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محافظة الدقهلية
رئاسة مركز ومدينة أجا

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Egypt Construction Violations Reconciliation Law – Development Brief

Law 1/2020¹ amending the unpopular Construction Violations Reconciliation Law² resulted in only 89,199 owners applying to legalise their property by the end of its original deadline in December 2020³—a trivial number compared to the more than eight million units estimated to have been informally built over the last decade alone,⁴ representing three quarters of all construction and thus the majority of households. The amendments sought to simplify the original process, but still suffered from bureaucratic complications and apathy from residents and owners. By the end of March 2020, the enactment of the amended bylaws,⁵ extending the deadline to September 2020, coincided with the onslaught of the coronavirus pandemic and ensuing partial lockdown and evening curfew in Egypt. Shortly thereafter, the

1 'Law 1/2020', AMENDING CONSTRUCTION VIOLATIONS RECONCILIATION LAW 17/2019 § (2020), https://web.archive.org/web/20201216141601/https://www.cc.gov.eg/legislation_single?id=394244.

2 'Law 17/2019', CONSTRUCTION VIOLATIONS RECONCILIATION § (2019), 20, https://web.archive.org/web/20201216141603/https://www.cc.gov.eg/legislation_single?id=391179.

3 AL-AHRAM, 'MAGLIS AL-MUHAFZIN BI-R'ASAT MADBOULI YUTAB'A IGRA'AT TANFIZ QANUN AL-TASALUH FI MUKHALAFAT AL-BINA', ACCESSED 24 FEBRUARY 2021, [HTTP://GATE.AHRAM.ORG.EG/NEWS/2334031.ASPX](http://gate.ahram.org.eg/news/2334031.aspx).

4 BUILT ENVIRONMENT OBSERVATORY, 'WHO BUILDS EGYPT'S HOUSING? CONSTRUCTION FACTS BY SECTOR 2008 > 2018', 4 NOVEMBER 2019, [HTTP://MARSADOMRAN.INFO/EN/FACTS_BUDGETS/2019/11/1837/](http://marsadomran.info/en/facts_budgets/2019/11/1837/).

5 'PRIME MINISTERIAL DECREE 800/2020', AMENDING RECONCILIATION LAW BYLAWS § (2020), [HTTPS://WWW.CC.GOV.EG/I/L/404182.PDF](https://www.cc.gov.eg/i/L/404182.pdf).

government froze construction in all major cities,⁶ fearing a spike in illegal construction as the government tended to the coronavirus crisis.

The pandemic induced widespread income loss, estimated to have affected three quarters of the workforce,⁷ and the steep fines outweighed the minimal benefits of legalization; by June property owners submitted only 330,000 applications.⁸ The government responded by imposing an immediate 25% down-payment towards the fine for all current and future applications⁹ and began the unprecedented demolition of illegal construction built after the reconciliation law came into force in April 2019 (and hence do not benefit from reconciliation).¹⁰ These measures increased property owners' compliance with the law, but it also increased resistance. As significant income loss accumulated and calls for protest increased in September 2020,¹¹ the government cut fines by between 30% and 70% in urban areas¹² and brought them down to the minimum of LE50 per square meter in all rural areas just weeks before the deadline.¹³ Prime Minister Mustafa Madbouly also promised that occupied dwellings would not be demolished,¹⁴ and extended the September deadline four times; the last reconciliation deadline was the end of March 2021.¹⁵

⁶ 'MINISTER OF LOCAL ADMINISTRATION DECREE 181/2020' (2020), <https://www.diigo.com/item/image/2r7n0/1j81>.

⁷ CAPMAS, 'THE EFFECTS OF THE CORONAVIRUS ON EGYPTIAN HOUSEHOLDS UNTIL MAY 2020 (ARABIC)' (CAIRO: CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS (CAPMAS), JUNE 2020), 5, https://www.capmas.gov.eg/pages/staticpages.aspx?page_id=7233.

⁸ AL-MAL, 'AL-TANMIYA AL-MAHALIYA TATALAQA 330 ALF TALAB LI-L-TASALUH FI MUKHALFAT AL-BINA', 12 JUNE 2020, <https://archive.vn/wip/tPzQU>.

⁹ 'MINISTER OF LOCAL ADMINISTRATION CIRCULAR 199/2020', IN RELATION TO THE RECONCILIATION LAW AND REGULATING THE BUILDING PROCEDURE IN EGYPT § (2020), <https://www.diigo.com/item/image/2r7n0/91i4>.

¹⁰ AHAM ONLINE, 'EGYPT'S SISI SAYS WILL DEPLOY ARMY TO REMOVE ILLEGAL BUILDINGS BUILT ON AGRICULTURAL LAND IF PROBLEM PERSISTS - POLITICS - EGYPT', 29 AUGUST 2020, <http://english.ahram.org.eg/newscontent/1/64/378853/EGYPT/POLITICS-EGYPT%E2%80%99S-SISI-SAYS-WILL-DEPLOY-ARMY-TO-REMOVE-ILLEG.ASPX>.

¹¹ RUTH MICHAELSON, 'THREAT OF HOME DEMOLITIONS SPARKS PROTESTS AMONG EGYPT'S POOREST', THE GUARDIAN, 6 OCTOBER 2020, <http://www.theguardian.com/world/2020/oct/06/egypt-security-forces-target-rare-anti-government-protests>.

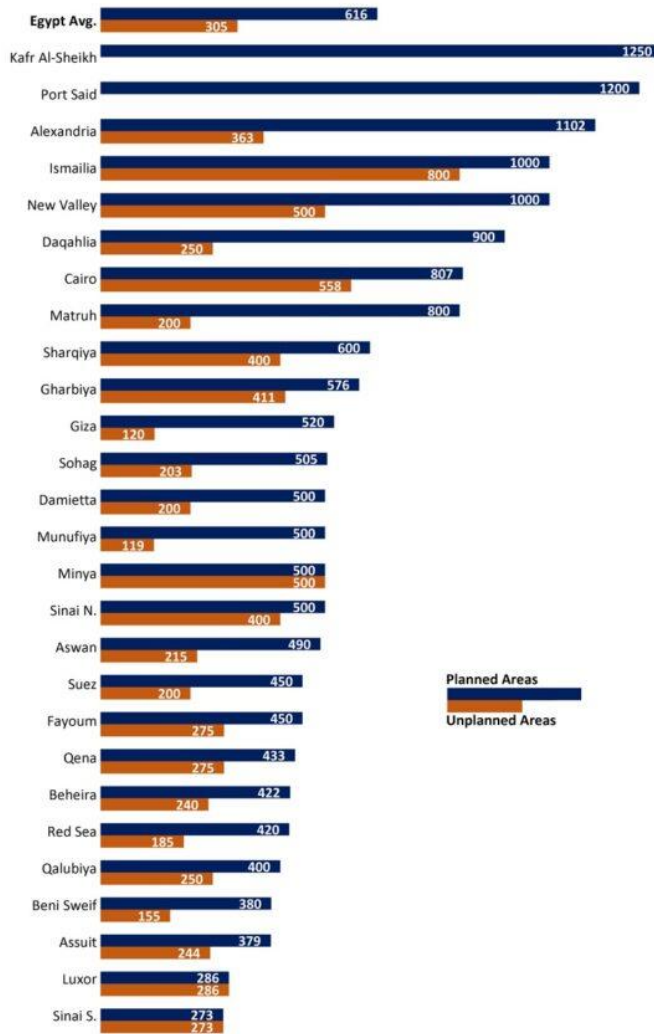
¹² ARE, THE CABINET, 'TAQRIR MIN WAZIR AL-TANMIYA AL-MAHALIYA', 11 SEPTEMBER 2020, <https://archive.is/HbUON>.

¹³ AL-AHRAM, 'MADBOULI: AL-RA'IES AL-SISI WAGGAH BI TAHDID QIMAT AL-TASALUH LI-KUL AL-RIF AL-MASRI 50 JUNAYHAN LI-L-MITR', 12 SEPTEMBER 2020, <http://gate.ahram.org.eg/news/2460524.aspx>.

