

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Project

Country: The Arab Republic of Egypt

Project: The Grand Egyptian Museum Construction Project (II)

Loan Agreement: October 24, 2016

Loan Amount: 49,409 million yen

Borrower: The Government of the Arab Republic of Egypt

2. Background and Necessity of the Project

(1) Current State and Issues of the Tourism Sector in Egypt

In the Arab Republic of Egypt (hereinafter referred to as “Egypt”), tourism has significant economic ripple effects and creates a great number of jobs. The sector has been one of the four major sources of foreign currency earnings and regarded as a strategic industry to bring the current account to surplus. In particular, the effective use of historical and cultural heritage has been identified as one of the most important tourism issues for the Government of Egypt. From this point of view, museums and other tourist facilities have been established in Luxor, Alexandria, and other historic locales. However, the Egyptian Museum of Cairo (opened in 1902), which houses and exhibits Egypt’s most important historical and cultural artifacts, could barely play the role expected of modern museums due to the aging building and facilities after the elapse of more than 100 years since its opening as well as the lack of exhibition space, skills, and human resources. In order to solve these problems, it was urgent to develop a new museum appropriate to the value of its collections and capable to perform functions such as preservation, restoration, exhibition, research, and education. Therefore, the Government of Egypt requested ODA loans from the Government of Japan to construct the Grand Egyptian Museum (hereinafter referred to as the “GEM”). In response to this request, the Government of Japan decided to extend a loan assistance of 34,838 million yen (loan agreement signed in May 2006) to the Grand Egyptian Museum Construction Project (hereinafter referred to as “this Project”) in 2006.

In Egypt, the number of foreign tourists increased at a steady rate until 2010. The annual number of foreign visitors to Egypt exceeded 14 million before revolutions occurred, but it fell below 10 million in 2013 due to the unstable political situation and worsened security situation after the two political transformations in 2011 and 2013. The tourism revenues also declined from 11.6 billion dollars in 2010 to below 5 billion dollars in 2014. Although the security situation is still posing a great risk to the tourism industry, now that the domestic political situation has been stabilizing since President El-Sisi took office in June 2014, it is essential to develop new tourism resources so as to regain the number of tourists and the tourism revenues.

(2) Development Policies for the Tourism Sector in Egypt and the Priority of the Project

Tourism is still an important industry in Egypt, accounting for 11 percent of the GDP and creating more than 11 percent of the jobs. The Egypt Economic Conference held in March 2015 announced a tourism sector strategy, which aimed to increase the country's tourism revenues to the level before the political change in 2011 (11.6 billion dollars) by 2016 and to 15 billion dollars by 2018. This Project is expected to play a central role in the strategy.

(3) Japan and JICA's Policy and Operations in the Tourism Sector

According to Japan's Country Assistance Program for the Arab Republic of Egypt (June 2008), the "realization of sustainable growth and employment creation" is regarded as a priority challenge, under which "promoting exports and enhancing industry" is identified as a development issue. JICA's Country Analysis Paper for the Arab Republic of Egypt (March 2016) also includes "tourism development support program" as a cooperation program that can contribute to solving the priority development issue. JICA has provided Japanese ODA loans and technical cooperation to the GEM. Designed to activate the tourism industry in Egypt by constructing the GEM, this Project conforms to the above-mentioned policies and analysis.

(4) Other Donors' Activity

None in particular.

(5) Necessity of the Project

Designed to promote the preservation and utilization of historical and cultural heritage in Egypt and thereby contribute to the advancement of the tourism industry and the creation of job opportunities as well as the promotion of socio-economic development, this Project conforms to the development issues and policies of Egypt as well as the assistance priorities of Japan and JICA.

Starting in 2006, this Project was found to run out of funds due to unforeseen circumstances beyond its control, such as price and labor cost inflation caused by the deteriorated security situation after the commencement of construction in 2012. In order to cover the shortage, the Government of Egypt committed extra funds as well as requested additional loans from the Government of Japan. The extra Japanese ODA loans are required for this Project to proceed and achieve sufficient results. It is therefore highly necessary and relevant for JICA to support the implementation of this Project.

3. Project Description

(1) Project Objectives

By constructing a new museum adjacent to the three major pyramids of Giza (15 kilometers southwest of Cairo), this Project aims to enhance functions related to historical and cultural heritage, such as preservation, restoration, exhibition, research,

and education, thereby contributing to the advancement of the tourism industry and the creation of job opportunities as well as the promotion of socio-economic development in Egypt.

