

Architecture_MPS

Postscript: Beirut Life and Debt Version 2.016

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How to cite: Becherer, B. 'Postscript: Beirut Life and Debt Version 2.016.'
Architecture_MPS, 2016, 10(1): 1. DOI:
<https://doi.org/10.14324/111.444.amps.2016v10i1.001>.

Published: 01 September 2016

Peer Review:

This article has been peer reviewed through the journal's standard double blind peer-review, where both the reviewers and authors are anonymised during review.

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Architecture_MPS is a peer-reviewed open access journal.

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Architecture_media_politics_society. [vol. 10, no. 1.](#)

September 2016

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Abstract

This essay continues a project begun a decade ago with the article, “A Matter of Life and Debt: The Untold Costs of Rafiq Hariri’s New Beirut.” This new article, or “Postscript,” begins by examining the reception of that first investigation and responds to one criticism directed at the original essay: that it proffers an unfairly pessimistic profile of the reconstruction effort generally and of its prime mover specifically, the now-deceased Prime Minister Rafiq Hariri. This paper follows a cost/benefits analysis of the project and the company behind it, Solidere, and examines two other Solidere-styled developments abroad, both results of the company’s attempts to monetize its so-called “brand.” The first of these, “Abdali,” is in Amman. The second of these comprises a trio of projects that SI prepared for Sheikh Zayed City in metropolitan Cairo. The paper argues that Solidere’s failure to disclose the dubious financial dealings behind such projects further erodes the credibility of a company for whom the notion of “business as usual” works first and foremost to benefit the few at the expense of the many.

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Update

This article moves forward an essay written in the year 2000, “A Matter of Life and Debt: The Untold Costs of Rafiq Hariri’s New Beirut.”¹ It began life as a meditation on the extensive reconstruction of the city following Lebanon’s catastrophic civil war. The mammoth effort was epitomized by Beirut’s landmark center-city project, known by the marketing acronym SOLIDERE, whose 1994 incorporation ushered in a period of national enthusiasm, millennial in zeal. As argued in the original essay, Solidere, more than any other single postwar project, was the capstone of then Prime Minister Rafiq Hariri’s economic vision for the nation and its capital. The media blitz surrounding the project was pervasive and inescapable at the time: the author was made to understand, by corporate insiders no less, that this place’s economic success was inextricably tied to the country’s future. Yet, despite the noisy claims (or perhaps because of them), there was the uncanny sense that something was definitely amiss here. Maybe it was the increasingly hollow sound of the rhetoric or the dissonant note in the fanfare that stirred misgivings. However much Solidere’s press releases infused quotable, feel-good copy into the story that the company told, the wordless, almost surreal emptiness of the place communicated something else entirely. How was it that so expensive and ambitious an urban reconstruction, a project so fraught with a nation’s best hopes for itself, how was it that this place could remain so devoid of its people (see Figure 1)?² The author’s misgivings, the observations that sustained them and tentative conclusions that issued from them gave shape to that essay. Its publication in 2005 was met immediately with a favorable reception.

Since “A Matter of Life and Debt” first appeared, it has been cited dozens of times in books and refereed journal articles whose wide-ranging subject matter includes architecture, urban planning, heritage preservation, economics, sociology, politics, public policy and queer theory. The essay has found its way into courses and theses undertaken in distinguished universities internationally. It has also shown up in less familiar settings, like the website of



Figure 1. Maarad Street, Place de l'Etoile, Beirut. Photo courtesy of *Al-Jazeera Digital Magazine*, 12 January 2014

the fabled St. Georges Hotel, whose owners have excerpted it on their banner page to draw public attention to Solidere's strong-arm business tactics and its dubious designs on their property.³ Given the article's wide currency, it would seem that "A Matter of Life and Debt" has acquired a life of its own, having insinuated itself into modern Beirut's required reading, especially for those interested in the causes and effects of its complex urban phenomenology. Furthermore, it has been especially gratifying to observe that the questions raised there a decade ago are now being asked of kindred urban developments in the region – Amman, Abu Dhabi, Cairo, Jeddah, and Dubai included.

Its current popularity notwithstanding, the article has also found its detractors. Most notably, Mark Neal and Richard Tansey, the co-authors of "Effective Corrupt Political Leadership in Lebanon",⁴ have faulted the work for its overly harsh appraisal of the economic policies of Rafiq Hariri. As a response to the 2001 position outlined in the paper, they have applied a positive spin to the notion of political corruption as they describe a viable management mode called "effective corrupt political leadership" that applies particularly to the Middle East, and specifically to the deceased Prime Minister. They argue that his political conduct is rooted in the centuries-old tradition relating the overlord, or "za'im," to his clientele or "zilm," via a systematic exchange of favors for political party loyalty, "wasta" that is, and the blessings that accrue

to it. An economy of indebtedness, at once material and psychic, connects one to the other, cementing an interpersonal mutuality that endures. In defense, this particularly resilient variety of political opportunism was actually taken to task in the original article. In fact, an understanding of clientelism is central to the considerations of “debt” and “indebtedness” there.

In contrast to the work criticized by Neal and Tansey, their approach to Rafiq Hariri’s political career outlines a broadly based rationale by which they effectively suspend disbelief in the potentially corrosive effects of nepotism on government and corporate management structures.⁵ As they lay out conditions under which state-supported corruption can be rationalized, they take critics of the system to task, questioning their ethical intent as they accuse them of party-motivated bias fueled by a countervailing self-interest.⁶ However, the lingering and most problematical effect of the authors’ endorsement of “effective corrupt political leadership,” at least insofar as Rafiq Hariri is concerned, is the degree to which it confers a perverse legitimacy to the sub-rosa operation of undisclosed, special interests (per the clientelist system), while it undermines fiduciary responsibility and transparent business practices. So long as the benefits outweigh the liabilities, corporate or government, Neal and Tansey would argue that corruption is admissible, especially in places where patronage ties are programmed into the operating system.

Decidedly Ineffective Corrupt Corporate Governance

It is impossible to understand Neal and Tansey’s largely upbeat appraisal of Hariri’s “effective leadership” without the extraordinary performance of the Lebanese economy circa 2008 in its back story. Solidere directly benefited from the country’s economic boom that arrived when the Doha Accord quieted Lebanon’s post-Hariri interconfessional discord and sounded an “all clear” to the country’s financial markets. For the following three years, Lebanese banks profited from a cataract of foreign direct investment as the huge Lebanese diaspora repatriated its foreign capital back home in the wake of the 2007 US financial meltdown. One effect of the newfound liquidity: Solidere’s 2008 Class A shares reached an all-time high of \$37, an increase of almost 400% over its 1994 IPO, enviable stock performance by any measure, Lebanese or otherwise.

This infusion of capital compounded the already high inflows of Gulf direct investment that commenced in April 2001 when the Lebanese government approved Law 296 legalizing the ownership of Lebanese property by non-nationals.⁷ Between 2001 and 2011, capital investment in Lebanese real estate by the MENA marketplace accelerated, driving up real estate prices in Lebanon’s most desirable areas, among them, Solidere. Courting wealthy Arab investors from the outset, the project’s designers inflated the size and layouts of its typical rental housing units. As one-time renters became property owners after 2001, the percentage of property owned in the Beirut Central District (BCD) by foreigners grew to almost 10%. In the meantime,

Lebanese investors lacking in petrodollars were forced to content themselves with Solidere's more modest housing stock, tending away from seafront units toward less expensive ones in Solidere's Saifi Village, Martyr's Square, and Mina El-Hosn. More typically though, they took their business elsewhere. Is it any wonder, then, that so many Lebanese today have such difficulty identifying with the rebuilt BCD?

