

JBIC Signs ODA Loan Agreement with India

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

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today with India at the JBIC head office in Tokyo two ODA loans in the amount of 28,659 million yen and 27,473 million yen respectively, totaling 56,132 million yen. The loans will finance (1) the Delhi Mass Rapid Transport System Project (III) to be executed by the Delhi Metro Rail Corporation Limited, and (2) the Simhadri Thermal Power Station Project (III) to be executed by the National Thermal Power Corporation Limited.
2. Following the nuclear tests conducted by India in May 1998, the Japanese government announced a freeze on providing ODA loans for new projects to India as part of its measures undertaken in accordance with the ODA Charter. Projects that are already in progress are, however, exempt from the measures. Both projects are regarded as continuing projects by Japanese government. Loans for the projects are extended under the economic measures because interruption of construction work could incur huge damage. Meanwhile, the Japanese government announced the lifting of the loan freeze on India on October 26, 2001. Therefore, new ODA loan commitments to India now will be discussed by the governments of both countries.
3. Proceeds of the loan for the Delhi Mass Rapid Transport System Project (III) will finance civil works, and procurement of materials and equipment and consulting services necessary for the construction of commuter rail lines of 52 km linking the suburbs with the city center. Proceeds of the loan for the Simhadri Thermal Power Station Project (III) will meet financial needs for civil works and procurement of materials and equipment necessary for the construction of a coal-fired thermal electric power plant with an output of 1,000 MW (500 MW x two generators) in the suburbs of Vishakhapatnam, in the state of Andhra Pradesh, southern India. ODA loans for the first and second phases of the Delhi Mass Rapid Transport System Project and the Simhadri Thermal Power Station Project were both extended in February 1997 and in March 2001 respectively. The latest ODA loans are for the third phase of both projects where construction is already under progress.
4. Since the commuter rail lines connecting the center and the suburbs of Delhi and the railway network in the city are inadequately developed, transportation is highly dependent on buses and cars. The number of registered automobiles in Delhi jumped from 1,830,000 in 1990 to 3,300,000 in 1999. Because of this, traffic congestion and exhaust emissions are exacerbating air pollution, and a solution to this problem is urgently called for. The Delhi Mass Rapid Transport System Project (III) will construct 52-kilometers of subways and elevated and ground railways as 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 traffic pollution.
5. India's power stations across the country cannot come close to satisfying the demand in terms of both generation capacity and supplied electricity volume. The gap between supply and demand is substantially wide in the western and southern parts of India in particular, where industrialization is progressing. In the southern state of Andhra Pradesh, where this Project is being implemented, growth of electric power demand for industrial purposes outpaces that of supply, and this is stifling the economic development of the state. Construction of a power station to cover this shortage is therefore 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 project is expected 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.)

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today with India at the JBIC head office in Tokyo an agreement for two ODA loans in the amount of 28,659 million yen and 27,473 million yen respectively, totaling 56,132 million yen. The loans will finance (1) the Delhi Mass Rapid Transport System Project (III) to be executed by the Delhi Metro Rail Corporation Limited, and (2) the Simhadri Thermal Power Station Project (III) to be executed by the National Thermal Power Corporation Limited. The agreements will be signed by JBIC Governor Kyosuke Shinozawa and by Ambassador Extraordinary and Plenipotentiary of India to Japan, Aftab Seth, representing the Government of India and the National Thermal Power Corporation Limited.

1. Loan Amount and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/Grace Period (Year)	Tying Status
Delhi Mass Rapid Transport System Project (III)	28,659	1.8	30/10	General Untied
Simhadri Thermal Power Station Project (III)	27,473	1.8	30/10	General Untied
Total	56,132			

2. Outline of India's Political and Economic Situation

(1) Political Situation

As a result of India's general election in October 1999, the Bharatiya Janata Party (BJP: the Indian People's Party) maintained its position as the leading party. The National Democratic Alliance (NDA) coalition government is composed of more than 20 parties and led by Prime Minister Shri A.B. Vajpayee. The government is expected to promote a market-oriented economy through economic liberalization and deregulation.

After India conducted two underground nuclear tests in May 1998, it was subjected to economic sanctions imposed by the international community. Japan also took economic measures against the country, in consideration of the principles of Japan's ODA Charter. Since the terrorist attacks of September 11, 2001, however, Japan highly values India's efforts to contribute to strengthening the international coalition against terrorism, and the Chief Cabinet Secretary published an announcement to discontinue the economic measures on October 26, 2001.

India has traditionally maintained friendly relations with Japan. When Japanese Prime Minister Yoshiro Mori visited India in August 2000, the two countries agreed to forge a "Global Partnership between Japan and India in the 21st Century." Its purpose is to establish dialogue and cooperation in various areas, including politics, security, economics, culture, and the resolution of global problems in the 21st century. In September 2000, the Japanese Government announced the "Japan-India IT Promotion and Cooperation Initiative". In December 2001, when Prime Minister Vajpayee visited Japan, the "Japan-India Joint Declaration" was announced.

