

*Market Watch Report*

# INFRASTRUCTURE PROGRESS **IN EGYPT**



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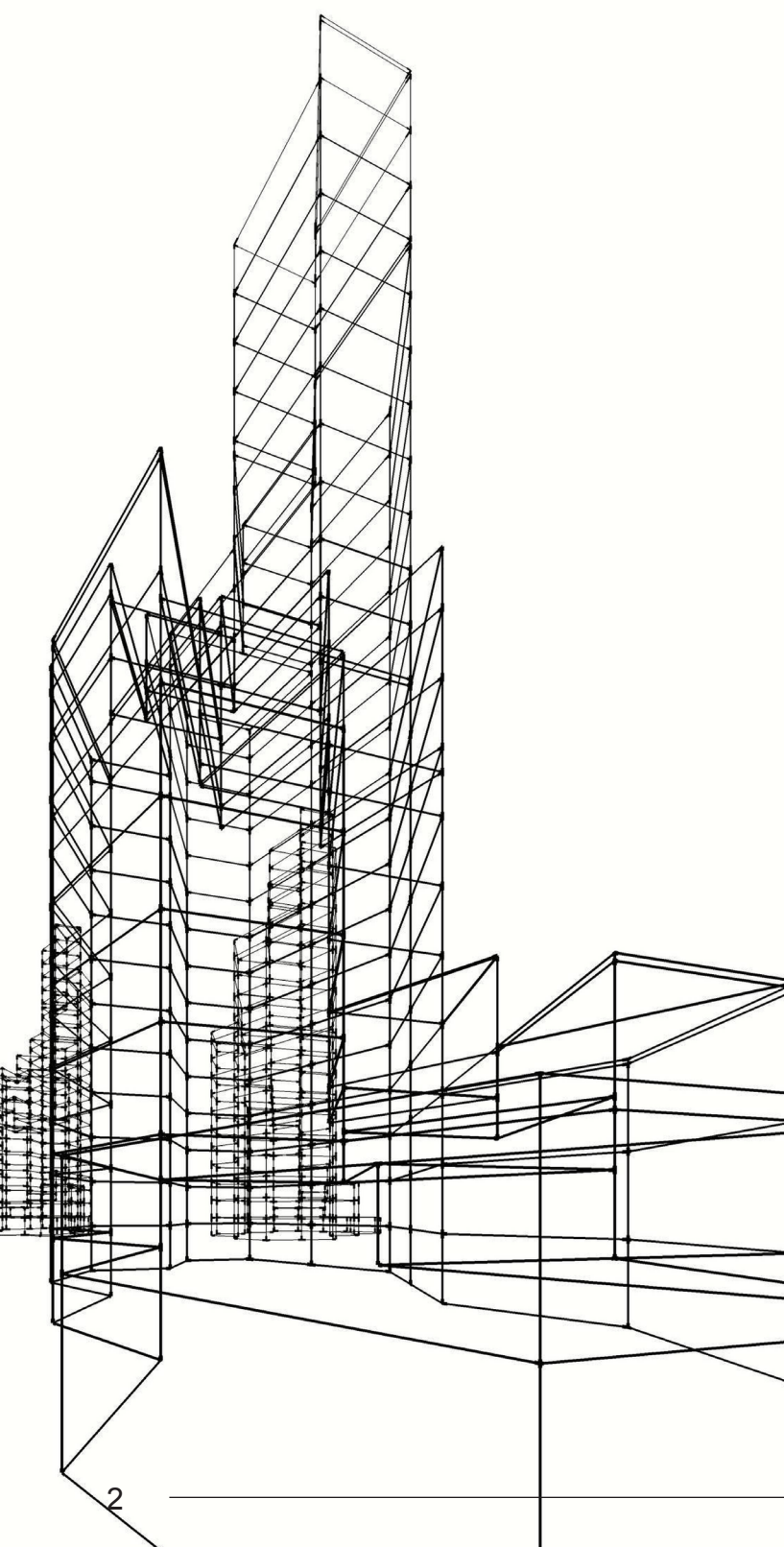


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## **Infrastructure, Housing Projects to be Launched in Damietta**

A total of 45 water sewage and drinking water projects will be implemented in Damietta at a cost of EGP 1.5 bn, according to a statement by the Ministry of Housing, Utilities, and Urban Communities. Three water projects are under development at a cost of EGP 166 mn set for completion at the end of October. In addition, 20 sewage projects are set to be completed in 2018.

