

# **THE ROLE OF URBAN LAND TITLING IN SLUM IMPROVEMENT – THE CASE OF CAIRO**

A critical examination of the GTZ land titling programme  
in Manshiet Nasser

- Diploma Thesis -

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## ABSTRACT

During the past decades, several instruments have been applied in order to solve the problem of constantly rising informal slum settlements in developing countries. Attempts to formalise informally held land and housing first were made during the 1980s; they were mainly promoted by the Peruvian economist Hernando de Soto. Based on the principles of capitalism, de Soto argues that the allocation of formal rights will enable the poor to improve their own living conditions by adequately using their so far “dead capital” for trade and collaterals for credits. Other proponents claim that formalisation will raise investment into housing because tenure security is granted and in addition will bring great revenues to the government through land sales and systematic tax collection.

In the late 1990s, the *Gesellschaft für Technische Zusammenarbeit* (GTZ) included the allocation of formal land titles in its slum-upgrading project in Manshiet Nasser, a large squatter settlement on state-owned land in Cairo, Egypt. Although the land titling process was opened in 2006, no titles have been handed out so far. Egypt’s general policy towards informal settlements, initial plans of relocating the residents of Manshiet Nasser, the adherence to high land prices and an insufficiently working local administration have hindered GTZ’s efforts so far.

These experiences are in line with the position of land titling opponents, who warn against the complexity of land titling programmes. Moreover, many argue that formal property rights will not have the expected effects if not embedded in an even broader context of national reform, and that without additional measures they may even harm. If land titles are given to Manshiet Nasser residents, it is expected that access to formal credits will still be hindered due to the lack of a functioning registration system and instable incomes leading to high risks for both banks and borrowers. Because mobility among lower-income groups is generally low and housing alternatives are poor, profitable real estate transfers are unlikely. Instead, there is the risk of market eviction through higher-income groups interested in this very well located area. Residents are mainly interested in securing their tenure and avoiding bribes. However, political and financial reasons make forced eviction without compensation not an option for the government. There is the danger that the designated beneficiaries of the programme will pay high sums to simply raise their perception of tenure security without having further benefits. Bribes will remain an issue as long as the mode of construction does not meet planning and building standards.

The implementation of land titling programmes in Egypt, therefore, needs to be much more embedded in good governance. So far, the government does not act in favour of the poor and handing out property rights seems to remain an empty promise. If land titling in Manshiet Nasser is to be continued, it will need fair negotiation with the residents and strong political and administrative sup-

port. Because the expected benefits need more general reforms of the financing schemes for home improvement, stable employment, property registration, real estate market activities, and administration efficiency, applying less complex instruments to raise tenure security should be considered.

The questions to be examined in this paper read as follows: *what are the probable effects the GTZ land titling programme will have on the squatter settlement of Manshiet Nasser and under what conditions could the full benefits of this instrument be achieved?*

## ZUSAMMENFASSUNG

In den letzten Jahrzehnten wurden diverse Instrumente entwickelt, um dem Problem der rasant wachsenden Slums in Entwicklungsländern zu begegnen. Seit den 1980er Jahren wurden vor diesem Hintergrund Formalisierungsprogramme durchgeführt, um den informellen Wohnungssektor in den formellen zu integrieren. Einer der einflussreichsten Befürworter dieses Ansatzes ist der Peruanische Ökonom Hernando de Soto. Basierend auf den Grundsätzen des Kapitalismus argumentiert de Soto, dass die Vergabe formeller Eigentumsrechte arme Bevölkerungsschichten dazu ermächtigt, ihre Lebenssituation eigenständig zu verbessern, indem sie mit ihrem bisher „toten Kapital“ (*dead capital*) handeln und ihren nun rechtmäßigen Besitz als Sicherheit für Kredite einsetzen können. Andere Befürworter argumentieren, dass durch Formalisierung bisher informellen Besitzes Eigeninvestitionen in den Wohnraum gefördert werden, da das Bleiberecht der Bewohner gesichert wird. Die Regierung selbst soll von Landverkäufen und Steuereinnahmen profitieren.

Ende der 1980er Jahre hat die Gesellschaft für Technische Zusammenarbeit (GTZ) den Verkauf von Landrechten in ein Slumsanierungsprojekt in Manshiet Nasser integriert. Diese große informelle Siedlung wurde auf Staatsland in Kairo, Ägypten, gebaut. Obwohl der Erwerb der Grundstücke durch die Hauseigentümer seit 2006 möglich ist, hat die Regierung bisher keine Grundstücke verkauft. Ägyptens generelle Politik gegenüber informellen Siedlungen, ursprüngliche Umsiedlungspläne, das Festhalten an hohen Verkaufspreisen und eine ineffektiv arbeitende lokale Verwaltung haben die GTZ bisher an ihrem Vorhaben gehindert.

Diese Erfahrungen spiegeln die Argumente der Kritiker wider, die vor der Komplexität derartiger Programme warnen. Darüber hinaus argumentieren manche Experten, dass durch die Vergabe von Landrechten nicht die gewünschte Wirkung erzielt wird bzw. dies sogar negative Auswirkungen haben kann, solange Formalisierungsprogramme nicht durch zusätzliche nationale Reformen begleitet werden. Sollten Landrechte an die Bewohner Manshiet Nassers vergeben werden, wird ihnen auch weiterhin der Zugang zu formalen Krediten verwehrt bleiben. Die Gründe hierfür sind ein unzulängliches Katasterwesen und prekäre Einkommensverhältnisse, die zu einem hohen Risiko sowohl für die Bank als auch den Antragsteller führen. Weil die Mobilität der Menschen aus niedrigen Einkommensschichten generell gering ist und es kaum Wohnalternativen gibt, gilt ein profitables Immobiliengeschäft als unwahrscheinlich. Stattdessen ist das Risiko nicht auszuschließen, dass die Bewohner durch einkommensstärkere Schichten, die ein Interesse an dem zentral gelegenen Areal haben könnten, verdrängt werden. Die Bewohner sind hauptsächlich an einer Sicherung ihrer Bleiberechte und an der Vermeidung von Schmiergeldzahlungen interessiert. Jedoch ist eine Verdrängung ohne Entschädigung ebenso wie die Schaffung von Ausgleichswohn-

raum für alle Bewohner aus politischen und finanziellen Gründen keine Option für die Regierung. Es besteht die Gefahr, dass die Zielgruppe des Projekts einen hohen Preis dafür zahlt, die Sicherung ihrer Bleiberechte subjektiv zu erhöhen, ohne jedoch weitere Vorteile durch den Grundstückserwerb zu haben. Schmiergelder werden auch weiterhin zu erwarten sein, da die Gebäude auch nach der Vergabe von Landrechten nicht den Baunormen entsprechen werden.

Der Verkauf von Staatsland an Slumbewohner in Ägypten bedarf daher einer guten Regierungsführung. Bisher setzt sich die Regierung wenig für die Armen ein, und das Versprechen, den Bewohnern Manshiet Nassers Landrechte zu geben, droht unerfüllt zu bleiben. Sollte das Programm dort fortgeführt werden, bedarf es sowohl fairen Preisverhandlungen mit den Hauseigentümern als auch der Unterstützung von Politik und Verwaltung. Um den erwarteten Nutzen von Landrechten auf allen Ebenen zu erzielen, müssen Reformen bezüglich der Finanzierung von Investitionen in den eigenen Wohnraum, der Sicherung von Arbeitsplätzen, der Eigentumsregistrierung und des Wohnungsmarktes sowie eine umfassende Verwaltungsreform angestoßen werden. Daher sollten weniger komplexe Instrumente in Erwägung gezogen werden, die ebenfalls die Sicherung des Wohnraums gewährleisten.

Die Fragestellung, die in dieser Arbeit beantworten werden soll, lautet: *Was sind die möglichen Auswirkungen, die das GTZ Programm zur Vergabe von Landrechten auf die informelle Siedlung in Manshiet Nasser haben wird, und unter welchen Umständen können die positiven Auswirkungen dieses Instruments auch tatsächlich erreicht werden?*

# TABLE OF CONTENTS

## INTRODUCTION

1. INTRODUCTION	11
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## THEORETICAL BACKGROUND

2. THE PROBLEM OF INFORMAL SETTLEMENTS	15
2.1 Rising Cities Through Migration	15
2.2 Urban Tenure Options	17
2.3 Informal Housing Activities	20
2.4 Rising Informality	21
2.5 Forced Evictions	22
2.6 Defining Slums	23
3. FORMAL OWNERSHIP AND POVERTY REDUCTION	27
3.1 Formal Ownership and Capital	27
3.2 Formal Ownership and Home Improvement	29
3.3 Formal Ownership and Credit Access	31
3.4 Formal Ownership and the Real Estate Market	32
3.5 Formal Ownership and Urban Management	35
4. INTERIM CONCLUSION	37

## THE CASE OF CAIRO

5. UNDERSTANDING EGYPT	41
5.1 Political Framework	41
5.2 Administrative Framework	43
5.3 Socio-economic and Demographic Framework	44
6. HOUSING CRISIS IN GREATER CAIRO	46
6.1 A Growing and Urbanising Population	46
6.2 Governmental Responses	47
6.3 The Rise of Informal Settlements	50
6.4 Dimension and Typologies of Informal Settlements	53
6.5 Securing Informal Tenure	59
6.6 National Programme for Urban Upgrading	61
6.7 Land Titling and Formalisation Programmes	63

<b>7. PARTICIPATORY DEVELOPMENT PROGRAMME</b>	<b>67</b>
7.1 Participatory Urban Management Programme (PUMP)	67
7.2 Participatory Development Programme (PDP)	71
<b>8. LAND TITLING IN MANSHIET NASSER</b>	<b>73</b>
8.1 Introducing Manshiet Nasser	73
8.2 Course of the Project	77
8.3 Tenure Situation	78
8.4 Preparing Land Titling	81
8.5 Starting Land Titling	84
8.6 Implementation Problems	87
8.7 Probable Land Titling Effects	93
<b>CONCLUSION</b>	
<b>9. CONCLUSION</b>	<b>102</b>
<b>APPENDIX</b>	
<b>10. APPENDIX</b>	<b>110</b>
10.1 Interview Partners	110
10.2 References	111
10.3 Eidesstattliche Erklärung	121

## TABLE OF FIGURES

Figure 1:	Urban population according to years and world regions	16
Figure 2:	Typical distribution of urban tenure categories by legal status	19
Figure 3:	Procedure to form a legally obtained home in Peru	22
Figure 4:	Urban households living in slum conditions and with one shelter deprivation, 2005	25
Figure 5:	Likely consequences of providing titles to “owners” of squatter houses	33
Figure 6:	Matrix of informal areas by typologies and sub-typologies	54
Figure 7:	On the way to land titling	85
Figure 8:	Administrative land titling process	86

## TABLE OF MAPS

Map 1:	Informal areas in Greater Cairo Region after type, 2002	52
Map 2:	Manshiet Nasser planning zones	74

## TABLE OF PICTURES

Picture 1:	Manshiet Nasser	71
Picture 2:	Aala Razaz and Wadi Faraoon (MN8-9)	73
Picture 3:	Market along <i>autostrad</i>	76



## ABBREVIATIONS

BMZ	<i>Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung</i>
B.U.S.	<i>Büro für Umweltplanung und Stadtentwicklung</i>
CAPMAS	Central Agency for Public Mobilisation and Statistics
DLP	Detailed Legal Plan
GCR	Greater Cairo Region
GDP	Gross Domestic Product
GOPP	General Organisation for Physical Planning
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i>
ILD	Institute for Liberty and Democracy
KfW	<i>Kreditanstalt für Wiederaufbau</i>
LEC	Local Executive Council
LPC	Local Popular Council
MHUNC	Ministry of Housing, Utilities and New Communities
MN	Manshiet Nasser
MoED	Ministry of Economic Development
MoHUD	Ministry of Housing and Urban Development
MoLD	Ministry of Local Development
NDP	National Democratic Party
PAU	Policy Advisory Unit
PDP	Participatory Development Programme in Urban Areas
PMU	Ezbet Bekhit Project Management Unit
PPR	Project Progress Review
PUMP	Participatory Urban Management Programme
REFO	Real Estate Formalisation Organisation
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNSD	United Nations Statistical Division
USAID	United States Agency for International Development

# **INTRODUCTION**

## 1. INTRODUCTION

In early September 2008, a rockslide in a poor neighbourhood put an end to the lives of more than 100 people dwelling at the foot of what used to be a quarry of limestone. The problem of unstable rocks had been known for almost a decade and alternative housing had been promised. Alternative housing had in fact been built and distributed – but due to corrupt officials it was not the people in danger who moved in (LEILA 2008). This incident, which went through the world press, took place in Manshiet Nasser, an informal area in the eastern part of Cairo. For half a century this settlement has been growing constantly. It has been tolerated and for the most part ignored.

Since the late 1990s, the *Gesellschaft für Technische Zusammenarbeit* (GTZ) has worked on upgrading the area through measures of infrastructure implementation and social development with a strong focus on participation. One of the upgrading tools has been the allocation of formal land titles to the residents through land sales. This instrument of urban upgrading is based on the ideas of the Peruvian economist Hernando de Soto and his call for formalisation and land titling programmes as a way to reduce urban poverty (DAVIS 2006:70). According to his theory, the lack of formal and registered property titles hinders the urban poor from adequately using the potential of their assets for trade and collaterals for credits. The allocation of formal rights would enable the poor to improve their own situation and in consequence also strengthen the national economy (DE SOTO 1990, DE SOTO 2000).

This approach has been widely discussed. Some, such as Nobel Laureate in Economics Milton Friedman, say that “de Soto has demonstrated in practice that titling hitherto untitled assets is an extremely effective way to promote economic development of society as a whole” and former US President Clinton finds de Soto’s approach “the most promising anti-poverty initiative in the world” (ILD 2008). Others see the possibility of negative effects arising from changes to existing tenure systems, or find that formalisation programmes will not change anything at all (DURAND-LASSERVE AND ROYSTON 2002a, GILBERT 2001, PAYNE 2000, et al.).

Although governments, aid agencies and also the World Bank – which by the late 1980s started to promote privatisation of housing supply and soon afterwards strongly supported the ideas of de Soto (DAVIS 2006:70) – increasingly recognise the limitations of programmes that emphasise formalisation and individual freehold, conventional responses still prevail (DURAND-LASSERVE AND ROYSTON 2002b:9ff). Both the World Bank and later de Soto himself have tried to formalise informal settlements in Egypt, and GTZ in the late 1990s has followed the same path. All three have seen – or still do so – great difficulties in implementation while the expected success story has not followed, at least not yet.

The steps that need to be taken in order to formalise informal areas depend on the kind and degree of informality. Some areas are considered informal because they are illegally subdivided and because they contradict zoning, planning and building regulations and are not properly connected to infrastructure services. Other areas have been squatted upon and therefore are not even owned by their holders, most probably in addition to all the other forms of informality just mentioned. While the first group of settlements needs to be formalised through regulative planning measures or urban upgrading, the inhabitants of the latter moreover need to buy the land they occupy (land titling).

This additional constraint is also necessary in order to formalise the settlement of Manshiet Nasser, which has been built on state-owned land. Therefore, this paper will focus on the examination of the pros and cons of land titling programmes and their role in the improvement of living conditions in slums as exemplified by Manshiet Nasser in Cairo. The underlying question reads as following: *what are the probable effects the GTZ land titling programme will have on the squatter settlement of Manshiet Nasser and under what conditions could the full benefits of this instrument be achieved?* So far land titles have not been handed out in Manshiet Nasser and therefore the effects cannot be analysed at this time. However, the general Egyptian political and administrative framework as well as an appraisal of the project progress since its beginning allow to draw quite a clear picture of the probable benefits and dangers of the programme and indicate what is needed for such a programme to work.

Following this introduction, the second chapter will give the theoretical background necessary to understand the reasons for inland migration and to get an overview of the possible tenure forms in urban areas. It will contain information on housing activities in the informal sector and on why people choose to operate informally despite its negative consequences. The impact of forced evictions will be explained before identifying characteristics of slum settlements.

The third chapter will begin with a more detailed presentation of the theory behind land titling programmes as presented in de Soto's two books *The Mystery of Capital* and *The Other Path*. The impact of land titling on poverty reduction through home improvement, credit access, participation in the real estate market, and an improvement of urban management will then be discussed in general terms with a look on the international discourse on the topic (chapter 4).

After an interim conclusion the paper will introduce the reader to the Egyptian context in which we find the GTZ project under examination. This will be followed by an explanation of the causes and extent of the housing crisis in Cairo, the growth of the informal housing sector, and policies that have been pursued in order to solve one problem or the other (chapter 6).

Chapters 7 and 8 will introduce the GTZ project, describe past efforts in the land titling programme, and analyse why GTZ has so far failed in this regard. This part

will also include an appraisal of the probable outcome the project will have on Manshiet Nasser if land titles will eventually be allocated to the residents. Chapter 9 will conclude the findings.

For the theoretical background, books, papers, and articles have been thoroughly analysed in order to collect different views and opinions on the topic. During a stay in Cairo from January till April 2008 more literature on the issue of informal settlements in Egypt were collected. With the strong support of GTZ, internal reports and working papers were viewed and 20 interviews arranged. The interviewees were members from local NGOs, Manshiet Nasser district (district engineers and local elects), Cairo Governorate, GTZ, the German development bank *Kreditanstalt für Wiederaufbau* (KfW) as well as former staff of the project, and independent experts. During a field visit nine more residents were randomly asked on the street in order to get an impression of their knowledge and opinion on the issue (for list of interview partners see Appendix).

All interviews were half-structured in order to allow the interviewees to speak about the issues related to the topic that were most familiar and urgent to them. One interview was held in German and ten in English. All interviews held in Arabic were conducted together with an interpreter very familiar with the topic. Nevertheless, language barriers and in some cases the unwillingness to speak openly about the subject left some details in the dark, which could not be elucidated through printed sources either. However, the sum of the interviews and the available literature have given a fairly coherent overall picture of the issue.

# **THEORETICAL BACKGROUND**

## **2. THE PROBLEM OF INFORMAL SETTLEMENTS**

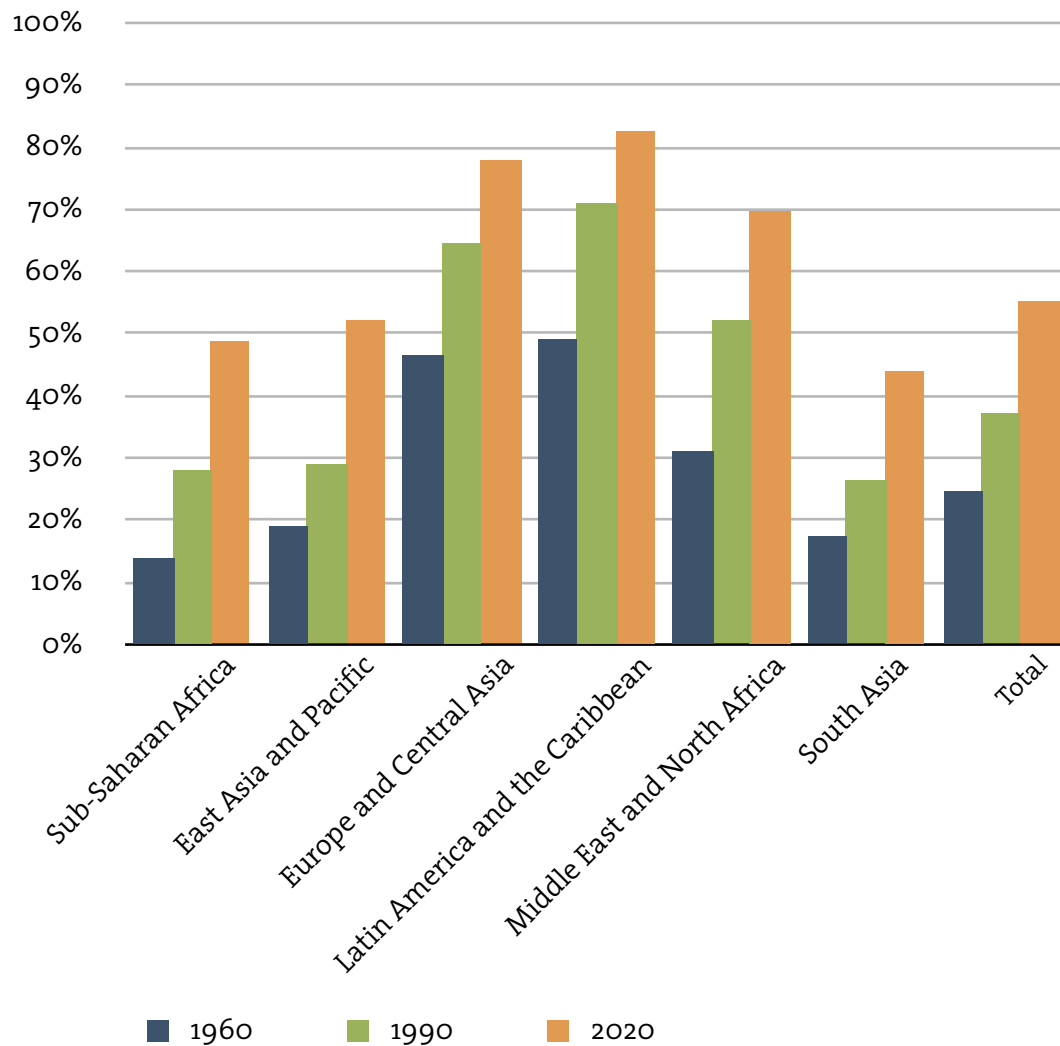
Cities in developing countries have been growing faster than ever in the last half century. We are at a turning point of history in which mankind will shift to living in cities rather than in rural areas. This is a great challenge for urban agglomerations, which will need to house a rising number of inhabitants. We can see already that most cities in developing countries do not offer enough appropriate housing options so that large numbers of inhabitants are forced to live without proper permissions in informal areas, putting a heavy burden on their daily life.

### **2.1 RISING CITIES THROUGH MIGRATION**

The fast growth of urban areas is due to a natural population increase on the one hand and a rural-urban migration on the other. Through a transition from a population with both high fertility and mortality rates to a population in which mortality rates are going down faster than fertility rates, the total world population is growing. However, migration from rural to urban regions and better living conditions in the cities have made the urban population grow at a much faster pace.

In developed countries, the major era of national migration was the industrialisation. During a time when living conditions for farmers worsened while an emerging industrial production created a new kind of work, cities of the North faced their main growth. Today cities of the South are growing at an enormous pace and many of the rural inhabitants decide to head towards the cities even if this means living in slums. While urbanisation in advanced nations in the last two centuries was coupled with economic growth, agricultural labourers in developing countries continue to move to urban areas “even as cities ceased to be job machines” (Davis 2006:15).

According to UNFPA (United Nations Population Fund), 50% of all the 6.7 billion world inhabitants of today live in cities. In advanced countries the urban population has long since exceeded the rural: 75% of the population in more developed regions live in urban areas while only 44% of the population in less developed and 28% in least developed countries do so (UNFPA 2008:90). The urban annual growth rate, however, proceeds reversely: while growth has significantly slowed down in more developed regions, cities in less and least developed countries will grow at a pace of around 2.5% respectively 4% annually between 2005 and 2010 (UNDESA 2007).

**Figure 1: Urban population according to years and world regions**

Source: World Bank (2000), *Cities in Transition*, p. 32

The decision to change the place of residence is not irrational but rather based on a calculation of opportunities the individual or family has when either remaining in the countryside or searching for a job in the city. The reasons behind such a decision are numerous and depend very much on the local and national situation of the country. A growing insecurity in zones of war can lead to mass migration, and not all migrants are willing to go back to their homes once the situation has been stabilised. Another push-factor is a worsening economic situation of the rural population due to an increase of productivity in the agricultural sector that benefits large, export-orientated farms replacing their workers by new technology. Food imports and the loss of scarce agricultural land through climate change worsen the situation. Drought and other natural disasters can be further reasons for migration considering that cities are the first to be reached by international



help. Cities are “a more controlled environment and life is less risky” (UN-HABITAT 2003a:26).

The pull-factors are just as numerous and cannot be generalised: they include lower infant mortality rates due to improved medical services, better education systems, jobs and higher wages, access to water and sanitation, to name but a few. In centralised systems all important institutions are located in cities and with them administrative information and help as well as job opportunities and education. The extension of transportation networks such as streets and railways, and of radio and television access should not be underestimated in this respect. Not only have they made city-life more familiar and attractive to rural communities but they have also made it easier for migrants to travel to urban areas (DE SOTO 2000:79ff).

In all these cases migrants consider their chances of better living conditions higher in urban areas than in rural ones, which indeed is often the case even if their living conditions as slum dwellers can be considered inhumane.

## **2.2 URBAN TENURE OPTIONS**

The United Nations Human Settlement Programme (UN-Habitat) describes several tenure options for urban inhabitants. They can be roughly divided into ownership, renting and informal housing.

Forms of tenure in which the resident is the owner of his dwelling can be permanent freehold, delayed freehold, registered leasehold and different forms of collective ownership. All of them have a high degree of tenure security, with some of them bound to certain requirements. Owning a permanent freehold turns the resident into a full and legal owner of his or her property. The owner has the freedom to deal with the property or use it as collateral for loans from formal financial institutions. Investing in the property will increase its value and thus benefit the owner. At the same time the owner takes the risk of sinking prices on unsteady markets. The main obstacle to obtain a permanent freehold is the high price of access (UN-HABITAT 2004b:8).

Registered leasehold is temporary ownership. During the agreed time frame the resident has full ownership rights that go back to the lessor as time has expired. A delayed or conditional freehold is a leasehold which can be converted to freehold after certain conditions are met (such as payments or certain developments) (UN-HABITAT 2004a:34). It bears the additional risk of not being able to meet the requirements, leading to eviction or a loss of invested funds (UN-HABITAT 2004b:8).

Other forms of ownership are co-operative tenure and customary ownership, both appointing a group to being owners. This group can be a co-operative, in which the individual residents are co-owners, a tribe, community, or family with a chief or head of group allocating the land. Co-operative ownership requires a

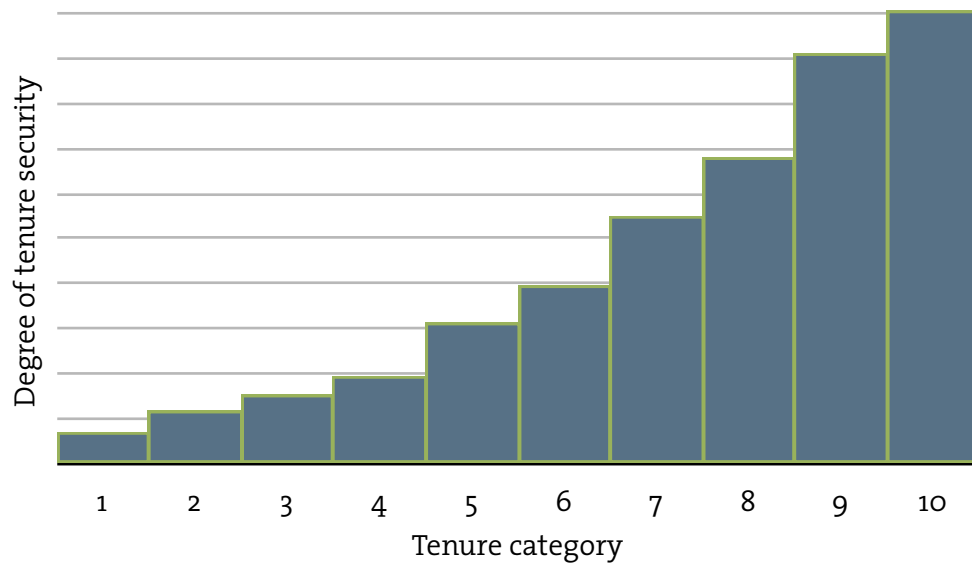
strong legal framework to ensure individual rights, and a double registration of both the land and the association. Restrictions adopted by the group may weaken the incentives to self-upgrading. Customary ownership, in which property rights are linked to commonly accepted customs and traditions, is widely accepted within its cultural framework and is therefore easy to administer. Within urban areas without strong group cohesion, this model of tenure may not work. Also poor leadership can result in conflicts (IBID.:8). Some of these customs in housing rights are based upon religious instructions. Islam runs several forms of religiously motivated ownership such as collective land holding (*musha*) and *wagf*, in which a religious institution permanently holds land (UN-HABITAT 2004a:38).

Ownership requires high payments which without credits are difficult to obtain, leaving renting as an alternative with the great advantage of more flexibility to move. Rooms, flats and houses can be rented either on publicly or privately owned land. Public housing is open to residents meeting certain conditions of occupation and “in contrast to Europe, public housing for the poor in the South is an exception – Hong Kong, Singapore, China – rather than the rule” (DAVIS 2006:31). Also they are often unfavourably located, with long distances to job opportunities. Renting private land may be better located or accessible but can also easily be abused by disreputable owners. It is therefore important to be able to legally enforce the rights and duties of rental contracts. Renters in both public and private housing are in danger of being exposed to the deterioration of the building if it is not being maintained properly by the owner (IBID.:8).

A combination of renting and ownership is shared equity in which the resident buys only part of the asset and rents the remainder. The owner can obtain the rest when having sufficient funds. This eventually results in full ownership without the necessity to procure a high amount of money all at once (IBID.).

