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Debt for Development in the Case of Egypt: Dogmas and Mirages

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CARITAS CANADA

Introduction

Egyptians view of sovereign debt has always been negative, not out of some misplaced sense of prudence. Rather, this view springs from the very real destructive experiences they suffered against the backdrop of the sovereign debt crises over approximately the last two centuries. As sovereign debt, not personal debts, became more and more prevalent in the world of finance during the nineteenth century, the logic of indebtedness centered on using loans to overcome bottlenecks in resources, mainly granting access to capital. Just as it was during the preceding centuries, sustained indebtedness was not possible for several reasons, prime among which is the gold standard's stranglehold on the money supply that can be poured into financial markets and supply public deficits. In this paper, we will present a short chronological history of Egypt's experiences with debt since the 1800s, followed by a case study of Egypt's New Administrative Capital, one of the most recent mega-nationalist projects financed by debt.

The Pasha's Reign

Egypt's first public external loan was solicited in 1862 by Said Pasha, just two years after he raised his first personal external loan. The motivation behind this shift from personal to public debts was evident in the value of the loans raised. Indeed, the personal debt stood at 28 million Francs and the public debt stood at 60 million Francs, as the financiers felt more comfortable lending with as sure a guarantee as the public revenue of Egypt.[1] The logic of assuming loans however did not change between these two as both were raised to finance the projects of Said Pasha whether in the Suez Canal or the railways between his various palaces.

A year later, Ismail Pasha would succeed the late Said and follow on with his policy of raising loans for monumental projects; what we could call today Megaprojects. These projects included the grand Suez Canal opening Ceremony with all the attendant construction of palaces and railways, the construction of Cairo's downtown and extending street gas lighting to it, and a massive sugar planting and manufacturing plan that included the construction of 17 giant sugar mills to turn Egypt into the sugar capital of the world.[2]

As the American civil war came to a close, the cotton boom that Egypt enjoyed due to the union navy's blockade of the cotton-exporting Confederacy, dissipated, and the onerous debt on Egypt's shoulders became unbearable. Ismail had to resort to rolling over debt, which considering the high markups and commissions on loans these days was an unsustainable strategy.[3] What was supposed to be a temporary aberration quickly turned into a timeless status quo, keeping in mind that the Khedive's policy of youthful splendor was premised on the assumption that if Egypt looked more European it would have better access to capital and a stronger economy. As the 1870s continued, Egypt's debt situation worsened and Ismail went for more and more spectacular pursuits trying to make up for lost time and revenue. Interestingly, Ismail's dream of Egypt becoming European was achieved as Egypt became one of the first nations in Africa to face default. A public debt commission was formed by the biggest creditors France, Great Britain, Austria, and Italy to manage repayment of debts and settled on establishing Dual Control; planting an Englishman and a Frenchman to manage the revenues and expenses of Egypt.

The efforts to repay the Khedive's debts would see the privatization of land in Egypt after it was exclusively held in usufruct as the Muqabla law allowed holders to acquire the title to the land in exchange for a lump sum down payment on future taxes, as few Egyptians could actually afford this, the law was not successful initially. The declining state of the country, harsh taxes, forced payments engendered a strong enough feeling of alienation that manifested itself in the "Urabi revolt" of 1879. Tewfik - Ismail's successor- would have to call on the British to take the country for him and defeat Urabi, which they finally accomplished in 1882 as Egypt was put under British control. For Egyptians the lesson was clear, foreign debt meant foreign intervention.

A Welcome Interlude

Egyptian masses spent decades paying for Said and Ismail's follies. The lessons of the Urabi revolt were still resonating when the republic was declared and the king overthrown seventy years later. The new republic dominated by Gamal Abdel-Nasser was financially prudent, especially when it came to foreign loans, keeping them to a minimum whenever possible. While Nasser avoided loans for his own megaproject, the Aswan High Dam required funds that the Egyptian state could not bear. Therefore, it was initially agreed that it would be funded by the United States, the United Kingdom and the World Bank. However the agreement fell through for political reasons (mainly, the arms' deal with Czechoslovakia in 1955) and the World Bank withdrew its offer after the US and UK, cementing the status of the World Bank and the whole Bretton Woods system as US auxiliaries in the eyes of Nasser.[4]

The Dam would be financed later by a Soviet loan worth 1.12 billion USD at only 2% interest, bringing Egypt closer to the Soviets and away from the Bretton Woods institutions. Egypt would only enter into agreements with the IMF when it absolutely needed to and kept its loans at the absolute minimum.[5] After the defeat in 1967, Egypt would sever its ties to the US and swear off the IMF as one of the colonialism's lackeys.