¹⁴ ARE, THE CABINET, 'TASRIHAT TELEFIZIONIYA LI-RA'IES MAJLIS AL-WUZARA', 24 SEPTEMBER 2020, <https://archive.is/2LJZ9>.

¹⁵ BUILT ENVIRONMENT OBSERVATORY, 'A COLLECTION OF LEGSILATION AND OFFICIAL DOCUMENTS RELATED TO THE RECONCILIATION LAW (ARABIC)', 3 JANUARY 2020, http://marsadomran.info/facts_budgets/2020/01/1873/.

Average Reconciliation Fines in Urban Egypt After Reductions (LE/m²)



Source: ARE, The Cabinet. Report from the Ministry of Local Development. 11 September 2020



Impact

These concessions resulted in applications reaching 2.9mn by the end of the final deadline at the end of March 2021.¹⁶ These applications may represent anywhere between three to nine million units, as one application could include multiple units. Furthermore, the government will not accept all applications as the law prohibits the reconciliation of some violations. For those applications that it did accept, full

¹⁶ AL-AHRAM, 'MAJLIS AL-WUZARA': 2.9 MILION TALAB TAM TAQADIMAHA LI-L-TASALUH FI MUKHALFAT AL-BINA', ACCESSED 9 APRIL 2021, [HTTPS://GATE.AHRAM.ORG.EG/NEWS/2684548.ASPX](https://gate.ahram.org.eg/news/2684548.aspx).

legalisation would only occur once owners pay the full fine—not be before 2024 at the earliest for most assuming that owners pay the remaining yearly instalments. Only then and only with the statistics disaggregated by the number of units under consideration (not simply whole buildings) assess percentage of homes formally recognized by the law. Overall, there seems to be a significant number of properties that will not be formalized, leading Parliament's Local Development Committee to discuss plans for how to deal with them. Committee president MP Ahmed al-Sagini put forward the paradox the state is in,¹⁷ having to balance out between upholding the law by demolishing unformalized buildings, and the social and security ramifications this may have, stating that the law may need to be modified to accommodate this stalemate. This may signal that this is far from a closed case, and a new round of reconciliation with a new set of rules and fines may be enacted in the near future.

In terms of revenue collection, parliamentarians estimated that the law would bring in LE 100bn¹⁸ to LE 700bn.¹⁹ However, the amount collected by the end of implementation was closer to LE 18bn and projected to be LE 70–75bn,²⁰ considering that a further 75% of the fine will be collected in instalments over the next three years. However, this fine has contributed towards 13% of spending on urban development projects in the current financial year, where a majority of revenue is earmarked for. In the end, this is a one-off fine that only acts as an exceptional boost to the treasury, and is not renewable.

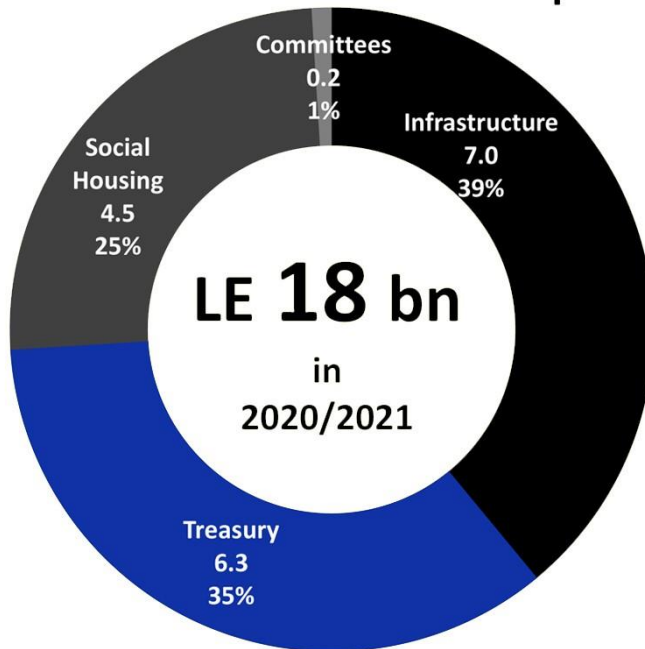
¹⁷ AL-YOUM AL-SABE', 'AL-TASALUH FI MUKHALFAT AL-BINA' 'ALA TAWLAT MAHALIYAT AL-NUWAB', 7 APRIL 2021, [HTTPS://ARCHIVE.IS/3VWZR](https://archive.is/3vWzR).

¹⁸ AL-BORSA, 'NA'IB: AL-HUKUMA TA'AHADAT AMAM AL-PARLAMAN BI TAHSIL 100 MILYAR JUNAYH FI MALAF AL-TASALUH LI-MUKHALAFAT AL-BINA", 7 SEPTEMBER 2020, [HTTPS://ALBORSAANEWS.COM/2020/09/07/1380429](https://alborsaaneews.com/2020/09/07/1380429).

¹⁹ AL-MAL, 'BAYAN 'AJIL FI-L-PARLAMAN BI SABAB IHDAR MUWAZAFI AL-MAHALIYAT 700 MILYAR JUNAYH 'ALA AL-DAWLA', 12 JUNE 2020, [HTTPS://ARCHIVE.IS/PGF00](https://archive.is/PGF00).

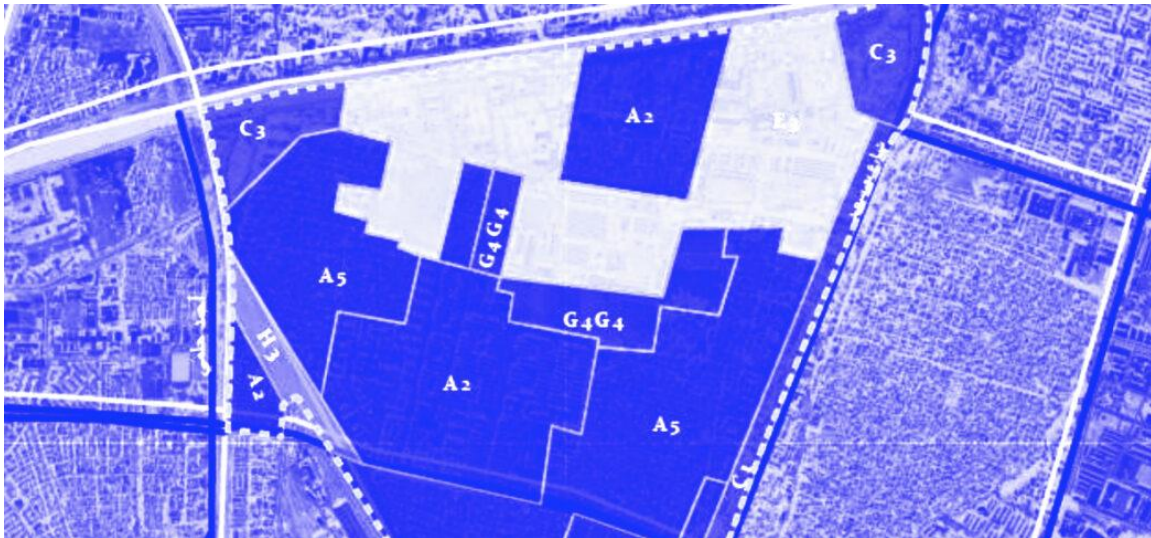
²⁰ AL-WATAN, 'AL-TANMIYA AL-MAHALIYA: HASALAN 17.7 MILYAR JUNAYH QIMAT TASALUH', 30 MARCH 2021, [HTTPS://WWW.ELWATANNEWS.COM/NEWS/DETAILS/5407133](https://www.elwatannews.com/news/details/5407133).

