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**Al-Sisi's
"New
Republic"**

How the Real Estate Frenzy in Egypt
Sustains the Regime's Grip on Power



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Al-Sisi's "New Republic"

How the Real Estate Frenzy in Egypt Sustains the Regime's Grip on Power

The state seems like a body on life support, a series of tubes running in and out of it, foreign doctors occasionally administering steroidal loans or applying structural adjustment chemotherapies. We study the tubes, the infrastructure, the industrial and commercial networks running in and out of it to understand how it is being kept alive.

—Omar Robert Hamilton, 2022¹

Some nine years after the bloody takeover of President Abdel Fattah al-Sisi, Egypt is hardly recognizable. Cranes, cement mixers, and large construction sites are ever-present. In Greater Cairo, in the Nile Delta, along the Mediterranean, and on the Sinai Peninsula, countless new roads and highways are cutting their way through densely-populated cities and the barren desert. Luxury real estate, social housing colonies, tourist resorts, and bridges have been mushrooming across the country for years. Since 2015, to the east of Cairo's upper-class districts New Cairo and Tagamoa el-Khamis, a New Administrative Capital (NAC) for 6.5 million people is frenetically being built on a vast plot of desert land, a megaproject and by far the most important prestige venture of former army chief al-Sisi.

The president, who has ruled the country with an iron fist since 2013, inaugurates new construction projects almost incessantly, always accompanied by noisy nationalist fanfare in the state-owned and private pro-regime media and applause from international investors. For al-Sisi, his "vision" for Egypt—which he has usually dubbed the "new republic" since 2021—embodies nothing less than the beginning of a new era, the dawn of a modern future that promises prosperity and renewal and stokes national pride. But all of this is primarily being financed with loans and investments from abroad worth billions. Thus, this seemingly dynamic modernization attempt is far less sustainable than al-Sisi and his regime persistently suggest, rather it is built on quicksand. The house of cards is still standing. But Egypt's economy is once again in crisis mode.

The Covid-19 pandemic and Russia's invasion of Ukraine have plunged Egypt into a severe economic, monetary, and balance of payments crisis as the country remains heavily dependent on imports and capital inflows from abroad. Foreign currency reserves have only avoided further collapse due to large deposits by Gulf states, while the military regime is trying to counter the massively increased balance of payments deficit and capital flight from the country, triggered by both global crises. In the run-up to the UN Climate Change Conference (COP27) to be held in November 2022 in the tourist resort town of Sharm el-Sheikh, the regime bets on greenwashing and frames the country as a new prime location for green investments

¹ Omar Robert Hamilton, "Before the COP: Sustainable power", Mada Masr, 16 June 2022, available at <https://www.madamasr.com/en/2022/06/16/opinion/politics/before-the-cop-sustainable-power/>. Last accessed on 9 July 2022.

and a would-be pioneer in the energy transition. While this strategy appears to be working—countless deals and memoranda of understanding on green investments by foreign governments and companies have been signed since 2021—the regime urgently needs to raise foreign currency from other sources in the short term and is trying to turn Egypt into a hub for the export of fossil gas and green electricity to Europe. Despite the overcapacity of local fossil gas power plants, the government has even temporarily rationalized electricity consumption to allow for more fossil gas exports even in the short term.²

Meanwhile, Egypt’s construction and real estate industry has been largely unaffected by the global crises and flourishes unabated. While the construction sector accounted for 7.1 percent of gross domestic product (GDP) in 2020/21, the real estate sector reached an astonishing 11.4 percent the same year and is now the fourth-largest contributor to Egypt’s economy.³ Both industries are irreplaceable for the latter today as they attract significant investment and capital inflows from home and abroad, and provide millions of jobs. But why have both sectors grown so strongly since al-Sisi’s takeover? And do the countless loan-based megaprojects fuelled by the regime, the military, and governmental and private construction and real estate companies actually have an impact on the balance of payments? Is the construction boom only driven by corporate profit interests and—as al-Sisi and government and private sector representatives constantly claim—the modernization policies of the regime? Or does the real estate frenzy also have political drivers and is directly related to the 2011 revolution?

The New Capital project is indeed creating a large city for Egypt’s wealthy elites and the state, cordoned off from the rest of the country and far from Giza’s impoverished informal districts. Even Tahrir Square, the symbol of the 2011 uprising, is far away. The Ministry of Interior, formerly located just a stone’s throw from Tahrir, was already moved to New Cairo on the outskirts of the city in 2016. The remainder of the government is now following suit, gradually moving into the NAC’s new government neighborhood. Large parts of Egypt’s upper and middle class are to follow suit too. The project exacerbates social segregation and draws the “iron curtain” in society a little closer. With the establishment of the NAC, the gated communities of the upper and middle classes in Cairo’s east are being transformed into a veritable gated city.



Blueprint of the New Administrative Capital © ACUD 2018

2 See: Sarah Samir, “Egypt aims to boost natural gas exports by rationalizing electricity consumption”, *Egypt Oil and Gas*, 10 August 2022, available at <https://egyptoil-gas.com/news/egypt-aims-to-boost-natural-gas-exports-by-rationalizing-electricity-consumption/>. Last accessed on 8 September 2022.

3 See: Yahia Shawkat, “Who Owns Cairo?” *Marsad Omran*, 12 September 2022, available at <https://marsadomran.info/en/2022/09/2535/>. Last accessed on 16 September 2022.

The government's rampant construction activity is undoubtedly fuelled by the country's increasingly significant class divisions, but is usually justified in public discourses by the need for housing in the context of population growth.⁴ But is the population increase really the pivotal reason for the real estate boom and the glaring lack of affordable housing? After all, a staggering 11.7 million homes were vacant in Egypt in 2017.⁵ While social housing programmes lag far behind demand, the market is literally flooded with high-end housing units. This overproduction has multiple reasons, summed up by urban planner Yahia Shawkat:

Housing is money. ... Local and foreign investors, as well as speculators, have taken advantage of a deregulated property market to make what they believe is a guaranteed return. ... However, this deregulation by the government has resulted in an inexorable erosion of affordability.⁶

However, the construction boom must also be explained by the necessity for al-Sisi to tie Egypt's elites to his regime anew after the partial regime collapse in 2011. The construction sector is again today a key tool for creating and stabilizing patronage networks within the fragmented ruling class—as it already was under former President Hosni Mubarak. Yet, the means of maintaining political loyalties under al-Sisi are appallingly akin to those of the Mubarak era. The real estate industry is consequently “too big to fail” for the regime, however it also serves to justify al-Sisi's authoritarian rule. In recent years, the regime has primarily pursued the ceaseless display of the army's military power, fuelled by Western governments' arms exports, and backed up with martial video footage of newly-acquired submarines or fighter jets. Today, the regime literally floods TV screens and social media with a seemingly endless stream of glossy footage, showcasing large construction sites and successfully accomplished projects. But the obsession with erecting megaprojects in the desert “has little to do with development and much to do with state legitimacy, the need to manufacture hope and create symbols of a New Egypt”, the urban planner David Sims writes.⁷

With megaprojects, however, al-Sisi also aims to showcase himself as an exceptional leader and erect architectural monuments in a manner that is almost common for authoritarian regimes. Megaprojects in the housing sector are also a means to this end: “housing is political. Almost every Egyptian ruler of the last nine decades, from King Fouad to President Abdel Fattah al-Sisi, has directly associated himself with at least one large-scale housing project”, says Shawkat.⁸

4 In 2021, the population grew by 1.88 percent, increasing from 72.6 million people in 2006 to 106 million in 2022, while the birth rate has been steadily declining for years and stood at 2.8 children in 2022 (3.5 in 2014), according to Egypt's state-run Central Agency for Public Mobilization and Statistics (CAPMAS). See: El-Sayed Gamal el-Din and Zeineb el-Gundy, “Fertility rate per women in Egypt declines by 20% since 2014”, Ahrām Online, 30 August 2022, available at <https://english.ahram.org.eg/NewsContent/1/1236/474171/Egypt/Health/Fertility-rate-per-woman-in-Egypt-declines-by—sin.aspx>. Last accessed on 4 September 2022.

5 See: Salma Shukrallah and Yahia Shawkat, “Government policy commodifies housing”, Marsad Omran, 17 November 2017, available at https://marsadomran.info/en/policy_analysis/2017/11/1218/. Last accessed on 9 July 2022.

6 Yahia Shawkat, *Egypt's Housing Crisis*, Cairo: AUC Press, 2020, p. 1.

7 See: David Sims, *Egypt's Desert Dreams*, Cairo: AUC Press, 2018, p. xviii.

8 Shawkat, *Egypt's Housing Crisis*, p. 1.

But it is not only comparisons with Egypt's former presidents Gamal Abdel Nasser, Anwar al-Sadat, or Hosni Mubarak that are illuminating here, but also a look back to the 19th century.

In 1805, Muhammad Ali Pasha rose to become the new governor of the Ottoman province of Egypt and, in an era of emerging independence movements, initiated a modernization campaign of the economy and the state. Under Ali's grandson Khedive Ismail, who reigned from 1863-79, Egypt was converted from a colony to a tributary state, whereas Ismail, turning towards European powers at the expense of the Ottoman Empire, built hundreds of bridges, dozens of sugar mills, and countless roads, railway lines, and ports in just a few years, and increased state revenues from agricultural exports by reclaiming desert land. However, infrastructure projects were largely financed with loans from Europe, as were prestige ventures such as Cairo's Khedivial Opera House—renowned for the 1871 premiere of Giuseppe Verdi's "Aida"—or Downtown Cairo, meant to imitate Paris. The country fell into the debt trap. Due to the state's outstanding debts, Ismail was deposed in 1879 under pressure from his lenders. In 1882, the British Empire took control over the Egyptian treasury and thereby political power in the country.⁹



Foreign Ministry in the New Administrative Capital © Sofian Philip Naceur 2021

Just as under Ismail, modernization policy today is supposedly initiating a departure into a modern era and strengthening national sovereignty. Under al-Sisi, however, Egypt's foreign dependence is not so much shifting from one world power to another, but rather diversifying. Loans, deposits, and investments now flow equally from Europe, China, North America, Russia, and the Gulf states, while the regime has so far been quite successful in balancing the conflicting interests of its lenders. Nevertheless, it remains in question whether the regime will be able to sustain in the long term its modernization and construction policy, based on the disposal of state land through capital transfers from abroad and new debt. Given the importance of the real estate sector to the economy and the legitimacy of the regime's rule, this report aims to take a closer look at the origins and drivers behind the real estate boom (chapter 1), map the most important projects pursued by al-Sisi (chapters 2 and 3), and illustrate how the military has expanded its influence in the real estate sector since 2013, and what role the industry plays today for the stability of the status quo in Egypt (chapter 4).

