Local finance a global challenge
Planning for local finance and stakeholders empowerment ;
A lesson from Belbeis

Abstract

Cities are centers of national economic growth and given that the future of the world will be urban it is thus ironic that local authorities in most countries are usually short of sufficient money to meet their responsibilities. Local administration of middle size cities which are the majority of cities around the world especially in developing countries have to face a lot of challenges of providing service , infrastructure and housing. Furthermore they have to do that within a given small budget that depends mainly on central government transfer.

Thus the challenge is how to find new financing opportunities within the legal framework of municipal finance as well as to create new means of finance for development projects. The paper reviews a local initiative of a middle size city in Egypt to overcome the static status of local finance and to generate new local resources to support local development projects The studied project is a relocation project of a whole sale market from the inner city of Belbeis city to the outskirts on land owned by a jute factory. The paper studies the project since its initiation and follows its development until complete relocation and occupation .It also illustrates the role of different concerned parties in order to utilize resources to achieve development objectives. The case shows that the key reason of the successive impacts of the Belbeis wholesale market relocation was the motivation at the local level and the close relation between concerned actors.

The paper aims at formulating practical guidelines that can be used in other cities and different projects to overcome both the financial gap and the bureaucratic framework towards achieving a sustainable built environment. In some other words, the paper tries to introduce a system for mobilizing the local resources that might be applied in a way to enhance the capability of local staff and the community as well to cooperate together for a mutual objective.

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1-Introduction to the urban challenges

As we start the 21st century the world is faced by two major challenges that are likely to mark profoundly how the cities around the world develop ; the need for sustainable development and globalization. Both challenges have profound impacts on our way of living in general and on urban management in particular as the world is more and more becoming an urbanized world.

The Habitat II conference and the Habitat agenda and global plan of action that emerged from it were set in the context of a world with the greater percent of its population is urban. Cities and towns are growing by 65 million people a year or more than 180000 per day. Of course this number varies by country and continent.This combination of scale and pace of growth along with economic situation of most developing countries, among them Egypt, made city administration unable to coup with this pace thus unable to install or expand infrastructure , deliver services or enforce regulatory mechanisms. Hampered by limited resources both financially and in personnel the environment of many cities has deteriorated to the extent that many of its population live and work in conditions that have serious impact on physical and mental health. Many local administration is marginalized from the development process , central government confines local administration responsibility to the provision of some public service or maintenance of part of local infrastructure consequently central government allocates small budget to these local administration .In most developing countries like Egypt financing mechanisms are highly centralized .Local administrations are not allowed to maintain or manage local revenue base nor have they been able to raise capital on the open market.

If cities, especially middle size ones, are to fulfill their potential as engines for economic development and a long term solution to poverty two issues must be addressed ; the local administration system in the country and local finance mechanisms. The main question is what is and should be the relation between central and local government. And as the world is now witnessing a "third wave " of decentralization beginning in the 1990's which appears to be more deeply entrenched than earlier attempts this trend is characterized by the increase interest in civil society groups in decentralized institutions , especially at the local level; the spread and culture of democracy throughout many developing countries (UN-HABITAT-governing council meeting 5-9 may 2003)

For a country like Egypt—where the population is concentrated in just 5% of its territory and with almost most cities surrounded by vital arable land. This lead to a pattern of urbanization which is both compact and dense . The planning and management of cities and their future urban growth in the face of such constraints requires a an active local government, well-trained staff, appropriate policy instruments, and the availability of sufficient funds .

Although it is now widely recognized that the empowerment of local government and elected bodies specially in small and middle size cities is the only mean to achieve sustainable urban and economic development Egypt has not widely accepted the idea or practiced it , thus Belbeis case study seems a pioneer one in accordance with international trends although greatly remote. .

The paper presents the experience of Belbeis city trying to manage its development challenges using its own resources along with creating new resources inspired by the "the carrot and the stick "mechanism. The paper presents the case study undertaken by the author and published in the book 'Local practices in urban management in secondary cities in Egypt ; the case study of Belbeis "(Sirry,A. , 2003) .The paper tries to introduce new financing mechanisms that has been used by Belbeis city administration and that can be used elsewhere to fill the gap between central government transfer and allocation and local government finance needs, as such this new mechanism is decentralized and more sensitive to local needs

Local government structure in a country , role, tasks, and functions, and the way responsibilities are assigned to different agencies and departments directly affect the quality and efficiency of urban management. Similarly, the financial, and legal resources which are indispensable to exercise governance over cities will ultimately result into poorly or well-established cities . Last but not least, the way in which local governments relate to central and state/provincial governments and to community organizations, and the extent to which local interests are represented in the design and implementation of public policies affect positively or negatively urban management practices. That is why the paper first tries to give a brief idea on government structure in Egypt, on means of finance .then the paper gives a brief on Belbeis setting within the local government before presenting the case study of relocation of the whole sale market.

