

## **JBIC Provides Japanese ODA Loan to Panama**

### **--First Japanese ODA Loan in 15 Years to Help Improve Living and Public Health Environment in the Metropolitan Area--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on June 25 a Japanese ODA loan agreement totaling up to 19,371 million yen with the Republic of Panama to finance the Panama City and Panama Bay Sanitation Project in Panama City, the capital of Panama. This is the second Japanese ODA loan that JBIC has provided to Panama, following the first such loan extended 15 years ago. This is also the first project-type loan for the country.
2. The Project aims at improving the environment of Panama City and Panama Bay, where pollution has become serious, by developing the country's first full-scale wastewater treatment system, thereby upgrading the living conditions and public health environment of residents in the metropolitan area. The proceeds of the loan will be applied to the new construction and rehabilitation of the sewerage and wastewater treatment plant, as well as consulting services including the capacity enhancement of the project executing agency.
3. In the metropolitan area (population: approximately 1.18 million) of Panama, sewerage facilities are not adequately developed, and untreated sewage of 330,000 cubic meters/day (2005) flows into rivers running across the urban area discharging into the Panama Bay. This has been causing serious environmental pollution, and in the areas facing the Panama Bay, residents suffer from unpleasant odors day in and day out, and fishing activity has been banned since 2001. This has significantly undermined the Panama City's image as a capital on the waterfront. It is thus an urgent issue to purify and revitalize waters in the Bay by developing the wastewater treatment system.
4. This loan is cofinanced with the Inter-American Development Bank (IDB). By closely working with the IDB, JBIC will support not only construction supervision but also the capacity enhancement of Instituto de Acueductos y Alcantarillados Nacionales (IDAAAN), which will conduct the operation and maintenance of the facilities constructed under the project. The Japanese government announced on March 30, 2007 the "New Terms and Conditions of Japanese ODA Loan" which set out that loan terms for medium-developed countries will be significantly reduced. This is the first Japanese ODA loan to which these concessional terms have been applied: an interest rate of 1.2% per annum for the main project facilities (rate for environmental projects), and of 0.01% (MIRAI Initiative) for consulting services.
5. One of the targets set in the UN Millennium Development Goals (MDGs) is to "halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation." Given the significance of water and sanitation in Latin America and the Caribbean, as elsewhere, JBIC has supported a number of water supply and sewerage development projects in the region. JBIC will continue its vigorous support for the water and public health sectors in Latin America and the Caribbean, thereby helping the region's efforts to achieve MDGs.

(Click [here](#) for details.)

### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period /Grace Period (Year)	Procurement
		Main Project Facilities	Consulting Services		
Panama City and Panama Bay Sanitation Project	19,371	1.2	0.01	25/7	General Untied

\* Lending terms under the MIRAI Initiative[1]

### 2. Project Executing Agency

Ministerio de Salud (MINSa)  
Address: Edificio No. 255, Ancon, Oficina 114, Panama  
Tel: +507-212-9373, Fax: +507-212-9373

### 3. Profile of Republic of Panama

Panama has a land area extending to some 76,000km<sup>2</sup>, a little smaller than Hokkaido, with a population of 3.17 million. Nominal GDP stands at US\$17 billion (2006), and the tertiary industry accounts for 74% of GDP, and 65% of labor force. Panama's economy rests primarily on the service sector, which includes operating the Panama Canal, banking, tourism and the Free Zone (bonded area).

The Panama Canal provides an important trade route for Japanese businesses as they import crops from the U.S., export automobiles and other products to the U.S., and purchase natural resources from South America. In terms of the number of users who transverse the Canal, Japan ranks the third after the U.S. and China. A large number of Japanese firms are utilizing the transoceanic crossway, and operating business in the Free Zone. In October 2006, Panamanians passed a referendum, by a 78% majority, to expand the century-old Panama Canal. With this ambitious project already set in motion, the significance of the Canal for Japan is expected to further increase over the coming years.

President Martin Torrijos (Democratic Revolutionary Party), who won the election in 2004, has been taking the reform initiative by cashing in on his stable political foundation. In an effort to achieve fiscal soundness, raise the age of pension payment eligibility as well as gradually increase the pension contribution percentage, President Torrijos moved reform bills through Parliament, including: the fiscal reform bill in January, 2005 and the social insurance reform bill in June, 2005.

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