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A Suggested Strategy Towards an Effective Treatment of Housing Crisis in Egypt

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Abstract:

The housing crisis in Egypt is considered as a major obstacle confronts the development. In the past 30 years, the government policies still incapable to solve the housing crisis, in spite of reduction of the population growth rate lately. The questions raised here: are there proper policies that could manage such crisis? And if there are any, what are the execution mechanisms for those policies? And why are not effective?

In the same time, the real estate market is suffering from stagnancy, which put the market in conflict. Is there a housing problem or stagnancy problem? Apparently, those are two opposite standings!

Such conflict points out the incapability of consecutive housing policies toward a solution for housing problems. In other words, **there is no proper plan** that matches the problem importance.

This paper suggests that the housing policies are not directed toward an effective solution for the mentioned housing crisis.

Therefore, **the paper suggests** a strategy that manages the housing crisis in Egypt through a thorough evaluation for the consecutive housing policies and extracts the advantages and disadvantages of mentioned policies.

The paper **adopted an analytical and comparative method** for the housing policies through the last 30 years and evaluates the results **to suggest the proper methods and mechanisms** that help coming over the housing crisis.

Introduction:

The national development not only houses to be built to compensate the housing crisis, but also a complete urban, social, economical, and environmental process. The housing crisis is only one of many factors that obstruct such development.

Through 30 years of effort to solve this crisis, where is the problem? Is it the strategies? Or is it the main policy? Or is it the management of the whole procedure?

Therefore, establishing a strategy that facilitates the housing crisis management in Egypt is a must and an urgent goal.

Problem statement:

Population growth: the population growth rates are surpassed by the time; Egypt population in the beginning of the twentieth century (1907) was about 11 millions, this number has been doubled 4 times (44 Millions) by 1981 (through 74 years). It reaches 53 Millions by 1988. The latest

census point to about 70 millions in 2000. The urban population reached 50% of that number, which was not exceeding 17% in 1907. The population annual growth rate reached 2.8% (2.7 in urban and 3% in suburbs), the large cities as Cairo and Alexandria exceeding 3% of the population annual growth rates. [17 p. 12, 16].

Population density: The population density considered as an important indicator of the population distribution problem. Most of the population in Egypt concentrates in the Delta and the Nile valley, thus those areas have a high population density of 1250 persons/km² (1988 census). That density reaches 1660 persons/km² in 2000 census. On the other hand the remaining area of Egypt has a density of 3 persons/km² (2000 census).

Therefore, the population density in the Nile valley is more than 500 times the population density in the remaining area of Egypt land which indicates a significant population distribution problem. The inner-immigration analysis showed that Cairo and Alexandria regions are the most powerful magnets that attract immigrants. The centralization of administration, services, and production sectors are the main reasons of that immigration. Cairo has fifth of the whole country population with population density of 29000 persons/km² (1988) and that places Cairo on the top of list of the cities with high density, Seoul comes in the second place with 14700 persons/km² [17 p. 16].

Informal extensions: According to “Consultative Council Services Committee” (1994) the informal extensions reached 517 areas in 15 provinces have a population of 8 millions. The number of informal areas expanded to be 1043 areas at 1996 includes about 12 million persons over area of 344 km²; the informal areas, therefore, have been doubled and the population became 1.5 times, as the population density in 1996 has reached 34884 persons/km² [5]. The previously stated numbers present a serious spread for such informal housing extensions, which became out of control. The inhabitants moved toward such informal extensions, graveyards, and separate rooms as a solution for the housing crisis regarding the high expenses. The informal extensions cause a serious damage of fertile lands (50 to 70 thousand acres of arable land have been violated). Adds to this significant social, psychological, and health problems, which obstruct the national development[17].

