

EGYPTIAN INITIATIVE FOR PERSONAL RIGHTS



المبادرة المصرية للحقوق الشخصية

EIPR Housing Policies Paper II

Drafting a Fair Housing Policy for Egypt

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Egypt spends billions in public funds every year to build housing units for what it terms “low-income groups,” but over the last four decades this policy has failed to resolve the most significant housing challenges and provide adequate housing for millions of needy families.

For example, more than LE34 billion in public funds were spent (Ministry of Housing, 2014), as well as billions more in private funds, on the National Housing Project (NHP), also known as Mubarak’s Housing, for housing units that ultimately went to middle-income Egyptians rather than the poor, due to their high cost and the lack of leasing arrangements (Shawkat, 2014a). This is in addition to the tens of thousands of units that stand vacant and unused, either because they are not connected to utilities, lack security and services, or were set aside for speculation in the real estate market (Ibid.).

Unfortunately, this policy continues with the new Social Housing Program (SHP) known as the “million-unit project,” under which some LE9 billion has been spent in public subsidies and investment since 2012. Here, too, middle-income Egyptians rather than the poor will be the beneficiaries (Shawkat, 2014b).

Recently, however, the Ministry of Housing showed a willingness to change this policy when it held an experts group meeting on a new housing policy for Egypt on Thursday, 22 May 2014. The panel featured officials from the Ministry of Housing, Utilities, and Urban Communities, UN-Habitat, housing and urban planning experts from Egypt and abroad and representatives of civil society interested in urban development.

The Egyptian Initiative for Personal Rights attended the panel at the invitation of the Housing Ministry and presented the following recommendations, which have been based on its own research and work in the field of housing and land rights and enabling communities to exercise their constitutional right to adequate housing.¹

¹ Article 78 of the constitution states:

The state shall guarantee citizens the right to adequate, safe, and sanitary housing in a manner that preserves human dignity and realizes social justice.

The state is obligated to draft a national housing plan that shows due regard for environmental particularity and ensures the contribution of personal and cooperative initiatives in its implementation. It shall regulate the use of state lands and provide them with basic utilities in a framework of comprehensive urban planning for cities and villages and a strategy for population distribution, in a manner that realizes the public interest, improves the quality of life for citizens, and preserves the rights of future generations.

I. Regulation and oversight of the real-estate market

The primary purpose of government-funded housing subsidies in Egypt is to bridge the gap between housing prices and income, but even as the government spends billions of pounds to subsidize housing projects, the gap between prices and income has been increasing dramatically over the last decade, overtaking the value of subsidies.

For example, the price of a subsidized apartment jumped from LE50,000 in 2005 during the NHP to LE135,000 in 2014 during the SHP—an increase of 270 percent in nine years, or an average annual increase of 30 percent. The price of subsidized apartments is thus keeping pace with housing price increases in the open market, which many real-estate experts predict will increase this year by 25–50 percent (Al-Mal, 2014). During this same period, poverty increased while the slight increase in the earnings of the middle-income bracket is eaten up by inflation (CAPMAS, 2014). In other words, the purchasing power of the Egyptian citizen, especially the poor, has declined drastically, which has had an impact on citizens' ability to acquire housing, whether adequate or not.

This gap between income and housing prices is reflected in the number of families who live in inadequate housing, whether in terms of its structure, space, utilities, or the availability of services in the area. For example, some 1.3 million families live in extremely crowded conditions, in units of one or two rooms (CAPMAS, 2006). These families are undoubtedly poor and their income does not allow them to possess adequate housing given its high cost. And so, as its responsibility is providing adequate housing to the population, one of the roles of the Ministry of Housing is to regulate this gap by exercising oversight of the market to rein in inflation in housing prices. But since the New Urban Communities Authority (NUCA) is part of the ministry—the authority manages a major portfolio of nearly one million feddans of state lands (NUCA, 2014) slated for development and sold at a profit—the Ministry of Housing instead encourages property development and designs policies that increase

The state shall also draft a comprehensive national plan to address the problem of informal housing areas, to include rezoning, the provision of basic infrastructure and utilities, and the improvement of the quality of life and public health, as well as ensure the provision of the resources necessary to implement this within in a specific time frame.

the value of its land holdings. In turn, this has led to an exponential increase in housing prices in Egypt over the last decade. In the end, this conflict of interest in the Ministry of Housing has harmed its role as regulator and must be resolved.

