

Market Watch Report

INFRASTRUCTURE PROGRESS IN EGYPT



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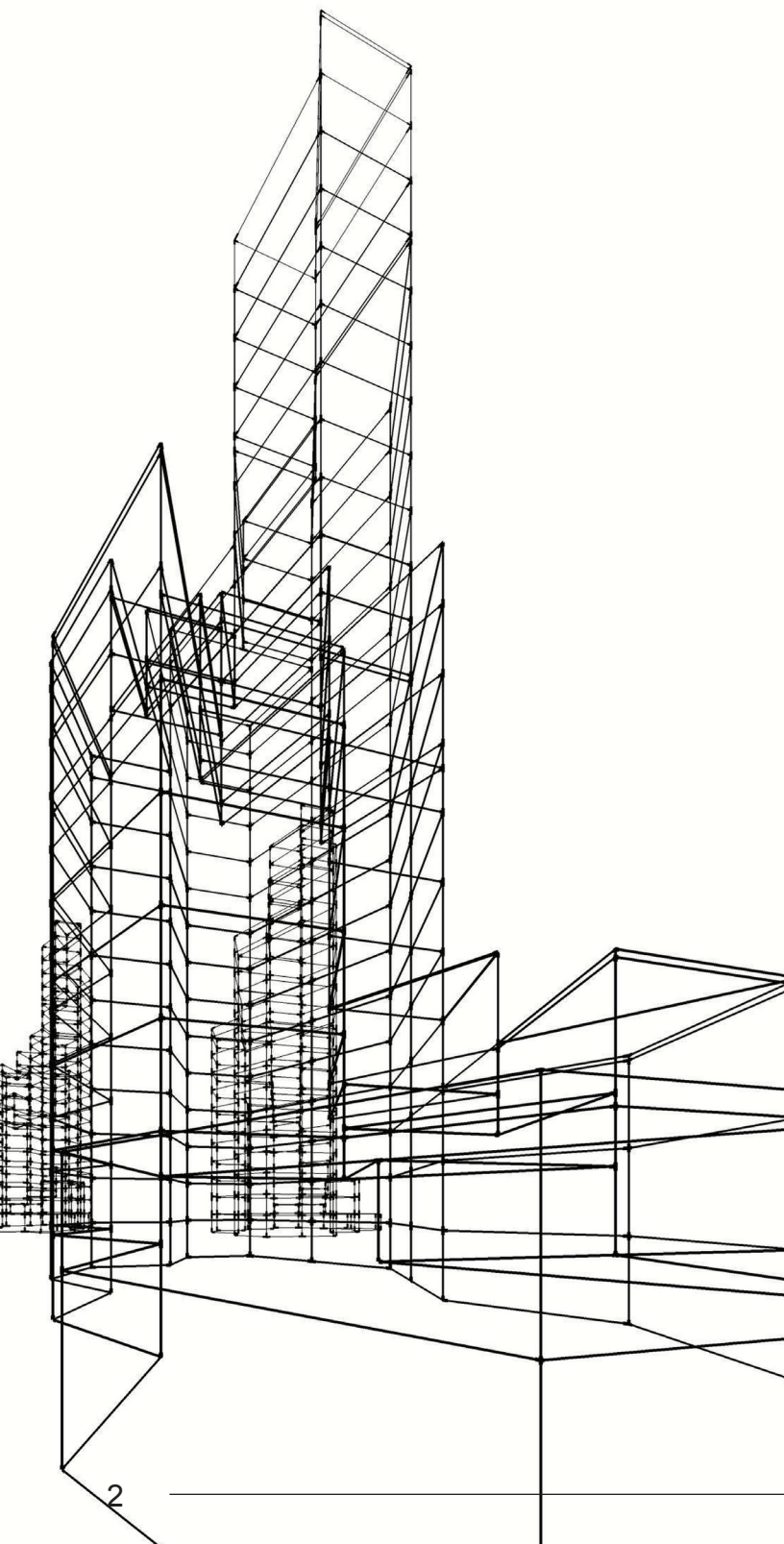


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Sheikh Zayed City Demands EGP 100 mn for Projects Development

Sheikh Zayed City Authority has requested of Planning, Monitoring and Administrative Reform an additional budget worth of EGP 100 mn as part of the city's current budget that is allocated for Dar Misr project, an electricity station, and a central park, reported Al Borsa. Around EGP 70 mn of the requested additional budget will be allocated to implement 1,608 residential units of Dar Misr and finalizing an electricity station.

