

JBIC Signs an ODA Loan Agreement for Costa Rica: Supporting Improvements in Living and Public Health Environment Through Development of Sewerage in Metropolitan Area

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on March 31 an ODA loan agreement totaling up to 15,001 million yen with the Republic of Costa Rica to finance the Metropolitan San Jose Environment Improvement Project.
2. The project aims to improve the seriously deteriorating water quality of urban rivers and waterways by developing sewerage facilities in San Jose, the capital city of Coast Rica, thereby improving the living and public health environment of local communities. The proceeds of the loan will be used for the construction of a sewage treatment plant, installation of sewage pipes, and consulting services.
3. In contrast to 89% of the population who are serviced with piped water on a national average, only 21% of households are connected to a sewerage system nationwide, and as little as 4% of wastewater is treated in Costa Rica. These figures are significantly lower than those of other Latin American and Caribbean countries. The sewerage treatment system is thus underdeveloped compared with the water supply system. Particularly, in the San Jose metropolitan area (population: 1.27 million), where some 30% of the country's total population lives and where the development of a sewerage system began as early as the 1920s, access to the sewerage system remains at 47%. Since sewage pipes are often broken in many places due to aging, sewage has spilled into rivers and waterways that run through the urban districts. Moreover, sewage collected in sewage pipes is discharged into rivers without any treatment, thereby causing serious environmental pollution and health hazards.
4. Under this project, sewerage facilities will be rehabilitated in the San Jose metropolitan area, the hub of economic activities in Costa Rica. This will lead to the treatment of sewage for 1.02 million people, about 65% of the local population, and contribute to an improved living and public health environment in local communities, including better water quality of rivers running through the urban districts and reduced incidences of cholera and other waterborne diseases. Since Costa Rica is endowed with abundant natural resources,[1] the promotion of an ecotourism campaign has been drawing an increasing number of tourists primarily from the United States and Europe in recent years.[2] Environmental improvements in the San Jose metropolitan area will therefore contribute to advancing the national policy of building a country dedicated to environmental conservation.

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[1] As Costa Rica borders both the Pacific Ocean and the Caribbean Sea, with a volcanic range running through the center, it has a rich variety of terrain. In addition, because of its location at the crossroads of the North and South American biospheres, the country is inhabited by a variety of wildlife, including some 850 species of birds, 6 species of marine turtles, and 1,800 species of orchids. One quarter of the national land is designated as national parks and nature reserves.

[2] With foreign tourist visits reaching some 1.45 million in 2004, tourism is an important source of foreign currency earnings (US\$1.36 billion in 2004) in Costa Rica.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Metropolitan San Jose Environment Improvement Project	15,001	1.2	25/7	General Untied

2. Project Executing Agency

Instituto Costarricense de Acueductos y Alcantarillados: AyA
 Address: Apdo. 1097-1200. Pavas, San Jose, Costa Rica
 Tel: 506-242-5111 Fax: 506-242-5042

3. Political and Economic Conditions in Costa Rica

After attaining independence from Spain in 1821, Costa Rica formed the United Provinces of Central America with other Central American countries in 1823. Costa Rica subsequently seceded from the United Provinces and became independent in 1848. The present constitution, which was established in 1949, prohibits the possession of armed forces, and all presidential elections since 1953 have been held under a democratic system. Costa Rica is thus regarded as one of the most stable democracies in Latin America and the Caribbean.

With a land area of 50,000 square kilometres (equivalent to Shikoku and Kyushu combined) and a population of 4.3 million, Costa Rica is a small country compared with other Central American countries. However, it boasts of US\$4,670 per capita GNI (2004), the highest in this region, and its GDP amounts to US\$13.4 billion. Although still largely an agricultural country with traditional production of bananas and coffee, Costa Rica has been promoting ecotourism with its rich variety of environmental resources. In addition, the country has successfully courted foreign investments in the light industry, such as textiles in the free zone, as well as in the high-tech industry, as represented by Intel. Services and manufacturing have also emerged as important industries for the country's economy. The industrial structure consists of the primary industry (agriculture, forestry, and fishery) accounting for a little less than 10% of GDP, the secondary industry (manufacturing, mining and construction) about 20%, and the tertiary industry (commerce, services, and others) the remaining portion.