Especially in developing countries many residents do not have enough funding or do not meet the requirements for either of these tenure options, and therefore find informal or semi-formal accommodation in a variety of forms. These include regularised and un-regularised squatting, informal rental or unauthorised subdivisions of land (DAVIS 2006:8). The latter occurs when the plot or house might have been legally bought or rented by the settlers but the previous subdivision into smaller units of land is prohibited (see chapter 2.3). And then there are the homeless and pavement-dwellers that informally make the street their home. With better or worse constructions of houses or free-standing roofs they can be found on rooftops, in air wells in centres of buildings, on boats and in parks (IBID.:34ff). People living under such conditions have a low degree of security and are often exposed to eviction.

The following graphic by Geoffrey Payne summarises the different tenure options and points out their degrees of security. Customary and religious tenure systems have been left out for simplicity.

**Figure 2: Typical distribution of urban tenure categories by legal status**

Tenure Category:

- 1 = pavement dweller
- 2 = squatter tenant
- 3 = squatter “owner” un-regularised
- 4 = tenant in unauthorised subdivision
- 5 = squatter “owner” regularised
- 6 = owner of unauthorised subdivision
- 7 = legal owner of unauthorised construction
- 8 = tenant with contract
- 9 = leaseholder
- 10 = freeholder

Source: Payne (2000), *Urban Land Tenure Policy Options: Titles or Rights?*, p. 4

In his book *Planet of Slums*, Mike Davis, instead of defining tenure options according to their status of security, first differentiates slum typologies into metro core and periphery and then subdivides them into formal and informal. In his opinion, new settlers decide first according to the affordability of their location. Whether or not the settlers obtain a legal status is secondary (DAVIS 2006:30). In the centre and close to principal job concentrations, prices are higher while housing costs in the periphery are lower. But it needs to be considered that mobility costs are higher when living on the periphery, so living in the centre can be more profitable. The formal status of the accommodation indirectly becomes a primary influence on the migrant’s decision because informal accommodation with a greater risk of eviction is cheaper or even free. “[...] the lack of formal titles is a price which the urban poor pay to gain access to residential plots which they

could otherwise not afford” (PAYNE 2000:10). As land and rental prices go up towards the city centre but down when inhabited informally, a legal purchase of land or a proper rental contract in the centre are not options for most of the poor, and informal housing is the result. However, most newcomers to the cities eventually end up living on the periphery (DAVIS 2006:31).

In different countries more forms of formal and informal, central and peripheral tenure options will be found. Often friends and relatives are the first contact point in the city, offering accommodation until everything is prepared to make a permanent move (UN-HABITAT 2003a:26). This list of tenure options therefore only gives a general overview rather than a full definition of tenure forms.

### **2.3 INFORMAL HOUSING ACTIVITIES**

To compensate for the low supply of formal housing options in most developing countries, new settlers invade land and houses, owners of land and housing units react by subdividing their property, and farmers sell their ground to be used for building activities in order to make more profit than by using it for agricultural purposes. All these are informal activities that are sometimes counteracted through eviction, sometimes welcomed as a new source of profit.

Invasions of public or private land do not necessarily happen randomly but are often organised and planned in detail and “contrary to common belief, access to squatter settlements is rarely free” (DURAND-LASSERVE AND ROYSTON 2002b:5). Squatters need to invade land by surprise and with the disposition of using violence in case of resistance through the owner. This can be best achieved in groups that need to be formed in a preparatory phase, participants need to pay fees to be part of the invasion, and details of place, time and procedure need to be reviewed. In the run-up, parcels are being distributed, paths are being planned and the social organisation of the settlement agreed upon. People will have to be chosen to negotiate with the administration over the right of residence after the invasion (DE SOTO 1992:50ff).

Land invasion can, however, also be done gradually when land owners originally permit workers, leaseholders, or other people with whom they are in relationship to settle on their ground or when public administrations do not take action against the invasion on their land. When this group of people grows and begins to build or expand their homes, the settlers may slowly take control over the occupied land. The organisational structures necessary for the functioning of the settlement, among them the registration of “owners” of the parcels, then develop over time (IBID.).

Not all informal housing follows an invasion though. The main type of informal settlements follows unauthorised subdivision, selling, and development of mostly agricultural land while access to free land for squatting is on the decrease (DURAND-LASSERVE AND ROYSTON 2002b:4f). In Lima, for example, agricultural

labourers, who had been allocated land during the agrarian reform, organised themselves in associations, illegally dealing with their land as building land instead of using it for agricultural purposes. These *cooperativa* even simulated invasions in which they as legal owners did not interfere but instead – on the quiet – sold their ground (DE SOTO 1992:63). Owners of building land may also profit from unauthorised land development on plots that do not have the mandatory standard of services or infrastructure or lack planning and building permissions (UN-HABITAT 2003a:83).

These settlers, however, consider themselves as “legal owners” of the plots they bought from former owners. This “pirate urbanisation is, in effect, the privatisation of squatting” (DAVIS 2006:40f). While squatting on public land is decreasing due to a reduced availability of free space, profitable but unauthorised sub-division and development are on the increase (UN-HABITAT 2003a:168).

## 2.4 RISING INFORMALITY

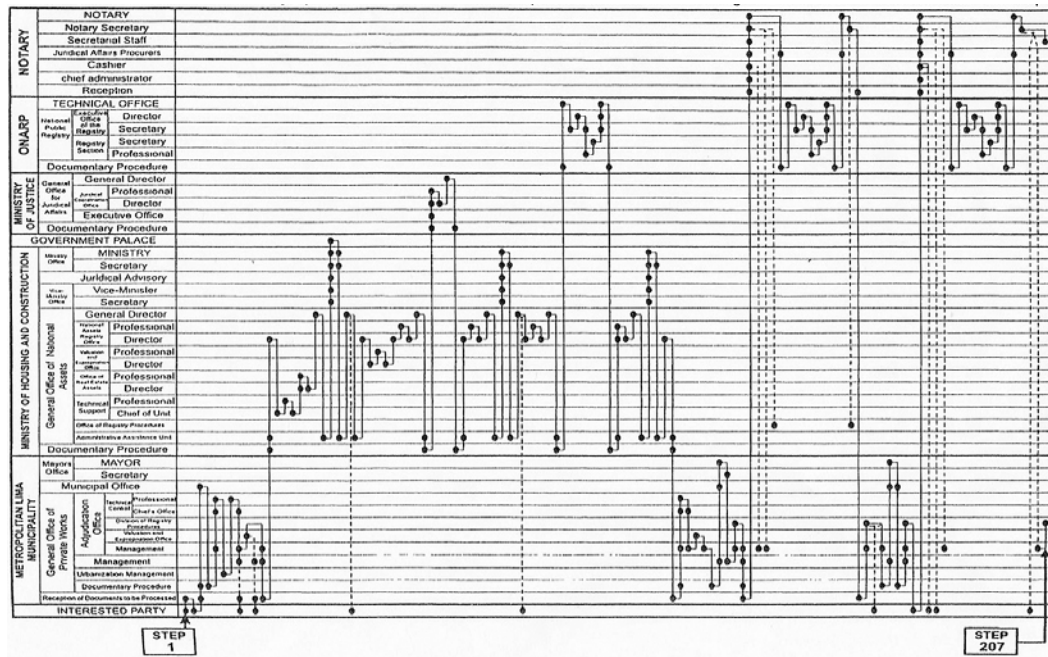
As the urban poor do not have adequate housing options and formal access to building land, they are forced to live in the informal housing sector. Legally converting agricultural land to building land and getting a building permission is an enormous bureaucratic procedure in many developing countries.

The Institute for Liberty and Democracy (ILD), founded by Hernando de Soto in 1979 in Peru, has traced these procedures in several countries, marking all individual steps and competent authorities needed to obtain permission to build a house on state-owned land. They found out that it takes 43 months to buy a piece of public land in Peru, an additional 28 months to change the zoning plan from agricultural land to building land and another year to get a building licence and final acceptance of the construction work. This totals a period of 6 years and 11 months, with costs of around US\$ 2,156, which equated to 4 years and 8 months of working at minimum salary. The same procedure would take 15-27 years in the Philippines, 6-11 years in Egypt and 19 years in Haiti (DE SOTO 2000:18ff). “High building and planning standards, restrictive regulations on land use and development and cumbersome administrative procedures raise entry costs to land markets and legal shelter which inhibit development” (PAYNE 2000:11).

These restrictions and the informality resulting from them raise extra costs for the affected. In addition to the costs of invasions or the purchase of land, there are bribes to be paid to authorities or landlords who will ignore informal action in return. There are costs of making transfers outside legal channels to avoid penalties and costs arising from huge interest rates of informal credit dealers because formal credits are not accessible. Indirect costs arise because assets cannot be used as efficiently as registered property. The risks of making contracts are higher when no court is responsible or available to ensure that contracts are being met. There are no securities for new investments besides community commitment and internal slum laws, and risk-reducing insurance companies will not cooper-

ate with informal “owners” of land and enterprises. Operating in the informal sector means exclusion from city-, national-, and international-wide markets (DE SOTO 1990:83).

**Figure 3: Procedure to form a legally obtained home in Peru**



Source: de Soto (1990), *The Other Path: The Invisible Revolution in the Third World*

In return informal dwellers have created their own markets for houses, goods and food needed by the inhabitants. They fill the gaps of the formal market where authorities fail to ensure provision for their citizens. By doing so they are very well organised. “[The extralegal arrangements] represent combinations of rules selectively borrowed from the official legal system, ad hoc improvisations, and customs brought from their places of origin or locally devised, and they are held together by a social contract supported by the community as a whole and enforced by authorities the community has selected” (IBID.:87).

Other than neglected city quarters in industrialised countries, informal settlements in developing countries are often not deteriorating but rather have the potential of being improved (IBID.:88f). As long as state regulations fail their purposes, informality will grow and in many parts of the world is no longer marginal.

## 2.5 FORCED EVICTIONS

Informal housing is often antagonised through forced evictions. They are described by the Centre on Housing Rights and Evictions (COHRE) as “removal of people from their homes or lands against their will, directly or indirectly attributable to the state” (COHRE 2006:9) and “without the provision of, and access to, appropriate forms of legal or other protection” (COHRE 2003:5).

Forced evictions need to be distinguished from legal evictions that occur after contract violations and court orders because they always raise issues of human rights and are therefore objects of the numerous official organisations and NGOs fighting against this violation of international law. Article 25 of the Universal Declaration of Human Rights considers the right to housing as part of the right to standard adequate living for the health and well-being of a person and his or her family (UNITED NATIONS 2008b). Forced evictions, which eventually leave residents homeless, therefore contradict human rights. Nevertheless they are generally planned by the state or local authorities and legitimised by national law or at least a result of the failure of the state to intervene if evictions are carried out by private actors. The reasons for evicting people can be development projects and urban planning such as beautification or mega-events, discrimination and land alienation and situations of armed conflicts and ethnic cleansing (COHRE 2003:11f). Nevertheless, those supporting the eviction will try to rationalise their decision, claiming to act for the sake of national security, social protectionism, disaster prevention or community development. Forced evictions can affect individuals as well as groups and often involve conscious use of physical force (IBID.:5).

The task force paper to target 11 of the Millennium Development Goals *A Home in the City* clearly points out that forced evictions do not prevent but rather cause poverty since they do not provide alternatives for living, leaving the evicted homeless. In addition to the heavy physical and mental burden for the evicted, forced evictions result in a higher pressure on other informal dwellings or the development of new slums, and destroy important social neighbourhood networks of solidarity and mutual help (MILLENNIUM PROJECT 2005:48f). However, forced evictions do not only have negative effects after their enforcement. Even the fear of being evicted adversely affects the right to adequate housing in repressing investments to improve housing conditions. Without the security of tenure no long term planning is possible, basic infrastructure or house improvement may not be invested in.

In a series since 1990 COHRE has estimated the numbers of people evicted and being threatened with eviction. Over 5.6 million people are reported to have been evicted between 2003 and 2006 (COHRE 2006:13). This is significantly lower than in 2001 and 2002 (6.7 million) (COHRE 2003:12). However, it is stressed that this survey should serve as an indicator because it only represents a sample of all evictions. The actual number is expected to be much higher (COHRE 2006:13).

## 2.6 DEFINING SLUMS

*“Slums are neglected parts of cities where housing and living conditions are appallingly poor. Slums range from high density, squalid central city tenements to spontaneous squatter settlements without legal recognition or rights, sprawling at the edge of cities. Some are more than fifty years old, some are land invasions just underway”* (CITIES ALLIANCE 1999:1).

Although one speaks about slums with everyone having a clear picture in mind, this quotation from the Cities Alliance's *Cities Without Slums Action Plan for Moving Slum Upgrading to Scale* clearly shows how difficult an exact definition of slums is because of the variety of forms in which they appear.

The word *slum* was firstly used during the 1820s as part of the London cant. During the 19<sup>th</sup> century it also appeared in written language, always referring to areas densely populated by low-income families and low living and service standards. The Housing Reform Movement in England made it a common word and changed it from an awkward phenomenon into a general concept. Today slums look quite different around the world and some languages have more than one word to describe them (*Favelas, Ghettos, Bidonvilles, Tugurios* and *Elendsviertel* to name but a few common ones) (UN-HABITAT 2003a:9). In this diversity there is no universal agreed definition for the following reasons (IBID.:11):

- Slums are complex and impossible to define according to one single parameter.
- What is considered to be a slum may even change within a country, it is relative.
- Local variations of slums are very high.
- Slum conditions change too fast for a definition valid for a reasonably long period of time.

UN-Habitat has defined five characteristics of urban households with minimum standard that distinguish them from households of slum dwellers that lack any one of the following elements (UN-HABITAT 2003b:19).

- Access to improved water: a household needs enough clean water for the family use (at least 20 litres per person per day). The water needs to be affordable and available without extreme effort.
- Access to improved sanitation: a household needs access to either a private toilet or a public toilet which is only shared with a reasonable number of people (maximum of two households).
- Security of tenure: a household needs a proof of security of tenure either through documented evidence or through de facto or perceived protection from evictions.
- Durability of housing: a household needs a permanent structure of housing in a location safe from hazards.
- Sufficient living area: a household needs enough room so that not more than two persons need to share the same room.

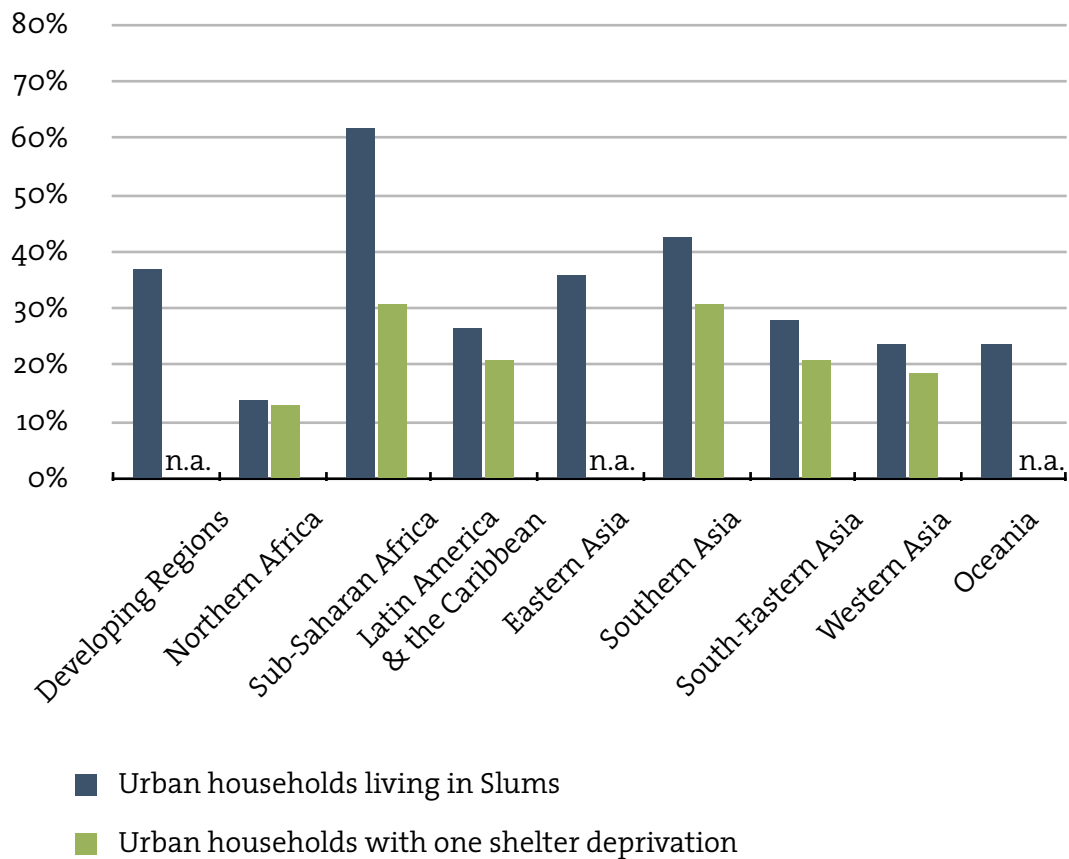
Besides the five basic elements of water, sanitation, security of tenure, durability of housing and living space slums also lack other municipal services such as



street lighting, paved footpaths, roads for emergency access, access to schools and health institutions, public space to meet and socialise and many more (CITIES ALLIANCE 1999:1). All of these elements are cause and also consequence of poverty and social exclusion since they create barriers to human and social development (UN-HABITAT 2003a:11).

Slums can be quite old, or in their first phase of development through invasion or gradual formation. They vary from simple shacks to more permanent structures, also including housing areas that were once respectable but which have since deteriorated (IBID.:9). All together there are more than 200,000 slums worldwide with populations ranging from a few hundred to more than 20 million inhabitants in South Asian “megaslums” (DAVIS 2006:26).

**Figure 4: Urban households living in slum conditions and with one shelter deprivation, 2005**



Source: United Nations (2008a), *The Millennium Development Goals Report 2008*, p. 45

The United Nations (UN) in 2001 already estimated 912 million slum-dwellers and over 1.1 billion for 2010 (UN-HABITAT 2007:352ff). These are 11 times as many slum-dwellers as addressed in the Millennium Development Goals: “By 2020, to

have achieved a significant improvement in lives of at least 100 million slum dwellers” (United Nations 2008a).

More than one third of the urban population in developing countries live in slums with much higher rates in Sub-Sahara Africa (UNITED NATIONS 2008a:45). In Ethiopia and Chad 99% of the urban population live in slums (UN-HABITAT 2007:352ff). This means that whole cities are defined as being below a minimum living standard.

„Slums are the products of failed policies, bad governance, corruption, inappropriate regulation, dysfunctional land markets, unresponsive financial systems, and a fundamental lack of political will”, writes the Cities Alliance in its *Cities Without Slums Action Plan* (CITIES ALLIANCE 1999:1), which with this statement clearly shows their belief in a possible change.

### **3. FORMAL OWNERSHIP AND POVERTY REDUCTION**

Under the conditions of rapidly rising cities and an “urbanisation of poverty” (UN-HABITAT 2004a:19), the competition for secure and serviced land increases and governments are pressured to find tenure systems and policies that encourage efficient land use and improve the accessibility to affordable land (PAYNE 2000:5). The idea to implement programmes to formalise informally held land is based on the concept of the Peruvian economist Hernando de Soto. Together with the ILD he has been investigating the coherence of ownership and capital in a broader context. He has published his basic conclusions in two books *The Other Path* (1990) and *The Mystery of Capital* (2000) and now has a strong voice in international development affairs with his research company being engaged in several countries. He basically claims that the formalisation of informal assets (both housing and businesses) owned by the poorest world residents will turn their “dead capital” into usable financial means to amend the living condition of the poor and strengthen the economies of developing countries. He describes his theses as forgotten or unconscious by the advanced countries, which have implemented property systems so long ago and find them so ordinary that they do not consider them as a key to economic wealth and the origin of capitalism (DE SOTO 2000:65f). He draws a parallel between the problems in developing countries with those in advanced countries during industrialisation, the only difference being that the transition takes place much faster today (IBID.:70f).

The next chapter will examine this theory more closely and explain the basic ideas behind it.

#### **3.1 FORMAL OWNERSHIP AND CAPITAL**

Capital is not to be confused with property. The first can be defined either as “assets available for use in the production of further assets” or as “wealth in the form of money or property owned by a person or business and human resources of economic value” (WORDNET 2008). Capital is the *potential* that is held by property to generate more property and therefore an abstract concept (DE SOTO 2000:42). Assets, money or human resources are not capital until they have the feature of being regularly traded or invested.

Trade without a proof of property of such assets, however, is possible only within a group of trust, a family, or a neighbourhood community, but becomes impossible among strangers who need a proof of assets and identities before making deals. Therefore, people within the informal sector stay excluded from the benefits of trading with a larger group of people within the legal sector as they cannot prove their property or identity through proper documentation. They are also excluded from the access to formal credits for which they need property

as collateral. Because they are not registered, they do not have an accountable address for collecting debts and taxes or to create public utilities. In short, they do not have a foundation to create securities to deal with. Their assets cannot be turned into capital, they remain “dead capital” (IBID.:6).

De Soto and his team have made several analyses of the informal housing sector, starting in Peru and expanding their work throughout numerous developing countries worldwide since the late 1990s, among them Egypt. Together with local professionals they have estimated the cost of building materials of the houses they found and observed the selling prices of comparable buildings. Although these dwellings, the most visible form of possessions, are – taken individually - not worth a lot, they add up to US\$ 5.2 billion in Haiti, US\$ 74 billion in Peru, US\$ 133 billion in the Philippines and even US\$ 240 billion in Egypt, to name but a few examples. The researchers evaluated that about US\$ 9.3 trillion of real estate value can be found within the informal sector worldwide, 93 times as much as advanced countries have given as development assistance between 1989 and 1999. These assets, filling the gaps of legal housing markets, are not shown in any statistics and are therefore not part of the legal capital market (IBID.:30f).<sup>1</sup>

De Soto lists six property effects that will turn assets into profitable capital (IBID.:49ff). First, the economic potential of the asset will be fixed through a written representation of ownership. If formally represented as property, the information about the asset will move within the conceptual world of capital, and assets will have the above mentioned features to produce surplus value. They will no longer be “dead” but lead a “parallel life” next to its visible appearance and usage.

In order for this information to be available to everyone at any time, it is further necessary to integrate dispersed information into one system (e.g. the German *Grundbuch*, which began operating on a national scale in 1896). With a formal property system, information about an asset is accessible without inspecting the asset itself. This information can then be evaluated, exchanged and compared, and owners can easily be addressed if needed.

The registration of property enlarges the group of possible contract partners because, third, it makes people accountable for their action in a large group of otherwise anonymous strangers. In order to protect rights and contracts it is no longer necessary to depend upon trust within neighbourhood relationships or local arrangements. The possibility of losing ones property or only ones reputation as a trustworthy, publicly listed, contract partner encourages people to respect titles, contracts and the law in general.

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<sup>1</sup> Some authors such as Bromley and Gilbert question these figures and the methodology of their ascertainment in which on the basis of surveys within a few informal settlements in six countries conclusions are being drawn on the value of informal property within whole nations and even worldwide (BROMLEY 2004; GILBERT 2001).

Fourth, property registration is necessary to make assets fungible. Real estate by its very nature is less fungible than other financial investments, such as shares. Through a formal registration an asset can individually be shaped for its best usage by dividing it between several parties or expanding the dimensions of land and housing without even touching them. To make assets suitable for practically any transaction, the economic features of an asset need to be uncoupled from its physical state. Transaction costs of mobilising and using assets have significantly been reduced through formal property systems.

Over and above making people accountable for their action, property registration will network people and improve the flow of asset information among them. This will not only enlarge the group of accountable business agents but also ease the supply with infrastructure utilities such as electricity, water and waste water disposal.

All rights and transactions, as a sixth point, need to be protected. Titles and contracts in advanced nations are listed and protected by public agencies to protect ownership and the right of usage, hindering others to make claims on the same asset. In addition to this protection of rights, the protection of transactions is important to unfold the “parallel life” of assets. Where this protection is not given, assets will slip out of formal property systems. For property systems to work, a framework of laws and law enforcement institutions need to be established, making contract breaks unprofitably.

In this description of property lies de Soto’s mystery of capital. If well integrated, a property system will reduce the costs of obtaining property information and will ease the way to make profit with one’s possessions. “The connection between capital and modern money runs through property” (IBID.:63). As these basic structures are not provided in many countries, people cannot be integrated into the formal market and therefore substitute missing laws and institutions with creative forms of informal action. There they are seen as a problem producing diseases and crime instead of a potential to become the solution to the problem (IBID.:74f).

The following four chapters will discuss possible positive and negative results of the formal registration of real estate property. These touch investment behaviour, access to formal credits, the real estate market, as well as the effects on urban management.

### **3.2 FORMAL OWNERSHIP AND HOME IMPROVEMENT**

The bottom-up approach of development aid under the slogan of “helping people to help themselves” has recognised the potential of the impoverished population to improve their own living conditions. “In the slums themselves, there is both nascent and active organisational dynamism and powerful self-interest coupled with unrecognised or under-utilised talent” (CITIES ALLIANCE 1999:4). If

given the right framework, the poor can become the most important actors in home- and settlement-improvement.

Brandao and Feder claim that “secure individual (or corporate) property rights are critical in establishing a structure of economic incentives for investment in land-based activities. The more these rights are restricted, the weaker will be the investment incentives and the lower the productivity of land” (BRANDAO AND FEDER 1996:5). Secure ownership is an incentive for the improvement of the owner’s living circumstances through investment. The owner no longer fears eviction or a claim of property of another party and thus feels that investments are secure. Long-term planning then becomes possible. In particular larger, income-generating investments with the intention to enlarge the house for a small enterprise, store or rooms for rent need to be ensured. For many households the home is a workplace or warehouse as their members are self-employed vendors or craftsmen. Home improvement then enhances the productivity, raising income, and can be considered as a step towards poverty alleviation (CITIES ALLIANCE 1999:10).

A formal property title is but one way to enhance the willingness to spend time and resources in home improvement. What is more important is the perception of tenure security: “Without the fear of forced eviction, the urban poor will volunteer in investing their time, energy and resources into improving the quality of their shelter and basic services” (UN-HABITAT 2008).

Gilbert argues that “in practice, demolition has never been the norm. If it had been, the vast areas of informal housing that surround most Third World cities would not be there” (GILBERT 2001:4). To him, the reasons for tolerating informal settlement are political considerations prior to elections and the securing of social stability. However, he also states that the vulnerability of informal settlements varies and depends on factors regarding the land owner, location and alternative uses of land, and governmental behaviour. According to Durand-Lasserve and Royston the length of occupation, the size of settlement, the level of community organisation, and the support from third sector organisations all contribute to tenure security (DURAND-LASSERVE AND ROYSTON 2002b:7).

Therefore, in order to create the security needed for raising investments, other measures than freehold are possible. Tenure security, for example, can be enhanced through the provision of public infrastructure, an official statement of authorities that a settlement will not be removed, or through the granting of certificates of use. Cases exist in which residents rejected the offer of formal freehold titles because of the high price, yet the offer in combination with the provision of services stimulated considerable investments into housing improvement. Other cases exist where the formal titles in themselves were not enough to raise the security to a level in which house improvements were being done by the residents (PAYNE 2000:6f). “It is now recognised that security of tenure is more important for many of the urban poor than home ownership, as slum policies based on own-

ership and large scale granting of individual land titles have not always worked” (UN-HABITAT 2003a:XXVii).

The correlation of registered ownership and personal home improvement stays behind the strong influence tenure security has on the investment behaviour. Moreover, investments not only need to be secured, but they also need sufficient funding. Therefore the access to adequate credits will also strongly influence investment behaviour.

### **3.3 FORMAL OWNERSHIP AND CREDIT ACCESS**

Traditional mortgage finance is the most common form of home-lending by financial institutions throughout both developing and developed nations. They typically run over 10 to 30 years, have market-orientated interest rates and are repaid through monthly rates that are either fixed or dependent on inflation and/or wage. Credit for house building and home improvement is only given for property for which the client can verify full entitlement (FERGUSON 1999:185).

Poor households face three basic dilemmas concerning the access to traditional mortgage finance: 1. interest rates are unaffordable, 2. the repayment security is low through unstable incomes and missing land titles, and 3. small loans are less profitable for finance institutions than larger ones (IBID.:185ff).

In order to be able to assure repayments, mortgage payment needs to be at an adequate ratio to the monthly household income. This ratio is much too unbalanced for most low- or moderate-income households. In countries with unstable macro-economic and financial situations the affordability of interest rate payments also becomes risky when the level and volatility of inflation are too high and urban land markets show great distortions leading to unsteady land prices, as is the case in many parts of the developing world.

Additional to this framework of economic circumstances are the individual situations of the borrower. Low- and moderate-income households are often self-employed with no regular income, neither in terms of time nor amount. This makes a prediction of income over a long time period difficult, although this is essential for a secure credit calculation. It raises risks for both the borrower and the credit institution. Most households are also missing the required property title for their land. Some have para-legal rights giving them tenure security or even the possibility to sell. Many financial institutions, however, do not accept informal rights that are valid within the slums but that are not official. To use one's property as collateral in case of non-payment, a formal registration is needed which is impossible to obtain for most, as described in chapter 2.4.

