

**Much contributions to cope with disparity issues between regions and industries and to promote countermeasures against the deterioration of environment. -Thailand, the first beneficiary of special loan conditions (reduced interest with super long maturity) applicable to global-environment related projects-**

The OECF (The Overseas Economic Cooperation Fund, Japan: President, Chairman of the Board, Akira Nishigaki) will provide Thailand with loans amounting to 105,947 million yen for the Small Industry Development Program and 8 other projects.

The loan agreements were signed today (September 30) by Mr. Youseki Nagase, OECF's Senior Vice President, Deputy Chairman of the Board and, as the representatives of the borrowers, H.E. Dr. Thanong Bidaya, Minister of Finance, Dr. Kasem Chaihongsa, Deputy Governor, Metropolitan Electricity Authority, Mr. Priti Hetrakul, President, New Bangkok International Airport Co., Ltd., Dr. Theerapong Attajarusit, Managing Director, Metropolitan Rapid Transit Authority, Mr. Ennoo Suesuwan, Executive Vice President, The Bank for Agriculture and Agricultural Cooperatives, Mr. Sunthorn Tanthavorn, Governor, Provincial Electricity Authority, Mr. Vichien Opasvadhana, President, Small Industry Finance Corporation, Mr. Sirichai Sakornratanakul, Senior Executive Vice President, The Industrial Finance Corporation of Thailand. As a result, the cumulative total of Yen Loan commitments to Thailand stands at 1,483,634 million yen (207 commitments).

The loan package comprises two road and bridge construction projects, two agriculture and environment projects, two electricity development projects, one mass transit system construction project, one airport construction project, and one skirt-industry supporting project.

The features of this loan package-loan amounts, terms and conditions and the outline of each project-are as follows:

**1. Features of this loan package**

(1) First application of special loan conditions to global-environment related projects

Newly introduced conditions of Yen Loans, as was made public on September 4 by Japanese Prime Minister, Mr. Ryutaro Hashimoto, on the occasion of his visit to China, are applied for the first time in the 22nd Yen Loan Package to Thailand. These special loan conditions, with interest rate of 0.75% and maturity period of 40 years (including 10 years of grace period) will be applied to the projects contributing to the improvement of the global environment problems and to the consultant services needed to implement the environment-friendly projects taking into account of the environmental impact. It is expected that with the introduction of new special conditions, the implementation of environmental projects and consideration on the environmental aspect will be strengthened in developing countries. Under the 22nd Yen Loan Package to Thailand, about 9,300 million Yen and 1,300 million Yen shall be provided with the special loan conditions for the environmental projects and environment-friendly consulting services respectively amounting in total to 10,600 million Yen (about 10% of the total amount).

(2) Loan amount

The total amount of this loan package is 105,947 million yen, which is the second largest amount in the history of the Yen Loans to Thailand.

**<Commitment amounts of loans to Thailand>**

	<Date>	<Amount> (Mil.Yen)
18th Yen Loan Package	Sep.22,1993	104,462
19th Yen Loan Package	Sep.30,1994	82,334
20th Yen Loan Package	Sep.12,1995	61,653
21st Yen Loan Package	Sep.27,1996	118,381
22nd Yen Loan Package	Sep.30,1997	105,947

(3) Sectoral allocation

The characteristics of the recent Yen Loan Package can be described an active involvement in the improvement of traffic congestion in the capital and income disparity between the regions. Those had been the negative aspects of the rapid economic growth that Thailand has been enjoying since the latter half of the 1980s. In the future, OECF's assistance is expected to play a major role in implementing infrastructure projects and social and environmental sector projects which will contribute not only to the development of the Thai economy but also to the improvement of the standards of living and regional disparities.

