



ECONOMIC HOUSING AND URBAN DEVELOPMENT PROJECTS FUND: LEGISLATIVE FRAMEWORK AND DEVELOPMENT THEMES

APRIL 2015



Ministry of Housing, Utilities
and Urban Communities

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ACRONYMS

CAO	Central Auditing Organization
LPC	Local Popular Council
MLD	Ministry of Local Development

EXECUTIVE SUMMARY

The Building Law No. 119 of 2008 provides for the need to prepare detailed plans for downtown areas, re-planning areas, unplanned areas and areas of urban extension. These detailed plans shall be issued under a decision of the competent governor after the approval of the governorate's local council according to the principles and standards set for these areas as mentioned in the Building Law. However, the Law did not indicate the financing mechanisms and sources that would enable the local units to prepare and implement these plans as other laws in particular the Local Administration Law, which specified the resources available to the funds and the various special accounts in local units.

Law No. 43 of 1979 concerning Local Administration does not contain specific articles relevant to the preparation and implementation of detailed plans. However, the special Economic Housing Projects Financing Account at the governorate level is considered to be the closest financing mechanism that could contribute to the implementation of these plans.

The past few years have witnessed the establishment of two funds at the central level. The first is the Slum Areas Development Fund, which was established in 2008 and its activities intersect with the activities of the Economic Housing Projects Financing Account in governorates, especially in the field of utilities in these areas. The Presidential Decree establishing this Fund has indicated the importance of coordination with local administration units, though it has not specified the mechanisms for preparation and implementation of the detailed plans of slum areas. Neither does the Decree indicate whether it is possible that the Economic Housing Fund in governorates collaborates with the Slum Areas Development Fund in financing the investments required for the development of slum areas.

The second Fund is the Social Housing Fund whose resources come from various sources within the framework of the State Budget to finance social housing projects in different governorates. The legislation of the second Fund also does not include the fields of coordination with the Economic Housing Projects Financing Account. In addition, the article on resources,

which are characterized by their relative abundance, in the Law concerning this Fund, has reduced the resources of the Economic Housing Projects Financing Account.

It is necessary to coordinate between both mechanisms and the Economic Housing Projects Financing Account, whether in the field of planning or implementation. Also there is a need to review the functions and activities of this Account and its resources, especially those that were transferred to the Social Housing Fund.

It is important to explore themes for developing the Account in the light of two key determinants. The first determinant is that the legislative and regulatory developments made to the Account require review to achieve consistency among them in addition to the need to specify the activities of the Account. The second determinant is the establishment of new mechanisms whose activities intersect with the Account's activities and deduct some of its resources.

Thus, development is required in two areas: the first is the Account's legislative and institutional frameworks; and the second is the development of the Account's financial resources. The first area includes various elements starting with review of the legislative framework and defining the activities to be performed by the Account under its new name "The Housing and Urban Development Fund". It also includes reviewing the institutional framework in order to establish a department with full-time employees and provide technical and administrative support body to assist it. This area of development finally ends with financial restructuring of the Account.

As for the second area, it will be determined according to the redefinition of the Account's activities and their extension to urban development whose scope at the local level can accommodate unplanned areas or those subject to re-planning and new urban extensions. This necessarily requires the provision of financial resources, which could be addressed by the provision of additional resources or review of some of resources that have been transferred to other entities.

1. INTRODUCTION

The focus of the spatial dimension of development plans has become just as important as the sectoral dimension as one of the main tools to achieve balanced development among various regions and areas. It also helps achieve balance between the development of the domestic economy and the basic infrastructure while establishing the principles of justice and equal opportunity in public service provision.

The Unified Building Law No. 119 of 2008 is the legislative framework governing matters related to urban development at various national and regional levels as well as the governorate level (cities and villages) through strategic plans which indicate the objectives, policies, socio-economic development plans and the urban environment needed for achieving sustainable development. This Law also specifies the future requirements for urban extension; various land uses; programs, priorities and implementation mechanisms; and financing sources at each of the abovementioned levels.

Chapter I "Urban Planning" of Law No. 119 of 2008 includes various mechanisms for the preparation of strategic plans at the city and village level. This Law assigned the mission of preparation of detailed plans to the General Department for Planning and Urban Development at the governorate level. The detailed plans include building and planning requirements; operational programs for areas of land use; infrastructure in the approved general strategic plan for the city and village; all of the integrated development projects (including housing projects) from urban design, to land divisions or coordination of sites proposed to be included in the general strategic plan.

In addition, the Building Law stipulates that the preparation of detailed plans shall include downtown areas¹, re-planning and unplanned areas as well as areas of urban extension. These detailed plans shall be issued through a decision by the competent governor after obtaining the approval of the governorate's Local Popular Council (LPC) according to the principles and standards set for these areas as mentioned in the said Law.

However, it is noted that the Building Law does not indicate the financing mechanisms and sources that would enable the local units to prepare and implement various detailed plans as other laws do, such as the Local Administration Law which specifies the available resources, funds and the various special accounts in local units. However, Law No. 43 of 1979 concerning Local Administration does not contain specific articles related to detailed plans and their implementation, though the special Economic Housing Projects Financing Account at the governorate level is considered to be the closest financing mechanism that could contribute to the implementation of these plans.

The past few years have witnessed the introduction of centralized financing mechanisms such as the establishment of Slum Areas Development Fund which exercises its functions in cooperation with concerned ministries and entities and local administration units. In addition, the Social Housing Law has been enacted in order to enable the Ministry of Housing, Utilities and Urban Communities to provide "social housing" to low- and middle-income people whether through the provision of housing units or small land plots.

¹ The Building Law identifies re-planning areas as the areas to be upgraded and developed, including: (a) highly dense built-up areas or spaces where the vast majority of buildings are dilapidated and required to be replaced through re-planning and reconstruction; (b) areas or spaces where some of its buildings are dilapidated and lacking in the basic utilities or services; however they do not need to be wholly replaced but only some of their parts or buildings need to be replaced for the provision of the utilities and services required for improving and upgrading them. In addition, the Law identifies unplanned areas to be the areas established in violation of laws and regulations governing planning and construction. Some academics and specialists use the term of unplanned areas for describing the slums; however, others are conservative regarding the use of this term and suggest the unification and accurate identification of terms.

It could be concluded that the abovementioned two Funds, are both important as they work within the framework of the General Plan for Economic Development; however, the first Fund only focused on slum areas while the second one focused on housing projects. The mechanisms for financing the preparation and implementation of detailed plans for urban extension, re-planning and downtown areas remain undefined. In addition, the legislative framework of both Funds does not specify clear mechanisms for coordination with the local level and engagement of local units in the provision of local resources in order to participate in planning, financing and implementing the projects of slum areas development or social housing.