Recommendations to ensure a fair housing climate:

- Short term: designating the majority of units in the SHP for rent as opposed to mortgage will have a major impact on property and rental prices in the market given the huge number of units involved—slated to reach 50,000 in the next few months—which will rein in prices in general, especially for the poor.
- Medium term: establish an independent body to monitor the real-estate market and protect consumer's rights. This body will determine the interventions, policies, and laws necessary to reduce the gap between housing prices (both sale and rentals) and income, based on an information map of housing and land prices and income data, to be updated annually while disclosing all this information to the public.
- Long term: the Housing Ministry should cease being involved in the sale of land and real estate and such agencies under its control should be made subordinate to another ministry.

II. Directing housing subsidies to the poor

Since the early 1980s, subsidized housing units have been made available through sale rather than rent, which has raised prices and put them out of the reach of the poor. Under the conditions of the current SHP, nearly half of all Egyptians—the lowest earning half—will not be eligible for the program since the units will be made available for sale by mortgage (Shawkat, 2014b). In addition, the sale rather than rent of the units creates an environment conducive to speculation in subsidized units and leads many people to abuse the system, applying for and receiving housing they do not need.

Moreover, numerous government bodies are involved in the construction of housing subsidized by the state budget, or through revenues from the sale of state lands and taxes or through loans and grants without coordination or any

plan, which at times puts them in competition with one another and leads to a waste of public funds. There are 27 housing funds, one for each governorate which build low income housing in existing cities, a NUCA fund under the Housing Ministry which builds low income housing in the New Cities, the Guarantee and Subsidy Fund (GSF) under the Ministry of Finance which lends mortgages to low income families in both existing cities and New Cities, the Informal Settlements Development Fund (ISDF) under the Cabinet and the Ministry of Local Development which loans governorates money to build alternative housing for areas slated for demolition, and several other agencies that use resources available to them, such as the Ministry of Defense and the Ministry of Endowments to build low-income housing, sometimes in partnership with the Ministry of Housing. In addition to existing funds, two new funds have been decreed by law but are yet to be established; The social housing fund which would be run by the Ministry of Housing as per Law 33/2014 or the Social Housing Law, and a fund for the maintenance and repair of old buildings at risk of collapse as per article 97 in Law 119/2008.

Recommendations to target housing subsidies to those in need: the poor:

- Redefine the legal definition of low-income families in the mortgage law and any other law such that it encompasses only the poor which according to CAPMAS comprise the two lowest income brackets—the poor and the extremely poor—which represent 40 percent of society. The definition should be amended annually in accordance with regular statistics and should also consider geographic disparities between governorates. Appropriate all units in state-subsidized housing projects through rental schemes, and not through ownership or mortgage schemes. This step will ensure that the unit reaches the deserving party and will render market speculation almost impossible since they will remain the property of the Ministry of Housing or the governorates' housing directorates. This will also permit flexibility, allowing eligible families to move from one location to another depending on their employment conditions or need or move to a larger unit with an

increase in family size, making for a more efficient distribution of the units.

- Establish a unified database of all persons eligible for state subsidies. The database should include the names of all beneficiaries of any project or program under any government authority offering housing support of any kind, which will eliminate fraudulent claims and prevent subsidy leakage
- Establish a government body at the Cabinet level to regulate subsidized housing. This body should devise an integrated plan for subsidized housing programs , monitor its implementation by the various ministries, agencies, directorates, and funds, and coordinate between them.

III. Draft a plan for subsidized housing that addresses the various housing challenges on more than one level

State support for housing is limited to three types: the construction of standard housing units, the most common type; the provision of plots of land for construction at lower-than-market rates, which is very limited; and the provision of low-interest loans for the construction of housing units, part of the cooperative housing mechanism and the rarest type of support by value. With millions of families living in inadequate housing, these three types of support do not address all possible housing needs.

According to data from the Housing Ministry's Technical Agency for Building Inspection (TABI), more than 285,000 buildings are derelict; 60,000 of them have been issued demolition orders and 225,000 received restoration orders, some of them as long as 20 years ago, although the orders have still not been implemented (Masrawy, 2014). This means there are some one million families living in imminent danger, most of them too poor to make the required repairs to the property. And so there are at least 675,000 units that could be made fit for habitation if the resources for the repairs were made available, as well as another 180,000 units that could be re-built on sites currently occupied by buildings slated for demolition—a much more efficient solution than

building new housing from the ground up in desert, ex-urban areas, since the former do not require spending on new infrastructure, utilities, and services.

Recommendations to expand types of housing support:

- Draft an integrated plan to reduce the number of families living in inadequate housing. Research on housing demand should be used to draft a multifaceted, national subsidized housing plan that reflects various geographic, social, and economic factors.
- Examine the social, structural, and service-related factors of existing housing stock to identify the intervention necessary to alleviate the inhabitants' hardship and provide fit housing for them.

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