The sectoral features of this loan package are:

<1> Tackling the environmental Problems

As mentioned above, efforts to tackle environmental problems are encouraged by more concessional loan conditions. Under the 22nd Yen Loan to Thailand, two such environmental projects, namely Environmental Protection Promotion Program (II) and the Agricultural Credit for Rural Development Project (5) are taken up with special loan conditions for global environmental protection or anti-pollution projects. Environmental Protection Promotion Program (II) is to prevent industrial pollution in Thailand through provision of IFCT's (Industry Finance Corporation of Thailand) low-interest sub-loans to private enterprises whose projects are mainly focusing on environmental protection. Agricultural Credit for Rural Development Project (5) is one of the series of the BAAC(Bank for Agriculture and Agricultural Cooperatives) projects. Yen Loans have been provided 16 times with the aim to improve the efficiency of agricultural production and diversification of products. This year's project also includes the reforestation component following last year's program and newly covers the portion of the environmental facilities (Bio-gas plants).

<2> Dealing with regional disparities and improving the standard of living

In order to alleviate the social distortions, two Yen loans are provided, one for the Small Industry Development Program promoting regional small-industries, the other for Transmission System and Sub-Station Development Project (6-1) aiming at the extension of transmission lines and construction of new sub-stations in 16 provinces around Bangkok Metropolitan area. The Agricultural Credit for Rural Development Project (5), already mentioned above, is also expected to increase farmers' income and improve their standard of living.

<3> Addressing Bangkok's urban problems by supporting large scale infrastructure projects

In order to tackle the capital's urban problems such as traffic jams and air pollution, OECF has been actively providing Yen Loans. Under this loan package, Yen Loans are provided for the Bangkok Subway Project and Second Bangkok International Airport Project. The Industrial Ring Road construction Project and the Pak Kret Bridge Construction Project over the Chao Phraya river also receive Yen Loans.

<4> Collaboration with JICA on 5 projects

For five projects out of nine under the 22nd Yen Loan Package, experts from JICA(Japan International Cooperation Agency) are scheduled to be dispatched in order to assist respective executing agencies to implement OECF-financed projects. Such collaboration between JICA and OECF is expected to produce a development cooperation of higher quality by combining Japanese technical and financial assistance. Some JICA experts are already working in Thailand giving advice on the construction and operation of the airport and subway projects. In the case of the Transmission Substation Project, JICA experts made advise on strengthening operation and management of the executing agency and contributed to the project formulation.

Regarding the Small Industry Development Program, JICA expert is expected to review the management system of the executing agency and assist to set up the manuals for

credit-analysis and other related operations, thus transferring Japanese financial institution's technical know-how on small scale lending. It is noted that the feasibility study of the Metropolitan Power Distribution Project was prepared based on JICA master plan.

#### (4) Sectoral Allocation of the Commitment Amount

Share	No. of Commitment	Cumulative Commitments (Mil. Yen)	Sector (%)
Transportation	65	629,706	42.5
Electric Power / Gas	46	316,591	21.3
Social Services	26	146,657	9.9
Mining and Manufacturing	19	114,281	7.7
Telecommunications	13	110,001	7.4
Agriculture, Forestry and Fisheries	23	102,772	6.9
Irrigation / Flood Control	14	57,878	3.9
Others	1	5,748	0.4
Total	207	1,483,634	100.0

## 2. Outline of Loan Agreements

PROJECT	Amount (Mil. Yen)	Interest (%)	Repayment Period(years) (Grace Period)	Procurement Condition
1 Metropolitan Power Distribution Project	14,304	2.7	25(7)	General-Untied
2 Second Bangkok International Airport Development Project (II)	964	(0.75*)	40(10)*	General-Untied
3 MRTA Initial System Project(Blue Line)	32,659	2.7 (0.75*)	25(7) 40(10)*	General-Untied
4 Industrial Ring Road Construction Project	14,887	2.7	25(7)	General-Untied
5 Pak Kret Bridge and Connecting Road Construction Project	6,807	2.7	25(7)	General-Untied
6 Agricultural Credit for Rural Development Project(5)	12,300	2.7 0.75**	25(7) 40(10)**	General-Untied
7 Transmission System and Substation Development Project (6-I)	15,518	2.7	25(7)	General-Untied
8 Small Industry Development Project	3,508	2.7 (0.75*)	25(7) 40(10)*	General-Untied
9 Environmental Protection Promotion Program(II)	5,000	0.75**	40(10)**	General-Untied
Total of 9 projects	105,947			

(NOTE) Numbers in parenthesis are interest rate rates for the portion of consulting services

\* Eligible for special terms and conditions (Interest rate : 0.75%, Tenor : 40 years with 10 years grace period) to the consulting services which need to pay attention for environmental aspects.