The third aspect considers the point of view of financial institutions who – even if the above-mentioned criteria are fulfilled – are not interested in small loans that are less profitable than larger ones. The repayment of interest rates from which financial institutions live is much lower for smaller credit. Furthermore,

lending to people in poor and unstable situations implies a more complex and time-consuming forerun, when evidence of income and title need to be found for self-employed workers and *de facto* but unregistered owners. In countries where banks enjoy the situation of no or little competition leading to a much greater demand of credit than can be offered, only the lucrative credit demands have a chance of being fulfilled.

The importance of a registered and formally owned house and plot in order to get access to a formal credit is not to be dismissed. “The single most important source of funds for new businesses in the U.S. is a mortgage on the entrepreneur’s house”, writes de Soto (DE SOTO 2000:6). Formalisation programmes would open the way to formal credit and with that the way to a bottom-up approach of poverty alleviation in which the financial potential of the poor to help themselves could be complemented by external financial means.

Both private and public banks need to operate profitably and will investigate whether or not transaction costs of small loans are too high and households have the financial means through income and savings to repay the credit including interest rates. If the risk that the borrower will not repay his or her debts is not sufficiently reduced, simple lending with a low-quality house as collateral does not make much sense. It is also a matter of bad reputation of the lending institution and politically unacceptable to repossess the home of a slum dweller, leaving the entire household homeless, even if he or she has broken the contract requirements (PAYNE 2000:7). Proof of ownership, therefore, does not generally guarantee better access to formal credits even though it may be one essential requirement for financial institutions.

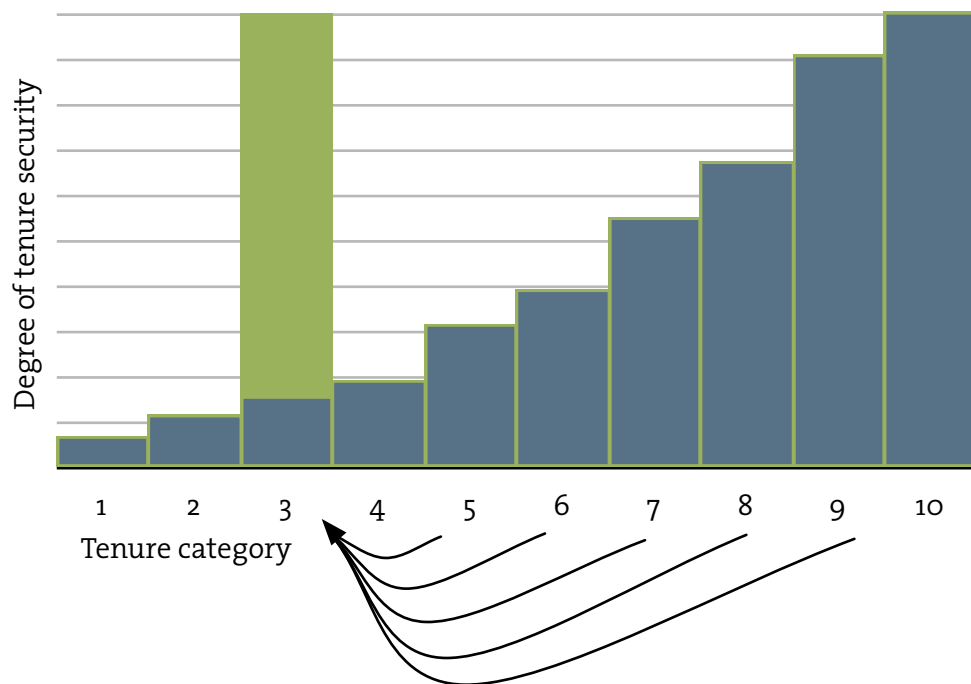
Eventually one must question whether or not low-income households are willing to take the risk of taking up credit. Since credit for home or business improvement bind the households to monthly payments over a long period of time and in case of home-loans also to a certain place to live, they are not desirable to all households. “For many very poor families, repaying a loan is a burden that may endanger the household’s whole financial viability” (GILBERT 2001:9). It needs to be assumed that the risks of losing all possessions including land titles in situations where once stable financial circumstances change without warning and the credit cannot be repaid are too high for many of the poor residents.

### **3.4 FORMAL OWNERSHIP AND THE REAL ESTATE MARKET**

A comparison of 37 colonies in Lima by the ILD has shown that the value of an average house is nine times higher in an authorised settlement than in those in danger of being evicted (DE SOTO 1992:57). Besides better access to formal credit, de Soto expects profits for registered homeowners from dealing with their property, which through a formal representation will increase in market value.



**Figure 5:** Likely consequences of providing titles to “owners” of squatter houses



Tenure Category:

- 1 = pavement dweller
- 2 = squatter tenant
- 3 = newly legalised freeholder of squatter house or plot
- 4 = tenant in unauthorised subdivision
- 5 = squatter “owner” regularised
- 6 = owner of unauthorised subdivision
- 7 = legal owner of unauthorised construction
- 8 = tenant with contract
- 9 = leaseholder
- 10 = freeholder

Source: Payne (2000), *Urban land Tenure Policy Options: Titles or Rights?*, p. 8

Payne does not consider this right to sell to be plainly positive. Since the different sections of the real estate market are interdependent, intervening into one sub-market will send signals to others. A “downward raiding” of residents from more secure market segments may result when they find that former squatters have been turned to owners with full property rights, creating or intensifying market distortions and leading to market eviction (PAYNE 2000:9). Durand-Lasserve defines “market eviction” (in contrast to forced eviction) as a “voluntary removal” that in spite of negotiation leads to the deterioration of economic and

housing condition of the removed household. He notes that there are no figures for the scale of market eviction, also because of the lack of agreed definitions (DURAND-LASSERVE 2005:1, 7). However, reports from India and South Africa show that a gentrification through “distress sales” of property to higher income classes is quite substantial, especially in good locations (BANERJEE 2002b:93). “If private tenure is economically unsustainable for the household, the loss of new rights along with previous housing pushes the poor deeper into destitution” (CROSS 2002:207). Therefore, some argue that rapid formalisation that may lead to market eviction needs to be replaced by slow upgrading in which the community is given the time to change, to save money, and to get organised (DURAND-LASSERVE AND ROYSTON 2002b:15).

Gilberts contradicts this claim arguing that most informal settlements are not in desirable locations and therefore not attractive for higher income groups. In consolidated low-income settlements in Latin America he observed a very low mobility of households despite land titles: “You cannot accumulate capital if there is no market in which to trade your asset” (GILBERT 2001:8). At the same time he claims that informal markets, also for invaded land, function very well, although they do affect prices. Even if downward riding happens, he believes – and here he agrees with de Soto – that “some poor families would appreciate being given the opportunity to make capital gains” (IBID.:12). He adds to his arguments the unpredictability of the market and thus the development of the real estate value. Poor households may invest a lot in building and improving their house without knowing whether or not they can profit from selling it (IBID.:7).

Some inhabitants of squatter settlements may not profit from land titling programmes at all or even be harmed. Renters may be forced out when higher tenure security and higher land values are turned into higher rents (IBID.:5, PAYNE 2000:9). UN-Habitat strongly supports the rights of tenants in this regard (UN-HABITAT 2003c). Other “owners” may have difficulty in becoming formally registered, in the first place, if different claims arise on the land that is to be registered. As the city expands, a variety of illegal tenure forms evolve and with them pre-existing and overlapping claims on land and real estate, often motivated by religious, historical or customary influences. Combined with personal desperation and increasing willingness to criminal action, these claims result in a “confrontation about what rights are possessed to what degree by whom and for how long” (UNRUH 2007:118). There is the danger of forced evictions and expulsions of those who do not win the “battle”.

Formalisation programmes may also be seen as a general amnesty and become an incentive for land owners and developers to carry out even more unauthorised subdivision and development of their land (PAYNE 2000:7). Migrants may see land titling as an incentive to further squatting, hoping to be profiteers of future land

titling programmes themselves. This may lead to the formation of new slums instead of their elimination.

The effects that formalisation programmes may have on informal settlements are various according to different local situations. It needs to be considered that there are different forms of legal status in third world housing markets. Formalisation programmes may have different effects for squatter settlements in danger of demolition than for land that is simply not registered or offends planning regulations (GILBERT 2001:4). Also the location of a settlement and the existence of a real estate market have effects on the outcome of such a programme. Thirdly, the personal situation of the inhabitants plays a role in whether they will benefit or not. Unstable living conditions may cause the danger of market eviction.

### **3.5 FORMAL OWNERSHIP AND URBAN MANAGEMENT**

The elimination of slums is an important political and planning issue for the urban government. Uncontrolled and insecure tenure circumstances “hinder adequate governance, undermine even near-term personal and community planning, greatly distort prices of property and services, prevent investments in housing, and reinforce poverty, criminality, and social exclusion” (UNRUH 2007:117). Urban governments should therefore have an interest in integrating and developing slums and in preventing the formation of new ones.

“Titling programmes are popular because they constitute housing policy on the cheap; it is much less expensive to issue property titles than to provide settlements with services” (GILBERT 2001:5). Gilbert doubts that formalisation programmes are mainly carried out for the benefit of the poor. Instead they bring great revenues to the public budget through the selling of land titles. It is therefore important that revenues are used to finance further upgrading measures. Also formalisation opens the door to systematically raising taxes. If the costs that formalisation will bring the poor are not clearly stated, the poor will not object to a formal presentation of their property. On the contrary, they will give their voice to those promising formalisation, making this tool very attractive for politicians (Ibid.).

However, government structures and administrative capacities often are weak and practices and concepts of urban governances inadequate (UNRUH 2007:116). To implement expansive and very complex formalisation programmes in such administrative circumstances involves some dangers. Land regularisation is a one-way policy instrument which is impossible to withdraw once it is implemented. At the same time its influences on the housing market and the lives of the new owners are difficult to predict and control (PAYNE 2000:9). Evidences of the World Bank’s experiences with land titling reveal that small-scale programmes may lead to unintended effects such as market distortions and speculative activities. Formalisation programmes on a national level support the development of mar-

kets. However, in order to induce positive impacts this requires coherent reforms and long-term efforts (BAHAROGLU 2002:17f).

To avoid expulsions of the weakest inhabitants and unintended repercussions, the co-existence of different *de jure* and *de facto* tenure systems and sub-markets needs to be carefully examined before handing out formal titles (PAYNE 2000:4). Owners need to be identified, disputes resolved, plots surveyed, and in some cases compensation may need to be paid (DURAND-LASSERVE AND ROYSTON 2002b:10). In addition, all informal settlements built on dangerous sites need to be secured or resettled. Corruption and the low literacy amongst the populations concerned are further hindrances in the way of formalisation (UN-HABITAT 2003a:169).

Besides the question of implementation, city governments may also face the problem that citizens do not want registered ownership. Examples in Rio de Janeiro, Nairobi, Mumbai and Istanbul have shown that many urban dwellers did not take up the offer of a formal title because an official registration was associated with troubles between them and the authorities (UNRUH 2007:118). Others may fear the tax burden related to registration. Again others may get registered but refuse to pay taxes in the aftermath because taxes are too high and the registered owners expect nothing in return (PAYNE 2000:7).

Formalisation programmes must be imbedded in good governance. For the decision of the affected about whether or not to register, it is essential to make sure that they will not find themselves in a disadvantaged situation afterwards. Even more, they need to see advantages important enough to invest time and money into buying and registering their house and plot. If, for example, law structures are too weak to enforce the newly obtained rights or if these rights do not improve access to credits, land registration is not a lucrative deal. Reforms of judicial systems and financial markets are only a few of the measures that need to come along with complex and expansive formalisation programmes in order to make them efficient. "Centralized land registration and management systems and procedures, and existing legal and regulatory frameworks cannot respond to the requirement of large-scale tenure regularization programmes in cities where up to 50% of the urban population is living in irregular settlements" (DURAND-LASSERVE AND ROYSTON 2002b:16). In an interview de Soto counters: "It's quite clear that property law alone does not resolve the other problems. But to me, what is also quite clear is that without property law, you will never be able to accomplish other reforms in a sustainable manner" (CLIFT 2003:11).

Comprehensive reforms thus need to accompany any formalisation programme. Again, these reforms generally require political will, and in this approach good will is one of the aspects that are rather more difficult to achieve (UNRUH 2007:119).

## 4. INTERIM CONCLUSION

Neither the advantages nor the disadvantages of formal ownership are to be dismissed. De Soto's approach sounds logic and simple at first. He promises activating a positive cycle leading to poverty alleviation by unlocking billions of "dead capital" through the allocation of land titles and in this is strongly supported by the World Bank. UN-Habitat and others question the positive effects and even point out negative consequences of land titling programmes.

The approach of recognising the potential of the low-income population for slum upgrading and the important role of illegal settlements as an urban harbourage for the poor is good. "Though the characteristics of slums may seem a problem to policy-makers, they also represent potential. Because slums exist, low-income households can survive and be ready to work in the city's economy", states UN-Habitat (UN-HABITAT 2003a:62). This belief is contrary to any activity of forced evictions. Inhumane though life in a slum seems to be, most migrants are still better off than the rural poor. They associate squatting with at least a glimpse of hope for better living circumstances. They come to find jobs but are excluded from the legal market, which pushes them into informality.

It seems, however, that the consequence of this approach – the formalisation of informality – is too optimistic both in terms of feasibility and its eventual effects. Taking into account the cultural conditions in different parts of the world, the proclamation of one solution to be applied in all developing countries becomes less credible. Elaborate property systems that have been developed over time in advanced capitalist countries will not ad hoc work in societies of other structures and mindsets. For example, many poor households prefer to live in customary systems with a strong social cohesion or in rental agreements offering a higher mobility than to own their plot and house (PAYNE 2000:11). Market-orientated urban land and housing policies can be „culturally insensitive in more traditional communities" (UN-HABITAT 2003a:170) by focusing on land titling programmes at the expense of other tenure systems. The idea that formal ownership is the key to functioning capitalism and wealth also becomes an illusion when considering that there are far more property owners in Bangladesh than there are in Switzerland and Germany (PAYNE 2000:10).

Having a closer look at the ostensible positive effects of land titling programmes reveals that to reach some of them it would need more than a title. For an access to formal mortgage loans a secure land title is necessary but not sufficient. A reform of the financial sector would need to accompany the programme, but the risk for a household to take up a credit remains. Making benefits from selling the newly gained property requires a functioning market. And there needs to be an equal or improved housing option for the seller, preventing him or her to move directly into a situation of no tenure security. Here is the weakest point of de So-

to's approach who very much focuses on poverty alleviation through credit access and an involvement in the real estate business. The ways de Soto recommends to access additional funds and earnings are an option only for people living under relatively stable conditions but not for the majority of slum residents.

Home improvement, on the other hand, does not need the strong instrument of handing out formal titles. Secure tenure in this regard is enough to secure investments, provided that the household disposes of sufficient funding.

Therefore, land titling programmes may for some reasons be without the intended results. But they may also be harmful in practice. In particular, very poor households fall out of this concept of unleashing capital because they worry about nutrition, not home improvement or credit access, because they are renters and not *de facto* owners with potential capital, or because they would not have any financial means to pay for the title or to pay property taxes. Residents in such situations are threatened to be expelled to new or other existing slums through market evictions.

Besides these concerns, land titling programmes also comprise dangers for the municipality or government enforcing them. High sums are paid for implementing new structures that may not even be made use of by all squatters or that may not properly work without further reforms. The consequences of such a complex programme cannot easily be foreseen. As for greater tax revenues, there is no evidence that formalisation nor secure tenure will make this obligation enforceable, just as it will not make people more accountable to stick to service payments and other contracts. In communities where people hardly have anything to lose, where other rules than the written law govern communities and where legal courts have no influence, the threat of "losing ones stake" in a publicly listed property system (DE SOTO 2000:55) is absurd. Gilbert sees the danger of de Soto's approach in the myth that the government only needs to implement formalisation programmes and believe that "the market will provide services and infrastructure, offer formal credit and administer the booming property market. In the process every household will get to own their own home and even make money from it. A form of utopia is nigh" (GILBERT 2001:13).

Just as ownership is not a secure strategy towards economic improvement, security of tenure can only be one step in the right direction. UN-Habitat, who has started a Global Campaign for Secure Tenure, regards security of tenure as a strategic entry point rather than a panacea to poverty reduction (UN-HABITAT 2004a:28). It is a much less dangerous step than that of land titling programmes and can be communicated more easily. The clarity and effectiveness of rules regulating and enforcing use and access rights are more important than the form of tenure of which ownership is further away from the reality of acutely tenure-insecure urban populations than other forms of tenure (UNRUH 2007:119). Because

tenure security is partly a matter of perception it will only have positive effects if the population trusts in these rules.

“[...] there is a clear need to have a variety of responses available in order to cope with the diversity of local situations encountered” (UN-HABITAT 2003a:171). Mass land titling programmes on a national or regional level may not adequately consider local situations, especially in communities in which statutory, customary and religious tenure systems co-exist. Tenure issues are regulated by many rules which UN-Habitat refers to as a “bundle of rights” (UN-HABITAT 2004a:30). Some citizens have access to the entire bundle of rights including the right of transfer, some only to a few such as occupancy rights. It is a “continuum with different shades of grey as well as black and white categories” (IBID.:33) of which UN-Habitat does not promote a single one in their campaign. To implement secure tenure without market distortions and undesirable social circumstances, Payne calls for incrementally moving along this continuum of rights in the appropriate direction instead of jumping to full property rights at once (PAYNE 2000:11). Options range from de facto recognition without legal status, the provision of temporary and maybe renewable occupancy permits, temporary or long-term leases, all the way to legal tenure through leasehold or freehold (DURAND-LASSERVE AND ROYSTON 2002b:19).

As a most effective means of improving economy and reducing poverty UN-Habitat considers a combination of innovative tenure policies with urban planning and infrastructure provision. By not focusing on one solution and on one tenure system it is easier to meet the needs of the population in their specific situation. Short term guarantees, increasing rights without changing the formal tenure status, and incremental upgrading processes should be established individually. Also economic circumstances and the situation of the financial and housing sectors will be considered by innovative and flexible systems adjusted to local conditions. This may be more supportive than importing foreign systems.

This does not altogether exclude promoting full ownership through land titling programmes. However, since they are the highest form of secure and profitable tenure, they are not an option for many of the poor. A shortcut from no rights to full rights runs the risk of bringing damage rather than the aspired improvement of living conditions in slums.

The following part of this thesis will provide a detailed look at the land titling programme of GTZ in Manshiet Nasser, Cairo, and will investigate to what extent the arguments stated above also apply to the Egyptian context.

# **THE CASE OF CAIRO**



## 5. UNDERSTANDING EGYPT

With its long history of around 5,000 years in which both strong power and foreign rule had their times, Egypt in the last century faced great challenges in developing into a politically stable and economically strong nation, independent from Britain as its last foreign ruler. One of the greatest challenges has been a rapidly growing population in need of labour and housing. But governmental answers and administrative actions have in many cases not produced positive results and sometimes were even harmful. In the housing sector this has led to the rise of a very large informal sector which meets the demands of the lower income population better than state interventions or the real estate market can do. Here, many live in poverty, and voices calling out for formalisation programmes are becoming louder. The following chapter will explain the political, administrative, and socio-economic and demographic framework of the Arab Republic of Egypt. Chapter six will then give a deeper insight into the housing crisis of the Greater Cairo Region and the rise of the informal housing sector as well as identify attempts to solve the problem

### 5.1 POLITICAL FRAMEWORK

Egypt became partly independent from Britain in 1922 and gained full independence in 1953 when the last king was dispossessed and the country was declared a republic. General Gamal Abdel Nasser (ruling 1954-1970) introduced Arab Socialism to Egypt while his follower Mohammed Anwar El-Sadat (ruling 1970-1981) followed an open door policy (*infitah*) supporting private investments.

After Sadat's assassination in 1981 Hosni Mubarak became new president and ever since has ruled Egypt under the state of emergency. This has been justified through regional instabilities and gives the government great power to cut peoples' rights (BERTELSMANN 2007:4). Mubarak has continued the pro-western line of privatisation, decentralisation, and democratisation and acceded to agreements over an Economic Reform and Structural Adjustment Programme with the International Monetary Fund (IMF) and the World Bank in 1991.

Yet his way of ruling remains autocratic. Mubarak's National Democratic Party (NDP) has no serious political opposition and holds most chairs by far in both the People's Assembly (*majlis al-sha'b*) and the Advisory Council (*majlis al-shura*). In a national referendum in 2005, Mubarak allowed a multicandidate popular vote for presidential elections. However, because of manipulations and high requirements for the admissions of other candidates<sup>2</sup> all 21 legal opposition parties were out of the race while 15 candidates ran independently (IBID.:7). The only serious threat for the NPD is the Islamist movement Muslim Brotherhood that grew very strong

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<sup>2</sup> Only parties holding at least 5% of the seats during five years can nominate a candidate.

during the last elections<sup>3</sup>, yet through several means is prevented from developing political power (IBUID.:4). Dorman considers Egypt's political system a façade democracy in which the opposition is tolerated only if in return they accept their continuing opposing role (DORMAN 2007:44).

During local elections the local popular councils (LPC) on local and governorate levels are directly elected by the people. The local LPC is assigned to approve development plans and budgets and to support the residents' concerns. It is accountable to the LPC on governorate level headed by the governor himself. According to a national survey only 48% of the people are aware of the LPCs' existence and of those almost half are dissatisfied with their performance, claiming "that members of these councils are only after their interests, and do not serve the community" (EL-KHOLEI 2007:25). Because they are very much dominated by the NDP, their true representation and influence remains low (EL-SHORBAGI AND MORITZ 2004:4).

In his doctoral thesis *The Politics of Neglect*, Dorman has analysed the Egyptian state-society relations and politics between 1974 and 1998 based on the example of informal settlements. He describes Egypt as a "lame leviathan" that is both authoritarian and ineffective. The state is the greatest economic entrepreneur and biggest employer and thus holds great power. At the same time it is ineffective because it cannot evoke the mobilisation of a society that has no right to fair elections and thus does not feel obliged to obey their ruler (DORMAN 2007:29f). He highlights three characteristics of an authoritarian regime such as Egypt (IBID.:33ff):

- State-society disengagement: there are no channels of negotiation between the people and the government so that the state cannot reach down to mobilise people and methods of rule have to be rather coercive.
- Patrimonialism/clientelism: a strong relationship between the ruling elites, state employees and other interest groups such as the military and powerful entrepreneurs are necessary where power is personalised rather than institutionalised. Patrimonialism gives room for corruption and informality and the state gives away its power to influential voices.
- Risk avoidance: in order not to activate "passive networks of solidarity" in society in the face of common threat, the state is anxious to obtain the status quo and thus avoids any actions of risk.

The state is thus keen to break down any organisational power of society to keep up its own power (IBID.:41). However, the abolition of laws that prohibit the press from publicly criticising the president in 2004 was a first step towards the democratic value of the freedom of speech (BERTELSMANN 2007:10).

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3 The Muslim Brotherhood had eleven independent seats in 2000 and gained an additional 71 seats in the 2005 elections.

## 5.2 ADMINISTRATIVE FRAMEWORK

Egypt is famous for its old administration dating back to the Pharaonic times of 3,000 B.C. Today's administration on the contrary is known to be overstaffed, ill-equipped and corrupt. After a reform in April 2008, Egypt is now divided into 29 governorates of which Cairo and the urban parts of Giza, Qalyubia, Helwan, and October 6th form the Greater Cairo Region (GCR). The governor is directly appointed by the president, therefore has the rank of a minister, and is head of an "over-arching governorate administration, which is the main centre for financial and administrative power" (WORLD BANK 2008b:43). However, his power is limited through the representation of all ministries on governorate level in their corresponding sector directorates. Each directorate is funded by its ministry and therefore in most cases has to follow the minister and not the governor. The governorate itself has to return almost all revenues to the central government where they are redistributed to the governorates according to their plans and political influence (HERRLE AND JACHNOW 2000b:24), making all governorates highly dependent on direct central budget allocations (SIMS 2003:4). The governorate is responsible for approving development plans and budget requests of the districts. It can declare an area as a special development zone under modified conditions, e.g. in terms of planning and building standards (EL-SHORBAGI AND MORITZ 2004:4), and needs to decide on the legalisation of squatter areas. Because of the dual executive system of the ministries' directorates within the governorate, some responsibilities, e.g. for informal areas, are not well coordinated (DORMAN 2007:104).

Governorates consist of village administrative units, city councils, and – what is more relevant for GCR – district administrations. The district chief is appointed by the governor and head of the local executive council (LEC), which in contrast to the LPC is an appointed board consisting of the chiefs of the local administration units. The task of the LEC is the development of financial and management plans for the district, conducting needs assessments and budget proposals. But due to the very centralised system the local departments have small influence on all larger projects, which are in the hands of the national ministries; these obtain most funds and thus greatly influence local development (GTZ/MN 2001:12, EL-SHORBAGI AND MORITZ 2004:4).

Centralisation makes state institutions "rigid, inefficient and unable to develop internal incentives to modernise" (BERTELSMANN 2007:6). The regime's stability is backed up by a high number of state employees, a fact leading to overstaffing, low salaries and a high pension burden on the public household<sup>4</sup> (IBID.:6). In general, local administrations are "extremely personalised, and development measures depend to a great extent on the favour of single personalities" who are often more cautious than innovative if they fear that their actions will negatively influence their political career (PIFFERO 2008:15).

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4 Labour costs in 2001 were 35% of the total public expenditure (DORMAN 2007:56).

Underpaid public employees lead to a high degree of corruption. Transparency International ranks Egypt as one of the most corrupt countries in the MENA-region (Middle East and North Africa) with a Corruption Perception Index score of 2.9, 10 being the least corrupt (TRANSPARENCY INTERNATIONAL 2008:330). A high level of corruption is also perceived by the public, resulting in low trust towards state institutions and officials, except towards members of the Muslim Brotherhood. The non-transparent system is also supported through the monopoly governmental institutions have for polls, making credible data rare (BERTELSMANN 2007:12).

The responsibility for urban development lies with the Ministry of Housing and Urban Development (MoHUD). In 1973, the General Organisation for Physical Planning (GOPP) was established within MoHUD; it is responsible “for physical development legislation, the preparation and approval of development plans, research and studies, the approval of urban and rural built up areas, coordination with relevant ministries and the coordination with the governorates concerning informal areas” (GTZ/PDP 2007a:43). It also deals with the legal recognition of informal settlements but shows little interest on socio-economic aspects of urban communities and rather focuses on physical changes (IBID.:28).

Law 3/1982 regulates urban planning and stipulates three forms of statutory plans. The master plan defines the overall spatial development strategy for a region, including the creation of new settlements. To facilitate planning for the Cairo agglomeration, GOPP established the GCR (SIMS 2003:4). Based on the master plan, detailed legal plans (DLPs) and upgrading plans describe in detail road networks, land use and construction standards for buildings as well as development activities to be undertaken. Donor agencies concerned with urban planning may also develop non-statutory guide and actions plans which are then brought before government authorities for approval (PIFFERO 2008:14).

Also of importance for urban planning and the issue of informal settlements is the Ministry of Economic Development (MoED). It heads the inter-ministerial committee for planning and budget allocation and is therefore responsible for the governorates’ budgets. Funding for the upgrading of informal areas can be received from MoED in cooperation with the Ministry of Local Development (MoLD). Since 1993 MoLD has the mandate to upgrade poor neighbourhoods but has so far not acted seriously. It is responsible for the implementation of development plans and monitors the LPC (GTZ/PDP 2007a:42).

### **5.3 SOCIO-ECONOMIC AND DEMOGRAPHIC FRAMEWORK**

According to the Human Development Report, Egypt is considered a country with medium human development and is ranked number 112 worldwide (UNDP 2007:246). Egypt has seen a great rise of the gross domestic product (GDP) of up to 7% in 2007 (CIA 2008) and yet a call for a general strike on April 6, 2008, organised by civil society organisations and groups of the political opposition to protest

against “spiralling cost of living” (EZZAT 2008), shows that lower income groups do not profit from this. Due to structural adjustment programmes subsidies for sugar and cooking oil have been reduced (SIMS 2003:20) and the impoverished stand in line two hours per day on average in order to get subsidised bread. Although the unemployment rate is at 9% only (CIA 2008), 44% of the population live from less than US\$ 2 per day (UNDP 2007:254), due to low salaries and a high share of the population (30%) working in the informal sector or having temporary and seasonal labour (SIS 2008). According to the national poverty line of LE 1,400 (around US\$ 270), the share of the poor rose from 15% in the years 1999/2000 to 20% in 2004/2005 (DEMMELEHUBER AND ROLL 2007:12). Social assistance programmes are available but are very limited with only a small number of beneficiaries (SIMS 2003:20). The share of expenditures on health and education with 2.5% respectively 5% of the GDP is low considering the high poverty rate (BERTELSMANN 2007:19). This also results in a remaining low literacy rate of 71.4%, unevenly spread among gender with only 59% of females above the age of 15 being able to read and write (CIA 2008). Through kinship support, revolving credit and saving systems and through neighbourhood solidarity networks the poor have developed mechanisms for coping with the effects of their poverty. However, social ties weaken “in the face of rising material consumption and increases in nuclear families” (SIMS 2003:8).

The majority of Egyptians are Muslim and around 10% are Christians, mostly belonging to the Coptic Church (CIA 2008). According to the constitution both religions have the same rights in a state which officially is secular<sup>5</sup>. However, since 1980 Islamic law (*sharia*) is considered a fundamental source of legislation, which is also backed up in the constitution (BERTELSMANN 2007:5).