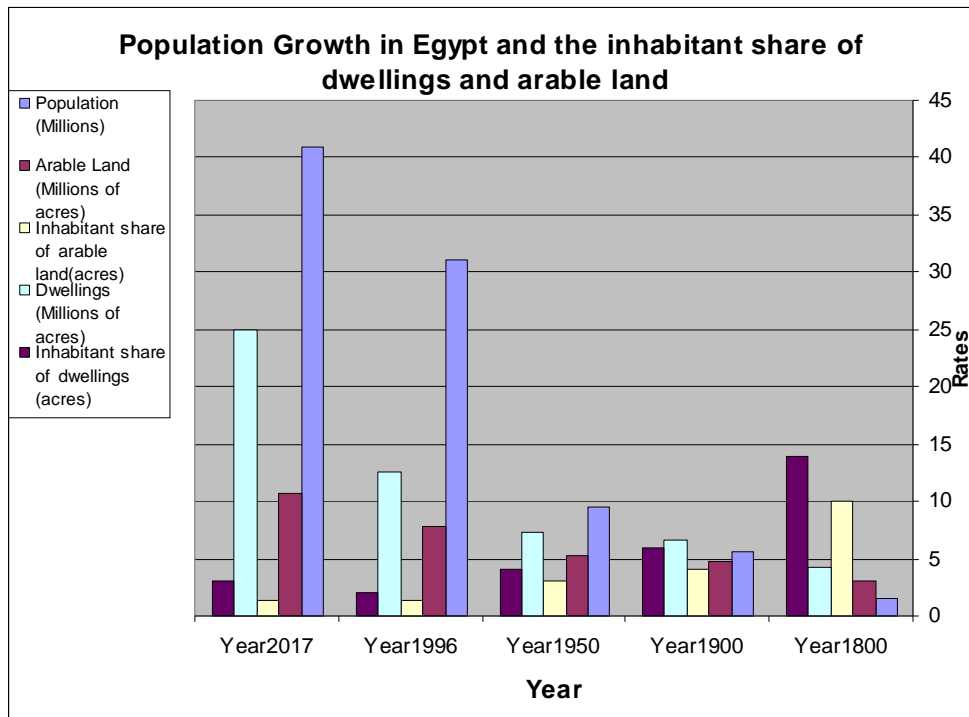
The inhabitants share of arable land and dwellings:

Table (1) illustrates the population growth in Egypt and the inhabitant share of the arable land and the area of dwellings from year of 1800 up to 2017. It shows that regardless the increase of the dwellings and arable land, the inhabitant’s share in both is decreased. Therefore the idea of getting out of Nile valley and extending over the ample land of Egypt is not just an idea it became a must and a survival issue not only for this generation but also for coming generations.

Table (1): Population in Egypt and the inhabitant share of dwellings and arable land

Year	Population (Millions)	Arable Land (Millions of acres)	Inhabitant share of arable land ^(acres)	Dwellings (Millions of acres)	Inhabitant share of dwellings (acres)
1800	3	3	1	4.2	1.4
1900	11.2	4.7	0.4	6.6	0.6
1950	19	5.2	0.3	7.3	0.4
1996	62	7.8	0.13	12.5	0.21
2017	82	10.7	0.13	25	0.3

Source: [11 p 2]



Statistic Studies for Table(1)

The strategic dimension of the crisis management:

Directed investment is an important factor to be considered when the government plans the whole national development programs to improve the off-valley development. Nevertheless, all of the real development projects such as roads, housing, infrastructure, and services are directed towards the towns and villages inside the narrow Nile valley. That makes those towns and villages more and more crowded and in need for other treatments such as upper roads and tunnels to solve some of over population problems. All previously mentioned development encourage more people to immigrate to those developed and well served places, that make the problem more complicated. The ideal way to deal with such problem is through national strategy that relies on extensions off the Nile valley, may be that strategy has been announced in previous and current plans, yet this strategy did not achieve the anticipated goals, because of lack of efficient execution tools [1 p 6-13].

According to the globalization and the revolution of information technology, the national development does not need the massive urban communities as before. Also, the interaction between a region’s towns and other towns all over the world and the rational advantages of each town allow such town to compete and survive globally [9 p 8].

Therefore, the fair investment distribution over the urban region is a necessity to achieve “off-valley occupation” national strategy, that would be occur through a complementary strategy of housing strategy. Hence, the planning and decision-making would be integrated in a complete system.

