

JBIC TODAY

A newsletter linking JBIC with people worldwide



Evening view of Lake Baikal (Russia)
PHOTO: SEKAI BUNKA PHOTO

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The New Medium-Term Strategy for Overseas Economic Cooperation Operations

JBIC Announces the New Medium-Term Strategy for Overseas Economic Cooperation Operations

The Japan Bank for International Cooperation (JBIC) announced on April 1, 2002, the new Medium-Term Strategy for Overseas Economic Cooperation Operations covering the three-year period from April 1, 2002, through March 31, 2005.

The new Medium-Term Strategy set out thematic and regional priorities of ODA loan operations to ensure effective and efficient implementation of ODA loan operations. JBIC is required by the JBIC Law to set forth the Medium-Term Strategy every three years and obtain the approval of the Foreign Minister. It follows the ODA charter and the Medium-Term ODA policy by the Japanese government.

The new Medium-Term Strategy replaced the previous Medium-Term Strategy, the first medium-term policy JBIC announced in December 1999, upon expiration of it on March 31, 2002. In the process of preparing the new strategy, JBIC invited public comments to make it reflect a broad range of opinions in the public.

◆ Basic Approach: Selective Support, Greater Knowledge Assistance, and More Open ODA Loan Operations

In view of the current situation surrounding ODA loans, the new Medium-Term Strategy sets forth three (3) dimensions on which ODA loan operations will be conducted. First, given the tight fiscal situation, selective support will be provided in the face of various development needs in individual countries for more effective and efficient assistance. This means selective focus on high-priority projects in the areas where development needs are high. Also, in countries where economies are relatively developed and economic infrastructure may be developed by private-sector financing, the focus will be shifted from economic infrastructure to the social sector, including poverty reduction, human resource development, and environmental conservation.

Second, to increase the development effectiveness of ODA loan-supported projects in developing countries, more knowl-



ODA loans at work in the education sector (Jordan)

edge assistance is called for, comprising such intangible support as improvement of policies and institutions and strengthening of organizational capacity. In providing such support, JBIC will draw on Japanese know-how and experience, seeking to realize development assistance with a distinct Japanese imprint.

Third, ODA loan operations will be more open, with participation from the general public. Throughout the project cycle, from project formation to implementation and to the operation of the completed project, JBIC will move forward ODA loan supported projects in partnership with prefectural and municipal governments, NGOs, and other development players. JBIC will also be more active and prompt in disclosing information on ODA loan operations to make its operations transparent to the public, and strive to create a mechanism that will enable its operations to reflect their opinions.

In the content of these three (3) dimensions, the new Medium-Term Strategy articulated seven (7) thematic priority



Sewage treatment operations at the Yamuha River basin community (India)

areas, including strengthening support for poverty reduction, developing infrastructure for economic growth, support for environmental improvement, and support for human resource development, while continuing to place regional priority on Asia. To strengthen support for poverty reduction, it is essential for the poor to participate in the decision-making process. JBIC will thus promote participation by the poor in project formation, implementation, maintenance, and monitoring by seeking partnerships with NGOs.

Furthermore, the new Medium-Term Strategy took into account twelve (12) policy issues in conducting ODA operations. These include identifying development needs, due environmental and social considerations, consideration for debt burden of individual countries, and improving evaluations and constant efforts to reevaluate projects. By drawing on and extensively utilizing the Special Assistant Facility (SAF), JBIC's grant facility to fund special technical assistance, JBIC will push forward knowledge assistance, at the same time closely monitoring ODA loan-supported projects, in pursuit of speedy project implementation.

◆ Formulating the New Strategy through More Open Process

In line with the basic orientation toward more open ODA loan operations, JBIC formulated the new Medium-Term Strategy using a more open process, soliciting recommendations from external experts and public comments from civil society.

Between November 2001 and January 2002, JBIC evaluated operational performance under the previous Medium-Term Strategy to map out the new Medium-Term Strategy on the basis of results of this evaluation. To ensure objectivity in this evaluation as well as to solicit recommendations for the new Medium-Term Strategy, JBIC requested external experts to review this evaluation report. Among opinions offered by them are: The new strategy must include an explicit reference to where ODA loan operations stand in the context of overall ODA; priority on support for poverty reduction must be clearly stated; and knowledge assistance activities must be accelerated. These recommendations were then reflected in drafting the new Medium-Term Strategy.

Also, from January 28 to February 15, 2002, JBIC invited public comments to feed them back into formulating the new Medium-Term Strategy. During the approximately three-week period, 100 comments were received from a broad segment of society, including academia, industry, and the media. For example, the Keidanren (Japan Business Federation), the Japan Consulting Institute, and others requested that the new strategy encompass increased collaboration with private-sector companies and that reasons should be indicated why ODA loans support social development. These opinions have been reflected in the new Medium-Term Strategy. In other areas, JBIC's efforts for public participation and information disclosure were favorably acknowledged, and skepticism was voiced over ODA operations in some specific countries. JBIC will draw on these opinions as voices of the people to improve future operations.

The Japanese public has put ODA, including ODA loans, under increasing scrutiny in recent years. JBIC is committed to conducting ODA loan operations that are both transparent to Japanese taxpayers and meet their expectations. At the same time, JBIC will make a forceful effort to disseminate information, while conducting its operations that reflect opinions and expectations of the public.

The full text of the new Medium-Term Strategy for Overseas Economic Cooperation Operations is available at JBIC's website:

<http://www.jbic.go.jp/english/oec/policy/index.php>



World Heritage Pantanal moorland (Brazil)

Expectations for the New Medium-Term Strategy

The following messages received from five individuals are representative of numerous comments sent to JBIC in drawing up the new Medium-Term Strategy for Overseas Economic Cooperation Operations.



Takeshi Igarashi
Professor,
Faculty of Law, University of Tokyo

Japanese ODA lending has focused on supporting economic development in the past, and it has been appreciated in this respect. In comparison, this new strategy has two distinctive features. First, the strategy extended the scope of lending into the social sector, including addressing poverty, human resource development, and the environment. Second, priority is also placed on partnerships with NGOs, prefectural and municipal governments, and private-sector firms. The terrorist attacks on the United States on September 11, 2001, indicated clearly that not addressing poverty problems in the world will threaten security in industrial countries. In other words, the fight against poverty has emerged as an issue on the agenda of Japanese foreign policy and is no less a priority than economic development.

Anti-poverty measures have constituted an area traditionally covered by grant aid. If ODA lending is to cover this area, new expertise is required for effective implementation, such as collaborative arrangements with grant aid and flexibility in setting the size of the loan to meet the needs of individual projects. In this context, partnerships with NGOs and local authorities will likely build cooperative relationships with people who are knowledgeable enough to make decisions on appropriate projects best suited to local conditions. Developing such forms of assistance will be useful to Japan in accumulating its own know-how.



Kaori Ito
Gifu Prefectural Government

As a Japanese citizen, I appreciate the efforts of JBIC to seek comments from the public at large and reflect views sent to it in drawing up its Medium-Term

Strategy for ODA loan operations. I see there is a commitment to information disclosure and public participation.

International cooperation and ODA, in particular, ODA lending, are not topics in which many ordinary citizens are highly interested. Thus, it seems important to make careful and steady efforts if ODA lending is to elicit public approval. As for myself, I had an opportunity to interact with JBIC staff in the course of my work during fiscal 2001, and I acquired a distinct profile of JBIC, which had been a distant entity in my mind. Along with it, ODA has become a somewhat familiar subject to me.

