

Country Development Strategy Statement

**FY 1984
Annex**

Urban Policy and Strategy



Egypt

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1984 CDSS ANNEX

EGYPT: URBAN POLICY AND STRATEGY

USAID/Cairo

February 1982

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URBAN POLICY AND STRATEGY

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PART I INTRODUCTION AND SUMMARY

A. Background

1.01 Over the past thirty-year period, Egypt has been involved in a profound transformation, moving from a predominately agricultural village based society to a non-agricultural urban based society. Estimates indicate that by the turn of the century -- over a brief additional twenty-year span -- at least fifty-five percent of the population will live in urban places, or approximately 37 million persons; the majority of the urbanites -- 21 to 22 million inhabitants -- will be residents of the Cairo and Alexandria regions. This means that two major transformations are taking place at the same time; more people will be living in urban than in rural areas in the very near future, and the urban regions of Cairo and Alexandria are growing faster in absolute terms than other urban places.

1.02 These two phenomena portend to have significant economic and social meaning in the life of large numbers of Egyptian citizens, and in turn important political implications for the Government. Simply stated, the success of Egypt in meeting its urban challenge will largely shape the country's political stability. Urban areas which are able to meet the increasing economic demand for jobs and the social requirements for housing, infrastructure and services, will be stronger and more politically stable than those areas which are not able to meet these demands. And although the vast majority of Egyptians may be financially better off than they were before the "open door" policy, the urban areas of Egypt, especially those of Cairo and Alexandria, provide sharp windows of contrasts between wealth and poverty. Thus it is in the urban areas, rather than in the rural areas of the country, where differences between those who have and those who have not benefitted from Egyptian economic growth is more pronounced and more easily accessible to view. And it is here that the seeds of discontent and envy have a higher opportunity to grow and flourish, and in the long run could prove to be very politically destabilizing.

1.03 USAID is keenly aware of the dangers inherent in deteriorating urban environments and has attempted to increase its knowledge as to the nature of the urban problem and the policies and investment choices which the Government is employing to meet the growing crises. In part, USAID's increase in knowledge derives from its project activities in the urban sector. In larger part, it derives from four major, complementary studies which it has recently funded: the National Urban Policy Study; Informal Housing; Housing Finance; and Land and Infrastructure. These studies have helped to identify several of Egypt's major urban problems and have suggested approaches that USAID might take both in initiating a policy dialogue with the GOE, as well as those which it might take programmatically.

B. Urban Annex

1.04 This Annex reviews our newly accumulated knowledge and designs a strategy in policy and programmatic terms for dealing with Egypt's impending urban crises. The Setting focuses on the qualitative and quantitative dimensions of the problems. It presents a description of the urban population issues facing Egypt and the obstacles which these present to social and economic progress. Excessively high rates of urban population growth, as presently being experienced in the country, are severely taxing Egypt's ability to maintain and upkeep existing urban services and to provide much needed additional services for its burgeoning populations. And the present system of local government finance which is largely deficit oriented, only adds to the inability of government to adequately cope with its urban problems. Local units of government do not retain the taxes they collect, nor are they allocated funds by any known, accepted, or predetermined criteria.

1.05 Current approaches, policies, priorities and investment choices which the government is pursuing are not based upon a well reasoned analysis of alternative strategies and cost implications. There is a strong GOE emphasis on an inter-regional strategy to decentralize from the Cairo-Alexandria region by promoting free-standing new desert towns and by fostering population and employment dispersal into areas designated under the Five Year Plan. This is an extremely costly approach which neglects to recognize the vitality and importance of existing complexes especially Cairo and Alexandria in the country's urban future.

1.06 USAID has attempted to respond to Egyptian needs through a mix of programs in the urban sector which place a heavy emphasis on upgrading and expanding infrastructure services in the country's principal urban areas, and under a decentralization approach to assist the GOE in the support of local level decision making and in the execution and maintenance of projects. In addition, attention has also been given to housing through a new community and upgrading effort in the Helwan area of Cairo.

1.07 The Analysis presents a summary of the major findings and conclusions of the studies which we now have available on the urban sector. The picture which emerges from these studies -- and from our accumulated knowledge -- is one of significant problems both as a residual from the past, as well as those projected to the future. The GOE which has a very limited resource base to address its many urban problems needs to develop more cost effective options. A critical consideration which needs to be fully recognized and acted upon by the GOE is that in spite of the present high population densities in the Cairo and Alexandria areas, further population growth in these areas is inevitable. In part, this reflects the simple economics of lower

infrastructure and private investment costs of locating in areas already serviced by essential infrastructure and housing, and the availability of labor and markets for the production and sale of goods. The problem becomes one of growth management, and not one of simply trying to stop the growth of these large urban metropolises by attempting to redirect all new growth to new towns and more remote areas in the country.

1.08 Estimates made by the National Urban Policy Study indicate that during the 1986-2000 year period, assuming the economy grows at 7% a year, 84% to 109% of the country's total investment pool would be needed to meet new investment costs for infrastructure and industry for only the 38 largest urban places in the country. This would exclude operating costs and inter-regional systems for transportation, power, and water. Moreover, there are substantial differences in the cost of alternative spatial strategies for the allocation of industry and infrastructure investment. The most decentralized would cost about 30% more than the least cost alternative.

1.09 In addition, the choice of standards of service provision for housing, physical and social infrastructure and tariff rate structures will also significantly affect the country's long run ability to meet its urban needs. Present tariff rate structures do not cover the cost of the initial installation of water and waste water systems, nor their maintenance and operating charges. There must be a better match between standards and affordability than currently embodied in the new town developments, as well as in several other developments undertaken by the GOE. Furthermore, overall urban population will continue to grow at rates above the national rates resulting in substantial increases in the demand for urban jobs, housing and services. If high rates of economic growth are to be maintained, substantial increases in the proportion of the growth allocated to investment, rather than to current consumption will be necessary to finance job creation and needed infrastructure investment.

1.10 In the Cairo metropolitan area, a redirection of the growth trends from a north-south axis to an east-west axis would conserve valuable agricultural lands by spreading development toward unfertile desert lands. At present there are significant amounts of unused lands available within the Cairo metropolitan area. Much of this land is held by the military and by religious authorities. Nevertheless, there are at least 26 large parcels of available non-agricultural desert lands totally over 30 thousand feddans, which, if built at appropriate standards of density, could house the population needs of the Cairo metropolitan area over the next 15-20 years.

1.11 Consequently, there is a need to encourage more dense development in peripheral relatively low density kisms in Cairo, as well as to encourage the deconcentration of highly dense core kisms. Both the

Alexandria Region and the Canal cities should provide limited strategic decentralization alternatives to Cairo. And in the Delta area, there is a need for a growth management and control strategy and an expanded regional service function for a few selected sites. On the other hand, limited urban development efforts should be encouraged in the remote areas for activities with demonstrated economic or experimental learning payoffs.

1.12 Adequate housing, one of the most important services provided by urban areas, is also one of President Mubarak's chief concerns and national goals for Egypt. Projections based upon the 1979 National Housing Plan indicate a need for 3.7 million new urban dwelling units to be built over the next 20 years at a total cost of L.E. 31.23 billion or L.E. 1.56 billion per year for 180,000 units. In Cairo alone, it is estimated that 1.4 million new units will be needed during this same time period. Yet the government's official housing investment for the entire nation during the 1978-82 period is based on the construction of only 325,000 units. Accordingly, in order to meet the housing needs, present housing investment now running at approximately 11% of the national investment plan, would have to be at least doubled if this need is to be met through the formal housing market. Given other urgent GOE priorities, this may not be possible or practical. The Five Year Plan indicates that 40% of the financing for construction would have to be derived from foreign aid and grants, 44% from conventional sources, and the remainder through special savings programs and through the sale of housing bonds. Moreover, the Plan estimates that only 4% of the beneficiaries could actually afford the units to be built without a continuation of the present subsidies of 3% to 5% annual interest over a 25- to 30-year period. This would put a great drain on the economy. Other more cost effective approaches are needed.

1.13 Findings from the urban studies indicate that the informal housing -- the building owner fails to register the land or fails to obtain a building permit -- plays a very important role in meeting the needs of low income persons, and is one of the most dominant forms of residential construction in most of the urban places in the country. Sixty-two percent of all housing in Greater Cairo and 87% in Beni Suef is informal. This form of housing generally meets the needs of income groups below the 50th percentile. And although informal housing presents several opportunities -- permits rapid response to housing needs for low income households at rent levels which they can manage -- it also presents a number of difficulties. It may occupy inappropriate sites and invade arable lands. It is also built either totally lacking or with little of the needed urban infrastructure services of water and sewerage, schools and community facilities. Furthermore, informal housing does not expand the pool of resources available to the general field of housing mortgage and finance since household savings are maintained outside of the banking system. Nevertheless, informal housing indicates a positive

market response and needs to be supported in a constructive manner to help to achieve the country's housing targets in a more cost effective way than strictly formal housing is able to do.

1.14 The Egyptian Government, now in a relatively strong economic and political position, has the opportunity of adopting a national urban policy which integrates spatial and sectorial policy, builds upon the strengths of the economy, meets Egyptian needs and has a reasonably high chance of leading to improvements in incomes and quality of life for all its citizens. However, to adopt and implement such a policy will require major modifications of policies already in practice. In addition, substantial changes in the methods used to provide and pay for urban services will also be necessary. And a clear distinction by policy makers is required between what is ideally desirable and what is more likely to be accomplished. Most importantly, it must be recognized that a continuation of many of the current spatial and sectorial policies without modification and change, will likely lead to undesirable growth patterns, increase the amount of unplanned urban intrusion on arable land, waste scarce public resources, and put extreme strain on the financial ability of government to pay for necessary urban services.

1.15 The outlines of USAID's Urban Strategy are based upon our concurrence with several of the principal findings of the urban studies as presented in the Analysis. These findings suggest: the magnitude and pervasiveness of the urbanization in the country; the increased level of primacy of Cairo and Alexandria; the huge deficits in necessary urban infrastructure particularly in the country's principal cities; the vitality and role of informal housing; the high cost and poorly functioning land market; and an inefficient, weak and inappropriate GOE response to the urban crisis.

1.16 Urban areas will need to become more efficient producers of goods and provide necessary basic services for their populations without jeopardizing the rural agricultural areas in the country. Urbanization which takes place has to be diverted to non-fertile desert lands around cities wherever possible. Our urban strategy recognizes that our resources are limited and that we cannot successfully mount additional urban strategies outside of the Cairo/Alexandria region. Consequently, our strategy deals with main-line infrastructure, land and land development, the urban living environment, and small scale enterprise activity in Cairo and Alexandria. Beside these activities we are engaged in a diverse package of other activities related to separate goals and justified on separate grounds which deserve mentioning since they also impact on urban areas.

1.17 We are supporting major main-line water and sewerage infrastructure investments in both Cairo and Alexandria. Our efforts will also help rehabilitate, modernize and develop an information base to

expand the water and wastewater collection system and to implement alternative wastewater disposal solutions in unsewered areas. This type of activity will lay the basis to assist both Cairo and Alexandria to become more efficient and productive engines for economic growth, for job creation and to provide necessary social infrastructure for its citizens. Importantly, the provision of water and wastewater facilities to unsewered areas and to informal housing areas raises the potential for extensive upgrading in these areas. In addition, under main-line infrastructure investment, we have the option of limited support, especially in Cairo, for increasing the efficiency of the road transportation system by providing select overpasses, street-widening, and road surface improvements.

1.18 Our urban strategy recognizes the present vitality of the informal sector and the need to avoid "over bureaucratizing" the land assembly process. Nevertheless, it also recognizes that the availability, costs and suitability of land are often hinderances to sound urbanization practice. Our strategy, therefore, seeks to devise some means to support private sector development activities away from agricultural lands to non-productive desert lands.

1.19 The third aspect of our strategy focuses on the urban environment, particularly on low and low-moderate income informal neighborhoods. Under our urban environmental umbrella of activities we are concerned with three elements: (1) improving the quality of the existing housing stock through home improvement loans, especially for room additions and vertical expansions; (2) extending and improving neighborhood water, sanitary water and other basic infrastructure facilities by the coordination and consolidation of our public fountains, metered water and Neighborhood Urban Services Projects with our main-line infrastructure support activities; and (3) expanding the economic vitality of target low and low-moderate income neighborhoods through the Small Scale Enterprise (SSE) program.

1.20 AID recognizes that its urban strategy is a process which needs to be coordinated with its other urban investments related to separate strategies, i.e., in industry, employment, health and population. It also recognizes that acting alone, its ability to fundamentally effect necessary changes in the direction of urban growth, in development standards, and in area upgrading are very limited. It needs to influence the GOE and other lender institutions to act accordingly and to use the National Urban Policy Study as a filter to assure that national investments are in conformance with a sound urban development strategy.

1.21 In addition, although our strategy is focused on Cairo and Alexandria, we are supporting other urban-related activities: main-line infrastructure investments in the Canal cities, and institutional support

under our decentralization portfolio in Cairo, Alexandria and in three provincial cities.

1.22 Furthermore, we recognize that our National Urban Policy Study has raised a number of issues which are not specifically addressed in our strategy, such as the need for national comprehensive urban and regional planning and investment activities and growth management practice for major cities in the Delta area. These issues are not amenable to short-term solutions. A longer-term view must be developed. However, we are willing to further support our present findings through a limited number of additional studies if requested by the GOE. We may also consider the development of a RAPID type urban policy presentation module which would facilitate a wider dialogue, dissemination of information, and review and debate of specific issues facing Egypt, i.e., new lands vs. old lands, the interface between urban and rural policies, and growth management in the Delta area.

PART II THE SETTING

A. Urban Population Growth

2.01 Urban^{1/} growth in Egypt is a function of four processes: 1) natural increase; 2) rural to urban migration; 3) change in administrative classifications of settlements from rural to urban; and 4) changes to existing city boundaries. The largest proportion of Egypt's urban growth is a result of natural increase (approximately two-thirds during 1966-76 period) followed by rural to urban migration (accounting for approximately one-third of urban growth). Changes due to administrative considerations and changes due to existing city boundaries are of much less importance.

2.02 One of the greatest challenges facing Egypt is controlling its high fertility rate. More than 43% of the total population is under 15 years of age; the number of children ever born alive to married women has reached 6.36 children compared to only 1.93 in West Germany, 2.2 in the U.S.A., and 2.8 in Japan. The increase in birth rates per thousand over the past 12-year period, has resulted in a sharp climb in the country's total population as shown in Table 1.1, Birth, Death and Natural Increase Rates Per Thousand Population. The high birth rate has an immense impact on the levels of urbanization and puts great strain on existing urban areas. It also has a considerable impact on the shape of urban policy and on the feasibility of its implementation.

2.03 In 1907, the country's urban population was only 19%. By 1947 it rose to 33% urban, and by 1976 it stood at 44%. As of April 1980, Egypt contained 42 million inhabitants, a growth in population of approximately one million persons over the ten-month period February 1979 to April 1980. The Cairo governorate contained over five and one-half million persons as of April 1980 -- 13.1% of the actual population of the country. And the urban zone of Greater Cairo which includes all kisms of Cairo city and Giza city, Bandar Shoubra El Kheima, and all the villages of Markaz El Giza, contained almost seven and one-half million persons -- 18% of the total population of the country.

2.04 In the year 2000, Egypt's urban population is conservatively projected to reach 55 percent of the country's total population. This will mean that 37 million inhabitants, almost the entire population of the present country, will live in urban places. Yet, despite the continued decline in the rate of population growth in rural areas, these areas will nevertheless experience an absolute increase in numbers. Rural areas will gain over seven million persons over the next two decades, placing great pressure on a very limited cultivable land base. Table 2.2 illustrates changes in urban and rural populations in Egypt for the census years 1907 to 1976. (Also see Appendix A, Tables A-1 and A-2.)

TABLE 2.1

Birth, Death and Natural Increase Rates Per Thousand
Population 1952-1979, Egypt

<u>Year</u>	<u>Birth Rates</u>	<u>Death Rates</u>	<u>Rate of Natural Increase</u>
1952	45.2	17.8	27.4
1960	43.1	16.9	26.2
1961	44.1	15.8	28.3
1962	41.5	17.9	23.6
1963	43.0	15.5	27.5
1964	42.3	15.7	26.6
1965	41.7	14.1	27.6
1966	41.2	15.9	25.3
1967	39.2	14.2	25.0
1968	38.2	16.1	22.1
1969	37.0	14.5	22.5
1970	35.1	15.1	20.0
1971	35.1	13.2	21.9
1972	34.4	14.5	19.9
1973	35.7	13.1	22.6
1974	35.7	12.7	23.0
1975	36.0	12.1	23.9
1976	36.4	11.7	24.7
1977	37.3	11.8	25.5
1978*	38.6	10.6	28.0
1979*	40.9	11.0	29.9

Rate of natural increase is the difference between annual numbers of births and deaths divided by the estimated mid-year population, or the difference between birth and death rates.

*Preliminary Figures.

Source: CAPMAS, April 3, 1980, Table 7.

2.05 There is little question that Egypt's urban population problem is an obstacle to social and economic progress; it severely taxes existing economic and social systems to equitably provide for all citizens. And the poor, lacking in education, skills and resources are most severely affected. Urban labor force over the past decade has grown 4.4% whereas urban employment has only grown by 3.3%. Nevertheless, urban growth problems have to be cast in the broader context of the country's overall rate of population growth. Programs directed at family planning at the village level are vital and are as significant as urban area family planning programs. Moreover, urban policy should be based on more than the provision of additional urban services, and on attempts to redirect population from the most highly urbanized to the lower urbanized areas. In the long run, urban policy needs to be based on programs aimed at curbing the high fertility rates in Egypt.

B. Migration Patterns

2.06 The second most important factor in the high rate of urban growth is rural to urban migration. The significant difference in the growth rates between urban and rural areas over the past several decades is more a result of internal migration patterns than to any great differences in natural growth rates.^{2/} It should be noted that the average annual urban growth and national growth rate within the period 1966-76 declined from previous highs as shown in Table 1.2. These reductions are attributable to several factors, the wars in 1967 and 1973 and resulting casualties, and an increase of emigration rates.

2.07 According to the CAPMAS internal migration survey conducted in 1979, 74.4% of all migrants were migrants to urban centers while migrants to rural areas represented 25.3% of the sample.^{3/} Nevertheless, of the total proportion of migrants surveyed, 27.6% moved from urban to urban, 37.6% from rural to urban, 29% from rural to rural; and only 5% from urban to rural. Consequently, although the largest flow of migrants is from rural to urban place, substantial intra-area movements occur from urban to urban and from rural to rural. The hypothesis is rural populations generally move to small urban areas and urban populations move to larger urban centers.

2.08 More than one-third of the Cairo region's population growth during 1966-76 was due to net migration (Cairo city, urban Giza Governorate and urban Qalyubia Governorate). However, Cairo city proper, registered the lowest rate of growth, only 6%, of all Egyptian governorates, due to net migration. The only exception to this was the Governorate of Souhag. (See Appendix A, Table A-3) Cairo city experienced two opposite flows of migration; during the period 1971-76, 239,000 people moved into Cairo and 71,000 people moved from Cairo to Alexandria, Suez, Port Said and Ismailia. However, the growth of urban areas in Egypt between 1960-76 has been neither even nor constant. Only the Governorates of Sharkia, Qalubia, Menoufia, Giza and Qena have shown constant increases in their percentage of total urban populations during this time period. And only the Giza Governorate has been experiencing very high rates of increases over time. (See Appendix A, Table A.4)

TABLE 2.2

POPULATION IN URBAN & RURAL AREAS
IN EGYPT IN CENSUS YEARS 1907 - 1976

<u>Years</u>	<u>Urban Population</u>	<u>%</u>	<u>Average Annual Rate of Increase</u>	<u>Rural Population</u>	<u>%</u>	<u>Average Annual Rate of Increase</u>	<u>Total Population</u>	<u>Average Annual Rate of Increase</u>
1907	2,125,000	19		9,059,000	81		11,183,000	
1917	2,640,600	21	2.20	10,029,700	79	1.02	12,670,300	1.26
1927	3,715,840	26	3.48	10,367,436	74	0.33	14,013,276	1.01
1937	4,382,083	28	1.66	11,429,001	72	0.98	15,811,084	1.21
1947	6,202,316	33	3.53	12,603,510	67	0.98	18,805,826	1.76
1960	9,651,097	37	3.46	16,120,368	63	1.91	25,771,465	2.45
1966	12,036,787	40	3.75	17,687,212	60	1.56	29,724,099	2.41
1976*	16,036,403	44	2.91	20,489,801	56	1.53	36,626,204	2.11

*Excluding those outside the country and in the occupied zone on the census date.

SOURCE: (1) CAPMAS, Population & Development, Cairo: Sept. 1978, p. 159

(2) CAPMAS, General Population & Housing Census 1976, Vol. 1,
Cairo: Sept. 1978, pp. 36-38

(3) Average Annual Rates of increase are estimated exponentially.

As reported in Egypt: Urban Growth and Urban Data Report, National Urban
Policy Study, Dec. 1981

2.09 Migrants tend to move to urban areas which offer the promise of employment and which provide higher levels of infrastructure. There is little question that life in the major urban complexes of Cairo and Alexandria is markedly superior, offering excitement and amenities, found in few other areas of Egypt. Findings to date indicate that migrants to Cairo and Alexandria are concentrated in the young age groups, 15-29 years of age, thus increasing the number of persons in the labor force and in the reproductive ages in urban areas. Moreover, migrants tend to be in either highly selective or highly non-selective categories; i.e., with secondary educations or better, or illiterates (See Appendix A, Table A-5). The occupational structure of recent migrants to Cairo and Alexandria has only slightly higher concentrations in top managerial and professional occupations than the receiving populations in both cities. Consequently, since migration is selective, it affects the structure of receiving populations; it increases the proportion of the young and the illiterate, the unskilled and those in informal service occupations.