Solidere's 2008 annual report lends credible support to the economic growth of the time by its healthy numbers: Assets totaling \$2,453,832,477 and Liabilities of \$594,167,858. The debt to equity ratio is a not-insignificant 30%, sizeable but less than that of many comparable enterprises in the MENA region.⁸

Solidere's most recent annual report, FY 2014, tells a less upbeat story, however.⁹ Between FY 2008 and 2013, revenues from real estate fell from \$256,635,633 to \$169,473,806, a decline of some 34%. Profits too declined significantly as Solidere's dividend was cut from \$1.00 in 2008 to \$.10/share in 2014, which is, incidentally, a modest uptick following upon the dividend's suspension in FY2013.¹⁰ Lastly, forward-looking stock price projections have become increasingly pessimistic since 2011. To illustrate, in November 2014, Banque Libanaise d'Outre Mer [BLOM], issued a forward-looking net asset value of \$13.50/share, down significantly from the \$20 it projected in early 2013.¹¹ Meanwhile the stock has hovered in the \$10–12 range for the past two years, significantly below the level of stock analysts' lowered expectations.

The Lebanese boom years occasioned by the global financial crisis ended abruptly in 2011 with the Arab Spring. Financial markets roiled as countries across the region – Tunisia, Egypt, Sudan, and Syria among them – confronted their political leadership with longstanding political grievances. Despotism deemed corrupt were popularly overthrown in three of these. However, Syria's version of the Arab Spring has resulted in the deep retrenchment of leader Bashar Al-Assad in a politically unstable stalemate that has driven as many as 1.5 million political refugees into Lebanon. Today the country bears the lion's share of the costs of housing and provisioning a refugee population one-third the size of the country itself. Incursions by a caliphate-obsessed ISIS and Al-Qaeda-backed Jabhat el Nusra into northeastern Lebanon, though successfully thwarted by the Lebanese Army, cause many today to wonder if the Syrian Civil War will overflow its borders. And although the diaspora's direct investment into Lebanon's banks continues, suffice it to say that few MENA investors are prepared to risk major financial commitment in Lebanon these days. And Solidere's annual reports since 2011 have testified to this fact.

2014 saw Solidere's share price dip below its \$10 par value. In doing so, the company's price to book value fell to .97, which is to say that the "efficient market" values the net worth of all the company's physical assets at a level lower than the company's initial capitalization, \$1,650,000,000. Solidere's most recent annual report reinforces this grim technical appraisal. While the company lists Assets of \$2,964,086,442 for FY 2014, it also reports Liabilities of \$899,494,384. Its debt to equity ratio has swollen to 54%, while the dollar

amount has also grown by more than 50% since 2008. Given the fact that the Solidere's 1994 Covenants of Incorporation originally set the Debt/Equity ratio at 20%, it appears that the company has taken on a debt level that significantly exceeds the limits originally deemed healthy – or lawful – for it.¹²

Truth be told, the financial picture may actually be worse than these numbers suggest. First, we must realize that Solidere's assets are inflated by revenues attached to a group of semi-autonomous, spun-off companies founded in 2007 and designed to diversify its revenue stream: BCD Services, Beirut Waterfront, Real Estate Management, ASB Downtown, and Solidere International (SI). A sixth member of the group, Beirut Hospitality, failed financially in 2010. SI involves a capital investment from the parent company of almost \$343 million. Its generated revenues, though noted and factored into the annual report, essentially bypass Solidere proper, as they are returned to the company's home in Dubai for new real estate projects outside of Lebanon. The spinoff company's dubious track record will be touched upon at a later point in this discussion. Other companies in the group, Beirut Waterfront and BCD Services are losing money per the 2014 Annual Report.

Second, the Company's assets have been inflated by what should be seen as a potentially risky line item: Receivables. While it is standard accounting practice to enter Accounts Receivable into a company's assets, it is important to bear in mind that this line item brings with it some illiquidity and attendant risk. In fact, Receivables should be construed as promissory notes for payment on real estate contracts made within the fiscal year. In Solidere's case, they amount to short-term debt obligations effectively underwritten and held virtually interest-free by the company. In a disturbing sidebar to this discussion, the 2014 annual report indicates that fully 91% of the obligations attached to three customers – 100 million dollars worth – had to be restructured if these short-term financial obligations were to be settled in a timely manner, if indeed they were to be met at all.¹³ And some of this bad debt appears as a line item, indicated as a 2013 Liabilities write-off in the amount of \$16,042,021, and, in 2014, a write-off of \$7,459,230.¹⁴

Since 2008, Solidere has more than doubled the amount of its Accounts Receivable, growing them from \$246,401,913 to \$552,290,794 in 2014. Meanwhile, it has more than tripled the amount of its 2008 Bank Overdraft costs, ballooning from \$176,496,835 to \$548,575,050 in 2014. The rise in overdraft fees points to one thing: Solidere is suffering from liquidity problems stemming to some significant degree from the poor performance of its Receivables portfolio. To cover the ongoing costs of operations, Solidere is forced both to sell assets (drawing down its own investment portfolio and tapping into its mandated cash reserves), and to rely on added debt, as it borrows increasing amounts on the short- and medium-term debt markets at interest rates from 1.5 to 5% to stay afloat.

Solidere has also been forced to deal with its skyrocketing debt load by reducing costs. First, it has economized by cutting both operating and

capital expenditures. As far as OPEX is concerned, the company has made significant reductions in personnel, laying off dozens of its middle-level management, thus adding to the country's 20% unemployment rate.¹⁵ Many patronage hires have also been terminated, politically well-connected personnel who, according to Solidere Chair, Nasser Chammaa, "were forced on us based on requests from MPs, ministers, and political leaders, and who are a burden on the company."¹⁶ Clearly, all is not well at Camelot's Round Table.¹⁷

Meanwhile, and without skipping a beat, the company has announced pay raises of 75% (from a payroll of \$2,960,352 in 2013 to \$4,696,505 in 2014) to everyone on its board and senior management, presumably for their effectiveness in reducing overhead. Regarding CAPEX, Solidere has suspended capital-intensive construction, including sewerage and port infrastructure projects, thereby avoiding new long-term financing for the near term at least.

Second, Solidere is seeking to recapitalize its cash position by issuing three tranches of real estate-backed securities to the tune of \$180,000,000. These securities carry a 5% coupon; to date research has not revealed a bond rating for them. The purpose of these securities is to liquidate a portion of the company's Receivables portfolio, assumedly a problematical part of it.¹⁸ It can be safely assumed that Lebanon's banks will purchase the lion's share of these offerings, especially since Lebanon's Central Bank has recently injected into the commercial banking sector some \$1.6 billion dollars earmarked for such purposes.¹⁹ Offered at a 1% interest rate, these loans are designed to directly stimulate the Lebanese real estate market. Meanwhile bond spreads guarantee the banks an automatic 4% profit on these transactions. On the sellers' side, Solidere directly benefits from significant inflows of capital for the near term at least, issuing from the banking sector's three-year long subscription to its securities. Even more importantly, the company has finagled a way to reduce the riskiness of its Accounts Receivable, as it bundles a significant portion of its outstanding real estate contracts, both good and bad, into these securities offerings. The surety of these securities, however, is anyone's guess. Even more disturbing is the likelihood of these shares being rebundled into tranches of other asset-backed Lebanese bank issues, and the potential for Solidere's defaulting contracts to infect a far larger portion of the country's fixed income financial market.