⁹ See: F. Hunter, "Egypt under the successors of Muhammad 'Ali", *The Cambridge History of Egypt*, vol. 2, edited by M. W. Daly, Cambridge University Press, 1998, pp. 180-97.

1.0 Turning Cement into Assets

The government has become a real estate agent, using Egypt's land as a profit maximizing resource, at the expense of distorting the entire housing market.

—Tadamun, 2015¹⁰

The housing business in Egypt is flourishing unabated and has now even reached a remarkable record on a global scale. Between 2006 and 2017, an average of 1.27 million housing units were built annually across the country. This made Egypt the third-largest housing producer in the world after China and India. Egypt's per capita rate is even the highest in the world by far.¹¹ This large output of the sector is often explained by population growth and rural-urban migration.¹² But in fact, the construction boom today is primarily driven by inflows of speculative capital and investments by Egyptian families who convert their savings—constantly threatened by currency devaluation—into bricks and cement, supposedly turning them into safer investments. Today, new housing projects no longer have the primary purpose of providing housing, but instead serve investors and wealthy families as a capital investment and a playground for speculation.

The government has been building satellite cities in the desert since the 1970s, originally with the intention of relieving pressure on densely-populated inner cities. However, the majority of these towns have so far attracted almost exclusively the upper and middle classes. "Desert cities like Tagamoa el-Khamis are very much inspired by urban development policies in the US, also called 'sub-urbanization', in which gated compounds are spiralling around a city", the journalist Mostafa Mohie tells the RLS. "Such satellite cities are now very common in Greater Cairo, and usually feature separate houses instead of apartment blocks, and purely residential low-density compounds".

Yet despite massive efforts by the state, this urban development policy clearly fell short of expectations, attracting only 1.08 percent (783,000 people) of Egypt's total population to the desert by 2006 and 1.72 percent (1.63 million, 1.3 million of which in Greater Cairo) by 2017.¹³ Nevertheless, and despite unprecedented vacancy rates, al-Sisi is developing the new towns in an even more expansive fashion than his predecessors. "Today, desert Cairo is four times the size of Cairo, but houses less than ten percent of Greater Cairo's population", David Sims tells the RLS. The main driver behind this dynamic is the state itself, as nearly 90 percent

10 Planning [in] Justice: Spatial Analysis for Urban Cairo, Cairo: Tadamun, 2015, p. 46, available at https://jadaliyyakms2.koeinbeta.com/Content/uploads/TADAMUNs_Planning_In_Justice_Project.pdf. Last accessed on 7 July 2022.

11 See: Shawkat, Egypt's Housing Crisis, p. 24.

12 Fuelled by Nasser's industrialization policies and the upheavals following the fall of the monarchy in the 1950s, Egypt's urbanization rate rose from 34 percent in 1947 to 44 percent in 1976, but increased since 1986 and stood at 42.2 percent in 2017. Thus, rural-urban migration does not have a significant impact on the cities' population growth. According to Sims, Cairo's population increased primarily due to the expansion of the city's boundaries and natural population growth. See: "Infographic: Facts and figures from CAPMAS' 2017 Census", Mada Masr, 1 October 2017, available at <https://www.madamasr.com/en/2017/10/01/news/u/infographic-facts-and-figures-from-capmas-2017-census/>. Last accessed on 6 July 2022; Sims, Egypt's Desert Dreams, p. 250.

13 See: Sims, Egypt's Desert Dreams, p. 255.

of Egypt's territory is state land, for the most part controlled by the army. Since the 1970s, the government has systematically exploited this resource. However, the "mass unloading of public land reserves" has not only led to an "unprecedented expansion of urbanized areas" in Egypt, but has massively fuelled the conversion of common goods into private wealth.¹⁴

1.1 Egypt's Desert Cities

Urban development and land reclamation projects in Egypt's deserts have been pursued since the 19th century, but it was only after the coup of the Free Officers under Gamal Abdel Nasser in 1952 that this policy became quasi-state doctrine. Nasser's regime, like al-Sisi's today, promised a new beginning and from day one pushed for socioeconomic reforms and a development policy designated to end the centuries-long foreign rule in Egypt once and for all. Already in the 1950s, the state began to intensify housing production as housing was urgently needed for those families attracted to the cities by Nasser's industrialization policy, and for those displaced by the Aswan High Dam construction and the 1956 and 1967 wars. But in contrast to today's housing policies, at the time "housing was recognized as a social good and was affordable to most of the population", says Shawkat.¹⁵ Plans to settle people in the desert already emerged under Nasser. But it was his successor Anwar el-Sadat who was to pave the way for the new towns' breakthrough.

In 1974, the so-called "October Paper" was published, a blueprint for Egypt's departure into a modern future. This was to be achieved, inter alia, by building settlements in the desert.¹⁶ Initially, "the redevelopment and expansion of the Suez Canal cities and their hinterlands had taken pride of place as the country's prime national project",¹⁷ but the emphasis of the government's construction policy quickly shifted to new and partially industrialized desert cities in Cairo's hinterland. Immediately after the 1976 launch of the city of 10th of Ramadan (following a trend to use historic dates as city names), the government announced the construction of three additional cities (Sadat City, 15th of May, 6th of October). By 1982, six more had followed, including Borg el-Arab in Alexandria and Badr and Obour east of Cairo. Law 59, passed in 1979, turned the state-owned New Urban Communities Authority (NUCA) into the key authority for developing these desert cities.¹⁸

Sadat thus set in motion a veritable boom in the real estate business and laid the foundation for two pivotal trends that, to this day, substantially maintain the industry's growth and its constant supply with new funds: a shift from rental to purchase contracts and the siphoning off of remittances worth billions from Egyptians living abroad, who, to this day, invest significant portions of their savings into housing units in Egypt. "Both the government and the private sector were

14 See: Éric Denis, "Financing Land in Egyptian and Indian Megacities", *Revue Tiers Monde*, vol. 206, no. 2, 2011, available at <https://www.cairn-int.info/journal-revue-tiers-monde-2011-2-page-139.htm>. Last accessed on 3 August 2022.

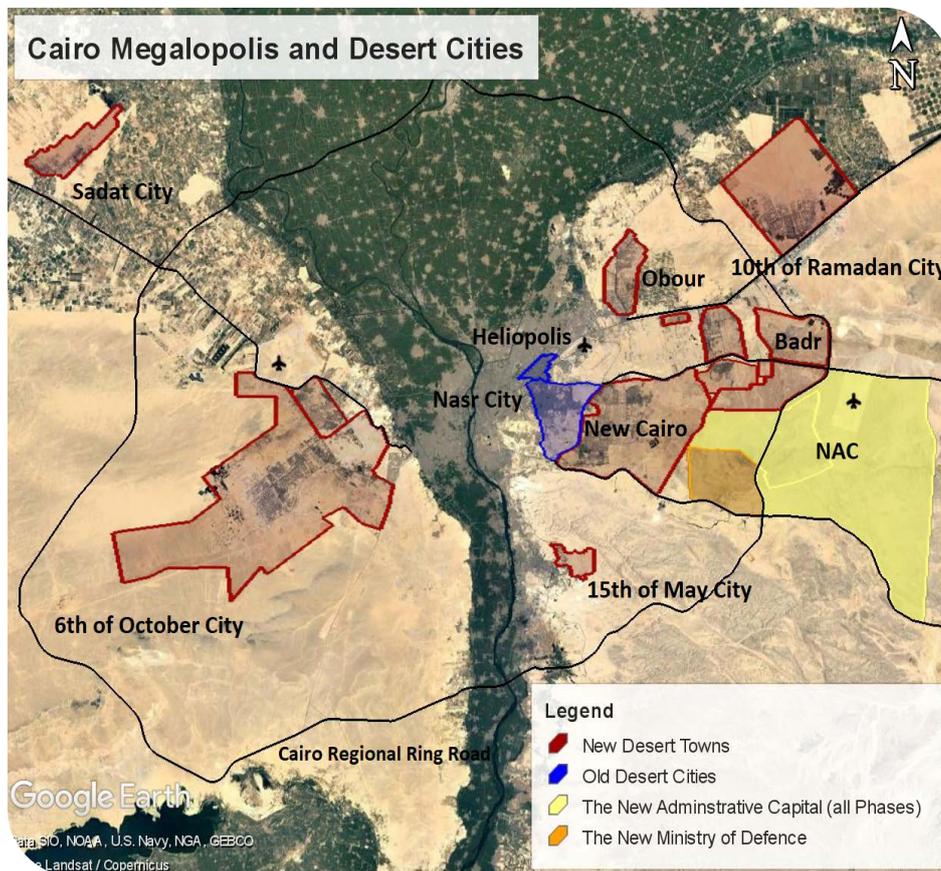
15 Shawkat, *Egypt's Housing Crisis*, p. 126.

16 See: Frederick Deknatel, "The Revolution Added Two Years: On Cairo", *The Nation*, 31 December 2012, available at <https://www.thenation.com/article/archive/revolution-added-two-years-cairo/>. Last accessed on 3 August 2022.