Housing policies evaluation:

There is no exaggeration when we say that the social peace and economical stability are depending on housing needs for families. Furthermore, the housing investment is productive considered as main income for labor and a significant part of the national wealth. All the housing crisis management programs and policies are mainly directed toward two major areas[13,p.277]:

- Production of houses: for the public sector, it is considered as the targeted housing in the government overall plan that is joined to investments. As for the private sector the housing production is considered as the housing stock that be available to different classes and tied to demand and supply situation.
- Distribution of hoses: for the public sector, it is considered a commitment as a social policy and distributed among families. As for the private sector, there is no definite policy in housing distribution, the investments in housing depend on the market demand and supply, and the one who can afford the unit will get it.

Here raises the main question that form the main indicator for policies evaluation, how many housing units are targeted? And how many are already out there?

First: Period from fifties to seventies:

Egypt's population 1952 was about 21.5 Millions with a family size of 5 persons in average, the available housing units were about 4.5 millions, thus the supply was exceeding the demand by 200 thousands units; no housing problem at that time [12p44]

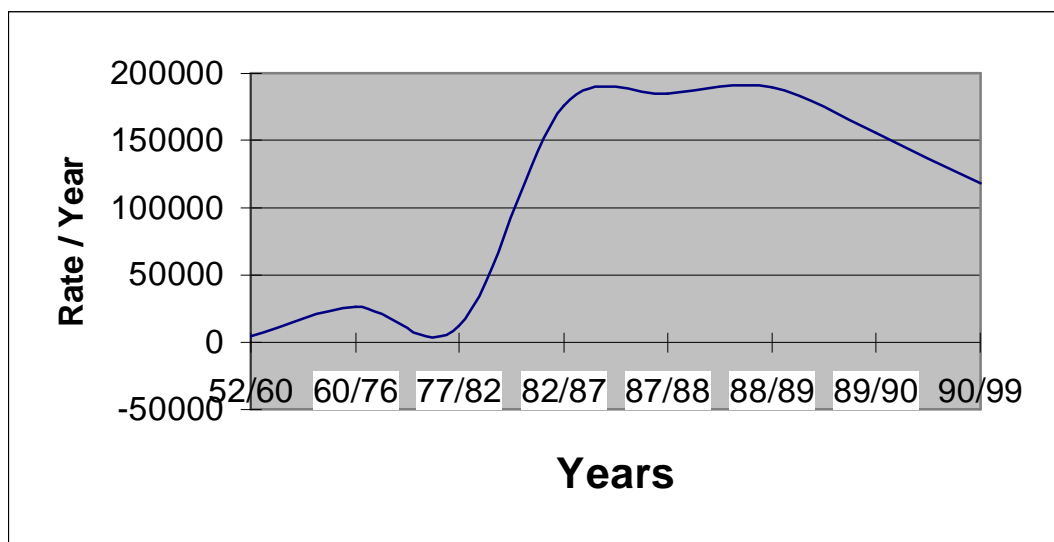


Fig. (1): The annual execution rate for dwellings in urban regions during 1952 – 1999.

Source: [3, P. 90 – 14, P. 29]

In the beginning of sixties (1961) the population reached 26.6 Millions, as illustrated in figure (1), the annual execution rate for the housing was 3,975 units till 1960, this rate has been increased to reach 26,338 units by mid seventies, that make the total number of 5.5 million units. Up to this point the supply still larger than the demand by 240 thousands units. At the mid sixties (1966) the population reached 30 millions, and the available number was 6 millions of units [12], at this point the demand and supply became equal and the housing investment started falling down (Figure 2).

At the seventies, luxurious and upper-middle class housing became widely spread over low cost housing expense. Even though the national housing committee acknowledged a 55% of housing units should be dedicated for economic housing, 37% for middle class housing, and 8% for luxurious housing, the market shows different configuration for housing distribution. At that time the government was directing towards the free market policy. The executed housing units rates has been reduced from 26,338 units per year to 11,604 units per year (as shown in Fig. 1). The problem started at this point as the housing investment became less important in the national income; it was reduced from 12.4% in the mid sixties to 10.5% on 1969/1970, and then slipped down to 8.8% on 1973, finally it reached 5.9% on 1979 (Figure 2) [12 p 72].