2-Local government structure in Egypt

The local government framework in practice today in Egypt was initially laid out in its current form in Law no. 52 of 1975, although it was only enacted in 1979 in Law no. 43. The system provides for five levels of sub-national administration. These are, respectively, the *Muhafaza* (or Governorate), the *Markaz* (an agglomeration of cities and villages), the *Madina* (City), the *Qaria* (Village), and the *Hay* (a district, usually implied within a city). At the top of the hierarchy is the governorate (or province). There are 26 governorates in Egypt, of which 23 combine urban and rural areas. The remaining three governorates —Cairo, Suez, and Port Said—are only urban.Governorates with both urban and rural areas are divided for administrative purposes into agglomerations of cities and villages, called *Markaz*. By contrast, the only-urban governorates have no such thing as a *Markaz* (Cairo's special status as a one-city governorate implies its administrative subdivision from governorate to *Hay* without intermediate entities). Finally, large cities are typically subdivided into districts. A district (called *Hay* in Arabic and akin to a collection of neighborhoods).
The current governance framework of local government units (LGU) was laid out in Law no.57 of 1971 (despite several subsequent amendments, the 1971 Law is still viewed as the crux of local government in Egypt). The Law established within each LGU a dual system that consists of an administrative arm—labeled "local executive committee" whose officials are appointed to administer the LGU in question—and a representative body—called "local popular council" whose members are elected to represent their constituency's interests in the governance process. Until 1971, each LGU had only one administrative body combining appointed and elected officials. .(Sawi 2002)

The idea behind the dual system is to grant LGUs greater administrative autonomy and flexibility while maximizing the benefits from active citizens' participation. The Law established a system of checks and balances whereby the executive committee is held accountable to the local popular council. The day-to-day reality, however, is quite different from the intent of the Law. Indeed, the executive committee in most LGUs is primarily concerned with the implementation of the central government's directives whereas the local popular council's recommendations are typically assigned a lower priority. Moreover, the popular council's recommendations are invariably ignored if not accord with the central government's policies.

The system was amended in 1979 with the enactment of Law No. 596. The Law granted the governors and council chairpersons greater latitude in administering local affairs. In particular, the Law has strengthened the authority of governors by making them the direct regional representatives of the President. Governors also assume the executive authority of Ministers for all public service functions whose administrative responsibilities have been devolved to the local level. Governors' authority further expanded in 1997 when the Ministry of Local Administration was abolished and its authority transferred to the Council of

Governors (COG), which to date is directly accountable to the cabinet.By contrast, there is very little delegation of authority to municipalities or local village units, especially in matters of decision-making and the generation of local resources .(Sirry,A. 2003)

*2-1*Sharkia Governorate and Belbeis City

The Sharkia governorate is located to the north east of Cairo. Its territory stretches from Egypt's fertile delta to the west to the desert leading to the Suez Canal to the east. The governorate covers an area of 4,190 km^2, of which 75% (3,140 km^2) are agricultural lands The governorate is serviced with a good highway network that links its main cities—, and others cities of the delta (See Figure 1).

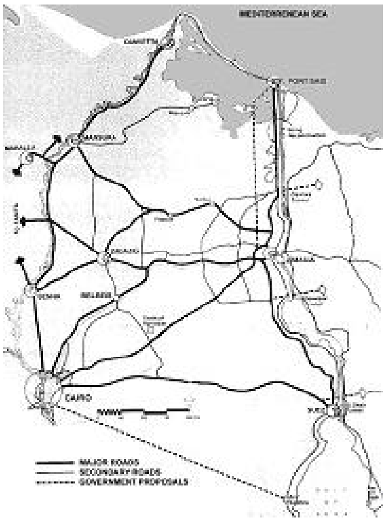


figure 1- Belbeis setting within its region

Source(GOPP1976)

2-2 The Belbeis City and Markaz Local Executive Council

Markaz Belbeis and Belbeis City share the same Local Executive Council (LEC), which consists of 24 members who meet on a monthly basis to discuss administrative matters and the state of services within their jurisdiction. The LEC oversees the activities of all institutions involved in the management and delivery of services within the Markaz and city boundaries and evaluates the performance of the different sectors. The LEC also collaborates with the LGU heads in developing strategies and plans, and securing the financing needed to implement the Local Popular Council's recommendations.

