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MASHREQ SUSTAINABILITY CASE STUDY

Contributing to Sustainable Development by Facilitating Affordable Housing in Egypt

Snapshot

- **Affordable housing** refers to housing units that are affordable by that section of society whose income is below the median household income.
- **Rapid urbanization** has accelerated urban congestion, put pressure on access to basic amenities, and has created severe housing shortages in cities, especially in the low-cost segment.
- In 2021, the Central Bank of Egypt (CBE) initiated a new mortgage finance initiative to allocate EGP 100bn for low- and middle-income citizens to purchase housing units.
- Mashreq Egypt has been working closely with the CBE to support its affordable housing initiatives.

Executive Summary:

“Affordable housing is essential to contributing to national socio-economic development and the achievement of the United Nations’ Sustainable Development Goals.”

H.E. Dr. Rania Al-Mashat, Egypt’s Minister of International Cooperation

Affordable housing is housing that a household can pay for while still having money left for food, healthcare, transportation, education, and other basic necessities. Mashreq Egypt is actively supporting CBE’s affordable housing mortgage Finance initiatives:

- In 2019 Mashreq participated in the CBE initiative for low income.
- In 2021, the CBE expanded the initiative and launched a new mortgage finance initiative. The financing is being made available through banks or mortgage finance companies at a diminishing interest rate of 3% for a period of up to 30 years. Mashreq is actively participating in this new initiative as well.
- Mashreq Egypt aspires to play an active role by supporting various Government led programs and CBE initiatives.

Context:

EGP 100bn

is being allocated for low-and middle-income citizens to purchase housing units, as a part of the CBE’s mortgage finance initiative launched in 2021. The initiative is inclusive and covers the self-employed, people with special needs, and pensioners who will be younger than 75 years old by the end of the financing period.

Many institutions are collaborating to address Egypt’s affordable housing issue effectively, including the World Bank, the CBE, and private banks like Mashreq Egypt. Increasing access to housing for low-income people is a key priority in the World Bank’s Country Partnership Framework with Egypt. The program’s gender provisions are aligned with the WBG’s Gender Strategy pillar on “Removing Barriers to Women’s Ownership and Control of Assets.” They are also aligned with the World Bank’s Middle East & North Africa Regional Strategy and the Maximizing Finance for Development approach. This supports the development of public–private partnerships for low-income housing and brings private rental landlords into the low-income housing sector.



AFFORDABLE HOUSING IN-NUMBERS

United Nations Sustainable Development Goal 11

Is to make cities and human settlements inclusive, safe, resilient, and sustainable.

Approximately 22mn Egyptians

out of 102mn live in slums, with 850,000 of this total living in unsafe settlements at risk of landslides and floods.

US \$5.9bn

is the total commitment from the World Bank in Egypt towards affordable housing, with a portfolio that comprises of 12 projects.

287,600 Households

have benefited from Egypt’s Inclusive Housing Finance Program since its implementation in 2015.

EGP 680mn was deployed by Mashreq Egypt to facilitate the development of 4,300 affordable residential units between October 2019 and December 2022.

Mashreq Egypt's Role:

Mashreq Egypt has been working closely with the CBE to support the affordable housing initiative. Mashreq Egypt is collaborating with The Egyptian Social Housing and Mortgage Finance Fund (MFF), to provide citizens with a larger range of mortgage financing options. Aligned with the Central Bank of Egypt's (CBE) initiative to provide more affordable housing to Egyptian citizens, the partnership, which previously provided mortgages to only 'Low Income' citizens as defined by the CBE, will now also be extended towards the 'Middle Income' category.

"To date, our partnership with MFF has been very fruitful, providing Egyptian citizens with much needed support and greater access to affordable housing. As a bank that is highly committed to supporting the country and promoting financial inclusion, we welcome all opportunities to participate in initiatives set out by the Central Bank of Egypt. We have many initiatives underway that shall further cement our position as one of the leaders across retail, SME and corporate banking, and we will continue to play a prominent role in the market."

Amr El Bahey, CEO, Mashreq Egypt

Through this partnership, the 'Low Income' mortgage finance solution will cater to those with monthly income less than EGP 4,500, whilst the newly signed protocol with the MFF will provide housing finance to those with a monthly income of between EGP 4,500 and EGP 40,000. Customers can also benefit from financing up to a maximum unit value of EGP 2.5mn, with financing available up to 80% of unit value for a maximum tenor of 25 years.

Impact:

"Affordable housing is essential to contributing to national socio-economic development and the achievement of the United Nations' Sustainable Development Goals."

H.E. Dr. Rania Al-Mashat, Egypt's Minister of International Cooperation

The expanded program aims to scale up the delivery of demand-side subsidies for affordable housing increasing the number of beneficiaries by 31% and contributing to the government target of supporting more than 1mn homes for low-income households by 2024. The additional financing will encourage private sector participation in their construction.

Outlook:

Since inception in 1967, Mashreq has adopted the principles of social responsibility, integrity, and transparency into every aspect of its business. Mashreq has now joined the United Nations Global Compact initiative, which will further support the Bank's efforts to embed strong ESG practices across the organization. Mashreq has financed and facilitated deals worth US \$15.5bn in sustainable financing as of end 2022. Supporting achievement of the UN Sustainable Development Goals through sustainable loans, sustainable bonds, project financing etc. will continue to remain a key priority for Mashreq.

6 NEW CITIES UNDER CONSTRUCTION

WHICH ENCOMPASSES DEVELOPING 61 URBAN AREAS, INCLUDING REGENERATING 24 EXISTING CITIES AND CONSTRUCTING 37 NEW ONES.



Sources:

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