Government to Raise Tariff on Water Bills Next Month

The Egyptian government is expected to raise water bills fee in houses and commercial areas as of January 2017 "in an effort to decrease subsidy on drinking water," Mohy El Seir, spokesman for the Holding Company for Water and Wastewater, told Invest-Gate. This latest tariff marks the second increase in the past two years, following the government's announcement on lifting the subsidy on water and electricity, among other commodities.

Development Tenders to be Offered within Several Cities

Tenders will be offered to the Egyptian Federation for Construction & Building Contractors (FCBC) members, to develop different infrastructure projects within the social housing project at New Borg El Arab City, according to Head of the City's Authority Ahmed El Desouky. The construction works will include developing inner roads in Borg El Arab City and electricity networks in Sadat City, according to Head of Sadat City's Authority Mohamed Abdelrahman.

Egypt's New Capital Completes 30% of its Infrastructure

Approximately 30% of the first phase of Egypt's Administrative Capital infrastructure has been completed, Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly informed President Abdel Fattah Al Sisi. In his recent meeting with Al Sisi, Madbouly also stated that governmental/office buildings' master-plans have been finalized for the governmental district.

Public Service Projects to be Implemented in New Assiut in 2017

A total of 10 new land plots will be offered for public services to investors next year in efforts to meet the demand on commercial areas, public services, offices, and entertainment areas in New Assiut City. An additional three land plots were previously dedicated to develop three hypermarkets.

New Fayoum Completes 307 Social Housing Units

New Fayoum City has completed approximately 307 social housing units at a cost of EGP 40 mn, according to Ashraf Abdel Rahman head of the City's Authority. The new city is currently undergoing the construction of some other developments, including a road linking the city with Fayoum governorate at a cost of EGP 8 mn, and rural sanitation projects at a cost of EGP 23 mn.

Tunnel Projects Progress in Suez Canal

Projects underneath the Suez Canal as part of the canal's development, which included its expansion of last year, are being implemented. Considered one of the major engineering project in Egypt currently underway, the Arab Contractors Co. joined forces with the Armed Forces Engineering Authority to construct two tunnels underneath Egypt's Suez Canal linking the Canal's east bank with its west.

Moukhtar Ibrahim Co. Hits The New Capital With Six Residential Projects

Egyptian Real Estate Developer Moukhtar Ibrahim is to set foot into the new Administrative Capital with six residential buildings at a total cost of EGP 75mn. The company is partnering with five other contractors to build the residential units, facilities, infrastructure, and roads in the capital's third district at a total cost of EGP 1 bn.

Road Tunnels in Suez Canal to Cost Roughly EGP 18 to 19 bn

At roughly an estimate of EGP EGP 18 to 19 bn, Arab Contractors, in partnership with Orascom Construction, are to implement two road tunnels as part of the Suez Canal project in Port Said. The two road tunnels are 2.7 km long each and are expected to be completed by the end of 2018 or beginning of 2019 the latest, ending the current traffic congestion on El Salam Bridge and Ahmed Hamdy Tunnel.

New Nubaria City to be Expanded

As construction works commenced at New Nubaria City, the New Urban Communities Authority (NUCA) plans to expand the project and is currently studying means to include groundwater cabinets. According to Supervisor of the Construction & Building Sector at NUCA Abdel Motleb Mamdouh, the New Nubaria City Authority is currently studying the suitable usage of groundwater cabinets in cooperation with Desert Research Center.

Alexandria 2032 Project to Kick-off

Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly has signed a protocol with Minister of International Cooperation Sahar Nasr to formulate a strategic development plan titled Alexandria 2032 project. The project is led by cooperation between the UN program and the Housing Ministry that aims to develop the governorate of Alexandria in the upcoming 15 years to include the increase of residential units, to link the governorate to Borg El Arab City, and to enhance slum areas.