As a public servant in the prefectural government, I am happy to see that the Medium-Term Strategy referred to local governments as partners in international cooperation efforts. I am positive that locally rooted governments—which have a wide variety of potential, resources, and problems—and citizens can provide finely tuned assistance to other countries and regions by engaging in international assistance. At the same time, they will have new learning experiences for themselves.



Takeshi Sakai
General Manager,
Overseas Services Dept.,
Nihon Suido Consultants Co., Ltd. (NSC)

The Role of NGOs and the Guidance and Support of Governments

A small-scale water supply project was being formed in a rural village of one developing country, funded by a German NGO and participated in by a local NGO as well as the local community. There are a number of interesting points in this project. First, it is funded not by a grant but by a loan, which has to be repaid. Second, roughly 20% of the project cost is borne by local residents in the form of financial contributions and the provision of labor services on a voluntary basis. Third, fees collected from the residents for using water are deposited in a bank for repayments. Fourth, these repaid funds will

be used eventually to finance similar water supply projects in the future. Although I could not confirm all the details, given the limited time for communications with the local NGO, I had several misgivings about this program. First, the local NGO handling the design and construction of the facilities lacked sufficient technical training. Second, there was not sufficient analysis of fees charged for using water, operation and maintenance costs, and repayments. Third, although the planned facilities were quite simple, using the natural flow method with a spring as the water source, there is no clear plan for operation and maintenance and monitoring water quality. Fourth, since the local government (at the provincial or district level) had not been informed of the program, their support and monitoring were unclear. It is true that this program stands head and shoulders above many other water supply projects where the higher authority has installed facilities without obtaining an explicit commitment on the part of the local residents in regard to undertaking operations and maintenance. However, in light of these misgivings, I suggest such NGO efforts need governmental guidance and support and that the scope of their role should also be well defined.



Haruhito Sumikawa
Deputy Editor-in-Chief,
Asahi Shimbun

As the income gap between industrialized and developing countries continues to grow amid ongoing globalization, the United Nations Millennium Summit set the goal of halving the number of poor people living on less than US\$1 a day by 2015. To this end, discussions about efforts to reduce poverty by 50% were conducted at the International Conference on Financing for Development, held in Monterrey, Mexico, and at the World Summit on Sustainable Development, held in Johannesburg, South Africa, in August 2002. In this context, it was a timely move for JBIC to place "Strengthening Support for Poverty Reduction" at the top of its priority list. However, considering that poverty in developing nations is closely intertwined with a lack of democratic and transparent political and administrative institutions, "strengthening democracy" should have been embraced as a priority issue as well. Specifically, this priority should include fostering a free and highly independent mass media, encouraging efforts toward

gender equality, and supporting movements to eliminate antiquated evil customs. We must also use ODA to help efforts to resolve conflicts that stem from religious and ethnic disputes. We must strengthen support for projects and institution building that are conducive to conflict resolution and prevention. Regarding public comments on the Medium-Term Strategy, it would be more effective to seek public comments at the draft stage. This should be on the future agenda.



Makoto Nagahata
Councilor,
SHAPLANEER (Citizen's Committee
in Japan for Overseas Support)

First of all, I would like to commend the new Medium-Term Strategy for its affirmative and positive recognition of NGOs, which are striving on the ground to advance development in developing countries. I sent my comments when JBIC solicited public comments. I noted that the new strategy explicitly stated the importance of assistance efforts of NGOs and other civil society organizations and partnerships with local residents under the subheading "Enhancing Developing Partnerships" in the basic approach. There is a passage under Strengthening Support for Poverty Reduction in one of the priority areas that "JBIC will promote involvement by the poor and socially disadvantaged in project formation, implementation, maintenance, and monitoring by seeking partnerships with NGOs." These policy statements open up the possibility for not only NGOs but also citizens in the local community to actively participate in all the stages of the project cycle. I would like to see how these statements will be translated into specific actions in the future.

If Japanese ODA loans aim at poverty reduction and sustainable development, NGOs will become indispensable partners, as they are capable of taking a bottom-up approach to the problem of poverty by working in tandem with citizens at the grassroots level. I believe that it is important to regard NGOs not simply as contractors for implementing a specific program but as equal partners working together on a development agenda and thus promote dialogue and collaboration with them at all stages, from policymaking to project formation and implementation to ex-post evaluation.

Russia Pushes through Reforms

Approximately 10 years have elapsed since the collapse of the former Soviet Union. Following the financial crisis of 1998 and the changeover from the Yeltsin administration to the Putin administration, signs of change are starting to be seen in Russia in terms of politics, the economy, and many other areas. Concurrently, the environment surrounding Russia is also undergoing change. Mr. Kensaku Kumabe is currently Director General of JBIC's International Finance Department II handling financing to Russia, and he has spent three and a half years stationed in Russia through September 2000. *JBIC Today* talked with Mr. Kumabe about Russia and the international climate as well as the situation and issues facing Russian-Japanese business.

◆ Change in Russia

JBIC Today: *Nearly four years have passed since the financial crisis. How have political conditions changed under the Putin administration?*

Kumabe: Before I address that question, I would like to say one thing. I received a phone call from a Japanese acquaintance who heard about the rioting in Moscow following the June 9, 2002, World Cup soccer match between Russia and Japan. This person remarked, "So, Russians still resort directly to violence when they suffer from supply shortages and they are going hungry." Although Russia was not the only country to experience soccer-related riots and the cause of the rioting was certainly not famine, this comment

reminded me that the Japanese perception of Russia is still that of the era directly following the fall of the Soviet Union (confusion, shortage of supplies, long lines, etc.). The comments I will make are intended to promote the understanding of the current state of Russia and hopefully prove useful in future Russian-Japanese business relations.



Mr. Kumabe

The Yeltsin administration failed to implement consistent policies. There were frequent cabinet changes and many heated conflicts with the Russian parliament. Even though various programs and laws were created, they were frequently altered, or ignored by regional governments, who often behaved in a rogue manner. Russia during the Yeltsin administration was clearly lacking in political, economic, and social stability, with its future rendered unpredictable. Although there was a short-lived bubble-like economic boom in 1997 when President Yeltsin was reelected, in August 1998, the country became unable to repay its swelling public domestic debt, and the financial crisis set in.

President Putin, who assumed office in May 2000, advocated equality under the law and a strong body politic as a means for Russia to extricate itself from its predicament. He has implemented a number of policies and is now assembling a virtually centralized government. Typical examples of this are the system of federal jurisdiction districts and the system of governor dismissal that Putin introduced to reduce the political strength of regional governors and their administrations, or the change in the tax revenue distribution system to one that favors the federal government, in which a large amount of tax revenue comes to the federal government. A framework was assembled by which regional governments are more dependent upon subsidies provided by the federal government. Relations with the national legislature also changed in comparison with the previous administration. With majority control maintained by factions that support President Putin, nearly all proposed bills have been adopted. Thus, Russia's internal politics, which were in a state of confusion under the previous administration, are now poised for stability.

JBIC Today: *What is the state of the economy in post-financial crisis Russia?*

Kumabe: During the 1998 financial crisis, there was great apprehension over the fate of the Russian economy, as depositors became unable to withdraw their accounts and temporary bank closures followed in rapid succession. However, this confusion proved to be short-lived.