C. Population Densities

2.10 Population counts give us some understanding of the character and levels of services in the urban areas of LDCs. However, population densities -- persons per inhabited square kilometer -- is generally considered a better judge of the quality of urban life. It is generally assumed that an inverse relationship exists between population density and quality of life, especially above certain threshold levels. This hypothesis, often untested, relates density increases with congestion, a lowering of urban services, and the concomitant lowering in the quality of urban life. Needless to say, the actual relationships among these variables is often much more complex and deserves a more thorough analysis.^{4/} Nonetheless, there are urban areas in Egypt having alarmingly high rates of population density which are also greatly deficient in needed infrastructure and suffer from high urban congestion and pollution. Consequently, some understanding of urban population densities is warranted. While it is difficult to develop exact population density trend lines for all governorates -- boundaries have changed over time -- it is known that the major urban centers in the country, particularly Cairo and Alexandria, continue to grow in population and density. The only exception to this rule appears to be the Canal cities which experienced a dramatic drop in population during and after the hostilities of 1973.

2.11 The Cairo Governorate has experienced a dramatic density change over the past 53 years growing from less than 7,000 persons/km² in 1927 to approximately 26,000 persons/km² in 1980, about twice the density of New York City. However, the most remarkable increase in densities occurred during the ten-year period 1966-76 in which over 400 persons/km² were added on the average per year. (See Appendix A, Table A-7)

2.12 Examinations of Cairo's density counts at the governorate level obscures significant differences which exist at the kism or administrative district level. Although high density levels are experienced in many of the older areas of Cairo, great variations exist. Kism Kasr El Nil has under 7,000 persons/km², and Kism Rod El Farag has over 109,000 persons/km². (See Appendix A, Table A-8 for a breakdown of the total population and the population densities in each kism in Cairo as of April 1980.) Areas of high population concentration tend to have high inflows of migrants, contain considerable proportions of "informal housing", low levels of public service and infrastructure, and generally have low living costs.

2.13 Areas of high densities generally ring the inner city of Cairo and present living environments not very dissimilar to the types of environments which many migrants experienced in other governorates before coming to live in Cairo. The physical conditions in these areas largely support the accepted premise that high urban densities correlate with low public service. The lowest density levels are to be found in the kisms of Maadi, Heliopolis, Mataria and Kasr El Nil. The Alexandria Governorate has one of the most crowded kisms in the country; El Goumrok with a density of more than 144,000 persons/km² is even higher than the Rod El Farag Kism of Cairo with 109,000 persons/km².

2.14 Corrective public policy decisions can have a substantial impact on lessening problems related to increased urban densities. The quality of life depends on the total level of services provided to include: housing, infrastructure, health, education, employment opportunities, and sanitation. Moreover, density levels on a neighborhood or block level -- particularly crowding or persons per room -- may be more directly related to questions of quality of life than governorate densities, per se. Therefore, urban policy should not be based upon an apriori "correct" level of urban density. Rather, it should be cast in terms of a better understanding of the relationships between densities and the total quality of urban life, including the costs and benefits of available options.

D. Urban Services

2.15 Urban areas provide innumerable goods and services. Some may be considered essential -- education, basic health, nutrition, water, sanitation, and shelter -- needed by all regardless of income or socio-economic class. Many of these goods and services can be quantified to determine just how well populations are served in different urban environments, and what differences exist in level of services between urban and rural areas.

2.16 The urban areas in Egypt have progressed steadily in terms of percentages of populations connected to electricity, water and sewerage. Based upon 1976 data, the major cities of Cairo and Alexandria indicate 80% and 89%, respectively, of their populations connected to water

systems, and 52 and 54%, respectively, connected to sewerage systems. Cities in rural governorates tend to have much lower rates of populations served by either water or sewerage, i.e., Luxor, Aswan and Qena; a few of the Delta cities, Damietta and Mansoura, tend to have higher rates of populations served by both water and sewer. Nevertheless, even in Cairo and Alexandria, large segments of the population have limited access to either water or sewerage. In Shoubra El Kheima in Cairo, less than 30% of the families are connected to water systems.

2.17 One of the major issues of urban policy is the high cost of financing the maintenance and expansion of water and sewerage systems for existing cities and developing initial systems in new communities. Financing problems relate to inadequate tariff rate structures, which are not realistically set to cover initial installation of the systems nor maintenance and operating charges. In 1980, the projected operating income for the Greater Cairo/Helwan Water Utility was 59% of its total operating expense. Consequently, all expansion costs to the system had to be met by central government subsidies. The total operating and interest expenses of the utility were 2.4 times its total revenues.^{5/} This pattern, to a greater or lesser extent, exists in other cities in the country. In order to reduce the subsidy requirements of the utilities, substantial increases in investment in plant and equipment are required. And operating and maintenance expenditures must be met thru user changes.

2.18 Information on the costs of investment in provincial water systems indicates that approximately 50% of urban provincial populations are served by household connections. The remaining percentage is served by standpipes, and only modest increases in the provincial water supply systems are projected. Table 2.3 below indicates the huge total capital requirements for water and sewerage systems in the country's larger urban areas including four provincial cities. (See Annex A, Table A-9, for Cost Recovery for various urban infrastructure services.)

2.19 Education, basic health and nutrition services are provided in urban areas at generally higher per capita rates than in rural areas. The costs are generally greater in the larger urban areas than in smaller centers. It should be noted that each of the essential goods and services is closely interrelated to one another. The effectiveness of expenditures in health are linked to improvements in nutrition, water, sanitation, and shelter and vice versa. In some instances, improvements in one sector without corresponding improvements in others can be counterproductive. For example, the installation of a water supply system without adequate drainage can spread disease through the prevalence of stagnant water.

TABLE 2.3

Total Capital Requirements - Water and Sewerage Systems

<u>Settlement</u>	<u>Water (L.E. Millions)</u>	<u>Sewerage (L.E. Millions)</u>	<u>Total (L.E. Millions)</u>
Greater Cairo/Helwan	680.2	1,060.8	1,741.0
Alexandria	115.1	1,353.3	1,468.4
Port Said	67.7	83.8	151.0
Suez	148.3	161.6	309.9
Ismailia	79.6	130.1	209.7
Provincial Cities**	<u>1,436.0</u>	<u>1,000.0</u>	<u>2,436.0</u>
Totals	2,526.9	3,789.6	6,316.5

Source: As reported in PADCO, Inc., Urban Development Standards, op. cit. p. 70 from "Management and Tariff Studies Relative to Water/Sewerage Systems. Water Utility Tariffs." Volume I, Final Report and Sewerage Utility Tariffs. Volume II, Final Report, and "Provincial Water Supplies Project." Volume I, Binnie and Taylor and Partners, 1979.

These total capital expenditures do not include provisions for inflation.

** Provincial cities include cities of Beheira, Kafr el Sheikh, Fayoum, and Sharquiya.

2.20 Given the close interrelatedness of the package of urban goods and services, the question of setting priorities among these elements arises. Understandably, all basic needs cannot be met simultaneously. Key sectors which affect the quality of life of the urban poor need to be identified. And strategies for maximizing the use of limited government resources have to be developed. A recent cross-country statistical analysis by the IBRD^{6/} suggests a strong relationship between education (literacy rates) and life expectancy at birth. And while nutrition and health care are important variables related to life expectancy, they do not show as strong a relationship to life expectancy as do literacy rates, particularly female literacy rates.

2.21 Evidence from the IBRD country studies indicates that improvements in education, nutrition and health, significantly reduce the need to make large investments in shelter, water supply and sanitation; better educated and better fed peoples tend to make up for other infrastructure deficiencies. In many instances, basic needs which have remained unmet, are not due to insufficient public expenditures on them; rather insufficiency is due to poor socio/economic targeting. In Egypt, only 44% of the population is literate, yet the country spends 10% of its GDP on education. The primary school enrollment in the country is estimated at only 72%, whereas 92% is the average enrollment for all countries in the income groups to which Egypt belongs. The public sector policy of guaranteeing employment to university and Technical School graduates has increased demand for this level of education and has led to major deficiencies at the basic educational level. This has meant increases in both the highly educated and illiterate portions of the labor force.

2.22 Emphasis on social expenditures in developing countries has not always been directly related to the provision of basic needs for low income groups. While it is important to reallocate resources from higher to lower levels of education and from curative to preventive medicine, it is also important to develop strategies for the allocation of resources between urban and rural areas in order to achieve rational allocation of expenditures.

2.23 Very little has been written on urban disparities in Egypt. Indices should be developed which would rank the governorates, as well as urban areas, on how adequately they meet the basic needs of health, education, nutrition, and shelter for various income groups.^{7/} Information is also needed on income distribution, cost of living differences, and employment figures in the country's urban areas. During the 1971-80 period the urban sector provided 3 out of 4 new jobs. However, the urban unemployment rate of 7.7% is more than 2-1/2 times the rural rate with female unemployment registering almost 4 times the male urban unemployment rate. In addition, the stock of redundant, underemployed urban work force in public and informal sectors is perhaps many times larger than the figures reported as open unemployment. (See

CDSS Annex, Employment Policy and Strategy, for a further discussion on employment issues in Egypt.) The provision of shelter is a very important ingredient in the total basic urban needs package in Egypt.

2.24 Government policies are important contributors to urban disparities. Since Cairo and Alexandria get the major share of national investments per capita, the disparities between these areas and other municipalities continue to grow. Moreover, most of the government institutions and public sector enterprises are centralized in Cairo and Alexandria. Consequently, government policy aimed at decentralization must consider many of the policies which effect decisions as to where people live.

3. Housing

2.25 According to the 1976 Housing Census, there were 3.586 million urban dwelling units in Egypt in 1.5 million buildings.^{8/} Approximately 3.213 million urban households occupied these dwellings at an average of 4.6 persons and 2.45 rooms per dwelling unit.

2.26 Between 1966-76, 1.07 million dwelling units were added to the housing stock which equaled an average annual growth rate of 3.8%. This well exceeded the urban population growth rates in the country of 2.9% during this same time period. The only exceptions to this were in the three governorates of Beheria, Giza and Red Sea. In these Governorates population increases, i.e., in Kafra El Dawar and Damanhour in the Beheria Governorate and in Giza City, exceeded the number of additions to the housing stock. (See Table 2.4)

2.27 Significantly, in both Cairo and Alexandria, the rates of additions to the housing stock also exceeded population growth rates. Much of this excess was due to the informal housing sector operating without access to long-term financing and to subsidized building materials. Moreover, during the past five years, the Cairo housing stock expanded at a rate of 5.9% per year, a full two percentage points above the estimated rate of population growth in the governorate.

2.28 Consequently, it is difficult to speak of an urban housing shortage simply in terms of number of housing units. In cities having 1976 populations greater than 50,000, there were 1.03 dwelling units per urban household. In addition, an average 3.4% vacancy rate existed in all urban areas. This was significantly higher than in rural governorates, particularly than those in Upper Egypt. Nevertheless, the excess of urban housing stock additions over urban population increases, and the high vacancy rates, do not indicate housing conditions or livability.

2.29 Unfortunately, the housing census data do not enumerate the stock according to its age or condition. Consequently, a number of proxy measures have to be used, such as number of persons per room, number of

rooms per unit, and access to infrastructure. Urban housing in Egypt tends to be crowded, registering 1.8 persons per room. The housing stock also consists of a disproportionately high number of one-room units which has shown some improvement being reduced from 36.3% in 1964 to 20.5% in 1976. Another measure of housing adequacy, access to infrastructure, has also registered improvement. Buildings with access to electricity jumped from only 37% in 1960, to 76% in 1976; access to sewerage moved from 21 to 29% nationwide. Nevertheless, although improvements in the housing stock have been realized, the magnitude of urban populations who are still poorly housed, who live in very crowded conditions without proper access to water and sanitation, can be counted in the millions. Although, officially, the government has declared 400,000 units in Cairo as uninhabitable, it is estimated that between 1 to 1 1/2 million residents of Cairo live in substandard rooftop shacks or in the tomb cities with limited access to piped water, sewerage and electricity. (See Appendix B, for additional data on Housing Conditions and Appendix C for an outline of the Housing Delivery System in Egypt.)

2.30 Another issue affecting the housing situation is that of rent control. Controlled rents, now affecting most of the central housing market in Egypt, were first established in 1952 and amended by strict 1960 laws. Created to provide a basic need at a reasonable cost, the laws have had the unanticipated consequence of deterring the construction of rental units and increasing the inequities in the disposition of existing units. New families in particular find entry into the central market very difficult and will most likely pay more for one or two rooms than a long established resident pays for a large apartment under rent control for many years. Controlled rents may vary from as little as the equivalent of \$2 in low income neighborhoods to over \$18 per month in high income areas. Rent control is often avoided in the informal housing sector, especially in lower class neighborhoods where landlords and tenants may live in the same building or area. Rent control is also circumvented by renting furnished apartments, especially to foreigners.

2.31 Landlords also often demand "key money", a standard practice at all social and economic levels in order to avoid being locked into a very low rental rate. Although technically illegal, key money is becoming recognized as a means by which rents for newly produced housing units are able to come in line with their actual costs of production. In fact, advance rent or key money is recognized by the 1981 housing law as a way of financing owner-built housing. However, the law requires subsequent reductions in monthly rents within a stipulated time period. (See Appendix C, the Housing Delivery System, for further discussion on rent control and key money.)

Table 2.4

URBAN HOUSING DATA BY GOVERNORATE (1966-1976)

Governorate	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Urban Population Growth 1976 (1000s)	Urban Population Growth Rate (1966-1976) (%)	Total No. of Residential Buildings (1976)	Total Number of Dwelling Units (000s) (1976)	Total Number of Dwelling Units (000s) (1966)	Average Annual Growth Rate (%)	Average Number of Floors/Buildings (1976)	Average No. of Dwellings Per Building (1976)	Rate at which Growth in Dwelling Units Exceeds Population Growth Rates (6-2)
Cairo	5,084.463	1.88	273.666	1,140.216	782.254	3.8	2.42	4.17	1.9
Alexandria	2,318.700	2.56	138.815	477.262	323.722	4.0	2.32	3.44	1.4
Port Said*	262.600	-0.74	14.060	51.474	51.136	0.1	2.37	3.66	0.8
Suez*	194.645	-3.04	19.645	50.877	52.464	-0.3	1.81	2.59	(-2.8)
Damietta	142.815	2.20	21.177	38.156	27.801	3.2	1.87	1.81	1.0
Dakahlia	655.272	3.40	75.464	145.719	89.616	5.0	1.75	1.93	1.6
Sharkia	530.354	3.20	70.836	111.748	72.847	4.4	1.66	1.58	1.2
Qalyubia	681.586	6.02	68.560	149.745	72.719	7.5	1.60	2.18	1.5
Kafr El Sheik	291.859	3.20	39.467	63.766	42.051	4.3	1.51	1.62	1.1
Gharbia	766.337	2.50	84.911	168.142	105.831	4.7	1.82	1.98	2.2
Menoufia	336.691	3.50	52.765	79.477	50.597	4.6	1.42	1.56	1.1
Beheira	653.458	6.30	72.686	119.860	83.058	3.7	1.47	0.17	-2.6
Ismailia	174.184	-0.46	21.547	44.855	33.975	2.8	1.49	2.08	3.3
Giza	1,379.277	7.90	112.646	337.888	173.086	6.9	1.98	3.00	-1.0
Beni Suef	276.193	2.70	43.735	70.350	45.173	4.5	1.52	1.61	1.8
El Fayoum	276.428	3.30	43.877	66.896	43.919	4.3	1.49	1.53	1.0
Minia	430.830	2.40	63.068	108.007	76.085	3.6	1.51	1.71	1.2
Assiut	470.032	3.40	66.618	98.064	62.626	4.6	1.74	1.47	1.2
Sohag	396.867	1.90	51.289	86.420	73.812	1.6	1.70	1.69	-0.3
Qena	391.052	0.30	72.275	96.918	71.574	3.1	1.47	1.34	2.8
Aswan	229.657	2.30	43.010	52.258	43.248	1.9	1.19	1.22	-0.4
Red Sea	47.948	9.56	9.270	8.934	4.806	6.4	1.08	0.96	-3.2
New Valley	34.407	5.30	5.367	8.271	4.507	6.3	1.63	1.54	1.0
Matruh	51.036	6.60	9.277	1.309	4.517	9.6	1.18	1.22	3.0
Sinai	10.104	-15.74	.93	-	-	-	-	-	N.A.
TOTAL	16,086.150	2.90	1,474.091	3,478.738	2,391.424	3.8	1.85	2.36	0.9

SOURCE: 1976 Census. CAPMAS and 1966 Census (CAPMAS)

G. Current Egyptian Urban/Regional Policy

2.37 Current Egyptian urban and regional policy contains a mixture of fragmented uncoordinated approaches in response to a series of population, employment, economic and social issues. No agreed upon national urban/regional policy exists. On the one hand, there is an inter-regional strategy to decentralize from the Cairo-Alexandria region expressed in several ways: by promoting free-standing new desert towns; by the emphasis on the reconstruction of the Canal Cities; by assigning Minia and Quena as growth poles; by exploring the possibility of developing Damietta as a counterpart port city to Alexandria; and by fostering population and employment dispersal into many other areas designated under the Five Year Plan. (See Appendix E, the Five Year Plan for a description of policies and programs.) On the other hand, there is an intra-regional attempt in both the Cairo and Alexandria areas toward changing the radial concentric form of high population concentration in the center cities to a polynucleated form of dispersal within each region through the development of satellite cities.

2.38 Each of these approaches speaks to a different set of perceived needs. The decentralization or inter-regional approach addresses what the GOE considers as the most pressing issue facing Egypt today -- namely, the primacy of Cairo and the detrimental impact it believes such hyperurbanization has on the rest of the country in terms of investments, employment opportunities, equity and quality of life.

2.39 Whereas the intra-regional approach looks to the questions of urbanization and employment from a different perspective; more recognition is given to the premise that existing urban structures have economies of scale and will quite naturally grow in population and investment. And a corresponding attempt is made toward directing the growth, to a series of satellite cities within the major Cairo and Alexandria governorates -- areas which would pose a minimum threat to agricultural land loss.

2.40 Nevertheless, despite these inter- and intra-regional efforts, it is reasonable to say that the GOE does not have a coherent urban policy based upon well reasoned analysis of alternative strategies. Rather, separate and often uncoordinated responses, both explicit and implicit, are generated to a series of issues both real and perceived.

2.41 Alternative settlement configurations must necessarily deal with a host of interrelated issues, many of which have been previously stated. The population transformation which is taking place in the country, as witnessed by the large movement of people out of agriculture toward urban areas and employment opportunity, is a phenomena, which directly impacts policy strategy options. High natural fertility rates, particularly in urban areas, and a decrease in the mortality rates only add to ever increasing urban difficulties.

H. Key Actors in the Development Process

2.42 The problems involved in the urbanization process in Egypt have been presented in the preceding sections of this report. Issues have centered around high national fertility rates in both urban and rural areas, urban migration patterns, and the resulting overburdening of the existing urban infrastructure and the general urban environment. Moreover, the administrative and financial structures in which urban areas must operate place severe limitations on their abilities to meet present demands and future needs. Many urban problems have been shown to lie outside of the purview of local units to adequately resolve; several solutions necessarily rest with higher levels of decision-making at the regional and ministerial level.

2.43 Although several ministries and agencies are involved in setting national urban priorities and in the implementation of development projects, no single agency is entrusted with overall coordination. Decision-making is fragmented across the areas of (a) planning and finance, and (b) development.

a. The Ministry of Planning is charged with integrating the various sectorial plans and producing a comprehensive national plan. The Ministry of Finance plays a dominant role in determining the structure, priorities, and amounts of centrally controlled funding to be allocated to various ministries and to local units of government. Added support has recently been given for integrating the planning and financing process by linking the Ministries of Planning, Finance, Economy and Investments and International Cooperation under a single Deputy Prime Minister.

b. The Ministry of Development has recently been restructured to include the former Ministry of Development and New Communities with the Ministry of Land Reclamation and Ministry of Housing. This new Ministry has a highly influential role in setting national urban priorities in the housing, new communities, infrastructure and land development fields. (See Appendix F, Urban Regional Development Decision Making, for a more comprehensive review and analysis of key actors in the development process in Egypt.)

PART III ANALYSIS

A. Regional Development Issues and Recommendations

3.01 In order to provide the GOE with a full analysis of urbanization problems and to point out directions for needed urban policy, USAID has sponsored a National Urban Policy Study (NUPS). The basic objectives of the study are to research and analyze Egypt's past and present urbanization patterns; formulate and evaluate alternative urban development strategies; and recommend policies to guide and manage urban growth throughout the country. To date, NUPS has developed an extensive catalog of issues and recommendations on national urban policy. Its major findings can be summarized as follows:

3.02 1. Issues:

a. Concentrated settlement systems are generally more effective producers of national and regional growth than dispersed systems, especially during periods of rapid economic development. Dispersed systems are more costly to initiate and maintain (housing and infrastructure, personnel and management costs). Empirical estimates of alternative spatial strategies presented in the study indicate that the costs for both job creation and infrastructure in Egypt are likely to be about one and a third times as much in a strategy of dispersion than in a strategy which concentrates investment in places with established economic potential.

b. Urban population will continue to grow at rates above the national rate of population growth, resulting in substantial increases in the demand for urban jobs, housing, and services.

c. If high rates of economic growth are to be maintained, substantial increases in the portion of the growth allocated to investment (rather than current consumption) will be necessary to finance job creation and needed infrastructure investment.

d. If a 7% annual rate of economic growth is achieved, thru domestic saving plus foreign assistance, the total investment pool would amount to about 125 billion L.E. between 1986 and 2000. NUP's least cost estimate for investment in job creation and infrastructure for only the 38 largest cities is more than four-fifths of this total. (The cost estimate for the most dispersed strategy is over 5 billion L.E. more than the total investment pool.)

