

JBIC Signs the First ODA Loan Agreement in Six Years with the Republic of Peru

--In Support of Efficient Use of Water Resources and Expansion of Agricultural Output--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on December 4 a loan agreement totaling up to 5,972 million yen with the Republic of Peru to finance the Irrigation Sub-Sector Project. This is the first ODA loan that JBIC will provide for Peru in six years, since 2000.
2. The project is aimed at increasing agricultural production through improving efficiency of water use by rehabilitating irrigation infrastructure, installing water measuring and control facilities, introducing technical irrigation, and strengthening water users' organizations in the agricultural sector of the Pacific coastal area. The project will thereby contribute to higher farming income in the region. The proceeds of the loan will be applied to various sorts of rehabilitation/improvement works of irrigation facilities, as well as to consulting services including those for institutional strengthening of water users' associations, under multiple projects located in the 10 coastal regions.
3. Over half of the total population in Peru lives in the region facing the South Pacific Ocean. Irrigation facilities have been developed since the 1960s in this region, and the irrigated area now accounts for about half of the total irrigation area nationwide. As a result, despite its dry weather, this coastal region is a significant producer of farm products. In recent years, however, water resources have not been effectively utilized because of aging irrigation facilities, flood damages caused by El Nino, and inadequate operation and maintenance attributable to insufficient funds and capacity of water users associations. Given the increasing demand for urban water every year, boosting the efficiency in use of water resources is urgently called for.
4. The Project is expected to cover some 180,000 hectares of land, equivalent to around 10% of the total irrigation area in Peru, benefiting approximately 50,000 farming households. Consulting services provided under the project will strengthen the institutional capacity of water users' associations, thereby ensuring that irrigation facilities developed under the project are managed in an appropriate manner. The project will thus help improve the efficient use of water resources, and expand agricultural production. In addition, through the implementation of this project, it is expected that new employment opportunities will be created and living/income standards are to be upgraded in this region where many poor residents live.

(Click here for details)

1. Loan Amount and Terms

Name of the Loan	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Irrigation Sub-Sector Project	5,972	1.5	25/7	Untied

2. Project Executing Agency

Programa Subsectorial de Irrigaciones (PSI), Ministry of Agriculture
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3. Politics and Economic Conditions of Peru

Peru borders Ecuador and Colombia in the north, Brazil and Bolivia in the east, Chile in the south, and the Pacific Ocean in the west. With a total land area of approximately 1,290,000 square kilometers, Peru is the third largest country in the South American continent, following Brazil and Argentina. The breakdown of industry relative to GDP is as follows: primary industry (agriculture, forestry and fishery): about 10%; secondary industry (manufacturing, mineral and mining, construction, etc.): around 33%; tertiary industry (commerce, service, etc.): the remainder. While the country's gross national income (GNI) per capita stands at \$2,360 (2005), the poor account for about half of the total population. Peru started accepting immigrants from Japan as early as in 1899, and was the first country in Latin America and the Caribbean to officially establish diplomatic relationships with Japan in June, 1873. Peru and Japan traditionally enjoy a friendly relationship.