This paper aims at exploring the potential for developing the Economic Housing Projects Financing Account within a framework that includes the abovementioned urban development areas at the governorate level in order to provide new activities for the Account in light of the practical needs and according to the priorities of local communities in these areas. This should be coupled with growing resources and collaboration with the central entities at the same time, whether in the field of coordination or implementation. This is dictated by numerous considerations, the most important of which is that this Account is the most appropriate Account for these priorities as it is a local account.

2. THE LEGISLATIVE FRAMEWORK GOVERNING FINANCING OF HOUSING AND SLUM AREAS DEVELOPMENT PROJECTS

2.1. THE LEGISLATIVE FRAMEWORK GOVERNING THE ECONOMIC HOUSING PROJECTS FINANCING ACCOUNT

Many legislations and regulations have been issued regarding this Account. Although all of them aim at financing economic housing projects, they did not all go in one direction. The affiliation has changed from the central to the local level; in addition, some of these regulations aimed at expanding the areas of the Fund's activities while other legislations have reduced its resources in a manner inconsistent with its activities.

THE FUND'S LEGISLATIVE EVOLUTION COULD BE TRACED AS FOLLOWS:

Law No. 107 of 1976 that established a central Account affiliated to the Minister of Housing and Reconstruction. Some of its provisions have been amended by Law No. 34 of 1978. The Account is used for financing and establishing economic housing and providing them with the necessary utilities. This Law was followed by Presidential Decree No. 494 of 1979 concerning establishment of another Fund named the fund for financing housing projects established by the Ministry of Reconstruction and New Communities according to the reconstruction plan provided for in Law No. 62 of 1974. This Fund is managed by the Minister of Reconstruction and New Communities, which shows that the Fund's activity is limited to reconstruction areas only as mentioned in Law 62 of 1974.

Local Administration Law No. 43 of 1979, where Article (36) indicates that "A special Economic Housing Projects Financing Account at the governorate level shall be established in each governorate". However, the Law did not detail the Fund's activities, which could be guessed from the Fund's name. Article (36) of Local Administration Law lists the resources of this Fund (Annex 1), the most important of which are:

a. Proceeds of disposition of land intended for building as set forth in Article (28) of the Law, which allow the Governor – after obtaining the approval of the governorate's LPC and within the scope of the general rules set by the Council of Ministers – to decide the rules of disposition of land intended for building whether owned by the state or local administration units. Such rules may include the cases where these lands are disposed of free of charge for the purposes of reconstruction and housing;

b. Proceeds of leasehold fees to be paid in case of exemption from height restrictions according to the provisions of the Law Directing and Regulating Building Works at the governorate level;

c. Proceeds of fines imposed according to the first paragraph of Article (21) of Law No.106 of 1976 Directing and Regulating Building Works at the governorate level; and

d. Loans, including the loans provided by the State through the National Investment Bank, which are offered at a low interest rate and supported by the State Budget. This is in addition to the loans that can be taken by the Account from banks.

The most important difference in the sources of this Account's resources compared to Law No. 107 of 1976 is the exclusion of appropriations allocated for the Fund in the State Budget in addition to the tax on vacant lands imposed under Law No. 34 of 1978².

The Account's resources can be classified into two categories. The first category is the recurring resources, including for example the proceeds of fines and leasehold fees of in cases of exemption from height restrictions in addition to tax on unexploited or unused vacant land. This type of revenues is not accompanied by a burden or cost; thus, their nature is consistent with the objective of establishing low-cost housing units. The second category includes non-recurring resources the most important of which are loans, which represent the biggest source of the Account's resources. This set has associated costs and burdens represented in their interests and installments. This category also includes some other resources from the proceeds of selling construction land, if available. Therefore, the resources structure of this Account is more dependent on borrowing in light of a practical reality emanating from the limitation in collecting resources from other sources specified by the Law.

The foregoing analysis raises the issue of developing the Account's resources by adding other sources that conform to the activity's nature away from borrowing which is associated with burdens in addition to default risk.

Prime Minister's Decision No. 745 of 1995 including the rules of managing the Economic Housing Projects Financing Account in governorates. These rules included the following:

a. The amounts of the Account's "resources" shall be considered to be from the governorate's self-generated resources. The Account's surplus shall be transferred at the end of each fiscal year to the following one according to law;

b. A committee for managing the Account shall be formed under the chairmanship of the Governor or his delegate and membership of the Housing Directorate's Manager and Property Manager in the governorate. In addition, the assistance of research centers, scientific entities, individuals, and entities concerned with housing studies and its financing economics may be solicited, provided that they shall not have a countable vote in taking decisions. (Annex 2 - Committee's Composition);

c. The Account Management Committee shall be responsible for taking the measures necessary for achieving the purposes of the Account regarding financing economic housing projects in the governorate according to the plan developed by the competent body after obtaining the approval of the governorate's LPC within the framework of the state's public policy and plan in this regard.

The previous texts confirm that the Account's revenues are not self-generated, as they include loans that the Account is committed to pay; i.e. they are not self-generated revenues but borrowed resources. The Account is also committed to the national plan developed by the competent body (which is the Ministry of Housing and Utilities) regarding the specifications and standards of economic housing as well as the policies of the State's overall plan in this regard that should be considered by the LPC when approving the Account's plan.

² In 1993, the Supreme Constitutional Court declared the unconstitutionality of this tax.

Prime Minister's Decision No. 516 of 2012 which aims at expanding the scope of utilization of this Account's resources by amending Article (4) of the previous decision to read as follows: "This Account's money shall be allocated for financing economic housing projects in accordance with the specifications and standards prescribed by the State for the National Plan for Economic Housing as well as the health, water, sanitation and electricity projects. The utilization of the Account's money shall be limited to the works of construction of buildings and utilities for these projects and may only be utilized in purchasing land required for economic housing in urgent cases after obtaining the approval of the governorate's local council." It is noted that this decision includes an expansion in the Account's activities by adding other activities in the field of basic infrastructure that are characterized by high cost, however this has not been accompanied by reconsideration of the Account's resources so that they are commensurate with these new activities.

Law No. 19 of 2013 on the State Budget for the Fiscal Year 2013/2014 where Article (10) stipulates that 10% of the total monthly revenues of special funds and accounts and units of a special nature shall be transferred to the public treasury as of 01-07-2013 (beginning of the fiscal year), even if this is in contrary to its approved regulations and each provision to the contrary shall be repealed, with the exception of the Accounts of research projects and projects financed by grants, international agreements and donations. However, the Ministry of Finance Circular No. 3 of 2014 issued on 05-02-2014 exempted some revenues from the 10%, as it stipulated that "proceeds from which 10% is deducted related to insurance; deposits; amounts collected for third parties within the limits of the amounts to be returned to these parties; loans and their installments; and Accounts of permanent capital in technical schools shall not be deemed as revenues."

This shows that the above exception includes some of the sources of the Fund for financing economic housing projects which are the amounts of loans, insurance and deposits, and other resources subject to the 10% which the Account is committed to provide from its monthly proceeds.

