



**Process and Results  
2004-2008**



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## Abbreviations and Acronyms

ADA	Alexandria Development Agency
ADP	Alexandria Development Project
Alex Med	Alexandria and Mediterranean Research Centre
Amlak	Egyptian State Land Protection Agency
AUDI	Arab Urban Development Institute
BDSP	Business Development Services Providers
BDSSP	Business Development and Service Support Program
CAPWO	Cairo & Alexandria Potable Water and Wastewater Organization
CDAs	Community Development Associations
CDS	City Development Strategy
CIDA	Canadian International Development Agency
CPI	Child Protection Initiative
DO	Dissolved Oxygen
ETP	Eastern Wastewater Treatment Plant
EPAP	Environment Pollution Abatement Project
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service (IFC)
GAFI	General Authority for Free Zones and Investment
GEF	Global Environment Facility
GIS	Geographic Information System
GOE	Government of Egypt
GOPP	General Organization for Physical Planning
GPOBA	Global Partnership for Outputs-Based Aid
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
ha	hectares
IAP	Immediate Action Plan
ICA	Investment Climate Assessment
ICT	Information and Communication Technology
IDA	Industrial Development Authority
IFC	International Finance Corporation
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (German Financial Cooperation)
km <sup>2</sup>	Kilometers
LE	Egyptian Pounds
LED	Local Economic Development
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa Region
mio.	Million
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization
PHRD	Policy and Human Resources Development
PMU	Project Management Unit
PPP	Public Private Partnership
PRA	Participatory Rapid Appraisal
SFD	Social Fund for Development (Egypt)
SWOT	Strengths, Weaknesses, Opportunities, Threats
TA	Technical Assistance
UNDP	United Nations Development Program
UN-Habitat	United Nations Human Settlements Program
UNICEF	United Nations Children's Fund
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank

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## Executive Summary

Alexandria has been involved in a City Development Strategy (CDS) since 2004. The process has involved many stakeholders including civil society organizations, the private sector, academics and elected officials. The process of starting a CDS has led to a number of new projects that provide economic benefits while focusing on environmental improvement and slum upgrading. By engaging stakeholders from business and community groups, the local government has been able to not only start a medium-to-long term action plan to improve the quality of life for all citizens, but also ensure that Alexandria moves towards a more sustainable development.

### City Profile

Alexandria Governorate, located on the Mediterranean Sea 210km north of Cairo, has a population of 3.9 million inhabitants, of which more than 95% lives in Alexandria city and the rest lives in Burg Al Arab new town and its surrounding. Alexandria acquired a unique place in history as a cosmopolitan city and a cultural landmark.



Bird view, Alexandria City

Today, many aspects give Alexandria important competitive advantage in Egypt and the Middle East region including:

- unique archeological and cultural heritage assets that are spanning various eras and constitute rich urban fabric and modern landmarks. The reconstruction of Bibliotheca Alexandrina, which attracts alone one million visitors every year, is positioning the city as a regional hub of knowledge, science and dialogue among cultures and civilizations;
- important transportation infrastructure, with two of Egypt's leading seaports that handle some 60% of the country's imports and 47% of exports, two international airports, good highway and rail links to the rest of Egypt and neighboring countries;
- a well established, fast growing and diverse manufacturing sector (40% of Egypt's industrial investments), that employs about 30% of the local labor force Alexandria in the following sectors: chemicals & petrochemicals, textiles & garments, food processing, oil refineries, steel and iron, and pharmaceuticals, most of which have been growing at rates ranging from 5-8% over the past three years; and
- the ability to further diversify its economic base in sectors with great but yet untapped potential, such as tourism (Alexandria remains the main local tourism destination, but only receives 3% of Egypt's international visitors each year), information and communications technology (ICT),



research and development (R&D), and the services sector on account of a better-than-average educated labor force and more competitive wages.



Egypt's major commercial port capacity 33.57 million ton/year



40% of total Egyptian industry and 55% of total Egyptian petrochemical industry



Rich and varied cultural heritage assets

## The Challenges

- Alexandria Governorate faces the challenge of creating more jobs to meet a rapidly increasing demand. The estimated number of jobs that needs to be created each year at minimum is 40,000 jobs to absorb new entrants in the labor market; 51% of the population is under the age of 20, whereas population is expected to reach 4.95 million inhabitants by 2021. A relatively low official rate of unemployment, 7.1% in 2004, compared with a national average of 10.3%, can thus be misleading if the great need for job creation is not considered. In addition, Alexandria experiences a large influx of workers commuting daily from adjacent Beheira and Matrooh Governorates, which have higher unemployment rates.
- The second challenge manifests itself in the existence of 30 squatter settlements where one-third of the population lives (1.2 million) lives with limited access to infrastructure and municipal service and high rate of unemployment, 15-20%.
- The last challenge is the extensive pollution of Lake Marriout due to the discharge of untreated and primary treated sewage and industrial waste. Lack of strategy, resources and institutional capacity in the Governorate to efficiently manage the Lake and its surrounding land as a valuable development element has resulted in its transformation from a key asset to a major liability.



30 under-serviced squatter settlements where 1/3 of population lives (1.2 million inhabitants)

## Alexandria City Development Strategy

Such endowments and challenges formed the backdrop of the Alexandria City Development Strategy (CDS), which was initiated in 2004 by Alexandria Governorate, with support from the Cities Alliance Program, World Bank, the German Agency for Technical Cooperation (GTZ), the UN Human Settlements



Program (UN-Habitat), the Arab Urban Development Institute (AUDI), General Organization of Physical Planning (GOPP), the Canadian International Development Association (CIDA) and the International Finance Corporation (IFC). The process consisted of formulating a long-term vision and action plan for sustainable development, constructed through a broad-based participation of key public, private and civil society stakeholders.

The emerging long-term **vision** is:

*Alexandria takes advantage of its competitive endowments, better manages its local assets, removes constraints to private sector-led growth, while ensuring the socio-economic integration of the poor*

The three **CDS pillars** identified by stakeholders are:

- (i) **local economic development (LED)** that builds on the city's endowments, comparative advantages and makes the local business environment more favorable to investors;
- (ii) **participatory urban upgrading of squatter settlements** that makes the poor both contributors and beneficiaries of local economic development; and
- (iii) **environmental rehabilitation of Lake Marriout zone and development of surrounding land**, which addresses the key challenges of environmental degradation, ineffective management, and the overall under-utilization of this key asset to Alexandria.

The CDS acknowledged the need to *strengthen the urban management capacity* in the city by establishing an efficient and adequately staffed and resourced City Development Agency to sustain the CDS processes and monitor the implementation of its action plan.

## **Implementation of the CDS**

The Alexandria CDS vision and action plan formed the foundation of a large scale investment project-Alexandria Development Project, in which the World Bank, Government of Egypt and a number of donor agencies contribute with financial and technical support. The project is structured to respond to locally-defined needs, and contribute to the cost of high investment priorities. Given the broad-based stakeholder participation since the early stages of the CDS, the project enjoys from the onset a great deal of local ownership and political commitment. The Project aims to contribute to the higher level objective of *supporting local authorities' efforts in strategic planning, local economic development, improvement of the local business climate, and socio-economic inclusion of the urban poor in Egypt.*

## **Main Features of the CDS**

The Alexandria City Development Strategy process relied on two principles to increase the likelihood of sustainability of the strategic planning and local economic development effort: (i) a broad-based public, private and civil society stakeholder participation in formulating the CDS, which was institutionalized in the form of a 'Partnership Forum' that convenes regularly for consultation and follow up; and (ii) relying on the CDS as the overarching umbrella to organize and leverage donor support, with the current commitments and prospective support from donors.

The CDS and follow-up investments suggest strategic interventions in both "hard infrastructure" to improve the living conditions of people and tackle key constraints to private sector development and economic growth (providing off-site infrastructure to enable land development with the private sector and road networks and); and "soft infrastructure" to address key barriers to investment and build the local capacity (streamlining business start-up procedures, enabling the registration of property informally held by investors, enhancing private sector participation in the management of industrial estates, and

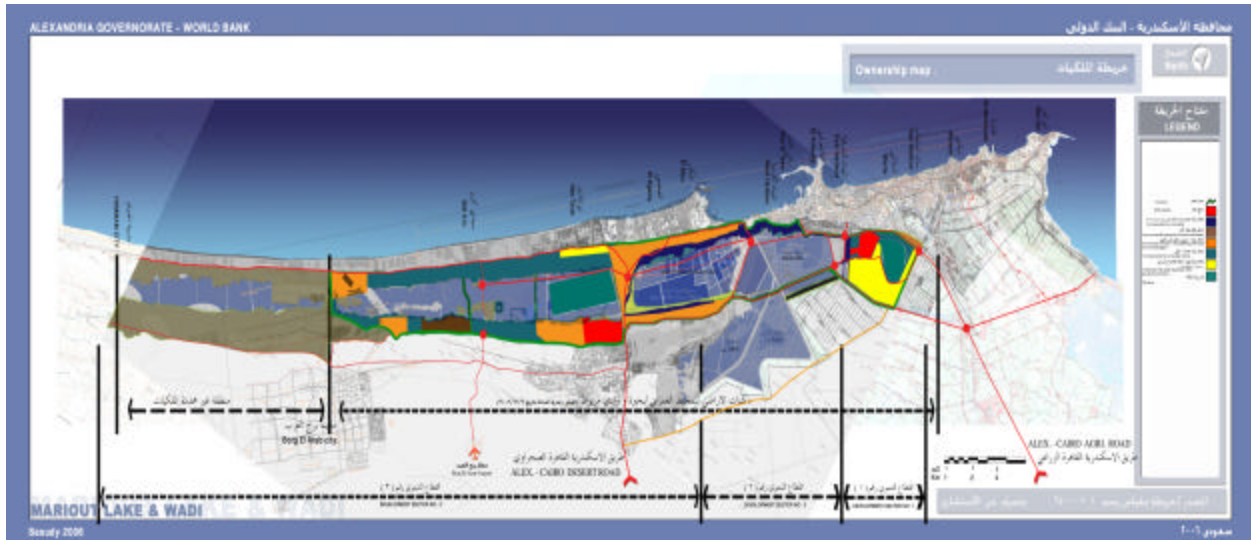
strengthening city capacity in managing local assets and sustaining strategic planning process). In a mega city, such as Alexandria, with a national function as 'drive of economic growth' such a balanced approach proved crucial.

The Alexandria CDS, and the resulting capital investment plan that will be partly implemented under the project, resulted in a shift in local development practice in Egypt away from the traditional top-down, supply-driven approach. The latter was criticized for: (a) its narrow focus on infrastructural issues and little emphasis on the local economy dynamics, needs and institutional/financial dimensions, (b) little private sector participation and understanding of market dynamics/trends, and (c) non-participatory nature in planning, decision-making and implementation. Instead, the Alexandria CDS and follow-up investments rely on a bottom-up approach where ownership rests with local authorities/stakeholders with emphasis on broad-based participation in formulating the long-term vision and identifying development programs.

The CDS process emphasizes close interface with central government to ensure that successfully implemented initiatives could be replicated at the national level. Alexandria will serve as a pilot case to test selected strategic reforms that are aimed at removing key constraints to the investment climate and strengthening local government's urban management and service delivery capacity (Alexandria is already one of two test cases allowed more latitude by central government to set user charges for services). Successfully tested reforms, including CDS and urban upgrading regulations, would then be rolled out through regulatory reform and scaled up nationwide; a similar process is starting in the Metropolitan Cairo Area with support of the World Bank and partner donors.

## Section 1. The City of Alexandria

Alexandria, with a population approximately 3.9 million inhabitants, is Egypt's second largest city situated on the Mediterranean Sea. Its borders extend along a 70 km coastal line north-west of the Nile delta. Al Behera governorate borders it from the south, Behera from the east and Matruh from the south and west. The Behera governorate is located in the Nile Delta area and is considered to be the most fertile agricultural land in Egypt. The Matruh governorate borders Libya, covers a huge area of land (including the northern coastal area) and is scarcely populated. Additionally, Alexandria is close to the two most important urban areas in Egypt, namely Cairo and Giza.



*Alexandria expands along 171 km of the Alexandria-Cairo desert highway, to the east reaching Abu Quir Bay and Edco Lake, and to the west reaching El Hamam town at kilometer 60 on the Alexandria-Matrouh highway. It covers some 2299.97 square kilometers.*

Alexandria's **importance** is partly attributed to its strategic location on the Mediterranean Sea, which has earned it commercial and historical significance for centuries. Alexandria is one of the oldest cities in the world at the crossroads of Western and Arab cultural and commercial exchange. The city was once the capital of the powerful Hellenistic state under the last Pharaonic dynasty, the Ptolemies (367 – 283 BC), which extended from southern Syria in the east to Cyrene to the west, and southwards to the frontier with Nubia. The city was founded by the Macedonian general Alexander the Great in 331 on the location of a fishing village and became the center of Hellenistic culture and trade. After Alexander's death, one of his generals Ptolemy filled Alexandria with impressive architecture that rivaled Rome and Athens and integrated Egyptian statues scavenged from the old sights of Memphis and Heliopolis.

Alexandria embraced one of the Seven Wonders of the ancient world, the ancient lighthouse Pharos, as well as the most well-known library established in the Ptolemaic era. This is where Herophilus discovered that the head, not the heart is the seat of thought; Euclid discovered geometry; Aristarchus discovered that the Earth revolves around the sun; and Erastosthenes calculated the Earth's circumference. The library housed a vast amount (estimated at 700,000) of papyrus scrolls and parchment codices of all the branches of knowledge and science which later burned with the library in a fire.

Alexandria was ruled by Cleopatra as the capital of Egypt and rivaled Rome in everything but military power, but after famines, civil war and disease struck the city in the 4<sup>th</sup> century AD, it declined and when the Muslim armies arrived in the 7<sup>th</sup> century, they decided to move the capital further down the Nile. Only after the invasion of Napoleon in 1798, who initiated a revival, the city regained its importance. Under the

subsequent reign of the Egyptian reformist Mohammed Ali the town was rebuilt and connected to the Nile via a canal. It once more became one of the most important port cities on the Mediterranean, attracted a cosmopolitan mix of people from around the Mediterranean, grew wealthy from trade again and had a vibrant cultural life.

In recent years the Egyptian government was eager to revive this scientific and cultural institution in cooperation with many donor agencies. Consequently, the new library Bibliotheca Alexandria was built on the same site of the old library inland and the Qim (the old Royal district of the Greek and Roman civilization). By the time that commercial maritime activity reached its peak in the Mediterranean, the city had become a beacon of science, culture and civilization keeping its significance for more than seven centuries.

Today, Alexandria plays an important and a vital role in the Egyptian economy and boasts huge **development potentials**, stemming from the city's economic endowments, cultural heritage, human resources and the availability of vacant land to address urbanization pressures. Alexandria hosts Egypt's oldest and largest port. The bigger part of Egypt's foreign trade passes through this port whose capacity is estimated to be 75% of the total capacity of Egypt's ports on the Mediterranean Sea. Due to the fact that through this port the percentage of the ships passing represents 55% of the total number of ships incoming to the Egyptian ports on the Mediterranean, the Egyptian government was stimulated to work on developing the port within a general strategy for developing the country's ports in accordance with the revolution in ports management witnessed all over the world.



Quait Bay Fort and Waterfront

The proximity of Alexandria to Cairo and Giza with their trade and manufacturing businesses is vital for Alexandria's trade, transport and maritime & shipping sectors. The adjacent governorates also provide economic opportunities to Alexandria: the Behera governorate located in the Nile Delta of Egypt is one of the food baskets of the nation and is of major importance to the food processing sector in Alexandria. The Behera governorate supplies the governorate of Alexandria with a considerable labor pool in the manufacturing and construction sectors that commutes on a daily basis between Behera and Alexandria. The Matruh governorate has immense opportunities for investments in the Tourism sector.



Urban renewal triggered by reform & development

Alexandria also has a powerful industrial base which includes 4417 industrial firms with a number of personnel estimated to be 201.012 representing 17.3% of the total labor force of the city which is estimated to be 1.161.743 personnel. Alexandria's production represents 40 % of Egypt's total industrial production with a great diversity of industrial activity in the city. Among the most important industries are iron and steel, petroleum, cement, chemical, petrochemical, spinning and weaving, as well as fertilizer industries. The largest company for chemical fertilisers in the Middle East, Abou Quir, and the largest investment in petroleum sector are located in Alexandria. These industries use local raw materials providing the country's needs of its products.

However Alexandria faces several **challenges** to improve living conditions of its population: almost 40% of its inhabitants live in informal settlements, many of them in need of an improved water supply, sanitation, electricity, safe roads and walkable streets. Only 25% of city population is active in the labor market (although formal unemployment is not more than 7-10%) and there are severe environmental problems affecting public health.

Among the challenges is also the structure of Alexandria's population: an estimated 51% of its inhabitants are to be under the age of twenty and 59% under the age of twenty-five. In Egypt youth under twenty are estimated to account for 57.7%, while 65% of the total population is estimated to be less than twenty-five years old. The Alexandria's gender ratio is rather balanced with 51% males, consistent with the national average rate for Egypt (2004).

Future population projections, estimate a growth rate of 7,9% every five years. Therefore, the total number of people living in Alexandria is projected to grow to 4,561 million people in the year 2016 and 4,944 million in the year 2021. This equals an average population growth rate of 1.5% annually, which is slightly below the national average. The population growth rate and the high percentage of youth under 20, points to the high numbers of new entrants to the job market on a yearly basis which makes job creation the number one economic priority for the city to improve the standard of living for all.

Table 1 "Estimated population growth in Alexandria and Egypt 2006-2021 ('000)"

Population	2006	2011	2016	2021
Alexandria	3,864	4,199	4,561	4,944
Egypt	70,473	76,972	83,327	89,381

Source: The Central Agency for Public Mobilization and Statistics, "Egypt in Figures 2003", April 2004

Alexandria's **administration** is structured as follows: the Governorate consists of three cities: Alexandria, Borg El Arab City and Centre and New Borg El Arab, which was planned for 750,000 inhabitants. The city of Alexandria is divided into six districts, three local village units, and five sub-village units. The main



districts of the urban area are: Montazah, Eastern District, Middle District, Western District, Customs District and Al Ameriah District. The Montazah district is the most populated area in Alexandria and houses the 26 % of the city's population, while Borg El Arab houses 1.4% of the total population, being the least populated district. The rural population is estimated to be 18.7% of the total governorate population, located in Al Ameria, Borg El Arab and other villages.

## Alexandria Statistics

With population 3.9 million inhabitants, Alexandria accounts for about 5.5% of Egypt's population, yet it accounts for almost 8% of the country's GDP. Alexandria has a per capita GDP estimated at LE 6047 (USD 1060) according the Human Development Report 2005, which is higher than the average for all Egypt, but lower than the level reached in Cairo, Port Said and South Sinai. Alexandria has a relatively educated population as the literacy rate stands at about 84%, which is much higher than the level reached in Lower Egypt (65%). The reported unemployment rate is estimated at 7.1% of the active population employed or seeking jobs, but this figure does not have much meaning as informal employment is very large, exceeding 20% of the active population. Unemployment is exceptionally high among females (30.9%), especially those who live in squatter settlements with high illiteracy rate. Although coverage with water and wastewater is relatively high city-wide (above 95%), the average rate of household connection to infrastructure is much lower (76%) and varies significantly from one area to another, with the lowest found in squatter settlements where poor residents cannot afford to pay the cost of connections (about USD 200).

* Total Area	2299,97 km <sup>2</sup>
* Inhabited Area	1675,5 km <sup>2</sup>
* Housing area	622,3 km <sup>2</sup>
* Services & cemeteries	65,4 km <sup>2</sup>
* Lakes, ponds & wetland	135,3 km <sup>2</sup>
* Formal agriculture land	227,8 km <sup>2</sup>
* Informal agriculture land	624,7 km <sup>2</sup>
* % of inhabited to total area	72,8%
* Population density to total area	1739 capita/km <sup>2</sup>
* Population density to inhabited area	2387 capita/km <sup>2</sup>
* Gross National Income per Capita	1569,6 USD
* Municipal Budget:	Expenditures: 212 mio. USD Revenues: 195 mio. USD (not incl. grants, loans and credits)
Residential Area:	45,9% (33784,2 feddans / 14189 ha)
Industrial Area:	18,9% (13948,2 feddans / 5858 ha)
Public Services & Recreational Areas:	3% (2214 feddans / 930 ha)
Transportation Network:	28,8% (21254,4 feddans / 8927 ha)
Military Areas:	3,4% (2509,2 feddans / 1054 ha)

Source: UN-Habitat Profile, published 2005

## Employment

Alexandria's labor force for the year 2003 was 918 000 people, mainly employed in the manufacturing and trade sectors. These two sectors accounted for 48%, of the total labor force during the year 2003. The mining sector attained the lowest percentage of (0.4%), and the services sub sectors captured 27% (financial intermediaries, real estate, defense and public management, education, health, social services and housekeeping) of the totally employed. Annex 1 shows the estimates for the total number of people engaged in the main sectors and their respective percentages. Most of the employees received wages as indicated by the statistics. The sectors which had low employees with wages were the agricultural and finishing, trade, and real estate and other services activities. These sectors are traditionally served by the employer or other family members who are indirectly compensated but not necessary waged.

## **Section 2. Towards an Alexandria City Development Strategy**

The objective of the CDS is to develop a strategic framework for sustainable development focused on three main issues:

The three CDS pillars that were identified by the stakeholders are:

- local economic development (LED) that builds on the city's endowments, comparative advantages and makes the local business environment more favorable to investors;
- participatory urban upgrading of squatter settlements that makes the poor both contributors and beneficiaries of local economic development; and
- environmental rehabilitation of Lake Marriout zone and development of surrounding land, which addresses the key challenges of environmental degradation, ineffective management, and the overall under-utilization of this key asset to Alexandria.

### **2.1 Strategy Initiation and Partners**

Despite ambitious improvements in Alexandria since the late 1990, a vision and strategy to tackle the long-term development of Alexandria were missing. A joint World Bank and Arab Urban Development Institute (AUDI) mission visited the city and met with the political and administrative leadership as well as academics from Alexandrian Universities in April and May 2003 and a joint decision was made to start the development of a City Development Strategy with technical and financial support from the World Bank, the Cities Alliance and AUDI. In June 2003 the Alexandria Governorate held a first workshop funded by the World Bank and subsequently received a grant from the Cities Alliance March 2004 to formulate a long-term City Development Strategy (CDS) through a broad-based participatory process, with assistance from the Cities Alliance, AUDI and the World Bank. The objective of the CDS process - suggested by the stakeholders - is to develop a strategic framework for sustainable development focused on three main issues: a) developing a long-term LED strategy; b) upgrading of informal settlements and job creation for their inhabitants; and c) addressing the environmental problems of Lake Marriout.

The Secretary General of the governorate co-chaired the first workshop with the chairman of the Alexandria local popular council. Because of genuine interest, stakeholders participated and showed positive response to the process. However, some came to the workshop out of curiosity; some came with negative feelings and saw the workshop as an opportunity to attack the call for formulating a strategic development plan. Their reasons varied but one main common concern was that several strategic plans had previously been formulated for Alexandria. Unfortunately, these plans never accommodated stakeholder participation and lacked an implementation mechanism. Thus, almost nothing had materialized. Nevertheless, by the end of the workshop all stakeholders committed to the formulation of a new comprehensive strategic development plan of their city. The communication skills of the organizing team were most likely the reason for this successful participatory process.

After this initial workshop, the applied methodology was as follows:

- Create a road map for required specific actions;
- Enter dialogue between the CDS team and relevant target groups;
- Enter dialogue between the CDS team and central government officials;
- Focused workshops on specific issues and components;
- Follow-up workshops;
- Consultancy services on specific areas;
- Organizing the efforts of other interested donors;
- Develop a sense of ownership within local government;
- Allow an efficient flow of information and build a knowledge-base.

A **Partnership Forum** was established, including senior government officials, elected local councilors, Alexandria Businessmen Association, Academics, and major civil society organizations in the Governorate, central agencies concerned and donor agencies active in Alexandria, allowing for a wider representation and consultation (see annex 2 for members of the Partnership Forum). Stakeholder consultation workshops have since been held semi-annually to review work progress and supply inputs to the CDS team.

The difference between the present CDS approach and the approaches taken in the past is:

- Involvement of all stakeholders in the strategy making process to ensure feedback and interactive participation;
- A unified strategic development vision;
- Ownership and sustained commitment of all parties;
- Integrated mechanisms to implement the strategic development plan;
- Harmonized local and central government planning processes.

The development of the CDS in Alexandria followed the World Bank tested **methodology**, which is based on best practices developed by the Cities Alliance, Cities of Change (Bertelsmann Foundation) and other donors. The first step observed under the Alexandria CDS processes was “organizing the effort” which aimed at ensuring the most appropriate institutional set up for a participatory process by which public, business and non-governmental sector partners work collectively. Top priorities for city development were identified collectively by the Partnership Forum and stated as follows:

- **Economic:** Developing a medium to long-term economic development strategy. The strategy was to investigate, and build on, the city’s competitiveness to diversify and augment the economic base of the city, enhance productivity, and establish an enabling business environment. Specific strategies and initiatives were to be designed to create economic development opportunities, especially in low-income areas, squatter settlements.
- **Physical:** Developing a participatory urban upgrading strategy for the informal areas and land use plan of Lake Marriout area, within a sustainable urban development framework. The strategy was to include specific measures to improve living conditions of residents, preventing further environmental deterioration of the Lake area, and help to establish a sound regulatory framework for the Governorate to manage the Lake and pursue participatory approaches to urban upgrading and tenure security.

Three **Advisory Committees** were established by a Governor Decree, structured around the three CDS pillars: formulating a local economy development strategy; devising a comprehensive strategic development plan for Lake Marriout zone as well as land surrounding the Lake; and developing a comprehensive urban upgrading strategy for squatter settlements in Alexandria. The CDS Advisory Committees (that combined constituted the Partnership Forum) led the work on these three pillars, launched studies, and reviewed reports produced by experienced consultants (local and international) regularly. The following **reports** were completed under the CDS grant:

- Alexandria Local Economy and Competitiveness Assessment
- A Comprehensive Strategic Development Plan for Lake Marriout Zone
- A Strategic Development Plan for Land Surrounding Lake and Wadi Marriout
- A Squatter settlements and Urban Upgrading Strategy
- Alexandria Tourism Development Strategy.

Based on these reports, all stakeholders at the local level contributed to developing a shared long-term vision for Alexandria’s development and identifying key local economic development programs for the city.

## **2.2 Alexandria’s Endowments and Challenges**

### **The Local Economy Assessment**

Many aspects give Alexandria a **competitive advantage** over other cities in Egypt and the Middle East and North Africa region (MENA) including: (i) unique archaeological and cultural heritage assets that are spanning various eras and constitute rich urban fabric and modern landmarks (e.g. Bibliotheca Alexandrina, which attracts alone one million visitors every year); (ii) important transportation infrastructure, with two of Egypt's leading seaports that handle some 60% of the country's imports and 47% of exports, two international airports, good highway and rail links to the rest of Egypt and neighboring countries; (iii) a well established, fast growing and diverse manufacturing sector that employs about 30% of the local labor force- petrochemicals (40% of Egypt's investments), textiles and garments, food processing, oil refineries, steel and iron, and pharmaceuticals, most of which have been growing at rates ranging from 5-8% over the past three years; and (iv) the ability to further diversify its economic base in sectors with great but yet untapped potential, such as tourism (Alexandria remains the main local tourism destination, but only receives 3% of Egypt's international visitors each year), information and communications technology, research and development, and the services sector on account of a better-than-average educated labor force and more competitive wages.

Most **industrial sectors** located in Alexandria registered a growth during the past three years, especially: 1) the Food and Beverages (8%); 2) Chemicals & Petrochemicals (7%); and 3) the Basic Metals Industry (5%). The most important two sectors of employment in Alexandria are the trade followed by the manufacturing sector. The governorate economic development plans could consider different programs that would enhance the growth of these sectors thus sustain the levels of employment and create better job opportunities. The services, construction, and transportation sectors if further developed, could also expand the potential employment pool in Alexandria. Special support should be given to Merghem and Al-Nahda industrial areas.

