

PN-AMM-400  
100-27502

2630042/02

URBAN POLICY OVERVIEW DOCUMENT:  
FINDINGS AND RECOMMENDATIONS

Personal Services Contract No. AID/NE-C-1632/Egypt

by

Dr. Peter W. Amato  
June 4 to August 1, 1979  
Cairo, Egypt

8-03

URBAN POLICY OVERVIEW DOCUMENT: FINDINGS AND RECOMMENDATIONS

Personal Services Contract No. AID/NE-C-1632/Egypt, Dr. Peter W. Amato (Consultant)

The above contract calls for services and a product. The services involve providing professional assistance to USAID Cairo in producing a joint USAID/GOE set of terms of reference for a major national urban policy study to be contracted to a U.S. Company. Under the services component of the contract the following has been accomplished:

1. The TOR for a National Urban Policy Study: Egypt, dated June 1979 received final revisions and was mutually agreed upon by USAID/GOE July, 1979.
2. A short-list of firms was selected and approved by USAID/GOE. (See attachments 1 & 2).
3. A Bidders' meeting was held in Egypt July 28-31 (See attachment 3).

The product required is an analytic overview of the urban policy process of the Government of Egypt which identifies and describes:

1. urban policy objectives and priorities;
2. conflicts and complementarities among these objectives and priorities;
3. legal and budgetary aspects of urban policy making in the Government of Egypt.

In the context of the basic objectives outlined above, the consultant has reviewed mission documents and studies relating to ongoing public and private sector investments in land, housing, services, utilities and commercial properties. The consultant has also examined revenue and tax policy issues associated with urban policy. In addition, the contractor has met with numerous AID personnel; members of the World Bank Team Mission to Egypt; the MIT Policy Staff, and the key GOE institutions and agencies.



Table of Contents

CONTRACT . . . . .	1
TABLE OF CONTENTS. . . . .	3
INTRODUCTION . . . . .	4
SECTION 1 - ADMINISTRATION AND LEGAL . . . . .	7
Ministerial Level . . . . .	7
Governorate Level . . . . .	9
Cairo and Alexandria . . . . .	14
Some Observations . . . . .	15
SECTION 2 - FINANCE AND BUDGET . . . . .	20
Governorate Level . . . . .	20
District Council. . . . .	23
Housing Finance . . . . .	27
Some Observations . . . . .	30
SECTION 3 - CASE STUDY ZAGAZIG . . . . .	35
Some Observations . . . . .	46
SECTION 4 - INFRASTRUCTURE AND INVESTMENT. . . . .	51
Water and Sewerage. . . . .	52
Housing . . . . .	55
Some Observations . . . . .	66
SECTION 5 - SYNTHESIS AND CONCLUSIONS. . . . .	71
A. Decentralization and the Budget Making Process. . . . .	71
B. Property Taxation . . . . .	73
C. Local Administration. . . . .	75
D. Standards . . . . .	79
E. Major Metropolitan Areas. . . . .	81
F. New Towns and the Canal Cities. . . . .	83
G. Urban Data Bank . . . . .	85
H. Professional Training . . . . .	86

## INTRODUCTION

The line of demarcation between what may be considered "urban" and what "rural" is often not clear and generally varies with the purpose or objectives under consideration. For some, the term urban is reserved for the largest cities in the country, i.e. Cairo, Alexandria, Port Said, and Suez, as well as for the provincial capitals of the other 22 Governorates. Others use the census definition to include all the markazs and towns in the country as urban. Nevertheless, even using the broader census definition, the line between urban and rural in terms of physical characteristics, is at times very blurred. In Egypt, very scattered rural area populations seldom exist as they do in many other LDCs. Populations, even in remote areas, are usually grouped in the form of villages or small hamlets "ezbas" and may range in population from under one hundred to several thousand.<sup>1</sup>

Above the scale of the village is the town or "medina", which may range in population from 50,000 to 60,000 or more inhabitants. It is at this scale that more "urban" features may be recognized.<sup>2</sup>

- 
1. Populations in these villages are generally associated with agricultural activities, although tradesmen, craftsmen, and other more "urban" occupations may also be found. Certain common shared facilities are also to be found such as roads (usually unpaved), a main water tap or several, a health clinic, a school and a mosque depending on the size of the village.
  2. At the town level there will generally be greater use of piped water, perhaps to individual houses, more paved roads, a small commercial center or "suk" and a larger number of inhabitants working in non-agricultural activities. There will also be a greater diversity of public and religious institutions at the town level.

Next in population size after the town level are the major urban areas, generally in the order of 60,000 to 150,000 populations or more. Besides the four largest urban complexes in the country, as previously mentioned, the provincial capitals of the country would also generally fall in the area of major urban centers.

The Government of Egypt's urban policy must therefore be cast in the ambiguous terminology of what is considered urban, at any particular time, for one or more specific objectives. In some instances, urban is considered those policies addressed to the largest urban areas in the country. In other instances, urban is considered all those policies and programs directed at places of 60,000 or more population. Clearly the linkages between village and towns are strong and self supportive, and an understanding of "urban" policy, regardless of the level at which it is directed, must necessarily consider the political, social and economic linkages at the levels immediately beneath it.

For the purposes of this report, the Government of Egypt's urban policy is considered as those sets of goals and procedures dealing with the maintenance, growth and development of the existing and or new planned population agglomerations in those administrative jurisdictions termed markaz and towns as opposed to village or ezba. Using this census definition, there are presently

approximately 200 urban places ranging in size from several hundred thousand<sup>3</sup> to approximately 60,000 or more population.

Section 1 of this report examines the role of administration, namely the linkages among various ministries, the governorates, and the local markaz, town, and village councils. Section 2 reviews local finance and the parts which the ministries and governorates play in this process.

Section 3, casts the material in the proceeding sections in the form of a case study of the provincial capital of Zagazig in the Governorate of Sharkia. This section is based upon field investigations and meetings with the governor of Sharkia, the mayor of Zagazig and many other local officials over several working days.

Major infrastructure and investments undertaken by the various ministries, the governorates and local government are reviewed and evaluated in Section 4. Special attention is given to the unique situation of Cairo and Alexandria, to the provincial cities, and to the new towns as may be appropriate. Each section ends with a set of observations and comments. Section 5 concludes with a synthesis and a set of recommendations dealing with objectives and priorities, conflicts and complementarities as to improved performance in urban policy decision making in the short run.

---

3. See Appendix A for a listing of the Governorates, Markaz and Towns in Egypt. Although the size of the largest urban agglomerations, Cairo and Alexandria, consists of several million population, each is broken down into administrative districts and areas of several hundred thousand.

SECTION 1

ADMINISTRATION AND LEGAL

Ministerial Level

Law No. 52 of 1975 and the most recently enacted new Law No. 43 of 1979, amends many previous laws dealing with local affairs and grants more authority to local government for decision making. Much of the local administrative rules as outlined below are based upon these laws and or modifications from earlier laws. At the time of this writing, Law No. 43 has not been translated into English. Its provisions grant more authority to the Governorates, and as such, should be considered a further step towards decentralization.

The Ministry of Local Government and the 26 governorates including those of Cairo, Alexandria and Assuit are the cornerstones for local governing and decision making. The Minister of Local Government is the only minister having jurisdiction over local affairs and all local budgets have to be presented to the Minister by August 31st of each year.

The Ministerial Committee for Local Administration consists of the President of the Council of Ministers and Ministers of Local Government; Finance; Planning, and Housing. The Committee is responsible for the following:

- 
4. Maurice Mould, "Egypt - Preparation of Urban Project, Local Government Institutions and Potential Problems of Identification of Project Entities unpublished memo to files, IBRD, Sept. 1, 1977, p. 8.

1. advancing local government development
2. reviewing proposed legislation and decrees
3. coordination between ministries and local government units
4. deciding on local government boundaries
5. reviewing proposals to levy local taxes and charges

Local charges can be amended by this committee on an appeal by a minister. This committee is also the focus of all the bargaining and tradeoffs for governorate budgets.

Service ministries (non-productive categories) tend to have more relations with local government, i.e. education, health, social services, transport and housing. The largest ministry connected with local government was the former Ministry of Housing and Reconstruction. This ministry has recently been divided into two, the Ministry of Housing and the Ministry of Development and New Communities. These ministries have technical capacity in planning, design and construction, but remain service ministries to local government. They only execute those projects referred to them by governorates and the Ministry of Local Government.

The General Organization for Physical Planning (GOPP) within the newly constituted MODANC had a nationwide mandate to develop physical planning but can only do so in collaboration with the local government body concerned. The

Ministry of Finance and Planning must each approve local government budgets and supplements. The Finance Ministry also has the additional role in providing key staff for supervising governorate accounting and budgetary control systems.

#### Governorate Level

The country is divided into twenty-six governorates each headed by a governor, a political appointee, who is a representative of the President. The governor is the local head of all the civilian government staff. The senior civil servant in a governorate generally holds the rank of undersecretary of state.

The Governorate has a local elected council called the Local Council or Local Elected Council. The duties of the Local Council are to supervise the implementation of plans relating to local development and execution. Article 13 of Law No. 52 expands upon the powers and duties of the local council authorizing it to approve and supervise the execution of economic and social development projects; approve annual draft budgets and draft final accounts and financial reports of the governorate; approve projects of urban planning; impose local taxation; approve construction schemes and of rules and systems of local utilities; and establish projects both within the governorate and jointly with other governorates as may be necessary.

The governorates are further divided into more than 150 districts "markazs"

usually consisting of one major urban agglomeration or "town" (and in some exceptional cases more than one town) and several (5 to 7) Village Council areas which in turn may have several smaller satellite villages "ezbas" attached to them. The typical district will have a population between 150,000 to 200,000 (villages would generally be under 50,000 population and the town or markaz would be usually 60,000 or more population). Each of these political jurisdictions, town and village, have their own councils both elected and appointed, and join together to form a markaz or district council within a governorate both elected and appointed. The only exception to this being the appointed council for the markaz, which serves as the appointed council for the town as well.

Basically, the duties of the town, village and markaz councils are similar to those of the Local Council but are subordinate to it. The Local Elected Council in turn, is subordinate to the governor and his Appointed Council in terms of administrative decision making. Moreover, Local Councils, may at times take over the work of town, district, or village councils if these councils are unable to adequately execute their tasks.

The number of Local Councils (excluding those of Sinai) are shown in Table 1 and the location of the Governorates and urban centers of Lower Egypt are shown in Figures 1 and 2.

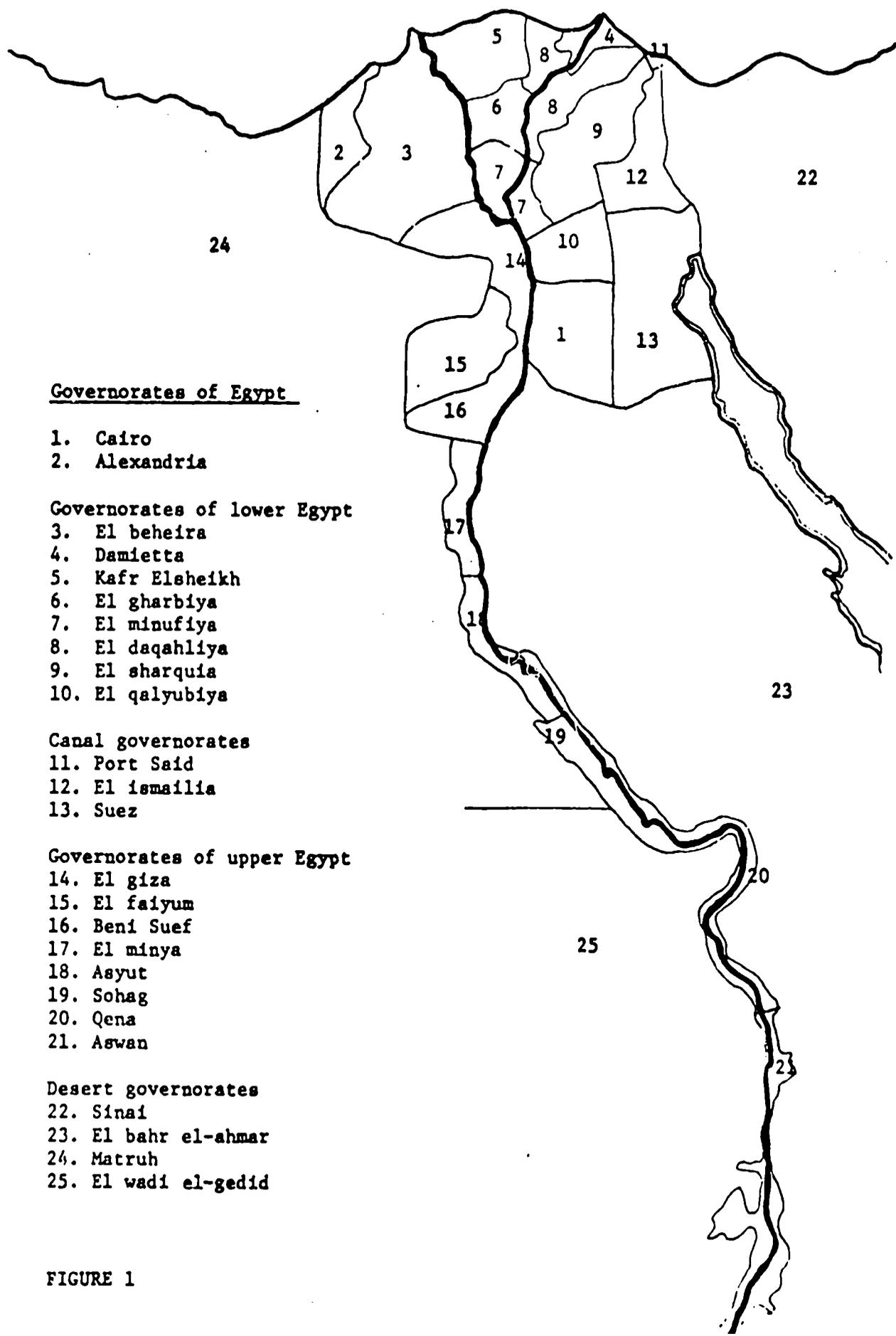
TABLE 1

Number of Local Councils (Elected)  
(September 1976)