The Russian economy has displayed a rebounding recovery. Prices of petroleum, the country's largest export, surged in mid-1999, the substantial markdown of the ruble allowed domestic companies to regain competitiveness (thereby reviving industries that provide import alternatives), and the burden on the national budget has been lightened through a reduction

in real public debt. Since 1999, economic growth in Russia has been more than 5% for three consecutive years. It is also predicted that the economy will continue to grow by 3% to 4% in 2002 and 2003. Industrial productivity also surged 30% over the same three years. Following the birth of the revitalized Russia, the prolonged negative growth in capital investment turned positive in 1999, displaying more than 30% growth over the three-year period. Russia's trade balance has also improved dramatically since 1999, resulting in a surplus of more than \$60 billion in 2000 and more than \$50 billion in 2001. Consequently, Russia's foreign currency reserve balance has also increased 3.5 times since the financial crisis, to \$42 billion. The budget balance, which was constantly in trouble under the Yeltsin administration, has maintained a surplus since 2000 due in large part to the favorable economy and taxation reforms. Previously, barter and other non-cash settlements represented the majority of tax payments and inter-corporate transactions. Now, however, the majority of these settlements are conducted in cash, and there has been a substantial

into the 10 percentile and exchange rates have stabilized. Reduction has also been achieved in capital flight, which was previously estimated at more than \$20 billion annually. Thus, there is great improvement being made in Russia on the macroeconomic side as well.

The Putin administration is also implementing economic reforms based on Russia's Strategy for Economic Development until 2010, which was announced in June 2000. Although improvement in such areas as the monopoly problem and bank reforms has been delayed, the business environment is generally on track for betterment. Reforms have been made in taxation and pension programs. Revision has been made to the production sharing law. A private land ownership system has been adopted. Initiatives to promote competition have been implemented, and subsidies and favorable tax treatment to certain companies have been completely eliminated.

As a result of these improvements, in July 2002 Standard & Poor's upgraded its rating of Russia's long-term sovereign credit to BB-, the same level as that prior to the financial crisis.

◆ Changes in the International Climate

JBIC Today: *How has the international climate surrounding Russia changed? What is the business situation between Russia and companies from other countries, primarily American and European?*

Kumabe: Russian-American relations have been strengthened rapidly since the September 11, 2001, terrorist attacks. At the May 2002 summit meeting between the United States and Russia, the two sides pledged to cooperate in energy development and transportation in Russia and its surrounding



states, and agreed to hold the 1st United States/Russia Commercial Energy Summit in October 2002. Seeking to reduce its level of dependence on the Middle East for petroleum imports, the United States has worked out plans to import crude oil from Russia, which possesses production volumes second only to Saudi Arabia, and Russia has begun work on a U.S.-oriented petroleum export terminal and a transportation pipeline project. Cooperative relations in the energy sector between the two countries should continue to gain strength in the months and years ahead.

Regarding NATO relations, the NATO-Russia Council—which includes Russia in policy decisions—has been launched, and there has been substantial improvement in the once-strained military relations between the Western countries and Russia.

Russia's standing in international politics has also firmly improved, as illustrated in the June 2002 recognition of Russia's status as a full member of the G8.

Russia's entry into the WTO was also fully supported by the countries of North America and Europe, and the Russian government is currently working to assemble a basic business environment for WTO entry in 2004. The private-sector mind-set has changed as well over the past few years, particularly among companies doing business with other countries. For example, to rid themselves of the stigma attached to them and regain international trust, such Russian companies are not only adopting international accounting principles but also increasingly taking on executives of leading foreign companies as external directors in an effort to enhance corporate governance. Furthermore, whereas in the past visitors to Russian companies were immediately asked for financing without regard for the economic viability of the project in question, today's companies are much more prudent in loans, applying the lessons they have learned.

Of course, there are still many issues remaining for Russia to resolve. However, as a result of these aforementioned improvements—Russia's political and economic situation as

well as changes in the international climate surrounding the country—European and U.S. companies who had previously lost confidence in the Russian market due to the financial crisis are beginning to actively invest in the country in a number of industries, including energy, automobiles, machinery, and food. Although Germany has traditionally been Russia's largest trading partner, the United States, who had a late start in Russian business, has claimed the number two spot in recent years. Russian-American trade amounts to two to three times as much as Russian-Japanese trade, and the United States imports from Russia five times more than Japan does. The United States also leads in the accumulative amount of direct investments in Russia.

Also, Sino-Russian economic relations in recent years cannot be overlooked. Whereas up until about the time of the financial crisis, trade with China was typified by general merchandise and food products. Recently, imports from Russia have grown dramatically, with Chinese statistics of imports in 2000 amounting to \$5.8 billion, nearly three times the amount of exports to Russia. In response to China's ever-growing annual energy consumption and to reduce its dependence on the Middle East for energy, China has taken active roles in Russian petroleum and gas development as well as in the pipeline project from Russia through China, and there have already been four regular Sino-Russian energy conferences. Steps have also been taken to protect vested interests in Siberian timber resources and other mineral resources. Total Sino-Russian trade in 2001 climbed 33% year on year, to \$10 billion. Investment between the two countries is expected to increase in the months and years ahead.

◆ Russian-Japanese Business

JBIC Today: *Japanese companies' Russia-related business operations are reported as being slow. What is the reason for this?*

Kumabe: During the Soviet Union era, Japanese exports to the country amounted to approximately \$3 billion annually. Today, that figure has declined substantially, to between \$0.5 billion and \$1 billion. Russia received \$1.6 billion in foreign investment in 2000. Among countries investing in Russia, Japan ranked 10th with a total of \$0.2 billion, well below investment figures for North American and European countries.

This decline is due to a number of factors. First, plant-related business led by the government, which was the driving force behind Japanese exports to the Soviet Union, has declined substantially. Second, more and more Japanese companies have globalized their operations and transferred production centers overseas, so that products that in the past had been exported directly from Japan to the Soviet Union are now exported to Russia through other countries. Third, although during the Soviet Union era, the majority of

Russian-Japanese trade was handled through large-scale trading companies and specialized trading firms, the debt liability problem that emerged around the time of the Soviet Union's collapse took quite a long time to be resolved, thus hindering proactive involvement in Russia-related business thereafter. In comparison, U.S. and European companies did not have so much exposure in Russian business before the collapse.

Fourth, Japanese companies are very reluctant when it comes to risk taking, and since the majority of the Far East-focused joint ventures ended in failure, Japanese companies' interest in Russia decreased substantially. Finally, in the 1990s, in response to globalization, Japanese companies' attention shifted away from the confusion of Russia to investment in China and other Asian countries.

However, even though current Russian-Japanese business is considered weak, Russian exports into Japan are still increasing and now total nearly six times the amount of Japanese exports to Russia. Also, although the amount of Japanese exports to Russia through other countries has not been accurately ascertained, it is certainly expected to be greater than the amount of direct exports to Russia. When these factors are considered, the state of Russian-Japanese business is not as bad as the statistical figures suggest. I have made several trips to Russia in 2002 and talked with representatives of many Japanese companies, and trade negotiations appear to be on the rise.

JBIC Today: *What issues remain for Russian-Japanese business?*

Kumabe: Taking into account the deterioration of Russian business conditions during the 1990s, I believe it was reasonable that many Japanese companies, adopting the strategy of "selectivity and concentration", put less priority on Russian business. However, as I have pointed out, Russia's political and economic circumstances are improving and the international climate surrounding Russia is changing. Russia is a neighboring country rich in natural resources and energy and has a market of 140 million people. We should not make a decision on Russian business depending on the conventional knowledge, experience, and perception of this country.

