

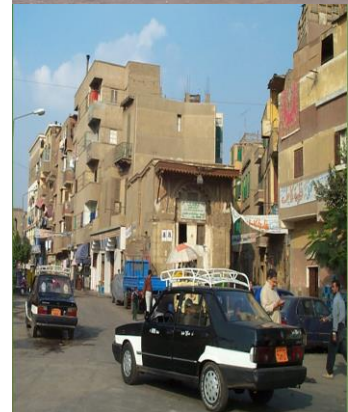


Instituto Libertad y Democracia

FORMALIZATION OF REAL ESTATE PROPERTY RIGHTS IN EGYPT

Maria del Carmen Delgado
Institute for Liberty and
Democracy

January 18, 2004



MAIN QUESTIONS TO BE ANSWERED:

- 1. What does extralegality mean?**
- 2. Why are 64% of real estate assets in Egypt held extralegally?**
- 3. How do Egyptians currently prove ownership and protect extralegal assets?**
- 4. What are the main proposals to formalize these assets?**
- 5. Have these reforms worked elsewhere?**

1. WHAT DOES EXTRALEGALITY MEAN?

- **Extralegality of assets means that the owner cannot make the most use of it – i.e. selling at market prices, use it as collateral, or as identification of residence, etc.**
- **Extralegality in Egypt takes different forms.**

2. WHY DOES 64% OF REAL ESTATE ASSETS ARE EXTRALEGALLY HELD?

- **Like other developing countries Egyptians face many constraints to formalize real estate property rights.**

Some examples:

- **Filipinos follow up to 168 administrative steps, taking up to 13 to 25 years to formalize extralegal property rights;**
- **Haitians take up to 175 administrative steps and up to 13 years to formalize extralegal real estate assets.**
- **Peruvians used to take up to 728 administrative steps and up to 15 years to formalize extralegal property.**

2. WHY DOES 64% OF REAL ESTATE ASSETS ARE EXTRALEGALLY HELD?

- **In Egypt, there are 132 laws and decrees governing the assignment, acknowledgement and protection of real estate property.**
- **These laws and regulations are enforced by some 44 public entities. However, formalization of real estate property is neither the main objective nor the priority of any of those entities.**

2. WHY DOES 64% OF REAL ESTATE ASSETS ARE EXTRALEGALLY HELD?

➤ **Procedures to regularize informal acquisition are long and costly.**

Some examples:

- **It takes up to 174 administrative steps and up to 460 days to regularize acquisition of private state-owned land;**
- **It takes up to 358 administrative steps and up to 1,371 days to regularize informally acquired and subdivided privately owned land - *Da'wa Saha wa Nafaz* judicial procedures to reconstruct the chain of titles and administrative procedures to regularize illegal subdivisions.**

2. WHY DOES 64% OF REAL ESTATE ASSETS ARE EXTRALEGALLY HELD?

- **Registration procedures in Egypt are long and costly:**
 - **registration fees are high;**
 - **registration systems lack up-to-date information and geographic information base;**
 - **they involve unnecessary legal and technical checks by the registration and survey offices. It takes up to 102 administrative steps and up to 198 days to register a transaction at the Real Estate Public Registry.**

2. WHY DOES 64% OF REAL ESTATE ASSETS ARE EXTRALEGALLY HELD?

- **Lack of legal avenues to regularize constructions built without a building permit. However, those constructed before the 1996 Military Decrees cannot be demolished as long as structures are shown to be solid and safe.**
- **Owners resort to several legal and extralegal mechanisms to avoid demolition and the imposition of other administrative sanctions .**

3. HOW DO EGYPTIANS CURRENTLY PROVE AND PROTECT EXTRALEGAL ASSETS?

- **Extralegal practices and different kind of documents have been created to prove and protect extralegal real estate assets.**

4. WHAT ARE THE MAIN PROPOSALS TO FORMALIZE REAL ESTATE ASSETS

- **Re-engineering, streamlining, coordinating and consolidating the main legislation into a single user-friendly legal package.**
- **Establishing a single public authority for the capitalization of assets exclusively to manage the formalization process, monitor the costs of accessing property, and initiating any additional reforms to complete the process.**

4. WHAT ARE THE MAIN PROPOSALS TO FORMALIZE REAL ESTATE ASSETS?

- **Creating simplified, low-cost procedures for massive scale formalization and regularization of safe and sound buildings, that will reduce the cost of formalizing real estate property by some 98%.**

4. WHAT ARE THE MAIN PROPOSALS TO FORMALIZE REAL ESTATE ASSETS?

- **Establishing low-cost, simplified mechanisms for the resolution of disputes (special judicial committees, alternative mechanisms to solve disputes).**

4. WHAT ARE THE MAIN PROPOSALS TO FORMALIZE REAL ESTATE ASSETS?

- **Creating a new decentralized Real Estate Public Registry:**
 - **that will be linked under one registration system and a unified information-database;**
 - **that will provide accurate information on lands available for urban expansion;**
 - **that will register any transaction through 15 administrative steps, taking 23 days, thereby reducing the time and cost for registration by 88%.**

5. HAVE THE PROPOSED REFORMS WORKED ELSEWHERE?

- **They have worked, i.e., in Peru and El Salvador. Before that all developed countries have gone through a formalization process.**
- **As an example, some results of implementing those reforms in Peru:**
 - **6.3 million Peruvians below the poverty line legally own their real estate assets;**
 - **the value of formalized assets has increased by \$2.2 billion and the income of their owners has increased by \$3.2 billion;**
 - **formalized real estate owners have obtained \$300 million in additional loans;**
 - **formalized owners have saved some \$254 million in red tape costs;**
 - **land related conflict in formalized areas has been reduced from 5% to 0.006%;**