

Adequate & Affordable Housing for All

Research, Policy, Practice

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State versus civil society: An approach to affordable housing in Egypt: Policy and practice

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ABSTRACT

Housing is one of the major sectors of national development. It plays a vital role in such a developing country like Egypt. Housing finance mechanisms have witnessed major shifts since 1952. This paper is concerned with the transformation of the state role in providing shelters for urban poor to the nowadays civil society acts in the creation of affordable housing.

The reformulation of actors' role was the result of national and international key changes on both economic and political levels. Movements and Trends like westernization, globalization, and changes of lifestyles, modes of consumption and production and capitalism have great impacts upon housing finance mechanisms and government policies.

The scope of this paper is not looking for redefining affordable housing, but towards better understanding of the mechanism of achieving such housing rather than theoretical definition. An affordable house is not a spatial organization but rather a reflection of social and economic lifestyle. Affordability was a major issue for governmental policies under the umbrella of social welfare and was considered as a monster that threatens any development actions. This concept has been diluted by the influences of cultural shifts.

This study includes three main parts: the first, historical background for housing finance in Egypt. Secondly, the paper investigates the role of donors and civil society in providing affordable adequate housing for the urban poor. The last part of the study monitors some case studies and similar experiences in aim to conclude with the lessons to be learned from these experiences.

1. LOW-INCOME HOUSING FINANCE IN EGYPT**1.1. Informal Mechanisms**

It is estimated that a percentage varying from 50% to 75% of the building activity in Cairo takes place through the "informal" sector (Joint Housing Team for Finance, 1977; GOHBR, 1982), i.e., it is conducted without building permits or clear title to the land. The houses are normally "squatter" settlements on government land or are built on land that has been "illegally" subdivided by the individual owners and sold off at relatively low prices. Financing of this form of housing construction most of necessity be obtained from sources other than the existing formal credit institutions, which require documentation of land title, building permits, etc.

Several informal financing mechanisms have been devised which make such building activity affordable for families with limited means. The bulk of the financing is through personal savings. Informal savings cooperatives (gamiya) whose membership is on a highly selective basis are a prevalent means of savings for families at all income levels, but they tend to be even more widespread among lower income families. They are generally formed as a means of making cash available when needed for the purchase of a variety of relatively expensive items including those connected with housing. Each member is entitled to receive the full amount pooled by the group on a monthly rotating basis after contributing a specific sum each month.

Purchase of the land requires an initial down payment which is agreed upon between the buyer and seller. The remaining balance is then paid off in equal installments over a period of up to 12 years. The number and size of installments is also decided upon between seller and buyer. In some instances, the buyer is charged a fee of roughly 10-20% to compensate the seller for the amount of time he has to wait before receiving full payment. This practice is not uncommon in the purchase of other commodities such as clothing or household goods and is viewed as a price paid for the seller's "patience" rather than as interest.

Construction normally begins before the land is fully paid for and is done on a gradual basis. In the areas where such informal construction takes place, one can observe housing units at various stages of completion ranging from one- to two-room dwellings with makeshift roofs to two- and three-story apartment buildings intended for rental. The owner-occupied single-family dwellings which start on a very modest scale are converted over the years to allow for rental of rooms or apartments. Once the owner can afford to install a roof it allows him to build an additional floor and rent some parts of the house in order to recover part of his investment.

Financing for this gradual form of construction is either through direct payment to laborers on a piece-rate basis, or through payment of part of the cost to a "contractor" and paying off the balance in installments over a period which may range up to three years. In the latter instance, the costs of construction run higher. The contractor obtains a markup in the price as a form of hidden interest on the credit extended to the homeowner. Default on payment does not seem to be a concern for the gradual nature of the construction allows the contractor time in which to gauge the reliability of their customers' payment of debts. The installments paid out to the contractors are depending on family income and the type of house. Arrangements are also made for the contractor to collect the income from rental units as a means of payment.

The activity of the informal sector seems to indicate that the system works relatively effectively. However, it should be pointed out that the cost of this method, of financing arid building in stages is to a large extent uncontrolled. Indeed, it is difficult to get homeowners to give a rough estimate of how much money has been invested in their housing.

1. 2. Governmental Mechanisms

1.2.1. The General Authority of Housing and Building Cooperatives (GABHC)

1.2.1.1. Purpose and Functions

This agency of the government was created in 1954 for the purpose of assisting cooperatives (composed of persons with a common reason for joining -together, such as teachers, engineers, police officers, etc.) in their aim to provide housing for their members. It has no capital, does not take deposits, and its annual overhead is paid out of the national budget. GABHC provides advice to cooperatives and reviews the building sites selected and the construction plans of structures intended to house cooperative members. In addition, the authority supervises the construction work at the site.

GABHC also acts directly to provide housing by acquiring and developing sites and designing, planning, and building such projects. At some time during the process, it circulates information to prospective cooperative purchasers; if successful in finding an interested group, it sells the building to the cooperative members. If unsuccessful in finding a ready cooperative buyer, the authority forms a cooperative, either by selecting individual members from a waiting list or by soliciting other individuals.

1.2.1.2. Loan Policy

Of primary importance to the cooperatives are the loans made to the members of the cooperative, each loan being based on the cost of the housing unit. In addition, the equity payment of each member of the cooperative in an individual unit is collected and disbursed to the contractor, along with the loan proceeds, as the building progresses. In the case of cooperatives coming to the organization or those to which a project has been sold, GABHC receives its loan payments from the cooperatives which, in turn, deal with individual members. In the case of cooperatives formed by it, the authority deals with the individual members. In all cases, loan payments are generally on an annual basis, and the cooperatives are required to see that their buildings are properly cared for and maintained.

As noted, equity payments are collected at the start of each project. Since GABHC has no funds, it borrows an amount equal to the loans granted to individual purchasers from commercial banks. These loans are on a long-term basis against a repayment guarantee to the creditor bank by the government.

Terms are up to 30 years, and provide that interest only is to be paid during the first three years. After that time, annual installments of principal and interest are required. Loan payments are made annually on a direct reduction loan basis, that is, the amount of the annual payment retrains constant.

1.2.1.3. Magnitude of Lending Activity

Since 1983 till 2003, the GABHC has provided loans of £E 4 billion to support moderate and economy housing. The state was responsible to subsidize £E 3 billion and 114 million of these loans (Ali, 2003).

In 2004, the forecast loans given by GAHBC to cooperatives are £E 700 million to finance the construction of 75.000 housing units (Shahbon, 2004).

1.2.1.4. Problems

The state has assisted this sector greatly such that it has obtained loans that the state has dedicated to embellish the cooperative associations in 1991-92 to the amount of LE 1.2 billion, which was reduced to LE 550 million in 1995-96. However, the cooperative housing system in Egypt is considered to be chaotic the extent of being characterized by corruption and profiteering.

There are an enormous number of complaints arising from Egypt's cooperative housing schemes, all of which revolve around the control of an individual or group over the funds of those requesting cooperative housing. Then the projects falter for many reasons until it has reached the point where some of the cooperative projects have been prolonged for twenty years (as in the case of the Muntasir Housing Project, in the Helwan District, belonging to an engineers cooperative association, which has overrun its schedule from 1976 until now). Also, there are pending complaints of chaos and injustice in the distribution of units that, out of nepotism, go to relatives and friends of those controlling the funds pool.

Accompanying the economic reform policy come the goals of lessening the burden on the national public budget and reducing the deficit. This effort is oriented toward reducing

the amounts designated for subsidized housing loans and raising the interest for those subsidized loans from 4% to 6% (provided that the loans produce profits, which are excessive). Thereupon then, the social segment that obtained housing through cooperatives has decreased with the economic reforms and, furthermore, has experienced greater difficulties in obtaining popular housing by subsidized means (ECHR, 2004).

Delinquencies are an important issue in cooperatives performance. Delinquencies are common in developing countries and vary from 30 percent to 90 percent, depending on how the delinquencies and the collections each month are calculated. Because it is so firmly believed that poor people will not pay up, in many countries, including poor countries, local resources are channeled, not to the poor who need them but to the upper-income housing, condominiums, office buildings, and so forth, because bankers and planners regard low-income housing as charity (Dean, 1982).