Back in the Fold

However, Nasser's successor - Anwar al-Sadat- reversed many of Nasser's policies as he liberalized the economy, opened the Egyptian market to foreign investment and borrowed heavily expecting that his pro-capital reforms will be successful enough to pay them off. Between 1970 and 1981, external public debt would rise from 22.5% of GNI to more than 107.8%[6], almost doubling every two years, a pace of borrowing not seen since Ismail's palace building spree. Al-Sadat would also pursue a peace with Israel in 1977 and start moving the country closer to the western camp and abandoning the Soviet Union and Nasser's quasi-socialist policies. By January 1977, Sadat's policies had starved public enterprises of investments, his rampant military spending had saddled Egypt with debt and depleted the pound's purchasing power. His decision to lift subsidies on the main commodities triggered a massive wave of protests that forced go back on his announced reforms. In April 1977, he would conclude a Standby agreement with the IMF, the first in 14 years, worth 125 million USD. However, it was understood that Egypt would need a more significant rescue package if it was to survive the ever increasing burden of foreign debt.[7]

In 1978, as Egypt was negotiating a permanent peace treaty with Israel, it was also negotiating the largest yet IMF loan as it needed 600 million USD in an extended fund facility to keep the government afloat[8] and shore up its foreign reserves.[9] In 8 years only, Egypt went from a country with a healthy level of external debt, to a highly indebted country that needed rescue, the financial prudence and sovereignty that was maintained even during the war were lost in the peace. After his assassination in 1981, al-Sadat would be succeeded by Mohamed Housni Mubarak, who largely continued Sadat's open door policy and expanded them where he can. In fact, the 1980s were a difficult time in Egypt as the high debt levels left over by al-Sadat and their attending servicing devoured the state's revenues. Egypt would enter into a Standby agreement with the IMF worth roughly a quarter billion dollars in 1987, which was understood to be mere band aids as the underlying problem -Egypt's 110% external debt to GDP ratio[10]- was not addressed. Egypt would accede to another Standby agreement worth also a quarter billion USD in 1991.[11] Premised on the agreement however was the understanding that Egypt had to dismantle the Nasserist welfare state and public enterprises in favor of a liberal "modern" economy. The IMF and Mubarak understood that such undertakings had to be managed gradually, as the bread riots of 1977 were still fresh enough in the collective memory to keep them worried about a backlash.

The Era of "Reform"

The 1991 loan was the first part in a set of loans that Egypt would ask for as it teetered on the edge of bankruptcy. Egypt would accede to agreements with the World Bank, IMF, and the African Bank for Development (ABD) constituting the Structural Adjustment Loan. This loan was premised on Egypt following the economic reform and structural adjustment recipe to remove "distortions" in the economy by liberalising it to allow the Egyptian economy to stand on sound footing. Accordingly, these "reforms" included new investment laws, liberalizing capital markets and agricultural prices, Petroleum prices would triple as well as electricity, tariffs were reduced and non-tariff barriers abolished. In addition, new laws for public enterprises gave managers "greater autonomy in the management of companies including on issues relating to company liquidation".[12] In addition, New labor laws liberalized the labor market to facilitate "the recruiting process" and a sales tax to boost the government revenues. Overall, the program was the same prescription that the IMF offered those who needed its help, i.e. government withdrawal from its previous socio-economic roles on all levels. Hence, it can be argued that all these "reforms" were not necessarily aimed to solve a problem, but rather to use it as cover. The reality of the matter was that the Paris Club's agreement to shave off 13.2 billion USD in Egyptian debts suddenly reduced Egypt's external debt to GDP ratio from 116% to 78% with the stroke of a pen and the Egyptian economy was bound to start recovering after that burden was lifted off it. All in all, the structural adjustment programs effectively heralded the beginning of the "reform" era, where deeply unpopular and undemocratic "reforms" would be foisted upon Egyptians in the name of modernizing the economy as the state abandoned its social role.

The cooperativeness of the Egyptian government with the IMF and its eager readiness for these "reforms" and other measures taken outside but complementary of the ERSAP prompted the conjecture that the government was using the IMF as an unaccountable cover to pass its unpopular policies, a theory that will taint the IMF's relationship with Egypt henceforth.

