

JBIC Signs ODA Loan Agreement with Bangladesh

--Quick Response to Emergency Needs after Disasters caused by Largest-Class Floods and Cyclone--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed today a Japanese ODA loan agreement totaling up to 6,960 million yen with the Government of the People's Republic of Bangladesh to finance the Emergency Disaster Damage Rehabilitation Project. This is the first loan to carry a minimal interest rate for efforts to recover from emergent disasters.[1]
2. The objective of the project is to support quick restoration of economic and social activities in Bangladesh that received one of the worst damage in its history through natural disaster by providing import financing for essential goods (rice, wheat and fertilizer) as well as by rehabilitating damaged public infrastructure such as roads and embankments. The project will thereby contribute to the country's sustainable economic growth.
3. Bangladesh was hit by two devastating floods in July and September 2007, with 42% of its total land area flooded and 46 of the total 64 districts suffering heavy damage. Added to this was the direct landfall of the cyclone Sidr that had a maximum wind speed exceeding 60 meters per second, and which occurred in November 2007. The landfall of the cyclone coincided with the rice-harvesting season, thus causing extensive damage, especially in the southwestern coastal region. The number of affected people and lost lives reached 20 million and 4,000 respectively. Devastating damage was also inflicted on roads and other basic infrastructure facilities that are crucial for the livelihoods of citizens. The overall damage is estimated at more than 350 billion yen (more than 4% of the country's GDP[2]). In response, the government of Bangladesh has placed the highest priority on social stability through quick restoration from the disasters.
4. Since the outbreak of these disasters, the Japanese government has provided emergency relief supplies through Japan International Cooperation Agency (JICA) and emergency grant aid through the United Nations agencies. This project is a follow-up of these relief efforts, with a view to providing continued, seamless support from Japan. The loan is cofinanced by the Asian Development Bank (ADB), which had experience assisting recovery from flood disaster in 2004. Such arrangements resulted in quick provision of the loan, only three months after the request was made to the Japanese government.
5. It is pointed out that climate change has caused more frequent and more large-scale flood and cyclone disasters in recent years. Under these circumstances, Bangladesh, with more than 90% of its land at altitudes of less than nine meters above sea level, has the need to take medium- and long-term adaptation measures to climate change, besides the quick restoration. Thus, in rehabilitating infrastructure in the project, JBIC will be working closely with JICA's technical cooperation activities, well in advance of the emergence of the new JICA in October this year, will be taking into account climate change perspectives. Such collaboration and perspectives will enable higher resistance design against flood disaster by drawing on Japanese experience and adaptation to climate change.
6. The quick response to the emergency through the project will support Bangladesh efforts against natural disaster. Furthermore, it will strengthen ties between the two countries toward addressing climate change. As Japan will chair G8 the Summit in 2008 and is expected to play an active role in addressing climate change issues, JBIC will actively provide support for adaptation to climate change with its ODA loans. JBIC will thereby contribute to Japan's playing a leading role in the international community in the fight against climate change.

(Click here for details.)

[1] The loan was provided on preferential terms of a 0.01% interest rate, 40-year repayment period and 10-year grace period. Given the pledge of the Japanese government to increase the volume of its official development assistance (ODA) by US\$10 billion in aggregate over the next five years from the level of base year 2004, the Japanese government has launched a policy of actively utilizing Japanese ODA loans to firmly implement this international pledge. Starting from April 1, 2007, these terms were also introduced to strengthen assistance to emergency disaster recovery, as there had been a growing call for strategic and fast-response Japanese ODA loan operations.

[2] For example, the total damage of the Great Hanshin- Awaji Earthquake in 1997 amounted to about 2% of Japan's GDP.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Emergency Disaster Damage Rehabilitation Project	6,960	0.01	40/10	Untied

2. Project Executing Agency

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Roads and Highways Department, Ministry of Communications
Address: Sarak Bhaban, Ramna, Dhaka
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Bangladesh Water Development Board (BWDB)
Address: WAPDA Building (2nd Floor), Motijheel, Dhaka
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3. Political and Economic Conditions in Bangladesh

Bangladesh is located in the northeastern part of the Indian subcontinent and has a land area of 144,000 square kilometers, or about 40% of Japan. Its population is 140.49 million (in 2005) and its GDP per capital GDP is US\$480 dollars (2005/06). It gained independence in 1971, and since the democratic movements at the end of 1980, governments have changed between two major parties—the Bangladesh Nationalist Party (BNP) and the Awami League (AL)—through democratic elections. In 2006, as a result of amid calls for boycotting of the general elections by opposition AL, the caretaker government resigned and a state of emergency was declared. At present, the country is under the rule of the new caretaker government that pledged general elections by the end of 2008, while making efforts toward free and fair elections by rooting out corruption and developing the voter registration list. In foreign relations, Bangladesh sustains friendly ties with neighboring and Islamic countries, is strengthening ties with major donor countries, including Japan, and pursues a moderate foreign policy as a democratic Islamic country, while actively contributing to peace-keeping operations of the United Nations.

The major industries are: agriculture (rice, wheat and jute etc.), garment, fisheries and jute processing. Especially, agriculture accounts for 60% of employment. Whereas recent economic growth has hovered steadily around 5-6%, the damage caused by the flood and cyclone disasters have significantly reduced the projected GDP growth in fiscal 2008 (July 2007-June 2008) from 7.0% to 6.0%. In particular, growth in the agricultural sector is forecast to fall from 3.4% to 2.3%, which attests to the vulnerability of its economic structure to such external shocks as natural disaster.