1.2.2. The Governorates and the Ministry of Housing and Reconstruction (MOHR)

1.2.2.1. History

Most public sector housing for low-income families has been built by MOHR working through the Governorates Housing and Reconstruction Administration. MOHR has allocated funds in the state budget for this purpose, and allocates these funds among the governorates that, in turn, are responsible for design and construction. Through public bidding they select contractors who actually perform the work.

This approach is typical of low-income public housing programs. Till the mid-seventies, units have been constructed mainly for rental, but several problems have emerged with this program. The ownership transfer was then adopted. Again, this program had its negative aspects.

1.2.2.2. Problems

First, rents have been set too low or standards too high, depending on one's point of view. In either case, rental receipts have not been adequate even to meet basic maintenance requirements, much less to amortize the construction costs. Rent receipts have in fact been so low that just owning the units represents a financial burden.

Second, delinquencies were quite high. Since it is more or less unthinkable that the government would throw a family out in the street, the motivation on the part of the tenant to make his rental payments regularly is not too strong. The problem has been compounded by the fact that no governmental unit has any real interest in collecting the rents. Rental receipts are one of the "sources" of funds for MOHR's budget, but the total amount of the budget is determined by the Ministry of Planning and is approved through the political process in the People's Assembly, and lower rental receipts simply mean that more funding must be allocated from the other "sources," including those coming from tax revenues.

Under these circumstances, it is not surprising that maintenance of the units has been inadequate. It is possible that better housing services could be provided for more years by reducing the design standards somewhat and setting aside some funds to guarantee maintenance.

1.2.3. National Housing Fund

Law no. 107 of 1976 created the National Housing Fund (NHF), and implementing regulations were adopted momentarily.

1.2.3.1. Purpose

The law provided the means by which NHF should be able to generate significant amounts of funds which would be used to fortify the economic or utility housing market. Budgeted forecasts in 1977 anticipated that the amount of funds to be generated will be sufficient to provide for the construction of approximately 10,000 utility units, with an estimated cost of £E 3,000 per unit over the next 12 months.

There are two basic reasons for the creation of NHF. First, it was an effort to mitigate the ever increasing shortage of low-cost housing. Secondly, it was intended to provide some relief for the state budget, which was being strained to the breaking point in its effort to finance such housing and its related subsidies. Figures indicate that the government has provided more than £E 190 million for this purpose during the period (1972-1977).

1.2.3.2. Functions

Fund will furnish loans to the cooperative organization and to the governorates (and perhaps to other government agencies) which are to be used to construct a part of the needed housing. NHF will not be a retail lender, and it will not operate as a bank. It is intended that the housing to be built with NHF funds will be of the economic or utility type, with floor areas varying from 20 to 60 square meters, at an average cost of £E 3,000 each, for occupancy generally by families whose incomes do not exceed the minimum levels for income taxes. As yet, no maximum eligibility income is contemplated. The properties produced by the program will be for sale rather than rental. Proposed loan terms will be up to 30 years, with annual interest rates of 3%. Any additional interest paid by the NHF is to be subsidized by the government.

1.2.3.3. Funding Sources

The law provides that the Fund will secure the finances needed to carry out its objectives from the following sources:

1.2.3.3.1. Twenty-five percent of receipts from sales and rent earnings and benefit charges of government - owned real estate - both urban and rural -that is subject to Presidential Decree No. 101, 1956. (No estimates of the amount of receipts which might be derived from this source are available)

1.2.3.3.2. Receipts from the sale of housing bonds. (Holders of licenses, other than government, local governmental units, public organizations, and cooperatives, to build houses or office buildings, the cost of which exceeds £E 50,000, exclusive of land, will be required to purchase Housing Fund bonds to the extent of 10% of the building cost).

1.2.3.3.3. Receipts from benefit charges levied when exemptions from building height regulations are granted.

1.2.3.3.4. Credits allocated to the Fund in the state's budget.

1.2.3.3.5. Amounts earmarked for the purpose of low-income housing in any international agreements the state may conclude.

1.2.3.3.6. Loans.

1.2.3.3.7. Grants, donations, gifts, and endowments.

- 1.2.3.3.8. Earnings from any investments the Fund may make.
- 1.2.3.3.9. Receipts from penalty fees levied against violators of building codes and other violations specified in Law No. 106, 1976 (Executive regulation implementing this law has not been adopted) .
- 1.2.3.3.10. Any other regulations designated by Presidential decree. (It is required that insurance companies acquire NHF bonds equal to an as yet undetermined percentage of the returns from the mandatory insurance of properties bearing values in excess of £E 10,000 as specified in Law No. 106, 1976).

No firm estimates are available as to the amounts of money which may accrue to the Fund by way of the above provisions, but inflows of up to £E 15 million annually were anticipated (1977), of which £E 10 million is to be realized from the sale of bonds.

1.2.3.4. NHF Bonds

The National Housing Fund had the authority to issue up to £E 25 million in NHF bonds. Authority for fixing the par value and terms of the bonds to be issued was vested in the Minister of Finance. The rate of interest was definitely to be 6%. It was anticipated that the securities will be redeemable at part (in whole or in part) after a period of five years, and they will be transferable after a waiting period yet to be fixed but which cannot exceed three years.

1.2.4. The General Authority for Real Estate Finance (GAREF)

The Real Estate Financing Law No. 148/2000 was issued providing a suitable legal environment that gives impetus to this important sector, while safeguarding the rights of all parties (the financier, the purchaser or investor and the vendor).

The Law identifies the provisions related to real estate financing and the competent authorities permitted to be engaged in such activity. Moreover, it underlines the parameters of the agreements between the parties involved, and the enforcement provisions in the case of the investor's default. The law highlights -as well- the nature of the companies engaged in that field, the guarantee provided, control mechanism and the related sanctions (UNPAN, 2004).

The Law aims at rejuvenating the real estate sector and facilitating the process of real estate ownership. The law applies to investment financing for the purchase, construction, maintenance, enhancement of housing units, as well as administrative and service units, and trade storage premises. The main entities involved in the activity are the public legal entities, real estate lenders and banks, registered with the Central Bank of Egypt (UKTRADEINVEST, 2004).

The Presidential Decree No. 277/2001 was promulgated establishing The General Authority for Real Estate Financing (GAREF), whose main purpose will be devising the general policy of the real estate financing activity .In addition; the GAREF shall prepare and maintain the necessary lists of appraisers, agents and real estate intermediaries. This is besides licensing real estate companies to operate in this activity and providing sufficient reports and information about real estate financing (UNPAN, 2004). The GAREF will act as a regulatory body to control the mortgage market, and provide for administrative and criminal penalties for violating rules and principles stipulated in the law (UKTRADEINVEST, 2004).

To enable the law's penetration into lower-income brackets, the Real Estate Financing and Subsidy Fund was established under the supervision of GAREF. Although overall

sources for the fund have not yet been determined, the law's executive charter stipulates that two per cent of the total value of any unit under mortgage contract must be allocated to the fund. Free land and low-cost infrastructure will also be provided to the fund, to facilitate the building of low-income housing for those in need (Loza, 2004).

According to the law, low-income individuals wishing to receive support to buy "economic", or inexpensive, housing should present a request to one of the offices of the Fund for Subsidised and Secure Real Estate Financing Activity. Requests should give a description of the unit and its location and include a letter from the owner declaring that he agrees to sell the property, a certificate from appraisers stating the value of the unit, a certificate stating the prospective buyer's annual income and any other documents the fund might require.

The time frame for the evaluation of requests is one month and funding should be forthcoming within 15 days of approval.

The low-income category comprises people earning less than LE9,000 annually, if unmarried, or less than LE12,000 if married with children. Loan payments are not to exceed 25 per cent of an individual's income. Loan payments are not to exceed 25% of an individual's income. According to the new law, financing may be procured through either banks or mortgage finance houses.

The fund is to be sustained, among other things, by a sum to be allocated by the government as well as subscriptions paid by both the financier and the buyer (Wahish, 2002).