17 See: Sims, *Egypt's Desert Dreams*, p. 121.

18 *Ibid.*, p. 139, 145.

now capitalizing on billions of Arab Gulf petrodollars” as “most of the one million homes built by the private sector between 1976 and 1986 were bought or funded by the almost two million expatriate Egyptians who had moved to the Gulf states in the 1970s”, explains Shawkat. Between 1976 and 1986, the share of real estate purchases in Egyptian cities doubled from 2 to 4 percent, reaching 19 percent in 2017. The share of people renting in urban areas fell from 60 percent to only 25 percent between 1976 and 2018.¹⁹



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1.2 The Rise of Crony Real Estate Developers

Sadat’s successor Hosni Mubarak further intensified the disposal of state desert land. Shortly after Egypt and the IMF agreed for the first time in 1991 on a loan agreement tied to drastic conditions, Mubarak appointed Mohamed Ibrahim as the new Minister of Housing in 1993. With this change, “a much more ‘state capitalist’ mode of development was applied” and large private real estate companies became a new main partner of the state. The boundaries of existing towns were massively expanded and many new towns launched as now even more land was sold at giveaway prices to “an emerging new breed in Egypt, the corporate real estate developers”.²⁰

¹⁹ See: Shawkat, *Egypt’s Housing Crisis*, pp. 16-20.

²⁰ Sims, *Egypt’s Desert Dreams*, p. 128.

From the mid-1990s onward, Mubarak's neoliberalized housing policy gained significant momentum, once again justified by population growth. "The conquest of the desert is no longer a slogan or dream but a necessity dictated by the spiraling population growth", Mubarak had declared before Egypt's parliament in 1996, calling for "a complete reconsideration of the distribution of the population throughout the country".²¹ In fact, from then on he was to entirely transform the new towns policy into a haven for speculation and a playground for the wealthy and investors. 11 new towns were announced by 1999.

Starting in 2005, social housing projects were also increasingly shifted to the new cities. Half of all public housing units (500,000) planned under Mubarak's National Housing Programme (2005-11) were to be built in the new towns.²² However, due to the rising prices for housing units, fewer and fewer people could afford them and so were forced to turn to the informal housing market even more than before. Moreover, only those who are formally employed are eligible for social housing and the government loans earmarked for purchasing such housing. Yet the majority of the population is informally employed and thus is excluded from accessing public housing from the outset.

1.3 Failed Targets and Missed Opportunities

"For over five decades, desert schemes have consumed massive public funds and private investments and continue to do so. Yet the Egyptian desert is virtually littered with still-born, anemic, and failed projects", according to Sims, the urban planner. "Not a single proclaimed desert development target has been met, and most are several orders of magnitude out of sync".²³ 6th of October was once supposed to house 5.5 million people, but attracted only 157,135 residents by 2006 and 348,870 by 2017. Borg el-Arab was designed to accommodate 540,000 people, but in 2017 was home to only 43,500, Sims reports, citing census data. The discrepancies between target and reality are even bigger in the new cities across Upper Egypt. The vacancy rates in the new towns are also still overwhelmingly high today, although the influx of residents into the new settlements near Cairo increased noticeably between 2006 and 2017. The populations of 6th of October and Sadat City more than doubled within a decade, while that of Sheikh Zayed, Ubour, and New Cairo tripled and that of Shorouq even quadrupled.

The failure of the satellite cities is due to their mostly utterly remote locations and the absence of health and educational facilities, nearby job opportunities and, above all, public transportation. Yet, there are examples of successful urban expansions in Cairo. The construction of Heliopolis from 1905 onward was such an example, as development started in the centre of the district which was then connected to the old city centre by tramways. In 1919, Heliopolis had around 6,800 residents,²⁴

21 See: Frederick Deknatel, "The Revolution Added Two Years".

22 See: David Sims, *Understanding Cairo*, Cairo/New York: AUC Press, 2012, p. 80.

23 Sims, *Egypt's Desert Dreams*, p. 3.

24 See: Mohamed Elshahed, *Cairo since 1900: An Architectural Guide*, Cairo/New York: AUC Press, 2020, p. 310.

rising to 24,000 by 1928.²⁵ The increase in residents in Nasr City since 1958 and in Salam City and Ain Shams in the 1980s was also less gradual compared to today's urban expansions since all three districts were built in the immediate vicinity of urban infrastructure.

The urban planner Sims, however, considers the construction of the Suez Canal (1860-69) and the cities of Port Said and Ismailia, specifically built to support the canal development, as a successful example of an urban development project in the desert. But it took decades for the new cities to grow significantly. After the 1974 October Paper was published, Sadat had even begun to implement plans for the development of canal cities. But "ironically, just as these plans were published and considerable interest began to be generated, the Egyptian government launched the new-towns program"—which was a fatal decision and, according to Sims, "probably the greatest missed opportunity to develop Egypt's existing secondary towns and create logical alternatives to crowded Cairo".²⁶



Sisi Poster on a Mass protest in Nasr City, Cairo © Sofian Philip Naceur 2013

1.4 "Never-Ending Development"

The 2011 revolution had only temporarily put the real estate frenzy on hold. Since al-Sisi's takeover, construction has resumed unabated. Today's blatant overproduction of high-end units and the changes in the market can also be understood as the first serious indications of crisis in the industry. Market prices for housing units have been going up annually significantly for years, and the state is now increasingly pushing prices up too, both for social housing units and in the mid-price segment.²⁷ Due to

25 See: Dina Hussein and Lina Attalah, "Heliopolis: A brave new city" (first published by AUC, 2005), Mada Masr, 11 March 2021, available at <https://www.madamasr.com/en/2021/03/11/feature/economy/heliopolis-a-brave-new-city/>. Last accessed on 15 July 2022.

26 Sims, *Egypt's Desert Dreams*, p. 119, 148.

27 See: Shukrallah and Shawkat, "Government policy commodifies housing".

the rising prices, the industry is adopting its financing schemes accordingly.²⁸ The government is trying to boost the mortgage market, which has hardly been relevant in Egypt so far, with low interest rates, whereas private real estate developers, mostly relying on instalment-based purchase contracts, have adjusted their instalment plans and expanded payment periods from seven years to now up to ten.²⁹ Meanwhile, in 2021 the real estate developer UC Development even promoted an instalment plan of up to 25 years—albeit for commercial and office units.

With such measures, the industry aims to attract ever lower income brackets, secure the inflow of funds, and capitalize on what Shawkat calls the “*myth of property as an investment*”.³⁰ So far, the strategy seems to be working as Egyptian families and businesses continue to invest in land and real estate “*where it is perceived that eventual profits from resale will beat both inflation and returns from investments in businesses, equity markets, or saving bonds*”. This, however, is hard to verify as available information about the market is unstructured and real price trends difficult to identify, while “*it is in practically no one’s interest to uncover them*”.³¹ Hence, construction continues cheerfully, entirely in line with the emblematic slogan “Never-Ending Development” of the Egyptian real estate developer al-Marasem. But an urban planner and real estate expert who wants to remain anonymous already warns of a market saturation in a personal interview:

The key question is: will demand keep up with this oversupply? A significant percentage of demand is still coming from Egyptian expats living in the Gulf. Many still buy new units as a family investment, with no intention to move into the unit any time soon. But an urban planner and real estate expert who wants to remain anonymous already warns of a market saturation in a personal interview:

In the meantime, the regime has responded to distortions in the real estate sector and, in August 2021, obliged developers not to sell housing units until at least 30 percent of the unit has been completed. Previously, companies could collect down payments and first instalments before construction on a project had even started. For Yezid Sayigh of the liberal think tank Carnegie Middle East Center, this is “an implicit admission of the risks of oversupplying and overheating the real estate market”.³² Shortly before, Egypt’s Central Bank had for the first time allowed

28 Sales prices for properties in New Cairo and 6th of October increased by 8 percent and 7 percent year-on-year in 2021 and 13 percent and 7 percent in 2019. See: Khawar Khan, Faraz Ahmad, and Zenah Al Saraeji, “The Cairo Real Estate Market – A Year in Review 2021», JLL, 24 January 2022, available at <https://www.jll-mena.com/en/trends-and-insights/research/the-cairo-real-estate-market-a-year-in-review-2021>. Last accessed on 9 October 2022.

29 See: Beesan Kassab, “How real estate companies in the new capital are targeting the middle class”, Mada Masr, 18 August 2021, available at <https://www.madamasr.com/en/2021/08/18/feature/economy/how-real-estate-companies-in-the-new-capital-are-targeting-the-middle-class/>. Last accessed on 9 July 2022.

30 Interview with Yahia Shawkat, Jadaliyya, 15 April 2021, available at <https://www.jadaliyya.com/Details/42630/Yahia-Shawkat,-Egyptys-Housing-Crisis-The-Shaping-of-Urban-Space-New-Texts-Out-Now>. Last accessed 22 July 2022.

31 Sims, *Egypt’s Desert Dreams*, pp. 151–52.

32 See: Yezid Sayigh, “Retain, Restructure, or Divest? Policy Options for Egypt’s Military Economy” Carnegie Middle East Center, 31 January 2022, available at <https://carnegie-mec.org/2022/01/31/retain-restructure-or-divest-policy-options-for-egypt-s-military-economy-pub-86232>. Last accessed on 18 July 2022.

the granting of loans to real estate developers for purchasing land, ostensibly to strengthen the companies' liquidity.³³ But in doing so, the government risks fuelling land speculation as owning land in Egypt is not taxed, and increases in land sale usually exceed local lending rates.

Already in 2020, the Ministry of Local Development suspended the issuance of permits for newly-built private homes and the expansion of existing units in Cairo and Alexandria for six months. Government projects and those built in the new cities were not affected by the regulation.³⁴ Although the moratorium was lifted again the same year, more and more people have been waiting for permits from authorities to build or extend their homes in some established middle and upper-class districts in Cairo, in some cases even for years, as some individuals and real estate brokers tell the RLS. In 2020, the government also issued a new building code that imposes more restrictive requirements on the height of new buildings and the distance between them, but also complicates permit approval procedures and places them under the direct control of the army's Engineering Corps. Such measures are aimed at stimulating demand in the new cities, but above all are set to ensure the success of al-Sisi's most important project: the New Administrative Capital.

33 See: "Egypt: New Cities and Mega Projects", Oxford Business Group, 29 June 2022, available at https://oxfordbusinessgroup.com/sites/default/files/blog/specialreports/963339/EG22_New_Cities_and_Mega_Projects.pdf. Last accessed on 25 July 2022.