---

	<u>Governorate Councils</u>	<u>District* Councils</u>	<u>Town Councils</u>	<u>Village Councils</u>	<u>Metropolitan District Councils</u>
<u>Rural</u>					
Ismailia	1	4	4	7	
Qalyubia	1	7	9	38	
Minufia	1	8	9	61	
Gharbia	1	8	8	52	
Kafr al-Shaykh	1	7	8	38	
Sharkia	1	10	12	65	
Dakahlia	1	9	10	65	
Dunyat	1	3	5	20	
al-Buheira	1	12	14	62	
Giza	1	5	7	38	
al-Faiyum	1	5	5	34	
Beni Suef	1	7	7	38	
al-Minya	1	9	9	57	
Asyut	1	10	10	47	
Sohag	1	11	11	50	
Qena	1	9	9	44	
Aswan	1	4	4	22	
New Valley	1	2	2	10	
Matruh	1	2	2	7	
Red Sea	1				
<u>Urban</u>					
Cairo	1				7
Alexandria	1				4
Port Said	1				
Suez	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	24	132	153	755	14

\* also known as Markaz Councils



Governorates of Egypt

- 1. Cairo
- 2. Alexandria

Governorates of lower Egypt

- 3. El beheira
- 4. Damietta
- 5. Kafr Elsheikh
- 6. El gharbiya
- 7. El minufiya
- 8. El daqahliya
- 9. El sharquia
- 10. El qalyubiya

Canal governorates

- 11. Port Said
- 12. El ismailia
- 13. Suez

Governorates of upper Egypt

- 14. El giza
- 15. El faiyum
- 16. Beni Suef
- 17. El minya
- 18. Asyut
- 19. Sohag
- 20. Qena
- 21. Aswan

Desert governorates

- 22. Sinai
- 23. El bahr el-ahmar
- 24. Matruh
- 25. El wadi el-gedid

FIGURE 1

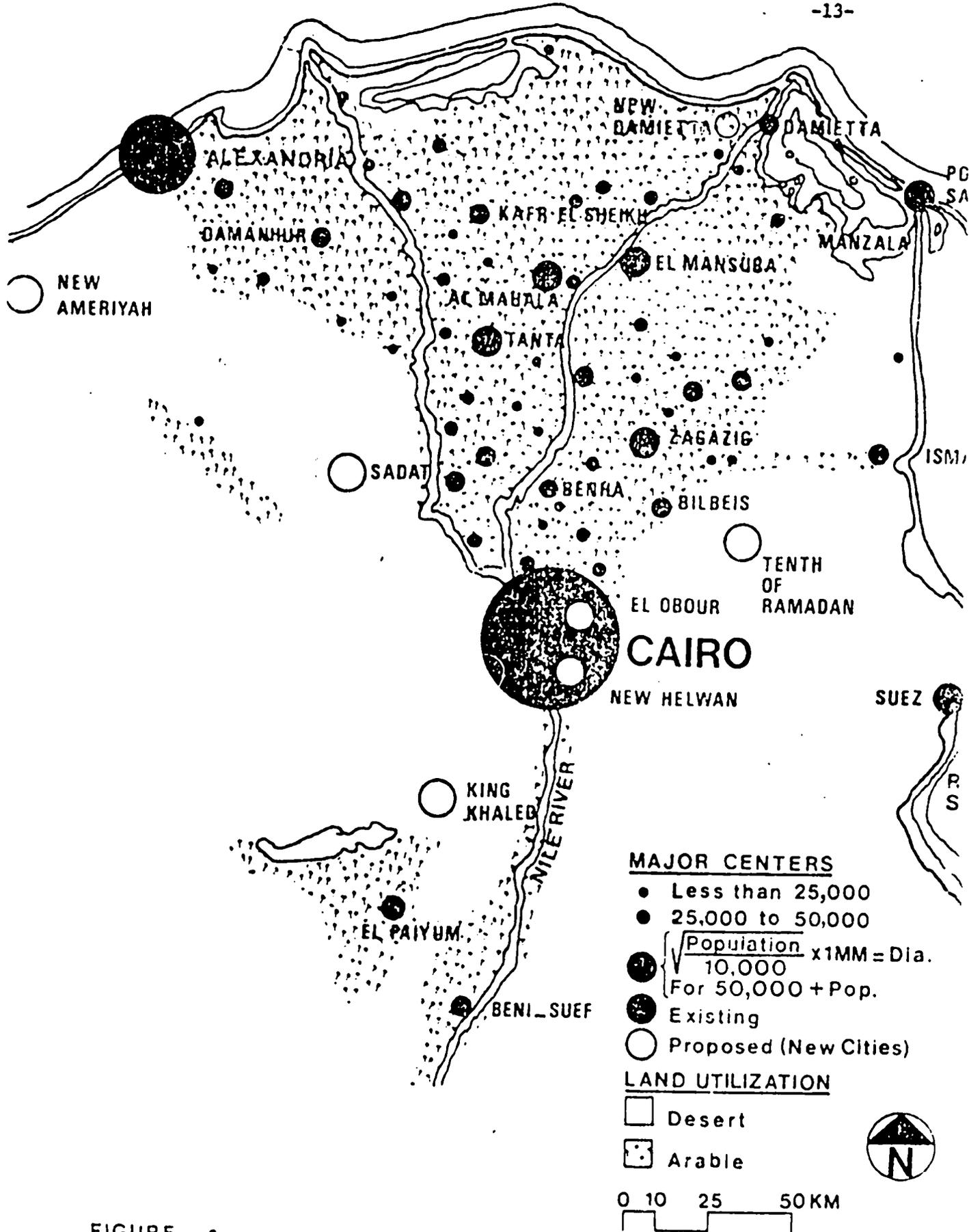


FIGURE 2:  
**URBAN CENTERS, LOWER EGYPT - 1976**

Special Cases - Cairo and Alexandria

In Cairo and Alexandria, institutional systems differ from that as outlined above. Greater Cairo has three governorates for planning purposes, Cairo, Giza, and Kalyoubia. The Cairo governorate is a metropolis governorate which covers 60% of greater Cairo. It has no town or village councils but has seven district councils (Northern, Eastern, Western, Southern, Central or Middle, Heliopolis, and Helwan). District councils are a derivation of neighborhood councils for towns. The governorates of Giza and Kalyoubia are of a standard form having town and village councils. The Alexandria governorate has four district councils which largely operate similar to that of Cairo.

In both the Cairo and Alexandria governorates, planning, design and execution of capital projects are not delegated to district councils but are undertaken by an appropriate governorate department having adequate capability. If local capacity is not available, which is usually the case in large projects, the governorate may ask the appropriate ministry to undertake all or part of the work as is done in the Cairo governorate (i.e. using the Ministry of Housing to develop large scale housing projects), or it may employ outside consultants as is done in the Alexandria governorate.

---

5. See Maurice Mould, *ibid*, pp. 10-12.

The Cairo and Alexandria governorates delegate to their district councils the operation and maintenance of the following functions:

- (i) housing
- (ii) roads and footways
- (iii) solid wastes collection and disposal
- (iv) education
- (v) parks, gardens and recreation facilities
- (vi) hospitals, clinics, health centers
- (vii) building inspections

In addition, Cairo and Alexandria governorates (Local Councils) retain certain functions which are more suited to central operations. These include:

- (i) planning and building permissions
- (ii) traffic police
- (iii) sea or river defenses
- (iv) central workshops
- (v) central procurement, particularly for education, in conjunction with the Ministry of Education.

#### Some Observations

The Government of Egypt has conscientiously attempted to decentralize a number of important functions to local control. Law 52 of 1975 and the more recent Law 43 of 1979 are attempts to divest political, administrative and technical control from the ministries through the governorates to the district "markaz"

or town councils. The introduction of services under the supervision of the district or town council has contributed to greater local autonomy. And like the village councils, town councils are vested with powers to raise and manage funds with the approval of higher authorities, i.e. the Local Council of the governorate. And in addition, town councils could make claims for funds from the governorate, thus decision making on infrastructure is, and can be made at levels of government nearer to home, i.e. in the provincial capitals rather than in Cairo. (More attention to the financial and budget making authorities of local and town councils is given in the next section and in Section 3 Case Study Zagazig.) If towns are to be given more assistance at the local level of government, strong provincial government and clear decision making at the provincial level are necessary.

One of the provisions of the Laws No. 52 and 43 allow municipal councils to raise funds and to keep locally realized profits. A number of legal measures empowers councils to raise funds and to receive gifts and grants from foreign donors. Moreover, a local fund for services and development , LFSD, was created to finance local services and economic projects. Previously, municipal councils enjoyed none of these prerogatives and had to continually struggle to obtain funds from the provincial government.

One area not covered is that of the rationale of local government boundaries particularly including that of the governorates. These boundaries were

originally chosen to provide for some form of unified nationwide political mosaic and with certain modifications they have held their original boundaries. There have been attempts at joining governorates to form regions for economic and regional planning purposes and in some cases to split governorates for purposes of the above. Since governorates are political jurisdictions, and under Laws 52 and 43, they are gaining increasing control over their destinies, more attention should be given to their potential in providing sound social and economic planning units.

The Organization of Reconstruction and Development of Egyptian Villages, ORDEV, was a major step taken to further promote decentralization.<sup>5a</sup> Under this approach, the Ministry of Local Government was divided into two sectors, the administrative and the developmental. Under the latter approach, ORDEV provides direct financial help to assist municipal councils develop income generating projects. ORDEV's administrative staff is formed at the national and provincial level and makes available to municipal councils capital funds with which to start productive activities or expand already existing ones. Some part of ORDEV's grants also goes to financing infrastructure projects which are usually referred to as social services.

District or Town councils have heads of service as department directors who are technically responsible to the governorate undersecretary, but administratively responsible to the head of the district. And parallel to this

---

5a. For further discussion of Egypt's decentralization efforts see, Harik, Iliya F. "Decentralization and Development in Rural Egypt: A Description and Assessment", unpublished paper, Prepared for USAID, Egypt, Oct. 1977.

organization is that of the Ministry of Finance which not only installs undersecretaries but two or three senior officers in the governorates as well. All of whom report to the minister but come under the governor's supervision. An important point which must be considered is that the governor is unable to control the financial actions of such officers in their work in governorates or districts or towns. The minister however, can send inspectors to examine major defaults.

These are important considerations for urban policy in terms of who sets the standards, and how well do they conform to an urban policy framework. Since the passage of Law 52/1975, local government has been in a period of transition. Understandably, the process of change from a strong central control which had been in effect since 1954 to a more local control over decision making will take time to complete.

The speed and thoroughness by which this devolution takes place will be very dependent upon not only the willingness of ministries to release functions to governorates, but as importantly upon the adequate staffing of governorates to perform the duties newly entrusted to them.

In order to expedite this process, the Ministry of Local Government has a monitoring system which seeks to keep watch over how well decentralization is taking place. At this point in time, local capabilities in governorates

are still very restricted except in some of the larger towns. Governorates must, therefore, continue to undertake a good deal of the operations and maintenance of local services.

Urban decision making at the local level is consequently uneven, and while a number of opportunities can be seized upon locally, many decisions have to be made at the governorate level. Consequently, it is at the governorate level that urban policy might most advantageously be developed. Such questions as to how much infrastructure should be developed, its timing and location all set the pattern for the urban form of towns. These might be most adequately served by further strengthening decision making and planning capabilities at the provincial level. More attention is given to this under Section 3, Case Study Zagazig.

## SECTION 2

### FINANCE AND BUDGET

Ministries, Departments, Governorates, and Councils use an accrual accounting system based on a British cash accounting system. This system is modified to control expenditures against the national budget in which all authorities are identified. The system is a responsibility accounting system and not a management accounting system. For example, if the sum spent on goods and services corresponds to the head of a budget item, no examination of the operating or spending efficiency would arise.<sup>6</sup>

The Ministry of Finance provides key staff throughout all ministries and governorates to ensure compliance with the national budget and accounting system. MODANC has separate accounting units for each of its departments and project units. Separate accounting units would, for example, be used to execute low cost housing projects in Cairo, Alexandria and Assiut by the Ministry of Housing.

#### Governorates

A Minister of Finance undersecretary is in charge of accounting and finance at the Governorate level. Since each governorate has its own system and each district or town have separate systems, it is necessary to examine the district

---

6. Maurice Mould, Ibid, p. 16.

accounts and governorate accounts to determine the financial viability of local services.

Each year the governorate prepares a budget covering all requirements for all authorities in its area (districts, markazs, towns). This budget is submitted annually in August to the Ministry of Local Government who in turn confers with the Ministries of Finance and Planning. All necessary amendments are made before submissions to the People's Assembly in October. Upon final Assembly approval, all budgets are returned to their respective governorates. The governor in each governorate then allocates the budget between all districts, markazs, and towns.

The budget is constructed in four principal categories called Babs.

- Bab 1. salaries and wages
- Bab 2. materials and services, including interest
- Bab 3. capital works
- Bab 4. capital transfers, i.e. loan installments

Governorates require subsidies to meet the greater percentage of their expenditures for Bab 1 and Bab 2 categories usually in the amounts of 80% or more (see table 2). Under Law 52/1975 articles 36; 37; 42; 43; 51; 54; 69; 70; and 71 specify financial resources of Local, district, town, and of village councils. However, the Law appears to be aimed mainly at administrative

decentralization. There is insufficient attention to financial decentralization since no serious attempt is made to match local resources with local expenditure needs. This is particularly true for Bab 3 where local expenditure needs often exceed central government subsidies by 85% or more (see Case Study Zagazig). Moreover, the Law gives scant attention to ways and means of improving revenue generation and collection at the local level.

