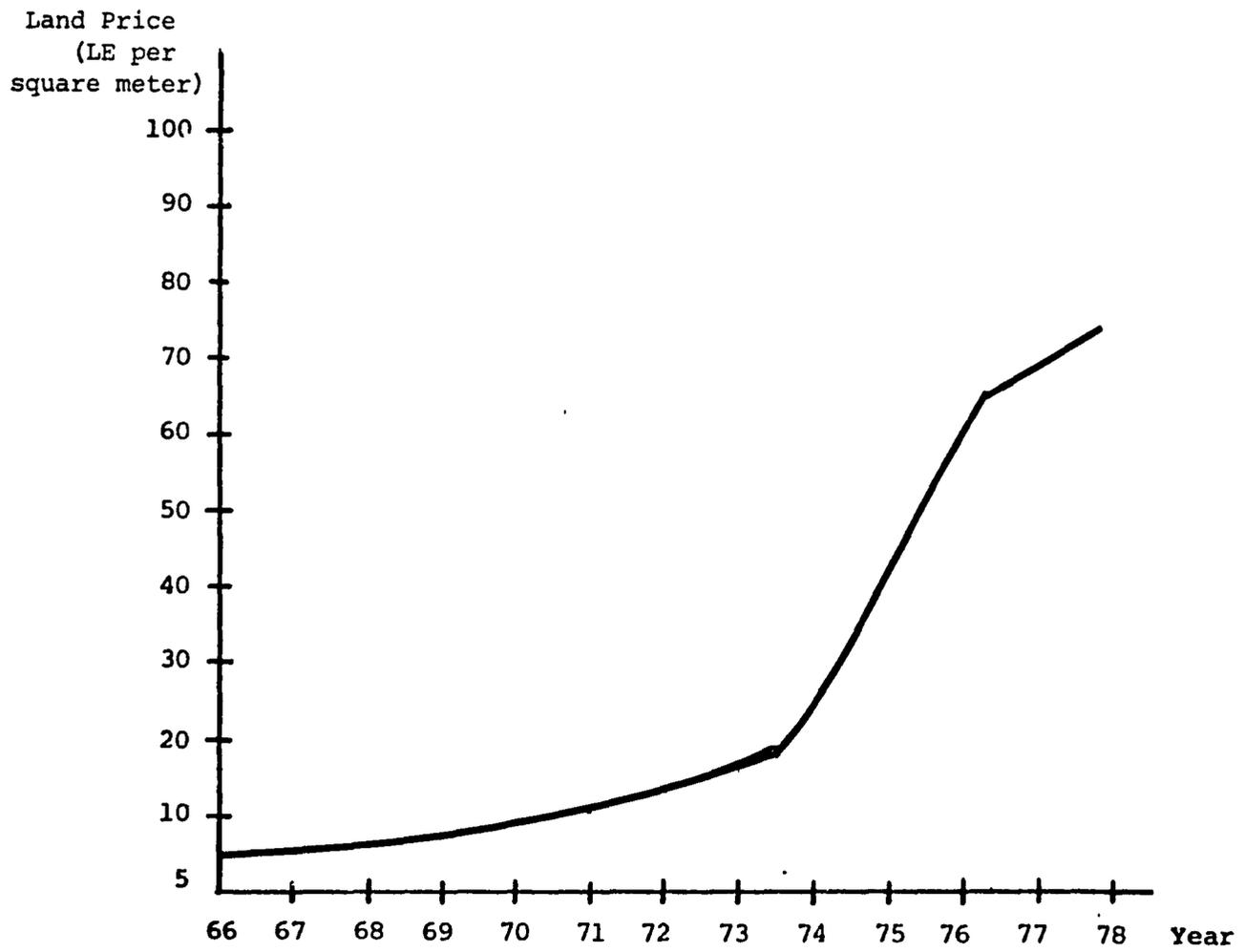
TABLE 13
Residential Land Values
from 1966 to 1976 in Cairo
[(LE square meters)]

Area/Type of Land	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Heliopolis												
average land	5.0			6.5	7.5							
better land	8.0		10.0						13.5			
Nasr City												
better land	5.0			6.0								55.0
Maadi												
better land				7.5				10.0				
best land						15.0			26.0			85.0
New Maadi												
average land								6.0				
El Shams												
average land			4.0									

SOURCE: Based on records of the Price Control Committee of the General Organization for Housing. Increases in land value from 1966 to 1973 were of the order of 5.0 to 10.0 percent per annum. From 1973 to, perhaps, 1975 they grew at 20 to 50 percent per annum, while at present they may be of the order of 10 percent per annum.

CHART 1

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



In Cairo, this price was most evident in the middle- and upper-middle-income development areas of Nasr City and New Maadi. Since 1974 land values in those areas have risen from between LE 5 and LE 10 per square meter to between LE 30 and LE 60 per square meter (See Table 14).

TABLE 14
Land Cost in Cairo, 1975
(LE per square meter)

Location	Cost
Central Business District	500-1,000
Residential Areas:	
Nile Frontage, Garden City	500-700
Nile Frontage, Maadi	200-300
Other Choice Locations:	
Western Bank	50-200
Eastern Bank	200-300
Zamalek	150-500
Heliopolis	100-150
Nasr City and New Maadi	30-60
Outlying or Peripheral Zones, Agricultural Land Without Utilities	10-20

SOURCE: Interviews with public and private real estate developers.

The reasons for the recent increase in land prices with little evidence of building are diverse. However, it is said to have followed passage of the Foreign Investment Act of 1974 which allowed Arab foreign investors to purchase land, as long as it was used for construction purposes. ^{60/} This apparently resulted in Egyptian land purchases. These were fueled by a renewed sense of internal confidence after the 1973 War and also by expectations of rapid urban economic growth, as a result of the concentration of wealth in the Arab world. In addition, the war in Lebanon led many Egyptian nationals residing there to return to Egypt and purchase land. Land was also purchased by other Egyptians working abroad.

However, several more general reasons must be addressed, as discussed in the following pages.

1. Lack of an Adequate Program of Urban Land Development

Urban growth is concentrated growth. The demand for urban land is for land within a limited area. But, since urban areas can be increased as a result of government policy and investment programs, there is a distinction between absolute shortage and relative shortage. For a town in the Delta, hemmed in on all sides by valuable agricultural land, it is both possible and wise to think of a probable absolute shortage of land. However, for a city with a desert boundary, the shortage is a relative one. With the exception of Delta cities, most urban land shortages in Egypt are relative shortages, caused by a lack of planned investment in water and other utilities. In addition, too much urban investment in such facilities has gone to Cairo rather than to other urban centers. As a result, the amount of developed urban land in Cairo is increasing relatively more rapidly than in smaller cities, thus increasing the pressure on land costs in the capital city.

Failure to plan for an adequate supply of urban land is to pursue, inadvertently, a policy of encouraging illegal occupancy. In the short run, converting agricultural land to urban land and encouraging illegal occupancy will mask the failure to plan the development of a city. It will also advertise that failure as demands grow to put things right, install water, roads and tramways to meet the ill-conceived new suburbs.

^{60/} Law No. 43 of 1974, Article 3 (iii). Such housing projects would be exempt from rent control (Article 19).

A plan is necessary to increase the supply of urban land to smaller cities as well as to increase the supply of urban land in the Cairo metropolitan area and to make more effective use of present urban land. If an increase in urban land is not planned for by government or city authorities, people are forced to plan for themselves. In Cairo, two manifestations of this are very evident. There is considerable urban invasion of valuable agricultural land because desert land has not been opened up. In addition, squatters have occupied government lands, graveyards and rooftops.

The increase in urban land supply must be tied to a program of subdivisions with specific densities. Land developed at too low a density will force lower-income groups to crowd into a smaller number of areas, leading to overcrowding and high urban land prices. Seen in this context, the proportion of developed land that is reserved for highways needs close examination. Roads are only, after all, the means of access to places of pursued activity. It is the activities of living, shopping, working and learning that are significant -- not the accessways themselves. They are needed, but not for their own sake.

Some shortages can also come about through a mixture of construction techniques and market inactivity. Many urban areas with unplanned sizes and shapes of land, land consolidation, or land adjustment should make such land available for new or improved uses, either for the present owners or for new ones once the former were compensated. (See Appendix VII)

In addition, housing must be well-placed in relation to industrial and commercial uses. The industrial suburb of Helwan is an example. Residential areas for workers did not form a part of the original Helwan development concept, but they were added when it was recognized that a part of Cairo's population decentralization is getting workers at Helwan to live there rather than in Cairo proper.

Budgets for public utilities, housing and industry need to be coordinated for particular cities at the governorate level and for all urban centers in the Ministry of Housing. Some activity of this kind is now undertaken without the proper legal and administrative framework. (See Appendix VIII) The passage of the proposed planning law would be a positive step in this direction. More taxing authority and taxing revenues for municipalities and governorates would better allow them to carry out programs for providing public services needed to increase the supply of urban land.

2. Lack of an Economic Disincentive to Invest in Land

There are presently no taxes for holding vacant land or for capital gains on its sale. (Appendix V) Speculation in undeveloped land is dependent on showing an economic rate of return to capital. This rate is enhanced if there are no penalties for holding such land.

Not all persons withholding land from the market may do so for entirely economic reasons. A farmer, for instance, may keep his land, even though it would be economic to sell 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 signals that ultimately influence land uses.

Such persons may actually abet the shortage of urban land. Since they speculate that the price of this land will increase and look forward to making a profit on resale, they generally do not support massive increases in the urban land supply, because they tend to steady the overall increase or even lower the prices of existing urban land plots.

Land speculation occurs in the urban areas of Egypt at two stages in the process of land supply: as a speculation on undeveloped land, and as speculation on developed land. The former may serve some economic purpose, but the latter can result in underutilization of infrastructure, an under-supply of plots upon which to build, and consequent inefficiency and much personal hardship.

3. Lack of Adequate Policies for Sale of Publicly-Developed Land

The policy of the 1960s of selling publicly-developed land at cost encouraged purchase by speculators and subsequent delays in building. Perhaps as much as 75 to 80 percent of New Maadi and as much as 50 percent of Nasr City is unbuilt. Thus, part of the demand has been speculative, and the resulting high prices make it more difficult for a low-income or middle-income builder to purchase a lot on which to build a house or apartment.

4. Rent Control

Rent control restrictions make it uneconomic to build Egypt's traditional rental apartments. The policy forces either inactivity or the construction of sale apartments for which there is a smaller market.

5. Lack of Finance and Materials for House Building

There is no adequate system of mortgage financing in Egypt. Thus, it is difficult to finance construction of a house whose cost can easily run four to eight times the cost of land.

In addition, the supply of building materials is controlled by the government. While this policy is constructive in eliminating excess profits, it often increases the cost of home building, because of the need to obtain permits and delays in deliveries of materials ordered.