FY 20/21 Reconciliation Revenue Earmarked Spending



Source: Al-Watan, "Local Development: We Collected LE17.7 Billion from Reconciliation (Arabic). 30 March 2021





New Zoning and Building Regulations, and Construction Freeze – Development Brief

The government imposed a nation-wide lockdown and night-time curfew in April 2020 through the emergency law as part of its measures to control the coronavirus pandemic. Any illegal construction or destruction of arable land (*tabwir*) would face trial by the exceptional Supreme State Security Prosecutor.²¹ One month later, the president decreed an unprecedented six-month freeze on all building construction in Cairo, Giza and Alexandria.²² Under the Unified Building Law, only freezes on new construction permits can be enacted, making the presidential decree unprecedented.²³ Exempted from this freeze were non-residential projects, government projects, and any construction in the so-called new cities, which the state-owned New Urban Communities Authority (NUCA) administers, and are thus independent from the Ministry of Local Administration's jurisdiction that the building freeze targeted.

In practice, over 16,000 civilian builders and owners that violated the freeze were referred to the Military Prosecution by July,²⁴ which may have acted as a strong

21 'PRIME MINISTERIAL DECREE 941/2020' (2020), [HTTPS://WWW.CC.GOV.EG/L/L/402636.PDF](https://www.cc.gov.eg/l/L/402636.PDF).

22 AL-SHOROUK, 'AL-SISI YUWAJAH AL-HUKUMA BI WAQF "AMALIYAT AL-BINA" BI SHAKL KULLI FI 3 MUHAFAZAT', 21 MAY 2020, [HTTPS://WWW.SHOROUKNEWS.COM/NEWS/VIEW.ASPX?CDATE=21052020&ID=7B981074-B63B-4A61-B911-A43F8B0F0DAA](https://www.shorouknews.com/news/view.aspx?cdate=21052020&id=7b981074-b63b-4a61-b911-a43f8b0f0dAA); 'MINISTER OF LOCAL ADMINISTRATION DECREE 181/2020' (2020), [HTTPS://WWW.DIIGO.COM/ITEM/IMAGE/2R7N0/IJ81](https://www.diigo.com/item/image/2r7n0/IJ81).

23 ART. 44 'LAW 119/2008', UNIFIED BUILDING LAW (INCLUDING AMENDMENTS) § (2008), [HTTPS://WWW.CC.GOV.EG/LEGISLATION_SINGLE?ID=405291](https://www.cc.gov.eg/legislation_single?id=405291).

24 AL-AHRAM, 'AL-WUZARA': IHALAT 16 ALF MUKHALAFAT BINA' ILA AL-NIYABA AL-'ASKARIYA', 7 JULY 2020, [HTTP://GATE.AHRAM.ORG.EG/NEWS/2436561.ASPX](http://gate.ahram.org.eg/news/2436561.aspx).

deterrent against informal construction that the government feared would spike during the pandemic.

During the six-month freeze, special committees were set up by the Ministry of Local Administration to review already issued building permits to ensure local councils adhered to the building law.²⁵ 175,000 permits were collected, and 20,000 were reviewed over the course of the year.²⁶ Any new permits given after the freeze would have to adhere to new zoning regulations that significantly lowered the allowable population density of cities and particular districts. This was, after all, a “golden opportunity to regulate the built environment” as the housing minister stated in one of the meetings²⁷—a contrasting reference to the ‘unregulated’ state of affairs blamed on informal construction.

In August 2020, draft planning and construction standards for Cairo’s districts were leaked.²⁸ The main changes comprised detailed rules for each district as well as sub-districts depending on an assessment of their current population and built-up densities, as well as whether the government saw them as planned or informal. Obvious rules imposed on future development of land plots include the shrinking of the allowable built-up areas, preventing new construction from abutting neighbouring buildings by establishing setbacks all around the plots, lowering building heights than those currently allowed, and establishing strict rules for non-residential uses. Some sections of Cairo’s neighbourhoods were deemed too overcrowded for new residential construction until detailed plans were prepared and passed, and new residential construction may not be allowed.

²⁵ MoLD, ‘WAZIR AL-TANMIYA AL-MAHALIYA YUSDIR QARAR TASHKIL LIGAN FAHS TARAKHIS AL-BINA’, 12 JUNE 2020, [HTTPS://WWW.MLD.GOV.EG/AR/NEWS/DETAILS/8277](https://www.mld.gov.eg/ar/news/details/8277).

²⁶ INVEST-GATE, ‘INVEST-GATE LAUNCHES ROUNDTABLE FOR NEW BUILDING REQUIREMENTS’, 28 APRIL 2021, [HTTPS://INVEST-GATE.ME/NEWS/INVEST-GATE-LAUNCHES-PROPOSALS-FOR-NEW-BUILDING-REQUIREMENTS-WITH-PARTICIPATION-OF-MAJOR-DEVELOPERS/](https://invest-gate.me/news/invest-gate-launches-proposals-for-new-building-requirements-with-participation-of-major-developers/).

²⁷ NUCA, ‘WAZIRA AL-ISKAN WAL-TANMIYA AL-MAHALIYA WA 3 MUHAFIZIN YUTABE’UN I’DAD AL-ISHTIRATAT AL-TAKHTITIYA WAL-BINA’IYA LI DABT AL-’UMRAN’, 28 JULY 2020, [HTTP://NEWCITIES.GOV.EG/DIS_N_17-3-2019.ASPX?ID=1515](http://newcities.gov.eg/dis_n_17-3-2019.aspx?id=1515).

²⁸ AIN SHAMS UNIVERSITY, ‘MASHRU’ I’DAD AL-ISHTIRATAT AL-TAKHTITIYA WAL-BINA’IYA LI-MADINAT AL-QAHIRA’, AUGUST 2020, [HTTPS://DRIVE.GOOGLE.COM/FILE/D/1vRPYdSm3lPo8J8Gox2LXCCXGySJDlu3/VIEW](https://drive.google.com/file/d/1vRPYdSm3lPo8J8Gox2LXCCXGySJDlu3/view).

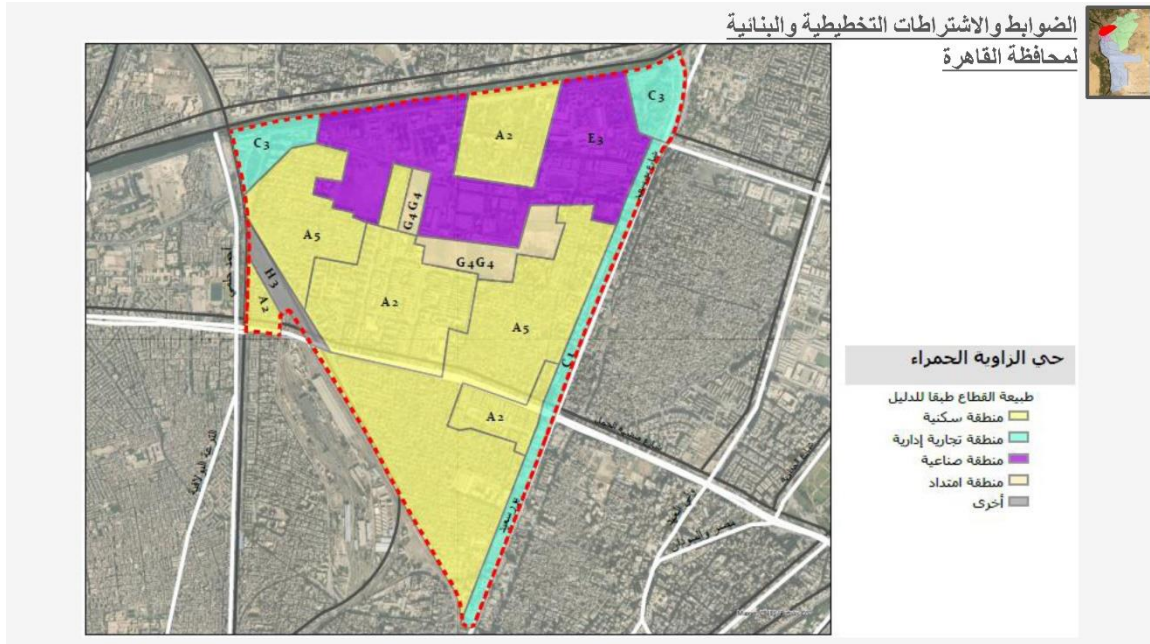


Figure 1: A sample of the planning and building controls and requirements project for a neighborhood in Cairo Governorate (Ain Shams University 2020)

