

## **Signing of Japanese ODA Loan Agreement with Egypt: Contributing to economic development through infrastructure development support in the power and tourism sectors**

On October 24, the Japan International Cooperation Agency (JICA) signed loan agreements with the Arab Republic of Egypt in Cairo, the capital city, to provide Japanese ODA loans of up to a total of 90.507 billion yen for two projects.

Since the Egyptian political turmoil of 2011, there has been stagnation in the major industries of tourism and manufacturing and overseas investment has dropped, adversely affecting the economy. Public and private investment has increased as a result of developments, such as economic and fiscal reforms, advanced by the current administration that was inaugurated in June 2014, and the economic growth rate, which had been hovering at around two percent since the political turmoil, recovered to 4.2 percent in fiscal 2014/15\*, and is expected to remain between three and five percent going forward. Economic factors such as rising prices for goods and a high unemployment rate among the youth that were behind the political turmoil remain challenges today, and JICA is providing support toward achieving comprehensive, sustainable growth in Egypt.

\* The Egyptian fiscal year is from July 1 of one year to June 30 of the next. Fiscal year 2014/15 refers to the period from July 2014 to June 2015.

The features of the Japanese ODA loans are outlined below.

### (1) Supporting a more efficient and reliable power supply

The maximum power demand in Egypt has grown at an average annual rate of six percent since 2004, which is higher than the average annual economic growth rate of 4.4 percent, and at this rate the maximum power demand will outstrip the current supply capacity by fiscal year 2017/18. In order to provide a stable supply of power that meets the strong demand, the plant efficiency of the existing power plants must be maintained and improved, and the power production capacity further increased.

The Electricity Sector Rehabilitation and Improvement Project will update and rehabilitate the equipment at existing thermal power stations under the jurisdictions of the Cairo Electricity Production Company, the Middle Delta Electricity Production Company and the West Delta Electricity Production Company and provide the companies with spare parts. Doing so will restore the production capacity of those power stations which have lost efficiency due to degradation while improving plant efficiency to provide a stable supply of power. By improving the power plant efficiency, it is expected that this project will also reduce the emissions of greenhouse gases, alleviating climate change.

### (2) Supporting sustainable economic growth by promoting tourism

Blessed with a wealth of cultural properties, Egypt once welcomed 14 million tourists from around the world each year, but that number has declined in the wake of the deteriorating security situation after the 2011 and 2013 political turmoil, dropping to 9.3 million visitors in 2015.

Even so, the tourism sector maintains its place as an important industry for the country, accounting for 11 percent of Egypt's gross domestic product and 12 percent of employment in 2015.

The Grand Egyptian Museum Construction Project will construct a new museum to strengthen the capacity to preserve and restore historical cultural properties, as well as boosting other functions such as the exhibition and research of such properties and educational activities. It is expected that the construction of the Grand Egyptian Museum will develop the tourism industry and create employment opportunities, thereby contributing to socioeconomic development in Egypt. A Japanese ODA Loan (signed in May 2006 for 34.838 billion yen) was provided for Phase I of this project, and this loan is for Phase II.

### Reference

#### 1. Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Electricity Sector Rehabilitation and Improvement Project	41,098	0.3	0.01	40	10	General untied
The Grand Egyptian Museum Construction Project (II)	49,409	1.4	0.01	25	7	General untied

#### (1) Electricity Sector Rehabilitation and Improvement Project

##### (a) Background and Necessity

Averaging an annual economic growth rate of 4.4 percent over the decade from fiscal year 2004/05 to 2013/14, Egypt has also undergone in that same period an increase in the maximum power demand, which, at an average of six percent per year, has grown faster than the economy, placing pressure on the power supply. As there has been an increasing trend in the power transmission and distribution loss since fiscal year 2010/11, there are concerns that increasing the amount of power supplied would result in a steep rise in the power loss. To provide a stable supply of power, the installed capacity of the power facilities must be increased, and the energy efficiency must be improved through the development and improvement of power transmission and distribution facilities that meet the rising power demand.

