

**Inclusive Housing Finance Program
Program-For-Results**

Environmental and Social System Assessment

Draft Report

November 2014

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List of Acronyms

AMFP	Affordable Mortgage Finance Project
AMP	Affordable Mortgage Finance Program
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CDAs	Community Development Association
DLIs	Disbursement-Linked indicators
DRSPB	Demand-side Rental Subsidy Public Program
EEAA	Egyptian Environmental Affairs Agency
EGP	Egyptian Pound
EIA	Environmental Impact Assessment
ESSA	Environmental and Social System Assessment
GHBCA	General Housing and Building Cooperative Authority
GoE	Government of Egypt
<i>GSF</i>	<i>Guarantee and Subsidy Fund</i>
HDB	Housing and Development Bank
IHFP	Inclusive Housing Finance Program
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MoHUUD	Ministry of Housing, Utilities, and Urban Development
NGOs	Non-governmental organizations
NHBRC	National Housing and Building Research Center
NUCA	New Urban Communities Authorities
O&M	Operation and Maintenance

PAP	Program Action Plan
PDO	Project Development Objectives
PforR	Program for Results
PRSP	Private Rental Subsidy Program
RBO	Regional Branch Office (of EEAA)
SME	Small and Medium Enterprises
TBD	To Be Defined
ToRs	Terms of Reference
UAE	United Arab Emirates
WBG	World Bank Group

Executive Summary

Introduction

Egypt has lacked a comprehensive and long-term housing policy that would ensure that all segments of the society are catered. Access to affordable housing in Egypt remains a major challenge for low- and middle-income households. Until recently, the Government of Egypt's (GoE) housing initiatives have largely focused on the direct supply of subsidized ownership housing for middle income groups, but these projects never reached the required scale to cater to the growing urban population. These programs excluded low-income households, and a buoyant informal housing market on the fringes of existing urban areas began to cater to the needs of low and middle income households who did not win the housing lottery or needed to stay close to employment opportunities. Private sector production of formal housing was small and catered mostly to the upper end of the housing market.

In early 2011 the Guarantee and Subsidy Fund (GSF) was established and is implementing an improved demand-side mortgage subsidy program, and after historically mortgage finance was available to higher income group (> L.E. 2,500/month), the GSF has made mortgage options available for households with monthly incomes between LE 2,500–LE 1,500 (75th to <20th percentile of the income distribution, i.e. the middle and low income groups).

One of the major steps recently taken by the GoE is the establishment of the Social Housing Fund (SHF) which aims at providing one million homes for low-income households over a six year period. The SHF has been established by the recently issued Social Housing Law 33/2014, and is being supported by different development partners of Egypt, including the Government of United Arab Emirates (UAE). In that context, the GoE has requested WBG support to the SHF through the Inclusive Housing Finance Program (IHFP). This would entail developing improved social rental housing programs for low income groups, for public and private sector, help develop systems for the management of social rental housing, make the mortgage market more inclusive, and design policies to incorporate the vacant stock into the housing market. The proposed finance instrument for the IHFP is the Program for Results (PforR), which flexibly disburse against certain achieved results, ensuring that the interventions by the various development partners, as well as those by the WBG, are implemented in a coherent and coordinated fashion.

SHP is intended to synergize and scale up the existing social housing programs and learn from the various lessons learnt. The SHP aims to establish an efficient targeting mechanism to reach the intended beneficiaries of the poor and middle income households. Law 33 year 2014 set number of conditions to regulate the process and minimize the opportunity of leakage, disputes and exploitation of the program resources. The law sets measure for restrictions on multiple benefits, controlling and minimizing the chances for conflict over ownership, restriction on using the housing unit for other purposes, penalizing and criminalizing the violators of the law conditions.

Article 2 of Law 33 Year 2014 stipulates that the program aims to provide housing units for the low income categories in Governorates and new urban communities. The articles also states that

distribution is done based on direct allocation/ draw and that the Cabinet of Ministers issues a decree with the criteria that the potential beneficiary should meet. The cleared criteria and general conditions are announced to the public as part of the advertisement for “Low income program”.

MoHUUD gives big attention to the dissemination of information about the projects and about the announcement for application. In general, the program is very widely publicized in newspaper, TV, radio and social media. The announcements for each of the stages of the SHP is made on a widely spread national newspaper for three subsequent days. These announcements are usually disseminated on the Governorate level through the Directorate of Housing, the Governorates and other concerned and interested stakeholders. It includes the general conditions for applying to the SHP, the applicants’ selection criteria, needed documents, methods of application and payments as well as the form that the applicant should be using in applying.

Currently the SHP is working closely with number of organizations, most importantly the Ministry of Social Solidarity as well as the Housing and Development Bank, to implement the program. The verification process for the applicants’ submitted document is made by the SHP. For the sub programs of the low income groups, the Ministry of Social Solidarity gets engaged in the verification process. In certain cases, applicants/potential benefices are approached by the Ministry of Social Solidarity to verify that the applicant socioeconomic conditions.

Complaints are being handled through the “Citizens’ service Office” under the Executive Agency of the Social Housing. The office is established on the central level in the MoHUUD in Cairo and is geographically located within the Ministry.

This document, the Environmental and Social Systems Assessment (ESSA), has been prepared by the Bank team, according to the requirements of WBG Operational Policy OP9.00 for PforR financing for adequately manage the environmental and social effects of the program. The ESSA aims at reviewing the capacity of existing government systems to plan and implement effective measures for environmental and social impact management and to determining if any measures would be required to strengthen them.

Program Description

The Inclusive Housing Finance Program (IHFP) is technically and institutionally supporting the Social Housing Fund (SHF) and financially supporting the demand-side activities of the SHF. The overall objective of the proposed program is to strengthen the Government’s capacity to deliver housing solutions to low-income households.

The IHFP, in addition to the institutional and technical support, will only finance demand-side components of the SHF. The IHFP will provide finance for the following three demand-side programs:

- **Affordable Mortgage Finance Program (AMP).** This will be a continuation of the AMFP launched in 2009 as the new program will provide it with additional funding and will assist with the expansion of its operation systems to allow for larger volume of beneficiaries. The AMP provides demand-side subsidies to complement a maximum affordable mortgage loan and a minimum 10 percent down-payment for the purchase of a new or existing house. It serves households with

incomes between LE 1,000 and LE 2,500 per month, reaching just below the 20th percentile of the income distribution and with a median beneficiary income of LE 1500 per month. The upfront subsidies are funded by the GSF with prior WBG funding, and the average subsidy is in order of L.E. 20,000 per household. Qualifying households take out a maximum affordable mortgage loan with a participating lender and pay a minimum down-payment to acquire a new or existing house; according to their income level, they receive an upfront subsidy that can be used to lower the loan amount or the monthly payment. In the latter case, the subsidy amount is phased out over a 7 year period.

- **Demand-side Rental Subsidy Public Program (DRSPP).** The DRSPP will provide housing for households with incomes below LE 1,500. The subsidized rent in the government program is currently as low as L.E 225/month, which is affordable to households with income of L.E 900/month. The IHFP will develop a complementary rental subsidy that will be scaled according to income and will allow a lower income group to be reached, while making sure that the total rent will cover operation and maintenance costs. It may also cover the security-payment, which is a protection for non-payment¹. The maintenance of the buildings offered for rental could be delegated to maintenance companies that would be responsible for collecting rents and evicting non-compliant tenants.
- **Private Rental Subsidy Program (PRSP).** The PRSP will consist of two distinct demand-side programs— for investors and for tenants. Incentive schemes will be offered to private rental investors who would commit themselves to rent out their units to households with moderate incomes (in the range of LE 900 to LE 2,500 per month) for a given period of time. The scheme would concern investors buying newly-built units from developers or renting out previously-owned units that were either left unfinished, or kept vacant. The incentives may comprise soft loans aiming at increasing the net operating income and upfront tax incentives. It is worth noting that the program will not fund investors for finishing unfinished units. The rental program will provide subsidies aiming at filling the gap between the rent (based on private rent equivalent) required by the investor and the payment affordable to the tenant, estimated at 25 percent of his/her income. Such tenant subsidies would also be granted in similar conditions to sitting tenants of decontrolled units if the rental law was changed in a way that would make charged rents unaffordable to low-income sitting tenants

In addition to the above programs funded by the IHFP, there will be complementary implementation support and technical support to the SHF. This will include preparing the Executive Regulations of the Social Housing Law and its organizational structure, a robust monitoring and evaluation system, a coherent and transparent housing subsidy system, strengthening the fund's capacity to develop a comprehensive housing strategy and policy tools for its implementation, strengthening the fund's financial management capacity and assurance mechanisms, strengthen SHF Capacity regarding Environmental and Social Aspects², exploring options for alternative housing finance, streamlining the rental legal framework, drafting guidelines for housing rehabilitation credit and employer rental programs.

The result areas and DLIs are illustrated in the following table:

¹ Currently the security payment in the government program is L.E. 5000, but the new program is considering reducing this payment to be as low as L.E. 500

² As further discussed later

Disbursement-Linked Indicator	Results Area Addressed by DLI	Amount (US\$ millions)
DLI 1: Housing M&E system functioning and informing the Multi-Year Plan and Annual Targets	Results Area 1: Enhance Institutional Capacity Results Area 2: Effectiveness of Social Housing Programs	25
DLI 2: Functioning mechanism to monitor occupancy of housing post-subsidy	Results Area 2: Effectiveness of Social Housing Programs Results Area 5: Utilize Vacant and Unfinished Units	20
DLI 3: Number of households receiving up-front homeownership subsidies (AMP) per year	Results Area 3: Improve Access to Homeownership and Rental Units	275
DLI 4: % of ownership housing units occupied by low-income residents after at least 1 year (AMP)	Results Area 2: Effectiveness of Social Housing Programs Results Area 3: Improve Access to Homeownership and Rental Units Results Area 5: Utilize Vacant and Unfinished Units	30
DLI 5: Number of households participating in rental subsidy programs	Results Area 3: Improve Access to Homeownership and Rental Units Results Area 5: Utilize Vacant and Unfinished Units	80
DLI 6: % of program beneficiaries with a commute of 45 minute or less to an employment center [under discussion]	Results Area 4: Reduce Geographical Mismatch	50
DLI 7: Internal audit function providing assurance services for the ownership and rental programs affiliated with the SHF established and operating	Results Area 1: Enhance Institutional Capacity	20

Program Environmental and Social Benefits, Risks and Impacts

The IHFP has clear boundaries within the demand side of the SHF, no supply side activities will be supported by the project, therefore the scope of the assessment is limited within the demand-side. The following factors support this limitation of scope:

- Beneficiaries of the three sub-programs supported by the IHFP (AMFP, DRSPB and PRSP) have the liberty to choose any housing unit or apartment on open housing market, without any obligation to select a house supplied by the SHF. The eligibility criteria to access subsidy in one of the three sub-programs is limited to proof of income and having the housing unit within the classification of low and medium-income households, which will be confirmed by the SHF staff during processing of applications.
- The finance provided by the IHFP is limited to the subsidies for the three sub-programs, in addition to the technical assistance to the SHF. No supply-side activities will be financed by the IHFP
- The DLIs are not related to the supply-side activities.

Given the boundaries of the IHFP no major environmental impacts and risks are expected. There will be no land acquisition, construction activities or civil works. The IHFP, given that it is limited to the demand-side, does not include any of Category-A type investments, does not pose risk on natural habitats, physical cultural resources, does not include activities that generates considerable pollution to any environmental media and does not pose any risks to land use or natural resources.

The IHFP will yield some environmental benefits, as the program results are expected to improve the efficiency of the housing sector in Egypt, especially through occupation of existing vacant units and improved location of new units relative to employment centers, which would result in rationalizing construction activities for housing projects with less associated environmental risks/impacts. This rationalization of construction activities would also lead to less growth of informal settlements, which would lead to minimizing associated environmental impacts. The program will also help reducing commuting for employment, and one of the DLIs will indicate that more program beneficiaries will live nearby their employment centers, and accordingly less traffic impacts would be achieved.

On the other hand there might be some community risks related to occupying housing units with some structural stability issues or with low fire safety precautions, either due to some defects that happened during the construction of the building or some lack of maintenance and unsuitable operational practices. For new housing units this risk is quite low because there are explicit legislation and engineering codes for the construction of buildings, and it is a prerequisite for buildings supplied by government entities, or private developers participating in the program, to comply with those safety standards or, otherwise, their buildings will not be licensed by the local authority, and, hence, will not be able to connect to utilities. For existing units this risk may be relatively higher because good maintenance, which is not consistent among the existing buildings, is an important factor that reduces such risk. The action plan for the program includes certain measures to minimize such risk.

The IHFP will focus on the demand side of the social housing program and will not support any civil works or any activities that involve land acquisition. No negative impacts related to land taking or livelihoods are expected to result from the program.

IHFP is anticipated to have plenty of positive social outcomes. The program will positively contribute to solving this challenge by facilitating access of low and middle income groups to appropriate ownership and rental housing schemes. This will also contribute to the discouragement of the growth of the informal and unstructured housing. The program will be accommodating various income groups including the poorest who lack financial capacity and lack assets to place for loans guarantees. In the meantime, the program will work to ensure equitable access to the program by various socially marginal groups including female headed households, poor families in marginalized Governorates and lagging region as well as groups with special needs. The program DLIs have been designed to ensure this indicator is monitored and is aimed for achievement. The program will involve number of indirect positive impacts such as reducing the time consumed in commuting and accordingly the associated cost and time which are regarded as valuable assets particularly to poor individuals. The enhanced institutional

capacity should contribute to better management for the program to ensure that the low and middle income households, who are the primary beneficiaries of the program will benefit.