By the end of the construction freeze in September, the new zonings codes were yet to be passed. Instead, interim regulations were enacted in December,²⁹ outlining blanket regulations for building heights, densities, and uses. In April 2021, the Prime Minister announced that a pilot phase in certain districts would be implemented from May, to be expanded to all governorates from July.³⁰ They would also constitute a new, more rigorous – and complicated – process to obtain building permits that includes approvals or oversight from select public universities, the Armed Forces Engineering Authority as well as civilian and military survey authorities.³¹

Impact

At this point in time, any projection on impact is speculative. Already some commentators believe the de-densification of future development would lead to an increase in home prices because of the restriction of supply versus demand. However, the high level of vacancy in most cities shows that a quantitative housing shortage is not imminent, while restricted supply in the older districts may push demand more

29 ARAB REPUBLIC OF EGYPT, 'AL-DAWABIT WAL-ISHTIRATAT AL-TAKHTITIYA WAL-BINA'YA LIL-MUDUN AL-MISRIYA', DECEMBER 2020, [HTTPS://WWW.DIIGO.COM/USER/ARSHIFALOMRAN/B/576932625](https://www.diigo.com/user/ARSHIFALOMRAN/B/576932625).

30 AL-AHRAM, 'RAEIS AL-WUZARA': BID' AL-TATBIQ AL-TAJRIBI LI-L-ISHTIRATAT AL-BINA'YA AL-JADIDA WAL-TARAKHIS AL-JADIDA MAYO AL-MUQBIL', 5 APRIL 2021, [HTTPS://GATE.AHRAM.ORG.EG/NEWS/2686088.ASPX](https://gate.ahram.org.eg/news/2686088.aspx).

31 AL-MASRY AL-YOUM, 'AL-MASRY AL-YOUM TANSUR KHUTWAT TATBIQ MANZUMAT TARAKHIS AL-BINA' AL-JADIDA', 9 APRIL 2021, [HTTPS://WWW.ALMASRYALYOUM.COM/NEWS/DETAILS/2307885](https://www.almasryalyoum.com/news/details/2307885).

towards the new cities – very much desert suburbs. On the other hand, the stricter regulations imposed on land and future development may negatively affect land values, thus easing pressure on real estate prices and possibly improving affordability.

As for the new building permit regulations, Parliament's Local Development Committee head MP Ahmed al-Sagini, only 8000 out of 20,000 building permits reviewed were found to comply with the building law.³² While this may be a strong indicator of corruption in the current building permit regime overseen by local municipalities, it also highlights problems with implementing and interpreting the regulations which can be overcomplicated or based on outdated plans and maps.³³ Ultimately, for the new regulations to succeed in facilitating spatial justice, is more simplification and flexibility, rather than the opposite.

³² INVEST-GATE, 'INVEST-GATE LAUNCHES ROUNDTABLE FOR NEW BUILDING REQUIREMENTS'.

³³ ALI AL-MOGHAZY, 'FORCED INFORMALITY: WHEN HOUSING RIGHTS AND BUILDING LAWS COLLIDE', BUILT ENVIRONMENT OBSERVATORY, APRIL 2018, [HTTP://MARSADOMRAN.INFO/EN/POLICY_ANALYSIS/2018/04/1511/](http://marsadomran.info/en/policy_analysis/2018/04/1511/).

الجريدة الرسمية – العدد ٣٦ مكرر (ب) في ٥ سبتمبر سنة ٢٠٢٠

قانون رقم ١٨٦ لسنة ٢٠٢٠

بتعديل بعض أحكام القانون

رقم ١١٤ لسنة ١٩٤٦ بتنظيم الشهر العقارى

باسم الشعب

رئيس الجمهورية

قرر مجلس النواب القانون الآتى نصه، وقد أصدرناه

Real Estate Registration Law Amendments – Development Brief

In early September 2020, amendments to the Real Estate Registration Law (*qanun al-shahr al-aqari*) were passed with a six months grace period.³⁴ The amendments simplified the process of registration for owners of contested property that have acquired a final court verdict. More ominously, they also stipulated that, for property transactions, no utility provider may transfer utilities to the new property owners' names nor allow for utilities to be extended to newly built properties that had just been sold unless proof of real estate registration is shown. This amendment basically acted as a strong incentive to force the registration of over 35 million unregistered homes in Egypt.³⁵

These amendments passed unnoticed until officials started a campaign in February 2021 to remind owners to register come March 4, the date the grace period was supposed to end. What followed was a popular backlash to the law, citing high registration costs especially during hard economic times induced by the coronavirus

³⁴ "Law 186/2020," AMENDING REAL ESTATE REGISTER LAW 114/1946 § (N.D.), [HTTPS://WWW.CC.GOV.EG/L/404665.PDF](https://www.cc.gov.eg/l/404665.pdf); "MINISTER OF JUSTICE DECREE 9310/2020," AMENDING REAL ESTATE REGISTRATION LAW BYLAWS § (2021), [HTTPS://WWW.CC.GOV.EG/LEGISLATION_SINGLE?ID=408709](https://www.cc.gov.eg/legislation_single?id=408709).

³⁵ THE REAL ESTATE TAX AUTHORITY ESTIMATES ONLY 3% OF PRIVATE PROPERTY IS LEGALLY REGISTERED. SEE: AL-MAL, "MU'TAMAR AL-TATWIR ALÁQARI – AL-DARA'IB: 3% NISBAT TASGIL AL-'AQAR FI MISR," OCTOBER 30, 2018, [HTTPS://ARCHIVE.PH/MLL9X](https://archive.ph/MLL9X).

pandemic, which have seen two thirds of the workforce either have had their income reduced or lost their jobs.³⁶

Importance of Real Estate Registration

Egypt's Civil Code, which regulates contractual agreements, states in article 934 that real estate ownership can only be transferred according to the Real Estate Registration Law,³⁷ meaning by registered contracts. However, registration is a complicated and costly process, which has led most to seek alternatives such as customary/preliminary contracts, signature validation rulings (sihat tawqi'a), contract validation rulings (siha wa nafaz), and power of attorney. Most government agencies have adapted to these documents such as utilities providers and the Real Estate Taxation Authority, though if it comes to a property contestation case, the courts see these as semi-formal proofs of ownership that are weighed according to the law and precedents as follows:³⁸

1. Real estate registration
2. Adverse possession (wad' al-yad)
3. Possession in good faith
4. Registered deed or contract validation
5. Registration at the Real Estate Taxation Authority, or payment of the tax

Absent from these are contracts with signature validation, because such rulings only confirm the identity of the seller, and do not the validity of the contract's contents. Power of attorney sales are also not included because they do not transfer ownership, rather give rights over property.

Many find these documents sufficient in proving ownership as long as it is not contested, however those that find themselves in the midst of a legal case can only fight as strongly as the legal power of their documents. Anecdotal evidence suggest that fraud and property contestation are an ongoing phenomenon in Egypt, so much that the head of the Real Estate Registration Authority, Dr. Gamal Yakout calls them the "fraud mafia".³⁹ In one of the more notorious cases of such fraud, 177 units in a new

³⁶ CAPMAS, "THE EFFECTS OF THE CORONAVIRUS ON EGYPTIAN HOUSEHOLDS UNTIL MAY 2020 (ARABIC)" (CAIRO: CENTRAL AGENCY FOR PUBLIC MOBILIZATION AND STATISTICS (CAPMAS), JUNE 2020), [HTTPS://WWW.CAPMAS.GOV.EG/PAGES/STATICPAGES.ASPX?PAGE_ID=7233](https://www.capmas.gov.eg/PAGES/STATICPAGES.ASPX?PAGE_ID=7233).