Actually, I myself was quite critical of Russia until the latter half of 2001. When asked for consultation on business in Russia, I advised minimizing risk by aiming for a large number of small-scale proposals with short timeframes between contract and payment, rather than large-scale proposals in which capital recovery takes a long time. This was due to the unpredictable nature of the Russian market and political situation at the time. Even today, although Russia is now a full-fledged G8 member, there are still many problems and risks remaining in its business environment.

Yet, the situation is improving rapidly and Russia is becoming a country capable of business forecasts, and we are approaching a period with a wide variety of business opportunities, not merely micro-ventures. The opinion that Russia is in confusion and business there is impossible will soon be a thing of the past. Particularly for companies with offices in Russia, now is the time to take action. I think we will soon be seeing a wide gap in earnings between those companies that thoroughly investigate and research the Russian economic and market situation and formulate new business strategies and those that fail to do so. The heads of corporations should listen carefully to opinions at the ground level of the market, visit Russia at least once a year, even for just a brief period of time, and make wise decisions based on these observations.

JBIC Today: *In closing, please describe JBIC's assistance to Russia.*

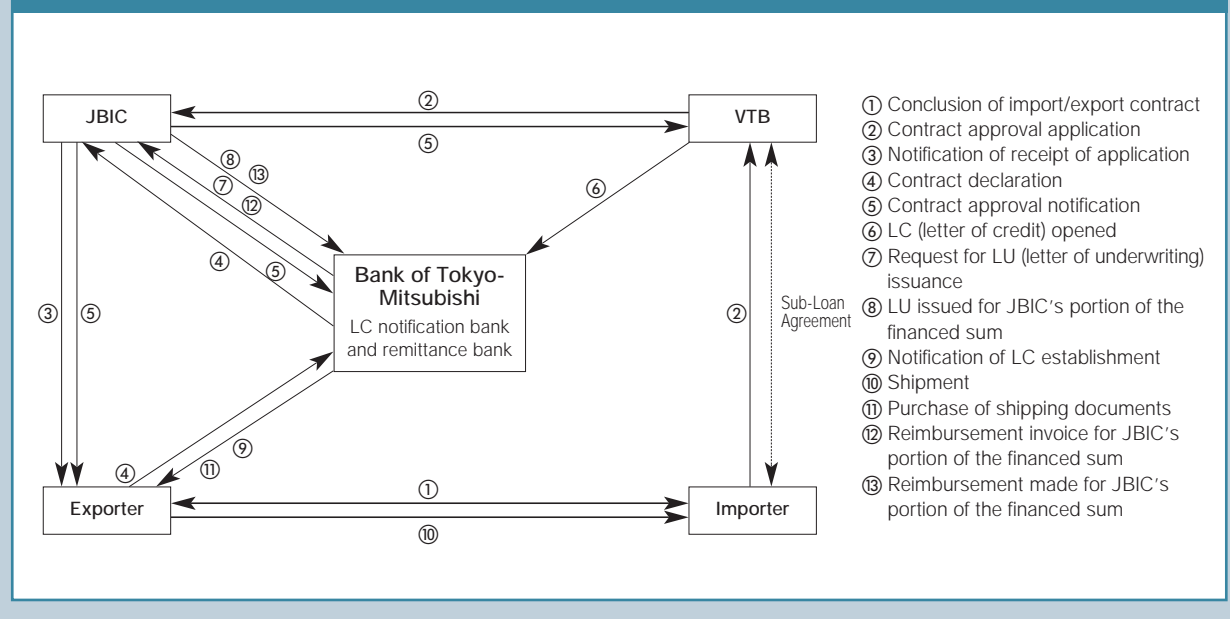
Kumabe: Under the assurance of the Russian government, we have provided export credit, humanitarian assistance, and co-finance with the World Bank. However, the Russian government has adopted a policy of not extending guarantees to private-sector projects. Since the political and economic situation in Russia has improved, official credit institutions from Europe and North America are extending credit to private-sector banks and corporations and supporting exports from their respective countries. JBIC is also taking steps to support exports from Japanese companies, and in March 2002, it extended its first financing without guarantee from the Russian government to Russia's Bank for Foreign Trade in the amount of ¥8 billion. We support Japanese companies by providing financing while at the same time thoroughly surveying and researching conditions in Russia. It is our aim to contribute to business expansion between Russia and Japan.

Global Bank Loans to Russia's Bank for Foreign Trade

This loan is not exclusive of any particular project and is applicable on an individual basis to proposals for the export of goods and services from Japan that are determined to be eligible for financing by JBIC and Russia's Bank for Foreign Trade (VTB). In comparison with other projects financed by JBIC, this loan is best suited to small and medium-scale export operations.

Use of this loan requires approval of eligibility from JBIC. Furthermore, co-financing requires arrangements for insurance from Nippon Export and Investment Insurance (NEXI) (insurance fees to be paid by the exporter).

Loan procedure flowchart (LC switch method)



Plan Puebla Panama Investment Exposition



Taku Ishimaru/
Mexico City Representative Office

The Plan Puebla Panama (PPP), a project to achieve comprehensive and sustainable growth throughout the region extending from Puebla in southern Mexico down through Panama, is currently under way. While a concept such as this is nothing new for the area, it has garnered a great deal of attention as a framework for capital formation since Mexican President Vicente Fox—who assumed office in December 2000—fully supports the project and assistance has been pledged by such international financial institutions as the Inter-American Development Bank (IDB) and the Central American Bank for Economic Integration (BCIE). This article reports the participation of JBIC's Mexico City Representative Office in the recent PPP Investment Exposition, which was held in conjunction with the Central America Summit Meeting.

◆ The State of PPP Today

At the June 2001 Central America Summit Meeting, PPP was sorted into eight category-specific initiatives, which were distributed equally among the eight participating countries for specific formulation. At the same time, IDB was designated as the central coordinating unit. Areas that have displayed development include roads, which constitute essential arteries of the local economy, and linkage in the area of energy. In addition to a plan of constructing 7,700 kilometers of central highways and adjoining feeder roads, the 1,800km Electrical Interconnection System for Central America Project (SIEPAC) and another plan to link SIEPEC with Mexico and Belize are being solidified. At the same time, it is true that the project has its detractors, who claim it is all talk and lacking in substance. However, through PPP, it is hoped that proposals for the future of the region will be enthusiastically brought forward from both the public and private sectors.

◆ JBIC's Involvement in the PPP Investment Exposition

On June 27 and 28, 2002, the PPP Investment Exposition was held in the Mayan ruins-strewn city of Mérida, capital of Mexico's Yucatan Peninsula. It was the first major gathering in the name of PPP attended by approximately 2,200 participants, including Mexican President Fox and the leaders of Central American nations (Guatemala, Costa Rica, Belize, El Salvador, Honduras, and Nicaragua), as well as high-ranking government officials, international financial institutions, and

private investors, corporations, and organizations. JBIC's Mexico City Representative Office was the sole governmental financial institution from outside of the region in attendance. In addition to



JBIC's PR booth at the Plan Puebla Panama Investment Exposition

promoting interaction with participants through its PR booth in the exposition hall, following speeches by IDB President Enrique V. Iglesias and BCIE President Pablo Schneider, the Representative in Mexico gave a presentation on JBIC's investment operations and history of activity in the region. JBIC's booth was a flurry of activity, attracting approximately 200 visitors over the two-day period, including Mexican President Fox as well as the leaders of each Central American country. While the majority of visitors were representatives of local government or local developers inquiring about possibilities for support for infrastructure businesses, there were also many representatives from small and medium-sized companies seeking corporate partnership from Japan with which to expand their businesses and transactions.