34 See: "Egypt to allow resumption of construction activities after four-month suspension", Ahram Online, 28 September 2020, available at <https://english.ahram.org.eg/NewsContent/1/64/386122/Egypt/Politics-/Egypt-to-allow-resumption-of-construction-activiti.aspx>. Last accessed on 18 July 2022.

As early as 2014, he had ordered the construction of a second navigation canal running parallel to the old one in the southern section of the Suez Canal. Shortly before the project was completed, the regime unveiled another, far more ambitious mega-venture. At an investors' conference in Sharm el-Sheikh in March 2015, then-Minister of Housing and current Prime Minister Mostafa Madbouly announced the construction of a New Administrative Capital (NAC). The capital would feature 21 residential districts for 6.5 million people (1.5 million in phase one of the project), a governmental and diplomatic neighbourhood, sports facilities, a cultural city, a technology hub, a banking and business district, hundreds of mosques and churches, and green spaces as far as the eye can see. A new airport and a gas power plant built by Germany's Siemens Group were already completed in 2017, making the city virtually autonomous from the rest of the country in terms of international transport links and energy security.

The declared goal of the project was to reduce traffic congestion and overcrowding in Greater Cairo, Madbouly said at the time. Al-Sisi and representatives of the Administrative Capital for Urban Development (ACUD, 51 percent controlled by the military, 49 percent by NUCA as part of the Ministry of Housing), a company established in 2016 specifically for the construction of the NAC, had initially repeatedly claimed that the New Capital would welcome "all Egyptians".³⁹ Today, however, it is obvious to everyone for whom the project is actually being built. With the NAC, al-Sisi is literally erecting an "iron curtain" between Egypt's low-income majority and the wealthy elites. The key reason for the staggering scale of the capital and the pace in which it is being built: the 2011 revolution.

2.1 Recycling Urban Visions

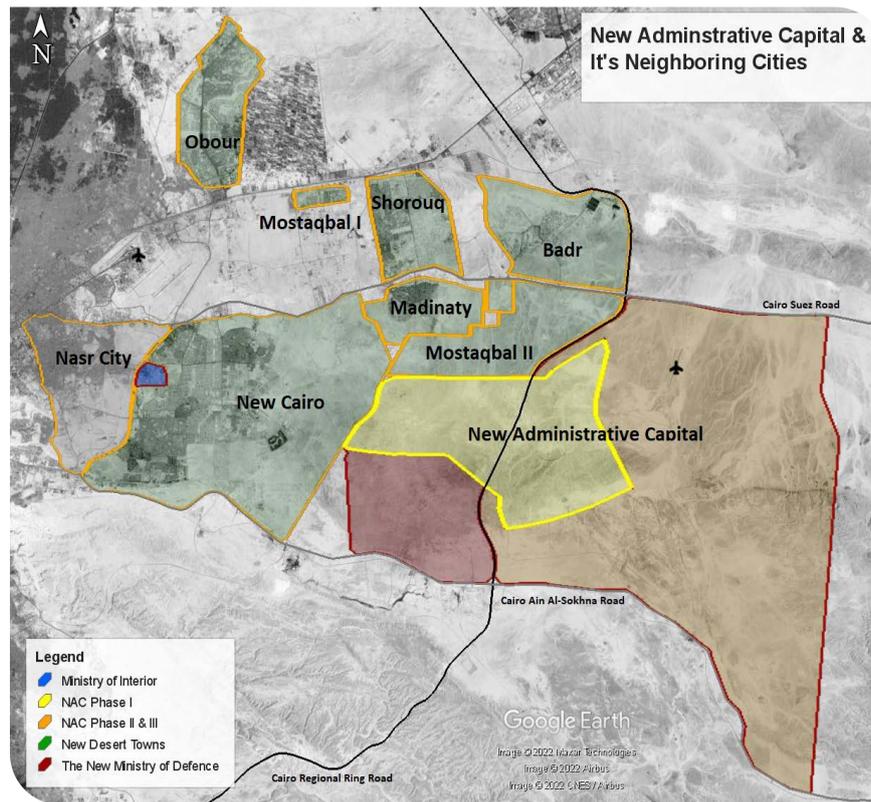
The idea of building a new government headquarters is by no means new. Mubarak, Sadat, and Nasser had all pursued plans to relocate ministries and government agencies from Cairo's city centre to the metropolitan region's periphery. Whereas the Nasser regime considered Nasr City as a possible site for a "new political capital" in the 1960s,⁴⁰ Sadat meant to convert Sadat City, named after himself, into the country's new administrative centre and even began relocating the Ministry of Reconstruction to the new town, under construction since 1978. Yet, the employees of the ministry threatened to strike. The relocation was cancelled and the plan disappeared—until 2007.⁴¹ At that time, a new unofficial master plan for Greater Cairo emerged. One element of the "Cairo Vision 2050", a collection of partly mind-boggling ideas for megaprojects, was the construction of a new government district between New Cairo and Nasr City.⁴² But before the regime could take more tangible steps in this regard, Mubarak was ousted in 2011.

39 Sofian Philip Naceur, "Menschenleere Millionenstadt mitten in der Wüste", *Wochenzeitung*, 7 February 2019, available at woz.ch/1907/bauboom-in-aegypten/menschenleere-millionenstadt-mitten-in-der-wueste. Last accessed on 1 September 2022.

40 Mohamed Elshahed, *Cairo since 1900: An Architectural Guide*, p. 39.

41 See: David Sims, *Understanding Cairo*, p. 57.

42 See: "Cairo vision 2050", UN Habitat, available at mirror.unhabitat.org/downloads/docs/8635_42944_AymanEl-hefnawi.pdf. Last accessed on 27 July 2022.



© Haider Daoui

Al-Sisi's vision for the future is thus no more than a selection of previously circulated project ideas that are now merely being implemented in a modified design and on a larger scale. None of al-Sisi's major projects are being pushed forward with such a determined backing as the NAC—and for good reason. For the regime, the revolution was a turning point that must not under any circumstance be repeated. The New Capital serves this purpose by allowing the state and society's elites, in the event of a renewed uprising, to wait out any storm on Cairo's streets in their new fortress. The NAC will blend seamlessly into Greater Cairo's urban architecture, increasingly based on spatial class segregation, since it will be surrounded by an outright buffer of upper-class districts including New Cairo, Madinaty, Shorouq, and Mostakbal. Meanwhile, Mostakbal II, announced in 2022 and to be located between the NAC and Madinaty, is yet another city in the area designed for more than one million people.⁴³ By establishing this new city and the NAC, Cairo's east will irreversibly turn into a gated island for the elites.

2.2 An Urban Fortress in the Making

Meanwhile, work on the large-scale construction site is progressing at a breathtaking pace. Since 2015, the new government district (ministries, cabinet building, presidential palace, and parliament), hundreds of kilometres of highways and roads, a Coptic cathedral, the new Capital International Airport, a fossil gas power plant, a hotel and conference complex, the gigantic Ministry of Defence, countless bridges, and several residential neighbourhoods have been completed. Social media platforms

⁴³ See: "El-Mostakbal City", El-Mostakbal Urban Development, available at <https://mostakbal-re.com/>. Last accessed on 22 September 2022.

like Facebook, Twitter, and Instagram are now literally being flooded with glossy footage of large construction sites, documenting the progress and extent of the work. The regime is turning the NAC's construction into a never-ending spectacle.

Responsible for the construction are the ACUD, the NUCA, and the military-owned National Service Projects Organization (NSPO), which has risen under al-Sisi to become one of the most important players in the army's construction empire and is leading countless infrastructure projects throughout the country. The list of construction and real estate companies working in the NAC reads like a who's who of the Egyptian construction business: besides the state-owned Arab Contractors, there are also the private real estate giants Talaat Moustafa Group, Orascom, Hassan Allam, and Palm Hills Development erecting building after building in the NAC.⁴⁴



Khaled Hussein (ACUD) on the NAC construction site © Sofian Philip Naceur 2018

How exactly the megaproject is being financed, however, remains unclear. The sparse information that ACUD or other sources provide to the public is mostly contradictory. Officials from the government, the army, or the ACUD repeatedly assure the public that the construction will not cost the state anything and is not, given its staggering debts, a burden on the national budget. Instead, infrastructure work in the NAC is being financed with revenues from land sales to private real estate developers and governments that purchase land for new embassies in the NAC, ACUD spokesman Khaled Hussein said in a personal interview in 2021. But it does not appear to be that simple.

The project appears to be funded primarily by the sale of state land to private real estate developers, the sale of residential units by state-owned housing companies such as NUCA, and also extensive loans from abroad.⁴⁵ But IPOs are also now considered as a possible future source of financing. Even selling shares of the ACUD is being considered.⁴⁶ Additionally, al-Sisi announced in mid-2022 that the ACUD would henceforth charge the state more than USD 200 million in monthly

44 See: "New Capital City", ACUD, available at newcapital.city/new-administrative-capital/. Last accessed on 15 September 2022.

45 Two state-owned companies - Capital Residence and City Edge Developments - are establishing luxury real estate in the NAC. See: Shawkat, *Egypt's Housing Crisis*, p. 173.

46 See: Mirette Magdy, "Egypt readies what may be its biggest IPO as capital emerges", Bloomberg, 15 August 2021, available at <https://www.bloomberg.com/news/articles/2021-08-15/egypt-readies-what-may-be-its-biggest-ipo-as-new-capital-emerges>. Last accessed on 8 July 2022.

office rent.⁴⁷ About 20 percent of the overall costs of the megaproject is covered by loans from abroad. Of this, USD 4.5 billion is coming from China alone.⁴⁸ The Central Business District (CBD), built by the China State Construction Engineering Corporation (CSCEC) and comprising 20 high-rise towers, is also financed by international lenders. Around 85 percent of the projected cost of USD 3 billion is backed by loans from Chinese banks.⁴⁹



Central Business District in the NAC © Sofian Philip Naceur 2021

Meanwhile, construction of the CBD is proceeding rapidly. According to Hussein, more than 200,000 workers are being deployed daily on the NAC's construction site, whereas 9,000 workers were operating at times in the CBD alone.⁵⁰ The fenced-off housing containers at the CBD construction site, however, are prompting speculation about the working conditions at the CSCEC site, speculation which ACUD spokesman Hussein has additionally fuelled through his remarkably grotesque remarks in a 2021 interview:

This is the policy of the Chinese company [to bring in workers from China]. By the way, I heard that most of [the workers] are prisoners, they spend the duration [of their prison terms] here, the Chinese government has sent them to a mission. I heard that, but I am not sure.