Over half of the working population is active in the service sector (45% of GDP) in which tourism is a main pillar. 17% work in the industry (41% of GDP), and around one third of the labour force remains in the agricultural sector (14% of GDP) (CIA 2008). Although desert land could be reclaimed through irrigation, agricultural land remains scarce. Out of a total surface of about 1 million km<sup>2</sup> (which is almost three times the surface of Germany) only around 3% of Egypt's land is arable. “With 19 persons per hectare of potential arable land, [Egypt] is the most densely populated agrarian country in the world” (SIMS 2003:8).

Therefore the largest population in the Arab world of an estimated 82 million<sup>6</sup> is highly concentrated along the Nile River, in the Delta and in some small oases in the Libyan desert west of the Nile (CIA 2008). Apart from poverty and illiteracy, overpopulation is considered the third main barrier for socio-economic transformation (BERTELSMANN 2007:15).

<sup>5</sup> Adherents of other religious groups cannot receive official IDs.

<sup>6</sup> According to CAPMAS estimations of May 2008 there are 78.7 million Egyptians worldwide (SIS 2008).

## 6. HOUSING CRISIS IN GREATER CAIRO

Egypt grows, Egypt urbanises, and as a result Cairo (*Al-qahirah*, the victorious) faces a tremendous shortcoming of available (formal) housing especially for the poor population. The government has followed several policies to put more affordable housing on the market but has not succeeded as actions have rather benefited upper income groups or even harmed the poor through unintended effects.

### 6.1 A GROWING AND URBANISING POPULATION

Egypt has not been an exception in the general trend of population growth and urbanisation in developing countries during the second half of the last century. Due to an improvement in nutrition and medical care, mortality rates have seen a much sharper fall than fertility rates, which were at 6.6 children per woman in 1960 and are at 2.7 children today. As a result Egypt's growth rate was at 1.3% in the first half of the 20th century, then rose to 2.5% from 1950-1980 and even to 2.6% in the early 1980s (AWAD AND ZOHRY 2005:2). Since then population growth has decreased but with 2% per annum (WORLD BANK 2008a:3) is still high above the average growth rates of less developed regions, which is at 1.2%, excluding the least developed countries (UNDESA 2007). The UN expects Egypt to have 96 million inhabitants in 2026 and in 2065 stabilise around a population of 115 million (AWAD AND ZOHRY 2005:4).

While between 1947 and 1976 the overall population doubled, the urban population tripled (SOLIMAN 2004:173) so that today 43% of the population lives in urban agglomerations (UNDP 2007:260). And urbanisation is expected to intensify; the UN-Habitat predicts an urban growth rate of 2.15% between 2010 and 2020 while the rural population will grow at a low level of 0.45% leading to an urbanisation rate to 45.4% in 2015 (UN-HABITAT 2003a:252).

But if urbanisation is based on the Egyptian definition of urban, which consists of five clearly defined city governorates, five frontier governorates covering Sinai and the areas along the Nile, capitals of other governorates and district capitals (UNSD 2001), then it does not take into consideration the rapid growth of small cities or large villages. If all agglomerations with more than 10,000 inhabitants are considered urban, in 1986 already 56% of the total Egyptian population was urban (DENIS 1999:24).

In the thirty years between 1966 and 1996 two thirds of this urbanisation were caused by the natural increase of the urban population and the incorporation of surrounding villages while one third was due to an internal rural-urban migration (SOLIMAN 2004:173). It is very exceptional for a third world mega-city that in Cairo net in-migration has almost stopped since the 1980s (SIMS 2003:3). The significance of migration in urban population increase therefore has been overstated (DORMAN 2007:77) and "the view is commonly held that the rural migrants

continue to pour into the city and that most of the problems are due to them” (SIMS 2003:3).

After World War II, GCR counted 3 million inhabitants and had annual population growth rates between 1.8% and 4.5% (IBID.). Today GCR accommodates an estimated 17 million people (both formal and informal) and, together with Alexandria (4 million inhabitants), Cairo houses 65% of the official urban population (WORLD BANK 2008a:13). This centralised allocation of population mirrors the highly centralised organisation in both political and economic terms.

## **6.2 GOVERNMENTAL RESPONSES**

These growth and urbanisation rates call for efficient strategies to house the masses. Already during World War II there was a high level of overcrowding in Cairo due to frozen construction activities (SIMS 2003:9, 11). Formal post-war constructions could neither meet the demands of a rapidly rising population as it was mostly housing in the upper market segment that was build. Public housing, frozen rents, master plans, new housing schemes for the poor, and the involvement of the private sector all failed to house Cairo’s population appropriately.

### **6.2.1 POLICY ONE: PUBLIC HOUSING**

Before and even during the first years of the Nasser era there was little intervention in housing lower income groups, and public investment in housing was mainly spent for elite groups, developing areas such as Nasr-City in northeast Cairo and Mohandessin in the West (DORMAN 2007:79, SOLIMAN 2004:176).

Still, under a socialist government public housing increased and until 1982 1.1 million public housing units were constructed. From 1982 to 2005 another 1.26 million units were added, increasingly in new urban areas (see chapter 6.2.3). Half of all units were constructed in GCR and over 80% were low cost and economic housing (USAID 2007:7ff). However, as they were distributed through public authorities, in many cases it was government employees and supporters of the regime rather than the very poor who benefitted from these public investments. Also making up no more than 5% of all housing construction, governmental housing was far from effectively providing a growing population with housing (DORMAN 2007:79f).

### **6.2.2 POLICY TWO: RENT CONTROLS**

In addition to the undersupply with public housing, a series of rent control laws resulted in flats being left empty as these laws benefitted renters in such a way that renting became unprofitable for flat owners. Rents had been frozen for the first time in 1941 to combat the inflation of rents during World War II that had occurred in the course of delayed housing construction due to the absence of building materials. A law in 1947 froze rents of existing units on the price level of 1941 and a law shortly after the 1952 revolution lowered rents for new construc-

tions as well. More laws followed lowering rents at 20-30% and linking them to the value of land and house. Contracts were made inheritable to the following generation and the eviction of renters therefore became virtually impossible (SEJOURNÉ 2006:267f). This amounted to a de facto transfer of ownership rights (DORMAN 2007:81).

This tenant-friendly bias backlashed on the intended protection of lower-income households. Landlords started to demand upfront-payments (“key money” or *khiluw*) of around 70% of the discrepancy between actual rents and the hypothetical selling price for the flat, which led to a sometimes heavier burden on tenants than renting without rent control. Other owners decided to leave their flats empty, waiting for their own offspring to fill them (DORMAN 2007:82f). Missing revenues for maintaining the existing housing stock led to a gradual deterioration (MAKARY 2000:5).

### 6.2.3 POLICY THREE: MASTER PLANS AND NEW URBAN AREAS

From the 1950s to the 1980s the government worked on several master plans for GCR, which had rather less than more impact on the rising market distortions. The master plans of 1956 and 1969 assumed that Cairo’s population would be limited to 3.5 respectively 9.5 million inhabitants which should be housed in satellite communities on desert land around the city. The plan of 1969 integrated the construction of a ring road around Cairo assuming further population growth on the city’s fringe. The first plan was never officially accepted nor implemented while the second plan retained advisory status until it was revised in 1974 (DORMAN 2007:168, 187).

The plan of 1974 incorporated the idea of satellite cities but widened it to the concept of new towns that unlike satellite cities were not attached to existing urban agglomerations. Instead it was intended to de-concentrate the urban centres of Cairo and Alexandria through redirecting investments from the capital to such cities and also by decentralising administrative structures to attract people and industry (IBID.:189). In 1979 the Law of New Communities was passed and has remained the dominant policy for urban development. At least 39 new town were being built (SIMS 2003:13) but due to a modernist top-down approach of planning the cities widely remained empty and turned into “ghost towns” as they did not put into respect the needs of the mostly poor population, who apart from housing costs out of their reach could not afford to move away from their jobs in Cairo. And as administrative decentralisation did not take place either (DORMAN 2007:189) one more incentive to move away from the heart of Egypt and into the desert was lost.

However, up to today the government has not abandoned the idea that new towns are the solution to the country’s housing problems. “Regardless of the huge investments required and the pathetic record of success in terms of population attraction, the policy of creating modern planned desert settlements was and still



is offered by government as the ultimate solution to the phenomenon of urban informality” (SIMS 2003:13).

#### **6.2.4 POLICY FOUR: DONOR-FUNDED SITES-AND-SERVICE PROJECTS**

These three master plans were followed by two plans developed with international help, one based on the National Urban Policy Study funded by US-AID, the other being the Greater Cairo Region Master Scheme, developed in a cooperation of GOPP and the *Institut d'Aménagement et d'Urbanisme de la Région d'Ile-de-France* (IAURIF). Both pointed out the steady growth of the Cairo population but suggested solutions different from the governmental desert-city approach. They both claimed that new towns and satellite cities could not absorb the growing population and that the focus should therefore be on managing existing areas within the city. Yet both suggested the designation of new construction land on the city's fringe in order to prevent further informal development on agricultural land. These serviced sites with low construction standards should attract low-income households in particular. The two approaches also demanded institutional reforms of decentralisation and greater autonomy on district level. IAURIF, in addition, supported the old idea of implementing the ring road.

Yet the implementation of such ideas failed due to a lack of governmental support. One major constraint was the competing interests of the sites concerned, which were the property of the military and other public and private owners who were speculating on higher revenues through investments for higher income groups. Other hindrances were the reluctance of the Cairo Governorate to support “the building of slum housing” and the general reluctance to institutional reforms. Eventually, only the ring road was built (1987-1990), though not of limited extension as suggested by experts who feared more urbanisation on the bordering agricultural land (DORMAN 2007:192ff).

#### **6.2.5 POLICY FIVE: PRIVATE SECTOR INVESTMENTS**

From the mid 1960s to the end of the 1970s there was a high housing inflation of up to 300% in housing prices as the demand for housing by far outnumbered the supply. The latter was limited through rent controls and a lack of new areas designated for construction as the government wanted to preserve agricultural land and avoided the responsibility for servicing new neighbourhoods (IBID.:82). Public construction activities and the implementation of urban infrastructure completely stopped between the two wars with Israel in 1967 and 1973, when governmental spending had a different focus (SIMS 2003:12).

From 1972 on, Sadat's policy of economic liberalisation (*infitah*) opened economy to private investments and allowed the population to travel freely. During the oil boom in 1973 and 1979 many Egyptians left their country to work in oil exporting countries – especially in Saudi Arabia, Libya and Iraq – and also Egypt's poor population greatly benefitted from the foreign remittance (IBID.).

The government increasingly included private enterprises in the development of housing, especially in huge projects in new and satellite towns (SOLIMAN 2004:178). At a time of high inflation (19% between 1973 and 1995), private investors found it more profitable and secure to invest in the real estate sector than to deposit savings or invest in other sectors in a still immature capital market. So in addition to a growing direct demand for housing from the population, the indirect demand for housing as investment and speculation goods increased as well. Together with low rents amidst high inflation rates this further increased the number of flats left unoccupied in spite of high demand. In 2000 an estimated 8% of flats were rented but not occupied, 15% of newly constructed housing units were bought but kept empty for future use, and 5% of all privately owned units were bought for speculative purposes only (MAKARY 2000:9ff).

The housing units available on the free market were of high standard. They comprised villas and apartments in luxury compounds in and around Cairo (IBID.:1) frequently built in a joint venture of public land and real estate development agencies together with foreign companies (EL-BATRAN 1999:20). Therefore the private sector failed to build according to the demand of the masses of poor people, and thus housing standards mismatched with needs (SOLIMAN 2004:178). “While supply of luxurious housing exceeds demand, a large proportion of the middle and lower middle classes cannot find decent houses at acceptable prices” (MAKARY 2000:15).

Government efforts to control inflation led to a decrease from 19% in 1992 to less than 5% in 1999. As this figure lay below the interest rate for money deposit, saving became more profitable and investment into real estate lost its profitable returns. Due to the time lack in supply, following 2-3 years after the demand, a high number of new real estate units continued coming on the market until the end of the decade. Other investment opportunities such as the emerging capital market and investments resulting from an ongoing privatisation redirected investments away from the real estate market (IBID.:13f).

The rent sector was released from the strong grip of rent control laws and mechanisms of a free market were introduced for all new rental contracts after 1996. It is now possible to close a rental contract for 5 to 15 years with an annual price increase of not more than 10% (SEJOURNÉ 2006:504). But the new supply with rental units could at the most alleviate the housing shortage (MAKARY, ET AL. 2000). Egypt stood in line with the World Bank policy but the effects on poverty alleviation were not great (SOLIMAN 2004:177).

### **6.3 THE RISE OF INFORMAL SETTLEMENTS**

In most studies the beginning of the informal housing activities in Cairo dates back to the mid 1960s (MAKARY, ET AL. 2000, WORLD BANK 2008b). However, it is difficult to really say when informal housing activities began to occur in Egypt because of the problem of drawing the thin line between formal and informal.

Most informal building activities started as “unplanned and random extension to traditional villages” or within already existing historical parts of town. This marginal phenomenon could easily be ignored at first because nobody felt responsible for it (SIMS 2003:11)<sup>7</sup>.

With a fast growing population that could not afford formal housing, informal construction became more common. In the late 1960s and early 1970s it was overlooked by the government, which was more occupied “with creating new socialist zones and prestige heavy industry” and with two wars against Israel (SIMS 2003:11f). But it was during that time that in addition to the natural increase rural-urban migration was high: over one million people were evacuated from the Suez Canal zone (IBID.:12), and migrants coming from rural areas searching for job opportunities often found them in governmental construction works and were even allowed to – temporarily – settle on public land (SOLIMAN 2004:180).

With the possibility of free travelling in times of the *infitah* and the oil boom in Arab neighbour states in the 1970s, especially the poorer workers were tempted to leave Egypt and send their salaries back home to their families, who invested them in housing construction (SIMS AND SEJOURNÉ 2000:13). It has been estimated that during the 1970s 80% of all additions to Cairo’s housing stock were constructed illegally. A comparison of aerial photographs shows that many informal areas had already been established before this time but now started to grow vertically (SIMS 2003:12).

During this time, the government continued with its laissez-faire attitude and “wished away” the problem. Dorman calls this a “policy of neglect” (DORMAN 2007:180, SIMS 2003:13): ignoring the problem was cheaper than providing public housing or services. In addition, the fear of clashes with resistant inhabitants – embedded in the general governmental policy of risk avoidance – made demolitions rare (DORMAN 2007:109ff). Furthermore, many of the sites concerned were simply not of economic interest and thus at least the illegal encroachment on state land was tolerated “as long as the land in question was of little value or had not already been assigned to institutions that had the power or influence to protect it” (SIMS 2000:82f).

In the late 1970s the state eventually began to publish a series of decrees, making it increasingly illegal to build on agricultural or state-owned land. But these decrees did not meet their goals because together with the new laws a business of circumventing them arose. For officials with low salaries corruption was an easy way to gain extra money (SIMS 2003:12f).

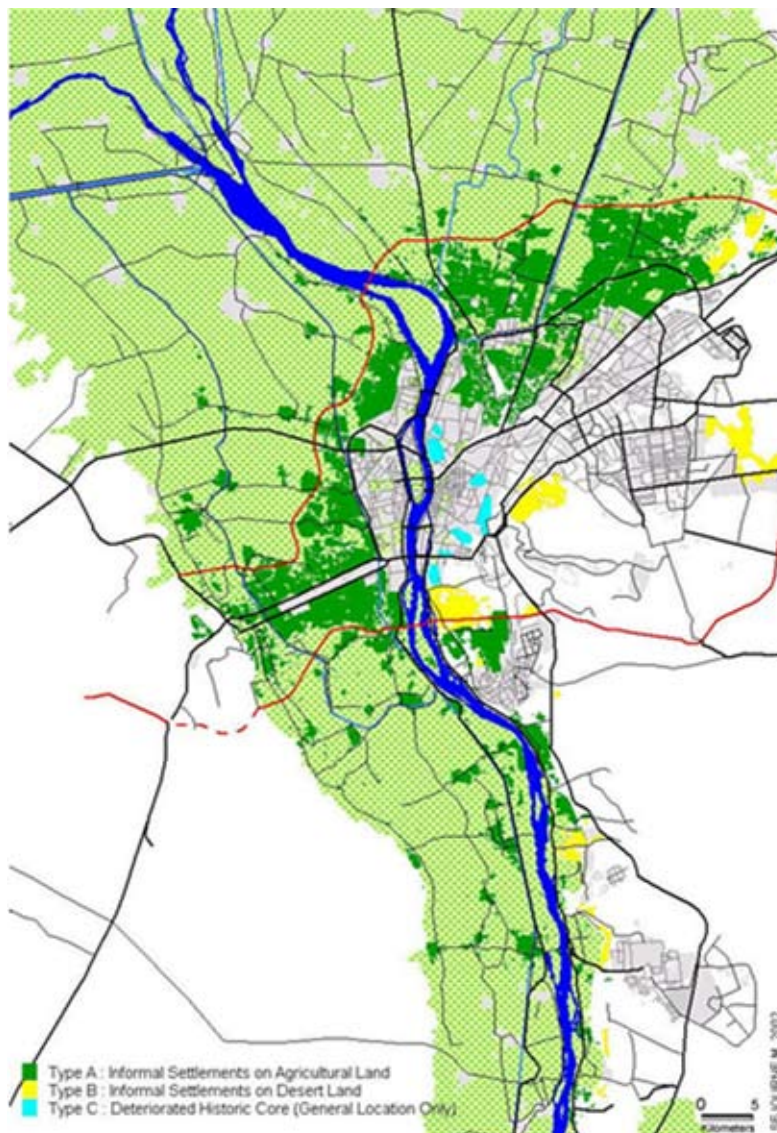
Therefore, the boom of informal construction continued to the mid 1980s (DORMAN 2007:86). From 1985 on, the government’s restrictiveness grew and informal development slowed down, continuing rather in already existing or in marginal

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7 The Arab term for informal areas is *ashwaia*’t, meaning “random” (SIMS 2003:7).

areas unnoticed by local authorities. However, this was not only due to governmental reaction: after oil prices went down in 1983-84, fewer workers were able to work abroad, lowering the amount of remittances that could be used for building activities (SIMS AND SEJOURNÉ 2000:13). Also the need for construction activities went down because the annual population growth rate of GCR fell to 1.9% for the period 1986-1996 (EL-DIWANY AND GOUDA 2000:13).

**Map 1: Informal areas in Greater Cairo Region after type, 2002**



Source: Sejourné (2006), *Les politiques recentes de "traitement" des quartiers illégaux au Caire*, p. 147

Two decrees in 1996 made any urban construction on agricultural land without permission punishable under military law. This meant on the one hand much higher penalties on violators, on the other hand “the many well-established manoeuvres familiar to lawyers in the civil courts” were no longer given room (SIMS 2003:14). In 2000 Sims notes that “new construction has more or less become fro-

zen, with building activities restricted to build out and infill in areas where local administration is weak and corrupt" (SIMS AND SEJOURNÉ 2000:13). The prohibition under military law was repealed in 2004 (WORLD BANK 2008a:63).

## **6.4 DIMENSION AND TYPOLOGIES OF INFORMAL SETTLEMENTS**

The overall knowledge of informal urban development in Egypt is poor, and it is rather in donor-funded pilot projects that micro-information on certain areas have been collected (WORLD BANK 2008b:80). In the late 1990s the ILD under its president Hernando de Soto made an analysis of the informal housing sector in Egypt regarding market functions, typologies and the legal framework of urban development and registration of property (SEJOURNÉ 2006:487). Also the GTZ Participatory Urban Management Programme (PUMP) from 1999 to 2001 published several working papers on the issue. In 2008 the World Bank published the most recent information on informal areas and governmental policies (WORLD BANK 2008a and 2008b).

### **6.4.1 DIMENSION OF INFORMAL SETTLEMENTS**

In order to figure out the extent of informal settlements the ILD compared a survey map of Egypt from 1996 to one from the late 1940s because houses seen on the older map are not considered informal. To distinguish the informal from the formal areas, the following characteristics for formal areas were used: evidence of subdivision plans, regular street patterns, street widths of six meters and more and building with heights and façades conform to building codes. Two main categories were distinguished and eight sub-typologies were defined (SIMS AND SEJOURNÉ 2000:4f).

Before explaining the different typologies it first needs to be stressed that not all of the urban poor in Egypt live in informal areas and that not all residents in informal areas are poor. Instead, the very poor, lower and middle income classes are found within the same settlements (SIMS 2003:14), which not always deserve to be called „slums“ as some are of a quality not much lower than in formal areas. „Informality is no longer simply the domain of the poor; in fact, it has become a major condition of land ownership and housing for the urban lower-middle and middle classes“ (SOLIMAN 2004:201).

This explains why informality is no longer a marginal phenomenon. In 2000 the ILD estimated that informal settlements in GCR had a net surface area of 129 km<sup>2</sup> (53% of the total residential area) with a population of over 7 million inhabitants (62% of the total population) (SIMS AND SEJOURNÉ 2000:9, 26). Latest estimations of the World Bank come to the same conclusion saying that over 60% of the GCR population live in informal areas (WORLD BANK 2008b:11).

Informal areas in Cairo can be divided into two major types according to the land they are built upon: on privately owned agricultural land (82% of net surface area) and on state-owned desert land (12%). Another 6% is built upon agricultural

land in the core of villages or on agricultural land belonging to the state (SIMS AND SEJOURNÉ 2000:9). Estimations from 2008 are similar with 81% built on privately owned agricultural land, 10% built on state-owned desert land and 9% built on agricultural land nominally controlled by the state (WORLD BANK 2008b:11)<sup>8</sup>.

**Figure 6: Matrix of informal areas by typologies and sub-typologies**

Main Typologies	A On Agricultural Land		B On Desert Land	
Sub-typologies	A1 On Privately Owned Land		B 1 On Local Administration Land	
	A 2 On Core Village Land		B 2 On Reclaimed Land	
	A 3 On Government Agricultural Land		B 3 On Decree Land	
	A 3a	Agrarian Land Reform	B 3a	Development Company Concession
	A 3b	Awqaf Land	B 3b	Public Sector Company Assignment
	A 3c	Decree Land	B 3c	Cooperative Assignment
	A 3d	Nile Verge Land	B 3d	Antiquities Land
			B 4 On Armed Forces Land	
			B 5 On Public Domain Land	

Source: Sims and Sejourné (2000), *Residential Informality in Greater Cairo*, p. 6

In 57 defined target areas investigations including extensive field work have been carried out by ILD to get a deeper insight into procedures of informal hous-

<sup>8</sup> The given typologies do not claim to include all but the most common and visible forms of informal housing. Soliman defines a third category “exformal settlements” including informally transferred public housing units, informal extensions to formal housing, housing under rent control and housing with confused tenure status (SOLIMAN 2004).

ing development and local conditions (SIMS AND SEJOURNÉ 2000:12) as will be described in the following.

#### **6.4.2 INFORMAL SETTLEMENTS ON PRIVATELY OWNED AGRICULTURAL LAND**

Both the Agrarian Land Reform of 1961 and Egyptian inheritance laws have led to a fragmentation of arable land making economic cultivation impossible. In addition, land in proximity to existing settlements increasingly lost value and productivity due to pollution. Thus the pressure on the *fellah*, the Egyptian farmers, to sell their agricultural land for building purposes rose (DORMAN 2007:84, SOLIMAN 2004:18of). The price for building land is around 6-12 times higher than the price for agricultural land (WORLD BANK 2008b:20).

Agricultural land turned out to be very suitable for subdivision and construction having the great advantage of water installations already at place through former irrigation channels (DORMAN 2007:84). Shallow tube-wells allow the tapping of groundwater and soakaway pits are constructed until sanitation networks are eventually extended to informal areas. Most irrigation and drainage channels are eventually covered and converted to lanes and (main) roads to have access to plots (SIMS AND SEJOURNÉ 2000:18f).

Therefore informal settlements on agricultural land show a regular pattern with agricultural fields being subdivided into rectangular plots with an average size of 110m<sup>2</sup> (SIMS 2003:5). Streets are straight and very narrow (2-4 meters) as plot exploitation is taken to a maximum leaving out only small air shafts or light wells. This leads to a very high density of up to 2,000 persons per hectare (DORMAN 2007:88) as well as to a lack of open space for the possible provision of any kind of services (SIMS 2003:5).

Houses are built incrementally as the family budget allows and usually reach a height of at least five floors. Because the owner in most cases is also the constructor and because investment security is relatively high, houses are of good quality that does not differ significantly from those in formal areas (EL-SHORBAGI AND MORITZ 2004:3). Houses are made of reinforced concrete frames and floor slab constructions filled with walls of red brick (SIMS 2003:5f). Spare room is being rented to enhance the families' income. Under the old rent law many owners charged their tenants a high down payment to finance further construction (EL-SHORBAGI AND MORITZ 2004:3).

The provision of infrastructure and social services greatly depends on the pressure the community puts on local authorities and thus also on the degree of community organisation. Electricity is the most prevalent infrastructure and easiest to implement<sup>9</sup>. Water and especially sewage networks usually are implemented at

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9 Today households asking for individual connections need to prove that their house was constructed before 1996.

a later stage, sometimes in connection with street pavement (SIMS AND SEJOURNÉ 2000:20). Water and electricity connections are comparatively easy to install. Some are illegal pirate connections; others are done by public utility providers on commercial terms. The erecting of mosques help in this regard: they are, firstly, not allowed to be destroyed and, secondly, are prioritised in receiving water and electricity. Sewage is more difficult to obtain and has been implemented mainly through international donor agencies since the 1980s. Houses that are not connected to the sewage system use septic tanks (DORMAN 2007:101). To implement social services the local administration needs to obtain public land, which is a difficult task in such densely populated areas and therefore may take decades (SIMS AND SEJOURNÉ 2000:20).

Because most houses are built to be occupied by their owners or their offspring and relatives, there are few transactions of land and housing in stable residential neighbourhoods. In newly developing areas, markets are working quite well within informal networks and through simple civil contacts (*ourfi*). A business of professional subdividers who buy larger pieces of agricultural land from farmers, and subdivide and illegally resell them, mostly without living in the area themselves, has supported market activity. Local middlemen (*simsar*) ease transactions of both land and houses between landlords and possible customers. Local sheikhs and lawyers may also be involved in signing contracts to enhance the security of transactions since informal private contracts are based on trust within the community. Personal contacts and trust are preferred above any formal arrangements to keep down the costs and risks (IBID.:19f).

“Speculative apartment block constructions” include the quick constructions of high buildings with more than ten floors. Small investors or contractors profit from selling or renting out the units as soon as they are finished. This phenomenon is more recent and can be found in both newer settlements and in prime locations along main roads in older settlements (IBID.).

Prices vary according to the proximity to existing settlements with services and job opportunities, to infrastructure and road networks as well as to plot security. The latter is determined through the “critical mass” of informal development: constructions within or adjacent to already existing areas are thus less likely to be stopped or demolished. Plots are affordable for low-income households if they are willing to take a higher risk (IBID.).

#### **6.4.3 INFORMAL SETTLEMENTS ON STATE-OWNED DESERT LAND**

All desert land in Egypt by default belongs to the state “but there is a long and complicated history of legal and extralegal mechanisms to exploit this land for the benefit of private and institutional interests” (SOLIMAN 2004:182). Also formal growth has occurred to a large extent on agricultural land because even state agencies find it difficult to obtain desert land for development (DORMAN 2007:122). However, the encroachment on desert land has a tradition in Egypt: rural settle-



ments in which people mainly live from agriculture often expand on the adjacent desert land. Farmers are legally allowed to reclaim desert land by “putting their hand on it” (*wada’yed*). What is easy in rural areas is more complicated around the expanding city of Cairo. Desert land next to the metropolis can bring great profit and therefore most parcels have already been claimed, mainly by ministries and public companies. Poor land management and political pressure has led to confusing ownership situations, which has hindered formal, and attracted informal, development (SIMS AND SEJOURNÉ 2000:20f).

Squatting in Egypt has usually started around certain footholds that may even have been governmentally initiated. Examples are squatter settlements around disused quarries (as in the case of Manshiet Nasser), remote border patrol outposts, existing villages or cemeteries, housing for families of people affiliated to the military, emergency shelter for displaced families or even communities relocated by the state. Therefore, the status of communities on state land is often contested and not straight-forwardly illegal (DORMAN 2007:120f).

Initial settlers put hand on large pieces of land and secured them through boundary walls or stones (SIMS AND SEJOURNÉ 2000:21). Such land claims are rarely disputed among settlers, who in most cases put hand on more land than they need. In contrast to plots of agricultural land, surplus desert land is sold to “kin or friends in order to create a pattern of familiar neighbours” (SOLIMAN 2004:182). Squatting is done by migrants coming from other parts of Egypt rather than by Careeners, and land is sold to family and friends coming from the same village. This practice of land allocation has a strong influence on the social composition of residents. For each place of origin, unregistered and therefore informally operating NGOs (*rabta*) taking care of their fellows are formed. They may provide both financial and social help for the poor and for special family festivities and they also construct and operate sanctuaries. During the first years neighbourhood leaders or extended family elders played a vital role in land allocation, community organisation and negotiations with local administration but today they are increasingly losing their influence on the younger inhabitants (IBID. 2004:184f).