◆ Outlook for PPP

Although the large-scale infrastructure-related businesses aiming at the reduction of production and distribution costs in the region tend to attract the greatest attention in PPP, experts point out that the nurturing of local industries is crucial as the driving force behind economic stimulation. Although countries and local governments accelerate efforts to attract foreign investment and intend to concentrate on developing local industries, there is still ample room for expansion in financing for small and medium-sized companies. Currently, in addition to PPP-related ODA loans in the roads, ports, and energy sectors, JBIC is also providing financing for the nurturing of small and medium-sized businesses and export advancement through export credit lines established with BCIE, Banamex, BBVA Bancomer, as well as through NAFIN and BANCO-MEXT. It is expected that these efforts will contribute to strengthen the region's ties with Japanese companies and stimulate the regional economy. Furthermore, since the region is deeply rooted in the identity of indigenous peoples, specific initiatives are required in providing social services, such as education and medical care.

NGO Collaboration

Case in India

NGOs have come to play a significant role in development efforts. The leveraging of the wide variety of experience and knowledge of locally rooted NGOs is crucial to JBIC's objective of fine-tuned assistance to meet local needs.

Five years ago, collaboration with NGOs under ODA loans to India was virtually non-existent. Since then, cases of NGO collaboration for the effective utilization of ODA loans have increased rapidly. To date, there have been 14 cases of ODA loan projects in which there has been collaboration between NGOs and the Indian government, which is the executing agency of these projects. JBIC has also cooperated with NGOs in providing the Indian government with policy recommendations for project implementation. Although there have unfortunately been no cases of collaboration with Japanese NGOs as yet, there are highly experienced local NGOs active in all corners of the country.

For example, in the case of the Tamil Nadu Afforestation Project, the government is implementing afforestation activities with the participation of local rural communities and involvement of NGOs in every village in the project. The total number of collaborating NGOs reached 703. The role of NGOs in the project is diverse, including selection of targeted areas, awareness creation for environmental issues, support for organizing the local residents, helping the drafting of micro plans, and implementation of buffer zone activities. Buffer zone activities consist of community development works aimed at strengthening the infrastructural facilities of the villages and income generation activities targeted at forest dependents and land-less, poor women to enhance their livelihood. The beneficiaries are trained in simple activities like basket making, mat weaving, beekeeping, tailoring, etc., so as to provide alternate employment to them and reduce their dependence on forests. Full cooperation of NGOs is provided so as to reflect the opinions



Tamil Nadu Afforestation Project



Malaria countermeasure survey and workshop (resident officer and article contributor Tomoko Koike, fifth from right)

of local residents at all stages of the project cycle, from planning through training, implementation, and monitoring.

Meanwhile, JBIC also collaborates with NGOs in providing recommendations to the government of India. One such case is anti-malaria surveys in irrigation project regions. JBIC has thus far contributed to improvement of poor farming peoples' incomes by providing ODA loans to five irrigation projects in impoverished regions in India. Based on its experience in these projects, JBIC focused on the relationship between water flow in irrigation channels and malarial mosquito breeding. For two years, JBIC has collaborated with the Voluntary Health Association of India (VHAI)—one of India's largest NGOs—in conducting surveys and making recommendations on malaria countermeasures in irrigation zones.

In these surveys, technical analyses were conducted from a wide variety of perspectives, including epidemiology, entomology, and agricultural engineering, while malaria awareness surveys were conducted in neighboring communities. The resulting recommendations called for particular measures for continuous monitoring systems administered jointly by residents, NGOs, and the government and enhanced health care education for communities (particularly women and girls). These recommendations were arrived at by making full use of NGO expertise, which facilitated in accurately reflecting the state of the community. The VHAI is currently working with the irrigation department and health care offices as well as local NGOs to put these recommendations into action.

In other areas, JBIC is working with Indian NGOs on surveys for the community participation for the operation and maintenance of sanitation facilities in urban slum areas as well as forest policy issue surveys to enhance the effectiveness of afforestation efforts in the future. Such JBIC joint activities with local NGOs in India to provide recommendations with regard to policy and project implementation are steadily increasing year by year.

New Ties in Philippine Education Projects: Foster Plan

The Philippines was one of the earliest Asian countries to implement measures to enhance elementary education. Elementary and middle school admissions soared in 1988 when total tuition-free schooling and free textbook distribution was introduced. However, the provisions of school buildings and other educational facilities has not kept pace with the growth of the population, and classes are now held in old and cramped classrooms. Moreover, since the Philippines has been promoting a decentralization policy, responsibilities for school construction are being transferred to the jurisdiction of local governments, who have to share the cost of construction and maintenance of public school facilities as well as procuring education materials. This has led to a gap in poverty-stricken regional and urban areas that are relatively affluent, resulting in the inability of impoverished communities to construct much needed school buildings. In light of this situation, JBIC has commenced aid to the education sectors of impoverished communities in the Philippines.

◆ Site Visit—"Third Elementary Education Project"

ODA objectives are not accomplished simply when construction of the facilities is completed. It is imperative that such facilities are subsequently fully utilized. In the case of educational projects, the objective of assistance is achieved not simply when infrastructures are put in place and decrepit schoolhouses are repaired, but when children attend new school facilities and receive good education. Although Japan's ODA loans can provide a place to study, it is crucial that those who make use of such facilities take the initiative in providing children with an education.

This project, begun in the Philippines' impoverished communities, is a bottom-up-style project, to which the high expectations of both teachers and communities were reflected in selecting the target school to be improved. While ODA loans are enabling the construction of school buildings, schools and community residents are working together with NGOs to raise the level of education.

JBIC Today visited elementary schools in two communities in northern Luzon that were improved under this project. These schools are attended by children from communities in which the international NGO Foster Plan is working, and the schools are

fitted with water-purifying facilities that were constructed with the Foster Plan's help. Originally, NGO collaboration was not a premise of this project. However, as a result of aiming at the common objective of improving children's education, both institutions have implemented their own projects in the same location.

La Trinidad Central School

On March 4, 2002, we traveled north from Manila to northern Luzon's central city of Baguio. The road that winds through the canyons just before reaching Baguio was built by Japanese hands prior to World War II and remains as a crucial artery linking Manila and Baguio. Five hours' drive from Manila and 15 minutes from Baguio lies La Trinidad Central School, the first stop on our visit.

This is a relatively large elementary school, with a student body of more than 1,000, a figure that grows every year as the population expands. According to the principal, before the schoolhouse's reconstruction, students were squeezed into cramped classrooms and consequently the lessons of the teachers were often lost. After a new six-classroom school was built for La Trinidad Central School with the ODA loan, however, the number of students per class has since declined and a high level of instruction has been achieved. Teachers are now able to pay attention to each student and the dropout rate has declined.

We asked five foster children of Japanese Foster Parents what they thought of the new school. "The old schoolhouse was dark, and it was hard to see the blackboard. The new one is brighter, with big windows, so it's easier to see the blackboard, and the classes are fun," they said. When they grow up, the students hope to be teachers, engineers, doctors, actors, and such. The children have a strong desire to learn, with many of



La Trinidad Central School

them expressing interest in attending the university in Baguio, and we were left with a strong sense of industriousness.

