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# BUILDING PROSPERITY

HOUSING AND ECONOMIC DEVELOPMENT



## CASE STUDY

### HOUSING IN EGYPT

Design of housing policy as a part of overall national and regional development planning is clear in Egypt, where housing strategy – including the implementation of new town development – is closely linked to the achievement of national development goals.

With an annual per capita income of USD 1,350 and growth in real G.D.P. of almost 5 per cent in 2006, Egypt has a fast growing economy and a high population growth rate. In 2006, the population reached 75.4 million in 2006. Much of the population is confined to the narrow strip of arable land along the River Nile. Almost 40 per cent reside in the Greater Cairo Region alone. For many years, this spatial imbalance of population was a major development concern for the policymakers. To deal with the situation, a thorough regional development plan for Greater Cairo and its hinterland was launched in 1969.

The main objective of this new approach to regional and urban development, as set out in the Greater Cairo plan, was essentially decentralization, with the creation by 1990 of four new satellite cities in the desert surrounding Cairo. The intention was to reduce population growth in Greater Cairo, to ease problems of overcrowding and congestion, and to provide alternative sites for urban development.

The plan was later broadened into a large-scale national development programme, with 14 new urban centres envisaged along the Nile basin. From the mid-1970s onwards, many satellite and new towns – such as 10 Ramadan, Al Badr, Bourge El Arab, New Ameriya and Sadat City – were created around Greater Cairo and Alexandria. These new towns were expected to host between 250,000 and 500,000 people, with an anticipated total population of 1.9 million, largely drawn from low-to-medium income groups.

In planning the redevelopment of urban areas, much attention was given to the role of housing, as part of comprehensive national physical planning. Beyond meeting people's housing needs, the master plan also considered housing as a mechanism for decentralizing economic activities. The master-plan thus recognized that adequate housing is essential to attract industries. For instance, in the master plan for Sadat City and Bourge El Arab, extensive public housing programmes were designed to provide safe and sanitary accommodation for every resident, provide a wide range of choice of housing types and locations, provide opportunities for investment into private home-ownership, respond to development pressures, and stimulate investments. To ensure quick access to housing, the government introduced state housing subsidies and a credit programme that included new institutions and credit instruments.

The economic base of these urban centres has increased significantly over recent years, attracting diverse industrial and service related activities. By the early 1990s, the population of workers in these towns were: 10 Ramadan, 36,625 inhabitants; 6 October, 28,899; and Sadat City, 5,551. Although more recent reliable data are not available, it is estimated that the rates of population growth in these new towns have increased significantly over the past decade. At the same time, each of these established urban centres is expected to increase employment opportunities considerably over the next 10 to 15 years.

Public housing has been responsible for the development of new towns themselves and for significant urban transformation. It also serves as a basis for industrialization and increased private investment. Residential construction has also provided employment for tens of thousands. Furthermore, efficient wholesale markets have been created in these secondary towns, as part of a more balanced approach to territorial development and enhanced rural-urban economic linkages.

One of the key lessons of the Egyptian approach to urban development is the government's strong political will and financial commitment, as shown in government expenditure allocated to the programme, the enactment of key legislative instruments, and the creation of financial institutions and credit associations. Another important

lesson lies in the way policies were formulated to meet specific prevailing needs, notably uneven urban population distribution. New towns and housing programmes were thus carefully crafted to integrate several crucial aspects of national development goals. Overall, the Egyptian approach also shows the important role that housing can play in regional development strategies.

### **Recommendations for an efficient housing market**

- Developing property rights
- Developing mortgage finance, including lending and borrowing at positive interest rates
- Rationalizing subsidies
- Opening up urban land for residential development through provision of infrastructure
- Reforming building and planning regulations concerning land and housing development for expanding market activity
- Organizing building industry by eliminating regulatory barriers
- Developing an institutional framework for managing the housing sector

*Source: World Bank (1993)*