In the meantime, a number of risks have been identified as part of the ESSA preparation and the associated consultation process. The majority of the identified risk relate to the limited institutional capacities which might be regarded as a crosscutting threat for the program sustainability. Main risks identified:

- 1) Leakage of the program benefits to cases that are not eligible**
- 2) Inability to reach needy and priority cases**
- 3) Limited capacity to handle potentially high volume of grievances**
- 4) Sustainability**

Description of the Existing Environmental and Social Management System

At the programs level, providing demand-side subsidies for ownership and rental of low- medium income households does not require special environmental licensing or EIA requirements.

In terms of building's safety, the Building Law (Law 119/2008) includes stipulations for ensuring the building safety and validity for use, including a detailed inspection system for the validity of buildings and suitability of water supply and sanitation fixtures, carried out by local units. The inspection on buildings safety after construction is usually promptly performed so as to enable the connection of utilities to the buildings. For existing buildings, the inspection is usually not performed on a highly frequent manner, because of the limited number of inspection staff and also because many buildings inhabitants refrain from submitting maintenance complaints to avoid possibly expensive maintenance costs, so they would usually rather arrange the maintenance internally unless there is disagreement among them. Accordingly the recommended Program Action Plan (PAP) includes measures to have safety inspection certificate of existing buildings as a pre-request document for applications. The certificate would be cleared by the correspondent Local Unit, or through authorized consultants delegated by the local units.

The SHP is regulating the demand-side of the program through defining a number of conditions that should be fulfilled by the applicants including preventing getting use of the SHP by any households that have previously benefited from program, and preventing any transaction of units and buildings made on allocated lands except after the approval of program. This will be stipulated by the executive regulations of the law which are currently under preparation

Environmental and Social Measures in the Program Action Plan

The environmental measures of the PAP focus on the following main issues:

- The program is expected to yield environmental benefits in terms of improving occupancy of existing vacant units, which would rationalize construction activities and reduce expansion of

informal settlements, the program results will also include reducing employees commuting to their employment centers. The program already includes two DLIs related to the above benefits, therefore those DLIs will be included as environmental monitoring indicators showing the achieving of such benefits.

- In order to maximize environmental benefits of the program, program beneficiaries will be guided to achieve better energy efficiency and waste management practices. It is recommended to have a standard energy consumption rate for each type of household in cooperation with Ministry of Electricity, and if the program beneficiary achieved this target rate or less consumption, he would be subject to have economic incentives such as more advantageous packages in the terms of paying mortgage of rents. Also an awareness leaflet about best waste management practices should be provided to each beneficiary when he receives documents related to the program. Communication would be established with Ministry of State for Environmental Affairs to get enough numbers of these leaflets³.
- Because the assessment is based on keeping clear boundaries between supply-side and demand side activities of the SHF, it is important to ensure that these boundaries are maintained during the implementation of the program. Therefore, the SHF should make sufficient advertising to invite applications for subsidized finance or ownership and rental of houses or apartment on open housing market. During the program implementation the SHF should ensure that there is a balance between the households beneficiaries using new units and those who are using existing units
- The main risk related to the program demand-side activities is the communicable risks related to the safety of the houses occupied by program beneficiaries. Because the existing system considers that new buildings should have a validation certificate as a prerequisite for connecting it to utility networks, more focus should be directed towards existing buildings being used by the program. In order to make sure that existing buildings have sufficient safety measures as stipulated in Law 119/2008 and NHBRC Engineering Codes a validity certificate should be submitted by the owner of the unit as a condition for receiving the subsidy. The certificate would be cleared by the correspondent Local Unit, or through an authorized consultants delegated by the local units. The technical support provided by the IHFP will include strengthening the capacity of Local Units to adequately review directly, or through assigned consultants, the validity certificates.

Strengthening the institutional setup and building the technical capacity:

To address the previously identified social risks, the design of the program will need to take into consideration the number of measures indicted below. The enhancement of the institutional capacities is a key requirement and it should involve assigning the needed human resources, training them and equip them with the tools needed for them to implement and monitor these measures.

³ These measures were recommended in the public consultation

In order to implement the program with the view of maximizing the social benefits to the beneficiaries and efficiently addressing the social risks, a number of measures should be taken as will be explained below. The SHP will need to mobilize appropriate human resources to take the lead in the implementation and following up on these measures. Social officer should be assigned within the SHP to coordinate the work related to the social dimension on the program level. Local teams should be also mobilized on the Governorate level to be in charge of the actual implementation on the ground.

Measures to address social risk

- Designing and implementing context sensitive information sharing mechanisms:
- Designing and implementing consultation, communication and reaching out plans
- Establishing robust local level grievance system mechanism:

Public Consultation

In cooperation and coordination with MoHUUD, the Bank team has also conducted number of meetings, discussion and two public consultation events with wide range of stakeholders on both the central and one selected Governorate representing Upper Egypt. The consultation engaged governmental organizations, non-governmental players and beneficiaries from the exiting SHP. The consultations aim at presenting the project description and the scope of the ESSA and obtain the feedback and comments of stakeholders and incorporate them in the program design where feasible.

A public consultation event was held in Assiut City on Sep 22, 2014. The event was hosted by Assiut Governorate and was attended by around 12 stakeholders of various Governmental departments in the Governorate. Most important department that participated included the housing, social solidarity, environmental unit, Regional Branch Office (RBO) of EEAA, Monitoring and Solid Waste Management. The event was also attended by the Social Fund for Development (SFD) and representative from the Housing Associations.

Most important comments received from Assiut event are:

- Renting in rural areas of Upper Egypt governorates (out of capital cities) is socially not accommodated. Many of buildings in those areas are family buildings, and there are social barriers to rent some of the units in such buildings to strangers.
- Subsidies made available for units in the private sector, especially existing units, could lead to some distortions in the renting market. There may be undisclosed agreement between tenants and landlords to raise the amount of rent (or the price of the unit) so as to raise the amount of subsidy and to share this benefit between them
- Providing subsidies to tenants already renting units but have difficulty in paying the rents due to their low income might be a suitable renting program to be added to the WBG program for Upper Egypt Governorates
- What would maintain the sustainability of rental subsidies after the closure of the program? The beneficiary might not be able to maintain secured housing with the withdrawal of subsidies.
- The least income that could benefit from the program (L.E. 900/month) is much higher than the average income of households in Upper Egypt. Maybe about 95% of people in Upper Egypt has

income less than L.E. 900/month

- There should be adequate survey of needs in each Governorate, because one model or program would not fit the needs of every Governorate
- Providing certificates of safety for units benefiting from the program (to safeguard against communal risks such as structural risks, fire risks ... etc.) would need institutional support to local units
- As part of verifying the socioeconomic conditions of potential beneficiaries, there is a need for more reaching out to check on the living conditions of the applicants.

A consultation event was hosted by the MoHUUD on September 28, 2014. The event was held in the Ministry premises with participation of around 45 stakeholders from wide range of affiliations from 4 Governorates, namely Cairo, Giza, Fayoum and Kalyobia. The most important represented affiliations are MoHUUC, NUCA, GOPP, NHBRC, GHBCA, GSF, the Executive Agency of the SHP, different departments with the HDB HQ and branches, Housing Directorates from 3 Governorates, Ministry of Urban Development and Informal Areas, EEAA, Fayoum RBOs, Housing Cooperatives and beneficiaries

Most important comments received from Cairo event are:

- What is the relation between this program and the Affordable Housing Project? Has the new program benefited from shortcomings of the existing project?
- Requiring a safety certificate for existing units would exclude informal settlements and violating buildings as they consist large ratio of buildings in urban areas (about 37%).
- The least income that could benefit from the program (L.E. 900/month) is much higher than the average income of households in many areas. Limiting the minimum income that could benefit from the program to L.E. 900/month would leave many households out of the program
- How would be the proof of income especially for daily informal workers?
- What would maintain the sustainability of rental subsidies after the closure of the program?
- It might be a good idea to relate the subsidy with some indicators such as energy savings, so as more savings households could have better packages for the subsidy
- To open vacant units to the market there should be changes in legislation to facilitate eviction of non-compliant tenants
- We suggest to relate the program with other WBG projects that support low income people. For example beneficiaries of housing subsidies could also be considered in the SME program with the SFD so as to maintain the sustainability of the beneficiaries livelihoods.
- One of the previous beneficiaries indicated the difficulty of some of the eligibility conditions, such as providing a guarantor. She also pointed to the fact that most of the governmental officials withdraw other loans with the guarantee of their salaries and this mean that they cannot use their salaries as a guarantee
- We suggest conducting a special consultation with previous beneficiaries
- It might be a good idea to raise the awareness of beneficiaries about adequate solid waste management practices
- Would the program provide funds to banks so as not to take legal actions against non-performing households?

The environmental and social issues and inputs recorded during the consultation process were considered and included, as appropriate, in the ESSA. Comments related to the program design were communicated to the program team for consideration during the detailed design of the program.

1 Introduction

1.1 Background

Egypt has lacked a comprehensive and long-term housing policy that would ensure that all segments of the society are catered. Access to affordable housing in Egypt remains a major challenge for low- and middle-income households. The housing backlog, as estimated by the Ministry of Housing, Utilities and Urban Development (MoHUUD), ranged from 0.9 to 3 million units. The housing shortage was particularly acute for the 10 million impoverished youth (CAPMAS 2014 estimate). Egypt requires approximately 300,000 new housing units per year to house newly formed households, plus an additional 254,000 to gradually deal with the backlog of housing over five years.⁴ House ownership is dominated by the richest quintile especially in urban areas, where 52 percent of owned houses belong to the 5th quintile (the richest). The poorest quintile has a very low share in house ownership.

The main drawbacks that have faced the housing sector in meeting the inclusive demands of the Egyptian households in the past decades are:

- The dysfunctional rental sector affected by the old rental control laws introduced in 1940s and 1950s which led to freezing a large proportion of the housing stock and keeping it out of the market⁵, the ratio of units under the old rental law is estimated by 42% in Greater Cairo. Decades of rent control has created lack of market mobility led to stagnating neighborhoods that should have undergone change as part of urban and employment transformation. This problem has been alleviated by the introduction of Law 4 of 1996, as amended by Law 137 of 2006, which allowed, for new contracts, rental conditions to be based on free market conditions and facilitated legal procedures for eviction of units for violating tenants, however, the long transitional period for phasing out of the old rental contracts is slowing down the mitigation of this impact on the housing market.
- The high vacancy rate of existing units, which was estimated by 3.4 million units according to 2006 census. The main reason for this vacancy rate is that housing served as an inflation-proof savings and investment mechanism based on value appreciation without need of the rental yield. Also many families buy houses for future use by their children but would not rent out the house for fear of not being able to access the house when they would need it; or would leave it unfinished.
- The rapid growth of the informal sector as result of the relatively high building and zoning standards, the bureaucratic and costly permitting process and uncompetitive building sector. The informal housing market began to cater to the needs of low- and middle-income households on the fringes of existing urban areas. It is estimated that 75% of the population could not afford

⁴ Ministry of Housing, Utilities and Urban Development, Database (2014).

⁵ According to the old rental law, old rental contracts cannot be modified and the landlords do not have the right to end contracts, increase the rent or evict the unit or his spouse and offspring for a generation after his death

a house in the formal sector, and the Central Agency for Public Mobilization and Statistics (CAPMAS) estimates that 12 to 20 million people live in informal housing areas (2013).

- Most of the new housing was located in New Towns in desert areas far away from employment opportunities for moderate and low income families, forcing a large proportion of the labor force to commute long distances to work. Moreover, the lack of investment in adequate road and transportation linkages between new residential areas and employment centers created unbearable traffic congestion in most urban and metropolitan areas.

Until recently, the Government of Egypt's (GoE) housing initiatives have largely focused on the direct supply of subsidized ownership housing for middle income groups, financed by government directly or by the state-owned Housing and Development Bank (HDB) at subsidized rates. Transfers of the subsidized units were typically restricted for long periods. During the past decades, the government built as much as 36 percent of all formal housing units supplied in urban areas. Large as these projects were, they never reached the required scale to cater to the growing urban population. These programs excluded low-income households, and a buoyant informal housing market on the fringes of existing urban areas began to cater to the needs of low and middle income households who did not win the housing lottery or needed to stay close to employment opportunities. Private sector production of formal housing was small and catered mostly to the upper end of the housing market.

In 2009 the Affordable Mortgage Finance Project (AMFP) was launched with support from the World Bank Group (WBG), the project objective is to reform the current system of inefficient and poorly targeted supply-side subsidies for housing for the broad low and middle income sector and replace them with a transparent and economically efficient demand-side subsidy system. After the recent political development in Egypt, the importance of improving the housing sector has gained further attention from the GoE. The government has launched several economic stimulus packages and residential construction has been a major component of all because of its immediate effect on job creation and known economic multiplier effects.

In early 2011 the Guarantee and Subsidy Fund (GSF) was established and is implementing an improved demand-side mortgage subsidy program. GSF was originally under the Ministry of Investment, but now became under MoHUUD. By June 2014, 13,000 mortgage-linked subsidies had been disbursed. The subsidies increase with decreasing incomes and are linked to a maximum affordable mortgage loan by a financial institution of the beneficiary's choice. After historically mortgage finance was available to higher income group (> L.E. 2,500/month), the GSF has made mortgage options available for households with monthly incomes between LE 2,500–LE 1,500 (75th to <20th percentile of the income distribution, i.e. the middle and low income groups). GSF beneficiaries' median income was LE 1,700 per month in June 2013 and LE 1,500 in January 2014 (the bottom 40 percent of the income distribution).