The Mayor of Belbeis City is the head of the City and Markaz LEC, in addition to chairing the Belbeis City Administrative Council . The LEC includes the two elected heads of the City and Markaz Popular Councils and the administrators of the eight Local Village Units within the Belbeis Markaz. Finally, the LEC membership includes the heads of 13 departments dealing, respectively, with security and public order, health, education…etc.
The Council's main problem stems from its institutional framework. Each department head is appointed by the ministry in charge of the function in question (e.g. health, education) and serves as the ministry's local representative in both City and Markaz As such, the department heads are technically accountable to the different ministries that they represent while, at the same time, being administratively accountable to the City and Markaz chief executive. The department heads are therefore confronted with a double subordination.

2-3The Belbeis City Local Popular Council (LPC)

Belbeis City's Local Popular Council (LPC) consists of 24 elected members, one of which serves as head of the Council and another as deputy head. Just as in parliamentary elections, half of the Council's seats are reserved for blue-collar workers and/or farmers to guarantee an adequate representation of poor people's interests. LPC members are then organized in several sectoral committees dealing with, respectively, healthcare, education, the environment, housing, transportation, electricity, sanitation, agriculture, industry, security, religious affairs, supply and internal trade, youth and sports, and culture and mass communication. The LPC also includes committees on planning and budgeting, follow up and supervision, mediation and dispute resolution, and legal affairs.

The LPC's primary function is to oversee the activities of the city's executive branch—the LEC—and to communicate their constituency's concerns and needs. Throughout the process, the LPC issues recommendations dealing with the use of publicly owned land, the management and delivery of services, and the development of public work projects. One of LPC's key decision-making functions concerns the allocation of funds from the Local Services and Development Fund .In Belbeis City, LPC and LEC members enjoy close working relations, with the result that the electorate's problems, especially those concerning education, sanitation, and the delivery of services to informal areas are given high priority. Finally, the Belbeis City LPC's access to the governor is maintained by means of personal relations and through the governorate's elected council (in which Belbeis City has four representatives). Such relationships are vital since it is the governor's executive powers and clout with the different central ministries that invariably prove to be key in obtaining approvals for projects and budgets, and facilitating implementation.

2-4 The Belbeis City Administrative Council

The mayor is the head of the executive and administrative councils for both city and Markaz, the Belbeis City Mayor oversees the management and delivery of services in the city and the eight local village units in Markaz Belbeis, and the work undertaken by all city departments. The Mayor also presides over the preparation of the annual budget and the allocation of funds between the different sectors and agencies, in addition to overseeing the generation of local revenues and the implementation of all approved projects.

In 1999, the Belbeis City Administrative Council employed 965 persons distributed over some 30 departments. This roughly amounts to 8 administrative employees per 1,000 population. The 30 departments can be roughly classified in three categories. The first category includes the administrative, legal, and financial functions. The second category lists all public service functions, including all departments that interface with residents (e.g. the engineering department). The third category includes other support services.

The engineering department is the only entity that is directly involved in urban planning and management activities. The department is by far the most visited unit in the council by the public by virtue of its responsibility for controlling the city's built environment (including the issuance of subdivision and building permits).

Yet, in spite of the engineering department's large workload and its responsibility for such critical functions as urban planning, the issuance of building permits, and public works, it has no more than 93 employees. As with the technical departments in the Belbeis City LEC, the engineering department faces the problem of double subordination in that it is under the technical supervision of the Ministry of Housing, Utilities and Urban Communities while being administratively part of the city administrative council.

In addition, the engineering department's effectiveness in handling its urban planning and management responsibilities is hindered by the dispersal of its 93 person staff over eight divisions, with the result that the urban planning division has only 15 employees . Some of these divisions are in charge of vital functions such as the urban planning and building permit divisions, yet administratively they stand at par with a division whose only role is to license non-motorized vehicles, namely carts.

The limited capacity of the staff dealing with urban planning and management matters is another key issue worth a mention, not so much because of its negative implications in Belbeis (on the contrary, Belbeis' planning staff is highly competent for a city of its size) but because it is an endemic issue affecting most mid-sized cities in Egypt. A few secondary cities are as fortunate as Belbeis to have their engineering department led by a qualified professional with an architecture degree from Ain Shams University.

As part of the function of the administrative council of Belbeis is to prepare development plans for the city , faced by limited resources in the engineering department the city administration had to relay on the General organization for Physical planning GOPP to prepare its plans. Although the city is one of the few cities around Egypt to have undergone several planning studies , but unfortunately very few recommendations of these plans were implemented mainly due to financial reasons.