Sisi Inaugurates El Nasr Bridge, Port Said

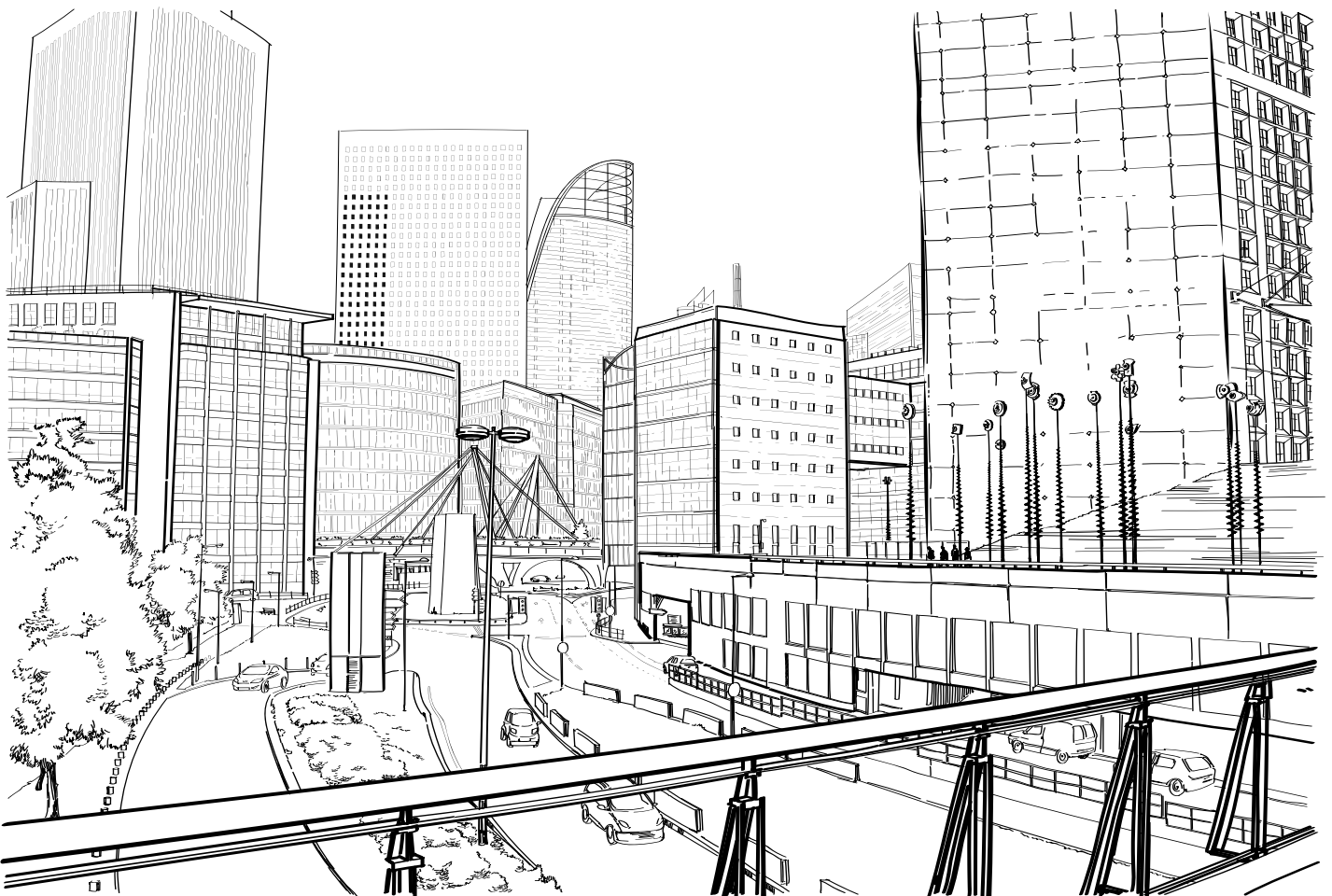
President Abdel Fattah Al Sisi inaugurated major infrastructure developments in Port Said governorate, including Egypt's first floating bridge, El Nasr Bridge, on December 28. Located in Raswa area and over the Suez Canal, El Nasr Bridge is to connect Port Said City to Port Fouad City. The 421-meters-long bridge aims to reduce traffic congestion caused by freight vehicles.

New Residential City to be Built in Beheira

A new residential city to be built on an area of 330 acres and will include social housing units, special houses, and middle-income housing units in the governorate of Beheira at a total cost of EGP 8 bn, according to Medhat Fouad, general manager for the Investment Authority in Beheira. The city will include entertainment areas, a hospital, commercial center, social club, police station, school, and facilities network.

Development Projects Decelerated at the New Capital

Due to Egypt's current economic condition following the floatation of the pound and price increase of materials and production cost, many contractors have decreased the development rate at the Administrative Capital, Invest-Gate reports. The majority of current projects in the Administrative Capital are infrastructure projects.