7

The principal resources of the Governorate are:

- (i) property tax on properties revalued every 10 years on a rate of tax (10%) fixed by the People's Assembly;
- (ii) the governorate's share in the additional tax on exports and imports within governorate (1.5% of customs duty);
- (iii) 5% of tax on movable properties and business profits;
- (iv) 25% of the original tax laid on cultivated land of the governorate and 25% of the receipts of the additional tax imposed by the council on the land tax in the governorate.
- (v) vehicle taxes;
- (vi) One-half the sale price of buildings and lands destined for building purposes owned by the State and within the boundaries of the Towns.
- (vii) other taxes of local character, e.g. slaughterhouses, gambling, licenses for quarries, vessels;

(viii) government subsidies;

(ix) donations, contributions and legacies.

Article 16 of Law 52 empowers the council of the governorate to contract loans for the implementation of necessary productive or investment projects for the governorate or for the local units within its perimeter within a limit of 10% of the annual budget of the unit concerned provided that the total indebtedness does not exceed 20% of the total of such revenues. Otherwise, the approval of the Ministerial Committee for local administration is required.

#### Markaz (District) Level

The markaz level of revenue is clearly the most dependent in the local administrative system. The sources of funds at the markaz level are as follows:

1. Sources assigned by the local council of the governorate to the benefit of the district.
2. Proceeds of investment of the funds of the district and revenues of the utilities directed by it.
3. Government subvention.
4. Donations, contributions and legacies.
5. Loans contracted by the council.

Under article 43, markazs (districts) are allowed to establish a "special account" for development projects. However, the law is not clear as to the sources of monies for this "special account". The general sources of revenue are those assigned by the governorate council; revenue from all utilities under the direction of the district; government grants-in-aid and loans contracted by the district council.

Town Level

9

The general sources of revenue for town councils consist of:

1. Taxes on buildings located within the jurisdiction of the town.
2. Seventy-five percent of the land tax and add-on land tax collected within its area of jurisdiction.
3. Revenues from sources assigned from the governorate council to the town council.
4. Duties imposed by the town council to include: birth certificates; licenses for quarries, mines, fishing rights, business licenses; animal and slaughterhouse registrations; public market, water, electricity, and gas taxes, etc.
5. Thirty-seven and a half percent of the sale price on all public buildings sold within the town.
6. Government grants-in-aid.

---

9. Law 52/1975, Article 51.

Article 54 allows the town council, like the district council, to establish its "special account" for development projects in the town. Again, the law is not clear as to the source of monies for this "special account".

Table 2 presents the local government budget by urban and rural governments in terms of salaries (Bab 1) and current expenditures (Bab 2) for the year 1975. It should be noted that in most cases in the rural governorates, approximately 90% or more of the budget expenditures are covered by central government. However, capital works, Bab 3, a very large local expenditure item is not included in this table. Much of the difficulties of governorates in meeting their capital project needs for infrastructure, housing, etc. is discussed later in this section and in particular in the case study example in Section 3.

TABLE 2

1975 Local Government Budget (Bab 1 and Bab 2)  
(in Egyptian Pounds)

	<u>Total Expenditures</u>	<u>Grants-in-Aid</u>	<u>Percent of Total Expenditures Covered by Central Government Funds</u>
<u>Urban Governorates</u>			
Cairo	54,878,567	36,342,567	66.2%
Alexandria	21,742,083	10,603,083	48.7%
Port Said	4,678,850	4,090,350	87.4%
Ismailia	3,316,204	2,827,204	85.2%
Suez	2,993,496	2,354,496	78.6%
<u>Rural Governorates</u>			
Qalyubia	13,448,058	12,413,513	92.3%
Sharkia	19,217,010	17,233,906	90.1%
Dakhalia	25,159,825	17,488,018	69.5%
Dumyat	8,215,490	7,528,165	91.6%
Minufia	14,953,143	13,866,557	92.7%
Gharbia	18,315,869	16,232,762	88.6%
Kafr al-Shaykh	10,093,206	9,175,784	90.9%
al-buheira	15,006,708	12,840,546	85.5%
Giza	16,824,925	15,227,509	90.5%
al-Faiyum	8,563,771	7,734,850	90.3%
Beni Suef	9,130,801	8,282,677	90.7%
al-Minya	12,908,940	11,423,863	88.5%
Asyut	11,670,649	10,776,580	92.3%
Sohag	13,470,556	12,276,910	91.9%
Qena	13,521,314	12,694,269	93.8%
Aswan	9,263,993	8,679,293	93.6%
Matruh	2,492,202	2,022,702	81.1%
Wadi Gadid	2,901,836	2,504,836	86.3%
Red Sea	2,404,530	1,710,830	71.1%
Sinai	1,961,720	1,751,720	89.3%
<b>Total</b>	<b>312,133,746</b>	<b>258,179,500</b>	<b>82.7%</b>

Housing Finance

Rent control in both the private and public sectors of the Egyptian economy has been in force since 1944. And a gap between housing supply and demand has consistently widened each year to 100,000 housing units deficit per year. There have been numerous reports and recommendations concerning developing new sources of housing credit and expanding existing ones. Some have suggested major changes in the country's overall institutions, mortgages and savings instruments, as well as in the legal and regulatory environment in which housing finance is provided.

The earlier GOES/AID report recommended revitalizing the old land and housing bank Credit Foncier as the principal source of financing. The report maintained that it would be unlikely that the Bank would reach below the 50th percentile of income groups for many years. The lending policy of the Credit Foncier has traditionally been to middle and upper income groups and its lending limited to under LE 10 million through seven branches.

The Pratt recommendations suggest that the existing housing finance system relies too heavily on Central Bank financing for credit needs. Since at

---

10. See "Housing Finance in Egypt" a Report of the Joint Housing Team for Finance, MHR/USAID, August 1977.

11. "Summary and Recommendations," Richard Pratt, June 1979, (mimeo).

the present time, the major portion of new housing finance is provided by the Central Bank, increases are made in the nation's money supply which correspondingly adds to inflationary pressures. Moreover, the Central Bank as a direct arm of the Egyptian Government is subject to continuous political and economic pressures. Housing finance is therefore put into the vicissitudes of a variable and uncertain environment.

The bulk of private sector housing in the country is funded by commercial banks and insurance companies who lend through builders or other agents. It is difficult to obtain data on annual lending and repayment schedules of private sector housing financing activities in its scope, history and development, i.e. no data exists for outside consumption on one of the larger lending entities - the General Authority of Building and Housing Cooperative (GABHC) within Credit Foncier.

Officially, annual housing production in the country is set at a paltry 70-80,000 units per year. This does not include the informal sector which may account for more than double this amount. Clearly, no figures are available on the informal sector who may pay between 12% to 30% or more per annum interest on unauthorized structures built on illegally occupied land since these structures do not have access to the subsidized markets of GABHC of Credit Foncier.

It should be noted however, that although these settlements may be termed "informal" or "illegal", they are quickly absorbed and become part of the urban fabric. Consequently, the extent and scope of the informal sector has important implications on the pattern of urbanization and hence on a national urbanization strategy. More attention must be given to this sector.

12

Understandably, the dearth of housing monies will plague the overall housing market until more secure funding sources are tapped. Personal savings accounts are not actively sought by housing finance institutions. Here is a market of great potential, but one which will only be successful if interest rates are competitive with those offered by, for example, the commercial banking sector 8%-8 1/2%. The on-lending of these funds will need to move closer to realistic market levels of 10-11% interest. At these rates, housing finance would be put on a firmer and much broader footing with longer term loans of 20 or more years. It is not unreasonable to expect that as more ready access to housing finance becomes more widely available, the increasing amount of development by the informal sector may be moderated.

- 
12. The MIT Housing Group (Lisa Piattie) has expressed interest in studying the informal housing sector in and around Cairo, the means under which it operates and its scope and impact. Aerial photos would be used for some of the reconnaissance work. This consultant has encouraged the proposed effort. In particular, suggestions were made to enlarge the effort to eventually include other major areas in the country and to frame some of the results in terms of the impact of the informal building sector on the national urbanization process.

Some Observations

The present finance and accounting system does not seek to develop nor test operating or spending efficiencies in budget items. This is unfortunate since greater efficiencies in spending could be developed if budgets were to be examined along a management accounting system. Such a system would take into consideration the efficiency of spending and build in sufficient checks to avoid unnecessary slippage.

Local government is dependent on the central government fiscal policy and assistance for development, operations and maintenance. The competing demands at the ministerial level often prevent local government from obtaining adequate funds for its needs. Consequently, in the competition for funds, new towns are built at the expense of existing municipalities.

Central government subsidies of governorate district, and town council budgets are inadequate, particularly for Bab 3 budgets. The discrepancies between "needs" and what is centrally provided is clearly illustrated in the following section. Moreover, no data is available on the total cost to the governorates and to the economy of the very large annual subsidies which are provided. The question is a complex one. Can the subsidies be made less? Can they be made on a pay as you go basis?

Housing finance as in most LDC's has neither the appropriate nor adequate set

of institutions to work with. There are not sufficient monies in the housing field to create a truly housing mortgage system which would be independent of heavy government subsidies. Personal savings could be tapped as a viable source of mortgage monies if realistic interest rates are paid for savings deposits in the range of 8% to 8 1/2%.

Housing policies in LDC's are generally based on normative estimate requirements - current and future deficits with respect to housing needs. And needs are correspondingly related to some designated standard, i.e. availability of water, sewerage, types of construction, etc. Often, these standards do take into consideration either the availability of the resources, or the economic capability of the families. Consequently, unrealistic goals are developed with unrealistic levels of government subsidies. With the result that little housing is actually built. And what is built, is often out of the reach of approximately 60% to 80% of the population.

The costs of providing urban infrastructure is of crucial importance in the development process. It sets the cost not only of housing, but of economic development and industrialization. Consequently, the entire urbanization process is limited by the cost of urban infrastructure and the ability of local government to pay for such needs. It is safe to say that most of Egypt's urban areas suffer from their inability to maintain adequate water supply, sewerage, drainage, transport and power facilities, as well as to

provide for the great growth in new needs resulting in successive deterioration of municipal services and makeshift urban patterns. Much of this problem revolves around urban finance and the inability of local governments to support the type of infrastructure and development programs which they need.

Real property is revalued every ten years on a fixed rate. Revaluation should be made at least every 5 years and some type of escalator clause that would keep up with the rate of inflation should be built into the system. Land taxation has tremendous potential for greatly increasing local revenues and can also be used as an important urban policy instrument. Special Committees have studied issues related to urban land policy in many LDCs. Experience has shown that land taxes must be integrated with other land policy instruments to provide a unified urban policy approach, i.e. with public acquisition and compensation, development and disposal, taxing unearned land value increases, and such regulatory devices as zoning and subdivision.

Another major problem at the governorate level, and hence one that hampers its ability to urbanize in a planned manner, is that of extremely limited access to capital or loan funds. There is an inability for a governorate to insure financing against the issuance of its own bonds. City governments (markazs) have been granted even weaker borrowing powers.

Clearly, new and improved property assessing will have little overall impact

if the level of tax collection remains poor and inadequate. There must also be a commitment to improved assessment and collection administration of tax at the local level.

In the large cities of Egypt, in the major metropolises of Cairo and Alexandria, and in the provincial capitals, population growth and demand will push up urban land values at rates much faster than investment in infrastructure. Nevertheless, such rapid growth continuously requires heavy investments in urban infrastructure facilities. And with no capital markets for governorates or markazs' to borrow from, they are often left to their own devices and to what they can possibly secure from the central government. Urban deterioration and decay fast sets in cutting across urban services and facilities, sanitation, water, transport, housing and the like. Creative policies and strategies are needed at resource mobilization for financing urban development and maintenance.

Any national urbanization strategy will have little meaning unless positive and direct first steps are made toward urban financing. One of the most effective methods, and that which is recommended, is the property tax. A complete review and overhauling of the present system is needed which would be more responsive to the realities and needs of rapidly growing urban areas. Unless this is done, the urban situation in Egypt will become increasingly

more serious and politically volatile. Consequently, a major short and long run urbanization objective should be to provide sustainable local funding sources for local needs.

### SECTION 3

#### CASE STUDY ZAGAZIG

As pointed out in Section 1, the running of a Governorate consists of an elaborate system of interconnecting levels of authority from the ezba to the village, markaz and eventually up to the Governorate itself. Each of these entities performs a unique function in the chain of command and have a direct impact on the settlement pattern and the quality of life of its residents.

In order to gain a more complete understanding of this process, the consultant spent several days in Zagazig, the Provincial Capital of the Governorate of Sharquia as a guest of its mayor, Salem Moh'd Sakr. He also met with the Governor of Sharquia H.E. Abdel Karim and several officials and non-officials in many different walks of life. This experience gave the consultant an opportunity to observe first-hand the opportunities and constraints of development at the local level and the extent to which decentralization is being carried out.

The consultant spent time with the Governor of Sharquia as an observer of the variety of problems which he faces. The Governor must execute the demands of his office among many varied groups from the villager, with a water or fertilizer problem, to members of Parliament wishing to get the governor's support and advice on various legislative bills. In the outer

office of the governor sit those patiently awaiting their turn to take up one of the large chairs before his desk. Here justice is handed out often mellowed by considerable charity. What was observed as a typical working day for the governor of Sharquia can be considered representative in most of the governorates in the country. Such are the needs of running local government in Egypt. Surely, much of what was observed is based upon very strong traditional roots. Yet, one cannot help but appreciate its continued need in a modern sense. Government appears not that remote and removed from the people. Any one can visit with the chief executive officer provided that person has a legitimate complaint or reason. Thus, the link between village and city, rural and urban is a strong one. The villager comes to the city, in this case Zagazig, to place a complaint, request a need, etc. with the Governor who in turn may call back to officials in the village or markaz to see that instructions are carried out - that water is provided, telephone lines are repaired, etc. Here we have almost a mystical link and interdependence between city and village, between a chief executive and his people.