3.03 2. Recommendations: The GOE will have to carefully consider the following:

a. Unless the GOE adopts feasible strategies regarding spatial emphases and sectorial policies, substantial deterioration in the level of services and well-being of the bulk of the urban population will

result due to limitations in the resources of government, low savings levels and the lack of charging for services provided. In particular, more rapid and uncontrolled growth will take place in Cairo, and a waste of scarce national resources will result.

b. It is not feasible to attempt to simultaneously upgrade all existing urban settlements, develop extensive industrial bases in all of the largest cities, substantially expand urban places in remote areas, and build free-standing New Cities as currently planned. Priority should be given to program choices and spatial locations for investment where economic efficiency can be demonstrated.

c. Industrial investment policies and sectorial policies for housing and infrastructure should be based upon the principle of conserving the amount of public investment required. Priority should be given to encouragement of private investment in both job creation and housing.

d. The standards of housing and service packages need to be selected to reflect both spatial targeting and greater affordability within urban areas. The development of standards for housing and infrastructure is needed that are affordable by a broader portion of the urban population. Increased efforts are also needed to recover public investment outlays from the recipients of publicly supported housing and services.

3.04 3. Regional Spatial Development Issues: (For a more detailed analysis of Regional Development Issues, see Appendix G.)

a. The Cairo Region has the greatest potential for continued high rates of growth over the next several decades. It also poses some of the greatest problems in the country. The Region suffers from decaying infrastructure. Its road networks are insufficient and poorly maintained, its water, sewer and solid waste disposal systems are either overtaxed or non-existent and there is an acute lack of local finances to support major maintenance and clean-up activities. Given the myriad of problems facing the Region, the highest priority should be given to:

- 1) Encouraging more dense development in peripheral, relatively low density kisms;
- 2) Provision of fringe sites for low income residential development to encourage the deconcentration of highly dense core kisms;
- 3) Development of several close-in settlements (such as 6 October and El Obour); and
- 4) Consider stretching the timeframe for further development in 10th of Ramadan and Sadat City to permit investment

allocations to be directed to priority developments cited above and possible restructuring of new city development plans to serve a broader range of population than can now be served at affordable service levels.

b. The Alexandria Metropolitan Region should be encouraged to grow (through increased industrial and infrastructure investment) as the major urban competitor to Cairo. Most new growth in Alexandria is occurring on cultivated land to the southwest (Ramleh, Montaza, Kafr El Dawr), and considerable haphazard development has occurred southwest across the governorate boundaries. The currently established governorate boundaries of Alexandria, Beheria and Matruh present difficulties for the proper planning and administration of the Region. Growth should be planned for and managed as a single metropolitan region although the current urban area is in three separate governorates. The major policy issue is defining and controlling the directions of growth since feasible growth directions are on old agricultural land.

c. A policy of selective decentralization over the next 15-20 years is recommended for Suez and two to three Upper Egypt areas -- Qena-Naga Hamadi, Aswan and Assiut -- rather than special decentralization efforts spread over many places. A major push in Suez city can lead to the development of a large urban competitor to Cairo and Alexandria, enhance the growth prospects of the Canal Region, and build a base for subsequent growth in Sinai and along the Red Sea coast.

d. Special emphasis on Qena-Naga Hamadi can take advantage of recent major investments in industry in Naga Hamadi and enhance future growth prospects in the Western Desert and the Red Sea coast. The major difficulty will be generation of a larger economic base to attract population and the construction and maintenance of the infrastructure to serve them in the Qena-Naga Hamadi corridor.

e. Aswan and Assiut are reasonable choices on locational grounds for special emphasis -- Aswan as the southern anchor of the settlement system and Assiut as a key anchor to the development of the middle portion of the Upper Nile Valley. The development of an expanded economic base at reasonable cost is the major concern in these cities.

f. The Delta poses a major challenge for urban policy and its integration with rural policy. The Delta has sufficiently strong economic advantages to attract substantial investment in industry. Unless such economic growth is carefully managed, Delta cities will increasingly spill over into high yield agricultural land. Special emphasis should be placed on Tanta and Mansoura as test cases for the development of growth management strategies and increased consolidation of regional service functions for smaller urban places, villages, and farms in the Delta Region.

g. The Remote Areas present limited opportunities for growth and development. During the next 10 to 15 years only carefully

designed and experimental urban development activities with high economic payoffs or significant learning potential should be undertaken.

B. New Towns

3.05 Location - Worldwide experience has demonstrated that new urban centers must reach a critical mass of at least 50,000 or more population to attract private industry and secondary and service jobs. Consequently, new centers must be near existing sources of employment in order to attract such employment. The only exceptions appear to be free-standing new towns which are designed as government capitals (Brasilia) or have large port trading facilities or another major economic base. Neither Tenth of Ramadan, Sadat City, nor New America have any of these features. They are located too far from existing centers of Cairo and/or Alexandria to attract major industrial development within the next 20 years. However, the satellite cities of 15th of May, 6th of October and El Obour are located more favorably to Cairo to attract industries and residential population.

3.06 Size - There are many problems associated with attempting to create large urban centers of over 100,000 population in Egypt. Experience has indicated that Egyptian cities do not tend to grow rapidly unless major government investments are made. Only Giza, connected to the Cairo region, has been able to maintain a growth rate over 10% per annum for more than 15 years. However, growth rates of from 26% to 33% per annum for the next 20 years are required for most of the new towns to reach target populations.

3.07 More optimistic projections would indicate a 10% growth rate per annum average as the highest sustainable rate for the new towns. This means that, at best, only 15th of May would reach its year 2000 population target of 150,000. The Tenth of Ramadan and Sadat City would fall far short of reaching their targeted populations of one-half million inhabitants each. The Tenth of Ramadan would reach approximately 20% of its planned population; Sadat City would reach only 16% by the year 2000. New Ameriya would reach approximately 20% of its targeted year 2000 population of 390,000, and 6th of October 23% of a 350,000 targeted year 2000 population.

3.08 Costs and Standards of Development - The costs and standards for development of new towns are high. It is estimated that the cost for the completion of Sadat City, Tenth of Ramadan and the 15th of May is L.E. 3,600 million. The number of populations to be served is relatively small for the needed amounts of capital required to be invested. A combined year 2000 population for all three towns is estimated optimistically at 330,000 total. This would mean that only 2.31% of the population of the Cairo region or 4% of its projected increase will be served by these three new towns. Investments in the three towns would represent about 14% to 17.8% of the total capital investment to be allocated to the Cairo region over the next 20 years (estimated as needed

in the region by the National Urban Policy Study (NUPS). In addition, if infrastructure is installed well ahead of development, or if development plans change, a large amount of assets will be frozen without any return on investment. This is a particularly high risk situation for free-standing new towns.

3.09 Target Groups - The cost of housing in the new communities is high. None of the dwelling types is affordable to households below L.E. 1,000 per annum income at full cost recovery. And only 9 dwelling types out of 54 are affordable to households with incomes under L.E. 1,500 per annum. (Only 25% of Cairo residents have incomes over L.E. 1,500.). In the 15th of May, the least expensive unit costs over L.E. 13,000 and is affordable to households with annual incomes of L.E. 3,000. This would be affordable by only 5% of Cairo households in the absence of subsidies approaching two-thirds of development cost.

3.10 Industrial and Employment Base - Adequate infrastructure (water, telecommunications, power, transport links) and a critical mass of population are necessary to attract industry. Poor administrative practices in the Tenth of Ramadan have meant that potential investors are being turned away since the timing of the availability of industrial sites is out of phase with a planned implementation schedule. In the 15th of May, there is a problem of the scarcity of skilled construction labor, and New America must compete with existing free zone employment areas.

3.11 Development Control - Various provisions of the New Urban Communities Law (Law No. 59 of 1979), are constantly being violated. Section 8 of the law states that 100 meter reserves are needed on either side of public roads leading to a new urban community. These areas are to be reserved and under the control of the New Communities Authority. (New Ameirya has many violations along the main road to the city.)

3.12 Organization and Management - The size and complexity of the skills needed in new towns management put great strain on existing organizational capacities. It also tends to divert attention, skills, and funding away from other much needed jobs in the Cairo and Alexandria regions. As an example, the supervision of Tenth of Ramadan has been contracted out at a very high cost. (See Appendix H, New Towns, for additional analysis on New Towns in Egypt.)

C. Housing and Infrastructure

3.13 USAID has recently sponsored several studies dealing with housing, housing finance, land and infrastructure. The major issues and conclusions of these studies are summarized below. The Informal Housing Study in Cairo and Beni Suef^{9/} has indicated an extraordinarily rapid expansion of the housing stock in Cairo over the past decade and a somewhat less rapid one in Beni Suef. The great growth in the Cairo housing stock has resulted in an estimated overall vacancy rate of 5.5%

of the housing stock -- a relatively high rate. It has also meant a great verticle expansion of the Cairo housing market. (See Table 3.1 and Table 3.2 below.)

3.14 As argued earlier, the adequacy of housing finance itself, over the past several years, does not appear to have been the major issue facing the overall production of housing in Egypt. The informal sector appears to have been successful in relating housing development to household affordability. It has done this by allowing owners to add and expand to their units over time as finances permitted. Moreover, it has given owners access to land at comparatively cheaper rates without the provision of utilities and full services at the time of construction and initial occupancy. Nevertheless, some of the difficulties in the informal system of housing finance and development have to be addressed.

3.15 Although many informal areas tend to catch up to formal areas over time in the provision of infrastructure services, the adequacy of these services is never assured. Moreover, the location of new informal developments, principally on agricultural lands, and the continued pressures for example, in the Cairo region, for development to take place along a north-south axis, threatens further loss of agricultural lands. In the area of housing finance, the informal housing activities do little to expand the availability of mortgage funds for the housing field. Household savings are maintained outside the banking system and there is relatively no market control over the flow of finance into the sector. One of the prime sources of household savings, remittances of Egyptians working abroad, may have peaked. If this source of funds becomes less available, the workings of the informal housing market may be seriously affected. If on the other hand, household savings were in a banking system and there was some flexibility regarding the end use of the resources -- credit would flow into those sectors with high rates of return ensuring growth of the resources. Limited use of subsidies might be needed in areas where social housing objectives need to be met and where high rates of return cannot be assured. However, any expansion of private savings in the domestic banking system is difficult to achieve during periods of high inflation, particularly with low payments made on time and savings deposits. Furthermore, other investment options appear to be more desirable. Urban land has generally increased much more rapidly than interest paid on savings deposits.

TABLE 3.1

Estimated 1981 Vacancy Rates in Cairo
Enumeration Districts by Degree of Informality^{1/}
(percent)

<u>Estimated Percentage of Informal Housing in District</u>	<u>Vacancy Rate (%)</u>	<u>Percentage of all Vacancies in Greater Cairo (%)</u>
0-25	4.3	19.1
26-50	4.2	12.8
51-75	6.3	11.9
76-100	5.7	56.2

^{1/}Sample: Scanning survey. Vacancy rate is defined as vacant units divided by occupied units.

SOURCE: "Informal Housing in Egypt", Abt Associates, Dec. 1981.

TABLE 3.2

Changes in Buildings, Dwellings, and Floors in
Cairo Sample Enumeration Districts (1976-1981)

	<u>1976</u>	<u>1981</u>	<u>Average Annual Percentage Change</u>
Buildings	3,050	3,386	2.2%
Dwelling Units	10,047	12,986	5.9
Occupied Dwelling Units	9,902	11,823	3.9
Floors	6,381	8,299	6.0
Dwelling Units Per Floor	1.58	1.57	0.0
Floors Per Building	2.09	2.45	3.4
Dwelling Units Per Bldg.	3.30	3.84	3.3

SOURCE: "Informal Housing in Egypt", Abt Associates, Dec. 1981

3.16 The prohibition on the construction of informal housing throughout the country is seldom enforced. If an informal house is torn down by the government, owners usually rebuild it again. It is also illegal to construct housing on agricultural lands; this ruling is largely ignored. Moreover, within the Cairo governorate there is a prohibition to provide infrastructure to informal areas. However, over time, many informal areas are fully supplied with water, waste water systems, and electricity. This is done, if not under the auspices of government, then through the initiatives of the inhabitants themselves.

3.17 The Informal Housing Study developed extensive documentation. Some of its major findings are as follows:

3.18 1. Prevalence - Informal housing is the most dominant form of multi-unit construction of 5 stories or less in areas surveyed (Cairo and Beni Suef). Informal housing is built or occupied outside of the official public system, and is not governed by existing housing/building regulations. Nevertheless it is the most common form of residential construction in most of the urban places in the country. Sixty-two percent of all housing in Greater Cairo and eighty-seven percent in Beni Suef is informal. And of all units built in Cairo during the 1970-81 period, approximately eighty-four percent can be categorized as informal. In Beni Suef during this same time period, approximately ninety-one percent can be categorized informal. The payment of key money is an important ingredient in the rapid rise of informal rental housing units since landlords are able to charge tenants the true costs of housing production.

3.19 2. Provision of Infrastructure - Informal housing in Cairo and in Beni Suef is less well provided with water, waste water and garbage disposal than formal housing built with government approval. Also, informal housing areas have less schools and nurseries than formal housing at the time of construction. However, over time, informal housing areas tend to catch up with formal housing in water and sewer services. (See Appendix B, Tables B.6 and B.7.) In Cairo, recently built informal housing is of better overall construction quality than average existing formal housing units.

3.20 3. Land Availability and Cost - Most informal units are built on land converted from agricultural uses. Such land is more valuable in residential use than in agricultural use. The converted land is often poorly suited to agricultural use having been severely diminished over time by urban encroachment. Most land used for informal housing is either inherited land or bought. Squatting is unimportant as a means of acquiring land for informal housing areas. Land costs are a very important consideration for home builders. A typical building lot in Cairo (100 sq. meters) costs L.E. 7,000. There has been a tendency to reduce the size of building lots since land costs as a share of total housing costs have risen very rapidly. An informal lot in Cairo of only 88m², would cost approximately two and one-half times the cost of a "popular" dwelling of 50m² built upon it.

3.21 4. Construction Costs - Differences in construction costs in formal and informal sectors are largely a result of differences in the quality of finishing materials and amenities. Overall building costs are as follows:

"Popular" housing -- L.E. 30-50/sq. meter (informal approximately L.E. 40/sq. meter construction cost, building approx. 50 sq. meters in area)

"Average" housing -- L.E. 60-70/sq. meter

"Luxurious" housing -- L.E. 80-100/sq. meter

Total construction costs are about the same in Cairo and in Beni Suef; labor is slightly cheaper in Beni Suef but the cost of building materials is slightly more expensive.

3.22 5. Unsatisfied Demand - There is little evidence of an "unsatisfied demand" (doubling up, falling space consumption or rampant dissatisfaction with housing) for housing in Cairo and Beni Suef according to the Study. Unmet housing "needs" relate to inadequacy of infrastructure and to the inability of some households to comfortably afford housing. The Study found very little sub-letting within dwellings to persons unrelated to household members (less than 2% in Cairo). Space consumption is either increasing or has been stable since 1960. In both Cairo and Beni Suef, the overwhelming majority of households express satisfaction with both dwelling units and neighborhoods. (See Appendix B, Table B.8.)

3.23 6. Neighborhood improvements - Households in both formal and informal sectors express a willingness to spend money for neighborhood improvements -- principally upgrading of infrastructure and paving, cleaning and repair of streets. Fifty-three percent of Cairo owners believe neighborhood conditions have recently improved. (See Appendix B, Table B.9.)

3.24 7. Owning vs. Renting - Households express a clear preference for owning over renting and for public over private units primarily related to economics (most Cairo households are renters, 69%, while most Beni Suef households are owners, 74%).

3.25 8. Distribution of Incomes and Expenditures - The distributions of income are very similar among Cairo renters and owners. The median reported monthly expenditures are L.E. 83 and L.E. 92, respectively. Incomes at deciles below the median are nearly identical for the two groups. However, the incomes and expenditures of Beni Suef owners are considerably below those of renters. The median overall gross rents as a fraction of income are roughly ten percent in Cairo and nine percent in Beni Suef.

3.26 9. Construction Standards - It is possible to reduce construction costs in many instances by more careful design and by more careful material specifications. However, a continuing pressure for vertical expansion and economizing on building materials has resulted in the structural collapse of several informal housing units.

D. Housing Finance and Ability to Pay

3.27 Two methods of housing finance exist in Egypt: 1) formal sector financing relying heavily on transfer from the Central Bank, and 2) informal sector financing through household savings and remittances from workers abroad.

3.28 1. Formal sector housing finance comes under the activities of three major organizations: 1) Credit Foncier Egyptien (CFE); 2) the General Authority for Building and Housing Cooperation (GABHC); 3) and the newly established Housing and Development Bank.^{10/}

a) CFE, the largest source of mortgage credit in the private sector, borrows from the Central Bank and lends (5-15-year period) at 1.5% of the discount rate (as of late 1981, 12% per annum) for general purpose loans and 2.5% below the discount rate for economic housing loans.^{11/} During the first quarter of 1981, CFE offered 61% of its loan portfolio (approximately L.E. 173 million) to individual mortgages targeted to modest income families. However, loans often provide no more than 45% of actual construction costs.

b) The GABHC established by Presidential Decree 793 of 1977, provides subsidized loans to cooperatives throughout the country and prepares housing cooperative projects. The primary source of finance for the GABHC have been directly from the Central Bank or through Credit Foncier. The GABHC has no depositors, nor does it generate any funds internally. The unit size and loan ceilings of GABHC are reported in Table 3.3. The GABHC promotes and supervises the development of housing cooperatives and acts as a link between the ministry and the cooperative. Two types of cooperatives exist -- those which sell land after subdivision and those which sell flats to cooperative members after providing infrastructure and completing building construction. The trend is for housing cooperatives to acquire "urban fringe" lands thru governorate sale at less than market rates. Since the cooperatives pay no property tax on the land they own, they can "land bank" property while developing incrementally in accordance with market demand. Typically, each project may take up to three years to complete and the cooperatives keep approximately ten years ahead of land need demands.

Under GABHC's subsidized interest rates, households in the 40th to 50th percentiles of urban income can afford the lowest priced units. Many benefits accrue to individuals who are able to become members of a housing cooperative. Law 14 of 1981 (the most recently enacted cooperative legislation) gives members preferential access to

housing finance -- state lands are sold to cooperatives at greatly reduced rates, and the societies are exempt from most central and local government taxes and duties. Establishment of a cooperative society simply requires an initial capital of L.E. 300 and 30 members.

c) The Housing and Development Bank (HDB) began operations in 1979 with initial Central Bank loan of L.E. 80 million at 10% over 30 years. It presently is lending portions of these funds at 11% to finance construction of new towns. The remainder (L.E. 70 million) is earmarked for low income (economic) housing programs. Bank policy is to serve households with incomes ranging from L.E. 30 to 200 per month with the differences between HDB lending rate and the Central Bank rate made up through subsidies from the treasury to HDB. However, unlike the cooperatives, HDB raises some revenues by commercial and real estate loans which helps it cross-subsidize some of its residential loans.

3.29 One additional source of funds for financing housing is through sale and lease of public lands by the governorates. This activity varies considerably from governorate to governorate, based upon the availability and demand for governorate land and the capacity of the governorate to plan and administer the funds.

3.30 Formal sector housing financing has grown over the past few years, but much of this growth is directly attributable to increased lending by the Central Bank. Private sector deposits in mortgage banks account for no more than 4% of the total sources of mortgage funds. The L.E. 199 million in mortgage bank assets is matched by only L.E. 9 million in deposits by the private sector and by public authorities.

TABLE 3.3

UNIT SIZE AND LOAN CEILINGS OF GABHC

<u>UNIT TYPE</u>	<u>MAXIMUM UNIT (m²)</u>	<u>LOAN CEILING (L.E.)</u>	<u>MAXIMUM FINANCING AVAILABLE (%)</u>	<u>TERMS</u>	<u>PERCENT OF CURRENT PROGRAM (%)</u>
Economic	60	4,000	90	3% over 30 yrs	40
Moderate	120	6,000	80	3% over 30 yrs for 1st L.E. 5,000 and 5% over 25 yrs for next L.E. 1,000	60

SOURCE: Discussions with the Chairman of the Board of Directors GABHC, August and September 1980.

3.31 2. The informal sector finances the largest share of all housing produced in the country. As previously mentioned, this is done largely through worker remittances from abroad. Worker remittances entering Egypt through official channels were estimated at L.E. 1.5 billion in 1979, an increase of over 1000% since 1974. This amounts to approximately L.E. 2,100 per worker per year.

3.32 And while not all of the remittances are available for housing -- a large part is spent to finance imports of consumer goods and "luxuries" -- much of it does get back into the housing market through informal channels. Frequently, after a worker returns to Egypt, having worked in one of the Gulf countries, local contractors are hired to construct as much of a dwelling unit as finances permit. The building process itself can and often does take many years to complete as households complete different stages of a building with accumulated savings over time. (See Appendix B, Tables B-6 to B-9 for additional information on the informal sector.)

3.33 Ability to Pay - Estimated Annual Income of Urban Households - 1979, indicates that urban households in the 11 percentile have average expenditures of approximately L. E. 312. Those in the 26.6 percentile 567 L.E., and those in the 81.5 and 95.5 percentiles had average expenditures of approximately L.E. 1222 and L.E. 2256, respectively. According to 1976 CAPMAS expenditure survey, households spent between 6.5% and 10.5% of their income on housing. The lower income groups, those in the 11th household income percentile and under, pay relatively higher percentages of their income for housing than those in the higher income percentile ranges. Nevertheless, because of rent control and relatively high subsidized housing occupancy, the amount of income spent on housing for all income groups is low. More precise interpretation of this data is needed not only in terms of ability to pay, but also in terms of the types of housing demanded by the various income groups.

