

Rail takes centre stage in Egypt's modernisation

IRJ editor-in-chief, Kevin Smith, offers observations of the extensive railway infrastructure construction programme underway in Egypt following a recent visit to North Africa.



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EGYPT is a country under construction. More than 40 megaprojects worth \$US 1bn or more are underway from the Red Sea to the Mediterranean under a bold government modernisation agenda to better serve a rapidly growing population.

The centrepiece is the New Administrative Capital (NAC). Already thousands of civil servants have relocated from Cairo, 45km to the west, to work in the city's central district. Many will soon occupy various residential areas on the edge of the new capital, which will eventually be home to 6.5 million people.

Construction of a staggering 45 new cities is planned across Egypt. Many of these are already connected by new roads as the country grapples with chronic congestion in and around Cairo. However, Egypt is not relying entirely on the private car to improve connectivity. Encouragingly, expanding public transport is central to the government's strategy, including a bold rail construction programme with no less than 20 projects, which, outside China, is currently unparalleled anywhere in the world.

We feature many of these in this issue of IRJ, including the most high-profile, a 1985km, three-line high-speed network. I was invited to visit a construction site close the NAC high-speed station during my visit to Egypt at the end of February where I could see first-hand the impressive progress on this landmark project.

Along with high-speed, work is advancing on the next phase of a suburban rail network for the NAC as well as extensions to metro and light rail networks in Cairo and Alexandria. There is also the world's longest monorail project, which is set to carry its first passengers by the end of this year.

Delivery of these megaprojects is central to the strategy of Egypt's president, Mr Abdel Fattah El-Sisi, to create jobs while profoundly reorienting the country's society.

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While admirable in its ambition, questions have been raised about the self-indulgent nature of some projects and their social implications. Egypt's economic fragility is also a concern.

A perfect storm of the Covid-19 pandemic hitting tourism and the oil and gas sector, followed by further impact from the war in Ukraine - notably on the price of wheat, a commodity on which Egypt is heavily reliant - has resulted in an economic crisis. The subsequent devaluation of the Egyptian pound, higher US interest rates, and high domestic inflation of more than 30%, made it problematic for Egyptian buyers to meet their financial obligations, increasing the difficulty of importing goods and commodities. This has exposed the megaproject agenda, which is highly dependent on imports for swift delivery.

In addition, unlike its neighbours that have largely funded infrastructure programmes with their own cash, Egypt is harnessing private finance, predominately from western banks. Public debt has consequently soared to 100% of GDP. Further fuel has been added to the fire by the ongoing shipping crisis in the Red Sea, which has hit traffic through the Suez Canal, an important source of revenue for the Egyptian government.

Something had to give and news in recent weeks of a \$US 35bn foreign direct investment from the United Arab Emirates (UAE) and a \$US 5bn extension of an International Monetary Fund (IMF) loan has eased immediate concerns. Economists at the Chatham House research institute in London have noted Egypt's "luck" based on its geographic location and the desire of western governments to prevent default. They now urge the government to follow through with promised monetary reform.

This is unlikely to change the construction agenda, however. Sisi has vowed to stay the course, saying that he will not desert the 5-6 million people employed on its projects, and imploring citizens to bear short-term pain for long-term benefit. The National Authority for Tunnels (NAT), which is overseeing the rail construction programme, similarly says it will continue at pace.

Encouragingly for Egypt, private-sector companies active in the country remain steadfast in their conviction that it remains a strong long-term bet.

Hill International, which has an impressive portfolio of Egyptian projects, is one such company. Mr Waleed Abdel-Fattah, president of the Middle East and North Africa (Mena) region at Hill, says Egypt has come through past crises, notably in 2011 and 2020. He is especially encouraged by the improved stability that the UAE support will provide. “From a business point of view, we are looking forward to new investment coming into the country,” he told me in Cairo. Equally, Mr Léon Soulier, CEO of turnkey at Siemens Mobility, which is delivering the high-speed programme, is reassured by the firm support from western governments for Egypt’s infrastructure projects.

The commitment of these well-established companies to Egypt is set to serve the country well in the long-term. They are helping to drive up standards of project delivery and workforce safety. They are also offering valuable lessons in project management through their close work with NAT, which is proving a demanding but engaged client.

Skills are inevitably a major challenge for such a major construction programme. Nevertheless, Egypt is blessed with a proficient education system, which is producing a significant number of capable engineers. Many are now rubbing shoulders with experienced professionals who have been lured to Egypt by the challenge of working on some of the world’s largest rail infrastructure programmes. Many are keen to pass on their expertise. Senior staff at Siemens, for example, are actively engaging with universities and young people to promote careers in the rail industry. It is therefore conceivable that many of these Egyptian engineers will take the lead on future infrastructure projects, including later phases of the high-speed programme and potential links to neighbours in the region, an ambition of NAT.

The promised creation of a domestic railway supply industry could then flip Egypt from relying on imports to becoming an exporter in the region. Speedy delivery of the current project bonanza appears to be just the first step rather than the complete modernisation story. Egypt is therefore poised to remain a rail hotspot for many years to come.