6. Lack of Opportunities for Private Investment Elsewhere in the Economy

Land speculation is increased because of the lack of other opportunities for investment in an economy where most industries have been nationalized. The speculator will attempt to hold land as long as the expected increases on its value, net of taxes and other costs, are expected to 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. It is believed by the Joint Land Policy Team that this may represent the lower limit of acceptable return on a sure investment. The acceptable rate of return to a pure land speculator, who faces considerable uncertainty, may be of the order of 10 percent per annum. Thus, a policy must be developed to reduce return below that level, if the incentive for speculation is to be reduced. In addition, other sources of investment in industries that would most assist the Egyptian economy, particularly export goods, might be encouraged.

In all likelihood, the recent boom in land values will not be repeated at a similar level in the near future. Nevertheless, the prognosis is for national economic growth averaging 6.5 percent per annum and for continued population growth in Cairo of at least 4.0 percent per annum. The demand for urban land rises faster than incomes rise. Inflation rates are not

known, but may be expected to be of the order of 2.5 percent or more. Thus, it is probable that urban land values will increase on the average by as much as 8.0 to 10.0 percent per annum. In fringe areas or areas of high interest, they may even increase much more rapidly. Arab tourism, substantial foreign investment, or other factors influencing demand could easily raise the rate higher. Only a program to reduce the above causes of land speculation can mediate or reduce this rate of increase.

C. TAXES TO DISCOURAGE LAND SPECULATION

General recommendations regarding housing finance, rent control and a land development program are found elsewhere in this report. However, taxation is the most direct way to effect land speculation in the short run.

Taxes on land speculation can be placed in two categories: taxes that are charged each year, based upon assessed values; and taxes that are charged at the time of sale. Both types of tax discourage speculation, but in different ways with different impacts.

1. Annual Taxes

Annual taxes create a yearly cost to the landowner, linked in varying degrees (dependent on the specific tax) to estimated increases in land value. In this way, they encourage the landowner to build or sell if the rate is high enough. The difficulty is that they squeeze someone who cannot build for legitimate reasons or someone who is short of capital, while not affecting the larger, better capitalized landowners. Furthermore, they are most effective during times of moderate steady land value increases and have little impact during times of rapid, or cyclical, land value increases. Because they are based on estimates, they must always be set somewhat below actual estimated land value increases, to prevent hardships caused by changes in economic conditions or errors in assessment. In addition, they require a sophisticated administration that frequently sets new land values.

2. Taxes on the Sale of Property

Taxes on property sales, unless special provisions are made, affect only the initial decision to purchase land and not the decision of what to do with the land once purchased. Thus, they do not encourage the resale of vacant developed lands already purchased in Cairo. However, because they are based upon actual realized sales, they can be set much closer to net betterment. They can also be a very effective deterrent to future speculation. Furthermore, an exemption could be made for building to encourage existing landowners to build.

3. Example of Effects

In order to get an initial idea of the level of taxation that would be necessary in Egypt in order to control land speculation, past land prices were reviewed and two situations postulated, in accordance with the past trends: 1) a high rate of price inflation over a period of seven years with the base rate of increase in land values of 10 percent per annum, and the maximum annual increase of 50 percent per annum, and 2) a moderate rate of land price inflation over a period of seven years with a base rate of 7.5 percent per annum and a maximum increase of 25 percent per annum. The former approximates roughly the conditions in Cairo from 1970 to 1977, while the latter approximates a more normal situation under steady economic growth which is relatively free of sudden outside impacts.

Land speculation basically occurs as a result of several factors: the rate of return to capital that is available elsewhere; the expected increase in land values; the duration of expected increases; the level of certainty; and taxes or other costs on speculation. The desired rate of return may be different for different persons or organizations. For purposes of demonstration, it is postulated that in Egypt the speculator will want an annual return of 10 percent from land speculation. This is based on a rate of return of 7.5 percent with more certainty elsewhere and on the need to reflect the uncertainty of the land speculation business.

Table 15 shows the impact of a 6.0 percent tax upon land value (charged yearly) and a 50 percent tax upon capital gains (charged at the time of the sale) under the moderate land value change situation described earlier. The table shows that both taxes would prevent speculation by the person requiring a return of 10 percent to capital while a person requiring roughly 8.5 percent would be indifferent and a person requiring, say, a

TABLE 15
Impact of Various Land Taxes:
Medium Rate of Land Value Increase

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rate of Increase in Land Value from Year	1.075	1.100	1.150	1.250	1.250	1.150	1.075	1.075	1.075	
Land Value	100.000	107.500	118.250	136.000	170.000	212.500	244.400	262.700	262.400	303.600
Present Value of Land	90.900	88.800	88.800	92.900	105.600	119.900	125.400	122.700	119.700	117.200
Land Tax at Percent of Land Value	6.000	6.950	7.100	8.200	10.200	12.750	14.700	15.800	16.900	18.200
Present Value of Land Tax in Year	5.500	5.300	5.300	5.600	6.300	7.200	7.500	7.400	7.200	7.000
Present Value of Land Tax Stream	5.500	10.800	16.100	21.700	26.000	35.200	42.700	50.100	57.300	64.300
Present Value of Land Sold in Year	85.400	78.000	72.700	71.200	77.600	84.700	82.700	72.600	62.400	52.900
Capital Gain if Sold in Year	0.000	7.500	18.250	36.000	70.000	112.500	144.400	162.700	182.400	209.600
Net Capital Gain if Taxed @ 50 percent	0.000	5.750	9.125	18.000	35.000	56.250	72.200	81.350	91.200	101.800
Net Value if Sold in Year	100.000	103.750	109.125	118.000	135.000	156.250	172.200	181.350	191.200	201.800
Net Present Value if Taxed @ 50 percent	90.900	65.700	82.000	80.600	83.800	88.100	88.300	84.700	81.100	77.900
Internal Rate of Return (Percent)	0.000	1.900	3.000	4.300	6.200	7.700	8.100	7.700	7.500	7.300
Present Value of Land at Future Rate of 10 percent	.909	.826	.751	.683	.621	.564	.513	.467	.424	.381

SOURCE: PADCO estimates based on present land values in Cairo.

TABLE 16
Impact of Various Land Taxes:
High Rate of Land Value Increases

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Increase in Land Value from Year	1.100	1.150	1.250	1.150	1.500	1.250	1.100	1.100	1.100	1.100
Land Value	100.000	110.000	126.500	158.000	237.000	356.000	445.000	489.000	538.000	592.000
Present Value of Land	90.900	90.900	95.000	107.900	147.200	200.800	228.300	228.400	228.400	228.400
Land Tax at 6.0 Percent of Land Value	6.000	6.600	7.600	9.500	14.200	21.400	26.700	29.300	32.300	35.500
Present Value of Land Tax	5.500	5.500	5.700	6.500	8.800	12.100	13.700	13.600	13.700	13.700
Present Value of Land Tax Stream	5.500	11.000	16.700	23.200	32.000	44.100	57.800	71.400	85.100	98.800
Present Value of Land Sold in Year	85.400	79.900	78.300	84.700	115.200	156.700	170.500	157.000	143.300	129.600
Capital Gain if Sold in Year	0.000	10.000	26.500	58.000	137.000	256.000	345.000	389.000	438.000	492.000
Net Capital Gain if Taxed @ 50 percent	0.000	5.000	13.250	21.000	68.500	128.000	172.500	194.500	219.000	246.000
Net Value if Sold in Year	100.000	105.000	113.250	129.000	168.500	228.000	272.500	294.500	319.000	346.000
Net Present Value if Taxes @ 50 Percent	90.900	86.700	85.100	88.100	104.600	128.600	139.800	137.500	135.300	133.600
Internal Rate of Return	0.000	2.500	4.200	6.700	11.000	14.500	15.500	14.500	13.500	13.000
Present Value of Land at Future Rate of 10 percent	.909	.826	.751	.683	.621	.564	.513	.467	.424	.386
Net Capital Gain if Taxed @ 75 Percent	0.000	2.500	6.625	14.500	34.250	64.000	86.250	97.250	109.500	123.000
Net Value if Sold in Year	100.000	102.500	106.600	114.500	134.250	164.000	186.250	197.250	209.500	223.500
Net Present Value if Taxed @ 75 percent	90.900	84.670	60.100	78.200	83.400	92.500	95.500	92.100	88.800	86.300
Internal Rate of Return (Percent)	0.000	1.250	2.200	3.400	6.100	8.600	9.300	8.900	8.500	8.400
Net Present Value of Land Sold with 50 Percent Capital Gains Tax and 6.0 Percent Land Tax	85.400	75.700	88.400	64.900	72.600	84.500	82.000	66.100	50.200	34.800

SOURCE: PADCO estimates based on present land values in Cairo.

6.0 percent return would not be deterred. The table also shows that the longer the land is held, in times of ordinary land value increase, the greater the burden created by the land value tax. Thus, the capital gains tax is more equitable for roughly the same deterrent value.

Table 16 shows the impact of the same tax levels under the assumption of the high rate of land value change. Neither would prevent land speculation, but the capital value tax would be more effective. In this situation, a capital gains tax of 75.0 percent would stop the speculator requiring a 10.0 percent gain but would create an indifferent situation for the speculator requiring 9.0 percent. A combination of a 50.0 percent capital gains tax and a 6.0 percent per annum land value tax would be very effective in even the high land value increase situation. This would stop the speculator requiring 10.0 percent while proving indifferent for the person requiring about 8.5 percent. Thus is derived the recommendation to implement a capital gains tax in Egypt immediately and to couple it when administratively feasible with a moderate tax on land value.

Appendix VII

THE LAND DEVELOPMENT PROCESS

In large urban centers in Egypt, and especially in the Cairo metropolitan area, there are three distinct types of land development in process:

1. Large developments by public authorities, such as Nasr City, or developments mandated by law, such as industrial workers' housing.
2. Developments by private contractors for middle-income and upper-middle-income persons, such as the 10,000 housing units presently being constructed by the Osman A. Osman Company. This sector includes housing constructed by housing cooperatives.
3. Informal developments for low- and middle-income persons, constructed either by the individuals themselves or by small contractors.

In addition, there is a small amount of public housing (economic housing) being constructed by the governorates with a rather large subsidy. Approximately 12,000 units of governorate housing were constructed in 1975. The process followed is similar to the first type mentioned above.

A. FORMAL SECTOR

Formal land development is largely the responsibility of the public sector. The public sector either develops the land itself or sells it to housing cooperatives or private companies for development. On rare occasions, the formal sector will also include the private developments of land purchased from non-public sector sources. Taken together, the formal sector comprises about 50 percent of the total annual land development and housing activity. As noted in Appendix VI, much of this developed land remains vacant. The use of such developed

land could be facilitated by charging a reasonable price for such land, and/or instituting penalties against the holding of vacant land. A land development agency would work to increase the supply of land in this sector and lead to a more orderly development. At present, much of the pressure for housing is relieved only by the informal sector, as discussed below. Only through a program which forces the planned use of desert land can the trend toward increasing urbanization of agricultural land be stopped.

