



Egypt: Housing program design and analysis

Executive Contact: David A. Smith,
dsmith@affordablehousinginstitute.org

Project Summary: Design of a six-year, 500,000-home affordable housing production program, creation of a financial model to test affordability and aggregate program cost, and quantification/ risk assessment of the proposed program.

Housing affordability is a critical issue in Egypt generally, and particularly in Cairo, whose population of 18,000,000 places it among the world's largest and fastest-growing cities. In summer, 2005, on the campaign trail, Egyptian president Hosni Mubarak pledged that if re-elected, he would create 500,000 new homes affordable to low-income Egyptian households. The Prime Minister and Minister of Investment tasked the Guarantee and Subsidy Fund ("GSF"), a newly formed government agency that was being separated from the

Mortgage Finance Authority ("MFA"), with developing an optimal program, on an urgent basis, within policy constraints (affordability levels), market constraints (cost of housing and available financing instruments), and fiscal constraints (government financial resources available).

Project facts

The desired program will be unique in Egypt's history, for until recently, the only affordable housing production was direct construction (within internal financing) by the Ministry of Housing ("MoH"). However, with Egypt's recent emphasis on privatization and harnessing market forces, a Cabinet realignment placed the program under the Ministry of Finance ("MoF") and Ministry of Investment ("Mol"). Financing was further complicated by the absence of an efficient and standardized title registration system. All of these modernizations were being assisted by USAID via a large Egyptian Financial Services contract to a single prime contractor (Chemonics), through which AHI was engaged for this specialized task.

AHI Services provided

- Wrote an options paper outlining alternative means of funding the program.
- Created a recommended program design and commented on design proposals and suggestions from the GSF and affected ministries.
- Wrote a concept paper with recommendations on the appropriate funding plan.
- Developed a multi-sheet, user-friendly, module-formatted, cash flow model that began with program parameters, calculated affordability at the householder level, aggregated the results into national annual production figures, projected program rollout over a nine-year period, and quantified the program's aggregate net present value cost.
- Presented comprehensive program recommendations supported by financial analysis.
- Briefed USAID's contractor and relevant government officials.
- As a followup service, drafted the Terms of Reference (ToR) for a housing demand study considered an essential precondition of program enactment.

Outcomes

- The GSF used AHI's program design and financial analysis, with modifications, as the basis for their recommendations to the Ministry of Investment, Ministry of Finance, and Prime Minister.
- The GSF commissioned the demand study. A draft has been received and further action is pending.