

IMPROVEMENT OF LOW-COST HOUSING CONDITIONS; POLICIES AND CONSTRAINTS IN EGYPTIAN CONTEXT

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ABSTRACT

One of the most essential needs of people everywhere in the world is adequate housing. This is recognized by the United Nations, and is emphasized in its Istanbul Charter. Thus governments are encouraged to facilitate their citizens' acquisition of Adequate shelter. This involves: protecting the rights of owners and tenants; ensuring that citizens of all classes have the opportunity to obtain satisfactory housing; and to induce the private sector to invest in this economic sector (thereby reducing government expenditure as well as overall costs of housing). Despite considerable progress has been achieved in Egypt in the past two decades in policy formulation, facilitating a shift of the public sector's role to strengthening of enabling strategies and focusing on the utilization of the potential and capacity of informal sectors, there is a widening gap between policy formulation and the implementation process, and the status of low-income housing delivery is far beyond being satisfactory. There are many constraints for this situation. Lack of effective implementation strategies, poor promotion of security of tenure, inadequate supply of affordable land and infrastructure, inadequacy of housing finance systems, poor utilization of local building materials and technologies, lack of support to small-scale construction activities, inappropriate standards and legislation, inadequate participation of communities in shelter development process and support to self-help, lack of focused research and experimental projects, poor utilization of research findings, are amongst such major constraints.

1. IMPORTANCE OF HOUSING IN ECONOMIC & SOCIAL DEVELOPMENT FOR DEVELOPING COUNTRIES AS FOR EGYPT:

There is broad consensus on the fact that housing has central importance to everyone's quality of life and health. Housing, besides being a very valuable asset, has much wider economic, social, cultural and personal significance. The way in which housing is produced and exchanged has an impact over development goals such as equity and poverty eradication; construction techniques and location of housing can influence environmental sustainability and the mitigation of natural disasters; and the design of dwellings both reflects and protects important elements of culture and often religious beliefs.

There is also a consensus on the role of housing construction in employment generation, particularly for unskilled labour, which is extremely important in the economies of Egypt and most developing countries. The difficulty in having access to housing development elements such as land, building materials and credit facilities have resulted in proliferation of informal settlements. It is estimated that there are more than 100 million homeless and about 1 billion people inadequately housed in the world. Needless to say, the vast majority of these people are living in the developing regions.

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In other words, about 95,000 housing units need to be completed daily in the urban areas of developing countries. Roughly 8 per cent in North Africa and the Middle East. Africa, being the least urbanized but fastest urbanizing continent has, needless to say, a great challenge in improving housing conditions. While there were 8 cities in Africa with more than 1 million population in 1975, there are now 40 cities in this category. In our Egyptian context studies refer that we may need more than 750 000 housing units annually (480 000 housing units for new families – 220 000 housing units for upgrading informal areas – 50 000 housing units for developing old areas).

These demographic trends will place an increasing stress on governments to pursue right policies and improve the capacity of housing delivery processes. As a starting point, housing should not be looked at as a problem area requiring major social spending but as a means for promoting and mobilizing savings, expanding employment and economic activity particularly as a tool for poverty alleviation. Income and employment opportunities generated by housing construction are amplified by multiplier effects in the economy. Although the economic and social advantages of housing development have been recognized in general in majority of developing countries as in Egypt, there are a number of obstacles that hinder the progress of housing delivery processes.

2. EVOLUTION OF HOUSING POLICY FRAMEWORK:

Framework for thinking about development and policy has changed in important ways over the last two decades. Most planning concepts, top-down strategies have given way to market and people-based solutions, process approaches, and an emphasis on building capacities and institutions . Housing policy has been very much influenced by these dynamics. A sketch of housing policy developments since the 1960s, shows how an early focus on physical planning and public housing gave way, first to "self-help" housing projects (which mostly served middle income households and proved to be an unsustainable option to address the needs of the poor due to the high subsidies involved), and then to the "enabling approach" which concentrated on maximizing the contributions of all the actors in housing production within a supportive legal and regulatory framework.

This approach, and the other policy measures which accompany it (such as partnership and decentralization), have created a more conducive environment where people's housing processes can be supported by public authorities. Policy implementation however is not always so clear and there are often examples of top down approaches. This is particularly the case where there is political pressure to demonstrate quick results through, for example, large-scale evictions of squatters or construction of public or subsidized private housing.