The Era of "Revolution"

In the aftermath of the 2008 financial crisis, Egypt would be in limbo as the economy saw sluggish growth and unemployment increased, especially among youth. By 2011, the ferment exploded in January removing the Mubarak regime. In the following three years, Egypt was roiled by protests, strikes, political violence, and upheaval. The tough economic conditions that precipitated the revolution were worsened by the political instability which in its turn hurt the vitally important tourism industry, worsening the economic conditions yet again. Through these years, rumors about talks with the IMF surfaced every once and a while and were met with open hostility and the various weak governments would back down. Simply put, the Egyptian people at large still remembered the sheer disturbance and dislocation that the IMF bailout triggered and were very hostile to the idea of repeating it. At the same time, the various governments also recognized the immense political cost of an IMF bailout and estimated -correctly- that they cannot afford it, while they had the means they lacked the political will to carry it out. By 2016 the situation was vastly different. As a clear winner of the turmoil had already been declared, the government power was reconsolidated and the neoliberal orthodoxy was restored triumphantly. Fortunately for the government as it was solidifying its will to carry out a final package of reforms and accede to a bailout, the people were suffering the effects of hard currency shortages that eroded the public will against such a deal and its concomitant conditionalities.

In November 2016 the Egyptian government signed its largest ever agreement with the IMF, four times the size of all previous transactions between the IMF and Egypt. The mammoth rescue package included a 1.5 Billion USD loan from the ADB, a 3 billion USD loan from the WB, and the crowning jewel of a 12 billion USD loan from the IMF in addition to 4.5 billion USD from other sources totaling 21 billion USD over 3 years. The rescue package was conditioned on austerity measures, reduced subsidies, reducing the public sector wage bill, implementation of the Value Added Tax, and the floating of the pound. Of these the floating and following devaluation of the pound was perhaps the most directly felt, as the pound lost more than half of its value in a matter of days erasing savings and sending inflation to new heights.[13] As a result, roughly 5% of Egyptians, that is 5 million Egyptians sunk into poverty by 2018, putting the poverty rate at 32.5%[14]. More would slip through the cracks as more austerity and auxiliary reforms were brought forth. So, when COVID-19 struck the world in late 2019/ early 2020, Egyptians were in a very precarious position.

During the years of stringent austerity along with the emaciation of what little remained of the welfare state, less than 45% of Egypt's poor were covered by the new safety net's cash transfer program. However, the globalized effect of the pandemic and the affected tourism sector meant that Egypt was in dire straits again just three years after its last "rescue". In May 2020 the IMF would furnish Egypt with a Rapid Financing Instrument valued at 3 billion USD, a month later a further Standby Agreement would be struck to the tune of 5.4 billion USD, totaling more than 8.4 billion USD disbursed in 2020 and 2021.[15] This time the IMF did not impose more conditionalities as all the needed conditionalities were attached to the EFF. In the IMF staff report on Egypt's request for SBA, the report mentions the risk of increased Egyptian exposure as Egypt's 21 billion USD bill is the second largest exposure to the IMF, and that if Egypt was to struggle to cover the bunched up payments, the IMF's reserves might not be enough to float it through the crisis.

Between 2021 and 2025, Egypt will have to pay back more 17 billion USD to the IMF alone.[16] The sheer size of these payments worries even IMF economists, but some would argue it should not as Egypt's foreign reserves grew from 15 billion USD in 2015 to more than 44 billion USD in 2019. That growth however is mostly fueled by borrowing especially from the IMF.[17] In fact, one could easily see the jumps in foreign reserves after IMF disbursements. Considering that the IMF itself estimates that Egypt cannot make these payments depending on foreign currency income in these years as Egypt still runs a deficit. In all likelihood, the government will have to pay back these loans from the very foreign reserves that received these loans, and it is that very possibility -that all this immiseration was a charade- that fills Egyptians with unease and dread when they hear about the IMF.