Other than early settlers, newcomers are charged fees for “their” new land according to location and tenure security. Because the risk of eviction is much higher than on agricultural land, prices on desert land are significantly lower and therefore affordable for the lowest income groups. However, evictions become more difficult once the community becomes more established and its voice grows stronger (SIMS AND SEJOURNÉ 2000:21).

As on agricultural land, there are few transactions of already existing houses on state land because residents mostly stay in the same building for a lifetime. If transactions take place, procedures are similar to those on agricultural land (DORMAN 2007:89, SIMS AND SEJOURNÉ 2000:21): it is through unregistered sales contracts (*ourfi*) based on trust or secured through witnesses that property is being

sold. Many sales contracts include a land clause stating that the land belongs to the state and that the contract applies to the building only (EL-SHORBAGI 2000).

Also in squatter settlements renting practices may enhance the families' income, although on a lower level. "In Cairo [...] the more advantaged poor buy pirated land from farmers, while the less advantaged squat on municipal land; the poorest of the poor, however, rent from the squatters" (DAVIS 2006:43).

Although it is difficult to generalise, housing conditions in squatter areas tend to be worse than on agricultural land with more run-down housing and more families sharing a single room (SIMS 2003:6). Shacks can be found in some squatter pockets. However, squatter housing, too, is owner-built so that especially in more established settlements constructions are stable (DORMAN 2007:89). As on agricultural land, houses are built incrementally with as many floors as needed for family use or to be rented out.

Because of the barren desert land on which squatter settlements are based, especially the initial provision of water services is more difficult than on agricultural land, and areas can only develop if they can illegally tap existing services nearby (IBID.). As settlements grow, infrastructure is provided publicly or through international donors, which sends out a strong signal of recognition (EL-SHORBAGI 2000). The missing of irrigation channels that can be converted into roads also causes a much less structured urban pattern and streets emerge more randomly.

In GCR no more desert land is left for the development of new settlements or the extension of existing ones. Empty land which any public or private entity has claim on is strictly guarded making the evasion impossible (SIMS AND SEJOURNÉ 2000:22).

#### **6.4.4 VALUES OF "DEAD CAPITAL"**

Based on their field-work in determined settlements, ILD made estimations on the value of the informal real estate sector throughout Egypt. Housing units were classified into different typologies and their value estimated according to housing characteristics. Land brokers and residents gave information on the land value. Although rather conservative estimations have been used, the urban real estate in informal areas in Egypt sums up to US\$ 73 billion, which is more than 1/3 of the total value of formal and informal land and housing assets. Adding informal constructions in formal areas, this sum increases by US\$ 122 billion. Adding another US\$ 46 billion of informal assets in rural areas, the total sum of informal assets rises to over US\$ 241 billion, which is 64% of all real estate value. In terms of housing units ILD calculated that 92% of urban units and 87% of rural units have illegal status (SEJOURNÉ 2006:483ff).

In GCR, ILD estimated that the informal housing stock has a value of US\$ 36 billion. 58% of the housing units are informal but only 39% of the value of the real estate sector is informal. This clearly indicates the lower value of assets

held informally compared to their formal counterparts. Out of this „dead capital“ 52% represent the value of construction and 48% the land value (IBID.:487ff).

Regarding individual constructions, the findings show a value difference for property on state-owned land compared to property on agricultural land. An average construction of 250m<sup>2</sup> on a plot of 100m<sup>2</sup> adjacent to a secondary road will cost LE 175,000 on agricultural land but less than LE 150,000 in squatter settlements. This is mainly due to a lower land value (LE 750/m<sup>2</sup> compared to LE 550/m<sup>2</sup>). A single room of 20m<sup>2</sup> will cost the same in both settlements types (IBID.).

## **6.5 SECURING INFORMAL TENURE**

Residents in informal areas try to secure their informally held property as much as they can. A certain behaviour during construction reduces the risk of demolition and residents may take several bureaucratic or juridical steps in order to enhance their security. The payment of bribes is not exceptional while the highest form of tenure security is almost impossible to obtain.

### **6.5.1 BLIND-EYE ADMINISTRATION**

In Egypt, new informal constructions can only be demolished if vacant because the police refuses to demolish inhabited constructions for security reasons (EL-DIWANY AND EYOUN 2001:5). Therefore informal houses are built and moved into quickly within a few days before district engineers responsible for the supervision of constructions become aware of the fact. „Construction seasons“ are weekends but even more so major holidays, the month of Ramadan, and parliament elections, in which candidates are willing to turn a blind eye on informal activities in order to get peoples' votes. If district engineers become aware of them, they will write a report and send it to the police to stop construction and arrest the violator. The fees (*gharama*) for illegal constructions depend on their extent and vary from LE 3,000 to LE 20,000 and six to twelve months' imprisonment (EL-DIWANY AND EYOUN 2001:5, INTERVIEW GUINDY 2008).

Due to high corruption among underpaid governmental staff, a law suite and demolition can be prevented in many cases or at least delayed through the payment of bribes. District engineers responsible for the reporting of law violation may – against a certain amount – store their report in their desk drawer, giving the residents more time to finish and move into their new construction (INTERVIEW SHAAT 2008). Engineers may also write a weak report resulting in a weak punishment which – with the help of a lawyer and additional bribes – may be negotiated to a small payment without imprisonment (INTERVIEW GUINDY 2008).

Even if the administration will not turn a blind eye on informal construction, it is very difficult for it to enforce building laws. One constraint is old maps and incomplete databases for informal areas making it difficult to even identify plots and violators, who probably do not even have a clear address. In addition to these confusing local situations there is an inflated administration with underpaid and

untrained staff and without any clear and defined structure or organisation allowing precise reporting (EL-DIWANY AND EYOUN 2001:3).

### 6.5.2 FORMAL REGISTRATION

Transactions of land and housing within informal areas are done through simple *ourfi*-contracts that derive from *sharia*-law and are sanctioned by courts and powers of attorney. However, they are not accepted by the property registration office (WORLD BANK 2008b:92) and therefore deny the owner the highest form of secured ownership.

The registration office (*shahr el-aqari*) belongs to the Ministry of Justice and holds records in which plots are not mapped in cadastres (*segail el-ayni*) but simply assigned to the names of listed owners. Because all desert land is initially owned by the state, there are no records for it at all, neither for land squatted upon nor for new towns for which no records have been made so far (INTERVIEW GOUDA 2008).

The registries of owners of agricultural land have long been out of date. To fully register a property, an application needs to be turned in at the *shahr el-aqari* presenting official documents on the plot's location and size. In order to actually find the plot in the registry the applicant needs to know the name of the last owner that has properly been registered. The chain of transfers from the owner as stated in the registry up to the owner of today needs to be recapitulated and all transfers confirmed. Documents from the property-tax department have to state the amount of taxed still owed (SOLIMAN 2004:187). The survey authority then has to identify the plot of land on its registry which can be very difficult if previous owners are unknown or if the plot size does not match the out-dated registry (EL-SHORBAGI 2000).

Efforts of the Prime Minister to simplify some governmental procedure including registration are on the way. The development of cadastres has started for middle and upper class areas and is supposed to cover the whole area of GCR (INTERVIEW GOUDA 2008). In 2006, registration costs were dramatically reduced to an actual fee of LE 2,000 (INTERVIEW SHAAT 2008) and registration in new towns has been simplified. But the process remains slow and is hindered by many bureaucratic obstacles (WORLD BANK 2008a:79, 88).

Only in a small number of cases have informal properties become formal when buildings and land were titled and registered. This, however, has meant a great effort of the owners and their lawyers (SIMS AND SEJOURNÉ 2000:26). So far more than 95% of actual owners all over Egypt have not registered their property (INTERVIEW EL-KHOLEI 2008). Therefore even higher-income areas and new towns on desert land in a strict sense of the law cannot be considered completely "formal".

### 6.5.3 ALTERNATIVE EFFORTS OF SECURING TENURE

Because the formal procedure of registration is costly, time consuming and in some cases impossible, alternative formalisation efforts have become common. One option is to obtain a court decision on the actual ownership (procedure called *da'wa saha wa nafaz*) replacing the chain of ownership required for registration. This costs around LE 1,000 and takes up between three and six months (SOLIMAN 2004:187).

Another option is to go to court and prove date and signature of the former owner on the contract (procedure called *da'wa saha wa tawqia*). But as the court does not prove the content of the contract, this procedure only proves the validity of transfer but cannot replace formal registration (IBID.). Another common option is to have the registered owner give a power of attorney to the actual owner, giving him the exclusive power over the property (INTERVIEW SHAAT 2008).

For residents on desert land all these forms of registration are not an option as they occupy land owned by the state. However, residents try to secure their investments through several means. Obtaining electricity connections and paying property taxes (*aawayid*) or land rents (*tahkir*) at least raises the perception of security (SIMS AND SEJOURNÉ 2000:21).

The building code law of 1976 allows governors to pardon violations that occur when constructions are licenced but in the outcome are not in accordance with building codes. Completely informal construction can also be pardoned – sometimes in connection with the provision of infrastructure – through the official recognition of the whole situation of an informal but established community. A Cabinet Decree of 1997 prohibited the demolition of all violations made before 1996. However, applying rules based on construction dates remain difficult as in most cases it can not be determined when exactly an informal building or extension was constructed (EL-DIWANY AND KAMEL 2001b:5ff).

## 6.6 NATIONAL PROGRAMME FOR URBAN UPGRADING

The increasing loss of agricultural land around Cairo, plans to “close” the city to immigration (also through physical means such as the ring road), western consultants who arrived in the late 1970 to advise the government on how to deal with Cairo’s growth, and also the inclusion of informal areas in the census in 1986 all show that the government was very well aware of the fast growth of informal areas but did little about it (DORMAN 2007:105ff).

In 1992, two incidences increased the awareness of informal areas and started a public discourse. One was an earthquake in October that year, which not only revealed the danger of unplanned and densely populated areas but also involved a much faster emergency aid from Islamic organisations (e.g. the Muslim Brotherhood) than from the government, raising the already growing popularity of governmental opposition among the poor population. The other changing factor was

intensifying clashes between Islamist militants and security forces especially in the area of Imbaba in the North of Cairo, in which militant groups had declared the “Islamic Republic of Imbaba”. The government was said to have lost control of its capital (IBID.:23f). Both incidents led to a policy of accepting the existence of informal areas. In consideration of their growth, established situation and a housing stock of relatively good quality the government gave up the idea of demolition in favour of development and up-grading (IBID.:124). In his May 1 speech in 1993, President Mubarak announced intensified efforts to rehabilitate informal areas in all of Egypt for stability and security reasons (SEJOURNÉ 2006:332). In early 1993, the government launched a National Programme for Urban Upgrading over LE 4.5 billion to be spend through the governorates until 2002 (GTZ 2004:11). “[...] the Mubarak government sought to demonstrate that it had a policy for informal Cairo beyond coercion, and counter its critics’ accusations of neglect and indifference” (DORMAN 2007:25).

It the course of this programme, 16 areas in GCR were to be demolished (with compensation in the form of new constructions), mainly because they were physically affected by the earthquake. Around 80 settlements, among them those in which the clashes took place, were announced to be serviced with basic infrastructure such as water, sanitary drainage and electricity, and streets were to be widened, paved and provided with street lighting. These exclusively physical upgrading measures were seen as raising control over areas difficult to control, but also to rehabilitate people that were thought to be uncivilised (IBID.:25f). The *Shura* Council in 1996 underlines the social threat posed through informal settlement in which one finds “the widespread prevalence of epidemics, ignorance, illiteracy, theft, gang violence, and terrorism” (*Shura Council, Report on the Nature and dimensions of unplanned housing in informal settlements*, 1996, quoted from EL-DIWANY AND GOUDA 2000:3). A third category was the partial demolition in the course of upgrading that was ordered only if necessary for planning and security reasons (OSMAN AND EL-HAKIM 2000:9).

In GCR great efforts have been done to enhance access to sanitation and drinking water, electricity and road paving, and LE 971 million were spent (51% of the national budget). However, processes to bring upgrading on the way were slow and complicated. Because the top-down programme was missing a participatory approach, and basic information on the needs of informal areas were lacking (WORLD BANK 2008a:64), many people were not aware of the programme and did not feel any improvements. Also, in the absence of a clear monitoring system, only 60% of the budget have actually been spent on informal areas (GTZ 2004:11). Some of the fund was “allocated to large infrastructure projects that only partly (if at all) served needy informal areas”, other expenditures were impossible to track down (SIMS 2003:20). Leaving out economic and human development led to a one-sided upgrading approach. Nor was securing the precarious tenure status in informal areas included (EL-BATRAN 1999:2).

In terms of sanitation and access to clean water the programme has shown great achievements. According to the latest Human Development Report sanitation systems – for which 40% of the budget have been spent (SIMS 2003:20) – nationally improved from 54% in 1990 to 70% in 2004, water respectively from 94% to 98% (UNDP 2007:253). Yet the access to basic education, youth centres and health units still shows great deficits (GTZ 2004:12), and from 13 million people in need less than 6 million have been targeted (SIMS 2003:20). “[...] the overall impact has been less than expected with continued migration, unemployment and poverty which have outpaced government resources” (UNDP/INP 2008:141).

Until today the National Programme for Urban Upgrading has been the only governmental effort to systematically address the issue of informal areas besides some smaller donor-funded pilot projects of upgrading (WORLD BANK 2008a:64).

## **6.7 LAND TITLING AND FORMALISATION PROGRAMMES**

A report by the National Council for Services and Social Development of 1997-98 underlines that residents in informal areas are not only missing infrastructure and services but that “their marginalisation further exists on an economic and social level” (Specialized National Councils, 18th Session, 197-98, quoted from EL-DIWANY AND GOUDA 2000:3). This cautious change of attitude has been followed by actual plans of a new Unified Building Law whose draft emphasises the importance of regularisation of tenure. There seems to be a more general change in urban planning from master and structure plans mainly focusing on physical land use towards strategic and actions plans including socio-economic issues as well (WORLD BANK 2008a:69).

This is in line with de Soto’s claim that formalisation will economically benefit residents in informal areas. In the late 1990s he tried to implement a large formalisation programme in Egypt. But long before, individual donor-funded projects included land titling as an instrument of cost recovery. Before addressing the case of Manshiet Nasser in the next part of this paper it is helpful to have a short look at former experiences with land titling and formalisation in Egypt.

### **6.7.1 DONOR-FUNDED PROJECTS INCLUDING LAND TITLING**

In 1984 a presidential law for the first time allowed squatters on state-owned land to buy the land they occupied if the encroachment had occurred before this law was passed. Prices were to be negotiated around the actual market value and applications had to be turned in within six months after this law was passed (EL-DIWANY AND KAMEL 2001a:8). Four donor-funded projects included land titling in their programme. The experiences in Helwan, Ismailia and Aswan will be roughly described in the following. The fourth project was implemented in Manshiet Nasser and will therefore be explained in the context of today’s land titling efforts in chapter 8.3.

### *Helwan*

The Helwan Housing and Community Upgrading Project (1976-1988) funded by the United States Agency for International Development (USAID) included the construction of new housing as well as the upgrading of existing settlements partly built on state-owned desert land in the district of Helwan in southern Cairo. Revenues from land titling were to be used to recover the costs for servicing the informal area. In spite of the official permission from the President to deliver land titles in 1984 it was not until 1987 – one year before the official end of the project – that the governor finally opened the land titling process. He had long refused to do so fearing the demand from the Helwan population for services, the demand from other squatter settlements for land titling, the general support of squatting and the profit new owners might have from selling their property to speculators. Dorman supposed that it was only due to USAID pressure that the governor opened the process at all (DORMAN 2007:166).

However, problems appeared in the process as the administration did not have sufficient capacities for such a project and adequate plans of the area were missing. Also, there was a dispute among residents and the government about the pricing. Prices set at LE 100-200/m<sup>2</sup> – which was the market value similar to up-scale Cairo neighbourhoods – were rejected in a memorandum by the community that proposed the land value of the time when the government had settled the community in the area in the 1940s and 1950s: LE 0.25/m<sup>2</sup>. One year after the opening, only 720 out of over 27,000 possible participants had turned in their application to receive a title (SEJOURNÉ 2006:474).

In 1989, prices were set at LE 35-55 but there is no evidence that any title has ever been handed out. Residents had no interest in paying for the land they occupied as they saw the implementation of infrastructure and services as a *de facto* regularisation. Moreover, the upgrading through services and with it the elevation of the security level attracted higher income groups while the original owners moved to un-serviced areas nearby (DORMAN 2007:164ff).

### *Ismailia*

In the settlements Hayy Al-Salam in Ismailia, a city in the north of Egypt close to the Suez Canal, a similar project was implemented from 1978 to 1983. The settlement of 37,000 inhabitants was to be upgraded including an extension following the sites-and-service model. Together with the United Nations Development Programme (UNDP) the Egyptian government planned the rehabilitation of the Canal Zone that had been affected by the two wars with Israel. Just as in the Helwan project, a minimum of public subsidies and international funding was to be given while the project costs were to be covered by the revenues from selling both the already occupied, and the empty extension land. At the end of the project over 7,000 titles had been sold and the LE 6.6 millions of revenues covered the costs. Together with the population, the price had been negotiated to a low level



of less than LE 2/m<sup>2</sup> that could be paid during a time frame of 30 years (SEJOURNÉ 2006:474ff).

### *Aswan*

In Nasriyya in the city of Aswan (Upper Egypt), the GTZ together with the Governorate of Aswan implemented a participatory slum upgrading project from 1987 to 1998. Besides the development of an empty adjacent area into a new settlement, the project also included the formalisation of an existing squatter settlement, all under the umbrella of a participatory approach that was to ensure the sustainability of the project. Costs were shared between GTZ, the governorate and the 50,000 inhabitants, each party paying around one third of the total project costs. The inhabitant's share was acquired through the selling of both the new and the previously leased squatter land as well as through fees for the water and sewage systems. As in Ismailia, prices were negotiated with the inhabitants and were between LE 5 and 15/m<sup>2</sup> to be paid during no more than ten years with an interest rate of 3% and a down-payment of 25%<sup>10</sup> (SEJOURNÉ 2006:476). A revolving fund for the purchase of land was established (CLAUS 2006:18).

In June 2006, more than 3,500 households (ca. 45%) had bought their plots while the remaining households continue to lease the land to a low lease of LE 4 per month and plot. The main reason for the purchase of land are building licences, hindrances are heritage disputes, low income, the fear of bureaucracy, and the perception of tenure security. There is no indication for land speculation and market eviction (IBID.:17f).

The project initiated the development of the Unit for Urban Development and Land Management responsible for land sales and the issuing of building licences. The latter are only issued if the owners are willing to remove parts of their houses if necessary in order to widen streets. After the project's end, the unit was incorporated into the city administration (IBID.).

## **6.7.2 ILD'S PROPERTY FORMALISATION PROGRAMME**

As mentioned in chapter 6.4., the ILD in the late 1990s did intensive research on informal settlements in Egypt, including an estimation of "dead capital". In 1997 they proposed the implementation of the Property Formalisation Programme in Egypt that would profit both the poor and the whole economy.

The project envisioned to formalise all informal property nationwide as well as to register all formal but unregistered property, starting in Cairo as a pilot area. A Real Estate Formalisation Organisation (REFO) was to be formed within the registration office *shahr el-aqari*, responsible for the execution of the programme and the formulation of laws and regulations that were to support the process of formalisation, the legal access to housing, land, and building permits as well as

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<sup>10</sup> In private land sales among neighbours prices of up to LE 300/m<sup>2</sup> are being paid (CLAUS 2006:19).

newly formalised property to remain within the legal framework. The work of REFO was to be financed through national and international funding and through shares of the revenues from selling titles to squatters (SEJOURNÉ 2006:388ff).

REFO was to open local offices in the relevant areas and after a public resolution collect all claims within 60 days, including a proof by the syndicate of engineers of the stability of construction. Each parcel was to be filed including all relevant information. However, the documents to be turned in were the same as those used before to officially register real estate: for plots on agricultural land, all transactions that had been done since the officially registered owner or a court decision on the actual ownership replacing the chain of owners needed to be shown. Squatter on state-owned land needed to prove their ownership of the house through *ourfi*-contracts or other sorts of documentation such as receipts for tax and service payments (IBID.:393).

After the inspection of the relevant plots, a cadastre was to be developed and all claimants were to be publicly presented for another 60 days to give room for complaints. If applicable, the price of the plot still to be paid was to be published, too. Registration could then be concluded. The official registration fee was at 3% of the real estate value and would have meant revenues of LE 3.8 billion for the government. However, ILD affirmed that a fee of 0.3% would already cover the costs (IBID.:393, 495).

A preparation phase from 1997 to 2001, financed by USAID, was politically supported and encouraged by the Ministry of Finance. After the programme had developed an action and conception plan, including a proposal for a presidential decree to open the process, it was given to the President and several ministers in 2001, who never approved its implementation. Following initial conferences for potential actors in 1997 and 2000, ILD organised a third conference in 2004 but remained without success due to a lack of political support from the top level and many interest conflicts among the actors involved (IBID.:481f).

## **7. PARTICIPATORY DEVELOPMENT PROGRAMME**

After the experience gained in Aswan, GTZ today continues with its efforts in slum upgrading and poverty reduction. The Participatory Development Programme (PDP) of GTZ was launched in 2004 and is scheduled to be finished in 2010. It is working with different administrative units on different levels to introduce to the government participatory methods of slum upgrading. In cooperation with NGOs and local communities these methods are practically being introduced in three pilot areas to show their feasibility and positive effects on the settlements. PDP has evolved from four individual GTZ projects that had been carried out in Egypt before: the Policy Advisory Unit (PAU), the Local Initiative Facility for Urban Environment (GTZ-LIFE), the Participatory Urban Development of Boulaq el Dakroul and the Participatory Urban Development of Manshiet Nasser. These projects were firstly united in the Participatory Urban Management Programme (PUMP) in 2001 and will be introduced in the following chapter.

### **7.1 PARTICIPATORY URBAN MANAGEMENT PROGRAMME (PUMP)**

In 1998 two pilot projects in Manshiet Nasser and Boulaq el Dakroul were launched to demonstrate the possibility of improving living conditions in poor urban areas through participatory measures. In the same year, PAU took up their work as policy advisor to the government. When efforts were made to connect PAU and the two pilot projects more closely, all three projects – the Local Initiative Fund followed shortly after – agreed upon a cooperation starting in 2001. The projects remained individual but considered themselves as one programme with the common goal to support all relevant stakeholders “to adopt and implement participatory urban management reforms to improve the living conditions of the disadvantaged urban population” (GTZ 2000:2).

The approach of PUMP to work on local, regional and national levels was a new approach of a donor programme in Egypt, and the two pilot projects were at that time the only ones working directly with the lowest administrative level (EL-SHORBAGI AND MORITZ 2004:8).

#### **7.1.1 POLICY ADVISORY UNIT (PAU)**

PAU's task was the conceptual and political consultation with the Egyptian government in order to re-shape the restrictive approach towards informal settlements still prevailing at that time (GTZ/PUMP 1999:13). The overall goal was to help the government to develop policies, planning procedures and concepts for participatory urban development that were geared to the capacities and needs of the local population in disadvantaged areas. Tools were to be developed, coordinated and tested together with all relevant actors (GTZ/PUMP 2004:2). PAU was to use the practical experience of the other three projects to support the national discussion and political influence, and at the same time politically support the

projects (GTZ/PUMP 1999:3). At that time no ministry was responsible for the upgrading of informal areas and PAU was established within the Ministry of Planning.

Three cross-subjects were in the focus of consulting: land management and legal security, local organisation of urban management tasks (especially forms of participation), and public and private finance of urban management and upgrading. The first subject included aspects of land usage and land conversion, the access to land for the disadvantaged population, security for private but informal investments, and the legalisation of so far illegally populated land. PAU's task was to investigate existing procedures of land legalisation, to suggest simplified procedures and to prepare guidelines accordingly (IBID.:13ff).

At the end of the second phase in 2003, PAU/PUMP had published ten concept papers for political orientation. Some of these have influenced the government's policy, e.g. the participatory urban planning that was integrated into the 5-year-plan of 2002-2007. Others have faced more resistance, especially in the very centrally orientated ministries, whose coordination has remained difficult. In general, bottom-up and participatory urban planning and poverty alleviation have become part of the political agenda, which is also, if not only, a result of the programme (GTZ/PUMP 2004:4, 7).

Besides the political advice on a macro level, PAU/PUMP also developed and tested tools for participatory urban development in its pilot areas and submitted six tools to the Minister of Planning (IBID.:6). They have been approved by the minister and until today are the base of GTZ efforts in urban upgrading (GTZ/PDP 2008):

- building trust through promoting local initiatives
- knowing and building local communities
- sharing available information
- participatory action and budget planning
- legal recognition makes citizens
- citizen satisfactory survey.

Later, the tools slightly changed insofar as action and budget planning have become two separate tools and the legal recognition of settlements has been integrated into the participatory action planning. All tools were applied in the pilot areas, and while the participatory analysis of interests and needs, the local initiatives and the participatory action planning were successful, the interactive information base with satellite images and the participatory budget planning faced more resistance. First citizen satisfactory surveys were carried out in 2005 serving as a base line for further surveys.

One goal has certainly not been reached: no fundamental political decision could be evoked about the legalisation of informal settlement and the securing of tenure (GTZ/PUMP 2004:12ff).

### **7.1.2 LOCAL INITIATIVE FUND**

“Building trust through promoting local initiatives.” The approach of financially supporting small initiatives of inhabitants evolved from the German participation in the UNDP programme Local Initiative Facility for Urban Environment (GTZ-LIFE) (GTZ/PUMP 1999:2). The goal of this project was to strengthen the capacities of local communities in poor urban areas and at the same time to gain their trust through quickly achieving tangible results. After the programme had finished in 2000, GTZ continued to apply local initiatives in the pilot areas and in other communities nationwide. For the first time in 2004, local initiatives were financially supported by the government. Giving public funding directly to local NGOs and local initiatives is a remarkable innovation (GTZ/PDP 2006:3).

### **7.1.3 PARTICIPATORY URBAN DEVELOPMENT OF BOULAQ EL DAKROUR**

Boulaq el Dakroun is a district in the Governorate of Giza and up to the late 1940s was agricultural land. Today Boulaq el Dakroun officially houses half a million inhabitants. Independent estimations from GTZ, however, go up to one or even one and a half million inhabitants (PIFFERO 2008:9).

The Participatory Urban Development of Boulaq el Dakroun started in 1998 for one part of the district with around 140,000 inhabitants and was later extended to the whole district. The Governorate of Giza was the project's counterpart and the district administration functioned as executing agency. A workshop in March 1999 identified the peoples' needs which were the base for the project's goals and guide plan. Solid waste management, economic development, the improvement of public space and community development were major concerns (EL-SHORBAGI AND MORITZ 2004:7ff).

Because residents own their land, measures to increase tenure security have not been part of the project. GTZ currently tries to encounter the status of informality through the creation of DLPs. Their creation would be the last step towards formalisation. But as they follow a master plan for the urban part of Giza (Giza City), GTZ had to wait until its approval in 2007. According to this master plan, Boulaq el Dakroun officially is counted as a residential area. After the development and approval of DLPs, Boulaq el Dakroun in the future may profit from the new registration project (INTERVIEW ABDELHALIM 2008).

GTZ contribution was a plain technical one while financing was expected to come from the governmental counterpart. However, because of an overall reserved attitude towards the project team and their plans, the project lacked financial capacities and thus did not show immediate results. How much the project's success depended on individuals became obvious during election times when it

enjoyed higher support from officials but also through the difficulties the project faced because of continuously changing district chiefs. In order to create greater trust in the project, more local staff was employed and KfW contributed Euro 5 million for the technical infrastructure (PIFFERO 2008:12ff). “Experiences show that technical assistance projects have little chance to be accepted and adopted without a substantial FC [financial contribution] component that allows for the demonstration of innovative solutions to development problems on a larger scale or at least provides the project with sufficient leverage to mobilise active support of government actors” (EL-SHORBAGI AND MORITZ 2004:11).

#### 7.1.4 PARTICIPATORY URBAN DEVELOPMENT OF MANSHIET NASSER

Boulaq el Dakroul – an example of an informal area built on agricultural land – was supplemented through the pilot area in Manshiet Nasser, an informal area built on state-owned land. The project Participatory Urban Development of Manshiet Nasser started with a preparatory phase in July 1998 with the following objective: “The population and the relevant local authorities in Ezbet Bekhit (and Duweika) have solved the most important problems of housing, basic services and the overall environment in close collaboration.”<sup>11</sup> Ezbet Bekhit is a settlement in the North of Manshiet Nasser with ca. 30,000 inhabitants, i.e. 7-8% of the overall population of Manshiet Nasser, which in 2001 was estimated to have been between 350,000 and 450,000. The executing agency was the Governorate of Cairo while the district administration was responsible for the implementation on the local level. On the German side, GTZ was giving technical assistance to all actors involved with a focus on the participatory approach of the project. The German consulting firm B.U.S. (*Büro für Umweltplanung und Stadtentwicklung*) was commissioned with the task. KfW contributed financing for infrastructure measures to improve the water supply, sewerage and street conditions. An overall duration of nine years was scheduled (GTZ/MN 1999:1).

Also in Manshiet Nasser, a launch event was a planning workshop organised by PUMP with representatives of the population, Cairo Governorate and the district administration (GTZ/MN 1998b:1). The population listed their main concerns, headed by the insecure land tenure and the resulting uncertain future. Other concerns were the lack of sewerage lines and of basic services (e.g. education and health), the danger caused by the adjacent cliffs, the accumulating of refuse, and narrow streets (GTZ/MN 1998a, GTZ/MN 1998c).