47 See: Stephan Roll, "Kredite für den Präsidenten", SWP, September 2022, available at <https://www.swp-berlin.org/en/publication/kredite-fuer-den-praesidenten>. Last accessed on 9 October 2022.

48 See: Aidan Lewis and Mohamed Abdellah, "Egypt's new desert capital faces delays as it battles for funds", Reuters, 13 May 2019, available at <https://www.reuters.com/article/us-egypt-new-capital/egypts-new-desert-capital-faces-delays-as-it-battles-for-funds-idUSKCN1SJ10I>. Last accessed on 14 July 2022.

49 See: Sean Mathews, "The competition for Egypt: China, the West, and megaprojects", Al Jazeera, 15 March 2021, available at <https://www.aljazeera.com/news/2021/3/15/the-competition-for-egypt-china-the-west-and-mega-projects>. Last accessed on 18 July 2022.

50 See: "In Egypt's new capital, Chinese firm races against COVID-19 to raise skyscraper", Global Times, 8 October 2021, available at <https://www.globaltimes.cn/page/202110/1235811.shtml>. Last accessed on 25 July 2022.

2.3 Incorporating the Fortress

The regime repeatedly praises the NAC with reference to its favourable location. Situated between the Suez Road and the Sukhna Road, the beaches of the Red Sea, the special economic zones along the Suez Canal, South Sinai, and Cairo are not far away. The old highways around the NAC site were turned into large mega-highways years ago and were connected to the New Capital. Cairo itself is being linked to the NAC by all available means in the course of a veritable demolition, displacement, and construction inferno that has been ongoing for years. “The construction of countless flyovers, roads, and corridors in many Cairo neighbourhoods, in particular Nasr City and Heliopolis, are aimed at connecting all major middle and upper-class areas to the New Capital”, says Mohie, the journalist. North of Cairo, around the Nile island of Warraq, no stone is left unturned after the construction of the Rod el-Farag bridge in 2018. But the demolition and construction activity in the surrounding districts is not only meant to feed the real estate industry and gentrify Cairo’s broader city centre as “the Rod el-Farag axis is a strategic project that creates a corridor connecting Ain Sokhna and the New Capital, and the North Coast’s el-Alamein”, Mohie explains.

Meanwhile, public transportation is also being expanded at full pace. A fourth metro line currently under construction will connect New Cairo and the Giza Plateau, while two train projects will link the NAC to Cairo’s public transportation network. The Light Rail Train, built by the French RATP, is supposed to take commuters from the satellite towns northeast of Cairo to the NAC (stations have been built in 10th of Ramadan, Obour, Shorouq, and Badr), but also allows them to change to the metro at the newly built Adly Mansour transit station near Salam City.⁵¹ Additionally, two monorail lines are being established, connecting the NAC with the city centre and 6th of October with Giza. With a total length of 99 kilometres, the USD 4 billion rail project is one of the longest monorail lines in the world. Operation and maintenance were allocated to France’s Alstom Group for the next 30 years.⁵²

The main purpose of the Light Rail is to provide transportation for government employees to the NAC. After all, given the distance between the NAC and the old ministries, moving the entire government to the New Capital is a task that cannot be underestimated. Therefore, the government is offering two options to the tens of thousands of government servants, Hussein explains: monthly allowances for travel expenses or the highly subsidized purchase of an apartment in the new town of Badr located just north of the NAC. 33,000 apartments have already been assigned here, with 13,000 finished and 20,000 more under construction.⁵³ The monorail, on the other hand, is despite the subsidized tickets unlikely to be used by commuters, given the still-high ticket prices and the trip duration. “Instead, once finished and operational, it could be turned into yet another icon or modern monument of Greater Cairo, similar to Cairo Tower or the planned Iconic Tower in the New Capital”, Mohie states. In addition, Sims also remains doubtful as monorails are known to be “very expensive compared to other railway systems and do not run smoothly”.

51 See: “RATP Dev Mobility Cairo remporte le contrat d’exploitation et de maintenance du train électrique”, RATP Dev, March 2021, available at <https://ratpgroup.com/fr/news/ratp-dev-mobility-cairo-remporte-le-contrat-d-exploitation-et-de-maintenance-du-train-electrique-lrt-10-ramadan-nouvelle-capitale-administrative/>. Last accessed on 8 July 2022.

52 See: “The Monorail story for Greater Cairo”, Alstom, available at <https://www.alstom.com/monorail-story-greater-cairo>. Last accessed on 8 July 2022.

53 See: Rana Mamdouh, “Living outside the city walls”, Mada Masr, 7 April 2022, available at <https://www.madamasr.com/en/2022/04/07/feature/politics/living-outside-the-city-walls-the-process-of-transferring-civil-servants-to-the-new-capital/>. Last accessed on 8 July 2022.

3.0 From El-Alamein to NEOM: A New Megalopolis

When the president took over, the country was falling apart, and the private sector wasn't interested in investing in it, therefore he had to launch a Marshall Plan.

—Sahar Nasr, 2018⁵⁴

Meanwhile, the NAC is not al-Sisi's only large-scale venture, as the regime is pursuing countless other megaprojects—simultaneously and countrywide—in the areas of housing and urban development, tourism, energy, transport infrastructure, agriculture and industry. In addition to the large-scale expansion of Alexandria and the erection of another playground for the wealthy in el-Alamein, large special economic zones are being established along the Suez Canal, in Ain Sokhna, and in the Nile Valley. In Sinai, west of the Delta, and in Upper Egypt's deserts, gigantic land reclamation projects are being set up, whereas new towns are once again mushrooming across the country. A total of 37 new cities are planned, 17 of which are already under construction.⁵⁵

Once again, projects designed long before are being recycled here. Drafts for the massive expansion of the new towns policy were already presented in the late 1990s, while proposals for large-scale development and agricultural projects on the North Coast and in the Western Delta were promoted as recently as 2010.⁵⁶ Parts of these drafts are actually being implemented today and are taking shape as an oversized urban belt stretching around the Nile Delta, extending from el-Alamein via Alexandria and the Western Delta to Cairo, and from there eastwards to Ain Sokhna, New Galala, and the Suez Canal Economic Zone. In addition, Sharm el-Sheikh and South Sinai are to be connected to Saudi Arabia's envisaged megacity NEOM. The regime is transforming Cairo into a megalopolis and intends to link it with the neighbouring countries of Sudan, Libya, and Saudi Arabia through cross-border railway lines.⁵⁷ However, what appears to be a dynamic departure into a modern future could prove to be a mirage as the construction frenzy, fuelled by speculation and hunger for profits, distorts not only the economy and the banking system, but also drives Egypt's debt ratio at an alarming rate as countless new infrastructure projects are financed by loans.

3.1 Egypt's Belt and Road Initiative

Immediately after his takeover, al-Sisi began laying the foundation for his "vision" by expanding roads and highways. Between 2014 and 2020, more than 7,000 kilometres of roads are said to have been built or redeveloped across the country, mostly by the army's

54 See: Eleonora Vio, "Can Sisi turn around Egypt's economy with mega projects?" TRT World, 6 July 2018, available at <https://www.trtworld.com/magazine/can-sisi-turn-around-egypt-s-economy-with-mega-projects--18718>. Last accessed on 9 October 2022.

55 See: Karima Abdel-Ghani, "Building Egypt's 4G cities", Ahram Online, 29 June 2021, available at <https://english.ahram.org.eg/News/416262.aspx>. Last accessed on 9 July 2022.

56 In 1997, NUCA published a list of 44 new towns to be proposed until 2017 with a total target population of 6.7 million people (60,000 to 400,000). See: Sims, *Egypt's Desert Dreams*, p. 56, 130.

57 See: Tom Dobbins, "What's the difference between a Megacity, a Metropolis, a Megalopolis and a Global City?" Arch Daily, 20 June 2018, available at <https://www.archdaily.com/896568/whats-the-difference-between-a-megacity-a-metropolis-a-megalopolis-and-a-global-city>. Last accessed on 20 July 2022.

Engineering Corps or the NSPO. Meanwhile, railway networks are also being upgraded on a large scale. In 2021, the government signed the first contract with Siemens to build a USD 23 billion high-speed rail network spanning a total length of 2,000 kilometres. The first USD 4.5 billion and 660 kilometre section is to connect Ain Sokhna to the NAC and the latter to Alexandria, el-Alamein, and Marsa Matruh. Two further sections—from 6th of October to Aswan (1,100 kilometres) and from Luxor to Hurghada (225 kilometres)—are to follow in a later project stage.⁵⁸ After the state’s monopoly in railway transport was relaxed in 2018 and private companies have since been allowed to build, maintain, and operate railway lines, Siemens was allocated an operation and maintenance contract for the train project for the next 15 years.⁵⁹



Additionally, the government is planning to establish a railway line between Aswan and Sudan⁶⁰ as well as a railway connecting Marsa Matruh and Benghazi in eastern Libya. Other domestic lines are also on the table, including a railway between Port Said, Damietta, and

58 See: “Siemens Mobility unterzeichnet historischen Vertrag für schlüsselfertiges Bahnsystem in Ägypten im Wert von 3 Milliarden US-Dollar”, Siemens Mobility, 21 September 2021, available at <https://press.siemens.com/global/de/pressemitteilung/siemens-mobility-unterzeichnet-historischen-vertrag-fuer-schluesselfertiges>. Last accessed on 8 July 2022.