The New Administrative Capital: a case study

"Cairo isn't suitable for the Egyptian people.... it has started to become ugly... there's no humanity".[18] While this can be seen as an ironic response, in reality this was Khaled el-Husseiny, official spokesman for the New Administrative Capital (NAC), response in 2018 when asked about the actual importance of building a new capital for Egypt. As a matter of fact, this line of reasoning builds on the official discourse and vision of the government, highlighting Cairo's congestion and rapidly growing population as main problems preventing the Egyptian economy from reaching a higher developmental zenith.[19] As such, NAC has been presented as the solution to strengthen the economy and diversify its activities by creating new places for people to live and work.[20]

Yet, while these problems might be true, several questions have been raised on NAC's ability to resolve such problems amid the severe problems the government is already facing, mainly socially and financially. More important, are the links drawn between this new mega-nationalist project, the neo-liberalization plans that the government currently implements and the instructions of international financial institutions such as the World Bank (WB) and International Monetary Fund (IMF) in exchange of their conditional financial support. As such, the aim of the following few pages is to present a concrete case study and assessment of NAC as an example of the various neoliberal mega-nationalist projects that the government carried out in the last few years. Specifically, we will focus on the shortcomings of the project and the obstacles preventing it from generating a tangible developmental impact. In the beginning, we will start with an overview of the project before delving into particular problems preventing it from being fully effective, i.e. the cost of the project, the targeted classes, transportation and generating well-paying jobs.

Overview

Geographically, NAC is located 45 kilometers east from Cairo in a region covering 700 square kilometer between the roads from Cairo to Suez and Ain Sokhna.[21] With such a massive space, its total size is estimated to be equal to the size of Singapore.[22] Moreover, according to the project's plan, the new capital is to house the government's main ministries and departments, the parliament, presidential palaces and foreign embassies in addition to residential districts, a central business district where most of the main financial and business companies would be located, educational and medical institutions, hotels, solar energy farms and a major theme park among other buildings and districts.[23]

Interestingly, the city has been designed to be a "...high-tech model for Egypt's future".[24] In other words, it is envisioned as a smart city in the middle of the desert where digital technology will be used for the betterment of citizens' lives.[25] As such, it is designed to contain solar panels over the buildings control centers to electronically monitor security and infrastructure; and finally it is expected to operate on a cashless-payments basis.[26] By the same token, a railway train will be developed with a length of 534 kilometer covering 15 stations between Ain Sokhna and al- Alamein.[27] In addition, the world's longest monorail system (98 km) is to be constructed to connect NAC to the eastern side of Cairo.[28]

Finally, in terms of management and constructors contracted to complete the project, the Administrative Capital for Urban Development (ACUD)[29] is responsible for developing the project.[30] At the onset of the project, the government signed a memorandum of understanding (MoU) with Emirati real estate developer and businessmen Mohammad al-Abbar to carry out the constructions in March 2015 before cancelling it a few months later, citing lack of progress and complications in the negotiations as the reasons behind the decision before signing a new MoU with China State Construction Engineering Corporation (China Construction) to study and finance the administrative part of the new capital.[31]

By 2018, an agreement was signed with the China State Construction Engineering Corporation to develop certain parts of the NAC, mainly the $3 billion central business district.[32] Other parts of the new capital's constructions were assigned to different levels (two sections) of local companies according to which major companies like Orascom; Hassan Allam; Talaat Mustafa Group; Petrojet; Arab Contractors and Wadi al-Nil become responsible for the executive locations while holding companies such as Misr Concrete Development Co; Mokhtar Ibrahim; Al-Abd; Mokhtar Ibrahim and EGYCO become responsible for construction and development.[33] Thus far, according to al-Husseiny, 60% of the first phase across all projects has been completed.[34] Moreover, he admitted that the COVID-19 crisis has impacted the progress of the project negatively and that the government will start moving into the new capital before the finalization of the entire project.[35] This process is already in progress and about 50,000-60,000 governmental employees are expected to be transferred for their work offices before the end of 2021.[36] At the moment, no official status of the project is available to the public, reports focus on the first phase since the rest of the project is still very much up in the air and the details still open to change.

Financial obstacles and better alternatives

After presenting an overview of the NAC project, we now move on to discuss the first of the critical issues that the project faces, i.e. financial obstacles. As already mentioned, the Egyptian government currently faces unprecedented monetary issues due to the ongoing deficit in the state's budget caused mainly by the growing weight of national debt. This fact pushed many commentators to question the validity of carrying out such a huge project at a time when the government is facing problems in expanding its sources of revenues. In fact, the discrepancy surrounding the total cost of the project adds credibility to such a view. As while it was announced in 2015 that the forecast for the project stood at $45 bn[37], other sources indicate that no overall cost for the project or details on its financing was announced.[38] By the same token, the same discrepancy exists in relation to the first phase of the project, as while some sources state that the cost of the first phase alone stands at $25 bn (injected through off-budget investments), of which $3 bn will be directed to the central business district[39], others estimated the total cost for the first phase at $58 bn by the time it is completed in 2023.[40]