As it turns out, the very same investors who have watched their portfolios of Solidere A shares dwindle over the past six years are again being targeted by the company and its proxies via these new investment vehicles. Money raised this time around, however, will go not to capitalize the company and its business ventures for organic profit growth but to underwrite the very debt that has so vitiated investors' equity stakes in the company. The ironies notwithstanding, the bet that bondholders take on company debt may be the best hope to date for investors near-term to walk away from Solidere with something to show for the financial risks they have taken here.

Brand Spanking

The ironies, however, compound when we turn to Solidere's portfolio of spinoff developments. The first of these was Amman's Abdali, an urban renewal project issuing from a business plan drafted by Lebanon's Rafiq Hariri and Jordan's King Abdullah II in 2002.²⁰ Unlike Beirut, which chose to rebuild on the ruins of the old BCD, Amman would recenter the city in a vast, new development on the city's affluent, west side.

Hariri was nothing if not a canny businessman. He observed firsthand the flow of new capital redirected into the Arab real estate sector following 9/11, watching it inflate Solidere's revenue stream and float its stock price. He also intuited the critical role that Jordan would play in any plan the US might hatch against the mistakenly presumed mastermind of 9/11, Iraq's Saddam Hussein, and he could see a cash windfall on the horizon for the Jordanian economy. The new project – a veritable 'new downtown' – would issue from a partnership between Hariri and Abdullah.

For his part of the investment, King Abdullah would turn to his army, his traditional locus of political power, to provide the new development's land equity. Meanwhile, Hariri would bring the brand and the money. Together, Solidere's contractor OGER and the army's development arm – code name MAWARED (English translation: ASSETS) – would draw up plans for a mixed-use development involving a surface area of some 447,000 square meters and a budget of three billion dollars. The capital would come from a stock subscription in the new Abdali Investment and Development Company [AID] having three major shareholders – the army with 43.5% of the stock, Hariri, with 43.5%, and an unnamed Kuwaiti investor with 13%. Following Rafiq Hariri's 2005 assassination, the project proceeded under the direction of his children, most importantly, the eldest son Bahaa, who soon replaced the family's contracting arm, Saudi-OGER, with his own Monaco-based company, Horizon.

Marketed, like Solidere, as a public/private partnership, the company has presented itself as steward of Jordan's national self-interest and guarantor of public well-being. So tightly bound are they that the complex's moniker actually derives from the King's own given name. Despite such strong political ties (or perhaps because of them), the project's public commitment is nonetheless open to dispute. The fact of the matter is that, given its limited cash position, Jordan could contribute only land assets to the project, specifically, the equity accruing to the publicly owned, army property in the center of Amman. The real money, however, came from the venture's stock subscribers, and it is their fiduciary interests first and foremost that the company takes care to protect. As for the public – the citizens of Amman, that is – those unlucky enough to own property around the army base suffered its seizure by the government thanks to the company's extraordinary powers of eminent domain. Shades of Solidere. Meanwhile, the "public" that Abdali solicits are the camp followers of profitable speculation – a skilled and comparatively affluent managerial class, that is – an elite cadre guaranteed to grow as a cavalcade of international business



Figure 2. Daytime view of The Boulevard, Abdali, Amman, Jordan. Photo by Ziad I. at Foursquare.com. <https://foursquare.com/v/the-boulevard/50dfe7b6e4b0929c2252f07b/photos?openPhotoId=5356a974498eaf58f90069a7>

partners seize the business opportunities to be found in this new Amman (see Figure 2). The “public” whose interests are to be protected here would be those educated, discerning, and affluent enough to direct their discretionary money to the development’s trendy shops, dine in its rooftop restaurants, and exercise in its health clubs, and that is to say, a public quite different from the one we normally associate with Jordan. This “public” is something distinct from the local population, largely discouraged from making their presence known here. And, at the odd moments that a pre-modern Jordan makes itself felt, as it does in the Boulevard-promoted 2015 Jordanian Cultural Festival shown in Figure 3, it is contrived as “local color” almost anthropologically constructed, its obvious Orientalism at odds with the place’s bland urbanity.

In June 2014, Bahaa Hariri cut the ribbon to the centerpiece of the new Solidere-inspired complex, its blunt-nosed skyscrapers standing like huge quotation marks at either end of Boulevard, an assembly line of silvery, midrise, mixed-use blocks parked beside a coordinated, pedestrian promenade. To me, it harkens back to Linord, Lebanon’s long-stalled, 1990s-era megastructure on the coast north of Beirut with impeccable modernist pedigree.²¹ This time, though, the spare geometry of that early project has been grafted onto the western edge of Amman’s inner city, where it is imagined as a generative set piece, conjuring up, per the project’s promotional literature, Paris’s Champs-Elysees, Barcelona’s Ramblas, and London’s Oxford Street. While long on upbeat PR, the place we encounter today is unfortunately short on memorable experience. Despite its illustrious urban ancestry, as a city attraction Abdali’s Boulevard has been judged decidedly short on allure.



Figure 3. Artisanal installation at the 2015 Jordanian Cultural Festival on The Boulevard, Abdali. <http://www.abdali.jo/index.php?r=media>

More importantly, it has shown itself decidedly short on foot traffic – people, that is – probably because Boulevard’s rental space has failed to attract tenants in the critical numbers that it had hoped. When Bahaa Hariri opened the doors to the complex’s promenade, Boulevard’s ground-level shops were only 30% occupied (see Figure 4).²²

Whatever its successes and failures, as the first of Beirut’s progeny, Amman’s Boulevard has fundamentally shaped what Nasser Chammaa has coined and marketed as “the Solidere brand.”²³ Glittery as a Caddy showroom, Boulevard is a throwback to the economic optimism that revved up the Middle Eastern economy post-9/11 and ultimately prompted the launch of SI from the mother ship. These days, however, the project’s jetsetter solicitations strike one as so much architectural hyperbole, simultaneously outdated and out of touch, especially given the intractable political realities that have occasioned Amman’s new UN Refugee Headquarters just around the corner, and cash-poor refugee camps bursting with Syrian exiles not far away. One wonders about the market for the luxury office space and accommodations the project serves up.²⁴ Be honest: Would you be prepared to sink good money into an address, albeit a glamorous one, within shooting distance of a Civil War?²⁵

No country has invested more in the success of SI than Egypt, whose largest investment bank, Hermes, managed the spinoff’s \$770 million dollar Dubai IPO in 2006. Given the bank’s considerable stake in the company, it should



Figure 4. Abdali's Boulevard with empty shops disguised by billboards and street art at Ramadan, June 2015. Photo by Luma K. at Foursquare.com. <https://foursquare.com/v/the-boulevard/50dfe7b6e4b0929c2252f07b>

come as no surprise that SI would figure significantly in two of the huge real estate investments Hermes has helped to bankroll near Cairo, under construction since the 1990s. Eventually, New Cairo on the Suez Road to the east, and Sixth of October/Sheikh-Zayed on the Alexandria Road to the west will house, by one accounting, five million people.²⁶ Since groundbreaking, these suburbs have been envisioned as premium and exclusive residential locations, targeting the city's administrative class and its moneyed professional and entrepreneurial elite.²⁷ With the arrival of SI to the new suburbs came the "Solidere brand" and intangible value added to the property mix via two lifestyle offerings – Cairo Eastown and Westown. The builders – real estate development company SODIC – feel that the label brings to these particular projects distinctive architectural cachet, and they say so in their marketing materials. Further value is added, per the PR, by the design contributions of an international bevy of star architects who enhance Solidere's own design efforts.²⁸

The projects' promotional materials look familiar, probably because they come from Solidere's Services arm. Its brochures regale us with digital renderings of the projects' open spaces photoshopped to overflowing with happy diners, browsers, joggers, and bikers, who collectively promote a new and distinctly Westernized kind of distracted, consumer-driven, urban living (see Figure 5). As for the intangibles, the brochures fill in those blanks as well.

