

Signing of Japanese ODA Loan Agreements with the Government of India

Promoting renewable energy development and supporting energy savings at MSMEs

On September 1, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with Indian Renewable Energy Development Agency Limited and Small Industries Development Bank of India, respectively, to provide up to 60 billion yen.

Along with rapid economic growth, energy consumption is increasing rapidly in India. With demand growing at an annual rate exceeding 7 percent since 2001, the power supply cannot keep pace, leading to a chronic power insufficiency of about 10 percent that entails frequent urban power outages. Compensating for this shortage, fossil fuel imports have greatly increased in recent years which have been a serious concern for India in terms of financial strain and energy security. To increase the supply of domestically produced power and reduce the dependency on fossil fuel imports, the Government of India is promoting the use of new and renewable energy and taking measures to make energy use more efficient by enacting the Energy Conservation Act and the Integrated Energy Policy.

Through the India-Japan Energy Forum and the Japan-India Energy Dialogue, the Government of Japan announced that it would continue to proactively support India's environmental and energy policies. In addition, at the Japan-India Summit Meeting held in New Delhi in January 2014, Japan and India agreed to continue working together to further strengthen cooperation in the energy sector, and these loan agreements build on that understanding. The signed Japanese ODA loans have the following characteristics:



Signing ceremony for the New and Renewable Energy Development Project (Phase 2)



Signing ceremony for the Micro, Small and Medium Enterprises Energy Saving Project (Phase 3)

(1) Promoting Renewable Energy Development

Compensating for power shortage, fossil fuel imports have greatly increased in recent years. Through "New and Renewable Energy Development Project (Phase 2)," mid- to long-term funding required for renewable energy projects will be provided to electricity producers through the Indian Renewable Energy Development Agency (IREDA). The Government of India has been working to spread the use of solar energy production, which is an important focus of this project. Through this project, stable and diversified sources of power supply will be promoted to meet demand, which is expected to support sustainable economic development in India and mitigate climate change.

(2) Supporting Energy Savings at Micro, Small and Medium Enterprises

With increases in energy consumption driven by rapid economic growth, India is now the third largest energy consuming country in the world. However, India's energy consumption per GDP is more than five times higher than that of Japan, and therefore improving energy efficiency is a significant challenge for the country. Through Small Industries Development Bank of India (SIDBI) and other financial intermediaries, "Micro, Small and Medium Enterprises Energy Saving Project (Phase 3)" primarily provides medium- to long-term financing to Micro, Small and Medium Enterprises (MSMEs) working towards energy saving initiatives. This project will allocate part of the funds to the health care sector for pilot projects. By improving energy efficiency in the MSME sector, this project is expected to contribute to environmental improvement and sustainable economic development in the country, as well as mitigating climate change.

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
New and Renewable Energy Development Project (Phase 2)	30,000	0.25	-	30	10	General untied
Micro, Small and Medium Enterprises Energy Saving Project (Phase 3)	30,000	0.15	-	15	5	General untied

2. Project Summaries

(1) New and Renewable Energy Development Project (Phase 2)

(a) Background and Necessity

Due to the rapid economic growth in India, the power supply cannot keep pace, leading to a chronic power insufficiency and fossil fuel imports have greatly increased in recent years. In order to diversify energy sources, the Government of India is promoting the use of new and renewable energy. While new and renewable energy accounted for 26,920 megawatts, or 13 percent of the power generation capacity in India in 2013, it is estimated that the country has a potential capacity of 183,000 megawatts. The 12th Five-Year Plan (FY2012–2016), the government's development plan, has set a target to an additional 118,536 megawatts, of which 30,000 megawatts should be through new energy and renewable energy.

(b) Objective and Summary

Under the project, mid- to long-term funding required for renewable energy projects will be provided to electricity producers through the Indian Renewable Energy Development Agency (IREDA). The project will support IREDA's efforts in promoting new and renewable energy such as wind power, solar energy and hydro power, as a way to mitigate climate change. The Government of India has been working to spread the use of solar energy production, which is an important focus of this project.

(c) Executing Agency

Indian Renewable Energy Development Agency Limited (IREDA)
Address: August Kranti Bhavan, Bhikaiji Cama Place, New Delhi 110066, India
Phone: +91-11-2671-7400, fax: +91-11-2671-7416

(d) Planned Implementation Schedule

(i) Completion of project: March 2020 – with completion of the loan process

(ii) Issuing of letters of invitation for consulting services (including construction monitoring): Hiring of consultants is not planned.

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Procurement activities are expected to take place under sub-loan projects undertaken by renewable energy companies in India that receive funding from IREDA.

(2) Micro, Small and Medium Enterprises Energy Saving Project (Phase 3)

(a) Background and Necessity

MSMEs in India currently contribute 45 percent of the nation's industrial output as well as 40 percent of exports, playing a core role in the country's economy. However, due to their antiquated facilities and equipment, energy use efficiency by MSMEs is much lower than that of large companies. Although the Government of India has given lending priority to MSMEs based on the Micro, Small and Medium Enterprises Development Act, efforts to improve energy efficiency need to be further strengthened since awareness of energy efficiency among MSMEs is low compared to large companies, and at the same time capital investment of the MSME is limited due to lack of finance scheme.

(b) Objective and Summary

This project provides medium- to long-term financial assistance to MSMEs in India primarily to make energy efficient facilities, which will improve energy efficiency in the MSME sector, thereby contributing to environmental improvement and sustainable economic development in the country, as well as mitigating climate change. This project will also aim to promote high energy-efficiency equipment, including equipment utilizing Japanese technology, and will allocate part of the funds to the health care sector for pilot projects.

(c) Executing Agency

Small Industries Development Bank of India (SIDBI)

Address: SME Development Centre C-11, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051, Maharashtra, India

Phone: +91-226-753-1100, Fax: +91-226-753-1175

(d) Planned Implementation Schedule

(i) Completion of project: March 2019 – with completion of the loan process

(ii) Issuing of letters of invitation for consulting services (including construction monitoring): Hiring of consultants is not planned.

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Although there will be no bidding for construction, procurement activities are expected to take place under sub-loan projects financed through intermediary financial institutions.