\*\* Eligible for special terms and conditions (Interest rate : 0.75%, Tenor : 40 years with 10 years grace period) to the global environment projects or anti public pollution projects.

## 3. Project Description

### 1. Metropolitan Power Distribution Project

The electricity demand has been increasing rapidly by 10.3%(1990-1996) in the Bangkok Metropolitan area, which has been the driving fact of the recent remarkable economic growth in Thailand. This rapid growth of electricity demand, which recorded 5,673MW in 1996, is attribute to the population increase, development of industries, construction of new buildings and improvement of standard of living. The expansion of electricity distribution system and upgraded reliability is , therefore, needed. Based on the JICA study completed in 1995, Metropolitan Electricity Authority(MEA) prepared a master plan entitled "the Eighth Power Distribution System Improvement and Expansion Plan(1997-2001)", proposing 7 key programs , such as Transmission and Distribution Substation System Program and Distribution System Program. According to this master plan , the peak demand in 2001 is projected to reach 8,290MW and the expansion and reinforcement of electricity distribution system are deemed as urgent issue for sustainable economic development.

The loan is provided for the procurement of materials and equipment (i.e. transformers, switching system and etc.) which are necessary for the construction of one switching station, nine substations and installment and rehabilitation of distribution lines.

The executing agency is Metropolitan Electricity Authority (Adress: 30 Soi Chidlom Ploenchit Road, Lumpini Pathumwan Bangkok 10330, Thailand TEL:662-2491769, FAX:662-2491665).

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### 2. Second Bangkok International Airport Development Project (II)

Fueled by Thailand' s socioeconomic development and a booming tourist industry, air passenger traffic in Bangkok is reaching new heights, with over 21 million travelers entering or leaving the country through Bangkok in 1995. The number of travelers is expected to continue to soar, to 35 million in 2000 and 55 million in 2010. It is clear that the capacity of Bangkok' s existing Dong Muang International Airport will soon reach its limit. Construction of a new airport is an urgent task, if future air travel demand is to be met and smooth transportation ensured. This project will help to meet rising air travel demand by constructing the Second Bangkok International Airport in Nong Ngu Hao, about 30 km east of Bangkok. The airport will have one 3,700m runway and a passenger terminal with an annual capacity of 20 million passengers.

Under the 21st Yen Loan Package, OECF has already provided a loan for a part of construction works of runway/taxiway pavement and passenger terminal complex. As for the 22nd Yen Loan Package, the Loan will be provided for consulting services for supervision.

A JICA expert for airport construction has been already dispatched to review the design of terminal complex.

The executing agency is the New Bangkok International Airport Co., Ltd. (20 Ratchadapisek Rd. Lardyao, Chatuchak, Bangkok 10900, Thailand, Tel:662-9378001, Fax: 662-9378928).

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### 3.MRTA Initial System Project (Blue Line) (II)

The traffic congestion problem in Bangkok caused by rapid motorization accompanied by economic growth is so severe that rush-hour traffic crawls at an average 8 km/h, resulting in a yearly loss to Thailand's economy estimated at 2.5% of GDP, and otherwise severely affecting the Thai Economy.

The objective of this project is to construct a subway system with a total length of approximately 20km from Hua Lamphong Central Railway Station to Bang Su Railway Station, as a part of Mass Transit network in Bangkok Metropolitan Area, and to provide an alternative transport mode other than the road transportation, aiming to alleviate the traffic congestion and to improve the air pollution in the Bangkok Area.