³⁷ "LAW 131/1948 THE CIVIL CODE," SEMI-OFFICIAL DIGITAL COPY INCLUDING AMENDMENTS UNTIL JULY 16, 2011 §, ACCESSED OCTOBER 28, 2020, [HTTPS://WWW.CC.GOV.EG/LEGISLATION_SINGLE?ID=404569](https://www.cc.gov.eg/LEGISLATION_SINGLE?ID=404569).

³⁸ ABDELRAZAQ AL-SANHURI, AL-WASIT FI SHARH AL-QANUN AL-MADANI AL-JADID (BEIRUT: DAR IHYA` AL-TURATH AL-'ARABI, 1952), 602-5, [HTTPS://TINYURL.COM/YXA6DWCV](https://tinyurl.com/yxa6dwcv).

³⁹ AL-AHRAM, "RA'IES AL-SHAHR AL'AQARI: IDAFAT AL-SAJIL LI-L-QANUN LI-L-QADA' 'ALA 'ISABAT AL-NASB," FEBRUARY 23, 2021, [HTTPS://GATE.AHRAM.ORG.EG/NEWS/2613329.ASPX](https://gate.ahram.org.eg/news/2613329.aspx).

residential building in Alexandria, were sold to 350 different buyers, creating a maelstrom of legal cases and violent confrontations between the buyers.⁴⁰

Reasons for Refusal of the Law

The stipulation to register real estate was met with fierce public refusal which quickly reached parliament.⁴¹ For one, the process of registration is very complicated taking anything from 25 steps if the registration was amicable (involved the seller), almost doubling to 46 steps if a contract validation ruling was needed.⁴² On average, these steps may take between six months to two years to complete.

In addition to these bureaucratic procedures, costs would range from 1.1% of a unit's costs, up to 11% depending again on whether it was a simple transfer, or a court case was needed (Table 1), which will be the majority of cases. These costs include fees at the Real Estate Register of between LE 500 and LE 2000, Lawyers' Syndicate fees for stamping the contract equal to 0.5% of its value, the collection of the 2.5% real estate transfer tax, which while the seller should pay it, has been collected upon registration from the buyer.⁴³ In the case of a contract validation case, court fees range between 2.85% to 5.7% depending on whether the procedure was reconciled at the start, or if it goes through a full trial, while lawyers' fees and other incidental fees paid to various authorities for a host of documents differ from case to case.

Table 1: Estimated real estate registration costs for a 100m² property costing LE 300,000 (Lawyers' Syndictae)⁴⁴

Fees		Amicable Registration 1	Amicable Registration 2	Contract Validation 1	Contract Validation 2
Real Estate Registration	520	520	520	520	520
Survey Authority	200	200	200	200	200

40 AL-YOUM AL-SABE', "MUTADARIR MIN WAQIÁT NASB FI WIHDA SAKANIYA BIL-ISKINDARIYA," AL-YOUM AL-SABE', FEBRUARY 20, 2018, [HTTPS://ARCHIVE.VN/SSZST](https://archive.vn/sszst).

41 AL-MASRY AL-YOUM, "JADAL WASÍ HAWL TA'DILAT AL-SHAHR AL-'AQARI WA MATALIB HIZBIYA WA PARLAMANIYA BI-L-TA'JIL," FEBRUARY 5, 2021, [HTTPS://WWW.ALMASRYALYOUM.COM/NEWS/DETAILS/2268479](https://www.almasryalyoum.com/news/details/2268479).

42 EGYPT LAWYERS' SYNDICATE, "MIN AL-ALIF ILA AL-YA': IJRA'AT AL-TASJIL AL-'AQARI BI NAW'AYH RIDA'1 - SIHA WA NAFAZ," SEPTEMBER 14, 2020, [HTTPS://EGYPLS.COM/من-الألف-إلى-الياء-إجراءات-التسجيل-الع](https://egypls.com/من-الألف-إلى-الياء-إجراءات-التسجيل-الع).

43 MINISTRY OF JUSTICE. TECHNICAL CIRCULAR 19/2018.

44 EGYPT LAWYERS' SYNDICATE.

Lawyers' Syndicate	0.5%	1,500	1,500	1,500	1,500
Real Estate Transfer Tax	2.5%	0	7,500	7,500	7,500
Court	2.85 - 5.7%	0	0	8,550	17,100
Other*		1,000	1,000	3,000	6,000
Total		1.1%	3.6%	7.1%	10.9%
		3,220	10,720	21,270	32,820
*An assumption of lawyer's fees and other costs					

Impact

Days before its implementation, amid rising resistance to the law, both parliament and the government proposed drafts to delay its enforcement. Finally, in a meeting with the Minister of Justice on March 1, President Abdel Fattah al-Sisi decided on a two-year deferral to “allow a community discussion” around the law.⁴⁵ During the transition period, fees for registration would be “discounted” and more clearly shown, and the capital gains tax stipulation would be lifted. On the following day, parliament approved a bill merging the government and parliamentary drafts to suspend the new real estate registration amendments until June 2023,⁴⁶ as well as amend the Income Tax Law removing the stipulation to allow registration only after the real estate transfer tax was collected. Law 5/2021 was thus passed on March 6 sealing the deferral.⁴⁷ These 11th hour moves corrected the erroneous path that the law was taking to uphold property rights and secure tenure by forcing people to register, while this hiatus gives time to implement reform where registration is simplified and other associated costs are reduced.

⁴⁵ ARE, THE PRESIDENCY, “PRESIDENT EL-SISI MEETS WITH PM AND MINISTER OF JUSTICE,” MARCH 1, 2021,

[HTTPS://WWW.PRESIDENCY.EG/EN/-/العدل-الوزراء-ووزير-العدل](https://www.presidency.eg/en/-/العدل-الوزراء-ووزير-العدل)
قسم-الأخبار/أخبار-رئاسة/الرئيس-عبد-الفتاح-السيسي-يجتمع-برئيس-مجلس-الوزراء-ووزير-العدل-٢٠٢١-٠٣-٠١/.

⁴⁶ AL-SHOROUK, “AL-NUWAB YUWAFIQ NIHA'IYAN 'ALA IRGA' AL-'AMAL BI QANUN AL-SHAHR AL-'AQARI HATTA 30 YUNU 2023,” MARCH 2, 2021, [HTTPS://WWW.SHOROUKNEWS.COM/NEWS/VIEW.ASPX?CDATE=02032021&ID=A9EC21AC-A0A0-4317-8931-61635BFC6F3C](https://www.shorouknews.com/news/view.aspx?cdate=02032021&id=A9EC21AC-A0A0-4317-8931-61635BFC6F3C)

⁴⁷ LAW 5/2021.