In other words, the preceding law reduced the Account's revenues by the said percentage at the time when its functions and activities have been expanded.

It should be noted that this percentage is also included in the law on the State Budget for the current fiscal year 2014/2015. In addition, the said laws on the State Budget also included texts stipulating that a part of balances of special accounts and funds outside the State Budget, with the exception of the balances of the Economic Housing Projects Financing Account, shall be transferred to the public treasury.

Law No. 33 of 2014 Establishing Social Housing Fund whose first Article stipulates that "Within the framework of the State's economic and social development plan and in accordance with the social housing program, the Ministry of Housing, Utilities and Urban Communities shall be responsible for proposing, planning and offering social housing projects and supervising the implementation thereof in order to provide adequate housing for low-income citizens and small family land plots for middle-income citizens." In addition, the second Article of the Law provides for the establishment of a "Social Housing Financing Fund" to be affiliated to the Minister of Housing, Utilities and Urban Communities.

The new Fund “Social Housing Fund” has reduced the resources of the Economic Housing Projects Financing Account at the governorate level, as the law stipulates that the following resources shall be transferred to its account:

a. Proceeds of fines imposed under Paragraph (1) of Article (21) of the Law No. 106 of 1976 concerning Directing and Regulating Construction Works at the governorate Level. It is noted that the Local Administration Bill includes such fines in the Account’s resources based on Building Law No. 119 of 2008;

b. 25% of the proceeds of sale of land owned by local units.

Since this Fund seeks to achieve social balance in housing policies, its resources receive great support from the State, which has not been granted to the Account despite the similarity of their purposes. In addition, Article (11) of the said law lists the Fund’s resources, which includes the following:

a. The annual surplus of the budget of New Urban Communities Authority (NUCA)³;

b. The appropriations allocated by the State for the Fund’s projects;

c. Loans approved by the Fund’s board of directors. The Fund’s loans must be approved by the Ministry of Finance, the Ministry of Planning, and the Ministry of International Cooperation, in addition to the approval of the Ministry of Foreign Affairs for foreign loans. Foreign loans should be within the limits prescribed in the Budget; “this means that the Budget shall incur the burdens of loans, including the interests and installments”;

d. Proceeds of fines prescribed under the provisions of this Law and the Building Law No. 119 of 2008;

e. 25% of the proceeds of sale of land owned by local units.

³ This source has been cancelled from the Fund’s resources under Law No. 20 of 2015 Amending Some Provisions of Law No. 33 of 2014 concerning Social Housing.

2.2. THE LEGISLATIVE FRAMEWORK GOVERNING FINANCING OF SLUM AREAS DEVELOPMENT

Many legislations and regulations have been issued regarding this Account. Although all of them aim at financing economic housing projects, they did not all go in one direction. The affiliation has changed from the central to the local level; in addition, some of these regulations aimed at expanding the areas of the Fund's activities while other legislations have reduced its resources in a manner inconsistent with its activities.

The Slum Areas Development Fund has been established under Presidential Decree No. 305 of 2008. "This Fund aims at inventorying and developing slum areas in addition to laying down the plan necessary for their urban planning and providing them with basic utilities; including water, sanitation and electricity. This Fund shall perform its competencies in coordination with the concerned ministries and entities and local administration units. These entities shall provide the Fund with the necessary information, expertise and aid." (Article 2)

Presidential Decree No. 189 of 2014 has created the position of the Minister of State for Urban Development and Slum Areas. This confirms the State's attention to policies dimension in addition to provision of the mechanism that would implement these policies within a specific period.

Prime Minister's Decision No. 1253 of 2014 specified the competencies of the Minister of State for Urban Development and Slum Areas. Such competencies include:

1. Development of a comprehensive national plan for addressing slum areas including re-planning and provision of basic infrastructure and utilities in addition to ensuring the provision of the resources necessary for implementation of the plan during a specific period;

2. Participation with concerned ministries, governorates, agencies and other entities in development of slum areas;

3. Development of a policy for inventorying slum areas and markets and classifying and developing them using comprehensive and sustainable human development and supervising the development of plans necessary for implementing that and following-up its execution in coordination with the concerned ministries and the local community;

4. Coordination with the concerned partners, ministries, governorates and agencies in order to allocate residential units for residents of unsafe areas and working on the allocation of a percentage of land to be added to the urban properties of the projects of slum areas development.

The Minister of State for Urban Development and Slum Areas chairs the board of directors of the Slums Areas Development Fund.

In order to achieve the objective of developing slum areas, the Fund issues national maps for inventoring and classifying unsafe areas at the level of the governorates. The Fund also prepares a national map for inventoring slum markets and unplanned areas at the national level as well as the executive action plans for developing unsafe areas and the required data and maps.

The Fund provides technical assistance to governorates for promoting their role in developing slum areas. In order to implement the development plans in governorates, the Fund proposed the establishment of units for implementing projects of areas development in all governorates.

Article (9) of the said Decision identifies the Fund's resources as follows:

a. Appropriations allocated in the State Budget;

b. Loans taken out for the Fund;

c. Subsidies, grants, donations and wills accepted by the Fund's board of directors;

d. Returns of investing the Fund's money; and

e. Any other resources prescribed by law.

The Fund shall have a separate budget within the framework of the State Budget. The surplus of the special Account shall be transferred from one year to another (Article 10).

The foregoing legal texts show that the activity of this Fund intersects with other activities of the Economic Housing Projects Financing Account which have been added to the Account under Prime Minister's Decision No. 516 of 2012 by adding drinking water, sanitation and electricity projects. On the other hand, the legislative framework of the Slum Areas Development Fund indicates the importance and necessity of coordination with local administration units though it does not specify the mechanism of doing so. Hence, the Fund's management to propose the establishment of units for implementing slum areas development in all governorates.

3. REASONS AND KEY DETERMINANTS OF DEVELOPMENT

3.1. REASONS FOR DEVELOPMENT

- **The lapse of a long period since the promulgation of the legal and regulatory framework governing the Account** and the subsequent laws and regulations. The rationale of these regulations requires reconsideration to achieve coherence among them. Some regulations added items to its uses beyond the stipulations of Law No. 43 of 1979 as set forth in Prime Minister's Decision No. 519 of 2012 without being associated with supporting resources while others intersected with its uses and reduced its resources. Hence, these regulations require revision.
- **Necessity of redefining the Account's activities** in order to include the framework set forth in Building Law No. 119 of 2008. This includes the areas that require urban development whether in unplanned areas – which are the areas established in violation of laws and regulations governing planning and construction are determined in the approved general strategic plan of the city and village – or in re-planning areas, which are the areas to be upgraded and developed and also determined in the general strategic plan of the city and village, as well as the areas of urban extension.
- **Consistency with the principles of the Constitution related to the need to move towards decentralization.** This involves empowering local communities to achieve a management based on more participation and accountability. This starts with transferring some of the main functions related to service provision to the local level together with a share of financing associated with these functions, whether from central transfers or self-generated resources (from special funds and accounts).
- **Importance of coordination with the central level.** The involvement of the Economic Housing Projects Financing Account⁴ in urban development (unplanned or re-planning areas and areas of urban extensions) means an expansion of the functions and activities performed by the Account at the local level to include public utility projects in the fields of drinking water and sanitation. This requires coordination and complementarity among the agencies responsible for implementation of these projects at the central level (The National Authority for Drinking Water and Sanitation and the Central Agency for Drinking Water and Sanitation). The Account could also assume another role in coordination or implementation at the governorate level. Coordination role also includes the Slum Areas Development Fund and the Social Housing Fund, as their activities intersect with those of the Economic Housing Projects Financing Account.