3.34 Over the past five years it is estimated that there has been a rise in household incomes for all income groups; the highest percentage rates have been realized by those under the 50th income percentiles. Given this fact, the relatively small amount of income spent on housing as compared to clothing and food,^{12/} it not unreasonable to assume that households may be willing to pay more for their housing, particularly if house ownership is involved. In addition, as discussed above, large amounts of workers' remittances are finding their way into the informal housing market. These sources of household savings are not necessarily reflected in estimated annual urban household incomes or expenditure patterns. Workers' remittances, largely untapped by the formal housing market, are especially significant and represent great potentials for expanding the base of the formal housing finance sector away from Central Bank sources.

3.35 Given the lack of reliable income data, a short-term policy aimed at disadvantaged groups in existing built-up urban settlements should be given immediate attention. Emphasis should be placed on those settlements which exhibit a lack of infrastructure, poor housing and inadequate space needs. A longer term program would depend on better data on household occupancy rates, information of structural condition of housing, access to infrastructure and estimates on household income and assets.

3.36 Spatial target groups would include activities in major metropolitan areas of Cairo and Alexandria including new settlement areas, infill areas and existing built areas. Other spatially targeted groups would be households living in high growth areas (Suez and Canal Cities) selected for phased decentralization, governorate capitals and the remote areas. (See Recommendations under New Towns, Informal Housing and Geographical Regions.)

3.37 Improvements in the housing finance sector of the formal housing market involve both legislative action -- changes in the banking structure -- others involve administrative procedures or internal policy changes. The development of a secondary mortgage market would appear to be a long-term banking objective. Greater private sector capital market confidence is needed first. (See Appendix I, Housing Administrative Procedures and Policy Changes, for a listing of shorter term recommendations.)

E. Land and Land Costs

3.38 The availability of land, its location and cost is a vital component of housing. The Land and Infrastructure Study for Cairo, examining the availability of buildable sites within the metropolitan area, found 26 vacant sites, totaling over 30 thousand feddans. These areas which were largely on non-agricultural desert lands could house all the population needs for metropolitan Cairo over the next 15-20 years, 6 to 8 million persons, if built at appropriate densities of from 200-300 persons per feddan.

3.39 There are many actors involved in the process of land assembly and land development in Egypt. Besides the agencies involved in the construction and development of housing, i.e., the public and private companies, ministries and governorates, and the informal sector, there are several other agencies who either own lands, or deal specifically in its development. The Ministry of Defense occupies large amounts of land (30,000 feddans) within the Cairo region. The Desert Reclamation Authority, a semi-autonomous authority, has the right to manage and sell and can also transfer land to the Ministry of Development or to a governorate for specific development purposes. The Ministry of Awkaf, a religious authority, owns extensive land tracks in Cairo. Almost half of the area of medieval Cairo is Wakf property, including vacant lots, dwelling units, shops, commercial buildings, schools and mosques. The

Ministry, under the direction of a Joint Committee composed of representatives from the Governorate and Ministry of Development, can develop, redevelop, rehabilitate, or maintain Wakf lands.

3.40 Land prices are an increasingly important component of housing costs. The Informal Housing study survey indicated that land prices in informal areas in Cairo and Beni Suef have been increasing faster than construction costs and far more rapidly than general prices at rates from 20 to above 40% annually. It is estimated that price changes in formal areas have been increasing at least as large as those reported in informal areas.

3.41 Among owners surveyed in Greater Cairo, the medium estimated sales price was L.E. 66/m². Formal land owners estimated median of L.E. 89/m². According to the Survey, land value is positively related to land designated as a building lot, to location in middle- to upper-class areas, and to land partitioned by government or through private or cooperative auspices. Once other variables are accounted for, the value of land appears largely unrelated to whether or not a lot is occupied by an informal sector household, to the presence or lack thereof of infrastructure connection, or to the availability of public transportation and community facilities.

3.42 Importantly, there appears to be a tendency to reduce the size of building lots. The average lot size of residential buildings built between 1961 and 1970 was estimated to be 120m²; in buildings built between 1961 and 1970, 100 m²; and in buildings built after 1976, 90 m². Nevertheless, the share of land cost to total building construction costs has risen over time. An informal "popular" dwelling of 50 m², in 1981, is estimated to have a construction cost of L.E. 2,000. Situated on a medium-size informal lot of 88 m², the cost of the lot based on existing land prices (L.E. 66 m²) would be two and one-half times the cost of the structure itself. Whereas the cost of the structure and land would have been on par only five years ago in the mid-1970s.

3.43 Much of the increases in land prices appear to have been affected by the growing incidence of repatriation money finding its way into the land market. The survey found that the majority of land purchases in the Greater Cairo area have relied in part on repatriations from abroad. Consequently, land purchase becomes the "safe" investment for increasing amounts of repatriation savings. And the resulting rapid rise in land costs and in vertical expansion of much of Cairo's housing stock over the past few years, can be directly timed to repatriation money.

PART IV STRATEGY

A. Urban Strategy Framework

4.01 The various studies examined in this Annex have made the following major conclusions which are pertinent to our development of an urban strategy framework:

1. Egypt is becoming predominantly urban in character, and Cairo and Alexandria will maintain and increase their dominance over the urban landscape;
2. Main-line urban infrastructure, i.e., water, sewerage, roads and transportation linkages are deteriorating, particularly in Cairo and Alexandria and necessary expansions are not keeping up with city growth;
3. Contrary to commonly held opinions, there is not an absolute deficit of housing units per se, but overcrowding, high housing costs and deteriorated or absent infrastructure are major problems especially in Cairo and Alexandria;
4. The urbanization pressures on agricultural land on the edges of cities in the Delta, the Nile Valley and around Cairo and Alexandria, are severe, and the resulting losses cannot be balanced by desert reclamation;
5. The scarcity and high cost of appropriate developable land in Cairo and Alexandria are major impediments to providing affordable housing for low and moderate income families; and
6. The GOE fails to appreciate the dynamics of the urbanization process, the major role which Cairo and Alexandria are playing and will continue to play in this process, the cost effective housing solutions which the informal private sector is playing, and the need to deal creatively with land development.

4.02 Our urban strategy takes into consideration the conclusions of our urban studies as outlined above, as well as the findings and understanding we have gained thru several of our urban project activities. Our strategy proceeds on the premise that Egypt's future will largely be an urban future. About one-third of the country's population now lives in cities of 100,000 or more. This has a profound influence on the way the country's people make their living, their needs, and the services which must be provided to them. And within a decade, half of the country's population will be officially designated as urban, living in agglomerations of 20,000 or more. Thus the goals and aspirations of Egypt's population will become increasingly tied to the fortunes and abilities of its urban areas to provide for the many and diverse needs of its people.

4.03 Urban areas will need to become more efficient producers of goods and provide necessary basic services for their populations. They will need to provide increasing levels of employment, as well as the social services of education, health, housing, transportation, and habitable living environments. However, urban areas will need to provide this package of goods and services without unduly jeopardizing the rural and agricultural areas of the country. Since over 90% of the country's population live on a little over 4% of the land base, most of which is located in the fertile Nile Valley and Delta basins, urban increases have generally meant a loss of agricultural lands. Unofficial estimates for the country put the loss of agricultural lands at 60,000 feddans per annum or 1% of the national agricultural land base.

4.04 Another important consideration in developing our urban strategy is the premise that concentrated settlement systems are more likely to conserve scarce natural resources and be more efficient producers of national and regional growth than dispersed systems. The NUPS has calculated that there is a substantial difference in the costs of alternative spatial strategies for the allocation of industry and service jobs plus intra-urban infrastructure and housing. The most costly alternative -- the most decentralized -- would cost about 30% than the most centralized alternative with the greatest concentration on the Cairo/Alexandria region. Furthermore, regardless of the overall spatial strategy which the GOE adopts, the Cairo/Alexandria region is certain to play the major role in the country's future.

4.05 By the turn of the century, the Cairo/Alexandria Region, alone, will house between 21-22 million persons. This will be approximately sixty percent of the country's entire urban population, an increase of over 14% on the 1976 figures. Thus, the success on the part of the country in meeting its urban challenge will largely depend upon its success in meeting the urban needs for infrastructure, housing, jobs, health and social services in its major cities of Cairo and Alexandria.

4.06 Together, Cairo and Alexandria already produce more goods and services, and generate more jobs than all other areas in the country combined. The Cairo Region has one of the greatest potentials for continued high rates of growth over the next few decades. It contains the country's most diversified economic base, has high relative levels of infrastructure, and the most plentiful labor supply than any other metropolitan area. The Alexandria Region is the only major competitor to Cairo. It has a diversified economic base, contains the country's major port facilities and has excellent population employment absorption potentials. Therefore, our urban strategy is based on the consideration of the overwhelming dominance of the Cairo/Alexandria Region in the present and future lives of Egypt's urban populations.

4.07 Employment is one of the major issues facing the urban future of Egypt. Will urban areas be able to provide the needed jobs for a rapidly urbanizing country? The urban sector has provided approximately three

out of every four new jobs during the 1971-80 period. Consequently, job creation will be more efficient and least costly to produce in the major urban centers of Cairo and Alexandria. However, to attract investment in employment and to make it function efficiently, a suitable urban infrastructure base is needed. This base must include power and communications; it must also include the necessary ingredients upon which a work force must depend -- living environments with sufficient water, and waste water systems, transportation, educational and health services and housing. Our strategy also recognizes the problems of urban expansion and the resulting loss of agricultural land. It attempts to assist the GOE where ever possible to direct urban growth to non-productive desert lands away from agricultural lands.

4.08 And finally, we recognize that influencing Egyptian urban policy and investment decision-making will not be easy. Fragmented decision-making and vested interests of government ministries and agencies indicate that changes will be slow to materialize. USAID can play a significant role by promoting a dialogue on significant urban issues with the GOE based upon the studies which have just been completed. Particularly, we can assist by helping the GOE recognize the cost effective role which the private informal housing sector is playing and the excessively high costs borne by government under its new town program and in meeting its general development standards. Therefore, we are ready to give further support to increase the awareness of top Egyptian leadership to the full implications of our studies. This may take the form of a RAPID -type urban policy presentation module. It may also take the form of limited additional studies on several key urban development issues raised by our studies.

4.09 Understandably, AID cannot handle all the tasks enumerated above alone. Using all of its resources, AID at best, can have only a limited impact on the processes, forces and on the problems inherent in the rapid urbanization presently taking place in the country. Consequently, our strategy is to concentrate on efforts on a few selected urban activities. Urban infrastructure is deteriorating in all major urban areas in the country. However, the extent and pervasiveness of this deterioration is most evident in Cairo and Alexandria, and necessarily affects huge numbers of the populations in each of these cities. Without a sound infrastructure base, urban areas lose their efficiency and become less attractive as sources for new job creation. The quality and productivity of a work force is also affected by poor living environments.

4.10 Hence, one of our major thrusts in Cairo and Alexandria will be to continue our efforts in mainline infrastructure support. We see this effort as one of the key aspects upon which the further elaboration of our strategy dealing with the urban living environment can be built around. Given these above considerations and premises, our urban strategy must be considered as a process which needs to constantly interact with the GOE, with other lender institutions. And in order to maximize our impact on urban environments, it must also be coordinated

with our separate industrial, employment, health and population activities. Importantly, we need to make a clear distinction between an AID urban strategy and various AID investments which affect or are affected by urban development. In the latter case, we will be continuing a large number of development activities which have a direct or indirect relationship to urban growth but which may be related to separate strategies and may necessarily be justified on separate grounds. Nevertheless, even in these cases, we are still interested in examining and in coordinating wherever possible, the urban impact of our separate activities such as in industry, decentralization and health and population. Our urban strategy for Cairo and Alexandria is outlined below under main line infrastructure, land and land development, the urban living environment, and small scale enterprise activity.

B. Urban Strategy -- Cairo/Alexandria

1. Main Line Infrastructure:

4.11 USAID is supporting major rehabilitation and modernization of the Cairo and Alexandria waste water systems. We are supporting a grant of \$129 million in Cairo to increase the conveyance capacity of the existing waste water collection system which together with GOE support of \$168 million will help to reduce surcharging and flooding at various locations in Cairo. In addition, the effort will help to develop an information base to expand the waste water collection system and to implement alternative waste water disposal solutions in unsewered areas in other parts of the city. In Alexandria we are supporting a like effort of \$182 million to defray costs of programs planned by the Egyptian government to rehabilitate and expand the sewerage system. This effort will also support expansion of the waste water collection system to other unsewered areas in the city in the future.

4.12 The main line infrastructure activities in Cairo and Alexandria will help to lay the foundation for our urban strategy. They are at the heart of providing the necessary infrastructure base which each of these major metropolitan areas need to become efficient and productive engines for economic growth. Without this main line infrastructure, the flooding problems which are already evidenced in many parts of Cairo and Alexandria will not only become worse, they will act as barriers to needed investments for job creation and will spread disease to many areas which lack sanitary wastewater disposal. Clearly, an important element of our main-line infrastructure sub-strategy recognizes that the location of water and wastewater lines in Cairo and Alexandria give spatial structure to each of these cities. Future additions to the system have the opportunity to expand into unsewered areas, particularly to the many informal areas in each city. Future expansions can also be structured away from arable lands to non-fertile desert lands, which for Cairo would attempt to redirect the growth from a north-south axis to an east-west axis.

4.13 Another aspect of our main-line infrastructure support strategy concerns urban transportation. Transportation networks interact with development. They attract development to available services and thereby either reinforce or subvert a selected urban development strategy. Most of the Egyptian networks are either so run down or non-existent that decisions center more on which mode of transport (rail vs. road) should be emphasized and how to phase investments in the face of scarce capital resources. Attention to removing "existing bottlenecks" in the major urban complexes of Cairo and Alexandria and in providing improved intra-urban linkages to support and promote growth and industrial development are key transportation needs.

4.14 As part of our main-line infrastructure support strategy, we may consider limited support for urban transportation, especially for Cairo to increase the efficiency of portions of existing roadways by providing select overpasses, street widening and road surface improvements. This type of assistance will aid other parts of the urban system. At present several portions of the city's informal areas cannot be serviced by solid waste collection; streets either do not exist in these areas or are unpassable. Increased solid waste collection would also lessen problems of solid waste dumpage into waste water systems.

2. City Growth and Land Development:

4.15 Cairo and Alexandria both suffer from structural growth problems. Concept plans for these areas developed by NUPS indicate that in the Cairo area there is a need to redirect growth from a north-south axis, as pointed out above, to an east-west orientation, away from arable land to adjacent non-fertile desert lands. There is also a need to limit further commercial and industrial expansion in the city center by providing suitable choices in adjacent satellite communities. In addition, city growth in Alexandria has not been conducted according to a clear structure plan. Most new growth in Alexandria is occurring on fertile old agricultural lands in Ramleh, Montaza, and Kafra El Dawr with considerable haphazard development occurring southwest across the governorate boundaries into Beheria and Matrouh.

4.16 The availability and cost of developable land is a major impediment in providing housing for low and moderate income families in both of these cities. In particular, the absence of a properly functioning land market forces development to take place on inappropriate poorly serviced and often on agricultural lands. In order to more fully control the urbanization process and to give it specific direction to non-productive desert lands, suitable developable sites must be made available to the private market. Between 1980 and the year 2000 the Cairo metropolitan area will need to urbanize about 6.5 square kilometers of land per year. It should be noted that the formal and informal markets have urbanized on the average about 9.6 square kilometers per year during the 1972-1978 period. Thus, while the pace of future urbanization will be able to slow

down, a redirection of growth will be important. USAID does not have project plans for any major intervention in the land markets for either Cairo or Alexandria.

4.17 At present the informal sector is providing very high rates of housing production. And a land development agency attempting to provide fully service lots to the private market could possibly only meet a very small amount of housing need, particularly in the country's principal cities. Therefore, USAID's strategy is evolving so as not to inhibit the present vitality of the informal sector. It will avoid "over-bureaucratizing" both the land assembly and housing development process while still seeking some means of providing support for the private sector development activities away from agricultural lands.

3. The Urban Environment:

4.18 An important aspect of our urban strategy emphasis in Cairo and Alexandria is in the area of the urban environment. Here we are concerned with the ability of low and low/moderate income groups to afford housing, the availability and quality of local services, particularly water and sewerage, and the economic vitality of neighborhoods. As previously mentioned, there is not an absolute national deficit of housing units. In fact, during the 1966-76 period, the overall rate of new housing units produced in the country well exceeded the population growth rate. Much of this was a result of the operation of the informal sector. Nevertheless, despite these gains, the number of populations, particularly in the country's major cities of Cairo and Alexandria, who live in crowded housing, without proper access to water and sanitation, can be counted in the hundreds of thousands.

4.19 Unfortunately, the vital role which the informal housing sector is providing in meeting the needs of low and low/moderate income groups has not to date been fully appreciated by the GOE. Few government officials recognize the role of the informal sector and are willing to admit that it far exceeds public intervention as a cost effective means of providing housing. Public resources need to be conserved and directed in such a manner so as to ensure that national objectives are met without creating undue strains on other sectors of the economy. There is a need to identify target income groups whose housing and infrastructure needs can only be met by government action and those whose needs can be met by facilitating the private sector, including the informal housing sector. For new housing, two goals need to be achieved: (1) meeting specific affordability criteria, and (2) meeting urban policy spatial objectives - developing on non-fertile desert lands away from agricultural areas. For existing neighborhoods, the multiple goals of judicious upgrading of neighborhoods by providing needed infrastructure, and by developing policy incentives to achieve higher densities in certain areas by infill and vertical expansion, need to be met.

4.20 President Hosni Mubarak has recently declared that the provision of adequate housing for all Egyptians is one of his administration's

major policy goals. It would appear that the time is now ripe for a reevaluation on the part of the GOE to the role and vitality of the informal housing sector. Our report on Informal Housing has been widely circulated to GOE officials and is receiving careful study. In addition, our housing efforts in Helwan, as mentioned previously, is undergoing a mid-term evaluation on project accomplishments and issues to date. Early readings on our Helwan project indicate that the home loan program to improve existing informal neighborhoods is meeting with a high level of success.

4.21 There appears to be much greater enthusiasm on the part of home owners to improve their units, to expand and add floors, than was even originally anticipated. It is hoped and expected that the success of the home loan program will adequately demonstrate to the GOE the feasibility of this type of effort in informal areas. In particular, it is anticipated that the loan program will indicate how informal communities can "help themselves" to improve, and how they can add needed density of occupancy and much needed rental units to the market at minimum cost to government. As a result, we are interested in exploring with the GOE possible expansion of the housing upgrading program to other areas in Cairo and in Alexandria. Emphasis would be placed on expanding the mortgage loan purchasing program to established or new financial institutions, i.e., Credit Foncier, the Housing Development Bank, and Housing Cooperatives. An important aspect of the program is land title as collateral for housing improvement loans. Therefore, an expansion of the program will need to stress the need to give land title to home owners in informal housing areas and to provide a system of local taxation through levies to home owners for neighborhood infrastructure improvements.

4.22 In the area of the provision of new housing, we view our further activities as limited to the completion of the new community in Helwan. We are particularly interested that standards for housing and infrastructure be developed more in line with recipients' ability to pay. Regretably, much of the present activity by the GOE, in new towns, public housing, and housing estates, builds at excessively high standards and represents very large public subsidies. Moreover, we believe our urban environmental program will have greater impact and will reach larger numbers of low and low/moderate income groups in Cairo and Alexandria, if we concentrate our housing activities on existing housing improvement, rather than on new construction activities. Nevertheless, we are also concerned with the cost and availability of land for new development. We wish to explore with the GOE methods by which suitable land for development may be made available to the private market for community development purposes.

4.23 The opportunities of linking our varied urban improvements programs under an overall urban environment upgrading effort offers several interesting possibilities. Our public water fountain effort in Cairo has added approximately 600 fountains to Cairo's low income areas.

In FY 1982, we are also planning a \$10 million project in Cairo to develop and test cost-effective wastewater disposal systems in low income unconnected neighborhoods. And in Alexandria we are developing a project of household metered water connections for low income areas. Together with these efforts our Neighborhood Urban Services Project in both Cairo and Alexandria, a grant of \$89 million over a five-year period, seeks to improve the urban environment for low income populations in both of these cities. While the goal of the project is to promote GOE decentralization and to expand and strengthen the institutional capabilities in Greater Cairo and Alexandria at the district level, the means of achieving the goal will be through a series of sub-projects of basic services and infrastructure upgrading in low income neighborhoods.

4.24 Consequently, there appears the possibility of consolidating our handle on these several activities together with housing upgrading in informal low income neighborhoods under an overall urban environmental upgrading umbrella of activities. All future activities in existing urban neighborhoods will carefully consider the mutually reinforcing potentials of our public fountains, metered water, NUS and housing upgrading programs and attempt to coordinate these activities wherever possible in order to strengthen our overall impact on urban environmental upgrading in both Cairo and Alexandria. One additional effort, our Small Scale Enterprise (SSE) program which seeks to identify small scale manufacturing enterprises for donor support, is another important aspect of our urban environmental upgrading strategy.