The LED report completed a study on the **Alexandria Competitiveness**, which first reviewed Egypt's competitiveness according to the Global Competitiveness Report on Egypt, and then placed Alexandria within the national context to understand the implications on the city LED. The report analyzed each of the following economic sectors/clusters in Alexandria in detail:

- Textiles and Garments,
- Food Processing,
- Petrochemicals,
- Furniture,
- Culture Heritage & Tourism,
- Maritime and Shipping.

These clusters have been selected for analysis due to their contribution to Alexandria's local economy and potential growth. Based on the results, a detailed SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis was completed (for an overview, see annex 3). The competitiveness assessment study identified the following challenges for Alexandria:

### **The Local Business Climate**

There is a considerable degree of "under-registration" of enterprises in Alexandria due to the multiplicity of departments, the different laws pertaining to company registration, etc. Although some of these obstacles are not the sole responsibility of the local government, there is a need to streamline the business start-ups and registration process, resolve the issue of property registration and land regularization in industrial estates and enterprise parks, and improve the management and maintenance of industrial estates. Lack of reliable infrastructure is also a major constraint for productivity.

To further assess the investment climate in Alexandria, the CDS drew results from a World Bank private sector survey that aimed at assessing the investment climate from the private sector point of view (Egypt Investment Climate Assessment - ICA 2005). The objective of the survey was to assist the government of

Egypt in its policy reform effort. The survey included the private sector in Alexandria, with a total sample of 108 respondents. Data extracted from the surveyed sample indicated the main constraints that were perceived by the private sector community in Alexandria to be “major” or “very severe” constraints to investment and business development, as follows:

Table 2: Main Constraints to Operations in Alexandria Governorate, Private Sector Perspective

Constraints evaluated as "major" or "very sever"	%	Rank
Tax rates	88.0	1
Regulatory policy uncertainty	71.3	2
Cost of Financing	70.4	3
Macroeconomic instability	70.4	3
Tax administration	68.5	4
Customs and trade regulations	61.1	5
Access to financing	61.1	5
Corruption	47.2	6
Labor regulations	45.4	7
Access to Land	44.4	8
Skills and education of available workers	36.1	9
Electricity	22.2	10
Legal system/conflict resolution	17.6	11
Business licensing and operating permits	12.0	12
Transportation	7.4	13
Telecommunications	6.5	15
Crime, theft and disorder	NA	
Anti-competitive or informal practices	NA	

Source: Local Economic Assessment, Alexandria Governorate, World Bank June 2005

A positive effort that has already been taken in Alexandria is the establishment of a One-Stop-Shop (OSS) at the Alexandria Investor Services Complex which is in effect a co-location of government entities in charge of the different registration and licensing procedures. This project is undertaken in cooperation with the International Finance Corporation (IFC). Currently, its services are divided into: (1) Registration procedures, requiring dealing with the General Authority for Free Zones and Investment (GAFI), the lawyers' syndicate, the Capital Market Authority, the Real Estate Publicity Department, and the Sales Tax department to incorporate and register a company; and (2) Licensing procedures, which can have up to 32 entities affiliated with 18 line ministries represented as well as Governorate officials. Today, the OSS has about 20 rooms and plans to expand to house the remaining non-represented entities.

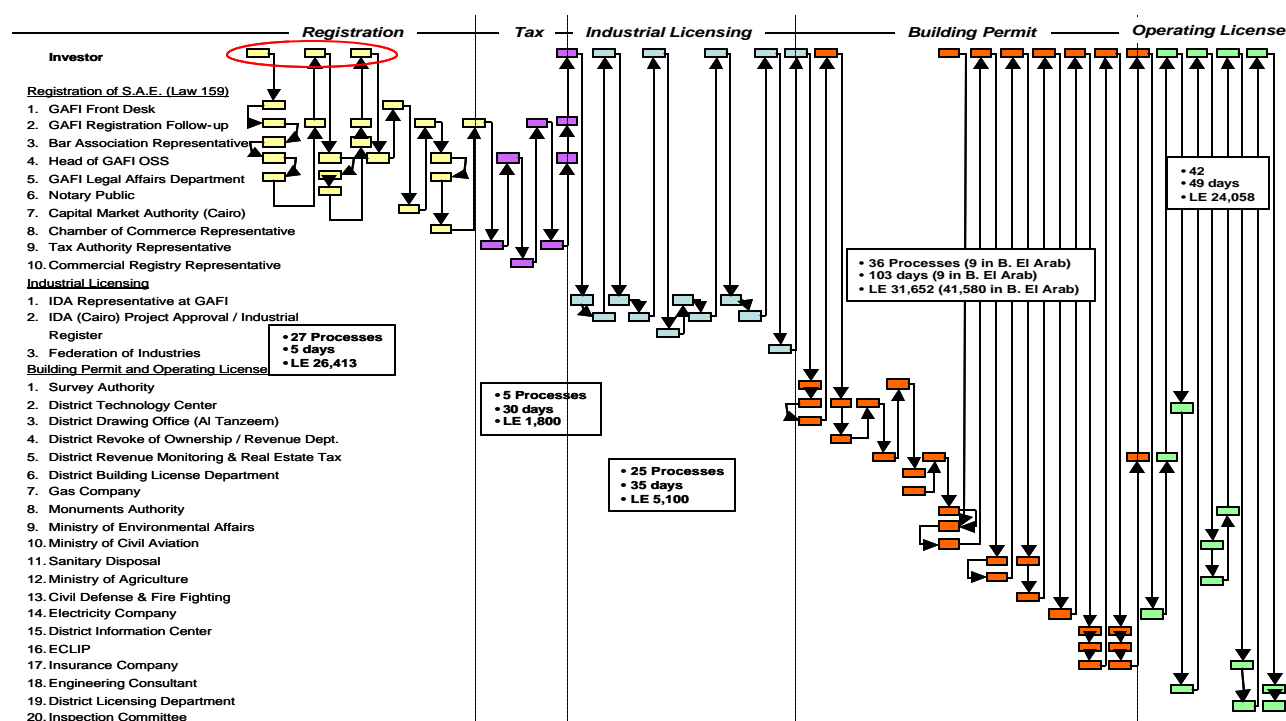
The streamlining of key business start-up licensing procedures at Alexandria Investor Services Complex' OSS requires a reduction of processing time and steps and system automation. The aim is to reduce the duration of the process by 30%, the cost as well as the number of steps needed to complete the following key procedures by 15%:

- Business start-up registration process, which requires 5 days for a Joint Stock Company (S.A.E) incorporated under Law 159 of 1981 (a major improvement from the 43 days it took to register in 2004), with 27 processes or steps and at a cost of LE 26,413 (about 2.6% of paid up capital). The target is a reduction of 25% of the time, steps and cost needed respectively;
- Tax card issuance process (a step associated with the registration process), which currently requires 30 days, 5 processes and a cost of LE 1,800 to complete (the steps involving both Alexandria department and Cairo headquarters). The main target is a reduction of 50% of the time needed, with no targets regarding the number of steps and cost;
- Industrial licensing procedures, including Industrial Development Authority approval and registration in the industrial registry, which require 35 days, 25 steps and a cost of LE 5,100 to complete. The targets are a reduction of 35% of the time needed and 10% of the associated cost;



- The building permit process, which for a so-called “inland” site (i.e. in the districts, dealing with local authorities) requires 103 days, 36 steps and a cost of LE 31,652 to complete. The respective figures for New Borg Al Arab town are 9 processes, 9 days and a cost of LE 41,580. The targets are a reduction of 25% of the time and steps needed and 10% of the associated cost; and
- The operating permit, which requires 42 steps and 49 days to complete, at a cost of LE 24,058. The targets are a reduction of 25% of the time needed, and 10% of the associated cost and number of steps.

Combined, the above procedures require 135 steps, 222 days and a cost of LE 89,023 or USD 15,563 (against a paid up capital of LE 1 million, i.e. 8.9%) to complete the key business start-up procedures for a SAE company created under Law 159 of 1981. The weighted average of the different targets for improvement amounts to a 30% reduction in duration, a 15% reduction in cost and a 15% reduction in the number of steps, to reach respectively 155 days, 115 steps, and a total cost of LE 76,339 or 7.6% of paid up capital. While these improvement targets may appear conservative, they were selected to correspond to those of other similar business start-up simplification initiatives worldwide, and are expected to be easily exceeded in light of the reform momentum currently in place in Egypt by the General Authority for Free Zones and Investment (GAFI).



Business start-up complexity, 135 processes, 222 days, LE 89,023 (or US\$15,563)

Achieving such improvements will require a mix of process reengineering to streamline unnecessary steps (to be removed or authority delegated to the relevant officials in Alexandria) and system automation to improve communication, reduce time and improve monitoring, in addition to the necessary redesign of the OSS office space to accommodate the reengineered workflow.

## **Industrial Zoning and Planning**

Industrial zoning and planning is almost non-existent, causing numerous problems to investors willing to invest or expand. Better planning should be considered to allow for industrial development and growth and to attract potential investors. Access to and the land acquisition costs are major constraints to doing business in Egypt and are especially problematic in Alexandria. Existing investors are unable to legalize existing land and property assets, developed informally in the absence of land use plans and/or clear titles, and cannot access land to expand, and prospective investors cannot access well-located and adequately priced land.

The North Merghem area, about 5.6km<sup>2</sup> (1,333 feddans), has about 247 enterprises, mostly small and medium-sized but with a few large establishments, that have been in operation for 20-30 years and employ some 15,000 workers, but whose land and property is not legalized or registered. According to the Merghem Investors Association, investors financed their own services, mainly water supply and electricity and some internal paved roads, and they maintain it on an ad hoc basis. Most investors have still not managed to legalize their land ownership with the State Land Protection Agency (Amlak) after purchasing the land use rights from the Bedouins. Many investors have open legalization files at the Amlak but very few completed the process, as the process is stalling – despite decrees from the Prime Minister and the Governor – due to disagreement about (i) the applicable price of the land (base price at the time of squatting or of opening the file with Amlak); (ii) proof of ownership of the surface area held by investors (utility receipts confirm investors' identify and date of squatting but not the area); (iii) payment of usufruct rent for a five-year interim period. The result is that investors' lands and improvements are not registered, and thus can not be used as collateral. The issue, which is being addressed by the Alexandria Businessmen Association, is likely to deter potential (foreign) investors seeking to invest in Alexandria, who would be concerned about the property rights regime and the Governorate agencies' willingness to improve the investment climate.

## **Textiles & Garments Sector**

The Textile and Garments (TG) sector is one of the most important manufacturing sectors in Egypt. The sector derives its importance from its ability to generate hard currency, generate employment opportunities, and develop other related industries (i.e. shipping services, finance, and transport). The sector has the largest share of Egypt's manufactured exports, accounting for 24.5% of total non-oil exports in 2003. The sector estimated growth is 6.5% annually, and employs more than 2.5 million people in over 5000 enterprises. The Egyptian TG cluster has the advantage of covering the entire spectrum of cotton growing, processing operations, of spinning, weaving, converting, knitting, dying, and garment manufacturing. This gives the sector industry a sound competitive advantage as it allows for in-country integration manufacturing processes thus producing higher value-added goods. Yet, with the end of the Multi-Fiber Agreement, Egypt needs to quickly enhance the competitiveness of its TG cluster if it aims to maintain and grow its domestic and international market share.

In Alexandria, the TG sector, along with the food processing sector, is the most important manufacturing sector and has high potential for growth. In 2004, the total number of enterprises that are engaged in the TG cluster in Alexandria is about 710 enterprises, employing 5,847 persons. This constitutes only 12% of Egypt's total enterprises of the sector. The number of enterprises active in this sector has grown by 4% from year 2001 to 2004. Both the private and public sector are active participants in this industry. The garments sub-sector is dominated by the private sector, while the textiles sub-sector is dominated by the public sector. The public sector enterprises are considered old and in bad need for restructuring and investment(s) to modernize. The private sector garments sector is considered more dynamic and is moving forward to enhance its competitiveness.

Alexandria's TG sector currently constitutes only 12% of Egypt's total enterprises of the sector. In order for the city to fully capitalize on this opportunity and to position itself as the most attractive area in Egypt for the TG industry, better supply of economic infrastructure and improved business environment (ease of doing business) are required to enhance the competitiveness of Alexandria as a favoured location for the sector industry.

## **The Food Processing Sector**

The Food Processing sector is considered the second most important manufacturing sector in Egypt, after the Textiles and Garments. The annual production value of the food processing industry in Egypt is estimated to be USD 3.5 billion, supported by a strong annual growth rate of 20%. Yet Alexandria's share is merely 8%. To keep pace with this rapid expansion, the Egyptian government is reclaiming vast areas of the desert and turning them into farmland, including similar plan for Alexandria, under the Governorate's Master Plan Update. About 90% of the agricultural productions is concentrated in the Nile Delta. Alexandria neighbours the Nile delta, making the city a perfect location for agro industry. This, in addition to the strategic locations of ports in Alexandria, which handles most of Egypt's inbound/outbound goods and commodities, makes Alexandria a prime hub to respond to demands and capitalize on supply. In order to fully grab this great opportunity, and to increase its share in the Food and Processing sector, Alexandria should consider initiating a cluster development strategy to address the current weakness and to establish special laboratory facilities in order to better meet the export specifications of this emerging market.

## **The Petrochemical Sector.**

The Egyptian Petrochemical industry is relatively a new entrant to the global Petrochemical arena. With approximately 1,300 billion m<sup>3</sup> of proven gas reserve (feedstock), there are high expectations for this industry in Egypt. The government is currently deploying intensive marketing effort to attract FDI and expertise to decrease the dependence on imports and develop Egyptian exports in this sector. Alexandria's future prospects for this industry are very promising. The Governorate houses four major petrochemical plants, which generate about 5,000 employment opportunities. The General Authority of Investment (GAFI) is currently planning and promoting four petrochemical industrial projects in Alexandria. These include plants for the production of methanol, polystyrene, PVC and polyester. Most of these projects are expected to start within the next three years, which require immediate attention to the supply of economic infrastructure (coordinated with the Master Plan Update) and careful consideration of the environmental impact. The estimated total amount of investments is expected to reach USD 1150 million of private and public sector investments. Undoubtedly, the realization of these projects would strengthen Alexandria's industrial base, generate opportunities for large scale projects, which are capital intensive and create sophisticated job opportunities and skills for the local labor market. The successful attraction of these projects to Alexandria will also contribute to the development of existing and new businesses. An array of down stream projects in the plastics, packaging, construction materials, services, transportation and other industries are also expected to be attracted to Alexandria due to its proximity to the supply base and Alexandria's port.

## **The Tourism Sector**

The tourism sector is considered to be one of the most dynamic sectors in Egypt. Receipts accounted for almost 5% of the GDP in 2003. Analysts estimate the tourism contribution to be in fact more than 15% of GDP if all sectors in the cluster are accounted for. It is considered to generate at least 8 % of the total jobs in the Egyptian labor market. And all major indicators of the tourism industry have improved during the past five years despite the unrest witnessed in the region and globally. Egypt is hoping that the number of tourism arrivals will double over the next decade.

Alexandria is considered the most important summer tourist destination for Egyptians seeking a get-away on the sandy beaches of the Mediterranean. In 2003, the total number of Egyptian tourists who visited the city was estimated to be 2 million people. Yet, until today the total number of non-Egyptian tourist was 118,890, while Egypt's total number of tourist arrival for the same year was over 6 million people. Alexandria was thus only able to capture less than 2% of the total foreign tourists in Egypt with an

average stay of 1.7 days. The Governorate of Alexandria is very keen on developing the tourism cluster as it creates employment opportunities, generates greater exports, and improves the wealth of the city at a large. Alexandria's archaeological and cultural assets, reasonable tourism infrastructure and location on the Mediterranean have the potential to attract more tourists from a variety of segments.



The under water archeological discoveries

Alexandria has a number of prestigious museums such as the Greco-Roman, the Royal Jewellery, the Fine Arts, the Cavafy and the Mahmoud Said Museums. Some of them have recently undergone renovation or have in the case of the Alexandria National Museum and the ones housed in the Bibliotheca Alexandrina (Antiquities, Manuscripts, History of Science only been opened during the past few years. Contemporary arts and cultural events find place among other places at the Alexandria Centre for the Arts, on the stage of Bibliotheca Alexandrina's convention centre or the Roman Amphitheatre. Historical heritage sites and excellent architectural examples from many centuries can be found all across town: a massive 30m high granite pillar known as Pompey's Pillar, a Roman Amphitheatre, the Catacombs of Kom al-Shoqafa, the Al-Shatby Necropolis, the Tombs of Al-Anfushi and Mustafa Kamel. Fort Qaitbey, built in 1480 by the Mamluk sultan Quaitbey on the former site and partially from the rubble of the legendary Pharos (lighthouse), dominates the East Harbour which it used to protect. There are numerous beautiful mosques such as the Mosque of Abu Abbas al-Mursi, the Montazah Palace Gardens around a palace that was built by Khedive Abbas Hilmy (1892-1914) as a summer refuge from hot Cairo and which is used today by the president of Egypt.

The Governorate of Alexandria is investigating some projects to further develop the tourism sector in partnership with the private sector. Under the CDS, a comprehensive assessment of the sector's weaknesses and growth potentials has been completed, as part of this effort the tourism strategy identified the appropriate mix of services, infrastructure, policies and marketing schemes needed (see next Section).

### *Success Story: Bibliotheca Alexandrina*

*The ancient Library of Alexandria is the most famous library in human history. It was the centre of learning and scientific research for the ancient world. The Library was not merely a repository for books, but it was a cultural and intellectual centre where scholars came to pursue and share knowledge for a period lasting more than seven centuries.*



A leading institution of the digital age.

A center of excellence in the production and dissemination of knowledge.

### **Bibliotheca Alexandrina**

*Today, the revived library which opened in 2002 includes 7 research institutes, six galleries for temporary exhibits, a Planetarium Science Centre and a modern conference hall designed to host 3000 audience members. The Bibliotheca also includes 3 permanent exhibitions and 3 museums for Antiquities, Manuscripts and History of Science. The library boasts a capacity of 4 million traditional and electronic books and 6 specialized libraries. The Bibliotheca Alexandrina strives to be a “centre of excellence for the production and dissemination of knowledge and for the dialogue between peoples and cultures” (mission statement) which is reflected in its many activities. Nine themes describe its ambitions; the third is directly related to the City Development Strategy and explains the Bibliotheca’s active participation in the process:*

1. *A Leader in the Digitization, Preservation and Management of Heritage*
2. *Centre of Excellence on Specialized Topics*
3. *Actor in the Sustainable Development of the City*
4. *Innovator in Cultural and Artistic Interaction*
5. *Incubator for Children’s Talents*
6. *Promoter of Science and Technology*
7. *Catalyst for Reform in the Region*
8. *Apex for Networking and Partnerships*
9. *Meeting Point for Dialogue and Understanding between People*

*Drawing 1 million national and international visitors per year (Annual Report 2005) the library contributes to Alexandria’s cultural life and attractiveness for tourists and residents alike and has become of Egypt’s mayor cultural venues.*



## **Ports of Alexandria and Dekhila**

The ports of Alexandria and Dekheila are the main gateway to Egypt's import and export. Alexandria has the oldest and biggest port in Egypt through which the bigger part of Egypt's external trade with a total capacity estimated to be 65% of the total capacity of Egyptian ports. Yet the ports performance today lags behind the competing ports, especially in terms of facilities and services. The Port Authority has started measures to enhance the efficiency of the port in accordance to international best practices, and with support from an international partner, a new multi-purpose terminal is now under construction.

## **The Informal Economy**

The exact size of the informal economy in Alexandria is not known. However, the total number of informal enterprises that are operating in the governorate as estimated by the micro-credit institutions and programs is to about 100,000 informal enterprise or activity. Furthermore, the official figures estimate the informal sector's size to be 19 % of the labor force in urban areas. As it was estimated that Alexandria's labor force in 2003 was 918,000, and the informal sector share was 19% for urban areas, it is extrapolated that the number of people that are engaged in the informal sector in Alexandria is at least 174,000 people. Other observers suggest that the participation of the informal sector is considerably higher than the official rates, therefore these estimated figures should be considered as base number rather than absolute. The micro credit organizations that work with the informal sector verified that people in the informal sector are mainly engaged in general trading activities, fixing or maintenance of cars, tires, and electrical appliances. However, other activities such as the manufacturing or processing of foods (pickles, jams, bakery), garments sewing, detergent mixing, simple farming, animal husbandry, fishing, poultry and hatching of eggs are also common activities.

Alexandria Governorate faces the challenge of creating more jobs to meet a rapidly increasing demand. The estimated number of jobs that needs to be created each year at minimum is 40,000 jobs to absorb new entrants in the labor market; 51% of the population is under the age of 20, whereas population is expected to reach 4.95 million inhabitants by 2021. A relatively low official rate of unemployment, 7.1% in 2004, compared with a national average of 10.3%, can thus be misleading if the great need for job creation is not considered. In addition, Alexandria experiences a large influx of workers commuting daily from Behera and Matruh Governorates, which have higher unemployment rates. The second challenge manifests itself in the existence of 30 squatter settlements where one-third of the population lives (1.2 million) with limited access to infrastructure and municipal service and high rate of unemployment, 15-20%. The last challenge is the extensive pollution of Lake Marriout due to the discharge of untreated and primary treated sewage and industrial waste. Lack of strategy, resources and institutional capacity in the Governorate to efficiently manage the Lake and its surrounding land as a valuable development element has resulted in its transformation from a key asset to a major liability.

## **The Environment**

In 1905, the 370,000 inhabitants of Alexandria lived in an area of about 4 square kilometers between the two harbors. Today, population is ten times higher and occupies an area of about 300 square kilometers, with an ever-increasing demand for new land development, including planned development of some 100 hectares of vacant land around Lake Marriout. Due to the expansion of the City of Alexandria, Lake Marriout has been divided into five main basins by road infrastructure and is surrounded by urban and industrial development. The demand for new land around the low laying lake is extremely high and coastal areas are constantly encroached. The lake area today is only a fraction of what it used to be. Lake Marriout is one of four major northern delta lakes in Egypt (Marriout, Edku, Burollus, and Manzalah). Traditionally, these lakes have produced about half of the total fish landings and income from fisheries in Egypt, but are now in different states of degradation. As a consequence of the environmental degradation, Lake Marriout has changed from being the most productive fisheries resource of the four

lakes, to the least productive in a couple of decades. The ecological damage has considerably reduced its value as a bird area and its potential for recreation, tourism, fishing, aquaculture as well as the livelihoods of fishermen communities whose income and health are severely affected by the environmental degradation.

## **Sewage Water**

Until the 1980s, most of the domestic sewage and much industrial waste in Alexandria were discharged directly into the Mediterranean Sea from a number of locations around the city. Because of the pollution caused to the beaches and inshore waters, the local authorities decided to divert these discharges into the Lake Marriout. At that time, the discharge was untreated raw sewage. During that period, the lake became highly polluted with the various discharges. These effluents reached the Main Basin essentially at five hot spots on its eastern half. After 1993, all these direct discharges were connected to the newly constructed Eastern Treatment Plant (ETP) and the Western Treatment Plant (WTP), consisting of only primary treatment facilities, with the primary effluent being discharged into the Main Basin of the lake.

Treated and untreated sewage is discharged into Lake Marriout. The Northwest Basin receives direct discharge from several industries, while the Southwest Basin, the biggest basin receives inflow from the Omoum Drain. The lake also receives industrial waste, either directly or indirectly from some 194 industrial establishments surrounding the lake. This sewage and industrial wastewater, in addition to the inflow of nutrient-rich agricultural drainage water, have contributed to the degradation of water quality and biodiversity in the lake which suffers from serious eutrophication. Seven million cubic meter of water per day – almost equivalent to the flow of the Rosetta branch – is being pumped from Lake Marriout into the hot spot El-Mex Bay in the Mediterranean with impact on coastal biodiversity, cultural heritage and tourism in the whole Alexandria area.

Although pesticides and heavy metals are found in water, sediments and biota in the lake, these priority pollutants have been found not a major concern for the ecological function of Lake Marriout. Instead, the ecological community of the main basin is regulated by the sewage discharge which creates stressful condition for higher taxonomic groups. Sewage related pollutants - nutrients, biological and chemical oxygen demand (BOD and COD), coli forms - in the main basin are considerably higher than in other basins. Also metal concentrations in sediments are higher. The sewage discharge into the lake is also reducing the oxygen levels and causing odors due to the release of hydrogen sulphide and methane.

One of the major reasons of the poor water quality in the lake (in addition to the industrial wastewater discharges, that are being addressed by another Bank-financed project - Egypt Pollution Abatement Project II) is the disposal of up to 500,000 m<sup>3</sup>/day of partially (primary) treated effluent from the ETP to El-Qalah drain (that eventually discharges into Lake Marriout). This effluent has high organic load (about 151 mg/l of BOD). The dissolved oxygen (DO) concentration in the El-Qalah drain drops to as low as 0.2 mg/l, with high concentrations of nitrogen.

The El-Qalah drain runs for about 7km before it discharges into Lake Marriout. Daer El-Mattar drain surrounds the Alexandria airport and receives agriculture and domestic sewage. Furthermore, the Smouha, the El-Amlak and the El-Gonet drains further discharge some 200,000m<sup>3</sup>/day of untreated sewage into the El-Qalah drain. The effluent channel from the ETP plant discharges into the Daer El-Mattar drain that in turn carries the effluent to El-Qalah drain then to the Lake's main basin. High organic loads are commonly measured in the effluents (BOD of about 160 mg/l, COD around 350mg/l, and DO less 3 mg/l). The Lake's main basin also receives another 356,000 m<sup>3</sup>/day of partially (primary) treated effluent from the WTP at similar poor quality. Water quality analysis is performed regularly on the effluent by Alexandria Sanitary & Drainage Company.

The quality of the Mediterranean coastal water, which been monitored over 8 years, shows that while there has been a significant reduction in the pollution load at the four sites facing Alexandria, but two sites have higher pollution loads compared with control and comparison sites along the Egyptian coast.

## Noise and Air Pollution

The environmental report presents data on noise level and some air pollutants in 60 sites distributed over Alexandria city. All readings at the sixty testing sites (parks, plazas and squares) were above the permissible noise levels comparing 2006 data with the limits stated in the Egyptian law for environmental protection (law No. 4, 1994). In terms of air pollution many of the sites had higher concentrations of pollutants 2005 than what is legally permissible (2005 estimated data). The report recommended the following measures:

- Relocate industrial firms away from residential areas;
- Enforce law No. 4, 1994;
- Apply the Ministry of Transportation regulations;
- Enforce strict regulation on loud speakers and car honking.

Alexandrians are becoming more and more aware of the importance of sustainable development and the need to wisely manage natural resources. One big step ahead was that environmental cost-benefit analysis is now considered for any development project in the Governorate. Environmental protection has become a must and programs for pollution abatement are now a top priority.

## The Squatter Settlements

Alexandria has 30 squatter settlements that house 1.36 million persons, over one-third of the Governorate's population and close to 40% of the city's population. The Alexandria CDS closely examined these settlements using Participatory Rapid Appraisal (PRA) in 20 settlements that helped determine among other things community priorities and urban upgrading needs and a citywide upgrading strategy was subsequently developed. The study's main findings are: (i) high unemployment rate, ranging between 15-20%; (ii) lack of or poor infrastructure coverage, especially water supply (lacking in seven areas), sanitation/wastewater network (non-existent in ten settlements) and a generally narrow unpaved local road network that creates significant accessibility problems; (iii) inadequate local services, especially healthcare, education and youth facilities; (iv) poor housing conditions in some areas, especially in Al-Amriya and Gharb districts, as residents lacking secure tenure are discouraged from investing in home improvement; and (v) lack of secure land tenure in the squatter settlements, and lack of formal title in the squatter settlements.