##### (b) Objective and Summary

This project will update and rehabilitate the equipment at existing thermal power stations under the jurisdictions of the Cairo Electricity Production Company, the Middle Delta Electricity Production Company and the West Delta Electricity Production Company and provide the companies with spare parts. This will restore the production capacity of those

power stations while improving plant efficiency to provide a stable supply of power. The project will also curb the emission of greenhouse gases, thereby contributing to the socioeconomic development and climate change mitigation in Egypt.

Specifically, the project will update gas turbine components to restore the output and improve the plant efficiency. As these mechanical updates will take less time for on-site construction than building a new power plant and will be implemented in conjunction with routine inspections, additional outage time is not required, minimizing the impact that the project will have on the pressing power demand. By coating gas turbine components, replacing auxiliary equipment, updating controllers and carrying out other such work, this project will reduce the outage time of power plants due to mechanical malfunction and improve power plant reliability.

The loan funds will be allocated to updating and rehabilitating the equipment at existing thermal power stations, supplying spare parts, and providing consulting services (including assistance in drafting tender documents, construction supervision and providing training).

(c) Executing Agencies

Egyptian Electricity Holding Company

Address: Ramsis Street, Ext, Abbasia, Cairo, Egypt

Phone: +20-2-33600745, fax: +20-2-24027863

Cairo Electricity Production Company

Address: 22 Shannan Street, Sabtia, Cairo, Egypt

Phone: +20-1223530428, fax: +20-2-24277246

West Delta Electricity Production Company

Address: 7 Riad Street, Glim Area, Alexandria, Egypt

Phone: +20-1227966067, fax: +20-3-5091849

Middle Delta Electricity Production Company

Address: Dispatch Building, Electricity and Fertilizers Road, Talkha, Dakahlia, Egypt

Phone: +20-1270007034, fax: +20-4-52501996

(d) Planned Implementation Schedule

(i) Completion of project: May 2021 – when all of the targeted power plant equipment is back in service

(ii) Issuing of letters of invitation for consulting services (including construction supervision): November/December 2016

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: November/December 2016

(e) JICA Contact Information

For further information about the procurement schedule, please contact the party listed below.

Contact Point for Electricity Sector, JICA Egypt Office

Address: World Trade Center 8th Floor, 1191 Corniche El Nile Street, Boulak, Cairo, Egypt

Phone: +20-2-25748240, fax: +20-2-25748243

(2) The Grand Egyptian Museum Construction Project (II)

(a) Background and Necessity

The tourism sector has a large impact on job creation and a major ripple impact on the economy in Egypt, and is one of the four largest sources of foreign income for the country, along with petroleum exports, Suez Canal revenues and remittances by nationals working abroad. The tourism industry is therefore positioned as a significant means for turning the current account deficit into a surplus. How to effectively use historical cultural properties is one of the most important challenges in the tourism sector for the Government of Egypt. Although modern museums have been constructed in cities such as Alexandria and Luxor, the Egyptian Museum which preserves and exhibits the country's most important historical cultural properties has undergone significant deterioration in its buildings and facilities since operations began more than a century ago (the current location opened in 1902), and for a modern museum, it functions at a low standard in terms of space for exhibits, technology and the level of staffing.

(b) Objective and Summary

This project will construct a new museum in Giza area (15 kilometers southwest of Cairo), adjacent to the Pyramids, to strengthen the preservation and restoration of historical cultural properties, as well as boosting other functions such as the exhibition and research of such properties and educational activities. This will develop the tourism industry and create employment opportunities in Egypt, and in turn contribute to socioeconomic development.

The loan funds will be allocated to museum construction, exhibition construction, information and communications infrastructure and consulting services (including construction supervision and procurement assistance).

(c) Executing Agency

Ministry of Antiquities

Address: 3 El Adel Street, Zamalek, Cairo, Egypt

Phone: +20-2-7358-761, fax: +20-2-7357-239

(d) Planned Implementation Schedule

(i) Completion of project: May 2018 – when the museum opens

(ii) Issuing of letters of invitation for consulting services (including construction supervision): Already contracted

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Already contracted

(e) JICA Contact Information

For further information about the procurement schedule, please contact the party listed below.

Contact Point for Transport Sector, JICA Egypt Office

Address: World Trade Center 8th Floor, 1191 Corniche El Nile Street, Boulak, Cairo, Egypt

Phone: +20-2-25748240, fax: +20-2-25748243