⁴ It is proposed to reconsider the Account's name in order to be compatible with the nature of the new activities.

3. 2. KEY DETERMINANTS OF DEVELOPMENT

- **A comprehensive legal framework** that takes into account development issues, especially due to the numerous amendments that require coordination. In addition, the development of other mechanisms whose activities intersect with the Account's activities also requires the creation of such an effective legal framework.
- **Clear institutional relationships** between the central and local levels that ensure coordination in the planning and implementation.
- **Fields of urban development that allow wider participation** at the local level, especially that this can encourage people to participate.
- **Unconventional financing mechanisms** that support public funding, which is the approach currently adopted by the State, in order to encourage searching for mechanisms that can be developed at the local level as well.

4. DEVELOPMENT FIELDS OF THE ECONOMIC HOUSING ACCOUNT AT THE GOVERNORATE LEVEL

4.1. DEVELOPMENT OF THE LEGISLATIVE AND INSTITUTIONAL FRAMEWORK OF THE ECONOMIC HOUSING ACCOUNT AT THE GOVERNORATE LEVEL

A new law concerning local administration is currently being prepared with the aim of promoting the move towards decentralization and empowering local communities to achieve management based on more participation and accountability. This is to be realized by transferring some of the main functions related to service provision to the local level. This should be accompanied with a share of financing associated with such functions, whether from central transfers or self-generated resources (pertinent to special funds and accounts).

Meanwhile, the Ministry of Housing is examining the amendments proposed to be made to the Building Law in order to enforce the detailed plans and achieve sustainable urban development based on partnership among development partners at various levels.

Therefore, the first step is to review the legislative framework and develop clear mechanisms for implementing and financing the detailed plans of unplanned or re-planning areas and areas of new urban extensions. The Economic Housing Projects Financing Account is the most appropriate entity to carry out these activities. This also includes the following proposals:

Changing the Account's name in the abovementioned manner. This requires a name better than the current one which is limited to financing of economic housing projects. The new proposed name is **"Economic Housing and Local Urban Development Fund"** which reflects the activities proposed to be performed by the Account.

Reconsidering the mechanism of Account's management. The Prime Minister's Decision No. 745 of 1995 includes the rules of managing the Economic Housing Account, as Article (6) stipulates that the Account Management Committee shall take the measures necessary for achieving the Account's purposes regarding financing economic housing projects in the governorate. Naturally, the executive policies cover various aspects, including economic feasibility studies based on market study, technical studies of projects to be implemented according to timeframes specified as per contracts with contractors, and cash flows for avoiding any financial constraints during implementation or fulfillment of obligations.

Reconsideration of the management's mechanism (Management Committee) includes the provision of an administrative and technical support body to assist the Committee. In general, the management of special accounts and funds depends on some staff in the local administration units. In case of the Economic Housing Projects Financing Account, the number of the Management Committee's members amounts to 11 in addition to the governor who chairs the Committee⁵; i.e. the total number amounts to 12 members who are all part-timers. Furthermore, selection is limited as it is confined to the cadres of local administration.

⁵ According to rules, the number of members of the mechanism responsible for management should be an odd number in order to enable majority vote in voting on decisions, as the chairman has the casting vote in case of a tie.

In order to develop the Account's management, the following measures are proposed:

a. Having full-time cadres in the Management Committee. It is also important that the executive manager be a full-timer in order to be able carry out the Account's daily management functions;

b. The Management Committee should include representatives from the relevant entities, the most important of which are the Ministry of Housing and the Social Housing Fund and the Slum Areas Development Fund. This helps in vertical coordination with the central level;

c. Diversification of the expertise of the Management Committee's members, making sure that they include a representative of the LPC;

d. Activation of the LPC's role in accountability, as the council approves the policies that the Account's management abides by within the framework of the State general policy and plan in this field. Besides, implementation is performed according to the standards and specifications specified by the State for the National Plan for Economic Housing. The activation of this role is performed by creation of guidebooks that include the indicators and standards upon which the LPC relies in evaluation and thus in exercising accountability;

d. Activation of the LPC's role in accountability, as the council approves the policies that the Account's management abides by within the framework of the State general policy and plan in this field. Besides, implementation is performed according to the standards and specifications specified by the State for the National Plan for Economic Housing. The activation of this role is performed by creation of guidebooks that include the indicators and standards upon which the LPC relies in evaluation and thus in exercising accountability;

e. Establishing the organizational relationship between the Management Committee and the central level in charge of the formulation of national policies for economic housing as well as the standards prescribed by the State for the National Plan for Economic Housing;

f. Provision of assisting and executive support bodies in the financial, economic and technical fields; and

g. Adoption of programs for supporting capacities in the fields of planning, implementation and follow-up is as important as establishment of the effective institutional framework.

Development of the Account's financial structure through two interrelated paths:

The first path is based on expansion of the Account's activity to include the governorate's geographic scope and all its local units. Thus, measuring the Account's activity from the dimensions of its inputs and outputs requires that the Account's financial management system include sub-accounts for each local unit in order to facilitate measuring performance on one hand. On the other hand, such measurement helps to achieve justice among local units with respect to the services provided by the Account.

The second path is based on the results of following-up the Account's financial performance in the past years regarding the significant disparity in this Account's proceeds among the various governorates, where the frontier governorates and governorates of low population were characterized by abundance in proceeds in contrast to the densely populated governorates. In other words, there is a significant disparity between demand for the Account's services and the resources available to it among various governorates. (Annex 3 - Result of following-up the Economic Housing Projects Financing Account)

Finally, transferring the service improvement fee to the Economic Housing Projects Financing Account will be associated with more disparity in proceeds between urban governorates and other governorates or between Lower and Upper Egypt governorates. This is collaborated by the 2010 Human Development Report which demonstrated that the number of population enjoying safe sanitation services does not exceed 37% in Upper Egypt's governorates and that this percentage decreases to 13.5% in rural areas; on the other hand, this percentage reaches 52% and 65% in Lower Egypt's governorates. This means that there will be disparity in the proceeds of service improvement fees among various governorates.