1.3. Formal Financial Sector Mechanisms

1.3.1. The Credit Foncier

1.3.2.1. History

Khedive Tewfiq of Egypt issued a khedival decree of 15th February 1880, which includes establishing a company (S.A.) called Credit Foncier Egyptien. The bank started its contribution in the development of the agricultural sector through providing landowners with credits.

In spite of the critical conditions in Egypt and the region, the bank continued its operations and faced its duties without delay and thus gained a high reputation.

The bank has always confined its lending activities to the real estate market, with emphasis on financing (a) the construction of properties (commercial and residential), and (b) the purchase of real property.

While the Credit Foncier had not been a very visible or dynamic leader in housing finance, and even though it was small by comparison with Egypt's major commercial banks, it occupied a key position in the housing finance system which should develop in Egypt. It was a known, trusted, stable institution, with more than a hundred years of experience in real estate finance. Till the late seventies, it was the only banking institution primarily concerned with-domestic real estate finance, with the possible exception of the Arab Land Bank, a truly small and little-known institution.

The Arab Land Bank was established under the name of the Arab Land Company pursuant to an Egyptian royal decree, , during the league of Arab states third regular session held in march 1946. The purpose of this company, as set out in the decree, was to be established in Palestine to support Palestinians on their land and provide them with credits to acquire supplies needed for agriculture and land reclamation.

The company was registered in 1/9/1947 as an Egyptian Company (S.A.) with its headquarters in Cairo. At the same time, it was registered in Palestine, but developments in the Palestinian territories in 1948 prevented the company from being operational. When the situation settled down in 1951, it was registered again by the Jordanian authorities to pursue its operations in both East and West banks of the Hashemit Kingdom of Jordan then.

The Company was licensed and renamed as the Arab Land Bank by the Egyptian republican decree of 17/6/1954.

By a decree taken by the Egyptian Cabinet in 13/6/1999, a merger between Credit Foncier Egyptien and the Arab Land Bank was declared, thus constituting the largest and most pioneer banking house in Egypt specialized in Real Estate and all commercial activities as comprehensive commercial bank in Jordan and Palestine.

In 16/11/1999, the general assembly of the Arab Land Bank convened and decided to change the name of the bank to become the Egyptian Arab Land Bank as of 1/1/2000. Consequently, the Egyptian Arab Land Bank is considered now the first of its kind in the Arab world in terms of the seniority of establishment.

The bank's total assets after merger amounted to more than £E 11 billion (about 3.2 billion U.S. Dollars). Thus the activities of this Arab Banking enterprise are aimed to serve three Arab economies taking into consideration developments in the banking industry through its (50) branches in the Arab Republic of Egypt, the Hashemit Kingdom of Jordan and Palestine in addition to correspondent banks all over the world.

1.3.2.3. Loans

1.3.2.3.1. Loan Procedures

Applications for loans, most of which involve new construction, are first processed by the Engineering Department which checks the quality of design and makes a site inspection to relate the amount of the loan requested to the value of the property- Following this step, the application and the Engineering Department evaluation are handed to the Legal Department which checks the legality of ownership. Within an average period of two weeks after the data of the loan application, the value of the property has been fixed, and the amount of the proposed loan is approved (or rejected or compromised), and the matter is then referred to a loan committee or to the Board of Directors.

Following approval, the Legal Department prepares the necessary papers and records the debt instrument. If the loan does not involve construction, and such loans are in the minority, the entire loan proceeds are then disbursed. If construction is involved, the loan proceeds are paid out: under the supervision of the Engineering Department following inspections of the progress of construction. Usually, the entire loan will have been disbursed when construction has reached the 80% stage.

1.3.2.3.2. Interest Rates

Currently, interest rates are 6% for residential property, and 7-10% for hotels and hospitals. The debt instrument does not include an interest acceleration (or deceleration) clause.

1.3.2.3.2. Collections Procedures

All regular loan payments are the fixed or constant amount type, those for non-construction loans commence on December 31 next, following the loan inception data (interest only is charged for the interim period) and annually thereafter. On all construction loans there is a two-year grace period, during which time interest only is charged on amounts disbursed, with regular payments also starting at the end of the

year which follows the grace period and annually thereafter. Loan terms cannot exceed 25 years (there is no maximum amount of loan).

As noted, all regular payments are due on December 31, but a six-month grace period, during which time a penalty interest charge is made, is provided for. In any case of non-payment after this period, the loan instrument provides that the CFE may sequester the rents, the annual amounts of which generally exceed the required loan payment, until the loan is repaid or until regular payments are resumed.

Although there is a judicial sale procedure available through the courts, it could involve a period of up to ten years; therefore, CFE prefers the rent sequestration method. The CFE reports that the very few instances of delinquency involved agricultural land, that 45% of all loan payments are received before December 31, that 10-15% are received in the first two weeks of January, and 35% before the expiration of the grace period. The low delinquency rate can probably be attributed to the fact that loan amounts do not exceed 60% of the appraised value of the property, which value is generally no more than 80% of the real property value; the maximum true loan-to-value ratio is, therefore, about 48%.

1.3.2.3.3. Lending Activity

According to a CFE official, there were 985 loans in the aggregate amount of BE 9.7 million granted in 1976, and 902 for £E 8.3 million in 1975. However, examination of the comparative balance sheets indicates only minimal increases in outstanding loan balances during the two years ending December 31, 1976. Without having an opportunity to question why this is so, it is assured that the amount of loan repayments approximately offsets the actual amount of new loan disbursements. The slow pace of construction generally, in combination with the fact that construction loans predominate, results in an extended disbursement period (it is also assumed that substantial amounts of the 1975 and 1976 loans remained undisbursed as of December 31, 1976), a fact that lends credence to the first assumption.

1.3.2. Housing and Development Bank

1.3.2.1. History

Housing and Development Bank (HDB) is an Egyptian Joint Stock Company established on 30/6/1979 under Investment Law by virtue of Ministerial Decree No. 147/1979. HDB is registered with Central Bank of Egypt under No. 89 on 24/9/1979 as an Investment and Business Bank.

HDB was founded initially to replace the Credit Foncier and the Arab Land Bank in housing finance as well as to play a vital role in housing provision.

The Authorized Capital is £E 100 million and The Issued and Paid in Capital is £E 54 million divided into 5400000 equal shares each of value of £E 10 (5200000 shares in Egyptian pounds and 200000 shares in U.S.Dollars).

HDB is included among banks authorized to deal in the foreign exchange market pursuant to Ministerial Enactment No. 421 of the year 1993.

The Bank enjoys perfect relationship with a group of selective correspondents worldwide in order to provide developed banking services for its clients in the field of foreign trade.

1.3.2.1. Loans

The HDB grants medium and long-term loans to Companies, Co-operative Housing Societies and Individuals to build new housing units. Loans procedures are typical of CFE.

1.3.2.2. Projects

Since its first day, HDB works in the field of housing and reconstruction to assist in solving the housing problem through narrowing the gap between the supply and demand of housing units, in all cities of the country. This is accomplished through the construction of housing projects that suit all different income sections.

Current projects include projects at Gisir Suez, Zahraa Maadi, Alexandria, 10th of Ramadan, Pyramids Gardenia, Hurghada, 6th of October, Bashair, Uni-Arc and New Cairo to meet different users' needs.

1.3.2.3. Investment Services

HDB provides all investment trustees services (Marketing and Financing the purchasing of lands, Marketing and Financing the purchasing of the housing units in governorates and new cities - Providing apartments in tourist villages in the North Coast - Collecting money due and Pay liabilities on behalf of its clients...etc.).

1.3.2.3. Mortgage Finance House

Recently, HDB established ,along with six other banks as well as a number of contracting companies, the first mortgage finance house " El Taameer Real Estate Financing Company". At the end of February 2004, the company was ready to start operations and disburse approved loans.

The loans, covering 80 percent of a property's total price, would be paid back over 20 to 30 years with annual interest rates subsidized at 6 percent for those of a lower-income stratum, while carrying rates of 14 percent for those in a higher bracket. Monthly installments should not exceed 25 percent of the borrower's income.

