

## ASSISTING HYDROELECTRIC POWER PROJECT IN IRAN

### Signing of an ODA Loan Agreement

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1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) decided to extend a loan totaling up to 7,494 million yen for Masjid-e Soleiman Hydroelectric Power Project (II) and signed today a loan agreement at the Head Office of JBIC in Tokyo. The Project is executed by Iran Water and Power Resources Development Company of the Islamic Republic of Iran. With this loan, the cumulative ODA loan approvals for the Islamic Republic of Iran number 2, totaling 46,108 million yen\*.  
\*Excluding ODA loan commitments made by the former Export-Import Bank of Japan.
2. The loan is designed to provide funds for the second phase of the Masjid-e Soleiman Hydroelectric Power Project, which constructs a rock-fill type dam and a 2,000-MW underground power plant in the Karoon River basin, some 20km downstream of the existing Karoon I Dam located in the southwestern part of Iran. JBIC extended 38,614 million yen to the first phase of the Project in June, 1993, which is ongoing at the moment. The loan aims to finance the remaining portion of the civil work of the Project.
3. In the wake of the Iran-Iraq War (1980 - 1988), economic recovery of Iran significantly bolstered the country's power demand. The maximum power demand, which stood at 9,537MW in 1990, expanded to 18,425MW at the end of 1999. In response, the government of Iran actively pushed ahead with power development, as attested by improvement of additional 20,000MW by 1995. Demand for power stays robust, however, and is expected to grow by some 7% per annum in the coming years, thus calling for development of new power sources. The government of Iran is currently implementing new hydroelectric power projects with total capacity of 8,000MW and thermal power projects of 5,500MW, and the Project makes up part of this effort.
4. JBIC's loan commitment is expected to help complete the Project, thereby contributing to boosted capacity and stable supply of power in Iran.

(See Appendix for details.)

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Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) decided to extend a loan totaling up to 7,494 million yen for Masjid-e Soleiman Hydroelectric Power Project (II) and signed today a loan agreement.

The signing took place at the JBIC Head Office in Tokyo between JBIC Governor Yasuda and Ali Majedi, Iranian Ambassador located in Tokyo. As a result of the signing, the cumulative commitment of ODA loans made by JBIC to the Islamic Republic of Iran amounted to 46,108 million yen for 2 projects.

Below is the amount, conditions, and characteristics of the loan, as well as the outline of the project.

### 1. Loan Amounts and Terms and Conditions

Project Name	Amount (million yen)	Interest Rate (% p.a.)	Repayment/Grace Period (years)	Procurement Condition
Masjid-e-Soleiman Hydroelectric Power Project (II)	7,494	2.2	25/7	General Untied

### 2. Profile of the Islamic Republic of Iran

#### (1) Political Situation

In June 1989 following the defunction of Ayatollah Ruhollah Mussavi Khomeini, the leader of the Islamic revolution, Ayatollah Seyyed Ali Khamenei (then President) became the Supreme Leader, and Ali Akbar Hashemi Rafsanjani assumed the post of President in August that year, paving the way for a dinary. Since then, the government has promoted political reforms and improvements including elimination of radical factions in Iran and resumption of diplomatic relations with the US and Western European nations. Then the Presidential election in May 1997 elected Seyyed Mohammad Khatami as President, and the government has been taking a more down-to-earth approach and pushing forward reforms to achieve a civil society.

#### (2) Economic Situation

Iran is the world's leading oil-producing country, with oil accounting for over 80% of its exports. Consequently, its economic structure is easily affected by trends in oil prices. In 1998, the sudden fall in oil prices resulted in a negative economic growth. Although oil prices recovered in 1999, dry weather led to the downturn in the agricultural sector, and the real growth rate remained at around 2%. The Third Five-Year Plan (Mar. 2000 - Mar. 2005) announced in November 1999 presented economic targets such as an annual economic growth rate at 6%, active creation of new jobs, and inflation control. The government intends to achieve these targets through policies on economic structural reform, privatization of major industries, and reduction in subsidies.

### 3. Project Description

#### Masjid-e-Soleiman Hydroelectric Power Project (II)

##### (1) Project Background and Requirements

With the revival of the economy following the Iran-Iraq War (1980-88), the maximum electricity demand in Iran surged to 18,425MW as of end March 1999 from 9,537MW in 1990. In order to keep up with this demand, the Iranian government actively promoted development of power resources, and facilities with an output of 20,000MW were developed up through 1995. However, electricity demand in Iran continues to climb, with annual growth rate for 2000 forecast at 7%, and thus development of additional power resources is a pressing issue. This Project is part of the new power generation project being implemented by the Iranian government, which includes development for hydroelectric power generation with an output of 8,000MW and thermal power generation with an output of 5,500MW.

##### (2) Purpose of the Project and Profile

The Masjid-e-Soleiman Hydroelectric Power Project will construct a rock-fill type dam and an underground power station with an output of 2,000MW, some 20km downstream of the existing Karoon I Dam located in the Karoon River basin in the southwestern region of the Islamic Republic of Iran, to meet the country's increase in electricity demand. An ODA loan for Phase I of this Project was signed in June 1993 (loan amount: 38,614 million yen), and the project is currently being executed. The loan this time covers for Phase II of this Project, and proceeds of the loan will be used to provide financing for civil works needed for the Project.

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