Such contradictions shed light on the questions of financing; governmental priorities and potentially even corruption. Indeed, if we assume, keeping in mind the lack of concrete information, that NAC in its entirety will be financed in a similar manner to the CBD for instance, then it can be concluded that the project will be debt-financed. This means that the weight of such huge loans will not only aid the deterioration of the state's finances but will also increase the burden on the coming generation as these loans and their interests will take decades to repay. That being said, it should be recalled that the government stated that the cost of extensive infrastructure networks developed for NAC will be covered through land revenues without specifying how the costs of running and maintaining these networks will be covered in the long run.[41] Similarly, there is the additional cost of the transportation network developed to facilitate commuting to NAC, including 40 bridges constructed in the East of Cairo with a cost of nearly $900 million.[42] Thus, it is not surprising that experts such as Mamoun Fandy, the director of the London Global Strategy Institute, stated that investing such huge amounts on developing Cairo itself instead of constructing a whole new capital in the middle of the desert would have been more beneficial.[43]

More interesting, perhaps, is the recent decision to list ACUD on the Egyptian stock exchange within 2 years.[44] It follows that this decision confirms the government's intention to proceed with it neoliberal agenda and to have an extensive market for speculations on real estate, which can only benefit the tycoon and larger real estate companies.[45] This last point is of crucial importance to analyzing the current socioeconomic context in Egypt and highlighting the impact of the ongoing neo-liberalization, backed by international financial institutions.

In contrast to the strong impression present within certain circles of analysts and experts[46], the construction of NAC comes to confirm one main fact. That is, the current government's intention to open the market for a greater involvement of the private sector despite its limits and unwillingness to provide secure and well-paying jobs capable of raising the living standards for the population.[47] In other words, as it stands, the Egyptian private sector is permitted to act freely - prioritize profit seeking - and express almost total disregard to its supposed social accountability. Yet still, the preference is still given to the tycoons of the private sector. For example, only 71 companies out of 238 companies contracted to carry on the construction in NAC were given more than 5 feddans.[48] Likewise, the government interest in developing such a huge infrastructure project seems to express its intention to support sectors that appeal to the private sector and foreign direct investment (due to its quick and stable return) such as real estate development and minerals even when the developmental impact of investments in these sectors are quite limited.[49] In fact, it is propagated that the project will create a profit margin that ranges from 30-40% at a time when its ability to generate a high number of stable jobs is called into question as we will say in the following sections.[50] In parallel, it has been suggested that NAC can help Egypt to increase its exports of real estate, which hints again at the desire to help the real estate and construction investors to expand in an unprecedented manner.[51]

Targeted population: between inclusiveness and classism

As part of NAC's original visioning, the city is to be developed in a manner that makes it "...a model of inclusive and sustainable urban development in the Middle East".[52] Likewise, the development of the city has been described as an achievement to be recorded in history as "a major civilizational leap".[53] Yet, as exciting and daring such expectations are, several major obstacles stand in the way of creating this inclusive society. This includes the previous unsuccessful projects conducted by New Urban Communities' and its inability to reach the targeted percentages of population.[54] Similarly, there are earlier experiences of similar projects in other countries such as in Brazil and the changing of the capital from Rio De Janeiro to Brasilia in a process that is now considered as "a symbol of the failure of urban planning and inequality".[55] This takes us to the last and probably most crucial obstacle facing NAC, i.e. the problem of affordability. In addition, no clear sustainable development approach can be identified, only vague pronouncements mentioning the creation of jobs. The sole salient point in sustainability is the solar energy mentioned earlier.