In this symbiosis of city and village, a clearer picture of rural needs if not dependency upon city is felt. Yet, within this, are the seeds of the patterns and processes of urbanization. More attention must necessarily be given to the role of the chief executive and to the elected council at the governorate level in setting the tone and direction of urbanization in the

province. The significance and importance of this will be discussed later in this section under financing and budgets.

The consultant also spent considerable time with the mayor of Zagazig and his staff in an attempt to better understand the workings of a large provincial city. The mayor allowed the consultant to travel with him during his rounds of meetings and visits both in the city of Zagazig and in the markaz.

During these trips, observations were made on the dual roles which the mayor plays as both chief of the Executive Council of the markaz and head of the city.

Several sources of additional city revenue are being generated. Visits were made to a city owned and operated large furniture plant, and to a cement and paving block factory which incidentally, the mayor was happy to point out saves the city almost 50% on paving block costs. A visit was also made to a village honey raising industry within the Zagazig markaz. Revenues from these industries are allowed to remain in the city or village and can be used for whatever purposes the city or village decides--usually however, they help to defray some of the costs of infrastructure development or for the construction of a particularly needy project which could not be funded otherwise.

In addition, visits were held with key local officials dealing with city financing and budget making, planning infrastructure and housing. What follows is a compilation of some facts and observations and some questions

and concerns on the processes of urbanization from the view of the governorate and provincial city.

The Sharkia Governorate consists of ten markaz cities plus three medinas for a total population of 2,661,208. Zagazig, the provincial capital is the largest medina with 242,637 population and sits in the largest markaz with 576,819 population. See Table 3 below.

TABLE 3

Sharquia Governorate, Population of Markaz and Towns  
(1976 Census of Population)

<u>Markaz Towns</u>	<u>Medina</u>	<u>Medina + Markaz</u>
Zagazig	242,637	576,819
Abu Hammad	17,606	198,017
Abu Kebir	54,855	191,535
El Huseimaya	14,404	199,836
Bilbeis	69,290	351,993
Diarb Nigm	21,560	184,117
Faqus	39,082	290,717
Kafir Sagr	30,736	207,600
Minya el-Qamh	33,579	300,417
Bihya	22,797	<u>160,157</u>
Total Population		2,661,208

The Governorate of Sharquia follows along administrative lines very similar to the model presented in Section 1 of this report having a local elected council, termed the "local council" and an executive head or governor appointed by the President who presides over an "appointed council". And

below the governor there exists ten markazs (as shown in Table 3 above), each having an elected council for the markaz and one for the city or medina in which it is situated. However, only one appointed council or executive council sits for both the markaz and for the medina whose chief executing officer is the Mayor appointed by the Prime Minister. Below the markaz are the villages each with their own elected and appointed councils.

One of the most crucial aspects of local administration is that of the budget process - its making, its review and its final approval. The process does not appear to start at any particular level of government, but appears to be a more or less a continuous process begun at all levels from the village to the governorate at or around the same time each year usually in April or May for final submission to the Minister of Local Government by August 31st of each year.

For the sake of simplicity, let us follow through the cycle for the Markaz of Zagazig beginning at the village level. At this level, the Executive Councils of all the villages in the Markaz make up a list of the needs in their respective villages. Basically, these consist of capital projects such as new road paving, irrigation needs, water, sanitation, housing, and all other activities not specifically earmarked to special appropriations from a central ministry or agency. In other words, all needed projects and activities at the village level are placed in this budget which must come

first to the markaz and eventually to the Governorate for central government funding.

Often, projects which were not funded in the past or previous years, but which are still considered important may be reapplied for. There does not appear to be any specific budget limitations set at this level. The process resembles setting what might be termed a "druthers budget" rather than one set within the confines of realistic budget capabilities. This "druthers budget" is sent to the village elected council for changes which are often slight, if any, and then back to the appointed or executive council for their approval.

After going through this round of development and approval at the village level, it is sent to the markaz level - first to the appointed or Executive Council which approves or amends the budget which is then referred to the markaz's Elected Council and finally to the governorate where attempts are made to coordinate all markaz and village budgets into a unified governorate budget. If approved at the governorate level, the budget is sent to the Ministry of Local Government and then on to the Ministry of Planning and Finance at which level all final budget decisions are made.

At the medina level or i.e. in the case of Zagazig, the appointed or Executive Council makes out a budget based upon its needs across a number of different sectors and activities. This budget is also a "druthers budget"

since it appears to bear little relationship to what the city eventually receives. Once made out, the budget goes to the Elected City Council, if approved, it goes back to the Executive Council and then it takes the same rounds through the Markaz and eventually to the Governor and then to the Ministry of Local Government and finally to the Ministries of Planning and Finance. Table 4 below is the most recent budget for the City of Zagazig, the 1980 draft budget.

TABLE 4

1980 Draft Budget - City of Zagazig  
in Governorate of Sharquia\* (Bab 3)

1. Sewerage sector	2,685,000
2. Potable water sector	2,345,000
3. Planning and organization sector	1,276,867
4. Environment improvement sector	544,500
5. Education sector	1,045,000
6. Road paving sector	300,000
7. Transportation sector	830,000
8. Health sector	450,000
9. Supply sector	2,500,000
10. Housing sector	1,500,000
11. Social Affairs sector	100,000
12. Youth and sports	130,000
13. Electricity	124,000
14. Wakfs sector	<u>610,000</u>
Total	L.E. 14,840,367 **

\*Source; City of Zagazig Budget Submission for the year 1980.  
as translated from Arabic.

\*\*Egyptian Pounds (L.E.) L.E. equals approximately \$1.45.

On the face of the draft budget sheet, the following statement as translated from arabic appears:

"The Committee hopes to get a positive response on these important needs because the city has suffered greatly during previous years without re-nuwing or supporting its utilities which completely depleted and depreciated to the extent that made the city of Zagazig a backward city much underdeveloped compared with its counterparts such as Mansoura, Tanta and the like."

It appears that budgets set at the medina level are seldom cut back by higher levels either at the markaz or governorate. The Mayor of Zagazig was very adamant on this point expressing to the consultant "...that no one knew better of the needs of the city than those working at that level. Therefore, it would be presumptuous for a markaz or for a governor to tell the city what was needed". Nevertheless, the system appears archaic since budgets are almost never met or even eventually approximated. And it is left up to the distant ministries sitting in Cairo - Planning and Finance to cut, i.e. Zagazig's budget by approximately 90% each year.

Indeed, the paragraph under Table 4 above aptly states the desperate need of the city. Yet, it almost also willingly accepts its fate, assuming that 1980 will probably be little different from that of 1979 or '78 or for that matter for as many years in the past as the city remembers or may wish to remember. Curiously, this overestimation of what is possible budget wise at the city level, does not necessarily follow through for all sectors at the governorate level. One could argue that the governorate's budget should be a reflection of the budget's of all the markazs. And the markaz in turn should reflect the needs of all its medinas and villages and that in sum total everything should add up. The process does not appear to be either that simple or that straight forward.

TABLE 5  
1980 Draft Budget  
Housing Directorate - Sharkia Governorate

Economy Housing Sector					(Value in L.E. 000)	
<u>New Projects</u>					<u>No. of</u>	
					<u>Units</u>	<u>Value</u>
16	apartment	buildings,	Model No. 7	at Zagazig	320	960
8	"	"	"	at Bilbeis	160	480
11	"	"	"	at Minya El-Qamh	220	660
12	"	"	"	at Faqus	240	720
10	"	"	"	at Abu Hammad	200	600
6	"	"	"	at El Huseimaya	96	288
4	"	"	"	at Kafr Sagr	80	240
3	"	"	"	at Diarb Nigm	60	180
5	"	"	"	at Abu Kebir	100	300
4	"	"	"	at Hihya	80	240
3	"	"	"	at Mashtoul El Souk	36	108
2	"	"	"	at El-Ibrahimieh	24	72
Completion of 12 apartment buildings at the Governorates Cities					220	300
Total					1836	5148

For example, a check of the Governorate Housing Sector Draft Budget, see Table 5 above, indicates that the Governorate is calling for only L.E. 960,000 for housing in the entire Markaz of Zagazig, whereas the city of Zagazig alone, see Table 4, is asking for approximately 50% more than this figure. How do these reconcile? They do not. When queried on this point, the Director of Housing in the Governorate was quite blunt, "the Director gets or at least hopes to get what he asks for." The Director told the consultant that his figures were more realistic and obtainable and his batting average over the past few years fairly good.

A close inspection of the 1980 Draft Budget for Sharkia reveals an extremely meager construction schedule of only 320 units for Zagazig, a city of over 242,000 population, in a Markaz of more than 576,000 persons. This would amount to only L.E. 3.96 per capita housing expense for the city and L.E. 1.66 per capita for the Zagazig Markaz, below the L.E. 1.95 per capita for the Governorate of Sharquia as a whole. (See Table 9, Section 4.)

It is at this point where the appreciation of local entrepreneurial talent comes to play. Clearly, local budgets are very meagerly financed by central government. As in the case of Zagazig, local governments have generally received across the board about 10% of what they asked for over the past several years. Consequently, any outside sources of funds are most needed, if not in fact critical to the mere survival of an urban order.

Such undertakings at the furniture plant, the cement block factory and the honey raising efforts in Zagazig bring some income to the city. However, large parts of the income are being reinvested at this time in plant and equipment. The Mayor was proud to point out the new machinery bought for the furniture plant and the amount of workers being hired and general positive tone of the development. These were clearly in evidence.

Yet, just how far such expansion can take place remains to be seen. And how much will eventually get back to support city funding needs remains to

be determined. At this point in time, these efforts appear to be very palliative. They are most useful in cutting down unemployment and perhaps reducing the cost to the city of certain building materials, as in the case of the cement block plant in Zagazig. They will fall far short of meeting the cost of needed city improvements and development - the other 90% of the city's budget.

The question may also be asked, how realistic is a budget made up at the local level? Is, for example, Zagazig's budget supportable? This, of course, is difficult to assess without a careful analysis of each requested budget item. Such an analysis would take considerable field time. Yet, various general observations can be made. For a city of 242,637 population, a total budget of L.E. 14,840,367 or L.E. 61.62 per capita does not appear unreasonable and for such items as health, housing, education, roads, etc. it appears in fact very modest.

The case of Zagazig must be viewed in terms of the larger picture. If all village, medina, markaz and for that matter governorate budgets in the country are supportable in terms of need, where and how can sufficient finances be raised? What trade offs are needed? It is beyond the scope of this paper to argue the case of the setting of national sectoral planning priorities and budgeting. Nevertheless, such questions are of fundamental concern to a national urbanization strategy. Just what can Egypt support, or should support,

in the way of new development? for the maintenance improvement and enlargement of its existing urban plant? Some attempt is made in the final section of this report to prioritize needs and in particular to set out short term goals.

#### Some Observations

Zagazig has a Master Plan prepared in 1973 which attempts to lay out the future growth and development of the city to the year 2000. It is a sizeable document complete with maps showing existing conditions, densities of population, types and conditions of housing, land uses, transportation networks, etc. And, as all planning documents true to their genre, it attempts to project a future land use, density and circulation pattern on the city. It is a document which the governor is very proud of, one which he keeps close to him and one which he likes to refer to in terms of the future development of the principal city in his governorate - Zagazig. Yet, it is another "druthers" document. One which may have considerable validity, although the consultant did not have the time to examine it in any great detail against actual field conditions. It does call for considerable infilling, for higher densities in the center of Zagazig, the restoration and rebuilding of much of the private stock of housing in the city and a circulation pattern which attempts to bring a little more order to the traffic pattern by providing a series of circular arterials. The major question is how to finance it?

Discussions with the city planner, engineer, sewer and sanitation engineer, budget and financial accounts officer and several others, as well as with the Mayor, were indeed pessimistic about the eventual realization of Zagazig's Master Plan. The Mayor expressed grave doubts that Zagazig could develop into the kind of city he would like - with more infilling of low-rise downtown properties and less loss of valuable surrounding agricultural land.

The Mayor took the consultant on a city tour, pointing out what he believed was possible in the way of urban-in-filling by removing a number of low-rise private buildings in states of great disrepair. Such areas, the Mayor suggested, could be profitably rebuilt at much higher densities. The Mayor also pointed out areas around the city where good agricultural land which were being urbanized and which would continue to be urbanized despite prohibitions to the contrary. The forces of urbanization are evidently so great, the need of housing so urgent, that land, any "available" land for the right price is consumed.

There is little question that the process of urbanization as is being experienced in Zagazig, if continued to be left unchecked, will eat up a considerable amounts of additional surrounding valuable agricultural land. This is true moreover, not only for the city of Zagazig, but for many of the villages within the markaz as well. An inspection of several villages indicated that any further lateral village expansion would spill into surrounding agricultural

land. Consequently, the city and its villages face the prospect that further lateral expansion will eat up prize agricultural land and take away foodstuffs, and livelihood for both city and village.

Can a balance be struck between what villages can produce, the necessary land to produce it on, and further population growth? This might work in a closed system, but the markaz is not a closed system. Migrations come to it from outlying areas, as well as through natural increase and the markaz imports and exports to the outside as well.

A national urbanization strategy should have its roots at the Governorate level and in particular at the markaz level. Perhaps the most important place to begin would be at the provincial capital level such as in Zagazig. Careful studies should be made on the absorption possibilities of the city through judicious infilling. What are the opportunity costs? A collection of data on the most important 15-20 provincial capitals in the country should be made. This may well extend to other markaz towns, particularly those that form a natural urbanization pattern or are in the line of major urbanizing areas.

It would not be surprising to find that within Egypt's existing urban centers even excluding for the moment the major metropolises of Cairo - Alexandria - that there is room, indeed opportunity, to house the future urban needs of

the country to the year 2000 and perhaps beyond. This, of course, is only supposition at this time. Careful analysis should be given to it under the TOR of the National Urban Policy Study (see p. 1 of this report).