- ¹ "Law 10/1990," EXPROPRIATION FOR PUBLIC BENEFIT (INCLUDING AMENDMENTS) § (1990), [HTTPS://WWW.CC.GOV.EG/LEGISLATION_SINGLE?ID=404886](https://www.cc.gov.eg/legislation_single?id=404886).
- ¹ "Law 187/2020," AMENDING EXPROPRIATION FOR PUBLIC BENEFIT LAW 10/1990 § (2020), [HTTPS://WWW.CC.GOV.EG/L/404666.PDF](https://www.cc.gov.eg/l/404666.pdf). FOR THE FULL LAW SEE: LAW 10/1990.
- ¹ PARLIAMENT. HOUSE OF REPRESENTATIVES, "TAQRIR AL-LAGNA AL-MUSHTARAKA... `AN MASHRU` QANUN MUQADDAM MIN AL-HUKUMA BI TA`DIL BA`D AHKAM AL-QANUN RAQAM 10 LI SANAT 1990 BI SHA`N NAZ` MILKIYAT AL-`AQARAT LIL-MANFA`A AL-`AMMA" (CAIRO: PARLIAMENT. HOUSE OF REPRESENTATIVES, NOVEMBER 2017), 4-5, [HTTPS://WWW.DIIGO.COM/ITEM/PDF/2R7N0/AD41](https://www.diigo.com/item/pdf/2r7n0/ad41).
- ¹ WORLD BANK, "EGYPT - POLICY NOTE ON PUBLIC LAND ACQUISITION AND INSTITUTIONAL REFORMS: APPLICATION OF EMINENT DOMAIN PRINCIPLES" (WASHINGTON D.C.: WORLD BANK, JUNE 2017), [HTTP://DOCUMENTS.WORLDBANK.ORG/CURATED/EN/330071507119993972/EGYPT-POLICY-NOTE-ON-PUBLIC-LAND-ACQUISITION-AND-INSTITUTIONAL-REFORMS-APPLICATION-OF-EMINENT-DOMAIN-PRINCIPLES](http://documents.worldbank.org/curated/en/330071507119993972/Egypt-Policy-Note-on-Public-Land-Acquisition-and-Institutional-Reforms-Application-of-Eminent-Domain-Principles).
- ¹ DW, CAIRO'S BAFFLING BRIDGE PROJECT PUSHES AHEAD, 2020, [HTTPS://WWW.DW.COM/EN/CAIROS-BAFFLING-BRIDGE-PROJECT-PUSHES-AHEAD/AV-53490310](https://www.dw.com/en/cairos-baffling-bridge-project-pushes-ahead/av-53490310).
- ¹ AL-YOUM AL-SABE', "TA`WIDAT SUKAN TERSA BI-L-GIZA... AL-GHURFA BI 40 ALF JUNEIH WA WEHDAT BADILA BI OCTOBER," MAY 4, 2020, [HTTPS://ARCHIVE.IS/PVVS4](https://archive.is/PVVS4); AL-YOUM AL-SABE', "MUHAFIZ AL-QAHIRA: TA`WIDAT `AQARAT TAWSI`AT DA`IRI AL-BASATIN TUQADAR BI 40 ALF JUNAYH LI-L-GHURFA," JANUARY 25, 2021, [HTTPS://ARCHIVE.IS/PDCOI](https://archive.is/PDCOI).
- ¹ AL-SHOROUK, "VIDEO.. AL-NAQL: TA`AWID ASHAB AL-MANAZIL AL-MUTADARIRIN MIN TAWASU`AT AL-TARIQ BI 40 ALF JUNAYH LI-L-HUGRA," FEBRUARY 26, 2021, [HTTPS://WWW.SHOROUKNEWS.COM/NEWS/VIEW.ASPX?CDATE=26022021&ID=37267811-5171-433F-AEB7-83B9A02081EA](https://www.shorouknews.com/news/view.aspx?cdate=26022021&id=37267811-5171-433f-aeb7-83b9a02081ea).
- ¹ AL-MASRY AL-YOUM, "TALAB IHATA BI-L-PARLAMAN LI-BAHATH ALIYAT TA`WID AL-MUWATININ FI HAL NAZ`A MILKIYAT AL-`AQARAT," MARCH 24, 2021, [HTTPS://WWW.ALMASRYALYOUM.COM/NEWS/DETAILS/2295589](https://www.almasryalyoum.com/news/details/2295589).
- ¹ MOHAMED AL-`ARYAN, "422 USRA BI SHARA`TERSA YASTAGHITHOUN," AL-AHRAM, FEBRUARY 12, 2021, [HTTP://GATE.AHRAM.ORG.EG/NEWS/2605824.ASPX](http://gate.ahram.org.eg/news/2605824.aspx).
- ¹ AL-MASRY AL-YOUM, "TALAB IHATA BI-L-PARLAMAN LI-BAHATH ALIYAT TA`WID AL-MUWATININ FI HAL NAZ`A MILKIYAT AL-`AQARAT."
- ¹ AL-AHRAM, "MAHALIAT AL-NUWAB TUWSI BI-IJRA' TA`DIL TASHRI' ALA QANUN NAZ`A MILKIYAT AL-`AQARAT LI-L-MANFA`A AL-`AMA," APRIL 21, 2021, [HTTPS://GATE.AHRAM.ORG.EG/NEWS/2698113.ASPX](https://gate.ahram.org.eg/news/2698113.aspx).
- ¹ MINISTRY OF HOUSING, UTILITIES AND URBAN COMMUNITIES, "AL-KOD AL-MASRI LI-A`MAL AL-TURUQ AL-HADARIYA WAL-KHALAWIYA - AL-GUZ' AL-AWWAL: AL-DIRASAT AL-AWALIYA LI-L-TURUQ (THE EGYPTIAN CODE FOR LOCAL AND REGIONAL ROADS - PART I: PRELIMINARY ROAD STUDIES)" (CAIRO: MINISTRY OF HOUSING, UTILITIES AND URBAN COMMUNITIES, 1998), 68-69, [HTTPS://DRIVE.GOOGLE.COM/FILE/D/0BWTQC1X60RP0EW5NCDYWLXJWVUU/VIEW](https://drive.google.com/file/d/0BwTqC1X60Rp0EW5ncDYwLXJwVUU/view).
- ¹ "MINISTER OF HOUSING, UTILITIES AND URBAN COMMUNITIES DECREE 144/2009," ENACTING THE BYLAWS OF THE BUILDING LAW 119/2008 § (2009), [HTTPS://WWW.DIIGO.COM/USER/ARSHIFALOMRAN/B/530815177](https://www.diigo.com/user/arshifalomran/B/530815177).

ج. ٧٠١٦

مديرية المساحة بالفيوم
مكتب المشروعات

كشف بأسماء الملاك القاهرين وسطحياتهم ووزاراتهم المتداخلة بموقع مزارع طريق البرج دابوس
المعتزح حول مرتبة اسبوا
لناحية ابيوت

محافظة الفيوم مركز اسبوا

رقم	الطابق	اسم المالك	اسم المصالح	نوع الترخيص	المحيط		
					م	ط	هـ
١	١	د. عبد الرحمن لورق	م. محمد عبد المنعم	ت. ش. ١٢	٦	-	-
٢	١	م. محمد عبد المنعم	م. محمد عبد المنعم	ت. ش. ١٦	١	-	-
٣	١	م. محمد الزناد	م. محمد الزناد	ت. ش. ١١	١	-	-
٤	١	م. محمد عبد المنعم	م. محمد عبد المنعم	ت. ش. ١٢	٦	-	-

Expropriation Law Amendments – Development Brief

September 2020 saw the amendment of the Expropriation for Public Benefit Law⁴⁸ – Compulsory Order in the UK and Eminent Domain in the US). The main changes focused on technical matters,⁴⁹ comprising a stipulation to expropriating authorities to deposit the preliminary value of compensation in an interest generating state-owned bank account. In the event compensation was paid out in time, the authority would keep the interest accrued. While if pay out was delayed, the interest accrued would then be paid to the owners. A third article was amended increasing the validity of the expropriation order from two to three years, which gives authorities more time to utilize the order.

These amendments are largely developments of legal reform to update the law in light of the 2014 Constitution that stipulated compensation be paid up front, while according to parliament they would help ease the way for the government to implement “large national projects including the new highway network ... water and sanitation projects to serve deprived areas, social housing projects that aim to eradicate slums.”⁵⁰ This reform also benefitted from a World Bank technical support program to improve Egypt’s ranking in its [Ease of Doing Business](#) index, specifically in the ‘land acquisition’

48 “Law 10/1990,” EXPROPRIATION FOR PUBLIC BENEFIT (INCLUDING AMENDMENTS) § (1990), https://www.cc.gov.eg/legislation_single?id=404886.

49 “Law 187/2020,” AMENDING EXPROPRIATION FOR PUBLIC BENEFIT LAW 10/1990 § (2020), <https://www.cc.gov.eg/l/404666.pdf>. FOR THE FULL LAW SEE: LAW 10/1990.