B. INFORMAL SECTOR

A majority of the housing constructed annually in the Cairo metropolitan area is built either by private individuals or by small contractors. Most of the housing is constructed on land located on the fringes of present urban areas but within urban boundaries. The growth of such areas is indicated by the annual growth rates of the Governorate of Giza and the suburban industrial city of Shubra al-Kheima. The population of the Governorate of Giza is presently growing at an estimated rate of 11.0 percent annually, while Shubra al-Kheima grew at a rate of 15.5 percent between 1960 and 1970, the last available estimate. The Cairo metropolitan area, as a whole, is growing at 4.2 percent annually.

Typically, the agricultural land holdings located at the fringes of the urban centers range in size from 1.0 feddan or less to as much as 60.0 to 70.0 feddans. Most holdings vary between 1.0 to 10.0 feddans. Many of the holdings came into possession of the present owners after the Agrarian Reform of 1952. Some are farmed by the owner, while many are still farmed by tenant farmers. In the latter category, some of the owners are neighboring rural landlords, while others are middle- and upper-income persons living in the city of Cairo.

As part of the Joint Land Policy Team's study, field trips were made to Imbaba, the pyramid area of Giza, Shubra al-Kheima, Boulaq al-Dakrur and Helwan to briefly view this process. The land development process differed slightly from area to area, but the broad outline which follows remains fairly constant.

The decision to sell or subdivide agricultural land often occurs when the original land is inherited by the urbanized children of a rural landlord. These children are often trained professionals who have no desire to return to farming. For example, on the field trip to Boulaq al-Dakrur, a contractor was encountered who had recently bought a piece of land from such an heir. He was constructing on this land a

six-story building 61/ which he planned to sell as six individual units, to avoid the requirements of rent control.

In other cases, particularly in larger holdings, the landlord may continue to farm a part of his land, while selling off small parcels as he needs the money or as such land is vacated by a tenant. In Shubra al-Kheima, an old man has been acquiring land in this way, in small pieces, to be able to construct homes for his sons.

Near the pyramids in Giza, landowners are parceling out their land for the construction of houses. Often, they would like to sell more land but cannot because they are unable to remove the tenants who have been farming the land for many years. Smaller owner-farmed parcels are often sold in their entirety to a wholesaler or subdivider.

In Shubra al-Kheima, land wholesalers are engaged in buying parcels from farmers and then reselling them to individuals wishing to build houses. The economics of the situation make it difficult to avoid such development, once agricultural land is within urban boundaries and no longer subject to the restrictions placed upon the use of agricultural land for non-agricultural purposes. 62/

In Shubra al-Kheima, land that can rent for agricultural purposes at LE 35 per feddan per year is worth LE 10 to 15 per square meter as building land. In Giza, the difference is even more pronounced. Much land is rented to long-term tenants at LE 1.0 per feddan per month. However, land that sold for LE 3.5 per square meter in 1970 is now selling for more than LE 15.0 per square meter. If it were not so difficult to get tenants to leave the land, the process would be operating even more quickly than it presently is.

The process of land purchase is facilitated by the normal practices of financing. In low-income areas, a down payment of 10 to 20 percent of the cost of the land is commonly required. The landowner is then paid a small monthly amount until the land is fully paid off. The total amount paid is dependent upon the terms of the agreement. Payment over a long period of time will result in a larger total payment, as if interest were being charged. A typical arrangement for a 60 square

61/ Six stories is the maximum that can be built under existing building regulations without providing an elevator.

62/ See Law No. 59 of 1973.

meter lot in Shubra al-Kheima consists of a down payment of LE 100 and a monthly payment of LE 3.0 for eight years. This arrangement yields an effective purchase price of approximately LE 6.5 per square meter. The down payment is often obtained from personal savings or loans from relatives or friends. Much of the capital accumulation comes from savings of Egyptians working abroad.

The house is built gradually over a period of years as money and/or building materials are accumulated. It is usually built by a contractor instead of by the household itself. As was seen in Ismailia, ^{63/} the house is often constructed in two to four stages. This method corresponds with the smaller city tradition of adding a second story to an existing dwelling. Such expansion of existing housing is the second typical method of land and housing development found in Cairo. Often a second story is added for a son or daughter when he or she marries. More recently, a second story has been added as a source of revenue. Unless furnished, such apartments are technically under the rent control law. However, in practice, they are usually rented to relatives or friends who pay a reasonable rent but at a level that may not conform to the rent control restrictions.

Thus, the informal market seems to function fairly effectively to provide land for housing. However, the basic utilities of water, sewerage, drainage, and paved roads are often not provided because much of the development is illegal. The construction is completed without the required building permits and is located on land to which the occupant does not have clear title. Manshiat Nasr is an example of a development located well within the city limits. In Manshiat Nasr, as is the rule for uncultivated or unoccupied land under Islamic Law, the division of plots was made on a first-come basis. The residents have applied pressure to the city to install utilities; as a result, some of these services have been supplied.

^{63/} See Ismailia Master Plan Study, Volume on Housing, by Clifford Culpron and Partners with John Turner and Associates, December 1975.

Appendix VIII

PLANNING, SUBDIVISION AND BUILDING REGULATIONS

A. INTRODUCTION

Egypt has no planning framework within which specific urban land development projects are related to citywide plans for present and future development. There are laws regarding building construction and subdivision standards, but there are no requirements that they be related specifically to a citywide plan that sets priorities for future development. Master plans have been developed for both Cairo and Alexandria, but they have never been given official legal status. Thus, no detailed land use plans have been developed to implement them. The advisory powers of the General Organization for Physical Planning in the Ministry of Housing and Reconstruction ^{64/} and the Department of Planning and Reconstruction in the governorate often ensure that proposed subdivisions are consistent with the framework of such master plans. However, there is a lack of sanctions against offenders who often include other ministries.

A draft planning law has been prepared by the Ministry of Housing and Reconstruction that was submitted to the Peoples' Assembly in 1973. Under the draft, a system would be established of city master plans with which land development projects would have to be coordinated.

^{64/} Decree No. 1093 of 1973 gave authority to the General Organization for Physical Planning. This Organization was moved in 1977 to the new Agency for Reconstruction and New Cities which is responsible directly to the Prime Minister for reconstruction of Canal cities and construction of new towns.

In addition, the subdivision standards set under existing law and regulation are high with regard to present conditions in middle- and lower-income residential areas in Egyptian cities. The subdivision regulations established under Law No. 52 of 1940 set standards for minimum road widths and house sizes and for maximum percentages of lots to be covered by buildings. These standards are higher than currently seen in a large part of Cairo and higher than can be maintained, unless public subsidies are to be used on a major scale to help finance middle- or lower-income developments. (See Chapter III, Section C on affordable housing.) Thus, many illegal lower-middle-income subdivisions have been developed on fringes of the existing urban area (such as Manshiet Naser and Imbaba in the metropolitan Cairo region). For political reasons, persons living in such areas will not be removed, although there is sufficient legal authority for such action. At the same time, such areas are not provided with municipal services, especially sewerage, drainage, and road and footpath surfacing, except in unusual circumstances. Their illegal status also means that the owners are not paying property taxes to the governorate.

A similar situation concerning overly high standards applies with regard to building construction. Law No. 106 of 1976 sets standards required in order to obtain a building permit. Detailed regulations for enforcement of that law have recently been approved. These regulations allow a governor to set different standards for different areas of a city. However, the basic building standards providing detailed instructions regarding maximum building heights, internal room height, lighting, stairways, w.c.s and other elements of public infrastructure do not appear to differ from those previously in force under Decree No. 169 of 1962. In addition, the fees required for a building permit and the application requirements, such as approval of the drawings by an architect, appear to deter low- and middle-income persons from adhering to this process when they want to build a new house or renovate an existing building.

Given this general situation, the detailed laws affecting planning, subdivisions, building and changes that would be made by the draft planning law are discussed below.

B. PLANNING

1. Past and Present

There is no present legal framework for general planning that sets priorities and guides future urban development.

That is not to say that no efforts have been made to provide such planning, especially in Cairo and Alexandria.

In Cairo there have been three specific efforts at general planning over the past 100 years. ^{65/} A master plan of the city was drawn up in the period 1867 to 1869 under the direction of Ali Mubarak, Minister of Public Works, under Khedive Ismail and his associate, Mahud Falaki. It was designed at the time the Suez Canal was opened and was greatly influenced by Haussmann's plan for Paris. Its primary effect was to create several new *maydans* (squares) and thoroughfares in the older part of the city and to help plan the rapidly growing western area (Qasr al-Nil, Bab al-Luq, Azbakiyah Gardens). The rest of the plan was left uncompleted because of difficulty in disturbing existing residential areas, acquiring plots, and paying compensation. ^{66/} The extraordinary authority granted by the Khedive to his minister to carry out such plans was no longer possible, either legally or financially, after the imposition of British rule and the deposition of Khedive Ismail in 1882. The whole budget was no longer at the disposal of the Khedive to do with as he wished. Thus, the impetus for master planning died, except for planning the subdivisions of Heliopolis and Maadi in the early twentieth century.

In the 1950s a second master plan was developed for the Cairo metropolitan area and commissioned by the Cairo municipality. This plan was published in 1956. However, provisions for its implementation were never enacted. At approximately the same time, a master plan was developed for Alexandria with similar results.

In 1965 a decree by President Nasser created a commission to supervise planning of the greater Cairo region and execution

^{65/} However, the city of Fustat in the tenth century obeyed general planning standards set by the Abbasid caliphs, including a rather intricate sewer system and road layout. The Mamluk ruler al-Nasir constructed a major system of public works in the fourteenth century. Unfortunately, such planning occurred sporadically at the whim of individual caliphs.

^{66/} For further details see Janet Abu-Lughod, Cairo: 1001 Years of the City Victorious (Princeton University Press: 1971), p. 103-113.

of projects necessary to carry out that plan. 67/ The commission issued its report in 1969. The report recommended adoption of a general planning framework to control land development. It reiterated the recommendations of the 1956 master plan that future growth be channelled into satellite communities and that a preference be given to development on desert sites. That report has led to the proposed planning law and has been used as a guide in granting subdivision approval. However, it does not have any legal foundation and its recommendations have not generally been implemented.

There is therefore not any one procedure to ensure orderly urban development. However, there is a myriad of regulations of specific types of activities. Besides subdivision regulations and standards for building construction (to be discussed below), there are laws regulating industrial areas, 68/ tourism 69/ public roads, 70/ cemeteries, 71/ sanitation, 72/

67/ The members of the Greater Cairo Commission were the Ministers of Housing, Economy and Foreign Trade, and Finance; the Deputy Minister of Housing; the Governors of Cairo and Giza; the Chairman of the General Authority for Electrical Power; the Chairman of the Cairo Transport Authority; the Chairman of the Central Organization for Statistics and Mobilization; the Director General of the Cairo Waterworks; Undersecretaries of the Ministries of Health and Supply; professors of engineering and city planning from Cairo, Ain Shams and Alexandria Universities; and representatives from the Ministries of Information, Tourism, Industry, Transport and Communications. The then Director of Planning for the Cairo Governorate (now Director of the General Organization for Physical Planning in the Ministry of Housing) was also a member of the commission and served as Secretary. Thus, the commission was very broadly representative of parties concerned with the development of Cairo.