The paper will give a brief of these planning studies as they are the background for Belbeis administration proposal to relocate the bus terminal that could not be implemented and the change of proposal to relocation of whole sale market from the inner city to the outskirts.*a*-

a-**Planning activities in Belbeis city**

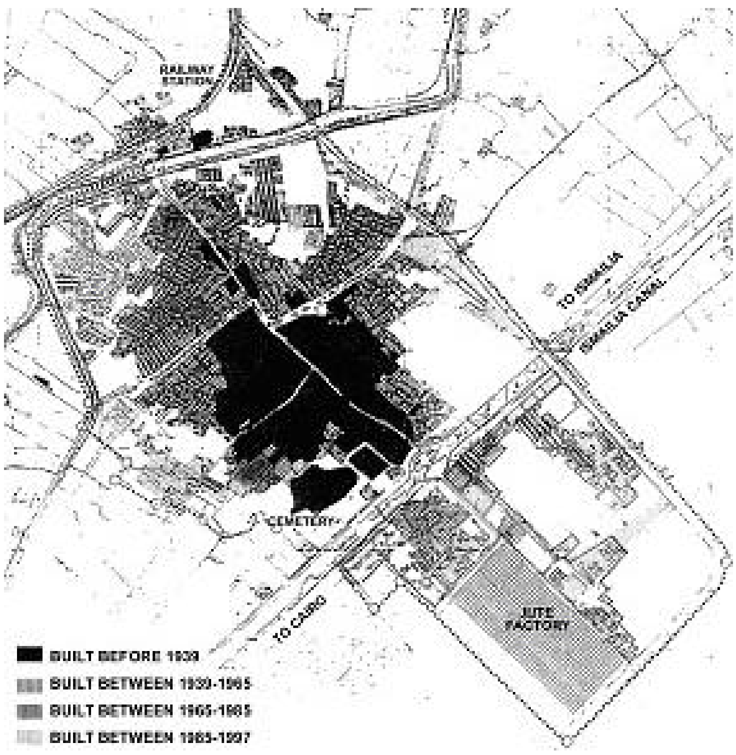
Despite Belbeis' long history that stretches back to the Pharaonic era, the city grew only moderately throughout the first half of the 20th century. By 1939, the city only covered an area of 143 Feddans (60 hectares). It was not until the 1950s and 1960s that Belbeis' growth accelerated on the basis of industrial development, including a large jute factory. The filling of a drainage canal to the north and the construction of a bridge crossing the Ismailia canal facilitated the city's expansion to the north and south. As a result, the city's urbanized area grew more than fourfold in a 25-year period to reach 580 Feddans (244 hectares).

Belbeis' physical expansion, however, slowed down over the following 20 years as the city was gradually running out of land. The urbanized area's northern expansion was retained by the railway tracks. To the south, the city reached its expansion limits by abutting the Military Academy (a military airport whose size dwarfs the city). The city's first planning study was undertaken soon afterwards.

By 1985 when the first master plan of Belbeis was formulated, the city stretched over 770 Feddans (323 hectares). The city's growth then gained some momentum with the creation of employment opportunities in the new city of Tenth of Ramadan. By 1993 (when the second planning study was initiated), the city's urbanized area had grown by a third to cover 1074 Feddans (452 hectares). The city's expansion was fueled by informal development on the eastern fringe and to the north of the railway tracks. Figure 2 illustrates the different stages of the city's urban growth, and Figures 3 show different views of the city, with a focus on the city center.