One of the major steps recently taken by the GoE is the establishment of the Social Housing Fund (SHF) which aims at providing one million homes for low-income households over a six year period. The SHF has been established by the recently issued Social Housing Law 33/2014, and is being supported by different development partners of Egypt, including the Government of United Arab Emirates (UAE). In

that context, the GoE has requested WBG support to the SHF through the Inclusive Housing Finance Program (IHFP). This would entail developing improved social rental housing programs for low income groups, for public and private sector, help develop systems for the management of social rental housing, make the mortgage market more inclusive, and design policies to incorporate the vacant stock into the housing market. The proposed finance instrument for the IHFP is the Program for Results (PforR), which flexibly disburse against certain achieved results, ensuring that the interventions by the various development partners, as well as those by the WBG, are implemented in a coherent and coordinated fashion.

1.2 Institutional Context of the Housing Sector

MoHUUD is the responsible body for housing and urban planning, it sets the policies, prepare and implement different housing and urban development plans according to national policies. The MoHUUD is implementing housing programs with support from the following affiliate bodies:

- The New Urban Communities Authorities (NUCA), which is responsible for developing new urban communities in new cities for redistribution of population away from the narrow Nile Valley strip and the Delta. NUCA has established 22 new cities so far.
- Housing Directorates in different governorates. Although Each Directorate of Housing (DoH) organizationally for the correspondent governorate, it technically follows the procedures of MoHUUD. The DoHs participate in the planning and implementation of housing programs in the domain of their governorates.
- Housing and development Bank (HDB), which is providing long-term finance to building houses, especially for limited income groups.
- The General Housing and Building Cooperative Authority (GHBCA), which has housing cooperatives under its umbrella. The GHBCA is allocating lands for cooperatives, which implement housing projects for their beneficiaries against soft payment conditions.
- The National Housing and Building Research Center (NHBRC), which is responsible for the research related to construction and housing. NHBRC is the body issuing the Engineering Codes of Practice.

1.3 Recent Reforms

During the past year, the GoE has taken a number of regulatory reforms and stimulus packages to increase the housing options available to low and middle-income households including:

- An inclusive process was started in 2013 to improve real estate transaction and property registration systems. A Decree issued by the Ministry of Justice (Decree 10/2014) that have facilitated real estate transactions registration in New Communities, which will make mortgage lending in NUCA territories, where most of the new units exist, possible and easier.

- In order to promote the increase in private sector participation in the housing sector, various measures were undertaken by the authorities. In early June 2014 MoHUUD negotiated new land contracts with the main residential developers, and a resolution committee was formed to settle any debatable land contracts with the private sector (as a result of which many cases were solved). This has resolved many old land contracts problems raised after 2011 revolution, such problems have caused uncertainties and delays in private sector housing projects.
- The Central Bank of Egypt (CBE) implemented in June 2014 an economic stimulus for the housing sector through an infusion of funds, totaling LE 20 billion, into the mortgage sector to stimulate house construction for low- and middle-income groups. The low-income component of the stimulus (at seven percent interest rates) targets the same income level as the GSF's subsidies. This stimulus will allow GSF to extend housing credit well into the low income segment or below the 20th percentile. Funds are made available through banks and their affiliated mortgage companies and upfront subsidies for qualifying low-income households are provided through the GSF. The program has been able to respond well to the growing demand (it received 155,000 applicants).
- Amendment to the Real Estate Finance Law 148 of 2001 was ratified by the President in July 2014, allowing greater flexibility in setting limits to the proportion of income to be allocated to mortgage payments, and in establishing qualifying income levels for mortgage-linked subsidies. The allowable payment-to-income ratio has been increased and, therefore, eligibility of lower-income households to access mortgage finance has been improved.
- A law on the regularization of informal areas was approved by the Cabinet in July 2014 and is expected to be passed by the State Council soon. It allows informal residential buildings, built without a licence on private land, to be regularized upon payment of a penalty. This law will incentivise the formalization and regularization of houses, by making it possible to extend services, utilities, and infrastructure to informal areas. This facilitates property registration and borrowing for improvements.

1.4 Objectives of the ESSA

This document, the Environmental and Social Systems Assessment (ESSA), has been prepared by the Bank team, according to the requirements of WBG Operational Policy OP9.00 for PforR financing for adequately manage the environmental and social effects of the program.

The ESSA aims at reviewing the capacity of existing government systems to plan and implement effective measures for environmental and social impact management and to determining if any measures would be required to strengthen them. The specific objectives of the ESSA is to:

- Identify potential environmental and social benefits, risks and impacts applicable to the program interventions
- Review the policy and legal framework related to management of environmental and social impacts of the program interventions
- Assess the institutional capacity for environmental and social management system within the program system

- Assess the program system performance with respect to the core principals of the PforR instrument and identify gaps
- Describe actions to be taken to fill the gaps that will input to the program action plan
- Describe the consultation process for the preparation and implementation of the program

1.5 Methodology of the ESSA

The Bank's assessment team used various approaches to review the environment and social systems that are relevant to the program. It included review of legislation and guidelines, relevant documentation, national level consultations with different stakeholders and analysis of different effects.

In cooperation and coordination with MoHUUC, the Bank team has also conducted number of meetings, discussion and two public consultation events with wide range of stakeholders on both the central and one selected Governorate representing Upper Egypt. The consultation engaged governmental organizations, no- governmental players and beneficiaries from the exiting SHP. The consultations aim at presenting the project description and the scope of the ESSA and obtain the feedback and comments of stakeholders and incorporate them in the program design where feasible.

A public consultation event was held in Assiut City on Sep 22, 2014. The event was hosted by Assiut Governorate and was attended by around 12 stakeholders of various Governmental departments in the Governorate. Most important department that participated included the housing, social solidarity, environmental unit, Regional Branch Office (RBO) of EEAA, Monitoring and Solid Waste Management. The event was also attended by the Social Fund for Development (SFD) and representative from the Housing Associations.

A consultation event was also hosted by the MoHUUD on September 28, 2014 in Cairo. The event was held in the Ministry premises with participation of around 45 stakeholders from wide range of affiliations from 4 Governorates, namely Cairo, Giza, Fayoum and Kalyobia. The most import represented affiliations are MoHUUC, NUCA, GOPP, NHBRC, GHBCA, GSF, the Executive Agency of the SHP, different departments with the HDB HQ and branches, Housing Directorates from 3 Governorates, Ministry of Urban Development and Informal Areas, EEAA, Fayoum RBOs, Housing Cooperatives and beneficiaries

Chapter 6 of the ESSA presents more details on the conducted consultations along with full documentation.

2 Program Description

2.1 Program Scope and Interventions

The Inclusive Housing Finance Program (IHFP) is technically and institutionally supporting the Social Housing Fund (SHF) and financially supporting the demand-side activities of the SHF.

The SHF is part of the Social Housing Program (SHP), and is responsible, according to the Social Housing Law 33/2014, for establishing, management and financing of the housing units of the SHP. The supply-side of the SHP comprise providing i) housing units for limited income households in the areas identified by MoHUUD in governorates and by NUCA (in new cities), and ii) lands with maximum area of 400 m2 identified by NUCA (in new cities) for buildings of limited income households. The SHP is regulating the demand-side of the program through defining a number of conditions that should be fulfilled by the applicants including preventing getting use of the SHP by any households that have previously benefited from program, and preventing any transaction of units and buildings made on allocated lands except after the approval of program.

Being the financing arm of the SHP, the SHF includes programs in both supply and demand sides. The SHF includes components administered by NUCA in new cities and by DoHs in governorates. Further to government programs the SHF comprise programs for private sector developers, in which housing units provided by the private sector, either through construction of new units by developers (including employer developers), self-built units or through finishing un-finished units will be available to low-income and medium income households. On the demand-side the SHF is also providing subsidies through programs for ownership and rental suitable to low and middle-income households.

The IHFP, in addition to the institutional and technical support, will only finance demand-side components of the SHF that will not involve building works, while the other components will be financed from different financial resources of the fund, as indicated in the Law 33/2014, including the finance of the Government of UAE amounting US \$ 1.4 billion.

The IHFP will provide finance for the following demand-side programs:

- **Affordable Mortgage Program (AMP).** This will be a continuation of the AMFP launched in 2009 as the new program will provide it with additional funding and will assist with the expansion of its operation systems to allow for larger volume of beneficiaries. The AMP provides demand-side subsidies to complement a maximum affordable mortgage loan and a minimum 10 percent down-payment for the purchase of a new or existing house. It serves households with incomes between LE 1,000 and LE 2,500 per month, reaching just below the 20th percentile of the income distribution and with a median beneficiary income of LE 1500 per month. The upfront subsidies are funded by the GSF with prior WBG funding, and the average subsidy is in order of L.E. 20,000 per household. Qualifying households take out a maximum affordable mortgage loan with a participating lender and pay a minimum down-payment to acquire a new or existing house; according to their income level, they receive an upfront subsidy that can be used to lower the loan amount or the monthly payment. In the latter case, the subsidy amount is phased out over a 7 year period.

- **Demand-side Rental Subsidy Public Program (DRSPP).** The DRSPP will provide housing for households with incomes below LE 1,500. The subsidized rent in the government program is currently as low as L.E 225/month, which is affordable to households with income of L.E 900/month. The IHFP will develop a complementary rental subsidy that will be scaled according to income and will allow a lower income group to be reached, while making sure that the total rent will cover operation and maintenance costs. It may also cover the security-payment, which is a protection for non-payment⁶. The maintenance of the buildings offered for rental could be delegated to maintenance companies that would be responsible for collecting rents and evicting non-compliant tenants.
- **Private Rental Subsidy Program (PRSP).** The PRSP will consist of two distinct demand-side programs— for investors and for tenants. Incentive schemes will be offered to private rental investors who would commit themselves to rent out their units to households with moderate incomes (in the range of LE 900 to LE 2,500 per month) for a given period of time. The scheme would concern investors buying newly-built units from developers or renting out previously-owned units that were either left unfinished, or kept vacant. The incentives may comprise soft loans aiming at increasing the net operating income, and upfront tax incentives. It is worth noting that the program will not fund investors for finishing unfinished units. The rental program will provide subsidies aiming at filling the gap between the rent (based on private rent equivalent) required by the investor and the payment affordable to the tenant, estimated at 25 percent of his/her income. Such tenant subsidies would also be granted in similar conditions to sitting tenants of decontrolled units if the rental law was changed in a way that would make charged rents unaffordable to low-income sitting tenants.

In addition to the above programs funded by the IHFP, there will be complementary implementation support to the SHF. The implementation support and technical support will be provided in the following areas:

- **Executive Regulations of the Social Housing Law and its Organizational Structure.** The Bank team has provided input and guidance for the preparation of the Executive Regulations of the Social Housing Law during the preparation of the project. The Executive Regulations set up the principles of operation for the SHF, its mission statement, its main activities including the design of housing policies, its relationship with entities responsible for social housing programs (GSF, Rental Housing Fund (RHF), social housing programs of NUCA and of Governorates) and its organizational structure. The Executive Regulations do not include details or guidelines for physical activities on ground, but rather regulates the roles and responsibilities of different stakeholders.
- **Monitoring and Evaluation.** Technical support will be provided for establishing an on-site audit function by SHF and defining the format and content of information to be provided by housing agencies on the implementation of the social housing programs, including information on construction number, cost, and occupancy (including vacancy rates). Advice will be provided on the design of a data collecting system, including format and content of data to be collected from each housing agency, technical means, single identification tracking number for beneficiaries and applicants, and contractual arrangement between SHF and housing agencies.

⁶ Currently the security payment in the government program is L.E. 5000, but the new program is considering reducing this payment to be as low as L.E. 500

- ***Strengthening the fund's capacity to develop a comprehensive housing strategy and policy tools for its implementation.*** The Bank will advise the SHF on the preparation of a National Housing Strategy and specific policy tools to improve the efficiency of the housing system in Egypt, including: (i) addressing supply-side and legal constraints in the rental housing market, the mortgage market, and the land market; (ii) addressing the vacant and unfinished housing problem; and (iii) improving the coordination of housing, infrastructure and employment policies.
- ***Preparing a coherent and transparent housing subsidy system.*** Technical support will be provided to SHF to establish efficient and equitable targeting and allocation systems, as well as maximize the links between housing programs and social and economic poverty alleviation, and labor markets (increased housing mobility, improved location of social housing).
- ***Strengthening the fund's financial management capacity and assurance mechanisms.*** The Bank will provide advisory and implementation support on the budgeting, cash management, controls, accounting, financial reporting, and internal audit arrangements related to the fund and sub-programs.
- ***Strengthen SHF Capacity regarding Environmental and Social Aspects:*** The program will provide the SHF with support to increase the capacity for performing the required environmental and social aspects related to the program, including capacity of Local Units to screen for buildings safety, the capacity of the SHF and associated staff to verify beneficiaries eligibility, stakeholders communication and consultation plans, grievance mechanism and information dissemination and transparency. More details about this is provided later in the Program Action Plan (PAP) in Chapter 5.