The foregoing considerations can constitute the base for a proposal to restructure the Account's resources in a manner that grants the local popular councils the biggest proportion of its resources, excluding loans, which is approximately 75%. The other part of the resources (25%) is transferred to a central fund at the Ministry of Local Development (MLD) (the Common Fund) in order to achieve justice in distribution of the Account's resources among various regions and areas.

Support of partnership between the governorate and the private sector. A key pillar of the move towards decentralization and strengthening of the role of local authorities is the application of financial decentralization or provision of financial resources necessary for performing the new functions at the local level. The past years have witnessed a case of ebb and flow in this regard. A clear example of this is the drinking water and sanitation projects, which started as utilities affiliated to local administration units⁶ on the basis that they are the closest level to beneficiaries. These utilities were responsible for implementation of basic infrastructure projects and provision and distribution of the service within the framework of rigid government systems. Subsequently, provision of basic infrastructure was separated from service management in order to raise the efficiency in service provision through the incorporation of companies under the supervision of local units to keep them at the closest level to service recipients. However, the State changed this approach by incorporating independent companies away from the supervision of local government units and affiliated to the central level⁷ in order to be responsible for managing the service.

Meanwhile, the State took measures to avail additional resources to support the Treasury's resources with participation of the private sector. For this purpose, the State enacted a law regulating this matter. However, the role of local authorities in "partnership" is still limited to a small number of examples of collaboration with the private sector in provision of some services or basic infrastructure projects. This includes entrance into contracts, in some governorates (Cairo and Alexandria), with garbage collection companies or establishment of parking lots. These simple forms of entering into contracts with the private sector are the main form of the role that the local authorities can play in application of partnership models; expansion in this role remains dependent on the degree of progress towards decentralization.

This evolution, whether in the methods of service management or creation of new financing patterns, could be beneficial in case of the new Account whose activities include the areas of new urban extensions, which makes it appropriate to establish entities flexible enough to implement utilities projects in these areas. This may take one of the following forms:

a. Incorporation of public companies under the supervision of local units. The closest model is companies established according to Law No. 97 of 1983. This has been applicable in the Drinking Water and Sanitation Department prior to its transfer to the Holding Company for Drinking Water and Sanitation; or

b. Incorporation of companies with contribution from the private sector after proving the economic feasibility of projects awarded to these companies. It should be noted that the Services and Local Development Account has an experience in this regard⁸ in accordance with the provisions of Law No. 159 of 1981.

⁶ This continued until 2007.

⁷ This period started by establishment of the Holding Company for Drinking Water and Sanitation in 2004 followed by a number of companies equal to the number of the Republic's governorates.

⁸ The Services and Local Development Account has previously contributed with others from private sector in incorporation of a company for repair of vehicles under Law No. 159 of 1981 concerning Financial Companies.

The first form of management and financing started in Egypt as early as 2002 by enactment of Law No. 83 of 2002 promulgating Law on Zones of Special Nature. This Law allowed incorporation of companies licensed to develop and promote economic zones⁹ and establish, manage and maintain basic infrastructure within their borders. Among the areas in which the new Fund can participate through the governorate – given that this Fund is an administrative body affiliated to the governorate – is the incorporation of a public company for developing one of the areas of new urban extensions and providing it with utilities. This company shall be subject to Law No. 97 of 1983. The following table offers a comparison between company incorporation under Law No. 97 of 1983 and Law No. 203 of 1991.

**Some differences between companies established under
Law No. 97 of 1983 and those established under Law No. 203 of 1991**

Item	Law No. 97 of 1983	Law No. 203 of 1991
Affiliation	To the governor (who represents the competent minister) in whose jurisdiction the company is located.	To the competent minister (Minister of Investment or the sectoral minister).
Formation of the General Assembly	The competent minister has the power to appoint members of the General Assembly, which includes representatives of the Ministries of Finance, Planning and Economy as well as a representative of the National Investment Bank in addition to 4 experts to be selected by the competent minister. The union committee chooses 4 of the company's staff who are not members of its Board of Directors.	The General Assembly is mainly composed of the holding company's board members in addition to a maximum of 4 experts and representatives of workers.
Board of Directors	By a decision of the governor as he is the competent minister; half of the appointed members are experts and the other half are from the company's employees.	By a decision of the holding company's General Assembly for the chairman and a decision of the holding company's Board of Directors for the members.
Relation to the State Budget	There are cases where the State Budget incurs the costs of loading production lines and investments.	There is no direct relation to the State Budget; and if that happens, it occurs through an administrative body in the Budget as an exception that does not conform to the purpose of these companies.

⁹ Outside the urban scope of existing cities and villages

5. PROVISION OF FINANCIAL RESOURCES THAT ENABLE THE ACCOUNT TO PERFORM ITS FUNCTIONS

The expansion and diversification of the new Account's functions and activities require support of its resources, especially after the updates made by enactment of laws on Social Housing Fund and State Budget, which had a negative impact on the Account's resources. On the other hand, providing support to the Account's self-generated resources instead of borrowing reduces the risks associated with financing by borrowing. In contrast to the Economic Housing Projects Financing Account, the resources available to the Social Housing Fund and Slum Areas Development Fund, are not associated with financial burdens as in the case of the Account though it implements projects of a similar social nature .

Supporting the financial resources includes various resources some of which require a legislative amendment. It is also important to activate the collection department at local administration units. These resources include the following:

Proceeds in return for improving the properties which benefited from public utility works.¹⁰ The legislations that provided for establishment of special funds and accounts – including the Economic Housing Projects Financing Account which aims at supporting the role of administrative units in achievement of development and provision of services through self-generated resources – were subsequent to Law No. 222 of 1955 concerning Service Improvement Fees. The Economic Housing Projects Financing Account, especially after expanding its activities to include basic infrastructure projects, is the closest in terms of the nature of its activity to collect the service improvement fees. This is because both of them deal with basic infrastructure projects where the service improvement fee is collected for the benefits of public utility works resulting for the property. In addition, basic infrastructure projects represent an area of using the resources of the Economic Housing Projects Financing Account in the manner included in the Prime Minister's Decision No. 235 of 2012.

Transferring the proceeds of service improvement fees to the Account's financial resources, as proposed here, in addition to the proceeds included in Article (36) of Local Administration Law calls for reconsideration of several issues that require a legislative amendment or regulatory measures as indicated in Annex (4). Annex (5) also highlights the amendments proposed to legislations and decisions relevant to the service improvement fees.

Tax on vacant land. A tax on vacant land, whose proceeds are to be transferred to Economic Housing Projects Financing Fund, has been previously imposed under Law No. 34 of 1978. Article (3-Bis) of the said Law stipulates that "An annual fee of 2% of the vacant land's value shall be imposed on the vacant lands located within the scope of cities in the areas provided with basic utilities; including water, sanitation and electricity, and which are not subject to built property tax or agricultural land tax". In addition, Article (3-Quater) stipulates that "the land's value shall increase by 7% per annum".

