

## JBIC Signs New Projects for ODA Loan with India for First Time in 5 Years --111.239 Billion Yen for Poverty Reduction, Economic Development and Environmental Conservation--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today loan agreements with the Government of India totaling 111.239 billion yen for seven projects as part of the ODA loan package for fiscal 2002.
2. In response to the nuclear tests conducted by India in May 1998, the Japanese government announced a freeze on provision of ODA loans for new projects to India as part of its economic measures undertaken in accordance with the ODA Charter. Subsequently, the Japanese government lifted the freeze on new loans to India on October 26, 2001, in view of Indian government's cooperation with anti-terrorism activities following the terrorist attacks on September 11, 2001. Discussions have been underway since then between the two governments on new ODA loans to India. In this context, JBIC designated the following priority areas for India in the Medium-Term Strategy for Overseas Economic Cooperation Operations: (1) economic infrastructure such as power and transportation, (2) rural development that benefits the poor and (3) improvements in the environment that is particularly degrading in urban areas. The ODA loan agreements signed today are the first to reflect the new policy of the Japanese government toward financial assistance for India after lifting the economic measures.
3. The highlights of this year's ODA loan package are as follows:

(1) Economic infrastructure development with emphasis placed on power and transportation sector: Of the seven projects, two power projects, Simhadri Thermal Power Station Project (IV) and Bakreswar Thermal Power Station Units Extension Project, are intended to reduce power supply shortage that is a bottleneck to economic growth and economic reforms in India. These projects are expected to increase power supply, stimulate industrialization, which in turn will generate more employment, and improve living conditions of local residents through rural electrification and greater access to electric power. In addition, these projects will promote power sector reform, which is a major concern for the Indian economy. Delhi Mass Rapid Transport System Project (IV) will construct about 62km portion of the mass rapid transport system (total length: approximately 245km), comprising subway, elevated and surface railroad, in the capital city of Delhi. Part of the system has already started its commercial operation at the end of December 2002. This project will alleviate traffic congestion and reduce pollution caused by urban traffic, such as automobile emissions, thereby improving urban functions of Delhi.

(2) Poverty reduction through agricultural and rural development: Punjab Afforestation Project (II) and Rajasthan Forestry and Biodiversity Project, will carry out community participatory afforestation activities in the states of Punjab and Rajasthan, located in the western India. In particular, since ecological systems in Rajasthan are threatened by diminishing and degrading forests, and desertification, the latter project will develop water conservation facilities and wildlife reserves to protect biodiversity. The two projects will also contribute to global environmental conservation as they will increase forest cover, secure water resources by preserving groundwater, checking desertification and halting global warming. In addition, local poor whose livelihoods depend on forestry products will benefit from an increase in income.

(3) Environmental conservation: Yamuna Action Plan Project (II) consists of developing sewerage systems and public participation and awareness activities to curb increasingly serious water pollution in the River Yamuna caused by rapid population growth, industrialization and urbanization in town along the river, including Delhi, the capital of India. It is important from the point of view of securing safe water resource. The objective of Ajanta-Ellora Conservation and Tourism Development Project (II) is to protect and preserve a series of rock cave temples registered on the list of World Heritage Sites, given that they are on the verge of collapse. Indeed, protection and preservation of these remains of rock cave temples are strongly called for by the international community. Additionally, rural development through protection of the remains and invigoration of tourism will contribute to economic growth of the predominantly poor local communities, thereby leading to poverty reduction.  
(See Appendix for details.)

Project Name	Amount (Mil.Yen)	Interest Rate (% per annum)		Payment Period/ Grace Period (Years)		Tying Status
		Project portion	Consulting portion	Project portion	Consulting portion	
Simhadri Thermal Power Station Project (IV)	5,684	1.8	-	30/10	-	General Untied 30/10
Delhi Mass Rapid Transport System Project (IV)	34,012	1.8		30/10		
Punjab Afforestation Project (II)	5,054	*0.75		40/10		
Bakreswar Thermal Power Station Units Extension Project	36,771	1.8		30/10		
Rajasthan Forestry and Biodiversity Project	9,054	*0.75		40/10		
Yamuna Action Plan Project (II)	13,333	*0.75		40/10		
Ajanta – Ellora Conservation and Tourism Development Project (II)	7,331	1.8(Micro credit, afforestation portion:*0.75)	1.8	30/10 (Micro credit, afforestation portion:	30/10	
Total	111,239					

\* Interest for Preferential Term

**(1) Simhadri Thermal Power Station Project (IV)****(a) Background and Necessity of the Project**

India's power sector has not been able to satisfy the drastic demand in terms of both installed generation capacity and supply volume. The gap between supply and demand is particularly severe in the western and southern parts of India, where industrialization is progressing. In the southern state of Andhra Pradesh, power supply is not keeping up with the burgeoning demand from industrial development, and the shortage of power is a bottleneck impeding the economic development of the State. According to the estimates, even if all planned power stations are completed on schedule, there will still be a shortfall of about 6% in peak power supply after this project is completed in 2004. This forecast demonstrates strong necessity of the project.