1.3.3. Commercial Banks

Till the issue of Law 148/2001, commercial banks appeared to contribute to housing finance in Egypt not through mortgage origination, but by providing loans to the General Authority of Building and Housing Cooperatives, the Credit Foncier, and the construction companies. In 1977, slightly more than £E 20 million of loans made by commercial banks to the Credit Foncier and approximately £E 9 million of loans made to the GABHC are outstanding. These are small amounts compared to the total portfolio of the commercial banks. At the end of June, 1976, total outstanding loans and discounts by commercial banks amounted to £E 2,352 million; leans to the Credit Foncier and the GABHC thus represent only 1.2% of total loans and discounts.

It was conceivable that commercial banks may become an important outlet for National Housing Fund bonds. It seemed unlikely that commercial banks would constitute a significant source of mortgage lending to individuals in the foreseeable future, primarily because their function in the economy is to finance commercial activity. However, the new mortgage law 148/2001 gave commercial banks a new role in housing finance.

The banking system can play an important role in boosting real estate financing during the current phase due to its accumulated experience in that field in the light of the rules developed by the CBE, represented in the following points:

- Balancing the maturities of the bank's revenues and those of lending for real estate financing purposes.
- Abiding by the sound banking rules and controls in the field of credit lending.

- Restricting real estate financing to 5% of the bank's total loan portfolio. This limit does not apply to the Egyptian Arab Land Bank and Housing and Development Bank.
- Submitting a quarterly report to the CBE reflecting the balance of loans provided for real estate financing.

The banks' role in real-estate financing is envisaged to gain greater momentum with their participation in establishing real-estate marketing, appraising and securitization companies, propelled by the advantages granted by the law and its executive regulations, mainly:

- Banks are exempted from being listed in the register prepared for that purpose at the GAREF, as well as from the provisions related to the rules and procedures of financing and the percentage of financing the value of the real estate. Banks are also exempted from the regulatory measures imposed on other entities engaged in real estate financing. Banks are requested only to get an authorization from the CBE according to the above-mentioned rules.
- Banks' rights are secured by official real estate guarantees, given that the Law exempts registering, renewing and canceling the guarantee, whether it is a lien, an official mortgage or any other form of guarantee, from all fees and expenses.
- Banks are exempted from certain fees and expenses paid at the registration bureau.
- Mandatory enforcement actions upon mortgaged real estate are facilitated and simplified.
- Banks are permitted to purchase the mortgaged real estate against releasing the client from all his obligations if the highest bid for purchasing the real estate did not reach its base price, in the meantime, was less than the bank's claims.
- Banks' clients can no longer resort to lengthy litigation to prevent mandatory enforcement actions on the mortgaged estate. The Real Estate Financing Law does not cease enforcement procedures on the real estate, unless by court ruling, if a third party made an entitlement claim on the real estate.
- The law permits the bank to ask his client to provide insurance for its benefit in a sum equivalent to its rights with one of the Egyptian insurance companies against the risk of default due to the client's death or disability.

1.3.4. The Insurance Companies

In many economies, insurance companies represent a significant source of long-term home financing. In Egypt, however, insurance companies are not permitted to invest directly in mortgage loans. While this regulation could, of course, be changed, it seems preferable to view the insurance companies as an indirect source of funds for housing finance, e.g. through the purchase of National Housing Fund bonds and through continuation of their deposit relationship with the Credit Foncier.

2. STATE VERSUS CIVIL SOCIETY

2.1. Civil Society Definition

Civil society is based on voluntary participation, whereas the state is based on coercion. Government is institutionalized coercion, and must be so since we have governments in order, essentially, to protect civil society from internal and external predators.

Some define civil society to include only non profit organizations, others define it to include only self-organizing communities of common interest, others apply the descriptor to all forms of non governmental cooperation including big business, while yet others define it to exclude all forms of institutionalized human activity (British Library, 2003).

While there are myriad definitions of civil society, the LSE Center for Civil Society working definition is illustrative:

Civil society refers to the set of institutions, organisations and behaviour situated between the state, the business world, and the family. Specifically, this includes voluntary and non-profit organisations of many different kinds, philanthropic institutions, social and political movements, other forms of social participation and engagement and the values and cultural patterns associated with them (Free Definition, 2004).

2.2. Global/Regional/Local Civil Society

2.2.1. Poverty and Social Needs on the Increase

Despite significant commitments of resources and effort at both national and international levels since the Second World War, widespread poverty and social problems continue to persist throughout the world. In low-income regions in the North as well as the South they have become more extensive and intractable.

Poverty has become entrenched throughout Africa and much of the Middle East.

In addition to causing suffering and inequity, the widening economic disparities are contributing to widening gaps between different ethnic groups within countries, giving rise to increased social tensions and social and political fragmentation. These trends threaten national and global peace, undercut the potential for continued economic growth, and profoundly diminish everyone's prospects for a better future (Schearer, 1995).

2.2.2. Resources Insufficient to Meet Needs

In a great many countries, North and South, national allocations of resources are not keeping pace with the need to provide social services and to solve domestic social problems, and numerous obstacles stand in the way of future increases in state revenues for social programs, including the prohibitive levels of public debt in many countries.

While foreign aid from wealthy developed nations to developing nations and to multilateral development agencies remains a critical source of financing for development activities in developing nations (case of USAID in Egypt) , the amounts are far too small to meet the needs today and in all likelihood will play a shrinking role in the decades ahead. In part, this is due to the expansion of social needs, as a consequence of both demographics and growing poverty, and in part to a declining capacity and will in the Northern countries to address the South's development needs. Clearly, greater self-reliance within developing nations will be required, as well as the development of other sources of financing beyond foreign aid.

2.2.3. Converging Challenges in North and South

In recent years, it has become recognized that social and economic progress- and their opposites, poverty and inequity - in both the North and the South are deeply interconnected. Common global processes increasingly influence how societies are organized, determine the nature of work and economic production, and mold social relations and the distribution of income within countries. While the distinctly different economic conditions of North and South remain a fundamental reality, the fact that they are so interconnected calls for a corresponding integration in developing solutions to the challenges of poverty and inequity they each face. Corporations in the private for-profit sector have rapidly evolved to accommodate the emerging global reality. For the most part, however, today's government and multilateral institutions and many private voluntary groups still reflect and function according to the traditional North-South paradigm. They are only beginning to incorporate the additional reality that the North and South, figuratively, exist within every country and global solutions and responses are required (Schearer, 1995).

2.2.4. Development Visions

2.2.4.1. The Market-Led Development Vision

The notion that commerce and trade-led economic growth can raise income levels sufficiently to substantially reduce poverty no longer seems an adequate strategy. Indeed, it is increasingly clear that market forces can contribute to the marginalization of some groups and to growing social tensions.

Governments have consistently adopted policies favoring the distribution of this wealth to low income segments of the population through support for rural agriculture and labor intensive practices and for education, health and family planning. This broad-based economic growth has not been without costs - such as the heavy social costs of structural adjustment programs, environmental degradation and deleterious effects on indigenous cultures. This vision failed to produce same results in different regions. Differences in culture explain the differences in economic performance and income gaps.

In most of the regions where poverty has become entrenched, governments have been unable to reverse this phenomenon. Especially in multicultural settings, areas in conflict, or very low income circumstances, government action alone may not be sufficient to successfully address the scale and complexity of social and economic problems.

2.2.4.2. The Sustainable Development Vision

This vision added two fundamental elements to the market-led vision: human-centered development and development that produces sustainable results for future generations. Since 1992 these two additions have been the basis for sweeping efforts to integrate environment, economic growth and human development. Today, virtually all development assistance agencies officially endorse this sustainable development vision.

2.2.4.3. The Self-Reliant Alternative Development Vision

In this view, development assistance in conjunction with structural adjustment programs and economic reform provides the means to harness the third world to production requirements of the North thus paving the way for international trade and investment. The role accorded to civil society in this paradigm is seen as one of care-taker, assuming the task of ministering to the welfare needs of the global losers unable to compete due to the structural flaws inherent in the system. (Fox, 1995).