Table 3: Squatter settlements in Alexandria Governorate's Districts (2004)

District	Number of Population (000)	Percentage of District Population	Area (km <sup>2</sup> )	Density (persons/unit)	Number of Areas
Wassat (Central) formal and informal	109.3	19.3	0.177	805846	2
Sharq (Eastern) - formal and informal	227.1	23.8	11.7	19360	5
Gharb (Western) - mostly informal	56.4	11.4	0.492	114636	5
Al-Montazah - formal and informal	511	52.2	5.98	85452	9
Al-Gomrok (not counted)	- 17,4	-	-	-	-
Al-Amriya - mostly informal	215.6	41.8	13.6	15810	8
Burg Al-Arab City	53.1	100	165	326	1
<b>Total</b>	<b>1172.5</b>	<b>31.2</b>	<b>196.9</b>	<b>5953</b>	<b>30</b>

Source: Alexandria Squatter Settlements Participatory Rapid Appraisal, April 2005



Ma'awa El-Saiyadeen, Alexandria

Three squatter settlements were selected as pilot areas for urban upgrading. Their identification relied on the following criteria:

- pilot areas should represent the various settlement characteristics found in Alexandria in terms of population number, density, households' socio-economic status, existing state of infrastructure, services and community facilities, and housing conditions, in order to test and develop different modalities of intervention that respond to different conditions, and more importantly emphasize local tailor-made solutions;
- interventions should aim to be distributed spatially throughout the city and cover to the extent possible all districts, in part also to undertake on-the-job capacity building for district officials to enable them to engage effectively in subsequent urban upgrading operations; and
- interventions should address real needs that relate to the existing situation in terms of services and aim to achieve a real perceived difference rather than pre-determine an investment amount per household.

**El-Amrawy** is a very large squatter settlement in the Montazah district that is bound by Abu Kir railway (north), 45th street (west), Mustafa Kamel Street (south) and Nabawy El-Mohandess Street (east). It covers 229 hectares and had an estimated population of 365,000 inhabitants in 2005. El-Amrawy area formerly consisted of agricultural land held by some in private ownership but is mostly in tenancy to the Land Reclamation Authority or Awqaf (agency that holds lands/real estate donated by individuals in their wills, whose proceeds go to the upkeep and running costs of religious activities). This land was converted by informal urbanization and produced a densely built and heavily populated urban area that still continues to grow at 33.5% per annum. The area houses multi-story apartment buildings (mostly 4-7 floors but reaching up to 10-15 floors on the fringes), built in many cases on 100% of the land. Despite the area's heterogeneity, housing is generally of reasonably good quality. Yet, it suffers from severe overcrowding, with 35% of the households having more than two persons per room. El-Amrawy also suffers from significant socio-economic problems, including a high unemployment rate (14.3%) especially among youth and a low median monthly household income (LE 600, less than two-thirds the median figure for Egypt's urban areas).

**Naga El-Arab** is a relatively small squatter settlement in Gharb district that extends out into Lake Marriout, and which is bound by Matrouh railway to the north. It covers 29.5 hectares and had an estimated population of 29,000 inhabitants in 2005. The settlement was developed through squatting on State Land (under Amlak department) and through progressive infilling of the Lake Marriout. The northern part, where the earlier squatting took place, is a consolidated and densely-settled area with narrow 4-6m lanes and 3-5 story buildings (mostly in poor to moderate conditions) while the southern part where the squatting still continues has crude 1-story mud houses in very poor condition. The area is populated mainly by migrants and continues to grow fast. One major problem is serious overcrowding, with 25% of households having more than 3 persons per room. Naga El-Arab also suffers from serious socio-economic problems, including a high unemployment rate (17%), a very low median monthly household

income (LE 470, less than half that for Egypt's urban areas and equivalent to the 10<sup>th</sup> percentile of the income distribution), and high illiteracy rate (35% of males and 62% of females aged 30-65 never attended school, while 19% of boys and 13% of girls aged 12-14 dropped out of school).

### El-Hadara Al-Jadida

This is a large squatter settlement in Wassat district south of the Mahmoudiya canal and north of the east-west express highway. It covers 101 hectares and had an estimated population of 134,000 inhabitants in 2005. The area formerly consisted of agricultural land (held by some in private ownership but mostly in tenancy to the Land Reclamation Authority or Awqaf) that was converted by informal urbanization and produced a densely built and heavily populated urban area that still continues to grow at 3% per annum. The area houses multi-story apartment buildings (mostly 4-7 floors but reaching up to 10-15 floors along the Mahmoudiya canal), built mostly on 100% of the land. Housing is generally of moderate to good quality, but with some dilapidated single-story structures to the south and informal housing along the rail line. It also suffers from severe overcrowding, with 36% of the households having more than two persons per room. El-Hadara Al-Jadida also suffers from significant socio-economic problems, including a high unemployment rate (16%) and a low median monthly household income (LE 600, less than two-thirds the median figure for Egypt's urban areas and equivalent to the 23<sup>rd</sup> percentile of the income distribution). A USAID grant financed a new water and sewerage network with house connections covering 90% of the area that was recently completed. Very recently, a branch rail line serving local factories was removed, leaving a 2.5km long 50m wide right-of-way running in the centre of the settlement (called Sadat street), and which has the potential of becoming a main thoroughfare in the area.

### Affordable Housing Strategy

An affordable housing strategy for Alexandria was commissioned with a grant from a Danish Trust Fund and as part of the preparations for the Alexandria Development Project. It studied and brought together the results from various previous studies to assess what could be done to respond to the increasing demand for housing and/or serviced land prior to the effective launch of the Governorate Local Economic Development Strategy and Alexandria Urban Upgrading Program. The main obstacles for the provision of housing for the moderate and low income groups were found to be financing, land availability for housing and housing supply mechanisms.

Table 4: Population and housing units 2006 - household size

Housing type	approx. %	Housing units	Population	Household size
Formal housing	77	1,196,870	2,658,432 (69%)	average 3,2 persons
Informal housing				
Informal housing - squatter settlements			1,205,568 (31%)	
Vacant (formal?)	33	591,639		
Total	100	1,788,509	3,864,000	

Source: Draft Study "Housing for Low and Moderate-income Groups in Alexandria, Egypt", Appendix 2B (World Bank, Alexandria Development Project, 2006)

The Alexandria housing sector consist of a complex physical and legal variety of buildings as a result of economic and social conditions, government interaction and regulations and a tradition for a high degree of informality in the provision and utilization of housing in Egypt. The following housing categories were looked at in the study.

**Formal housing** is produced by private groups, individuals and public entities. The private sector primarily caters for the upper and middle income groups while the public sector targets the lower income groups. The present situation indicates an adequate supply of the upper-middle and high-income units on



the market. This is explained by the fact that land is freely bought and sold for this purpose and houses constructed with sufficient finance available.

Large scale private contracting companies and real estate developers are the key providers in this sector along with medium sized contractors and affluent owners, in addition to private cooperative housing associations or unions of owners. These types of buildings are scattered all over the city in different districts, but exist especially in Al Montazah, Eastern and Central districts. The average production of this sector is around 2000 units annually.

Formal housing consists of private and public housing units legally established following and maintained in accordance with approved land subdivision, building permits and regulations. Two thirds of the formal housing stock built over the last 23 years was built by the private sector. The private “formal” sector provides housing units for middle, upper middle and high income groups in the city. In fact, there is an excess of the provision of luxurious units for sale in the city. A recent study of housing units in Alexandria, figured out that the average area of these units in the year 2005 is 140 m<sup>2</sup>.

**Public housing** is initiated by the central government for implementation by the governorates. Various housing schemes for different groups have been implemented by the government and the governorates. Characteristic for the public housing schemes are that they are established and sold with heavy subsidy. In Alexandria 9,400 of these public housing units were initiated and finalized during the last 10 years (1996-2006). In the same period 12,600 additional units were finalized through earlier established schemes. Apart from the financing aspect other obstacles and problems are said to be prevalent to public housing:

- The provision of land is a problem;
- Shopping and social amenities is not included in the planning;
- The planning and establishment of open areas is absent;
- Only minor funds are available for maintenance.

Consequently public housing estates naturally tend to decay rapidly and they may therefore become unattractive to resourceful groups and in turn become socially unstable.



Deteriorated Quality of Low-Cost Public Housing in Alexandria

The public sector mainly provides units for low to upper low income groups through governmental agencies such as the Housing Directorate of Alexandria. The mode of delivery is typically public housing projects. These projects consists of more or less similar; prototype apartment buildings organized into

linear rows, 4 to 6 floors height with 65 m<sup>2</sup> to 85 m<sup>2</sup> units without provision of either social or commercial services. Construction of these units is carried out by public sector construction companies.

The third provider sector is the **informal housing sector** through building over privately owned lands, and not squatting, but outside the legal system of registration and building permissions. This sector provides housing for middle, low middle and low income groups. Mostly small scale enterprises and petty contractors are the key providers of this type of housing. The delivery of housing units in this sector is incrementally in nature, units and buildings are developed over time according to availability of finance and according to needs. The total estimate of population living in the informal sector in Alexandria is around 1.2 million.

Most of the informal buildings are small to middle size apartment buildings, not professionally designed with unfinished facades and poor internal finishing materials, in addition to substandard facilities and utilities. Units are owned by the land owners and their families, or sold and/or rented outside the rent control law (units are rented according to the "informal" market value). There is no estimate of the average annual production of units in this sector, however. Location of informal areas is adjacent to the current urban area, in many cases, and is on the periphery of the city in some other cases.

Informal and in praxis illegal buildings have, as noted, many facets - tradition, social, economical etc., but there is a strong tradition for this praxis, which gives these areas optimum social advantages for the low income groups.

There are indications that the volume of informal housing produced in urban areas may exceed both that of the public and formal private sectors. Over the 1986-96 period at least 45 % of all housing units were built informally and thus allowing those of the lower income groups, with at least some equity to participate in the process and enjoy its rewards. Informal housing consists of privately built housing units or part of housing units built illegally, entirely or partly contrary to planning regulations, land subdivision, preservation of agriculture resources regulations and/or without building permission. It may or may not be located on land belonging to the occupier. Informal housing thus varies greatly and exists in all areas. The informal housing sector is a very active actor in the housing supply sector and it is imperative to create conditions which build on and encourage this dynamic supply mechanism.

**Sub-standard housing** units which are structurally unsound, lack utility supply or are for other reasons in a state unfit for human habitation. A particular problem derived from sub-standard housing is the dangerous occurrences of building collapses, which sub-standard housing may be found in all residential areas, but are mainly located in squatter areas.



Low standard of living and environment pollution in squatter settlements and Lake Marriout

A number of residential areas in Alexandria consisting of informal housing are classified as squatter areas. The total number of inhabitants in **"Squatter Areas"** is estimated to be approx. 1.2 million. In recent studies of the areas that are classified as "squatter areas" notes that the squatter areas consist of a "mixture of slums (i.e. substandard housing conditions and decaying physical nature) and informal settlements (i.e. with no land titles and/or building permits, but housing conditions might, or might not, be substandard)". The baseline surveys for the Alexandria squatter upgrading project revealed great variations of the building conditions and consequently a variation of the inhabitants' priority list with regard to possible improvements. Interestingly, the main issues concerned infrastructure supply followed by health and educational facilities. In areas further away from the Alexandria centre transportation facilities has high priority. The Alexandria Squatter Settlements Participatory Rapid Appraisal reports priority list for rehabilitation of the squatter areas gives first priority to the establishment of schools, youth centers, economic development programs, water supply, sanitation and trash removal, health centers, local police stations, land titles, streets remodeling and developing urban planning. Second priority is to have local post offices, market places and child care centers. Third Priority Projects is to have mass transit systems, flyovers for automobiles and bridges for pedestrians, local telephone exchanges, cover open waterways and residential effluent connecting nodes, illiteracy eradication centers, public libraries, repair of electric grids, railroad crossing fences and vocational training centers.

### **Future Housing Demand**

The figures concerning the future housing supply requirement is derived from the assumption that the total number of people living in Alexandria is projected to be around 4.56 million people in the year 2016 and 4.94 million people in the year 2021. It is further expected that the family size in Alexandria will decrease from present 4.2 persons to 3.53 in year 2017.

It is estimated that an additional 10,000 new housing units are required every year, just to keep up with the estimated population growth, but without reducing the deficit. According to the same source approximately 10,000 units per year are understood to be required as replacement for dilapidated units. However, considering the expected population increase, the estimated increase of households over the next 10 years amounts to around 350,000; equivalent to 35,000 per annum and thus a similar number of new housing units over and above the required replacement units.

Along with new housing units, there is also a need to provide the requisite serviced land and infrastructure development. Better utilization of the present vacant housing units could reduce the obviously great task of providing decent housing for all citizens. Apart from the numerical requirement, it is clear that while there is sufficient housing stock available to the high and middle income group in Alexandria, the lack of housing for the low and very low income groups is the main problem.

Part of the required housing units the low-income groups is being provided by the Governorate. It is the intention is to build 30,000 housing units in Alexandria over a 5 year period (2006 -2011) as part of the Governments "Affordable Home Production Program" (Social Housing Program). Preliminary plans and site selection has been made for 7,000 of these units, which will be constructed on vacant (agricultural) land within the present city structure. This development will naturally add an additional load on the existing infrastructure.

## **Section 3. Strategy Building Blocks of the Development Program**

### **3.1 City Vision**

A shared long-term vision for Alexandria was developed by the Partnership Forum based on results of the analytical studies that have been completed and on the 5th consultation workshop that was held at Bibliotheca Alexandrina on February 5, 2006:

*Alexandria Governorate takes advantage of its competitive advantages, better manages its local assets, and removes constraints to a private sector-led growth, while ensuring the socio-economic integration of the poor.*

### **3.2 Local Economic Development**

The local economic assessment came up with seven recommended strategic objectives:

#### **Objective 1: Job Creation**

The number one priority of Alexandria Governorate is job creation. For the next ten years it is expected that at least 40,000 new jobs need to be created in Alexandria alone on an annual basis to absorb expected new entrants to the job market. This requires local administration to prepare land for investments and create a business environment conducive to promote growth of the private sector thus generating more private sector jobs. To meet this objective, Alexandria Governorate shall: 1) expand investment and trade opportunities (i.e. develop strategic sectors such as, the manufacturing sector, tourism, transport and promote privatization), 2) promote change in the policy, legal and regulatory environment that would enhance the performance of the private sector, 3) ensure an adequately developed infrastructure, and 4) promote work-force development.

#### **Objective 2: Improving the Local Investment Climate for a Private Sector-led Growth**

To strengthen and grow the private sector and thus create private sector jobs, Alexandria Governorate intends to improve the local business environment considerably: 1) adopt policies that would encourage private sector development, 2) promote changes in the legal and regulatory environment that have a direct effect on the business environment such as land titling and tenure regularization, 3) streamline procedures related to business registration, locating of a business entity, the operating, and reporting procedures, and 4) develop data bases and disseminate information to enhance transparency and support the decision making process of both the private and public sector. This is to be achieved through strategic interventions to address key constraints facing existing and new businesses including:

- Facilitation of business start-ups:  
Reducing time, steps, and cost of business start-up licensing procedures;
- Land registration procedures:  
Facilitation of registration for land and property informally held by investors;
- Private sector involvement in industrial estate development & management:  
Expanding private sector participation in the management and development of industrial areas.

#### **Objective 3: High Priority Infrastructure to Support LED**

Infrastructure development is a strategic conduit for private sector development in addition to its ability to create investment opportunities for the private sector implementation. Alexandria shall focus on developing infrastructure that strengthens its key sectors namely the trade, manufacturing, and tourism sector. This includes the development of Alexandria and Dekheila Port, the roads connecting the Alexandria governorate with Cairo, Giza, Matruh and Behera. The government shall aim to develop a trade–manufacturing triangle between Alexandria and Cairo, Giza, Behera, Matruh as these governorates

constitute the greater part of the manufacturing industry, and they connect the bulk of Egypt's supply and demand base. Additionally, Alexandria shall aim to expand power generation stations; waste management and sewage projects; and develop the main tourist sites as outlined in the tourism strategy. The infrastructure development scheme should be private sector led. Alexandria shall facilitate private sector participation by providing serviced land under Public-Private Partnership (PPP) arrangement, necessary studies for considered projects, and providing an enabling and transparent environment to participate in building the city.

- Enhance wastewater treatment system to improve environmental quality of Lake Mariout and to attract investors for development of surrounding lands;
- Development of land surrounding Lake Mariout through public-private partnership and leveraging private sector investments;
- Rehabilitation of critical access roads connecting centers of economic activities with major transportation hubs in Alexandria.



Om Zeghiou Road



Port Access Road



Wadi Al Qamar Road



Al Sad Al Aly Road

Deteriorated quality of major access roads connecting industrial zones and new developments with the ports

#### Objective 4: **Support Competitiveness**

As competition increases as a result of liberalized trade and open markets the private sector will require further assistance to restructure its industries and improve its managerial and marketing skills to effectively compete in the domestic and international markets. Key clusters would require technical



assistance to strengthen and build new capacities. Alexandria shall aim to, 1) reach out to national government and donor agencies for implementation of firm level assistance programs to enhance the main business clusters in the area of product development and design, marketing and promotions, management skills and technical skills, 2) promote increased privatization to improve competitiveness in key clusters i.e. textiles and transport, and 3) promote for changes in policies and laws that are conducive to competitiveness i.e. labor law and customs regime.

#### **Objective 5: Enhance Human Resources Skills**

One of the most important constraints to local economic development and the development of competitive business clusters is the lack of an appropriately skilled work force. The local government of Alexandria needs to adopt programs that would: 1) improve the educational system, 2) increase the enrolment ratio of students in higher education, and 3) develop programs that would enhance technical and management skills required to develop more competitive clusters.

The development of the education system and increasing the enrolment ratio are long-run initiatives and require fundamental changes in the national government curriculum's and budgets. The local government should embrace initiatives for changes in the education system, initiate programs that would encourage students to stay longer in schools, and participate in programs that would enhance on the job training such as the Gore-Mubarak partnership implemented by the GOE and USAID. The local government should consider the Alexandria UNDP Human Development report various recommendations to improve and re-distribute the schools and faculties amongst the various urban and rural areas to improve enrolment ratios in the governorate.

#### **Objective 6: Improve the Capacity of Government Institutions**

To achieve the strategic objectives set by the governorate and support the private sector growth, it is imperative for the local government to work on developing and improving the resources of the public sector. Departments and institutions that provide direct services to the private sector should be prioritized to enhance the business environment and the social services rendered. The local government needs to:

- 1) Automate and connect key department that provides services to the private sector
- 2) develop "Management by Objective" managerial systems to enhance efficiency and services,
- 3) document and disseminate information regarding work procedures and pertaining laws and regulations to enhance transparency
- 4) create data-bases to connect better with other departments and the national government to increase knowledge, facilitate services and harmonize procedures and
- 6) retrain redundant skills.

#### **Objective 7: Tourism Development**

Amongst the several recommendations of the Local Economic Development study was a full investigation of Alexandria's cultural heritage and tourism cluster. An objective driven strategy was developed concentrating on the following broad objectives:

1. Increase economic activity in Alexandria.
2. Create local revenue streams and benefits for the Governorate.
3. Expand employment opportunities.
4. Play a major role (if not prime) in local economic development through investments. (increase FDI)
5. Build a resilient and competitive tourism cluster.

#### **Alexandria Tourism Cluster**

The tourism sector in Alexandria caters mostly to the domestic tourist market in addition to limited international tourists destined from the Arab and other countries (see Section 2). With its various attractions in addition to its Mediterranean location Alexandria has the potential to draw a variety of tourist segments if the appropriate mix of services, infrastructure, policies and marketing schemes are provided. The priority tourists segments are envisioned to include:

1. Cultural and Heritage tourists
2. MICE, (meetings, incentives, conferences, and events) travel.
3. SAVE (scientific, academic, volunteer and educational) travel.



4. Summer and family holidays.
5. Cruising.
6. Adventure travel (yachting, water sports and archaeology diving).
7. Festivals and major events.

However, research and meetings with the private sector in Alexandria indicated that there are several structural weaknesses in the cluster which need to be addressed if the city is to further develop this very important and viable cluster. The Governorate of Alexandria and the private sector is very keen on developing the tourism cluster as it creates employment opportunities, generates greater exports, and improves the wealth of the city at large.

The Alexandria Tourism Development Strategy came with the following findings and conclusions:

- Hotel accommodation capacity (3,400 rooms) is low for an important city like Alexandria;
- Only 5 stars hotels have good room occupancy rates of above 70 percent, and only 2% of foreign tourists to Egypt visit Alexandria;
- In 2004, hotel arrivals reached 389,233 and bed-nights 675,494. Both, domestic and international hotel clients have a very short average length of stay of only 1.7 days and 70% of them are for business; and
- Annual expenditure of hotel clients is good (estimated at USD 44 million, including a contribution of 1.8 and 0.9 million in direct national and local tourism taxes) but could increase significantly if length of stay increased and more cultural and recreational activities were introduced.



Summer beach tourism in Alexandria

There is scope for expanding tourism arrivals, bed-nights and tourism contribution to Alexandria's economy. This needs an improvement of hotel facilities and services, increasing the number of 5-star hotels beds for business and recreational visits and focusing development interventions and promotion effort on the following three types of tourism:

- Corporate tourism:  
Company meetings, business missions, incentive travel, national and international conferences and scientific or special events
- Recreational and beach tourism  
Attracting European retirees looking for long-term winter rentals, as well as the 5-star national and regional summer vacationers provided with rich and varied entertainment during the season
- Cultural tourism:  
Building on cultural heritage sites and modern attractions such as the Bibliotheca Alexandrina, museums, the opera house and the planned aquarium and underwater museum

Further, tourism and heritage sights need to be revived or made accessible. Actions include the:

- conservation of the available heritage;
- development of the eastern port and sunken monuments;
- using the fame of the Alexandria lighthouse for marketing purposes;
- development of new tourism and heritage sights.

### 3.3 Addressing Environmental Pollution

As part of the development strategy process, two reports on the following issues were commissioned to support building the strategic actions for its environmental component, dealing with Lake Marriout:

- the sanitation system (including a fresh water treatment component as Alexandria's consumption exceeds its fresh water barrier and requires an efficient program for water conservation); and
- mixed land-use development in the Lake Marriout basin.

#### Lake Marriout Comprehensive Development Plan

The Lake Marriout Comprehensive Development Plan aims at optimizing the utilization of natural resources without causing any ecological disequilibrium in this vital zone. This will ensure equal opportunities for generations to come.

The rehabilitation of the lake zone is divided into immediate, medium, and long-term action plans (2005-2013), with three main programs: A technical program to reduce industrial pollution & wastewater pollution, policy & institutional reforms to establish a Lake Management Authority and socioeconomic activities to ensure improvement in the livelihood of fishermen and residents in surrounding informal settlements.



Fishermen family residing by Lake Marriout Shore

The **Technical Action Plan** consists of seven components:

- Remediation of the Main Basin
- Restoration of the other Lake Basins
- Integrated Management System
- Upgrading of Slum Areas and Degraded Land
- GIS, Land Use Maps, and Urban Development
- Infrastructure, Utilities, and Services
- Tourism

The so-called Immediate Action Plan (IAP) contains projects which are intended to have considerable immediate impact. These projects have been carefully selected to put an end to 50 years of

environmental deterioration of the Lake and the surrounding land, to rehabilitate and foster sustainable development. The IAP projects are grouped in two main groups: (1) remediation of the main basin and (2) restoration of other lake basins. The remediation measures are technically more sophisticated and more costly, while the restoration projects are simpler and cheaper. The remediation projects for the main basin are tailored in an integrated approach, while the other projects need not necessarily be integrated.

Projects from the Immediate Technical Action Plan:

1. Enhance the primary treatment of 600,000m<sup>3</sup>/day effluent from the Eastern Wastewater Treatment Plant to El-Qalah drain, which are eventually discharged into the lake. This effluent has high organic load and low oxygen content.  
Proposed measures include: aeration/air blowers, chemical treatment and if feasible: biological treatment in El-Qalah drain and the main basin;
2. Secondary treatment of untreated sewage (an additional 300,000m<sup>3</sup>/day) discharged from Daer El-Mattar, Smouha, El-Amlak and Gonet drains, which is discharged into the El-Qalah drain and then to the lake. These drains constitute a much worse source of pollution than the primary treated sewage.
3. Civil engineering works on El-Qalah drain;
4. Aeration of the water body of the main basin and Qalah drain (surface aeration using mobile units);
5. If feasible, dilution of El-Qalah drain wastewater with agriculture drainage water (better quality) from El-Umoum drain;
6. Reduction of fresh water reeds (possibly from 70% to 30%); and
7. Industrial pollution control.

The above projects will not resolve the environmental damage done to the lake unless an integrated approach is taken. Implementing all seven projects will bring an enhanced primary treatment of sanitary wastewater to a level almost equivalent to secondary treatment. The success of such approach will depend on ensuring (1) good overall management, (2) strong commitment of all parties, (3) efficient coordination and communication among all involved parties, (4) availability of funds that cover capital and running costs, (5) excellent technical experience.

The main focus of the Policy and Institutional Reform component is the establishment of a) Alexandria Development Agency (ADA), and b) an institutional entity for the integrated management of the Lake Marriout zone.

#### **Alexandria Development Agency (ADA):**

One overarching aim in the CDS is to build the requisite capacity within the Governorate to sustain the participatory strategic planning process, promote for Alexandria building on many endowments and competitive advantages, and monitor the implementation of the Master Plan and arrange for its subsequent updates. Towards this end, Alexandria Governorate is pursuing a plan to establish an ADA, which is planned to be given significant decision-making powers, resources and financial ability to implement its role. The ADA would be structured along the lines of similar agencies in partner European cities as Lyon, Barcelona and Seville. The ADA would coordinate with the technical unit of Lake Marriout Development Agency in order to manage in an orderly and transparent manner the release of publicly held land for urban development by the private sector. The technical unit might be empowered to manage the selection of developers and the implementation process for the mixed use land development of a site bordering Lake Marriout. In two MoUs signed between Alexandria Governorate and each of Bibliotheca Alexandrina (December 11, 2005) and GOPP (July 31, 2006), the latter two committed themselves to provide technical support to the establishment of ADA.

To assist Alexandria in drawing lessons from major cities experiences in establishing and operating city development agencies, an **International Conference on Local Economic Development** was held in Alexandria in March 2006. Alexandria held a two-day international conference on LED strategies for knowledge transfer purposes. The policy conference brought a pool of relevant case studies from the international scene in order to interchange experiences with the local stakeholders. Part of the conference was mainly devoted to presentations and discussions with a selected number of European cities (Barcelona, Seville, Turin, and Lyon). During the other part of the conference four thematic working groups went deeper into the operation of the Alexandria City Development Strategy. Presentations and discussions focused not on the analysis but on tools. The diagnosis about the economic position of

Alexandria has already been done. It was the time during the conference for a debate about the opportunity and feasibility to handle in an effective way modern tools concerning local economic development. This included the city development agency model, public-private partnerships, business cluster development strategies, onward and foreign direct investment, urban redevelopment and critical investment projects as catalysts of economic development, city marketing and branding, etc. The conference provided an excellent opportunity for development institutions in Alexandria, the private sector, professionals and citizens to debate the future development of the city and discuss with international partners the potential functions that the city can play in the Mediterranean basin.

#### **Lake Marriout Development Authority:**

In order to address the issue of fragmented land and environment management in Lake Marriout Zone, the Prime Minister endorsed an action plan for decentralizing land use planning and land allocation functions to Alexandria Governorate during a high-level policy workshop that took place in Alexandria in February 2006. In April 2006, Prime Minister Instructions were made to freeze public land allocation around Lake Marriout until a land use plan is completed, and stressed competitive and transparent allocation process. In July 2006, the Prime Minister chaired an inter-ministerial committee meeting to discuss Alexandria strategic plan and endorsed the creation of 'Lake Marriout Development Agency', by a Presidential Decree, to manage the Lake and control development of surrounding lands, and to be chaired by the Governor of Alexandria (a strong signal to support decentralization in Egypt).

The Global Environmental Facility (GEF) will support and finance the establishment of such a new entity for integrated lake management. It is not yet concluded how to enhance the present situation, in which about 14 different authorities have a role in the management of the lake. The Department of Fisheries of the Ministry of Agriculture is in charge of the lake and 200m of land ribbon around it and claims full responsibility. The following relevant parties on the formulation of this new entity:

- Alexandria Governorate
- Ministry of Agriculture
- Ministry of Water Resources & Irrigation
- Ministry of Housing, Utilities and Urban Development
- Ministry of Investment
- Ministry of Environmental Affairs

#### *Success Story: Solid Waste Management*

*In Alexandria the collection service wasn't regular, allowing stray animals to scatter waste all around. An assessment lead to the conclusion that the existing waste management system was not efficient enough mainly because of: a lack of modern mechanical equipment. This was the main reason for not being able to do daily collections. Other issues were poor equipment maintenance, process management, missing treatment of waste and the inexistence of sanitary landfills.*

*For this reason the Governorate of Alexandria launched an international tender for solid waste management, which was won by the French company "Veolia". The company and the Governorate signed a 15 year management contract in September 2000. Operations of the Public-Private-Partnership (PPP) enterprise started in 2001. It aims to provide integrated management for the one million tons of waste generated every year by more the 5 million inhabitants in Alexandria Governorate. This includes collection (household & industrial waste), cleaning and treatment, sorting and composting (3 composting plants), the rehabilitation of two old landfills, as well as the collection and treatment of medical waste. This PPP project has relieved the Governorate from the burden and pressures of executing work so that officials can now focus on monitoring and evaluation of the service provided by the private partner. Currently it has 4500 employees, operates 500 trucks and vehicles, and collects 1 million tons of solid waste annually for treatment according to international standards.*

Onyx (Veolia Environmental Services, Alexandria) has launched communication campaigns in schools, clubs, beaches and elsewhere to develop environmental awareness, has opened a training centre and has been certified with ISO 9001 (for quality), ISO 14001 (for Environment), and ISO 18001 (for Health & Safety).