Visiting the school brings renewed respect for the Foster Plan. The Foster Plan provides not merely financial assistance for children's needs but is engaged in a variety of efforts to improve living conditions. Since the rapid expansion in population and the dredging-up of well water have caused widespread water tainting, water purification facilities have been installed with the aid of the Foster Plan. The ensuring of safe water for the students is also a crucial need. A new schoolhouse built with an ODA loan and other needs actively seen to by the Foster Plan and community residents leave us with the impression that the quality of the school is steadily improving.

Kapangan Elementary School

The following day, we traveled two hours from Baguio by 4WD vehicle along a dirt road through the mountains to the remote Kapangan Elementary School. The route to the school lies along a treacherous mountain pass, which is closed during the rainy season. Certain patches of the road show evidence of landslides and must be cautiously traversed. Hoses are also draped across the road in several places. These are used by individual households to obtain a water supply by feeding water from marsh valleys between the mountains to water tanks adjoining the houses, or so we are told. Securing a water supply is not an easy task in an area such as this.

The construction of a new building for this school is being planned with a JBIC ODA loan, and work is scheduled to commence in the near future. We asked two foster children from the school about school life. The comments we received all indicated deep-felt concerns: "the classrooms are cramped with too many students," "it's hard to see the blackboard because it's so dark inside," "the rain blows in and soaks our notebooks," "the schoolhouse floors are dangerous, with many gaping holes." We took a look at the school that is currently in use. Not only is it aging but its rooms are quite cramped, making the commencement of work on a new schoolhouse a pressing need. The school principal claims that his predecessors have all urged the need for repair of the schoolhouse along with the local residents, and now with the day that these pleas will be answered close at hand, he hopes to see construction begin as soon as possible.

The living environment for all students at the school, not just the two foster children interviewed, is far from favorable. The majority of the students' parents are farmers, and the students are obliged to help out at home after school and on weekends. According to the principal, despite these severe conditions, there are very few dropouts. One of the reasons for this is that the Foster Plan and various other NGOs are engaged in aid programs with the recognition that school attendance is dependent upon stable income for the students' parents. The school lavatory was finally made useable with the addition of a

water supply facility provided by the Foster Plan. At Kapangan Elementary School as well, NGOs play a crucial role.

In the Third Elementary Education Project, facilities are built with ODA loans, and fine-tuned aid is provided on a continual basis with NGOs and the lives of community residents to breathe life into the facilities. NGOs are helping to improve education by providing support for communication with the local communities, the improvement of the domestic environments of the children, and other areas that ODA cannot directly reach. Maintaining and enhancing this kind of cooperation with NGOs will be a crucial factor in raising the effectiveness of aid programs.



The students of Kapangan Elementary School

Third Elementary Education Project: TEEP

JBIC has provided aid for the construction of approximately 65,000 classrooms throughout the Philippines through its Elementary Education Project (committed in 1991 with ¥20,020 million in joint financing with the World Bank). Now, with its Third Elementary Education Project (committed in 1997 with ¥11,122 million in joint financing with the World Bank), based on surveys of elementary education conditions in 26 states designated as priorities under the Philippines' social reform agenda, JBIC strives for the quantitative and qualitative enhancement of elementary education through the expansion and reconstruction of school facilities and the experimental implementation of such extracurricular activities as school lunches and school farming. Furthermore, in the interest of fostering self-reliant efforts and decentralization, the project is implemented through the separation of roles in collaboration with regional municipalities, with approximately 40% of the project's expenses covered by JBIC and the World Bank and the remaining 60% covered by the Philippine government.

The Foster Plan

The Foster Plan is a non-profit NGO headquartered in the U.K. that has been active since 1937. With the funds provided by 15 supporting nations, the Foster Plan strives to improve living conditions for children in Asia, Africa, and South America and implements a wide variety of developmental aid projects with the participation of local residents. The majority of the Foster Plan's funds comes from donations from supporters in the general population, who are known as Foster Parents, and the Foster Plan conducts projects that reflect the needs of the people, based on policies of health care and children's growth, education and learning, and improvement of overall living conditions. The organization maintains approximately 200 offices in 44 countries worldwide. Foster Parents are introduced to a foster child living in a needy country and interact through letters, gifts, and visits.

Visit Foster Plan's Website:
<http://www.plan-international.org>

PROJECTS

Aluminum Smelter in Mozambique

Key points:

- **JBIC contributed to the economic development and stability of southern African communities by extending a combination of an investment loan and an untied loan.**
- **Through the Mozambique Aluminum Smelting Project (Mozal), the largest project in Mozambique, JBIC is helping the country as it strives to recover from the civil war.**
- **While supporting the operations of Japanese companies, the project helps secure a stable source of aluminum for Japan, a country that relies on imports for nearly all of its aluminum needs.**

Overview of the Republic of Mozambique

Mozambique is a country in the southeast of the African continent (see figure 1), positioned across the sea from the island of Madagascar and northeast of the Republic of South Africa, which hosted the World Summit on Sustainable Development in Johannesburg from August 26 through September 4, 2002. The country has a landmass of 802,000km² and a population of approximately 17.7 million (according to the World Bank in 2000), with approximately 80% of the working population engaged in agriculture. Its annual GNP per capita is US\$210, and the nation ranks among the world's Heavily Indebted Poor Countries (HIPCs).

Following its independence from Portugal in 1975, Mozambique remained in a state of civil war owing to the effects of the cold war. In 1992, the government and anti-government guerilla forces signed a peace treaty, and in 1994, as the final stage of the peace process, the presidential election as well as the election for the national legislature were held. Since the establishment of the new regime, the

political situation has stabilized, peace has taken hold, and the country is steadily rebuilding.

In the latter half of the 1990s, as peace became more firmly established, Mozambique recorded an average rate of annual economic growth of 6%. With enthusiastic investment from South Africa and other countries, Mozal and other large-scale projects were commenced. Although the country was beset by flooding in 2000 and 2001, from which its economy suffered, it regained its course toward recovery in the latter half of 2001 through infrastructure reconstruction projects and increasing direct foreign investment.

The Mozal Project:

The Engine of Post-Civil War Recovery

Like the Maputo Development Corridor Plan and the Beira Development Corridor Plan, the Mozal project is one of the largest projects in Mozambique's history and is designed to be an engine of the post-civil war revival. The project was established with a total capital of US\$520 million, 24% of which was invested by Industrial Development Corporation of South Africa Limited (IDC), 47% by BHP Billiton of the U.K., 25% by the Mitsubishi Corporation, and 4% by the government of Mozambique (Following a subsequent capital increase, IDC's and BHP Billiton's shares changed to 19% and 52%, respectively, and the total capital increased to US\$920 million.). The Mozambique Aluminum Smelter, which is located on the outskirts of the Mozambique capital of Maputo, consists of the Mozal I project, which was constructed and commenced commercial production in June 2000 and has an annual capacity of 253,000 tons, and the Mozal II project, construction of which was commenced in June 2001. The Mozal II project will also have an annual production capacity of 253,000 tons and is expected to commence commercial production in August 2003.