68/ Law No. 28 of 1949 (designation of industrial zones).

69/ Laws No. 1 and 2 of 1973.

70/ Law No. 84 of 1968 (public roads) and Law No. 140 of 1956 (temporary private use of public thoroughfares).

71/ Law No. 5 of 1966 limiting rights to plots to 10 years and giving the governor the right to create new cemeteries and pay compensation to those whose relatives are moved.

72/ Law No. 93 of 1962 (sanitation) and Law No. 38 of 1967 (municipal cleaning activities).

billboards, ^{73/} and ponds and swampy areas. ^{74/} In addition, there are laws regarding standards for commercial and industrial establishments, for public entertainment establishments, and the regulation of peddling activities. ^{75/} Further, there is an architectural control ordinance for the historic Fatimid city of Cairo, as approved in 1965. This ordinance regulates construction of new buildings in that area and the structural alteration of existing buildings, to conform to the medieval style of the area. However, these standards only define the internal regulations applying to such uses rather than the organization of such uses within an urban area.

2. Proposed Planning Law

The proposed planning law would establish a framework for planning, including the mandatory preparation of urban and rural master plans to guide further development. This framework would apply to all new subdivisions in urban areas and to such subdivisions in other areas as determined by the Minister of Housing, after consultation with the Minister for Local Administration. It would also regulate changes in existing subdivisions, including Heliopolis, developments on government-owned land, and others of special importance now governed by special regulations under Articles 23 and 24 of Law No. 52 of 1940. In addition, Law No. 52 of 1940 would be abrogated, but existing illegal subdivisions are not thereby made legitimate.

The basic procedure for development of such master plans and their relationship to specific subdivision and land use regulations is as follows:

1. The local council, in cooperation with the General Organization for Physical Planning (GOPP) in the Ministry of Housing and Reconstruction, shall prepare master plans taking into account its surrounding region and proposed

^{73/} Law No. 66 of 1956.

^{74/} Law No. 177 of 1960.

^{75/} Law No. 453 of 1954 (occupancy of commercial and industrial establishments); Law No. 371 of 1956 (standards for public establishments); Law No. 372 of 1956 (standards for public entertainment establishments); Presidential Decree No. 991 of 1967 (additional regulations for commercial and industrial establishments); and Law No. 33 of 1957 (peddling activities).

expansion of urban boundaries. The priority for such projects shall be set by the Minister of Housing, after consultation with the Minister of Local Administration (Article 1). After public discussion and approval by the local council, it shall be approved by the governorate council and then by the Minister of Housing and Reconstruction.

2. The local council, in cooperation with the GOPP, shall review such master plans at a maximum interval of five years. The results of this review shall be presented to the Minister of Housing (Article 3).

3. The local council, in cooperation with the GOPP, shall prepare physical planning projects, specify land uses, and set development controls for areas governed by the master plan (Article 4). Applications for subdivisions and building construction must conform to these planning requirements. Thus, there is created an interlocking system between planning and subdivision and building construction approvals.

The proposed planning law would also set forth a new set of subdivision standards to replace Law No. 52 of 1940. The present subdivision regulations are discussed below.

C. REGULATION OF SUBDIVISIONS

1. General

Regulation of subdivisions in urban areas is the responsibility of the Department of Physical Planning and Reconstruction in the governorate under Law No. 52 of 1940 regarding subdivision standards and Law No. 52 of 1975 regarding authority of local government. 76/

76/ See Article 13 of Law No. 52 of 1975 which grants such powers to the governorate council. Before the enactment of Law No. 124 of 1961 (local government) such approvals were made by the Ministry of Housing. Under Law No. 5 of 1972, the authority for subdivision approval for subdivisions not requiring new streets (and thus not under Law No. 52 of 1940) was transferred from the Undersecretary of State for Housing in the governorate to the General Director for Planning and Reconstruction in the governorate.

.../

Law No. 52 of 1940 requires that all division of land for sale, rent or construction purposes, in which all plots are not directly located on an existing road, must be approved by the governorate. It applies both to the making of new subdivisions as well as to the alteration of existing subdivisions. However, it does not apply to subdivision of land in areas where no new roads are created (Article 1). In addition, it does not apply to Heliopolis or to other subdivisions which, because of their importance or the presence of total or partial government ownership, are provided with special regulations (Article 23).

Over the past 150 years, there has been a trend toward granting such powers over public utility, subdivision and building regulations (tanzim) to the governorate. Prior to 1820 the cities, particularly Cairo, were governed by special city officials closely associated with the ruling Mamluk elite. Under Turkish rule, public services were generally provided to the harat (residential quarters) through a system of farming such services out to the highest bidder.

The principal officer in charge of public services in the city was the *muhtasib*, a government-appointed religious officer who served as deputy of the chief *qadi* (religious judge) and was responsible for the moral life of the community. As such, he was responsible for the upkeep of mosques, the water system and other public utilities, road construction, building demolition, as well as all aspects of trade and commerce. By the nineteenth century, the prestige of this position had deteriorated, because of its close association with the Military Governor of Cairo and role as a tax farm. In Cairo the *muhtasib's* role had declined to that of supervisor of merchants of edible goods. Other public services had been farmed out to Janissaries who, in return for a fixed payment to the treasury, collected what revenues they could through licensing, fines, and bribes.

Khedive Mohammad Ali created a department (the Tanzim) in the national Ministry of Public Works which was responsible for the execution of street projects in Cairo, as part of his efforts to modernize Egyptian administration. Shortly thereafter, the position of *muhtasib* was abolished. Public works projects were then funded as part of the national budget, and controls were in the hands of this department at the national level.

The Khedive Decree of August 26, 1889 established a Tanzim service at the local level to set minimum standards for building construction and for subdivisions. Such regulation regarding subdivisions was limited mainly to classification of new roads though certain areas in Alexandria were reserved for

.../

Plans and drawings submitted by the applicant must be approved or disapproved within six months of submission or the subdivision will be considered to be approved. Reasons for the rejection of an application must be stated in writing. Such rejections are rare. However, in Cairo recently one application was refused because the area had been designated as a greenbelt area. Also, a series of proposed subdivisions along the Nile are still pending, because of disagreement over the type of access bridge to be constructed over land belonging to the Ministry of Irrigation.

residential purposes. It was not until the passage of Law No. 52 of 1940 that a full-fledged set of subdivision regulations was enacted at the national level.

The decentralization process proceeded slowly. The local Tanzim service had no capital improvement budget of its own. It could only recommend to the Minister of Public Works that money be allocated for certain purposes. The decree of the Minister of Public Works of September 8, 1889 established councils of Tanzim in local communities with representation from that ministry, the director of services for the city, the sanitary service, an engineer from the Tanzim section and a representative of the governorate. This body was supposed to coordinate public services, but essentially each service, such as water or education, was under a particular ministry or department. In addition, municipal service concessions for water, gas, and public transit, were granted to foreign firms. In Cairo it was only the passage of Municipality Law No. 145 of 1949 which granted some self-governing powers that led to the Master Plan of 1956 and some greater amount of coordination. Alexandria had been self-governing since 1890, so it made some progress in developing its own regulations and budget for public works. Even following passage of the Local Government Law No. 124 of 1961 and the granting of greater authority to the governorate in this area, the lack of an adequate budget for subdivision and building control is one of the major obstacles to developing a strong system for orderly land development. See Janet Abu-Lughod, Cairo: 1001 Years of the City Victorious, pp. 74-75, 146-151, 223-226; Gabriel Baer, Studies in the Modern Social History of Egypt (University of Chicago Press, 1969), Chapter 8, "The Beginnings of Urbanization," pp. 133-148, and Chapter 11, "The Beginnings of Municipal Government," pp. 191-209; and Edward Lane, The Manner and Customs of the Modern Egyptians (Everyman's Library, originally published in 1835), pp.3-25, 125-135.

2. Specific Standards

There are a number of specific provisions in Law No. 52 of 1940 that must be followed by subdividers, along with obeying the basic building regulations, hygiene, public security, and traffic circulation standards. These provisions include:

Minimum street widths are specified at 10 meters, unless there are detailed regulations of the city providing for a lower standard. Roads more than 1,000 meters long must be at least 20 meters wide (Article 4).

Public uses are required to include one-third of the total developed area allocated for roads, squares, parks and other public uses. (This allocation includes one-half of the street width of existing public roads around the subdivided lands). However, the governorate is allowed to establish regulations setting a higher or lower standard. When it sets such a standard, it must pay compensation for expropriation if more space is required for public uses (Article 5).

Lot coverage provisions restrict a landowner from building on more than 60 percent of the total coverage of each lot. In addition, unenclosed structures, such as terraces or stairs, are allowed to occupy up to 10 percent of the additional space (Article 6).

In several areas of Cairo, more severe restrictions have been placed on lot coverage by contractual agreement. The maximum lot coverage in Maadi is 50 percent of the total lot. The maximum building coverage in Nasr City is one-third.

Minimum lot size provisions are not specified in Law No. 52 of 1940, but maximum lot coverages are specified for construction. It does not extend in its jurisdiction to existing residential areas that are subdivided without new roads being created. However, using its general powers under Article 10 of that law which prohibits a subdivider from renting, selling or leasing plots before it has approved the subdivision, the Ministry of Housing and Reconstruction issued a regulation, dated August 28, 1971, setting minimum lot sizes and maximum building elevations for different sections of the city of Cairo:

For Maadi, Heliopolis, Garden City the minimum frontage was set at 12 to 15 meters with a minimum lot size of 350 square meters.

For Sahel, Doher, Nuzha, Qabba Gardens a lot size of 250 square meters and a frontage of 10 to 12 meters were set.

For the rest of the city (older areas) a minimum lot size of 150 square meters was set with a frontage of 8.0 to 10.0 meters.

In addition, these regulations established the 60 percent lot coverage regulation for the last two categories above.

3. Control and Enforcement Provisions

Law No. 52 of 1940 contains a number of provisions regarding the control of development and the enforcement of the above standards:

1. Sale of land and construction of buildings in subdivisions is prohibited, if the land is not registered and if a copy of the subdivision plan has not been submitted to the local office of land registration (a part of the Ministry of Justice). Contracts for the sale or leasing of such lands must mention, specifically by number, the approval decision from the governorate, or the contract will be null and void.

2. The Department of Planning and Reconstruction in the governorate may require the developer to provide a subdivision with drinking water, electricity and sewerage at its own cost (Article 12).

However, this provision is rarely enforced for large works that are not purely internal to the project itself. Also, the decision must be issued directly by the Minister of Housing and Reconstruction.