This critique of conventional development has led to a vision of return to self reliance at the community level as an alternative. This new "alternative" vision builds on the idea of separate, unequal societies within the fabric of nations, each with its own culture and

economic way of life, the market sector cultures on the one side, the tradition-based self-reliant cultures on the other (Barber, 1995) These modern tradition-based societies would take only sparingly those technologies and patterns of life from the mainstream that fit with their values and cultures. At the same time, they would aggressively resist the homogenizing influence of global market forces, in particular the culture-leveling impact of the global media and communications industry.

2.2.4.4. Trisector Collaboration - A Path of Many Visions

Caught between these visions - one of a single world unified through open trade and investment and the pervasive hand of globalized market forces, the other of a multiplicity of worlds with different economic standards of living, ways of life and cultures - the social development enterprise has entered a period of flux and tension. A wide diversity of approaches, paradigms, strategies, even visions of what humanity should strive towards in the 21st century are being conceptualized, debated, tested and implemented.

One new line of effort and strategy has emphasized collaborative action between different actors and sectors as a critical pathway for achieving new structural answers to the challenges of human-centered development in both Northern and Southern countries (Schearer *et al.*, 1993).

It recognizes that in today's globalizing but increasingly fragmented and dangerous world, people more than ever need effective governments to provide security, social cohesion and order, governance, infrastructure and basic services. They need, too, a vigorous private sector to mobilize the productive forces of the market, thereby creating wealth and a strong national economy linked to international trade and markets. Also needed is the balance and political integration provided by the action of a third sector - civil society which provides much greater political voice, social engagement, and economic participation to grassroots citizens.

2.2.5. Civil Society: The Citizen's Sector

Partly in response to these growing social development challenges and needs, partly in response to post-Cold War political changes, today, people around the world are organizing as never before to address the problems they face in their communities and their daily lives. Around the world today there is a vast outpouring of civic energy and vitality aimed at advancing people's interests at the local level in the face of unrelenting economic and social pressures that are changing traditional customs and ways of life.

Over the past two decades, civil society has emerged as a vibrant new social and economic sector of activity alongside the public sector and the private for-profit sector. New elements of civil society have emerged with unparalleled rapidity and energy in nations throughout Africa and the Middle East.

These new elements build upon and add to the already present political parties, labor unions, workers cooperatives, business associations, membership serving organizations and religious bodies that have formed the traditional core of civil society. They include hundreds of thousands of informally organized local citizen's groups -- membership groups, community associations, citizens' movements, social service centers, savings clubs and advocacy networks -- along with scores of thousands of formally chartered voluntary groups (so-called non-governmental organizations or NGOs) addressing a wide range of social development problems, and additional thousands of supportive intermediary-level non-profit institutions concerned with networking, financing, servicing and advocating on behalf of various parts of civil society (Salamon, 1994).

The engine behind this rapidly expanding sector is caring -- caring about social, environmental, cultural, religious, political or personal issues that bring citizens together

and motivates and drives civil society organizations to do what they do. Representing a tremendous range of constituencies, interests, and socio-economic levels of society, these groups now touch people and communities almost everywhere, even in the most remote or marginalized areas.

The common denominator among all these groups is people gathering outside their family life, outside their workplaces, and outside the framework of government to discuss their concerns and their desire for a better life and, through these discussions, organizing ways to act together to solve problems and advance their interests. Great numbers of citizens everywhere are working with these groups, joining them, founding them, using them to achieve the goals they care about -- and, increasingly, supporting them by volunteering their time and labor, financially, and in other tangible ways.

2.3. Individuals/Corporations in Civil Society

Communities emerge as individuals voluntarily relate to one another in an indefinite number of ways. A man needs to associate with others in order to flourish and fulfill his needs and desires. It follows that civil society is comprised of associations without being collectivist and is individualistic without being atomistic.

Civil society, the realm of freedom, is based on giving the widest possible discretion to the individual so that he has sovereignty over his own life in the pursuit of his happiness, as long as he respects the equal rights of others. It follows that political society should exist only to prevent force, fraud, and misrepresentation. As the state grows, civil society wanes. It is in civil society that men flourish, and from civil society that prosperity, progress, and virtue flow.

The corporation has a primary position in the construction of the major alternative to the state – civil society. The corporation depends on investors for its financing. Its purpose is to provide goods and services in order to earn income for its investors, with fiduciary care for its invested capital. Sources of private capital and private wealth are crucial to the survival of freedom – the alternative is dependence on the state (Younkins, 2000).

According to Michael Novak in *The Fire of Invention: Civil Society and the Future of the Corporation*, from the point of view of civil society, the corporation is an important social good for the following reasons: 1) It creates jobs; 2) It provides goods and services; 3) Through its profits it creates wealth that did not exist before; and 4) It is a private social instrument, independent of the state, for the moral and material support of other activities of civil society.

The corporation is a major supporter of many works of civil society including charities, the arts, research, universities, etc. Of course, expenditures for such purposes are legitimate only when they have been authorized by the stockholders or when managers reasonably believe they will increase the firm's long run profits.

2.4. Reinvigorating Civil Society

In the past, families, neighborhoods, religious bodies, charities, and other friendly societies taught and reinforced in their members the habits of self-responsibility, discipline, mutual support, and regard for the future. They fostered a sense of community and voluntarism, separate from, and independent of, state action. Our most serious challenge today is to recreate a vibrant civil society to solve the social problems that welfare statisticians have tried to solve with governmental action. A person who understands that he is a member of a free society, tends to realize that its material and spiritual health needs his participation in its voluntary associations of good works and mutual help. In order to have a society of responsible and virtuous individuals, responsibility for virtue must be taken back from the state and returned to the individuals and associations that comprise civil society. Political society cannot mandate

virtue, morality, and responsibility – it can only provide a framework for their possibility (Younkins, 2000).

3. CIVIL SOCIETY IN DEVELOPING COUNTRIES

In developing countries, civil society is still an emerging sector at two levels, that of registered non-profit organizations or NGOs and that of informal community-level civil society groups. The two have different characteristics, yet are closely linked in social development efforts.

3.1. Civil Society Elements

3.1.1. Non-profit organizations or NGOs

Clearly the most visible element of civil society's growth in the developing countries is the NGOs. Today, these indigenous voluntary organizations exist in large numbers - hundreds to many thousands -- in almost every developing nation (De Oliveira *et al.*, 1994). They are active in virtually every facet of national development: community development, health, education, food and nutrition, income generation, housing, environment, family planning, women's advancement, children, youth, agriculture, planning, advocacy and policy development.

NGOs are created out of constituencies of people who care about some specific problem or community or group and who organize to take action to address the need they have identified. In some cases, these constituencies are quite large -- entire ethnic groups or people living in a geographical area -- and in some cases quite small -- a few committed individuals supported by a small group of like-minded followers. Some NGOs maintain very close relationships with their constituencies, others a more informal association. Most NGOs guard their independence strongly, not only from government control, but also *vis à vis* foreign development agencies, including voluntary organizations.

As government budgets, staff and foreign aid resources have shrunk or, in many cases, failed to materialize, NGOs have sprung up to fill the gap in supply of services, materials, technology, training, credit and communication with rural villagers and urban slum dwellers. Where they are present, NGOs typically make a dramatic difference in the social well being and the economic standards of the communities they serve.

3.1.2. Community Organizations

The great majority of civil society groups in developing countries are much less visible than the NGOs. They are small scale, community-level entities organized and run by a blend of members, constituents, and beneficiaries.

Today, more than one billion people live in poor communities - more than a million hamlets, villages, shantytowns, slums, squatter settlements, and refugee camps throughout the developing world. Poverty isolates these communities from the flows of information, knowledge, technology, credit, markets and products that are essential for them to take action to lighten their onerous physical burdens, reduce their extremely high vulnerability to adversity and bring about gains in standards of health and living.

People living under these conditions urgently want access to practical means of addressing their needs. This inherent energy within communities provides a powerful springboard for development - development selected by the people themselves in interaction with the larger world around them.

In most places today, powerful forces of social and economic change have begun to reduce the isolation of poor communities and loosen traditional norms, opening up an expanding horizon of new opportunities for self-reliant community-based action.