To begin with, NAC is expected to be the home of 6.5 million citizens of different income levels.[56] To facilitate this possibility, especially for low income strategies, officials announced that social housing will represent a part of the project.[57] Accordingly, in a move that seems to support earlier argument about backing real estate and construction tycoons, the Central Bank of Egypt announced a new initiative to finance citizens who want to acquire properties in NAC through providing 20-years loans with 8% interest rate.[58] Nonetheless, the significance of this decision is that it clearly reflects the problem of affordability in NAC. In fact, according to a recent estimate, the average price of the square meter in NAC is EGP 11000, which is far beyond the reach of the citizens expected to buy the so-called low income residential units.[59] Other estimates put the average price for square meter in NAC at EGP 11,800 in comparison to other areas as al-Sheikh Zayed (EGP 10,500); New Cairo (EGP 10,450); the 6th of October City (EGP 7,650), making the prices in NAC the highest in the entire country.[60]

Another indicator on the problem of affordability, is the new trends that developers follow to sell their properties. In fact, market conditions[61] and the average prices of the units forced developers to change their strategy in an attempt to appeal to wider groups of the middle class (logically, the only remaining potential buyers who can afford it) through offering uncommon payment terms.[62] The need for cash liquidity, in reality, has led to race between developers to offer the most favorable terms for buyers, especially with official warnings that lands will be confiscated if the projects were not completed within the agreed time schedule.[63] For instance, in overall terms, estimates reveal that most of the companies working in NAC offer units for merely 10% down payment of total price.[64] Yet, there are other notable changes amid the ongoing problems of attracting enough buyers such as modifying the maximum period for installments plans from the usual 7 years installment plan to a 10 plus years installment plan and sometimes even without a down payment at all.[65] Similarly, the new minimum percentage (when applicable) that a buyer must buy has been reduced to 60% from the previous average of 70-75%.[66] Other noticeable changes include new patterns of investments through which buyers can obtain shares in commercial properties and leave them for the real estate developer to manage and lease in exchange for a percentage of the rent.[67] Also, customers willing to pay the total amount required upfront can receive a 30-35% discount on average.[68]

Still, according to experts, these changes are not necessarily going to alter the situation drastically, for a group of reasons. The first is that wealthier investors, the main potential buyers, will not particularly benefit from these changes as they simply do need them. More important, is that such segments are only interested in purchasing properties from companies with a proven track record, which does not exist in NAC except for two companies.[69] The second reason is that while the new payment terms might actually attract wider buyers from the middle class, there is still a possibility that the latter buyers might fail to meet their payments. This will lead to confiscating their units and losing their investments. On a bigger scale, this might cause an overabundance in the supply of units and eventually a real estate bubble.[70]

Conclusions

- While NAC, as a new and unique mega-nationalist project, represents a major opportunity for certain sectors (i.e., those working in the fields of constructions, real estate development, and infrastructure), its overall impact on the Egyptian economy remains to be seen. Indeed, such sectors might benefit from this project, it is questionable if these sectors can actually change the structure of the economy for the better. Therefore, questions about the structural effectiveness of the project should be asked. Since its being built in an undeveloped desert, the project has almost no social impact to mention. Most of the area between Cairo and Suez was depopulated by the British.

- A contingent point related to NAC is the one concerning matters of transparency. There are no anti-corruption measures specific to the project. The opaqueness of the project and lack of any sort of independent supervision is the reason we are calling for transparency. More disclosures should be made about the progress of the project and its intended beneficiaries. Likewise, there should be more information about the project finances and how the government plans to fund it in the coming years. This is of grave importance given that some parts of the project are financed through debt, which will definitely affect the government plans and future generations.

- Finally, if the project really targets eliminating problems such as overcrowding, then better terms should be offered for the poorer sections of the population willing to relocate to NAC. Current terms mainly fit the capabilities of the upper-middle class and those above them. Hence, unless more convenient packages are offered, it will be nearly impossible for the vast majority of the population to have a chance to move to NAC.

- Debt-fueled development and sustainable development are evidently mutually exclusive. As debt crises and debt servicing are liable to ruin an economy in the event of adverse shocks, loans should only be solicited when absolutely necessary.

- Austerity is not a viable solution to economic shocks, its very real effects on the living conditions and quality of life for the people not only bring out the immiseration of vast swathes of the population but its recessionary effects can far outweigh the benefits.

- In their future agreements the IMF and the Egyptian government should abstain from the privatizations and austerity that limited the state's future revenues and allowed Cairo to fall into such disrepair. The privatized solutions that manifest in the new administrative capital and their exponentially higher cost compared to the cost of maintaining public goods is one of the primary reasons Egypt continues to face a debt crisis. To add to that, any future discussions about debt sustainability should seriously explore debt forgiveness.

Endnotes

1 Egyptian Debt: On the Cliff's Edge

2 The Sugar project, the only remunerative one of these projects, was severely misguided. After paying upfront for upgrades to manufactures in England to supply the behemothic amount of machinery required, the Pasha discovered that all the sugarcane crop in Egypt could run only one of these mills for three days a week.