Despite these occasional reverses, there is general agreement today on the enabling approach in the formulation of housing policy, though differences continue to surface between those who place more faith in markets to deliver both efficiency and equity goals, and those who emphasize "sustainable human development" as a framework within which markets must be carefully managed. Capacity-building for improved urban management, institutional reform (especially in the public sector), and "local ownership" over policy decisions however have importance in both approaches. Both also recognize the key role of NGOs and other civil society groups in the housing process (both as service-providers and in other roles such as community organization and advocacy); and both place gender equity and other issues of difference at the centre of policy choices.

In addition to the policy-implementation gap which is a common situation in most developing countries as in Egypt, the most important challenge in housing development strategies is how to balance market incentives and private initiative (which are essential to efficient housing delivery), with social and environmental goals and collective action (which are central to equity and sustainability). Most importantly housing policy and implementation strategies should incorporate an integrated vision, which sees adequate housing both as a goal in itself and as a contributor to economic growth and social development. Policy makers must be able to recognize and build on these linkages so that housing and other policy goals can be made mutually supportive.

3) EGYPT'S HOUSING CRISIS:

Egypt's housing problem began to assume drastic proportions in the early 1960s. This phenomenon coincides with several others of the same period; the private sector increasingly tended to refrain from investing in housing; the population rose by high rates; the government's inability to meet popular demand for housing became noticeable. Studies show that Egypt's housing crisis can be attributed to a combination of factors, which may be summarized accordingly:

- The returns to investment in housing are lower than those pertaining to other economic sectors.
- The housing laws, being grounded in the political concerns of the 1960s, brought about a noticeable decrease in construction activity, particularly in housing for the middle-income groups.
- Egypt's inhabited area consists of only 4% of the country's area. This, coupled with the high rates of population increase, led to the increase in the prices of real estate and induced people to illegally build on agricultural land. This latter phenomenon involved approximately 60,000 faddans per
- The costs, and therefore the prices, of housing units have progressively risen, putting these beyond the reach of the majority of citizens (who basically belong to the lower/middle socio-economic classes).

The combination of these factors caused the private sector to lose interest in the housing sector, thus forcing the government to address the pertinent problems on its own.

4) THE RESOLUTION OF EGYPT'S HOUSING CRISIS:

The new Government's Strategy integrated the rights of low-income/disadvantaged groups to appropriate shelter and affordable housing in its economic reform program, which began in the early 1990s. This integration has been made on the basis of an indigenous cultural value of "Eltakaful El-Egtemaie". This value means the responsibility of capable/wealthy groups towards disadvantaged/poor ones, the result of which is social solidarity. This value can be achieved either through direct donations or cross-subsidy mechanisms. This integration is illustrated here through a presentation of the following two projects.