As part of this change, community-based civil society groups have sprung up in the hundreds of thousands, perhaps millions, in every region of the world, (Salamon, 1994) and they provide a new interface between village and shantytown life and external development actors.

While these village groups and their urban slum counterparts generally are not formally registered organizations, they frequently follow their own well-defined procedures of operation. Their goals cover a wide range of needs: women's empowerment, youth employment, mechanisms for community-based savings, agricultural labor and extension services, irrigation maintenance, health care, child care, education, house building, garden-tending, beekeeping and grain milling, for example. They call themselves societies, clubs, associations, cooperatives, organizations and movements, and they typically function separately from local government structures at the village level such as village development councils and political party groups. Often their relationship with these official structures is cooperative, even mutually supportive; in some cases there are tensions and conflict between them.

Community level civil society organizations lie at the heart of human-centered development. They have been formed by local people to solve local problems through self-reliant community action. Through these civil society channels, people are seeking ways to gain information, training, technology, credit and capital, and access to markets in order to increase their incomes and improve their circumstances. These are the needs that lead people to form civil society groups.

3.2. Financing Civil Society's Development Activities

Civil society is becoming an economically important sector in the developing countries. The sources of financing, however, are different.

Most NGOs rely on volunteer labor, donated services and materials and a low cost structure as an underlying approach to financing their work. Many also receive funding from foreign voluntary organizations, foundations, bilateral aid or UN agencies. Foreign aid and religious donations appear to be major sources of financing for the formally organized portion of the civil society in developing countries.

In contrast to NGOs, almost all of the small scale, community level civil society groups are self-generated and financially self-sustained through the combined contributions of their members, constituencies, and beneficiaries. These contributions take the form of unpaid volunteer time and labor, dues and fees, and donated goods and services. In some cases charitable gifts of money are also an important source of support, but in many instances it is minor. The vast majority of these groups receive little or no public assistance or outside sources of financing, and hence are highly autonomous and independent in their actions (Vincent, 1994)

Outside groups, in particular NGOs, are a potent, often essential element in getting them started and providing material assistance and organizational support at critical junctures. Sometimes these outside groups are outreach and extension services of government agencies, more often local or national NGOs, and in some instances, foreign voluntary organizations or volunteers.

Perhaps the greatest challenge to social development today is how to increase sustainable, self-reliant revenue flows among NGOs in order to permit them to work more extensively and closely with the already largely self-reliant community level civil society organizations, thereby strengthening these vital components of civil society and advancing development significantly at the community level.

Many NGO leaders and international development agencies are seeking to enhance NGO revenue flows from three domestic sources:

- public revenue sharing;
- earned income, user fees, dues, and other forms of cost recovery; and
- private philanthropy and partnership co-funding.

Public revenue sharing is becoming increasingly an important source of non-profit organization financing as governments seek to shift some of their social service activities to the non profit sector. Structural adjustment programs and safety net programs developed under World Bank/IMF auspices have frequently encouraged such action as part of their efforts to trim government payrolls. UN agencies and the InterAmerican Development Bank have been exploring with developing countries' governments how they can work jointly with their domestic NGOs in service delivery, using ODA funds in part to finance such partnerships.

Earned income, user fees, dues and other forms of cost recovery constitute major sources for community level civil society organizations in developing countries. But they have not yet been adequately developed as income sources by NGOs. While it is true that the ability of clients of NGOs to pay fees for services is much reduced in developing countries compared to developed ones, the scale of service delivery costs is also much lower, and people receiving needed, desired services in poor communities have proven willing and able to contribute financially and through in-kind materials, labor and services to the costs of services in many projects.

Private philanthropy and various forms of co-funding trusts offer especially high potential to open up new, previously untapped sources of revenues for non profit organizations in developing countries. The most promising approach entails the establishment of new tertiary level support institutions in developing countries (community civil society groups constituting the primary level, NGOs the secondary level). These tertiary support organizations (TSOs) are designed to provide institutional, programmatic and financial support to NGOs. Sometimes also referred to as foundation-like organizations because they make grants to NGOs, these new institutions mobilize both external and internal resources in a country for distribution via grants, credit, and other modalities to other civil society groups. Typically they also serve as an interface between domestic civil society groups and government, donors, and often the private sector. Such organizations can play very significant roles in bringing diverse sources of financing together for NGO projects and programs, including local private philanthropy, local and foreign business contributions, government grants or contracts, foreign aid funds (private and public), financing from debt swaps and buy-backs, release of blocked currency, and sometimes their own substantial streams of earned income. Because their role and future institutional success is dependent upon continuing to mobilize resources, many of these TSOs are also in the forefront of efforts to study and activate national philanthropic impulses.

Case studies show that acquisition of the needed financial capital to perform these functions has been a slow process for many TSOs. Recent examples also demonstrate that it is possible for donor agencies to accelerate this process through the provision of technical assistance, start up financing, and initial capital gifts. This is an area of potentially very high returns that multi- and bilateral donor agencies have only recently begun to address, for example through the Interagency Planning Group on Environmental Funds. Donors should establish a similar consultative group for the establishment and strengthening of national TSOs.

Philanthropy extends well beyond philanthropic institutions to a vast flow of charitable giving and volunteering by individual citizens to causes of their choice. This kind of citizen philanthropy lies at the heart of any vision of human-centered philanthropy because ultimately it is the expression of the social capital within societies upon which human-centered development is built and sustained.

Fortunately, such philanthropic solidarity exists under a wide variety of names and philosophies among citizens in almost every culture. Caring and concern among citizens about the plight of others, both neighbors and strangers, and about needs of both their own community and other communities play an ongoing, critical role in helping poor communities survive today's harsh conditions. Although virtually ignored in national development plans or donor agency strategies, people's caring and giving plays a major role in national development in every country in the world (De Oliveira *et al.*, 1994).

Citizen philanthropy -- defined as people giving of themselves without intent of personal or family gain -- is more than an important, desirable part of human-centered development -- it contributes the essential core; without this, communities and people effectively turn over their active role in their own development to government and to what François Mitterand called "the blind forces of the market" (WSSD, 1995). With it, they become vital actors capable of leading change, defining directions, and creating sustainable new paths to the future.

This does not imply that citizen philanthropy must be the financial backbone of development, only that it be a significant component. People's participation, especially in low-income communities, comes as much or more through their volunteered time and labor, donated services and in-kind materials, and a readiness to act and make decisions on the basis of mutually shared concerns and caring for community and for others, as it comes through their financial contributions.

Organized philanthropy can play one of its most basic strategic roles. There is a tremendous need to assist community leaders to learn from other existing experiences and then bring them to their own communities. There is a tremendous need for technical knowledge and planning grants to help catalyze and launch such new initiatives. There is a tremendous need for matching grants to strengthen people's caring and giving where it is underway. There is a tremendous need to work closely with official aid agencies to augment citizen philanthropy with some portion of the large flows of ODA. There is a tremendous need to involve private, for-profit corporations in supporting and partnering with citizen philanthropy.

These strategic priorities require strong philanthropic intermediaries, like the FLOs emerging in many countries, to nurture and sustain them. And they need critical start-up assistance from foreign philanthropy, both organized philanthropy and citizen philanthropy, in joining forces with their local counterparts.

3.3. Civil Society Role in Development

Civil society is the sphere of cooperation, competition, and true charity (Younkins, 2000).

3.3.1. Cooperation and Competition

Capitalism involves the voluntary exchange of goods and services between free and self-responsible individuals to their mutual benefit. With the advent of specialization of labor, people found it necessary to develop an exchange mechanism through which a producer of one item could exchange it for something he would produce less efficiently than another. Voluntarism ensures that both parties to an economic transaction will gain from it. Each person enters a free market transaction because, in his own judgment, the result will be beneficial to him. Each party acquires something he values more in exchange for something he values less.

The free market, a key component of civil society, developed as men realized that they could accomplish more through cooperation than they could individually. Cooperation can actually enhance a person's individuality by increasing his chances of attaining his goals and flourishing as a human being.