A sign for the good cooperation between the Governorate and Veolia was the reception of the first Metropolis Prize for the waste management and the cleanliness of its public places. Recently the project has been awarded the United Nations "2006 Habitat Scroll of Honour" award for their work managing the city's waste collection and treatment. Finally the PPP contract has recently been extended to include the management of the Alexandria and Dekheila Harbor waste management.

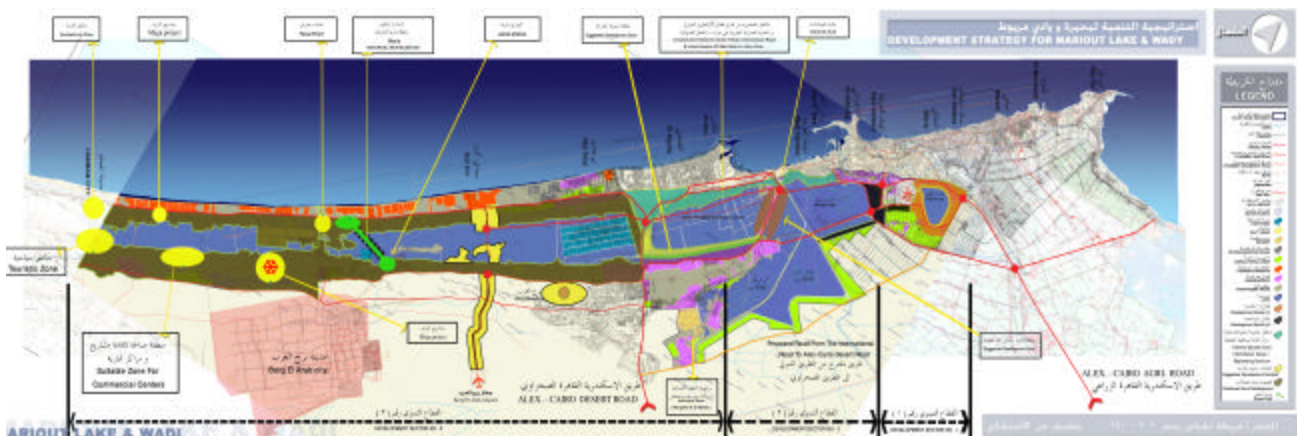
In the framework of the Kyoto Protocol, Veolia Environmental Services has signed an agreement with the World Bank, acting on behalf of the Spanish Carbon Fund: certified Clean Development Mechanism measures are expected to reduce greenhouse gas emissions by approximately 3.7 million tons (30%) between 2005 and 2015. The company committed to retrocede 19% of the revenues generated from the sale to the Governorate of Alexandria in order to be used in environmental sustainability development projects.

This PPP allows a long term and sustainable capacity building to provide satisfying living environment to all inhabitants in both rich and poor urban areas.

## Land Use Development Plan

A comprehensive strategic development plan has been completed for the land surrounding Lake Mariout. Various sites suitable for multi-use development surrounding the lake were assessed, especially those subject to rapid development (formally and informally). Current land use was analyzed; critical issues looked at and finally various sites that are available for investment were determined. The plan covers the Lake's entire vicinity (including the Airport Lake and Wadi Mariout); and includes a preliminary land use plan for the selected first phase mixed land use development site, based on a market analysis.

The land development report assumes that better environmental quality means higher land prices. The sustainable development of the land surrounding Lake Mariout means an added value in avoiding unplanned and environmentally harmful development in the basin. Putting this land to use in a sustainable fashion is deemed an effective measure for stopping encroachments in this area.



Lake Mariout Preliminary Structure Plan

The CDS process proved to be effective integrating environmental concerns into Alexandria's development planning. In order to explain why the CDS process came to have such a strong environmental profile, one can list the following:

- the CDS team realized as early as the first meeting with the Governor his strong commitment to improving the environmental quality;
- the Governor advised the CDS team to meet three of his advisors, one being his advisor on environmental affairs, who became a member of the CDS team;
- stakeholders concerned with environmental issues participated in most workshops;
- donors joined the CDS process in view of the synergies between economic development and environmental improvement.

### 3.4 Urban Upgrading

During the CDS process, the necessity for a comprehensive Urban Upgrading Policy that integrates the urban poor in the economic development of the city became obvious. The following objectives are to be addressed:

- increase access to jobs, micro-finance and business support services, with an emphasis on women and youth;
- increase access to infrastructure and services; and
- enable land ownership and property registration in informal settlements.

In 20 settlements detailed issues and community priorities for improvements were defined using the **Participatory Rapid Appraisal (PRA)** as a method for gathering information with strong community involvement. Following the PRA surveys, a preliminary city-wide urban upgrading strategy for Alexandria Governorate was prepared. The preliminary city-wide urban upgrading strategy included short, medium and long-term action plans based on the PRA survey results in the 20 squatter settlements taking into account existing and planned government interventions.

In order to convene **local stakeholder councils**, numerous meetings were held in each area to select prominent natural leaders (elders, women, youth), executives of the district administration, representatives of the Local Council, the Parliament, the Shuraa Council, representatives of NGOs and the private sector. The stakeholder councils in the three project areas were trained to subsequently guide local decisions and oversee the implementation of local projects.

Before starting participatory local action planning it was important to **secure funding for the upgrading projects**. A plenary meeting was held with the Executive Board, the Local Council, and the Heads of the three districts concerned to define the status of available budgets. In close coordination between the Executive Board, the Local Council, the three concerned District Chiefs, the chairmen of the facilities & service institutions in the Governorate, the WB and the SFD the 2006-2007 budget plan for the upgrading works in the three project areas was set according to the needs of the concerned communities. There was ongoing coordination between the above mentioned parties to come up with a unified plan, in which the schedules for starting and completing the implementation and the budget for each project are stipulated so as to monitor the 2006/2007 plan and to prepare the draft 2007-2012 plan.

The 2007-2012 plan was prepared with community participation and in coordination with the Ministry of Local Administration and the Ministry of Economic Development. The plan is being approved through the following steps:

- Review of all available data in the district administration and the Governorate.
- List of all the facilities and services in each district and the status quo of each.
- List of the needs and problems of each district through holding a meeting with the stakeholder council, Local Council, the Executive Board of each district.
- Review of the plans for each service facility and coordinating them with the state plans.
- Detailed plan for the estimated budget of the five-year plan 2007-2012 for each district.
- Submitting the budgets to the stakeholder council, Local Council, the Executive Board of each district.

In each project area the **participatory local action planning** started with a large public meeting with the local stakeholder council and population. The Governorate's consultant for physical planning reviewed



Detailed participatory action plans were prepared by the Governorate's consultant and a team of GOPP and were presented to the representatives of the Physical Planning Directorate, to the Executive Board, to the Local Council and stakeholder council of each area for approval.

El-Amrawy

- The existing wastewater networks - whose extension started in the 1960s and 1970s - are severely overloaded as a result of densification.
- Despite the area's adequate location, there are no paved streets/lanes beyond the few main thoroughfares which, for an area housing 10% of the city's population, create significant access and transportation problems that have a negative effect on residents and business viability and add to health problems.
- Lack of access to conveniently located healthcare services (ranked by households as the third most pressing problem), absence of community facilities, and to a lesser extent lack of conveniently located schools.



### El-Hadra Al-Jadida

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- Despite an adequate location, there are no paved streets/lanes in the area, which creates significant access and transportation problems that have a negative effect on residents and business viability and adds to health problems.
- Lack of access to conveniently located healthcare services and schools, and total absence of community facilities.

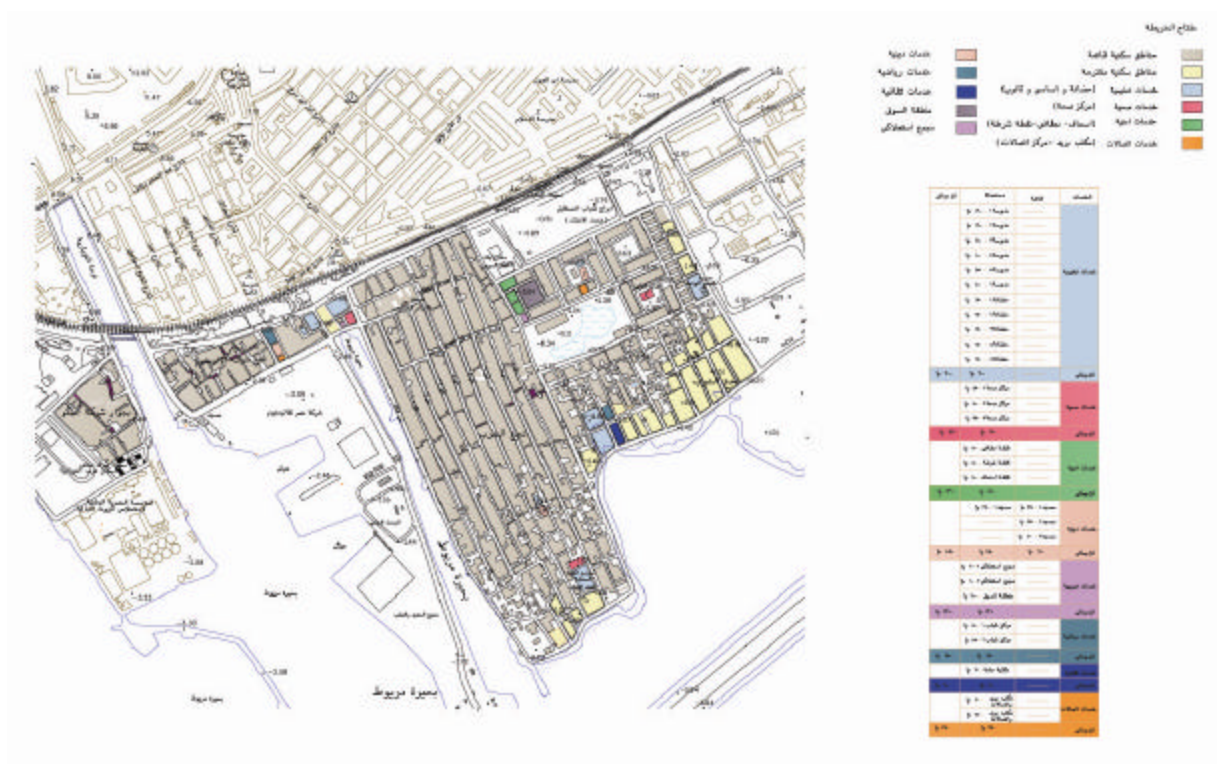
### Naga Al-Arab

- The existing sewerage network - whose extension started in the 1970s - has only partial coverage, which means that raw sewage from the settlement is discharged into Lake Marriout.
- The area is relatively isolated by the effect of the Matrouh rail line, and half of the streets are unpaved.
- Lack of access to conveniently located healthcare services and schools, and total absence of community facilities.



Naga Al Arab

Finally, the **Urban Structure and Land Use Plans** (1/5000) for the three pilot areas have been prepared. These plans will serve as the legal plans that will be ratified by the executive and local (elected) councils in order to enable the start of land regularization and servicing the areas according to standards. A team of the urban planning consultant and GOPP presently translate the participatory local plans into legal plans to be approved by the Governorate's Popular Council. They will be the legal basis for any future land legalization.



Naga Al Arab, Urban Plan

A **Management Unit for Urban Upgrading** and three area-based offices, located in the rooms of local NGOs, have been established and their staffing approved by the Governorate. This organizational setup guarantees constant communication between the local communities and the Governorate.

The main unit serves as the Governor's advisory unit and aids in the coordination of ministries, donors and NGOs involved in upgrading squatter areas in Alexandria. It has the following tasks:

- Coordination of all concerned ministries and other service providers for intervention in the three project areas and in other squatter areas in Alexandria.
- Coordination with the SFD.
- Coordination with concerned donors and the non-governmental organizations to contribute in the upgrading of the slum areas in Alexandria Governorate.

A **Geographical Information System (GIS) Unit** was equipped with state of the art technology and is ready for operation within the Governorate which allocated a two-room-office and furniture while computer hardware and additional machinery was provided by the World Bank. A geographic information base was prepared together with the stakeholder councils, local councils, executive boards for each of the three project areas. This includes the geographic boundaries, all the facilities, services, housing units, and commercial activities. Aerial maps were obtained through the GIS-unit of the Participatory Development Program in Urban Areas (Ministry of Economic Development / GTZ) which also provided capacity development. Thus, the transformation of aerial maps into the GIS information base can be now be done by staff of local administration that is due to receive further training.

Besides the physical measures, the CDS further identified strategic measures for **Human Development** in Alexandria such as expanding the health sector reform initiatives, with emphasis on increasing the number of community health care units, family doctors and increase health insurance. The SFD financed a number of health and environmental awareness activities, and upgrading a youth centre equivalent to LE 0.425 million (USD 73,913), implemented through a cluster approach by Community Development Associations (CDAs). The community-based health interventions were initiated at both the household and community levels, and are carried out in close coordination with Alexandria governorate, the health directorate and health sector reform program, and the Alexandria family health fund.

## Section 4. Finalizing the Strategy and Moving Towards Implementation

### 4.1 City Development Strategy Development, Institution Building and Implementation

The overall objective is currently to assist the Alexandria Governorate in completing its City Development Strategy and prepare for its implementation technically and institutionally. The most important expected results of the ongoing second CDS phase include:

- An international conference on local economic development (held in March 2006).
- A study aiming at designing a model Industrial Estate & Enterprise Park Program in Alexandria (completed).
- A detailed cluster analysis of Alexandria's most competitive economic sector – the manufacturing sector.
- Preparing detailed participatory urban upgrading plans for the three squatter settlements, establishing an urban upgrading unit in each settlement, and building the capacity of districts concerned with participatory upgrading, land regularization Geographic Information System (partially completed).
- Assisting the establishment of a City Development Agency.
- Reviewing Alexandria's municipal finances and proposing measures for improved revenue streams and management in view of increasing local revenues.
- Finalizing the integrated CDS for the entire city, setting up a detailed action plan including programs and projects/ activities and a five-year investment plan.

The table below illustrates summarizes achievements of the first CDS phase and items planned as part of the second CDS phase:

Theme	Achievements under the CDS – Phase I	Achievements under CDS – Phase II
<b>Institution Building</b>	<ol style="list-style-type: none"> <li>1. Strong CDS Team and Stakeholder Partnerships with 3 committees (LED, Urban Upgrading and Environment) built;</li> <li>2. On the job training supplied to Governorate officials who worked closely with CDS consultants;</li> <li>3. Study Tour in Ismailia with the CDS team;</li> <li>4. CDS is now the official Development Framework for the city.</li> </ol>	<ol style="list-style-type: none"> <li>1. Hire an institutional development specialist to design the most appropriate legal and institutional framework for a new City Development Department/Agency/Corporation which will be responsible for coordinating the three pillars of the CDS and ensuring sustainable development of the city.</li> <li>2. Capacity building to the new City Development Department on (i) urban upgrading, to be delivered by GTZ; and (ii) LED, through the organization of an international LED Workshop in Alexandria, with the cities of Barcelona, Turin, Seville, London, Lyon and Lisbon providing guidance and tools for the formulation of the Alexandria LED Vision and Objectives;</li> <li>3. Organized training and Study tours; and</li> <li>4. Ensure broad consultation with stakeholders, communities and interest groups through regular CDS workshops, creation of a website, media and dissemination.</li> </ol>
<b>LED</b>	<ol style="list-style-type: none"> <li>1. Alexandria Local Economy Assessment report completed, including: (i) Local Economy Assessment and Baseline Database, (ii) Competitiveness, and (iii) SWOT Analysis.</li> </ol>	<ol style="list-style-type: none"> <li>1. Conduct downstream cluster analysis of the following sectors: Textile and Garments, Food Processing, Maritime &amp; Shipping, Petrochemicals, and ICT.</li> <li>2. Conduct a detailed study and action plan for</li> </ol>



	<ol style="list-style-type: none"> <li>2. A guiding set of objectives and programs produced;</li> <li>3. First Downstream Cluster Analysis, Tourism Assessment Report completed, pointing to three niche markets expected to have an important contribution to tourism development in Alexandria.</li> <li>4. Board of Directors for Industrial Development established, chaired by the Governor and comprising three reps from each Investors Association of Industrial Areas (4).</li> </ol>	<p>improving the Local Business Environment, focusing on access to industrial land and property registration in productive sectors.</p> <ol style="list-style-type: none"> <li>3. Hire a municipal finance specialist to conduct a comprehensive review for the Alexandria local finance, focusing on enhancing revenue stream, maximizing of efficiency of expenditures, good fiscal management, and sensitizing municipal officials to the issue of creditworthiness.</li> </ol>
<b>Urban Upgrading</b>	<ol style="list-style-type: none"> <li>1. Inventory of squatter settlements completed, including general assessment &amp; classification of squatter settlements in Alexandria;</li> <li>2. Twenty individual Participatory Rapid Appraisal (PRA) reports completed;</li> <li>3. Detailed remodelling plans and community socio-economic development programs in three pilot areas underway;</li> </ol>	<ol style="list-style-type: none"> <li>1. Support participatory planning and upgrading effort in the first 3 pilot areas;</li> <li>2. Conduct “participatory rapid appraisal” (PRA) in the remaining 10 squatter settlements;</li> <li>3. Identify next 6 to 8 squatter settlements and prepare detailed remodelling plans and community socio-economic development programs in collaboration with GTZ and SFD.</li> <li>4. Complete a city-wide Urban Upgrading Strategy, including physical/environmental improvement strategy; land tenure security; local economic development and institutional development strategy.</li> </ol>
<b>Environment / Lake Marriout</b>	<ol style="list-style-type: none"> <li>1. Assessment of environmental challenges in Lake Marriout and design the way forward completed;</li> <li>2. Application to GEF (USD 7.5 mio.) approved.</li> </ol>	<ol style="list-style-type: none"> <li>1. With GEF, help establishing a Lake Management Authority, with an independent Board of Directors, account and mechanism of operation.</li> </ol>

## Institutional Arrangements

In order to sustain the participatory strategic planning process and to finalize the CDS, the Governorate considers the establishment of a long-lasting City Development Agency, or alternatively a reinvigoration of the existing Comprehensive Planning Agency, as well as establishing a high level inter-ministerial Steering Committee to ensure good coordination and resolve any institutional obstacles. The functions of this new institutional framework are:

A high level committee acting as a steering committee to ensure good coordination to resolve any institutional obstacles shall ensure the development of a long-term vision for the future of the city – including an action plan – that takes in consideration different aspects of the sustainable development with other national and donor funded programs. The Committee would be chaired by the Governor of Alexandria and might comprise the following proposed members: Ministry of Housing (Chairman of the General Office of Physical Planning and the Chairman of Utilities), Ministry of Investment (Chairman of GAFI), Ministry of Industry and Trade (Chairman of IDA), Ministry of Agriculture (Undersecretary, Alexandria Governorate), Ministry of Environment (Chairman of the EEAA Alexandria Regional Branch), Ministry of Economic Development, Ministry of International Cooperation, Director of Bibliotheca Alexandrina, and Chairs of most actives developmental NGO, e.g. Alexandria Businessmen Association and Alexandria Development Association.

Advisory think-tank committees (Environment & Lake Marriout, Economic Development, Urban & Infrastructure, and Heritage Development) have been established and constitute the CDS Partnership Forum which meets regularly. These committees will coordinate and prepare different programs and projects to be carried out in order to develop the city of Alexandria.

### **Municipal Finance Profile**

The Alexandria process showed that to ensure sustainability of the LED process there is a necessity for taking municipal finance into account and to conduct a comprehensive review of municipal finances (i.e. revenues, expenditures, transfers, and other autonomous resources like grants and contributions). The purpose of this review was to get a detailed picture of the city's financial capacity, including a rapid diagnostic of the adequacy of local revenues, relationships between administrative/recurrent expenditures and investment expenditures in relationship to urban growth and to identify a set of issues that could be addressed under the LED strategy implementation to strengthen municipal finance and to ensure sustainability of the LED strategy implementation.

The review of fiscal condition of the governorate of Alexandria and the fiscal relationship and arrangements between central government and the governorate shows that the governorate budget heavily depends on government transfers to finance its activities. This reduces the ability of the governorate to effectively respond to the needs and preferences of its residents, since most of these transfers are specific-purpose transfers set by the central ministries. In addition, the fact that these transfers are not stable and depend on the national fiscal condition, limits the ability of the governorate to even implement the commitments approved by the annual plans. The review also highlights that the governorate does not fully control any tax. Almost all shared taxes bases and rates are set by the central ministries. This fiscal system and regulations do not encourage the governorate to enhance its revenue efforts or to mobilize domestic shared tax bases. The fact that the governmental transfers system in Egypt is poorly designed hinders the governorates' abilities to manage their finances.

Although the governorate has the authority to impose fees and charges and to have loans, to date, it has not taken a full advantage of this opportunity. Fees management efforts have experienced several drawbacks in terms of fees assessment, collection, and legal enforcement. However, it is very important to state that Alexandria is one of the most advanced governorates in raising revenues from fees and charges. This may be explained by the fact that institutional capacity in Alexandria is higher compared to the other governorates in Egypt.

The governorate of Alexandria should invest more to develop cadres with skill of conducting feasibility studies and managing debt. Almost 70% of the investment expenditure in Alexandria is financed through loans from the National Investment Bank. In addition, the governorate did not receive any credit facilities over the time period between 2002 and 2005. This again reflects inability to use potential credit.

Revenue mobilization from non-traditional or untapped sources could help pursuing the governorate own agenda of development projects. Alexandria has adopted new approaches to finance a set of development and infrastructure projects. One of these approaches is to expand the resources of the Services and Local Development Fund (SLDF) through the proceeds of renting beaches and parking areas and imposing additional fees on mines and quarries. The second approach is to attract international donors, NGOs, private sector, and people to contribute to the developmental efforts conducted in/by the governorate.

Taking into consideration the steps taken by the governorate so far to mobilize local revenue, the potentials are still very promising to increase these revenues. Potential procedures would be adopted for this regard include: rezoning through change the status of the land usage; implementing a land pooling scheme whereby owners of small plots of land will be encouraged to combine their land together for profitable development under the governorate concerned; and applying valorization charges which is tax on the increase in land values which results from the provision of infrastructure, payable by the land owner to finance urban infrastructure.



## **Model Industrial Estates & Manufacturing Cluster Analysis**

The Foreign Investment Advisory Service (FIAS) of the International Finance Corporation (IFC) has completed a pre-feasibility study as part of a first phase of a three-phase process to design and implement a model industrial zones program, which will be initiated in the form of a pilot site in Alexandria. The rationale for developing a pilot project is to focus significant government effort on enabling the first example of a modern industrial park in Egypt and then leveraging the success of this initial pilot project to put in place the legal, regulatory, and institutional structures that will allow this pilot model to be replicated far more easily in other parts of Egypt. The pilot project is thus intended to have a demonstration effect on the Egyptian economy by showing that a modern industrial park, developed and managed by the private sector, can support domestic economic development and attract inward investment in a way that government-developed, poorly serviced industrial areas cannot.

The report examines two specific sites in Alexandria that were identified as potential locations for the pilot project. The first, at Al Nahda, is located on privately owned land adjacent to some of Alexandria's largest recent industrial investments. The second, within the Borg el Arab New Urban Community, is controlled by the New Urban Communities Authority (NUCA) and adjacent to existing government-developed industrial areas.

*The Al-Nahda industrial area, which currently falls under the purview of the Alexandria Governorate, is located along the Cairo-Alexandria desert highway, in close proximity to the ports. While the area has seen industrial activity since the 1970s, it was only recently formally designated an industrial area by a series of Prime Ministerial decrees covering five different land parcels. There are currently 18 registered companies in Al-Nahda, of which 13 are in operation, including petrochemicals, food processing, wood working, and rubber tire manufacturing.*

*The Borg al Arab industrial area, established in 1979, is located some 60km southwest of Alexandria city and is governed by the New Urban Communities. There are presently some 450 companies operating there - predominantly in food processing, plastics, metal and chemical manufacturing. Total employment at Borg Al Arab is more than 27,000.*

As part of the CDS process a stakeholder workshop was held in January 2007 in partnership with the Governorate and in collaboration with Industrial Development Authority (IDA) and the General Authority of Investment and Free Trade Zones (GAFI) to discuss its findings.

A market analysis has been done to preliminarily assess which industries might find such a world-class industrial estate attractive for making an investment. The study examined industries that are now proving to be the most active in the Alexandria region (Textiles & Apparel, Food Processing, Furniture, Pharmaceuticals and Fabricated Plastics) and highlights potential demand in downstream aluminum products, based on the prospects of a sizeable investment in an aluminum smelter being examined by a prominent Indian multi-national currently operating other projects in Al-Nahda. The study also looks for growth potentials of sub-sectors as well as potential source markets for investment and examines site location requirements associated with promising industries, comparing them against the physical and location attributes of the prospective pilot sites.

The assessment comes to the conclusion that both of the prospective sites exhibit positive attributes. Both offer ample land, and, provided a suitable site can be assembled at Al-Nahda, they are not likely face problems with incompatible industry mixes. Al-Nahda's proximity to the city of Alexandria and connectivity to public transport networks provide the site with markedly better access to the Alexandria labor pool than Borg, which would likely prove advantageous to industries that rely on quality labor.

## **Study and Action Plan for Improving the Local Business Environment**

The IFC's Business Start-Up Simplification Project is working with the Alexandria One-Stop-Shop (OSS), GAFI and the Ministry of Finance to streamline and (partially) automate three processes: Name

Uniqueness, Capital Market Authority Certification and the Tax Card. Studies have identified and mapped the industry-specific licensing processes for the following industries: Textiles, Food Processing, Pharmaceutical, Metallurgic, Wood Manufacturing, Engineering, Tourism, agricultural, service, real estate and software development projects were also mapped. Workshops with the Industrial Development Authority (IDA), the Alexandria Governorate Housing Department, the Engineering and Tanzeem Departments in Alexandria Districts, stakeholders from the Alexandria Businessmen Association (ABA) and the IFC have been held to build awareness, identify opportunities for the simplification of licensing, registration and land assignment procedures. Following the workshops specialized working groups on the various economic activities have been established to work on problematic issues. They incorporate ABA, GAFI, IFC, legal / regulatory advisors or experts (when necessary) and the relevant authority responsible for specific approvals.



Alexandria One Stop Shop (OSS)

## Urban Upgrading

Implementation has started with funding from the SFD (about LE 6 million). Partnership was also made with GTZ / KfW to fund local area initiatives (small-scale priority needs in different squatter settlements) with a total allocation of about LE 1.9 million during a first phase. The SFD signed a Framework Agreement with Alexandria Governorate to use its own funds to implement selected projects identified through the PRA process equivalent to LE 4.35 million (USD 0.76 million) in the aim of testing and refining the approach to upgrading.

- Implementation (as of December 2006) financed from various sources:
- In El-Amrawy and its surroundings (Montaza District) 21 operations started since April 2006 for a total budget of 14 Million LE. 15 operations are accomplished, 6 more planned with funding available.
- In Hadara El-Gedida and its surroundings (Wassat District) 13 operations started since April 2006 for a total budget of nearly 27 Million LE (see attachment). 4 operations are accomplished, 5 are ongoing, 4 are approved and/or land is available.
- In Naga El-Arab and its surroundings (West District) 13 operations started since April 2006 for a total budget of nearly 21 Million LE (see attachment). 7 operations are accomplished, 5 are ongoing, 1 is approved.