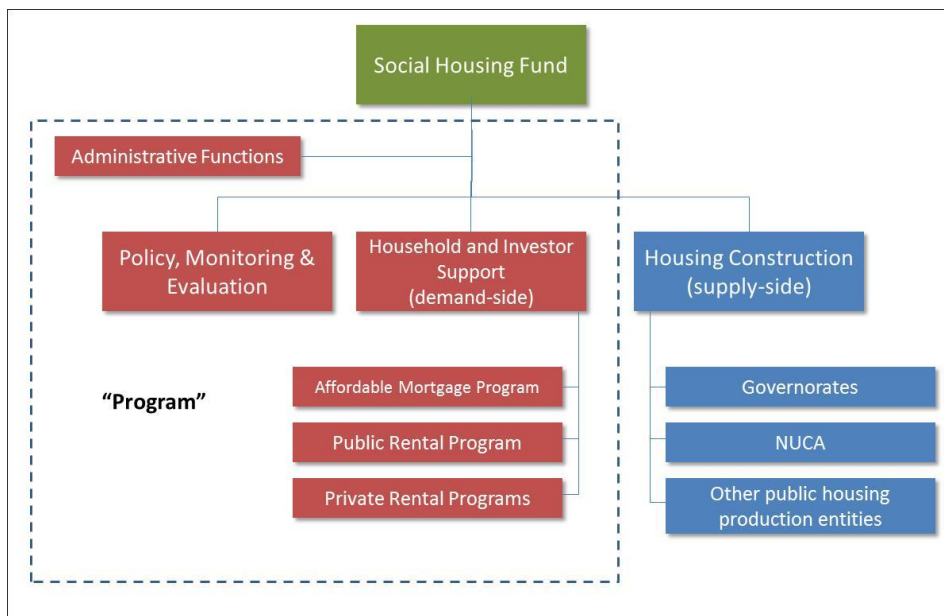
Affordable Homeownership:

- ***Exploring options for alternative housing finance.*** A large proportion of the population is either self-employed or work in the informal sector and cannot produce proof of income. Yet, such households may be able to repay a loan for housing and often already use consumer credit to pay for their housing improvements. Another segment of the population may qualify for a mortgage loan to buy an existing house or finish an unfinished unit, but cannot obtain a registered title to the property and lack therefore the collateral needed for a mortgage loan. Yet, the resale market is an important housing sub-market to unlock, even if property right registration systems are lagging behind. It provides more affordable and often better located housing units than new construction and provides the key to greater mobility in the housing market that allows households to improve their housing quality over time. In smaller urban areas, households may acquire a small plot to build their house incrementally. Such processes are facilitated if small loans or a line of credit is available to buy building materials. The SHF intends to develop such a progressive low-income housing program for smaller urban Governorates after it has evaluated the experience with previous self-built schemes, which remain underserved with infrastructure and with a housing stock of poor quality. One missing component of these schemes was the availability of credit for incremental construction. The Bank will help the SHF will work with specialized financial institutions already providing unsecured credit to households and small businesses to develop housing finance products appropriate for these different housing situations, e.g., consumer loans for housing, lines of credit.

Rental Housing Sector:

- **Streamlining the rental legal framework.** Further legal improvements to the rental law are necessary to encourage new investors and owners of existing but vacant units. A seminar will be organized with relevant social housing experts and MOHUUD officials including SHF staff in order to provide SHF with practical advice and international experiences in the field of rent decontrol and regulation.
- **Guidelines for Housing Rehabilitation Credit Program.** The Bank will advise the SHF on the preparation of implementation guidelines and ways to use the demand-side rental subsidy program to make improved units available for low-income households (LE 900 to LE 2,500). The recent (August 2014) national roll-out of the property tax system may be an inducement for owners of vacant units to ready them for occupancy.
- **Guidelines for Employer Housing Program.** Developing employer housing is important to coordinate the development of housing and economic activities and reduce commuting time. The Bank will assist SHF in designing guidelines for agreements between employers or employer investor associations and the Government.

Figure 1: Components of the SHF, with the components included in the IHFP shaded in red/blue



The Social Housing Fund works with banks and mortgage companies (both private and state-owned) that participate in the GSF or CBE program. The GSF administers the mortgage-linked upfront subsidies for beneficiaries in collaboration with banks. Thirteen banks have signed up and training of the banks and their branch managers has started by the GSF director.

2.2 Program Development Objectives

The overall objective of the proposed program is to strengthen the Government’s capacity to deliver housing solutions to low-income households through supporting the overall institutional and policy framework of the Social Housing Program (SHP) and assisting the design and financing of demand-side programs that will come under the umbrella of the SHP.

2.3 Program Key Results and Disbursement Linked Indicators

It is anticipated that key IHFP results will include:

Results Area 1: Enhanced Institutional Capacity. The social housing sector in Egypt suffers from fragmented entities and programs that are poorly coordinated. Programs targeting low-income households operate in silos. This is exacerbated by very poor management information systems, a lack of feedback on housing results, and no evaluation of housing program effectiveness. The SHF’s mandate and structure make it well situated to tackle these challenges, but as a nascent entity that is still developing its systems and procedures, it will require significant support to enhance its capacity and efficiency. This will be achieved through the consolidation of critical expertise, functions, entities, and programs related to low-income housing in one entity, as well as designing new ones, with the objective of ensuring effective coordination and synergies. The SHF will assemble core staff from MOHUUD and beyond who are experts in social housing policy, program development, and monitoring and evaluation. As the primary channel of funding for housing in the country, SHF will require sound fiduciary management and governance. The SHF will establish and operate an internal audit function providing assurance services over the ownership and rental programs affiliated with the SHF.

Results Area 2: Effectiveness of Social Housing Programs. Egypt’s experience with social housing programs has been plagued by leakages due to weak beneficiary targeting capacity, purposeful misinformation by applicants in order to qualify for benefits, and double subsidization due to lack of a unified database. There has also been post-delivery leakage such as re-sale of subsidized units on informal secondary markets in order to reap a windfall profit as well as the common practice of leaving subsidized units vacant. Management information systems are critical for the sustainability and effectiveness of housing programs whether implemented through the public or the private sector. The ability to efficiently collect accurate data on housing demand and production is a key input to improving policy design and decision-making. Moreover, housing finance programs need to be monitored regularly and adapted to changing social and economic conditions. Current monitoring and evaluation capacity in MOHUUD is quite weak, and it is envisioned that the establishment of a robust M&E unit within SHF will be a fundamental building block of the SHF. A well-functioning internal audit unit would also mitigate the leakage risk.

Results Area 3: Improved Access to Homeownership and Rental Units. The SHF will focus on developing houses for underserved households—youth, low-income, households in lagging regions—offering them a wider choice of tenure and house-types, including rental options. It is estimated that about 65 percent of the population cannot afford to purchase a house in the formal sector without government support (even with the CBE interest rate subsidy). The Affordable

Mortgage Program has been successful in filling the gap in the financial package consisting of savings, subsidy, and mortgage. Unfortunately, the turbulent political and economic environment during the period of transition limited the expansion of developer and lender participation in the AMP. Old land contracts were questioned after the revolution and undeveloped land allocated to private developers was retracted, causing uncertainties and delays in the construction pipelines of private sector developers. In parallel to measures being taken in the GOE to re-catalyze the private and public production of low-income housing, the AMP needs to be scaled up to meet the current and future demand for this income segment. However, a very large segment of poor households cannot qualify for a mortgage loan (due to informal income or lack of registered property) or cannot afford to meet monthly payments. These households require alternative forms of credit for housing and a linked subsidy. In addition, there are multiple obstacles to the expansion of the rental housing market in Egypt—a large proportion of the housing stock is frozen under the old rent control laws (estimated at 27% in urban Egypt), unfavorable tax laws (i.e., treatment of rental income), lack of easy registration, limitations of rental contract conditions, and cumbersome eviction procedures. A byproduct of the frozen rental market is the high number of closed and vacant units.

Results Area 4: Reduced Geographical Mismatch. The Program supports the design and financing of demand-side social housing programs that address market distortions. Housing programs included in the Program, will include measures to improve the targeting and location of units relative to employment opportunities and services. Lack of market mobility due to decades of rent control led to stagnating neighborhoods that should have undergone change as part of urban and employment transformation (especially downtown areas of Cairo and Alexandria). Most of the new housing located in new towns and in governorate desert areas are far away from employment opportunities for middle- and low-income families and far away from business and work opportunities in the large informal economy, forcing a large proportion of the labor force to commute long distances to work; and also resulting in very high vacancy rates in social housing. Moreover, this has had a high cost to the economy and households and is known to hinder female participation in the labor force.

Results Area 5: Utilized Vacant and Unfinished Units. A key pillar of the Program is formulating a sound strategic approach to incorporate currently vacant and unfinished housing units into the housing market for the benefit of low-income households. In addition to creating new housing for low-income households, the SHF will provide financial incentives⁷ to owners of vacant or unfinished units in both formal and informal neighborhoods to improve these units and bring them to market. It will help governorates to develop inventories of vacant units and enforce occupancy rules for publicly provided units.

The IHFP shall be implemented over a period of 5 years. The Disbursement-Linked Indicators (DLIs) of the above results are presented in the table below.

Table 1: Preliminary DLIs for the IHFP and their expected time-frame

⁷ These incentives are tax incentives as illustrated earlier. The program will not include credit lines for funding finishing of unfinished units

Disbursement-Linked Indicator	Results Area Addressed by DLI	Amount (US\$ millions)
DLI 1: Housing M&E system functioning and informing the Multi-Year Plan and Annual Targets	Results Area 1: Enhance Institutional Capacity Results Area 2: Effectiveness of Social Housing Programs	25
DLI 2: Functioning mechanism to monitor occupancy of housing post-subsidy	Results Area 2: Effectiveness of Social Housing Programs Results Area 5: Utilize Vacant and Unfinished Units	20
DLI 3: Number of households receiving up-front homeownership subsidies (AMP) per year	Results Area 3: Improve Access to Homeownership and Rental Units	275
DLI 4: % of ownership housing units occupied by low-income residents after at least 1 year (AMP)	Results Area 2: Effectiveness of Social Housing Programs Results Area 3: Improve Access to Homeownership and Rental Units Results Area 5: Utilize Vacant and Unfinished Units	30
DLI 5: Number of households participating in rental subsidy programs	Results Area 3: Improve Access to Homeownership and Rental Units Results Area 5: Utilize Vacant and Unfinished Units	80
DLI 6: % of program beneficiaries with a commute of 45 minute or less to an employment center [under discussion]	Results Area 4: Reduce Geographical Mismatch	50
DLI 7: Internal audit function providing assurance services for the ownership and rental programs affiliated with the SHF established and operating	Results Area 1: Enhance Institutional Capacity	20

2.4 Program Estimated Expenditure

The WBG contribution in the project budget is US \$ 500 million expected to be disbursed over the 5 years against achieving the above DLIs. The total expected budget for the SHF, both supply and demand sides, is estimated to be US \$ 5,291 million during five years of implementation as illustrated in the table below.

Table 2: Preliminary estimated expenditure for the SHF, including the proposed finance of the WBG, in 5-year projection (demand-side part of the SHF is shaded). All figures are in US\$

Government Expenditure Program	Financing Sources		
Social Housing Fund operation and capacity development	27	The Ministry of Finance (World Bank loan)	500
Housing data and systems & support to governorates	23	Social Housing Fund (*)	1,145

Housing demand-support programs - ownership	1,408		
Housing demand-support programs– rental	187		
Total: Program Expenditure Framework (Demand-Side)	1,645		1,645
Housing supply programs – ownership	325	Grants (UAE)	1,400
Housing supply programs – rental/PPP	3,195	Social Housing Fund (*)	
Rental O&M	126		2,246
Total: Supply Expenditure Framework (Supply-Side)	3,646		3,646

(*) Includes: NUCA surplus, one percent of revenues from public asset auctions, 25 percent of revenues from local land sales, penalty fees, fund investment returns, State Budget allocations, grants and loans.

3 Program Environmental and Social Benefits, Risks and Impacts

This section presents the assessment of environmental and social benefits, risks and impacts of the Program. A preliminary risk assessment has been carried out during the concept review of the program using the Environmental and Social Risk Screening Format included in OP 9.0, this assessment indicated that the associated risks are low and that the PforR instrument is suitable for the IHFP, see Annex 1 for more details.

3.1 Environmental Benefits, Risks and Impacts

The IHFP has clear boundaries within the demand side of the SHF, no supply side activities will be supported by the project, therefore the scope of the assessment is limited within the demand-side. The following factors support this limitation of scope:

- Beneficiaries of the three sub-programs supported by the IHFP (AMP, DRSPB and PRSP) have the liberty to choose any housing units on open market, without any obligation to select a house supplied by the SHF. The eligibility criteria to access subsidy in one of the three sub-programs is limited to proof of income and having the housing unit within the classification of low and medium-income housing, which will be confirmed by the SHF staff during processing of applications.
- The finance provided by the IHFP is limited to the subsidies for the three sub-programs, in addition to the technical assistance to the SHF. No supply-side activities will be financed by the IHFP
- The DLIs, illustrated in Table 1, are not related to the supply-side activities.

Given the boundaries of the IHFP no major environmental impacts and risks are expected. There will be no land acquisition, construction activities or civil works. The IHFP, given that it is limited to the demand-side boundaries, does not include any of Category-A type investments, does not pose risk on natural habitats, physical cultural resources, does not include activities that generates considerable pollution to any environmental media and does not pose any risks to landuse or natural resources.