**(b) Purpose and Description of the Project**

The project involves the construction of a coal-fired power station with total output of 1,000MW (500MW x 2 units) in the suburbs of Vishakapatnam, state of Andhra Pradesh, southern India. The power station is intended to cope with the state's rapidly growing demand for power and stabilize the power supply. By implementing this project, it is expected that the increase in power supply will stimulate industrialization, which in turn will generate more employment and improve living standards of the local residents through rural electrification and wider use of electrical appliances. So far, JBIC has provided assistance in three phases for the project, specifically 19.817 billion yen for Phase I in February 1997, 12.194 billion yen for Phase II in March 2001, and 27.473 billion yen for Phase III in February 2002. This loan is provided as the final phase, Phase IV.

The proceeds of the loan will be applied to the final payment for completing the construction.

The executing agency for the project is National Thermal Power Corporation Limited (NTPC). (Address: NTPC Bhawan, Scope Complex 7, Institutional Area, Lodhi Road, New Delhi 110003, India, TEL: +91-11-2436-0201, FAX: 91-11-2436-1018)

**(2) Delhi Mass Rapid Transport System Project (IV)****(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 system. The rise in the number of automobiles has caused serious environmental problems, especially exhaust emissions. Automobiles will inevitably increase in number in the future, creating an urgent need for protection of the environment.

Railways in Delhi, where this project has been implemented, have placed priority on long-distance transport, and this has resulted in insufficient development of an urban rail network and commuter 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 congested as automobiles grow more numerous. Because of this situation, there is an urgent need to construct environmentally friendly, efficient mass transit system that will reduce traffic congestion and offer rapid and reliable scheduled services.

**(b) Purpose and Description of the Project**

This project involves the construction of track of 62 km for a mass transit system that will extend a total of 245 km, and that will consist of subway, elevated and surface railways 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 an essential role in improving Delhi's transit system. JBIC has provided 14.76 billion yen for Phase I in February 1997, 6.732 billion yen for Phase II in March 2001, and 28.659 billion yen for Phase III in February 2002, and this loan is for Phase IV.

The proceeds of the loan will be applied to the procurement of materials and equipment for civil works of subway, rolling stocks, consulting services etc.

The executing agency for the project is Delhi Metro Rail Corporation Limited (DMRC) (Address: 3rd Floor, East Tower, N.B.C.C. Place, Bhisma Pitahmah Marg, Pragati Vihar, New Delhi 110003, India, TEL: +91-11-2436-5202, FAX: +91-11-2436-5370)

**(3) Punjab Afforestation Project (II)****(a) Background and Necessity of the Project**

Punjab State, in the north of India, has a forest coverage rate of less than 6% due to conversion of forest into farm land, timber logging, overgrazing and other problems. This is extremely low coverage rate, compared to the national average of 19.39%. Particularly in the hills along the northern border, most of the soil is sandy and vegetation is scarce. In the plains, excessive pumping of groundwater causes salt damage and flooding in low-lying areas, leading to agricultural and sanitation problems.

The poverty in the hilly and mountainous marginal areas where local residents depend their livelihood on inefficient and primitive livestock grazing, gathering of firewood and coal. Increasing population and livestock in the state expand demand for forestry products. The persistent shortage risks further deterioration in living standards for the poor, who depend on the forests for most of their livelihood, and there is a strong need for the project.

**(b) Purpose and Description of the Project**

To afforest and rehabilitate degraded forest areas to bridge the gap between demand and supply of the forest products, to reverse environmental degradation of hilly area of the State through active participation of the communities, increase the forest/ tree cover by planting on available waste and farm lands and improve the stock and productivity of the forest. The project is to plant trees on 20,900ha throughout the state, with the participation of local residents, and protect and nurture the seedlings planted in Phase I, 6.193 billion yen in 1997. In connection with the afforestation, activities for the creation of alternative income sources (formation of self-help groups and vocational training with NGOs and other parties) will be carried out to support public participation, village community funds will be set up to fund those activities, and the provision of small-scale infrastructure (continuing from Phase I) will be supported. The project is expected to improve the natural environment, enhance water control ability and living standards of the poor.