Following the 21st Yen Loan (1996) for MRTA Initial System Project, the loan provided this year as phase II is for civil works including the tunnels, stations, depots and track work, and for consulting services of Intermodal Transfer Facilities Study. JICA experts have been dispatched to give advice to MRTA on construction and operation of the project.

The executing agency is Metropolitan Rapid Transit Authority (Address: 175 Rama IX, Huai Khwang, Bangkok 10320, Thailand, Tel:662-2465733, Fax:662-2462747)

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### 4. Industrial Ring Road Construction Project

Traffic volume between industrial area in Samut Prakan and Bangkok (Khlong Toey) port along Chao Phraya river, has been increasing, mainly due to increased number of freight trucks. Transportation between both sides of Chao Phraya river below Rama IX bridge depends, however, only on ferries, since there is no existing bridge in the area, and the only one existing road with 2 lanes connecting Bangkok port with the Samut Prakan industrial area is heavily congested.

The objective of this project is to alleviate traffic congestion resulting from freight transportation and to improve transport efficiency in the above-mentioned area by constructing two bridges (cable stayed bridges: north bridge 580m and south bridge 700m approximately) over Chao Phraya river and three approach roads. This project is also planned as a part of Bangkok road network by extension to Outer Bangkok Ring Road, in the future, passing to the south of this project.

The loan is for the construction works of the bridges and approach roads. Bidding of the construction works will be carried out in two packages, north-south portion including bridges and east-west portion.

When this project and Pak Kret Bridge and Connecting Road Construction Project, which is also under the 22nd Yen Loan Package, are completed, 14 out of 17 bridges crossing Chao Phraya river will be either constructed or rehabilitated using Yen Loans. These projects are expected to relieve the traffic congestion in the capital significantly.

The executing agency is Public Works Department, Ministry of Interior (Address: Rama VI Rd., Phayathai, Bangkok 10400, Thailand, Tel:662-2730860, Fax:662-2730891)

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### 5. Pak Kret Bridge and Connecting Road Construction Project

Urbanization being expanded to outskirts of Bangkok accompanied by development of the capital, the number of population in Nontha Buri community located to the north of Bangkok have grown rapidly. Traffic volume is also expected to increase especially in the west side of Chao Phraya river in accordance with residential development of this potential area.

The objective of this project is to alleviate traffic congestion and to promote land use around the project site by constructing a new bridge over Chao Phraya river and connecting roads. This project is planned as a part of road network in the west side of the river, for complement of Outer Bangkok Ring Road, by connecting north-south road of this project with Wat Nakorn-In project provided under the 21st Yen Loan Package.

The loan is for the construction works of the bridge and connecting roads. Bidding of the construction works will be carried out in two packages, east-west road including Pak Kret bridge and east-west road.

When this project and Industrial Ring Road Construction Project also under the 22nd Yen Loan Package are completed, 14 out of 17 bridges crossing Chao Phraya river will be either constructed or rehabilitated using OECF loans. These projects are considered to relieve the traffic congestion in the capital significantly.

The executing agency is Public Works Department, Ministry of Interior (Address: Rama VI Rd., Phayathai, Bangkok 10400, Thailand, Tel: 662-2730860, Fax: 662-2730891)

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### 6.Agricultural Credit for Rural Development Project (5)

The objective of this project is to increase the efficiency of agricultural activities and income of farmers and to upgrade the quality of agricultural products through the provision of long-term, low-interest financing for low-income farmers in Thailand's impoverished rural areas for the purchase of farming equipment and other capital investment.

In addition to the crop diversification program targeting fruit cultivation, fisheries and livestock farming, etc., the project of 22nd yen Loan Package, as included in the proceeding loans, covers a reforestation program, under which farmers will be provided with investment funds to cover seedlings, land improvement and other costs. Moreover, this project also targets an environmental protection / conservation facilities program, under which farmers will be provided with investment funds to cover construction of biogas plant to make good use of wastes produced by livestock farming.