On the other hand the IHFP will yield some environmental benefits, as the program results are expected to improve the efficiency of the housing sector in Egypt, especially through occupation of existing vacant units, this would result in rationalizing construction activities for housing projects with less associated environmental risks/impacts. This rationalization of construction activities would also lead to less growth of informal settlements, which would lead to minimizing associated environmental impacts. The program will also help reducing commuting for employment, and one of the DLIs will indicate that more program beneficiaries will live near to their employment centers, and accordingly less traffic impacts would be achieved.

Because the IHFP does not support construction activities, no occupational safety risks are expected. However, there might be some community risks related to occupying housing units with some structural stability issues or with low fire safety precautions, either due to some defects that happened during the construction of the building or some lack of maintenance and unsuitable operational practices. For new housing units this risk is quite low because there are explicit legislation and engineering codes for the construction of buildings, and it is a prerequisite for buildings supplied by government entities, or private developers participating in the program, to comply with those safety standards or, otherwise, their buildings will not be licensed by the local authority, and, hence, will not be able to connect to utilities. For existing units this risk may be relatively higher because good maintenance, which is not consistent among the existing buildings, is an important factor that reduces such risk. The action plan for the program includes certain measures to minimize such risk.

It is worth noting that the technical support provided by the IHFP is limited to economic, financial and institutional support to different activities of the SHF, as indicated earlier in Chapter 2. No support will be provided in the area of construction engineering and management, except for the capacity strengthening to perform the recommended PAP in this report, accordingly the provided technical support would not be associated with any negative environmental issues on ground.

3.2 Social Benefits, Risks and Impacts

The IHFP will focus on the demand side of the social housing program and will not support any civil works or any activities that involve land acquisition. No negative impacts related to land taking or livelihoods are expected to result from the program.

IHFP is anticipated to have plenty of positive social outcomes. Because access to decent housing is among the key challenges facing poor families in Egypt, the program will positively contribute to solving this challenge by facilitating access of low and middle income groups to appropriate ownership and rental housing schemes. This will also contribute to the discouragement of the growth of the informal and unstructured housing. The program will be accommodating various income groups including the poorest who lack financial capacity and lack assets to place for loans guarantees. In the meantime, the program will work to ensure equitable access to the program by various socially marginal groups including female headed households, poor families in marginalized Governorates and lagging region as well as groups with special needs. The program DLIs have been designed to ensure this indicator is monitored and is aimed for achievement. The program will involve number of indirect positive impacts such as reducing the time consumed in commuting and accordingly the associated cost and time which are regarded as valuable assets particularly to poor individuals. The enhanced institutional capacity should contribute to better management for the program to ensure that the low and middle income households, who are the primary beneficiaries of the program will benefit.

In the meantime, a number of risks have been identified as part of the ESSA preparation and the associated consultation process. It was clear that the majority of the identified risk could be easily

attributed to the limited institutional capacities which might be regarded as a crosscutting threat for the program sustainability. This section of the ESSA will analyze the identified risks and in Chapter 5, recommendations to address those risks including measures for institutional capacity building will be presented.

Main risks identified:

1) Leakage of the program benefits to cases that are not eligible:

There is a risk that the offered subsidies as part of the program are abused if ineligible cases manage to benefit from them. Law 33 year 2014 was conscious to this social risk of leakage of the program benefits to cases outside those who are intended to benefit. Measures were designed by the law to limit the opportunity for this risk, including but not limited to strong penalization for any applicant who will be submitting false documents or sharing false information. The criteria is developed to suit the type of beneficiaries of each of the sub programs.

Currently the verification process is made against reviewing the submitted documents by the SHF. For the sub programs of the low income groups, the Ministry of Social Solidarity gets engaged in the verification process. In certain cases, applicants/potential benefices are approached by the Ministry of Social Solidarity to verify that the applicant socioeconomic conditions.

2) Inability to reach needy and priority cases:

There is a risk that some eligible cases will not have knowledge about the program or will not be able to present the needed support documents to prove their eligibility. This is particularly valid with cases of poor women and illiterate groups in poor cities in remote Governorates.

3) Limited capacity to handle high volume of grievances:

There is a possibility that concerns or complaints are not properly addressed, either because of the absence of robust grievance system or because of lack of knowledge about the grievance system. As explained above, the existing Citizen Service Office has a lot of limitations in the way it operates. The local level grievance system also has limitations in the capacity.

4) Sustainability

Sustainability of the program, particularly the component related to the subsidies of the rental program was identified as one of the potential risks. There is a fear that once the subsidies are removed or discontinued, beneficiaries may not be able to afford the unsubsidized rental value.

Technical support and capacity building will be provided to the SHF to ensure that the identified social risks are handled carefully. In the meantime, the technical support will involve strengthening the

capacity of the SHF teams as elaborated in more details under section 5.2. Key areas to be covered under capacity development include but are not limited to:

- Stakeholders engagement and participatory approaches
- Disclosure and Information sharing
- Grievance mechanisms
- Monitoring and evaluation

4 Description of the Existing Environmental and Social Management System

4.1 Policy and Legislation

The Law for the Environment has been issued in Egypt in the year 1994 (Law 4/1994), since then significant improvements have been introduced to the environmental legal system following the gained experience through implementing the law in the past 20 years. Many amendments have been introduced to the law in addition to Guidelines, including Environmental Impact Assessment (EIA) Guidelines.

The Country Environmental Analysis (CEA) report for Egypt, issued by the WB in 2005, indicates that, historically, the enforcement of environmental laws in Egypt was not very successful mainly due to fragmentation among regulatory institutions, licensing agencies, police authorities . . . etc. The CEA further clarifies that since 2003, there have been substantial efforts to improve this situation as “Major institutional and organizational reforms have taken place within the Environment and Surface Water Police of the Ministry of Interior. The general directorate for environmental inspections in EEAA was further strengthened. Periodic monitoring and inspections are made by this directorate, especially for controlling air emissions and wastewater discharges”.

At the programs level, providing demand-side subsidies for ownership and rental of low- medium income households does not require special environmental licensing or EIA requirements.

In terms of building’s safety, the Building Law (Law 119/2008) includes stipulations for ensuring the building safety and validity for use, these stipulations include:

- The building owner and the engineer supervising construction should issue an official building validity certificate right after its construction, this certificate should be approved by the local unit. The certificate should clearly indicate the structural safety of the building, fulfilling fire safety precautions, fulfilling car parking requirements, if any and fulfilling elevator’s safety requirements, if any. The validity certificate also should also indicate that the building fulfils the licensing conditions according to the design which includes the validity of different structural elements water supply and basic sanitation utilities and that it is according to the Engineering Codes of Practice. Validity of water supply and sanitation utilities will be examined against the Engineering Code for Sanitary Fixtures in Building (issued by Decree 334/2002) accordingly the suitability of the piping and fixtures will be included in the certificate. It is worth noting that there are no specific requirements for solid waste collection within buildings, therefore the PAP includes raising the awareness of beneficiaries about adequate solid waste management practices.
- Building Occupants Unions should perform adequate maintenance for the building to protect its safety during operation against different risks such as stability risks, fire risks, elevator’s safety,

electric safety, changing of broken glass ... etc. The unions could use registered maintenance companies for performing the maintenance.

- Local authorities should form committees to inspect buildings for ensuring their safety and validity for use, these committees are frequently inspecting buildings located on their geographic domain, and is also inspecting buildings subject of a received complaint. The committees could use one of the registered engineering consultants to carry out this inspection. The recommendations of these committees is legally binding to the owners and Occupants Unions.

It is worth noting that the NHBRC has issued a number of engineering codes (with Ministerial Decrees from the Minister of Housing Utilities and Urban Development) related to the safety of buildings including structural safety standards for buildings, protecting buildings against fires, design and execution of water supply and sanitation fixtures, safe installation of electrical fixtures and for elevator's safety.

The Social Housing Law 33 of 2014, which was ratified by a Presidential Decree, solidified the SHF into a sustainable entity for the provision of low-income housing. The SHF is responsible for coordinating social housing policy, as well as, implementing and developing a sustainable and comprehensive set of support programs for the poor. The SHF will host the various housing programs, and funds that have been operating in silos, possibly including the GSF, to ensure synergies, and effective coordination and improve efficient use of funds. This integration of programs will allow for the general use of the national unified database, based on national IDs to prevent any double subsidization, cheating, and fraud. This would be operating under a unified vision for the housing sector in Egypt under the leadership of the MoHUUD.

The SHP is regulating the demand-side of the program through defining a number of conditions that should be fulfilled by the applicants including preventing getting use of the SHP by any households that have previously benefited from program, and preventing any transaction of units and buildings made on allocated lands except after the approval of program. This will be stipulated by the executive regulations of the law which are currently under preparation

4.2 Existing Environmental and Social Management Procedures and Capacity of the Implementing Agencies

4.2.1 Environmental Procedures

As indicated earlier, the demand-side provision of subsidies for ownership and rental of houses does not require specific environmental licensing or EIA, therefore no specific procedures are taken by MOHUUD in this respect.

The procedures for inspecting on the safety of buildings, according to Law 119/2008, are the responsibility of the local authority. In each of the governorates the Directorate of Housing is regulating

this under the administrative affiliation of the corresponding governor and the technical guidance of MoHUUD.

The inspection on buildings safety after construction, including suitability of water supply and sanitation fixtures, is usually promptly performed so as to enable the connection of utilities to the buildings. For existing buildings, the inspection is usually not performed on a highly frequent manner, because of the limited number of inspection staff and also because many buildings inhabitants refrain from submitting maintenance complaints to avoid possibly expensive maintenance costs, so they would usually rather arrange the maintenance internally unless there is disagreement among them. Accordingly the recommended Program Action Plan (PAP) includes measures to have safety inspection certificate of existing buildings as a pre-request document for applications.

4.2.2 Social Procedures

The Social Housing Law 33 of 2014, which was ratified by a Presidential Decree, solidified the SHF into a sustainable entity for the provision of low-income housing. The SHF is responsible for coordinating social housing policy, as well as, implementing and developing a sustainable and comprehensive set of support programs for the poor. The SHF will host the various housing programs, and funds that have been operating in silos, possibly including the GSF, to ensure synergies, and effective coordination and improve efficient use of funds. This integration of programs will allow for the general use of the national unified database, based on national IDs to prevent any double subsidization, cheating, and fraud. This would be operating under a unified vision for the housing sector in Egypt under the leadership of the MoHUUD.

Targeting and intended beneficiaries of the SHP

As stipulated in law 33 of 2014, the SHP is intended to synergize and scale up the existing social housing programs and learn from the various lessons learnt. The SHP aims to establish an efficient targeting mechanism to reach the intended beneficiaries of the poor and middle income households. Law 33 year 2014 set number of conditions to regulate the process and minimize the opportunity of leakage, disputes and exploitation of the program resources. The main articles that tackle these issues are the following:

Restrictions on multiple benefits:

Article 3 of the law indicted that a person is not allowed to benefit from more than one unit under the program. This restriction applies to the beneficiary person and his/her family which consists of the spouse and underage children.

Controlling and minimizing the chances for conflict over ownership

Article 6 of the law regulates the process of transaction and registration of the units obtained under the program. This is meant to minimize the chances of duplication in ownership and conflict over ownership.

The article stipulates that any transaction on SHP units performed in breach of the provisions of the law decree, and its executive decrees is nullified. It also bans the Real Estate Publicity and Notarization Department from notarization, registration, title registration, authentication, acknowledgement of transaction dates, completion of power of attorneys, concessions or any transactions related to the SHP units unless the approval of the SHF is obtained.

Restriction on using the housing unit for other purposes:

Article 4 of the law prevents the beneficiary from using the housing unit in other purposes except after getting the approval of the SHF.

Penalizing and criminalizing the violators of the law conditions:

Article 9 of the law penalizes any person who provides false information with the intention of obtaining units which is not his/her right. The article stipulates that who provide misleading information to the entities in charge of the social housing project for the purpose of obtaining one of the residential units, or land lots, and in case of condemnation, the court shall order returning of the residential unit or land lot.

Setting the criteria and the general conditions:

Article 2 of Law 33 Year 2014 stipulates that the program aims to provide housing units for the low income categories in Governorates and new urban communities. The articles also states that distribution is done based on direct allocation/ draw and that the Cabinet of Ministers issues a decree with the criteria that the potential beneficiary should meet.

Currently, the cleared criteria and general conditions are announced to the public as part of the advertisement for "Low income program". The following boxes presents briefly the general conditions, criteria for potential applicant and method of application and needed documentation.

Box 1: Summary of the general conditions for applying for the ownership program for the low income housing units

- The beneficiary and his/her family (spouse and/or underage children) has no right to apply for more than one unit.
- The husband/wife/underage children should not own or obtained a housing unit, housing cooperative loan, or land under the program.
- The applicant should be coming from the respective Governorate or one of its affiliate new cities and should be connected to it in residency and work.
- The applicant should acknowledge that all the information and submitted documents are accurate and true. In case of provision of false information, the applicant is fully responsible and all the penalizing articles of the law should apply. The owning entity has the right to restore the unit, cancel registrations/license

Source of information: One of the public newspapers (Akhbar El Youm) announcements for the SHP, July 2014

Box 2: Conditions/ criteria for application

- The applicant should not be paying in case and should pay within the mortgage system.
- The applicant should be of the low income groups and his annual income should not exceed what has been defined by the mortgage law number 148 year 2001, its amendments and the executive regulation.

