



Urban Failures, Political Gains: How Shadow Interests Shape New City Development

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Summary

The development of new cities has become a defining feature of contemporary global urbanisation. More than 150 new cities are currently in planning worldwide, predominantly in low- and middle-income countries. While new city projects often claim to address pressing urban challenges, many such initiatives fail to achieve their stated urban development goals. A significant number of new city developments, for example, remain underpopulated or entirely abandoned. Yet despite this mixed record, over 40 governments continue to promote their construction.

In this policy brief, we argue that shadow interests – hidden political economic interests pursued by powerful elites – explain why certain governments continue to promote new city developments even when they fail. New cities can significantly underperform regarding their stated urban development objectives and nevertheless serve hidden political agendas very effectively. Urban failures must therefore not preclude political gains. Three examples illustrate our argument: new town planning in Egypt between the 1970s and 1990s, Masdar City in Abu Dhabi and Forest City in Malaysia. In all three cases, political goals complemented urban development objectives, and some of these political goals were realised even after the projects themselves fell short of their declared urban development goals.

We recommend that international development actors, including donor governments, multilateral development banks and bilateral development agencies, exercise particular caution when invited to participate in new city developments. Even though many of these projects claim to tackle pressing urban challenges, their stated urban objectives must not necessarily reflect their underlying political economic motivations.

Any technical or financial support ideally builds upon two complementary analyses: first, a political economy analysis of the interests motivating the project, including potential shadow interests; and second, an alternatives analysis comparing the proposed project with more limited and incremental interventions in existing cities. Incorporating such analyses into project approval processes will help discipline public and private investment in urban development and thereby reduce the risk that new city developments serve the interests of political elites rather than the needs of urban residents.

New city development is a defining feature of global urbanisation

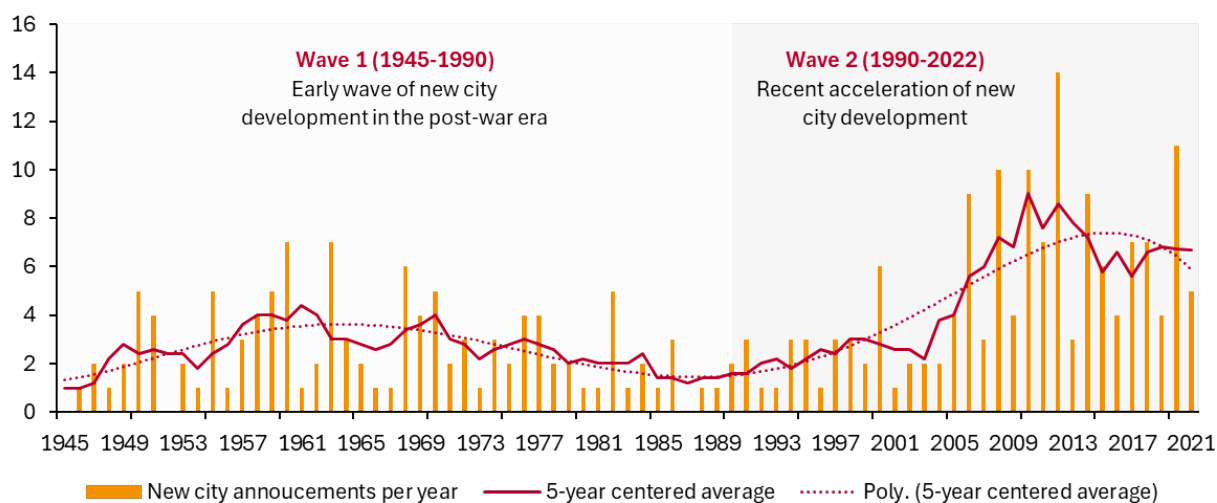
More than 150 new city projects in over 40 countries are currently under construction or in planning worldwide, predominantly in low- and middle-income countries (Moser, 2020; Moser & Côté-Roy, 2021, 2024). New city projects can be defined as projects that use master plans to construct new urban agglomerations geographically and administratively distinct from existing cities. Frequently, such projects are also explicitly labelled as “new cities.”