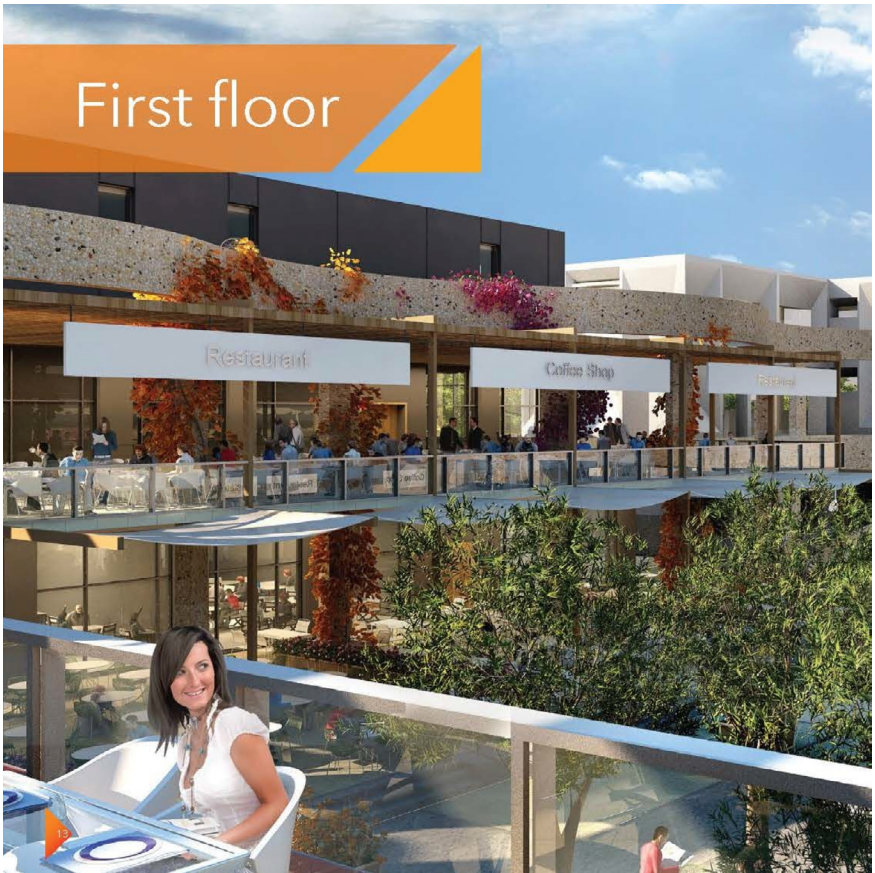


Figure 5. Dining in The Hub, Westtown, Sixth October/Sheikh Zayed City, Cairo. Photo courtesy of Westtown online brochure. <http://sodic.com/media-downloads/#development-projects/39>

Where images fail to tell the story, Westtown’s press copy takes over, instructing us as to how best appreciate these places while leaving no doubt as to the advantages of living there. Forty West, designed by Boston’s Machado/Silvetti architects, has three distinct complements of trendy housing. One of these, “Urban Chic,” is described as a “true urban neighborhood with a wide range of stunning apartments, world-class restaurants, cafes, shops” (see Figure 6).²⁹ Its units are “... classy, artistic, daring. Urban Chic is inspired by the loft living of New York and London. It’s a sophisticated style for fashionable people who know what they want. The perfect environment for art books, freshly ground coffee, and dinner parties that last well into the night.”³⁰ But, what if you don’t like coffee ... ?



Figure 6. Forty West’s “Urban Chic.” “Urban Chic”. Photo courtesy of Forty West Interiors brochure. <http://www.slideshare.net/zayedhome/forty-west-interiors-brochure>

Make no doubt about it, a residence here is not just a piece of property, but a serious lifestyle commitment, a rite of passage garnering membership into an exclusive preserve, equal parts country club and town meeting, less Cairoene, or even Egyptian, than cosmopolite.³¹ And if it all sounds rather like social engineering, well, it is. “We don’t want downtown culture transplanted here, the swearing, the noise ... We’re trying to create the right society,”³² so says Youasef Hamad, SODIC’s chief commercial officer. Keeping all this “rightness” on the straight and narrow, however, demands a mindful eye and oversight ... surveillance, that is. To guarantee these communities’ social homogeneity (and their bloodlines?), Cairo’s new suburbs are typically gated. And where they are not, “...don’t worry. Security will be at every entrance ensuring only the right people get in.”³³ One resident, in an unguarded moment, was more direct about why she lives in a place like this. “When these people rise up”, at least she won’t be in the front lines.³⁴

Solidere’s entry into the Cairo real estate glitterati occurred in the days immediately preceding the 2006 formation of SI. Clearly, Eastown and Westown were in play even then, as SODIC envisioned new, high-profile “hubs” for their projects in Sixth of October/Sheikh Zayed City and New Cairo designed by Solidere. However, it took events arising out of the popular protests of January 2011 to bring the true nature of Solidere’s relationship with SODIC to light. In capsule form, this is the story. In the 1970s Anwar Sadat’s government made the decision to develop the desert areas east and west of Cairo – Ketameyah and Sixth of October – as industrial zones suitable for expanding the country’s industrial sector and housing its workers.

Sixth of October was founded by the New Communities Authority in 1977 while New Cairo/Ketameyah dates from the early 1980s, and both are among



Figure 7. Allegria development, Sixth of October, showing desert proximity. Photographer: Natalia Echeverri. Photo courtesy of “Cairo: Suburbanizing the Desert” in *Polis: A Collaborative Blog about Cities of the World*, 22 October 2009. http://3.bp.blogspot.com/_2wBh8QfqZUA/St_w_2gaYKI/AAAAAAAAAIA/PqTaSvXbYxk/s1600-h/a-suburbdesert.JPG

the nation’s earliest new towns. In the 1990s, however, one particularly intrepid developer made the decision to rethink this strategy as he introduced into New Cairo a luxury housing neighborhood named Ketameyah Heights, outfitted with a golf course surrounded by huge detached villas embellished with US-style lawns, barbeque grills, and swimming pools.³⁵ Its success was sensational. The profit margins at this enterprise were enormous, especially given the almost non-existent cost of the land, so much so it caused most others to rethink their market strategies there.

As the government controlled the development land bank of the developers – although desert, it was, after all, national land – Hosni Mubarak and his government stood to make the most from the total makeover.³⁶ Cairo’s previously unbuildable arid terrain was doled out piece by piece without competitive bids as various government actors accepted bribes to guarantee government good will, along with a chunk of the ensuing financial action (see Figure 7). The post-Mubarak interim government and then Mohammed Morsi’s took aim at the purported graft surrounding Egypt’s real estate sector. Years of court hearings provided ample evidence of what Egyptians had long suspected: that vast parcels of the country’s public lands had been sold for next to nothing and that their kickback proceeds, such as they were, had been pocketed by government officials. What’s more, the hearings also revealed that the Egyptian treasury had paid for the critical infrastructure – including roads, power, sewerage – in private development projects whose huge profits would never remit to the nation that financed them.³⁷

The growing scandal expanded outward from the government’s leadership into its ministries and their agencies. Ultimately, the criminal investigation homed in on the New Communities Authority (NCA), a spinoff of the Ministry of Habitat, Utilities, and New Communities run at the turn of this century by Ibrahim Suleiman.³⁸ Among its other responsibilities, NCA controlled the Egyptian Arab Land Bank whose assets it doled out to a group of Mubarak confederates.³⁹ Meanwhile, the government probe embroiled Egypt’s private sector, involving virtually every major name tied to Egypt’s

construction industry, from building material suppliers, to contractors, to marketing firms.