Source of information: One of the public newspapers announcements for the SHP

- **Box 3: Needed Documentation**

- Valid identification card for the applicant and his/her spouse – or the social insurance certificate
- A certified statement from the employer indicting the income along with all basic information and basic salary and other relevant support documents.
- For freelancers, a certificate from legal accountant is need to reflect the net of the monthly or annual income.
- A copy of the commercial certificate in case of the owners of small businesses (shop – workshop...etc)
- Official certificate for the marital status and electronic birth certificates of children
- Recent utilities receipt for the current house that the applicant reside in (e.g. electricity bill)

Source of information: One of the public newspapers (Akhbar El Youm) announcements for the SHP, July 2014

Box 4: Methods of application and payment

- The booking deposit is EGP 5000 (refundable if no unit is assigned for applicant), in addition to EGP 100 (investigation fees which are non-refundable). These fees should be deposited in any post office into HDB account.
- The template that is attached to the public announcement should be enlarged, filled out and sent by post to the HDB in the respective Governorate.
- Assigning the unit is done based on the available number. It should be noted that 5% of the units is assigned to people with disabilities who can prove their disabilities.

Source of information: One of the public newspapers (Akhbar El Youm) announcements for the SHP, July 2014 and an announcement in El Ahram and Akhbar El Youm, October 2014

Annex 2 provides more information on the steps of assigning the units for the ownership program. For the rental program and since it has not been yet announced, the steps are being currently finalized in the SHP. It will be driven from the law and the ministerial decree.

Integration of the Poor, Women and Groups with Disabilities:

The General conditions for applying to the Social Housing Units include a set of general conditions as indicted on Box 1 above. In the meantime, the conditions indicate that in case the number of applicants exceeds the available units, priority should be given to the following cases⁸:

- Low income families (with dependents) headed by men or women (i.e. including female headed households)
- Married with dependents
- Cases with disabilities and the cases of families of revolution martyrs or casualties

⁸ Based on a discussion with the Assignment Department under the SHP.

- Divorced and widowed women

There is an obvious increased interest from the Government side to ensure the inclusivity of the program and the integration of vulnerable groups including people with disabilities. The discussion with the Head of the Housing and Utilities Department revealed that the Ministry has lately been involved in an event organized by the Federation Union for People with Special Need in cooperation with the Ministry of Social Solidarity. The event was meant to discuss in particular the housing for people with disabilities and how to best accommodate their needs. The most recent announcement of the project included an additional item in application criteria indicating that 5% of the units will be assigned to people with special needs who can submit the document to prove their disabilities. Those 5% are supposed to be offered units in the ground floor. According to the discussion with the Head of the Housing and Utilities Department, the program is also willing to revisit this condition to give more flexibility based on the discussion with the disabled groups in the above mentioned event. As an outcome from the discussion with the disabled group and based on their request, the program will not limit the choice of the disabled groups to the ground floor in case the disability is not directly related to limitation in mobility. Figure 3 below presents a recently published announcement including the 5% units for disabled. In the meantime, and in order to ensure smooth communication with disabled groups, the program arranged for training on sign language for those who will be in direct communication with citizens.

The announcement includes the general conditions for applying to the SHP, the applicants' selection criteria, needed documents, methods of application and payments as well as the form that the applicant should be using in applying.

Figure 3: Example of the announcement in Akhbar El Youm, May 2014

Grievance and complaints handling system:

Currently complaints are being handled through number of mechanism as illustrated below:

1-The "Citizens' service Office":

The "Citizens' service Office" is under the Executive Agency of the Social Housing. The office is established at the central level in the MoHUUD in Cairo and is geographically located within the Ministry.

Internal system within the "Citizens' service Office" :

The office receives different type of queries, concerns and complaints. Citizens also can follow up on the status of their applications through the office. The computer system within the office is connected to the database of the applicants and through the code number of each applicant, full access to his/her information is done through the system. Applicants should display their receipt indicting their application code and this is their way to follow up on the status of their applications.

According to the staff of the office, the most common requests from the citizens include the following:

- Correcting information
- Providing and updating missing documents
- Requesting an update on the dates of receiving the units
- Special frequent requests (e.g. moving from one floor to another or concession requests ...etc)

Generally, the citizen who is submitting a request or complaint is encouraged to do that in writing. Response to the complaint and/or the request is also made in writing. The office is keeping track of the received complaints/ queries, the actions taken to resolve the case and the details of communicating the result to the citizen who submitted the complaint in separate handbook. The office keeps readily available forms and templates for the frequent complaints/requests (Figure 4 and 5). Other requests are recorded in writing and then entered in the recoding book.

Figure 4: The template used within the "Citizens' service Office" to request reviewing information

Figure 5: The template used within the "Citizens' service Office" to request changing units

The cases are examined through concerned staff after being forwarded to the concerned department and are resolved based on the results of case by case examination. According to the officers in the "Citizens' service Office", the timeframe for returning to the requester/complainers varies according to the type of request and there is no specific timeframe announced to the public. It was mentioned that the response could take between one to two weeks.

Handling complaints on the Governorates' level:

The "Citizens' service Office" is not represented on the Governorate level. Citizens resort to the HDB for submitting complaints and concerns. HDB, through the Credit Departments, handle complaints locally or

communicate the ones that need central decisions to the "Citizens' service Office". Straightforward cases that could be resolved on the Governorate level, are handled locally.

2- Addressing complaints directly to the Chairperson of GSF:

In the meantime, the current practice is that some of the complaints are also presented in writing and addressed to the Chairperson of the GSF. She, in turn, forward the complaint to the respective concerned department in GSF to take action. In certain cases, the nature of the complaints requires the intervention of other authorities outside the ministry (e.g. the cases of trespassing of some units that are being allocated for clients). The GSF-related Complaints are generally those related to the function of GSF and are mostly regarding the procedures of dealing with banks, new cities authorities and governorates. These complaints represent a significant portion of the daily work of the Chairperson of GSF as there is no specific complaints department at the fund. Examples of frequently received issues:

- Additional (irrelevant) guarantees required from the client by some branches of the banks
- Incorrect unit allocation (sometimes in other cities than the one applied for)
- Bad condition of the allocated unit (usually this happens with the new cities authorities)
- In a unique case the neighborhood was of inferior grade (residents are mainly outlaws), in that case the board of GSF removed this place from its database.

For all these cases and similar ones, the standard procedure is sending a written communication from GSF to relevant stakeholders in addition to the personal involvement of the chairwoman to resolve issues. There is no clear time horizon to resolving these issues as it all depends on personal reactions not in a systematic context.

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There is no clear distinction between the types of complaints that should be received by the "Citizens' Service Office" and those that should be directed to the GSF Chairperson. Accordingly, a lot of irrelevant complaints are received by GSF but they are not actually related to the fund (e.g. Complaints in this case are from homeless people who are seeking a shelter from the Government or sometimes people who complaint because of not being able to pay the down payment or claim that the monthly payments are very high for them to pay).

4.2.3 Institutional arrangements and institutional way forward

Currently the SHP is working closely with number of organizations and existing departments within the MoHUUD to implement the program. Those organizations and existing department have been originally and historically mandated with the housing agenda in the country as elaborated on Chapter One. Currently, and with the issuance of the Social Housing law, all these departments have common goal of achieving the overall objectives of the program and they are working under the direct supervision of the Minister of Housing and they have a weekly follow up meeting with the Minister. The most important departments engaged in this process are:

- Housing Directorates in different governorates. Although Each Directorate of Housing (DoH) organizationally for the correspondent governorate, it technically follows the procedures of MoHUUD. The DoHs participate in the planning and implementation of housing programs in the domain of their governorates and the MoHUUD has direct consultation mechanisms with the DoH during the phases of the project design in each Governorate.
- The Citizens' Service Office under MOHUUD is responsible for handling the grievances.
- Housing and development Bank (HDB), which is providing long-term finance to building houses, especially for limited income groups. The HDB is heavily interfacing in the communication with the Clients/beneficiaries. HDB also plays a very important role in the process of verification of information and reviewing beneficiaries' applications. The GSF is also supporting in the process of data verification.
- The Executive Agency of the SHP is mandated with the direct communication with DoH and with designing the sub projects under the program.
- Ministry of Social Solidarity, which is responsible for verifying the applicants' socioeconomic conditions and their income level particularly under the priority cases sub projects (schemes for the poorest)
- MoHUUD is the responsible body for housing and urban planning, it sets the policies, prepare and implement different housing and urban development plans according to national programs. MoHUUD has the mandates of information dissemination including announcement for the sub-projects. The Minister reviews the newspaper announcements before they are published.

Until the SHF is established and a Board of Members is formed as per the newly issued law, MoHUUD is dealing with the current institutional setup as transitional. A Minister decree was issued in 2013 stating the roles of various departments and organizations that are currently participating in the implementation of the SHP. These roles are largely the same original roles for those departments and organizations. When the Board of Members of the SHF is formed, there will be likely two options for the institutional way forward:

Option 1: continue the business of the SHP with the engagement of the current multiple and diverse departments and organizations as referred to above

Option 2 (selected option): The Social Housing Fund is currently under formulation. The Fund will be mandated with the implementation of the project through coordinating and networking with other entities. Protocols and agreements will be initiated for this purpose. A Program Implementation Department should be established under the Social Housing Fund to be mandated with the implementation of the various recommendations of the ESSA and the follow up on the environmental and social aspects of the program. The option of establishing the department was discussed with MoHUUD and there is a high interest in the role of this Department.

4.2.4 Assessment of Existing Methods and Implementing Agencies' Capacity

Lack of social expertise and human resources is a big bottle neck for MoHUUD and the other departments currently involved in the implementation of the program. Activities of social nature, such as information dissemination, eligibility verification, communication and consultation with potential beneficiaries and handling grievances are still new areas that should be strengthened and incorporated in the PforR to maximize the social benefits.. There is a great room for improvement and for capacity strengthening for the SHF on social issues and the topics related to participation and engagement of targeted citizens. The analysis of the current procedures revealed a number of gaps as identified in the section below. In the meantime, Chapter 5 and 6 of the ESSA present a number of the areas for institutional strengthening and capacity development that the Bank can support.

Communities' engagement:

The program is meant to serve the poor and middle income community groups and they are the primary targeted beneficiaries of the SHF. However, it was obvious that planning the different small programs under the fund is done on a central manner without efforts to engage with the grassroots level and those who are meant to be the beneficiaries of the program. No consultation is carried out at any of the program stages. There is a need for a more engaging approach to ensure that all the details of the program is meeting the needs of the targeted communities and to improve the overall project design.

Information Dissemination Methods

Currently the information dissemination is done through advertisement in national newspapers. Although national newspapers reach out to large portion of the stakeholders and potential beneficiaries, it is not fully guaranteed that the low income groups will have access to the newspaper and will read the announcement for the program. The discussion with MoHUUD revealed that no other tools for disseminating the announcement are currently used. The lack of demand on certain previous program (e.g. units of 42 m2) was partially attributed to the lack knowledge about it because of the insufficiency of the announcement made to reach to the potential categories. In the meantime, the announcement on the Governorate level is not also tailored for wide dissemination. Apparently, those who do not read new paper because they are illiterate or because they do not buy newspapers and those who do not come across the places where the announcement is hung, might unlikely know about the program.

Grievance Redress Mechanism

There is only one Office – Citizens' Service Office, which is officially established at central level to handle all grievances are handled. The existing mechanism does not have fixed time duration for sending a feedback to the citizen who submitted a concern or a complaint. At governorate level, although people can send their complaints to Housing and Development Bank, but such arrangement is not formally integrated in the GRM system.

5 Environmental and Social Measures in the Program Action Plan

5.1 Environmental

The environmental measures of the PAP focus on the following main issues:

- The program is expected to yield environmental benefits in terms of improving occupancy of existing vacant units, which would rationalize construction activities and reduce expansion of informal settlements, the program results will also include reducing employees commuting to their employment centers. The program already includes two DLIs related to the above benefits, therefore those DLIs will be included as environmental monitoring indicators showing the achieving of such benefits.
- In order to maximize environmental benefits of the program, program beneficiaries will be guided to achieve better energy efficiency and waste management practices. It is recommended to have a standard energy consumption rate for each type of household in cooperation with Ministry of Electricity⁹, and if the program beneficiary achieved this target rate, or less consumption, he would be subject to have economic incentives in terms of more advantageous packages in the terms of paying mortgage of rents. Also an awareness leaflet about best waste management practices should be provided to each beneficiary when he receives documents related to the program. Communication would be established with Ministry of State for Environmental Affairs to get enough numbers of these leaflets¹⁰.
- Because the assessment is based on keeping clear boundaries between supply-side and demand side activities of the SHF, it is important to ensure that these boundaries are maintained during the implementation of the program. Therefore, the SHF make sufficient advertising to invite applications for subsidized finance for ownership and rental of new houses or apartments on the open market. During the program implementation the SHF should ensure that there is a balance between the households beneficiaries using new units and those who are using existing units.
- The main risk related to the program demand-side activities is the communicable risks related to the safety of the houses occupied by program beneficiaries. Because the existing system considers that new buildings should have a validation certificate as a prerequisite for connecting it to utility networks, more focus should be directed towards existing buildings being used by the program. In order to make sure that existing buildings have sufficient safety measures, as

⁹ Ministry of Electricity would have standard energy consumption figures for average low-income and middle-income households if energy saving appliances were used (such as saving lamps, LCDs rather than old fashion TVs ... etc.) and if energy saving practices were followed (such as rationalizing the use of ACs, washing machines ... etc.). These standards figures will be given as targeted consumption for households illustrating the methods for achieved these targets through explanation leaflets. The monthly energy consumption is accurately documented in the electricity bill which would be used as a proof for achieving the target

¹⁰ These measures were recommended in the public consultation

well as suitable water supply and sanitation fixtures, as stipulated in Law 119/2008 and NHBC Engineering Codes a validity certificate should be submitted by the owner of the unit as a condition for receiving the subsidy. The certificate would be cleared by the correspondent Local Unit, or through an authorized consultants delegated by the local units. The technical support provided by the IHFP will include strengthening the capacity of Local Units to adequately review directly, or through assigned consultants, the validity certificates.