4.25 Small scale manufacturing enterprises play an important role in the Egyptian economy and in turn in the employment base of Cairo and Alexandria. They represent almost 94% of all industrial establishments in Egypt and they generate about 23% of the gross value of industrial output. Thus, the SSEs can, among other objectives, provide an excellent vehicle for providing more employment; increase capital formation; increase overall productivity; enhance the complementarity with large scale industry; develop managerial and worker skills; and encourage non-traditional exports. Because SSEs are more labor intensive than large industry, they offer greater employment opportunities per unit of invested capital. This is particularly important in the large urban centers of Cairo and Alexandria which will need to provide the major portion of urban jobs over the next few decades. SSE type of industries, if planned well, can be less polluting and less environmentally degrading than large scale heavy type of industries. Thus, they are more compatible with living environments than heavy type of industries. However, SSEs are often constrained by the lack of adequate infrastructure. Serviced industrial sites with necessary utilities are needed. The informal areas in Cairo and Alexandria could provide an excellent base for SSE activity if necessary areas are developed with adequate infrastructure. The linking of this type of activity to overall neighborhood improvement could provide the economic vitality and jobs which many low income areas desperately need. Hence, our SSE support strategy can complement our upgrading programs and be part of our total urban environmental strategy.

C. Other Urban Activities

4.26 Although AID's urban strategy is focused on Cairo and Alexandria, we have made investments in other urban areas in the country related to separate goals and justified on separate grounds. We are supporting main-line infrastructure activities in the Canal cities and urban-related institutional support under our decentralization portfolio. We are also supporting a growth management study for Tanta in the Delta under the National Urban Policy Study. We view these activities as important support for the GOE in its efforts to come to grips with national urban needs.

4.27 Settlement systems in Egypt have tended to concentrate relatively large groupings of population in the locations which offer strong economic advantages, i.e., Cairo, Alexandria, the Canal Region and the Delta. It is not only extremely difficult to make major changes in this basic settlement pattern in Egypt, it is also extremely costly. Government spatial decentralization strategies directed towards free standing new desert towns and to the remote areas in the country can, at best, only have a very limited impact on the urban needs of the country. Both South and North Upper Egypt should not be considered critical to overall national development efforts. Their importance from a GOE investment perspective should be considered very secondary. Nevertheless, according to NUPS, GOE concentrated attention to the potential of growth poles in Upper Egypt in Quena-Naga Hamadi, Aswan and Assuit, to act as counter magnets to the Cairo/Alexandria Regions is advisable. In addition, the NUPS recommends a spatial strategy of a phased, selective decentralization to the Suez Canal Zone with a major emphasis on Suez, and a growth management approach to the Delta. Although we generally concur with this approach, we realize that our resources are limited and we cannot mount any major additional urban strategy outside of the Cairo/Alexandria Region. Nevertheless, the several urban-related activities which we are supporting in some of these areas are worth noting.

1. Infrastructure Support - Canal Cities:

4.28 The Canal Cities Region, which had a population in 1976 of 603,000 persons, consists of Ismailia, Suez, and portions of Sharkiya Governorates, and the principal Canal cities of Suez, Ismailia, and Port Said. By the year 2000, an estimated 2 million persons will live in the region. And although the region does not have the economic diversity of either Cairo or Alexandria, it nevertheless presents viable alternative growth potentials. The oil industry in Suez City could support further industrial development in petrochemicals, plastics, synthetic fibers and rubber. And oil field services could give rise to steel manufacturing industries. However, serious constraints to further industrial growth are evidenced due to a lack of adequate infrastructure of water and sanitary wastewater systems. Although nearby noncultivated land suitable for development exists, adequate housing is in short

supply. Approximately one-third of the existing housing stock is inadequate, lacking water and sewerage facilities. Port Said and Ismailia also suffer from a lack of adequate infrastructure of water and sewer facilities. In Port Said, the lack of available serviced building sites limits large-scale industrial growth of the city, as well as appropriate residential expansion. Present conditions in the Canal Cities include insufficient water pressure at times of peak usage; unreliable water treatment and disinfection; inadequate water for fire demands; back-ups of sewage in buildings; overflows of sewage into streets; discharge of raw sewage into surface drains and into water bodies; and a lack of piped water service and sewers for approximately one-third of city residents.

4.29 We are presently supporting a major upgrading and expansion of the Canal Cities' water and sewerage under both loans and grants in the amount of approximately \$96 million. These projects seek to improve the living conditions of residents of the three Canal Cities by providing effective water and wastewater facilities. Future industrial development in the Canal Cities will largely depend on the level and quality of services and infrastructure which can be provided. And although our infrastructure improvement and upgrading efforts in the Canal cities are not part of a major urban strategy, the efforts should greatly improve their liveability and attractiveness and help them to some degree to serve as counter magnets to stem the accelerated growth in Cairo and Alexandria.

2. Institutional Support:

4.30 Part of AID's institutional support focus revolves around our urban decentralization portfolio of activities in Cairo and Alexandria under the NUS program, as already discussed, and under our Provincial Cities Program in Fayoum, Miniya and Beni Suef. Another part of this focus centers on the important role which we can play in promoting a dialogue with appropriate GOE entities on critical urbanization issues. On some of these issues, i.e., informal housing, as discussed above under The Urban Environment, we are prepared to develop project support. On others, such as the development standards issue and the loss of agricultural land in the Delta, we are prepared to examine the most effective methods and channels for the dissemination of the results and conclusions of the several urban studies which we have recently completed.

4.31 Increasing attention is being given by the GOE toward decentralizing public powers and functions to lower levels of government. As pointed out earlier, a number of programs and policies designed to encourage new forms of decentralized public administration have been experimented with in recent years. USAID has attempted to support GOE decentralization objectives by the development of a portfolio of activities. And although earlier efforts have been aimed at rural governorates and largely rural based activities, more recent efforts have focused on the larger markaz cities, the provincial cities and the major metropolitan areas of Cairo and Alexandria.

4.32 Three key elements are involved in the process of decentralization: 1) political decentralization (development of local needs assessments and planning); 2) financial/economic decentralization (local budget making and the raising and the management of local revenues); and 3) administrative decentralization (local management, execution, and maintenance of projects). To date, much of our efforts, both rural and urban based, have attempted to deal almost exclusively with the political and administrative aspects of decentralization. It is expected that the financial and economic issues will be handled through "popular demand" for increased local assistance and thru the demonstration of greater local ability to handle projects. However, in order to institutionalize the decentralization of decision-making and the execution and maintenance of projects at the district level, budgets will have to be decentralized. And local units of government will have to develop some form of income generation which will lessen their dependency on central units of government.

3. The Delta:

4.33 The Delta Region, as previously mentioned, presents one of the most complex development problems facing Egypt. On the one hand, it contains many of the fastest growing urban communities in the country, and on the other hand further urban expansion encroaches upon some of the country's most valuable and scarce agricultural land. And although the GOE is aware of this dilemma, it has not adequately studied the Region nor developed an effective development plan for it. Efforts to date are uncoordinated and fragmented.

4.34 The Delta Region needs to be examined comprehensively in terms of the loss of agricultural land and the need for a clearer and better enforced agricultural policy. A land registry program should be established for the Delta which would monitor over time lands held in agriculture and lands that are being converted to other uses. Under the National Urban Policy study, a structure plan for one of the Delta's major cities, Tanta, has recently been completed. This plan, which presents a growth management strategy and investment plan for the city, can be used by the GOE as a model format for undertaking similar activities in other major Delta cities. If so requested, AID may consider additional limited support for this activity.

4.35 AID is also considering means by which the NUPS present findings on the Delta receive a wide review, debate and dissemination by the government, private development, and by the academic community. This may take the form of the development of a RAPID presentation on a number of Delta issues, a series of lectures, seminars, conferences, (CAIRO U/AUC/MIT sponsored) which would attempt to bring some of the principal actors in the field together with the major issues. Examples of some issues to be considered are large scale conservation without full fee acquisition; agricultural land preservation; land accessibility; military reserve lands; and desert fringe areas for development.

PART V - Footnotes

1/According to the census definition, all settlements listed as town or 'medina', as contrasted to village or 'ezba' are considered urban. Some settlements which may be administratively and statistically defined as "urban" may sociologically and economically resemble large villages more than small urban centers. Moreover, other settlements may be administratively and statistically defined as "rural" which have more urban features than rural features. Definitional issues appear to be more pronounced for smaller urban settlements and larger rural settlements.

2/The high infant and child mortality rates of the low economic groups (high fertility rate groups) in both the urban and rural areas offsets the lower fertility rates of the middle and high urban socio-economic groups.

3/CAPMAS, Preliminary Results of Differential Internal Migration Sample Survey, 1979, pp. 9-13. S. E. Ibrahim, "Internal Migration in Egypt, A critical Review." Population and Family Planning Board: Research Office, 1980, p. 2-5

4/Increased employment opportunities may be more significantly related to higher population densities in Egypt than lower urban services. Moreover, higher densities, if adequately administered, can also provide higher cost effective levels of municipal services than many less dense areas.

5/PADCO, Inc., National Urban Policy Study, Working Paper on Urban Development Standards and Costs, Oct. 30, 1980.

6/"Poverty and Basic Needs", IBRD, Sept. 1980, p. 16.

8/One indice for measuring the quality of life is the Physical Quality of Life Indice (PQLI). This indice attempts to measure the level of physical well being of a population examining infant mortality, life expectancy and literacy rate.

8/The Egyptian census defines a dwelling unit as a flat, or an apartment of more than one room, or a one-room dwelling in buildings, mud huts, roof dwellings or in other unclassified structures.

9/The overall study was under the direction of Abt Associates. Abt was assisted for several portions of the survey work by Dames and Moore, a U.S. consulting firm, and the General Organization for Housing Building and Planning Research (GOHBPR) and by the Central Agency for Public Mobilization and Statistics (CAPMAS), both Egyptian public agencies. Three major data collection efforts were undertaken -- a scanning (enumeration) survey, a detailed occupant survey, and a series of

in-depth interviews conducted with persons involved in the supply of housing and infrastructure.

10/The Arab Land Bank entered the mortgage market in 1978. Its loan portfolio is small and is concentrated in commercial, tourism and upper-income developments.

11/CFE is able to offer mortgages below its borrowing rates through mixing some of its funds with time deposits, bonds and by developing cross subsidies.

12/The consumer price index (1966-67 base year 100) and housing index (1978) indicate a housing index of 117.2, a clothing index of 244.7, and food and beverages index of 270.6.

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APPENDIX A

POPULATION AND POPULATION CHARACTERISTICS

High rates of population growth are critical issues facing least developed countries, LDCs, which often offset advances made in their gross domestic product. Moreover, the proportions of total LDCs' populations inhabiting urban places as compared to total population gains is growing at an accelerated rate. It is estimated that by the year 2000, the LDCs will have two-fifths of their populations living in urban places, a tripling of their present populations. What is the "urban environment"? And how essentially does it differ from the "rural environment"? And what affect, if any, do differences and problems faced by urban areas in Egypt have on AID's activities, the nature of its portfolio, and the effectiveness of its programs?

The urban environment is composed of complex sets of interdependencies among persons, goods and services which tend to differ from rural environments in the nature and levels of complexities involved. Nevertheless, the spread of differences existing among "urban" areas may be as great or greater than differences between small urban communities and large rural villages. Moreover, in Egypt, the census line demarcating urban places from rural places is not strictly based upon city size, economic function, or upon the type and quality of infrastructure provided.

The 1976 Census lists 190 urban places in Egypt which range in population from relatively small cities of 50,000, to cities of several hundred thousand, to huge metropolises of several million in the case of Cairo and Alexandria. Consequently, the range of issues and problems which confront urban Egypt are often as diverse as the communities themselves. Nevertheless, some issues, such as high rates of population growth, size and density of inhabited areas, tend to be more urban problems than rural problems. Differences in Egypt in the quality and levels of urban services and the forms of local administration and finance, tend to further differentiate urban from rural areas.

Tables A-1 to A-8 provide information on population and population characteristics in Egypt.

TABLE A-1

PERCENTAGE OF URBAN POPULATION OF
THE EIGHT PLANNING REGIONS AND PERCENTAGE
OF URBAN AND RURAL POPULATION TO THE
NATIONAL RURAL & URBAN POPULATION IN 1976

<u>Region</u>	<u>% Urban to Region</u>	<u>% Urban to National Urban</u>	<u>% Rural to National Urban</u>
Cairo	77.8	44.5	9.9
Alexandria	60.9	18.2	9.1
Suez Canal	34.3	7.4	11.0
Delta	25.1	13.7	31.7
North Upper Egypt	23.0	6.2	16.1
Assuit	28.3	3.1	6.2
South Upper Egypt	24.7	6.6	15.7
Matrouh	46.0	0.3	0.3
	<hr/>	<hr/>	<hr/>
EGYPT TOTAL	43.7	100	100

SOURCE: Computed from CAPMAS, Statistical Indicators, 8 volumes
As reported in Egypt: Urban Growth and Data Report,
NUPS, Dec. 1981

TABLE A-2
PERCENTAGE OF URBAN POPULATION IN
RURAL GOVERNORATES OF EGYPT 1937-1976
AND PERCENTAGE INCREASE IN URBANIZATION
(between 1960-1976)

Governorates	1937	1947	1960	1976	% Increase 1960-1976
Damietta	25.8	26.7	25.0	24.8	- .4
Dakahlia	15.5	17.0	18.0	24.0	32.6
Sharkia	12.8	14.8	16.2	20.2	24.7
Qalubia	16.5	19.8	25.4	40.8	61.3
Kafr El Sheikh	16.5	16.8	17.0	20.7	21.8
Gharbia	20.3	25.6	28.2	33.3	18.1
Menoufia	10.9	12.4	13.6	19.7	44.8
Beheira	14.9	16.6	18.3	24.1	32.4
Ismailia	100.0	100.0	100.0	49.2	
Lower Egypt	15.5	17.9	10.6	26.4	35.7
Giza	16.2	22.0	32.5	57.0	75.9
Beni Suef	17.6	19.1	21.3	24.8	17.4
Fayoum	17.3	17.8	19.3	24.1	24.9
Minia	13.5	15.5	17.2	21.0	22.1
Assuit	17.6	20.2	21.8	27.7	30.7
Sohag	16.4	17.0	18.1	21.3	17.7
Qena	12.2	13.6	13.7	22.9	67.1
Aswan	16.7	21.0	25.5	37.9	49.2
Upper Egypt	15.6	17.7	20.6	30.5	48.0
Egypt	28.0	33.0	37.0	43.8	18.4

- Source: (1) CAPMAS, Population & Development. Cairo, Sept. 1978, p. 164.
(2) CAPMAS, General Population & Housing Census, 1976, Vol. I.
As reported in Egypt: Urban Growth and Data Report,
NUPS, Dec. 1981

TABLE A-3

Percentage of Population Growth of Urban
Areas by Governorates Caused by Net Migration
Between 1966 - 1976

<u>URBAN AREAS</u>	<u>% GROWTH BY NET MIGRATION</u>
City of Cairo	6.6)
Qaluib	59.5) 35.4
Giza	64.8)
Alexandria	24.8
Damietta	10.9
Dakahlia	35.7
Sharkia	30.4
Kafr El Sheikh	34.5
El Gharbia	24.4
El Beheira	62.9
El Menoufia	46.7
Bani Suef	30.0
Fayoum	31.9
Menia	16.2
Assuit	36.8
Souhag	losing
Kena	36.7
Aswan	12.5

SOURCE: Computed from Salem N. Labib Problems in Rural Development working paper presented to the Center for Research in Development and Planning of Technology (in Arabic) pp. 14, 16.

As reported in Egypt: Urban Growth and Data Report, NUPS, Dec. 1981

TABLE A-4
PERCENTAGE DISTRIBUTION OF TOTAL, URBAN
AND RURAL POPULATION BY GOVERNORATES 1960-1976

	% of National Population			% of Total Urban Population			% of Total Rural Population		
	1960	1966	1976	1960	1966	1976	1960	1966	1976
Cairo	13.9	14.0	13.9	34.0	35.0	31.6	—	—	—
Alexandria	5.8	6.0	6.3	15.4	14.9	14.4	—	—	—
Port Said	0.9	0.9	0.7	2.4	2.3	1.6	—	—	—
Suez	0.8	0.9	0.5	2.0	2.3	1.2	—	—	—
Damietta	1.5	1.4	1.5	0.7	0.9	0.9	1.9	1.7	2.0
Dakahlia	7.7	7.6	7.4	3.7	3.9	4.1	10.2	10.0	10.1
Sharkia	7.0	7.0	7.1	3.0	3.2	3.3	9.4	9.4	10.4
Qaluibia	3.8	4.0	4.6	2.5	3.2	4.2	4.6	4.6	4.8
Kafr El Sheikh	3.7	3.7	3.8	1.7	1.8	1.8	5.0	5.0	5.4
Charbia	6.6	6.3	6.3	4.9	5.0	4.8	7.6	7.2	7.4
Menoufia	5.2	4.8	4.7	1.8	2.0	2.1	7.2	6.8	6.7
Beheira	6.5	6.6	6.9	3.1	2.9	4.2	8.5	9.0	9.0
Ismailia	1.1	1.1	0.9	2.9	1.5	1.0	—	0.9	0.9
Giza	5.1	5.5	6.6	4.4	5.4	8.6	5.6	5.6	5.0
Beni Suef	3.3	3.0	3.0	1.8	1.7	1.7	4.2	4.0	4.0
Fayoum	3.2	3.1	3.1	1.6	1.7	1.7	4.2	4.1	4.2
Minia	6.0	5.7	5.6	2.7	2.8	2.7	8.0	7.6	7.9
Assuit	5.1	4.7	4.6	2.9	2.8	2.9	6.4	6.0	5.9
Sohag	6.1	7.6	5.2	2.9	2.8	2.5	8.0	7.5	7.4
Kena	5.2	5.0	4.6	1.9	2.3	2.4	7.2	6.6	6.4
Aswan	1.5	1.7	1.7						

TABLE A-5

EDUCATIONAL STRUCTURE OF RECENT MIGRANTS
(LESS THAN FIVE YEARS) AND TOTAL POPULATIONS
IN 1976 (10 YEARS & ABOVE)

	CAIRO		ALEXANDRIA	
	Recent Migrants %	Total Population %	Recent Migrants %	Total Population %
Illiterate	48.0	34.0	47.2	36.9
Read & Write	17.7	25.0	16.3	27.3
Primary Education	5.4	12.6	5.0	12.0
Intermediary	5.0	8.7	4.2	7.0
Secondary	16.7	12.1	19.8	10.0
2 Yrs above Secondary	0.9	0.7	0.6	0.5
Bachelor Degree	4.7	5.3	5.0	3.8
Graduate Degree	0.3	0.3	0.3	
Unspecified	1.4	1.3	1.9	2.4
TOTAL POPULATION	207,724	3,921,198	66,773	1,791,205

EDUCATIONAL STATUS AGED 15-34 BY SEX IN 1976

	CAIRO							
	15-19		20-24		25-29		30-34	
	M %	F %	M %	F %	M %	F %	M %	F %
Illiterate	30.6	65.7	20.2	60.2	29.1	62.4	29.7	65.5
Read & Write	14.7	9.7	11.4	11.6	25.5	11.4	27.1	10.8
Formal Education	53.7	22.7	67.7	27.1	44.7	24.9	42.5	21.9
Unspecified	1.1	1.9	0.8	1.1	0.7	1.3	0.7	1.8
TOTAL POPULATION	11,927	17,804	23,569	30,577	21,807	17,432	12,871	7,590

	ALEXANDRIA							
	15-19		20-24		25-29		30-34	
	M %	F %	M %	F %	M %	F %	M %	F %
Illiterate	23.9	60.9	16.5	59.1	34.3	64.8	34.4	66.6
Read & Write	10.9	7.9	9.8	10.1	27.8	9.9	27.3	9.7
Formal Education	63.4	28.8	762.8	29.2	36.9	23.4	37.2	21.7
Unspecified	1.8	2.4	1.1	1.7	1.0	1.9	1.1	2.0
TOTAL POPULATION	4,711	5,745	8,088	10,262	6,299	5,564	4,165	2,457

SOURCE: "Urbanization & Internal Migration", unpublished memo, by Sarah Loza, March 1981, prepared under contract for the National Urban Policy Study, pp. 30 and 32

TABLE A-6

Population in Each Governorate April 1980 and Population Densities 1976 and 1980 Based on Populated Areas Persons/km²

Governorate	Thousands Total	% of the Republic	% of Males to Popula- tion	Density*	
				Persons/Km ² 1976	April 1980
Cairo	5512	13.12	51.1	23737	25733
Alexandria	2514	5.98	51.0	865	938
Port Said	284	0.68	51.1	3642	3939
Suez	216	0.51	52.3	11	12
Damietta	635	1.51	50.7	946	1078
Dakahlia	3016	7.18	50.7	787	869
Sharkia	2888	6.88	51.0	627	691
Kalyubia	1873	4.46	51.6	1672	1871
Kafr El Sheikh	1557	3.71	49.8	408	453
Gharbia	2508	5.97	50.4	1181	1291
Menoufia	1883	4.48	50.7	1117	1229
Behera	2774	6.53	50.3	249	271
Ismailia	398	0.95	51.0	244	276
Giza	2697	6.42	51.0	2396	2671
Beni Suef	1229	2.93	50.4	839	930
Fayoum	1276	3.04	51.2	624	698
Minya	2298	5.47	50.8	909	1016
Assyout	1882	4.48	51.4	1108	1230
Souhag	2128	5.07	50.6	1244	1375
Kena	1883	4.48	50.4	922	1017
Aswan	681	1.62	49.8	914	1004
Red Sea	61	0.15	54.1	---	---
El Wali El Gedid	96	0.23	51.0	---	---
Matrouh	134	0.32	50.0	---	---
Sinai	162	0.39	62.3	---	---
<hr/>					
Total Population Present	40555	96.56	50.9		
Total Population Abroad	1445	3.44	50.9		
Total Population Present and Abroad		42000	100.00	50.9	

SOURCE: CAPMAS, April 3, 1980. "Statement on the Population of the Arabic Republic of Egypt," Tables 1 and 3. The CAPMAS figures projected births and deaths of the general population based on 1976 census reports. Figures include the 1.445 million Egyptians residing abroad at the time of the census.