The patronage pyramid that the state tribunal has exposed goes something like this.⁴⁰ At the top is Hosni Mubarak and his two sons, Gamal, the heir-apparent, and the real estate magnate, Alaa. All three have been indicted by the court for their illegal dealings in state land and subsequently found guilty of land fraud.⁴¹ Next in the chain of command comes Ibrahim Suleiman, the keeper of the Land Bank, as well as Alaa Mubarak's father-in-law, Magdi Razekh, former Chairman of SODIC, who resigned in May 2011 only to flee the country. Believed to be hiding in Spain, Razekh has been tried in absentia and found guilty of graft as he profited from the unauthorized sale of land transferred to him by Suleiman to the tune of 28 million dollars. For their parts in the fraud, both have been sentenced to five years in prison and fined 165 million dollars.⁴² Under the al-Sisi regime, however, charges of criminal fraud against both Suleiman and Razekh have been conditionally dismissed. And the condition of its clemency? Each must now reimburse the state the discounted sum of \$85 million, a "fee" based on the current, fair market value of the properties in question, parcels of which Razekh channeled to some of the region's largest developers.⁴³ The list comprises a veritable Middle Eastern *Who's Who*, whose tally even includes Saudi Arabia's Prince Alwaleed Bin Talal as well as a number of Solidere associates.⁴⁴

The next step down the pyramid brings us to the developers themselves, among them SODIC and its Lebanese affiliate, Solidere International. The business relationship established between Solidere and SODIC guaranteed the Beirut company a continuous revenue stream – "carried interest," so it is called – amounting to 7–10% of the market value added to the property above cost, the premium added by attaching SI's brand to a set of exclusive SODIC properties.⁴⁵ The new market value would be recalculated annually, and SI's share set accordingly. Revenues might also eventually accrue to the properties that Solidere optioned at an advantageous, preset price set by SODIC.

For the first two years, the marriage between SI and SODIC was a love fest. By 2009, however, the happy hookup started showing cracks in the veneer. The late-2007 sub-prime mortgage meltdown that triggered the Great Recession moved like a tsunami through world markets. In the MENA region, Cairo's new suburbs were particularly hard hit. Unit sales there collapsed, and with this shortfall, the company's revenue stream tanked. Around that time, SODIC peremptorily discontinued its use of Solidere Services to develop two of its three properties in Westown, the Strip and the Western Hub specifically. With the fall in SODIC revenues came, not surprisingly, a growing problem with Solidere's Accounts Receivable, and liquidity problems that led to a lawsuit against its partner in 2012 for unpaid debts.⁴⁶ SODIC met that lawsuit with one of its own, accusing Solidere of failing to produce a development plan for one of its Westown sites, and non-compliance with the terms of the partnership's original partnership agreement.⁴⁷ Shortly thereafter, Solidere made an extraordinary, one-time, \$12.8 million dollar (EP160 million)

payment to SODIC that was NOT a settlement, so the Egyptian company loudly announced.⁴⁸ What it was and where it went, however, is anyone's guess, as it goes unmentioned in the 2012 Solidere annual report.⁴⁹ However, the best bet is that it constituted a convenient land sale whose proceeds found their way into the fines, or rather *fees*, paid by SODIC to the Egyptian High Court for the criminal involvement in the Mubarak real estate scam.⁵⁰ FYI fees given this context are a euphemism for fines paid by a wrongdoer without an admission of guilt.

By 2014, both lawsuits were resolved “amicably”. SODIC had extricated itself from its long-term payouts to Solidere and also terminated its property options with it. Meanwhile, the Lebanese company walked away from its corporate divorce with a dubious asset, an “unencumbered” 250,000 square meter parcel in Westown, approximately one-sixth of the development's original land complement.⁵¹

A few words need to be said about this land deal. By any measure, Solidere paid top dollar for the quarter of a square kilometer, the sixty-one acres that it purchased from SODIC somewhere in Sheikh Zayed City. By the author's own calculations, SI forked out almost \$205,000 for each acre of unimproved desert land that it purchased from SODIC, anything but a deal.⁵² While nothing can beat the half *piaster* that the developers of Dreamland⁵³ – the exclusive, gated pleasuredrome, built in the 1990s at the foot of the Pyramids – paid to the NCA, it seems that SI inexplicably splurged on idle and perhaps unsalable land which SODIC had previously “purchased” for a song under Mubarek. Even taking into account the punitive fees charged the Egyptian developer by the Egyptian High Court, the deal gives every appearance of profiteering. In fact, it smacks of corrupt real estate business as usual. One thing that is for sure, though: Solidere itself has disclosed nothing about this transaction in its financial reports nor is it likely to do so in the foreseeable future.

Squaring Up

A primary goal in 2001 of “A Matter of Life and Debt” was to reach at least a provisional understanding of how it was that Hariri's nationalized planning agenda had borne scant economic fruit to date. Second, it sought to understand how it was that a planning proposal that prompted the destruction of the remaining downtown as precondition for its rebuilding would not have raised serious political doubts, or that its financing strategy of publicly subsidized privatization would not have met at least with the resistance of the country's economists or financiers. How could it be that a country's disbelief was apparently suspended in this case? These questions might eventually have been put to rest by Solidere's successful financial performance. However, its returns to date have been anything but spectacular. In fact, Solidere A shares have dropped precipitously since their highs in 2008, while the corporation has continued to accrue significant levels of debt. By these two obvious

metrics alone, it would appear that Solidere is something less than completely healthy. And suffice it to say that the early questions as to the genesis of Solidere persist still.

After the recent literature review that has informed this reconsideration of “A Matter of Life and Death,” it seems obvious that Solidere has not retreated from the economic and political behaviors whose spatial formations were first observed more than a decade ago. What the recent research for this article has added to the original conclusions, however, is a more fungible set of understandings. Especially significant is the fact that for most Lebanese commentators, Solidere presents an unfamiliar topography that exists surprisingly disconnected from their everyday lives. As peculiar as this may sound, it seems fair to say that today’s Solidere is a place where most Beirutis feel “othered.” There is good reason for their apprehension. Many regard it as a simultaneously exclusive and exclusionary space opportunistically contrived in the very image of those whom Solidere would most hope to attract here. It is a lure to wealthy foreign investors primarily, as it caters to their tastes, protects their interests, strokes their vanity, and keeps them safe from harm. Meanwhile, there are those who feel that Solidere is a place where the world works inside-out, as locals commonly admit to feeling like unwanted interlopers unhabituated to, and discomfited by what was once an all-too-familiar locale. Finally, for yet another subset of Beirutis, Solidere remains haunted by the ghosts of a compelling, pre-war past, redolent of generations-long family contacts, shared experiences, sustaining livelihoods, and proprietary ties. A contrarian geography, it harbors enduring collective memory that will not be evicted despite the company’s legal attempts, physical assaults, and land grabs to achieve this. The fact of the matter is that a great deal of this is pretty much how it seemed to be in 2001 and nothing learnt since has altered these original impressions.

However, the previous understanding grew as further investigations were made into the expansion of Solidere-styled developments across the Middle East and the spread of its urban pathologies as the company “brand” is exported regionally. While rhetoric served up by these companies has the cloying smack of self-sacrificing public concern verging on the philanthropic, the truth of the matter is that public/private partnerships here serve to equip the private sector with the perceived, moral imperative and legal mechanics to seize public assets, while they actively undermine public interests, for example property rights. The capitalist enclaves that they produce are strictly intent on multiplying capital investment, on protecting the interests of its particular cadre of actors, and on making them richer. Meanwhile, those lacking the meaningful social and political connections, the “wasta” that is, stand to become even more marginalized. In Beirut, Amman, and Cairo, the trickle-down effect from Solidere and its progeny is nil. In fact, the way things generally work here is “trickle up.”

