

JBIC Signs ODA Loan Agreements with Egypt

--Supporting Sustainable Growth through Tourism Development and Environmental Improvement--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today ODA loan agreements in the aggregate total of 39.558 billion yen to finance two projects with the Government of the Arab Republic of Egypt.
2. Egypt has continued stable growth since 1990s as a result of structural reforms of the economy where public enterprises have had a major presence. In FY2004/05, its economy grew by 4.9%. Even so, the country is facing many challenges, among them the high unemployment rate. It is thus vital to foster internationally competitive industries, such as tourism, as well as business firms. In addition, as economic development has engendered serious environmental problems, including air and water pollution, there is a need for environmental measures to achieve development in harmony with the environment.
The two ODA loans will address these development challenges facing Egypt, while contributing to its economic and social development.
3. The highlights of ODA loans are as follows:
 - (1) Supporting Tourism, the Country's Major Industry
Tourism is the largest sources of foreign currency earnings for Egypt. The construction of the Grand Egyptian Museum, to be financed by an ODA loan, is considered a very important project, as it will become the country's prime tourism facility. By supporting this Project, JBIC will contribute to "industrial development" and "employment creation" in Egypt, while helping the conservation and utilization of the country's historical and cultural heritage.
 - (2) Improving the Environment with Pollution Abatement at Factories
Since 1960s, industrialization and urbanization have caused serious environmental pollution in Egypt. JBIC supports "efforts to address environmental issues," one of the priorities JBIC designated for the country, by financing the Environmental Pollution Abatement Project. Under this Project, financing is provided by way of local intermediary financial institutions to enable Egyptian firms to install pollution abatement facilities and equipment. Thereby, the loan will help reduce the emission/effluent of pollutants from factories and bring environmental improvement in the targeted regions.

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1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Grand Egyptian Museum Construction Project	34,838	1.5	30/10	General Untied
Environmental Pollution Abatement Project	4,720	0.75*	40/10*	General Untied
Total	39,558			

* JBIC actively supports developing countries' efforts to address environmental issues by applying more concessional terms and conditions than in ordinary loans to environmental projects.

(1) Grand Egyptian Museum Construction Project

(a) Project Background and Necessity

The tourism sector in Egypt has a substantial spillover effect on the economy, including the related infrastructure and other industries, as well as significant employment creation effect. The sector is thus one of the country's four major sources of foreign currency earnings and a strategic industry for bringing the current account into surplus. The regions calling for tourism development are: the areas along the Nile River where historical ruins are concentrated; Red Sea coast; the Alexandria area; and deserts (for Oasis tourism). Both historical/archeological heritage sites and coastal resorts are regarded as having good prospects for attracting tourists.

The Cairo Museum, which houses and exhibits the country's most important historical and cultural heritage, has aging buildings and facilities and is unable to properly preserve and restore its valuable collections. The expansion of building is difficult due to limited site area, although the volume of its collections has increased threefold as initially expected. Plagued by inadequate space for properly displaying this massive amount of collections, along with unsatisfactory exhibition skills, the Museum falls short of making effective utilization of the cultural and historical heritage in which Egypt takes pride. What's more, having only a limited number of research and education facilities and programs, which are crucial components of functions the present-day museums are expected to perform, the Museum remains at a very low level in this regard. To address these issues facing the existing Museum, the development of a new museum, which is not only a main tourist attraction, but is also capable of performing original functions including preservation, restoration, display, research and education at the level commensurate with the value of collections, is urgently called for.

(b) Project Objective and Outline

The Project consists of construction of the Grand Egyptian Museum in the Giza district, 15 kilometers southwest of Cairo, where three major pyramids are located. The proceeds of the loan will be used for civil works, procurement of materials and equipment and consulting services.

The Project will strengthen such functions as preservation, restoration, display, research and education of historical and cultural heritage, while supporting the development of the country's tourism industry and the creation of employment opportunities, thereby contributing to economic and social development in Egypt.

Project executing agency: The Supreme Council of Antiquities (SCA)

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(2) Environmental Pollution Abatement Project

(a) Project Background and Necessity

In Egypt, industrialization and urbanization have caused serious pollution in air, water and oceans, as well as solid waste disposal. In Greater Cairo and the Alexandria Area in particular, where population and industries concentrate, air and water pollution caused by emission/effluent of pollutants from factories have become serious. Egyptian Environmental Affairs Agency (EEAA) inspects factories to oversee their compliance with the emission standards set out in the environmental law. These factories cannot afford to make investments in environmental improvements, however, and do not have enough know-how about installing equipment for environmental improvement. To date, inspection by EEAA has failed to abate pollution.

In 1997, Egypt received funds from the World Bank to support factories in need of finance for installing pollution abatement facilities and equipment. Despite such efforts, there still remain a large number of factories emitting pollutants in excess of legal standards in Greater Cairo and the Alexandria Area, thus calling for further abatement measures.

(b) Project Objective and Outline

The Project aims at abating pollutants emitted by factories in Greater Cairo (Qalyobia Governorate in particular) and the Alexandria Area by providing finance by way of local intermediary financial institutions to enable Egyptian firms to install pollution abatement facilities and equipment, thereby contributing to environmental improvement in the target areas.

The loan is cofinanced with the World Bank. Proceeds of the loan will be used for firms to install pollution abatement equipment and facilities with their factories in the areas. In addition, other donors, including the government of Finland, will provide technical assistance, under which specific guidance will be given to individual factories as they install equipment, in an effort to ensure more effective pollution abatement. Technical assistance will also aim to strengthen institutional capacity of the executing agency.

Project executing agency: Egyptian Environmental Agency (EEAA)

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