If the Governorate of Sharquia's budget making process is typical of that of the other governorates, then many improvements are needed. In 1979, Zagazig asked for L.E. 9,644,000 and received L.E. 1,057,000 or about 10.9%.<sup>13</sup> This year it hopes to do as well at least percentage wise.

Despite all of the problems, the professional staff of Zagazig appeared firmly committed to city improvement - if not frustrated by its difficulty. Many hoped to get further training in their area of specialty in the States. The area of technical transfer and fellowship assistance at the Provincial Capital level appears to be one of great potential. If AID is concerned with the building of a cadre of professionals able to deal with the many frustrations of public service life, it should seriously consider some investment in training at this level.

In addition, the Mayor of Zagazig is a public entrepreneur. He apparently has a flair for putting together viable "city" projects. Although as mentioned

---

13. The consultant asked city officials how Zagazig could reapportion an 89% budget cut. It was replied that "...the city never expected to get more than 10-11% in the first place so that it already had its contingency plans."

earlier, such projects will not save the city and return to it 89% of its submitted budget, it does help, and over time can add significantly to jobs and to the overall tone of city development. This entrepreneurial type talent is needed in many other parts of the country and may best be disseminated if more contacts were afforded between key members of governorates, provincial capital cities and markazs.

AID may wish to consider sponsoring a series of technological transfers by which working conferences of all Governors, Secretary Generals of Governorates, Chiefs of markazs and Chiefs of Elected Councils of Governorates, markaz and towns were represented. Such events should include working agendas of interest to all members particularly structured around peer exchange of ideas, problems, opportunities, etc., and should be held at least twice a year.

Consequently, three major recommendations follow from the above:

1. Master plan support for the major markaz and provincial capitals in country;
2. resulting project support; and
3. technological transfer.

More attention are given to these in the Section 5 of this report.

#### SECTION 4

##### INFRASTRUCTURE AND INVESTMENT

As pointed out in Section 3, the Governorates in Egypt are largely dependent creatures for necessary operating budgets and infrastructure funding in their respective areas. They depend upon the coffers of the central government to supply them with at least 80% of their operating budgets but are generally much less successful for infrastructure funding. What cannot be obtained from central government must be supplied locally if funds are available. Many difficulties arise from the great local dependency for central government funding. Not only is the source of funding generally very removed from the locale of the generation and identification of need, but the supply of funds is often very inadequate.

The painstaking means of budget preparation, review, and agreement, from village to town, markaz to governorate, is often swept away at the final ministerial review by Planning and Finance. The consultant tried to get an idea of how budget cuts, often amounting to 90%, are made at the Ministerial level. And although no precise formula emerges, it does appear that certain sectors such as transport, water and irrigation are given higher marks than education, housing and other social services. Irregardless, the fact remains that after drastic central budget cuts, much reevaluation and reorientation of priorities have to be made locally. This is particularly difficult on the urban poor. One of the greatest potentials for urban poverty alleviations are

through public budget expenditures in urban infrastructure, housing, transportation, education and health. Given the scope of work assignment, as well as limited time constraints, the consultant only examined public budget expenditures in urban infrastructure and housing. Nevertheless, it should be kept in mind that public expenditures in transportation, education and health are important ingredients in the alleviation of urban poverty and in any national urbanization strategy.

#### Water and Sewerage

The General Organization of Potable Water (GOPW) plans and constructs facilities throughout the country except in Cairo and Alexandria. The Greater Cairo Water Authority (GCWA) and the Alexandria Water Authority (AWA) handles their functions in their respective municipalities. The GCWA operates in the three Greater Cairo governorates' urban areas. Similarly, the AWA operates in Alexandria's urban areas either with the governorate or through their respective town councils. The GOPW operates and maintains rural systems. For Greater Cairo and Alexandria, GCWA and AWA are intended to operate as self-financing public utilities who fix their town tariffs and charges.

14

Planning for a city's water and waste water systems is one of the most basic aspects of urban development and urban maintenance. Decisions regarding water

---

14. A more complete review of the water supply and sewerage sector is contained in WHO/IBRD cooperative program - Draft Document, June 1977.

distribution and the quality of its maintenance affect the entire urbanization process. Urban housing locations and densities as well as industrial locations, are entirely dependent upon water distribution patterns.

In terms of costing out such facilities, the principal that for a given standard of service, the least cost method of production (including capital and operating costs over the life of the investment) is generally chosen.<sup>15</sup> Nevertheless, it should be the cost to a society as a whole rather than the financial cost to the water or sanitation authority, which becomes the determinant. Consequently, alternatives based on "shadow prices" of productive factors frequently suggests labor-intensive rather than capital intensive solutions. Understandably, more intensive development, i.e. rebuilding the urban core of existing cities at higher densities, would provide cost minimizations for water supply. This should necessarily be compared to alternative urbanization patterns - particularly low-rise lateral developments as well as new communities in which higher water supply costs would most certainly be found.

Cost trade-offs for various levels of sanitation service are more complex than water systems. In the former, we are faced with different discrete systems rather than continuous ranges of flows, pressures and distances. In the latter

---

15. A major portion of the following discussion on water/sewerage pricing is based upon a World Bank Paper (mimeo, unpublished) by De Anne Julius and Jeremy J. Warford entitled "Water Supply and Sewage Service Standards in LDC's," Energy, Water and Telecommunications Department, March 25, 1977.

case, one can change one variable and hold others constant. Such is not necessarily the case in the former. Nevertheless, since per capita sewerage costs are often even higher than those of water, and as importantly, since the provision of water entails the creation of waste water, both must be taken into consideration in the development of alternative urbanization strategies. The question of standards constantly surfaces particularly as the issue of cost recovery is raised. A financial dilemma is encountered in those instances in which a public utility takes steps to allow the poorer segments of a society access to water and/or sewerage. Often the means of such population are too low to allow for cost recovery of service extension and/or maintenance through user charges. The difficult questions of efficiency and equity are raised. To what extent do the urban poor have a right to basic utilities? At what costs? There must be safeguards against subsidies which will result in great public revenue losses, as well as against those public expenditure programs aimed at the urban poor whose benefits do not actually accrue to the poor.

The responsibility for power is split between the Ministry of Electricity in the center and the various governorates. Power is purchased from the General Electric Authority (GEA) or from the Electric Authority of Egypt (EAE) in the case of Greater Cairo and Alexandria which are both national organizations under the Ministry of Electricity. These authorities are responsible for primary distribution including street networks and the

respective Governorates make all building installations including metering. Governorates fix their own charges and sell the power to all local consumers. The rate of charges can only be challenged if thought not to be in the national interest by the Electricity Minister. Thus, the availability and timing of new electrical power facilities is complex. It depends on both central national authorities as well as local capacities. No urbanization strategy can be divorced from a clear understanding of the potentials and constraints of power availability in the country. Again, as pointed out under water and sewerage above, those strategies seeking to build at higher densities and at infilling in existing urban places would be cost minimum in terms of the supply of electrical power since most urban areas are already served by power.

#### Housing

In the field of housing, much is written and continues to be written on approaches at best serving low-income housing needs in LDCs. The consultant has had considerable experience in the housing field in LDCs over the past 20 year period on three continents and finds that irregardless of area or country, the problems are generally very similar. Housing needs in terms of physical units, far outrun housing supply at the middle and lower income ranges for a given population. Financial resources of household and/or government are not sufficient to meet the needs. Moreover, government response is often poorly directed. Attempts are generally made to first

meet the needs of civil servants. What efforts are exerted for "low" income households often result in the provision of housing but at standards which necessitate large government subsidies.

Added to this is the lack of necessary financial and credit institutions to sustain a viable "private" housing market to meet the needs of the poor. The result: substandard housing; unhealthy overcrowded living conditions in urban areas; an informal sector which builds on land it does not own, and hence the development of "squatter" communities. In Egypt the situation is made even more complex since the country's urban areas have been under rent control for many years. In large metropolises such as Cairo and Alexandria this has meant a drying up of the supply of new housing.

The problems of rent control have been studied at some length. In those areas in the developed world where it has been tried, i.e. N.Y. City and in a few European cities, it has generally meant drastic reductions to the private supply of new housing. This fact has far outweighed any social gains supposedly attached to it. In the case of Egypt, not only has rent control severely limited new construction activity of low/moderate-income apartments in Cairo, but it has provided an elaborate system of "key money" which defeats its original social purpose intent of help to the urban poor. Good urban housing through rent control clearly does not give greater housing access to the poor - rather it helps to limit the filtering process by which more total housing units become available through new construction.

On the national scene, as previously mentioned, the old Ministry of Housing and Redevelopment (MHR) has been recently divided into two ministries - the Ministry of Housing (MH) and the Ministry of Development and New Communities (MODANC). The MH executes housing construction in the various governorates on behalf of local requests and in accordance to local appropriations. See Section 3 as an example of the case of Zagazig. MH does not normally charge fees for its planning and design and construction supervision for fear that the governorates may cease using its services and thereby "lower the standard of construction".

However, some governorates, i.e. as in the case in Sharquia, have local capabilities and staffing to do their own housing planning and design and do not necessarily call upon MH for this service. Nevertheless, the MH has authority to pay its staff enhanced salaries and it is not uncommon for scales of 50% to 75% or 100% to be paid over and above a base salary. Consequently, the MH can often attract better quality staff than the governorates, or for that matter than the large urban complexes. Cairo does not try to compete but allows MH to do all the work on its projects, Alexandria, on the other hand, executes approximately 75% of its housing projects using its own staff and consultants.

At this point, rather than presenting a listing of housing needs in the country and advancing the plea for more monies in the housing sector, what

would be more enlightening and indeed perhaps more productive would be an analysis of the actual amounts spent in Egypt by Sectors for the year 1979. See Table 6 below.

TABLE 6\*

Investment 1979 (L.E. 000)  
Actual Amount Spent by Sector

<u>Sectors</u>	<u>Total Distributed</u>	<u>%</u>	<u>Grand Total</u> **
Industry & Mining	560,640.0	29.69	563,963.0
Transp. & Communication	433,885.0	22.98	843,574.8
Services	169,530.7	8.98	224,621.7
Public Utilities	158,461.0	8.39	158,461.0
Irrigation & Drainage	135,096.5	7.15	144,467.5
Electricity	102,473.5	5.43	213,221.5
Housing	93,841.0	4.97	93,886.0
Petroleum	86,247.0	4.56	86,247.0
Agriculture	63,689.8	3.37	78,982.2
Trade & Finance	44,350.0	2.35	44,395.0
Contract Board	40,250.0	2.13	74,252.3
<b>Total</b>	<b>1,888,467.5</b>	<b>100.00</b>	<b>2,526,072.0</b>

\* Source: UN Working Paper, Programming Section, Cairo, July, 1979

\*\* Includes central investments

Out of a total L.E. 1.88 billion, total distributed in 1979, the housing sector claimed L.E. 93 million or 4.97% of the total, and public utilities L.E. 158 million or 8.39%. Since no figures were available to the consultant for previous years, it is difficult to judge whether the amounts spent in these categories have either increased or decreased. Also, it is difficult

to determine just how these services are broken out between urban and rural areas.

A review of the Gross Domestic Product for Housing and Public Utilities which includes both public and private investments since 1975 reveals that in terms of 1975 levels, the housing sector has been growing each year. The public utilities sector has also been growing with the exception of 1976-77. See Table 7 below.

\*  
TABLE 7

Gross Domestic Product at Constant Prices  
Housing and Public Utilities Sectors and Percent Change  
Per Year 1975-1979  
(In Millions of Egyptian Pounds at 1975 Levels)

	<u>1975</u>	% <u>Change</u>	<u>1976</u>	% <u>Change</u>	<u>1977</u>	% <u>Change</u>	<u>1978</u> <u>Anticipat.</u>	<u>1979</u> <u>Plan</u>
Housing	130.0	(4.6%)	136.0	(5.4%)	144.0	(3.5%)	149.(8.1%)	161
Public Utilities	19.0	(15.8%)	22.0	(.0%)	22.0	(13.6%)	25.(8.0%)	27
GDP at Factor Cost	4778.8		5268.0		5705.0		6232.	6869

\* Source: AID Working Paper, Programming Sector, Cairo, July, 1979.

In terms of total GDP investment for housing and public utilities, the figures in Table 8 work out as follows:

TABLE 8

Total GDP Percentage Investment for Housing  
and Public Utilities 1975-1979

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Housing	2.72%	2.58%	2.52%	2.31%	2.34%
Public Utilities	.39%	.40%	.38%	.40%	.39%

Housing has ranged from a high of 2.72% of GDP in 1975 to a low projection of 2.34% in 1979. Whereas public utilities have fluctuated around the .39% to .40% range.

It is a truism in LDC's that the degree of urgency expressed concerning deteriorating urban environments and housing needs are seldom reflected in the proportional allocation of funds in these areas. Moreover, the public policy, planning, programming, resource allocation, and financing aspects of urban development and housing are generally lacking in focus and common goals. Leland Burns in his classic study on "Housing as Social Overhead Capital" views public housing policy as based upon one or more of the following notions.

1. Investment should be concentrated in industry and agriculture, to the virtual exclusion of housing;
2. A fixed share of investment should be allocated to housing as a necessary adjunct to industrial development;
3. Housing should compete with alternative investments according to its marginal contribution to economic development;
4. Housing is necessary for social and political stability and progress.

---

16. Leland S. Burns, "Housing as Social Overhead Capital", Essays in Urban Land Economics in Honor of the Sixty-Fifth Birthday of Leo Grebler (Los Angeles, California: University of California, 1966,) p. 13.

Not only is there little systematic analysis of needs against financial capabilities in the housing sector, but participants often hold polarized positions. Although the allocation process itself often resembles position number 2, participants often hold positions 1, 3, or 4 above.

The Helwan sites and services and upgrading efforts presently being sponsored by USAID is an attempt at providing affordable housing for low income groups. The Helwan New Community Program seeks to develop "cluster" site planning concepts to provide an individual lot to each beneficiary family. It plans to design and build approximately 6,697 core (expandable) dwelling solutions and urbanize an additional 512 lots to service a total of 7,209 families (36,000 people).