These concerns were integrated into a concept plan which was agreed upon by Cairo Governorate, relevant sector institutions and KfW and GTZ in November 1998 (GTZ/MN 1999:1). Similar to the project is Aswan, the Participatory Urban Development of Manshiet Nasser thus concentrated on the physical upgrading

<sup>11</sup> The residents of Duweika were taken out of the target group after a revision in early 1999 based on the concept plan. Because KfW was not active in this area, efforts were combined in one area only (GTZ/MN 1999:2; HERRLE AND JACHNOW 2000a:13).

of the area and on the legalisation of tenure through land sales that were to contribute to the re-financing of the expenditures (GTZ/PUMP 1999:3). A strong focus was put on the collaboration between the population and the local authorities; all upgrading measures were therefore to be implemented in a participatory manner.

**Picture 1: Manshiet Nasser**



*Source: own*

From the project start on it was clear that the recognition of certain rights to the inhabitants of Ezbet Bekhit “will make it extremely difficult politically for the government NOT to apply the same approach on other similar areas of Manshiet Nasser” (GTZ/MN 1998c:2). The request of the Governor of Cairo, the district and GOPP to extend the planning and upgrading to all other informal areas of Manshiet Nasser in 2001 did therefore not come as a surprise (GTZ/MN 2001:8).

## **7.2 PARTICIPATORY DEVELOPMENT PROGRAMME (PDP)**

As the relation and cooperation between the projects remained unclear and insufficient, they were officially incorporated into one single programme, the Participatory Development Programme, in 2004.

PDP has been launched with the following objective: „Public administration and civil society coordinate the provision of improved services in order to satis-

fy the basic needs of the poor urban population“ (GTZ/PDP 2007a:2). The project united the four above mentioned projects but assisted four more pilot areas in Egypt. In Ezbet and Arab el-Waldah in the Governorate of Helwan, the Integrated Care Society, an NGO headed by the First Lady, Suzanne Mubarak, started an upgrading project in 2004, using the participatory tools and the technical assistance of GTZ. In 2006, the government together with the World Bank and the Cities Alliance used the GTZ approach for development programmes in three informal areas in Alexandria and is thus closely connected to PDP.

The projects' first phase (2004-2007) focused on supporting local administrations, NGOs and local communities in applying the participatory tools to show their positive results in order to make them replicable and let them become part of upgrading policies on higher administrative levels. Because at the end of the phase local stakeholders were “not yet in the position to apply them or act independently” (GTZ/PDP 2007b:3), the second and last phase (2008-2010) is now focusing on institutionalising the participatory approach on a governmental and national level by developing and using training strategies for capacity building for administrative staff (GTZ/PDP 2007a:2ff). For this reasons Urban Upgrading Units under the lead of GTZ were opened in the governorates of Cairo, Giza and Qalyubia.

In many reports evaluating the PDP progress, the risk not to achieve the specified goals is classified as being high while the possibility to influence this risk is considered to be low. The success of the project is highly dependent on the overall economic situation but especially on the political will of key persons at all levels of administration. “The political leadership of Egypt favours politics of de-concentration under strong central political control. Within this framework [...] services are provided according to the interests of sector ministries” (GTZ/PDP 2007b:10).



## 8. LAND TITLING IN MANSHIET NASSER

Previous chapters have given an overview of the general discussion on the benefits and risks of land titling and formalisation programmes, and of the general framework of GCR and the problem of informal settlements. Chapter 8 will now bring together both topics, analysing the land titling efforts of GTZ in Manshiet Nasser.

### 8.1 INTRODUCING MANSHIET NASSER

Manshiet Nasser is a district in eastern Cairo. It includes the City of the Dead, the famous graveyard that since the eighteenth century had been populated by tomb-keepers and their families. These were followed by workers in the adjacent limestone quarry and finally joined by refugees from Sinai and Suez during the 1967 war (DAVIS 2006:33). In the 1960s construction workers building the suburb of Nasser City started to settle in the closed quarry (Ibid.:27), which is separated from the graveyard by a main road, the *autostrad*, connecting the South and the East of Cairo. First people came from Upper Egypt, then migrants arrived from the Delta, and even young people in search of affordable housing from GCR moved into the area (HERRLE AND JACHNOW 2000a:53). The settlement in the former quarry began with simple houses along the *autostrad* and, with the arrival of new migrants, grew uphill to the east (GTZ/MN 1998a:1) where one finds the steep and dangerous limestone cliffs of the Moqattam plateau.

Picture 2: Aala Razaz and Wadi Faraoon (MN8-9)



Source: own

In 1970 a group of the Zabbaleen – who until this day earn their living collecting and recycling the rubbish of GCR – were relocated to the area from the neighbourhood of Imbaba (Giza) (INTERVIEW SAMEAM 2008), accounting for a continuously growing population in the settlement. From 1996 to 2000, the informal area of Manshiet Nasser<sup>12</sup> saw a high growth rate of 4.5% (WORLD BANK 2008a:26) and today it is the largest informal settlement on state-owned land in GCR (HERRLE AND JACHNOW 2000a:4) with a surface of 7.2 km<sup>2</sup> (SEJOURNÉ 2006:360). People here live in extreme density of more than 2,400 inhabitants per ha in the central parts, making Manshiet Nasser one of the densest areas in the world (IBID.:136). Manshiet Nasser is located in short distance of Fatimic Cairo and through a road tunnel is quickly accessible from downtown.

GTZ divided Manshiet Nasser (MN) into 9 planning zones of which MN1 (Ezbet Bekhit) was the initial pilot area until 2001<sup>13</sup>.

**Map 2: Manshiet Nasser planning zones**



Source: GIS-Unit, PDP, GTZ (2008)

<sup>12</sup> To facilitate writing, „Manshiet Nasser“ in the following is meant to be the informal settlement between the *autostrad* and the *moqattam* plateau, although Manshiet Nasser district includes a larger area.

<sup>13</sup> Planning zones: MN1 – Ezbet Bekhit, MN2 – Masakin, MN3 – Asfal Razaz, MN4 – Garnia, MN5 – Maadissa, MN6 – Khazan, MN7 – El Zarayib, MN8 – Aala Razaz, MN9 – Wadi Faraoon

A socio-economic survey in 2005 (GTZ/PDP 2005) revealed that more than 86% of all houses are built of concrete columns and ceilings and are thus of relatively good quality. Standing out among these are houses in MN9 (Wadi Faraoon) in which 77% of units have wooden ceilings, which can be explained through the relatively low age of this zone. 65% of residents settled in MN9 within the last ten years while most other areas (MN1-6) had their peak of construction between the years 1975 and 1985. This difference between more and less established areas is also revealed in building heights that do not exceed three floors in MN9, yet go up to 15 floors in MN2 along the *autostrad*. Overall, three quarters of all houses do not have more than four floors.

In the late 1960s, President Nasser ordered to extend water and electricity connections to the area (GTZ/MN 1998a:1) and a World Bank project in the 1980s supplied another 70,000 residents with infrastructure, including sewage connections, improved roads and refuse collections (DORMAN 2007:160). Due to the KfW instalment of infrastructure since 1998 in most planning zones (MN1-7), between 85 and 99% of residents enjoy access to water while in the newer areas uphill (MN8-9) figures remain low with 23% and only 1%, respectively. Sewage connections are above 98% in three areas, above 70% in another five areas, but as low as 5% in MN9, which for the most part is dependent on sewage tanks (GTZ/PDP 2005).

Electricity connection was not part of the KfW upgrading and even before the programme connections had been high (GTZ/MN 1998a:3). Today 98% of all houses are connected to the public electricity network, except for a low connection rate of only 52% in MN9 (GTZ/PDP 2005).

Residents are dependent on the poorly functioning refuse collection of public authorities, which forces more than half of the residents to dump their rubbish into the open field (IBID.). Every once in a while informal refuse disposals are being burnt.

Squatters on state-owned desert land are among the poorest Egyptians. Only in three areas have more than 10% of all households more than LE 750 per month to live on and around three quarters of all households have less than LE 500 at their disposal. The unemployment rate is at almost 40%, and a little more than 40% of residents are illiterate. 70% of all residents are younger than 30 years (IBID.).

The small scale economy of Manshiet Nasser is an important supplier for both the area itself and the inner city (HERRLE AND JACHNOW 2000a:10). A Local Economic Development Survey in 2007 established that out of 2,517 workshops in the area, half sold their products<sup>14</sup> in and outside Manshiet Nasser (GTZ/PDP 2007c:10).

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14 Mostly metal products, plastic products, recycling, clothing/textiles (GTZ/PDP 2007c:16).



Although residents of Manshiet Nasser have migrated from different parts of Egypt, strong social bonds according to origin were formed (*rabta*), helping newcomers in finding housing and conducting marriage and burial services (GTZ/MN 1998a:3, Herrle and Jachnow 2000a:53).

**Picture 3:**      **Market along *autostrad***



Source: own

Officially residents are represented by the elected LPC. However, a Citizens-Satisfactory-Survey in 2007 found out that 50% of all 238 respondents considered the LPC's performance concerning their representative tasks as very low. The least rated task was the LPC's responsibility for informing residents about new projects and the development of the area and asking residents about their opinions and suggestions. Not surprisingly two thirds of the residents questioned believed that less than 50% of all residents were aware of the GTZ project. Better known were the more visible efforts, such as the enhancement of water and sewerage (75%), the rehabilitation of schools (40%), cleanliness campaigns to fight rubbish (40%) and street conditions (25%), which were (and still are) upgraded after the water and sewage systems had been implemented (GTZ/PDP 2007d:9f).

In all MN planning zones, 47% of the residents own their residential unit, 44% are renters under the old rental law and 10% under the new law. What is outstanding is an ownership rate of 89% in MN7, the Zabbaleen area (GTZ/PDP 2005). Yet

only one quarter of respondents in the CSS were aware of land titling conditions (GTZ/PDP 2007d:11). This is probably due to the fact that so far the land titling process has been opened in MN1 only, while it is still in preparation for the other planning zones.

Of all businesses, less than 20% have formal licences. Out of the unregistered business owners, only 29% want to get registered. The rest consider the procedure as too complicated and costly, fear high taxes and state that they do not have a valid land title. The Zabbaleen in MN7 stand out with having only 2.5% of their businesses registered and only 1% desiring to do so (GTZ/PDP 2007c:15f).

## **8.2 COURSE OF THE PROJECT**

During its first phase (7/98-6/01), the project Participatory Urban Development of Manshiet Nasser concentrated on quick and visible results to raise the trust of both the residents and the administration. GTZ at first enjoyed high support of both the governor and the district chief, who were actively involved in concept planning during the preparatory phase. In addition to the B.U.S. team, a member of the local administration staff was released from his position in order to work on the detailed planning of the project. The physical planning department of the governorate supported the project in providing maps and planning norms and in discussing different planning options with the project team (GTZ/MN 1998c).

After the approval of the concept plan in 1998 the project underwent further detailing of the overall urban layout of Ezbet Bekhit and submitted area development and action plans to the governorate for approval (GTZ/MN 1999:6). Preparations for the physical upgrading of the area were concluded and some social activities initiated. Participation was pushed but remained based on individual contact without any institutionalising of this approach. Although the Egyptian political and administrative framework is difficult in terms of a successful participatory slum upgrading, the project had received considerable attention of politics and the media at the end of the first phase, even before the actual physical upgrading took place (GTZ/MN 2001:8).

The objective of the second phase (7/01-12/03) was to start participatory slum upgrading measures for all of Manshiet Nasser on the basis of the tested process in Ezbet Bekhit. In Ezbet Bekhit focus was shifted from the implementation of individual projects to capacity building of the actors involved. Because the project was considered a pilot project, new experiences were to be shared with the administration for general policy formulation and for replication in other areas (IBID.:1, 9). Together with GOPP and the planning department of the governorate, a guide plan for all planning zones was completed in November 2001 (GTZ/MN 2002a:3).

The progress report of February 2004 come to a positive conclusion of the project's second phase in terms of visible changes, also due to a strong support

from the district administration (GTZ/PUMP 2004:4). Also an independent evaluation in October 2002 confirms a well-advanced implementation of the planned measures except for the legalisation of tenure (ZISS AND ATTALLA 2002:2). In spite of a delay at the beginning of the implementation of infrastructure measures, water and sewerage infrastructure in 2003 was quickly advancing and was seen as an important tool to show to the population the seriousness of the project. 160 families in dangerous zones were relocated into nearby public housing, ten local initiatives were carried out, and a cultural centre, a sports field, and a community- and women's centre were visible changes (GTZ/PUMP 2004:4f).

After the project was included in PDP in 2004, the application of the participatory development tools continued in the pilot areas: NGOs were strengthened through training programmes, seven more local initiatives were implemented, the entrance to the area was upgraded, a rubbish removal project was carried out together with the residents, 20 out of 34 schools as well as a medical centre were rehabilitated and the work in infrastructure implementation continued (INTERVIEW SHAAT 2008). However, the issue of land titling – as we will see in the following chapters – faced many difficulties.

### **8.3 TENURE SITUATION**

The concept plan for Ezbet Bekhit of November 1998 describes the tenure status as “quite precarious and confused”. Because the land belongs to the state, the residents are not legal settlers and have only been tolerated so far. Approximately ten plots in MN1 had been granted freehold ownership before while for another 50-100 residents the process was started and then frozen again. All other residents are known to the revenue department of the governorate and pay property taxes (*aawayid*). On this basis, they can get water and electricity connections but do not have a general right to the land which the state can take and reuse at any time (GTZ/MN 1998a:1).

#### **8.3.1 FIRST LAND TITLING ATTEMPTS**

In 1978 the World Bank started the First Egypt Urban Development Project in Manshiet Nasser as a pilot project. Through the selling of property titles to approximately 120,000 residents, infrastructure measures such as water, sewage electricity and street paving as well as basic social services were supposed to be financed. This cost recovery approach was to make the project replicable on a larger scale (DORMAN 2007:149ff).

At the start of the project, the Ministry of Housing and Reconstruction and GOPP were not supportive at all. The government had plans to demolish existing buildings in order to build high-rise public sector flats, while the poor were supposed to resettle in new towns. After political pressure and because of the general funding needed from the World Bank, the project was eventually agreed upon. But after a new decentralisation law in 1979, the governorate became responsi-

ble for the project implementation and „institutional memory“, and with it all support was lost again (IBID., SEJOURNÉ 2006:472f). Although Egyptian officials objected to the approach, the bank was successful in implementing infrastructure with the positive effect that „this commitment of capital seems to have led to substantial private investment, leveraging the impact of the original capital and triggering a self-help construction boom“ (DORMAN 2007:160).

Tenure regularisation could not be accomplished, though. It was not until after the project that the Governorate of Cairo began a land regularisation programme for the whole governorate in 1986. In 1990 prices for the state land to be sold within the governorate were set at current market prices. For Manshiet Nasser this meant prices between LE 40 and 200/m<sup>2</sup>. But it was not until 1994 that the process actually started (SEJOURNÉ 2006:444). It is reported that 86 titles were handed out during this first land titling period (INTERVIEW GHANI 2008). The GTZ concept plan mentions ten legalised plots in Ezbet Bekhit out of 50-100 applications (GTZ/MN 1998a:2).

In 1998 the governorate ordered to freeze the land titling process because the area had not been planned properly and because demolition and relocation plans were under consideration (SEJOURNÉ 2006:444).

### 8.3.2 PUTTING LAND TITLING ON THE AGENDA

The *Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung* (BMZ) Sector Policy Paper on Housing of 1996 considered the formalisation of property rights an important requirement to improve the access to formal credits and activate residents investment in the amelioration of their living conditions. This would require the development of simplified cadastral systems and property registration under strong cooperation of local and national authorities (BMZ 1996:12).

In Manshiet Nasser, the granting of land titles initially was supposed to be concluded even before the project's start in 1998. KfW's involvement was based on this assumption, and the construction of infrastructure was planned to begin afterwards. This assumption of the initial project goals stated in the project offer of 1996 did not consider the fact that land titling would need intensive preparation through the development of a concept plan and the approval of DLPs and thus technical aid through GTZ (HERRLE AND JACHNOW 2000a:13).

Therefore the project goals were revised, and the need to support legalisation efforts and to improve the urban layout was included. In the first contractors' report of July 1999 the indicator for this new goal was that urban layout plans and special building regulations had been approved by the end of 2000 and integrated into the overall master plan for Manshiet Nasser of GOPP. By September 2000, all necessary plot readjustments were to be implemented, and by March 2001 it

was planned that at least 40% of all house owners had received legal ownership status (GTZ/MN 1999:2ff).

### 8.3.3 DEMOLITION PLANS

In February/March 1998 – shortly before the project started – the government announced their intention to relocate all inhabitants and demolish the settlement. According to the National Programme for Urban Upgrading of 1993, Manshiet Nasser was to be demolished and rebuilt. The Ministry of Housing, Utilities and New Communities (MHUNC), and in particular GOPP that had been commissioned with the overall planning for Manshiet Nasser, had developed a master plan (general plan) for redeveloping Manshiet Nasser.

According to this plan, 6,000 public housing units and 1,000 shops were planned to be built in a first phase on vacant land in the eastern part of Duweika, adjacent to the North of Ezbet Bekhit. Eventually most inhabitants of Manshiet Nasser were to be resettled. However, according to GTZ information the concept remained vague as it did not show the scale of resettlement needed for all residents of Manshiet Nasser nor contain any information about financing the resettlement. It was only „a schematic model in the Minister’s office and a coloured map without detail“ (GTZ/MN 1998c:3).

As stated above, the GTZ concept plan was approved by Cairo Governorate in November 1998 (GTZ/MN 1999:1). GTZ, together with GOPP, then decided on how to further proceed in the overall planning for Manshiet Nasser. GOPP was recognising GTZ’s efforts for the upgrading of Ezbet Bekhit and willing to cooperate with Cairo Governorate (GTZ/MN 1998c:3). But the disputes between Cairo Governorate and MHUNC about the planning responsibilities for Manshiet Nasser went on. Although the responsibility for developing and implementing development plans was with the governorate, the ministry insisted on its unrealistic general plan. The MHUNC policy at that time was to „modernise“ the urban structure of Cairo. „Upgrading“ for the ministry meant „renewal and replacement“, the demolition and building of new apartment blocks on site without considering the effects on the residents who in many cases would not have the financial means to become owners of a new apartment. The general plan for Manshiet Nasser was understood to be a pilot project for this approach, which, however, GTZ considered „completely unrealistic“ as it greatly exceeded the financial resources of the government itself (GTZ/MN 1999:15). Demolition and rebuilding were expected to be twelve times as expensive as upgrading (GTZ/MN 1998a:5). Moreover, a redevelopment of informal areas would only relocate the problem of unaffordable housing and increase informal building activity on precious arable land on the periphery. Social networks and economic structures would be destroyed (GTZ/MN 2001:3).

The governorate was more favourable for the GTZ plans of upgrading the whole area after the experience gained from the pilot area of Ezbet Bekhit. However, due



to the political pressure from the ministry, the governorate did not officially reject the general plan (GTZ/MN 1999:8, 15). So while the GTZ project of Ezbet Bekhit had been approved on all administrative levels, demolition and resettlement plans for the rest of Manshiet Nasser were still an issue.

Media reports about these plans made residents sceptical about the seriousness of both the government and the GTZ. They were hesitant to participate in the project and waited for visible upgrading measures demonstrating serious governmental commitment. Because visible infrastructure measures of KfW were at first delayed, this „created a situation of confusion and uncertainty on the future development of Manshiet Nasser as a whole“ (Ibid.:8).

In 2000 the Minister of Housing ran for the position of delegate of Manshiet Nasser and, together with the Governor of Cairo, now promised land titles to all informal residents of Manshiet Nasser (GTZ/PUMP 2001:7f). The extension of the GTZ project area to all of Manshiet Nasser in 2001 was an important step to prevent the demolition of Manshiet Nasser (GTZ/MN 2001:5). In 2002 GOPP was reported to be more supportive to the solution of urban upgrading. Still, backing on the national level remained low. The governor's support was little, while the district chief fully stood behind GTZ plans (ZISS AND ATTALLA 2002:6).

## **8.4 PREPARING LAND TITLING**

From 1998 to 2000, GTZ made all the preparations needed to start a land titling process. Detailed maps and plot information as well as administrative procedures had been developed and the scheme was supported by the population despite all the restrictions a legal status would mean for them. However, GTZ had to wait for several years to obtain the vital governor's decree.

### **8.4.1 LAND TITLING PROCEDURE AS PLANNED**

The concept plan of 1998 designed an approach for land titling and relocation in Ezbet Bekhit in three stages: in a short term perspective (first year), all houses that needed to make way for infrastructure facilities and street space would be removed and their inhabitants relocated. Administrative procedures for land titling were to be set up. In a second stage (years 2-4), families living in dangerous zones were to be relocated. For all other inhabitants land titling was to be completed in order to begin issuing building permits. In a long-term perspective (years 5-10), this would lead to the legal private rebuilding of houses along approved building lines. For this, formal building regulations would need minor adjustments to local circumstances, an act allowed to governorates since 1983 (GTZ/MN 1998a:6, 12).

It was suggested to create an Ezbet Bekhit Project Management Unit (PMU) consisting of personnel from the governorate and the district as well as experts and consultants of the German Development Cooperation. PMU would be located in the district building and supervised by a steering committee headed by the governor. A PMU field team, in cooperation with community representatives from

each zone or street, would identify constructions that would need partial or complete removal. The resettlement of families was the responsibility of the Housing Unit in the district, working with the directorate of housing of the governorate (IBID.:19).

The conferring of land titles for plots conform to building lines would start immediately after the work of the PMU field team. For this, a PMU office with representatives from the governorate's *amlak* department, which is in charge of all governmental real estate, was to be opened in Ezbet Bekhit for easy accessibility to inhabitants and rapid procedure. Representatives of the District's Building Licence Administration would join the office in order to hand out building licences to those who wanted to rebuilt their homes along valid building lines (IBID.:20). To be able to easily adopt the procedure to technical and organisation aspects, the project chose a "learn-as-you-go" approach that had already been used in the Nasriyya Project in Aswan.

#### **8.4.2 DECLARATION OF EZBET BEKHIT**

The concept plan included the Declaration of Ezbet Bekhit agreed upon by the main representatives of the inhabitants in October 1998. Among other issues the declaration supported the principle that some buildings (including shops) needed to be removed for the benefit of the community and to reduce risk from the cliffs. The relocation was not to exceed 10-15% of all families and was not to be motivated by private interests. Compensation units in governorate public housing projects were in close distance to Ezbet Bekhit and would be distributed before demolition. Residents also declared to accept building lines for street widening in the long term. There would be no compensation for portions of the building which needed to be demolished at the owners' own expense if they extended beyond building lines. Potential owners who could prove undisputed ownership of their building agreed to reduce their plot size if required to follow building regulations and lines in case of rebuilding the house, to connect the building to infrastructure at their own expense, to renovate rented flats of unhealthy living conditions, and to accept the price and payment conditions of the governorate. Meeting these conditions, the governorate would issue preliminary sale contracts based on which the district could issue building permits if desired. New owners would guarantee tenant rights to actual renters (IBID.:23).

#### **8.4.3 TECHNICAL AND ADMINISTRATIVE PREPARATIONS**

In January 2000, the district chief approved the setting-up of a computer-based property data bank for Ezbet Bekhit in order to identify property owners who were estimated to be 1,600 at the time. This database would facilitate the land titling procedure as well as district administrative affairs such as the collecting of taxes, planning infrastructure and adjusting plot boundaries. Work began in February 2000 with the hiring of a computer operator sitting in the project's office in the

district building. By April 2000, half of El-Goura (one third of Ezbet Bekhit) had been registered based on plot-by-plot field checks on a 1:500 scale. The district's property-tax department confirmed the owners of the buildings, and confusion of records and street names were straightened out (GTZ/MN 2000a:2). GTZ intensively worked with representatives of the residents for a detailed planning, including the improvement of the urban layout (GTZ/MN 1999:8).

In May 2000, the current Governor of Cairo, Abd al-Rahim Shaata, formalised an area development and action plan for Ezbet Bekhit. This plan was the base for serious micro planning of setbacks and building lines in cooperation with citizens' street groups. As the preparation of detailed street and building lines (detailed legal plans) was needed for governmental decrees for conferring land titles, the computer-based work was continued for the other two thirds of Ezbet Bekhit (GTZ/MN 2000b:3).

By October 2000, a preliminary plan for the land titling procedure had been prepared and was to start as soon as the governor would issue a decree to reopen the land titling transfer. At that time GTZ considered this possible as „the climate for such is positive, given the current parliamentary elections“ (IBID.). A project progress review (PPR) of November 2000 stated the intended result of an improved urban layout, formalisation and the handing-out of land titles and building licences as one of the project priorities and also one of the most successful components. The governorate confirmed to the project that its general pricing list for selling state land to informal squatters would apply to Ezbet Bekhit (GTZ/MN 2002b:3), digital maps with ownership information had been concluded, and residents had declared their participation and support. All preparations for the construction of infrastructure had been done in the meantime so that they could start at the same time as the formalisation process (HERRLE AND JACHNOW 2000a:11). Although delays made it seem unrealistic that 40% of residents would have ownership by March 2001, the general project goals had been reached so far. Legalisation had been prepared both technically and administratively, and GTZ saw it as their following task to support both residents and administration in the implementation of the process (GTZ/MN 2001:6).

The project now had to wait for a governor's decree to open the land titling process. Both the vice-governor and the district chief tried to influence the governor, but in vain. In April 2002, it was assumed that the governor waited until after the election of the LPC not to politicise the issue (GTZ/MN 2002b:4). Meanwhile, the project goals were adapted and indicated that half of the residents would have applied for ownership by June 2003 (GTZ/MN 2001:9).

In June 2002, the project representatives discussed several issues with the governor, but while he was especially supportive of the issues of infrastructure, he remained reluctant to give orders for a land titling decree (GTZ/MN 2002a:annex). A project review mission in October 2002 suggested to make future German funds

conditional to his cooperation (ZISS AND ATTALLA 2002:14), but this idea was not followed. In October 2002, the LPC issued an “advice” decree to the governor trying to put pressure on him (GTZ/MN 2002b:4). This began to bear fruit in March 2003, when the governorate secretary general sent a letter to the vice-governor of the western zone of Cairo Governorate with the order to form a technical committee to make all preparations necessary for land titling including the setting of land prices (IBID.). In December that year the governorate’s *amlak* department actually began with these preparations (GTZ/MN 2004:5).

The Manshiet Nasser project was included in PDP in January 2004. The team manager changed from David Sims to Khalil Shaat and with him almost the complete team was exchanged. In July 2004, a third change took place with the inauguration of a new governor for Cairo. Abd El Azim Wazir was more supportive of the land titling issue than his predecessor.

In September 2005, a branch of the registration office *shahr el-aqari* was opened in Manshiet Nasser after a long process of negotiation between GTZ and the former governor. Because this office is the first local *shahr el-aqari* branch ever in an informal area in Egypt, this is a strong signal of recognition for the residents. However, as there have been no titles to register so far its mandate for the time being is to register births, marriages and cars and to hand out IDs (GTZ/PDP 2006:8).