The People vs the Zamalek Metro

By Fatma Khaled

To the present day Cairo remains one of the most congested governorates in Egypt with over 22 mn people living in the capital, the underground metro is one of the most efficient daily transportation methods and costs less for many citizens, transporting approximately 3 mn citizens per day. Yet, as the growing population continues to pressure the city's urban fabric, existing metro lines and stations become pressured in turn.

Cairo's long-delayed metro expansions, some of which have begun to come on line in recent years, have been welcomed by most, with one exception; on the upscale residential island of Zamalek, many residents have been far from pleased over the prospect of an upcoming metro line cutting through the island, with a station set to open on Ismail Mohamed Street. The Zamalek Association has been particularly vocal about its opposition, citing both structural safety concerns, as well as objections over changing demographics.

Meanwhile, the government is set to complete the first phase of the third metro line in partnership with the Arab Contractors Federation and French company Vinci, both of which will be

developing the third and the fourth line of the metro. The European Investment Bank (EIB) will finance 15% of the project, according to the Minister of Transportation Galal Said, who announced in August that digging has already begun. Construction for the third line alone will cost a total of EGP 20 bn.

Full Plan for the Third Metro Line

Although tenders have been already awarded to contractors, the project has witnessed some delays due to ongoing studies of the master plan for the metro lines and its feasibility in the area. Additionally, the government's focus has been on finalizing the current phase of the third line that extends to Cairo International Airport. The third metro line is expected to consist of 15 metro stations, including the one in Zamalek, at a cost of EGP 680 mn from the state budget, alongside investments pumped from the EIB. All stations within the three phases of the line are scheduled to be functional by 2022.

Despite residents' objections to the construction of a metro station in Zamalek due to the purported structural risks it poses to foundations of old buildings, work has commenced on the

metro that will be included in the third phase of the third line that extends from Attaba Square and passes through four stations, including Nasser, Maspero, Zamalek, and Kit Kat Square, and will all be finalized within 55 months.

“The Zamalek Metro station will be included in the phase that begins from Attaba and ends in Kit Kat Square and is expected to be ready for use within four years. The phase will also have another division that ends at Cairo University and meets with the existing second line of the metro,” Tarek Abo El Wafa, Head of the National Authority for Tunnels (NAT), told Invest-Gate.

Meanwhile, among the concerns cited by Zamalek residents has been the potential risk posed to the foundations of old buildings due to the digging of the new metro station. The EIB issued a report assess the residents’ complaints about the new station, and potential risks of this phase in the residential area, including details about the project. The report states that the residents “contest the effectiveness of the public consultation held by the promoter; secondly, they express their disagreement with the route of the metro line and the location – in the Ismail Mohamed Street – chosen for the station.”

The report also cites complainants as “alleg[ing] that the Bank has failed to adequately assess the disturbances resulting from the construction works,” and that “the Bank has failed to assess and provide adequate mitigation measures for risks associated with the construction works such as vibrations and the risk of the collapse of buildings.”

However, in addition to the potential structural issues, residents have also expressed concerns over “social intrusion in the island, harassment of female users of the metro, loss of business and management of the flow of pedestrians associated to the metro station,” suggesting that the basis for the complaints are at least as much social as they are related to structural safety concerns.

Zamalek Residents Refuse Metro Construction

Residents of Zamalek have continued to express intolerance over the construction of the metro, having revived the role of the previously-established Zamalek Association, consisting of representatives who have met with officials over the issue. Although the association has not conducted safety studies of its own, it has called on an engineering expert from the Massachusetts Institute Of Technology (MIT) to evaluate the proposed project and its impact on the island and its residents, according to an official report released by the association earlier in 2016.

Board members from the Zamalek Association, including Antoine Bolous and Shoukry Boutros, met with officials from NAT years ago to discuss their fears about the metro construction and work.

The association’s report claims that digging for the line which could pose a threat to the safety of historical buildings located in the same route, as well as the environmental, traffic, and security problems the proposed location for the new Metro Station in Ismail Mohamed Street would cause the neighborhood.

“Our major concerns included the possible shutdown of major streets in Zamalek during the construction phase, including Mohamed Mazhar street, the Swiss Institution street, and Ismail Mohamed where the metro station will be built. The streets

will be closed as it will be consumed with trucks, heavy machinery, and construction equipment for the expected five years of construction,” Bolous told Invest-Gate.

Other concerns were over the narrowness of Ismail Mohamed Street, as it is 12 meters wide with narrow sidewalks that will not be able to accommodate the great number of passengers coming out from the station to the streets, added Bolous.