5.2 Social

To address the previously identified social risks, the design of the program will need to take into consideration the number of measures indicated below. The enhancement of the institutional capacities should involve assigning the needed human resources, training them and equip them with the tools needed for them to implement and monitor these measures. The proposed measures could be summarized as follows:

1) Strengthening the institutional setup and building the technical capacity:

In order to implement the program with the view of maximizing the social benefits to the beneficiaries and efficiently addressing the social risks, a number of measures should be taken as will be explained below. The SHP will need to mobilize appropriate human resources to take the lead in the implementation and following up on these measures. Social officer should be assigned within the SHP to coordinate the work related to the social dimension on the program level. Local teams should be also mobilized on the Governorate level to be in charge of the actual implementation on the ground.

Key responsibilities for the Central Social Officer on the SHP:

Lead the process of setting plans related to:

- Verification of beneficiaries eligibility in coordination with other relevant organizations
- Stakeholders communication and consultation plan
- Design and function a responsive local level grievance mechanism
- Transparent and wide spread
- Monitoring and evaluation for the program impacts and outcomes

Moreover, The Central Social Officer should work closely to engage with other governmental and non-governmental organizations to attain the program results

On each of the Governorates where the program will be implemented, Local Social Officer should be also assigned within the Directorate of Housing to support in the implementation of various measures, coordinate with other organizations and report to SHP.

Comprehensive job description should be developed for both the Central Social Officer and the Local Social Officers. In the meantime, as part of the program TA component, training and capacity building should target the social officers and the following are the main topics for the training:

- Stakeholders engagement and participatory approaches
- Disclosure and Information sharing
- Grievance mechanisms
- Monitoring and evaluation

2) Measures to address social risk

The above mentioned team should be working to implement the following measures to mitigate the previously identified social risks:

- **Designing and implementing context sensitive information sharing mechanisms:**

To avoid the risk of limited awareness of potential beneficiaries and accordingly inability of eligible cases to access the program, communication and information sharing plan should be developed to ensure that the criteria are transparently and widely announced. Appropriate plans should be designed for reaching out to geographically marginal communities, poor illiterate communities, women in poor and marginal areas. The communication should not be limited to the interface with conventional means of media. There is a need to diversify the tools of information sharing and disclosure to range from conventional means of media (newspaper, TV, radio), social media and local level traditional means of communication (natural leader, NGOs and key community facilities...etc). The information sharing tools should be sensitive to the profile of the targeted population (e.g. avoid written material in communities with wide percentage of illiterate). The shared information should include the selection criteria, the methods of application and the channels for grievance redress.

- **Designing and implementing consultation, communication and reaching out plans**

To enhance the engagement with the targeted beneficiaries, the program should establish channels for early consultation, communication and reach out plans. The plans should engage other organizations (e.g. the social solidarity units on the Governorates level, NGOs/CDAs). The aim of this measure is to stimulate two ways communication and bridge any information gap. One key function for this measure will be to help in verifying information through implementing first-hand data collection tools (e.g. field visits, interviews, group discussions...etc) . The early consultation with potential targeted groups would also help in strengthening the design of the program.

- **Establishing robust local level grievance system mechanism:**

As the case currently is, potential beneficiaries have concerns, complaints or issue to share with the concerned authorities of the program. Establishing efficient local level grievance mechanism will help in creating channels of trust and constructive relationship between local beneficiaries and the program. It will contribute to enhancing responsiveness and credibility of the program and reduce risk. The designed grievance system should include standardized service with multiple uptake locations including locations on the local level. The staff assigned for handling grievance should work to ensure timely responses to the received complaints. The existing “Citizen Service Center” will need to be enhanced in multiple fronts including but not limited to, strengthening human capacities within the center to handle communities concerns, strengthen the use of IT and the tracking system, establish additional mechanisms to receive complaints. Equivalent local level centers will need to be established within the Governorates. All concerns and complaints from various social groups, including the poor and women should be meeting equal level of attention and care. One key opportunity is seen in the draft new executive regulations for GSF. This draft creates a new mechanism for informing rejected applicants of the rejection of their applications and giving them the opportunity to present a complaint during 10 days after the date of rejection in order to reconsider their applications. A strong mechanism will need to be developed and streamlined to ensure that various types of complaints are handled efficiently.

The following Table summarizes the assessment of environmental and social risks and the correspondent measures to be taken in the PAP, against the five PforR core environmental and social principals.

- **Measures to address Sustainability:**

Sustainability of the program, as mentioned above, is one of the threats. Based on the discussion with the SFP, it is expected that the SHF would maintain the subsidy from other funding sources as a safety net measure from the Government to protect the poorest groups. It will remain the Government responsibility to maintain the level of subsidy to the most needy cases and to help in empowering poor groups to enable them economically through strengthening the livelihoods and jobs opportunities.

Table 3: Program Action Plan and Environmental and Social Recommended Measures

Core principal	Assessment	Proposed measure	Responsibility	Monitoring indicators	Frequency of monitoring	Corrective action in case of deficiency
Environmental and social management procedures and processes are designed to promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program’s environmental and social impacts	Environmental and social benefits could be achieved from program implementation	Benefits are expected within the program design. It is recommended to provide incentives to households for energy saving, and also to distribute awareness leaflets for adequate waste management	SHF in coordination with Ministry of Electricity and Ministry for State for Environmental Affairs	i) No of occupied vacant units one year after the program, ii) No of beneficiaries living closer to their employment centers and iii) No of households achieved energy saving packages and benefited from correspondent incentives (First two indicators already among DLIs)	Annually starting at the end of the first year	If benefits measured by the first two indicators are not achieved the disbursement of the program will be affected. If no (or few households) achieved energy saving targets, the targets and incentives should be reviewed.
Environmental and social management procedures and processes are designed to avoid, minimize and mitigate against adverse impacts on natural habitats and physical cultural resources resulting from the program	No risks are associated with the demand-side activities	Ensure clear boundaries are maintained during implementation between supply-side and demand side	SHF to report and Bank team to review on annual basis	Percentage of subsidies provided for ownership and rental of units supplied by the SHF against total units benefited from the program	Annually starting at the end of the first year	If the percentage is close to 100% then the ESSA has to be reviewed to include supply-side issues.

Core principal	Assessment	Proposed measure	Responsibility	Monitoring indicators	Frequency of monitoring	Corrective action in case of deficiency
Environmental and social management procedures and processes are designed to protect public and worker safety against the potential risks associated with: (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards	No safety risks for construction workers, for exposure to hazardous substances or for infrastructure located prone to natural hazards. There will be risk of occupying buildings with low safety precautions	Beneficiaries should submit building validation certificate approved from the correspondent Local Unit, or an authorized consultants by the Local Units. The program will work on strengthening the capacity of Local Units to perform their assigned tasks	Beneficiaries to submit the certificate and SHF to ensure its inclusion among eligibility documents	No. of accidents in housing beneficiaries of the program. To be reported by the SHF. The SHF (through the Resource Center for M&E Data Collection) will report on this along with its inspection of No. of occupied houses one year after the program, which is one of the DLIs	Annually starting at the end of the first year	In case of any accident related to structural stability, fire, elevator accidents, injury or electrocution related to poor maintenance, the SHF should contract an independent experts to investigate the reason of the accident and the PAP would be reviewed accordingly

Core principal	Assessment	Proposed measure	Responsibility	Monitoring indicators	Frequency of monitoring	Corrective action in case of deficiency
Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards	No risks are associated with the demand-side activities	n/a	n/a	n/a	n/a	n/a

Core principal	Assessment	Proposed measure	Responsibility	Monitoring indicators	Frequency of monitoring	Corrective action in case of deficiency
<p>Give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups</p>	<p>The weak institutional capacity might be a challenge that prevents the program benefits from access to poor vulnerable groups</p>	<p>Building the institutional capacity of SHF</p> <p>Designing and implementing context sensitive information sharing mechanisms</p> <p>Designing and implementing communication and reaching out plans</p>	<p>The Bank should be supporting MoHUUD in the capacity strengthening for the SHF on the central and Governorates level.</p>	<p>Number of staff assigned as social officers on the central and Governorates level</p> <p>Number of training workshops</p> <p>Measures taken to strengthen consultation, citizen engagement, information dissemination and grievance systems</p>	<p>Annually starting at the end of the first year</p>	

6 Inputs to the Program Implementation Support Plan

Input	By Whom	When
<p><u>Provide incentives for energy savings among program beneficiaries</u></p> <ul style="list-style-type: none"> Request Ministry of Electricity to provide standard target energy consumption for each type of household (classified by no of family members or by area) as appropriate. Ministry of Electricity to provide awareness leaflets about the best practices for saving energy saving. WB team in coordination with the SHF to design incentive system for households whom would achieve targeted energy consumption Participating Banks and mortgage companies to implement the incentive system against energy bills, and to document number of households achieving the target SHF in coordination with Ministry of Electricity to conduct continual review of the targets and incentive system 	<p>SHF in coordination with Ministry of Electricity and with support from WB team to design the incentive system.</p> <p>Participating banks and mortgage companies for operation and documentation</p>	<p>Upon program approval</p>
<p><u>Raise beneficiaries awareness about waste management</u></p> <ul style="list-style-type: none"> Request Ministry of State for Environmental Affairs to provide leaflets describing importance of waste management at the household level and the adequate best practices Participating Banks and mortgage companies to distribute the leaflets among the program related documents 	<p>SHF in coordination with Ministry of State for Environmental Affairs.</p> <p>Participating banks and mortgage companies for operation</p>	<p>Upon program approval</p>

Input	By Whom	When
<p><u>Ensure that beneficiaries use safe buildings</u></p> <ul style="list-style-type: none"> • Include building validation certificate among required application documents • Local Units to approve certificates or to delegate certified consultants for approving the certificates for existing buildings • Provide technical support and capacity strengthening to local units to perform these tasks 	<p>SHF in coordination with DoHs to set a standard procedure in each governorate</p> <p>Participating banks and mortgage companies for operation</p>	<p>Upon program approval</p>
<p><u>Strengthening the institutional Setup</u></p> <ul style="list-style-type: none"> • Develop comprehensive ToRs for the social team to be hired • Hiring social officers 	<p>WB to support SHP</p> <p>SHP</p>	<p>Upon program approval</p>
<p><u>Strengthening the intuitional capacity</u></p> <ul style="list-style-type: none"> • Provide technical support and capacity strengthening to the social teams under the SHP. • Develop and deliver training packages to the relevant teams • Shared best practices and similar successful global experiences 	<p>WB to support in the design and SHP to implement</p>	<p>year 1 (first three months after approval)</p>
<p>Designing and implementing context sensitive information sharing and disclosure mechanisms</p>	<p>WB to support in the design and SHP to implement</p>	<p>Design during the first three months after approval and implementation will be ongoing</p>
<p>Designing and implementing consultation, communication and reaching out plans</p>	<p>WB to support in the design and SHP to implement</p>	<p>Design during the first three months after approval and implementation will be ongoing</p>

Input	By Whom	When
Establishing robust local level grievance system mechanism	WB to support in the design and SHP to implement	Design during the first three months after approval and implementation will be ongoing

7 Consultation and Disclosure

In cooperation and coordination with MoHUUC, the Bank team has also conducted number of meetings, discussion and two public consultation events with wide range of stakeholders on both the central and one selected Governorate representing Upper Egypt. The consultation engaged governmental organizations, no- governmental players and beneficiaries from the exiting SHP. The consultations aim at presenting the project description and the scope of the ESSA and obtain the feedback and comments of stakeholders and incorporate them in the program design where feasible.

This Chapter presents summary of the conducted consultation activities. Annex 2 present the documentation of the consultation including public announcements and list of participants.

Summary of Assiut Consultation

A public consultation event was held in Assiut City on Sep 22, 2014. The event was hosted by Assiut Governorate and was attended by around 12 stakeholders of various Governmental departments in the Governorate. Most important department that participated included the housing, social solidarity, environmental unit, Regional Branch Office (RBO) of EEAA, Monitoring and Solid Waste Management. The event was also attended by the Social Fund for Development (SFD) and representative from the Housing Associations. All participants were invited to the event through direct invitation from the Secretary General in coordination with MoHUUD (*Registration form is attached in Annex 2*)

The event started by opening remarks from the Governorate Secretary General Mr. Gamal Abbas. He welcomed participants and briefed them on the purpose of the consultation. This was followed by presentations from the Bank environmental and social team along with Arabic executive summary distribution on the participants (Arabic executive summary attached *in Annex 2*). The presentation covered the following main aspects:

- Overview on the Program and the key components
- The results of the ESSA particularly the expected impacts, risks and outcomes
- The ESSA recommendations on how to strengthen the program

After the team's presentation, floor was open to participants to contribute with comments and feedbacks. The following table presents the key comments and the responses of the team and how the point will be addressed in the ESSA/program.



