

## **JBIC SIGNS ODA LOANS FOR INDIA**

### **--To Support Transportation Project in Delhi and Thermal Power Station--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) today signed two ODA loan agreements totaling 18,926 million with India to finance the Delhi Mass Rapid Transport System Project (II) to be executed by the Delhi Metro Rail Corporation Ltd., and the Simhadri Thermal Power Station Project (II) being constructed by the National Thermal Power Corporation Ltd. This brings JBIC's cumulative ODA loan commitments to India to 145, totaling 1,660,711 million yen.
2. As part of the sanctions imposed against India's nuclear testing conducted in May 1998, the Japanese government suspended extension of new ODA loans to the country in line with Japan's Official Development Assistance Charter. Although new ODA loans are not being extended, additional loans for existing projects are considered on a case-by-case basis and not regarded as part of the sanctions. ODA loans for the first phases of the Delhi Mass Rapid Transport System Project (II) and the Simhadri Thermal Power Station Project (II) were both extended in February 1997, totaling 14,760 million yen and 19,817 million yen, respectively. Therefore, the ODA loans this time are for existing projects where construction is already under progress.
3. Of the two loans, the loan commitment for the Delhi Mass Rapid Transport System Project (II) amounts to 6,732 million yen. This loan will finance civil works and procurement of materials and equipment necessary to construct a 52-kilometer local rail line between the center and the suburb of Delhi, capital of India. The loan commitment for the Simhadri Thermal Power Station Project (II) totals 12,194 million yen. This loan will finance civil works and procurement of materials and equipment necessary to construct a 1,000MW coal-fired thermal power station (500MW x 2 generators) in the Vishakhapatnam District of the State of Andhra Pradesh in southern India.
4. The transportation system connecting the center and the suburb of Delhi, including local trains, and the railway network in the city are inadequately developed. As a result, the transportation depends heavily on buses and private cars. This has caused serious problems in traffic congestion and air pollution, and there is an urgent need to improve the situation. The Delhi Mass Rapid Transport System Project (II) will construct 52-kilometers of subways and elevated and ground railways. This is part of the 198-kilometer extension of the local mass rapid transport system. This project aims to improve the urban environment by alleviating traffic congestion and reducing pollution.
5. The electric generation capacity throughout India is far below demand at peak periods, and this gap has widened every year. In the State of Andhra Pradesh situated in southern India, where the Simhadri Thermal Power Station Project (II) is being constructed, power supply has fallen below demand that increased sharply as a result of industrial development. This shortage has been an impediment to economic development in the State, and construction of a power station to cover this shortage is an urgent requirement. India's National Thermal Power Corporation Ltd. is constructing a 1,000MW coal fired thermal power station (500MW x 2 generators) in the Vishakhapatnam District of the State of Andhra Pradesh. The first ODA loan for this project was extended in February 1997, and this loan is the second loan in order to continue construction of the power station. The purpose of this project is to invigorate industry by increasing the electricity supply, which will create employment, and supply electricity to farm villages and households. This will improve the living standards of local residents.

(See Appendix for details.)

## JBIC Signs ODA Loan For India

### -- To Support Transportation Project in Delhi and Thermal Power Station --

The Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) today signed agreements to provide ODA loans for two projects in India: (1) a loan totaling 6,732 million yen to the Government of India for the Delhi Mass Rapid Transport System Project (II) to be implemented by the Delhi Metro Rail Corporation Limited (DMRC); and (2) a loan totaling 12,194 million yen to the National Thermal Power Corporation Limited (NTPC) for the Simhadri Thermal Power Station Project (II) to be implemented by the NTPC.

The agreements were signed by JBIC Governor Hiroshi Yasuda and by Ambassador Extraordinary and Plenipotentiary of India to Japan, Aftab Seth, representing the Government of India and the National Thermal Power Corporation Limited.

With these loans, JBIC's cumulative ODA loan commitments to India number 145, and total 1,660,711 million yen.\*

\* Excluding yen loans extended by the former Export-Import Bank of Japan.

The following are the amounts, conditions and purposes of the loans agreed upon today, and a brief description of the projects for which the loans are extended.

#### 1. Loan Amount and Conditions

Project Name	Amount (Mil. yen)	Interest Rate (%/Year)	Repayment Period/ Grace Period (Years)
Delhi Mass Rapid Transport System Project (II)	6,732	1.8	30/10
Simhadri Thermal Power Station Project (II)	12,194	1.8	30/10

#### 2. Outline of the Loan

Fourth Poverty Reduction Support Credit

##### (1) Background and Necessity

The progress being made in the transition to a market economy has enabled Vietnam to achieve sustainable economic growth at an annual rate of about 7 percent in real terms over the past several years. As a result, the country's poverty rate fell from 58% to 24% in the 11-year period from 1993 to 2004. Despite this development, however, much of the population classified above the poverty line still remains barely above the line (has an annual spending of 128 US dollars). And since a majority of these people depend on precarious income from agriculture, they are vulnerable to natural disasters and unfavorable weather. They could be very easily pushed back into poverty. Thus, it may be said that a decline in the poverty rate still remains an achievement built on a fragile basis. The country is also facing increasing economic disparities between rural and urban areas.

To reduce poverty, it is essential to strengthen measures to redress disparities with appropriate development policy, while continuing sustainable economic growth. Given this recognition, the Government of Vietnam adopted the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) in May 2002 and has since been addressing its policy agenda, which includes introduction of elements of a market economy with state-owned enterprise (SOE) reform, private sector development, financial sector reform and trade liberalization, integration into the international economy, policy improvement and institutional capacity enhancement in the educational and health sectors, and strengthening of administrative reform and governance.

To support these efforts, a number of donors including the World Bank, Asian Development Bank (ADB) and European countries have provided assistance as part of Poverty Reduction Support Credit (PRSC). Japan has participated in cofinancing PRSC since the PRSC3 in 2004. Indeed, there is an increasing need to continue assistance.

In addition, the Governments of Japan and Vietnam agreed on the Japan-Vietnam Joint Initiative in December 2003 to improve the business environment with a view to strengthening Vietnam's international competitiveness. Accordingly, Japan is currently providing assistance to achieve this objective. Support for poverty reduction with this ODA loan has reflected the provisions set forth in this initiative. JBIC is thereby providing multi-faceted and integrated support for Vietnam's reform efforts.

##### (2) Purpose and Description

The objective of this ODA loan is to support various reforms being undertaken by the Government of Vietnam in the framework of CPRGS, address the policy agenda in each sector as set forth in CPRGS, and thereby contribute to poverty reduction through sustainable economic growth.

This ODA loan consists of three pillars: (1) the transition to a market economy, (2) inclusive and sustainable development, and (3) modern governance. Specifically, it covers adjustment to international rules on trade, SOE reform, financial sector reform, private sector development, infrastructure development, education, health, land reform, social security, public financial management, the process of drawing up an investment plan and anti-corruption. The loan offers financial support to these reform efforts, and also features the monitoring of progress in individual sectoral reforms. The proceeds of the loan will be disbursed for import settlement for general commodities.

The executing agency is the State Bank of Vietnam (Address: 47-49 Ly Thai To, Hanoi, Vietnam, Tel: 84-4-9343361, Fax: 84-4-8250612).