

EGYPTIAN INITIATIVE FOR PERSONAL RIGHTS



المبادرة المصرية للحقوق الشخصية

**EIPR Housing Policy Papers III:
Budget Analysis of Government Housing Projects for
Fiscal Year 2014/2015**

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The 2014/2015 state budget includes some LE11.2 billion in public investments and subsidies earmarked for several government-sponsored housing projects ([see Table 1](#)), while these projects are targeted at all income groups, and not only the poor. This analysis seeks to identify the percentage of public housing spending that goes to the poor or realizes social justice promises that the government has made.

1. Allocations for the Social Housing Project (SHP) or million-uni project: Unclear allocations

The SHP which is also known as the million-unit project, was launched in 2012 with the objective of building one million residential units between 2012/2013 and 2017/2018. At the end of the last fiscal year (2013/2014), the National Social Housing Program (NSHP) was created, which comprises three projects, including the SHP.

1.1 Investment allocations

The 2014/2015 budget outlines LE9.5 billion for the NSHP, which includes these three projects¹:

- The provision of finished housing units for youth and low-income families via the SHP or million-unit project.
- The provision of small family plots, up to 400 meters, for medium-income groups, known as the “*al-Iskan al-'Aely*” or Family Housing Project (FHP).
- The provision of plots to the affluent, of which the *Beit al-Watan* (House of the Nation) Project is part of. However there is no separate accounting of spending on each of these projects, which obscures actual spending on the SHP itself rendering government claims that the NSHP allocations “contribute to the realization of social justice for citizens” (Ministry of Planning, 2014, 115) or that “21.1 percent of public investment has been targeted at realizing social justice through the provision of adequate housing ” (Ministry of Planning, 2014, 275)

¹ According to the Economic and Social Development Plan (Ministry of Planning, 2014, 115) and a press statement from the finance minister on 26 May 2014 (al-Mal, 2014). s

completely false. According to the definitions used in the financial plan, the program for which these billions are designated serves low, middle and upper income groups.

In addition to this obscurity, the fact that units in the SHP are being made available by sale via mortgage denies nearly half of Egyptians—the poorer half—the opportunity to acquire one (Shawkat, 2014a). A mortgage, like any loan, sets a minimum income threshold for the beneficiary, or a mortgage-to-income ratio, which should account for no more than 25 percent of the family's monthly income by law. Based on the cheapest mortgage payment for a 75-meter unit—LE480 per month—the mortgage applicant's monthly income must be at least LE1,920 a month, or LE23,000 a year. According to CAPMAS's Household Income, Expenditure, and Consumption Survey (HIECS) for 2012/2013, this salary puts the beneficiary family in the middle-income bracket, thereby excluding the poor.

While a still unenacted amendment to the mortgage law does allow more setting higher mortgage-to-income ratios that could reach 35 or even 40 percent, according to HIECS poor families spend no more than 15 percent of their monthly income on rent . which means that a mortgage installment equal to 25 percent of income is already a stretch, while a 35 or 40 percent installment would be beyond their means.

As is the case in numerous successful subsidized housing programs in other countries, the solution is to direct subsidies and investments to housing for the poor via rental schemes as opposed to ownership or mortgage schemes, because the rents would be set according to the income of the poor families who should be targeted rather than the income groups set according to the prices of the housing units, which is currently the case with the mortgage scheme.

In all likelihood, the poor will not benefit at all from the LE9.5 billion in investments for the entire NSHP, including the SHP units targeted to so-called low-income families.

1.2 Subsidy allocations

LE613 million in subsidies has been allocated to the Guarantee and Subsidy Fund (GSF) (Ministry of Finance, 2014, 82), which is the agency in charge of

financing affordable mortgages for SHP applicants. . This represents an increase of LE263 million on last year, though none of this spending will go to the poor for the reasons previously explained (see Section 1.1).

Law 33/2014 on social housing has decreed the establishment of another fund, the Social Housing Financing Fund, which will fund rental housing. Under the law, issued in May, the fund receives line-item allocations in the state budget, but this year no budget was earmarked for the fund, meaning that it will not be established in fiscal year 2014–15.

1.3 The SHP plan According to the 2014/2015 plan, 87,000 housing units will be completed in this fiscal year while work will start on another 100,000 new units (Ministry of Planning, 2014, 116). But in the absence of a clear budget for the units to be completed by the end of the fiscal year—as opposed to those which will be started, but not finished—and with no separate budget for the SHP portion of the NSHP, it is impossible to track or monitor the implementation of the plan.

Nevertheless, considering that the average subsidy per unit is LE15,000 (units are subsidized at variable rates between LE5,000–25,000 depending on the applicant’s income) and dividing the LE613 million in subsidies budgeted this year by this value, we can calculate that an estimated 40,800 units will be allocated to beneficiaries in fiscal year 2014-2015, most of them likely completed in fiscal years 2012/2013 and 2013/2014. This indicates that a mere 34 percent of the 120,000 units slated for allocation in 2014/2015 will be met (Akhbar al-Youm, 2014), while it will be very difficult to meet the 87,000 unit target of built units by the end of 2014/2015 as it is twice the number of units built last year.