In 1842, Edgar Allan Poe published a short story entitled “The Masque in the Red Death.” In it, a thousand courtiers, terrified by the plague afflicting the countryside, take refuge in the castle of feudal lord Prince Prospero. The

story is set against a masquerade ball held by the prince within an oppressive enfilade of color-coded reception rooms. In its last room, painted black, the Prince addresses a mysterious, cloaked attendee, unmasking him only to find himself confronting the plague itself. The Red Death, which he discovers climactically and too late, is one of the guests.

It has been difficult to watch YouTube footage of the January 2011 Tahrir Square demonstrations and not connect it to the photos of gated communities surrounding Cairo examined over the past few months. Egypt's developers have tacitly connected to them as well, opportunistically using the country's steeping social unrest as a way of marketing housing units in their gated communities well out of harm's way. Here, surrounded by golf courses, boutiques, cafes, swimming pools, running paths and bike trails, Cairo's moneyed classes can while away the hours distracted from the nation's political convulsions, riding out the plague in happy, "sustainable" sanctuaries on the perimeter. What the new suburbanites fail to appreciate, however, is the degree to which the cause of so much Egyptian social outrage is tied directly to economic and social entitlements from which paradoxically issue the endless "défilé" of new, luxury housing, as well as the pervasive climate of fear that, for many, is the precondition for such places' very existence.

Notes

- 1 Richard Becherer, "A Matter of Life and Debt: The Untold Costs of Rafiq Hariri's New Beirut," *Journal of Architecture* X, no.2 (February 2005): 1–41.
- 2 Even more perplexing is it that the question posed back in 1999 continues to be asked by others today. See, for instance, Habib Battah, "Erasing Memory in Downtown Beirut," *Beirut Report: Al Jazeera*, January 19, 2014, <http://www.beirutreport.com/2014/01/erasing-memory-in-downtown-beirut.html>.
- 3 The poster child of the BCD's aggrieved property owners, Fadi el-Khoury, is current owner of the St. Georges Hotel, who has been pursuing a lawsuit against Solidere for the past fifteen years. See Jocelyne Zabit, "Beirut's Legendary St. Georges Hotel Aims for a Comeback," *The Daily Star*, 26 Jan. 2011, <http://www.dailystar.com.lb/News/Lebanon-News/2011Jun-26/142190-beiruts-legendary-st-georges-hotel-aims-for-comeback.ashx>. In 2007, human rights lawyer Muhamed Mugraby assailed Lebanon's Law 117, its property law governing expropriation, describing Solidere's practices of harassment and intimidation in land procurement as "vigilantism under color of law." <http://www.bloomberg.com/news/articles/2008/07/daily-star-syndrome-of-one-time.html>. "The Syndrome of One-time Exceptions and the Drive to Establish the Hariri Court, July 28, 2008", *The Daily Star*, 26 July 2008, <http://cldh-tribunal-liban.blogspot.com/2008/07/daily-star-syndrome-of-one-time.html>. Reporting on Mugraby is Sarah Irving, "Lebanon's Politics of Real Estate," *The Electronic Intifada: Electronic Lebanon* (31 August 2009), <https://electronicintifada.net/content/lebanons-politics-real-estate/8412>, accessed August 2, 2016. On the visual paradoxes of the new Beirut, see Oliver Wainwright, Owen Hatherley, and Mike Herd, "Is Beirut's Glitzy Downtown Redevelopment All It Seems?"

- The Guardian*, January 22, 2015, <http://www.theguardian.com/cities/2015/jan/22/beirut-lebanon-glitzy-downtown-redevelopment-gucci-prada>.
- 4 Mark W. Neal and Richard Tansey, “The Dynamics of Effective Corrupt Political Leadership in Lebanon: Lessons from the Hariri Political Career in Lebanon,” *The Leadership Quarterly* 21 (2010): 34, 37, 38, 48.
 - 5 The US Department of State makes clear its feelings about Lebanon’s institutional corruption: “There is rampant corruption when dealing with the public sector... TI [Transparency International] noted that the country’s ‘deeply entrenched nepotism networks’ made civil society efforts against corruption very difficult while anti-corruption legislation exists but is not enforced.” US Department of State, “Diplomacy in Action: 2012 Investment Climate Statement-Lebanon – Openness to and Restriction upon Foreign Investment,” June 2012, <http://www.state.gov/e/eb/rls/othr/ics/2012/191182.html>.
 - 6 The authors outline what they term “Blifil” strategies, whereby a critic assumes a moral position from which to demonize a political opponent by constructing the appearance of a political rival’s unethical behavior. Neal and Tansey, “Effective Corrupt Political Leadership”: 37–8.
 - 7 US Department of State, “2012 Investment Climate Statement-Lebanon,” <http://www.state.gov/e/b/rls/othr/ics/2012/191182.html>.
 - 8 Solidere’s debt/equity ratio was originally set at 20%. See Mounir Douaidy, “Reconstruction of Beirut City Center: Solidere’s Experience,” *Journalist Seminar in Amman*, October 18, 2003, <http://www.kentelenileme/dosyalar/dokuyab08.doc>. Since then, other metrics have been applied to set new and higher debt limits. On August 3, 2008, it was reset at 1:4, or 25% of equity, a limit immediately exceeded by the company’s debt load that year, *Solidere Annual Report 2008* (Beirut: Solidere, 2008): 131n.15, <http://www.solidere.com/sites/default/files/attached/ar2008.pdf>. And, in 2014, the Annual Report restated the company’s debt/equity ratio at 1:3, or 33%. See Solidere [Deloitte and Touche, Ernst and Young, auditors], *Independent Auditor’s Report: Lebanese Company for the Redevelopment and Reconstruction of Beirut Central District s.a.l. Beirut Lebanon* (Beirut: Solidere, 2014): 43. Whatever the ratio, however, the company has consistently failed to abide by any set debt limit.
 - 9 For a parallel and especially pessimistic discussion of Solidere’s troubled finances, see Mouhamad Wehbe, “Solidere ‘in the Red’: Real Estate Giant Exceeds Its Allowed Debt Ceiling,” *Al-Akhbar*, July 7, 2014, <http://english.al-akhbar.com/node/20470>, accessed August 2, 2016.
 - 10 [Deloitte and Touche], *Solidere 2014*: 46 n.16, <http://www.solidere.com/sites/default/files/attached/ar2014.pdf>.
 - 11 Banque Libanaise d’Outre Mer, BLOM is the Hariri family bank in Beirut.
 - 12 Between short- and medium-term debt obligations, Solidere’s 2014 Overdrafts amount to almost \$650,000,000, almost 40% of equity that is. Given the fact that the 2014 Annual Report (incorrectly) indicates that that the company’s Overdrafts/equity ratio should amount to no more than 25%, it is fair to say that, as of December 31, 2014, Solidere is seriously overdrawn. [Deloitte and Touche], *Solidere 2014*: 43.