## **2 Water Stations to be Expanded in South Giza**

Two water projects will be expanded in areas of Al Saf and Al Ayat in South Giza, according to Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly. The projects aim to resolve drinking water problems and serve a half mn citizens at a cost of EGP 165 mn. The capacity of the water station in Al Saf area was doubled from 60,000 to 120,000 cubic meters per day at a cost of EGP 85 mn, and was completed by the Arab Contractors Company.

## **Water Projects set to be Completed in Several Governorates by 2018**

The Egyptian government is working on sewage projects in 818 villages to be completed 2018, according to Mostafa Madbouly, Minister of Housing, Utilities, and Urban Communities. The projects are expected to raise Egypt's sewage availability in villages to a 32.5% coverage rate by 2018, compared to the current rate of 15.3%. This is expected to be further boosted to 50% within 24-30 additional months.

## **5 Construction Tenders to be Offered in Fayoum**

The Fayoum governorate is preparing five construction tenders to be offered to contractors next month in efforts to implement residential projects worth EGP 300 mn, reported Al Borsa.

The tenders are expected to include the construction of three roads on areas ranging from 1.8 to 2.5 kilometers. Additionally, contractors will bid on the development of electricity networks for nine villages within the governorate serving 450 social housing units.

## **Several Developments to be Constructed in New Tiba City**

Construction has commenced on several developments in New Tiba City, including three roads at a cost of EGP 22 mn, Al Mal reported. The developments include developing the desert road, a road serving a 480 acre area and another serving 680 acres in an area designated for social housing. New Tiba City is located on an area of 9,495 acres north-east of Luxor, and lies 10 kilometers away from Luxor International Airport.

## **7 Project Tenders to be Offered in New Cities**

A number of new projects are set to be tendered in the Greater Cairo area as well as a number of other governorates, including the development of a road lighting network, the development of Street 90 in New Cairo and other roads and developments in several other Cairo districts, Al Borsa reported. The projects will be offered to companies registered with the Egyptian Union for Building and Development Contractors.

## **EGP 2.3 bn in Housing, Infrastructure Projects Underway in Kafr El Sheikh**

Over EGP 2.3 bn in infrastructure and housing projects are set to be built in Kafr El Sheikh, according to the Minister of Housing, Utilities, and Urban Communities Mostafa Madbouly.

The projects include 42 water and sewage projects and road projects. The projects include water stations in Dessouk at a cost of EGP 375 mn, Qaleen at a cost of EGP 252 mn, and Sidi Salem at cost of EGP 282 mn.

## **8,592 Social Housing Units Completed in New Assiut City**

A number of housing, water, sewage, agriculture, electricity and communications projects have been completed in New Assiut City at a total cost of EGP 3.2 bn, according to Mostafa Madbouly, Minister of Housing, Utilities, and Urban Communities, Al Shorouk reported. The housing sector was allocated a cost of EGP 1.37 bn, with EGP 208 mn for water projects; EGP 211 mn for sewage projects and EGP 469 mn for infrastructure.

## **New Phase of the National Road Project to be Launched**

A new phase of the National Roads Project, including a 55 kilometer road connecting Minya to Sheikh Fadl at a cost of EGP 435 mn, is set to launch, Shorouk News reported. The projects include developing the 90 km Sheikh Fadl-Ras Ghareb Road at a cost of EGP 317 mn, the development of the 180 km Sohag-Safaga Road at a cost of EGP 715 mn, and the Qena-Safaga Road at a cost of EGP 448 mn.