(2) Project Site / Target Area

Giza Governorate

(3) Project Components

- 1) Construction works of the museum (including conference rooms) (exhibition area: approx. 50,000 m²; number of collected items/exhibits: 100,000; parking lots, gardens, and other relevant facilities)
- 2) Finishing works of the exhibition halls (installation of exhibition cases, exhibition lighting equipment, etc.)
- 3) ICT installation works (installation of ICT systems, including creating digital archives and databases)
- 4) Construction works of the Preservation and Restoration Center
- 5) Ground-leveling works
- 6) Consulting services
 - i) Project management consulting services (construction supervision, procurement support, and operation and maintenance planning and system development (including pre-opening preparation assistance))
 - ii) Detailed design of construction and exhibition (completed by consultants hired by the Egyptian side at their expense)

(4) Estimated Project Cost (Loan Amount)

140,391 million yen (loan amount in this phase: 49,409 million yen)

(5) Schedule

April 2006 to August 2023 (total 209 months). This Project will be deemed complete at the time of the full opening of the museum (in May 2018).

(6) Project Implementation Structure

- 1) Borrower: The Government of the Arab Republic of Egypt
- 2) Guarantor: None
- 3) Execution Agency: The Ministry of Antiquities
- 4) Operation and Maintenance System: The Ministry of Antiquities will take comprehensive responsibility for operation and maintenance.

(7) Environmental and Social Consideration / Poverty Reduction / Social Development

1) Environmental and Social Consideration

- i) Category B
- ii) Reason for Categorization: This Project is not located in any of the sensitive areas nor does it have any of the sensitive characteristics or falls under the sensitive sectors listed in the JBIC Guidelines for Confirmation of Environmental and Social Considerations (published in April 2002). This Project

is therefore unlikely to have a significant adverse impact on the environment.

- iii) Environmental Permit: The Environmental Impact Assessment (EIA) Report of this Project was approved by the Egyptian Environmental Affairs Agency in February 2006.
- iv) Anti-Pollution Measures: This Project is unlikely to cause significant water pollution or noise or vibration impacts. Still, necessary anti-pollution measures will be taken during the construction period, in accordance with the Egyptian construction guidelines, etc., to prevent construction materials from dispersing and stop paints, oils, and fats from polluting surrounding soils.
- v) Natural Environment: This Project is likely to have a minimum adverse impact on the natural environment since the project site is not located in sensitive areas or their vicinity, such as national parks.
- vi) Social Environment: In this Project, a site of approximately 480,000 square meters has already been acquired, and no other land acquisition or involuntary resettlement is expected.
- vii) Other / Monitoring: Noise, water, waste, and other impacts will be monitored by the execution agency and the contractor during the construction phase and by the execution agency after the commencement of service.

2) Promotion of Poverty Reduction

None in Particular.

3) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases Including HIV/AIDS, Participatory Development, Consideration for the Persons with Disabilities, etc.)

This Project is classified as Gender Informed (Significant) because it is designed to meet the needs and perspectives of women, persons with disabilities, and other visitors, for example, by building day care facilities and installing travelators.

(8) Collaboration with Other Donors

None in particular.

(9) Other Important Issues

None in particular.

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicators)

Indicator	Target (2020) [2 years after project completion]
Number of visitors (to target facilities) (thousand persons per year)	5,085

Admission revenues (from target facilities) (million dollars per year)	55.08
Number of cultural properties restored (cases; cumulative)	15,000
Number of papers published on archaeology, preservation, and restoration (papers; cumulative)	20
Number of educational seminars and symposiums organized (times; cumulative)	20

(2) Qualitative Effects

Enhancement of functions related to historical and cultural heritage, such as preservation, restoration, exhibition, research, and education

(3) Internal Rate of Return

Based on the conditions indicated below, this Project's economic internal rate of return (EIRR) and financial internal rate of return (FIRR) are estimated to be 26.61 and 1.47 percent, respectively.

[EIRR]

Cost: Project costs (excluding taxes), operation and maintenance expenses, etc.

Benefit: Real increase in revenues from foreign tourists

Project Life: 20 years

[FIRR]

Cost: Project costs and operation and maintenance expenses

Benefit: Admission and budget revenues, etc.

Project Life: 20 years

5. External Factors and Risk Control

None in particular.

6. Results of Evaluations and Lessons Learned from Past Projects

(1) Results of Evaluation of Similar Past Projects

According to the ex-post evaluation of the Tourism Sector Development Project (loan agreement signed in 1999) in the Hashemite Kingdom of Jordan, it is essential to consider, at the time of appraisal, whether multi-faceted assistance, including technical cooperation, may be needed to ensure the smooth operation of the museum after construction completion.

(2) Lessons for the Project

In this Project, pre-opening preparations, construction works, and operation and maintenance activities will be carefully managed according to schedule by the project management consultants. Support will also be provided through JICA's technical cooperation project to establish an operation and maintenance system.

7. Plan for Future Evaluation

(1) Indicators to be Used

The number of visitors (to target facilities) (thousand persons per year), admission revenues (from target facilities) (million dollars per year), the number of cultural properties restored (cases; cumulative), the number of papers published on archaeology, preservation, and restoration (papers; cumulative), the number of educational seminars and symposiums organized (times; cumulative), economic internal rate of return (percent), and financial internal rate of return (percent)

(2) Timing of Next Evaluation

Two years after project completion