- 13 [Deloitte and Touche], *Solidere 2014*, 31 n.9, 11.
- 14 Ibid: 32.
- 15 Wehbe, “Lebanon: Sinking Solidere Throws Employees Overboard,” <http://english.al-akhbar.com/node/16199>, accessed August 2, 2016.
- 16 Maysam Rizk, “Event the Future Movement is Disillusioned with Solidere,” *Al-Akhbar*, December 17, 2014, <http://English.al-akhbar.com/node/22930>, accessed 2 August, 2016.
- 17 Solidere’s fired designers, engineers, and accountants give a far different account of the company’s current financial woes. The story they tell is one of hugely inflated expense accounts, first-class travel perks, pervasive mismanagement, falsified bookkeeping, bribery, and extortion at the company. Wehbe, “Sinking Solidere,” <http://english.al-akhbar.com/node/16199>. For full disclosure, it should be noted that the newspaper *Al-Akhbar* is a Hezbollah-affiliated newspaper that has long been critical of Hariri-related enterprises. Despite its adversarial party politics, however, the newspaper is run by professionals with high journalistic standards and a commitment to due diligence. Consequently, the paper’s investigative reporting has gained a reputation for reliability.
- 18 Solidere, *Solidere Biannual Report Jan–June 2013*, *Solidere* (Beirut: Solidere, 2013): 2, <http://www.solidere.com/sites/default/files/attached/ba1-2013.pdf>.
- 19 “C.R.E.A.M. – Cream Get the Money,” *The Business Year Lebanon 2014*, <https://www.thebusinessyear.com/lebanon-2014/cream---cream-get-the-money/focus>.
- 20 A particularly useful discussion here has been Tamam Mango, “The Impact of Real Estate Construction and Holding Companies: A Case Study of Beirut’s Solidere and Amman’s Abdali” (PhD diss., University of Exeter, 2014): 104–28.
- 21 Linord was another project that, like Solidere, was first tendered in the 1990s by Lebanon’s Council for Development and Reconstruction, or CDR. Its original project was conceptualized by Spanish architect Ricardo Bofill. The CDR also proposed a third project, Elissar, for Beirut’s southern suburbs.
- 22 A decade of delays are tied to Abdali’s ongoing illiquidity that in turn stem from ongoing investor reluctance to finance the project after the onset of hostilities in Syria. See Matt Nash, “Exporting Solidere: The Hariri Jordanian Megaproject to Open after Years of Delay,” *Executive Magazine*, June 16, 2014, <http://www.executive-magazine.com/business-finance/real-estate/exporting-solidere-abdali-boulevard-amman>.
- 23 Since 2006, Solidere has marketed itself as a recognizable, luxury brand. See, for instance, Chairman Nasser Chammaa’s comments in “Finance – Solidere Goes Global: New Company to Register on DIFC,” *Executive Magazine*, July 1, 2007, <http://www.executive-magazine.com/business-finance/finance/finance-solidere-goes-global>, accessed August 3, 2016. The business opportunity was widely announced to Solidere investors in Chammaa’s “Chairman’s Comments” opening the 2008 Annual Report, where he promotes the fact that “Solidere has now leveraged its brand.” Solidere’s 2008 Annual Report: 11, <http://www.solidere.com/sites/default/files/attached/ar2008.pdf>.
- 24 Chammaa in *Solidere*, 2008.

- 25 On November 9, 2015 – one week after the assumed final touches had been put to this essay -- an ISIS-affiliated Jordanian military officer shot five trainees at the Jordanian International Police Training School outside Amman. That school is funded by the US State Department. Two American private consultants and one Jordanian were among those killed. The incident vividly illustrates the fact that the security of Amman’s government installations, not to mention its government personnel, is dubious at best. None of this bodes well for the newest, “blended” segment of the nation’s real estate market, places like Abdali that is.
- 26 Sixth of October and Sheikh Zayed City are twin new towns joined by the umbilical cord of the Alexandria Road. The more developed of the two is the latter. Today it sports some sixteen districts as well as individual developments bearing such telling foreign names as Royal Meadows, Beverly Hills, Continental Gardens, Greens, Tivoli Dome, Belleville, and Riviera City, not to mention Westown. Directly attached to Sheikh Zayed are two police installations – Central Security Forces Camp K33 and the Zayed police station. Branches of Nile University and Cairo University, the National Cancer Institute, and Egypt’s Health Affairs Directorate have also been relocated there. A stone’s throw away are the Egyptian Media Production City and the Mall of Arabia. Within a kilometer of this vast conurbation are additional new developments including Palm Hills Golf Views, New Giza, Pyramid Heights, Dream Park, Cairo Gate, and the most famous of these, Dreamland.
- 27 Egypt’s middle-class housing market exploded when, in 2004, Hosni Mubarak significantly lowered the country’s income tax rates and the National Bank deregulated credit. Pierre-Arnaud Barthel, “Repenser des ‘Villes Nouvelles’ du Caire: Défis pour Mettre Fin à un Développement Non-durable,” *Egypte: Monde Arabe* III, no. 8 (2011): 187–8.
- 28 Working for Solidere International, London architectural firm Allies and Morrison was responsible for 1.6 million square meter Westown’s master planning. Two highlights of the urban plan are Forty West, designed by Boston’s Machado/Silvetti Architects and Allegria by London’s Wilkinson Eyre Architects. Built around a Greg Norman golf course, Allegria was originally slated to include house designs by Michael Graves, Arquitectonica, Mark Mack, Kamel Associates, Shahira Fahmy, Tamer Anain, and Laithy Mekawy. “New Homes and Developments: Buy Properties Directly from Top Class Developers: Allegria Sixth of October,” *Real Estate Egypt*, <http://www.realestateegypt.com/Project/ProjectDesc.aspx?ProId=h+weyvACrU=>, accessed August 3, 2106.
- 29 Machado/Silvetti’s Forty West comprises a six-block neighborhood divided among three distinct urban lifestyles: “Modern Islamic,” “Natural Zen,” and “Urban Chic.” The firm provided some limited construction supervision, but unauthorized changes were made to the project’s finish schedule as well as to its security provisions.
- 30 Westown Forty West Brochure, “Urban Chic,” <http://www.westowncairo.com/fortyWestModernUrbanChic.html> (accessed November 1, 2015).
- 31 Jack Shenker, “Cairo Divided,” *The Guardian*, November 1, 2011, <http://www.jackshenker.net/egypt/cairo-divided.html>.

- 32 Shenker, “Cairo Divided.”
- 33 Shenker, “Cairo Divided.”
- 34 Ursula Lindsay, “And Then Cairo Turned Itself Inside Out,” *The National*, March 4, (2010): 4, <http://www.thenational.ae/world/middle-east/and-then-cairo-turned-itself-inside-out#page1>.
- 35 Such luxurious spatial perks have demanded a huge, new water supply necessitating new infrastructure projects, underwritten by a combination of Egyptian Treasury money and World Bank subsidies. While this new, fresh water is directed to the green areas in Cairo’s elite new suburbs, a continuing lack of drinking water in the inner city has led to mounting social unrest, significantly fueling the Spring 2011 Tahrir Square events to the degree that the protests have been called the “Revolution of the Thirsty.” See Karen Piper, “Revolution of the Thirsty,” *Places Journal* (July 2012), <https://placesjournal.org/article/revolution-of-the-thirsty/>.
- 36 Egyptian land not held by private ownership is the province of the Egyptian Army.
- 37 These considerable investments were enhanced by significant capital infusions from the World Bank. A truly disturbing self-assessment produced in 2013 by the World Bank’s own Information Center – *The Impact of World Bank Policy and Programs on the Built Environment in Egypt* – concludes that the Bank’s Egyptian development projects have been grossly misused, failing to assist the very populations that they were intended to help (p. 27). It further admits that its own long-term development strategy here, joined at the hip to the government’s various five-year plans – the fifth such plan, 2002–7, is the one the World Bank references here – has primarily benefited the country’s wealthiest while ignoring the country’s neediest populations (p. 10). Since the 1990s, the World Bank has widely promoted the idea of privatization, encouraging public/private partnerships as a means of financing a range of critical services in Egypt (p. 13). Unfortunately, the World Bank’s development strategy has inadvertently aided and abetted the wholesale seizure and disbursement of national and public assets to private, corporate interests typically aligned with members of the government. A key tactic in doing so has been legalized – but forced – expropriation. Yahia Shawkat and Kathy Gallagher, *The World Bank and Egypt: The Impact of World Bank Policy and Programs on the Built Environment in Egypt*, Bank Information Center, 2013, https://consultations.worldbank.org/Data/hub/files/bic_impact_of_wb_on_built_environment_in_egypt_english.pdf, accessed August 3, 2016.
- 38 The New Communities Authority (NCA) was mandated by Egypt’s New Town Planning Law no. 59 in 1978.
- 39 Eric Denis, “La Financiarisation du Foncier Observée à Partir des Métropoles Égyptiennes et Indiennes,” *Revue du Tiers Monde* 2011:2 (206):139-158.
- 40 Since the fall of King Farouq, the elected leadership of Egypt has especially feared the only power to countermand the duly elected president’s – the army. Abdul Gamal Nasser was the first to install a coterie of trusted associates into Egypt’s government structure – in all Ministries he had spies – for fear of any