"Five dwelling solution options will range in construction costs from \$2,729 to \$4,498 and in area from a four M<sup>2</sup> sanitary core to a 30 M<sup>2</sup> three-bedroom dwelling. The program includes credit funds not services to encourage beneficiaries to quickly improve the initial core unit up to a maximum of three floors and 100 M<sup>2</sup> of dwelling area."<sup>17</sup>

It is also anticipated that there will be at least 74,000 secondary beneficiaries as the community is expanded over the mortgage period of the dwellings.

In the upgrading effort, the project will provide basic services of water, sewerage and facilities of (9) schools, (4) health and (3) community centers to an estimated 112 hectares in six informal communities in Helwan and North Cairo. An estimated 10,000 families (50,000) people will initially benefit

---

17. Project paper - Egypt - Housing and Community Development, USAID unclassified (no date), p. 4.

and 15,000 additional families will be added. Secondary beneficiaries, those who live outside the upgraded area, who will share community facilities number another 25,000. In the Helwan project, the question of the eventual housing costs vis-a-vis the client group can be raised since construction costs are averaging L.E. 75 to L.E. 85 per sq. meter.

In addition to USAID efforts in low-cost housing, the IBRD is also attempting to develop and implement a series of solutions. In particular, IBRD's efforts are seeking replicability by improving cost recovery for shelter and related site infrastructure. The Bank also hopes to help establish and strengthen institutions in the housing sector.

18

The two main housing efforts are as follows:

- (a) Upgrading: The upgrading of four low-income settlements - Mansheit Nasser (main settlement), Mansheit Nasser (Zabbaleen Settlement) and North Bassateen in Cairo, and New Nagaa El Arab in Alexandria - with a total population of about 97,000 people and covering 160 hectares. These settlements were selected as representative of the upgrading problems that exist in rapidly

---

18. Arab Republic of Egypt, Egypt Urban Development Project Staff appraisal Report No. 1976-EGT, June 6, 1978, IBRD, Washington.

expanding settlements on the fringes of urban areas, for which appropriate designs need to be developed and tested. Upgrading would be achieved through provision of secure tenure; improved or new on-site and off-site infrastructure including access and circulation roads, water supply, sanitation, electricity, and refuse collection; community facilities including schools, health and community centers; and building materials loans. Project costs would average L.E. 145 (US \$210) per household (1977 prices).

- (b) Sites and Services: Provision of about 4,600 services plots, with on-plot water supply and sewerage facilities, units, plot perimeter walls, home construction loans and community facilities, as well as areas for workshops and commercial activities, benefiting a population of approximately 23,000 people in two areas - South Metras in Alexandria (9,000 persons) and South Gharb El Balad in Assiut (14,000 persons) covering about 40 ha. Project costs would average L.E. 960 (US \$1,375) per household (1977 prices).

Perhaps a more revealing approach to Egypt's urban policy can be made by an analysis of the actual amounts spent in the Housing and Public Utilities Sections by Governorates (see Table 9 below). This table groups governorates by regions and by amounts spent under each section by percent and L.E. per capita in each governorate.

TABLE 9 \*

Investment Plan by Regions, 1979, (L.E.000)  
Actual Amount Budgeted by Housing & Public Utilities Sectors

	1976 Population	Housing	%	L.E. Per Capita	Public Utilities	%	L.E. Per Capita
<u>Cairo Region</u>	9,177,716	44,498.0	47.4	4.84	88,207.0	55.7	9.61
Cairo	5,084,463	37,100.0	39.5	7.29	83,721.5	52.9	16.46
Giza	2,419,247	4,936.0	5.3	2.04	3,044.7	1.9	1.25
Kalyoubia	1,674,006	2,462.0	2.6	1.47	1,442.8	0.9	.86
<u>Alexandria Region</u>	4,863,901	15,729.5	16.8	3.23	27,364.0	17.3	5.62
Alexandria	2,318,655	12,718.0	13.6	5.48	23,230.0	14.7	10.02
Beheira	2,545,246	3,011.5	3.2	1.18	4,134.0	2.6	1.62
<u>Delta Region</u>	8,698,624	8,251.5	8.8	.95	8,344.6	5.3	.96
Menufia	1,710,982	1,530.0	1.6	.89	1,607.9	1.0	.94
Gharbiya	2,294,302	2,503.0	2.6	1.09	1,606.5	1.0	.70
Kafir El Sheikh	1,403,468	809.5	0.9	.58	1,886.0	1.3	1.34
Damietta	557,115	999.0	1.1	1.79	1,177.4	0.7	2.11
Dakahlia	2,732,756	2,410.0	2.6	.88	2,066.8	1.3	.76
<u>Suez Canal Region</u>	3,586,813	11,360.5	12.1	3.16	17,509.0	11.0	4.88
Sinai	157,100	2,333.0	2.5	14.85	3,206.3	2.0	20.40
Port Said	262,620	950.0	1.0	3.60	1,775.0	1.1	6.75
Ismailia	351,889	1,054.0	1.1	3.00	1,682.9	1.1	4.78
Suez	194,001	1,900.0	2.0	9.79	2,071.1	1.3	10.68
Sharkia	2,621,208	5,123.5	5.5	1.95	8,773.7	5.5	3.35
<u>North Upper Egypt Reg.</u>	4,304,599	3,457.0	3.7	.80	3,014.0	1.9	.70
Beni Suef	1,108,615	879.5	1.0	.79	850.0	0.6	.76
Fayyum	1,140,245	868.5	0.9	.76	1,150.0	0.7	1.00
Minia	2,055,739	1,709.0	1.8	.83	1,014.0	0.6	.49
<u>Assuit Region</u>	1,752,069	4,124.0	4.4	2.35	3,838.0	2.4	2.19
Assuit	1,695,378	2,472.0	2.6	1.46	2,026.0	1.3	1.19
Wadi El Gedid	56,691	1,652.0	1.8	29.14	1,812.0	1.1	31.96
<u>South Upper Egypt Reg.</u>	4,306,677	4,920.5	5.2	1.14	8,323.4	5.2	1.93
Souhag	1,924,960	1,022.5	1.1	.53	1,014.0	0.6	.54
Qena	1,705,594	1,020.0	1.1	.59	2,359.3	1.5	1.38
Aswan	619,932	2,078.0	2.2	3.35	4,412.1	2.8	7.17
Red Sea	56,191	800.0	0.8	14.23	538.0	0.3	9.50
<u>Matrouh Region</u>	112,772	1,500.0	1.6	13.01	1,861	1.2	16.5
		<u>93,841.0</u>	<u>100%</u>		<u>158,461.0</u>	<u>100%</u>	

\*Source: Taken in part from AID Working Paper, Programming Section, Cairo, Egypt, July, 1979:

A number of assumptions have to be made as follows:

1. That amounts, percentages, and per capita spent under housing and infrastructure are more positively correlated with urban investments than with rural investments;
2. that the figures are representative throughout the urban areas in a governorate or at least within the major urban areas of a governorate;
3. that the figures do not overwhelmingly represent one project, i.e. a new town or major project. In certain cases, i.e. in the Matrouh Region, major urban infrastructure is represented and in a few governorates the figures represent infrastructure for new cities.

Using the above assumptions, we observe that in both the housing and public utility sectors, the Cairo region garners the most in amounts invested. In terms of L.E. per capita, it still remains on top of all regions with L.E. 4.84 per capita in housing and L.E. 9.61 in public utilities. The only exception is in the Matrouh Region where housing per capita reaches 13.01. This is due to the large scale housing and new cities located in the region. In addition, the governorates of Sinai, New Valley and Red Sea also have L.E. per capita due to reasons similar to the Matrouh Region. The question may be raised as to what are the reasons for subtle differences in L.E. per capita among other Governorates? Are these reflections of differing needs? differing

urban/rural mixes? or of the politics of entrepreneurship on the part of governorates - some being more successful than others in selling their programs? These are intriguing questions, the answers to which would give us a much clearer understanding of the workings of government and its financial allocation process. Decisions made at the sectoral level are all important and have direct bearing on national urbanization.

#### Some Observations

The setting of infrastructure standards, particularly those in water and sewerage are basic aspects in urban development. Such standards set the tone of urban development and the concomitant pricing mechanism often spells out long run financial health or disaster. Pricing water in accordance with its incremental cost rather than with its average historical cost might well yield a financial surplus for the utility which could be plowed back into the capital improvement budget. However, the whole process should be reversed in those cases where incremental costs are lower than average historical costs which includes the building of basic facilities.

Consequently, the fixing of varying service standards are complex and difficult to predict without site specific knowledge of consumer incomes and preferences. Nevertheless, what is needed is an attempt to match service levels to income levels and setting charges for the non-urban poor at levels sufficient to cover costs. The final responsibility for the selection of standards should not be

left to those with the highest vested interests, i.e. the city's chief sanitary engineer or utility manager, but rather with a panel of city officials or regulatory authorities whose constituency and interests are wider than the water/sewerage utility itself. Moreover, it should not be entrusted to a central water ministry, i.e. GOPW sitting in Cairo. This argues for greater decision making and hence budget control process at the local level.

Understandably, the "local regulators" should have competence and incentives larger than simply utility operations. Within their power of cross-subsidization, the setting of a range of service standards, and the development of necessary tariff and investment policies of individual utilities are powerful urbanization forces. This argues for the placing of the development and administration of subsidies, and the setting of standards in the hands of those local bodies charged with urban and regional development. It would follow that a careful and judicious use of the above power and responsibilities tied to an overall urbanization strategy, at the provincial city or markaz city level, could be a very powerful urban development tool.

In the area of housing and urban development, standards and appropriate technologies should fit a country's ability to pay. Large subsidies, irregardless of how well meant, cannot solve a country's housing problem. If anything, they provide false aspirations and hopes for great numbers of the poor who,

given the sheer magnitude of their size and their need, will never be housed adequately. This is particularly true in Egypt where housing costing above L.E. 2,500 meet the needs of a very small percentage of the population.

Under present approaches of USAID and IBRD, attempts are underway towards viewing housing on a minimum cost basis both in upgrading and in new sites and services. However, the replicability of such approaches are yet to be demonstrated. The costs of the new sites and service efforts in Helwan are not low. In fact, questions can be raised whether private firms may have developed the site for less. But even more critical is the need for the creation of necessary financial and institutional entities to serve middle and low income housing. The Credit Foncier will be administering the Helwan project. Its ability and or interest to serve the low/middle income housing field is yet to be demonstrated. And there remains the distinct possibility that the USAID, IBRD efforts in low cost housing will be just that - a few projects set in a sea of housing need with no institutional base for replicability. This may be an overly pessimistic view, yet, it is one that needs to be raised in the context of an urbanization strategy.

And lastly, what can we learn from analyzing the amounts spent in the Housing and Public Utilities Sectors? Here more questions surface than can be simply answered. A perusal of Table 7 would suggest a need for much more analysis

of the budget making process by sectors and its distribution to the respective Governorates. In the case of Sharquia, the Governorate in which the consultant attempted to track down budget items by needs and appropriations, no clear picture emerges as to how the budget is cut. Clearly, if for the sake of simplicity, one would assume that all governorate budgets reflect similar needs for, i.e. housing and infrastructure on a per capita basis, and all are correspondingly cut back on a similar basis, then Table 7 should reflect this. The fact that it does not, would appear to indicate that the original proposed budgets among governorates are different and cannot be compared on a per capita basis and/or the budget cuts are made differently per governorate. This author believes that it is a combination of both of the above.

The exact nature of proposed and allocated budgets for governorates, provincial capital cities and or major urban areas, how they are constructed and how they compare to one another would indeed be an interesting and provoking study. The undertaking of such a study is highly recommended since it would help to reveal the structure of the urban process through the financial allocations by central government. Short of such central funds, little urban development can take place. Indeed, it is through the nature, amounts, and timing of central funds that urban entities, and for that matter rural entities as well, grow and maintain themselves. And consequently, here lies the key to a national urbanization strategy. Give existing urban areas monies for infrastructure

and housing in amounts approaching their requests and concomitant urbanization will take place - take it away, or give it to particular regions or zones - and necessary shifts take place.

## SECTION 5

### SYNTHESIS AND CONCLUSION

#### A. Decentralization and the Budget Making Process

There are huge and growing deficits in urban infrastructure. Such services as housing, transport, water, sanitation, education and health are increasingly falling behind the pace of urban population growth. Furthermore, there is a great need for increasing the employment opportunities of the urban poor particularly in the medium and smaller towns in Egypt. The thrust of a national urbanization policy during the next two decades should be to slow down the rate of growth of the large metropolitan cities and increase the rate of growth of medium and smaller towns, particularly the provincial capitals and markaza. Consequently, greater emphasis should be given to these medium and smaller urban areas to equip them to act as growth and service centers for the urban hinterlands.

The goals of decentralization as envisioned under Law 52 of 1975 and the most recent revisions to this through Law 43 of 1979 appear to be working. Governorates are obtaining more say in local decision making. Many of the roles once reserved for central ministries such as those of Local Government, Planning, Housing and Redevelopment are being taken over by governorates and their respective markaza. This takeover, however, is not even among all governorates and many still must rely upon the technical inputs of central ministries.

Nevertheless, one of the most glaring shortcomings in the decentralization

process is the lack of sufficiently viable means of local financing. Governorates, as well as markazs, towns and villages are largely dependent upon central government for necessary funding for their capital projects including all infrastructure development and maintenance, housing, schools, hospitals and even for local salaries and service needs. This system hampers a complete decentralization goal since as long as the majority of local budget needs are not generated locally, the goals of decentralization will never be complete. High priority should be given to restricting the growth of population in the larger urban conglomerates, i.e. in Cairo and Alexandria. This may be achieved by granting incentives to shift industries to the provincial capital cities and by establishing a ban on the setting up of new industries within certain limits of large cities.