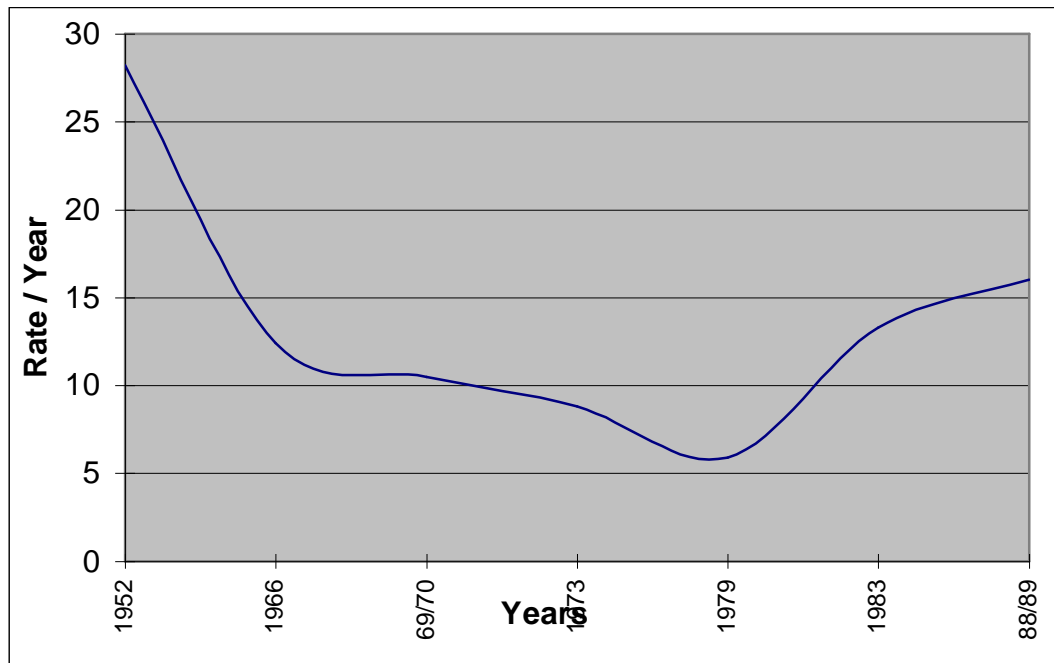


Fig. (2): The annual investment rate in housing / national income during 1952 – 1999.
Source: [12, P. 72 – 6, P. 381].

Then the contradiction became so obvious between the increase of the annual housing mortgage rate from fifties up to late seventies (Figure 3) and the decrease of housing investment. The question then is: where those mortgages go? Does the investment directed to wrong place, by focusing on luxurious housing and villas? Or we face here a lack of monitoring?

Second: the period from late seventies up to the beginning of 21st century:

The crisis has grown up to critical point; the required units needed in the urban regions are about 1.4 million units. Another 2.2 million units are required to match annual growth needs, according to housing ministry for the targeted housing units study from 1981 to 2000 the required units in total are 3.6 million. This number has increased rapidly as shown in table (2) through 4 plans of 5 years each: in the first 5-year plan the units needed were 675 thousands, in the second were 875 thousands, in the third were one million, and in the fourth were 1.5 million units.

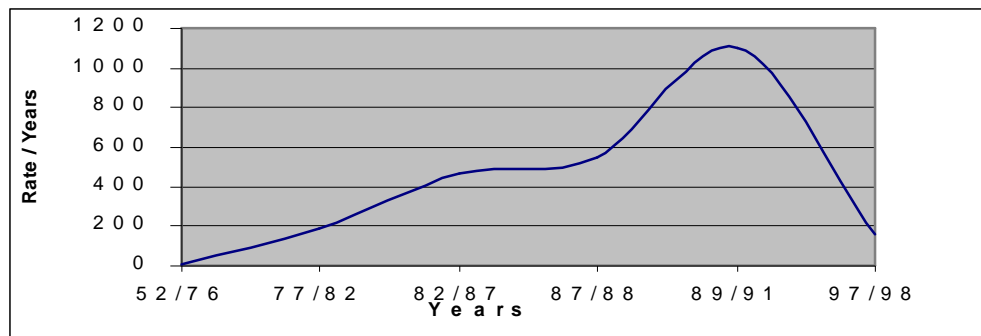


Fig. (3): Annual housing mortgage rate during 1952 – 1998.
 Source: [3, P. 92 – 14, P. 24]