Figure 6: Discussions during the public consultation in Assiut



Figure 7: Presenting the environmental assessment

Table 4: Key comments received from stakeholders during the public consultation in Assiut

Comment	Action/response by team
Renting in rural areas of Upper Egypt governorates (out of capital cities) is socially not accommodated. Many of buildings in those areas are family buildings, and there are social barriers to rent some of the units in such buildings to strangers.	To expect that the DLIs related to number of beneficiaries of rental program and number of previously vacant units occupied after the program in Upper Egypt to be relatively less,
Subsidies made available for units in the private sector, especially existing units, could lead to some distortions in the renting market. There may be undisclosed agreement between tenants and landlords to raise the amount of rent (or the price of the unit) so as to raise the amount of subsidy and to share this benefit between them	Mechanisms should be designed during the implementation so as to prevent cheating in price of units or monthly rents for private sector units.
Providing subsidies to tenants already renting units but have difficulty in paying the rents due to their low income might be a suitable renting program to be added to the WBG program for Upper Egypt Governorates	This should be studied in the design of the IHFP rental programs
What would maintain the sustainability of rental subsidies after the closure of the program? The beneficiary might not be able to maintain secured housing with the withdrawal of subsidies.	It is expected that the SHF would maintain the subsidy from other funding sources as a safety net measure from the Government to protect the poorest groups. In the meantime, the subsidies should not be considered as granted to beneficiaries households forever. It is advisable that the government should have a system to assess the income level of

	beneficiary household on regular basis, for instance, once every three years. Once the income of the beneficiary household is increased to the level above the eligible range, the household should not receive the subsidy any more. In addition, the Bank's PforR is supporting the government SHP.
The least income that could benefit from the program (L.E. 900/month) is much higher than the average income of households in Upper Egypt. Maybe about 95% of people in Upper Egypt has income less than L.E. 900/month	Packages for lower income groups will be designed as indicated in the program description. Public rental subsidies are meant to reach below the current threshold of L.E. 900 monthly income
There should be adequate survey of needs in each Governorate, because one model or program would not fit the needs of every Governorate	This survey is one of the program DLIs
Providing certificates of safety for units benefiting from the program (to safeguard against communal risks such as structural risks, fire risks ... etc.) would need institutional support to local units	Such institutional support to be among the measures taken by the program through delegating certified consultants to support Local Units
As part of verifying the socioeconomic conditions of potential beneficiaries, there is a need for more reaching out to check on the living conditions of the applicants.	This measure is already taken into consideration by SHP in cooperation with the Ministry of Social Solidarity.

Summary of Cairo Consultation:

A consultation event was hosted by the MoHUUD on September 28, 2014. The event was held in the Ministry premises with participation of around 45 stakeholders from wide range of affiliations from 4 Governorates, namely Cairo, Giza, Fayoum and Kalyobia. The most import represented affiliations are MoHUUC, NUCA, GOPP, NHBRC, GHBCA, GSF, the Executive Agency of the SHP, different departments with the HDB HQ and branches, Housing Directorates from 3 Governorates, Ministry of Urban Development and Informal Areas, EEAA, Fayoum RBOs, Housing Cooperatives and beneficiaries (copy of the registration sheets of participants attached). Direct invitations were sent out to stakeholders. Moreover, public announcements were published in MoHUUD website and at the Ministry building.

The event started by opening remarks from the Eng. Nefesa Mahmoud, the Ministry Undersecretary and Head of the Housing and Utilities Sector. She welcomed participants and briefed them on the purpose of the consultation. This was followed by presentations from the Bank environmental and social team covering the same topics that were covered in Assiut presentations. Arabic executive summary of the ESSA was also distributed. Moreover, the Bank team presented few key highlights from Assiut consultations

After the team’s presentation, floor was open to participants to contribute with comments and feedbacks. The following table presents the key comments and the responses of the team and how the point will be addressed in the ESSA/program.



Figure 8: Discussions during the public consultation in Cairo



Figure 9: Presentations during the public consultation



Figure 10: Public announcement at the Ministry premises



Figure 11: Announcement for the public consultation on MoHUUD website

Table 5: Key comments received from stakeholders during the public consultation in Cairo

Comment	Action/response by team
What is the relation between this program and the Affordable Housing Project? Has the new program benefited from shortcomings of the existing project?	The ownership program of the new program will be a continuation of this project after its end. Lessons learnt from previous projects have been considered in the program design
Requiring a safety certificate for existing units would exclude informal settlements and violating buildings as they consist large ratio of buildings in urban areas (about 37%).	Supporting unsafe buildings is a risk that could not be accepted. Providing safety certificates is an important safeguard for minimizing risks to the community
The least income that could benefit from the program (L.E. 900/month) is much higher than the average income of households in many areas. Limiting the minimum income that could benefit from the program to L.E. 900/month would leave many households out of the program	Packages for lower income groups will be designed as indicated in the program description. Public rental subsidies are meant to reach below the current threshold of L.E. 900 monthly income
How would be the proof of income especially for daily informal workers?	Through certificate from legal accountant to reflect the net of the monthly or annual income
What would maintain the sustainability of rental subsidies after the closure of the program?	It is expected that the SHF would maintain the subsidy from other funding sources.
It might be a good idea to relate the subsidy with some indicators such as energy savings, so as more savings households could have better packages for the subsidy	Considered among the ESSA measures
To open vacant units to the market there should be changes in legislation to facilitate eviction of non-compliant tenants	The legislation has been already modified to facilitate this
We suggest to relate the program with other WBG projects that support low income people. For example beneficiaries of housing subsidies could also be considered in the SME program with the SFD so as to maintain the sustainability of the beneficiaries livelihoods.	A mechanism to be investigated, in the detailed program design, to direct relevant program beneficiaries to other WBG supported projects (such as the SME project).
One of the previous beneficiaries indicated the difficulty of some of the eligibility conditions, such as providing a guarantor. She also pointed to the fact that most of the governmental officials withdraw other loans with the guarantee of their salaries and this mean that they can not use their salaries as a guarantee	This will be studied during the detailed program design
We suggest conducting a special consultation with previous beneficiaries	The team is considering this
It might be a good idea to raise the awareness of beneficiaries about adequate solid waste management practices	Considered among the ESSA measures
Would the program provide funds to banks so as not to	This will be studied during the detailed

take legal actions against non-performing households?	program design
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After obtaining the final clearance on the ESSA, the ESSA will be disclosed locally in Arabic language. ESSA will be also disclosed on the World Bank infoshop,

Annex 1: Screening of Environmental and Social Risks

Risk	Environmental Risk Screening	Social Risk Screening
Associated or Likely Social and Environmental Effects	<p>The program will not involve any construction activities and, accordingly will not be associated with any land use issues or construction risks. Therefore no expected risks on natural habitats, no expected generation of pollution from any of the program activities and no expected change in landuse or limitation in the use of resources.</p> <p>There would be some risks on the community safety if the buildings including the subsidized unit have some safety issues. The existing system includes measures to ensure the safety of buildings before being occupied. The PAP includes measures to emphasis such procedures, and accordingly the risk is considered low</p> <p>On the other hand the program implementation will introduce some environmental benefits as the construction activities will be rationalized after achieving the program result of maximizing the occupation of existing vacant units, this will increase the efficiency of the housing sector and will reduce the expansion of informal settlements that could encroach in environmentally sensitive areas or cause changes in landuse. Also the program will reduce commuting of employees to their employment centers (as one of the results) and accordingly will reduce environmental impacts of traffic</p>	<p>The program focuses on the demand side of the social housing program and will not support any civil works or any activities that involve land acquisition. No negative impacts related to land taking or livelihoods are expected to result from the program.</p> <p>IHFP is anticipated to have plenty of positive social outcomes. It will positively contribute to solving housing challenge by facilitating access of low and middle income groups to appropriate ownership and rental housing schemes. This will also contribute to the discouragement of the growth of the informal and unstructured housing. The program will work to ensure equitable access to the program by various socially marginal groups including female headed households, poor families in marginalized Governorates and lagging region as well as groups with special needs.</p> <p>All the identified social risk could be attributed to the threat of the limited capacity of the SHP to manage the program in a socially sensitive manner that ensures that the benefits are going to eligible cases.</p>

Risk	Environmental Risk Screening	Social Risk Screening
Environmental and Social Context	<p>Although the geographic coverage of the program includes the whole country, there is no particular special risk from the program activities as it is only limited to the demand-side. As mentioned above, no land use issues are considered among the demand-side activities of the program therefore no associated risks on sensitive habitats or locations.</p>	<p>The program will expand to cover various Governorates in the country including poor, marginal and lagging behind Governorates. This geographic expansion will maximize the opportunity of the poor all over the country to benefit from the program.</p>
Program Strategy and Sustainability	<p>The program is closely linked to the Systematic Country Diagnostic (SCD), which has assessed the potential role of affordable housing sector in contributing to sustained economic growth, job creation, poverty alleviation, and shared prosperity. This SCD was identified through consultation by the WBG with development partners in GoE.</p> <p>The IHFP will improve the efficiency of the housing sector and will, hence, limit the uncontrollable expansion of informal settlements. This is not explicitly indicated among the program PDOs but is an associated benefit to its implementation.</p> <p>No program activities, being limited to the demand-side, will cause any constrains on landuse that will affect decisions of future generations.</p>	<p>Access to decent housing is among the key challenges facing poor families in Egypt, the <i>program</i> will positively contribute to solving this challenge by facilitating access of low and middle income groups to appropriate ownership and rental housing schemes.</p> <p>Support for the development of the social housing finance sector as a means of economic stimulus and social benefit has now survived multiple changes in the ministerial leadership.</p>

Risk	Environmental Risk Screening	Social Risk Screening
Institutional Complexity and Capacity	<p>Only limited environmental risks are related to the program activities as it is related to the demand-side. The implementation of the program will be explicitly done through the SHF which is expected to have managerial capacity to implement the PAP. The PAP includes clear follow-up procedures that could be effectively implemented by the SHF to monitor the environmental performance of the program and to ensure that the program is limited to demand-side activities during implementation</p>	<p>The analysis of the system revealed that there is limited institutional capacity to handle social issues. This includes, but is not limited to, consultations, information sharing, disclosure, verification of eligibility and addressing concerns and complains efficiently.</p> <p>The ESSA proposed a number of institutional capacity measures and actions to strengthen and support the different processes.</p>
Reputational and Political Risk Context	<p>In terms of environmental reputational or political risk, no considerable risks as long as the program boundaries are well disclosed and publically communicated. Building safety risks to the community, as indicated above, are considered low risks if the PAP measures are implemented.</p> <p>For ensuring that supply-side related risks do not cause reputational or political risks there should be follow-up during implementation that the boundaries of the program is well respected, and that there is a transparent procedures for information disclosure</p>	<p>Information will need to be disclosed transparently to avoid any potential risk related to misconceptions of lack of communication with and responsiveness to potential project beneficiaries</p>
Overall Assessment	<p>The overall environmental risks for the IHFP is low and the PforR is considered a suitable instrument from the environmental perspective</p>	<p>The overall assessment of the social risk is low and could be eliminated further by considering the proposed measures as part of the ESSA.</p>



Ministry of Housing, Utilities, and Urban Communities

Housing and Utilities Sector

Annex 2: Steps for Assigning the Residential Units of the Social Housing Project (Ownership Program)

- 1- An advertisement is published in the national newspapers announcing the general conditions, the applicant requirements, the required documents, how to apply and make payments .
- 2- The applicant pays a down payment of 5,000 EGP (refundable in case he/she does not get an assignment) + 100 EGP (non-refundable investigation fee), to be settled at any automated post office available in any part of the Republic to the Housing and Development Bank .
- 3- The applicant prepares the supporting documents and sends them by registered mail to the HDB branch at the governorate where he wishes to reserve a residential unit, attaching a copy of the receipt as a proof of payment.
- 4- The branch personnel of HDB will register the name and data of the applicant, and based on the conditions provided, will sort out those who meet the application conditions, and those who don't .
- 5- A list of applicants is sent to the HDB Head Office to exclude those who do not meet the conditions, and review the possession status based on the bank database and in cooperation with the Ministry of Social Solidarity who maintain database for the poorest groups in the country.
- 6- The Bank sends a CD containing lists of applicants who meet the eligibility criteria to the Social Housing Project Executive Authority .
- 7- The Social Housing Project Executive Authority sends a CD containing lists of citizens who meet the eligibility criteria to the Mortgage Financing Fund to verify the data submitted by the applicant, making them eligible for Fund subsidy with amounts ranging from 5-25 thousand EGP based on the applicant income.
- 8- The Social Housing Project Executive Authority sends the CD with the applicants' data to all new cities and governorates to verify whether any of the applicants possesses a residential unit, or land lots, and respond back with the investigation result.
- 9- The Fund sends the eligible applicants data after approving subsidy to the financing entity (the Bank) to obtain funding approval.
- 10- The Bank notifies the applicants meeting the criteria to complete the required procedures needed to obtain credit facilities, and requests them to settle 15% of the unit price.
- 11- The Bank sends to the Fund a list of approved applicants who have settled the required 15% initial payment.

- 12- The Fund sends to the Executive Authority a list of eligible applicants who have been approved for credit facilities and have settled the required 15% initial payment.
- 13- The committee in charge of assigning the new cities' residential units at the Ministry of Housing starts assigning the units based on the unit delivery schedule received from the new cities authorities. The meeting minutes are ratified then sent to the implementing entities (competent city authority, HDB, Mortgage Financing Fund, funding agency). As to governorates, the competent committee formed at the governorate level will assign the units established on Governorate land lots, and the Governorate pursues delivery to the beneficiary citizens.
- 14- The Funding entity will contact the beneficiaries to come and collect the assignment letter which will be submitted to the City Authority to receive their assigned units.

Annex 3: Public Consultation Documentation