59 See: Mohamed Hegazy, “Egypt transport policies 2014–2021”, Arab Reform Initiative, 2022, available at <https://s3.eu-central-1.amazonaws.com/storage.arab-reform.net/ari/2022/04/04160053/2022-03-EN-EgyptPolicyDialogues-Egypt-transport-policies-2014-2021.pdf>. Last accessed on 12 July 2022.

60 See: “Suspension bridge across Lake Nasser will connect Egypt to Sudan by train as part of Cairo to Cape Town rail network”, The New Arab, 15 June 2021, available at <https://english.alaraby.co.uk/news/railway-across-lake-nasser-connect-cairo-khartoum>. Last accessed on 8 July 2022.

Alexandria and between Marsa Matruh and Siwa.⁶¹ In the Nile Delta and in the canal zone, old lines are being modernized and extended. The erection of a bridge between Sharm el-Sheikh in South Sinai and Saudi Arabia has already been the subject of public controversy since the 1990s, but might be implemented now in view of Riyadh's ambitious plans to establish NEOM.

Ports, airports, and industrial zones are also being developed substantially. Taking inspiration from China's global development model, the regime is erecting a modern network of transportation and industrial infrastructure across Egypt designed to strengthen the country's standing as a regional and global cargo hub. While airports have been modernized across the country, Egypt is having ports in Dakhleya and Alexandria expanded in cooperation with the Hong Kong-based port operator Hutchison Ports, to whom it assigned a 38-year-long concession for a container terminal in Abu Qir.⁶² Ports in Ain Sokhna, Port Said, and Suez have also been enlarged and, like the Suez Canal Economic Zone (SCEZ)—the centrepiece of al-Sisi's ambitious industrialization efforts—are expected to allow additional cargo traffic between the Mediterranean and the Red Sea and attract foreign investment to the new industrial clusters. Although the SCEZ's expansion has so far fallen short of expectations,⁶³ another industrial town was announced as recently as 2022: Tarboul, near Fayoum, south of Cairo.⁶⁴



Al-Sisi, former German Chancellor Angela Merkel, and ex-Siemens CEO Joe Kaeser in Cairo © Sofian Philip Naceur 2017

61 See: "Railway network connecting Egypt and Libya to be built by 2024", Libyan Express, 27 January 2022, available at <https://www.libyanexpress.com/railway-network-connecting-egypt-and-libya-to-be-built-by-2024/>. Last accessed on 8 July 2022.

62 See: Marcus Hand, "Hutchison Ports inks agreement with Egyptian navy for \$730 million container terminal", Seatrade Maritime News, 31 August 2020, available at <https://www.seatrade-maritime.com/ports-logistics/hutchison-ports-inks-agreement-egyptian-navy-730m-container-terminal>. Last accessed on 18 July 2022.

63 Companies from the UAE are investing heavily in the East Port Said and Ain Sokhna economic zones, but the largest-ever investment deal in the SCEZ and East Port Said with Russia worth USD 7 billion has been stalled in light of the Ukraine war. See: "Egypt allocates ports operator DP World industrial plot in Suez Canal Zone", Ahram Online, 19 November 2019, available at <https://english.ahram.org.eg/NewsContent/3/12/356253/Business/Economy/Egypt-allocates-ports-operator-DP-World-industrial.aspx>. Last accessed on 7 July 2022.

64 See: "Tarboul – The industrial city of Egypt", GV Investments, May 2022, available at https://tarboul.com/wp-content/uploads/2022/05/tarboul-brochure__compressed.pdf. Last accessed on 22 July 2022.

3.2 The Extended Peri-Urban

The construction of the NAC, urban expansions around Cairo, and land reclamation projects west of the Delta are gradually transforming the megacity of Cairo into a megalopolis. This rapid transformation of Greater Cairo and the surrounding provinces is already blurring distinctions between urban and peri-urban areas. The construction of new highways and high-speed railway lines between el-Alamein, Alexandria, Cairo, the NAC, and Ain Sokhna is already bringing the Red Sea and the North Coast noticeably closer to Greater Cairo. Cairo's urban and peri-urban areas are shifting.

While one crop circle after another is being reclaimed in the Western Delta as part of the 4 million feddan project, two more luxurious playgrounds for the super-rich are being built in New Galala at the Red Sea and el-Alamein at the Mediterranean. New Alamein in particular is a priority for the regime and is already attracting massive investment from within and outside the country. A new presidential palace has already been completed in New Alamein. The construction of a nuclear power plant in Dabaa by Russia's state-owned company Rosatom, agreed upon in principle in 2017 and financed with a USD 25 billion loan, has finally started in 2022.

3.3 Commodifying Sinai

Meanwhile, South Sinai is being developed into a hermetically-gated oasis for Egyptian and foreign tourists. Years ago, the tourist resort of Sharm el-Sheikh was almost entirely enclosed by a concrete wall surrounding the city, while more and more investments from Saudi Arabia and the Gulf are flowing into South Sinai in the context of NEOM. The al-Sisi regime is also increasingly using Sharm el-Sheikh as a venue for political summits, international conferences, and major events such as, most recently, COP27.

While construction activity in South Sinai under Mubarak was almost exclusively bound to Sharm el-Sheikh, the entire south of the peninsula has now been under development since 2013. The ailing old roads between Suez, Sharm el-Sheikh, Dahab, and Saint Catherine have been replaced with new highways or main roads. Meanwhile, the small towns of Taba, Nuweiba, and Dahab on the Gulf of Aqaba as well as Saint Catherine, known for its historic monastery, are also increasingly being targeted by development projects.⁶⁵ Whereas plans for massive urban development projects in Dahab remain dormant so far, Saint Catherine has since 2021 already turned into a major construction site. The NUCA-funded project in the UNESCO world heritage city "aims to capitalize on the importance of the city for the adherents of three religions—Islam, Christianity, and Judaism—by turning it into a major spiritual attraction", a proposal that former President Sadat had already considered advancing in the late 1970s.⁶⁶

On the opposite shores of the Gulf of Aqaba, construction work on Saudi Arabia's futuristic megacity NEOM has now started after years of delay. In 2022, Riyadh finally set aside 80 billion of the USD 320 billion of estimated costs for the project's phase one and contracted

65 See: "Sisi issues decrees allocating state-owned land for development purposes", State Information Service, 14 August 2021, available at <https://www.sis.gov.eg/Story/158678/Sisi-issues-decrees-allocating-state-owned-land-for-development-projects?lang=en-us>. Last accessed on 1 August 2022.

66 "South Sinai's Saint Catherine 'destroyed' by new development project", Middle East Eye, 8 March 2022, available at <https://www.middleeasteye.net/news/egypt-sinai-historic-st-catherine-destroyed-development-project>. Last accessed on 8 July 2022.

Chinese and South Korean companies for the first infrastructure projects on the site.⁶⁷ The city is designed to modernize Saudi Arabia's economy—which is lagging behind the economies of the United Arab Emirates (UAE) and Qatar—and attract investments, prepare the country for a post-oil era, and gradually merge with urban areas in Jordan and Egypt. Correspondingly, Riyadh has a vital interest in pushing development projects in South Sinai. In 2018, Saudi Arabia pledged USD 10 billion worth of investments for South Sinai.

Simultaneously, Egypt's government also established an industrial zone, fish farms, and land reclamation projects in North Sinai east of Port Said, as well as expanding the city of Bir el-Abd and upgrading the port of the provincial capital el-Arish. However, the demolition of thousands of houses in and around el-Arish and near the border to the Palestinian Gaza Strip, carried out under the pretext of planned development projects or national security interests, have been perceived with suspicion in North Sinai for years as it has repeatedly been suggested that the demolition campaigns would pave the way for the so-called "deal of the century". This proposal for a "solution" to the Israeli-Palestinian conflict and the occupation, recently strongly promoted by the US administration under Donald Trump, allegedly provides for the establishment of a free trade zone near el-Arish and the settlement of Palestinians in North Sinai near the border with Gaza. Projects in the region are said to be "pivotal" to the deal, as media outlets already reported in 2018.⁶⁸

According to Human Rights Watch, at least 12,350 houses have been demolished in North Sinai between 2013 and 2020—4000 of which in el-Arish alone since 2017.⁶⁹ Prior to 2013, the city of Rafah on the border with Gaza had a population of around 80,000, but has since been virtually razed to the ground, justified by the fight against a radical Islamist militia operating in the area. Tens of thousands of residents have been evicted by the violence of the militia and the military as well as the demolition of countless homes since 2013. In 2021, rumours about the "deal of the century" gained renewed momentum after al-Sisi had issued a decree expanding a 79-square-kilometre military zone between the Gaza border and el-Arish to 2,655 square kilometres.⁷⁰ A new town, New Rafah, is already being built in the midst of this zone.⁷¹ Although authorities have repeatedly stated that residents evicted from old Rafah are to be settled there, official information is scarce and the government and especially the military remain silent on these matters. Consequently, speculation about the deal of the century continue eagerly across Sinai.

67 See: Vivian Nereim, "Saudi Prince plans \$80 billion fund, IPO for NEOM project", Bloomberg, 26 July 2022, available at <https://www.bloomberg.com/news/articles/2022-07-25/saudi-prince-plans-80-billion-investment-fund-for-megaproject#xj4y7vzkg>. Last accessed on 27 July 2022.

68 See: Asmahan Soliman and Salma Khalifa, "Trump envoy discusses US proposal for Gaza with Sisi", Mada Masr, 23 June 2018, available at <https://www.madamasr.com/en/2018/06/23/feature/politics/trump-envoy-discusses-us-proposal-for-gaza-with-sisi/>. Last accessed on 28 July 2022.

69 See: "Egypt: Massive Sinai demolitions likely war crimes", Human Rights Watch, 17 March 2021, available at <https://www.hrw.org/news/2021/03/17/egypt-massive-sinai-demolitions-likely-war-crimes>. Last accessed on 9 July 2022.

70 See: "Critical presidential decree eats up many times as much as the area of the Rafah buffer zone and practically ends the 'dream of homecoming'", Sinai Foundation for Human Rights, 26 October 2021, available at <https://sinaifhr.org/show/109>. Last accessed on 25 July 2022.

