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**URBAN
RESEARCH
STRATEGIES
FOR EGYPT**

**PREPARED AND EDITED
BY
RICHARD LOBBAN**

The Case for Sites and Services Schemes

by John D. Gerhart

The Problem

The present demand for urban housing in Egypt was estimated in 1977 to be 1.5 million units and was expected to double within the next ten years. The rate of urbanization has increased since that time, and in addition, at least 12,000 units are lost each year due to structural failure. USAID estimates that at least 7 million Egyptians are living in inadequate housing.¹ This housing shortage results in large, "informal" areas of poor quality housing often lacking water and sewers, decent drainage, and without basic community and social services. Unacceptable crowding in established areas produces health hazards and hastens their deterioration. Since physical improvements in public housing are either prohibited, or will belong to the landlord, very little maintenance or upgrading takes place. The Abt Associates study,² for example, reported that 21% of public housing tenants had made repairs or renovations as compared with 50% of private tenants. Buildings in public housing schemes run down faster than planned and ex post cost overruns are realized by reducing the useful life of the building. These usually match or exceed the cost overruns which have been experienced during construction. Other problems include the fact that public housing requires enormous subsidies and these often go to higher income groups than those for which the housing was originally intended.

What Can Be Done?

The standard response to these dilemmas is to advocate lower standards of construction and services, more cost recovery in public housing, and larger budget allocations to meet critical housing needs. In practice, however, in most developing countries the actual result is higher standards, higher costs, and greatly reduced coverage of the target population. The coverage of housing needs by official agencies gets worse as countries get poorer and as they concentrate responsibility for housing in government hands. In most African countries, for example, public housing covers an insignificant proportion of annual housing needs.

An alternative approach, widely tried around the world and enthusiastically supported by the World Bank is the so-called sites and services project. In a word, this approach concentrates government funds in:

- land acquisition;
- levelling and surveying of sites;
- demarcation of plots;
- provision of basic roads, water and sewers;
- minimum site development (including sometimes walls or fences, standpipes, latrines, or core housing units);
- architectural plans (mandatory or not);
- subsidized building materials (sometimes).

In this approach, housing and construction are left to the tenant or purchaser of the plot using his/her own resources, sometimes with loan funds made available. Plots are often provided on credit with monthly payments for

cost recovery and basic services. Those who acquire plots (usually in a lottery among eligible applicants) have to build within certain time limits or return the plot to the public authority. Sometimes, resale can also be made only to the authority and sometimes on the open market. There are significant variations on the model, some of which are directed at providing improved services to already existing informal or "squatter" communities. A wide diversity exists in the level of services among sites and services schemes, depending on the wealth of the target population, the cost of land, and the financial resources of the government.

Advantages of the Sites and Services Approach

The most fundamental advantage of this approach is that the cost to the government per unit is reduced by up to 50% or more. In theory, this means that the same governmental resources, whatever they are, can cover twice as many units as in public housing projects. The argument against this is that the very poor cannot finance the self-construction portion of the schemes. This erroneously implies, however, that the very poor are presently receiving public housing in the first place. It has also been the case in most African countries that the ability to mobilize funds for construction on serviced plots has far exceeded expectations. Evidence from sites and services schemes in Kenya and Botswana, for example, indicates that:

- Total savings mobilized are higher than in public housing.
- Housing is constructed much faster.
- There is less corruption in allocation of plots and in construction.
- Housing standards eventually achieved are much higher.
- Maintenance is much better.
- Usable life span of the housing is much longer.
- Housing design is better suited to the needs of the tenants/owners.
- Construction is more labor intensive.
- Low cost, domestic building materials are more likely to be used.
- Local services (shops, repair, commercial activity) are more likely to be included.

Housing has specific characteristics as a commodity. Although the quantity demanded can theoretically be saturated, there is high demand for qualitative increases in terms of size, construction, amenities, and location. Furthermore, this high demand extends across all income groups. Therefore, government subsidies in housing tend to go toward improvements in quality for those who can obtain public housing, thereby diverting resources from meeting some minimum standard for the entire population. Because residents in subsidized housing are not paying the full cost of the improvements, they will constantly demand more than would otherwise be the case. This exacerbates the problem of devoting resources to quality increases rather than increasing the total quantity.

Moreover, standards are set by professionals and other bureaucratic elites with high expectations and aspirations for the population as a whole. There is an upward bias in standards in which the best becomes the enemy of the good. Standards are constantly raised with the result that those who need housing most are excluded from getting it on grounds of inability to pay or because it becomes desirable enough for higher income groups with more power to monopolize it.