“The metro will pass underneath about 18 historical villas and several old embassies located on Ismail Mohamed street, whereas the digging will be as deep as 38 meters down and the buildings’ basic foundations were built 20 meters deep; therefore fears arose about possible vibrations hitting the buildings,” Shoukry Boutros, Treasurer of the Zamalek Association told Invest-Gate.

Botrous also stated that the association prepared several technical questions that was raised by the engineering expert they consulted, including whether the government had conducted a study on the soil of Zamalek, logistic studies regarding the construction process, consequences from vibrations, and the amount of soil that will be removed.

“The soil is fragile in the island of Zamalek. Therefore we were expecting scientific assurance that will decrease our concerns. However, instead we received a package from the government three weeks following the meeting, that contained a 620-page document of engineering studies on the third line of the metro project, which was not satisfactory and did not directly answer our questions,” said Boutros.

“However, our role as an association ended at this point and we didn’t seek any further steps,” he noted.

Official Perspective

Meanwhile, several officials have stated that residents’ demands will delay national projects and that citizens demand an expansion of metro lines for transportation on a daily basis, according to Abo El Wafa. He further stated that the construction of the metro line has been studied on many occasions, and that the NAT has worked in metro construction for over 30 years, and is able to determine whether or not the project poses risks.

“The Zamalek metro is not risky because there have been metros built in Attaba and Al Waly areas where old buildings also exist and the metro lines never posed a threat to the foundations of the buildings. There are also international companies that are creating the master plan based on the smallest details and studies and implementing the plan using modern technology; therefore they will definitely be able to determine whether it is safe or not,” Khaled Mostafa, the Cairo Governorate’s Spokesman told Invest-Gate.

The EIB report, which was issued in 2013, also suggested some alternative routes where the station could be built instead of Ismail Mohamed Street. However, the government has decided on the final destination to be Ismail Mohamed Streets, despite the suggestions and residents’ disapproval.

“Other suggestions for the alternative routes included 26th of July Street, under Gezeira Sporting Club, and Sequoia north of the island across from Kit Kat square. However, these suggestions were made on a friendly basis, not a scientific one,” said Bolous.

Despite the suggested routes, Ismail Mohamed street was chosen because representatives from the government said that other routes would be longer, and therefore would include additional costs, stated Boutros.

"Ismail Mohamed Street remained the perfect option for the project, as we have executed prior studies for alternative routes, but we were seeking to achieve two goals that include the most efficient options and the least costly. These were two main combinations for a feasible execution," added Abo El Wafa.

It is worth noting that a metro station already exists in the island, right in front of the Cairo Opera House, as part of the second metro line, which has been functional for decades. However, the line exists on the Gezira part of the island, some distance from the residential areas.

Moreover, despite official assurances that the correct studies have been made, residents of Zamalek have filed a lawsuit against the construction of the metro in efforts to change its route. The lawsuit urged the president, prime minister, and NAT to cancel the construction of this route due to the threats it poses on its buildings that are built on fragile soil.

The residents have also claimed in their lawsuit that NAT has not conducted prior studies of the area of the digging neither have they assessed the nature of the existing buildings. Yet, the lawsuit has been postponed multiple times, and there appear to be no signs that the governorate will change its plans for the metro.

Combating Violations on the Island

Yet, though it may not have achieved the events it sought out in this case, the revival of the Zamalek Association and the role of civic engagement in the neighborhood have nonetheless continued to be positive examples. In efforts to fight code violations against Zamalek's public roads and gardens, the association has launched several initiatives include a campaign to revive the beauty of the gardens of Zamalek. Other initiatives include helping preserve the cleanliness of the Zamalek roads.

Moreover, the association maintains a spirit of cooperation with government officials in addressing one of its other main concerns; the continued construction of unlicensed coffee shops.

Despite government efforts to control the increasing number of unlicensed coffee shops, most of the coffee shops that are ordered to shut down tend to ignore the notice and operate normally later, except in some exceptional locations where coffee shops were forced to shut down for good, said Bolous.

"As a governorate, we're focusing on these kind of violations in Zamalek where we remove and shut down any unlicensed coffee shops, and we have launched several campaigns that cooperate with security in closing those coffee shops," Mostafa told Invest- Gate.

It remains to be seen whether the residents' fears over changing demographic trends due to the metro will come to fruition, but evidence suggests that these demographic trends began long before the plans for the metro were announced. What does stand to be changed is how these changes will be addressed and integrated into the evolving urban model, both by the government and by local residents.





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