50 PARLIAMENT. HOUSE OF REPRESENTATIVES, “TAQRIR AL-LAGNA AL-MUSHTARAKA... `AN MASHRU` QANUN MUQADDAM MIN AL-HUKUMA BI TA`DIL BA`D AHKAM AL-QANUN RAQAM 10 LI SANAT 1990 BI SHA`N NAZ` MILKIYAT AL-`AQARAT LIL-MANFA`A AL-`AMMA” (CAIRO: PARLIAMENT. HOUSE OF REPRESENTATIVES, NOVEMBER 2017), 4–5, <https://www.diigo.com/item/pdf/2r7n0/AD41>.

category.⁵¹ This is the second major amendment that is part of the same reform package, following on a major one in April 2018, that added a stipulation to post a copy of the order on the property to be expropriated, pay an additional 20% over the valuation of the property as moral compensation, as well as remove the stipulation to deduct any Betterment Levy fees that were owed to the government.

“Social” Compensation

Despite this legal reform, recent highway projects that have required the expropriation and demolition of hundreds of buildings have stirred controversy over compensation or the need to implement them. Most infamous of these was the al-Zumour axis in Giza, where a section of elevated highway scraped the facades of several buildings, rendering the first few floors uninhabitable.⁵² The expropriation orders did not include them because the law only deals with property that is required to be physically used, and not necessarily that affected by a project.

In the Tersa Axis and Ring Road expansions in Greater Cairo, the expropriation law was not even implemented on most buildings that have been demolished to make way for these roads. Instead, the government promised both owners and tenants a flat-rate compensation of LE 40,000 per habitable room (**Error! Reference source not found.**),⁵³ which residents complained was much lower than the market value of the homes. The Minister of Transport later explained in an interview that this “social compensation” provided was more than enough for residents to vacate the units that the government considered informal construction and thus were not due any compensation.⁵⁴

⁵¹ WORLD BANK, “EGYPT – POLICY NOTE ON PUBLIC LAND ACQUISITION AND INSTITUTIONAL REFORMS: APPLICATION OF EMINENT DOMAIN PRINCIPLES” (WASHINGTON D.C.: WORLD BANK, JUNE 2017),

[HTTP://DOCUMENTS.WORLDBANK.ORG/CURATED/EN/330071507119993972/EGYPT-POLICY-NOTE-ON-PUBLIC-LAND-ACQUISITION-AND-INSTITUTIONAL-REFORMS-APPLICATION-OF-EMINENT-DOMAIN-PRINCIPLES.](http://documents.worldbank.org/curated/en/330071507119993972/Egypt-policy-note-on-public-land-acquisition-and-institutional-reforms-application-of-eminent-domain-principles)

⁵² DW, CAIRO’S BAFFLING BRIDGE PROJECT PUSHES AHEAD, 2020, [HTTPS://WWW.DW.COM/EN/CAIROS-BAFFLING-BRIDGE-PROJECT-PUSHES-AHEAD/AV-53490310.](https://www.dw.com/en/cairos-baffling-bridge-project-pushes-ahead/av-53490310)

⁵³ AL-YOUM AL-SABE’, “TA’WIDAT SUKAN TERSA BI-L-GIZA... AL-GHURFA BI 40 ALF JUNEIH WA WEHDAT BADILA BI OCTOBER,” MAY 4, 2020, [HTTPS://ARCHIVE.IS/PVVS4](https://archive.is/PVVS4); AL-YOUM AL-SABE’, “MUHAFIZ AL-QAHIRA: TA’WIDAT ‘AQRAT TAWSI’AT DA’IRI AL-BASATIN TUQADAR BI 40 ALF JUNAYH LI-L-GHURFA,” JANUARY 25, 2021, [HTTPS://ARCHIVE.IS/PDcOI.](https://archive.is/PDcOI)

⁵⁴ AL-SHOROUK, “VIDEO.. AL-NAQL: TA’AWID ASHAB AL-MANAZIL AL-MUTADARIRIN MIN TAWASU’AT AL-TARIQ BI 40 ALF JUNAYH LI-L-HUGRA,” FEBRUARY 26, 2021, [HTTPS://WWW.SHOROUKNEWS.COM/NEWS/VIEW.ASPX?CDATE=26022021&ID=37267811-5171-433F-AEB7-83B9A02081EA.](https://www.shorouknews.com/news/view.aspx?cdate=26022021&id=37267811-5171-433F-AEB7-83B9A02081EA)

البدائل المطروحة لشاغل غرفة واحدة

البديل الثاني	البديل الأول
التعويض بوحدة بنظام الإيجار التملكى بمدينة ٦ أكتوبر + جزء نقدي من قيمة التعويض (١٥٠٠٠ جنية)	التعويض النقدي
شقة ٢٦٣ م ^٢ + ١٥٠٠٠ جنية (نقدي)	٤٠ ألف جنية
الشقة ايجار تملكى بقسط شهري ٤٨٩ جنية لمدة ٣٠ سنة	

- الشقة غرفتين وصاله .
- سعر الشقة (١٩٠ الف جنية) .
- سعر الشقة الاجمالي مخصوم منه باقى التعويض النقدي (٢٥٠٠٠ جنية) .
- يضاف نسبة ٦,٥ % على صافي ثمن الشقة .
- يدفع الشاغل قسط تملكى لمدة ٣٠ سنة .
- لا يسمح للشاغل بالتصرف فى الوحدة قبل ٣٠ سنة سواء بالإيجار أو البيع وإلا تسحب منه الوحدة .
- يجوز التملك خلال مدة الإيجار التملكى بعد إعادة تقييم السعر فى حينه وسداد باقى القيمة بالكامل .
- الوحدات مختلفة المساحة تحسب طبقاً لمساحتها .

- تم حساب تعويض الغرفة بـ ٤٠ ألف جنية
- يتم احتساب الصاله غرفة

Figure 2A compensation form distributed by Giza governorate to owners and tenants on the Tersa Axis (Al-Youm al-Sabe'

In addition to compensation that was much lower than the market value of the homes, and not implementing the expropriation law, an MP in the Omraniya district of Giza received complaints that compensation was also delayed and that residents surrendered their property before it was paid in full.⁵⁵ In another section of the Tersa Axis, owners appealed to the government to stop the expropriation of their homes. Not

55 AL-MASRY AL-YOUM, "TALAB IHATA BI-L-PARLAMAN LI-BAHTH ALIYAT TA'WID AL-MUWATININ FI HAL NAZ'A MILKIYAT AL-'AQARAT," MARCH 24, 2021, <https://www.almasryalyoum.com/news/details/2295589>.

only was the compensation below market value, but also the buildings due to be demolished would only provide an extra 140 cm to the road.⁵⁶

Further Amendments

Owners' grievances against current expropriation practices have led MP Ihab Mansour to put forward a motion in parliament to discuss them with the ministers of local development, housing and transport.⁵⁷ In response, parliament's Local Development Committee held a discussion proposing amendments to the expropriation law recommending that informal buildings have a clear form of compensation, owners and tenants receive different compensation, and that valuation methods are more transparent.⁵⁸

It is encouraging to see recommendations in the owners' favour, however, these controversies reveal how the expropriation law itself is not the only problem but should be seen within the larger legislative framework governing residents' participation in urban development as well as that of tenure security. Therefore, a wider discussion of the law is needed to meet all grievances. The expropriation law's scope must be widened to include all forms of damage to property and not just the loss of it, leading to just and fair compensation that is fully paid in advance, while putting into place a mechanism allowing for contestation of the value before surrendering the property.

Current policies and laws regulating urban development, road and infrastructure projects must improve resident participation practices. In Egypt's current road design code, participation is only recommended during the detailed design phase, but it is not required nor is it recommended in the preliminary design phase.⁵⁹ The Unified Building Law's provisions on participation in urban development projects must also be improved (Art. 14),⁶⁰ as well as implemented.

⁵⁶ MOHAMED AL-'ARYAN, "422 USRA BI SHARA'TERSA YASTAGHITHOUN," AL-AHRAM, FEBRUARY 12, 2021, [HTTP://GATE.AHRAM.ORG.EG/NEWS/2605824.ASPX](http://gate.ahram.org.eg/news/2605824.aspx).

⁵⁷ AL-MASRY AL-YOUM, "TALAB IHATA BI-L-PARLAMAN LI-BAHATH ALIYAT TA'WID AL-MUWATININ FI HAL NAZ'A MILKIYAT AL-'AQARAT."