In short, as long as government takes it upon itself to provide subsidized housing, the demand will never be met. National resources will go mainly to subsidizing middle class groups, most often civil servants themselves. The only way to break this pattern is to get government out of the housing business and into the business of providing the one thing which the poor cannot obtain, namely serviced land with secure tenure. Under these circumstances, the psychology is reversed. Everyone knows housing is expensive and tenants cut their suits to fit the cloth. The difference is that, provided they have security of tenure, they will go on adding to their housing stock and upgrading it over time as funds permit. This is observable in every sites and services scheme in the world. If there is a good rental market, private and public credit sources will accelerate the process dramatically. In some cases, no formal credit mechanism is required. Willingness to pay for simple services such as water and waste collection is usually quite high as well.

Limitations

Why, then, has the sites and services approach not been more prominent among public housing agencies in the developing world? The reasons have a great deal to do with the political economy of urban development. This list is more anecdotal than complete. One reason is that local authorities have less lucrative patronage to distribute. An investigation of city council housing in Nairobi found that city councillors owned as many as a dozen flats under different names and were subletting them illegally at vastly inflated prices. The same councillors fought additional sites and services schemes. Another reason is that sites and services schemes, precisely because they are more cost effective, are less lucrative for contractors who inevitably develop relationships with national planning and financing agencies in the housing field. Contractors are often the first to raise the "standards" issue. Another factor is that, where housing funds are limited, public housing goes mainly to civil servants, who are making the investment decisions. Another is that city councillors are often important slum landlords who see large scale sites and services schemes as undercutting their monopoly on housing for the poor.

Another factor is the attitude of technocratic officials who regard as "substandard" anything they would not be prepared to live in themselves. This attitude invariably ignores the often appalling poverty and filth in which the intended beneficiaries are presently living. This anomaly is sustained by a psychological "refencing" technique in which the officials maintain (against all evidence) that the present appalling conditions are only "temporary" and hence can be tolerated until "proper" housing can be built. This fiction is invariably maintained even though new urban migrants each year far exceed the number being rehoused.

The most serious impediment to sites and services schemes, however, is probably the cost of acquiring enough land close to urban centers. Few public authorities have the funds to purchase well-situated land at market prices and fewer still have the political will to acquire private land by public confiscation at prices that make its development financially feasible. Only in relatively wealthy societies can public authorities afford to do this, and there, of course, it is not needed on the same scale as in most developing countries. The litmus test of all government intentions toward urban housing is the willingness to acquire land at original, "prespeculation" prices. This reluctance is due to the fact that the landowners themselves are invariably

powerful figures in the urban political economy. Acquisition delays usually lead landowners to subdivide rapidly or to develop properties in order to increase acquisition costs beyond the range of public authorities. For these reasons, strong political will and long-term land acquisition planning are both needed for sites and services schemes to succeed. These attributes are in short supply. Where substantial land is already publicly owned, however, this process is made much easier. There are still methodological problems in valuing the land at economic prices but the actual acquisition difficulties are greatly reduced. The sites and services approach remains (along with upgrading) the most cost-effective and equitable method for rapidly improving urban housing stock.

Research Implications

A number of methodologically interesting, socially useful, and important research implications arise from a consideration of the possible role of sites and services schemes in meeting housing demand in Egypt. These may be briefly listed as follows:

- What is the physical applicability of this approach to Egyptian conditions? What is the land availability? Although it would appear not to be relevant in the Delta and other places where land is expensive, there are some sites (e.g., Suez) where it might be highly applicable.
- What portion of the population is living in public housing? What proportion of the housing market is being met by public sources? Is public housing falling behind or catching up on the demand?
- What are total real costs per unit of different forms of housing in Egypt? What is the usable life span of existing public housing projects? How does this compare with private and informal housing? What are the real costs per year of usable housing at different income levels?
- What changes in long-term transportation strategy would be necessary to pursue a sites and services approach in given areas of Egypt? What would the land acquisition strategy have to be? Would the costs of providing transport and water make the strategy prohibitively expensive?
- Is credit or tenure the real constraint to increased private sector provision of low cost housing? What are the informal credit markets? Would housing stock increase spontaneously if tenurial problems were solved?
- What are the cost implications of different minimum standards? What is the import content of different forms of housing? What are the perceptions of the occupants about the utility and design of public and private housing at the same real cost level?
- What are the elasticities of demand for different types of housing? How do you calculate them in such an artificially priced housing market? What are the implications for the feasibility of a sites and services approach?

Notes

1. See Housing and Community Upgrading for Low-Income Egyptians, USAID, 1977.
2. See Informal Housing in Egypt, USAID.
3. Here a useful summary document is Sites and Services Projects, International Bank for Reconstruction and Development, 1974.