The ongoing upgrading works and investments in each area are being monitored by the local offices

established in each area, and by the stakeholder councils. They monitor implementation daily. Presently a study on social and economic impacts is being prepared.

#### **4.2 Moving Towards Implementation: Proposed Investment Projects to meet the Vision- Proposed Capital Investment Plan (CIP)**

The commitment of Alexandria Governorate has encouraged the Government of Egypt to allocate funds, with significant local contribution, for the proposed CIP below, which would lay a first foundation towards achieving the commonly-defined long-term vision for Alexandria by implementing key investments of the City Development Strategy.

The Projects aim to contribute to the higher level objective of *supporting local authorities' efforts in strategic planning, local economic development, improvement of the local business climate, and socio-economic inclusion of the urban poor in Egypt.*

The Alexandria CDS, and the resulting capital investment plan demonstrates a shift in local development practice in Egypt away from the traditional top-down, supply-driven approach. The latter was criticized for: (a) its narrow focus on infrastructural issues and little emphasis on the local economy dynamics, needs and institutional/financial dimensions, (b) little private sector participation and understanding of market dynamics/trends, and (c) non-participatory nature in planning, decision-making and implementation. Instead, the Alexandria CDS and CIP rely on a bottom-up approach where ownership rests with local authorities/stakeholders with emphasis on broad-based participation in formulating the long-term vision and identifying development programs.

The process also emphasizes close interface with central government to ensure that successfully implemented initiatives could be replicated at the national level. Finally, as agreed with the GOE, the CDS and proposed CIP will serve as a pilot case to test selected strategic reforms that are aimed at removing key constraints to the investment climate and strengthening local government's urban management and service delivery capacity (Alexandria is already one of two test cases allowed more latitude by central government to set user charges for services). Successfully tested reforms, including CDS and urban upgrading regulations, would then be rolled out through regulatory reform and scaled up nationwide; a similar process is starting in the Metropolitan Cairo Area with support of the World Bank and partner donors.

#### **CIP objective and key indicators**

The overarching aim of the CDS and its CIP is to strengthen development in Alexandria's through strategic investments in hard and soft infrastructure that support its competitive advantages, which would contribute to removing constraints to private sector-led growth and improving the management and utilization of local assets, while ensuring the socio-economic integration of the poor.

Specifically, the **CIP objective** is to support development in Alexandria by removing key infrastructural constraints, reducing barriers to investment, and ensuring the socioeconomic integration of the poor.

The following are the key performance indicators:

- i. Increased private sector investment in the project area adjacent to Lake Marriout as a result of servicing lands and improved ambient conditions.
- ii. Improved accessibility and reduced travel time to the main centers of economic activity (industrial estates, enterprise parks, and Alexandria ports), through rehabilitation/reconstruction of selected arterial roads.
- iii. Improved living conditions of the population living in selected underserved squatter settlements as a result of increased access to basic infrastructure and economic services.

iv. Improved local business environment as a result of streamlining key business start-up procedures and regularizing land ownership.

The proposed CIP can be lumped under four Programs:

## Program 1

### Priority Infrastructure in support of Local Economic Development

1.1 Improving wastewater collection and upgrading treatment plant to secondary level (works, USD 70 million, financed by GOE-MOHUD, CAPOW)- see Section 4.3 for details on ongoing and planning activities financed by the GOE.

1.2 Providing off-site infrastructure needed to support private development of land bordering Lake Mariout's main basin (works, USD 45.00 million, financed by Alexandria Governorate).); and

1.3 Rehabilitating critical access roads linking major centers of economic activity in Alexandria (works, USD 28.50 million, financed by Alexandria Governorate).



Land Use Plan of 1st site, Carrefour Area, 2nd site is under evaluation from among 4 alternatives.

Competitive sale of land to achieve high- quality development, the highest financial return (technical and financial), thus recuperating the investment cost and ensure cross-subsidization of other components

## Program 2

### Improving the Local Investment Climate

2.1 Streamlining key business start-up licensing procedures at the Alexandria Investor Services Complex (TA and goods, USD 1.75 million, financed by IFC/PEP-MENA, GOE and Alexandria Governorate);

2.2 Preparing the regulatory framework for the registration of existing land and real property at the North Merghem enterprise park (TA, USD 0.15 million, financed by Alexandria Governorate); and

2.3 Designing the regulatory, technical and financial framework for private sector expanded role in managing and developing industrial areas in Alexandria (services, USD 1.10 million, financed by GOE-IDA).

### **Program 3**

#### **Urban Upgrading of Squatter Settlements**

3. Providing support to basic infrastructure, community facilities and services, including the construction of water, wastewater networks, surface water drains, rehabilitation of access roads, establishment of community facilities and provision of community services.

The estimated cost of this component is USD 30 million, financed by Alexandria Governorate through the National Program of Urban Upgrading.

### **Program 4**

#### **Institutional Development and Technical Support to Project Operation**

4.1 Updating Alexandria's Master Plan including an urban structure plan for Alexandria Governorate, a land use plan for Alexandria City and detailed local area plans for selected strategic areas (TA, USD 1.30 million, financed by GOE/GOPP);

4.2 Establishing the Alexandria Development Agency (goods and services, USD 0.65 million, financed by Alexandria Governorate);

The World Bank, through a PHRD grant from the Government of Japan in the amount of USD 550,000, supported Alexandria Governorate to prepare most of the above investment projects. Key studies include:

- Enhanced Wastewater Treatment System in Alexandria (feasibility study and solution options, and preparation of downstream bid documents);
- Market Analysis, Land Use Planning, and Structuring the Development Process for a Mixed Use Land Development in the Lake Marriout Basin (feasibility study, site / land use planning, preliminary design of trunk infrastructure and preparation of downstream bid documents); and
- Engineering Designs and Bidding Documents for road improvements.

In addition, several donors such as Cities Alliance, IFC, GTZ / KfW, USAID, CIDA, UNICEF, and Swiss Fund have provided or committed parallel funding to the project's components. Other ongoing donor activities that have strong synergies with the project's focus on strengthening Alexandria's position as a growth pole include the JBIC-funded expansion and modernization of the International Borg El-Arab Airport.





## Detailed Programs and Projects Description:

### **Program 1: Priority Infrastructure in support of Local Economic Development**

This program will finance works and related services (detailed engineering design construction supervision) aimed at achieving the following objectives: (i) Providing off-site infrastructure needed to support private development of land bordering Lake Marriout's main basin; and (ii) Rehabilitating four critical access roads linking major centers of economic activity in Alexandria.

#### ***Sub-Program 1.1 Providing off-site infrastructure needed to support private sector development of land bordering Lake Marriout's main basin***

The objective of this sub-program is to provide the off-site infrastructure<sup>1</sup>—specifically, water supply, wastewater and storm water drainage, access roads, electricity and telecommunications—that is needed to enable private mixed-use development of two selected high-value sites bordering Lake Marriout's main basin. Based on a market assessment and a physical review of all lands available for development surrounding Lake Marriout, a feasibility study defined three sites which are feasible for development with the private sector, with high expected returns and financial revenues. Alexandria Governorate selected a site to be developed under Phase I implementation, while another site will be serviced under Phase II. The selected site for Phase 1, Carrefour, is extremely valuable and is expected to generate large scale revenue stream to Alexandria. Yet, the Governorate does not have a workable, transparent, and fair system for opening up vacant land for private sector development. As a result there is a severe constraint on available developable land.

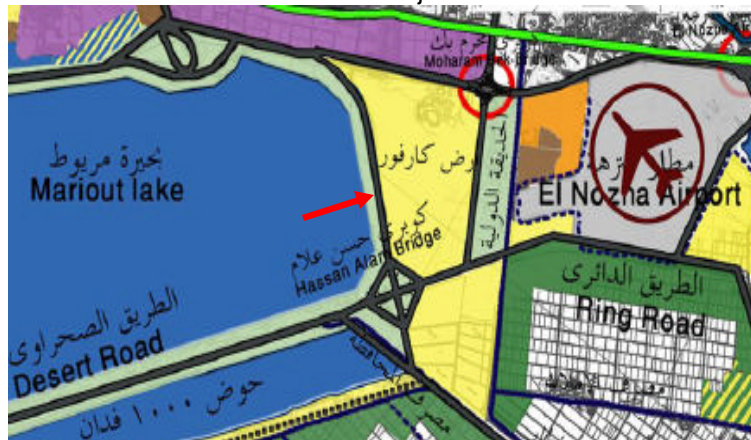
This project will ensure that an extremely important piece of land at Alexandria's 'front door' is developed in a quality fashion, and will also serve as a model for future public-private cooperation in urban land development. The simultaneous launch of the GOE-financed effort (See Box on parallel activity) to address the negative environmental externalities caused by the high pollution level of Lake Marriout's main basin and the accompanying foul odors is thus expected to pave the way for the regeneration of surrounding areas which have suffered from depressed land values, and will enable the development of otherwise well-located and accessible land reserves, whose potential could not be realized due to the extent of pollution.

The overall Carrefour site has an area of 528 feddans (222 hectares) and is bound by the Cairo-Alexandria Desert Highway from the south and east, Lake Marriout's main basin and the new Coastal Highway from the west and the Moharam Bek-Kabary Road from the north. About 88.8 Feddans (37.3 hectares) have already been allocated to other uses including a large retail complex anchored by Carrefour hypermarket (which currently attracts 20,000 visitors daily), a residential complex and a Police forces hospital which are both under construction. Two corner lots are also currently used by two Contracting companies for equipment storage. These sites will be subject to the applicable zoning/development regulations under the project.

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<sup>1</sup> "Off-site infrastructure" is defined here as (a) infrastructure external to the designated development site that is necessary to connect it with the city mains, and (b) infrastructure provided by the government within the site in order to divide it into large development parcels - each will be released to the market.

Location of Carrefour Site Adjacent to Lake Mariout



Detailed Urban Plan of Carrefour Site (selected alternative, 2B)



A market analysis was conducted as part of project preparation to recommend the optimal land use mix, development density, and phasing plan that is legally permissible, market-supported, and which contributes to regenerating nearby areas and improving local revenues for Alexandria Governorate. The analysis indicates that a mixed-use development comprising retail/ commercial, residential, tourism and recreational uses with a Floor-Area-Ratio (FAR) of three would attract much demand from developers while at the same time providing an attractive development to the city. An FAR of three (i.e. maximum buildable area that equals three times the land area) translates into a medium-rise development (six floors on average<sup>2</sup>) with a land coverage ratio of about 50%.

This Sub-Program would finance the extension/improvement of off-site infrastructure needed to support such development program, including water supply, fire and irrigation systems, storm water drainage and wastewater networks, electricity and telecommunications networks, as well as access road network to service the different phases. The estimated cost for Phase I (Carrefour Site) is \$20.90 million, broken down as follows.

<sup>2</sup> The maximum permissible heights are a function of the graduated height restrictions imposed by the nearby Nozha airport (which is increasingly less utilized and reportedly to be decommissioned in the medium-term), neighboring developments, and discussions with local authorities.

Estimated cost of Phase I off-site infrastructure provision for land development (US\$)

Off-site infrastructure for land development (net area 380.6 Feddans or 1.6 million sqm)	Total Cost Phase I
1. Water supply, including fire system	1,980,000
2. Irrigation system	1,900,000
3. Wastewater and storm drainage system	5,849,000
4. Road network	3,164,090
5. Electricity and telecommunications network Total electricity and telecommunication network, including substation	8,077,000
Total off-site infrastructure	20,970,090

Based on the market analysis the development of the Phase I site will be undertaken in three stages of 210, 185 and 135 Feddans respectively. Within each phase two large sites of about 50 Feddans each would be released to real estate developers in a competitive selection process. The land area released could be readjusted in subsequent stages depending on the type of demand generated in the initial stages. A staged bidding process aims to maximize Alexandria Governorate's proceeds from land sale, which it would use to cross-subsidize other project programs, especially urban upgrading activities, and to finance service delivery and the regeneration of Lake Marriout and surrounding areas. Bidders in each stage will be provided with the overall structure plan, applicable zoning/development guidelines, and the timeline for the development and the GOE-financed Lake clean-up, which will constitute a legally binding agreement that is intended to reduce developers' risks.

Prior to initiating the tendering process for selecting developers, the Alexandria Governorate will present a framework agreement, acceptable to the Bank, governing the process to ensure a competitive and transparent tendering and land allocation process. Bidders will submit in two separate envelopes technical site development proposals in line with the applicable zoning/development guidelines, and financial proposals that reflect the price that developers are willing to pay to purchase the land based on the proposed development program. Technical proposals will be evaluated based on their responsiveness to zoning/development guidelines (permissible, conditionally permissible subject to traffic and other impacts, and non-permissible land uses, maximum allowable heights and land coverage ratio, minimum setbacks, design guidelines and other technical evaluation criteria, e.g. provision of public amenities) according to pre-determined evaluation criteria weights. The development guidelines are such as to allow sufficient flexibility for the market to determine the optimal development mix, while ensuring that property values are preserved. Financial proposals will only be opened for developers whose technical proposals receive the minimum passing technical score. The highest evaluated bidder in financial terms and technically accepted would be invited to negotiate the terms and conditions of the contract, and the performance guarantees required from both parties.

The procurement of publicly supplied infrastructure and supervision of the implementation of this infrastructure will be managed by Alexandria Governorate. All other aspects of the process for selecting developers, awarding land development rights to the selected developers, and managing compliance with the terms and conditions of the subsequent development contracts will be handled by a specially created technical unit reporting to a higher level Lake Marriout Development Agency, which would be established and chaired by the Governor of Alexandria<sup>3</sup>. This unit must have sufficient, land planning, architectural, engineering, financial, economic, legal, and environmental/social staff (or access to consultant support) to be able to protect the public interest while at the same time negotiating contracts with private sector developers. The technical unit will work closely with the PMU, the Alexandria Development Agency (though it could be part of it), and the State Land (*Amlak*) Department in carrying out its duties taking into account the functions of these already established entities. It is anticipated that the unit will be retained as

<sup>3</sup> In July 2006, Prime Minister chaired an inter-ministerial committee to discuss Alexandria strategic plan and endorsed the creation of 'Lake Marriout Development Agency', by a Presidential Decree, to manage the Lake and control development of surrounding lands.

a permanent technical body reporting to the Lake Mariout Development Agency for the purpose of devising, negotiating, and monitoring land development contracts with private sector developers throughout the Lake Mariout and according to the recommendations of the Master Plan (subprogram 4.1). TA will be provided under subprogram 4.2 to help Alexandria set up such a unit and raise its capacity on the following topics, related to its responsibilities: selecting developers and managing land sale transactions; monitoring development process; designing asset management and maintenance program; making public land available for urban development on a more expeditious, transparent, and fair basis.

***Sub-Program 1.2      Rehabilitating critical access roads linking major centers of economic activity in Alexandria***

The objective of this sub-program is to rehabilitate four critical roads under Phase I (two major arterial roads and two important access roads) in very poor condition and which link centers of economic activity (including Al Nahda industrial zone and North Merghem enterprise park) with major transportation hubs (Dekheila and Alexandria ports, and Nozha and Borg Al Arab airports), and two other identified roads under Phase II. The identification of the four roads for rehabilitation under the project Phase I builds on broad-based private and public sector stakeholder consensus. These roads are:

- (i) Om Zeghiou road, a 14km long arterial road extending from Al Ziraa Al Bahary road to Marsa Matrouh-Alexandria Road and Al Sad Al Aly road, and which links between industrial areas, the ports of Dekheila and Alexandria and the Cairo-Alexandria Desert Highway. The road is in very poor condition and will need to be rebuilt, especially a segment with two lanes seriously damaged due to settlement and which forces the large majority of trucks to move to the opposite direction thereby bringing traffic to a complete halt.
- (ii) Al Sad Al Aly road, a 6km long arterial road extending from the Marsa Matrouh-Alexandria Road to the Cairo-Alexandria Desert Highway, and which links the ports of Alexandria and Dekheila and the industrial areas north and south of Lake Mariout, and Cairo-Alexandria desert highway. The road is in a very poor condition requiring that it be completely rebuilt and provided with adequate storm drainage that would allow it to accommodate the heavy truck traffic that comprises most road usage.
- (iii) North Merghem road, an 8km unpaved collector road along the Nubariya canal (with an existing unencumbered right-of-way of about 10m) that serves the North Merghem Enterprise Park. Improving this road would accommodate local traffic in the area, instead of reliance on the Cairo-Alexandria Desert Highway, which adds significant congestion to a regional highway and greatly contributes to road accidents.
- (iv) Container Port access road, a 2.5 km long connection between Dekheila port and the newly built International Coastal Highway on an existing unencumbered right-of-way whose first half is a paved, little used local road and the second half, which passes between salt pans and is used by trucks, is graded but unpaved. The initial plan of an elevated connection was estimated to cost \$20 million, a prohibitive cost that meant that the road was never built. The result is that the trucks that serve the container port on a daily basis continue to maneuver in the adjacent, congested residential areas, thus causing serious damage to an inappropriately designed local road network. A direct connection between the port and the Coastal Highway would speed truck traffic to/from the port and minimize inner-city traffic.

The detailed design of these roads is completed, undertaken as part of project preparation in the context of a traffic survey and road network assessment for the area encompassing the ports of Alexandria and Dekheila, North Merghem and Al Nahda areas, and the site adjoining Lake Mariout to be tendered for development. The estimated investment cost is \$20.00 million for Phase I roads and \$8.5 million for Phase II roads. The costing does not include possible compensation for the likely land acquisition from two State-Owned Enterprises in the context of improving Om Zeghiou and Al Sad Al Aly roads, as such cost, if any, will be paid by Alexandria Governorate. The end stretches of both roads pass by constricted

residential areas (respectively 300m and 1,000m) and will need to be realigned in one instance along an existing internal service road in the Salt Company and is likely to be widened in the other case at the expense of the perimeter wall of the Alexandria Petroleum Company. The cost breakdown for Phase I roads is provided below:

Estimated cost for Phase I road rehabilitation

Road name	Length (m)	Total cost (LE)	Total cost (\$)
1. Al Sad Al Aly road	6,000	40,000,000	6,956,522
2. Om Zeghiou road	14,000	20,000,000	3,478,261
3. North Merghem collector road	8,000	40,000,000	6,956,522
4. Container Port Access road	2,500	15,000,000	2,608,696
<b>Total</b>	<b>30,500</b>	<b>115,000,000</b>	<b>20,000,000</b>

## **Program 2: Improving the Local Investment Climate**

This program finances goods, works and services to enable local and national authorities to achieve the following objectives: (i) Streamlining key business start-up licensing procedures at the Alexandria Investor Services Complex (One-Stop-Shop); (ii) Streamlining the registration process of existing land and property at the North Merghem enterprise park; and (iii) Designing the regulatory, technical and financial framework for private sector to manage large industrial areas in Alexandria. The program's focus is on addressing three key challenges identified in the Egypt Investment Climate Assessment study and confirmed by investors' and business associations in Alexandria as major constraints to doing business: (i) business start-up licensing procedures; (ii) access to industrial land; and (iii) service delivery and management of industrial zones. The program relies on close cooperation between Alexandria Governorate and the Ministry of Industry and Trade through the Industrial Development Authority (IDA) and the Ministry of Investment through the General Authority of Free Zones and Investment (GAFI).

### **Sub-Program 2.1 Streamlining key business start-up licensing procedures at the Alexandria Investor Services Complex (One-Stop-Shop)**

The objective of this sub-program is to streamline key business start-up licensing procedures at GAFI's Alexandria Investor Services Complex' One-Stop-Shop (OSS)<sup>4</sup> through a reduction of processing time and steps and system automation. The aim is to reduce by 30% the time and by 15% the cost and number of steps needed to complete the following key procedures:<sup>5</sup>

- (i) Business start-up registration process, which requires for a Joint Stock Company (S.A.E) incorporated under Law 159 of 1981 5 days (a major improvement from the 43 days it took to register in 2004), with 27 processes or steps and at a cost of LE 26,413 (about 2.6% of paid up capital). The target is a reduction of 60% of the time (to 2 days), steps and cost needed

<sup>4</sup> The Alexandria OSS is in effect a co-location of government entities in charge of the different registration and licensing procedures. Currently, its services are divided into: (1) *Registration procedures*, requiring dealing with GAFI, lawyers' syndicate, Capital Market Authority, Real Estate Publicity Department, and the Sales Tax department to incorporate and register a company (GAFI undertakes the process on investors' behalf, but the OSS complains of the lack of Capital Markets Authority and sales tax representatives in the premises); and (2) *Licensing procedures*, which can have up to 32 entities affiliated with 18 line ministries represented as well as Governorate officials (GAFI has no control over these steps but assists in follow up). Today, the OSS has about 20 rooms and plans to expand to house the remaining non-represented entities. All are in need of equipment and staff training.

<sup>5</sup> The business in question is assumed to be a Joint Stock Company (S.A.E) established under Law 159 of 1981, with a capital of LE 1.00 million, and which would locate on a 1,000 sqm parcel with a building/plant covering 60% of the land:

respectively. In August 2006, mapping of the registration and licensing processes was completed. GAFI and the Industrial Development Authority (IDA) both have adopted reform initiatives and with the help of IFC, have identified several processes for direct and potential streamlining. IFC and GAFI have conducted several assessments and reengineering sessions which have resulted in identifying and eliminating nine internal administrative procedures and the re-delegation of authority. These will aim at reducing the registration process duration to 2-3 days. In November 2006, IFC proposed further streamlining and simplification recommendations, some of which have been adopted and implemented by GAFI and more, such as the reduction of the minimum capital requirement for limited liability companies established under Law 159 from LE 50,000 to LE 1,000, in addition to a significant reduction of the incorporation and publication fees.

- (ii) Tax card issuance process (a step associated with the registration process), which requires 30 days, 5 processes and a cost of LE 1,800 to complete (the steps involving both Alexandria department and Cairo headquarters). The main target is a reduction of 75% of the time needed (to 7 days), with no targets regarding the number of steps and cost;
- (iii) Industrial licensing procedures, including Industrial Development Authority (IDA) approval, land assignment, registration in the industrial registry and obtaining the Operating License, which requires approximately 190 days, 55 steps and a cost of LE 11,153 (land assignment fees not included) to complete. The targets are a reduction of 35% of the time needed and 10% of the associated cost. IFC and IDA have entered into an agreement in September 2006 to cooperate and join resources in order to streamline industrial projects related licensing. IDA started reforming the industrial projects service and with the assistance of IFC streamlined the industrial licensing processes and established the pilot IDA Office in Alexandria last March 2007, which represents the pilot decentralized IDA Unit in Egypt;
- (iv) The building permit process, which for a so-called "inland" site (i.e. in the districts, dealing with local authorities) requires 180 days, 36 steps and a cost of LE 31,652 to complete. The respective figures for New Borg Al Arab town are 9 processes, 60 days and a cost of LE 41,580. The targets are a reduction of 25% of the time and steps needed and 10% of the associated cost. IFC has initiated talks with the Ministry of Housing during November 2006 and have mutually agreed to share resources and cooperate in order to streamline the building permitting process. The Ministry of Housing and IFC have signed a cooperation agreement on March 1st, 2007, where IFC would provide the technical assistance and expert resources to the Ministry of Housing to streamline the Building Permit process. The Ministry of Housing has entered the draft law into the legislative cycle which is expected to be passed by mid 2007. IFC would also assist the Ministry of Housing in drafting the executive articles of the new legislation; and
- (v) The operating permit, which requires 24 steps and 90 days to complete, at a cost of LE 24,058. The targets are a reduction of 25% of the time needed, and 10% of the associated cost and number of steps.

Combined, the above procedures currently require 149 steps, 270 days and a cost of LE 72,774 or US\$12,767 (against a paid up capital of LE 1.00 million, i.e. 7.2%) to complete the key business start-up procedures for a SAE company created under Law 159 of 1981 (See figure). The weighted average of the different targets for improvement amounts to about 50% reduction in time, 50% reduction in the number of steps, and 15% reduction in cost to reach respectively 135 days, 74 steps, and a total cost of LE 54,565 or 5.4% of paid up capital. While these improvement targets may appear conservative, they were selected by IFC PEP-MENA to correspond to those of other similar business start-up simplification projects.

The streamlining of the above business start-up and licensing processes requires a mix of process reengineering to streamline unnecessary steps (to be removed or authority delegated to the relevant officials in Alexandria) and system automation to improve communication, reduce time and improve monitoring, in addition to the necessary redesign of the OSS office space to accommodate the reengineered workflow.

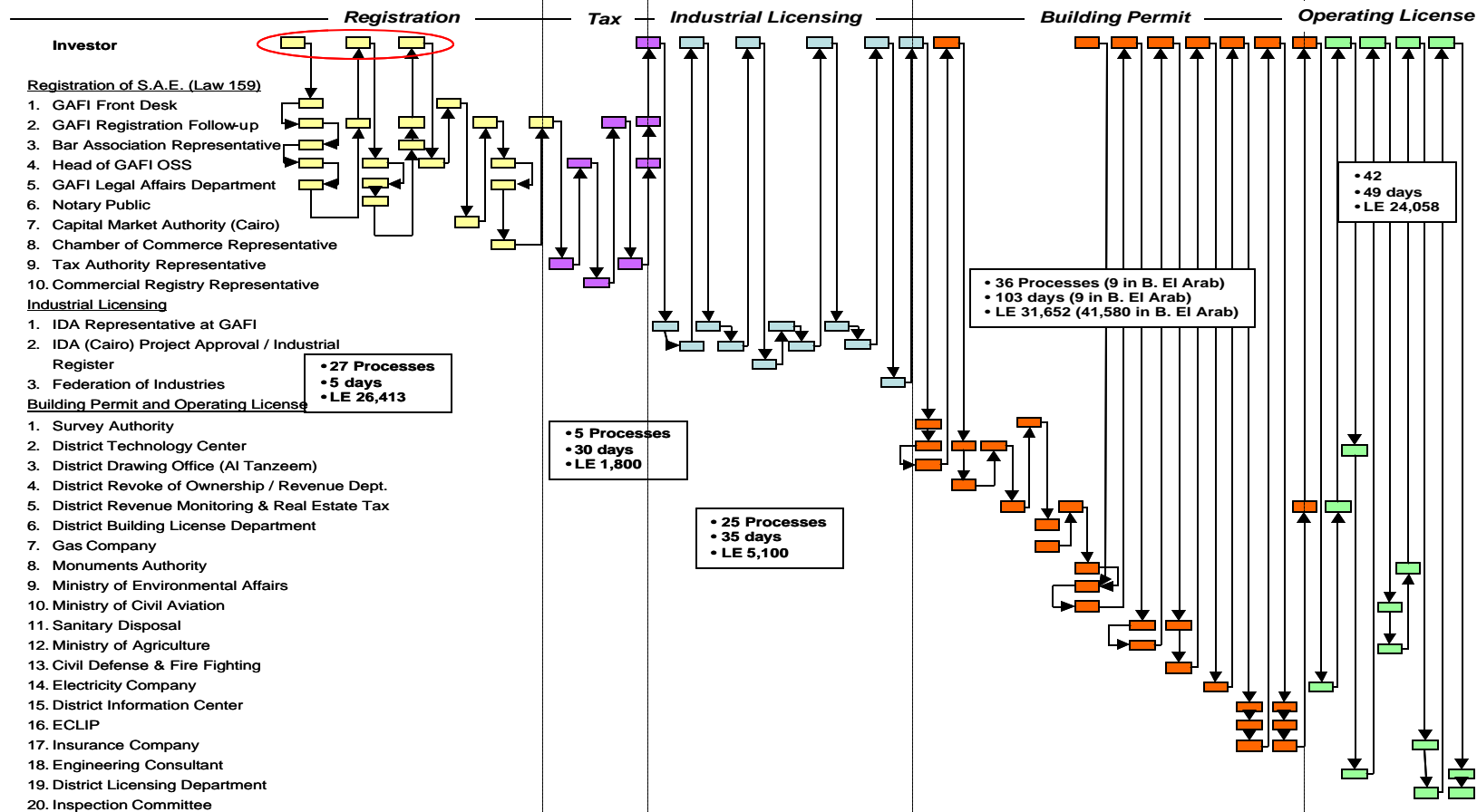


As part of CDS preparation, IFC's PEP-MENA is currently financing a grant-funded Business Start-Up Simplification Project at GAFI's Alexandria OSS, which aims to reduce the regulatory burden on the private sector through comprehensive restructuring of relevant procedures facing business start-ups. The objective is to reduce cost, time and administrative steps required in business start-up registration and licensing, and hence encourage both local and foreign investment in the Governorate. Successfully piloted reforms would be scaled up to the national level through the Ministry of Investment and GAFI. The total cost funded by PEP-MENA is \$900,000, including mapping of all relevant procedures, reengineering process to streamline unnecessary steps, preparation of detailed designs for system automation to reduce time and steps, improve inter-agency and intra-agency communication, and strengthen monitoring, and finally assistance in the practical implementation of streamlined processes (i.e. accompanying the installation and training of officials on all required new systems). The process mapping and baseline survey of the private sector have been completed, and results have been disseminated in a major conference that took place in November 2006. The early steps of the reengineering process are currently underway as stated above.