However, in 1993 the Supreme Constitutional Court declared the nullity of this tax on the basis that "the land does not generate income in order to impose a continuous tax of 2% and increasing this value by 7% each year eventually leads to consuming the value of the vacant land itself within a short period of time, which actually means expropriating it in violation of Article (36) of the Constitution."

¹⁰ Included within the city's resources according to Article (51) of Law No. 43 of 1979 concerning Local Administration.

However, economic developments over the past two decades and the associated rise in the value of lands might be a justification for reconsidering the legislation on the tax on vacant lands, especially that the land's value, according to this Law, is calculated based on registered contracts, i.e. according to the historical cost, This is different from the principle applied in case of determining the value of the property tax, whose value is updated every 5 years.

Resources transferred to the Social Housing Fund. These resources include the following according to Article (11) of Law No. 33 of 2014:

- Clause (5): Proceeds of fines imposed according to the provisions of this Law and the Building Law promulgated by Law No. 119 of 2008, despite the fact that the Local Administration Bill recently reviewed by the State Council includes these proceeds among the resources of the Economic Housing Account.
- Clause (10): 25% of the proceeds of sale of land owned by local units.

The development of the Account's activities and expanding them to include new fields require reconsidering the transfer of such resources to the Economic Housing Fund, especially that they represent actual self-generated resources. This is because the borrowed resources represent a high percentage of the Account's total resources, which is not consistent with the social dimension of this Account's activities after developing it.

Proceeds of property tax. Article (28) of Presidential Decree No. 103 of 2012 amending some provisions of Law concerning Built Property Tax promulgated by Law No. 196 of 2008 stipulates that "The proceeds of property tax and the amounts prescribed in this Law shall be transferred to the Public Treasury, provided that 25% of the tax collected within the scope of each governorate shall be allocated for governorates and 25% of the total proceeds shall be allocated for the purposes of slum areas development which shall be regulated by a decision of the Council of Ministers."

Since slum and unplanned areas are one of the fields proposed to be added to the Account's Activities, therefore in line with this the governorate's share of the property tax should be transferred to the Account. This has been implemented by the MLD this year in coordination with the Slum Areas Development Fund; and the amount allocated to the governorate in this year's budget 2014/2015 will be directed to the development of slum areas.

Height fees. Article (31) of Law No. 106 of 1976 concerning Directing and Regulating Construction Works stipulates that "In case of exempting a certain building from height restrictions, the licensee shall, prior to obtaining the license, pay an amount in return for the increase in benefit from the land's value. This increase shall be calculated based on a percentage of the land's value equivalent to the area of additional exempted floors or parts thereof to the total area of floors allowed under height restrictions in accordance with the provisions in force. The fee shall be half of the amount calculated in this manner."

Furthermore, Local Administration Law No. 43 of 1979, and its Bill which is currently being drafted, includes the proceeds of height fees as a resource among the Economic Housing Account's resources. However, the preceding text requires review of the method of estimating the height fees, which depends on the historical cost of the area of the building's land.

Supporting the Public Treasury. As previously mentioned, Law No. 107 of 1976 Establishing the Economic Housing Fund includes in its resources the appropriations included in the State Budget; however, subsequent legislations do not provide for such support. In fact, the State Budget legislation of the past three years stipulated that a percentage of this Account's monthly proceeds should be transferred to the Public Treasury. As this Account performs an important social role, especially after the expansion of its functions, it is important to enforce the previous text set forth in the Fund's Law No. 107 of 1976 together with exempting the Fund's monthly resources from the percentage to be transferred to the Public Treasury.

ANNEXES

ANNEX (1): RESOURCES OF THE ECONOMIC HOUSING PROJECTS FINANCING ACCOUNT

Article (36) of Law No. 43 of 1979 identifies the Account's resources as follows:

- Proceeds of disposition of lands intended for building¹¹ set forth in Article (28) of this Law, which stipulate that "The Governor may, after obtaining the approval of the governorate's local council and within the scope of the general rules set by the Council of Ministers, decide the rules of disposition of State-owned land intended for building in addition to that owned by local administration units in the governorate. Such rules may regulate the cases where this land is disposed of free of charge for the purposes of reconstruction and housing";
- Proceeds of subscription in housing bonds set forth in Articles (4), (5) and (6) of Law No. 107 of 1976 Establishing Economic Housing Projects Fund¹².
- Proceeds of leasehold fees to be paid in case of exemption from height restrictions according to the provisions of the Law Directing and Regulating Construction Works at the governorate level;
- Amounts allocated for economic housing purposes in governorates in the agreements concluded by the State;
- Loans;
- Subsidies, grants, donations and wills;
- Proceeds of investing the Fund's money and rent value of compensatory housing established in the three canal cities and ownership installments of this housing;
- Proceeds of fines imposed according to the first paragraph of Article (21) of Law No. 106 of 1976 concerning Directing and Regulating Construction Works at the governorate level.¹³

¹¹ Law No. 33 of 2014 concerning Social Housing stipulates that the Fund's resources include 25% of the proceeds of sale of land owned by local units.

¹² Have been excluded in the draft Local Administration Bill under preparation.

¹³ Have been added to the resources of Social Housing Fund under the said Law.

ANNEX (2): COMPETENCIES OF THE ACCOUNT'S MANAGEMENT COMMITTEE

Article (5) of Prime Minister's Decision No. 745 of 1995 on the Rules and Management of Spending from the Economic Housing Projects Financing Fund stipulates that the Account in each governorate shall be managed by a committee to be chaired by the Governor or his representative. Members of this Committee are as follows:

1. The governorate's Secretary-General;
2. Manager of the governorate's Finance Directorate;
3. Manager of the governorate's Survey Directorate;
4. Manager of the governorate's Housing Directorate;
5. Representative of Notary Office Authority;
6. Manager of the governorate's Legal Department;
7. The governorate's Property Manager; and
8. Three heads of local units to be annually chosen by the Governor alternately.