The proceeds of the loan will be applied to the afforestation activities, soil conservation, research, extension, training, and procurement of materials and equipment.

The executing agency for the project is Department of Forests & Wildlife Preservation, the State Government of Punjab (Address: 17 Bays Building, Sector 17, Chandigarh-160 017, India, TEL: +91-172-701325, FAX: +91-172-701325)

**(4) Bakreswar Thermal Power Station Units Extension Project****(a) Background and Necessity of the Project**

India's power sector has not been able to satisfy the drastic demand in terms of both installed generation capacity and power supply volume. The gap between supply and demand is particularly large in the western and southern parts of India, where industrialization is progressing. The eastern state of West Bengal is also expected to experience steady growth in power demand as it develops economically. However, according to the estimates, there will still be a shortfall of about 6% in peak power supply even after this project is completed in 2007, and even if all planned power stations are completed on schedule. This forecast demonstrates strong necessity of the project.

**(b) Purpose and Description of the Project**

The project involves extension of units with total output of 420MW (210MW x 2 units) for a coal-fired power station in Birbhum district, northwest of Calcutta, state of West Bengal, eastern India. The extension of units in the power station is intended to cope with the state's rapidly growing demand for power and stabilize the power supply. In addition to this, the surplus in power generated during off-peak hours from construction of units 4 and 5 will provide for the pumping power necessary in Purulia Pumped Storage Power Station, which is currently being constructed in the state by JBIC ODA loans. By implementing this project, it is expected that the increasing supply will stimulate industrialization, which in turn will generate more employment and improve living standards for local residents through rural electrification and wider use of electrical appliances. JBIC has already provided ODA loans, 27.069 billion yen in 1994, 8.659 billion yen in 1995, 34.151 billion yen in 1997, and 11.537 billion yen in 1999, for the construction of the existing units 1-3 of this power station, all of which are now operating smoothly.

The proceeds of the loan will be applied to the procurement of power generation facilities, civil works and consulting services.

The executing agency for the project is West Bengal Power Development Corporation Limited (WBPDCL). (Address: New Secretariat Buildings, 6th Floor, eBf Block, 1 Kiran Shankar Roy Road, Kolkata, 700001, India, TEL: +91-33-2248-6439, FAX: +91-33-2248-6436)

(5) Rajasthan Forestry and Biodiversity Project

(a) Background and Necessity of the Project

Rajasthan State, in the northwest of India, has a forest coverage rate of 9% due to conversion of forest into farm land, timber logging, overgrazing and other problems. This is extremely low coverage rate, compared to the national average of 19.39%. The Aravalli mountain region, which is the project area, severely suffers particularly from the loss of forests, and the associated soil erosion and desertification. Desertification is proceeding rapidly in the area of the Indira Gandhi Canal, menacing the canal and other important infrastructures, as well as farm land and villages, which form the crucial living environment for local residents. The poverty in the hilly and mountainous marginal areas where local residents depend on inefficient and primitive livestock grazing and gathering of firewood and coal. Growing population and livestock in the state are increasing demand for forestry products, and its persistent shortage is a grave problem for the poor, who depend on the forests for most of their livelihood.

The state is home to 2,500 species of plant, 450 species of bird, 50 species of mammal, 20 species of reptile, 14 species of amphibian and many other insects, butterflies, small plants and animals. Deforestation puts their ecosystems in crisis, and urgent countermeasures are needed.

(b) Purpose and Description of the Project

The Project aims to carry out plantation works, soil and moisture conservation works to check the desertification and improve the ecological status of the Aravalis, and plantation around canals, roads etc. of Indira Gandhi Canal area, to improve biodiversity, to augment the availability of forest products such as fuel wood, fodder, to generate employment opportunities, and to improve the socio-economic conditions of the rural poor through active participation by local communities. The project will involve afforestation activities with resident participation in 18 districts within the state. Afforestation activities will concentrate on regenerating degraded forests (113,000ha) in the Aravalli mountain region and concentrate on anti-desertification (9,000ha) in the Indira Gandhi Canal area. In connection with the afforestation, activities for the creation of alternative income sources (formation of self-help groups and vocational training with NGOs and other parties) will be carried out to support public participation, village community funds will be set up to fund those activities, and the construction of small-scale infrastructure will be supported. At the same time, water conservation facilities will be built to conserve biodiversity, wildlife reserves will be rehabilitated to conserve its habitats, pasture will be nurtured and lodges will be built to prevent poaching. The implementation of the project is expected to improve the natural environment, conserve water resources and improve living standards for the poor. Related to the project, ODA loan had been provided, specifically, 7.869 billion yen for Afforestation and Pasture Development Project Indira Gandhi in 1991, and 8.095 billion yen for Afforestation Project in Aravalli Hills in 1992, and 4.219 billion yen for Rajasthan Forestry Development Project.