In a world of scarce resources and self-interested individuals, each possessing the right to self-determination, it is essential for people to voluntarily cooperate with one another in order to attain their instrumental goals and pursue their needs for human interconnectedness. This implies the need for a minimal state, the rule of law, the division of labor, and a secure system of property rights.

Persons engaged in economic activity may be guilty of coercion, fraud, or theft in which one party will benefit at the other's expense. The proper role of the government under capitalism is to restrain and punish those who obstruct the practice of free exchange. In a free market economy people are rewarded for serving others and are punished only for injuring others.

Capitalism is based on cooperation. Workers cooperate with their employers. Farmers cooperate with distributors and food processors. Manufacturers cooperate with distributors, both of whom are attempting to cooperate with consumers. Banks cooperate with individuals, firms, and families. Unions cooperate with corporations, etc.

Capitalism is inherently relational – it fosters human interdependence and a mutualistic outlook. Voluntary exchange is a form of cooperation between buyers and sellers in which individuals can only promote their own interests by furthering the interests of others. Limited by the rule of law, individuals and groups prosper only to the degree that they offer products or services for which people are willing to trade. The consumer is sovereign under capitalism. The only way for an individual or corporation to grow and remain economically successful is to continually satisfy consumers. This calls for an increasing regard for the interests, desires, tastes, and opinions of consumers. Failure to adjust one's actions to the consumers' wishes will result in losses and the shifting of resources to those who serve consumers better.

Under capitalism, successful competitors are those who cooperate with or satisfy others in society. Firms and individuals compete with one another in order to cooperate more effectively with the buying public. As a result, competition encourages invention, innovation, research, cost reductions, greater efficiency, and the development of new and better products and services.

The variety of enterprise associations that exist are attempts to find better ways of attaining mutual purposes. Licensing agreements, joint ventures, outsourcing and other forms of strategic partnering are common today. Even apparent competitors sometimes find it advantageous to cooperate with one another in their efforts to acquire needed resources or access to markets!

The profit-and-loss system in a voluntaristic society is just and moral. A person's wealth under capitalism depends upon his productive achievements and the choice of others to recognize them. Profits indicate that a businessman has served his fellow men by using resources to produce a product or render a service at costs below the value people place upon the product or service. The firm making profits is using resources in a manner that satisfies what people want and need. Losses indicate that a businessman has failed to serve his fellow men efficiently.

Justice does not imply that everyone deserves some predetermined share of wealth, but that what people deserve varies according to their accomplishments, and that it is proper to observe those differences. As people recognize that rewards depend upon their efforts and outputs, their incentives to produce increase. Not only does profit provide risk-takers with incentives, it also serves as a guide for allocating resources, provides a reward for efficiently serving other people, and serves as a measure of efficiency in the use of resources to satisfy customers.

3.3.2. True Charity

The goal should be to have no welfare state at all. Welfare is not only demeaning to its beneficiaries, government programs also diminish self-reliance, breed dependency, and reinforce social pathologies by creating unintended rewards for people to do the things they are trying to remedy (e.g., pay people to have children they can't support and encourage unemployment). Also, a system that tries to force acts of love, such as charity, violates the true nature of love and, as a result, creates injustice. The only way the state can « help » people is to give them wealth taken through taxation from someone else. Forcing people to be «charitable» makes them self-centered and resentful. When people are financially squeezed by the welfare state, they find their ability for private philanthropy to be greatly reduced. Only people who are allowed to keep what they have earned have the financial means to be benevolent and compassionate. The existence of government welfare brings red tape, diminishes the spirit of self-sacrifice, and fosters the unfortunate view that assistance to the poor is the State's job rather than private citizens' freely chosen obligations for charity.

Much of the need for the welfare state is caused by the government itself. For example, minimum wage laws create poverty by increasing unemployment, tariffs and quotas make consumer goods more expensive, and rent control promotes homelessness by supplying a disincentive to provide low-rental housing. In addition, regulations such as building codes, zoning requirements and licensing laws have obstructed the development of small businesses that are crucial for raising people out of poverty through employment.

Even in the absence of government poverty-causing programs, there would still be unfortunate people such as the disabled, the illiterate, the sick, the unemployed, the mentally incompetent, the elderly, and single mothers of infant children. The welfare state is a poor substitute for personal local acts of charity that emphasize self-reliance and self-respect – qualities that tend to be missing when government welfare is viewed as positive «rights» to be asserted. Given that some type of charity is needed, private sector solutions are vastly preferable to governmental ones. Civil society allows for a variety of voluntary initiatives by family, friends, neighbors, charitable organizations, unions, fraternal and friendly societies, etc., to help those in need. Voluntarism means doing away with coercion and relying on individual action, education, persuasion, and voluntary organizations based on generosity and neighborliness.

Individuals who give through private charities are aware of both the amount of their sacrifice and to a great extent, the actual use of their contributions. Private charity allows people to undertake ventures that the state either will not or cannot take on. People tend to give to private charities because they believe in the goals of the organization. Such sacrifices are made because individuals perceive value in their contributions. When a person donates his own resources he wants to receive value for his sacrifice. Charity may therefore be viewed as an exchange transaction in which both parties receive benefits. Recipients of charity must act in a manner that makes charitable acts desirable to the givers. They become happier when they choose to be committed to the happiness of others. Benevolence is a rational and self-interested virtue that enables men to gain pleasure by interrelating with others and helping them in the pursuit of their own happiness.

Self-respect and self-reliance are contributory to happiness. It follows that true charity encourages self-esteem in the recipients and emphasizes practical measures that help people to help themselves. When recipients of charity fight against adversity, take steps to help themselves, and gain self-esteem, the donor receives satisfaction and pleasure from the virtues of individuals he respects. It follows that charity, at the same time, can be both generous and self-interested. Also, because people do live in communities, are

necessarily related to others, and consider the well-being of others to be important to them, it is self-interested (in an enlightened sense) to consider the needs of others.

4. CIVIL SOCIETY IN EGYPT

4.1. Reviving Civil Society

There is widespread agreement that during the past few decades (since July Revolution 1952), civil society receded and political/commercial society advanced in terms of their impact on people's lifestyles.

As governments everywhere and the agencies charged with advancing social development undergo restructuring and, in many cases, downsizing in response to new political and economic realities, one of the greatest challenges they face is how to promote the flourishing of people's initiative and community self-reliance.

Egypt has a long history of voluntary work that dates back to 1821 with the establishment of the Greek Benevolent Association in Alexandria. The recently promulgated NGO law 84/2002 (succeeding law 153/1999) is the latest initiative undertaken by Egypt to further empower the NGOs and enhance their role as major partners in the development process.

The philosophy behind this law is to maintain a balance between autonomy and responsibility, between the interest of individuals, and that of the Public, and to ensure more freedom for the civil society. It aims put an end to the administrative authority's control over NGOs. Citizens maintain the right to establish civil society organizations and the Law sets no restrictions on their right to practice their activities.

The number of associations registered in Egypt increased from 7593 in 1976 to 22,000 in 1999. These include business associations, professional groups, advocacy organizations, clubs, youth centers, and political parties in addition to NGOs. The Federation of Chambers of Commerce, the Federation of Egyptian Industries, and the Egyptian Trade Union Federation (ETUF) are important umbrella organizations.

4.2. Civil Society Role in Housing

The brainchild of Mrs Suzanne Mubarak, the Future Foundation was established in 1998 with a mission to provide affordable and decent housing for the most-needy sectors of society. Presided over by Gamal Mubarak, assisted by a board of directors comprising 14 leading representatives of Egypt's private sector, the foundation is committed to providing homes for people in need through government land grants, private donations and the proceeds of fund-raising events.

The programme of the foundation's inaugural charity dinner, organised by the American Chamber of Commerce in Egypt, with the Mansour Group as chief sponsor, carried a written message from Mrs Mubarak to all those attending: "The good of any society dictates that all efforts be made to enable people to acquire housing units that can ensure for the family the warmth, the protection and the comfort necessary for a happy and productive life. In short, access for all people to good housing is not a luxury, but a priority for any country's real and sustainable development."