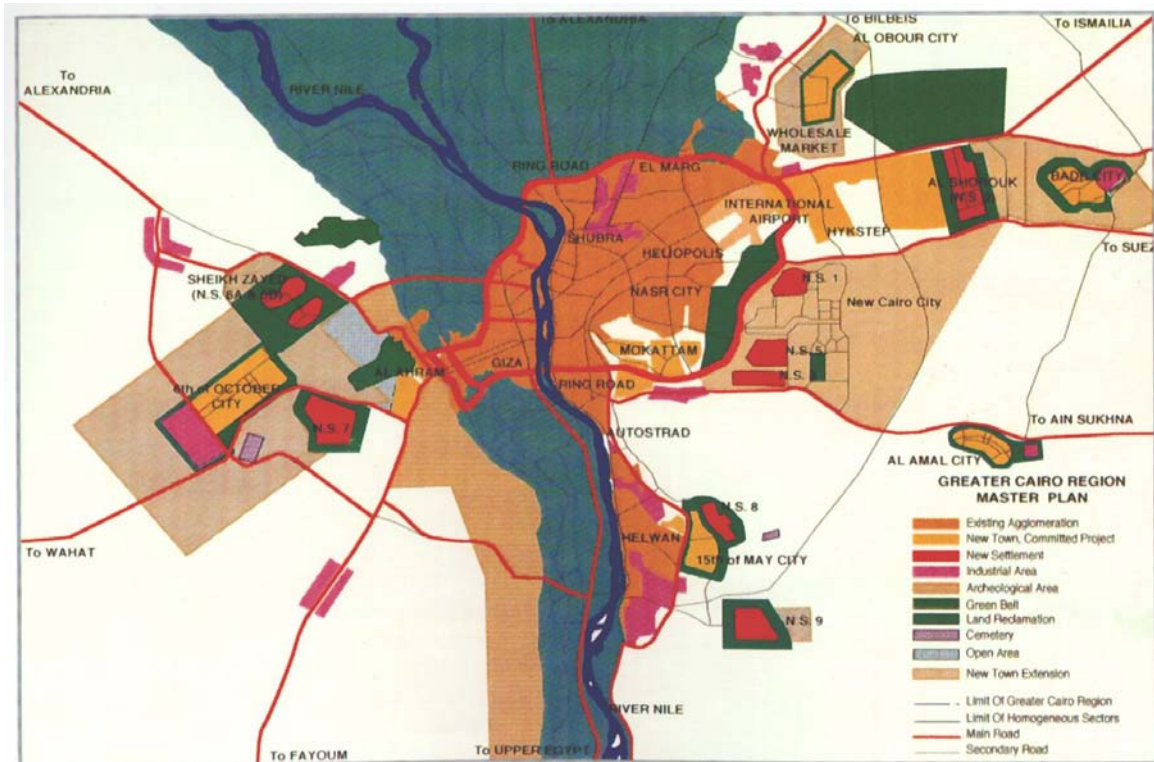
4- 1. Mubarak Youth Housing Project

"Mubarak Youth Housing Project" had been started in 1996. Its aim was to provide 70,000 affordable dwelling units, in a healthy and productive residential environment.

The beneficiaries were the Youth who belong to the disadvantaged/low-income groups. The project was completed in December 2000, and its units were distributed in 15 new cities. The project was formulated to offer a wide range of floor spaces (100-70-63 sq. m.) in order to satisfy the needs of different household sizes. The designs of both dwellings and layouts had been chosen through national architectural competitions. The chosen designs fulfill the targeted requirements of gross residential density (120 persons/acre) and a maximum height (5 floors) to allow for ample green areas, parking spaces, and various social services.

The project cost was about L.E. 2.75 billion. Of this amount, the state cross-subsidized nearly 40% from the sales of high-income residential areas and dwellings in both new cities and resorts. This is in exclusion of price of serviced land, which is, also, financed from these revenues. In addition, the State offered L.E. 1 billion in subsidized credit in the form of soft loans of L.E. 15000 per unit, payable over 40 years at 5% interest rate. The dwelling units were allocated according to objective criteria, which had been investigated to ensure the legibility of beneficiaries. After the successful completion, the State is developing, now, new mechanisms to replicate the project in a larger scale during the next five years. The objective of these developments is to mobilize more resources from capable/wealthy groups to support the Youth of disadvantaged groups, e.g. participation of businessmen, contractors, real estates companies, financial institutions (especially private ones).

FIGURE 1
Illustrates the Greater Cairo Region Master Plan 2017. - Source: GOPP, 1983.



4- 2. The Future Housing Project

In February 1998, her Excellency Mrs. Susan Mubarak called for a new social contract between the capable/wealthy and disadvantaged/poor groups of the society as regards housing. In March 1998, a non-governmental organization named “Gameyet el Mostaqbal” (Society of the Future) was especially established to supervise implementation of the project. The board of this NGO is composed of businessmen in real estate, manufacturing and construction. Thus, “The Future Housing Project” has been launched in an innovative way that builds up social solidarity and partnership-

The project is designed to construct 70,000 dwelling units with an area of 63 sq. m. /unit, at an estimated total cost of L.E 2.1 billion, without the cost of land. This number of units will be implemented on three phases over a period of 6 years (15000 in the first, 25000 in the second, and 20000 units in the third phase). The private sector responded quickly, as investors/wealthy people pledged to raise L.E. 1 billion over 6 years, thus covering 50% of the total cost. The state is to cover the other half of this cost, in addition to the supply of land with infrastructure and basic services. The project offers a subsidized credit in the form of soft loans of L.E. 14000 per unit, payable over 40 years at 5% interest rate.

The first phase had been started in May 1998 and was completed after two years. The units of this phase were replicated in 15 new cities in Egypt. The units were allocated according to objective criteria and through official investigations to ensure the eligibility of each beneficiary. This project has received the Council of Arab Ministers for Housing and Reconstruction AWARD in the year 2000 for its innovative approach that integrates architectural, planning, social, economic, cultural, technological, and environmental dimensions.