Article (6) of the preceding Decision provides that this Committee's functions are as follows:

The Account Management Committee shall take the measures necessary for achieving the Account's purposes in financing economic housing projects in the governorate according to the plan developed by the competent body and after obtaining the LPC's approval within the State's general policy and plan in this regard. To this end the Committee shall:

1. Develop the executive policy that ensures the development of the Account's resources and investments and control spending and tighten control over revenues and expenses;
2. Approve the Account's draft plan, budget and its final accounts and prepare a report on its activity and financial position;
3. Solicit, in its works, the assistance of research

centers, scientific bodies, and individuals and entities concerned with studies related to its financing and economics. The Committee may invite those whom it sees relevant to benefit from their expertise to attend its sessions and participate in discussions and studies without having a countable vote in taking decisions;

4. Prepare a special budget for the Account according to the rules followed in preparation of the State's Budget and the General Plan for Economic and Social Development. This budget shall include all of its revenues and expenditures during the fiscal year and be subject to the provisions applied to the State's Budget. A final account shall be prepared for the Account at the end of every fiscal year and included within the governorate's final account.
5. The financial laws, regulations and instructions in force in local administration units shall be applied to all matters relevant to the Account where no special text is mentioned in this Regulation.
6. The accounting unit shall prepare the Account's annual draft budget in addition to its final account and submit it to the Management Committee for approval in preparation for submission to the governorate's LPC for approval.
7. The Governor shall submit the draft final account to the governorate's LPC accompanied by the observations of the Ministry of Finance and Central Auditing Organization (CAO)'s reports on the specified times and according to the rules and procedures issued under a decision of the Minister of Finance. The final account shall then be submitted, after being approved, to the Minister of Finance and Minister of Local Development and presented together with the State's final account and subject to the provisions applied to the latter.

ANNEX (3): OBSERVATIONS ON THE FINANCIAL PERFORMANCE OF THE ECONOMIC HOUSING PROJECTS FINANCING ACCOUNT

The provision of the resources necessary for enabling this Account to achieve its objectives as determined by law and regulations including its management rules, is not limited to the abundance of these resources. It requires the provision of an effective institutional framework for collection of its resources represented in installments of loans granted to the beneficiaries, leasehold fees of land exploited by the private sector in the establishment of its projects and other resources, on one hand. On the other hand, it is also important to take into account the socio-economic feasibility considerations and effectiveness and efficiency in spending. The impact of this on the resources that may be made available for financing the Account's activities is evident. This is illustrated by the many observations in the financial auditing reports that point to the required improvements in financial management of Account to enable it to maximize its resources under the provisions of rules on collection or control of use of these resources without breaching the governing rules in this regard. During the past years, CAO's reports included observations many of which focused on resources or their uses. However, it is worth noting that these observations were included in the reports under an item named "general phenomena" which implies that they are common and prevalent in many governorates and repeated year after year. This means that the Account's financial management is unable to adopt measures to avoid these observations.

The impacts of CAO's observations on provision of this Account's resources can be summarized in the following remarks:

- Deprivation of the Account from some of its resources. This is represented in failure to collect the installments of ownership and rental of

some residential units, leasehold fees, and the value of installments of sale of some land owned by the Account due to be paid by individuals or organizations;

- Failure to follow-up the collection of loans granted to some administrative bodies in the governorate from the Account's resources, in violation of the rules governing the uses of Account's resources. This means deferring benefits from such resources until these loans have been collected (which in some takes up to eight years). Additionally, contributions made have not been used in the fields defined by the law and regulations;
- Poor collection procedures which deprives the Account of some of its resources due to the poor follow-up procedures and coordination with collection departments in local administration units responsible for collection of the account's self-generated resources. This includes, for example, additional fines imposed in favor of the Account on which final rulings have been issued in cases of buildings violations according to the provisions of Law No. 106 of 1976 concerning Directing and Regulating Construction Works, and its amendments;
- Management's failure to use the Account's resources and depositing the Account's cash surpluses in banks in some cases rather than offering new housing projects;
- Disbursement of bonuses to individuals not working in the Account or for works irrelevant to its uses; and

- Failure to benefit from established housing units. CAO indicated, in its various reports, the reasons that prevented benefiting from housing units for long periods. This has been repeated in many governorates according to a practical study undertaken in Assiut governorate. These reasons are as follows:
 - a. Failure to prepare the studies necessary to determine the need of areas to the established housing units in addition to the bad choice of the construction sites of some units;
 - b. Failure to connect these residential units to public utility networks due to the lack of appropriations in the State's Budget; i.e. the timeline for implementation of housing plans does not ensure coherence and coordination between the project's components;
 - c. Establishment of some residential units at a high cost which results in raising the values of their advance payments and installments and ultimately leads to lack of citizens' interest or effective demand;
 - d. The long period of undertaking social research on citizens who apply to occupy residential units and delay in the allocation procedures and distribution of units when they are established; and
 - e. Delay of some contractors in establishment and completion of residential units in a timely manner.

It should be noted that the rules on Account's management issued under Prime Minister's Decision No. 745 of 1995 stipulate in Article (9) that "The Account Management Committee may solicit, in its works, the assistance of research centers, scientific bodies and

individuals and entities concerned with studies related to its financing and economics. The Committee may also invite those whom it sees relevant to benefit from their expertise to attend its sessions and participate in discussions and studies without having a countable vote in taking decisions."

The foregoing analysis indicates the importance of enforcing this Article, as a huge portion of the available resources is facilitated through borrowing. Moreover, the previously mentioned considerations related to failure to benefit from some housing units, whose establishment is financed by the Account, involve, at least, a delay in benefiting from the available resources and freezing them in assets that do not achieve their purpose.

The impact of this should not only be regarded as depriving the Account from some of its resources. It also involves risks to which the Account may be exposed if it fails to fulfill its obligations to the lending entities, whether from the banking system or the National Investment Bank, concerning the payment of interests and installments of loans, as borrowing represents a significant proportion of the Account's resources. This, thus, requires the Account's financial management to review the cash inflows and outflows. On the whole, CAO's observations require an improvement and support of capacities in the field of the Account's financial management.