* Note: In some instances very low densities are due to recent boundary enlargements, i.e., Alexandria Governorate.

**The area of Giza does not include the Al Baharia Oasis.

TABLE A-7Total Population and Population Densities in Cairo
in the period 1927 - 1980

	<u>1927</u>	<u>1937</u>	<u>1947</u>	<u>1960</u>	<u>1966</u>	<u>1976</u>	<u>Aug.</u> <u>1978</u>
Total Population of Cairo (in thousnds)	1071	1310	2076	3349	4220	5094	5291
Population Density in Cairo (Per/Km ²)	6584	7947	11704	15634	19594	23737	24701
Population Density in the Republic (Per/Km ²) (For Populated Area)	410	466	546	733	845	695	727

SOURCE: CAPMAS, April 3, 1980, Table 5

TABLE A-8

Total Population and Population Density in Each Kism of Cairo
Governorate on First April 1980

	<u>Population (000)</u>	<u>% of Kism to Governorate</u>	<u>Density* (Person/Km2)</u>
Mataria	579.4	10.5	8546
Sharabia	481.3	8.7	--
El Sahel	476.0	8.6	73231
Hadiék El Kubba	341.5	6.2	--
Helwan	307.1	5.6	53688
Rod El Farag	295.6	5.4	109481
Masr El Kadima	293.7	5.3	29079
Zaytoun	290.5	5.3	69167
Maadi	289.7	5.2	11542
Saida Zeinab	273.8	5.0	78229
Khalifa	202.4	3.7	23535
Boulak	192.8	3.5	71407
Gamalia	181.2	3.3	37750
Darb El Ahmar	159.0	2.9	56786
Wayli	154.1	2.8	30036
Shoubra	140.1	2.5	86306
Heliopolis	138.2	2.5	9889
Bab El Sharia	119.8	2.2	108909
El Zaher	113.4	2.0	56700
Nozha	110.7	2.0	--
Abdin	95.3	1.7	59563
Nasr City	70.5	1.3	--
Azbakia	64.6	1.2	38000
Mousky	63.2	1.1	105333
Kasr El Nil	41.6	0.8	6933
El Tebien	36.5	0.7	--
Total	5512.0	100.0	25733

*The densities of the following kisms are given together, as the respective areas are not available separately:

- Kism of Helwan includes Kism El Tebein.
- Kism of Wayli includes Kism Hadiék El Kubba.
- Kism of Shoubra includes Kism Sharabia.
- Kism of Heliopolis includes Kisms of Nozha and Nasr City.

SOURCE: CAPMAS op. cit., April 3, 1980. Table 4.

APPENDIX B

HOUSING AND HOUSING CONDITIONS

The 1979 National Housing Plan for 1979 indicates a need for 3.6 million new urban dwelling units to be built over the next 20 years at a total cost of L.E. 31.23 billion or L.E. 1.56 billion per year. Figures are based on a typical 50 sq. meter unit costing L.E. 60-70 per sq. meter to construct including water, sewerage and community facilities for all units. The Plan calculates a 1976-79 backlog of 550,000 units, a replacement demand of approximately 831,000 units -- largely located in deteriorated buildings -- and a net additional requirement for 2.18 million units.

The Plan calls for a first five-year construction schedule of 675,000 dwelling units. The actual housing investment over the 1978-82 period is based on a construction target of only 325,000 units (150,000 units private sector and 175,000 units public sector) -- 11% of the national investment plan. (See Arab Republic of Egypt, Ministry of Planning: "The Five Year Plan 1978-82", Vol. V 1977, and PADCO, Inc., Working Paper on "Urban Development Standards and Costs", Oct. 30, 1980, p. 8.) Out of the 175,000 units to be built by the private sector, 120,000 units were to be produced by the Ministry of Housing. This percentage would have to be doubled in order to meet the five-year construction plan. Consequently, substantially higher amounts of funds need to be allocated to housing investment. Housing investment in Egypt has had an uneven relationship to overall national investment. During the 1952-60 period, housing investment averaged 28% of total national investment; in 1960-72 it stood at only 8.5%; between 1973-76 it represented 11%. Given other urgent GOE priorities, this may not be possible or practical. The Plan projects that about 40% of the financing for construction would have to be derived from foreign aid and grants, 44% from conventional sources, and the remainder through special savings programs and through the sale of housing bonds.

Tables B-1 to B-9 provide information on housing, housing conditions and the informal housing sector.

TABLE B-1

PROJECTED NEW DWELLING UNIT REQUIREMENTS OF THE
NATIONAL HOUSING PLAN

GOVERNORATE	NUMBER OF SEPARATE ROOMS REPLACED ^{1/}	UNITS NEED FOR NEW HOUSEHOLD FORMATION 1976-2000 ^{2/}	TOTAL NO. OF DWELLING UNITS REQUIRED
Cairo	299	319	618
Alexandria	134	250	385
Port Said	7	33	40
Suez	2	62	63
Damietta	-	30	30
Dakahlia	-	72	72
Sharkia	2	65	67
Qalyubia	26	127	153
Kafir El Sheikh	1	34	35
Gharbia	10	78	88
Menoufia	5	26	31
Beheira	19	53	72
Ismailia	5	30	36
Giza	31	357	388
Beni Suef	-	34	34
El Fayoum	4	30	34
Minia	7	46	53
Assiut	1	51	52
Sohag	1	35	35
Qena	-	37	37
Aswan	-	30	30
Remote Governorates	3	84	87
TOTAL	555	1875	2430

SOURCE: National Housing Plan. Ministry of Housing. 1979.

1. The Plan assumes that a single household occupies each of the separate rooms.
2. Derived by assuming household sizes of 5.2 persons per family and that each family requires an apartment.

TABLE B-2

AVERAGE URBAN HOUSEHOLD SIZE, NUMBER OF ROOMS PER HOUSEHOLD AND
NUMBER OF PERSONS PER ROOM, 1960 AND 1976

GOVERNORATE	Average Size of Household		AVERAGE NO. OF ROOMS PER Hhld. 1976	AVERAGE NUMBER OF PERSONS PER ROOM	
	1960	1976		1960	1976
Cairo	4.8	4.8	2.5	2.3	1.9
Alexandria	5.0	4.9	2.5	2.0	1.9
Port Said	5.2	5.0	2.3	1.2	2.1
Suez	5.0	4.8	2.7	1.2	1.8
Total of Urban Governorates	4.9	4.8	2.5	2.1	1.9
Damietta	5.4	5.3	3.0	2.2	1.7
Dakahlia	5.4	5.6	3.2	1.8	1.7
Sharkia	5.2	5.6	3.8	1.5	1.5
Qalyubia	5.0	5.3	2.9	2.0	1.8
Gharbia	5.1	5.4	3.0	1.8	1.8
Menoufia	5.0	5.5	3.2	1.7	1.7
Beheira	5.6	6.3	2.9	2.2	2.2
Ismailia	5.3	5.2	2.9	1.2	1.8
Total of Lower Egypt Governorates	5.3	5.6	3.1	1.8	1.8
Giza	4.8	5.0	2.8	2.0	1.0
Beni Suef	4.3	4.8	2.9	1.6	1.7
El Fáyoum	4.5	5.2	3.0	1.8	1.7
Minia	4.5	5.0	3.0	1.8	1.6
Assiut	4.9	5.3	2.7	2.1	2.0
Sohag	5.1	5.2	2.3	2.5	2.3
Qena	4.7	5.0	2.4	4.5	2.1
Aswan	4.4	4.7	3.0	1.5	1.6
Total of Upper Egypt Governorates	4.7	5.0	2.7	2.0	1.8
Total of Remote Area Governorates	-	5.9	3.0	-	1.9
Total	5.0	5.2	2.8	1.9	1.8

Sources: CAPMAS.

The General Population and Housing Census, 1976, the Preliminary Results (March 1977).

TABLE B-3

DISTRIBUTION OF BUILDINGS (ORDINARY RESIDENTIAL PLUS WORK)

IN URBAN AREAS, BY INFRASTRUCTURE CONNECTION, 1976

GOVERNORATE	PERCENT OF BUILDINGS CONNECTED TO GENERAL NETWORK OF						TOTAL NO. OF BUILDINGS
	WATER		ELECTRICITY		SEWAGE		
	#	%	#	%	#	%	
Cairo	175,055	64.0	211,447	77.3	159,582	58.3	273,666
Alexandria	105,998	76.4	110,311	79.5	81,041	58.4	138,815
Port Said	11,939	84.9	12,759	90.8	10,471	74.5	14,060
Suez	10,251	52.2	12,503	63.7	9,123	46.5	19,645
<u>Urban Governorates</u>	303,243	70.0	347,020	77.8	260,217	58.3	446,186
Damietta	15,782	74.6	16,395	77.5	13,496	63.8	21,144
Dakahlia	48,922	68.8	48,747	64.5	25,193	23.4	75,464
Sharkia	33,789	47.7	41,974	59.3	13,522	19.1	70,836
Qalyubia	19,211	28.0	46,432	67.7	11,960	17.4	68,560
Kafr El Sheikh	18,138	46.0	20,808	52.7	3,244	8.2	39,467
Gharbia	48,922	57.6	57,055	67.2	26,218	30.9	84,911
Menoufia	17,264	32.7	26,393	50.0	4,135	7.8	52,765
Behaira	27,408	37.7	40,194	55.3	13,121	18.0	72,686
Ismailia	10,018	46.5	14,669	68.1	6,725	13.2	21,547
<u>Lower Egypt</u>	239,454	47.2	312,667	61.6	117,614	23.2	507,380
Giza	47,947	42.6	79,810	70.9	36,215	32.2	112,646
Beni Suef	13,922	31.8	19,086	43.6	5,328	12.2	43,735
El Fayoum	13,613	31.0	19,281	43.9	6,034	13.8	43,877
Minia	21,953	34.8	30,581	48.5	2,901	4.6	63,068
Assiut	21,559	32.4	26,434	39.7	4,618	6.9	66,618
Sohag	19,606	32.0	22,193	36.2	0	.0	61,289
Qena	18,619	25.58	26,198	36.63	0	.0	72,25
Aswan	11,826	27.75	18,012	41.9	297	.7	43,010
<u>Upper Egypt</u>	169,45	33.4	241,605	47.7	55,393	10.9	506,518
Red Sea	2,744	29.6	4,773	57.5	1,447	15.6	9,270
Wadi El Gedid	2,071	38.6	3,471	64.7	0	.0	5,367
Matruh	1,953	21.0	5,324	57.4	0	.0	9,277
Sinal	0	.0	90	96.8	0	.0	93
<u>Frontier Governorates</u>	6,768	28.2	13,658	56.9	1,447	6.0	24,007
TOTAL	718,510	48.4	914,939	61.6	434,681	29.3	1,484,091

Source: CAPMAS Census of Buildings and Dwelling Units, 1976.

TABLE B-4

RESIDENTIAL DWELLING UNITS AND VACANCY RATE, URBAN AREAS 1976

	RESIDENTIAL DWELLING UNITS FOR HOUSING HOUSING AND WORK OR VACANT			VACANCY RATE (IN %)			SEPARATE ROOMS AS % OF TOTAL
	SEPARATE		TOTAL	SEPARATE		TOTAL	
	APARTMENT	ROOM		APARTMENT	ROOM		
Cairo	802,331	313,854	1,116,185	4.4	6.0	4.9	28.1
Alexandria	348,563	122,400	470,963	4.9	5.2	5.0	30.0
Port Said	45,447	5,289	50,736	1.0	5.8	1.5	10.4
Suez	40,868	9,455	50,323	5.4	5.8	5.5	18.8
<u>Urban Governorates</u>	<u>1,237,209</u>	<u>450,998</u>	<u>1,688,207</u>	<u>4.5</u>	<u>5.8</u>	<u>4.8</u>	<u>26.7</u>
Damietta	36,002	1,527	37,529	1.7	20.7	2.5	4.1
Dakahlia	137,024	7,037	144,061	2.4	4.3	2.5	4.9
Sharkia	102,812	6,919	109,731	1.8	5.3	2.1	6.3
Qalyubia	122,724	35,941	148,215	1.2	1.4	1.3	24.2
Kafr El Sheikh	45,226	8,454	62,680	1.9	5.8	2.5	13.5
Gharbia	146,213	18,648	164,861	2.5	5.2	2.9	11.3
Menoufia	60,422	18,158	78,580	2.3	1.5	2.0	23.1
Behelra	102,351	15,990	118,341	2.1	2.5	2.2	13.5
Ismailia	29,642	14,780	44,422	2.1	2.1	2.1	33.3
<u>Lower Egypt</u>	<u>780,966</u>	<u>127,454</u>	<u>908,420</u>	<u>2.1</u>	<u>2.4</u>	<u>2.2</u>	<u>14.0</u>
Giza	265,382	68,068	333,450	2.1	0.8	1.9	20.4
Beni Suef	63,098	6,013	69,111	0.9	1.6	1.0	8.7
El Fayoum	52,002	14,013	66,015	2.1	2.6	2.2	21.2
Minia	80,188	26,270	106,458	0.9	1.5	1.1	24.7
Assiut	91,793	4,773	96,566	1.2	23.8	2.4	4.9
Sohag	80,031	4,304	84,335	2.6	15.4	3.3	5.1
Qena	88,376	6,423	94,799	1.1	3.2	1.2	6.8
Aswan	50,717	1,035	51,752	3.1	20.9	1.7	2.0
<u>Upper Egypt</u>	<u>771,587</u>	<u>130,899</u>	<u>902,486</u>	<u>1.7</u>	<u>2.8</u>	<u>1.8</u>	<u>14.5</u>
Red Sea	8,637	122	8,759	2.8	14.4	3.0	1.4
Wadi El Gedid	7,552	639	8,199	0.8	8.9	1.4	7.8
Matruh	8,665	1,853	10,558	2.2	3.4	2.5	17.6
<u>Frontier Governorates</u>	<u>24,844</u>	<u>2,114</u>	<u>26,958</u>	<u>2.0</u>	<u>3.0</u>	<u>2.4</u>	<u>7.8</u>
Total	2,814,606	711,465	3,526,071	3.0	4.8	3.4	20.2

Source: CAPMAS Census of Buildings and Dwelling Units, 1976.

TABLE B-5HOUSING PRODUCTION BY SECTOR UNIT TYPE AND INCOME GROUP SERVED

<u>Sector</u>	<u>Unit Size (m2)</u>	<u>Unit Cost (L.E.)</u>	<u>Disposable Household Income Group Income (L.E.)¹</u>
Public	70	3500	1388
	80	4000	1580
Private	90	5000	1983
Formal	150	10000	3966
Private Informal	50	2000	793

SOURCE: Cairo University/Massachusetts Institute of Technology.
The Housing Construction Industry in Egypt.

Interim Report Working Papers, 1978, TAP Report 79-5
Public Policy and the Economics of Housing. p. 16

TABLE B-6

HOUSING OUTCOMES: PERCENT DISTRIBUTION BY
FORMALITY AND TENURE STATUS

Cairo

	Formal			Informal		
	Renter n=128	Owner n=51	All n=179	Renter n=198	Owner n=91	All n=289
Electricity	98.4	98.8	98.5	98.9	95.2	97.7
Water	98.9	98.8	98.9	77.3	59.7	71.7**
Sewer	94.2	92.7	93.8	91.2	72.8	85.4**
Bath/Toilet	98.9	100.0	99.2	100.0	92.3	97.6
Kitchen	91.1	88.3	90.3	95.3	75.5	84.1
Public Transport	100.0	85.7	95.9	84.8	74.6	81.6**
Hospital/Clinic	85.3	90.2	86.7	90.5	88.4	89.9*
School/Nursery	94.8	81.4	91.0	83.4	79.2	82.1**
Garbage on Street	36.2	33.9	35.5	44.9	51.8	47.1**
Stagnant Water	50.0	49.0	49.8	43.6	46.2	44.4

Note: * Significant difference between formal and informal sector
at the 0.05 level;

** Significant difference between formal and informal sector
at the 0.01 level.

SOURCE: "Informal Housing in Egypt", Abt Assoc., Dec. 1981

TABLE B-7

HOUSING OUTCOMES: PERCENT DISTRIBUTION BY
FORMALITY AND TENURE STATUS

Beni-Suef

	Formal			Informal		
	Renter n=19	Owner n=14	All n=33	Renter n=52	Owner n=157	All n=209
Electricity	100.0	93.5	97.3	94.1	63.2	70.9**
Water	90.6	93.5	91.6	89.0	27.4	44.3**
Sewer	90.6	80.2	86.4	55.2	11.2	22.8**
Bath/Toilet	100.0	100.0	100.0	93.0	46.1	58.1**
Kitchen	62.3	35.1	51.0	85.0	18.4	35.5+
Public Transport	0.0	10.0	4.2	58.9	14.4	25.8**
Hospital/Clinic	61.9	47.9	56.1	82.3	52.0	59.8
School/Nursery	87.8	76.3	83.0	76.7	82.3	80.8
Garbage on Street	9.0	0.0	5.3	15.0	14.9	14.9
Stagnant Water	0.0	0.0	0.0	21.9	3.6	8.3

Note: ** Significant difference between the formal and informal sector
at the 0.01 level

* Significant difference at the 0.05 level

+ Significant difference at the 0.10 level

TABLE B-8

SOURCES OF SATISFACTION AND DISSATISFACTION WITH NEIGHBORHOOD
(Percent of Total Responses)

	<u>"Like About Neighborhood"</u>			
	<u>Cairo</u>		<u>Beni Suef</u>	
	<u>Owners</u>	<u>Renters</u>	<u>Owners</u>	<u>Renters</u>
Healthy area	13	15	22	24
Social environment	23*	19*	33*	27*
Quiet and clean	13	11	8	17
Adequate transportation	14	19*	10	9
Schools	11	11	10	9
Stores and shops	17	16	11	11
Health services	5	5	1	1
Other	5	4	6	1
	<u>"Don't Like About Neighborhood"</u>			
	<u>Cairo</u>		<u>Beni Suef</u>	
	<u>Owners</u>	<u>Renters</u>	<u>Owners</u>	<u>Renters</u>
Garbage in streets	19*	25*	10	20
Garbage in canals/ditches	3	1	7	4
Rats	3	3	6	1
Flies and insects	16	19	21*	21*
Overflowing sewers	12	12	1	5
Air pollution	3	3		
Lack of pure water	5	4	11	
Lack of sewers	4	2	12	12
Lack of adequate health facilities	4	4	11	10
Lack of electricity	1	1	3	
Lack of adequate transportation	5	2	6	5
Lack of schools	3	2	5	1
Lots of power outages	7	5	5	7
Water pressure problems	5	5	1	8
Lots of workshops/noise	6	7	1	1
Inappropriate social environment	1	3		3
Other	3	2	1	2

*Most important reason.

SOURCE: "Informal Housing in Egypt", Abt Assoc., Dec. 1981

TABLE B-9

NEIGHBORHOOD IMPROVEMENTS FOR WHICH HOUSEHOLDS EXPRESS A WILLINGNESS TO PAY
(Percent of Total Responses)

	<u>Cairo</u>		<u>Beni Suef</u>	
	<u>Owners</u>	<u>Renters</u>	<u>Owners</u>	<u>Renters</u>
Nothing needs to be done	4	6	1	14
Water connections to area	9	8	7	4
Electrical connections to area	1	1	3	
Sewer connections to area	7	4	12	10
Paved streets	13	19	6	4
Street repair	7	8	8	9
Regular street cleaning	17*	24*	19*	21*
Regular garbage collection	11	12	10	13
Health care center	2	2	5	1
Day care center	1	1	1	1
Public schools	4	3	3	2
Sufficient transport	2	2	2	3
Sufficient shopping	2	1	3	3
Church/mosque	3	1	2	
Eradicate rats	2	1	3	2
Eradicate flies/insects	11	4	11	11
Other	3	4	2	1

*Most important reason

SOURCE: "Informal Housing in Egypt", Abt Assoc., Dec. 1981

APPENDIX C

THE HOUSING DELIVERY SYSTEM

The production of housing in Egypt is secured either thru:

- a) government (Ministry of Housing and Development and thru the governorates);
- b) public sector companies (required to devote 15% of their profits to worker housing);
- c) the formal private sector (those who have building permits and build on legally registered land); and
- d) the informal sector (by far the largest producer of housing who constructed up to 80% of total housing stock between 1966 and 1976).

A. Public Sector Housing - Total government plus public sector company activities amounted to only 6.6% of the total housing construction between 1966 and 1976. The majority of this construction, built under the direction of the Ministry of Housing (approximately five percent of the total), was earmarked for household income groups in the L.E. 1388 to 1580 wage levels at unit costs of L.E. 3500 to 4000 net of infrastructure. The Ministry generally contracts with public sector construction companies to carry out the projects and only rarely will use foreign construction companies to provide supervision for residential projects. Typically, public sector housing (excluding new town housing) consists of 50 sq. meter units (2-3 rooms) with private service facilities in relatively low density projects, mainly five-story walk-up apartments. The units come under rent control policies and are rented at very low costs seldom sufficient to even cover the costs of collecting the rent itself.