In his opening address, Gamal Mubarak explained that the Future Foundation was born of Mrs Mubarak's initiative, along with an overwhelmingly positive response from leading private sector individuals and institutions. Such a venture is necessary because it is those in lower-income groups who bear most of the cost of Egypt's current process of economic and social change. "We, as responsible citizens of Egypt, cannot afford or allow the underprivileged to be left behind to bear the brunt of reform and change," he said.

With a growing population and a growing economy, the pressing need for low-income housing has become a major concern. "There is simply not enough of it [housing] and much of what is there is not affordable," Gamal Mubarak went on to say. "The government is aware of the situation and has taken serious steps to relieve it, but its resources are not sufficient to the task. The newly-empowered private sector can and must assume its responsibilities in the community. That is why we are all here today" (Hammouda, 1998).

The Future Foundation channels private funds and technical resources into the design and construction of attractive low-income apartment housing. As part of the process, the foundation promotes alternative designs and building technologies - with the goal of creating living spaces that are both comfortable and nurturing, as well as inexpensive to maintain. The government will contribute the land and the infrastructure, while the foundation will cover half the cost of the apartments. A total of 1,000 units in 10 different governorates are already slated for distribution this month and the foundation's goal is to produce 15,000 units over the coming three years.

Even more importantly, the foundation will provide financing arrangements under which new home-owners will be able to pay off the balance over an extended period. This initiative is the key to the foundation's effort to promote low-income households as responsible, "bankable clients" for both banks and non-bank lenders. In this way, the foundation encourages the involvement of the new home-owners as a means of creating real communities. The role of the foundation also extends to lobbying for legislation that will expand opportunities to develop appropriate, low-income housing in suitable environments and it encourages dialogue with similar organizations in other countries.

5. CASE STUDIES: Comparison between State Financed and Civil Society Financed Housing Projects

The projects of "Mubarak" and "Future Society" housing won the prize of the Arab Ministers of Housing and Reconstruction in recognition of Egypt's success in putting into effect the principle of solidarity between the rich and the poor and its ability to achieve environmental balance, improve the standard of people's living and address challenges of development.

The state has addressed the problem of housing to guarantee provision of housing units at prices affordable by the majority of limited-income citizens depending on a set of measures, salient of which are to:

- Provide land plots with necessary utilities at appropriate prices for building purposes in new cities and communities, deserts and squat areas.
- Provide soft housing loans for low-income categories. Under this scheme, housing units are provided at a cost of about LE 15,000 each, repayable over 40 years against an interest of 6%. Over the period (1981-2001), total loans hit about LE 12.8 billion, of which about LE 2.4 billion were granted during the last four years (1997-2001).
- Amend housing legislation to achieve a favorable climate to activate the role of the private sector and encourage it to invest in the housing field.

5.1. Case Study (A): Mubarak National Housing Project for Youth

Mubarak National Housing Project for Youth aims to alleviate Egypt's housing problem. The national project, launched in 1996, is being implemented in 13 new cities across the country. The first phase constructed 15,000 housing units by 1999 in the cities of Sixth of October, Al-Ubour and Al-Shuruq. Another 35,000 units were completed in 2001. The third phase has for aim to construct 20,000 housing units. So far the project cost LE 4 billion, LE 1.5 billion of which was in the form of direct subsidies and over LE1 billion in cooperative government loans. Priority was given to those from older age groups, those who are married, have a higher degree of education or who work in the satellite cities.

	First Phase	Second Phase	Third Phase
No. Of Units	15,000	35,000	20,000
Unit Area	100 m ²	70 m ²	63 m ²

Table (1) Targeted Housing Units in Mubarak Housing Project for Youth

Figure (1)
 Project for Youth
 Source: Bakr,



Mubarak Housing
 2003

Description	No. of Housing Units		
	Youth Housing	Future Housing	Total
6 th of October	892	-	892
15 May	-	-	2200
Borg al-Arab	-	-	376
Damietta	378	-	378
Thebes	123	284	407
Obour	249	60	3.9
Badr	-	-	260
Shorouq	-	-	265
Communities	214	-	2279
Beni Sueif	203	142	545
Total	2059	466	7908
Units that are contracted to be built	8000	7500	15500
Total units owned by the New Cities and Urban Communities Authority	10059	7966	23408
Total units owned by other authorities	-	-	4500
Total housing units	10059	7966	27908

Table (2) Targeted Housing Units under 2001/02 Plan Broken Down by New Cities and Urban Communities Authority.

Source: SIS, 2004

Statement	First Phase 100 m ²	Second Phase 70 m ²	Third Phase 63 m ²
Real Cost of Unit + Public Facilities	£E 51,500	£E 40,000	£E 28,500
Sale Price	£E 31,500	£E 25,000	£E 18,500
State Subsidy	£E 20,000	£E 15,000	£E 10,000
Subsidy/Cost Percentage	39 %	38%	35%
Down Payment	£E 13,000	£E 10,000	£E 3,500
Receipt Payment	£E 3,500	£E 2,800	£E 2,500
Simple Loan over 40 years	£E 14,000	£E 15,000	£E 15,000
Simple Loan Interest	6 %	5 %	5 %
Nasser Social Bank Loan over 15 years, with interest 8%	£E 4,500	-	-
Monthly Installment	£E 83 for 3 years + £E 47 for 40 years	£E 83 for 3 years + £E 37.5 for 40 years	£E 32 for 40 years

Table (3) Unit Cost, Subsidy and Payment Method in Mubarak Project for Youth through the three planned stages.
 Source: Amer, 2002

5.2. Case Study (B): Future Housing Project

In the first phase, 15,000 apartments, 63 square metres each, will be built in nine cities: 10th of Ramadan, 6th of October, Al-Shorouk, Al-Obour, Al-Qahira Al-Gedida (New Cairo), Beni Suef, Minya, Assiut and New Luxor. This first stage is scheduled for completion by the year 2000. By the time the second and third stages are completed in 2005, 55,000 additional apartments will have been built, raising the total to 70,000. The project is financed jointly by the government and private entrepreneurs, with the latter contributing £E1 billion, almost half the total construction cost. Beneficiaries will be provided with cooperative loans, allowing them to pay for their apartments in installments over 40 years, at a five per cent annual interest rate. The project, which targets low-income families, will run parallel to another project designed to provide young people with low-cost housing.



Figure (2) Future Housing Project, a new emerging (re)generated housing.
 Source: Salakawy, 2000-01

Statement	First Phase 63 m ²
Real Cost of Unit + Public Facilities	£E 28,500
Sale Price	£E 15,000
FHF Subsidy	£E 14,500
Subsidy/Cost Percentage	51%
Down Payment	£E 1,000
Receipt Payment	£E 2,500
Simple Loan over 40 years	£E 14,000
Simple Loan Interest	5 %
Nasser Social Bank Loan over 15 years, with interest 8%	-
Monthly Installment	£E 67 for 40 years

Table (4) Unit Cost, Subsidy and Payment Method in Future Housing Project.
 Source: Author

Conclusions

The involvement of civil society in housing schemes for low-income categories may provide a new self-reliant solution for such an issue. This role implies collaborative action between Civil Society corporations (whether NGOs, TSOs, ...) and government in the aim to achieve its fruitful effects in dealing with housing for low-income issue. This approach has several benefits, to list few:

1. The amount of subsidies in the case of Civil Society Finance is greater than in the case of State Finance.
2. Philanthropy is more than an important, desirable part of human-centered development.
3. Greater self-reliance is required due to the insufficiency of resources to meet needs.
4. The only way the state can « help » people is to give them wealth taken through taxation from someone else. Forcing people to be «charitable» makes them self-centered and resentful. The welfare state is a poor substitute for personal local acts of charity that emphasize self-reliance and self-respect – qualities that tend to be missing when government welfare is viewed as positive «rights» to be asserted. Given that some type of charity is needed, private sector solutions are vastly preferable to governmental ones.
5. Civil Society increasing role encourages private sector investment in projects like low-income housing more than government plans. Also it helps the appearance of new trends in housing finance like the B.O.T. approach and the concession right.

More individual/corporational/governmental interactions are needed in the aim to rejuvenate the role of civil society in solving housing related issues.

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