Concomitant with this, programs are needed which would encourage the growth of industries at the provincial and smaller town level. Perhaps one of the most significant problems facing the medium and small city is that central funding for local needs is never ample. Budget funding is often only 10-12% of local budget requests.

This is demoralizing for those entrusted with the maintenance and development of local infrastructure and social services from the village, town, markaz and up to the governorate level. Elaborate budget making processes and resulting budgets are developed each year only to be severely cut by central

government. As long as this system persists, as long as governorates and their respective political jurisdictions are dependent upon central government financing, a truly decentralized government structure will not exist.

Understandably, there are attempts underway to give local government more adequate means of financing through the development of local income producing projects. The Organization of Reconstruction and Development of Egyptian Villages, ORDEV, is a good example of this. ORDEV provides direct financial assistance to help municipal councils develop income generating projects. And as already pointed out, in the case of Zagazig, several local projects are helping the city in its unemployment problems, and are providing some form of local capital generation. Yet, this assistance is very small compared to the need. And even with substantially higher rates of investment, such local industries, at best, will only provide meager support for the capital needs of local government. Other avenues must be developed.

#### B. Property Taxation

The property taxing system in Egypt is archaic and needs a complete overhauling. Property taxation is an avenue which must be carefully evaluated in terms of its potential at developing a sound local financing structure. Any national urbanization strategy is doomed to failure unless it is placed in an institutional context based upon solid urban financing. And short of the property tax, there does not appear to be any other avenue for the generation of local

funds which would approach local needs.

Not only is local financing among the developed countries largely dependent upon the property tax, but many LDCs are also basing their local needs upon this resource. Several are finding that it can be levied without an unnecessary burden on the poor. Indeed, higher land taxes might well be capitalized into lower land value which could help the urban poor by providing cheaper land to build upon. However, great caution needs to be exercised so as not to provide disincentives to housing supply. Greater emphasis should be placed on higher taxation on vacant or underutilized urban land and not on urban structures. This could have significant implications in those instances where land ownership is highly concentrated and the benefit of urbanization are realized by the wealthy. Attention may also be given to placing higher taxation on luxury housing. <sup>20</sup> It is time that Egypt acts accordingly.

The Report of the Joint Land Policy team GOE/USAID, in its study on Urban Land Use in Egypt, August 1977, called for a property tax based on current market values; site value tax based on market values regardless of whether

---

19. The importance of using urban property taxation in raising revenues for urban governments is also stressed by other researchers. See for example, Linn, Johannes P., Policies for Efficient and Equitable Growth of Cities in Developing Countries, World Bank Staff Working Paper, No. 342, July 1979, pp. 263-264. Linn also sees the value of a general land tax in lowering the expected future yield stream of urban land and thus reduce its present value which could in the long run help the urban poor.

20. Johannes Linn, ibid, pp. 131-135, emphasizes a number of these points.

there is a building or not; an incremental site value tax based on increases in land value; and a betterment fee based on increases on land value related to specific public projects. Clearly, the above recommendations still stand but they appear to be powerless in their present form. What is needed is a renewed effort to address property taxation from the point of view of its importance as a potent revenue instrument, the means of improving its progressivity and its relationship to the national commitment to a decentralization policy.

High visibility is needed which can only be obtained through some form of blue ribbon committee. Consequently, the following is recommended:

1. That a joint committee of GOE/USAID be set up immediately to draft terms of reference for a national urban property taxation study.
2. That USAID support such a national study.
3. That steps be taken immediately to develop a mechanism for reappraising property every 5 years and for building in an escalator clause for reassessment each year.

#### C. Local Administration

In the field of local administration, several areas deserve attention. Local budgets should be set up according to a management accounting system. The

---

Linn also believes, "...that the overall reliance on property taxes could probably be increased in many cities in LDCs...average effective rates tend to be extremely low...urban land taxation is hard to escape if properly administered...and popular support could be rallied around the likely imput which higher land taxation has in terms of lowering the rate of growth of urban land prices." pp. 133-134.

present responsibility accounting system simply examines the sum spent on goods and services. If this sum corresponds to the head of a budget item, no further examination is made. Such items as operating or spending efficiency could be best handled under a management accounting system.

Another area in which further local support should be given is that of the promotion of local industries and the necessary technological transfer of such expertise. As pointed out previously, ORDEV does help to support the funding of local development activities. USAID may well consider augmenting ORDEV's reach by concentrated attention to the markaz and to the provincial cities. Here, viable industries should be sought out and attention given to technological transfer. Such activities and entrepreneurial skills as witnessed in Zagazig should have a wider forum.

It is recommended that USAID fund a series of colloquia which would bring together governors and their councils as well as the provincial capital city mayors and their councils both elected and appointed. Such colloquia should aim at technological transfer. It should provide a forum by which peers can talk to one another and trade ideas on development. Hopefully these local government forums could be institutionalized and held at least twice a year thus providing a means of idea exchange. Their locale could rotate among the country's provincial capitals. And guided tours may be set up to give participants a clearer picture of local opportunities and constraints. The first, for example, may be held in Zagazig before the end of this year at which time a national agenda could be developed.

It is recommended that local assistance also be directed in the area of master plan development and effectuation. Several provincial capitals have master plans which they are attempting to follow within the constraints of very inadequate budgets. A good example of this is the Master Plan for Zagazig which has been referred to earlier. Many of these plans have been developed several years ago and desperately need updating. One of the first steps of the National Urban Policy Study which USAID is supporting, should be to appraise and evaluate local attempts at land use planning. It is true that the General Office of Physical Planning (GOPP), within the Ministry of Development and New Communities is charged with assisting local governments in their physical planning, but their efforts and abilities do not in any way match local needs.

As pointed out earlier, the seeds of a national urbanization strategy for the country lie in the capacities of local urban areas to absorb population increases. Observations made in the Governorate of Sharquia and in particular, in its provincial capital of Zagazig, indicate that considerable infilling could be developed if appropriate funding and technical assistance could be found. Moreover, a concept of greater urban concentration is well supported by the Mayor and by his staff. The dangers of continued lateral expansion into valuable agricultural land was repeatedly pointed out to the consultant. Indeed, the Governor himself spoke strongly against a "new town policy" as a solution to the country's urban needs. He rather believed that more attention

should be given to the existing urban places through judicious infilling and more verticle expansion.

Clearly, local government need support. The National Urban Policy Study should carefully assess local potentials both in terms of their costs for rehousing on a per capita basis vis-a-vis other forms of development, and their overall staging and linkages to form a national urbanization strategy. Indeed, the potential to house another 20 million persons by the year 2000 may adequately exist in the present national system of urban areas. And such an approach would probably be the least costly and most productive in terms of jobs and urban opportunities.

Along this front, not only should more attention be given to the development and effectuation of local land use plans and their concomittant infrastructure requirements, but also to institution building at the local level. Local technicians are calling for assistance, financially, technically, and morally. Incentive pay should be given for outstanding performance. The opportunity for advanced training abroad with an obligation for continued public service involvement should also form part of an urban growth strategy.

Local governments, particularly at the governorate and provincial capital city level could go far in establishing a higher level of professional calibre and morale if they had funds to grant to their more outstanding professionals,

i.e. one to three months advanced training abroad. USAID may wish to consider developing funding for these purposes. It is recommended that a fund be set up in each government to support 5-6 professionals for advance training in the U.S. each year.

D. Standards

It is recommended that continued pressure be exerted to move standards of development in the area of water, sewers, housing and all other urban infrastructure items closer to consumer ability to pay. Service levels should also match income levels. Careful attention should be given to the process, as well as to who sets urban infrastructure standards. In every case, those who may have particular vested interest, i.e. the chief city sanitary engineer, should not set water standards. Rather a panel of city officials who cut across and are representative of broader city interests should set city development standards. It should be well recognized that the type of development standards, their tariffs, administration and cross-subsidization, very much set the pattern of urbanization. They dictate the quality of existing maintenance and the type and quality of future urban additions.

Much has been written in the area of housing standards for LDCs.. Those national housing approaches which rely heavily upon central government subsidies are doomed to remain exclusive and limited. They will not reach the majority of the urban poor since the standards they propose will severely

limit government's ability to fund. More attention is being given to sites and services approaches which seek to develop minimal infrastructure but rather allow recipients to add housing as their budgets allow. These approaches if they are to be replicable, necessitate the establishment of interest rates at or approaching true market rates.

Moreover, housing, under a sites and services approach, if it is to have any national significance, necessitates the building of an appropriate institutional base. Without a line of internal savings, funding for low income housing will dry up. Consequently, personal savings will need to be mobilized and a resulting mortgage market for low/moderate income housing created. This is not an easy task. At present, USAID is funding a site and service approach in Helwan for both upgrading and new sites. And the Credit Foncier is being looked upon as the institutional base to provide the administrative structures for all housing finance and the servicing of all mortgages for the Helwan project. Whether Credit Foncier has the interest and ability to perform this type of assistance in other areas of the country remains to be seen.

The Foundation for Cooperative Housing will provide technical assistance for the project in an attempt to disseminate necessary information to project recipients as well as to help Credit Foncier in its administrative tasks. The job is a large one since there is no history of low cost housing of this sort in the country to build upon. Many of the type of institutions

which are needed, such as housing credit and a secondary mortgage market, do not exist.

Moreover, the applicability of sites and service activities as developed in Helwan, as well as those planned by IBRD, as previously discussed, may have limited applicability in a national urbanization strategy. The infilling in existing urban areas will call upon different technologies. The low rise individual plot development will not suit the needs of building at higher densities in more dense urban areas. Nevertheless, some of the cooperative approaches may have applicability. It should also be remembered that the new sites in Helwan are being developed with footings capable of supporting six story walk-up. Just how verticle ownership arrangements are to be worked out is still not clear.

#### E. Major Metropolitan Areas

The role of the major urban areas, those of Cairo and Alexandria, in a national urbanization strategy, are indeed formidable. The Cairo region, including the Governorates of Cairo, Giza and Kalyubiya, houses more than 22% of the country's total population. If the Alexandria region including the Governorates of Alexandria and Beheira are added, an additional 12% of the country's total population is accounted for or in sum, approximately one-third of the entire country's population are centered within the Cairo and Alexandria regions.

Consequently, the level of infrastructure and its maintenance in the Cairo

and Alexandria regions will be all important in terms of national growth. Greater Cairo's 1976 population was estimated at nearly eight million. This figure could reach up to 12 million by the year 2000. It must be recognized that the trend towards yet greater levels of urbanization for Egypt's major urban areas is inevitable and irreversible. However, its rate and pace can and should be controlled by the provision of secondary areas of growth. There must be a better and more complete understanding of the inter-relationships between urban and rural development. Urban policies and programs should be directed at promoting the economic development of cities and towns, particularly for existing urban areas, stimulating their employment potential and directly dealing with the inescapable "facts of life" of continued urban population growth.

There are at present efforts underway to attempt to diffuse the continued impacting of growth in Center Cairo by the providing of satellite communities within the Greater Cairo area. These attempts should be supported. New satellite communities for Cairo have the ability to provide jobs as well as housing and thereby lessen or at least slow down the mounting congestion on the downtown area. Nevertheless, while continued attention and assistance will be needed for the large complexes of Cairo and Alexandria, much of the short run benefits of a national urbanization strategy, may be realized by giving assistance to the intermediary cities in the country as well.

F. New Towns and the Canal Cities

New towns are a controversial issue. First, their ability to meet the growing housing needs in the country can be easily questioned. And most importantly, their exceptionally high cost per capita raises many serious questions. New communities have been identified for Sadat City, Tenth of Ramadan City, and New Ameriyah and, construction has already begun at Sadat City. However, when all cities are fully developed around the year 2000, total population will only be a modest four million, far from the country's needs of at least 20 million additional population by the year 2000.

The National Urban Policy Study proposes to review existing new towns and possible additions as to their potentials in an urban growth strategy. The study also calls for an examination of the viability of yet other new towns to be created. It is hoped and anticipated that these study efforts will be placed in the context of overall national needs. Appropriate attention should necessarily be given to cost of new city development vis-a-vis further growth and infilling in existing cities as well as to the creation of satellite communities around existing urban areas.

A national urbanization strategy should give careful consideration to the potentials of the canal cities for job creation and additional population absorption through center-city infilling and through the creation of satellite communities. Port Said and Ismailia hold prospects for industrial and commercial

growth as well as for tourism. Port Said has a Mediterranean climate, coast line, and port facilities and many attractive river front buildings reminiscent of New Orleans' Vieux Carre. Immediate attention should be given to historic preservation of the old downtown quarter before many of its buildings are lost to speculative building interests. A preservation zone should be established and selective upgrading begun. Ismailia, at the base of the canal, has possibilities for added industrial, commercial and tourism growth which will need to be carefully developed. Both cities hold promise for significant new job creation and additional population growth.

The City of Suez presents a different picture. Suez, before the hostilities of 1967 to 1973, was one of the fastest growing cities in Egypt (4.2% per annum during the previous decade). Much of the growth was due to immigration through jobs created in oil refineries, power stations, port and ship building and repair activities. Mineral extraction from the nearby Ataha mountains also added to the area's diversified jobs and growth. A complete halt to all this began with the hostilities. The city was evacuated for a period of seven years, the Port closed and all industrial activity stopped. Large portions of downtown buildings and infrastructure as well as those in surrounding areas were severely damaged or destroyed. By 1976, the canal was re-opened and major industries started up under a massive reconstruction program. The Master Plan for the canal cities set a target for Suez of one million population by the end of the century, one-quarter million more

than it would have achieved if it retained its earlier 1967 share of Egyptian urban population. However, the Master Plan targets are not being met. According to John Calder, the Project Director of the U.K. Ministry of Overseas Development, "development is about 5 years behind and the problems are 5 years worse."<sup>21</sup> One of the major problems facing the city is that it has not been allocated its share of national investment resources. It appears that Governments' priorities changed and the area is not receiving the financial industrial allocation and manpower which it needs. In addition, development standards are much too high for the area resulting in poor allocation of meager resources. Nevertheless, Suez continues to have potential for greater levels of urban growth. It has a vast desert area building land close to the city, and remains Egypt's main Red Sea Port with close links to Sinai. The area deserves more attention in financing and management since it could and should become one of the key areas of a national urbanization strategy.