A study conducted in 1978 in Helwan, in the Cairo Governorate, indicated that rents in public housing units averaged only L.E. 2.00 per month which represented 3.8% of total family income,^{5/} whereas food expenditures averaged 51% of total family income. Consequently, due to lack of revenues, maintenance in public housing projects tends to be minimal resulting in severe deterioration of the stock over time. The types of housing being provided by the public sector in the new towns, and by governorates under the "New Settlement Type", tend to serve a wider range of income groups than the more traditional public sector housing. These units are generally built to higher standards than other public sector housing; they have capital and interest rate subsidies which range up to almost two-thirds of total program costs. In order to upgrade the poor quality of public housing units, Law 49 of 1977 was passed. This law allows tenants of public housing units who had paid rent for 15 years to be owners while other existing tenants had up to 15 years to complete payments for ownership. In Cairo, new tenants became owners of their units after 30 years.

B. Public Sector Company Housing - Approximately 1.6% of total housing constructed 1966-76 is public sector company housing. This

housing tends to be similar to public housing in terms of unit sizes, target groups, rents collected and the large subsidies involved. Publicly owned companies, such as the Maadi, Heliopolis and Nasr City companies develop land and produce housing. Most of these companies, originally private-profit motivated, were nationalized in the mid-1960s. After 1976, public sector company housing has frequently been financed under the General Authority for Building and Housing Cooperatives (GABHC). In order to qualify for cooperative lending program loans, unit sizes must conform to the authority's guidelines. (A discussion of the activities of the GABHC is provided below under Housing Finance.) Today, public sector company housing also comes from private banks, insurance companies, land sales, and repayments on old projects. Recently put under the supervision of the governorates, most of the public sector housing activities have been directed to middle-to-upper income families. One exception is the Dewaka housing project in the Cairo Governorate -- termed emergency housing -- (rents at unit rates of L.E. 1.00 to 7.00 per month) has subsidies of up to 94% of total program costs based on current Central Bank discount rates of 12%. Due to its low rates, it is able to reach the lowest income groups starting at the 5th percentile of urban income.

C. The standards of Private Sector Housing - Exceed those of the public sector and generally serves a very small group of upper income households. The recent study in informal housing in Cairo and Beni Suef indicates that the formal housing sector is relatively small amounting to only 15% of all housing produced in the country during 1966-76. This has been largely due to difficulties encountered and the high cost in obtaining building permits, access to legal subdivided land, and in obtaining long-term financing. Apparently, these difficulties, delays and high costs far outweigh the benefits which a legal building permit gives an owner to subsidized building materials. Much of the output of the formal sector housing is under the control of the Ministry of Development (formerly Ministry of Housing and Reconstruction). The GOE has attempted to stimulate the establishment of private sector housing by providing "seed capital" to them, such as that provided by the Saudi Egyptian Consultation Company which was established in 1976 thru assistance of Saudi Arabian and Egyptian government financing.

The housing market in Egypt today favors housing built for sale. Construction of private market rental units has been minimal since the passage of the strict 1960 rent control law. The law has effected building maintenance particularly exterior hallways and public spaces of residential structures which fall under rent control practices. Furnished apartments may be leased to foreign citizens at uncontrolled rates, but only to Egyptian tenants for up to five years. Thereafter, an Egyptian lessee has the option of demanding the rent controlled rate. In order to avoid being locked into a very low rate of return on investment on a rental unit, a landlord often demands "key money", a standard practice, although forbidden by law. Key money is an important means of access to the private sector formal and informal housing rental market. It tends to be rarely less than 100 times the average monthly rent as reported in below.

HOUSING COSTS, RENTS AND "KEY MONEY"

TYPE OF UNIT	SIZE (M ²)	CURRENT COST (L.E.)	OFFICIAL ANNUAL RENT (L.E.)	KEY MONEY (L.E.)
High Quality	150	10,000	360	10,000-40,000
Middle Quality	90	5,000	180	1,500-10,000

SOURCE: The Housing and Construction Industry in Egypt, Interim Report Working Paper 1978, Cairo University/MIT

D. Informal Housing - In the major Egyptian urban centers the informal housing (see Footnote #8) market plays a very important role in meeting the needs of low income persons who are excluded from other more formal channels for many of the reasons listed above. The 1976 Egyptian housing census indicates that approximately 1.5 million dwelling units, built during the 1960-76 period, were built outside of the official public/private system, not officially recorded, or 'informal' in nature. This amount represented 75% of the total housing supplied during the period. The informal housing structures were generally 2-5 stories in height, had 2-3 persons per room, and were built to standards not much different than officially sanctioned structures. Many units were constructed of brick or cement block construction.

Generally, informal housing in Egypt provides accommodation for income groups below the 50th percentile. However, it is not unusual to find low income groups renting informal housing units and those in the high-middle income groups as resident owners of 2-5 story units. Informal housing is usually built over a period of years in incremental stages. An owner generally accumulates savings and purchases building materials on an ad hoc basis over time. Small individual craftsmen are often used for the actual unit construction with the owner acting as general contractor.

Informal housing presents several opportunities. It often permits a rapid response to housing needs particularly for low income persons at rental levels which they can manage. In addition, it provides a form of investment for many owners, it is often constructed in areas near to employment, and it does not put a capital drain on public resources. Nevertheless, informal housing also presents a number of difficulties. It may occupy inappropriate sites; it may invade arable land areas surrounding built-up areas. Moreover, lacking supervision by public authorities, the danger exists that poor quality and structurally unsound buildings may be erected. Furthermore, informal housing areas often do not have adequate infrastructure facilities of water and sewerage.

APPENDIX D

LOCAL GOVERNMENT

Two tiers of local government exist in the urban governorates of Cairo, Alexandria, Port Said and Suez, -- at the governorate and quarter level -- each having executive councils and local people's councils. Four tiers of local units of government exist in the rural governorates at the governorate, district (markaz), towns and village levels. These also have executive and local people's councils. The only exceptions are in Ismailia, Dakahlia and Giza Governorates in which five tiers exist with the inclusion of urban quarters. The Local Government Law stipulates that large cities (urban centers) should have the rank of governorates with all the functions, powers and finances of a governorate and a town. Consequently, the quarters in each of the urban governorates are endowed with individual juristic powers. In the case of Cairo, the city is divided into seven quarters which unfortunately do not reflect the historical, social, economic or ecological characteristics of the various subsectors of the city. A closer examination of administration in the Cairo Governorate, albeit the largest and most complex, will help to illustrate many of the problems faced by other local units of government in Egypt.

The Governorate Council of Cairo, directly elected by the people, consists of 130 members of which at least 50% are workers or peasants. Each administrative section (kism) is represented by four members plus a women's representative. The council establishes specialized committees from amongst its members to study various issues and to submit its recommendations to the Council. The governor has the right to reject any decision of the Council if contradiction with planning, budget or laws is encountered. The Local People's Council is formed along the same lines as the Governorate Council, except that each kism represented elects six male members plus a woman member which, for Cairo, amounts to 182 members in total. Table D.1 lists the number and distribution of Local Government Units in 1980.

The only exceptions are in Ismailia, Dakahlia and Giza Governorates in which five tiers exist with the inclusion of urban quarters.

1. Delegation of Authority - General secretariats at the governorate level (Cairo and Alexandria) tend to act as superiors and controllers rather than facilitators and helpers to the district administration. There is a lack of sufficient delegation of authority at the local units of government. This often leads to delays in the interchanges and processing of financial, technical and administrative matters referred by the districts to general departments of the governorate.

2. Overlapping of Functions - Tasks assigned by the Law of Local Government to the Districts are ill-defined and often overlap with those

of the governorate and city. A poor division of functions often leads to contradictory decisions being taken at different levels of government.

3. Regionalization and Metropolization of Water, Sewerage and Electricity - Because of the regionalization of most of the infrastructure functions, the district chairmen often find that their influence in these areas is very limited.

However, under the recently enacted Law 50 of 1981, local government units are empowered to establish and manage all public institutes and to assume all functions heretofore reserved to the public utility ministries (only exceptions are national utilities or those of a special nature). Nevertheless, the full extent of local participation and management of public utilities under the law still needs to be determined.

4. Human Social Services - Despite the limited control district chairmen have over water, sewer and electricity, they nevertheless remain more concerned with these issues than with social service needs. It is generally only emergency situations, or governorate or citywide campaigns, that bring the district chairmen's attention to public cleanliness of streets and public parks.

5. Public Participation - This concept often means simply the defending of the executive viewpoints in "selling ideas" to the public at large, or a means of obtaining additional monies through local contributions. It seldom means citizen involvement in decision-making, the formulation of community policies and the exercise of public control over administrative action.

6. Manpower Needs - Absence of an attractive incentive system makes it difficult to attract and retain well qualified and skilled technicians at the city/district level. There tends to be a great understaffing in the fields of civil and mechanical engineering, cost accounts and budget analysts, project evaluators, legal counsellors and management auditors.

The Executive Governorate Council is chaired by the governor and consists of assistants of the governor, heads of quarters, and directors of service departments. The Council is responsible for assisting the governor in implementing decision taken by the Local People's Council, and for setting appropriate rules for operating the administrative and executive institutions. Quarters have similar Executive Councils with the same structure and responsibilities within their areas of jurisdiction.

The governor, as representative of the President in the Governorate, is its chief local executive. The governor heads all institutions and all employees in the governorate and is responsible for supervision and implementation of general governmental policy. The governor also supervises and directs all ministerial branches where authority is not

specifically delegated to local units of government with the exception of institutions of justice.

The Cairo Governorate budget consists of two basic sources of financing. The primary source of funds is allocated annually through the budget consisting of locally raised funds (about 30.1 percent of total revenues in 1979), central grants (about 69.4 percent in 1979), and loans (about 0.5 percent in 1979). The second source of funds consists of special funds which are raised locally and spent locally; the local services and development fund and the cleanliness fund together total no more than 3% of the annual budget. (See Tables D.2, Cairo Governorate Budget and Expenditures for 1979, and Tables D.3 and D.4 for comparisons of local contributions to governorate budgets throughout Egypt.)

The urban quarters in Cairo are responsible for issuing licenses for buildings and establishing occupancy and construction standards, regulating and control of building construction, maintenance of government buildings, public cleanliness, parks, road construction and maintenance. However, their actual ability to plan for, execute, administer and finance basic infrastructure projects and to provide for their necessary maintenance is very poor. What is true for Cairo is also true in large measure for major cities in all other urban governorates. The principal issues are administrative and financial. Several of the financial issues have been covered in the body of the text in Part II, The Setting. The major administrative issues are as follows:

District Chairman - District chairmen tend to be rule-oriented, dwelling on the authority of the position rather than on knowledge, skills and participative management. They are seldom trained in conflict resolution and team building techniques. They are driven by daily failures in their ability to deliver goods and services, are task-oriented, and seldom play the role of change agents.

Size of Districts - In Cairo, some of the districts are extremely difficult to manage due to their large size and populations (some contain one million or more population). Also, a few rural districts, i.e., East Cairo and West Giza, contain extensive areas which receive little services from the urban oriented bureaucracy. There also appears to be little effort to bring in projects sponsored by OREDEV.

Information Needs - Due to the size of many of the urban districts, their lack of skilled staff and the difficulty in just keeping up with day-to-day needs and demands, very little effort is given to the collection of simple base-line information. This lack makes it extremely difficult for districts to fully understand their needs; to anticipate their problems; to assess the adequacy and productivity of their local services; and to measure the performance of district personnel in meeting local needs.

The problems of local administration and finance are diverse and many and decentralization laws have been promulgated in an attempt to meet some of these problems. There is a need for greater local units of government participation at the city and district levels in the planning, execution and management of projects. Law 50 of 1981 should help to better clarify some of the roles and responsibilities of different levels of government. But more needs to be done. The Alexandria model of the diffusion of managerial tasks to district chairmen may be suitable to be introduced to other governorates, i.e., Cairo and Giza. Local responsibility should be vested not simply with the district chairmen but with the District Executive Council and the District Local People's Council. The role of public participation in local decision-making also needs to be clarified. Encouragement should be given to individual districts to hold working sessions on public participation and to develop a more unified and consistent policy in this area.

Moreover, a reorganization is needed in the organization of water, sewer, electricity services. Greater attention should be given to those aspects of the systems which can be provided for, planned, executed and maintained at the district level. As long as local units of government act simply as tax collectors for the Ministry of Finance, their authority in planning and budgeting for infrastructure is greatly constrained. Attention is needed in ways of giving local units of government more direct control over local finances.

The size, population groupings, location of services provided and target group needs which are being served at the district level should be re-examined. A re-ordering of districts may be needed, dividing some into smaller units for better management. (This is already being considered for some districts in Alexandria and Cairo.) Also, a review of manpower needs at the district level should be undertaken with the idea of providing adequate incentives to attract and retain a sufficient level of qualified technicians to perform necessary local functions.

Besides operating functions, there is a need locally to develop district profiles, i.e., collecting, maintaining and updating current information within each district on population, infrastructure, building conditions, social needs, etc.

Finally, the allocation of funds to districts needs to be rationalized. This should be guided by clearly defined and accepted rules governing the process. A weighting system might be developed based on, for example: total area of the district; number of housing units; population density; paved area; number of commercial and public facilities in the district and estimated population being served. In addition the number of projects, amounts of funding already existing, planned and/or funded in the district over the past year may also be considered.

New local sources of revenue need to be developed at the local level in order to reduce the high dependency of districts for governorate and

central ministry financing of local budgets and projects. Among the avenues which need to be explored are those of raising monies through a betterment tax, i.e., higher taxation on those properties which "benefit" from new and/or improved infrastructure in an area such as a road widening, street paving, water or sewer lines installed. Other sources would be higher or differential taxation on vacant lands in the built-up areas of a district. And in addition, the entire property tax system needs to be examined in light of its adequacy due to inflation factors, collection problems, and assessment procedures.

USAID is assisting the Government of Egypt in attacking a number of the problems related to local administration and finance under its portfolio of projects on decentralization. While most of the earlier efforts have been directed to rural governorates and rural based decentralization activities, i.e., Development Decentralization I, Basic Village Services and the Decentralization Support Fund, more recent activities under Neighborhood Urban Services (NUS) and Provincial Cities, are attempts to deal with the more urban related aspects of decentralization.

TABLE D.1
MEMBERS OF THE LOCAL PEOPLE'S COUNCIL
1980

<u>No.</u>	<u>Governorate</u>	<u>Gover- norates Council</u>	<u>Dis- trict Council</u>	<u>Town's Council</u>	<u>Quarter's Council</u>	<u>Village's Council</u>	<u>Total</u>
1	Cairo	130	--	--	182	--	312
2	Alexandria	65	--	--	91	--	156
3	Port Said	32	--	--	52	--	84
4	Ismailia	56	86	90	26	170	428
5	Suez	24	--	--	39	--	63
6	Qalyubia	50	253	161	--	629	1094
7	Sharkia	70	468	234	--	1207	1979
8	Dakahlia	70	460	216	26	1225	1997
9	Damietta	25	161	90	--	408	684
10	Menoufia	50	397	162	--	1088	1697
11	Gharbia	60	337	144	--	901	1442
12	Kafr El Sheikh	55	296	162	--	731	1244
13	Beheira	75	448	252	--	1142	1917
14	Giza	65	245	180	42	663	1195
15	El Fayoum	30	230	90	--	629	979
16	Beni Suef	40	253	126	--	646	1065
17	Minia	55	366	162	--	969	1552
18	Assiut	60	335	180	--	833	1408
19	Sohag	60	354	198	--	867	1479
20	Qena	65	339	198	--	816	1418
21	Aswan	25	156	108	--	374	663
22	Matruh	56	77	108	--	170	441
23	New Valley	16	68	36	--	170	290
24	Red Sea	40	--	72	--	--	112
25	North Sinai	16	48	36	--	152	202
26	South Sinai	16	--	36	--	--	52
	<u>TOTAL</u>	<u>1306</u>	<u>5377</u>	<u>3042</u>	<u>458</u>	<u>13740</u>	<u>23923</u>

SOURCE: Secretariat General of Local Government, January 1980
as reported in Egypt, Urban Growth and Urban Data Report,
National Urban Policy Study, December, 1981.

TABLE D.2

CAIRO GOVERNORATE'S BUDGET 19791. Revenues

<u>ITEM</u>		<u>%</u>
Land Taxes	15000	0.54
Building Taxes	2450000	8.77
Entertainment Taxes	1932000	6.92
Vehicles' Licences	79860000	28.58
Joint Revenues	9722000	34.79
Commercial Establishments	200000	0.72
Industrial Establishments	110000	0.39
Carts and bicycles	8000	0.01
Boats	10000	0.03
Slaughtering	200000	0.76
Building Regulations	290000	1.04
Parks	1000	0.00
Surcharge on Benzin sales	350000	1.25
Surcharge on Hotels' Residents	200000	0.72
Births & Deaths' Register	90000	0.32
Hunting and guns' licenses	5000	0.02
Betterment Taxes	550000	1.97
Rents of Buildings	440000	1.57
Miscellaneous	1037000	3.78
Markets	490000	1.75
Quarries	200000	0.72
Revenues of local activities	1409500	5.04
Sales of lands	245500	0.88
<u>TOTAL</u>	<u>27939000</u>	<u>100.</u>
Central grants	64637300	
Loans	517700	
<u>TOTAL</u>	<u>93094000</u>	

SOURCE: Egypt: Urban Growth and Urban Data Report, National Urban Policy Study, December, 1981.

APPENDIX E

THE FIVE YEAR PLAN

The Five Year Plan argues that there is too much concentration on too limited a land base particularly in the Delta, the Nile Valley and in some of the coastal cities. As a consequence, vital agricultural land is threatened by additional urban expansion. The Plan states that a curtailment should be placed on the initiation of new projects in inhabited areas and that priority attention be given for "resettlement" in selected areas. According to the Plan, there is a need to reduce existing population bases in many of the larger cities in Egypt, particularly in Cairo and Alexandria. It lists priority resettlement areas as follows:

- a. The New Valley where basic requirements for agriculture development and accompanying industrial and service projects are available;
- b. The North Coast for many of the same reasons as espoused for the New Valley, plus the availability of basic requirements for commercial and touristic activities;
- c. The Canal Zone, both the eastern and western banks, which are strategic areas having good development potential; and
- d. The New Cities, which present, according to the Plan, the best opportunities to relieve the population pressures on Cairo and Alexandria.

As a potential urbanization strategy the Plan does not consider a filling-in approach to existing urban areas, particularly to the provincial cities. It recommends a basic change in the population distribution of the country by ". . . creating population centers in the vast desert areas . . ." ^{1/} Little attention is given to the viability of attracting populations to existing secondary cities under a decentralization strategy. Nor is any important emphasis placed on increasing the physical quality of life in smaller communities as an alternative urban strategy. However, the Plan recognizes that new city development is a long-term policy and that in many instances some existing communities will have to be enlarged into desert areas surrounding major urban complexes. The Five Year Plan calls for preparing 12 million square meters of land for construction purposes in the suburbs of Cairo, Alexandria, Suez, the Canal Cities and in other governorates. ^{2/}

Throughout, an underlying concern is expressed on the high population counts and densities in the major cities of Cairo and Alexandria. These cities are considered too large; any further attempt at developing them, it is reasoned, will only subtract from agricultural land. These same

concerns are expressed for the Delta cities and their surrounding agricultural belts. The Plan does not attempt to examine actual land uses and carrying capacities in the major cities of the country. A deductive line of reasoning is developed, one that is based upon observations of crowded housing, and insufficient capacity of water and sewerage systems in the capital and in the major cities of the country. The Plan equates poor infrastructure maintenance and the general low level of services in urban areas on excessive population densities. It prescribes population decentralization plans and population density caps to existing urban complexes.

No adequate examination is made on the amounts, location and availability of non-agricultural vacant lands in urban areas -- many of which are in government ownership. Nor does the Plan address the economics of the conversion of adjacent agricultural lands to urbanization vs. the costs of constructing new infrastructure in more outlying areas. The Five Year Plan suggests a number of potential sites for establishing new communities. These include sites within the chain of depressions in the Western Desert such as Qattara, the Natrum Valley, the Siwa Oasis, Farafra, Kharga and Dakla. Other sites, on the northern lakes, on the Mediterranean coast, and on the Red Sea coast from Suez to the Sudanese border, are also suggested. The economic feasibility of these sites are not analyzed.

Although the Five Year Plan makes a number of general statements regarding national urbanization policy, clearly, by itself, it lacks implementation possibilities. Yearly plans allocate levels of funding to governorates by sectors which have strong spatial dimensions. Questions can be raised as to the extent to which investments will lead population growth rather than follow population growth. Table 3.1 presents a breakdown by governorates of sector investments for 1980. Per capita investments, higher than the national average of LE 74.17, are indicated for several governorates: Red Sea, Suez, New Valley, Sinai, Port Said, Matrouh, Ismailia, Alexandria, Cairo, and Aswan. Furthermore, since the 1976 Plan, only the governorates of Cairo and Alexandria have been raised above the national average. All other governorates listed above the national average for 1980, were also listed above the national average for 1976.

Raising Cairo above the national investment average in 1980 is justified, given its employment levels and general growth. However, all three governorates in the Greater Cairo area ranked high in employment, but only the Cairo Governorate has planned investments above the national average. The Giza and Kalyubia Governorates are slated to receive substantially lower per capita investments than the Cairo Governorate in housing, public utilities, services and transportation sectors.

The Canal governorates have received higher than average public investments over the past several years. This can be justified in terms of a national urbanization strategy. Much of the infrastructure in the

Canal cities was destroyed during the 1973 hostilities; populations were severely reduced and scheduled developments did not take place. Currently, many of these areas present excellent opportunities for urban growth and development. They need to make up for lost time. On the other hand, the 1980 Plan plays down the successful Delta governorates. Menoufia will obtain only 21 percent of the average national per capita investment, and Kafr El Sheikh, Dakhalia, Garbia, Damietta, and Beheira will receive 33, 36, 42, 63, and 87 percent respectively.