Figure 2- Different growth stages of Belbeis City

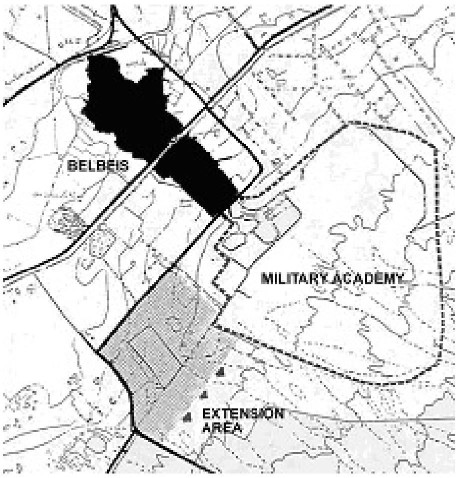
Source GOPP *et al* ,1985

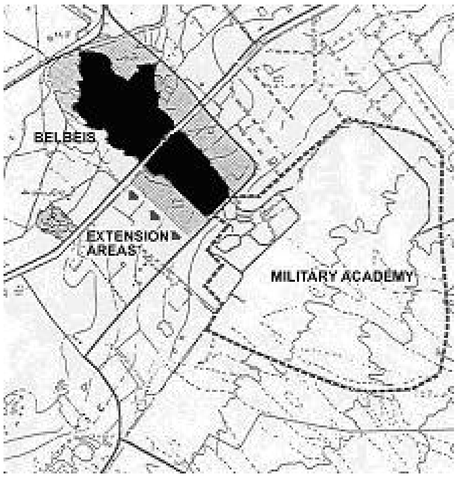


The Belbeis Draft Master plan of 1985

Belbeis was one of the first Egyptian cities to take advantage of the enactment of Urban Planning Law no.3 of 1982. The new law empowered municipalities to formulate their own urban planning and development strategies, with technical assistance from the General Organization for Physical Planning (GOPP).
In 1985, the GTZ—the German Technical Cooperation Agency—assisted Belbeis city officials in preparing a Draft master plan for the municipality with the cooperation of governorate officials and the GOPP. The study relied on extensive surveys of existing physical conditions and on baseline socio-economic data provided by CAPMAS. The resulting document was a comprehensive study with an in-depth analysis of the city's problems and opportunities.
Building on a population projection of 155,000 inhabitants for the year 2000 (which, in hindsight, proved to be unrealistic), two alternative approaches were proposed to accommodate the future growth of the city. The first alternative proposed that future urban expansion take place on desert land adjacent to the military academy to the south of Belbeis (See Figure 3.12). The second alternative proposed an infill growth on vacant agricultural land within and immediately surrounding the urbanized area (See Figure 3.13). Both proposals were, however, rejected. The military objected to the first proposal on security grounds whereas the second proposal was doomed in advance since a key policy of central government was the protection of agricultural lands against any form of development.

Figures 4- Alternative scenarios for Belbeis City's growth





alternative 1 extension on desert land alternative 2 growth on surroinding agriculture land

source :GOPP *et al,* 1985

Belbeis, which appeared to have substantial growth potential, namely due to the availability of adjacent vacant desert land, turned out in reality to have very limited options to accommodate future development. Ultimately, the Master plan study recommended that future growth be absorbed within the existing built up area and/or be re-directed to the newly

developed nearby cities such as 10th of Ramadan City. The city has mitnessed several planning studies from "The Belbeis Urban Boundary (Haeiz) study of 1993" to the "Belbeis Structure Plan of 1998".
The structure plan of 1998 was to accommodate part of the population increase anticipated by 2017 within the urbanized area and the rest in the new extension zone. Therefore the plan included the re-organization of the built up area into distinct land use zones (residential, commercial, industrial, etc). In addition, a 650-feddan (273 hectares) urban extension zone south of the urbanized area was planned. Yet, it turns out that undeveloped lands within the urbanized area and which enjoy easy access to infrastructure services account for two-thirds of the 524 Feddans (220 hectares) required to accommodate future growth. Only 171 Feddans (72 hectares)—about 25% of the area of new urban extension zone—were effectively needed to absorb the remainder of the expected growth .
It is important to note that the demarcation of an urban boundary is undoubtedly one of the most complicated and politicized exercises of urban management in Egyptian cities because of its significant effect on land prices and its role in the delivery of infrastructure and urban services. In effect, not only does the urban boundary affect the price of serviced land as a result of creating a condition of scarcity, but also it places pressure on adjacent agricultural land due to the large price multiplier resulting from the conversion of raw to serviced land.It has an effect on where informal areas grow .(Sirry,A. 2003)

3- Local government finance

Within each LGU, service delivery is financed by way of a mix of central and local resources. At the central level, each ministry is allocated a share of the government budget to finance the delivery of services according to the objectives set forth in the national development plan. Ministries in turn apportion their budgets between the different LGUs on the basis of national and regional priorities, and local needs. As stated earlier, centralized decision-making extends over many sectors including education and healthcare, which means that LGUs have to submit requests to the ministries and compete for the finance of such services as schools and hospitals.

Similarly, each LGU receives transfers from the central government to supplement its budget. Central government transfers are subdivided into three categories or chapters (for the Arabic word *Bab*). The <u>first Chapter</u> covers salaries and wages, benefits, and allowances. The <u>second Chapter</u> covers operating and maintenance (O&M) expenses. The <u>third Chapter</u> is earmarked for capital investments. Whereas central government transfers under the first and second Chapters tend to be within range of LGUs' needs, funds earmarked for the third Chapter are often inadequate. Indeed, Belbeis officials stated that the city on average receives 70 percent of what it requests for the first and second Chapters. By contrast, third chapter appropriations range around 20 percent of the initial request, to which officials respond by inflating their third Chapter requests. From this perspective, it can thus be argued that one of the negative consequences of centralized decision-making in matters of budgetary allocations is that it seems to trigger unlawful practices of municipal budgeting, based on unrealistic projections and exaggerated demands. Ultimately, local government officials find themselves forced to raise supplemental revenues to finance capital investments.