If such a decision is issued, the developer may not build on the lots before completing the works mentioned and paying to the governorate his share of the cost of the mentioned works. When a third or less of the lots of the whole subdivision, or of a specified part of the subdivision, are occupied by buildings which have been supplied with such utilities already, the developer must provide such municipal facilities for the entire subdivision, or that part under rules, within a time limit set by the governorate. If he does not do so, the governorate may complete the works and charge the developer.

3. The Department of Planning and Reconstruction should not approve a road for construction until completion of the water, sewerage and electricity works and until three-quarters of the lots directly on that road are occupied by buildings.

In addition, the department is not required to accept a park until after its acceptance of the square surrounding it and the roads leading to it (Article 16).

4. The engineer of the Department of Planning and Reconstruction responsible for the project has been granted police power to enter the subdivision at any time to see that the regulations are being followed (Article 19).

These provisions give sufficient legal authority to control development. However, their implementation leaves much to be desired, because of the lack of a budget and adequate staff. For example, in recent years, there has been no line item in the budget for the Cairo Governorate to cover the costs of contracting to complete municipal works, such as water and sewerage, before securing reimbursement from property owners.

In addition, the penalties for violations of the law seem not to have been changed since 1940. Fines are limited to a range of LE 1.0 to 10.0 (Article 20).

4. Stricter Provisions for Planned Areas of Cairo

These general provisions regarding subdivision standards have been superseded by more stringent standards for planned upper-income areas in the Cairo Governorate, including Heliopolis, Maadi, Nasr City, and new residential developments planned for the industrial suburb of Helwan. As noted previously, Heliopolis was specifically exempted from the provisions of Law No. 52 of 1940.

a. Maadi, Heliopolis

Maadi and Heliopolis were both begun in the early twentieth century and heavily influenced by Ebenezer Howard, Patrick Geddes, and the Garden City movement. ^{77/} Originally, they were

^{77/} Both companies were begun in 1905, but the major part of their development activities occurred in the 1920s.

planned for foreigners, although the present population of Heliopolis is largely made up of upper-class Egyptians. Maadi has a large percentage of foreigners even today. Thus, the standards were quite high. In Maadi, for example, all deeds originally had restrictions that set the minimum size plot at one-quarter acre (1,050 meters) with a 4.0 meter setback from the street. Presently, these regulations have been lowered in two areas of the older part of the subdivision to allow for apartment buildings with a maximum height of 15.0 meters (10.0 meters for the earlier buildings) and a setback of only 3.0 meters.

In New Maadi, plans are now being made to provide a more diversified range of housing types. There are three areas with different types of requirements. Some units of economic housing of 60 square meters are being planned as part of apartment complexes, and the maximum height restriction in that area has been increased to seven floors or 25 meters. However, the built area to be covered still cannot exceed a maximum of 50 percent of the total lot area. In addition, the minimum restriction for neighboring buildings is still 4.0 meters and the minimum setback is 3.0 meters. 78/

The Maadi Company retains control over building designs and reserves the right to enter the property to see that the building meets health and safety standards. Subdivision of land is prohibited without its approval. However, the company has no right to repossess land if building does not occur on a vacant lot within a prescribed period of time. 79/

78/ Interview with Mr. Gamal El-Din Fahim, Chairman, Maadi Company for Development and Reconstruction, and Mr. Karam Fahmy, General Technical Manager, and Mr. Fawzy Girgis Farag, Consultant Civil Engineer, March 1, 1977.

79/ Sales Contract, New Maadi.

b. Nasr City

Nasr City was the first planned community to accommodate a spread of income groups. ^{80/} Its plan established different regulations and different zones for villas (single-family residences), modern residences (multiple-family units), industrial zones (light and heavy), commercial zones, education and open space. The provisions of its sales contract prohibit subdivision of land, limit the built-up area to one-third of the lot area, set a minimum room area of 12 square meters, and provide for setting regulations for types of stories allowed by zone.

The company must approve a building design, and no building permit can be issued without its approval. In addition, the company requires a ground floor to be built within three years of signing the sales agreement. If this action does not occur, the company can cancel the sales contract and take back the land, while paying the buyer the amount of money he had paid to date under the contract minus a 5.0 percent administrative fee (Article 11 of the standard sales contract for Nasr City). Unfortunately, this provision has not been enforced in practice. However, the Nasr City sales contract should serve as a model of the types of provisions required to control land development and speculation.

c. Helwan

One of the major areas for new residential development in Cairo is the industrial suburb of Helwan to the south of the city. Regulation No. 191 of 1975, issued by the Governor of Cairo, designates areas for certain types of development and sets standards for luxury housing, middle-income housing, and low-income public housing. The regulations for public housing specify a minimum lot size of 300 square meters with a minimum frontage of 16 meters and a minimum setback from the street of 3.0 meters. The maximum height is four stories

^{80/} See Presidential Decree No. 815 of 1959 establishing the General Organization for Nasr City; Presidential Decree No. 2908 of 1964 transforming the Nasr City Organization to the Nasr City Company for Housing and Development; and Presidential Decree No. 3124 of 1971 giving specific development control over land in the area of Abbasiyah to the Nasr City Company.

(up to 14 meters) and the maximum floor area is 50 percent of lot area. Thus, they are not viable for truly low-income housing.

These standards for planned subdivisions provide a model for one type of standard that might be established, if the proposed planning law were revised to allow different kinds of minimum standards for different areas of a city.

5. Illegal Subdivisions

Given the high standards of the present subdivision regulations, the lack of enforcement capacity at the governorate level, and the pressures of rapid population increase in Cairo, only about 50 to 60 percent of the development in Cairo each year occurs on legal subdivisions. A substantial proportion of this development is completed by public sector housing and development companies.

For example, in 1976 the Cairo Governorate received 20 requests for subdivision approval, five from public sector companies. Of the 15 requests for private developments, most were for approximately 10 feddans, or about 50 units of approximately 300 square meters, each which would serve middle- and upper-middle-income households. However, only one such request was approved, because of problems of access to lands and inappropriate use of lands informally designated for other uses. ^{81/} Thus, it appears that private contractors meet difficulties when seeking official approval. This may contribute to the practice of disregarding the procedures.

In recognition of these realities, Law No. 29 of 1966 essentially legalized all existing subdivisions by eliminating the possibility that the Minister of Housing and Reconstruction could seek a court order to remove such violations or demolish buildings in violation, except in three cases:

^{81/} Interview with Mr. Amin D. Abu-Zeid, Director General for Physical Planning and Eng. Anis Ghali, Director, Physical Planning Department, Cairo Governorate, March 7, 1977.

1. On land which is owned by a government organization or public sector company.
2. Where buildings exceed building lines.
3. Where physical planning standards require improvement (Article 1).

It further stated that the Department of Planning can take over existing roads and services in such areas, after approval by the governor and the Minister of Housing and Reconstruction, without providing compensation. It can also give public services to such areas, as under Article 12 of Law No. 52 of 1940, and collect the costs of administration of such services from the owners.

A similar law had been adopted in 1956 to cover buildings constructed between 1940 and 1955 which were in contravention to building construction and subdivision standards. ^{82/} Neither that law nor Law No. 29 of 1966 have been utilized. However, the latter law does provide the basis for the provision of public services to low-middle-income subdivisions, such as Manshiat Nasr. It is hard to see what would be the method of actually collecting from the owners in many areas given present conditions.

5. Changes Proposed by the Draft Planning Law

a. General Procedures

Part Two of the proposed planning law would replace Law No. 52 of 1940 regarding subdivision standards. It is more comprehensive in scope than the present law, as it defines a subdivision as any division of a plot into two or more plots or the construction of a second building, whether connected or not, on a given plot (Article 7). Thus, the distinction between subdivisions where no new road is created and those where roads are created is eliminated. In addition, the special exemption for areas such as Heliopolis is eliminated, and

^{82/} Law No. 259 of 1956.

the new law can be applied to such areas where they do not meet these standards. However, in the meantime, such special provisions remain in force (Article 3).

The proposed law would make several changes in the present regulation of subdivisions:

1. Subdivisions can only be approved if they are consistent with general planning conditions (Articles 12 and 13). They must be approved by both the local council and the governor. ^{83/} The local council may request the governor to issue a decree halting all subdivision requests for a period of two years, with the possibility of extension for another two-year period, while such plans are being developed and approved (Article 17). In addition, the local council may define stages of development for a given development area (Article 15). Thus, the local municipality is provided with a flexible set of powers that should be sufficient to coordinate approval of subdivisions with master planning. The law further provides a series of specifications regarding the establishment of industrial zones (Articles 23-29).

2. The procedures for approval of subdivisions are somewhat more complicated than the present ones. All drawings would have to be approved by a certified architect (not presently required) (Article 11). After the application is received by the local municipality, there is a staff technical review by the Department of Planning and Reconstruction. That staff review must be completed within four months of the date of submission of the application. The local council must submit its decision within two months of receiving the staff technical review. It is considered to have approved the application if no decision has been made within three months (Article 12). Thus, in most cases, a decision must be made within six months of application submission. The governor then has one month to approve or disapprove the proposal (Article 13).

If the application is for a purpose other than building and if no new road is required, then only the approval of the local Department of Planning and Reconstruction is required.

^{83/} Approval by the governor is not required if the subdivision does not include modernized roads or is for purposes other than building and development (Article 14). Thus, a part of the earlier distinction between types of subdivisions (where new roads are built and where new roads are not required) would be carried over in this law.

A decision must be made by that Department within 30 days of submission of the application (Article 14).

b. Specific Standards

The specific standards found in Law No. 52 of 1940 have been eliminated in this proposal, with the exception of setting a maximum percentage of land for public uses. Such a standard may be set by the local authority, as long as it does not exceed 50 percent of the total area of the subdivision (Article 10). (The present maximum area is one-third.) This standard is a flexible one that does not appear to create problems, but might actually assist in the construction of more low-income housing.

Thus, the proposed law would allow the opportunity to set standards for different areas of a city. It is recommended that Article 10 of the proposed law be amended, to specifically allow for such standards, as follows:

Article 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 character of the population, present and proposed land use, public welfare and socioeconomic conditions. However, all such standards must meet minimum requirements for health and safety.

However, such a specific change might not be necessary to achieve this end. Article 41 of the proposed law allows for exemptions from its provisions for the furtherance of the public interest or in consideration of local circumstances.

c. Control Provisions

The proposed law also provides for an even broader ranging group of control measures and a tightening of already existing measures.

1. Subdivision approval must be included in all contracts of sale or rent, or they are void. As an addition to existing law, it would state specifically that it must be included in the conditions stated upon transfer of property by inheritance.

2. The developer may not advertise his subdivision or otherwise deal with it until a copy of the approval has been submitted to the Department of Land Registration, until he has complied with the provisions regarding public utilities, and until he has made a financial guarantee that he can complete such works. (The latter provision is a new one in this legislation.)