sedition there. The practice was continued by Anwar al-Sadat who found some relief from army threats in 1967 as some argue that the army recklessly set itself up for defeat at the hands of the Israelis in 1967. The military rout brought with it a loss of political standing that would take decades to rebuild. Hosni Mubarak found his clientele particularly among Egypt's wealthy entrepreneurial elite, cultivating a mutually beneficial relationship that offered extraordinary business terms and operations unencumbered by government oversight, in exchange for a combination of political support and filthy lucre. The story is recounted in Hazem Kandil, *Soldiers, Spies, and Statesmen: Egypt's Road to Revolt* (London: Verso, 2012): 99–113.

- 41 On May 15, 2015, the Egyptian High Court determined that time served would fill out the Mubaraks' three- to four-year sentences and that fines paid to previous governments by the deposed president's wife, Suzanne, would account for the fines levied against the three. All have now walked free.
- 42 "SODIC Sees No Impact from Ruling against Ex-Chairman Magdi Rasekh," *Egypt Independent* (May 2012), online edition, <http://www.egyptindependent.com/news/sodic-sees-no-impact-ruling-against-ex-chairman-magdi-rasekh>.
- 43 Mouhamed Wehbe, "Clash of the Titans: Solidere Breaks with SODIC," *Al-Akhbar*, 28 Sept 2012, <http://english.al-akhbar.com/node/12691>, accessed August 2, 2016.
- 44 Zainab Fattah and Mahmoud Kassem, "Egypt's Developers Pay the Price for Their Ties to Mubarak," *Bloomberg News*, June 7, 2011. <http://www.bloomberg.com/news/articles/2011-06-06/mubarak-s-legacy-clouds-future-of-egypt-s-property-boom-as-deals-unravel>.
- 45 The fee schedule constitutes what is called "carried interest", that is, earned revenue attached to the management activities of a partner in a corporation. SI's carried interest returns are set at a so-called "hurdle rate," that is, equivalent to 7–10% of the real estate transactions in a Solidere-branded project as finalized annually by SODIC. Carried interest is a specific kind of tax-advantaged revenue stream treated as long-term capital gain, with a sheltered US tax rate of 20%, rather than as simple income with a tax rate of up to 39% for the wealthiest US earners. In the UK, the tax rate on such revenue is set at 10%. In Dubai, SI's tax home, company management teams typically have a "carried interest" component to their business plans. And the UK constitutes the tax-home of at least a portion of Hariri assets. Rafiq Hariri's town house on Hyde Park is currently listed at one and a half billion dollars, the highest price ever asked for a piece of London residential real estate.
- 46 Solidere's Overdraft numbers more than doubled from FY2011 to FY2012, growing from \$87.7 million to \$177 million, a sure indicator of declining revenues.
- 47 By law, all new town developments must break ground within three years or risk being taken into government receivership. Given the number of stalled projects and empty land in Sixth of October, however, it is obvious to most that the government seldom if ever acts on this threat. Ibrahim Rizk Hegazy and Sedah Moustafa Wael, "Towards Revitalization of New Towns in Egypt Case Study: Sixth of October," *International Journal of Sustainable Built Environment* II, no. 1 (June 2013): 10–18

Sec. 6.3, http://ac.els-cdn.com/S2212609013000125/1-s2.0-S2212609013000125-main.pdf?_tid=7d11b76c-d8dd-11e5-998a-0000aacb361&acdnat=1456088330_d8509b038a28a28b2132b9f75a2b7f0d.

See also “Solidere Egypt Files Claim against SODIC to Get Paid LE 237.5m,” *Akhbarak*, September 20, 2012, <http://www.akhbarak.net/articles/9618853-المقال-من-المصدر-المصدر-Solidere-Egypt-files-claim>.

- 48 “Egypt’s SODIC Denies Lawsuit by Lebanon’s Solidere,” *Ahram* online, September 18, 2012, <http://english.ahram.org.eg/NewsContent/3/12/53205/Business/Economy/Egypt's-SODIC-denies-lawsuit-by-Lebanons-Solidere.aspx>, accessed August 3, 2016. See also, “SODIC: No Litigation against US,” *Egypt Daily News* (September 18, 2012), online edition, <http://www.dailynewsegypt.com/2012/09/18/sodic-no-litigation-against-us/>, accessed August 3, 2016.
- 49 Solidere’s 2012 Annual Report treats its investors to a veritable *mezze* of unexpected treats. Along with the glossy, bound annual report, stockholders received a two-volume special edition entitled “The Chronicle of Solidere” evenly divided between text and photographs. What’s more, the uncharacteristically voluble Annual Report overview even treated its readers to a first taste of “starchitect” Zaha Hadid’s melted Brie of a department store breaking ground next to the Souks ... fancy that! Just about the only thing missing from the tricked-up package was full disclosure of SI’s covert business activities. *Solidere Annual Report 2012* (Beirut: Solidere, 2012), <http://www.solidere.com/corporate/publications/annual-reports/solidere-annual-report-2012>.
- 50 The words “fees” and “settlement” in this context are legal euphemisms for punitive monies assessed by the court and paid by the accused without the wrongdoer’s admission of criminal guilt. In the al-Sisi court, the words are used frequently, allowing the government to collect legally mandated payments while setting the bad guys free.
- 51 “An Amicable Settlement Concludes Solidere’s Dispute, SODIC,” *Arab Finance* (February 27, 2014), <https://www.arabfinance.com/2015/Pages/news/newsdetails.aspx?id=268690&lang=en&repcat=egngc>
- 52 Lands continue to be allocated in Sixth of October “at no cost to the government,” suggesting that prices associated with land are tied to individuals involved in the secondary real estate market. At the time of the article’s writing, the vacancy rate in a number of Sixth October’s projects are at a whopping 50%. Hegazy and Wael, <http://www.sciencedirect.com/science/article/pii/S2212609013000125>. doi:10.1016/j.ijsbe.2013.07.002
- 53 Dreamland constitutes perhaps the most notorious case of real estate fraud involving Egypt’s New Towns. Boasting a golf course, a Ritz Carlton hotel, the Mall of Arabia, an amusement park, and, most anomalous of all, a water park, this symbol of the country’s Mubarak-era conspicuous consumption was constructed by the country’s huge, diversified holding company Groupe Baghat. Pierre-Arnaud Barthel, “Repenser des ‘Ville Nouvelles’ du Caire: Défis pour Mettre Fin à un Développement Non Durable,” *Egypte Monde Arabe: Open Edition* III, no. 8, (2011): 188 n.7, <http://ema.revues.org/2990?lang=en>, accessed August 3, 2016.

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