As stipulated in the tri-partite agreement between Alexandria Governorate, GAFI and PEP-MENA, signed on October 3, 2005, the project will finance the procurement of necessary equipment (hardware, software, portals, etc) needed to implement key streamlined procedures. The definition of exact packages to be procured under this sub-program, however, depends on the outcome of the ongoing reengineering process and the ensuing GOE decisions as to which steps would be cancelled, delegated or kept in place, which in turn would determine the type of hardware/software, packaged training, and accompanying works to redesign OSS office space to accommodate reengineered workflows. In total, \$0.75 million have been earmarked for this sub-program, estimated as sufficient to cover the procurement needs in terms of goods and related works that would enable the OSS to deliver streamlined, efficient service in the key above mentioned licensing procedures. Ultimately, a more successful reform process in terms of process reengineering (i.e. one which witnesses the canceling or delegation of authority over as many unnecessary steps as possible) would imply a less costly automation process.

*Total cost:* The total estimated cost of this subprogram is \$0.750 million. This includes goods for supply and installation of integrated streamlining/automation package for business start-up procedures, and reconfiguration of office space according to revised workflow.

**Business start-up complexity in Egypt**  
**135 processes, 222 days, LE 89,023 (or US\$15,563)**



Source IFC PEP-MENA (September, 2006)

Note The business in question is assumed to be a Joint Stock Company (S.A.E) established under Law 159 of 1981, with a paid up capital of LE1.00 million, and which would locate on a 1,000 sqm parcel with a building/plant covering 60% of the land.

## **Sub-Program 2.2      *Preparing the regulatory framework for the registration of existing land and real property at the North Merghem enterprise park***

The objective of this sub-program is to facilitate the legalization and registration of existing land and property informally held by investors in the North Merghem Enterprise Park. Access to and the price of industrial land—major constraints to doing business in Egypt—are especially acute in Alexandria. Existing investors are unable to legalize existing land and property assets, developed informally in the absence of land use plans and/or clear titles, and cannot access land to expand, and prospective investors cannot access well-located and adequately priced land. The North Merghem area, about 5.6km<sup>2</sup> (1,333 Feddans), has about 247 enterprises, mostly small and medium-sized but with a few large establishments, that have been in operation for 20-30 years and employ some 15,000 workers, but whose land and property is not legalized or registered. According to the Merghem Investors Association (MIA), investors finance their own services, mainly water supply and electricity and some internal paved roads, and they maintain them on an ad hoc basis. Most investors have still not managed to legalize their land ownership with the State Land Protection Agency (*Amlak*) after purchasing the land use rights from the Bedouins. Many investors have open legalization files at the Amlak but very few completed the process.<sup>6</sup> The result is that investors' lands and improvements are not registered, and thus can not be used as collateral. Such is the extent of dissatisfaction this chronic issue causes among local investors that the Alexandria Businessmen Association made its resolution its top priority request to GAFI in their joint MoU in June-July 2006. Such a problem, if left unresolved, is likely to deter potential (foreign) investors seeking to invest in Alexandria, who would be concerned of a poor property rights regime and a poor perception of the Governorate agencies' role in the investment climate.

As part of CDS preparation and with a Cities Alliance grant, technical assistance was provided to prepare a preliminary legalization strategy through the cooperation of MIA and the Amlak and a revision of the North Merghem structure plan. The legalization process was reactivated with the issuance of Governor Decree No. 603 of 2006 that established a committee to resolve related pending issues and present its recommendations to the Governor for issue in a decree governing the process. The committee, headed by the Assistant Secretary General and including the heads of the Amlak and legal affairs department and members of MIA's Board of Directors, presented their mutually agreed recommendations to the Governor by the end of July 2006. The decree is expected to provide for the use of the revised plan as a legal basis for legalization. An investor dispute resolution committee established by GAFI will provide support to the process.

Under the project, this Sub-Program will finance the preparation of the detailed land use plan, mapping and survey equipment and production of cadastral mapping/surveys that will serve as a basis for land tenure legalization and property registration, and technical assistance to finalize the legalization framework details, including the pricing structure and applicability by land use, and dispute resolution mechanism including the treatment of disputing property claims, as well as to accompany implementation.<sup>7</sup>

Total cost: The total estimated cost of this subprogram is \$0.15 million for goods.

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<sup>6</sup> Despite past Prime Minister (1107 of 1995) and Governor (193 of 1999) decrees governing the legalization, the process stalled due to disagreement over the following issues: (i) applicable price of the land (base price at the time of squatting or of opening the file with Amlak); (ii) proof of ownership of the surface area held by investors (utility receipts confirm investors' identify and date of squatting but not the area); (iii) payment of usufruct rent for a five-year interim period.

<sup>7</sup> The revision of the detailed plan is critical. The Amlak's outdated plan has very large right-of-way for streets without any relation to existing investments, which would force investors to either demolish large parts of their factories or legalize these "encroachments" using current, inflated prices. A second issue is applicable procedures by investment type or land use. The Amlak argues that storage/warehousing activities are in reality lands held by speculators who should pay current values, while MIA calls for equal treatment to all uses as some investors were wary of investing in an uncertain property rights situation. A final issue, which is not expected to be dealt with under the project, is that for some investors multiple claims have over the years arisen through inheritance or partnership disputes, and some lender-initiated foreclosures, which are being/should be dealt with in courts.

**Sub-Program 2.3      *Designing the regulatory, technical and financial framework for private sector expanded role in managing and developing industrial areas in Alexandria***

The objective of this sub-program is to expand private sector participation in the management and development of industrial estates in Alexandria, through: (i) assisting IDA to strengthen the regulatory framework governing industrial zones development and management (a top priority for IDA and the Ministry of Industry and Trade, based on feedback received from international and regional zone developers); (ii) detailing appropriate institutional and financial arrangements for the management and development of Al Nahda and Borg Al Arab industrial zones based on private sector participation; and (iii) preparing a full Feasibility Study for a model privately-developed industrial estate on a pilot site in Al Nahda area. Successfully piloted initiatives will be replicated by IDA and the Ministry of Industry and Trade at the national level.

As part of the CDS preparation, a \$250,000 technical assistance grant has been jointly provided by the IFC-FIAS and Cities Alliance program, to prepare a *Pre-Feasibility Study for the Establishment of a Model Industrial Estates Program in Alexandria*, in response to the request for advisory assistance from GAFI, IDA, and Alexandria Governorate. The Study is in two volumes, with *Volume 1* focusing on the governance framework for industrial land in Egypt, and *Volume 2* evaluating the market demand at Borg Al Arab new city and Al Nahda industrial area and the opportunities that each site provides for engaging a private developer/ operator in a pilot project.

Aligned with the Government's ongoing reforms to support private sector-led growth and improvements in the business-enabling environment, the Study reviews the policy, legal, regulatory, and institutional frameworks for accessing, developing, and managing industrial land in Egypt and examines the feasibility of enabling private sector participation in the development and management of a pilot industrial zone in Alexandria. The Study emphasizes the need to shift away from centrally planned, supply-driven, Government-built and operated zones which are operating on a subsidized basis, toward a framework that explicitly facilitates greater public private partnerships and a reliance on market forces in order to remain competitive.

The Study provides various models for the development of a successful pilot industrial zone in Alexandria that can serve as a showcase for reforms in other existing and new property developments in Egypt. One model describes how Egypt can unify its multiple industrial land regimes, including inland industrial zones, new cities, public free zones, and special economic zones (SEZ). A "second-best" model describes how GAFI and IDA can delineate their roles by function – as regulator and transaction packager respectively – rather than by types of industrial property, as is currently the case. This approach would build on GAFI's existing regulatory capacities and IDA's deal-making capacity, augmenting its capacity to design and administer private-public partnerships for industrial zone development.

A dual-track approach is recommended so that the legal and institutional governance reforms associated with one of the above options can be undertaken without holding up the development of a pilot project in Alexandria on a faster-track basis. Depending on whether Borg and/or Nahda is chosen for the pilot, agreements would need to be negotiated between IDA, GAFI, NUCA, the Governorate, and utility companies through a focal agency. While the eagerness to initiate the pilot is a great sign of a shift in Government thinking regarding the central role that the private sector can play in the development and management of industrial land, a commitment to competitive bidding of transaction opportunities is essential to maximizing the benefits of the project and leveraging its role as a pilot for broader reforms.

This sub-program will thus finance the follow-up full Feasibility Study for a model privately-developed industrial estate on a pilot site in Al Nahda area, in accordance with the recommended regulatory framework for industrial estates. The Feasibility Study would include setting the stage to identify a qualified private developer through a competitive bidding process and broker a PPP transaction, and determine off-site infrastructure interventions needed of the public sector as part of the PPP transaction including funding sources (including IDA's industrial land fund).

**Total cost:** The total estimated cost of this subprogram is \$1.1 million, services, financed by GOE. This includes \$1.00 million for the design of the framework and feasibility study of the Al Nahda and Borg Al Arab industrial zones, and \$0.10 million for the preparation of a feasibility study for the North Merghem enterprise park, including preliminary engineering design and environment impact assessment, depending on the market demand study outcomes.

### **Program 3: Urban Upgrading of Squatter and Informal Settlements**

The objective of the program is to increase access of the project's squatter settlement population to basic infrastructure, community facilities and services in accordance with community needs and priorities. Phase I of implementing this program will focus on the three squatter settlements of El Amrawy, Naga El Arab and El Hadara El Gadida, with a total of \$8.60 million investment to provide priority infrastructure, facilities and services (See detailed cost breakdown in Table below). The balance of the sub-program funds is earmarked for another 4 settlements (Gozam, Merghem, Khorshid and Ezbit El-Mattar) in which community prioritized their needs under PRA survey, but implementation will take place as Phase II.

This program finances works and community services to improve living conditions of residents in seven squatter settlements through provision of basic infrastructure, community facilities and community services. The total estimated cost of this program is \$26.25 million, of which IBRD will contribute \$25.00 million, and the GOE will contribute up to \$1.25 million equivalent to finance the administrative fees of supervision. The SFD has assisted Alexandria Governorate in the preparation of all studies in project settlements including a representative household survey, participatory identification and validation of community needs and priorities, preparation of feasibility and design studies and tender documents.

The program is to pilot an integrated community/demand-driven approach to urban upgrading in seven selected squatter and informal settlements in Alexandria, in a two-staged preparation and implementation process. The first three settlements—El Amrawy (population of 365,000), El Hadara Al Gadida (population of 134,000) and Naga Al Arab (population of 29,000)—have been selected (selection criteria are listed in Annex 4.A), community priorities identified, interventions design and tender documents prepared for implementation to begin upon effectiveness. The completion of preparatory work of the other four settlements will take place in the first year of project implementation, to allow for integrating lessons learnt during the first stage.

The integrated approach to upgrading relied upon in this program represents a departure from the supply-driven, bricks-and-mortars focused approach typically used in Egypt, without community participation in planning and investment prioritization and without integration of socio-economic development with physical/infrastructural interventions. The program instead relies on a demand-driven, three-pronged approach including facilitating delivery of infrastructure and basic services, enabling the creation of economic opportunities for residents, and improving land tenure security. Finally, the upgrading initiatives take place within the scope of a city upgrading strategy prepared by Alexandria Governorate as part of the CDS, which also aims to leverage donors and other resources for implementation. The aim is that a successfully piloted approach would be scaled up as part Egypt's program to meet its Millennium Challenge Goals of connecting people to water, wastewater and reducing number of slum dwellers.

Phase I urban upgrading targets include:

- 40 km wastewater network built in El Amrawy and Naga Al Arab;
- 52 km surface water drains built in El Hadara and Naga Al Arab;
- 50 km roads and lanes paved in the three settlements, with curbs and sidewalks;
- 3 multi-purpose community centers facilities built and operational in the three settlements;
- Post office built and operational in Naga Al Arab.<sup>8</sup>

In each of the settlements, the following socio-economic interventions are planned and would be carried out directly by local CDAs and NGOs:<sup>9</sup>

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<sup>8</sup> In addition to the need for the service, post offices offer a broad range of important services, including savings instruments extensively relied on by poor households and their use by SFD to accept micro-credit repayments.

<sup>9</sup> The identification process revealed the following: (i) in El Amrawy, there are three strong and active CDAs (Association for Development of Prince el Qibli, Association of Environmental Pioneers, and Association of El

- Specialized Literacy Services, with CDAs/NGOs setting up and running multi-generation schools targeting children who dropped out of school and illiterate adult females and males with a core literacy curriculum that has simple vocational training to aid in gaining employment. Funding will cover training of trainers, curriculum development, equipment, and running costs for the first year.
- Targeted Vocational Training, with local CDAs/NGOs setting up and running vocational training courses specifically tailored to the local job market. Funding will cover adapting curriculum developed by SFD and others, teaching materials, training trainers, supplying equipment, and running costs for the first year.
- Family Health Services, with CDAs/NGOs setting up and running health units that concentrate on family health services and which are designed to complement government health programs and facilities in the area, including referral. Funding will include equipment, training, management capacity building, etc.

<b>Urban upgrading in three informal/squatter settlements: Hadara, Naga Al Arab and Amrawy</b>	<b>Cost (LE)</b>	<b>Cost (USD)</b>	<b>Bank financing (USD)</b>
<b>A. Wastewater and drainage</b>			
A1. Hadara surface water drains (32km drain pipes and gutters)	2,700,000	469,565	469,565
A2. Naga Al Arab sewerage network (19km network extension)	6,000,000	1,043,478	1,043,478
A3. Naga Al Arab surface water drains (19.9km drain pipes/gutters)	800,000	139,130	139,130
A4. Amrawy wastewater network capacity strengthening (TBD)	8,000,000	1,391,304	1,391,304
<b>Sub-total wastewater and drainage</b>	<b>17,500,000</b>	<b>3,043,478</b>	<b>3,043,478</b>
<b>B. Streets and public spaces</b>			
B1. Hadara main street paving (9km including curbs and sidewalks)	3,300,000	573,913	573,913
B2. Hadara lane paving (15km including curbs and sidewalks)	3,750,000	652,174	652,174
B3. Hadara Sadat street rehabilitation (3km public space improvement)	750,000	130,435	130,435
B4. Naga Al Arab streets (19km including curbs and sidewalks)	3,000,000	521,739	521,739
B5. Hadara Talaatin St. Extension	2,000,000	347,826	347,826
B6. Naga Al Arab railway crossing (2 controlled level crossing for vehicular and pedestrian, with wall)	660,000	114,783	104,348
B7. Naga Al Arab landscaping & lake front treatment to prevent fill	300,000	52,174	52,174
B8. Amrawy streets and lane paving (TBD including curbs, sidewalks)	7,200,000	1,252,174	1,252,174
B9. Hadara Derisa bridge	600,000	104,348	104,348
B10. Hadara Pedestrian bridge on Mahmoudiya canal	350,000	60,870	40,000
<b>Sub-total streets and public spaces</b>	<b>21,810,000</b>	<b>3,793,043</b>	<b>3,761,739</b>
<b>C. Community facilities</b>			
C1. Hadara multi-purpose community center	1,000,000	173,913	
C2. Naga Al Arab multi-purpose community center	1,000,000	173,913	173,913
C3. Amrawy youth/community area	350,000	60,870	60,870
C4. Naga Al Arab post office	350,000	60,870	
<b>Sub-total community facilities</b>	<b>2,700,000</b>	<b>469,565</b>	<b>234,783</b>
<b>D. Community services &amp; capacity building activities</b>			
D1. Specialized literacy services (CDA-run multi-generational schools in Hadara, Naga Al Arab and Amrawy areas)	675,000	117,391	117,391
D2. Targeted vocational training (CDA-run vocational training centers in Hadara, Naga Al Arab and Amrawy areas)	1,950,000	339,130	339,130

Salaam) and two weak but with potential (Association of Masgid el Amrawy and Association of Rabita Arama); (ii) in Naga Al Arab, three active CDAs (Association of El Fayoum, Association of Gharb district, and Association of Rabitat Ahaly El Wardian), and one weak (Association of Naga El Arab); and (iii) in El Hadara El Gadida, two active CDAs (Association of El Mansheya El Gedida, and Association of Mohandessin district), and two weak ones (Association of Ezbet El Gamaa and Association of El Sobhia).



D3. Family health services (CDA-run health units in Hadara, Naga Al Arab and Amrawy areas)	1,140,000	198,261	198,261
D4. Environmental Services through NGOs	1,425,000	247,826	247,826
D5. Public Awareness through NGOs	900,000	156,522	156,522
D6. Small business support services (CDA-run business services for small entrepreneurs in Hadara, Naga Al Arab and Amrawy areas)	1,275,000	221,739	221,739
<b>Sub-total community services &amp; capacity building activities</b>	<b>7,365,000</b>	<b>1,280,870</b>	<b>1,280,870</b>
<b>Total</b>	<b>49,475,000</b>	<b>8,604,348</b>	<b>8,604,348</b>

Total cost: The estimated cost of this program is \$26.25 million, financed by GOE.

Annex 4 provides more background information about squatter settlements upgrading and ongoing activities with AUDI and UNICEF.

#### **Program 4: Institutional Development**

This program consists of goods and services in support of institutional development and technical support to project operation. Specific activities are: (i) updating Alexandria's Master Plan, including an urban structure plan of the Alexandria Governorate, a land use plan of Alexandria City and detailed plans for selected areas; and (ii) establishing the Alexandria Development Agency.

##### **Sub-Program 4.1 Updating Alexandria's Master Plan**

The objective of this sub-program is to assist Alexandria Governorate to update the existing master plan, with the aim of producing an Urban Structure Plan for the Governorate, an updated Land Use Plan for Alexandria City, and preparing detailed urban plans for selected priority areas. This pilot effort would put in practice the new urban planning regulations/guidelines developed under the draft Unified Construction Code (under review by Parliament), which delegates land use planning functions to Governorates, and assist Alexandria become a climate change resilient city.

Alexandria had two master plan revisions in recent years, which lacked coherence and were by and large not implemented.<sup>10</sup> Meanwhile, the city's urban growth was taking place at a much faster pace than planned for, as a result of significant un-coordinated allocation of public land and urban sprawl. Industrial development took place in unplanned areas such as Merghem. And the lack of a housing strategy left low and moderate-income groups no option but to convert State-owned land, including land leased from the Ministry of Agriculture and Land Reclamation, into urban uses.

The new Structure Plan would guide growth in the Governorate (i.e. metropolitan Alexandria), better connect Alexandria city and Borg Al-Arab new urban community; and develop an overall land use plan for areas surrounding Lake and Wadi Marriout as well as vacant land to the south of Alexandria Governorate. The assignment will also update Alexandria City General/Master Plan of 1997, and prepare detailed plans for selected areas (high value land surrounding Lake Marriout, so that the experience gained under program 1.1 is replicated fully by Alexandria Governorate in other sites; and urban plans for other squatter settlements, so that the experience gained under program 3 is replicated fully by Alexandria Governorate in other sites).

Beyond preparing detailed plans for selected areas, a process for more expeditious, transparent, and fair release of publicly held land will be devised along with institutional arrangements to ensure that this is accomplished. This is extremely important as a means of timely opening up land for urban development. The assignment will be undertaken in close cooperation with and under the technical oversight of the GOPP.

<sup>10</sup> The first plan, undertaken in 1985 by the Comprehensive Planning Authority, is a Comprehensive Plan that laid out a vision for Alexandria's growth until 2005, but which has not been legally enacted. The second plan, prepared in 1997 by GOPP, diverged from the 1985 Plan, and while it was legally enacted, it was not enforced by Alexandria Governorate's planning department.

Total cost: The estimated cost of this subprogram is \$1.3 million, service, financed by GOE. In addition, the GOPP will finance preparatory work, including existing situation analysis and update of existing land use maps, with a pledged amount of LE2.0 million (\$350,000) as a parallel funding, based on the MoU signed between Alexandria Governorate and GOPP on July 31, 2006.

#### ***Sub-Program 4.2      Establishing the Alexandria Development Agency***

One of the project's overarching aims is to build the requisite capacity within the Governorate to sustain the participatory strategic planning (CDS) process, promote for Alexandria building on many endowments and competitive advantages, and monitor the implementation of the Master Plan and arrange for its subsequent updates. Towards this end, this sub-program would assist Alexandria Governorate in its plan to establish ADA, which is planned to be given significant decision-making powers, resources and financial ability to implement its role. The ADA would be structured along the lines of similar agencies in partner European cities as Lyon, Barcelona and Seville. The ADA would coordinate with the technical unit of Lake Marriout Development Agency in order to manage in an orderly and transparent manner the release of publicly held land for urban development by the private sector.<sup>11</sup> In two MoUs signed between Alexandria Governorate and each of Bibliotheca Alexandrina (December 11, 2005) and GOPP (July 31, 2006), the latter two committed themselves to provide technical support to the establishment of ADA.

Total cost: The estimated cost of this subprogram is \$0.65 million financed by GOE. This would procure necessary goods (\$0.40 million) including all equipment and the set up a Geographic Information System (GIS) that would enable ADA to function efficiently, and services (\$0.25 million) to cover the cost of required consultants especially in regard with land management and development in partnership with the private sector.

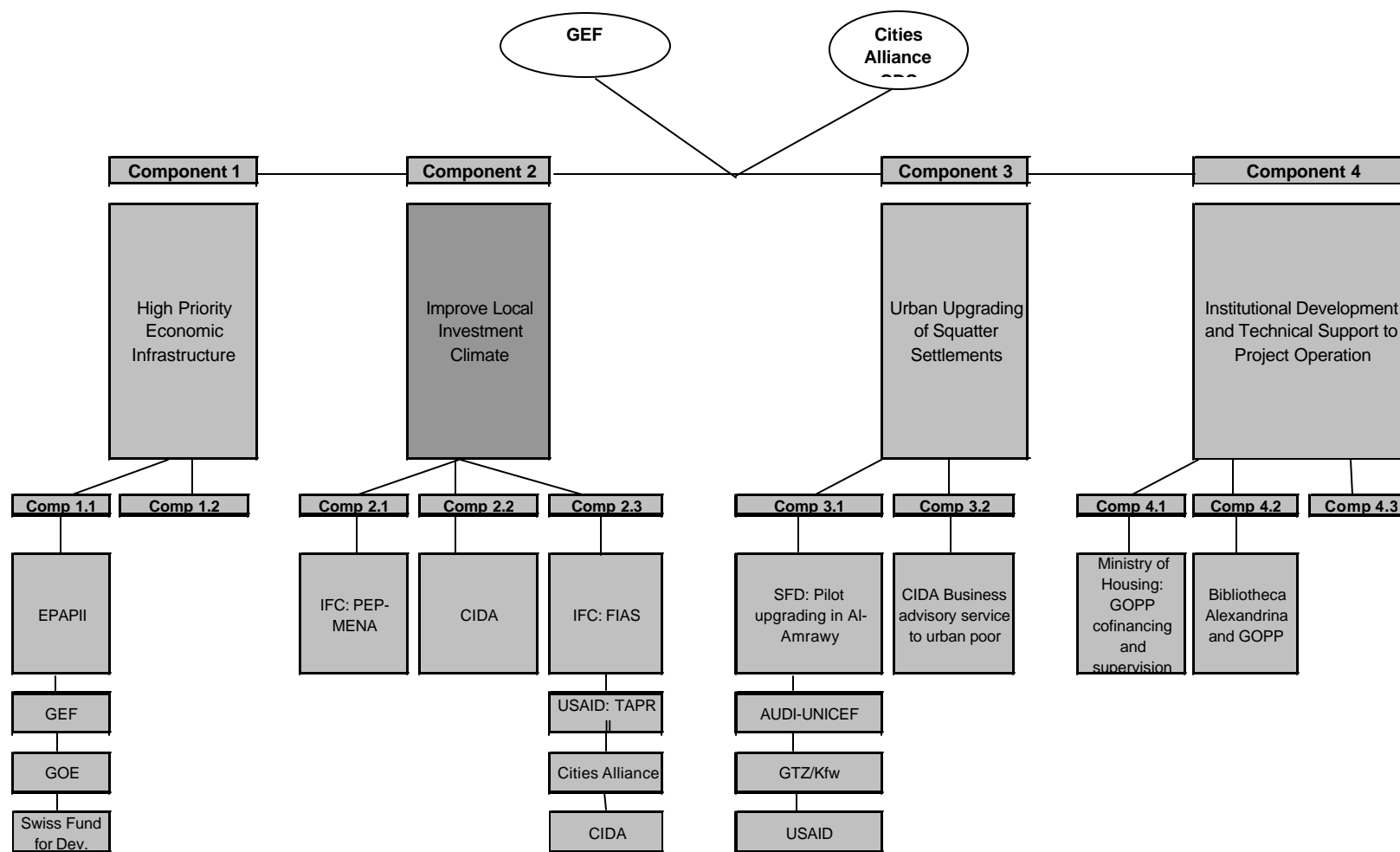
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<sup>11</sup> The technical unit, if created soon enough, might be empowered to manage the selection of developers and the implementation process for project component 1.2, the mixed use land development of a site bordering Lake Marriout.

### 4.3 Synergy with Partners & Other Development Projects

The CDS succeeded in attracting investments from the private, public and third sectors, and maximized the opportunities for follow-up investments from the donor community. The following are examples of projects that have the potential to contribute to the CDS vision:

## Corresponding Partnership Activities



#### 4.3.1 Local Area Initiatives

A first success was attracting funding through the Local Area Initiative program (GTZ / KfW) which supplied participatory budget training to one of the districts and financed the construction of a community centre in one of the squatter settlements. A second success was the improvement of primary health care units in squatter settlements financed by GTZ / KfW, UNICEF and AUDI. Finally, the Governorate's commitment to address the environment issues in Lake Marriout encouraged the central government to fund some immediate pollution abatement measures needed. Such quick wins were key to the success of the CDS process in Alexandria as tangible results strengthened and sustained stakeholder mobilization and trust.

#### 4.3.2 Institutionalization of Child Protection Mechanism in Alexandria

The regional Child Protection Initiative (CPI) program, supported by the World Bank and implemented by the Arab Urban Development Institute (AUDI) and UNICEF, are implementing activities in Alexandria in coordination with the Governorate and within the umbrella of the ADP. The project's aim is to "establish a protective framework for children at risk in Alexandria Governorate under the umbrella of local government, and in partnership with international organizations, NGOs and civil society actors via a mechanism that monitors children at local community level, identifies cases at risk and implements adequate interventions for their protection".. The program aims to: (i) set up a sustainable system for the protection of children at risk, (ii) increase youth participation through representative organizations, (iii) ensure integration of young people's needs and priorities in the Alexandria CDS, (iv) build the capacity of professional cadres responsible for the affairs of children and young people, and (v) assist in establishing activity hubs for young people within a safe and nurturing environment. Towards this end, a tripartite agreement between Alexandria Governorate, AUDI and UNICEF was signed in March 2006, under the aegis of ADP, by which UNICEF provides USD 170,000 and AUDI/CPI provides USD 175,000. The interventions are being implemented in three districts in Alexandria, including squatter settlements. They are implemented in coordination with ADP/SFD planned activities and under the overarching CDS umbrella.

Based on the **decree number (626/2005)** issued by H.E. the ex-Governor of Alexandria; a Governorate Child Protection Committee was established under the umbrella of AG. This committee is headed by the Secretary General of AG (Head of committee) and include in its membership under-secretaries of health, education, social affairs, labor and youth directorates as well as heads of selected NGOs from the targeted districts and technical experts (when required). The Governorate Protection Committee is responsible for monitoring the quality of the mechanism implementation; follow up on the progress of the program, issue policies and procedures that optimally achieve the program objectives and assisting in reducing challenges that might confront the program. Based on the same decree mentioned above, three district protection committees have been established at the three districts levels, each district committee is composed of: Head of the district (chairman of the committee), directors of the local partner administrations, heads of partner NGOs in each district, and experts (when required). District Protection committees are responsible for setting up an integrated program for protecting children at risk at the district level, for monitoring the child protective measures and removing any obstacles that may hinder the progress of the program.