OECF will provide BAAC with 12,300 million yen for this project in the 22nd Yen Loan Package, which will be used as financial resources for sub-loans to mainly small farmers. This project is expected to benefit about 32,700 farmers through its crop diversification program, about 14,800 farmers through its reforestation program and about 6,600 farmers through its environmental protection / conservation facilities program. Including this project, OECF has provided BAAC with 16 loans for a total of 72.7 billion yen, thus supporting the development of Thailand's farming villages.

As for reforestation program and environmental protection / conservation facilities program, which will contribute to global environmental issues, the special yen loan conditions (interest rate : 0.75%, loan term : 40 years with 10 years grace period) will be applied.

The executing agency is Bank for Agriculture and Agricultural Cooperatives (Address : 469 Nakornsawan Rd., Bangkok 10300, Thailand, Tel: 662-2800280, Fax: 662-2800442).

**(Reference) List of previous BAAC Loans**  
(Unit : Million Yen)

No.	L/A Siging	Name of project	Loan Amount	Number of beneficiary farmers, etc.
1	1975.10	BAAC Loan (I)	2,000 (completed)	Totaling 93,473 (From No.1 to No.9)
2	1977. 3	BAAC Loan (II)	6,000 (completed)	
3	1979. 6	BAAC Loan (III)	3,600 (completed)	
4	1980. 8	BAAC Loan (IV)	3,300 (completed)	
5	1981. 4	BAAC Loan (V)	3,200 (completed)	
6	1983. 9	BAAC Loan (VI)	4,120 (completed)	
7	1986. 3	BAAC Loan (VII)	1,013 (completed)	
8	1987. 9	BAAC Loan (VIII)	3,672 (completed)	
9	1988. 9	BAAC Loan (XIX)	4,875 (completed)	
10	1990. 2	BAAC Loan (X)	5,000 (completed)	22,950 farmers

11	1991. 9	BAAC Loan (XI)	4,694 (completed)	27,500 farmers
12	1993. 1	Agricultural Credit for Rural Development Project (1)	2,837 (completed)	18,400 farmers
13	1993. 9	Agricultural Credit for Rural Development Project (2)	3,532 (on-going)	16,000 farmers
14	1995. 9	Agricultural Credit for Rural Development Project (3)	8,350 (on-going)	39,600 farmers
15	1996. 9	Agricultural Credit for Rural Development Project (4)	4,228 (on-going)	18,000 farmers
16	1997. 9	Agricultural Credit for Rural Development Project (5)	12,300 (this project)	54,100 farmers
Total			72,721	

(Note) No. 1-No. 9: Number of the actual sub-loans

No.10-No.16: Estimated number of the beneficiary farmers

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#### 7. Transmission System and Sub-Station Development Project (Sixth Stage Phase I)

The electricity demand in the Thailand has been increasing rapidly by 9.2% per year(1992-1996) , especially in the outskirts of the Bangkok Metropolitan Area (Ayuthaya, Chon Buri, Trad etc.) due to the extensive development of middle and large scale industries. Under such circumstances, the objective of this project is to secure the stable power supply in the area by constructing 115kV transmission lines (780km) , 115-22kV distribution substations (44 stations) and one 115kV switching station enabling the central region to receive enough energy.

The loan is provided for the procurement of materials and equipment (i.e. transformers, condenser, switching system and etc.) to expand power distribution system in the area which encompasses 16 provinces in the central region of Thailand.

The executing agency is Metropolitan Electricity Authority (Address: 200 Ngam Wong Wan Road, Chatuchak Bangkok 10900, Thailand TEL:662-5905210, FAX:662-5894859).

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#### 8.Small Industry Development Program

Small scale industries occupy a large portion of Thailand's national economy, in terms of output and employment. They employ 64% of industrial workers and contribute to 47% of total manufacturing value added in Thailand. They are also expected to play a more important role.

