

JBIC PROVIDES ODA LOAN FOR COSTA RICA

--To Support a Stable Power Supply--

1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today at its head office an ODA loan agreement not to exceed 16,683 million yen for the 'Pirris Hydroelectric Power Development Project' in the Republic of Costa Rica, with the Instituto Costarricense de Electricidad (ICE). This brings JBIC's cumulative ODA loan commitments to Costa Rica to 44,354 million yen for four projects.
2. The objective of this project is to construct a 128 MW hydroelectric power plant and related facilities in the midstream of the Pirris River, 70 kilometers south of San Jose, the capital city. The proceeds of this loan will be used for the procurement of materials, equipment, works and consulting services.
3. ICE is the sole authority of Costa Rica's electric power system, with hydroelectric power accounting for about three-quarters of its total power supply. Domestic demand for electricity has been steadily increasing every year in step with the economic growth of the country, registering an average annual rate of 5.5% from 1985 to 1997. ICE projects that electricity demand shall increase at an annual rate of 5.7% until 2020. To meet this growth of demand, ICE has been developing the country's rich energy resources such as hydro and geothermal power. Although present facilities of ICE are sufficient to meet demand for the moment, demand projections show that ICE will encounter serious electricity shortages from the year 2006 and thereafter if ICE does not develop any power plants. It is an urgent task for ICE to prepare for future demand. Moreover, to attract further foreign direct investment in its high-tech industry, a driving force of the recent economic growth, the country needs to improve the reliability of the power system's stability. Costa Rica has developed its National Energy Plan, and the country's basic energy policy. In accordance with this plan, ICE intends to construct 29 power generation facilities one by one by 2020, concentrating on development of hydro energy resources. Among the planned projects, the Pirris Hydroelectric Power Plant is designated as one of the high priority projects.
4. This project will increase the hydroelectric power generation capacity of the country, improve stable electricity supply and enable the country to meet future electricity demands. It will at the same time support the country's economic development by improving infrastructure in the power sector.

(See Appendix for details.)

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1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Services	Project	Consulting Services	Project	Consulting Services
Pirris Hydroelectric Power Development Project	16,683	2.2	2.2	25/7	25/7	General Untied	General Untied

2. Costa Rica

The Republic of Costa Rica, with a population of 3.5 million, is one of the most politically stable countries in Central America. The country became independent of Spain in 1821. Under the 1949 constitution, which is the present constitution of the republic, the country enjoys democracy based on the divided three powers of government. The present constitution bans standing state military forces, which has enabled the government expenditures to be focused on education and social welfare. As a result, the country enjoys relatively widespread education and fairly distributed income among its population, without extreme income disparities which is one of the economic problems that other Latin American countries suffer from.

The Costa Rican economy traditionally relied on exports of agricultural products, such as coffee, bananas, beef and sugar. In recent years, income from the tourism, inspired by eco-tourism, has contributed to the growth in income of the country. GDP has been growing steadily (US\$15.2 billion in 1999). In particular, the economy dramatically grew in 1997 through 1999, when exports expanded due to the country's success in attracting high-tech companies and expanding exports from the country's tax free zone (zona franca). To sustain the economic stability based on this economic growth, to foster the high-tech industry, and to promote foreign direct investment, Costa Rica faces a pressing development need in the area of economic and social infrastructure, including power expansion and improvement in roads, water supply and sewage facilities.

3. Description of the Project

Pirris Hydroelectric Power Development Project

(1) Background and the Need of the Project

ICE is the sole authority of Costa Rica's electric power system, with hydroelectric power accounting for about three-quarters of its total power supply. Domestic demand for electricity has been steadily increasing every year along with the economic growth of the country, registering an average annual rate of 5.5% from 1985 to 1997. ICE projects that electricity demand will increase at an annual rate of 5.7% until 2020. To meet this growth of demand, ICE has been developing the country's rich energy resources such as hydro and geothermal power. Although present facilities of ICE are sufficient to meet demand for the moment, demand projections show that ICE will encounter serious electricity shortages from the year 2006 and thereafter if ICE does not develop any power plants for future demand. It is an urgent task for ICE to meet this growing demand. Moreover, to attract further foreign direct investment in its high-tech industry, a driving force of the recent economic growth, the country needs to improve the reliability of the power system's stability. Costa Rica has developed a National Energy Plan, and the country's basic energy policy. In accordance with this plan, ICE intends to construct 29 power generation facilities one by one by 2020, concentrating on development of hydro energy resources. Among the planned projects, the Pirris Hydroelectric Power Plant is designated as one of the high priority projects.

(2) The Objective and Description of the Project

The objective of this project is to construct a 128 MW hydroelectric power plant and related facilities in the midstream of the Pirris River that flows through the central plateau, 70 kilometers south of San Jose, the capital city with a population of 1.2 million in the metropolitan area. This project will increase hydroelectric power generation capacity of the country, improve stable electricity supply and enable the country to meet future electricity demand. It will at the same time support the country's economic development by improving infrastructure in the power sector.

The proceeds of this loan will be used for the procurement of materials, equipment, works and consulting services for procurement assistance and construction supervision. The implementing agency is the Instituto Costarricense de Electricidad.

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