Partnership in the protection program, during 2006, included the Governorate of Alexandria, three Heads of Districts, 22 governmental agency, 9 NGOs, 8 youth Centers and 2 regional and international partners.

Achievements during the Program's first year included: (i) conducting a quantitative survey to study the socio economic situation of children in eight squatter and impoverished areas in three districts in Alexandria, with a sample size that reached (3,015) families; (ii) identification of (5513) children at risk and providing them with preventive and protective measures, (iii) building capacities of (420) governmental and non-governmental partners on child protection mechanism and child rights issues; and (iv) raising awareness of 4600 mothers and 5800 community members on protection issues.

### **4.3.3 Enhancement of Wastewater Collection & Treatment**

The Government of Egypt has committed itself to reduce the environmental degradation in Lake Marriout and remove the odors emanating from the discharge of primary treated and raw sewage into the local irrigation drains that connect to the lake, thus improving living conditions for people living around the lake and increasing the value of surrounding land reserves available for future development. The Ministry of Housing, through the Cairo and Alexandria Potable Water and Wastewater Organization (CAPWO) has committed to take measures aiming to upgrade the existing treatment system, in both the Eastern and Western Wastewater Treatment Plants and improve sludge management.

#### **A. Wastewater in East of Alexandria:**

1. Job Order no. 2 serves Al-Zawaydah and Khorshid; 16 settlements with a total population of 300,000 people. The contract value is LE150 million and it covers (collection networks, pumping stations, and a secondary treatment plant treating 15,000 m<sup>3</sup>/day). The Arab Contractors Company is undertaking the work and all tasks have been 100 percent completed with the exception of the treatment plant, which is now 20 percent completed.
2. Job Order no. 3 serves the Izab Al-Soyouf area, which consists of 12 settlements with a total population of 150,000 people. The contract value is LE90 million and it covers (collection networks, seven pumping stations, and a secondary treatment plant treating 10,000 m<sup>3</sup>/day). The Hasan Allam Company is undertaking the work and all tasks are 85 percent completed. The Izab Al-Soyouf area produces 40,000 m<sup>3</sup>/day of wastewater, of which 10,000 m<sup>3</sup>/day receive secondary treatment, while the remaining 30,000 m<sup>3</sup>/day are pumped by the Al-Soyouf Pumping Station to the Eastern Treatment Plant for primary and then secondary treatment.
3. Job Order no. 4 serves the Izab Al-Ma'mourah area and the surrounding areas along the Al-Mallahah Road, which consists of 15 settlements with a total population of 200,000 people. The contract value is LE90 million and it covers (collection networks, nine pumping stations, and a secondary treatment plant treating 10,000 m<sup>3</sup>/day). The Industrial and Engineering Projects Company is undertaking the work and all mechanical tasks are 85 percent completed, while civil works are 95 percent completed. The area produces 40,000 m<sup>3</sup>/day of wastewater, of which 10,000 m<sup>3</sup>/day receive secondary treatment, while the remaining 30,000 m<sup>3</sup>/day will be pumped by the Al-Ras Al-Souda Pumping Station to the Eastern Treatment Plant for primary and then secondary treatment.
4. Job Order no. 104 concerns the covering of the Semouha Drain and the building a pumping station to pump wastewater to the Eastern Treatment Plant with a capacity of 15,000 m<sup>3</sup>/day. The contract value is LE20 million and the Al-Abd Contracting Company is undertaking the work. The project is now 60 percent completed.
5. The Abis area contract, which serves 20 settlements with a total population of 120,000 people. The contract value is LE57.5 million and it covers (collection networks, seven pumping stations, and six secondary treatment plants, each treating 3,000 m<sup>3</sup>/day). The Military Factories are undertaking the work in collaboration with Intec Company and all tasks will be completed in 2009.

The above mentioned presentation shows that a total 128,000 m<sup>3</sup>/day is being collected and receiving secondary treatment through the projects which are currently being implemented. This wastewater used to be drained without treatment to the Al-Qal'ah Drain and then to the main basin of Lake Marriout; thus causing serious pollution of the drain and the lake's basin.

#### **B. Wastewater in West of Alexandria:**

1. Job Order no. 108 concerns the closure of drainage outlets near the Alexandria Harbor and diverting them to the Western Treatment Plant. The contract value is LE20 million and the Hasan Allam Contracting Company is undertaking the work. The project is scheduled to be completed by 30/03/2008.

### **C. Expansions of the Eastern and Western Treatment Plants and upgrading the primary treatment into secondary treatment in both plants.**

1. The designs for both plants expansion, the sludge treatment facility and the upgrading of the primary treatment into secondary treatment level in both plants have been completed. The Cairo and Alexandria Potable Water and Wastewater Organization (CAPWO) has already ratified the design, which was prepared by Dr Ahmand Abd Al-Warith Consultancy Firm as follows:
2. Expansion of the Eastern Treatment Plant by adding 100,000m<sup>3</sup>/day to the existing capacity in order to accommodate the wastewater of East Alexandria as indicated above, and the establishment of a new sludge treatment facility in the Eastern Treatment Plant.
3. Expansion of the Western Treatment Plant by adding 250,000 m<sup>3</sup>/day to the plant's existing capacity in order to accommodate the wastewater of West Alexandria. The total cost of the expansions of the two plants and the new sludge treatment facility is estimated at LE550 million.
4. Upgrading the primary treatment level to secondary treatment in the Eastern and Western treatment plants with estimated costs amounting to LE750 million.

The tender procedures for these projects are being finalized and implementation is expected to start in January 2008 and be completed in 2012. Therefore, Alexandria is expected to treat at secondary level about 1.2 million m<sup>3</sup>/day of wastewater by 2012. This will bring an end to the problem of wastewater treatment in Alexandria, solve the problem of the wastewater pollution in Lake Marriout and revive it.

#### **4.3.4 Environment Pollution Abatement Project (EPAP II)**

This project which is financed by the World Bank, Japan (JBIC) and the European Community with USD 170 million aims to reduce industrial pollution from factories and petrochemical establishments located in the northern side of Lake Marriout by providing attractive loans to financially viable industrial enterprises for pollution reduction measures in the Alexandria area. EPAP II aims to demonstrate that market-based financial/technical approaches are effective in reducing industrial pollution in selected hot spots areas in and around the Alexandria and Greater Cairo areas.

#### **4.3.5 Integrated Coastal Zone Management Project**

The Global Environment Facility (GEF) at the World Bank funds the Alexandria Integrated Coastal Zone Management Project (USD 7.5 million) which is blended with the abovementioned Egypt Pollution Abatement Project II. The project development objective is: a) to supply a strategic framework and immediate small-scale investments to reduce the load of land-based sources of pollution (industrial and domestic) entering the Mediterranean Sea in the "hot spots" of El-Mex Bay and Alexandria; and b) to protect / restore globally significant coastal heritage and ecosystem processes by supporting the Government of Egypt's efforts to develop and implement a National Coastal Zone Management Plan. Experiences from the demonstration project in Alexandria will be transferred to the national level to mainstream pollution reduction strategies, integrated coastal zone management and environmental objectives into sectoral and national planning in other similar highly degraded lagoon systems in Egypt and elsewhere in the region.

#### **4.3.6 East Harbor Development**

In view of the prominent role that Bibliotheca Alexandrina has taken in the city, it intends to foster development of the area around the library including the Eastern Harbour. The Eastern Harbour - existing since antiquity - symbolizes the different historical phases in the development of the city. Today it represents also the hub of the city centre and remains the most important physical feature identified with Alexandria's waterfront.



A proposal developed by the Alexandria and Mediterranean Research Center in collaboration with Studio Bertocchini & Ruggiero foresees the renovation of the whole Eastern Harbour with special emphasis on conservation, bringing into perspective the unique feature of dialogue of cultures symbolized in Alexandria's cosmopolitan architecture. Evoking the past is experienced in integrating past and present grids in the new development, the revival of the academia with a new research facility, reviving the ancient Soma axis round the development of Silselah (peninsula stretching out from the library location), recreating the Pharos while highlighting the importance of the underwater archaeology and developing the Fort Museum. The concept emphasizes creating pedestrian experiences and establishing a relationship with the water edge while promoting leisure activities such as bathing, yachting, fishing or visiting the royal yacht El Mahrousa. The proposal tries to connect economic sustainability with the preservation of traditional activities (e.g. fishing or boat building). New facilities such as the fishing port, yachting marinas, etc. are to be created. Further, the proposal includes a Euro-Mediterranean stock exchange and Bank. The tourism development focuses on the renovation of the cosmopolitan heritage of the 19th and the early 20th century waterfront while creating the Pharos Hotel at the edge of Silselah and the Forum Convention Centre with its hotel facilities. Last but not least, the proposal features the environmental theme through the creation of an aquarium, a marine institute and a botanical garden. In addition to the proposal mentioned above the library organized an international architectural competition in which internationally renowned architects such as Mario Botta, I.M. Pei and SOM took part. This has spurred some interest by investors and time will show whether the ambitious project becomes reality.

#### **4.3.7 Underwater Museum**

In the summer of 2006 the UNESCO and the Egyptian Ministry of Culture invited experts from various disciplines to a 3-day workshop in order to discuss the options of bringing an underwater museum to Alexandria, its exhibit featuring the sunken monuments in the Eastern Harbour and around the Fort. This idea had first been proposed in 1965 and subsequently been studied and concretized. At the workshop the feasibility of such a museum was discussed in four parallel sessions on: underwater archaeology, architecture of submarine constructions, environmental conditions, socio-economic and urban impact. This was a follow-up event on previous workshops and studies on the potential economic value of archaeological sites for tourism development and feasibility. One of the major obstacles identified was marine pollution due to urban wastewater disposal into the coastal waters. Further a wide array of studies is being undertaken investigating the safety and integrity of the site (land and under water) and mapping monuments as well as sunken land and port structures. The peninsula of El-Silsilah which was the site of the Royal Palaces during Ptolemaic times is currently occupied by a military unit, but there is hope that it will be made accessible for archaeological research. This location opposite of the Bibliotheca Alexandrina is of interest as a potential location of the underwater museum and for new urban development (see above).

#### **4.3.8 Cultural Routes and Map of Alexandria**

The Alexandria and Mediterranean Research Centre (Alex Med) at the Bibliotheca Alexandrina has produced seven maps, each with a different theme and for different neighbourhoods in Alexandria. The detailed walking tour routes highlight the unique cultural heritage and contemporary attractions. The European Union has provided funding for this project that intends to make Alexandria's treasures more accessible to visitors.

This effort will be complemented by a detailed street map of Alexandria that will soon be published by Alex Med. It features a color-coded satellite image and labeled street-map of the city, a currently non-existent international tourist "must have" for navigating the streets. Sights, recommendable restaurants and other points of interests are marked in both the satellite image and the map.

#### **4.3.9 Business Development Services Support Project (BDSSP)<sup>12</sup>**

The BDSSP is project funded by the Canadian CIDA and dedicated to foster better employment opportunities through support to SME development with an emphasis on the needs of marginalized groups (women and youth) as well as on environment and child protection.

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<sup>12</sup> [www.bdsspegypt.net](http://www.bdsspegypt.net)

BDSSP supports existing Business Development Services Providers (BDSP) to enhance their capacity and give better demand driven non financial services to SMEs services paid by the enterprises or beneficiaries.

These Providers can be a Business Association ( for example the Borg El Arab Investors Association ), NGO or Cooperative , Technical or Training Center , University Faculty or Research Center , Government Agency, and other related organizations dedicated to the development of the SMEs and their workers (including women and youth ) .

BDSSP has been supporting several Providers in Alexandria to:

- conceive, develop and implement cost effective non-financial services that respond to the needs of SMEs;
- build their capacity and improve their staff skills to design , deliver and manage products and services for SMEs;
- introduce the practice of fee for services to cover the operating costs of the BDSP and make these Providers self sustainable;
- support linkages between SMEs, services Providers, financial institutions, donors, Egyptian authorities or government agencies.

BDSSP has been helping (expertise and finance) some Providers to survey the needs of their SME members or clients in order to conceive and implement demand driven services, to develop awareness campaigns on business issues and management seminars or other business events , to develop the Provider's promotion tools ( brochure , website , ... ) , to train the Provider's staff and Board members on associations' management, on SMEs' services development or to achieve other activities proposed by the Provider to BDSSP .

More specific results of BDSSP activities with partners in Alexandria Governorate include:

- With the *Investors Associations*: in the industrial zones of Borg El Arab and Merghem, a Business Development Center is giving technical supports to SME, an updated 06 data base has resulted in a printed Directory on the Industrial Zone and its enterprises (by clusters and with relevant information to promote Borg enterprises) as well as in a semi cadastral zone map with street numbers to locate the enterprises and services;
- With the *Egyptian Casings Association*: a permanent two-month-training program in a mini factory supplies the casings manufacturers with skilled workers who find a permanent job with their certified diploma of the Association;
- With the *Alexandria Businessmen Association – SME* , a Computer Center giving customized , short and practical trainings to SME new comers in IT and a technician solving their IT problems on request;
- With *COMIBASSAL Cooperative*: a SME advisory unit delivering technical services, lab tests and trainings this consultant used to give mainly to big enterprises;
- With the *Entrepreneurs Business Forum*: a business plan competition for aspiring entrepreneurs has promoted the entrepreneurial culture in relevant faculties , given business plan development trainings, evaluated and rewarded five winners with a mentoring program and LE50,000 for the first winner who has already found venture capital;
- With the *Alexandria University, Faculty of Engineering* : a promotional website<sup>13</sup> to attract investors in Alex governorate has been developed as well as an Entrepreneur Information Center to collect and disseminate useful data for the Alexandria business community and to answer quickly technical questions of the local entrepreneurs;
- With the *Egyptian Development and Technology Transfer Association: Faculty of Agriculture*, a free monthly magazine (designed, written, printed in 10000 issues and distributed by the Association) is giving technical and managerial information to post harvest operators, food processors and agribusiness practitioners.

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<sup>13</sup> [www.investinalalexandria.com](http://www.investinalalexandria.com)

Added to the daily advisory supports of the BDSSP project, to the officers and Canadian managers “learn by doing” activities relevant to achieve the above results , the partners enhancements have benefited from the BDSSP trainings covering most of the knowledge relevant to their BDS Provider’s management (e.g. with the American University in Cairo, AUC, a 3- week- training on advising SME); these partners have also been linked with the BDSSP Cairo and Menya partners to exchange experiences and find collaborations between themselves and their SME clients.

## Section 5. Lessons Learned

Alexandria represents an ideal location for a CDS project in that the idea of working together to plan and improve the city has great relevance and salience for a number of different groups. The notion of resurrecting Alexandria received an enormous boost from the decision to build the *Bibliotheca Alexandrina* and pilot the CDS processes. The business community, in conjunction with the extraordinary efforts and support of Alexandria's governor, has created synergy and opportunity for investment in the public infrastructure and the development of a vision for the city.

### Effects of the CDS:

The CDS process brought together people and organizations that, in the normal practice of planning, would not have been brought together. The CDS created an appropriate forum to discuss problematic issues, even though at times the forum was not as inclusive as it could be.

One respondent observed during an independent evaluation conducted by the Cities Alliance that "a momentum has been generated" by the process, and another suggested that the CDS grant provided the "spark" for implementation of investment projects and that CA encouraged other organizations to enter the project.

The Alexandria CDS illustrates coherence of effort. Stakeholders note that government financing is better targeted through the CDS. There is strong consensus that the process allows stakeholders to agree on the timing and pattern of events, prioritize urban investments and informally earmark sources of funding (both government funding and donor funding) for the myriad projects identified. This is particularly true of the Alexandria Development Project (US\$100 million), where the CDS processes have structured exactly how the infrastructure funds were to be spent. Furthermore, new partnerships and synergies have been established. For example, the Social Fund for Development (SFD) and GTZ/KfW have targeted resources for slum upgrading initiatives in the three pilot areas, and the ABA will support micro-credit initiatives in these areas as well, before scaling up to other areas under the long term CDS and ADP framework.

From the outset, the active involvement of the World Bank has helped to secure significant levels of follow-up finance for implementation of the CDS programs. Between follow-up public funding, the proposed ADP investments, a \$7.5 million GEF grant for the Lake Marriout program, SFD funds, and others, funding is being slated for Alexandria that responds to the CDS framework.

Although Alexandria is one of the most economically successful Governorates, has had two consecutive remarkably able Governors, who focused on creating a dynamic and attractive city, the CDS was not only a mechanism for participatory strategic planning, but also a catalyst for investment and planning. The CDS and follow-up investments suggest strategic interventions in both "hard infrastructure" to improve the living conditions of people and tackle key constraints to private sector development and economic growth (providing off-site infrastructure to enable land development with the private sector and road networks and); and "soft infrastructure" to address key barriers to investment and build the local capacity (streamlining business start-up procedures, enabling the registration of property informally held by investors, enhancing private sector participation in the management of industrial estates, and strengthening city capacity in managing local assets and sustaining strategic planning process). In a mega city, such as Alexandria, with a national function as 'drive of economic growth' such a balanced approach proved crucial.

The Alexandria CDS, and the resulting capital investment plan that will be partly implemented under the ADP, resulted in a shift in local development practice in Egypt away from the traditional top-down, supply-driven approach. The latter was criticized for: (a) its narrow focus on infrastructural issues and little emphasis on the local economy dynamics, needs and institutional/financial dimensions, (b) little private sector participation and understanding of market dynamics/trends, and (c) non-participatory nature in planning, decision-making and implementation. Instead, the Alexandria CDS and follow-up investments rely on a bottom-up approach where ownership rests with local authorities/stakeholders with emphasis on broad-based participation in formulating the long-term vision and identifying development programs.

Furthermore, Alexandria is now the pioneer in Egypt in implementing a CDS project that includes a citywide slum upgrading program. As the Government of Egypt begins to put in place a national program of CDS, other Governorates are looking at the Alexandria experience. Thus, this CDS has contributed to the urban reform process and to nation-wide scales of action.

### **Challenges in the CDS process:**

The CDS experience witnessed a few important challenges related to the CDS that need to be highlighted in order to contribute to the learning about the constraints in implementing the CDS process in different settings.

#### **Inclusivity**

Egypt, like many developing countries, does not have a tradition or well-established practices of public participation. In the past, the Egyptian government has not generally consulted a wide range of stakeholders before passing laws, regulations or plans. In its traditional master planning process, for example, even local planning efforts were developed under the direction of the national Ministry of Housing, Utilities and Urban Development, and by architect planners who were typically divorced from the public and, in the end, produced plans “lacking reality.” Thus, the inclusivity requirement of the CDS (i.e., that all relevant stakeholders be included in the development of an urban vision and that they be granted a voice in the actual design, implementation and prioritization of urban investments) represented an enormous challenge

This was particularly the case in terms of the participation of a wide-range NGOs, Community Development Associations, and other community groups who represent the voices of the poor in the CDS process. Although a number of leading NGOs<sup>14</sup> have always been invited and actively participated in almost all workshops, in an affluent city such as Alexandria, with many civil society organizations and community groups, the number of organizations that could not participate has always been greater. A mitigation that was applied in Alexandria, especially considering that a major portion of the CA initiative involved slum upgrading, the Governorate with support of GTZ and SFD invested considerable effort to collect data from residents of informal settlements, consulted broadly and in-depth with residents and their associations (PRAs, followed by in-depth base line survey) and established in each area a Stakeholders Council comprising natural and proactive leaders.

#### **Continuous Engagement**

A number of the stakeholders expressed general concern regarding the lack of feedback and information on both the status of the CDS process and specific investments identified and prioritized through the CDS. Several stakeholders felt that there was a lack of regular and frequent contact between the people in charge of the CDS, the Governorate, and the other stakeholders. The point was made a number of times that feedback and information were vital to the implementation of the CDS. Otherwise, as was pointed out, it would be relatively easy for important stakeholders to forget or ignore CDS issues, and even withdraw from the process.

Regular meetings, Partnership Forum workshops and other forms of informal communication would alleviated this concern to a certain extend and created opportunities for stakeholders to continue to think and talk about the progress being made. It is hoped this with this documentation, better information sharing and wider dissemination within Alexandria will be met.

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<sup>14</sup> Participating NGOs in the CDS process include Friends of Environment, Alexandria Rotary Club, Alexandria Businessmen Association, Merghem Investors Association, Al Nahda Investors Association, Borj Al Arab Investors Association, El-Manshia Investors Association, Hotels Chamber in Alexandria, Environment Pioneers Society, Alexandria-Mediterranean Research Center (Alex-MED), and Centre d'Etudes Alexandrine.

## **Institutional Issues**

At the national level, there is a lot of support in Egypt for a participatory and more inclusive approach to planning. It is clear that the current political and economic situation in Egypt has created a great deal of interest in planning that reflects the needs of the average Egyptian to a greater extent than was necessary in the past. On the other hand, there are some departments, agencies and individuals whose power and influence may be affected by any proposed change in how policy is developed and implemented.

However, the CDS process in Alexandria emphasizes close interface with central government to ensure that successfully implemented initiatives could be replicated at the national level. Several central level agencies have been providing very strong support to the CDS process- namely, GOPP, GAFI, IDA, EEAA, Ministry of Local Development, Ministry of Investment, Ministry of Environment and Ministry of Irrigation. Alexandria will serve as a pilot case to test selected strategic reforms that are aimed at removing key constraints to the investment climate and strengthening local government's urban management and service delivery capacity (Alexandria is already one of two test cases allowed more latitude by central government to set user charges for services). Successfully tested reforms, including CDS and urban upgrading regulations, would then be rolled out through regulatory reform and scaled up nationwide; a similar process is starting in the Metropolitan Cairo Area with support of the World Bank and partner donors.

In brief, the Alexandria case raises some points to be considered in future CDS in Egypt:

- **Timeline** – If processes are to be participatory, a longer timeline may be required. In effect, with the two phases approved by the Cities Alliance, the Alexandria CDS will have been completed in a much longer period of time than the 24 months.
- **Participation** – The project combines CDS and slum upgrading, yet without GTZ and SFD there could have been a lack of opportunity for the residents of slum communities to provide input into the broader city development strategy.
- **Sustainability** – The CDS funds the establishment of mechanisms (new units, such as the City Development Agency) to ensure institutionalization of CDS implementation. The next challenge is whether or not Alexandria will be able to assume the costs of the new unit.
- **Municipal financing** – The CA grants help to fund a consultant (in Phase II) in the area of municipal finance. This has been a gap in other CDS and it will be important to track how this kind of advisory/consulting service adds value to the CDS process.
- **Stakeholder communication** – Established mechanisms that are used regularly for providing updates on progress to stakeholders will continue to facilitate the continuous engagement of stakeholders in the process.
- **Outreach** – The case notes that the CDS should be the “talk of the street”, yet it does not appear to yet be the case. There will be a need to emphasize communications and outreach in the CDS process. This booklet and follow-up discussion forums, using media and other sources, will be good tools.



## Annex 1: Alexandria in Figures

<b>Estimated Number of Employed People (15-64 years) Distributed in Accordance to Sector and Paid Employees in Alexandria Governorate in 2003</b>				
<b>Sector</b>	<b>Number of people (00)</b>	<b>Number of people with wages</b>	<b>Percentage of employees with wages</b>	<b>Percentage of employment by sector</b>
Agriculture, Hunting, cutting wooden trees & working in Woodlands.	71	20	28%	1%
Fishing	49	9	18%	1%
Mining	34	32	94%	0.4%
Manufacturing	2,107	1871	89%	23%
Electricity, Gas, Vapor & heating Water	164	164	100%	2%
Construction & Building	745	518	70%	8%
Wholesale and Retail, Maintenance for motor ships & households commodities	2,331	808	35%	25%
Hotels & Restaurants	296	197	67%	3%
Transportation, Storage & Communication	935	723	77%	10%
financial Intermediaries	187	186	99%	2%
Real Estate Activities, Renting & business servicing	359	163	45%	4%
Defense & Public Management	632	625	99%	7%
Education	679	674	99%	7%
Health & Social Work	373	356	95%	4%
Social Services , Society Services & other personal Services	169	101	60%	2%
Housekeeping & Maid services	50	50	100%	1%
World and local Authorities and Organization, Embassies & Foreign Consulates.	-	0		
<b>Total</b>	<b>9,180</b>	<b>6,497</b>		<b>100%</b>

Source: Central Agency for Public Mobilization and Statistics " Labor Sample Survey Annual Report", July 2004, Pages 107,108, 124 and 179-180.