However, most of small scale enterprises have difficulties in accessing to loans necessary for their investment, due to their lack of mortgage and immaturity of traditional financial institutions in Thailand. Most of factories and enterprises are located in Bangkok or its surrounding Bangkok area, causing serious traffic jams and environment degradation, and increasing disparity between Bangkok and rural area. It is also pointed out that the declining economic performance in Thailand these days is at least partly due to immaturity of supporting industries in industrial sector.

"Continuous, stable economic growth" and "upgrading the quality of life" is regarded as one of the most important issues in the 8th National Economic and Social Development Plan (1997-2001). The improvement of income disparity between Bangkok and rural area, and domestic production increase of raw materials and parts now imported from foreign countries are vital to the above mentioned issue.

As for development policy for small scale industries, Thai government attaches much importance to decentralization of industries located in Bangkok and Metropolitan area and to promotion of supporting industries. Thai government gives tax incentives to realize the above policy such as exemption of corporate tax, exemption of import duty for import of machinery, etc. Enterprises located in or relocated to industrial estate area can also enjoy these incentives as a part of the government's promoting policy of industrial estate.

This project is Two Step Loan (TSL) through Small Industry Finance Corporation (SIFC). SIFC was established to play a leading role in promoting small scale industries. SIFC assists development of small scale enterprises especially in rural area from the financial point of view. This project is expected to contribute to improvement of regional disparity, promotion of supporting industries, creation of new employment equivalent to about 10,000 people, and upgrading management and technology skills of small scale enterprises.

Yen Loan will be used as financial source for sub-loans and consulting services which will assist SIFC for the smooth implementation of the project. A JICA expert will also be dispatched to SIFC to review their overall organization and to advise them.

The executing agency is Small Industry Finance Corporation (Address : 539/2 Gypsum Metropolitan Tower, 17th Floor, Sri-Ayudhya Road, Rajdhavee, Bangkok 10400, Thailand, Tel: 662-6425102 to 10, Fax: 662-6425212 to 13).

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#### 9.Environmental Protection Promotion Program (II)

Though Thailand is traditionally an agricultural country, its industrial GDP reached three times that of agriculture in 1996 thanks to the rapid industrial growth it has seen in recent years. This remarkable growth of the country's industry has, at the same time, brought environmental pollution from industry, and by the drifting urbanization of its population. In particular, the Bangkok Metropolitan Area, which is densely built-up and populated, is faced with serious environmental problems of water and air pollution, hazardous waste and the like.

The solution of environmental problems in Thailand is taking on growing urgency with the rapid industrial growth and immigration of population towards cities, and it is again being regarded as one of the most important issues in the 8th National Economic and Social Development Plan (1997-2001) as it was in the 7th Plan. As industrial pollution prevention is an urgent issue above all, the Thai government is recently requiring industries to intensify their independent pollution control based on the Polluter Pays Principal.

The purpose of this project is to prevent industrial pollution in Thailand through the provision of IFCT's loan. This project is Two Step Loan (TSL), providing long-term, low-interest financing (sub-loan) for private enterprises (end-users) in handling with problems of industrial wastes and pollution. As this project gives incentives to these enterprises through the provision of concessional loans, the special yen loan conditions for environmental project (interest rate : 0.75%, loan term : 40 years with 10 years grace period) will be applied.

Eligible sub-loan will be as follows :

1. Eligible type of industry : all types of industrial sector
2. Eligible borrower : all private enterprises
3. Eligible type of project : project contributing to environmental protection and pollution prevention
4. Eligible expenditure : fixed assets investment of project such as improvement of land, construction of buildings and factories, purchase of machinery, equipment vehicle, etc.  
(Excluding acquisition of land, payment of tax and duties)

This project is expected to contribute to improving environmental protection relating to water and air pollution, hazardous waste and the like.

OECF loan will be used as financial sources for sub-loans.

The executing agency is the Industrial Finance Corporation of Thailand (Address : 1770 New Petchburi Road, Bangkok 10320, Thailand, 662-2537111, Fax: 662-2537001)

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