71 See: Amr Emam, "Egypt to complete construction of New Rafah", Al-Monitor, 17 May 2021, available at <https://www.al-monitor.com/originals/2021/05/egypt-complete-construction-new-rafah-city>. Last accessed on 22 September 2022.

4.0 Rent-Seeking and Cronyism

Other countries may have massive oil or tax revenues with which to fuel the disbursement of patronage, but Egypt is poor in this sense. What it does have, however, is lots and lots of public land.

—David Sims, 2018⁷²

While the government has been desperately trying to stop capital flight and attract deposits, investments, and loans from abroad since the beginning of the war in Ukraine, the real estate frenzy in Egypt continues unabated. In August, video footage from a luxury real estate sales event on a beach on the North Coast allowed a glimpse into the thriving business and tellingly displayed why the regime can count on the construction and real estate sector when it comes to countering the currency crisis and the balance of payments deficit. In only one day, the newly-launched “Soul” luxury resort project by the UAE-based Emaar Group, located between el-Alamein and Dabaa, was entirely sold out—even though prices per unit ranged from USD 500,000 to USD 5.2 million.⁷³

The economic and balance of payments crises, but also the prevailing overproduction of high-end real estate and the significant vacancy rates in the new towns have clearly not harmed the business so far. This is also because “those who are building all these units in the desert do not really care if people actually live there. But they want people to continue buying them”, Sims tells the RLS, referring indirectly to the role the real estate market plays in the country’s economy and political patronage. The more land and housing units that are sold, the more funds flow into the patronage networks that are so pivotal to the regime and al-Sisi, who needs them to uphold his claim to power.

“By distributing land to the people who matter, the government consolidates its power—it can reward loyalty and can return favors”, Sims wrote nearly a decade ago.⁷⁴ Like Sadat and Mubarak⁷⁵ before him, al-Sisi today also uses the construction and real estate industry as a tool to sustain political loyalties, not only outside but also within his inner circle of power in the military. After all, these interest groups also aim at securing their privileges, and a key instrument for distributing them is and remains the real estate sector. In this case, patronage is also favoured by the non-transparent awarding of public tenders, which in Sayigh’s view is “a major source of patronage and cronyism”.⁷⁶

But the industry is also important for the overall economic performance and the balance of payments as “real estate now fulfills the role that heavy industry played in the era of former President Gamal Abdel Nasser as the primary recipient of public investment and vehicle for generating revenue, driving economic growth, and attracting private investors”, according

72 Sims, *Egypt’s Desert Dreams*, p. 298.

73 See: BBC Arabic, “Egypt: The demand for buying villas for tens of millions at the North Coast ignites criticism in Egypt”, YouTube, 1 August 2022, available at <https://www.youtube.com/watch?v=AfdGFTNowtw>. Last accessed on 3 August 2022.

74 See: Sims, *Egypt’s Desert Dreams*, p. 298.

75 Between 2008 and 2011, in the wake of a series of corruption scandals in the real estate sector, countless government officials (including two former prime ministers, two ex-ministers of housing, and private businessmen) were accused of illegally acquiring land. In 2010, the Talaat Moustafa Group was found guilty by a court of violating the 1998 tender law by purchasing state land for its Madinaty project. See: Denis, “Financing Land in Egyptian and Indian Megacities”.

76 Sayigh, “Retain, Restructure, or Divest?”

to Sayigh.⁷⁷ The state's increasingly excessive disposal of land now indeed takes the form of rents in the economic sense of the word as investments in the real estate market equal influxes into the country worth billions in hard currency, which, given the scale of these inflows, certainly have an impact on Egypt's balance of payments. This, in turn, keeps the economy and the state budget afloat and raises resources for the regime's inner patronage. Al-Sisi has since 2013 been making extensive use of this resource to realign the regime anew after the 2011 turning point.

4.1 Egypt's Military Economy

In fact, the revolution proved to be only a temporary turning point regarding power dynamics in Egypt. Al-Sisi's bloody military coup in 2013 restored the old status quo overnight, albeit under somewhat different conditions. A considerable number of Mubarak's old cronies⁷⁸ in the private sector were outmanoeuvred by al-Sisi, sometimes abruptly, sometimes gradually, whereas other businessmen were arrested and put on trial due to their alleged links to the outlawed Muslim Brotherhood, or otherwise were simply pushed out of business.⁷⁹ Meanwhile, the military and certain factions of the security establishment are once again the undisputed pillars of the regime. However, under al-Sisi, the army—which has always been involved in construction or land reclamation projects in Egypt—has risen to become the leading player in the construction and real estate industry and today not only directly controls infrastructure, agricultural, and real estate projects, but even entire sectors of the construction industry itself.

The military was already an outright inside state prior to al-Sisi's takeover and has been successively expanding its influence in the civilian economy since the 1950s. Dozens of military-owned companies are operating under the umbrella of the Ministry of Defence, the Ministry of Military Production (MOMP), or the NSPO, and are involved in the food and beverage industry, the assembly of vehicles or building automotive components, and operating supermarkets, while also holding import and export monopolies. The military indirectly controls state agencies, regulatory bodies, or state-owned enterprises (including NUCA and departments of the Ministry of Housing) as retired army officials are often granted lucrative posts in government agencies or state-owned companies.⁸⁰ The latter are exempted from taxation and legal accountability and operate without any civilian oversight. Information on profits or revenues of army-owned businesses is not publicly available, while it has been explicitly forbidden since 2021 to compile statistics and studies on issues related to the army or retired officers.⁸¹

The military and its affiliated companies have established quasi-monopolies in marble mining and salt and sand production since 2016 and have heavily expanded their share in the gold mining sector. Since 2019, the army has also virtually taken over the country's cement industry after the NSPO subsidiary Arish Cement Company expanded production in a factory

77 Ibid.

78 See: Osama Gaweesh, "Al-Sisi's new elite", Marsad Egypt, 14 January 2022, available at <https://marsad-egypt.info/en/2022/01/14/sisis-new-elite-contractors-ex-militaries-and-businessmen-who-support-him/>. Last accessed on 9 July 2022.

79 See: "Milking Juhayna for all it's worth", Mada Masr, 5 May 2021, available at www.madamasr.com/en/2021/05/05/feature/politics/milking-juhayna-for-all-its-worth/. Last accessed on 22 July 2022.

80 See: Sayigh, "Retain, Restructure, or Divest?"

81 See: Sayigh, "Throwing down the gauntlet: What the IMF can do about Egypt's military companies", Carnegie Middle East Center, 7 April 2022, available at <https://carnegie-mec.org/2022/04/07/throwing-down-gauntlet-what-imf-can-do-about-egypt-s-military-companies-pub-86821>. Last accessed on 18 July 2022.

in North Sinai and opened a new facility in Beni Suef.⁸² In view of the price drop triggered by this overproduction of cement, two foreign companies, HeidelbergCement and Vicat, withdrew from the market and are currently suing the Egyptian state in arbitration courts.⁸³



General during a tour in the NAC's Cabinet Building © Sofian Philip Naceur 2021

Meanwhile, the military has legally enshrined a prerogative and veto powers over the conversion of fallow state land into land designated for construction and its subsequent transfer or sale to state or private entities, and since al-Sisi's takeover it has used this privilege even more extensively than before. A 2016 decree grants the military control over a two-kilometre-wide strip of land on both sides of roads built by the army,⁸⁴ while the NSPO collects revenues from billboards erected along these roads and toll stations. The NSPO also runs fertilizer facilities and fish farms, has significantly expanded large-scale land reclamation projects in southern Egypt, and is involved in development projects in North Sinai.⁸⁵ Egypt's foreign intelligence agency, the General Intelligence Service (GIS), has also vastly expanded its activities outside its traditional domain under al-Sisi, and can now establish and operate businesses in all sectors of the economy based on a new 2021 law. Since 2017, the GIS has established a media empire, consisting of popular TV stations, newspapers, and marketing and advertising companies, and is now even building apartments in el-Alamein.⁸⁶

All of this is aimed at satisfying the military industry's unabated hunger for profits, additionally fuelled by the army entities' partly direct control of public procurement. Since 2015, the army's Engineering Corps has teamed up with the governmental watchdog Administrative Monitoring

82 See: Omaira Ismail, "Egypt's cement industry disrupted by entry of military as major new market player", Mada Masr, 18 September 2019, available at <https://www.madamasr.com/en/2019/09/18/feature/economy/egypts-cement-industry-disrupted-by-entry-of-military-as-major-new-market-player/>. Last accessed on 7 July 2022.

83 See: "Faced with Egypt's military grip on industry, HeidelbergCement files for arbitration", Africa Intelligence, 9 November 2021, available at <https://www.africaintelligence.com/north-africa/2021/11/09/faced-with-cairo-s-military-grip-on-industry-heidelbergcement-files-for-arbitration,109703685-eve>. Last accessed on 19 July 2022.

84 See: Sims, *Egypt's Desert Dreams*, pp. lxx–lxxvii.

85 See: Sayigh, *Owners of the Republic*, Washington DC: Carnegie Endowment for International Peace, 2019, available at https://carnegieendowment.org/files/Sayigh-Egypt_full_final2.pdf. Last accessed on 28 July 2022.

86 See: Ehab al-Naggar, "GIS gains permission to establish companies after unanimous vote in house", Mada Masr, 23 February 2022, available at www.madamasr.com/en/2022/02/23/news/u/general-intelligence-service-gains-permission-to-establish-companies-after-unanimous-vote-in-house. Last accessed on 9 July 2022.

Authority to oversee the review of public tendering in the construction sector,⁸⁷ while a 2018 law allows the direct awarding of state contracts without public tendering to the Ministry of Defence, the MOMP, or ministers.⁸⁸ In light of all this, it appears clear how pivotal the army and the military economy have become for the construction and real estate sector today. Already under Mubarak, the army had been a driving force behind the real estate frenzy, but since al-Sisi's takeover, its role in the construction industry has once again been significantly expanded.