⁵⁸ AL-AHRAM, "MAHALIAT AL-NUWAB TUWSI BI-IJRA' TA'DIL TASHRI'I 'ALA QANUN NAZ'A MILKIYAT AL-'AQARAT LI-L-MANFA'A AL-'AMA," APRIL 21, 2021, [HTTPS://GATE.AHRAM.ORG.EG/NEWS/2698113.ASPX](https://gate.ahram.org.eg/news/2698113.aspx).

⁵⁹ MINISTRY OF HOUSING, UTILITIES AND URBAN COMMUNITIES, "AL-KOD AL-MASRI LI-A'MAL AL-TURUQ AL-HADARIYA WAL-KHALAWIYA - AL-GUZ' AL-AWWAL: AL-DIRASAT AL-AWALIYA LI-L-TURUQ (THE EGYPTIAN CODE FOR LOCAL AND REGIONAL ROADS - PART I: PRELIMINARY ROAD STUDIES)" (CAIRO: MINISTRY OF HOUSING, UTILITIES AND URBAN COMMUNITIES, 1998), 68-69, [HTTPS://DRIVE.GOOGLE.COM/FILE/D/0BwTqC1X60Rp0eW5ncDYwLXJwVUU/VIEW](https://drive.google.com/file/d/0BwTqC1X60Rp0eW5ncDYwLXJwVUU/view).

⁶⁰ "MINISTER OF HOUSING, UTILITIES AND URBAN COMMUNITIES DECREE 144/2009," ENACTING THE BYLAWS OF THE BUILDING LAW 119/2008 § (2009), [HTTPS://WWW.DIIGO.COM/USER/ARSHIFALOMRAN/B/530815177](https://www.diigo.com/user/ARSHIFALOMRAN/B/530815177).

While these provisions may slow the pace of project implementation, they will ensure that projects are more relevant to residents, decrease the need for expropriation, as well as result in fairer compensation for those affected.

على جانبى الشارع) وعلى النحو التالى :

الشريحة	سعر المتر قبل التحسين	سعر المتر بعد التحسين	مقابل التحسين عن المتر المربع (نصف الفرق)
الواجهة	٥٥٠٠ جنيه	١٠٠٠٠ جنيه	٢٢٥٠ جنيه
الشريحة الأولى بعمق ٥٠ م	٥٠٠٠ جنيه	٩٠٠٠ جنيه	٢٠٠٠ جنيه
الشريحة الثانية بعمق ٥٠ م	٤٠٠٠ جنيه	٧٠٠٠ جنيه	١٥٠٠ جنيه
الشريحة الثالثة بعمق ٥٠ م	٣٠٠٠ جنيه	٥٠٠٠ جنيه	١٠٠٠ جنيه

مادة ٢ - ينشر هذا القرار فى الوقائع المصرية .
صدر فى ٢٥/٩/٢٠١٩

محافظ الجيزة

Betterment Levies – Development Brief

Over the past few years, the government began implementing a little used 1950s law that taxes properties adjacent to newly implemented public urban development projects to partially fund projects' costs. The Betterment Levy Law 222/1955 (*qanun muqabil al-tahsin*) assumes that the projects would raise the real estate value of properties within 150 metres of them and therefore the government is owed half the resulting appreciation.⁶¹

At the end of 2020, a blanket city-wide enforcement of the betterment levy was issued in Cairo,⁶² which will in all probability mean that owners of properties adjacent to the controversial Heliopolis and Madinat Nasr bridges and street widening projects will be ordered to pay a tax soon.

A Wealth Tax

An earlier Betterment Levy decree issued in December 2019, for owners of properties on Giza's Tersa Axis is a good example of what this tax means. According to the decree, owners of properties in a 6km long stretch of the Tersa road, and within 150 metres on either side, were ordered to pay between LE1500 and LE2750 per square metre because they would benefit from the widening (Table 2).⁶³ The decree assumed that property prices would have almost doubled, which is a vast overestimation. Here, a typical 100

⁶¹ "Law 222/1955," BETTERMENT LEVY § (1955), [HTTPS://MANSHURAT.ORG/NODE/782](https://manshurat.org/node/782).

⁶² "CAIRO GOVERNOR'S DECREE 4745/2020," ENFORCING BETTERMENT LEVY ON CAIRO PROJECTS § (2020), [HTTPS://WWW.CC.GOV.EG/I/L/406668.PDF](https://www.cc.gov.eg/i/L/406668.PDF).

⁶³ "GIZA GOVERNOR'S DECREE 7909/2019," BETTERMENT LEVY ON TERSA AXIS § (2019), [HTTPS://WWW.CC.GOV.EG/LEGISLATION_SINGLE?ID=393994](https://www.cc.gov.eg/LEGISLATION_SINGLE?ID=393994).

m² home would pay an average of LE 212,000, or about two fifths of what the property was assumed to be valued before the project was implemented.

By comparison, the real estate transfer tax (capital gains) is 2.5% on the sale price, where it is captured from an actual transaction that netted income for the owner. The Betterment Levy on the other hand, is demanded immediately, regardless of whether a transaction did happen or not, or, if it happened at the value that was estimated. Therefore, in all likelihood owners would have to pay it from savings, if they existed.

taxations as urban development projects extending basic infrastructure and improving transport should be implemented in places that already need them: working-class neighborhoods, raising the quality of life from below par to acceptable, and thus are not a luxury that should be taxed.

This feeling of injustice may explain the already abysmal collection rates of the Betterment Levy. One researcher that interviewed municipal employees has shown how they have been largely powerless to collect it,⁶⁹ acting more as gatekeepers in capturing the taxation, waiting until owners applied for building permits, to collect it in exchange for them, or, deduct them from compensation if an expropriation decree was lodged – though this latter form of collection was [abolished in 2018](#).

Recommendation to Abolish

The Betterment Levy Law has had hardly been revisited since it was passed more than sixty years ago, while some of its articles have proven unconstitutional. Originally, the law only allowed for valuations to be appealed in front of government appointed committees, whose decisions were final. This stipulation was taken to the Supreme Constitutional Court which ruled it unconstitutional in 2002,⁷⁰ ordering that appeals are seen in the district courts. Moreover, the Betterment Levy Law only allowed for fees to be appealed in front of special government appointed committees, where their decision was final. This was challenged at the Supreme Constitutional Court in the early 2000s, and the stipulation was overturned, allowing for appeal in front of local courts.⁷¹

As both the Real Estate Tax and the Real Estate Transfer Tax laws have been greatly expanded over the last two decades, the existence of the Betterment Levy has been called into question. The Real Estate Transfer Tax already captures any rise in value that property would experience if a project were implemented. While the Real Estate Tax, if more regularly reassessed, would also capture any rise in value. Therefore, having a third tax that performs the same function as the other two, and with significantly higher values, only serves to stoke unrest and disenchantment, while at the same time not realistically benefiting public finances.

In this light, the only recommendation regarding the Betterment Levy Law would be to abolish it on the grounds of tax injustice, while reforming the Real Estate Transfer Tax

69 MOHAMED NADA, "THE POLITICS AND GOVERNANCE OF IMPLEMENTING URBAN EXPANSION POLICIES IN EGYPTIAN CITIES," ÉGYPT/MONDE ARABE TROISIÈME SÉRIE, NO. 11 (APRIL 6, 2014): 145–76, [HTTPS://DOI.ORG/10.4000/EMA.3294](https://doi.org/10.4000/EMA.3294).

70 SUPREME CONSTITUTIONAL COURT, "CASE 198/20," APRIL 14, 2002, [HTTP://HRLIBRARY.UMN.EDU/ARABIC/EGYPT-SCC-SC/EGYPT-SCC-198-Y20.HTML](http://hrlibrary.umn.edu/arabic/egypt-scc-sc/egypt-scc-198-y20.html).

71 SUPREME CONSTITUTIONAL COURT.

law that is based on collecting revenue from actual transactions, and at the same time improving administrative efficiency by streamlining government functions.