(2) Economic Situation

Structural reforms, including economic liberalization and deregulation, have enabled India to maintain favorably its economic performance. For three consecutive years in the mid-1990s, India's economy achieved real annual gross domestic product (GDP) growth rates exceeding 7%. The economy then slowed down for a while, but experienced a real annual GDP growth rate of 6.8% in fiscal 1998 (April 1998 to March 1999) and 6.4% in fiscal 1999. Then the real annual GDP growth rate slowed down again to 5.2% (provisional figure) in fiscal 2000 due to excessive capacity expansion in plant and equipment in the high economic growth period, as well as to the winding down of the manufacturing sector, mainly in capital goods. Nonetheless, a 6% growth is projected for this fiscal year, thanks to the rally of the agricultural sector that was boosted by a good rainfall during the monsoon season.

One major problem facing the national economy is the fiscal deficits of the central and state governments, which together account for more than 10% of GDP. To resolve this problem, a number of measures are required, including reassessment of various subsidization policies, the privatization of public enterprises, and the promotion of private investment in infrastructure.

3. Project Outlines

(1) Delhi Mass Rapid Transport System Project (III)

(a) Background and Necessity of the Project

As India's industrial structure has developed over the last few years, the population has tended to concentrate in large cities and automobiles have proliferated rapidly, exacerbating traffic congestion in those cities. Congestion has worsened with every postponement of efforts to improve the public transport systems. The rise in the number of automobiles has caused serious environmental problems, especially exhaust emissions. Cars will inevitably increase in number in the future, creating an urgent need for ways to protect the environment.

Railways in Delhi, where this Project will be implemented, have placed priority on long-distance transport, and this has resulted in insufficient development of an urban rail network and short rail lines linking the suburbs with the city center. Many residents are therefore forced to depend on buses and cars for their transportation. Meanwhile, city streets are becoming more jammed as automobiles grow more numerous. Because of this situation, there is a growing need to construct an environmentally friendly, efficient mass transit system that will reduce traffic congestion and offer rapid and reliable scheduled services.

(b) Objective and Description of the Project

This Project involves the construction of track of 52 km for a mass transit system that will extend a total of 198 km, and that will consist of a subway, an elevated line and a surface railway in Delhi. The aim of the Project is to improve Delhi's urban environment by reducing traffic congestion and pollution. The Project is expected to help reduce traffic congestion, exhaust emissions, and other types of urban pollution caused by motor vehicles, and to play a large role in improving Delhi's transit system. In February 1997 JBIC agreed to extend 14,760 million yen for Phase I of the Project, followed by 6,732 million yen for Phase II in March 2001. The loan announced today is for Phase III.

The executing agency is Delhi Metro Rail Corporation Limited (DMRC). (Address: 3rd floor, East Tower, NBCC Place, Pragati Vihar, Bhishma Pitamah Marg, New Delhi 110003, India; Phone: +91-11-436-5202; Fax: +91-11-436-5370)

(2) Simhadri Thermal Power Station Project (II)

(a) Background and Necessity of the Project

India's power stations across the country cannot come close to satisfying the demand in terms of both generation capacity and supplied electricity volume. The gap between supply and demand is substantially wide in the western and southern parts of India in particular, where industrialization is progressing. In the southern state of Andhra Pradesh, growth of electric power demand for industrial purposes outpaces that of supply, and this is stifling the economic development of the state. The State Government estimates that, even if all planned power plants are completed according to schedule, there will still be a shortfall of about 10% in power supply after the Simhadri Thermal Power Station Project (III) is completed at the end of 2004.

(b) Objective and Description of the Project

The Project involves the construction of a coal-fired thermal electric power plant with an output of 1,000 MW (500 MW x two generators). The plant is presently under construction in the suburbs of Vishakhapatnam, in the state of Andhra Pradesh, southern India. The purpose of the Project is to help cope with the rapidly growing demand for electricity in the state, and to create a stable supply of electricity. In February 1997 JBIC agreed to extend 19,817 million yen for Phase I of the Project, and 12,194 million yen in March 2001. The loan announced today is for Phase III, and will extend funds to be used to continue constructing the thermal power station.

The Project is expected to boost the supply of electric power, which will lead to industrial revitalization, which in turn will generate more employment and improve living conditions for residents, through greater access to electricity in farming villages and wider use of home appliances.

The executing agency is NTPC: National Thermal Power Corporation Limited. (Address: NTPC Bhwan, Scope Complex 7, Institutional Area, Lodhi Road, New Delhi 110003, India; Phone: +91-11-436-0201; Fax: +91-11-436-1018)