3 The disbursed value of the loan usually hovered around 60% of its nominal value

4 Sir William Eillif https://documents1.worldbank.org/curated/en/139621468326391863/pdf/790470TRN0Ilif0gu-st0120and016001961.pdf

5 During the most crucial part of Nasser's developmental plan in the mid-sixties Egypt would face a hard currency bottleneck that it could only ameliorate through two Standby Agreements with the IMF in 1962 and 1964, totaling some 82 million USD.

6 "External debt stocks (% of GNI) - Egypt, Arab Rep.". The World Bank, n.d. <https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS?locations=EG >.

7 In this context it could be argued that the infamous January pronouncements were a show of goodwill to the IMF, that Sadat was a friend and ally who needed to be shored up against his opposition.

8 https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=275&date1key=2099-12-31

9 https://data.worldbank.org/indicator/FI.RES.TOTL.CD?locations=EG

10 https://data.worldbank.org/indicator/DT.DOD.DECT.GN.ZS?locations=EG

11 However, this time, the agreement was accompanied by significant debt haircuts from the Paris Club in return for Egypt's participation in the Second Gulf War (The Iraqi invasion of Kuwait and subsequent liberation of Kuwait and siege of Iraq) which saved the country from default in the overtime, as Egypt had already started to miss repayments by the time the agreement was signed.

12 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ADB-BD-IF-99-130-EN-EGYPT-PCR-SAL.PDF P.50

13 This inflation was spurred further by the implementation of the VAT at 13% compared to the previous sales tax at 10%. The VAT was also automatically set to increase to 14% the following year, this made the inflation more sustained as the inflation rate remained over 20% for more than a year and crossed 30% for most of that period. The abolition of remaining subsidies on electricity and fuel compounded the inflationary pressures, and suddenly Egyptians found themselves crushed between their wages and savings effectively halved by the austerity and the devaluation, and their expenses doubled by the abolition of subsidies.

14 https://www.progressegypt.org/en/indicator.html#percentage-poverty

15 https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=275&date1key=2099-12-31

16 https://www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=275&date1key=2099-12-31

17 https://data.worldbank.org/indicator/FI.RES.TOTL.CD?locations=EG

18 Ruth Michaelson. "'Cairo has started to become ugly': why Egypt is building a new capital city". The Guardian, 2018. <https://bit.ly/2WFM0CM>.

19 According to this vision, Cairo's population is expected to reach 40 million individuals in comparison to 18 million now. "New Administrative Capital". State Information Service, n.d. <https://bit.ly/3yuupL1>. See Also Aidan Lewis and Mohamed Abdellah. "Egypt prepares to start move to new capital, away from the chaos of Cairo". Reuters, 2021. <https://reut.rs/38nP3SD>.

20 "New Administrative Capital", n.d.

21 Ibid; and "Egypt's New Administrative Capital represents historic major civilizational leap: Minister". Ahram Online, 2021. <https://bit.ly/3kFiQM3>.

22 Andrew England. "A new capital in the Egyptian desert: Sisi's military model for the economy". Financial Times, 2021. <https://www.ft.com/content/00a7b285-87c8-448c-998e-30457d1af85c>. Additionally, the first phase of the project is estimated to be half the total size of Cairo. See "New Administrative Capital's 1st phase equals to half the area of Cairo: PM". Egypt Independent, 2021. <https://bit.ly/3BEm8GD>.

23 "New Administrative Capital", n.d.

24 Lewis and Abdellah. "Egypt prepares to start move…", 2021.

25 Amira al-Hakeh. "The New Administrative Capital from an Inclusive Perspective". Alternative Policy Solutions, 2021. <https://bit.ly/3gKnac6>.

26 Lewis and Abdellah. "Egypt prepares to start move…", 2021.

27 al-Hakeh. "The New Administrative Capital…", 2021.

28 Ibid.

29 http://www.acud.eg/

30 The company has a holding capital of EGP 6 billion and consists of the New Urban Communities Authority, National Service Products Organization and Armed Forces National Lands Projects Agency. See "New Administrative Capital", n.d.

31 "Egypt signs deal with China Construction to build, finance, part of new capital". Reuters, 2015. <https://reut.rs/3jtAN0T>.