3. The developer shall provide utilities or the money needed to provide such utilities, according to regulations set by the local council. If the developer does not conform with such a program, the local council has the right to provide such utilities and can charge the developer the cost of such work plus a 10 percent charge. No building permit shall be issued if he does not pay such charges within six months of their being incurred (Article 18).

4. The Minister of Housing and Reconstruction can alter subdivision regulations which were approved before the enactment of this law to comply with the needs of particular planning projects (Article 22).

5. The council may also require a subdivision project to include some adjacent lands to those of the owner, requesting approval if such an inclusion will provide for more rational development of that particular area. If the owners of such properties do not voluntarily participate in the project, their lands can be expropriated (Article 16).

d. Enforcement Provisions

The most pressing problem regarding the present subdivision regulations is that of enforcement. The proposed planning law provides several methods for strengthening such enforcement:

1. Penalties for dealing with property before subdivision approval is obtained are increased to imprisonment of up to six months or a fine between LE 100 and LE 2,000, or both (as compared to a maximum fine of LE 10 under Law No. 52 of 1940). Penalties for other violations, such as failing to provide adequate public utilities, would also be a maximum of six months imprisonment and/or a fine of LE 10 to LE 1,000 (Article 43). Thus, the penalties are now meaningful in present value terms. In addition, they can be doubled, if it is shown that these rules were purposefully evaded (Article 47).

2. Perhaps more importantly, these fines may be collected through administrative procedures rather than requiring a court

order. This also applies to the fees required for subdivision approval (Article 33).

However, there remains the problem of a sufficient budget so the governorate can afford to provide public utilities to areas that would later be repaid by the developer.

D. BUILDING REGULATIONS

The basic law regulating buildings and construction is Law No. 106 of 1976 which recently replaced Law No. 45 of 1962. The implementing decree for Law No. 45 of 1962, Decree No. 169 of 1962, remains in effect while detailed regulations are being drafted for the new law. ^{84/} The provisions of Law No. 106 of 1976 are not very different from those of the other laws regulating buildings, beginning in 1889, ^{85/} except that stiffer enforcement procedures have been adopted. The new building regulations, however, allow the governor to set different standards for different areas.

1. General

Law No. 106 of 1976 sets up a two-step system for regulating building or alteration of buildings on urban land.

If the cost of the building exceeds LE 5,000, the investment must be approved by a committee set up by the Minister of Housing and Reconstruction. It must fit within the housing budget allocation for the private sector. This decision is a condition for obtaining a building permit and is good for one year (Article 1-2). The only exception to this rule is buildings constructed by government agencies or public sector companies. This provision was not found in prior building code legislation. It gives the government more authority to control luxury housing.

^{84/} Article 34.

^{85/} Regulation No. 549 of September 8, 1889, to implement Khedivial Decree of September 8, 1889; Law No. 51 of 1940; Law No. 93 of 1948; Law No. 310 of 1952; Law No. 656 of 1954; and Law No. 45 of 1962 were previous laws regarding building construction and building permits.

Regardless of the cost of the construction and regardless of whether the project is carried out by a private developer or a public sector company, a building permit must be obtained from the Department of Planning and Reconstruction in the governorate (Article 4). Exemptions from this requirement may be made for public welfare, historic, tourist, political, or security reasons when a request is made by a local council to a committee made up of representatives of the Ministry of Housing, Ministry of Tourism, Ministry of Local Government, and two professors of engineering or architecture/planning. Their decision must then be approved by the Minister of Housing and Reconstruction, and the reasons for approval or disapproval must be stated (Articles 26-27).

The department must review plans and drawings within 60 days or the project is considered as approved (Article 6). Rejection of applications will be reviewed by a committee composed of a judge appointed by the president of the local court, two members of the local council, and two government architects (Article 15).

If an applicant receives a permit, he must begin building within one year and can renew his permit for only one additional year (Article 9). 86/ All applicants must hire a certified architect to sign such drawings, and a certified engineer must supervise construction over LE 5,000 in value (a new provision under this law) (Articles 5 and 12).

Fees for granting such permits are limited to a maximum of LE 200 (Article 33). In Cairo, the fee is based on a formula related to the amount of floor area and the number of square meters of elevation, as well as a fee of LE .50 for filing an application. 87/ In Alexandria, the fee is 1.0 percent of the value of the construction. 88/

86/ Digging of foundations is not considered as a start in the execution of a construction project.

87/ The actual fee is 2 piasters per square meter of floor area and 5 piasters per square meter of elevation, plus LE .50 per building of application fee, up to a maximum of LE 200. Source: Mr. Amin, General Director for Planning and Reconstruction, Cairo Governorate, March 7, 1977.

88/ Source: Ir. Abdul Aziz, General Director for Planning and Reconstruction, Alexandria Governorate, March 6, 1977.

2. Specific Standards

A number of specific standards for buildings were set forth in Decree No. 169 of 1962. Law No. 106 of 1976 itself does not prescribe such standards, except to mention maximum height restrictions (Article 33) and to limit the approval of extra stories, except where the foundation is sound (Article 7). However, many of these standards were carried over to the new building regulations. ^{89/}

Building heights are set at a maximum of 35 meters or one and a half times frontage. However, the height of the building can exceed the above standard, if the building's volume does not exceed 21 times the built area of the lot.

Ceiling heights are generally a minimum of 2.7 meters, except for w.c.s and other such rooms.

Openings for ventilation and lighting are set at 8.0 percent of floor area for residences and offices and at 10.0 percent of floor area for kitchens and bathrooms.

Elevators must be supplied for every building that is above five stories with a basement.

Guards must be provided if a building has 20 or more residence rooms.

3. Penalties and Enforcement Procedures

Law No. 106 of 1976 sets up stiffer procedures for violations of these regulations than were found in previous legislation. There are stronger penalties for violations, and additional powers have been granted to local public authorities to carry out demolition of buildings, to halt non-conforming uses, and to levy daily fines for non-compliance.

1. The Department of Planning and Reconstruction may now remove a building or a part of a building and clear it of its

^{89/} We have not had the opportunity to review the new building regulations in detail as of the date of the completion of this report. (August 1977)

occupants without obtaining a court order. The cost of the removal can then be charged to the owner. Such removal can occur only if the building is found to violate public welfare and only if the owner does not bring the building up to standard in the time specified by the review committee mentioned above (Article 16). If the violations do not affect public health or the safety of residents, lesser penalties can be applied.

2. A violator can be punished by a fine of LE 1.0 to LE 10.0 daily for each day that he is in violation of this law, after he receives notice of such violation. The amount is based on his number of previous violations and cannot be suspended by a court (Article 24). Such penalties may be doubled if the violation is held to be willful.

3. Violators of the provision requiring approval of all construction with a cost of over LE 5,000 must pay a fine equal to the cost of the construction or of the building materials used. A contractor of such a building must pay a fine equal to one-half of the cost of the construction that he was responsible for executing. In addition, either of those parties may be imprisoned for a period of three months to one year (Article 21).

4. Violators of the provisions regarding building permits and the correction of already existing violations may be fined from LE 10 to LE 1,000 or imprisoned for a period of six months or less, or both (Article 22). If the violator does not correct the violation, he may be charged for its correction up to 2.0 percent of the total cost of the construction, but not less than LE 25. This amount may be in addition to the daily fine for non-compliance mentioned above.

5. If construction built without a building permit is not removed, the violator shall pay one-half of the costs of such removal (Article 22).

Thus, there is greater authority to provide for rehabilitation of existing dwellings, if it is used and if standards are adopted which make it possible, given government budgets, to make owners carry out such improvements.

Appendix IX

AN EVALUATION OF THE 1977 HOUSING PROGRAM

The Egyptian housing program is based on substantial public involvement in actual construction as well as on financing house building and building materials supply. Both the public economic housing program and the private cooperative housing program are heavily subsidized, in an effort to bring low-cost housing to the middle- and low-income groups.

The total urban population growth of Egypt for FY 1977/1978 is estimated at approximately 620,000 persons given a present urban population of 16,782,000 and a rate of urban population growth of 3.7 percent per annum. Given an average urban household size of five persons, 124,000 new households will be created. It is generally assumed that approximately 11.0 percent to 15.0 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. That is the size of the government's annual housing program for FY 1977/1978. These figures do not take account of the small amount of existing housing stock (perhaps 0.5 to 1.0 percent of the existing stock or 12,000 units annually) that will be demolished and need replacement during the year. It also does not take account of extensive housing construction planned for the Canal Zone cities. Taken together, it is possible that the actual urban housing need in Egypt in 1977 is approximately 150,000 units.

The overall housing program is made up of various kinds of housing, including in the public sector economic housing; housing (primarily for the middle-income groups) built by the housing and reconstruction companies; and housing for special groups, including students, labor, and others. In the private sector, the main types of housing include cooperative housing; housing built by Egyptians working abroad; housing built by Arab and foreign investors; and housing built by individuals.

The economic housing program is the key component of the governmental program. As such, it justifies more detailed description. At present, it is a program of 40 to 60 square

meter units, of two or three bedrooms, an entry area, a bath and kitchen. These are provided in apartment blocks. In the past, the units have been let as rental units, with rents of the order of LE 1.0 to 2.0 per room, a highly subsidized rate. Consideration is being given in 1977 to selling the units, with loans for purchase at 5.0 percent per annum (also a subsidized rate). The sales policy would have the benefit of encouraging home ownership and of relieving the government over the long run of substantial administrative costs. They are believed to provide housing for the upper-lower- and lower-middle-income groups, albeit at highly subsidized rates.

The overall 1977 program is shown in Table 17. The total public contribution is expected to be 34,000 units of which 7,700 are already underway; hence, the actual proposal is for 26,300 new starts. Of this, 10,000 economic units are proposed in the reconstruction areas. Together these contain only 4.0 percent of Egypt's existing urban population. Hence, the supply rate outside the reconstruction areas is much worse than it would appear on first reading. The private contribution is expected to be 66,000 units of which 50,000 are cooperative housing, individual housing, and housing purchased by Egyptians working abroad. No breakdown of the private housing program is provided by size or income group; hence, it is not possible to judge whether this includes a substantial amount of housing for lower-income groups.

The control mechanisms by which the program is implemented include the following:

1. Through direct expenditure guided by the Ministry of Housing, the governorates, and the housing and reconstruction companies.
2. Through direct expenditure of other governmental agencies.
3. Through administration and financing of the cooperatives program (the former by the General Authority of Building and Housing Cooperatives (GABHC), through GABHC by the commercial banks (at market rates) and the government budget (in order to subsidize the market rate loans)).

