

JBIC Extends ODA Loan to Republic of Uzbekistan -To Support Stable Power Supply For Industrial Growth-

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today an ODA loan totaling 24,955 million yen for the "Tashkent Thermal Power Plant Modernization Project", in Tashkent, the capital city of the Republic of Uzbekistan.
2. The loan is designed to provide funds for the procurement of machinery and equipment, as well as civil and installation works and consulting services necessary for the construction of a gas-fired combined cycle power generating unit (370MW-class). The implementation of the project is expected to help support a stable power supply in the capital Tashkent and outlying regions in Uzbekistan, promote effective use of natural gas produced in the country, and reduce environmental burden.
3. Tashkent Thermal Power Plant (generating capacity: 1,860MW), located on the outskirts of the capital Tashkent, the center of the Uzbek economy, is one of the major power plants of the country and provides 17% of the total generation capacity of the nation. The generating facilities have been under operation for nearly 40 years, however, and wear and tear has become so severe that continuous and stable operations are being hampered. In addition, the power generation effectiveness of the Tashkent Thermal Power Plant is lower than that of gas-fired combined cycle equipment, thus failing to use the nation's energy resources effectively. Aside from these shortcomings, the existing power plant emits SOx, NOx and other air polluting substances. Reducing emissions of these pollutants, on top of the lowering of carbon dioxide emissions, is emerging as a pressing issue. Given these circumstances, JBIC is providing a loan to support the renewal of part of decrepit facilities at the Tashkent Thermal Power Plant. From the prospect of the government of Uzbekistan, which reached an accord with IMF in January 2002 and embarked on an economic reform program, this loan has significance in its efforts to achieve economic growth while pressing ahead with the transition to a market economy.

(See Appendix for details.)

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today an ODA loan totaling 24,955 million yen for the "Tashkent Thermal Power Plant Modernization Project" in the Republic of Uzbekistan.

The signing took place in Tashkent, the capital city of Uzbekistan, between JBIC Governor Shinozawa and H.E. Mr. M.B. Nurmuratov, Minister of Finance, Republic of Uzbekistan.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (%/Year)		Repayment Period/ Grace Period (Year)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Tashkent Thermal Power Plant Modernization Project	24,955	1.8	0.75*	30/10	40/10	General Untied	Bilateral Tied

* Interest rate for special environmental project

2. The Republic of Uzbekistan

(1) Political situation

The Republic of Uzbekistan is one of the five Central Asian countries that achieved independence from the former Soviet Union in 1991. It has the largest population totaling 24.23 million as of 1999 among the nations in Central Asia. The country is not only a producer of cotton and gold, but is also endowed with other rich natural resources such as petroleum and natural gas. Politically, Uzbekistan has been enjoying stability under the strong leadership of President Kalimov, the first president of the Republic. President Kalimov was re-elected after garnering some 92% of the votes in the presidential election held in January, 2000, and the five-year presidential term was extended to seven years by plebiscite in January 2002.

(2) Economic conditions

The Republic of Uzbekistan has adopted a policy of gradual transition from a planned economy to a market economy. In 1996, Uzbekistan posted the first positive GDP growth figure since independence, and continued to grow through 2001. The government reached agreement with IMF and embarked on an economic reform program including action to remedy the system of multiple exchange rates, which had been a long-pending problem. Thereby it is forging ahead with its economic reforms on the road to a market-oriented economy.

3. Project Outline

Tashkent Thermal Power Plant Modernization Project

(1) Background and Necessity of the Project

The Central Asian region including the Republic of Uzbekistan occupies a strategically important area in the Eurasia continent, providing east-west linkage between Asia and Europe. It borders Russia in the north and Afghanistan in the south. The Japanese government announced its "Eurasia Diplomacy" in 1997, pledging to extend economic cooperation to the countries of Central Asia to help enhance their economies. Given the particular significance of Uzbekistan as a major power in this region, with Afghanistan on its national border to the south, the stability of this country has highly significant implications not only for the Central Asian region but also for the international community including Japan.

The country's economic and social infrastructure, which was put in place during the Soviet era is antiquated, and badly in need of rehabilitation and updating. The Tashkent Thermal Power Plant (150 ~ 165MW x 12, with total power generation capacity of 1,860MW), one of the major power plants in Uzbekistan, is located on the outskirts of Tashkent, the center of the Uzbek economy. Having operated for nearly 40 years, the facilities have suffered severe deterioration. As a result, utility rates of some generation units have plunged to less than 50%, thus obstructing stable power supply, which is normally secured by continuous and steady operation of individual power generating facilities. In addition, the power generation efficiency of this Power Plant stands at 35%, a level much lower than that of the latest gas-fired combined cycle power equipment (at 50% or higher). This means the country's precious energy resources are not being effectively used. On top of this, the existing multi-fuel firing power plants burn heavy oil and emit a large amount of SOx, NOx and other air polluting substances. Reduction of these emissions is a pressing issue, along with the lowering carbon dioxide emissions.

Power plant modernization will play a significant role in helping Uzbekistan's efforts to pursue economic reforms and achieve economic growth, as the country makes the transition to a market economy while tackling difficult problems. With regard to the system of multiple exchange rates, for which IMF has strongly urged the country to take prompt corrective action, Uzbekistan arrived at an agreement with IMF on an economic program including measures to unify the exchange rates in January 2002. With an eye to further boosting economic reforms in Uzbekistan, it is deemed appropriate for Japan to make an ODA loan commitment at this time for the project, which has great importance for the country's economic development.

(2) Purpose and Outline of the Project

The project aims to construct a gas-fired combined cycle power generating unit (370MW-class) inside the Tashkent Thermal Power Plant on the outskirts of the capital Tashkent in Uzbekistan, thereby ensuring a stable power supply in the capital Tashkent and outlying regions in Uzbekistan, making effective use of home-produced natural gas and reducing environmental burden. The proceeds of the loan will be used for the procurement of machinery and equipment, as well as civil and installation works and consulting services necessary for the construction of the power generation unit. After the completion of the new unit, the two units among the existing facilities are scheduled to stop operation.

The project executing agency is State Joint Stock Company Uzbekenergo (Address: Khorezmskaya St. 6, Tashkent, 700000 The Republic of Uzbekistan; Phone: 998-71-133-6129; Fax: 998-71-136-2700).