## **Housing Ministry to Extend Sewage to 818 Villages by FY 2016/2017**

The Housing Ministry seeks to extend sewage networks to 818 villages by the end of next fiscal year at a cost of EGP 13.5 bn, Al Borsa reported. A total of 4,774 villages are included in a 10-year nationwide plan for sewage and water sanitation, of which approximately 15.3% of the projects have been completed in 732 villages at a cost of EGP 10 bn. Additionally, the National Authority for Potable Water and Sewage is set to build sewage projects in 106 villages at a cost of EGP 1.5 bn.





# The Evolution of Egypt's Infrastructure: An Examination of Economic Drivers

By Simon Baker

Good infrastructure enables people and commodities to travel across the country, quicker, with less risk, and at a cheaper price – a crucial factor for real estate market development in Egypt. The greater a nation's infrastructure, the greater the potential for business to flourish. The more people that can travel between any two points, the greater the possibility for investment and development at those locations. Building infrastructure between any two points allows real estate development along them.

The summer months in particular bring with them an upsurge in pressure on Egypt's different roads, moreover highlighting the relationship between the availability of transportation networks

and the prosperity of an area. It was not until the road to Siwa was built that Siwa became the trendy travel destination it is today, as it was not until the road to Ain Sokhna was built that the real estate market could develop the land. These roads have enabled vacationers to spread across the country and explore its heritage, while enjoying the modern facilities available.

Despite the recent rise in road works throughout the nation, residents of Cairo are familiar with the hassle of traffic jams, poorly paved roads, and poor infrastructure. According to a World Bank study in 2014, the annual economic cost of congestion in Cairo was 2.5% of Egypt's GDP. The development of the nation's

infrastructure is an important first step in the stabilization of Egyptian markets and creating renewed growth in the country.

## Infrastructure a Government Priority

In that regard, the government is continuing to rapidly expand the road and railway network, which makes up 94% of all cargo transport in Egypt. The evolving infrastructure network promises to open up new real estate opportunities, from potential tourism development in the Red Sea east of Sohaj, to the further development of greater Cairo. In October 2015, the Minister of Transportation announced that 57% of the 1,118 km planned for development were already completed, for which EGP 8 bn were earmarked. A to-

tal of EGP 4.1 bn were invested in road development projects assigned to the Ministry of Housing, Utilities, and Urban Communities, scheduled to kick-off in the upcoming period.

After years of infrastructure neglect under the Mubarak regime, President Abdel Fattah Al-Sisi has aggressively prioritized the completion of infrastructure projects. The most notable of these was the completion of the Suez Canal expansion. The speed and efficiency of the project were impressive. As a safeguard against rushed and poorly constructed infrastructure, the president announced that upcoming projects are to be reviewed by the Administrative Control Authority, the Military Technical College, and the Armed Forces Engineering Authority, in coordination with other state institutions, prior to the inauguration.

The current investment in public transportation and the government's development plans for road, rail, and port expansion are very ambitious. There are plans to add 39 new roads – at a total of 3,200 kilometers – estimated to cost EGP 36 bn. In 2014, President Al-Sisi demanded that the first 14 roads –costing EGP 13 bn—be completed within a year. According to Tarek Qabil, the Minister of Industry and Foreign Trade, the target was met in 2015. The ministry plans on adding a total of 4,000 kilometers of road as part of the project. Slowly, but surely, the National Project for Roads has been delivering on its promises and meeting its goals.

Moreover, it appears to be a top priority for the government to improve, widen, and develop roads from Ismailia to Banha (at 33 kilometers), Sohag to the Red Sea (180 kilometers), and Wadi El Natroun to El Alamein (134 kilometers). The government has also prioritized the development of the Alexandria to Abu Simbel road, a project costing EGP 4 bn, along with the the 100-kilometer Cairo-Ismailia Desert Road, which is being widened and having U-turns added to it. This will allow the Cairo Ring Road to be connected with the Cairo-Ismailia desert road via the 5-kilometer Lieutenant General Saad Eldeen Elshazly Road. The government has achieved much in the way of infrastructure development and is also working on a 180-kilometer route from Safaga to Al-Qusair and Marsa Alam, costing EGP 754 mn, along with an investment in a road from Ras Sudr to Sharm El Sheikh, costing EGP 630 mn.