32 For details on the Chinese loan, see “Egypt's prime minister breaks ground on new capital’s $3 billion business district”. Ahram Online, 2018. <https://bit.ly/3zwY5bJ>.
33 For more, see “New Administrative Capital”, n.d. See also. Mohammed Abu-Zeid. “Egypt to begin initial handover of New Administrative Capital towers at year-end”. Arab News, 2021. <https://bit.ly/3jvaAz0>.
34 Other experts concluded that the project will need decades to be fully completed. Lewis and Abdellah. “Egypt prepares to start move…”, 2021.
35 Ibid.
36 “About 60,000 employees to be transferred to New Administrative Capital”. Egypt Independent, 2021. <https://bit.ly/3mL8VY1>.
37 England. “A new capital in the Egyptian desert…”, 2021.
38 “Egyptian government reveals plans to build new capital city east of Cairo”. ABC News, 2015. <https://ab.co/3yuIkAY>. Here, it should be noted that the official spokesman stated that the budget for the NAC will be decided on a case by case basis as the construction of each section is carried on. See Michaelson. “'Cairo has started to become ugly'...”, 2018.
39 Lewis and Abdellah. “Egypt prepares to start move…”, 2021.
40 Gary Lakes. “Egypt's Huge Capital Complex Rises East of Cairo”. ENR, 2021. <https://bit.ly/3mIEwtA>.
41 al-Hakeh. “The New Administrative Capital…”, 2021.
42 See Maged Mandour. “Egypt's New Administrative Capital: The sinister side of Sisi's urban development”. Qantara.de, 2021. <https://bit.ly/2WGFXOn>.
43 Mina Nader. “The New Egyptian Capital: Illusion or New Beginning?”. The Medialine, 2021. <https://bit.ly/3t9l0HN>.
44 “Egypt to list Administrative Capital for Urban Development on EGX within 2 years”. Daily News Egypt, 2021. <https://bit.ly/3yzyopL>.
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46 See England. “A new capital in the Egyptian desert…”, 2021.
47 Kareem Megahed and Nourhan Sherif. “Surveying the private sector in Egypt: patterns of investments and employment practices”. ANND, 2021.
48 Beesan Kasab. “How real estate companies in the new capital are targeting the middle class”. Mada Masr, 2021. <https://bit.ly/3gQn0Qq>.
49 See “Investments in Egypt: from extractives to exportation”. Social Justice Platform, 2020. <https://sjplatform.org/category/economic-justice/?lang=en>.
50 “Egypt's New Administrative Capital can be home to 6.5M citizens: official”. Egypt Today, 2021. <https://bit.ly/3kAPgaG>.
51 Shaimaa Al-Aees. “New Administrative Capital is Egypt’s gate for property export: Developers”. Daily News Egypt, 2021. <https://bit.ly/2WBtTh6>.
52 al-Hakeh. “The New Administrative Capital…”, 2021.
53 “Egypt's New Administrative Capital represents…”, 2021.
54 al-Hakeh. “The New Administrative Capital…”, 2021.
55 Similarly, there is another example in China, referred to as the Ghost cities of China. See Michaelson. “'Cairo has started to become ugly'...”, 2018.
56 “Egypt's New Administrative Capital can be home…”, 2021.
57 “Egypt signs deal with China Construction to build...”, 2021.
58 “Egypt's New Administrative Capital can be home…”, 2021.
59 The estimator believes that the government is relying on other nearby new cities such as Badr to provide low income housing. See al-Hakeh. “The New Administrative Capital…”, 2021. It is also interesting here to note the links between the development of new city named Nour City in front of NAC by Talaat Mostafa Group,the role it is expected to play in meeting the population growth requirements in the east Cairo Axis and finally its inclusion in the Central Bank of Egypt’s financing initiative. See “Egypt’s $31.8bn Nour City project to create 3.3 million jobs”. Arab News, 2021. <https://bit.ly/3h7uVsx>.
60 See Kasab. “How real estate companies in the new capital.”, 2021.
61 To overcome problems of cash liquidity, which most companies face except for big firms such as Talaat Mostafa Group, real estate developers use an approach called selling on plan for units under construction to secure the funds needed to complete the construction process. See Kasab. “How real estate companies in the new capital.”, 2021.
62 Ibid.
63 Ibid.
64 Ibid.
65 Ibid.
66 Ibid.
67 Ibid.
68 Ibid.
69 Ibid.
70 Ibid.