The concept of building new cities in modern urban planning first emerged in the late 19th century in England (Freestone, 2021). Since then, new city development has unfolded in two broad

waves (Figure 1). While the first wave, spanning the end of World War II and the late 1980s, was driven by a combination of social policy objectives and state-led industrialisation programmes, the second wave, beginning in the early 1990s, has been more strongly associated with economic policy priorities.

Recently, international development actors, including the World Bank, have received new requests for financial and technical support for new city projects. Against the backdrop of major cuts to official development assistance and the need to strategically reprioritise investment in urban development, these new requests raise the question of whether new city projects help address pressing urban challenges – or whether they tend to exacerbate them.

Figure 1: The evolution of new city development

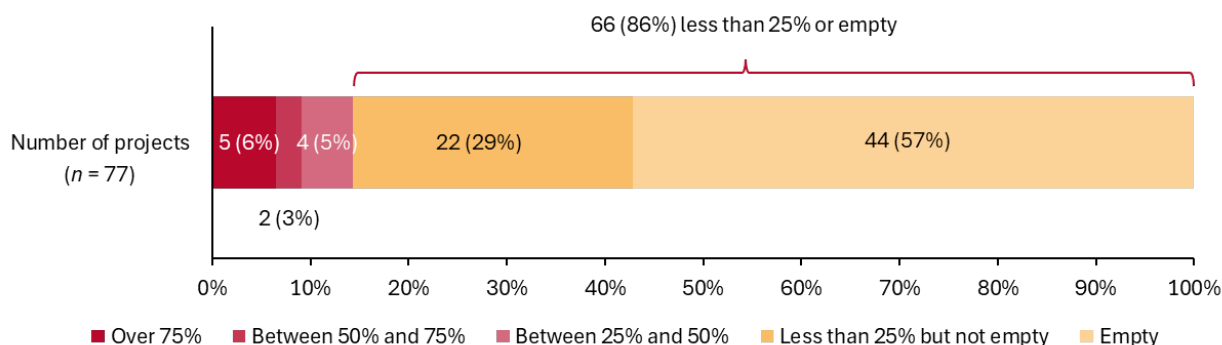


Source: Authors' extension of the New Cities Map dataset (Charter Cities Institute, 2025), covering 266 new city development announcements between 1945 and 2022.

New city projects often fall short of their urban development objectives

New city projects frequently claim to tackle pressing urban challenges that overburden existing cities, such as traffic congestion, environmental pollution and critical gaps in infrastructure provision. Despite their global proliferation, however, many new city projects fail to achieve their declared urban development goals (Moser,

2018a). For example, one common rationale for constructing new cities is the need to address overcrowding in existing urban areas (Forsyth, 2021). New cities can expand the supply of urban housing, enable population resettlements and thereby help decongest overpopulated urban centres – so the argument. Yet very few new city projects meet their stated population targets (Figure 2). In fact, many such developments remain partially or entirely unoccupied, resulting in abandoned “ghost cities.”

Figure 2: Achieved occupancy of new cities

Achieved occupancy is measured as the realised population expressed as a percentage of a project's stated population target.

Source: Authors' extension of Moser (2018a).

New city initiatives also frequently encounter major financial difficulties (Peiser & Stokols, 2021). Even in favourable planning contexts, characterised by professional planning practices, the rule of law and democratic decision-making, many new city developments have resulted in unfavourable financial outcomes, including financial losses, loan defaults and debt write-offs (Peiser & Stokols, 2021). Many ongoing new city projects in weaker planning environments, for which less financial data is publicly available, are therefore likely to face serious financial distress as well.

Similarly, it remains unclear to what extent so-called eco-cities, a special type of master-planned city that claims to be particularly ecologically sustainable, actually reduce the environmental impacts associated with urban development. Many eco-cities have been criticised for greenwashing, failing to disclose credible information about their ecological footprints (Cugurullo, 2016) and exhibiting low urban densities, high levels of car dependence and a lack of climate action plans (Moser, 2018a).

Shadow interests explain why certain governments continue to promote new cities

Existing urban planning research often attributes the failure of new city developments to insufficient planning capacity and unchecked behavioural biases (Flyvbjerg, 2005; Forsyth, 2021; Peiser & Stokols, 2021). Projects fail, for example, when

their technical complexity overwhelms a developer's engineering capabilities. Projects also fail when developers are unable to resolve the coordination challenges inherent to new city planning. One particularly delicate coordination challenge is calibrating the demand and supply of housing and jobs: residents will only relocate to a new city if adequate employment opportunities are available, yet private businesses will only invest in a new city and generate employment opportunities if the city is already sufficiently populated.