Recently, a Housing Development Fund has been created to be administered by the Ministry of Housing and Reconstruction. It will obtain funds from a variety of sources to lend to the cooperatives and governorates for economic housing. It is expected that the fund will be financed primarily from the sale of bonds, including compulsory bonds, and from the government budget. The initial budget for 1977 is a total of LE 25

TABLE 17

1977 Egyptian Housing Program

	Number of Units	Expenditures (LE million)
INVESTMENT PLAN		
Public Sector:	34,000 ^{1/}	68.65
Economic Housing in Governorates	16,000	20.00
Completion of units underway	7,700	
New units	8,300	
Economic Housing in Reconstruction Areas	8,000	33.3
Payment of past debts	--	17.0
New units	8,000	16.3
Housing Reconstruction Companies	2,000	5.15
Students, Labor and Military Housing	8,000	10.2
Private Sector:	60,000	
Cooperative Housing	22,000	
Individual Housing	20,000	
Egyptians Working Abroad	8,000	
Arab and Foreign Partners	16,000	
FINANCE PLAN		
Public Sector:		
Increase in Governorate Funding		8.0
Payment of Debts in Reconstruction Areas		17.1
Continued Distribution of Building Materials at Present Formal Prices		NA
Continued Interest Rate Subsidy of Houses Built by the Cooperatives		NA

NOTE: ^{1/} The total public sector program should, in fact, be reduced by 7,700 units, if the basis for reporting is units started. The 1976 public sector plan was approximately LE 40 million. Thus, the presently proposed program would be a 72 percent increase.

SOURCE: Ministry of Planning, Housing Sector: A Program for Building 100,000 Units in 1977. English translation, February 1977.

million (15 million from the budget and 10 million from the sale of bonds). This will, when operational, become another direct way of controlling housing and influencing investment, but its budget is not explicitly shown in the housing program at present.

There has existed in Egypt for many years a real estate and credit bank (Credit Foncier Egyptien). Its purpose is to finance real estate and housing development, but its operations have fallen far short of potential demand. Its control is through the general governmental structure, and it functions semiautonomously within its limited role. Its recent revitalization leads to expectations of increased activities in the near future.

In addition to the above potential control mechanisms, there is in Egypt a system of subdivision permits, building permits and building materials rationing. It is not known how well this program is integrated with the housing program. Certainly, the building materials subsidies are not reflected financially in the housing program, although they should be.

A. THE HOUSING PROGRAM AS A BASIS FOR ADMINISTRATION

The 1977 housing program is basically a public sector expenditure program with physical targets for both the public and private sectors. Its primary usefulness is in public budgeting, leaving many areas of action in housing implementation to other sources of control. A housing finance plan is prepared separately, by the Ministry of Finance and the Ministry of Planning. The present housing program is not a strong basis for administration, because it does not relate to key financial and administrative control mechanisms and because the supporting information is so incomplete. It would be highly desirable to introduce a more comprehensive program, to state the underlying assumptions, identify key relationships and be built around the proposed control mechanisms. Toward this, the following suggestions are made:

1. The program should relate specifically to population and income growth and to a population group's ability to pay for housing.

2. A public and private sector financial plan should be included, showing all sources of financing and the implications for future years of the present year's commitments. The financial plan should include current expenditures and income as well as capital expenditures.

3. A land development program should be added. The 1977 program does include one item for land development, but it is apparently not systematically reported.

4. Instructions should be included in the plan to implementing agencies pertaining to lot, infrastructure and housing standards, related to income levels.

5. The assumptions about utilization of the existing housing stock should be shown specifically as well as the impact upon overall housing conditions of the proposed program.

6. The financial program should show specifically how low-income groups would finance housing or land purchases and should identify the sources of financing and the size of the program.

7. The program should include physical estimates of the building materials necessary and a financial program for building materials supply to all house builders.

B. SOCIAL AND ECONOMIC ASPECTS

It is the belief of the Joint Land Policy Team that the 1977 housing program, although ambitious in terms of expenditure, will not reduce the existing housing and land deficits which are likely to remain particularly severe for lower-income groups. As it presently stands, the 1977 housing program is primarily targeted at middle-income groups, through the cooperative housing program, and at those in the lower-income groups fortunate enough to obtain economic housing. The overall increase in housing planned for is much less than total demand, yet the present cost to government to finance rental housing, housing purchase loans, and materials subsidies is very high. Perhaps most critically, there is little or no land development program; hence low-income persons are, for the most part, unable to obtain a lot of legally acceptable size at a price they can afford.

Nor does it appear likely that the program can be achieved as proposed, given current financial constraints in Egypt: the public sector economic housing program is already in debt to contractors by LE 17 million. The 1977 public sector program represents an increase in funding over 1976 of LE 29 million (a 72 percent increase). The only proposed source of additional funds is national housing bonds, but this is the first year of the program and the actual yield must still be very uncertain.

Appendix X

PROFESSIONAL POSTGRADUATE TRAINING

A. INTRODUCTION

Many of the professional staff of the MOHR are well qualified, both by educational background and experience. For such persons, a package of formal and informal training experiences, directly related to the work in hand, is the most appreciated and effective method of training. This can be deepened by offering formal seminars to illuminate specific methods and techniques and by visitor talks on similar and contrasting studies undertaken elsewhere in the Middle East.

There is need for the MOHR to designate a member of the professional staff as training officer. This is not to say that this person should adopt this role full time or necessarily undertake a great amount of the training work himself. However, programming, arranging, and reporting on training sessions should be in the care of one individual. Programs could take the following form:

1. After appraisal of the educational background and professional skills of individuals in the three grouped departments, they should be deployed in team work. This should be structured in roles that either deliberately widen their experience in housing and planning ability or that seek to develop a particular skill in-depth.

2. Such on-the-job training demands, for its success, good orientation sessions plus the assignment of responsibility just beyond the present reach of the individual (but not so far beyond that he cannot learn to reach).

3. On-the-job training seriously undertaken needs proper management and close monitoring coupled with the introduction of correction experiences at seminars and in personal interviews.

4. Much importance should be given to work seminars that seek to enhance current activities but also provide learning

situations. These would be planned at the commencement and mid-term of the work periods or specific planning and design tasks. Seminars should be held at the beginning, middle, and end of each project period on:

Work Programming.
Collection, Processing and Interpretation
of Data Base.
Project Design and Preliminary Engineering
(project is intended here to include
planning and architectural tasks).

The training sequences should be seen as a continuing responsibility throughout the course of professional life.

B. BASIC PRINCIPLES

The prime objective of training should be to increase the institutional ability of the MOHR to deepen its work in metropolitan and regional planning, land use study, and in-house project design to be able to produce a national stream of projects, including those for upgrading and town expansion.

The training program should be experienced by the participants as an integrated learning experience obtained through mutually reinforcing ingredients. This means that on-the-job learning will require appropriate theoretical backing and exposure to contrasting and similar studies undertaken elsewhere and visits (if possible) to other areas of Egypt and the Middle East where similar tasks are being undertaken.

It is important that the training be seen as a long-term effort to develop and strengthen existing professional capacity. The aim should be to institutionalize the training system into the life of the MOHR. With the foregoing in mind, it is essential to devote part of the training effort to training trainers, so that a multiplier effect is made possible into the years to come.

The training program must, therefore, be designed on the basis of short-term contributions from overseas experts plus the maximum possible contribution from local professionals and from the two universities in Cairo. A case could be made for appointment of a university professor as course program advisor to the MOHR training office on a part-time basis. The initial setting up of in-house professional training could be the subject of a technical assistance request.

While it is not possible to describe the content of a training program in detail in advance of analysis of individual

needs in the field, it is possible to list topics that are likely to be relevant. This is done hereunder, by way of example, in relation to two themes: settlement upgrading; and metropolitan projects, policy action framework.

1. Settlement Upgrading

Field survey techniques for obtaining social, economic, and health data for low-income area upgrading and new settlement planning.

The interpretation of aerial photographs for low-income settlement analysis and surveys by reference to techniques and models.

Techniques for defining household and settlement typologies for low-income settlement planning.

The economics of urban land use and residential land markets.

Plot pricing and marketing.

Employment opportunity analysis and the formulation of programs to improve employment opportunities for members of low-income households.

Alternative technical solutions to problems of providing sanitation for low-income families.

Alternative house building technologies and their implications for households, building product manufacture, the house building industry, and financing.

Site survey and analysis as preparatory to economical layout design.

Organizing participation of low-income households in neighborhood improvement decision making.

Impact analysis to identify the likely impact of different types of low-income upgrading for town expansion projects.

Techniques for project identification in the context of overall development programs and also in the absence of such programs.

Project preparation, design and appraisal.

Project monitoring and evaluation.

2. Metropolitan Projects: Policy Action Framework

Institutional analysis for metropolitan planning and implementation.

Analysis of the advantages and disadvantages of various types and degrees of centralization and decentralization in planning and implementation.

Work programming and control.

Interview techniques.

Techniques for considering technical alternatives at the policy level.

Techniques of alternative policy reviews.

Appendix XI

INCOMES AND HOUSING EXPENDITURES

There are two recent sources of information on urban income in Egypt: the 1974/75 family expenditure survey undertaken by CAPMAS ^{89/} and the occupational distribution found in the 1966 census. We have updated the 1974/75 survey here.

The 1974/75 survey consisted of 2,000 urban households, a small sample, but adequate to capture variations in housing expenditure. Income estimates per se were not published. However, from analogy and experience, incomes can be expected, on the average, to be 105 to 110 percent of expenditures. The 1974/75 CAPMAS survey estimated median household expenditures in all urban areas of Egypt at LE 453 per annum, with 25 percent below LE 300 per annum. (See Table 18) This 1974/75 median expenditure figure would correspond to an adjusted 1977 median income of approximately LE 500 per annum -- a figure which compares favorably with observations made by the Joint Land Policy Team in Cairo and, more briefly, in Alexandria. This figure is produced using an estimated rate of income growth of four percent annually.

^{89/} It has been estimated by users of the 1964/65 CAPMAS family expenditure survey that the collected data probably underrepresents those without regular employment while overrepresenting those residing in Cairo. Assuming that such biases have been repeated in the 1974/75 CAPMAS survey, the median income is high. However, this bias must be balanced against the underestimation of income earned by a secondary earner, income earned from a second job, or income from rental property. Such sources of income are very common in Egypt at all income levels of the population. Thus, the median income given below is probably approximately accurate.

The CAPMAS survey investigated both urban and rural family expenditures. The median rural expenditure was estimated at LE 245 per annum, or 55 percent of the urban median. Therefore, the ratio of the median of rural household income compared to the urban median income found in Cairo or Alexandria would be of the order of 50 percent. This rural-urban difference in median household income combined with subsidies for food, housing, and transportation existing in urban areas provides a strong incentive for migration from the rural areas to the cities.

A. EXPENDITURES FOR HOUSING

The 1974/75 CAPMAS survey yielded rather surprising results for housing expenditures. It indicated that low-income households spend up to 15 percent of their income on housing, while the percentage spent on housing decreases to 12 percent for middle-income households and 11 percent for upper-income households. It has generally been found in a wide range of countries that expenditures for housing (taken as a percentage of total household income) increase as incomes increase. This finding is believed to occur because housing becomes increasingly important as the more urgent needs for food, clothing, and minimal medical care are satisfied. Yet these statistics show an opposite situation in Egypt. Assuming housing preferences in Egypt are in reality income-elastic, ^{90/} the statistics probably reflect one of two things: 1) physical constraints and artificially low prices created in the middle- and upper-income categories by the present rent control practices; 2) reliance in the collection of data upon actual monthly payments or rents that are below economic cost. More information is required to interpret the figures.