The proceeds of the loan will be applied to the afforestation activities, biodiversity conservation, research, extension, training and procurement of materials and equipment.

The executing agency for the project is Department of Forests, the State Government of Rajasthan (Address: Van Bhawan Vaniki Path, Jaipur – 302 004, Rajasthan, India, TEL: 91-141-519098, FAX: 91-141-519101)

(6) Yamuna Action Plan Project (II)

(a) Background and Necessity of the Project

Since India is undergoing intensive urbanization and industrialization, accompanied by population growth, the outflow of sewage far exceeds the self-purification capacity of the rivers. As a result, polluted river water causes sanitation and environmental problems for residents of towns in their basins. Many rivers in India, such as the River Yamuna, are perceived to be sacred and are used for holy bathing. They also provide drinking water, and are therefore, closely involved in the life of people living nearby. Government of India has set a National River Conservation Plan, and it is working to enhance the water quality of its major rivers as a national project. The Yamuna Action Plan is regarded as the core of the National River Conservation Plan.

(b) Purpose and Description of the Project

The project is Phase II of the Yamuna Action Plan Project, following on from Phase I, which was provided with 17.773 billion yen in December 1992. It addresses the abatement of increasingly serious pollution of the River Yamuna by raising sewage treatment capacity, caused by rapid population growth, industrialization and urbanization in the towns of the river basin, which includes Delhi, the capital of India. Building new and expanding capacity of old sewage treatment plants and laying and rehabilitating sewers will be also done to raise treatment capacity particularly in Delhi and Agra. These works will lead the improvement of the sanitation conditions for the residents of towns in the river basin.

Through residents of the Delhi and towns throughout the states of Uttar Pradesh and Haryana public participation and awareness activities are ensured their recognition of the necessity of conservation of water quality in the River Yamuna, and of the linkage between the conservation and their own living environments. Furthermore, the activities will raise awareness of the improvement of living standards. The institutional capacity building of the urban local bodies in each state will also be enhanced with the purpose of improving services and strengthening their financial and technological aspects. This effort will enhance project impacts by institutional capacity building at the municipal level.

The proceeds of the loan will be applied to the procurement of materials and equipment for sewage treatment facilities, civil works and consulting services.

The executing agency for the project is National River Conservation Directorate of Ministry of Environment and Forests, Government of India (NRCD) (Address: Paryavaran Bhawan, CGO Complex, Lodhi Road, New Delhi, 110003, India, TEL/FAX: +91-11-2436-2281)

(7) Ajanta – Ellora Conservation and Tourism Development Project (II)

(a) Background and Necessity of the Project

India's tourism sector is still under-developed, and its development is constrained by insufficient infrastructure, presence of poverty in tourist areas, and inadequacy of protection work for historical sites and heritages.

The cave temples of Ajanta and Ellora, which are registered world heritage sites, and other cultural heritage and historic sites in northern Maharashtra require conservation and preservation for their bedrock and wall murals from the impact such as rainwater percolation etc. In particular, the murals of the Ajanta cave have been deteriorating in recent years and appropriate remedial work is urgently required.

As temperatures in the area rise above 40C in summer, the facilities (such as tourist centers) must be built to enable tourists to visit the sites comfortably and without anxiety, and to have great knowledge of them. Also, road development and airport facilities for access to the sites are also still inadequate, so they are unable to attract more tourists or international flights.

(b) Purpose and Description of the Project

The project will preserve and conserve the cave temple group in Ajanta- Ellora and surrounding area of Aurangabad county, Maharashtra state, which have been designated as a world heritage site by UNESCO. It will also carry out infrastructure development, comprehensive tourism development, including visitor management and guide, and the construction and operation of tourist centers and human resource development, to bring a qualitative improvement in tourism. The project is expected to protect the historical sites, improve surrounded natural environments, stimulate the local economy, improve living standards for local residents and earn foreign exchange revenues. ODA loan had been provided as Phase I, with 3.745 billion yen in 1992.

The proceeds of the loan will be utilized to the procurement of necessary materials and equipment for conservation and preservation works for historical sites, construction of tourist centers, improvement and development of airport facilities, road improvements as well as civil works and consulting services.

The executing agency for the project is Ministry of Tourism & Culture, Government of India (Address: Transport Bhavan, Parliament Street, New Delhi 110001, TEL: 91 +11 +23715084. FAX: 91 +11 +23710518)