Figure 1: Mozambique



Aluminum smelter

In addition to the profit to be gained through the production and sale of aluminum, the Mozal project provides substantial contributions in terms of direct and indirect creation of employment, development of surrounding ports and other infrastructure, and increased educational opportunities. Furthermore, as South Africa suffers increasing unemployment due to an influx of illegal laborers from Mozambique and other neighboring countries, it is expected that strengthened economic ties in the region will lead to a stabler society.

Outline of the Mozal Project and JBIC Financing

The Mozal project is one of the most cost-competitive smelters in the world. The entirety of its alumina—the principal ingredient of aluminum—is imported from Australia through BHP Billiton and electricity is supplied by South African electricity supplier Eskom, through its Mozambique power distribution subsidiary, Motraco, at low rates. The project also benefits from the cutting-edge smelting technologies and favorable tax treatment by the government. Aluminum produced by Mozal is taken by each investor depending on its share (The Mozambique government’s portion is handled by BHP Billiton.) and exported in its entirety.

In June 2001, JBIC committed to finance US\$150 million for the Mozal II project (see figure 2). In addition to the significance of economic cooperation for the southern African region, this decision also reflects the importance of securing a stable supply of aluminum for Japan as well as support for Japanese companies investing in the project.

The Mozal project applies fund-raising through project financing. As such, it is an international collaborative project, joined not only by JBIC but also by several international financial and export credit agencies, including the World Bank Group’s International Finance Corporation (IFC), Britain’s Commonwealth Development Corporation (CDC), the German Investment and Development Company (DEG), the

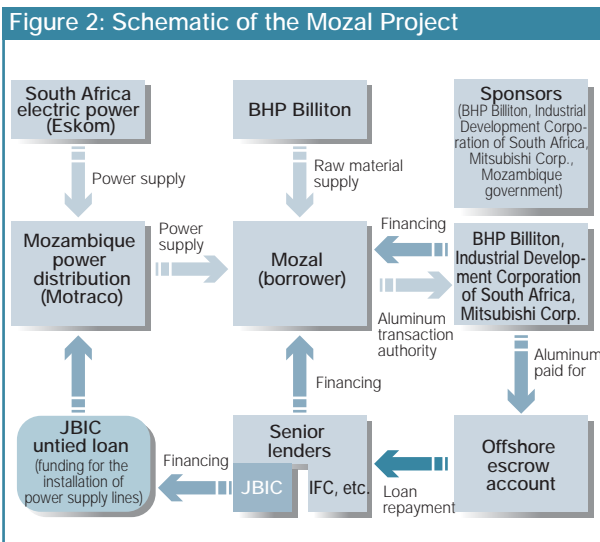


Transmission lines financed by untied loan

Development Bank of South Africa (DBSA), the Development Corporation of France (Proparco), and the European Investment Bank (EIB). Mozambique is a country where the debt reduction measures were introduced. However, JBIC determined that the project was eligible for financing based on comprehensive considerations of the following backdrops. The project has substantial importance for the economy of Mozambique; it stands to reduce investment risks by strengthening bilateral ties with South Africa; it is an international project financed by numerous international institutions; it poses an opportunity to establish an overseas escrow account underpinned by long-term transaction contracts; and electric power is supplied at low rates from South Africa.

Moreover, prior to the Mozal II project, in 1999 JBIC extended ¥5 billion in an untied loan co-financing with Japanese private financial institutions to Motraco, which was established through joint investment by Eskom and the national electric power companies of Mozambique and Swaziland. There are two grids of power transmission lines that were installed with funding from this untied loan, connecting South Africa with Maputo via Swaziland and primarily supply Mozal with energy necessary to smelt aluminum. Surplus power is supplied to the electric power companies of Mozambique and Swaziland.

Figure 2: Schematic of the Mozal Project



The Successful Start of the Mozal Project

The amount of annual exports of the Mozal I project—which commenced commercial production in June 2000—following full production amounted to approximately 170% of exports from Mozambique in 1998, approximately 35% of its GDP, making the prominence and contribution of the Mozal project in the Mozambique economy plainly observable.

In addition, since the project is proceeding smoothly, trust in other large-scale projects in Mozambique is increasing among investors. Furthermore, since Mozal’s policy is to out-source all non-core operations to other local companies, it provides a substantial contribution to the nurturing of local small and medium-sized businesses.

Statistics

1. Commitments

(¥ Million)

	September 2002		August 2002		July 2002		June 2002		May 2002		April 2002	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
International Financial Operations												
(1) Loans	23	¥149,394	12	¥58,458	10	¥ 73,824	6	¥ 2,091	6	¥18,513	13	¥13,508
Export Loans	5	23,115	2	45	3	1,153	2	1,042	0	0	2	334
Import Loans	0	12,410*	0	0	0	0	0	0	0	0	1	458
Overseas Investment Loans	18	113,869	9	38,913	6	41,171	4	1,049	6	18,513	1	458
(Natural Resources)	11	39,133	1	17,680	2	13,861	0	0	0	0	10	12,717
(Others)	7	74,736	8	21,233	4	27,310	4	1,049	6	18,513	0	0
Untied Direct Loans	0	0	1	19,500	1	31,500	0	0	0	0	10	12,717
(2) Guarantees	7	35,059	1	13,000	4	32,964	3	11,768	2	6,306	0	0
(3) Equity Participations	0	0	0	0	0	0	0	0	0	0	0	0
Total	30	184,453	13	71,458	14	106,788	9	13,859	8	24,819	13	13,508
Overseas Economic Cooperation Operations												
ODA Loans	2	45,170	0	0	1	12,022	1	7,350	3	34,482	0	0
Grand Total	32	¥229,623	13	¥71,458	15	¥118,810	10	¥21,209	11	¥59,301	13	¥13,508

	March 2002		February 2002		January 2002		FY2001	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
International Financial Operations								
(1) Loans	52	¥314,380	17	¥ 99,581	14	¥70,599	216	¥1,260,771
Export Loans	8	29,946	0	0	5	23,300	44	178,760
Import Loans	13	17,808	4	9,575	3	19,514	46	135,971
(Natural Resources Development)	3	3,707	2	4,911	0	0	13	33,969
(Manufactured Goods)	10	14,100	2	4,664	3	19,514	33	102,002
Overseas Investment Loans	31	266,626	12	49,206	6	27,786	121	686,146
(Natural Resources)	5	183,995	1	7,379	2	13,835	37	379,400
(Others)	26	82,631	11	41,828	4	13,950	84	306,746
Untied Direct Loans	0	0	1	40,800	0	0	5	259,895
(2) Guarantees	0	0	3	61,970	0	0	5	87,270
(3) Equity Participations	0	0	0	0	0	0	0	0
Total	52	314,380	20	161,551	14	70,599	221	1,348,041
Overseas Economic Cooperation Operations								
(1) ODA Loans	30	349,455	4	74,220	0	0	58	687,776
(2) Private-Sector Investment Finance	0	0	0	0	0	0	0	0
Total	30	349,455	4	74,220	0	0	58	687,776
Grand Total	82	¥663,835	24	¥235,771	14	¥70,599	279	¥2,035,817

Notes: 1. All figures have been rounded in the process of calculation.

2. Rescheduling is not included.

* The figure represents the adjustment made on a yen-denominated loan approved in March 2001 for exchange rate changes.