#### G. Urban Data Bank

Any ongoing national urbanization strategy will necessitate an information system based on essential national, governorate and local level data. It is recommended that a National Egyptian Institute of Urban Affairs or like body entrusted with the creation, analysis and updating of urban information be created immediately to interact with the National Urban Policy Study activities as envisioned (see TOR, National Urban Policy Study: Egypt, June 1979).

---

21. John Calder, Suez Briefing, 30 July, 1979.

It is recommended that USAID help in the financing of its development and maintenance. An appropriate Government agency may lie in the creation of, i.e. a National Egyptian Institute of Urban Affairs. The Institute could act as an association of all Governorates and provincial capital cities including the major metropolises of Cairo and Alexandria. In addition, all urban development authorities and or ministries may also be represented. The Institute would help to provide current material on physical planning activities in the country, the type and scope of comprehensive development plans for regional and provincial capital cities, the type and scope of socio-economic studies of rural and urban settlements, and the monitoring of major urban projects in the country as to their impact on the urban poor. In addition, the Institute would undertake the maintenance and upkeep of a national urban data bank and the funding of problem-oriented urban field research and studies. The Urban Affairs Institute could then act as a national forum for not only monitoring urban policy programs, but also debating on future national urban policy options and directions.

#### H. Professional Training

The Urban Affairs Institute's mandate, as outlined above, should also be enlarged to include the training of urban policy analysts. The training would consist in but not limited to the following: urban development management; urban and regional planning; housing; urban economics; traffic and transportation planning; urban information systems organization and analysis and; project financial planning and management.

Egyptian urban planners have few national training centers available to them. Both Cairo University and the American University of Cairo provide very limited training in the above areas. Given the national urgency in the whole complex field of urban development, it is recommended that a two prong approach be developed. One approach would be to directly train Egyptian professionals in necessary urban fields by providing fellowships to study abroad, preferably in the U.S. and U.K. Another parallel need would be to train Egyptians to develop the necessary skills to eventually teach locally in the urban planning and development fields. This latter approach would necessitate teacher training exchanges and assistance to develop local educational institutional capabilities.

Both of the above approaches will be needed for the strengthening of urban development capacity at various levels of government. Urban development planning, capital budgeting, project identification and appraisal, and coordinated urban investment programming all call for highly developed technical skills. In the long run, Egypt must look to its own professionals for the provision of such urban development skills. And USAID would provide a much needed service in assisting Egypt in meeting these vital needs through necessary financial and administrative aid.

Egyptian urban planners have few national training centers available to them. Both Cairo University and the American University of Cairo provide very limited training in the above areas. Given the national urgency in the whole complex field of urban development, it is recommended that a two prong approach be developed. One approach would be to directly train Egyptian professionals in necessary urban fields by providing fellowships to study abroad, preferably in the U.S. and U.K. Another parallel need would be to train Egyptians to develop the necessary skills to eventually teach locally in the urban planning and development fields. This latter approach would necessitate teacher training exchanges and assistance to develop local educational institutional capabilities.

Both of the above approaches will be needed for the strengthening of urban development capacity at various levels of government. Urban development planning, capital budgeting, project identification and appraisal, and coordinated urban investment programming all call for highly developed technical skills. In the long run, Egypt must look to its own professionals for the provision of such urban development skills. And USAID would provide a much needed service in assisting Egypt in meeting these vital needs through necessary financial and administrative aid.

Appendix A

Governorates, Markazs and Towns in Egypt (1979)  
(Preliminary results of 1976 Population & Housing Census)

Giza Governorate (2,419,247)

Al Gizah  
Al Dokki  
Al Ahram  
Imbabah  
Al Badrasha'in  
Al Hawamdujyah  
Al Saff  
Al Ayat  
Usim  
Al Wahat Al Bahariyah

Fayoum Governorate (1,140,245)

Al Fayoum  
Abshwoy  
Itso  
Senouris  
Tamyah

Beni Suef (Bany Sewaif) Governorate (1,108,615)

Beni Suef  
Al Fashn  
Al Wasta  
Ihnasyo  
Zeba  
Boush (Nasser)  
Somosta

El Minia (Al Minia) Governorate (2,055,739)

Abu Qurqas (Al Fikriyah)  
Al Aaway  
Bon. Mazor  
Dair Muwass  
Samaluc  
Matoy  
Moghagho  
Malsur

\* note: all names of markazs and towns translated from Arabic and subject to different spelling interpretations

Asyut (Assuit) Governorate (1,752,069)

Assuit (First Division  
Assuit (Second Division)  
Abnoub  
Abu Fig  
El Badari  
El Quseya  
Dayrout  
Sedfa  
Manfalout  
El Ganayem  
Sahel Selim

Suhag (Sohag) Governorate (1,924,960)

Souhag  
Ekhnun  
El Balyana  
El Maragha  
El Mensha  
Awland Touq Sharq  
Girga  
Geheina El Charbiya  
Saqalta  
Tema  
Tahta

Qena (Kena) Governorate (1,705,594)

Qena  
Abu Tisht  
Armant  
Esna  
Luxor  
Dishna  
Qous  
Nag Hamadi  
Farshout

Aswan Governorate (619,932)

Aswan  
Edfu  
Kom Ombo  
Nasr

El Wady (El-Cedid) Governorate (56,691)

El Kharga Oases Division  
El Dakhla Oases Division

Marsa Matruh Governorate (112,772)

Mersa Matruh  
El Hammam  
El Seloum  
El Dabaa  
Bourg El Arab  
Sidi Barrani  
Sewa

El-Bahr (Al Ahmar) Governorate (56,191)

Hurghada  
Qusseir Division  
Hager Qena Division  
Aswan Boundaries Division  
Ras Ghareb Division

Cairo Governorate (5,084,463)

Ezbekizh  
El Gamalieh  
El Khalifa  
El Darb El Ahmar  
Zeitoun  
Sahel  
Sayeda Zeinab  
Daher  
Mataria  
Maadi  
Muskii  
Wayli  
Bab El-Shariya  
Boulaq  
Helwan  
Rod El-Farag  
Shoubra  
Abdine  
Karr El-Nil  
Old Cairo  
Heliopolis  
Nuzha

Alexandria Governorate (2,318,655)

El Gomruk  
Ramleh  
Dekkeila  
Attarin  
El Jabban  
Montaza  
Manshia  
Bab Sharq  
Karmouz  
Moharram Bey  
Messa El Basal  
Amriya

Port Said Governorate (262,620)

El Sharq Division  
El Arab Division  
El Manab Division  
El Mena Division

El Suez Governorate (194,001)

Suez  
El Arabaein  
Attaqa

Damietta(Demyat) Governorate (557,115)

Damietta  
Farksour  
Kafr Saad  
Medinet El Zorqa

Ismailia (El Ismaelia) Governorate (351,889)

Ismailia  
Tel El Kebir  
Qantara Gharb  
Fayed

El Dakahlia Governorate (2,732,756)

Mansoura (1st division)  
Mansoura (2nd division)  
Aga  
Sinbellaween  
Manzala  
Belqas

Dikirnis  
Talkha  
Meit Chamr  
Sherbin  
Bandar El Mataria

Sharqujyeh (Sharkia) Governorate 2,621,208)

Zagazig  
Abu Hamad  
Abu Kebir  
Al Huseynujyoh  
Bilbais  
Dairab Nigm  
Faqous  
Kaf Sagr  
Minya al Qamh  
Hihya

Kalyubia (El Kalubia) Governorate (1,674,006)

Benhia  
Khanka  
Barrage  
Bandar Shoubra el Khuma  
Shebin El Kanater  
Toukh  
Qalyoub  
Kafr Shukr  
Bandar Qaha

Menoufia (El Menoffia) Governorate (1,710,982)

Shelim El Kom  
Ashmoum  
El Bagour  
El Shohada  
Berket El Sabei  
Tala  
Quweisna  
Menouf

Garbia (El Charbeia) Governorate (2,294,303)

Tanta (1st division)  
Tanta (2nd division)  
El Sonta  
Mahalla El Kobra  
Basyoun  
Zefta  
Samanoud  
Qatour  
Kafr El Zayat

93

Kafr El-Sheikh Governorate (1,403,462)

Kafr El Sheikh  
Baltim  
Beysa  
Desouk  
Sidi Salem  
Fouh  
Qallin  
Metoubas

Behera (El Behara) Governorate (2,545,246)

Damankour  
Abu el Matamir  
Abu Hommos  
Teh El Baroud  
El Delengat  
El Mahmoudieh  
Hosh Eissa  
Rosetta  
Shabrakheit  
Kafr El Dawar  
Kom Hamada  
Edku  
El Rabmanieh  
Wadi El Natrun

94



ARAB REPUBLIC OF EGYPT  
MINISTRY OF DEVELOPMENT AND NEW COMMUNITIES

Your Ref. :

Our Ref. : MCDANC/ACR-79-508

MINISTER'S OFFICE  
1, Ismail Abaza Street,  
CAIRO, A.R.E.,  
July 18, 1979

Mr. Phillip S. Lewis  
Deputy Assistant Director for  
Industrial and Infrastructure Development  
and Program Support  
United States Agency for International  
Development  
United States Embassy  
Garden City, Cairo

Dear Mr. Lewis,

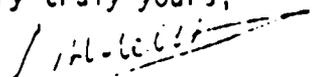
Re: 1) National Urban Policy Study  
2) Your letter of 9 July 1979

Based on the meeting held in Ministry's offices between USAID and ourselves, on 12 July 1979, the MODANC confirms acceptance of the following 'short list' for the reference study.

- Louis Berger International
- Arthur D. Little Inc.
- Planning and Development Collaborative International
- Planning Research Co.
- Robert R. Nathan Associates, Inc.
- Wilbur Smith and Associates

Attached for your files please find xerox copies of the notification telexes.

Very truly yours,

  
Soliman Abdo El Hii  
Chairman

Attachments as stated

Advisory Committee for Reconstruction

cc: Eng. Roca El Garhy  
Eng. Salem M. Habib

ATTACHMENT 2

UNITED STATES GOVERNMENT

memorandum

DATE: July 18, 1979

PLY TO  
ATTN OF: Peter W. Amato, PRG

SUBJECT: TOR National Urban Policy Study and Short List of Firms Invited to  
Submit Proposals

TO: IIDPS:Phil Lewis

ISSUES:

Terms of Reference (TOR) for a National Urban Policy Study have been submitted to us in a final revised edition dated June 1979 by MODANC/ACR-79-507 12 July 1979. In addition a "short list" of firms has also been submitted in the above dated transmittal letter as follows:

Berger, Louis, International, Inc.  
Little, Arthur D. Inc.  
Planning and Development Collaboration, International (PADCO)  
Planning Research Company  
Nathan Robert T. Associates  
Smith, Wilbur S Associates

BACKGROUND:

The TOR was first drafted on 11 March 1979 by MODANC and was substantially revised by Robert Mitchell, US/AID during April and May. It was again revised by Jerome Axel for TAMS/MODANC during June and revised by Peter Amato US/AID in July '79 to reflect the best workable consensus among all parties. The short-listed firms were also negotiated after considerable review and meetings. USAID and MODANC mutually agreed to reduce the personnel grading from 500 points to 250 points for a maximum score of 750 points. However, individual firm scores varied. The final listing reflects a compromise intended to keep the list as short as possible yet include the most capable firms.

We believe that the final TOR document reflects our best collective thinking on the subject. It is clear and concise yet should allow the Consultant ample ability for his own creative approach and to introduce modifications to the document as may be necessary subject to appropriate approvals. In addition, we believe the final agreed upon short listed firms represent the best available consultant talent available at this time.

RECOMMENDATION: It is recommended that USAID approve the TOR as dated and submitted on 12 July 1979. It is also recommended that



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

OPTIONAL FORM NO. 10  
(REV. 7-76)  
GSA FPMR (41 CFR) 101-11.6  
12-8-112

USAID approve the short-listed firms as listed above. A close monitoring and evaluation of all consultant submissions will be very necessary to ensure that the resulting studies serve the purpose and meet the goals for which they are intended. We consequently propose that the USAID urban officer work very closely with MODANC over the course of the study to ensure TOR compliance in its broadest sense in the development of a comprehensive set of policy recommendations to guide the Government of Egypt in taking appropriate actions to achieve an efficient system of national urban development. It goes without saying that such a set of policy recommendations will help to structure US/AID urban efforts as well.

APPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_

91



ARAB REPUBLIC OF EGYPT  
MINISTRY OF HOUSING & RECONSTRUCTION

Your Ref. :

MINISTER'S OFFICE  
1. Ismail Abaza Street,  
Cairo, A.R.E.

Our Ref. :

NATIONAL URBAN POLICY STUDY

TENTATIVE SCHEDULE BIDDING MEETING

- Bidder's meeting @ the MODANC<sup>A</sup> Saturday 28 July @ 1100 hours.
- Field trip Sunday 29 July and Monday 30 July.
  - Leave the MODANC @ 0800 hours.
  - Orientation Briefing Zagazig 1100 hours.
  - Lunch Zagazig.
  - Leave Zagazig 1330 hours.
  - Orientation trip through El Mansura and Damietta arriving Port Said, @ 1630 - 1700 hours.
  - Overnight stay Port Said. \*\*
  - 0830 hours briefing by Governorate Port Said.
  - 1100 hours leave Port Said.
  - Lunch and briefing Ismailia.
  - 1430 hours briefing Governorate-Suez.
  - 1630 hours leave Suez.
  - 1830 arrival Cairo.
- Scheduled question session with MODANC/USAID personnel Tuesday 31 July from 0730 to 1430 Hours.

\* Third floor conference room

\*\* At consultant's expense.

4/6