These existing explanations are useful for understanding the technical shortcomings of new city projects, but they cannot adequately capture why governments may continue to promote new city developments despite their technical shortcomings. The technical planning literature tends to assume that new city projects are conceived and designed primarily to achieve urban development objectives. However, a growing body of research from political science and urban studies suggests that this assumption may not always be warranted (Almqvist, 2024; Cugurullo, 2016; Moser, 2018b). While urban development goals certainly play important roles in new city development, they are rarely the only factors motivating urban megaprojects of this kind.

We posit that shadow interests – veiled political economic interests pursued by powerful elites – help elucidate why new city projects can fail in urban terms yet succeed politically, offering an explanation for why governments may continue to support the construction of new urban agglomerations.

rations that underperform regarding their urban development goals. Shadow interests can take many different forms. They may include consolidating political power, for instance by strengthening clientelist networks with business partners, limiting the formation of labour unions or enhancing the surveillance of urban environments. They may also include asserting geopolitical control over contested territory, promoting a particular state ideology or creating opportunities for kickback schemes. Under certain conditions, political elites may prioritise these shadow interests over the stated urban development objectives. When this is the case, new city projects can fail to achieve their stated urban development objectives yet nevertheless succeed in advancing less obvious political ones.

Examples from Egypt, Abu Dhabi and Malaysia illustrate the role of shadow interests

New city planning in Egypt between the 1970s and 1990s offers an example of how shadow interests explain the continued construction of new cities that remain underpopulated (Almqvist, 2024). Beginning in the 1970s, Egypt sought to attract private investment to promote industrialisation. However, such investments also posed a potential threat to the country's autocratic ruling elite: private investors could, over time, develop independent political interests, while broader industrialisation could lead to the formation of labour unions with their own political constituencies. New city planning enabled successive authoritarian regimes in Egypt to attract private capital while simultaneously integrating private investors into existing state–business relations and controlling the formation of labour unions, thereby entrenching their political power (Almqvist, 2024).

Masdar City in Abu Dhabi, in turn, demonstrates how shadow interests can override the environmental objectives of alleged eco-cities. Launched in 2006, the initiative officially aimed to become “the world's most sustainable eco-city” (Cugurullo, 2016). However, the broader context surrounding Masdar City reveals a more complex set of factors

that motivated the project. Masdar City was designed as the flagship project of Abu Dhabi's “Vision 2030” programme, an economic development strategy that sought to reduce the emirate's dependence on fossil fuel production, create a platform for clean technology development and attract foreign investment. In the early 2010s, the project unfolded within the context of the Arab Spring, which put Abu Dhabi's royal family under political pressure to generate output legitimacy among its population. The construction of Masdar City provided Abu Dhabi's ruling elite one means of generating this kind of legitimacy. By 2016, the year the project was expected to accommodate 50,000 residents, less than 5 per cent of the planned site was developed, fewer than 2,000 people were working on the campus, and no more than 300 people were living in the city itself (Goldenberg, 2016). Yet despite falling short of its population target, the project enabled Abu Dhabi's royal family to capitalise on growing investment in green technology, position itself internationally as a pioneer of green innovation, and stabilise and legitimise its political authority.

Forest City in Malaysia illustrates how an ostensibly private master-planned city can serve both private speculative real-estate interests and national geopolitical interests (Moser, 2018b). The master-planned development was launched in 2014 by one of China's largest property developers. It was designed to accommodate 700,000 residents and estimated to cost approximately USD 100 billion, making it the largest Chinese urban development project outside of China. Its official rationale was to create an environmentally sustainable metropolis. However, rather than constituting solely a private real estate venture, the project also advanced China's expansionist geopolitical ambitions in the region. Because its properties were marketed primarily to prospective Chinese buyers, Forest City, if realised, would have de facto functioned as a Chinese enclave in a strategically significant location: directly across from Singapore and along a major international shipping route. Its strategic location also explains why the project was associated with China's Belt

and Road Initiative, a state-backed infrastructure programme through which China has sought to advance its economic and geopolitical interests. The project ultimately stalled, largely because of

the repercussions of China's real estate crisis, and Forest City has consequently been widely characterised as a "ghost city."