FIGURE 2:
Mubarak Youth Housing Project



5) MAJOR CONSTRAINTS IN DELIVERY OF LOW-COST HOUSING

Although there has been significant progress in the formulation and implementation of housing policies and to some extent strategies in the past decades as summarized earlier, many constraints still effectively hinder progress in housing development in Egypt and most

developing countries, particularly for low income and other vulnerable groups. These constraints include but are not limited to the following issues:

5- 1. Lack of effective implementation strategies

This is the first and most important step in the challenge of adequate shelter for all. The key for overcoming these constraints is to promote an effective facilitative role in order to harness the full potential of all actors in housing production. Most governments in Egypt as in developing countries have adopted enabling shelter strategies and initiated actions to support the actors in the housing delivery process. There is however extensive room for improvement and articulation in this area and close the gap what is on paper as a policy document and what is really happening on the ground.

5- 2. Poor promotion of security of tenure

Promoting security of tenure is a prerequisite for sustainable improvement of housing and environmental conditions. Squatter settlements upgrading projects need to be carried out addressing tenure issues to prevent/reduce evictions. Governments should focus on regularization schemes in order to provide incentives to families to invest in their homes and communities. Promoting security of tenure can also support better functioning of rental housing markets. There is no doubt that every effort should be made to make best use of existing housing stock and improve the quality of living in these settlements.

5- 3. Inadequate supply of affordable land

Lack of adequate land for urban development particularly for low-income housing is perhaps the single most important impediment in achieving the goal of shelter for all. Proper records and registration of land is the first step in formulating and implementing a strategy on land. Scarcity of land leads to escalating land prices, overcrowding of existing neighborhoods, illegal invasion of vacant land and growth of squatter settlements. This trend can only be reversed by the provision of adequate and affordable land for low-income housing. In order to increase the supply of urban land, the financial and technical capabilities of the municipalities must be strengthened. It is also necessary to create conditions that would facilitate the growth of private land development agencies. Governments should formulate a regulatory framework ensuring that such private sector land developers will serve all income groups.

5- 4. Improving Infrastructure and services

Financing and facilitating infrastructure to meet basic needs of many urban communities have been difficult for the majority of governments and local authorities. This is, in most cases, due to the high standards that make provision of infrastructure very costly. Too often, infrastructure services are unnecessarily subsidized and frequently the subsidies are wrongly directed. As public authorities have not been able, in general, to provide infrastructure to the growing number of urban communities, individual households, community groups and informal enterprises have increasingly taken over this task.

5- 5. Promotion of housing finance mechanisms

Housing finance institutions in Egypt as in developing countries and particularly in Africa provide services only to a small proportion of population. Financing of housing mostly comes through informal sources of credit. This is a result of national policies

that are not successful in encouraging domestic savings and the development of domestic financial institutions and instruments. Lacking collateral, the guarantee of regular and recorded income, the low-income groups depend completely on informal credit sources, which are expensive and mostly short-term. Establishing and in rare cases (since there are a few) strengthening mechanisms for financing low income housing and in this relation inclusion of the informal settlements is a fundamental issue.

5- 6. Utilization of local building materials and technologies

Building materials often constitute the single largest input to housing construction in most developing country cities as in Egypt. It is estimated that the cost of building materials alone can take up to 70 per cent of a standard low-income formal housing unit. Many developing countries as in Egypt, despite the fact that they are endowed with abundant natural resources that can meet their need for building materials production, depend largely on imported building materials and technologies. While considerable research is conducted in some countries on local building materials, only a few of these research initiatives have succeeded in disseminating findings to the potential users.

5- 7. Support to small-scale construction activities

Small-scale construction firms which operate particularly in informal settlements should be supported. Measures in this context include formulation of more realistic planning and building standards, simplifying administrative procedures to obtain permits and licenses.

5- 8. Developing credit mechanisms for small construction entrepreneurs; promoting cooperative arrangements to operate and particularly acquire construction equipment; provision of training and advisory assistance; facilitating participation of smaller firms in larger public sector contracts are other examples of such support measures.

5- 9. Adjusting standards for building and land subdivision

In many developing countries as in Egypt, standards for building and land subdivisions do not consider affordability issues and have a general nature. Standard subdivisions are often based on regulations of the pre independence periods prescribing large plots and banning building next to plot boundaries. This results in large plot sizes and high infrastructure costs. Building standards are also high urging and encouraging needy groups to get involved in informal building activities. These regulations and standards should be adjusted also in consideration of affordability criteria.