Table (2): Housing plans in A. R. E. from 1981 to 2000. (No. of Units per 1000)

Plan		1 st . plan					2 nd . Plan					3 rd . plan					4 th . Plan					Total units
		81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	2000	
No. of units	shortage	13	17	22	26	30	33	37	38	40	42	51	52	53	54	53	54	54	55	55	55	834
	Alt. unit	29	29	29	30	30	29	29	29	30	30	29	29	29	30	30	29	29	29	30	30	588
	An. growth	68	79	84	89	100	100	103	109	112	114	116	117	118	118	121	123	125	126	127	129	2178
T. U /year		110	125	135	145	160	162	169	176	182	186	196	198	200	202	204	206	208	210	212	214	3600
Total units		675					875					1000					1050					

Source: ministry of housing – committee of residential and social studies.

By comparing the targeted units (table 2) and the executed units (table 3) we can see that the plan theoretically had been achieved in the first ten years through the 2 consecutive 5-years plans (1527 thousand units out of 1550 thousand units). The succeeding ten years, the third and fourth 5-year plans, were failed, as only 1,064,482 units were executed out of targeted 2,050,000 units that present about 50% of the targeted units(table 4).

Table (3): Distribution of executed units during 1981 – 1990 per 1000.

Housing class	Years plan																		Total	
	81 - 82		82 - 83		83 - 84		84 - 85		85 - 86		86 - 87		87 - 88		88 - 89		89 - 90			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Economic	96	64	93	55	98	60	109	64	95	58	101	56	101	55	85	45	38	24	816	53
Medium	37	24	47	28	38	24	39	23	42	26	54	30	58	31	56	29	36	23	407	26
Upper-m	15	10	21	12	18	11	10	6	18	11	19	10	16	9	17	9	14	9	148	10
luxurious	3	2	8	5	8	5	12	7	8	5	7	4	6	3	6	3	14	9	72	5
Low													4	2	26	14	54	35	84	6
Total	151		169		162		170		163		181		185		190		156		1527	100

Source: statistical book (June 1988, 1990, 1991)

Table (4): the executed units in urban regions during 1952 – 2000.

Date	No. of units			Annual rate
1/7/52 – 30/6/60	1118710		31800	3975
1/7/60 – 31/12/76			434587	26338
1/1/77 – 30/6/82			652323	11604
1/7/82 – 30/6/87	2474000	1409518	7879188	175837
1/7/87 – 30/6/88			184803	184803
1/7/88 – 30/6/89			189742	189742
1/7/89 – 30/6/90			155785	155785
1990 -1999			1064482	118276

Source: [3 p. 90, 14 p. 29-30].

With regard to previously stated numbers, we can figure out the contribution of housing plans in the housing crisis management. As listed in table (3) the luxurious and upper-middle housing ratios (15%) surpassed on the middle housing expenses, which reached (26%) although the target of the middle housing was to achieve 37% and the upper-middle was to achieve only 8%. That is consistent with the low occupancy rates in the new towns, therefore the directed investment towards Luxurious and upper-middle housing led to a real estate stagnancy in those housing classes and a shortage in the demanded low price housing [20]. The national strategy for a shelter up to year 2000 (that has been confirmed by UN in December 1988) was stated for the failure of developing countries efforts to afford the proper house that match people's low income, which its demand is increasing over time [13, p.277].

Hence, we can insure the failure of the first and second plans (1981-1990) in affording the targeted housing classes. While, extra luxurious and upper-middle housing has been available in the market, which negatively affected the investors and make them reduces their investment in housing. In the fourth and fifth plans achieved only 50% of the targeted houses as mentioned before, that means by 2000 the shortage in required houses reached 1.1 millions of units for all classes plus 40% of middle class units (11% of the total targeted units, 330 thousand units) thus the shortages reaches 1.4 millions of units. On the other hand there is surplus of 11% in the luxurious and upper-middle units (285,063 units, almost 1/3 millions of units).

