

JBIC Signs ODA Loan Agreement with Mozambique --Supporting Poverty Reduction through Road Development--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today an ODA loan agreement totaling up to \3,282 million to finance "Montepuez-Lichinga Road Project" with the government of Republic of Mozambique. This is the first ODA loan that JBIC provides to Mozambique, and is cofinanced^[1] with the African Development Bank (AfDB) under the Enhanced Private Sector Assistance (EPSA) for Africa^[2] (For details, please see Appendix).
2. Under the project, a national road running across the two provinces (Cabo Delgado and Niassa) located near the Tanzanian border in northern Mozambique will be improved. The proceeds of the loan will be applied to civil works such as road pavement, as well as construction management. While the project site is one of the major agricultural production areas in Mozambique, underdeveloped infrastructure is hampering the effective transport of agricultural commodities. As a result, the region's per capita GDP is lower than those in other provinces, and the percentage of the poor is among the highest in the country. By improving transport carrying agricultural products, the project is expected to contribute to the development of the region and poverty reduction in the local community.
3. In Mozambique, after many years of civil war, a ceasefire was agreed in 1992. Since then, the country has made steady progress in democratization and reconstruction/development, with its economy registering an 8% annual average growth in recent years. Despite such progress, the development of road network, which was devastated by civil war, continues to lag. Many sections of the road are disconnected during the rainy season, thus making it difficult for local communities to engage in trading or interchanging activities with one another. Under these situations, it is an important agenda for the government of Mozambique to improve the road network, thereby promoting regional integration, invigorating the economy, and providing people with greater access to basic social services.
4. The Medium-Term Strategy for Overseas Economic Cooperation Operations (2005~2007) designates as priority areas "a foundation for sustained growth" and "poverty reduction." In its assistance to Sub-Saharan Africa, JBIC will focus on countries with a relatively good solvency and governance, and support their infrastructure development which will benefit wide areas that stretch across national boundaries, as well as development of the private and agriculture sectors.

(Click here for details.)

[1] This is the third project for which JBIC has provided a loan in cofinancing with AfDB under EPSA for Africa, following the Road Improvement and Transport Facilitation Program on the Southbound Bamako-Dakar Corridor (March 2006) in Senegal, and the Arusha-Namanga-Athi River Road Development Project (March 2007) in Tanzania. Upon the signing of the latest loan agreement, the accumulated loan commitments have reached approximately 11.1 billion yen.

[2] EPSA for Africa was launched by the government of Japan in 2005 as a comprehensive initiative to support African private sector development. It sets forth that JBIC will provide ODA loans, in cooperation with AfDB, totaling up to USD\$1 billion over the period of five years.

Reference

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/Grace Period (Year)	Procurement
Montepuez-Lichinga Road Project	3,282	0.01%*	40/10*	Untied**

* Lending term under the MIRAI Initiative[1].

** Decided by international tender among participating countries and member countries as defined by the agreement on the establishment of African Development Fund (AfDF).

2. Project Executing Agency

ANE (National Roads Administration)

Address: Avenida de Moçambique 1225 CP, Maputo, Mozambique

Tel: 258-21-476163/7 Fax: 258-21-475862

3. Political and Economic Conditions in Mozambique

Mozambique shares borders with Tanzania, Malawi, Zambia, Zimbabwe, South Africa and Swaziland, and its east coast faces the Indian Ocean. Its total land area extends some 802,000 square kilometers (about 2.1 times that of Japan), and the country has a population of about 19.8 million, with per capita GNI standing at US\$310 (2005).

After the country became independent in 1975, a dispute between the Front for the Liberation of Mozambique (FRELIMO), the current ruling party, and the Mozambique National Resistance (RENAMO) erupted into a prolonged civil war. Eventually, a comprehensive peace treaty was signed in 1992, putting an end to the civil war that had lasted since independence. In the wake of the presidential and parliamentary elections held in 1994, the Chissano administration (FRELIMO) was set up, and the country has been enjoying relatively stable political conditions ever since, while making steady progress in democratization and development. Under the leadership of President Guebuza (FRELIMO), the government of Mozambique today is making further efforts toward further democratization and development. In diplomatic relations, Mozambique has placed importance in recent years on activities as a member of the Southern African Development Community (SADC) and the African Union (AU), as attested by the dispatch of its security force to the post-conflict Republic of Burundi as part of peace keeping operations (PKO).

The major industries of Mozambique are agriculture, including the production of cashew nuts and sugar, shrimp-based fishery, and mining and manufacturing centered on aluminum. The Mozambique economy has been stable, posting a 7.7% annual real GDP growth rate with a 6.4% inflation rate (rate of increase in consumer price index) in 2005.

[1] New ODA loans' concessional scheme with a 0.01% interest rate and a 40-year repayment period applicable to low-income LDCs. MIRAI stands for Minimal Interest Rate Initiative for low-income LDCs. The word "MIRAI" also represents means "future" in Japanese.