<b>FDI in Alexandria Free Zone Authority through year 2003</b>		
<b>Investor Nationality</b>	<b>Paid-up Capital in (000) USD</b>	<b>% to total</b>
<b>Egyptian</b>	2,325,837	92%
<b>Arab</b>	49,487	2%
<b>European</b>	126,776	5%
<b>American</b>	15,816	1%
<b>Others</b>	21,514	1%
<b>Total</b>	<b>2,539,430</b>	<b>100%</b>
Source: The Alexandria Free Zone Authority		

**Alexandria's Current Revenue by Type (1999-2004 / Actual Accounts)**

Revenue Type	1999 / 2000	2000 / 2001	2001 / 2002	2002 / 2003	2003 / 2004
Tax Rev (%)	10.97%	8.86%	8.76%	8.23%	8.69%
Non-Tax Rev (%)	2.42%	2.08%	1.82%	1.92%	2.19%
Special Funds and Accounts (%)	9.11%	8.03%	6.24%	7.01%	6.22%
Central Transfers (%)	77.50%	81.03%	83.18%	82.84%	82.90%
Total (in LE millions)	762.618	853.158	977.469	970.655	1111.646

Source: Finance Directorate, Alexandria Governorate

**The Composition of Alexandria's Sovereign Revenue**

Tax Type	Tax Definition	2003 / 2004
Agriculture / Land	The rate of this tax is computed on the basis of assessed rental value of agricultural land, determined every ten years. This tax is administered and collected by the Ministry of Agriculture, through their local level directorates and departments. 25% of the agriculture tax is allocated to the governorate in which the land is located and 75% to the villages where the tax is collected	1.97%
Building	This tax is considered the urban equivalent of the rural agricultural land tax. According to this tax, all commercial and industrial buildings in cities are required to pay a specific rate on the assessed rental value of the buildings involved, less an allowance for expenses. This tax is administered by the Ministry of Finance through its directorates at the governorate level. Like agriculture land tax, 25% of the tax on buildings is allocated to the governorate, in which these buildings are located and 75% to the cities where the tax is collected.	15.84%
Entertainment	This tax is levied on all owners of the theaters, cinemas, nightclubs, and other sources of entertainment. The pre-numbered tickets are used to estimate the tax liabilities based on specific criteria. This tax is partially administered by the Ministry of Culture through its local level directorates that occasionally sends representatives to the performances to verify attendance.	4.67%
Motor Vehicles and License Fee	These fees are fully administered by the Ministry of Interior. Fees rates are subject to continuous adjustments suggested by the Ministry of Interior and approved by the Ministry of Finance.	14.38%
Common Revenue Share	It is a surtax that is levied on four types of tax: (1) import duties and export taxes, (2) taxes on investment security holdings, (3) taxes on cigarettes and other tobacco products, and (4) profit taxes on commercial and industrial concerns. 50% of these taxes revenue remains in the governorate where they are collected and the remaining 50% transferred to the "Joint Fund" to be distributed on all governorates according to a specific formula, excluding Cairo and Alexandria. The rate of the surtax is not stable. Many factors determined this rate over time.	63.13%
Joint Fund Share	The fund is financially administered by the Ministry of Finance. However, the way in which the fund resources are distributed among the eligible governorates is decided in cooperation with the Ministry of Planning and Local Development. The criteria used to allocate the resources to the governorates depend on the factors of population, geographic area, and need.	0%

Suez Canal Fees	It is a surtax collected by the Ministry of Finance to be distributed among the five governorates surrounding the Suez Canal, Port Said, Ismailia, Suez, North Sinai, and South Sinai. The shares of the five governorates are not equal (50% of the surtax goes to Ismailia, 30% goes to Port Said and Suez, and 10% goes to North and South Sinai)	0%
<b>Total Taxes Revenues</b>	LE 96,590,020.00 (FY: 2003-2004)	100.00 %

Source: Ministry of Finance

#### The Composition of Alexandria Current Local Revenue (2002-2004 / Actual)

Non-Tax Revenues	Non-Tax Base Definition	2002 / 2003	2003 / 2004
Utilities	These utilities mainly include water, wastewater, garbage removal, and some locally owned electricity projects.	1.23%	1.57%
Service Directorates	These fees or user charges are collected by the directorates at the local level, which provide a variety of services to local residents. The examples of these fees are public educational institutions and health clinics registration fees, and veterinary services charges.	5.50%	7.00%
Licenses/Fees	The major source of these fees is the annual licensing of commercial, industrial, and sports establishments. This source of revenue is promising in case it receives attention. The local administration's current law permits the governorates to license almost all regulated activities within their jurisdictions.	4.57%	8.88%
Project Profits	Most of these projects were established by the Ministry of Planning or/and international donors to support local development efforts and to be self-sufficient. These projects are partially financed by the governorate and the central government	1.07%	0.86%
Quarries/Mine s	According to the current law of local administration individuals or entities that have been given a concession to extract sands, gravels or other building materials from public quarries or mines are required to pay an annual fee to the local unit where the quarry or mine is located.	0.15%	0.14%
Other Revenues	This revenue line-item mainly includes the revenue generated by the governorate when it acts as a tax or fee collector for the higher level of government or the central government besides some other miscellaneous minor sources of revenue.	9.00%	7.57%
SLDF	Services and Local Development Fund	78.48%	73.98%
<b>Total Non-Tax Revenues</b>	LE 86,677,166 (FY: 2003-2004)	100.00 %	100.00 %

Source: Ministry of Finance

#### Alexandria's Total Expenditure Composition (1999-2004)

Fiscal Year	1999 / 2000	2000 / 2001	2001 / 2002	2002 / 2003	2003 / 2004
Wages	55.00%	52.34%	51.12%	61.53%	58.29%
Operational Costs	12.50%	11.38%	13.77%	9.93%	12.40%
Investments	24.46%	23.74%	22.54%	20.49%	17.73%
Capital Transfers	8.04%	12.54%	12.58%	8.05%	11.57%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Finance Directorate, Alexandria Governorate

**The Distribution of Alexandria's Current Expenditure by Sector (1999-2004 Actual)**

<b>Sector</b>	<b>1999 / 2000</b>	<b>2000 / 2001</b>	<b>2001 / 2002</b>	<b>2002 / 2003</b>	<b>2003 / 2004</b>	<b>All Egypt</b>
General Secretariat and Councils	21.60%	23.69%	22.29%	14.97%	18.15%	22.30%
Education	56.19%	56.22%	55.67%	61.26%	58.90%	51.02%
Health Affairs	13.01%	11.19%	13.45%	14.40%	14.25%	12.08%
Housing and Utilities	1.29%	1.29%	1.16%	1.27%	1.23%	1.60%
Social Affairs	1.80%	1.73%	1.64%	1.78%	1.72%	2.79%
Supply and Internal Trade	1.15%	1.13%	1.07%	1.16%	1.08%	1.27%
Agriculture	2.36%	2.23%	2.19%	2.31%	2.09%	4.64%
Manpower	0.80%	0.76%	0.71%	0.77%	0.75%	0.57%
Transportation and Roads	0.32%	0.30%	0.28%	0.30%	0.27%	0.84%
Youth and Sport	0.96%	0.93%	0.91%	1.01%	0.98%	1.61%
Property Tax Administration	0.13%	0.13%	0.13%	0.14%	0.14%	0.10%
Organization and Administration	0.12%	0.13%	0.11%	0.14%	0.12%	0.14%
Veterinarian Medicine	0.29%	0.27%	0.41%	0.48%	0.33%	1.08%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Finance Directorate, Alexandria Governorate

## **Annex 2: List of Alexandria Partnership Forum**

### **Officials and Administration**

H.E. Mr. Adel Labib, Governor of Alexandria  
H.E. Mr. Ezzat Sha'aban, Acting Secretary General, Governorate of Alexandria  
Dr. Tarik El Qiey, Chairman of the Local Council  
Dr. Hazem Quedi, Chairman, General Organization of Physical Planning (GOPP)  
Dr. Mostafa Madbouly, Director Technical Office, GOPP  
Mr. Abdel-Gelil Al-Awady, General Director, Housing Dept, Alexandria Governorate  
Mr. Ali Ahmed Ali Abdellatif, Director of the Economic Affairs Department, Governorate of Alexandria.  
Mrs. Nariman Hassan, General Director, Egyptian Tourist Authority – Alexandria

### **International Organizations**

Mr. Emmanuel Mbi, Director of Egypt, Yemen and Djibouti Country Department, World Bank  
Dr. Ahmed Eiweida, Sr. Urban Specialist and Task Team Leader, Alexandria Development Project, World Bank.  
Dr. Ali El-Faramawy, Manager, UN-Habitat  
Mr. Christian Voigt, Director, GTZ Urban Program  
Mr. Frank Sader, Sr. Operations Manager and Chief Strategist, International Finance Corporation [IFC]  
Ms. Nehad Morsi Kamel, Consultant, World Bank

### **Regional Organisations**

Dr. Gamal M. Hamid, Director, MENA Child Protection Initiative, Arab Urban Development Institute  
Dr. Ali M. M. Madibo, Urban Planning and Design Specialist, Arab Urban Development Institute

### **European City Representatives**

Mrs. Rosamar Prieto-Castro, Deputy Mayor for Economic Development, Sevilla City Council.  
Mr. Xavier Borrell, Deputy Director for Economic Development, Barcelona City Council.  
Mrs. Teresa Craveiro, Director of the Strategic Planning Department, Lisbon City Council  
Mr. Jean-Louis Meynet, Delegate General for Economic & International Affairs, Grand Lyon Communauté Urbaine  
Dr. Carlo Salone, Professor of Economics, University of Turin and Counsellor for Spatial Policies, Piedmont Region  
Mr. Miguel Rivas, Director of Sevilla Global Urban Agency for Economic Development  
Mr. Joao Basto, Senior Executive Strategic Planning Department, Lisbon City Council

### **Bibliotheca Alexandrina**

Dr. Ismail Seragldin, Director Bibliotheca Alexandrina  
Dr. Mohamed Awad, Director of the Alexandria and Mediterranean Research Center  
Mr. Bernard Salomé, Special Representative of the Director of the Bibliotheca Alexandrina

### **Academia**

Dr. Mohamed El-Henawy, Alexandria University  
Mr. Jean-Yves Empereur, Director, Centre d'Etudes Alexandrine  
Dr. Ibthal El-Bastaweesy, Professor of Urban Planning, Faculty of Engineering, Alexandria University  
Dr. Hesham Seoudy, Department of Architecture, Alexandria University  
Dr. Amr Al Adawy, Dean, Faculty of Engineering, Alexandria University

Dr. Mostafa El Araby, Alexandria University  
Dr. Ahmed Mounir, Alexandria University

**Business**

Mr. Hosam Lehaita, Alexandria Business Association, Chair of EgyptTrans  
Mr. Waseem Mohey El-Din, Chairman of Hotels Chamber in Alexandria  
Mr. Hassan Abas Helmy, Chairman of Borg Al Arab Industrial Area.  
Dr. Mohamed Nour El-Din, Chairman of Al Nahda Industrial Area.  
Dr. Nabil Abou Hemda, Chairman of Merghem Industrial Area.  
Mr. Mahmoud Nazeem, Chairman, Alexandria Petrochemicals Company.  
Mr. Ahmed Algayar, Chairman, Alexandria Petroleum Company.  
Dr. Osman El-Gougary. Director, West Delta Office.  
Mr. Mohamed Bahgat Abd Elmoneam, Chair, Alexandria Sanitation & Drainage Company.  
Mrs. Nadia Abdou, Chair, Alexandria Water Company.  
Mr. Ahmed Abdelaziz Ezz, Chairman, Dekhila Iron Company.  
Mr Mohamed Abdallah, Chairman, Abou Keir Fertilizers Company.  
Dr. Mohamed Moharram, Chair Environment Committee, Alexandria Business Association.  
The Director of the Alexandria Local TV & Radio Channel.  
Mr. Ahmed S. Ragab, Vice President, Alexandria Business Association.  
Marwan Mahmoud El-Sammak, Head of Foreign Affairs Committee, Alexandria Business Association.



## Annex 3: Alexandria SWOT Analysis

### Local Economic Development & Competitiveness Report (June 2005)

#### Strengths (+)

#### Challenges (-)

##### Location and Climate

- + Proximity to European and Arab Markets
- + Strategic location on the Mediterranean close to the agricultural heartland and touristic potentials
- + Moderate climate

##### Data and Statistics

- Lack of economic data and statistics
- Lack of common definitions for sectors and size of enterprises
- Lack of coordination in data collection on the local level and between governorate and central government
- Insufficient public information on regulations & procedures affecting the business environment
- No automation

##### Labor Market and Skills

- + Above average pre-university education enrollment ratio (78%)
- + Availability of labor
- + Young labor force
- + 37 postsecondary education institutions in various fields
- + Unemployment below national average

- High number of new entrants to job market, them being younger and less trained as a result of weaker enrollment levels
- Brain drain
- Over all low technical labor skills
- Large informal sector participation (urban areas: 19%, rural areas: 57%)
- High unemployment

##### Wages and Working Hours

- + Average wages lower than in Cairo; average weekly work hours higher

##### Informal Sector

- No linkages between formal and informal sector due to taxation issues

##### Land

- + Availability of land and infrastructure in Borg El Arab
- + Land availability around Lake Mariout and in south Alexandria

- Unawareness and lack of information regarding the availability of land (especially for industrial and commercial development)
- Lack of land use zoning for future development
- Conflicting zoning instructions from different departments
- Growing illegal housing construction activity (some in strategically important areas)

##### Infrastructure

- + Port of Alexandria and Dekheila
- + Two international airports
- + Adequate water and telecom services

- Inefficiencies of port infrastructure and poor maintenance of cargo handling equipment making the handling costs and dwell times higher than in other ports in the region
- Inadequate infrastructure at Borg El Arab QIZ
- Poor connectivity links amongst the various transport nodes and industrial zones
- Crowded roads and city entrances. Unsafe roads in the vicinity of the port
- Frequent power and sewer system outages
- Infrequent air connections (once daily to Cairo)
- Ageing and badly maintained passenger trains

##### Industries

- + Strong presence of textiles, garments and food processing industries
- + Manufacturing employs 23% of labor force

##### Industrial Estates

- Insufficient information for potential investors

##### Trade

- + Domestic market nearing 70 mio people
- + Excellent trade base for Egypt (port handles 60% of imports and 47% of exports)
- + Qualified Industrial Zone (QIZ) status of Borg El Arab – tariff free exports to the US
- + Retail and wholesale employ 25% of labor force

##### Business Environment

- Difficult environment to do business (multiplicity of laws, administrative departments, lengthy procedures, poor public sector resources, lack of adequate information dissemination and conflicting regulations and/or procedures (national and local level)
- Difficult business registration at local level, with district authorities responsible for operation licenses

	<ul style="list-style-type: none"> <li>- Excessive bureaucratic procedures at ports (incl. longer than average customs clearance) affecting costs and competitiveness</li> </ul>
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#### Advocacy and lobbying

<ul style="list-style-type: none"> <li>+ Strong chambers and business associations with high visibility</li> <li>+ Vibrant and active variety of NGOs</li> <li>+ Good public-private sector coordination and cooperation (especially in city beautification)</li> </ul>
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#### Support for business enterprises

<ul style="list-style-type: none"> <li>- Insufficient business support and firm level assistance programs for enterprises in cooperation with donor agencies</li> <li>- Lack of data on export markets</li> <li>- Lack of design and marketing capabilities</li> </ul>
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#### Budgeting and Funding

<ul style="list-style-type: none"> <li>+ Governorate is able to secure funding for strategic projects</li> <li>+ Public-private investment projects to upgrade the city</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient revenues and transfers to support needs of growing population, to rehabilitate and extend infrastructure</li> </ul>
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#### Business Clusters

<ul style="list-style-type: none"> <li>- Weak cluster behavior as a result of weak linkages and supporting industries</li> <li>- Predominance of state-owned enterprises in key sectors (i.e. textiles and transport)</li> <li>- Weakness of the tourism sector</li> <li>- Weak cluster behavior of transport cluster</li> <li>- Insufficient consumer protection measures</li> </ul>
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### Opportunities (+)

### Threats (-)

#### Macro Economic Environment

<ul style="list-style-type: none"> <li>? Stabilizing foreign exchange rates</li> <li>? Newly drafted taxation laws to be approved and ratified by the parliament</li> <li>? Large remittances from Egyptians working abroad.</li> <li>? Improved customs regime</li> <li>? High population growth (workforce development)</li> <li>? Increased tourism movement world wide and to Egypt</li> </ul>	<ul style="list-style-type: none"> <li>• Unstable macro economic conditions (inflation, devaluation, worsening credit ratings, higher unemployment)</li> <li>• Slow privatization process</li> <li>• Limited access to credit</li> <li>• Low income per capita. GNI per capita USD 1,470</li> </ul>
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#### Investment

<ul style="list-style-type: none"> <li>? Attractive destination for investment due to large domestic market and proximity to European and Arab markets.</li> <li>? Good incentive schemes to induce investments. FDI and local. (Investment Incentives and Guarantees Law 8 of 1997 and others)</li> <li>? Strong opportunities for investment as a result of privatization and liberalization of sectors i.e. maritime and shipping sector</li> <li>? Strong opportunities for growth in the textiles and garments, food processing, maritime and shipping, petrochemicals, housing, infrastructure, construction, and tourism sector</li> <li>? Development opportunities in Lake Marriout area</li> </ul>
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#### Business Environment

<ul style="list-style-type: none"> <li>• Inability to move ahead on reform regarding business environment</li> <li>• Heavy red tape and bureaucracy</li> <li>• Extremely difficult national and local level business environment to operate in due to multiplicity of laws, departments, lengthy procedures, poor public sector resources, lack of adequate information dissemination, and conflicting regulations and or procedures. This is evident in the areas of business registration (start a business or renew licenses), locating issues (land and development of land), operational issues (labor and customs procedures), and finally reporting (register employees with the national Authority of Social Insurance and taxation)</li> </ul>
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#### Industries

<ul style="list-style-type: none"> <li>? Lower customs tariffs enabling modernization of industries and lower costs of raw materials</li> <li>? Potential for the development of higher technology industries such as the Petrochemicals sector</li> <li>? Potential transfer of know-how and technology as a result of increased FDI, the QIZ and other investment schemes and agreements</li> <li>? Decreased protection of the domestic market forcing local producers to improve quality and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Old technologies in key industries.</li> <li>• Heavy participation of the public sector in key industries (i.e. textiles, banking, and transportation)</li> </ul>
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## Trade

<p>? Strong Trade agreements: with the EU, COMESA (East &amp; South Africa), bilateral agreements with most Arab countries, QIZ agreement, the Agadir Trade Agreement (Egypt, Jordan, Tunisia) and a FTA with the US currently in negotiation.</p> <p>? Increasing exports. Total estimated value (1999): USD 3,548 Mio. to grow to 6,189 Mio. by 2003. This equates to 74.4% growth over 5 years (2003 CBE buying exchanges rates and CBE central rates for the previous periods).</p>	<ul style="list-style-type: none"> <li>• Decreased protection of domestic markets as trade is increasingly liberalized</li> <li>• Increased competition from larger local and international chains (as a result of open markets) forcing smaller enterprises to shut down</li> </ul>
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## Land

- Difficult land titling and registration procedures

## Education and Human Resources

- Low capacity and resources for education system and curricula's as a result of insufficient funding for basic and higher education

## Dispute Settlement

- Significant problems in disputes settlements arising from weak courts and implementation of the law

## Financing and Access to Credit

- Very high financing interest rates reaching 16% in some cases
- Very high collateral requests

## Annex 4: Squatter settlements and Alexandria's urban upgrading program

### Background, identification of pilot settlements and approach to urban upgrading:

Alexandria has 30 informal/squatter settlements<sup>15</sup> that house 1.36 million persons, over one-third of the Governorate's population and close to 40% of the city's population. The Alexandria CDS close examined these settlements using Participatory Rapid Appraisal (PRA) in 20 settlements that helped determine among other things community priorities and urban upgrading needs and a citywide upgrading strategy was subsequently developed. The study's main findings are: (i) high unemployment rate, ranging between 15-20%; (ii) lack of or poor infrastructure coverage, especially water supply (lacking in seven areas), sanitation/wastewater network (non-existent in ten settlements) and a generally narrow unpaved local road network that creates significant accessibility problems; (iii) inadequate local services, especially healthcare, education and youth facilities; (iv) poor housing conditions in some areas, especially in Amriya and Gharb districts, as residents lacking secure tenure are discouraged from investing in home improvement; and (v) lack of secure land tenure in the squatter settlements, and lack of formal title in the informal settlements.

A screening process identified three settlements, called El Amrawy/Mandara (called hereinafter El Amrawy), Naga El Arab, and El Hadara El Gadida, as pilot areas to implement integrated urban upgrading activities to be financed under the ADP and development partners in the first stage (kicking off in the project's first year). Large-scale household survey were carried out in each area by the SFD to develop an in-depth understanding of the area, validate community needs identified in the PRA process, and develop reliable baseline indicators for monitoring progress. It was also agreed that the same approach will be followed to prepare investments in another four settlements, in which community identified their investment priorities, for financing under the project.

Area	District (Hayy)	Estimated No. of Inhabitants (2005)	Estimated No. of Households (2005)	Average Household Size (2005)
El Amrawy/Mandara	Muntazah	365,000	79,347	4.6
Naga el Arab	Gharb	29,000	5,248	5.5
El Hadara el Gedida	Wassat	134,000	29,159	4.6

Source: SPAAC/SFD Final Report, April 2006

The identification of the first three pilot settlements relied on the following criteria: (i) pilot areas should represent the various settlement characteristics found in Alexandria in terms of population number, density, households' socio-economic status, existing state of infrastructure, services and community facilities, and housing conditions, in order to test and develop different modalities of intervention that respond to different conditions, and more importantly emphasize local tailor-made solutions; (ii) interventions should aim to be distributed spatially throughout the city and cover to the extent possible all districts, in part also to undertake on-the-job capacity building for district officials to enable them to engage effectively in subsequent urban upgrading operations; and (iii) interventions should address real needs that relate to the existing situation in terms of services and aim to achieve a real perceived difference rather than pre-determine an investment amount per household.

As for the different interventions, it was agreed upfront with the different stakeholders that: (i) the project would not finance the construction of school and hospital buildings given that the responsible authorities and line ministries are generally adequately funded at least when compared to local governments, but that Alexandria Governorate would use their lobbying power to ensure that the communities' needs of

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<sup>15</sup> The official figure was 54 settlements (Ministry of Local Development, 2001), but these were reclassified by Alexandria Governorate during the CDS process according to the reality on the ground, since many such settlements amalgamated as a result of continued growth.

schools and hospitals are met in parallel with the ongoing upgrading program; (ii) interventions will include a mix of infrastructure improvements and community facilities, building on the prioritization process by the communities and giving preference to investments with multiple impacts/uses (e.g. post offices are households' preferred savings' channel and provide a channel for micro-credit services); and (iii) public land available and secure where needed for a given investment.

The following section introduces the first three pilot settlements selected for upgrading activities:

**El Amrawy/Mandara:** El Amrawy/Mandara (hereinafter called El Amrawy) is a very large informal settlement in Muntazah district that is bound by Abu Kir railway (north), 45<sup>th</sup> street (west), Mustafa Kamel street (south) and Nabawy El Mohandess street (east). It covers 229 hectares and has an estimated population of 365,000 inhabitants in 2005. El Amrawy area formerly consisted of agricultural land (held by some in private ownership but mostly in tenancy to the Land Reclamation Authority or Awqaf) that was converted by informal urbanization and produced a densely built and heavily populated urban area that still continues to grow at 3-3.5% per annum. The area houses multi-story apartment buildings (mostly 4-7 floors but reaching up to 10-15 floors on the fringes), built in many cases on 100% of the land. Despite the area's heterogeneity, housing is generally of reasonably good quality. Yet, it suffers from severe overcrowding, with 35% of the households having more than two persons per room. El Amrawy also suffers from significant socio-economic problems, including a high unemployment rate (14.3%) especially among youth and a low median monthly household income (LE600, less than two-thirds the median figure for Egypt's urban areas).

In terms of infrastructure, services and facilities, the following are the key problems facing the settlement:

- The existing wastewater networks—whose extension started in the 1960s and 1970s—are severely overloaded as a result of densification.
- Despite the area's adequate location, there are no paved streets/lanes beyond the few main thoroughfares which, for an area housing 10% of the city's population, create significant access and transportation problems that have a negative effect on residents and business viability and add to health problems.
- Lack of access to conveniently located healthcare services (ranked by households as the third most pressing problem), absence of community facilities, and to a lesser extent lack of conveniently located schools.

Implementation of upgrading activities has already started in El Amrawy in May 2005. The SFD signed a Framework Agreement with Alexandria Governorate to use its own funds to implement selected projects identified through the PRA process equivalent to LE4.35m (\$0.76m) in the aim of testing and refining the approach to upgrading. The activities are completed, with a total cost about LE5.5m (\$0.96m), as seen in Table below. The SFD has also financing health and environmental awareness activities, and upgrading a youth center equivalent to LE0.425m (\$73,913), implemented through the cluster approach by CDAs. The community-based health interventions were initiated at both the household and community levels, and are carried out in close coordination with Alexandria governorate, the health directorate and health sector reform program, and the Alexandria family health fund.

**Completed pilot urban upgrading activities in El Amrawy area by the SFD**

Sub-project	Expected Final Cost (LE)	Expected Final Cost (\$)	Work done to-date (%)
Canal covering (1.5m wide, 1,850m long)	1,100,190	191,337	100
Youth Center	787,235	136,910	85
Market Area	781,250	135,870	95
Market and Fence	850,000	147,826	80
Two Parking Areas	154,560	26,880	100
Pedestrian walkways	91,368	15,890	100
Pedestrian Bridge	1,750,000	304,348	80
<b>TOTAL</b>	<b>5,514,603</b>	<b>959,061</b>	

**Naga El Arab:** Naga El Arab is a relatively small squatter settlement in Gharb district that extends out into Lake Marriout, and which is bound by Matrouh railway to the north. It covers 29.5 hectares and has an estimated population of 29,000 inhabitants in 2005. The settlement was developed through squatting on

State Land (under Amlak department) and through progressive infilling of the Lake Marriout. The northern part, where the earlier squatting took place, is a consolidated and densely-settled area with narrow 4-6m lanes and 3-5 story buildings (mostly in poor to moderate conditions) while the southern part where the squatting still continues has crude 1-story mud houses in very poor condition. The area is populated mainly by migrants and continues to grow fast. One major problem is serious overcrowding, with 25% of households having more than 3 persons per room. Naga El Arab also suffers from serious socio-economic problems, including a high unemployment rate (17%), a very low median monthly household income (LE470, less than half that for Egypt's urban areas and equivalent to the 10<sup>th</sup> percentile of the income distribution), and high illiteracy rate (35% of males and 62% of females aged 30-65 never attended school, while 19% of boys and 13% of girls aged 12-14 dropped out of school).

In terms of infrastructure, services and facilities, the following are the key problems facing the settlement:

- The existing sewerage network—whose extension started in the 1970s—has only partial coverage, which means that raw sewage from the settlement is discharged into Lake Marriout.
- The area is relatively isolated by the effect of the Matrouh rail line, and half of the streets are unpaved.
- Lack of access to conveniently located healthcare services and schools, and total absence of community facilities.

El Hadara Al Gadida: El Hadara Al Gadida is a large informal settlement in Wassat district south of the Mahmoudiya canal and north of the east-west express highway. It covers 101 hectares and has an estimated population of 134,000 inhabitants in 2005. The area formerly consisted of agricultural land (held by some in private ownership but mostly in tenancy to the Land Reclamation Authority or Awqaf) that was converted by informal urbanization and produced a densely built and heavily populated urban area that still continues to grow at 3% per annum. The area houses multi-story apartment buildings (mostly 4-7 floors but reaching up to 10-15 floors along the Mahmoudiya canal), built mostly on 100% of the land. Housing is generally of moderate to good quality, but with some dilapidated single-story structures to the south and squatter housing along the rail line. It also suffers from severe overcrowding, with 36% of the households having more than two persons per room. El Hadara El Gadida also suffers from significant socio-economic problems, including a high unemployment rate (16%) and a low median monthly household income (LE600, less than two-thirds the median figure for Egypt's urban areas and equivalent to the 23<sup>rd</sup> percentile of the income distribution). A USAID grant financed a new water and sewerage network with house connections covering 90% of the area that was recently completed. Very recently, a branch rail line serving local factories was removed, leaving a 2.5km long 50m wide right-of-way running in the center of the settlement (called Sadat street), and which has the potential of becoming a main thoroughfare in the area.

In terms of infrastructure, services and facilities, the following are the key problems facing the settlement:

- The lack of storm water drainage is a key problem in the area as it lies 1.5m below the Mahmoudiya canal embankment and gets flooded in the rainy season up to 0.5m, causing one of the most pressing problems for the community.
- Despite an adequate location, there are no paved streets/lanes in the area, which creates significant access and transportation problems that have a negative effect on residents and business viability and adds to health problems.
- Lack of access to conveniently located healthcare services and schools, and total absence of community facilities.

## Parallel upgrading activities

### Development of youth and protection of children at risk in squatter/informal settlements in collaboration with AUDI and UNICEF:

The regional Child Protection Initiative (CPI) program, supported by the World Bank and implemented by the Arab Urban Development Institute (AUDI) and UNICEF, are implementing activities in Alexandria in coordination with the Governorate and within the umbrella of the ADP. The project's aim is to "establish a protective framework for children at risk in Alexandria Governorate under the umbrella of local government, and in partnership with international organizations, NGOs and civil society actors via a mechanism that monitors children at local community level, identifies cases at risk and implements adequate interventions for their protection". The program aims to: (i) set up a sustainable system for the protection of children at risk, (ii) increase youth participation through representative organizations, (iii) ensure integration of young people's needs and priorities in the Alexandria CDS, (iv) build the capacity of professional cadres responsible for the affairs of children and young people, and (v) assist in establishing activity hubs for young people within a safe and nurturing environment. Towards this end, a tripartite agreement between Alexandria Governorate, AUDI and UNICEF was signed in March 2006, under the aegis of ADP, by which UNICEF provides \$170,000 and AUDI/CPI provides \$175,000. The interventions are being implemented in three districts in Alexandria, including squatter settlements. They are implemented in coordination with ADP planned activities and under the overarching CDS umbrella.

Based on the *decree number (626/2005)* issued by Governor of Alexandria; a Governorate Child Protection Committee was established under the umbrella of Alexandria Governorate. This committee is headed by the Secretary General of Alexandria (Head of committee) and include in its membership under-secretaries of health, education, social affairs, labor and youth directorates as well as heads of selected NGOs from the targeted districts and technical experts (when required). The Governorate Protection Committee is responsible for monitoring the quality of the mechanism implementation; follow up on the progress of the program, issue policies and procedures that optimally achieve the program objectives and assisting in reducing challenges that might confront the program. Based on the same decree mentioned above, three district protection committees have been established at the three districts levels, each district committee is composed of: Head of the district (chairman of the committee), directors of the local partner administrations, heads of partner NGOs in each district, and experts (when required). District Protection committees are responsible for setting up an integrated program for protecting children at risk at the district level, for monitoring the child protective measures and removing any obstacles that may hinder the progress of the program. Partnership in the protection program, during 2006, included the Governorate of Alexandria, three Heads of Districts, 22 governmental agency, 9 NGOs, 8 youth Centers and 2 regional and international partners.

Achievements during the Program's first year included: (i) conducting a quantitative survey to study the socio economic situation of children in eight squatter and impoverished areas in three districts in Alexandria, with a sample size that reached (3,015) families; (ii) identification of (5513) children at risk and providing them with preventive and protective measures, (iii) building capacities of (420) governmental and non-governmental partners on child protection mechanism and child rights issues; and (iv) raising awareness of 4600 mothers and 5800 community members on protection issues.