Another key problem, is budget allocation for the decision on whether Belbeis or any other city will get a school in any given fiscal year is independent from whether the city obtains the hospital that it asked for in the same year. In effect, there is very little coordination between the different ministries and authorities, which induces each locality to try to maximize its share of each separate budget by demanding as much services as possible from each government agency. The result is that government spending on services often lacks fairness and rationalization. In any given year, it is likely that some cities—especially those with political clout—may receive more than their "fair share" of the total services budget at the expense of other localities. Similarly, a city may get some of the services that it asked for in a given fiscal year but not the school or hospital that it needed most. It is not uncommon to find a city that has received considerable funds in a given year, but had it been left to the local population to come to a consensus on the basis of their needs and priorities, the budget allocation would have been different.

3-1Governorate resources

Governorates have access to the following sources of capital: Transfers from the central government ,25% of the agricultural land tax raised within the governorate ,Taxes and charges on motorized vehicles, User charges for local public services and utilities ,Revenues of local investments, Donations to the governorate by individuals or organizations, only if such gifts have been approved by the Prime Minister .In addition, governorates have been authorized by legislation to maintain special purpose funds for land reclamation, low-income housing construction, and service delivery. The idea behind the special purpose funds, which were authorized in the 1970s as part of central government's efforts to promote fiscal decentralization, is to enable LGUs to tap on additional local revenue sources (through the imposition of fees, taxes, and surcharges that are related to the fund's objective) and thus achieve increased autonomy.

One of the most important special purpose funds financed the construction of low-income housing. The fund was replenished with proceeds from the sale of publicly owned land and from public housing rental, taxes on vacant land, fines collected for building code violations, in addition to loans and donations. Despite the stated policy objective of promoting decentralization, the past 15 years witnessed the elimination of many revenue sources that governorates were authorized to mobilize such as , the vacant land tax that was eliminated in 1996 after the supreme constitutional court declared it as unconstitutional.

3-2 Belbeis City resources

Funds available to the Belbeis City Administrative Council come from the following sources:
Transfers from the central government, Taxes on land and properties ,Other taxes (entertainment facilities, etc) ,User charges for local public services and utilities,Revenues of local investments, Loans,Donations to the city by individuals or organizations.

Cities are also authorized to hold two special funds whose purpose is to encourage greater mobilization of local resources. The first is known as the Local Services and Development Fund (LSDF). Sanctioned in 1979 by Law no.49, LSDF plays a key role in financing investment projects in Belbeis city (LSDF's sources of capital are described later in the chapter). The second fund, called the Cleanliness Fund and established in 1967 by Law no.38, is replenished by way of a two-percent surtax on rents.

A- Central government transfers to Belbeis City

In FY1998-1999, Belbeis received a total of LE 4.1 million in central government transfers. The largest share of the funds—LE 2.5 million, or 61% of the total—was earmarked for salaries and wages (first Chapter items). Another LE 1 million (24%) went towards O&M expenditures (second Chapter items). As such, Belbeis city was only left with LE 600,000 (15%) with which to finance capital investments (third Chapter). With an investment budget of only LE5 per person, the city could only afford the most basic, urgent investment options. The main priority was to upgrade basic services (in particular, the water, sewerage, and road networks), which left very little money with which to buy equipment. Incidentally, despite that Belbeis city's investment budget for FY1998-1999 was very limited, it nonetheless represented a 50% increase over the previous year's transfer . Not surprisingly, the LSDF became the city's key source of finance for construction and investment projects. (Sirry,A.2003)

B- Belbeis City's Local Services and Development Fund (LSDF)

Given the limited central government transfers, Belbeis' LSDF has become the main source of finance for construction and investment projects in the city. The fund relies on local resources mobilization and its proceeds are spent in a way that reflects local needs and priorities. Indeed, the city's popular council has to authorize the allocation of the annual fund budget, which the administrative council prepares. One of the interesting aspects of LSDF is that unspent funds are carried over to the following year, which gives local governments greater flexibility to plan investments over a multi-year timeframe. By contrast, any unused portion of the central government transfers has to be returned to the Treasury (although in reality this is highly unlikely given that government transfers are almost always short of local needs).In any given year, the fund has access to the following sources of funds:

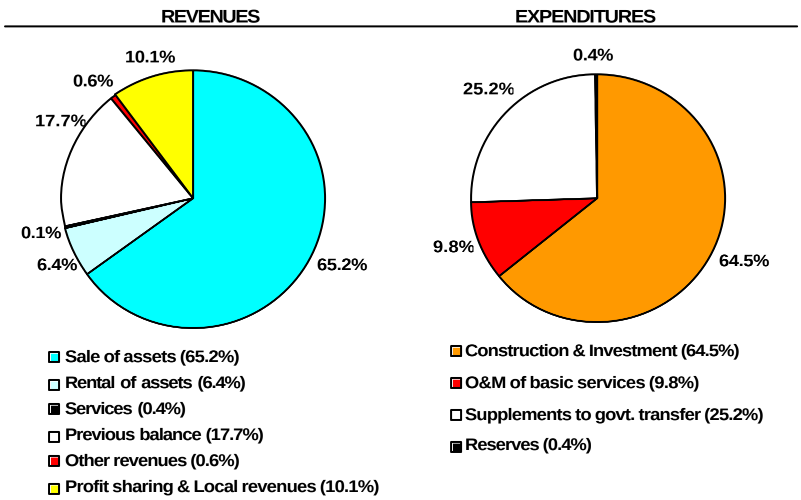
? Profits from local income generating projects (bakeries, etc)
? Revenues from the use of public services and facilities (bus stops, parking, daycare center, multipurpose hall, etc)
? Revenue from local quarries
? Sale and/or rental of assets (land, property, equipment)
? Charges in marketplaces
? Stamp duties and registration fees
? Balance carried over from previous year
? Other revenues (including fees, fines, etc)

