JBIC Provides Special Yen (ODA) Loan of 33,265 million yen to Sri Lanka

--To Support Stable Power Supply--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed an agreement with the Democratic Socialist Republic of Sri Lanka on March 28 at JBIC's head office in Tokyo to provide a Special Yen (ODA) Loan amounting to 33,265 million yen for the country's Upper Kotmale Hydro Power Project. It will be executed by the Ceylon Electricity Board (CEB).
2. The loan will finance the civil works, procurement of materials and equipment, and consulting services necessary for the construction of a running-off, 150MW-hydroelectric power plant on the Kotmale River, a tributary of Mahaweli River, in the inland region of Sri Lanka. This loan commitment is made on the basis of the Special Yen (ODA) Loan scheme established in December 1998, in response to a request by the government of Sri Lanka.
3. In Sri Lanka, power supply is almost entirely handled by CEB, with the exception of the Independent Power Producer (IPP). Since water is the country's sole natural resource available for generating electricity, with no other alternative resources, the government has been striving to build a power supply system that makes the utmost use of its abundant water. As a result, hydroelectric power generation currently accounts for some 70% of the total power facilities. Meanwhile, the supply-demand situation is tightening; while power demand is rapidly increasing at an annual rate of 7%, driven by the growing economy. Development of power supply capabilities is lagging behind demand, and this leads to the necessity of the planned blackouts for several hours each day. Since the same growth is expected for the power demand in the future, the expansion of power generation is urgently needed.
4. The objective of this project is two-fold: stable power supply, which is essential for economic growth, and environmental preservation. In this context, the project design is being carefully examined to minimize negative effects on the environment. The project is expected to help improve the power supply capabilities, thus eliminating the demand-supply gap of power in the future, and eventually leading to sustainable economic development in Sri Lanka. At the same time, the provision of the Special Yen (ODA) Loan will allow the use of advanced technology and know-how possessed by Japanese companies pertaining to the construction of hydroelectric power plants.

(See Appendix for details.)

Reference

The Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed a loan agreement with the Democratic Socialist Republic of Sri Lanka for a total loan of up to 33,265 million yen to be used for the Upper Kotmale Hydro Power Project being implemented by the Ceylon Electricity Board. The loan agreement was signed on March 28 at its Head Office in Tokyo by H.E. Mr. Karunatilaka Amunugama, Ambassador Extraordinary and Plenipotentiary of Sri Lanka to Japan and JBIC Governor Kyosuke Shinozawa.

1. Loan Amount and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (%/Year)		Repayment Period/ Grace Period (Year)		Tying Status	
		Project	Consulting Services	Project	Consulting Services	Project	Consulting Services
Upper Kotmale Hydro Power Project	33,265	0.95***	0.75**	40/10	40/10	Japan Tied	Bilateral Tied

* Interest rate for Special Yen (ODA) Loan
** Interest rate for special environmental project

2. Characteristics of ODA Loans to Sri Lanka

Previous ODA loans to Sri Lanka have consisted primarily of commodity loans to support the country's international balance of payments, but in the 1970s support began to shift toward loans for projects designed to improve the economic infrastructure, such as transportation (air, maritime, and railways, roadways, and bridges), electricity, communications, and irrigation projects. In the 1990s, the loans covered a wide range of sectors, including not only the economic infrastructure, but the social and environmental sectors as well. Since 1993, JBIC has been the top ODA loan donor to Sri Lanka.
This Special Yen (ODA) loan, which is based on "Medium-Term Strategy for Overseas Economic Cooperation Operations" set forth by JBIC in December 1999, will be used for the development of the economic and social infrastructures, thereby supporting the continued economic growth of Sri Lanka. The Upper Kotmale Hydro Power Project, which involves the construction of a hydropower station in the interior of Sri Lanka, will help the country keep up with the increasing demand for power, and provide an infrastructure that will allow for the stable supply of electricity, a necessary element for continued economic growth.
On the implementation of this project, efforts are being taken to minimize its impact on the environment, and the central government, local governments, and NGOs will work together toward the dual goals of continued economic growth and environmental protection.

3. Project Description

Upper Kotmale Hydro Power Project

(1) Background and necessity of the Project

Sri Lanka's Long-Term Generation Expansion Plan (2002-2016) estimates that peak demand in 2008, when this project is scheduled to begin operations, will reach 2,346 MW (actual demand in 2000 was 1,404 MW). The plan thus calls for a total facility capacity of 2,909 MW (actual capacity as of 2000 was 1,777 MW) to be secured by 2008.

According to the plan, the installation of hydropower plants will provide an additional 220 MW of electricity, of which 70 MW will be provided by the Kukule Hydro Power Plant (ODA yen loan provided in July 1994), and 150 MW will be provided by this project.

Most of Sri Lanka's hydropower resources have already been developed, making this project the last of the new large-scale hydropower plant projects. To expand Sri Lanka's power-generating capacity and to ensure a stable power supply that is not affected by the weather, there are plans to direct efforts toward the development of thermal power generation and thus to shift to a more balanced structure of electric power generation. However, since Sri Lanka is a country that lacks its own sources of fuel, it is important that it fully develop its hydropower sources, and this project is highly necessary for achieving this goal.

(2) Purposes and description of the Project

In the Philippines, roads provide the principal means of transport, accounting for around 90% of the movement of people and approximately 50% of the transportation of goods. Looking at the current state of roads in the Philippines, the national arterial roads -- the key part of the road network -- and the national secondary roads (roads linking arterial roads with regional cities, towns, and villages) have been relatively well maintained overall on the quantitative (distance) side with investment up to the start of the 1980's concentrated on road extensions. However, many unpaved roads and decrepit simple emergency bridges still remain. Permanent bridges, too, are crumbling, breaking down, and deteriorating due to such factors as inadequate maintenance, the increase in overloaded vehicles and traffic volume, and the effect of natural disasters. With disasters like frequent typhoons prevalent, the road network is also in danger of severance as bridges are washed away or collapse. Because of these factors, the local regions lack a safe and efficient road network. The improvement of qualitative conditions is urgently needed, including the paving of unpaved roads and replacement of emergency bridges with permanent ones. To promote the interchange of people and distribution of goods within the nation and support the development of urban regions, the Philippines urgently requires the development of a safe and efficient arterial road network.

By replacing a total of 201 aged bridges on national roads that lead to urban centers all over the country, this project aims to contribute to safe and efficient distribution, and in turn, support the development of regional economies.

The proceeds of the loan will be used for civil works and consulting services (detailed design, assistance in procurement, etc.).

The executing agency is the Department of Public Works and Highways (DPWH) (Address: Bonifacio Drive, Port Area, Manila, Philippines, Phone: 63-2-304-3804, Fax: 63-2-304-3805).