The suggested complementary strategy to manage the housing crisis in Egypt:

- According to Al-Rabat declaration (1995) that the proper house is a human right and an essential need, and should be afforded to people in urban regions and suburbs as well within a healthy environment integrated with necessary service and infrastructure.
- Istanbul declaration and the second Al-Mouel schedule (1997) highlighted the same concept "The proper shelter for all".
- In addition, "the Arabic strategy for housing and human settlements – 2000" insured the citizen right in a proper house, and the governments have commitments toward this goal by making the human settlements more safe, healthy, fair, sustainable, and productive and maintain collaboration with low income sector of people to achieve the social integrity.

**Goals,
policies,
and**

Investment attraction,
job opportunities,
urban attraction,
public organizations
involvement,
leadership preparation,
capabilities
development

Political, financial,
media, etc.
reduction of unit
price, land price,
loan interests, and
tax. Affording raw
materials

All those International and Arabic strategies in addition to the national settlement strategy in Egypt insure the affordability of the proper house for each citizen, with focusing on the low-

income sector. In spite of all such plans and strategies through the last 30 years, the anticipated goal was not achieved, that was for the lack of execution mechanisms through a complementary strategy that would manage the crisis. The mentioned complementary strategy is the suggested strategy in this paper and illustrated in Figure 4. The complementary strategy based on three props: (1) The targeted social sectors, (2) The available capabilities and resources, and (3) Goals, and the policies and plans needed to achieve those goals. Those props integrate together and form 3 subsequent props: (1) priority, (2) fund resources, and (3) investment orientation, those three props integrated to form precise time schedules to come over the cumulated housing problem and afford the demanded housing classes. Those props represent the strategic frame for the suggested complementary strategy. The execution frame accomplishes the suggested strategy as shown in figure 4. The execution frame contains the precise time schedules that would be supported by 2 main terms: (1) Aid resources (political, media, financial, etc.), and (2) The supporting programs (participating programs, capabilities development, leadership preparation, etc.), thus each program would be defined and oriented and become ready to be executed by execution authorities.

The Aid resources through the government would be helpful to reduce the housing unit price (through reducing the taxes on the execution companies, and on the raw materials, also reducing the interests on the housing mortgages) besides attracting the investment towards the targeted housing projects.

Consequently, an integrated society would be established and be composed of proper housing units with services and infrastructure. The last step in the execution frame is the monitoring and revision of the executed program and arranges a feedback to avoid any drawbacks and correct the procedure by keeping it on track.

Therefore the mechanism would be achieved and to provides:

- Housing units that match the real social needs, specially the low-income sector.
- An oriented investment that support the national strategy and help the community.
- Attracting the real estate companies to invest towards the crisis solution.
- Engaging the non-governmental organizations to adopt the idea of small settlements.
- Engaging the people in the decision-making, specially hen the national strategy is inviting them to spread out off the Nile valley over 25% of Egypt's land.
- Establishing the urban plans goals for the old towns by considering them as repelling focuses, and the new towns by considering them as attracting focuses. That would establish a desired immigration off the valley.
- Engaging the directed media to highlighting the serious problems of massive population within the valley.
- Providing the political, financial, and informational aid to achieve the targeted national strategy.
- Attracting the informal housing habitants to build under formal frames through collaborative work.

Conclusion:

The analytical, and comparative, study of the housing policies and the five-years plans (1952 – 2000) proved that those policies were incapable to manage the housing crisis. Also, there was a gap between the national housing strategy and the five-years plans, and the main reason for the gap is the lack of the execution mechanisms and the absence of a complementary strategy for the national strategy. In addition, the analysis of the five-year plans on the last 30 years that were directed toward housing problems solution (1981 – 1990) showed that those plans were failed to achieve the balance among the various social sectors' demands. Also, plans from 1990 to 2000 were failed as well and the shortage in the required units reached 1.4 millions.

The research suggested the missed mechanism represented in the complementary strategy to manage the housing crisis in Egypt. The complementary strategy is divided into 2 main props: (1) the strategic frame and (2) the execution frame. The suggested strategy included all possible means to over come the crisis through precise time schedules to produce the proper housing for all classes with their needs of services and infrastructure, this with programs and opportunities of investment and jobs for the settlements' habitants.

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