ANNEX (4): ISSUES RELATED TO SERVICE IMPROVEMENT FEES WHICH REQUIRE A LEGISLATIVE AMENDMENT AND REGULATORY MEASURES

- There is a need to achieve consistency in the legal framework that regulates the rules on service improvement fees in the manner discussed in this paper when comparing the three legislations that represent the legal framework providing for imposition of this fee¹⁵. Legal provisions and texts concerning these resources are included in more than one legislation; and there is a need to make them consistent. For example, upon comparing between Law No. 43 of 1979 and Law No. 22 of 1955, one could see that the application was limited only to some cities and on real estate and not land as mentioned in the Local Administration Law which is in contrary to the provisions of Law No. 222 of 1955 on Service Improvement Fees. Furthermore, the new public utility work added by Law No. 119 of 2008, which requires the collection of improvement fees, becomes due by approving the detailed plans prepared for the areas set forth in Article (16) of this Law. Annex (3) lists the amendments proposed to the legislations and decisions relevant to service improvement fees.
- The amount of service improvement fee, which is estimated at half of the difference between the values before and after improvement, needs to be reconsidered. This has to be based on the results of the experience of some governorates which resulted in negative feedbacks or entailed the imposition of categories determining the service improvement fees in a manner different from the provisions of the Law. It is proposed to reconsider this issue based on the variance between the categories of beneficiaries, i.e. family, business and government sectors, which also requires use of different categories of service improvement fees.
- The formation of the committee included in Law No. 222 of 1955 mandated with estimating the improvement fees needs to be reviewed. The committee is formed at the level of each municipal council; in this regard, the provisions on estimation committees in Article (13) of Property Tax Law No. 118 of 2006 may serve as a guide. This Article stipulates that the committee, formed at the governorate level, shall include in its membership two taxpayers within the purview of each committee to be chosen by the governor based on the recommendation of the governorate's LPC.
- It is important to enforce the provisions of the law providing for the responsibility of the municipal councils (local units) to collect service improvement fees and consider such fees among their resources. A clear example of this is the decision by the Governor of Cairo regarding imposition of service improvement fees in all areas of Cairo; however, the decision was then quickly suspended in order to be studied. It is also noted that the enforcement scope has been narrowed in the Governorate of Giza, This proves that enforcement does not commit to legal texts. In addition, the practical applications are still limited. This is evidenced by the proceeds of such fees in the local administration's final account for the fiscal year 2012/2013 of some governorates, which do not match the size of investments made in the fields of drinking water and sanitation which amounted to EGP 100 billion in the ten years from 2002 to 2012. Such investments are public utility works which led to increase in the value of land and real estate.
- It is important to find a link or relation between the proceeds of service improvement fees, as a source of local resources, and the local uses according to their priority in order to benefit local communities. This link may become an incentive for people's participation and for exploring a bigger role for LPCs in determining priorities.
- Finally, the inclusion of service improvement fees within the resources of Economic Housing Projects Financing Account provides flexibility compared to its addition to the city's resources as stipulated in Article (51) of the Local Administration Law. By enforcing the said Article, the service improvement fees will not be considered as self-generated resources or LPCs' resources. Such resources include the resources of special funds and accounts, which have flexible uses according to the priorities set by LPCs. In addition to supporting the central resources, this could also promote public participation.

¹⁵ This includes Law No. 222 of 1955, Local Administration Law No. 43 of 1979 and Building Law No. 119 of 2008.

ANNEX (5): PROPOSED AMENDMENTS TO REGULATIONS RELATED TO SERVICE IMPROVEMENT FEES

FIRST: PRIME MINISTER'S DECISIONS NOS. 745/1995 AND 516/2012:

The first decision included rules on management of Economic Housing Projects Financing Account in governorates, while the second decision amended Article (4) of the first decision on uses of the Account's resources.

It should be noted the Account's resources listed in Prime Minister's Decision No. 745 of 1995, which was issued after the Local Administration Law, do not include the resources specified in Paragraph (3) of Article (36) of the Local Administration Law, namely "the proceeds of leasehold fees to be paid in case of exemption from height restrictions according to the provisions of the Law Directing and Regulating Construction Works at the governorate level". However, on the other hand, the said Prime Minister's Decision provided some flexibility by adding the phrase "other resources" to Paragraph (9) of Article (3).

The proposed amendments, which were included in a working paper previously prepared in this regard¹⁶, to the said two prime ministerial decisions are as follows:

Text before Amendment	Text after Amendment
<p>Article (3) of Prime Minister's Decision 745 of 1995 - The Account's resources shall include: Paragraph (9): "Any other resources to be collected, by law, in favor of this Account"</p>	<p>The Account's resources shall include service improvement fees in accordance with the provisions of Law No. 222 of 1955, as amended, and Law No. 119 of 2008, provided that 75% of the Account's proceeds, excluding borrowing, shall be allocated for the governorate and the rest (25%) to the Central Fund and any other resources to be collected, by law, in favor of this Account.</p>
<p>Prime Minister's Decision No. 235 of 2012: replacing Article (4) of the first Decision to be as follows: "This Account's money shall be allocated for financing economic housing projects in accordance with the specifications and standards prescribed by the State for the National Plan for Economic Housing as well as water and sanitation projects. The use of the Account's resources shall only be limited to works of construction and utilities for these projects. It shall not be used in purchasing land required for economic housing or public utility projects except in the urgent and necessary cases after obtaining the approval of the governorate's local council."</p>	<p>"This Account's money shall be allocated for financing economic housing projects in accordance with the specifications and standards prescribed by the State for the National Plan for Economic Housing as well as the health, water, sanitation and electricity projects, particularly in unplanned and re-planned areas or new urban extension areas whose detailed plans are approved by a decision issued by the governor after the local council's approval. The Account's resources shall not be used in purchasing land required for economic housing or utilities projects except in urgent and necessary cases after obtaining the approval of the governorate's local council."</p>

¹⁶ A paper has been previously prepared by the author titled "Improvement Fees and Local Resources".

SECOND: SOME PROVISIONS OF LAW NO. 222 OF 1955 CONCERNING IMPOSITION OF SERVICE IMPROVEMENT FEES ON THE REAL ESTATE IMPROVED DUE TO PUBLIC UTILITY WORKS

Article (1) - "In cities and villages that have local councils, a service improvement fee shall be imposed on built property and land improved due to public utility works. Each council shall be responsible, within its purview, for collecting this amount which shall become one of its resources."

"In cities and villages that have local councils, a service improvement fee shall be imposed on built property and land improved due to public utility works and due to approval of the detailed plans stipulated in Law No. 119 of 2008. Each council shall be responsible, within its purview, for collecting this amount which shall become one the resources of Economic Housing Financing Account at the governorate level to the extent of its share therein."

Article (6) - "The value of the real estate within the boundaries of an improvement area shall be estimated before and after improvement by a committee composed of the following:

- Business manager deputized by the controller of regional control in the Ministry of Municipal and Rural Affairs in which purview the property is located, as chairman;
- The engineer heading regulation in the competent local council or his representative;
- A member of the competent local council to be chosen by the council's chairman from members other than those appointed ex-officio; and
- A representative of the competent survey inspectorate."

"The value of the real estate and land within the boundaries of an improvement area shall be estimated before and after improvement by a committee at the government level composed of the following:

- Business manager deputized by the Manager of the Housing Directorate in the governorate, as chairman;
- Manager of the General Department for Planning and Urban Development in the governorate;
- The engineer heading regulation in the competent local council or his representative;
- A member of the competent local council to be chosen by the council's chairman from memebers other than those appointed ex-officio;
- A representative of the competent survey inspectorate; and
- Two individuals who shall pay service improvement fees to be chosen by the governor based on the recommendation of the governorate's local council."

Article (10): "Service improvement fees shall be equivalent to half the difference between the committee's estimate of the real estate's value before and after improvement."

"Service improvement fees shall be equivalent to half the difference between the committee's estimate of the real estate's value before and after improvement, provided that the service improvement fees shall be reduced to half the value of this estimate in case of the residential units occupied by their owner."

Article (10-Bis) (new) - "The following shall not be subject to improvement fees:

- State-owned built real estate allocated for a purpose of public interest and built real estate owned by the state as a private property, provided that such real estate shall be subject to service improvement fees if it is disposed of to individuals or legal persons;
- Buildings allocated for holding religious rituals or teaching religion; and
- Built real estate or those expropriated for public interest as of the date of actual seizure by the expropriating entities."

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