## 8.5 STARTING LAND TITLING

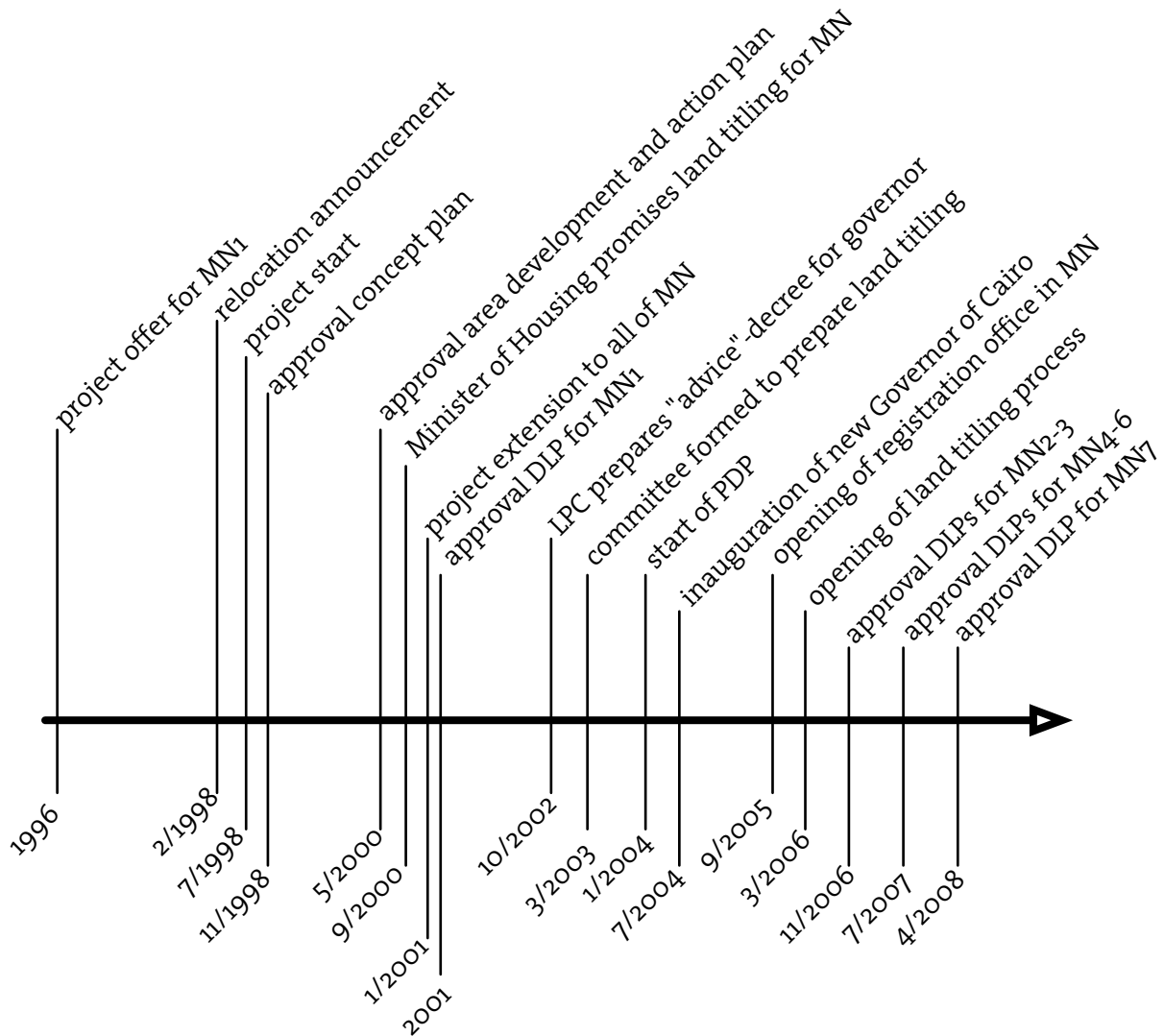
After six years of waiting, the vice-governor of the western zone issued two decrees in 2006 eventually prompting the formation of a committee to collect the applications of all residents in Ezbet Bekhit who wish to purchase their plot. The committee was composed of the chief and two other members of the district housing unit, one member of the *amlak* department, and one of the urban planning department on the governorate level. They were shortly after complemented by the director of the *amlak* unit and the director of the legal affairs unit of the Manshiet Nasser district as well as the new GTZ team manager, Khalil Shaat. They were assigned to work on the issue of land titling, seated in the district building and under the direct supervision of the district chief while periodically reporting to the vice-governor.

Since then 660 out of about 1,600 residents have turned in their applications but no title has been handed out so far (INTERVIEW SHAAT 2008).

Meanwhile the project had continued preparing DLPs for the other planning zones of Manshiet Nasser. After the approval of the DLP of Ezbet Bekhit in 2001, MN2-3 were approved in November 2006, and MN4-6 followed in July 2007. MN7 was approved in early 2008 (IBID.). The Egyptian Survey Authority (ESA) offered to prepare detailed property maps for MN2-5, and KfW agreed upon financing the

required surveys. The Ezbet Bekhit property registration and maps were used as a first example of a cadastre in informal areas (GTZ/MN 2004:5).

**Figure 7: On the way to land titling**



Source: own

### 8.5.1 CURRENT LAND TITLING PROCEDURE

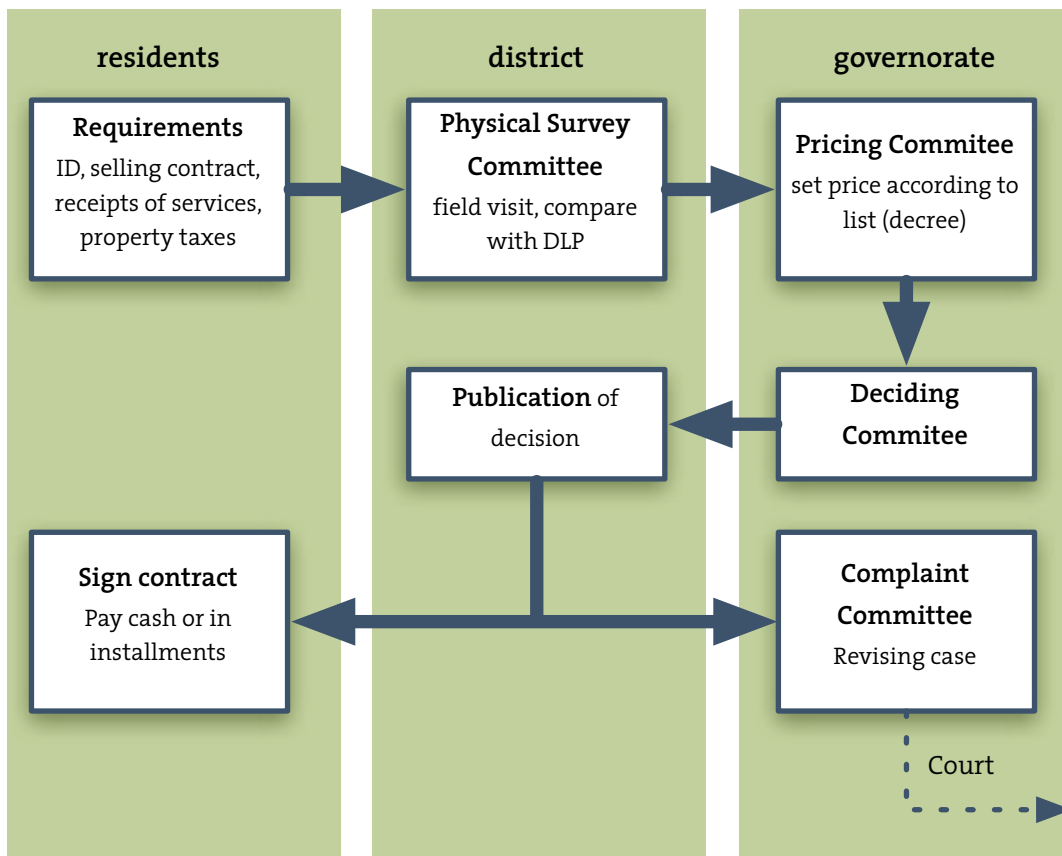
The current land titling procedure involves four committees on both local and governmental levels that are responsible for the processing of an application (INTERVIEW SHAAT 2008):

The Physical Survey Committee (committee 1), formed through the governor's two decrees in 2006, is responsible for comparing residents' applications with the DLP. Those applications that had already been handed in before the re-opening of the land titling process must be reviewed in terms of their compliance with the new planning. At a field visit the committee inspects the relevant site in order to collect information on the plot, the owner, the construction, utilities and legal re-

quirements. In order to apply, residents need to hand in their primary selling contract (*ourfi*) and in the case of heritage also an inheritance notice together with their ID to a local district office. If no contract is available, other documents proving ownership, such as electricity and water bills or receipts proving the payment of property taxes (*aawayid*), must be handed in.

If the application passes this stage, it will be sent to the governorate for a fee of LE 1/m<sup>2</sup>. There a second group of members of the administration, the Pricing Committee, will decide on a price according to the valid pricing list as of May 2006 for Cairo Governorate, setting prices according to location and time of construction. Prices start with LE 100/m<sup>2</sup> for remote areas and go up to LE 200/m<sup>2</sup> for constructions in central locations. These prices are valid for buildings constructed before the law of 1984 allowed governorates to sell state-owned land. The price for plots with houses constructed after the promulgation of this law increases by 8% per year leading to a maximum of around LE 680-1,370/m<sup>2</sup> for a plot covered with construction in 2008, depending on its location<sup>15</sup>.

**Figure 8: Administrative land titling process**



Source: own

<sup>15</sup> The higher figure is a hypothetical one as buildings along the main road were among the first to be constructed and new construction takes place mainly in MN8 and MN9 (Aala Razaz and Wadi Faraon).

A third committee, the Deciding Committee, will take the final decision and inform the district which in return informs the applicant. The file will be published outside the district building giving both the applicant and other people the possibility to object to the decision within 15 days. In this case the complaint will go to committee four at the governorate, the Complaint Committee, and the objection – mostly concerning the price – will be heard and the case reviewed. If the objection concerns other than pricing reasons, e.g. if a third party raises claims on the land, the case will go to court.

If there are no objections, the applicant goes to the governorate to sign the contract and obtains all relevant papers from committee three. He or she will then pay the price for the land either at once or in instalments. A down payment of 10% of the land value needs to be paid at once. The remaining amount can be paid in instalments over a period of three to ten years with an interest rate of 10% per year.

### **8.5.2 REGISTRATION**

The formal registration of newly gained land titles is not part of the GTZ's formalisation efforts, which only concentrate on the technical and administrative preparations for the selling of titles. Although there is the newly opened *shahr el-aqari* branch, it still does not have the mandate to register titles. As the state land of Manshiet Nasser has informally been squatted and subdivided, there are so far no formal property registration records and maps and the development of a cadastre would need to start from scratch. The DLPs developed by the GTZ and approved by the governorate can later be used as a cadastral basis to ease the procedure so that the office could theoretically start the land titling registration as soon as land titles are available (INTERVIEW SIMS 2008).

One interview partner summarised the current situation for registration in Manshiet Nasser as followed: "There is no [responsible] office and there are no records, yet" (INTERVIEW EL-LEIL 2008).

## **8.6 IMPLEMENTATION PROBLEMS**

As mentioned above, around 41% of all property owners in Ezbet Bekhit have applied for a legal land title since the formation of the committee in March 2006, but no land titles have been handed out so far (GTZ/PDP 2007a:22; INTERVIEW SHAAT 2008). The other planning zones of Manshiet Nasser are described in approved DLPs. However, since the opening of the land titling procedure in Ezbet Bekhit in 2006, no efforts have been made to push forward the opening of a land titling procedure for all of Manshiet Nasser as the GTZ team leader is waiting for the approval of the DLPs for the last planning zones in order to request land titling for the whole area all at once (INTERVIEW SHAAT 2008).

The research on the implementation of a land titling process for Ezbet Bekhit as well as for the other planning zones reveals two main problems: the process of

handling applications is extremely slow and the eventual participation of residents uncertain mainly because of disagreements on the pricing. This leads to the question of the general motivation of the government to really hand out formal property titles.

#### **8.6.1 ADMINISTRATIVE CONSTRAINTS**

After the governor's decree inaugurated the land titling process for Ezbet Bekhit in 2006, implementation has been found to be difficult. The process chain of four consecutive committees lacks efficiency because already the first committee is not fulfilling its task. After initial problems of corruption in the group, two members have been expelled by the governor. Still the motivation of handling applications is low, which is not uncommon in Egyptian administration as the staff do not have any personal interest in the issue, are paid very poorly and in addition earn extra-money with informal constructions in the form of bribes (INTERVIEW GHANI 2008; INTERVIEW SHAAT 2008). Two committee members interviewed reported that they handle ten applications per day. However, they did not agree on the number of completed files: while one engineer mentioned that 77 people had received titles and even registered them, the other said that this was the number of files handed in (INTERVIEW MURSHEDY AND MONEAM 2008). While first affirmation is utterly improbable, the second statement contradicts the figures of the GTZ team leader Khalil Shaat who reported that 660 people applied.

Supposed to be meeting once a week, the group has not assembled for several months and only seems to be active when urged by Khalil Shaat, who has also been appointed to the group by the governor. Although the governor seems supportive of the process, he does not intervene. Therefore the applicants themselves would need to come weekly to the office and ask about their case, but as they do not do so, applications are not handled any further (INTERVIEW SHAAT 2008).

Altogether the whole procedure remains very obscure and it cannot be established how many applications have even passed the first stage. There is no effective supervision and monitoring of the process. The GTZ team leader complains about the ineffective and corrupt work of the first committee, but without the support of the governor has no real power to change it. This clearly shows the incapability of the administration to handle this procedure and the unwillingness of the governor to further support the issue. Because no additional institution responsible for the process has been formed, land titling means additional work for the existing administration with the consequence that nothing is being done.

#### **8.6.2 THE PRICING ISSUE**

To make the opening of the land titling procedure public, GTZ informed the residents in four community meetings in the area, handing out one-sided papers which explained the advantages of having a formal title and the disadvantage of not participating. There are no figures indicating the reasons why residents ap-



plied and why not. The CSS, in which residents in all planning zones have been questioned, revealed that half of those who knew about the land titling conditions in Ezbet Bekhit (which were less than one quarter, as described in chapter 8.1) considered them reasonable, which roughly corresponds to the percentage of applications. However, the respondents mentioned high land prices as one main obstacle to apply, be it now or in a future land titling process (GTZ/PDP 2007d:11).

Interviews with LPC members, NGOs and local residents revealed that pricing is an important issue in the land titling process. The pricing list of the governorate, which is valid for all of Manshiet Nasser although the land titling process so far has only been opened in Ezbet Bekhit, is widely discussed in the whole area, particularly among the LPC and other community leaders who consider prices too high.

The prices for a plot with a building constructed before 1984 range from LE 100 to 200/m<sup>2</sup>, which would apply to roughly 75% of all plots in Ezbet Bekhit (GTZ/PDP 2005:48). The average price of LE 150/m<sup>2</sup> multiplied with an average plot size of 60 m<sup>2</sup> (INTERVIEW MAHMOUD 2008), adds up to the sum of LE 9,000. But 83% of the residents in Ezbet Bekhit live on less than LE 500 per month, and the same percentage of people claim to have total monthly expenses of up to LE 500 (GTZ/PDP 2005:57). This suggests that the possibility of saving is very limited, although of course these figures include renters who in general earn less than owners.

If a household wanted to repay this sum plus interest within the minimum time frame of three years, it would have to put aside almost LE 300 per month and eventually pay around LE 1,500 interest (at a rate of 10%). Paying the whole sum within the maximum time frame of ten years would set the monthly rate at LE 120 and interest would add up to more than LE 5,200. While this may be affordable for some, for most property owners, especially for those with an instable income, it would put a heavy burden on their budget and present a high personal risk.

The perception of acceptable prices varies among the people interviewed. While one resident of Ezbet Bekhit said he was not willing to pay more than a pound per square metre for a plot in an area of such standard and urbanised without governmental support (INTERVIEW RESIDENTS 2008), one local NGO director and former GTZ employee considered the proposed prices as fair, taking into account that prices on the informal real estate market are many times higher. In his opinion the LPC's engagement in lowering prices is based on self-interest (INTERVIEW GUINDY 2008). The former team leader David Sims considers prices between LE 75 and 150/m<sup>2</sup> as reasonable (INTERVIEW SIMS 2008).

An official responsible for Manshiet Nasser in the office of the vice-governor considered the residents as wealthy enough to buy the land from the governor and mentioned the high prices of informal dealing with real property (INTERVIEW GEORGE 2008). A deep mistrust towards the residents and their claim of affordable prices was noticeable, although according to the GTZ survey even in the wealth-

ier Zabbaleen area of Manshiet Nasser only 30% of 600 questioned households earned more than LE 750 per month (GTZ/PDP 2005:163).

Another point of dispute is the difference of pricing for constructions before and after 1984. Some think it fair that earlier settlers should pay less but believe that the ratio of raising prices by 8% per year after 1984 is too high (INTERVIEW GHANI 2008). Others argue that newer settlers have already paid a sum for their plots to the informal “owner” while initial squatters put their hand on the land for free and even made profit from dividing and selling it (SEJOURNÉ 2006:444). Some people are willing to pay the land value of the time of settlement since at the time they were not given the opportunity to formally buy the land. Some older settlers of the Zabbaleen do not even consider themselves as squatters since they were by decree relocated to Manshiet Nasser and thus are not willing to pay today’s prices (INTERVIEW SAMEAM 2008).

According to law, at least 50% of revenues from selling state-owned land have to go to a service or housing fund (*sonduq al-Iktima’i al-iskan*) and flow back into the development of the area. In most cases, though, this money goes into the financing of projects in other areas because the service fund is the only fund freely available to the governor outside the annual budget. If revenues from selling land went back to a service fund for Manshiet Nasser, this would be an incentive for the inhabitants to buy their land as they would also benefit from further upgrading measures. In Nasriyya, GTZ has been successful in using revenues to refinance improvements in the area (GTZ/MN 1998a:19). The same system has been proposed for Manshiet Nasser at the very beginning, but has not been implemented so far. New efforts to convince the vice-governor of Cairo are underway (INTERVIEW SHAAT 2008).

It is therefore very difficult to estimate in advance how much money people are willing to pay to purchase their plot and therefore how many people are going to participate in the land titling programme at all. Those residents of Ezbet Bekhit who have already applied for a land title but whose applications have not been dealt with may still withdraw their applications after the Pricing Committee has set the final amount. They may consider a formal notice from the administration as a kind of recognition and feel secure enough without completing the procedure.

The experience of Helwan, Ismailia and Aswan show the importance of negotiated and low prices for the successful implementation of land titling. In the end, the inhabitants have the last word and will carefully examine whether or not the gained security is worth the price. And as has been said above, the implementation of infrastructure for many is seen as *de facto* formalisation already. Using revenues for further upgrading may increase the willingness to participate.

### 8.6.3 GOVERNMENTAL MOTIVATION

Considering the weak political support for the land titling programme before and after the opening as well as the unwillingness to further lower prices, the general governmental motivation of the whole land titling procedure needs to be questioned. Many of the GTZ reports state a high support of officials for the project in terms of the implementation of infrastructure and basic services but not in terms of participation and formalisation. The PDP offer for the last phase, starting in 2008, describes a strong correlation of achieving the goal of participatory upgrading and the political support offered by key persons. The risk of failure is considered high due to strongly centralised governance, which is still prevailing in spite of the announced decentralisation measures. At the same time GTZ sees only a low potential of influencing these risks (GTZ/PDP 2007b:12f).

Changing governors and district chiefs led to changing interests and therefore to a changing degree of political support. The project in Ezbet Bekhit started with a strong motivation concerning the land titling process because it saw a rising support of the government in preparing detailed plans. A report in 2002 finds this support „particularly evident from the activities relating to land titling preparations in Ezbet Bekhit and the work on the guide plan to formally plan for upgrading *in situ* the rest of Manshiet Nasser” (GTZ/MN 2002a:14). However, as has become evident in previous chapters, the formalisation issue lacked the political will so that the land titling programme was put on ice for six years. The PPR in 2007 stresses the importance of resolving the land titling issue as a prerequisite for trust building between the community and the administration and points at political support as an important prerequisite (GTZ/PDP 2007a:22).

As explained above, de Soto’s attempt of formalising the Egyptian housing market failed because of the lack of support of the president and also because of many interest conflicts among involved actors. The government has rather allowed formalisation processes in individual cases such as Ismailia, Nasriyya and now Ezbet Bekhit. Yet the motives for such processes remain unclear.

On the question, “Why is the government interested in land titling?”, one governorate official responsible for land titling said that they work for the benefit of the people as is their task. This was the same official that thought the residents of Manshiet Nasser wealthy enough to pay the appointed prices and indicated that for this reason the service fund was not necessary for the improvement of the area (INTERVIEW GEORGE 2008). Income statistics draw a different picture and therefore the claim of a motivation based on the benefit of the people is to be doubted seriously.

Moreover, formalisation through land titling can bring great revenues to the state budget. For the whole GTZ planning area in Manshiet Nasser revenues from selling land would add up to around LE 2.3 billion (INTERVIEW SHAAT 2008). Also property taxes can be collected more systematically, even though they are already

paid by some residents because they wish to get access to services and because they consider this a kind of proof of ownership. This governmental benefit, which at the same time is a burden to the residents, was mentioned in the CSS as another main reason for not applying for a land title (GTZ/PDP 2007d:11).<sup>16</sup>

The project review mission from October 2002 describes the growing attention that officials are giving Manshiet Nasser now, after it has always been “threatened by massive demolitions and evictions.” The report says public institutions are “concerned” about the area and ministers and the governor have started to pay Manshiet Nasser a visit from time to time. This is considered to be a success for the GTZ project (ZISS AND ATTALLA 2002:7). While this is certainly true in a way, promises under the attention of the media are not in itself pro-poor measures as long as people are waiting for their fulfilment. Giving the people small bits of help (or at least promising these, such as land titles) makes them less likely to protest loudly against the government. This is in line with Dorman’s critique on the government following politics of disengagement, patrimonialism, and risk avoidance (DORMAN 2007:21).

Formalisation can also mean getting control over the areas that in their informality are somewhat out of the public eye. It must be remembered that upgrading efforts from governmental side started after riots between the police and Islamic militants in some informal areas in the early 1990s and that dealing with them “was a matter of preserving the country’s stability” (DORMAN 2007:26). Because the selling of land titles goes along with the registration of all property owners, this can imply a greater control on the area through the public administration.

Besides revenues and political power the government can also benefit from land titling in terms of urban planning measures. As will be discussed in a later chapter, formalisation of an informal area in an attractive location close to the city core that for political reasons cannot be demolished by the government can be an implicit way to open the door for formal high-end investments.

All these benefits suggest a strong political support by the government even if not mainly based on poverty alleviation. Yet at the same time formalisation will also strengthen the position of residents in their claim for further upgrading measures, especially infrastructure and services (INTERVIEW ABDELHALIM 2008). Dorman considers failed donor attempts of regularisation in Helwan and Manshiet Nasser in the 1980s to be a result of the government’s concern over inhabitants demanding services (DORMAN 2007:128). But also citizens’ rights in more general terms, such as social, economic and political inclusion and the participation

<sup>16</sup> In this regard the formalisation of businesses should be more interesting for the government. As this does not lie within the research focus of this paper, it should only be mentioned at this point that the PPR report 2007 considered the formalisation of SME’s „as a crucial issue in poverty alleviation“ (GTZ/PDP 2007a:15). Formalising businesses will lead to the systematic elevation of taxes. But the advantages stemming from formalisation may surpass the amount of taxes paid. A formal business owner will no longer be in need of paying bribes, he will widen his group of possible trading partners (also outside Egypt), he will be able to make legal contracts with them, and apply for national and foreign subsidies (INTERVIEW GUINDY 2008).

in planning processes, may be demanded. The absence of taxation, for example, also means the absence of certain rights and the maintenance of the status quo may be more convenient for the government in this regard (SEJOURNÉ 2006:510). Moreover, the government's hesitant attitude in Helwan and Manshiet Nasser formalisation attempts was also reported to be based on the perception of giving general amnesty to all informal activities and therefore give incentives for more such activities (DORMAN 2007:166).

In a presentation, GTZ considered land titling as a "win-win-approach" in which the government gets revenues from selling land while the residents feel that their real estates are being secured. This is a calculation too simple, as land titling will also be a cost factor for both sides: while residents need to pay a fortune for their security, the government has to concede the residents their rights of formal citizens, thus giving power to the poor.

In any case, formalisation processes are depending on political will as well as on the participation of the residents. If not well negotiated the transfer of land rights will fail.

## **8.7 PROBABLE LAND TITLING EFFECTS**

Infrastructure implementation, which finally started in Ezbet Bekhit in early 2002, raised the residents' trust in the seriousness of the project and thus also raised participation. "However, continued delays to the programme of granting land ownership to the population keeps some of the community from fully accepting the cooperation project" (GTZ/MN 2002a:10). In an external project evaluation, land titling was seen as an "important requirement for sustainability" as residents would be more confident and hence invest into the improvement of their homes and businesses (ZISS AND ATTALLA 2002:13). Soliman notes that besides security, ownership of land and housing in Egyptian culture also means social prestige (SOLIMAN 2004:175). The solving of the tenure problem has been top priority for the resident at the beginning of the project.

At the same time doubts about the feasibility and the effects of a land titling programme were becoming louder. Land titling, the maintenance of infrastructure, resettlement, and the treatment of dangerous cliffs had turned out to be "thorny issues", distracting the project from its key objective of participatory upgrading (ZISS AND ATTALLA 2002:4). After all preparations had been done by the end of 2001, project reports increasingly mentioned possible harmful effects. However, it remained clear that the quick implementation of the land titling programme was essential for the sustainability of the project. But for a long time the land titling process was stuck and meanwhile the project was incorporated into the larger picture of PDP. Increasingly focusing on the institutionalisation of participatory measures, the issue of land titling, which had been one of the initial pillars and main components of the project, was now being marginalised.

As mentioned above, today it is no longer one of the PDP tools that are the heart of the project.

After analysing the past and current land titling procedures, the following chapter will discuss – against the background of chapter 3 – the likely consequences of a continued land titling programme on Manshiet Nasser. While chapter 8.6.3 already discussed, in the framework of implementation, the effects land titling may have on urban management and what is needed for a successful implementation, the following chapter will complement this with the examination of the effects that land titling may have on home improvement, credit access, and the real estate market.

### **8.7.1 EFFECTS ON HOME IMPROVEMENT**

Security of tenure is, in general, relatively high for Egyptian squatters since it is not a government policy to demolish informal settlements without compensatory housing. As explained above, in the past the government has turned a blind eye on informal areas rather than actively trying to stop their development. Even the National Plan for Upgrading Informal Settlements in Egypt of 1993 appointed only a few informal areas to demolition and of these, half have remained in place. In case of demolition, the government has always offered compensation. As long as alternative flats are not located too far from the centre, compensation measures in most cases are highly welcomed by the residents.

In the case of Manshiet Nasser, demolition plans have been withdrawn. However, when KfW entered the area with their instruments of upgrading infrastructure, residents said they still feared the arbitrariness of the government: they believed that KfW had come to demolish their houses. This fear was slowly reduced when residents saw the implementation of infrastructure and basic services (INTERVIEW BAUERFELD 2008). Nevertheless, residents still do not feel completely secure: „If they say we stay, we stay. If they say we move, we move!“ (INTERVIEW RESIDENTS 2008). One interview partner regarded security of tenure in the area high as long as GTZ and KfW were at work but saw the possibility of a demolition of the area as soon as the project was finished (INTERVIEW GUINDY 2008). Obviously, the implementation of infrastructure and social services does not convince all inhabitants.

Putting formalisation of the area on the agenda therefore certainly helps alleviating this fear. Because mistrust against the government is deep, residents need the proof of a land title to trust the government on never evicting neither them nor their offspring, as was mentioned by several interview partners of the area. Having a formal land title will therefore raise the perception of security even when security is quite high already. However, one interview partner, a shopkeeper at the *autostrad*, was very well aware of the high security in Manshiet Nasser, especially after the implementation of infrastructure. Some of the other residents interviewed, though, did not even know about the GTZ project or did not see great

benefits and therefore no increase in security, resulting from it (INTERVIEW RESIDENTS 2008).

As described above, residents in informal areas have found several ways to raise tenure security apart from formal registration. This clearly shows that a formal title and secure ownership do matter to them, but that these are extremely difficult or even impossible for them to obtain.

Therefore, if security in Manshiet Nasser is already quite high but not considered as such, a formal proof of ownership in the form of a land title may drive up investments into home improvement. The concept plan of 1998 expects that “the granting of ownership and bringing properties under the proper legal framework [...] will, over time, guarantee that the housing stock of the area will improve, particularly in terms of proper room size, internal access, and provision of light and air” (GTZ/MN 1998a:12). Also the offer for the second phase of the Manshiet Nasser project in 2001 claims that land titling, together with an improvement of infrastructure, will stabilise the economic situation of numerous small businesses in the area, which in return will lead to the creation of jobs and turn Manshiet Nasser into a local centre of small businesses and services (GTZ/MN 2001:16). One natural leader of the Zabbaleen states: “If I had formal ownership, my house would be a palace” (INTERVIEW SHEHATA 2008). The improved housing stock on agricultural land can also be used as an argument for the fact that ownership leads to higher investments.

The Project Review Mission of October 2002 notices increased private building activities that are not directly part of the upgrading project but a result of an increased investment security. It considers these effects as not intentionally induced but influenced and strengthened by the project (ZISS AND ATTALLA 2002:7). Such investments – without formal ownership – clearly show that the security perception in Manshiet Nasser has increased simply through infrastructure measures and the discussion of land titling. Dorman observed the same findings in the World Bank project during the 1980s: “The post-project construction boom in Manshiet Nasser – despite the stand-off between the governorate and the community over regularisation – contradicts the assumption basic to most self-help programmes that secure land title is a necessary prerequisite for the mobilisation of homesteader savings and labour. If anything, the logic of informal community growth in Cairo suggests exactly the reverse. As suggested earlier, state clearance and upgrading decisions are at least partially predicated on the quality of an area’s housing stock and its access to infrastructure. In this context, upgrading constitutes a kind of *de facto* titling” (DORMAN 2007:162).

Security raises investments and investments raise security. Compared to other slums worldwide, Manshiet Nasser houses are of good quality as people already have invested a lot in spite of their status as squatters. However, there are other factors behind investment decisions besides the need for security. Investments

into housing are also dependent on sufficient budgeting. The improved housing stock on agricultural land can just as well be explained by the households' incomes that are generally higher. Therefore, investment into the informal housing stock in Egypt does not mainly depend on formal and registered ownership.

A chapter on tenure security and home improvement in Egypt would not be complete without considering the widespread corruption among local officials responsible for the reporting of informal construction activities, as has been explained in 6.5.1. To completely avoid paying bribes in Manshiet Nasser would require – besides formal ownership – a formal registration, a valid building licence, and a mode of construction in accordance with the licence, i.e. one considering planning and building standards. In order to widen streets, building lines (*khat el-tanzim*) in the DLPs in many cases neglected existing construction limits. Existing houses need not be rebuilt, but new constructions need to stick to building lines. Therefore, numerous houses along streets would not be able to obtain a formal building licence for additional floors. Rebuilding the whole house would be the only alternative for formal expansion (INTERVIEW SHAAT 2008).

