

JBIC Signs ODA Loan Agreement with the Arab Republic of Egypt --First ODA Loan in Support of the Integrated Solar Combined Cycle Power Plant Project to Curb Global Warming--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on January 19, an ODA loan agreement today totaling up to 10,665 million yen with the Arab Republic of Egypt to finance the Kuraymat Integrated Solar Combined Cycle Power Plant Project.
2. The proceeds of the loan will be used for the procurement of materials and equipment, as well as for the consulting services necessary to newly construct an integrated solar combined cycle power plant in the Kuraymat district, which is about 100km south of Cairo, the nation's capital. The new plant will have a power capacity of 150MW.
3. While power demand in Egypt has been growing at an annual rate of 7% in recent years, peak-hour demand is roughly on a par with the current installed capacity, which has caused supply restrictions. To meet this rapid increase while preserving the environment, the Government of Egypt has drawn up a plan to generate 880MW of power, about 3% of the total installed capacity in the country, from new and renewable energy sources by 2011. This project is being implemented as part of such efforts. Its aim is to increase power supply by constructing an integrated solar combined cycle power plant, the first of its kind in the world, thereby contributing to alleviating air pollution through a reduction in the burning of fossil fuels as well as to curbing emissions of global greenhouse gases.
4. As the Medium-Term Strategy for Overseas Economic Cooperation Operations assigns priority to "global issues and peace building", JBIC has placed greater emphasis on curbing emissions of global greenhouse gases by providing assistance for renewable energy and energy conservation projects. The latest ODA loan, which is the second ODA loan to finance the country's new and renewable energy following the Zafarana Wind Power Plant Project,[1] was provided in accordance with this policy.
5. This project was undertaken under the international collaboration framework, where JBIC and the Global Environment Facility (GEF)[2] join efforts to support global environmental conservation. Since GEF has knowledge and know-how regarding environmental projects and provides grants, collaboration with GEF will help increase the effectiveness of development assistance in environmental projects which developing countries find difficult to implement because of the high costs. JBIC intends to make active efforts to assist in solving environmental problems in developing countries while looking for possible collaborations like this in the coming years.

(Click here for the details)

[1] A loan agreement in the total amount of 13,497 million yen was signed on December 11, 2003 to finance the procurement of materials and equipment, as well as consulting services for the new construction of a wind power generation plant in the Zafarana district on the coast of the Red Sea. The plant will have a power capacity of 120MW, about twice as large as the 57MW of Japan's largest Soya Wind Power Generation Plant.

[2] GEF was established in 1991 through the combined efforts of the World Bank, UNEP, and UNDP to support the environmental conservation efforts of developing countries. It is an international financial mechanism that provides multilateral funds in grants for projects that address global environmental problems in developing countries and economies in transition.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Kuraymat Integrated Solar Combined Cycle Power Plant Project	10,665	0.75	40/10	General Untied

2. Project Executor

The project's executing agency is the New and Renewable Energy Authority (NREA). Address: Extension Abbass El-Akkad St., El-Hay El-Sades, Nasr City, Cairo, Egypt
Tel: +20-2-271-3176, Fax: +20-2-271-7173.

3. Political and Economic Situation in Egypt

President Hosny Mubarak was reelected for his 5th presidential term of 6 years in the election held last September by garnering almost 90% of the votes, although the turnout was a low 23%.^[1] The president will thus govern the country for 30 years after succeeding the assassinated President Anwar El-Sadat in 1981. The ruling National Democratic Party led by President Mubarak holds 333 seats, or 70% of the 444 seats in the People's Assembly (following the previous election held from November to December, 2005). Thus, the government generally has a stable base. However, there have been rising calls among citizens for broader political freedoms and freedom of the press. Against the backdrop of external pressure for democratization in the Middle East opposition parties, journalist groups, and students have staged frequent demonstrations since last year. Therefore, public attention is increasingly focused on the policies of the Mubarak presidency as it enters its 5th term.

The Egyptian economy plunged into a serious economic crisis due to deterioration in the balance of payments, which was brought about by the Gulf War in 1990, as well as the accumulation of external debt following the 1980s. Facing this crisis, the government embarked on sweeping economic structural reforms in 1991 under the guidance of the International Monetary Fund (IMF) and the World Bank. Receiving stand-by credit from the IMF (1991-98), debt reduction totaling US\$14.2 billion from the Paris Club (1991), and lending assistance from the World Bank and other international aid agencies for economic structural reform, the government has been pressing ahead with establishing an open market economy, expanding foreign direct investment inflows, and promoting private sector development in order to achieve stable growth. The economy has thus turned toward stable growth since 1991 on. In particular, since the second half of the 1990s the growth rate has been in the 4-7% range despite falling crude oil prices, the Asian currency crisis, and the terrorist attacks in Luxor. Although multiple terrorist attacks on September 11, 2001, brought about a reduction in FDI flows and revenues from tourism, the economy held on to 4.3% growth in April 2003 and 4.9% growth in May 2004.

[1] 10 candidates, including President Mubarak, ran for the election.