4.2 Managing the Real Estate Bubble

The continuation of the construction and real estate frenzy is indispensable for the regime and the military establishment, not only due to patronage-related dynamics. Rampant cronyism can only be sustained to this extent if demand for housing does not collapse, if sufficient new funds flow into the real estate sector and the Egyptian economy, and if Egypt's balance of payments deficit does not continue to grow out of control. Yet, indications of crisis in the real estate sector are already increasing, but so far neither the staggering vacancy rates nor the sometimes enormous annual price increases for housing units have been able to slow the sector's growth. Vacancy rates are only likely to become a problem for the industry if people invest significantly less funds in cement and turn instead to other investment vehicles. However, given the structural devaluation of the Egyptian currency, this is highly unlikely to materialize in the foreseeable future.

The massive price increases for real estate on the market, on the other hand, are more of a problem for the industry as the gradual loss of purchasing power of former potential customers from the domestic middle class means that they can no longer invest that much cash in new housing. But the sector has already responded to this by adapting financing schemes and expanding the duration of instalment plans as well as increasingly attracting customers abroad, who pay for housing in hard currency. Accordingly, the regime and the industry are now trying to attract new funds from abroad even more extensively than in the past, both from governments and private customers in the Gulf and in Libya as well as from Egyptian expatriate workers who continue to invest large portions of their savings into housing units in Egypt. Hence, the remittances worth billions from the more than 10 million Egyptians living abroad continue to be of overriding importance for the lucrative housing business, but also for Egypt's balance of payments. In the fiscal year 2021/22 alone, remittances worth USD 31.9 billion were transferred to Egypt.⁸⁹

Investments by non-Egyptian stakeholders in the real estate market today mainly flow from governments and private investors from Saudi Arabia, the UAE, and Libya. As Shawkat points out in a recently published study on the real estate market in Greater Cairo,⁹⁰ government and private investors from the UAE and Saudi Arabia continue to be among the most important real estate owners in Egypt's capital. This development is not new, though, as investments from the Gulf were already among the most important drivers of the real estate business in the country during the Mubarak era.⁹¹

87 See: Sayigh, "Throwing down the gauntlet".

88 See: "Law 182/2018", Manshurat, 2018, available at <https://manshurat.org/node/33967>. Last accessed on 18 July 2022.

89 See: "Remittances from expats rise 1.6% to \$31.9 billion in 2022", Egypt Independent, 23 August 2022, available at <https://egyptindependent.com/remittances-from-expats-rise-1-6-to-31-9-bln-in-2022-cbe/>. Last accessed on 1 September 2022.

90 See: Shawkat: "Who owns Cairo? II Ownership Analysis", Marsad Omran, 16 September 2022, available at <https://marsadomran.info/en/2022/09/2642/>. Last accessed on 16 September 2022.

91 See: Frederick Deknatel, "The Revolution Added Two Years".



Sparsely-populated new neighbourhood in Alexandria © Sofian Philip Naceur 2021

Meanwhile, substantial investments from Libya also continue to flow into Egypt's real estate market. In 2013, a cousin of the ousted Libyan ex-dictator Muammar Gaddafi alone accounted for about USD 13 billion worth of investments in Egypt, most of it in tourism and agriculture.⁹² In 2018, the Libyan state fund Libyan Investment Authority (LIA) reportedly invested billions in the glamorous Lakeside project in New Cairo and showed interest in land reclamation projects near Ismailia.⁹³ Egypt's government has been stepping up efforts to attract LIA investments for a few years now, explicitly offering LIA officials projects in New Alamein and the NAC in 2021.⁹⁴ Several memoranda of understanding on fish farming, agriculture, and housing projects were signed with Libyan authorities that same year. Libyan private investments in luxury housing in Egypt also remain significant. As brokers told the RLS, more and more wealthy Libyans are now even showing up with suitcases full of cash to invest in luxury housing in New Alamein and the high-end district of Uptown Cairo in the heart of Egypt's capital.

Thus, while the demand for housing is consistently sustained by both Egyptian expatriate workers and investors from neighbouring Arab states, the al-Sisi regime also relies heavily on new debt to finance infrastructure projects. All public transport projects—from new metro lines, the Light Rail Train, and the Monorail in Greater Cairo, to the Siemens high-speed train network—as well as projects in the NAC and in the areas of water and wastewater management and energy, are financed almost entirely on credit. In doing so, al-Sisi is abandoning Mubarak's policy of keeping foreign debt levels low in order to limit external dependencies, as Stephan Roll of the German think tank Stiftung Wissenschaft und Politik emphasizes in a 2022 study.⁹⁵

92 See: "Youm7 publishes list of Gaddafi al-Dams properties in Egypt", Youm7, 19 March 2013, available at <https://www.youm7.com/amp/2013/3/19/985585/> اليوم السابع- ينشر قائمة- ممتلكات- قذاف- الدم- في- مصر. Last on accessed 25 July 2022.

93 See: Suzan Atef, "Libyan investment in the billions with the launch of 'Lakeside'", al-Masry al-Youm, 29 January 2018, available at <https://www.almasryalyoum.com/news/details/1252110>. Last accessed on 25 July 2022.

94 See: Hind Mokhtar, "The Egyptian-Libyan Higher Committee signed 14 memoranda of understanding and 6 executive contracts", Youm7, 16 September 2021, available at www.youm7.com/story/2021/9/16/6/5463429. Last accessed on 25 July 2022.

95 See: Roll, "Kredite für den Präsidenten".

Official statistics from the Egyptian state should also be treated with caution, as the regime is apparently already trying to hide its real debt level, which has increased dramatically since 2013. So far, however, al-Sisi has been quite successful in finding new lenders for his modernization policy and to counter-finance outstanding debts or budget deficits. Cairo's foreign policy and economic rapprochement with China and Russia were just as pivotal to this as its ongoing close cooperation with the EU and the United States. But the war in Ukraine has already illustrated how difficult it could become to maintain this economic and political balancing act in the long term. The line which al-Sisi and his regime are walking today is getting thinner and thinner.

5.0 “The New Republic”: An Iron Curtain

Khedive Ismail borrowed so excessively from foreign lenders to realize his vision that when a collapse in the price of cotton left Egypt unable to repay its debts, European powers had him deposed.

—Marianne Dhenin, 2021⁹⁶

While looking at satellite images of the New Capital, zooming in and out and roughly measuring distances between the construction site and “Old Cairo” and the dimensions of the NAC itself, an urban planner who wants to remain anonymous repeatedly points out what he considers as the megaproject’s biggest flaw: “the scale of the NAC is simply too big and its size is going to be the major reason for its failure”, he says, highlighting that distances matter in urban development projects, although this factor is obviously ignored in Egypt. However, the regime is showing its determination to complete the NAC as quickly as possible, mainly for political reasons, and is trying every means to lure the middle and upper classes to move to the new hermetically-gated desert fortress.

In fact, the NAC could be inhabited more quickly than other desert projects pushed forward in the past; the regime and the elites in Egypt are too scared of a recurrence of the 2011 revolution. With good transport links—at least for those who have a private car—and proximity to the Ring Road, Cairo Airport, and the upper-class clusters around New Cairo, as well as the establishment of private foreign universities from Britain, Portugal, or Germany in the New Capital, incentives are indeed being created for the wealthier strata of Egyptian society to move to the NAC sooner or later.⁹⁷ It remains unclear, though, whether the regime will actually be able to provide the basic services necessary to running such a huge city. In addition to the challenging logistics regarding transportation of workers, the question of water supply is particularly relevant here because in order to actually green the city to the extent promised in numerous advertisements and promotional films, extensive water resources will have to be pumped in—and this against the backdrop of already glaring water shortages across the country.

The project must also be completed and inhabited quickly, because there are already rumbles in Egypt’s society around issues such as increasing social tensions, the loss of purchasing power among the middle class and low-income strata of the population, and the clearly noticeable resentments in the country about the regime’s policies, which are exclusively tailored to the needs of the wealthy. The scale of the New Capital should therefore not be seen as a symbol of determination and strength, but rather as a sign of weakness as the project illustrates more clearly than ever before how considerable the class antagonisms in Egypt have already become and how scared the ruling class is of a new revolt by the marginalized.

Meanwhile, the NAC and other megaprojects are being financed primarily through loans and investments from abroad. The regime is still finding new donors to fund new infrastructure projects, but al-Sisi is relying on foreign debt as a means of realizing his “vision for the future”

96 See: Marianne Dhenin, “Transforming post-revolution Cairo”, *New Lines Magazine*, 31 May 2021, available at <https://newlinesmag.com/argument/transforming-post-revolution-cairo/>. Last accessed on 9 July 2022.

97 See: Rolf Brockschmidt, “Eine deutsche Fachhochschule für Ägypten”, *Tagesspiegel*, 6 February 2020, available at <https://www.tagesspiegel.de/wissen/campus-in-der-neuen-megacity-kairos-eine-deutsche-fachhochschule-fuer-aegypten/25511464.html>. Last accessed on 9 July 2022.

more than any head of state prior to the 1952 coup of the Free Officers. Egypt's foreign debt has risen to astronomical levels since 2013 precisely because of al-Sisi's extensive construction policy, while the burden of interest payments weighs so heavily on the national budget that the government could not pursue an adequate welfare state policy even if it seriously intended to do so. This, in turn, threatens Egypt's sovereignty as the country is now more dependent on foreign banks and governments than it was under al-Sisi's predecessors in the previous 70 years. The fall of Khedive Ismail in the 19th century was due not only to the imperial policies of major European powers in Egypt, but also to Ismail himself. Al-Sisi, however, continues his disastrous economic, welfare, and construction policies undeterred and makes even more ambitious and costly plans, as the regime has even applied to host the 2036 Olympic Games.⁹⁸

98 See: Mahmoud Elassal, "Egypt's hosting of 2036 Olympic games would be 'fantastic', says IOC president", Al-Ahram, 25 September 2022, available at <https://english.ahram.org.eg/NewsContent/6/56/476720/Sports/Omni-sports/Egypt%E2%80%99s-hosting-of-Olympic-games-would-be-%E2%80%98fantastic.aspx>. Last accessed on 30 September 2022.

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