Consequently, the urbanization policy enunciated under the Five Year Plan and the actual investments planned under the 1980 Plan show inconsistencies in meeting urbanization objectives. While investments lead population growth in the New Lands and the Red Sea Governorates, and a strong emphasis is placed on development in the Canal Cities, the higher than average per capita investments planned for Cairo and Alexandria appear to run counter to urbanization strategies expressed in the Five Year Plan. In particular, the lack of attention to the Giza, Kalyubia and Delta cities indicates more apprehension over the possible loss of agricultural lands through added urbanization than concern for assisting the better than average economic performance of these governorates.

Footnotes - Appendix E

1/ General Framework for Socio-Economic Development - Five Year Plan, 1980-89, Arab Republic of Egypt, Ministry of Planning, October 1979, p. 97

2/ General Framework for Socio-Economic Development - Five Year Plan, op. cit., p. 99.

APPENDIX F

URBAN/REGIONAL DEVELOPMENT DECISION MAKINGA. Planning and Finance

Development decision-making at the urban and regional levels rests with a myriad of institutions, authorities and public bodies. The processes at the governorate and local unit of government level have been discussed previously. At the national and regional levels several key ministries and actors can be identified as being central to development and in the setting of national urban priorities. A network of planning departments have been established across different ministries, agencies and governorates. These units compile data, prepare draft plans in their specialized areas of activity such as in industry, agriculture, education, transport, etc. It is then the role of the Ministry of Planning to integrate the different sectorial plans and produce an integrated, balanced and comprehensive national plan. At present, the Ministry of Planning controls the allocation of investment funds to all government activities and gives direction to investment programs.

Recognizing the diversity within the country, as well as the difficulties in the centralization of all planning and development functions, eight economic planning regions were established in 1979: Cairo, Alexandria, Canal Cities, Delta, North Upper Egypt, South Upper Egypt, Red Sea and the Western Desert. Each of the regions was placed under the direction of a regional planning commission, and an agency charged with regional planning headed by an Under-Secretary of State affiliated with the Ministry of Planning. The regional planning commissions are chaired by the governor of the governorate considered the capital of the region.

Under the Law, Regional Planning Commissions are responsible for: coordination of governorate plans and determining priorities proposed by the Regional Planning Agency; follow-up on the execution of the plans, and/or modifications to them; proposing regional economic and social development plans; and recruiting and training competent personnel.

Unfortunately, to date, very little has been done to implement regional approaches to economic development. The Ministry of Planning has been unable to provide regional branches with sufficient staff to function properly as planning offices. The regional office often consists of simply an under-secretary and one or two junior staff members who are unable to involve all relevant departments in regional planning processes or in the implementation of plans agreed upon. Moreover, the role and duties of regional planning activities present certain inconsistencies. Regional planning in Egypt operates via the national planning mechanism of the Ministry of Planning, whereas decentralization efforts attempt to vest more powers at local units of government, at the governorates, districts and town levels. The planning regions, as

developed, are not in all cases coterminous with true economic regions. The Cairo and Alexandria regions contain almost two-thirds of the country's total urban populations, and by far lead the country in economic activities, governmental dominance and influence. And in others there is much less opportunity for growth and economic development.

The general framework for regional socio-economic development in Egypt is laid out in its Five Year Plan (1978-82). The Plan is supported by yearly allocation of fundings to governorates by sectors, as well as to development ministries. Planning efforts in Egypt were given added support with the linking of the Ministries of Planning, Finance and Economy under a single Deputy Prime Minister. Nevertheless, as pointed out earlier, little has been done to implement a regional approach to economic development. Moreover, the eight planning regions of the Ministry of Planning compete with the six regions used by the Ministry of Development. The Ministry of Finance, entrusted with the budgetary process, is one of the most powerful ministries in government. The Ministry plays a dominant role in determining the structure, priorities and the amounts of the different sections of the budget. Most importantly, it is involved in "reducing" the amounts requested by various ministries and local units of government for centrally controlled funds.

The Secretariat General of Local Government, coordinates local services with all rural governorates thru local services departments, i.e., roads, transport, water, sewage. The Secretariat then working with the Ministry of Planning sets priorities for the allocation of development funds for local services. A National Investment Bank, using resources from investment funds allocated to various governmental departments, has been established by the Ministry of Planning in order to assist the implementation of development projects throughout the country. The planning process in Egypt is diagramed below. (See Figure F.1)

B. Development

The Ministry of Development has recently been restructured to include the former Ministry of Development and New Communities with the Ministry of Land Reclamation and Ministry of Housing. This super Ministry is very powerful throughout the country in the areas of development. The general functions of the Ministry can best be broken down into the functions performed by each ministry within its purview. The Ministry of Development is charged with the formulation of policy of development for urban areas and with the coordination for the plans and programs of the productive and service ministries. It is also entrusted with preparation of plans of development of new towns, villages, communities, and deserts. Furthermore, it is empowered to do comprehensive planning for regions, to establish economic and social priorities, and to organize and coordinate the activities of other public authorities and agencies working in the field of development.

A Presidential Decree of 1973 set up within the Ministry of Development the General Organization for Physical Planning (GOPP). As previously mentioned, this organization is specifically entrusted to prepare structure plans for cities, towns and villages, and assist governorates in problems of urban growth. The Central Agency for Reconstruction set up under Presidential Decree of 1976 is empowered to study and implement reconstruction projects throughout the country. The New Urban Communities Authority, set up by Presidential Decree of Law 59/1979, is charged with the task of developing new urban communities including the carrying out of studies dealing with the selection of sites and with the follow-up of the execution of plans.

The Ministry of State for Land Reclamation within the Ministry of Development, is responsible for the preparation of the general policy of the state for land reclamation and horizontal expansion according to water resources identified by the Ministry of Irrigation. It also participates in developing policies and programs dealing with the establishment of new communities, and coordinates with concerned ministries in the planning of public utilities and services required for land reclamation. It also studies projects aimed at establishing agro-industrial complexes on reclaimed areas and supervises the disposal process of arid or reclaimed lands.

The Ministry of Housing within the Ministry of Development, is charged with establishing general plans, programs and criteria for national housing development. Specifically, the Ministry supervises the design, construction and maintenance of public buildings, and residential buildings earmarked for specific income target groups. The Ministry also directs and develops private sector activity in the field of construction according to state policy. Other entities involved in infrastructure development are water and sewer authorities. Although nominally the responsibility of the Ministry of Housing, water and sewer authorities operate virtually autonomously. The General Organization for Sewerage and Sanitary Drainage operates the Cairo and Alexandria sewerage authorities and gives aid to other regional sewage authorities. The Public Authority for Water, plans, supervises, controls and designs water works for public consumption and households throughout the country with the exceptions of Greater Cairo and Alexandria which have their own authorities.

Other important ministries dealing with national development are: Agriculture; Irrigation; Tourism; Transportation; Communication; Electricity and Power; Economy and Economic Cooperation; and Industry and Mineral Resources. The Ministry of Economy deals with national economic planning and the Ministry of Investments and International Cooperation is entrusted with the strengthening of economic relations with other countries and with regional and international organizations and agencies. The Ministry formulates economic policy, develops plans on foreign exchange and seeks to attract foreign investments. The Ministry of Industry and Mineral Resources is entrusted with the industrialization

process in the country and with increasing the productivity of industry. Since industrial locations are central to employment and population groupings, decision of this Ministry are crucial to the formulation of urban and regional policy.

C. Personnel

One of the major issues facing government in Egypt is the sheer size, complexity and inefficiency of its government bureaucracy. The promise of government employment for all graduates of Egyptian universities simply bloats the system. In 1980 it is estimated that out of a total employment base of 10.8 million persons in the country, over 25% were in public service.

The personnel system in Egypt is run by two agencies: 1) the Central Agency for Organization and Administration which deals with the application of the civil service law -- training, job classification, organization and methods; and 2) the Ministry of Manpower and Training, concerned with recruiting and placement of all college graduates and returning servicemen into public service and vocational training in a wide variety of areas. The division of activities between these two agencies has inevitably given rise to questions of overlapping of functions. And, although nominally the CAQA has control over promotion and dismissal, it has little or no power in either of these areas. Promotions are closely tied to seniority and dismissal of personnel is virtually impossible. Also, morale suffers when people are placed into positions simply to find employment.

There are many serious problems involved in the Egyptian civil service system. Excessive changes and amendments over the past few years have contributed to confusion and to its ability to act systematically. It should also be noted that government employment has greatly affected population location decisions in the country. The promise of government employment for all university graduates places the majority in the Greater Cairo area. Recently, legislation has been passed to place new graduates in rural governorates.

Efforts are under way to improve the efficiency and productivity of the public sector. These efforts take different directions: 1) the reorganization of the public sector. This would be along more efficient lines and thru the "open door policy", the establishment of public sector companies, i.e., iron and steel complexes under the jurisdiction of the Ministry of Industry, poultry production companies under the jurisdiction of the Ministry of Agriculture. However, to be effective, public sector companies must be given more autonomy, become more competitive, and be permitted to charge an economic price for their products. 2) The decentralization of government - In recent years, Egypt has experimented with a number of programs attempting to decentralize decision-making and planning from the central ministries and authorities to the governorates and local units of government. The success of these programs and new

directions which they may take will have great impact on the efficiency of development efforts at the local and regional levels and attention to these programs is warranted.

APPENDIX G

REGIONAL DEVELOPMENT ISSUES

For the purposes of this paper, seven major geographical regions are analyzed: 1) Cairo Region; 2) Alexandria Region; 3) Canal Cities Region; 4) Delta Cities Region; 5) North Upper Egypt Region; 6) South Upper Egypt Region; and 7) Remote Areas Region. (the Red Sea, Sinai and Western Desert are grouped under the classification "Remote Areas.").

A. The Cairo Region consists of the Cairo Governorate including urbanized areas of Giza and Qualibia. In 1976 its population was 6.711 million, and by the year 2000, it will contain an estimated 16 to 16.5 million (3.7 to 3.8% rate of population growth). The region contains the major metropolitan area in the country having a diversified mix of economic activities -- service, government, education, banking, finance, industry, construction.

There is little question that the Cairo Region has one of the greatest potentials for continued high rates of growth over the next few decades. It contains the most diversified economic base in the country, the highest levels of infrastructure and a plentiful labor force. Under any feasible spatial alternative, the Cairo Metropolitan Region will experience considerable growth. Nevertheless, there are enormous problems which continued growth presents.

There is haphazard growth of the city along a North-South axis with resulting loss of agricultural lands on periphery of the City mainly in the areas of Qualibia and Giza. Informal housing -- the dominant form of residential construction in the Region -- suffers from a lack of infrastructure.

Moreover, the Region is experiencing a decay of existing infrastructure due to inadequate maintenance and from the inability to finance demands for additional infrastructure needs. Road networks are insufficient and poorly maintained. There is heavy traffic congestion in the downtown area and insufficient off-street parking facilities. Water, sewer and solid waste disposal is overtaxed or non-existent in many informal housing areas. The housing stock in the older parts of the city has many structural problems due to increasing level of water table, vertical additions, and general lack of maintenance. There are serious environmental problems in the Region due to lack of street repair, sewer flooding, poor solid waste disposal. To further complicate problems, there is a lack of local financing to support major maintenance and clean-up activities; city budgets are dependent upon central allocations from the Governorate and from the central ministries. New developments standards in the Region are set too high with insufficient cost recovery built in. The new towns of 10th of Ramadan and 15th of May have developed construction standards which are very costly and provide poor cost recovery provisions.

Furthermore, the Region contains uncoordinated and poorly developed sector plans. Interactions among sectors and relationships to spatial sites are not well defined. Sector plans for industry and infrastructure are based upon extrapolation of the location of labor supply and service demands. Implementation simply reinforces current direction of urban growth along a North-South axis. And the structure planning effort currently underway (GOPP effort in conjunction with Governorate of Cairo conducted by French group, OTH, Omnium Technique de l'Urbanisme et de l'Infrastructure) gives limited coverage to Cairo's regional issues

Given the above litany of issues in the Region, many types of action are needed. First, there is the need to organize systematic maintenance and upgrading of existing infrastructure and to explore approaches for financing new infrastructure needs:

a. Provide priority investment in the road transportation system to open up appropriate areas for development outside of the built-up area. Increase maintenance of existing system and make road improvements as needed. Provide for off-street parking facilities in the Cairo core area;

b. Extend water-sewer facilities to informal housing areas and institutionalize solid waste water disposal collection in city. Upgrade existing water/sewer systems and extend lines to support redirected urban growth;

c. Tighten up control of building inspections in informal housing areas, and impose height restrictions. Rehab older sections of city before structural collapses take place. Recognize and harness contributions of informal housing sector through provision of adequately serviced sites in appropriate locations on non-arable land;

d. Promote city-wide clean-up campaigns to reinforce Neighborhood Urban Services (NUS) efforts;

e. Examine new methods of local financing including betterment taxation for real estate. Streamline administrative decision method and budgeting process. Examine rate structure of utilities with attention to seeking ways of providing utility rate structure sufficient for cost recovery for new plant and equipment and maintenance needs of system, and;

APPENDIX H

NEW TOWNS

One additional form of housing being developed by government is that produced under the New Towns legislature. Housing produced in new towns is always formal and usually heavily subsidized by government, being built at generally high standards.

In Egypt, the idea of building new towns had early origins. During the period of the 1950s, new towns were first contemplated under the sponsorship of the then Ministry of Housing. Much of this early work centered on approaches to relieve the congestion in the Greater Cairo area through the building of satellite towns. It was anticipated that these efforts would help to decongest the city by providing jobs and residences immediately outside of central Cairo. The approach sought to maximize the use of existing infrastructure and minimize the loss of agricultural lands.

During the mid-60s, work on new town development continued under the Greater Cairo Commission. In July 1973, a Presidential Decree No. 1093 established the General Organization of Physical Planning (GOPP) as auxiliary to the Minister of Housing and Construction, but under the Minister's supervision, control and direction. Powers given to the GOPP included the preparation and comprehensive development planning for each region in the country, and skeleton planning for provincial cities and villages. Following the October War of 1973, the GOE renewed its campaign to assemble the necessary talent and resources for the development of a series of new town efforts in the country. These efforts ranged from rebuilding of the existing canal cities of Suez, Ismailia, and Port Said, the creation of the new "desert towns" of Sadat City, the 10th of Ramadan, the New America. In addition, a series of satellite cities for the Greater Cairo area were also planned: the 15th of May, the 6th of October and El Obour.

All activities involved with new communities now come under the jurisdiction of the New Urban Communities Authority. Established by Law No. 59 of 1979, and by Presidential Decree No. 351 of 1980, the Authority has the power to select sites for new urban communities and to prepare and approve general and detailed plans. Under cabinet decree the Authority can expropriate lands; under a decree of the Prime Minister it can set aside state-owned lands for new community development. Furthermore, without the approval of the Authority, government departments, local governments, general authorities, and public sector companies cannot dispose of desert or barren lands or agricultural lands located outside of the boundaries of existing towns for the purpose of subdivision into building lots. The basic objective of the Egyptian New Towns policy is to order and deconcentrate settlement patterns and economic activities in areas removed from the centers of Cairo and Alexandria and to encourage further urban growth on desert land away from

prime agricultural land. Nevertheless, there are a number of serious issues related to the present new town effort in Egypt which need to be addressed by the GOE.

There is a direct relationship between the location of new towns and their chance of success in reaching targeted populations. A reorienting of GOE new town priorities is needed. In particular, the GOE needs to give lower priority to free-standing new towns of Sadat City and New Ameriya and to give higher priority to the satellite new communities of 15th of May, 6th of October and to a certain extent 10th of Ramadan.

Moreover, the size of the planned new communities must be brought into line with the realities of what is possible under the best of conditions. This would imply that infrastructure developments should not get too far ahead of population and industrial absorption capabilities. Excessive frozen asset costs should be avoided.

In addition, the costs of new towns development should be geared to the ability of a target group to pay. Additional costs savings may be achieved by seeking quick cost recovery (completion of small projects before beginning new projects); reduction in the cost per person by increasing densities; increasing land use efficiencies; reduction in the cost of community facilities and; and reducing both the cost and the amount of publicly built housing in new towns.

More aggressive marketing of industrial sites is needed. Emphasis should be placed on attracting small-scale industry to new towns. Sufficient shops in both the industrial and commercial areas should be provided; more favorable financing and availability of housing is needed in order to lure employers away from central Cairo. Also, given the need to attract large industries, the tax incentives under new towns law do not appear to be sufficient and revisions to the law should be considered. Also, government should more adequately use public sector companies as an industrial base for new towns.

The New Urban Communities Authorities, established under Law No. 59, empowers it to act as the local government for a new urban community until such time as a new community is delivered to the control of a Governorate by a Cabinet order. Experience in other parts of the world indicate that it is best for the new community authority to maintain control over a new community for the entire period of construction despite the administrative burden upon it. GOE should recognize this need and recruit larger staffs for new community authorities.

Tables H-1 and H-2 provide additional information on New Communities.

TABLE H-1

NEW COMMUNITY PLANNED AND PROJECTED GROWTH RATES
1981 - 2000

Community	Current Population (1981 or 1982)	Target Population			Required Annual Growth Rates to Reach Target (%)		
		1985	1990	2000	1981- 1985	1981- 1990	1981- 2000
		10th of Ramadan City	5000	150,000	224,000	500,000	134%
Sadat City	5000*	61,000	122,000	500,000	130%	49%	29%
New Ameria City	5000*	28,000	153,000	390,000	78%	53%	27%
6th of October City	2000*	68,000	132,000	350,000	224%	69%	33%
15th of May City	2000	50,000	72,000	150,000	124%	49%	26%

SOURCE: Master Plans for each community and present populations and housing units under construction. (See Annex 2.)

NOTE: * Indicates expected population in 1982. Lack of * indicated 1981 population.

TABLE H-2

DISTRIBUTED INVESTMENTS ALLOCATED FOR NEW TOWNS
1978-1982

<u>Sector</u>	<u>Investment (L.E. 000)</u>	<u>Percent of Total</u>	<u>Percent of New Towns Total Investment</u>
Agriculture	5,000	1.86	1.55
Irrigation	-	-	-
Industry	16,000	.86	4.97
Oil	-	-	-
Electricity & Power	25,000	4.65	7.77
Transport & Communication	50,000	3.75	15.55
Commerce	9,000	5.30	2.80
Housing	18,600	14.56	25.37
Utilities	85,000	14.03	26.44
Services	50,000	7.56	15.55
TOTAL	321,600	4.82	100.00

SOURCE: Ministry of Planning. 1978-82 Five Year Plan. Development Strategy and Regional Planning. Volume 9 (August 1977), as found in Dr. Nohad A. Toulan, New Towns in the Greater Cairo Urban Region, Report No. 1, Existing Conditions (Cairo: 1979)

APPENDIX I

RECOMMENDATION, HOUSING ADMINISTRATIVE PROCEDURAL POLICY CHANGES

Shorter term administrative procedures and policy changes may be summarized as follows:

1. Subdivision and Building Permits - The delays and costs currently encountered in obtaining subdivision and building permits should be reduced. Greater emphasis should be placed on volume of permits thus reducing the costs while maintaining income levels.
2. Increase the Percent of Housing Finance Available - A reduction should be made in the amount of downpayment required. Mortgage financing should be granted on the market value of the housing unit not on the appraised value of the construction. And financing for informal housing construction should be provided.
3. Increase the Number of Housing Finance Institutions - A legislative change in the number of institutions allowed to engage in mortgage financing could dramatically increase regional access (there are at least 500 branches of commercial banks which presently are excluded from entering the housing finance field).
4. Provide Financing for Land and Infrastructure - One of the major impediments to the provision of housing is the availability of adequately serviced non-agricultural land. Availability of financing for land purchase and for the provision of services on non-agricultural lands could improve the locational aspects of informal settlements as well as provide easy access to formal sites.
5. Improved Cost Recovery - Lending institutions should be allowed to participate in the equity of the project being financed. This could take the form of leasehold ownership for land in cooperative projects which would provide an income stream and help to offset lending subsidies.
6. Formalizing Key Money Payments - The Rent Control Law allows developers of new rental properties to take advance deposits from potential renters. This notion should be extended to include the formal acceptance of key money. Thus, key money could represent a form of collateral which could be used to obtain medium-term loans from financial institutions.
7. Increase Household Savings in the Banking Sector - Interest rates on medium- and long-term deposits in local currency should be made as attractive as those in foreign currencies. Free market rates should be paid for worker remittances deposited into time or savings accounts. Medium deposit requirements should be substantially reduced, and household savings need to be more actively pursued by the banking sector.

Informal Housing - Besides attention to the financing aspects of this very important sector, GOE consideration is also needed on a number of other elements:

1. Provide technical assistance to builders in informal areas in design, material specification, utility provision and financing;

2. Enforce building and zoning codes with a view toward more stringency in regulation on building heights due to structural problems, than on prohibitions on informal housing construction per se;

3. Raise utility tariffs for infrastructure services in informal and formal housing areas aimed at recapturing a larger share of infrastructure costs. This would generate funds for upgrading of areas lacking in infrastructure;

4. Provide a mechanism to grant land, preferably desert fringe area and/or unbuilt upon center city lands, to target income groups (low income) at subsidized prices;

5. Encourage support for the construction of a larger proportion of informal rental housing units (particularly for the Cairo and Alexandria markets);

6. Finance infrastructure upgrading and extensions to informal areas;

7. Provide infrastructure for new sites and service activities with an emphasis on targeting land sales to low/moderate income groups;

8. Define the country's infrastructure water/sewer problems in terms of the operational feasibility of its present policies. The GOE policy needs to be examined in light of its appropriateness in meeting needs and costs and in achieving its objectives; and

9. Assess the economic efficiency of existing infrastructure programs, the question of cost recovery, subsidies, organizational efficiency, and ability to collect revenues and to maintain services.