This situation shows that even formal land owners with informal constructions will face the necessity to pay bribes. The number of bribes might go down, though, as formal owners would have a better stand at court. But bribes might also go up for those not applying for a title to compensate for district engineers' lost bribe opportunities. District engineers may also find new reasons for collecting bribes, e.g. by concentrating on other violations of standards and laws. Also in the formalisation process itself the payment of bribes is to be expected if you wish to obtain all relevant documents or to speed up the procedure (SEJOURNÉ 2006:517).

It is difficult to foresee the influence land titling will have on the investment behaviour of the residents, because investment behaviour depends on several factors. Residents planning further construction may be more interested in obtaining a land title than those who have completed their construction. But in spite of a formal title the payment of bribes may persist. Moreover, it should not be forgotten that renters, making up 50% of all residents in Manshiet Nasser, have no property interest and therefore may prefer resettlement "as they would profit from a windfall gain in the form of a highly subsidised new flat" (GTZ/MN 1998c:4).

### **8.7.2 EFFECTS ON CREDIT ACCESS**

The new Egyptian mortgage law of 2001 for the first time allows banks or companies to deliver credits in which a house or flat is used as collateral. Loans can be used to cover up to 85% of the cost to buy, construct or renovate a housing unit. Borrowers must pay an instalment of 20% and the following monthly deposits cannot exceed 40% of the salary. Mortgage loans can be paid off over 20-30 years at an interest rate of 7% (SEJOURNÉ 2006:499).



Even five years after this law – its implementation did not start before 2003 (SE-JOURNÉ 2006:498) – mortgage finance has remained low: only “hundreds of units nationwide” (WORLD BANK 2008a:46) are being financed by mortgage. Although with the support of the World Bank and USAID public and private mortgage institutions have significantly increased their mortgage portfolio, “mortgage finance is still unaffordable (or simply rejected) by the majority of Egyptian urban families” (WORLD BANK 2008b:111).

The requirements for loans offered by three companies (Taamir Mortgage Company, Egyptian Housing Finance Company, and *Amlak* for Islamic Finance) are more or less the same, as stated on their web pages<sup>17</sup>. A stable income has to be proven by either the employer or, in the case of self-employment, by the tax authority. Also property taxes (*aawayid*) for the relevant property need to be proven. The property must be registered and the ownership history of the property demonstrated. In case the mortgage loan is used for construction purposes, a building licence is needed together with plans of the architect/contractor or the urban planning authority to assure the safety of the construction. Some banks have special conditions for low-income groups not earning more than LE 12,000 (single) or LE 18,000 (married) per year. Low-income clients can take advantage from 30 years of payback time and lower instalment rates (25% of salary instead of 35-40%). Some require insurance policies issued by the company against hazards such as death and fire. In practice interest rates of all banks lie around 13-14% instead of 7% per year.

These high requirements of access exclude most Egyptians from qualifying for a mortgage loan and are far out of reach for residents from Manshiet Nasser. A formal land title in itself will not open the way to mortgage finance – as proclaimed by GTZ in various presentations – because it is reduced to registered houses only. But even if the new owners finalised the formalisation of their property through registration, they would be rejected due to a low and instable income. As explained above, un-employment in Manshiet Nasser is quite high and households’ incomes are quite low and instable because most people work in the informal sector. The extra requirements for low-income households do not reach the poor, but rather middle income classes. Building licences and proof of the constructions’ stability may also be difficult to obtain.

However, even if residents of Manshiet Nasser are able to fulfil all requirements, a lack of trust in formal banks and financing companies may hinder them from applying for credits. When asked about access to investment finance for home improvement, residents mentioned instalment agreements with the constructor and group savings. *Gamayyat* are saving clubs in which each member – mainly women – puts a monthly deposit. Every year one group member will have

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17 See [www.taamirmortgage.com](http://www.taamirmortgage.com), [www.ehfc.com.eg](http://www.ehfc.com.eg), [www.amlakfinance.com](http://www.amlakfinance.com) (these three banks are listed for mortgage finance on the website of the Ministry of Investment under [www.investment.gov.eg](http://www.investment.gov.eg)), 11.10.08

access to the fund which, depending on the group size and deposit amount, can be enough for housing investments. Such informal ways of credit access are based on trust, and the lender need not fear the loss of their home in case of an unforeseen problem of repayment (INTERVIEW NAGAH 2008). One interview partner showed a religious concern about loans with interest rates (INTERVIEW RESIDENTS 2008).

The same could be observed in the LED survey, in which businesses were asked about credits. Only 10% of all respondents had obtained loans, although the survey does not differentiate between loans from banks, micro-credits schemes and friends. Out of those who did not get any loan, 41% did not want to get one because they considered interest rates too high. Almost 13% had applied for a loan without success. The remaining 46% did not show any interest in a loan, claiming that they did not need one. Overall, 70% said that they did not want to receive a loan in the future. Therefore the interest in loans is quite low in general (GTZ/PDP 2007c:17ff).

Thus mortgage loans will remain either out of reach or undesirable for most Manshiet Nasser residents, even if they obtain a formal land title.

### **8.7.3 EFFECTS ON THE REAL ESTATE MARKET**

The concept plan of 1998 expects infrastructure of high standard, widened streets and secure tenure to create “dynamic land and housing markets”, as the demand for private plots in the area will rise among low-income groups. New investors of higher income development will be interested, too, but restricted building codes – especially limits in height and an according floor area ration – will restrict the possible land exploitation, and thus a market eviction of the poor is not expected (GTZ/MN 1998a:13). Because plots remain small and streets somewhat narrow in the DLPs, usages that need a different urban layout would need a change of the approved plans (INTERVIEW SHAAT 2008). Others stressed that investors were not interested in the location of Ezbet Bekhit or Manshiet Nasser as they were discouraged by its reputation of being “full of rubbish and thieves” (INTERVIEW SIMS 2008).

Still, formalising an informal settlement will at least technically open the door for higher income interest groups to formally get access to valuable land in good city locations. Some interview partners believe that formalised areas will eventually be taken over by investors of high-end development who will clear and rebuild the area (INTERVIEW GOUDA 2008). Pointing at international experiences, the PPR of 2000 (HERRLE AND JACHNOW 2000a:27) states that a certain degree of social segregation has to be considered: “Upgrading of low-income settlements can trigger economic and socio-economic changes in the area such as land sales and speculation. This is also expected to happen in Manshiet Nasser to some extent, as soon as the legal status has changed and services are provided.” A report of 2000 stresses the central location of Manshiet Nasser and a risk of market evictions “when land titling is done in a way which allows speculators to purchase

large plots, tear down existing structures and build new houses for the middle class" (ZISS AND ATTALLA 2002:8).

The PUMP project report of 2001 notes that already an intensive external aid can lead to market evictions. The smaller an area is the higher will be the speculation pressure, especially in centrally located areas such as Ezbet Bekhit (GTZ/PUMP 2001:8). In a statement letter to this report, BMZ also sees this danger, which has been experienced in upgrading projects worldwide. BMZ admits that speculation pressure cannot fully be avoided but possibly reduced. Minimal and quick upgrading and legalisation interventions on a large scale, reduced subsidies, a strong participation of residents to tighten the attachment to the area, the strengthening of social networks to avoid individual poverty, the promotion of the local economy and employment as well as small changes of the urban layout, e.g. through the perpetuation of narrow streets, are measure to keep up the social composition. The GTZ project in Ezbet Bekhit, BMZ further argues, has considered some of these points. Still the ministry has been aware of the very good location and the small share of Ezbet Bekhit in all informal settlement, which could raise the pressure on the area. It has been agreed with the project to further observe the mobility in the area, but no further figures on this were found (BMZ 2001).

Without extensive research it is difficult to foresee the impact land titling will have on the area. Today the transfer of real estate in Manshiet Nasser is low. Most squatters build their houses for self-use and for their offspring, reducing mobility in the area. The market for empty land is limited as little empty land is left. An active market among Manshiet Nasser residents will probably not evolve from land titling. Residents of Manshiet Nasser assert that due to their strong community cohesion a land title would not make them leave the settlement as this community is „their family“ and a very important social aspect (INTERVIEW GHANI 2008). Also the necessity to live close to their workshops makes movement unlikely. Others told us about a strong wish to leave the settlement in favour of a better place (INTERVIEW RESIDENTS 2008). However, the options are limited and moving into a more advanced but still informal area may be the only alternative. Selling house and land will bring one-time revenue not necessarily allowing a low-income family to permanently improve their standard of housing. Revenues may be invested in income-generating activities, which would, however, place residents once again in a less secure tenure situation.

The decision on whether or not to sell the newly gained land title will therefore strongly depend on the individual situation of the owner and his or her economic calculation. If investors of high-end development are interested in buying plots this will certainly influence the residents' decision, and they may speculate on very high selling prices. Whether people will profit from selling their property or be exposed to market eviction therefore depends on housing alternatives as well as on the negotiated price.

The eviction of renters in Manshiet Nasser through land titling is unlikely, especially for those that fall under the old rent control. More than 50% of the residents in Manshiet Nasser are renters, and citywide most renters signed contracts before 1996. Therefore all owners of land title having renters contracted under the old renting law would have to give high compensation to these, another factor that will influence market dynamics. At the same time, the option for the ultra poor to rent in Manshiet Nasser would be diminished as a rising land value would also be reflected in rising rents.

The fear of attracting more squatting through the opening of a land titling process is not unfounded. As people in Manshiet Nasser heard about upgrading and relocation plans, even more came to the area and settled in adjacent sites (HERRLE AND JACHNOW 2000a:27). Especially plots further away from the *autostrad* (settlements in Aala Razaz and Wadi Faraoon) faced new squatting or a densification of existing housing in the last years. However, as mentioned above, the possible horizontal expansion of Manshiet Nasser is limited.

In any case, a formal title will give the residents the right to sell their land properly for a higher price than the one they have paid. This basic principle of land titling and formalisation according to de Soto will raise revenues of low-income families and alleviate their poverty. People may leave the area if they consider that this will improve their situation. This may eventually change the character and social mixture of the settlement and may also attract higher-income classes. Newly legalised owners cannot and should not be denied this fundamental right of ownership. It seems, however, that GTZ cannot estimate the effects of the land titling efforts on the area, and the risk of market eviction – and be it in a long-term perspective – remains.

# **CONCLUSION**

## 9. CONCLUSION

The formalisation of informal areas and the allocation of property titles to “owners” of squatter land are intensely discussed topics. And although critical voices have grown stronger since the first formalisation attempts in the 1980s, formalisation programmes are still put on the agenda of upgrading measures. “Despite recent shifts towards more flexible tenure regularization procedures, emphasis is still placed on access to individual ownership based on the allocation of individual property titles” (DURAND-LASSERVE AND ROYSTON 2002b:12). In his neo-liberal approach, de Soto seeks to empower the poor by capitalising their assets, and therefore to make capitalism work. The government’s role is to change its administrative system of property registration in a way that allows the poor to bring their “dead capital” alive.

Can this simple equation be applied to all non-western countries? Will the poor of an informal settlement in Egypt’s capital also be empowered when selling to them the land they informally occupy? *What are the probable effects the GTZ land titling programme will have on the squatter settlement of Manshiet Nasser?*

GTZ has included land titling into their Participatory Upgrading Programme because residents mentioned this as their first priority. Long before GTZ’s involvement, the residents were promised land titles in a World Bank project, then again government froze the process and publicly thought about relocation before GTZ convincingly suggested upgrading, including land sales. After a long time of missing support, two years ago land titling was finally opened to residents of one planning zone (Ezbet Bekhit). At that time residents were handed out an “important announcement” from the governorate stating the advantages of formal property and the disadvantages of not applying for a land title. Residents were to have free hand in buying, selling and inheriting the land they occupy and in building at any time; land titling would enable them to build according to the law and to get access to basic services; they were save from eviction and punishment. In contrast, those not participating were to expect continuous chasing from public administration and would thus continue to build unsafe constructions without access to infrastructure, in a great hurry and with fear. The GTZ team manager of Manshiet Nasser described their efforts as a plain win-win-situation: residents were to gain ownership and access to credit while the government was to profit from revenues (INTERVIEW SHAAT 2008).

However, a closer look at the local circumstances of Manshiet Nasser reveals that the coherence of land titling and improved living conditions is not as strong as supposed by proponents of the programme. As has been argued by several experts in the general discussion dealt with in chapter 3, in Manshiet Nasser, too, some expected effects will need much more than a land title, and unforeseen negative consequences may occur.

One of de Soto's most argued advantages – that formal land titles may be used as mortgage in order to have access to a formal loan – presupposes a credit system that combines mortgage loans with micro-credits. Seven years ago, Egyptian banks got the opportunity to give out mortgage loans, and special conditions for low-income households were set up. The beneficiaries of the new law are not the poor, though. In fact, due to the lack of a formal registration system, there have not been many beneficiaries at all so far. Land titling is a first, but necessary, step towards mortgage loans. However, granting loans to the poor is not dependent on land titles only but hinges on several other requirements, such as stable incomes and building licences. It also must be understood that giving a loan to a low-income household does not simply require trust on the bank's side, which can be strengthened through mortgages of registered property. It is also the applicants that need to have trust that taking up a credit will not ruin them. In Manshiet Nasser, alternative credit forms are preferred because of a fundamental mistrust towards formal banks in times of payment inability, which will not be compensated through formal ownership. Primarily there is the need for banks that focus on micro-credit schemes to reasonable conditions and without the need for formal title.

The ongoing reform of the registration system, including the setting up of cadastres, will facilitate access to mortgage loans for all registered owners. For Manshiet Nasser and all other informal areas it is doubtful that they will soon benefit. Hope can be placed on the local registration branch in Manshiet Nasser, which on the basis of the DLPs may set up a cadastre of the area (INTERVIEW SIMS 2008). But for the time being, land titling without registration will formalise Manshiet Nasser only half-way.

The effects the GTZ land titling programme will have on the real estate market remain more than uncertain. De Soto's approach is one of an economist. Selling the newly gained land may bring profit to the individual. But it needs to be considered that the housing market in Manshiet Nasser is rather flat and selling house and plot will not in every case improve living conditions. Land titling may also create self-dynamics that will change the whole social composition of the settlement. The possibility of a complete take-over through high-end developers cannot be eliminated completely although GTZ tries to prevent this through urban layouts that do not allow large constructions. The central location of Manshiet Nasser is a very important factor in this regard. At least during the first project phase, BMZ and several external experts have mentioned possible negative effects such as a rising market pressure on the small but valuable land or the encouragement of further informal development. In a PUMP Policy Discussion Paper, Durand-Lasserve writes: "Problems relating to speculation, parallel land markets, and social eviction should not be underestimated" (DURAND-LASSERVE 2000:13). However, it seems that these concerns have not been investigated into more carefully.

Also it is not certain that the expected investments into housing improvement resulting from tenure security will be made. Home improvement is dependent on several factors, the perception of tenure security being only one of them. Tenure security in Manshiet Nasser is high but not perceived as such by all residents. Therefore formal titles may increase the willingness to invest, given the condition that both the need and sufficient funding exist. However, this leads to another fundamental misunderstanding of the formal status a land title will bring: handing out land titles will make Manshiet Nasser residents proper owners of their plot and house. The construction, however, may still be informal as long as it contradicts planning and construction standards. “Some of the conditions that allow informal settlements to survive are also obstacles to their regularisation” (BANNERJEE 2002a:56). The high requirements for formal building licences might not be met in spite of formal ownership. Residents will then have a similar status to all formal owners of plots within informal areas built upon agricultural land. Their ownership is not contested, their constructions are. Under these circumstances a reduction of bribes to local officials cannot be expected.

De Soto calls for changes so fundamental that they touch many issues of urban planning and market mechanisms. Registered properties, to him, are a prerequisite to a functioning capitalism. But it seems that simply taking his idea and creating a programme based on it underestimates the complexity of the issue. “De Soto has not solved the mystery, but he has highlighted one small part of the solution” (Bromley 2004:286). Taking this “small part of the solution” out of its overall context may result in a lie that calls on the poor of Manshiet Nasser to take risks in investing huge amounts for a piece of paper that will not bring great changes to them. In the end, titles will raise their perception of tenure security. But because they will still be without registration and building licences, infrastructure and basic services, education or simply a positive reputation, they will continue to live in an “informal settlement” in spite of their formal ownership. They may be less worried about eviction but will continue to generate income through unstable employments or small workshops rather than through formal credits or rising market values of their homes. Bromley accuses de Soto of using polarised categories of formal and informal that do not comply with the situation in most developing, not even in developed, countries (BROMLEY 2004:277).

The land titling programme is far from being a simple win-win-situation. The relation between government and residents is one of opponents rather than of partners: what is positive for the one side may be negative for the other. Revenues for the government mean a heavy financial burden for very poor households. Citizens’ rights through formal ownership mean commitment for the public authorities to supply the poor with services. Securing investments means fighting corruption. Empowering the poor is the opposite of keeping them calm for national security reasons. Giving them a voice means introducing democracy. For a successful transfer of land including all benefits this can bring, a real coopera-



tion between the two parties is essential. This, however, means to negotiate with Manshiet Nasser residents at eye level in order to really find a solution that is profitable for both sides.

This leads to the second part of the questions this thesis examines: *under what conditions could the full benefits of this instrument be achieved?* As we have seen, some of the promised effects will require fundamental reforms. The financial sector needs improvement to open credit access to the poor. The administration wants to be reformed in order to prevent corruption and guarantee a smooth implementation. A cadastre must be set up, at least for Manshiet Nasser, but better for all of Egypt including the vast expanse of informal areas. Building and planning regulations need to be pro-poor in order to allow affordable constructions in the legal way. Absurd bureaucratic constraints hindering formal construction must be eliminated – once again calling for a reform of the whole administrative system.

All this will need strong political support and policy changes in favour of the lower-income households on the highest level. “In order to be successful in upgrading urban informal settlements – including regularising tenure rights – political continuity, will, and commitment at the highest level is required” (DURAND-LASSERVE 2000:15). Land titling calls for further reforms in order to be effective, reforms call for political will in order to be implemented, and pro-poor reforms call for good governance in order to understand the needs of low-income households. Therefore de Soto deserves support in his approach of implementing formalisation on the highest political level only. The complexity of the programme, including all the reforms that are necessary to unfold the benefits of formal property titles, calls for high political support. But it also calls for strong local administrations that have the capacities to handle applications.

The Egyptian government has taken certain steps towards decentralisation, democratisation and participation. In the national five-year plan for economic and social development 2002-2007, the government for the first time put the participation of citizens and civil society organisations in the planning process on the agenda (GTZ/PDP 2007b:4). However, the PPR of 2007 clearly suggests that from a governmental point of view informal urban areas are still perceived a problem rather than a solution to housing for poor and low-income families (GTZ/PDP 2007a:7). Moreover, the new cabinet of 2005 has declared decentralisation as one of their main tasks. It remains unclear, though, whether the government is really willing to mobilise civil society and whether the ministries are willing to give more power to local administrations. So far the local development still depends strongly on the decisions of the sector ministries (GTZ/PDP 2006:11ff, UNDP/INP 2008:63). Large reforms that would benefit the poor in fully giving them the advantage of their land titles are unlikely to happen soon under the current political circumstances, although at some points there is reason for hope.

So far de Soto himself has failed in implementing a formalisation programme on a national level, and GTZ has not even enjoyed strong support for the implementation of a small-scale land titling programme affecting a few thousand of several million informal residents of GCR. Apart from larger reforms on the national level, the land titling programme in Manshiet Nasser needs the support of a key person in the administration. Otherwise it is to be assumed that the actual process will not proceed any further.

Even after the governor had opened the process, an ineffective and partly corrupt team of public employees was assigned with the task of handling applications, disrupting the whole procedure. Missing participation in the process of land titling deprives the residents of the power needed to push their request any further. Moreover, land prices have been set that were not negotiated with the residents. This has led to a controversial discussion among LPC members. But this does not mean that the voices of the plot holders themselves have been heard. The examples of Helwan, Ismailia and Aswan have shown that price negotiation is a fundamental prerequisite for a successful land titling programme. Although powerless for the most part, it is up to of Manshiet Nasser's residents to decide whether or not they will participate in the programme and apply for a title. And this decision in return will be mainly based on the prices the government offers them. If they benefit from the programme as it is, why have not all residents of Ezbet Bekhit applied for a land title yet? Prices remain too high and the application procedure too inefficient. Both facts call for a stronger participation and for confidence-building measures.

A look at the governmental acting (or rather non-acting) in the land titling issue as well as at the advantages and disadvantages the government will have evinces that the required political support for land titling programmes in general, and in Manshiet Nasser in particular, is not easy to be gained. As long as it is not one of the top priorities with great benefits for the government, the Governor of Cairo will have more important issues on his agenda. Promising land titles at least sounds good. But does the government really want to sell the land? Or is opening an ineffective land titling process a compromise that will ostensibly welcome GTZ's work and at the same time hold the government out of this risky affair? As long as no specific action is being taken to speed up the procedure, the land titling programme remains a farce.

For all the reasons stated above, it seems unlikely that de Soto's approach will be applicable in Manshiet Nasser. Land titles may be handed out if the implementation is being pushed. But the real benefits will be lower than those promised. Because tenure security is high, land titling will mostly increase the peoples' perception of tenure security and their feeling of recognition and belonging (INTERVIEW EL-ALAILY 2008). PAU/PUMP has started to investigate possible effects of, and alternatives to, formalisation before. But it seems that these efforts have per-

ished with the years without clearly formulating what this means for Manshiet Nasser. Because for a long time nothing happened, the issue was pushed aside to make way for more urgent tasks and today is mainly in the hands of the GTZ team manager, who is convinced of the positive effects land titling will have.

Neither for the residents nor for the government is land titling associated with positive effects only, although positive effects can be seen on both sides. A careful consideration of the pros and cons will need to take place with all the parties involved. In order to turn the programme into a real win-win-situation, a climate of honest negotiation on both the price and the procedure needs to be created. Lowering prices to a level that can bear up under any individual cost-benefit analysis would be a strong sign of political good-will, as would be the serious implementation of a service fund leading all revenues from land sales back into the area. Insisting on prices that are too high for most residents, though, will make the government even less credible than it is already. It should not be forgotten that many residents have already paid for their plots in spite of their informality (SEJOURNÉ 2006:528). Also, the government cannot put pressure on those residents who do not want to apply for land titles for various reasons, as they have done in the announcement stated above. There must be a guarantee of secure tenure for all residents as the basis for any further upgrading, be it with the help of GTZ and KfW or on a self-help basis. This also includes a protection against market pressure that may result in a relocation of the community.

In Manshiet Nasser, land titling was put on the agenda after the residents expressed their priorities in a first workshop and therefore cannot be thought of as a top-down measure imposed on them. Also several GTZ reports have underlined the importance of a quick solution of the land tenure issue in order to gain the residents' trust in the project's activities. But before lapsing into facile activism it is important to understand the residents' reasons for their request. "International experience suggests that ownership through the provision of property (freehold) titles is not a priority among the urban poor, unless there is no other alternative for obtaining security of tenure. However, demand for property titles remains important in countries or cities where people do not trust central or local governments to keep their promises regarding protection against eviction and provision of basic services" (DURAND-LASSERVE 2000:13). It seems that the Egyptian government is such a case. As said before, tenure security is quite high but not perceived as such. Land titles in Manshiet Nasser are requested due to a lack of trust.

Therefore other measures raising tenure security should be taken into consideration. Many international experts have argued for an incremental upgrading along a continuum of rights and for the focussing on tenure security (DURAND-LASSERVE AND ROYSTON 2002a, GILBERT 2001, PAYNE 2000, UN-HABITAT 2008, UNRUH 2007, et al.). Durand-Lasserve suggested to PUMP to hand out "starter titles" in a first stage that could later be upgraded to "intermediate titles" and in a last

stage to freehold titles. The choice for the appropriate title depends on the type of settlement, community organisation and the resources of both administration and households. Rather than working on a small scale he suggests to implement formalisation (also for informal areas on agricultural land) on a national scale, possibly with a national agency or statutory body to be created for this purpose (DURAND-LASSERVE 2000:26). But, as we have seen, this has already been tried before. Experience in India and Brazil shows the success of handing out collective rights of usage (without the right of transfer), or to create “special zones of social interest”. While they offer security to the whole community, such mechanisms avoid property speculations because the public area is not privatised (BANERJEE 2002b, SAULE 2002).

International case studies have shown that “conventional tenure regularization programmes based on the allocation of individual freehold are neither possible nor desirable” (DURAND-LASSERVE AND ROYSTON 2002c:254) and that many titling programmes have faced technical, political, administrative, financial, and also cultural constraints. The key role of community participation is stressed by many experts. And although alternative approaches to secure tenure are less complicated and therefore cheaper than land titling programmes, governments remain reluctant because ensuring security of tenure means a “clearly declared political will”, listening to the people, and the recognition of their legitimacy “while accepting the political risks and cultural changes involved” (DURAND-LASSERVE AND ROYSTON 2002c:247).

When rescue efforts were stopped four days after the rocks fell down on Manshiet Nasser, media reports stated that “hundreds of secret police and state security personnel spread across the area to prevent demonstrations and stop non-government media from conducting interviews or taking pictures” (EL-SAYED 2008). The government claims to have given compensatory apartments to over 100 families. Protests of the victims, however, suggest that due to corruption, flats have been given to people outside the area. Many bodies have been left beneath the rocks, making it more difficult for affected families to get compensation without the required death certificates (MAYTON 2008).

Once again the policy of state-society disengagement, clientelism and risk avoidance as described by Dorman appeared, showing clearly the true perception of poor settlements. As long as this attitude does not change and the government does not start to truly support the poor, either land titles will not be handed out or relevant programmes will remain insufficient. Formally registered property is a high and valuable goal. But there is a long way to go and smaller steps need to be taken in order not to miss its benefits.

# **APPENDIX**

## **10. APPENDIX**

### **10.1 INTERVIEW PARTNERS**

**Abdelhalim, Khaled**, GTZ, Team Leader of Urban Development Unit, Advisor on Informal Areas to Giza Governorate, and Team Leader of Boulaq el-Dakrour Pilot Area, Cairo, 06.04.2008

**Bauerfeld, Bernd**, Dorsch Consult, Water and Environment, on behalf of KfW, Cairo, 28.02.08

**El-Alaily, Sameh Abdallah**, Urban Rehabilitation Professor at Cairo University, Architect, Urban Planning and Conservation Consultant, Cairo, 27.03.2008

**El-Helbawy, Hisham Abd El Razik**, GTZ, Senior Advisor for Local Administration and NGO, Participatory Development Programme in Urban Areas (Ezbet & Arab El Walda), and Team Leader of Helwan Pilot Area, Cairo, 01.04.2008

**El-Kenawy, Ahmed**, LPC-member in Manshiet Nasser, Cairo, 02.03.2008

**El-Kholei, Ahmed**, Professor of Urban Planning and Chairperson of Department of Architecture, Faculty of Engineering, Menofia University; President of Consultants for Development and Environment (CDE), Cairo, 30.03.2008

**El-Leil, Azez Abu**, Head of a local NGO in Manshiet Nasser, Cairo, 02.03.2008

**George, Gameel**, Governorate of Cairo, 09.04.2008

**Ghani, Abdulla Abdul**, Chairman of Manshiet Nasser Local Popular Council, Cairo, 01.03.2008

**Gouda, Dalia**, GTZ, Senior Advisor for Monitoring, Water Management in Agriculture, former member of technical team in Participatory Urban Management Programme, 02.04.2008

**Guindy, Ezzat Naem**, *Director of NGO "Spirit of Youth Association for Environment Service"*, former GTZ-staff in Manshiet Nasser office, Cairo, 10.04.2008

**Mahmoud, Ezzat Mohammed**, District Employee, released for the GTZ-office in Manshiet Nasser, Cairo, 03.03.2008

**Moneam, M. Abdul**, Amlak Department, Governorate of Cairo, Cairo, 03.03.2008

**Murshedy, Samy**, District Employee, Manshiet Nasser, Cairo, 03.03.2008

**Nagah, El-haja**, Head of a local NGO and LPC-member in Manshiet Nasser, 02.03.2008

**Residents** of Ezbet Bekhit, people asked on the street in Ezbet Bekhit, Cairo, 06.04.2008

**Sameam (Father)**, Head of the Coptic Church in Manshiet Nasser, Cairo, 03.03.2008

**Samy, Khaled Mahmoud**, Professor, Department of Architecture, Faculty of Engineering, Helwan University, Cairo 08.04.2008

**Shaat Khalil**, GTZ, Manager of Unit of Informal Areas Upgrading, Governor Advisor, and Team Leader of Manshiet Nasser Pilot Area, Cairo, 28.02.2008

**Shehata, Shehata Ebrahim**, Chairman of NGO "Spirit of Youth Association for Environment Service", natural leader of Zaballin area in Manshiet Nasser, Cairo, 01.03.2008

**Sims, David**, Consultant and former Team Leader of Participatory Urban Development of Manshiet Nasser, Cairo, 25.02.2008

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### **10.3 EIDESSTATTLICHE ERKLÄRUNG**

Ich erkläre an Eides statt, dass ich die vorliegende Diplomarbeit selbständig und ohne fremde Hilfe verfasst habe. Ich habe dazu keine weiteren als die angeführten Hilfsmittel benutzt und die den benutzten Quellen wörtlich oder inhaltlich entnommenen Stellen als solche kenntlich gemacht habe.

Berlin, 8.1.2009

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