Table 1: Illustrative examples of complementary shadow interests underpinning new city developments

Example	Stated urban objectives	Observed urban outcomes	Official motivations	Complementary shadow interests
Egypt's New Town Programme [1]	Launched in 1974 by President Anwar Sadat, the programme aimed to resettle more than 20 million people.	By the early 1990s, the total population living in new towns was 20% of the stated target. The 2006 census indicated that the majority of units in the new towns was "closed/unoccupied."	Decongest existing urban centres (especially Cairo), foster industrial development and attract private investment	Clientelise private investors into existing state-capital relationships and control the formation and influence of labour unions
Masdar City, Abu Dhabi [2]	Launched in 2006, the initiative aimed to create "the world's most sustainable eco-city." It was designed to accommodate 50,000 residents and projected to cost USD 20 billion.	By 2016, the year the project was supposed to be completed, less than 5% of the site was developed and only 300 people lived in the city itself. [3] By 2023, this figure was estimated to have risen to 5,000. [4]	Develop a model eco-city, create a platform for green urban research and development, attract international investment and diversify the Abu Dhabi economy away from fossil fuel production	Legitimise and stabilise Abu Dhabi's authoritarian political regime and position the emirate as a global leader in green innovation
Forest City, Malaysia [5]	Launched in 2014 by Country Garden Holdings, the project aimed to accommodate 700,000 people. It was projected to cost USD 100 billion.	By 2024, less than 15% of the project was constructed and only 1% of the development was occupied. The city is described as an abandoned "ghost city." [6]	Develop a private, gated, ecologically friendly metropolis	Establish a Chinese neocolonial enclave in a geostrategic location as part of China's Belt and Road Initiative and thereby support China's expansionist ambitions in the region

Unless otherwise specified, the main sources are listed in the first column. Where additional sources were used, these are cited in the table itself.

Data sources: [1] Almqvist (2024); [2] Cugurullo (2016); [3] Goldenberg (2016); [4] Associated Press (2023); [5] Moser (2018b); [6] Marsh (2023).

International support should require political economy and alternatives analyses

New city projects can exacerbate rather than solve pressing urban and environmental challenges in at least three important ways. First, when they fail, they waste public and private resources, resulting in sunk investments, stranded assets and environmental costs without any corresponding development benefits. Second, due to their enormous costs, new city projects can crowd out more effective investments in existing cities. Third, when they successfully advance shadow interests, they may increase social inequalities and entrench authoritarian power. These risks raise the question of how international development actors should respond when approached for financial or technical support for new city projects.

We recommend that international development actors focus on making potential shadow interests driving individual projects more visible, transparent and intelligible, and to better contextualise the significant relative costs of these projects, highlighting their potential opportunity costs. To this end, we propose making any request for financial or technical support for new city projects contingent upon two assessments: first, a political economy analysis of the interests motivating a project, including potential shadow interests pursued by the sponsoring government; and second, an alternatives analysis comparing the proposed project with more limited and incremental interventions in existing cities.

Political economy analyses are particularly useful for mapping the interests of stakeholders and decision-makers, and for uncovering their political incentives. Such analyses can thereby provide critical contextual knowledge to more accurately evaluate a project's governance risks. Large-scale, capital-intensive governmental development projects are nearly always driven by a wide range of overt and covert political motivations. The principal goal of political economy analysis is therefore to assess the risk that shadow interests could come to dominate a project and thereby compromise its capacity to deliver the stated urban development goals. An alternatives analysis, in turn, can sensitise decision-makers, private investors and the broader public to what an equivalent or smaller investment could achieve in existing cities through potentially more efficient and less socially and environmentally costly means.

To be credible, both types of assessment need to consider not only the perspectives of government sponsors, technical experts and business elites, but also the views of local academics, journalists, community organisations and other civil society actors. Capturing these potentially divergent perspectives is especially important in planning contexts characterised by weak institutions and authoritarian rule, where large-scale public works projects are more likely to be captured by shadow interests. In the absence of institutional checks and balances that hold political actors accountable to their citizens, new city projects are more likely to serve the special interests of autocrats than the needs of urban residents.

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