It is important to note that in FY1998-1999, the LSDF revenues amounted to nearly LE 2.3 million, which is approximately four times as much as the central government transfers for capital investments in the city. Approximately two-thirds of the fund proceeds came from the sale of commercial and administrative space, which the city council developed. An additional 18% of the funds were unspent money from previous years and were thus carried over.

As to the different uses of funds of the Belbeis city LSDF for FY1998-1999. Approximately two-thirds of the fund proceeds were used to finance construction and investment projects, including LE 1 million (44%) to acquire land for public use. An additional 10% was earmarked for the operating and maintenance of basic services. Interestingly, as much as 25% the fund proceeds were channeled to plug the deficit created from the limited central government transfers to the first and second chapters of the budget

It is clear when studying the fund that the local government's entrepreneurial skills were key in enhancing the fund's revenues. Profits from real estate development added 65% of the fund revenues. By contrast, the fund's other revenue generating mechanisms such as fees, charges, and profits from public services are still far from reaching their potential (their combined contribution was a mere 17% of total fund revenues). .(see figure 5)

Figure 5- Local Services Development Fund: Breakdown of revenues and expenditures by category, FY 1998-99



Source :Sirry ,A. 2003

4-Creative financing of land acquisition for public purpose: the case of the Jute Factory

During the 60's when Belbeis city was developing with slow pace looking for development oppertunities it sold land at a low price to the Jute factory to locate on the south side of the city across the Ismailia canal where development was just beginning.And successfully the

factory worked as a growth pole of development causing the development of the whole new area .
The declining demand for jute products during the 90's and increasing financial difficulties forced the Jute company to sell some of its factory land. The company started by selling small parcels ranging between 1,000 and 1,500 m^2, but the sales proceeds were not enough to offset the factory's bsses. Then, the company advertised the sale of an 8-Feddan (4 hectares) parcel. The asking price, published in Al-Ahram newspaper, was LE200 to LE250 per m^2. Belbeis' administrative and elected councils decided that the parcel was an ideal opportunity that the city should capitalize on, especially due to its large size and proximity to the regional highways connecting Belbeis with Cairo and Tenth of Ramadan City. The initial idea was to use the parcel to relocate the city's main bus terminal. The terminal's existing location, close to the city center, had become too small to handle the number of passengers and it was causing major traffic problems, But the main question was how to raise the money so as to buy the land.

Belbeis city officials approached the factory management and successfully negotiated the reduction of the asking price to LE150 per m^2. The process proved interesting, especially that Belbeis city officials adopted a tough stance in negotiations. They argued first for their right to a price reduction given that the city had, in the past, sold the land to the factory for LE5 per m^2, which was significantly lower than the market rate. City officials went on to hint that any other buyer would face trouble getting building permits or official land subdivision approval, because the land was needed for public use. City officials eventually got it their way and they signed a contract with the company management. But they were asked to pay the land price in full within 15 days.

Despite the reduction in the land price, Belbeis officials nonetheless had a problem in that they only had 15 days to come up with LE5 million. The entire year's budget of the LSDF at their disposal was only LE2.3 million, which meant that whichever use of the site had to generate the remaining funds needed to pay for the land. The city administrative and elected councils set up a committee to study the different land use alternatives and to find ways to raise the rest of the money. The committee's membership included the head of the city popular council, the deputy head of the city administrative council, the financial comptroller, the head of the rental department, and the city's chief engineer.