Even though the possibility exists that housing consumption is artificially constrained by rent controls and the present poor supply of housing, or that errors exist in the collected survey data, estimates have been made on the ability of each income group to pay for housing. It is estimated that low-income groups will pay, on the average, 15 percent of their income for housing, that middle-income groups will pay 15 to 17 percent, that upper-income groups will pay 17 to 20 percent or more of their incomes for housing.

^{90/} Meaning that the rate of increase of expenditures is greater than the rate of increase of income.

These estimates are formed from a set of judgments that take into account the depressed values of middle- and high-income housing and the prevalence of rental housing and rent control. The expenditure percentages presented here are not as high as those adopted for countries like Egypt by international funding agencies -- i.e., 20 to 25 percent for middle-income groups and 30 percent for high-income groups. (See Table 18) However, they also do not include the effect of key money.

B. AFFORDABLE HOUSING

Current building costs for housing in Egypt are estimated to range from approximately LE 15 to 20 per square meter for a low-quality, owner-built brick house (with concrete slab roof but without vertical reinforcing) to LE 25 to 30 per square meter for a partially contractor-built brick house with beam and column reinforcement. As standards increase, so do costs. Middle- and upper-income contractor-built housing with higher-quality finishes may cost, on the average, LE 45 per square meter while luxury housing can go as high as LE 60 per square meter or more. Land costs vary from LE 25 to 60 per square meter on the resale market to approximately LE 10 per square meter or more in the unserviced but easily built agricultural areas of Giza, Helwan, and Shubra al-Kheima.

The size of dwelling unit affordable by the average household in each income group is shown in Table 19. This table is constructed from calculations based upon official rent-determination procedures which set rent at 5.0 percent of land costs and 8.0 percent of building costs as was true prior to the passage of the 1977 housing law. These rents do not appear to yield an economic rent to the landlord. Hence, the estimates over-estimate the size of housing that could be afforded. Nevertheless, the table shows that households below the median income of LE 500 per annum will not be able to afford units larger than 25 to 30 square meters. In addition, given the assumptions used in producing the table, a substantial part of the population for whom it should be possible to provide permanent housing will not be able to afford units larger than 15 to 20 square meters.

However, present practice is to estimate construction costs based upon official unit costs which are far below actual costs.

Table 19 also shows the actual costs of rent-controlled housing, the rental rates (based on official unit costs), and the area affordable under such rent control standards.

TABLE 18

Target Group's Expenditures for Housing 1/

Occupation of Head of Household	Annual Household Income (LE 1974/75)	Percent of All Urban Households ^{2/}	Percent of Income Spent for Housing		Expected Annual Expenditures for Housing (LE)
			Present Average ^{2/}	Expected Limit	
Larger business owners, highly skilled professionals	1,300 and above	10	11	20 and more	280 and more
Smaller business owners, managers, high government administrators	900 - 1,300	14	11	17 - 20	170 - 280
Supervisors, technicians, middle government administrators	700 - 900	11	12	15 - 17	90 - 170
Skilled laborers, highly clerical and service workers	500 - 700	14	13	15	60 - 90
Semiskilled laborers, clerks, elementary school teachers	300 - 500	17	14	15	37.5 - 60
Unskilled and part-time workers, unemployed	below 300	34	15	15	37.5 and less

SOURCES: 1/ Conforms generally to previous target group definitions but presents revised income distribution. For previous estimates see report of the Joint Housing Team, Immediate Action Proposals for Housing in Egypt, Appendix I, Chapters I and II, Ministry of Housing and Reconstruction with Office of Housing, USAID, June 1976. 2/ The source of income distribution and present housing expenditure estimates is 1974/75 family expenditure survey by CAPMAS. Expected housing expenditure estimates are by PADCO, based upon normal income elasticities for housing.

TABLE 19
Size of Affordable Housing
(based upon 1974/75 prices)

Household Income Group <u>1,5/</u>	Percent of All Urban Households	Expenditures for Housing <u>1,6/</u>	Average Control Construc- tion <u>2,7/</u>	Actual Construc- tion Cost <u>2,8/</u>	Land Cost <u>2,8/</u>	Area Affordable With Rent Control <u>3/</u>	Area Affordable Without Rent Control <u>3,9/</u>	Control Cost of Smaller Rent Control Unit <u>4/</u>	Actual Cost of Smaller Rent Control Unit <u>4/</u>	Capital Subsidy Smaller Unit <u>4/</u>	Annual Rental Subsidy <u>4,10/</u>	Percent Subsidy <u>4,11/</u>
1,000 or more	10	280 or more	23.5	47	7	126 or more	71 or more	3,843	6,804	2,961	216	43.5
700 - 1,000	14	170 - 280	20.0	40	6	89 - 126	50 - 71	2,326	4,115	1,789	131	43.5
550 - 700	11	90 - 170	16.0	32	5	59 - 89	33 - 50	1,239	2,183	899	66	41
400 - 550	14	60 - 90	12.0	32	5	48 - 59	22 - 33	822	1,789	967	71	54
250 - 400	17	37.5 - 60	12.0	32	5	30 - 48	14 - 22	514	1,118	604	44	54
250 or less ^{1/}	34	37.5 or less	12.0	32	5	30 & less	14 & less	NA	NA	NA	NA	NA

NOTES: 1/ LE per annum. 2/ LE per m². 3/ m². 4/ LE.

SOURCES: 5/ 1975 prices. The target group definition is from The Joint Housing Team. Immediate Action Proposals for Housing in Egypt, p. 84. Ministry of Housing and Reconstruction with Office of Housing, USAID, June 1976. 6/ Based upon Immediate Action Proposals for Housing in Egypt, Table II.1, p. 17. 7/ Immediate Action Proposals for Housing in Egypt, Table IV.5, p. 58. See Law #52 of 1969. 8/ 1974 average costs, as estimated by Joint Land Policy Team. 9/ Assuming that rental rates are set equal to 8.0 percent of housing construction costs and 5.0 percent of land value at the time of construction, the model upon which rent control was originally based. It is likely that the area economically affordable in today's market would be still smaller. This is equivalent to an income stream sufficient to repay an 85 percent loan over a 30-year repayment period with compound interest of 7.4 percent on the unpaid balance, or equivalent to a rate of return of 7.0 percent on the initial capital investment. 10/ Requires special subsidized housing program. 11/ Based on current construction costs with some subsidy in materials costs. If the economic value of materials was used, the rate of subsidy would be even higher.

This indicates that a median-income household could afford approximately 55 square meters while most low-income groups, with the exception of the lowest-income groups, could be housed in units of 30 to 60 square meters, assuming such housing were provided. Thus, it is likely that the present economic housing which ranges in size from 40 to 60 square meters is affordable by much of the low-income population only if offered at the subsidized rates. The private sector will not provide such housing, as long as rents are such that the housing investment does not yield adequate profits and as long as the government does not have sufficient resources to provide such housing for a significant portion of the population. Thus, housing supply will fall far short of demand. A small percentage are greatly benefited, while the great majority remains in costly or very small housing.

Table 19 also shows the amount of subsidy implied in the present rent control rates. The subsidy ranges from 44 percent for upper-middle-income housing to as much as 54 percent for economic public housing rented at rent control rates.

C. EVALUATION

A realistic appraisal of household incomes and the ability to pay for housing compared with the costs of construction and land will form part of the foundation of an Egyptian urban land policy for two reasons. First, it is fundamental that a realistic range of standards be set for plot size and plot coverage ratios, in order for most of the population to be able to own, and for all to be able to rent, housing. Second, a land development program must be elaborated that does not involve subsidies (except possibly for lowest-income groups) and that can be based upon an ever-expanding revolving fund for land development. The most active and well-planned public sector program will be ineffective if either private or semi-private agencies are allowed to utilize land inefficiently, or if development standards effectively preclude the participation of middle- and low-income groups. Additionally, it is important that the data base, upon which studies such as the foregoing are based, is checked for accuracy and that the calculations are updated from time to time when new relationships are seen to exist between building costs and household incomes.

TABLE 20
Housing Stock in Greater Cairo Region 1966

Number of Floors	Structures <u>1/</u>	Dwelling Units <u>3/</u> per floor	Number of Dwelling Units	Percent of Structures	Percent of Dwelling Units	Cumulative Percent of Dwelling Units
One	89,923	1.25	112,403	38.6	11.2	11.2
Two	57,489	1.50	172,467	24.7	17.2	28.4
Three	35,924	1.75	188,601	15.4	18.8	47.2
Four	24,781	2.00	198,248	10.6	19.8	67.0
Five	13,305	2.00	133,050	5.7	13.3	80.3
Six	3,846	2.00	46,152	1.7	4.6	84.9
Seven	1,264	2.00	17,696	0.5	1.8	86.7
Eight	517	2.00	8,272	0.2	0.8	87.5
Nine	251	2.00	4,518	0.1	0.5	88.0
Ten and more (say 15)	3,462	2.00	103,860	1.5	10.4	98.4
Other (say four)	2,357	2.00	18,616	1.0	1.6	100.0
Total	233,123 <u>2/</u>		1,003,883	100.0	100.0	

NOTES: 1/ The 1966 census results showed a total number of structures in Cairo governorate of 236,326, for a population of 4,219,853. Thus, there is a considerable difference between the two sources of data. 2/ Population = 6,113,000 at persons per dwelling unit = 6.1. 3/ Dwelling unit.

SOURCE: Greater Cairo Planning Commission Preliminary Master Plan for Cairo Metropolitan Region, Supplement No. 8 from housing research prepared by CAPMAS in 1966.

TABLE 21

**Estimated Household Income
in Urban Areas of Egypt
1977 to 1982**

(LE per year)	1977		1982		Change in Number of Households (000)
	Percent of Households	Number of Households (000)	Percent of Households	Number of Households (000)	
0-300	34.0	1,243	28.0	1,189	-113
300-500	17.0	621	13.9	590	- 31
500-700	14.0	512	14.4	613	+113
700-900	11.0	402	11.0	468	+ 66
900-1,300	14.0	513		624	+111
1,300 and above	<u>10.0</u>	<u>367</u>	<u>18</u>	<u>764</u>	<u>+397</u>
Total	100.0	3,508	100.0	4,248	+740
Mean House- hold Income	LE 500		LE 610		

ASSUMPTIONS: 1) Average household size in urban area is approximately 5.0. 2) Total population in urban areas is approximately 17,542,000 persons in 1977 (See Appendix I, Table 1.6) and will be approximately 21,240,000 persons in 1982, given the present urban growth rate of approximately 3.9 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 1977-1982 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.