5- 10. Promotion of community participation and self-help

Policies and practices of provision of ready housing units by governmental agencies to the needy households have failed almost everywhere. This approach is simply not sustainable and cannot reach the scale. On the other hand, the poor have demonstrated that they can effectively participate in the housing process provided that they are assisted. Most rural migrants bring with them a self-help tradition that could be used for the construction of dwellings. Self-help and community participation however does not develop by itself. Successful community involvement requires support from the public sector such as provision of training, credit and technical assistance.

5- 11. Initiation of experimental pilot projects

Pilot projects aimed at developing innovative approaches will be very useful. These approaches can, for example, involve housing cooperatives and may be centered on

projects, which practice cross subsidies, land sharing schemes and utilization of local building materials. Experimental projects with new standards for subdivision and building materials with semi-serviced and non-serviced plots can also be initiated. Such experiments can facilitate the learning process for up scaling.

FIGURE 3:
Future Housing Project



6) CONCLUSION REMARKS IMPROVEMENT OF LOW-COST HOUSING CONDITIONS:

6- 1. Housing Policy development has been both cumulative from experience and occasionally directed by the World Bank and other International Agencies. In addition, the large variations in success and failure perspective among nations make it appropriate to adopt comparative approaches in analysis and evaluations. The importance of taking strategic long-term view lies in the recent formulation of "new directions" policies for the World Bank enjoining together development and housing/urban policies in 1999.

6- 2. Since housing patterns, design, and architecture give the cities their character, urban housing policies should pay more attention to social, economic, cultural and traditional values. Housing has been widely recognized as a major factor in social and economic planning..

6- 3. The functioning of the housing market, land supply and facilities for home ownership in the Arab States can be viewed as one factor that contributes greatly to a settlement pattern that is more capable of responding to human needs of housing. However, the active participation of citizens in solving their housing problems should be encouraged through establishing societies.

6- 4. The shift to a market-based economy seeks to achieve improved economic performance, mostly through accelerated industrial output restructuring. Related reform policies occasionally involve deregulation of industrial prices, devaluation of official exchange rates, elimination of export subsidies, and liberalization of trade. Policies also

involve reform of the State enterprise sector and vitalization of the private sector, by lifting the constraints of centralized planning, reducing the bureaucracy of governmental agencies, providing access to credit, introducing nondiscriminatory taxation, and by legislating an enforceable framework of commerce and finance codes.

6- 5. Over time the process of transformation requires governmental policies, which are characterized by sustainability and consistency. These insure accelerated growth, increased employment and higher incomes. These, in turn, create the foundation for sustainable housing markets. The free-market mechanism seems to first respond to demand for upper-end housing by expatriates and the new entrepreneurs. However, a broader housing market is not likely to follow until the government implements a sustainable system for housing finance. Additionally, special incentives are needed to entice companies to respond to demand for low-income housing.

6- 6. Emphasis should be placed on training programs in the construction fields to realize community development goals and improve the living environment. Housing the urban poor and low-income groups required the undertaking of large-scale projects. Different agencies have taken part in providing housing either through ownership or rent (on an affordable basis.)

6- 7. In conclusion, it can be summarized that, given the diversity, complexity and dynamism of housing issues and housing delivery processes and their interactions with forces and elements of politics, economic, social and cultural development, attempts to formulate a standard list of recommendations will be of limited use and value. The Global Strategy for Shelter to the Year 2000 and particularly the Habitat Agenda have set the guiding framework of policy options which are centered around the principles of enablement, participation and partnerships. Actors involved in "shelter for all" are searching within this framework for new approaches in which their potential and capacity can be mobilized and utilized to the full extent.

6- 8. Housing the poor in Egypt is a long term program whose success is dependent on a delivery system in which individual subsidy beneficiaries must be able to participate. It is anticipated that a good record of economic growth will be able to place the poor on the road to affordability. However, economic growth must be coupled with government efforts to allow the poor to partake of the benefits of such economic growth. In addition, the built environment created should be a matter of concern if a sustainable and responsive place is to be created.

6- 9. Finally, if the government is serious about acting as facilitator in the housing delivery system, housing policy must be seen as an experiment to be tested in the field. The policy can therefore not be separated from its implementation. Its feasibility will be dependent on review and reformulation to take account of the practical hurdles that have been the subject of this paper.

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