## Long-term Targets Set

In 2015, The Egyptian Economic Development Conference took place, during which a report by the Economic Ministerial Committee laid out the economic targets and goals of the Al-Sisi administration over the next five years. This 33-page report shows the key strategic goal of trying “to restore macroeconomic imbalances, address social inclusion priorities, and achieve high, sustainable and well-diversified growth.” One of the sectors targeted in particular was Transportation and Logistics. Three key areas were identified to be completed over the next five years: the New Suez Canal Project, the National Project for Roads, and the rehabilitation and expansion of Egypt's current railway network. This is a 10-year investment plan of an estimated cost of EGP 89 bn. A key plan of the government is to invite the private sector to develop key strategic projects either under sole stewardship or in conjunction with the public sector. These projects include container and cargo terminals, river transport, railway projects, dry ports, bus rapid transit, and light rail.

Nile river transport is also currently undergoing reform. Four pilot locations have been suggested as a starting point (Meet Ghamr in the Delta area, Qena, Sohag, and Assiut in Upper Egypt). There are plans to design, finance, build, operate, and maintain two dry ports in 6th of October and 10th of Ramadan. On top of all this, the government signed an almost monolithic long-term project with the China National Aero-Technology Import and Export Corporation in 2014 to reconstruct and expand 24,000 kilometers of Egypt's roads. News reports indicate that this deal has also been progressing as planned.

## Driving Growth in Economic Indicators

If these various transport, logistic, and infrastructure projects continue coming to fruition, Egypt's economy stands to increase revenues across all economic sectors. This is an important step in the stabilization of Egyptian markets and the creation of renewed growth in the country.

Another step worth mentioning is providing citizens with low-cost transportation across the country. The result is that the aggregate demand of citizens will increase, allowing them to have more disposable income to spend on other economic sectors. The Egyptian govern-

ment clearly recognizes this as it plans to “develop an updated comprehensive and prioritized transport strategy to include all transport modes over a staged planning horizon with dedicated financing schemes.”

It should be noted that Egypt's infrastructure is not only important to Egypt but to the global economy as a whole. If all short- and long-term infrastructure development projects succeed, Egypt could become a hub for global trade. This could become particularly lucrative in conjunction with China's New Silk Road Project, although Egypt will be facing competition from Turkey for a position along the new proposed routes. However, Egypt has a potential upper hand as it is a door to Africa in term of global trade networks.

The largest challenge to the current administration's infrastructure goals is finding the capital to fund these projects. Al-Sisi's administration is looking into public-private partnerships and offering tenders service to facilitate the execution of its plans. Large-scale projects, such as the New Administrative Capital, are being undertaken using public-private partnerships (PPPs), which the government's PPP Central Unit, under the auspices of the Ministry of Finance, has set forth a long-term PPP program, in which infrastructure serves as the main feature.

Among the projects offered by the PPP Central Unit last year were a port project in Safaga, as well as a Nile River transport project, as part of the unit's plan for the current fiscal year (2016/2017). PPP projects are expected to serve the state in mitigating the state's sovereign debt by financing the projects through private investors instead of loans, and are conducted through a number of means, such as the usufruct system, whereby the project defaults back into government ownership once the contract period has been completed.

As Egypt's economy straddles the current challenges in the wake of the past few years' unrest, current infrastructure schemes proposed by the government will be expected to leverage growth across all areas associated, such as export-oriented manufacturing, domestic and international tourism, and the Egyptian real estate market. If the current Egyptian government can effectively implement their proposed projects, it will provide the Egyptian economy with much-needed breathing space in the road ahead.





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