1.4 Geographic distribution of investment: lack of distribution standards

Although this is the first time the geographic distribution of investments in housing and urban development projects has been disclosed, there is no reference to any standards followed in determining this distribution pattern.

For example, the average governorate share of housing units ranges from 0 to 26 times its population ratio ([see Table 2](#)). The highest shares are concentrated in the border governorates—Red Sea, New Valley, North Sinai,

and South Sinai—with shares of 10–26 times their population ratio without any clear explanation. If the reason is demand for housing or the fact that these governorates were not included in previous plans, these rates are still high and should be closer to 2–5 times their population ratio.

2. Allocations for the National Housing Program (NHP), or Mubarak Housing, continue

The NHP also known as *Iskan Mubarak* began in fiscal year 2006/2007, part of Hosni Mubarak’s electoral pledge to provide 500,000 units by the end of his term in 2011, but the project continued to be included in the budget possibly because a substantial number of units began in previous years remain under construction.

Note: this program is cited in official budget data as the “national project to house low-income groups” or “low-income housing”.

2.1 Investment allocations

A total of LE100 million was earmarked for the *Qura al-Dthahir al-Sahrawi* or Desert Villages Project (Ministry of Planning, 2014, 121), one of the projects in the NHP. Hundreds of millions in public funds have been spent on this particular project since the program began in 2006, but still the majority of these units have yet to be lived-in, either because they are not finished or because the adjacent land is unfit for agriculture, which is a primary draw for rural applicants (Shawkat, 2014b). Spending on this project may thus be considered a waste of public monies given that little progress has been made in resolving its previous problems. The project plan also sets forth no concrete, quantitative objectives, either in terms of the development of a certain area of land or the construction of a specific number of units, further obscuring spending.

Some LE60 million was allocated to the *Iskan al-Awla bel-R'aya* (Prioritised Care Housing) (Ministry of Planning, 2014, 120), another NHP project, or only 22.2 percent of total funds set for low-interest housing loans. These small units (42 meters) are made available for rent to widows, divorcees, and pensioners, and are not suitable as a family dwelling. A further LE5 million has been designated for low-interest loans for other, unidentified NHP projects.

2.2 Subsidy allocations

Some LE150 million was allocated for all NHP projects in a line item labeled “housing subsidies for low-income groups” (Ministry of Finance, 2014, 82). This is half the amount allocated in the original budget last year, but an increase of 50 percent in actual spending on last year. This support will most likely be directed towards the *Qura al-Dthahir al-Sahrawi* and the *Iskan al-Awla bel-R'aya* projects included in the 2014/2015 budget.

Another 269.8 million is also allocated to subsidize low-interest 20-year loans, in a line item labeled “governorates' housing” (Ministry of Finance, 2014, 98), which will most likely be directed toward loans taken out for the NHP over the previous years and perhaps other projects predating the NHP.

3. Other housing projects

Investments of LE200 million are earmarked for low-interest loans for cooperative housing (Ministry of Planning, 2014, 120). Since this housing is more costly for applicants than the SHP, we can deduce that 74 percent of all allocations for low-interest loans will go to middle-income and upper middle income groups.

Another LE5 million in loans are designated for housing projects in the Ministry of Housing and its agencies, but no details are given about these projects and the purpose of the allocations.

In addition, LE289.5 million is set aside to subsidize interest on loans for cooperative housing (Ministry of Finance, 2014, 98), as well as LE31.1 million for other housing projects, but insufficient detail is provided about how or if these projects target the poor.

4. Conclusion: Absence of social justice; the poor denied billions in investments and housing subsidies

An analysis of the 2014/2015 budget demonstrates that the government is not interested in supporting the poor and enabling them to exercise their right to adequate housing, as set in Article 78 of the Egyptian constitution.

Of LE11.2 billion allocated in investments and subsidies for various government-sponsored housing projects ([see Table 1](#)), only LE60 million, or

0.5 percent, will most probably benefit the poor. This is in the form of the *Iskan al-Awla bel-R'aya* project, which provides small 42-meter non-family apartments. For all other investments, the designation of units to the poor is vague or prejudicial, or projects that may designate units for the poor are marred by technical hurdles that prevent the poor from taking advantage of the project.

The government also has little interest in financial support for housing. The value of all subsidies including cash subsidies, mortgage subsidies, or subsidies on loan interest, comes to just LE1.4 billion, or 0.6 percent of total subsidies in the 2014/2015 budget, estimated at LE229.6 billion.

The financial statement for the 2014/2015 budget and the economic plan were successful only insofar as demonstrating the government's utter failure to uphold its citizens' right to adequate housing, and the utter absence of a clear housing policy. More than one housing programme is being implemented, including the NHP that was scheduled for completion two years ago but continues on, while others are only vaguely defined especially the cooperative housing programs, and others such as the SHP that make promises they cannot deliver.

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