Upon analyzing the feasibility of relocating the bus terminal in view of their budget constraint, the committee found the project to be financially non-viable for it is a long term investment. Instead, the relocation of some of the city's wholesale and commercial activities, especially fruits and vegetables vendors, and construction materials retailers, was found to make better financial sense. Such activities also needed a larger site with improved accessibility, since their current location in the city center caused numerous environmental and traffic problems(the relocation of the bus terminal and whole sale market were two recommendations of the structure plan of the city 1998)

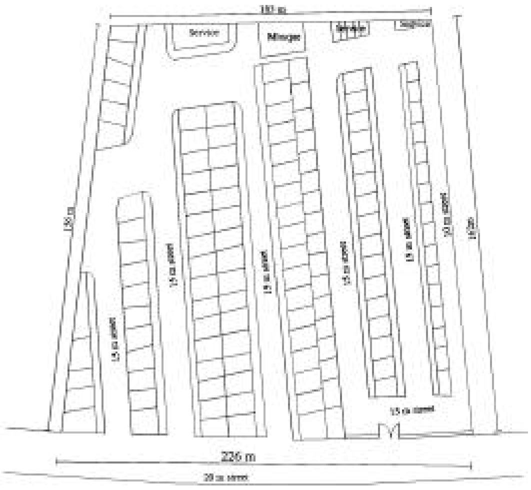
To raise the necessary funds, the city's engineering department started by designing the land subdivision, which was then advertised to the public (See Figure 4.16). In addition, Belbeis officials approached the city's wholesale vendors and retailers with the new project, which instantly generated a large demand. Before the end of the 15-day deadline, as much as 90 vendors and retailers had decided to buy parcels in the new subdivision and deposited the necessary down payments according to the rates set by the project committee. The deposits along with LSDF funds were sufficient to cover the agreed price for the land and finalize the act of sale.

Interestingly, while advertising the new land subdivision, the project committee spent an extensive amount of time discussing with the city's vendors and retailers of both building materials and vegetables and fruits to be relocated concerns and needs for space and particular building requirements. They asked for permission to have an extra storey above the shop as apartments or rest houses as they were accustomed in the old setting to have access to there homes. These needs were all taken into consideration in developing the final land subdivision, and especially those who committed to buying the parcels. It was also

decided that the city administrative council would be in charge of building the new market with advances from the buyers and LSDF resources (See Figures5)
The project started end of 2001 and was inaugurated in Jan 2003.The relocation was smoth without any complaints which is a success in its self compared to the relocation of thw wholesale market in Cairo which took 5 years and witnesses many law suites and even use of forces. Also the city council earmarked some of the spaces for services (e.g. cafeteria, etc) and these were rented out to generate resources for the city. In addition, the city charged an entrance fee to the market to provide revenues for maintenance operations. To the credit of city officials, the new market somewhat succeeded in decongesting the city center and improving the traffic flow in the main streets, in addition to reducing the environmental problems there.

Figures 6 New commercial subdivision for the Jute factory parcel

6-a Commercial subdivision plan **6-b picture of market before and after inauguration**



Source :Sirry ,A. 2003

5- Guidelines for successful mobilizing of resources

The Belbeis case study has unveiled many of the challenges and bottlenecks facing local governments as they assume their planning and management responsibilities. The case study the relocation of whole sale has highlighted a few interesting locally generated approaches to circumvent the deadlock in land markets, the obstacles to service delivery in the city and finally the implementation of the different plans recommendations.

A few of these obstacles and innovative approaches are specific to Belbeis city and the Sharkia governorate. Belbeis' location along the intersection of agricultural and desert lands and the presence of a major military establishment at its periphery are unique constraints affecting the city's ability to plan for future growth. By contrast, many of the challenges highlighted in the case study apply to most secondary cities in Egypt, including the problematic institutional framework governing local administration and management and planning activities, the limited capacity of most civil servants, and the limited funds available to local governments for service delivery and thus lesson learned from Belbeis and practical experience could be duplicated elsewhere.

Belbeis' experience demonstrates that local governments are certainly capable of generating local resources, provided that public officials and elected representatives do the following:

- Have or try to develop the necessary entrepreneurial skills
- Local governments must possess instruments that allow them to arbitrate the conflicts that arise between the different actors within cities , they should know their areas of

strengths and weakness. In the case of Belbeis their strength is in the availability of some resources in the LDF and their power to give / prevent from giving building permit while their weakness is in insufficient money to finance the whole project that has to depend on the retailers as stakeholders with different priorities.

- The commitment of local administration and local representatives and ability to mobilize their constituents' efforts, and take advantage of local capacities, potentials, and creativity so as to forge sustainable and equitable local development processes is the key to the success of any project.

The city council's strategy to acquire the Jute factory land , the decision to invest LDF funds in land acquisition and wholesale market development, and the efforts to generate additional local resources (e.g. the use of auctions to sell city-owned assets) are all examples of an entrepreneurial spirit that is critical if cities are to fulfill their functions effectively in a context of limited transfers from central government. The means used to mobilize resources and the LDF already exists by the law but unfortunately not many of the local officials know about the existence of such flexible instruments or do not have the courage to use them preferring to run every day management tasks without looking to the future.

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