2. Disbursements, Collections, Loans Outstanding, and Guarantees

(¥ Million)

	International Financial Operations						Overseas Economic Cooperation Operations					
	September 2002	August 2002	July 2002	June 2002	May 2002	April 2002	September 2002	August 2002	July 2002	June 2002	May 2002	April 2002
Disbursements	¥ 89,419	¥ 46,576	¥ 79,688	¥ 32,931	¥ 75,378	¥ 49,695	¥ 41,296	¥ 59,098	¥ 33,075	¥ 42,155	¥ 35,910	¥ 28,461
Collections	324,643	67,211	129,518	182,975	83,743	165,572	31,312	21,151	25,083	32,651	25,560	27,528
Loans and Equity Participations Outstanding	10,276,970	10,511,838	10,532,467	10,286,598	10,436,642	10,445,007	11,274,238	11,264,254	11,226,307	11,199,163	11,189,660	11,179,310
Guarantees Outstanding	589,635	592,157	593,282	563,293	553,502	553,273	—	—	—	—	—	—

	International Financial Operations				Overseas Economic Cooperation Operations			
	March 2002	February 2002	January 2002	FY2001	March 2002	February 2002	January 2002	FY2001
Disbursements	¥ 346,028	¥ 54,487	¥ 102,979	¥1,303,138	¥ 151,073	¥ 46,274	¥ 51,067	¥655,298
Collections	195,814	88,823	118,231	1,611,967	33,018	25,583	24,466	354,544
Loans and Equity Participations Outstanding	10,558,822	10,407,885	10,442,220	—	11,178,280	11,060,190	11,039,499	—
Guarantees Outstanding	555,564	546,482	544,032	—	—	—	—	—

	Total										
	September 2002	August 2002	July 2002	June 2002	May 2002	April 2002	FY2002 (up to Sept.)	March 2002	February 2002	January 2002	FY2001
Disbursements	¥ 130,715	¥ 105,674	¥ 112,763	¥ 75,086	¥ 111,289	¥ 78,156	¥ 613,683	¥ 497,101	¥ 100,761	¥ 154,047	¥1,958,436
Collections	355,955	88,362	154,601	215,626	109,304	193,100	1,116,948	228,831	114,405	142,697	1,966,511
Loans and Equity											
Participations Outstanding	21,551,208	21,776,092	21,758,774	21,485,762	21,626,302	21,624,317	—	21,737,102	21,468,075	21,481,720	—
Guarantees Outstanding	589,635	592,157	593,282	563,293	553,502	553,273	—	555,564	546,482	544,032	—

Notes: 1. All figures have been rounded in the process of calculation.
2. Guarantees and Rescheduling are not included.

Overseas Economic Cooperation Activities

Loan Amount and Conditions (Jan.—Oct. 2002)

Country	Project Name	Amount (¥ Million)	Interest Rate (% , p.a.)		Repayment Period/ Grace Period (Years)		Tying Status	
			Project	Consulting Services	Project	Consulting Services	Project	Consulting Services
Egypt	Social Fund for Development Project	¥ 5,194	0.75	—	40/10	—	—	—
Bulgaria	Sofia Metro Extension Project	12,894	2.2	1.8	30/10	30/10	General Untied	General Untied
India	Delhi Mass Rapid Transport System Project (III)	28,659	1.8	—	30/10	—	General Untied	—
	Simhadri Thermal Power Station Project (III)	27,473	1.8	—	30/10	—	General Untied	—
	Simhadri and Vizag Transmission System Project (II)	6,400	1.8	—	30/10	—	General Untied	—
	West Bengal Transmission System Project (II)	3,127	1.8	—	30/10	—	General Untied	—
Tunisia	EI Jem - Sfax Motorway Construction Project	12,501	2.20	0.75	25/7	40/10	General Untied	Bilateral Tied
Thailand	PEA Transmission System and Substation Development Project (7-2)	2,326	2.2	—	25/7	—	General Untied	—
	Construction of 230kV Underground Transmission Line between Bangkok and Chidlom Substation Project	10,386	2.2	1.8	25/7	25/7	General Untied	General Untied
	Second Bangkok International Airport Development Project (V)	34,784	2.2	0.75 ¹	25/7	40/10	General Untied	General Untied
Vietnam	O Mon Thermal Power Plant and Mekong Delta Transmission Network Project (II)	15,594	1.80	—	30/10	—	General Untied	—
	Hai Van Tunnel Construction Project (III)	3,359	1.80	—	30/10	—	General Untied	—
	Red River Bridge Construction Project (II)	14,863	1.80	—	30/10	—	General Untied	—
	Saigon East-West Highway Construction Project	10,926	1.80	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
Philippines	Arterial Road Links Development Project (VI)	6,723	2.2	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
	CNS/ATM Systems Development Project	22,049	2.2	1.8	30/10	30/10	General Untied	General Untied
	Bago River Irrigation System Rehabilitation and Improvement Project	3,224	2.2	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
	Iloilo Flood Control Project (II)	6,790	1.7 ²	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
China	Xi'an Environmental Improvement Project	9,764	0.75 ¹	—	40/10	—	Bilateral Tied	—
	Anshan Environmental Improvement Project	14,525	0.75 ¹	—	40/10	—	Bilateral Tied	—
	Taiyuan Environmental Improvement Project	14,144	0.75 ¹	0.75 ¹	40/10	40/10	General Untied	Bilateral Tied
	Chongqing Environmental Improvement Project	9,017	0.75 ¹	0.75 ¹	40/10	40/10	Bilateral Tied	Bilateral Tied
	Beijing Environmental Improvement Project	8,963	0.75 ¹	0.75 ¹	40/10	40/10	General Untied	Bilateral Tied
	Ningxia Afforestation and Vegetation Cover Project	7,977	0.75 ¹	—	40/10	—	Bilateral Tied	—
	Shanxi Xilongchi Pumped Storage Power Station Project	23,241	0.75 ¹	0.75 ¹	40/10	40/10	General Untied	Bilateral Tied
	Shaanxi Higher Education Project	6,021	0.75 ³	—	40/10	—	Bilateral Tied	—
	Gansu Higher Education Project	4,665	0.75 ³	—	40/10	—	Bilateral Tied	—
	Shichuan Higher Education Project	6,131	0.75 ³	—	40/10	—	Bilateral Tied	—
	Chongqing Higher Education Project	4,683	0.75 ³	—	40/10	—	Bilateral Tied	—
	Yunnan Higher Education Project	4,540	0.75 ³	—	40/10	—	Bilateral Tied	—
	Hunan Higher Education Project	4,682	0.75 ³	—	40/10	—	Bilateral Tied	—
	Gansu Province Road Construction Project	20,013	2.2	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
Hunan Province Road Construction Project	23,000	2.2	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied	
Uzbekistan	Tashkent Thermal Power Plant Modernization Project	24,955	1.8	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
Morocco	Rural Electrification Project (II)	7,350	2.2	—	30/10	—	General Untied	—
Indonesia	*Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia*	27,035	1.8	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied
	Water Resources Existing Facilities Rehabilitation and Capacity Improvement Project	14,696	1.8	0.75 ¹	30/10	40/10	General Untied	Bilateral Tied

Notes: 1. Interest rate for special environmental project
2. Interest rate for standard environmental project
3. Special interest rate for higher education project

Special Yen (ODA) Loan Amount and Conditions (March–July 2002)

Country	Project Name	Amount (¥ Million)	Interest Rate (%/year)			Repayment Period/ Grace Period (Years)			Procurement		
			Project	Consulting Service	Monitoring and Supervision	Project	Consulting Service	Monitoring and Supervision	Project	Consulting Service	Monitoring and Supervision
Vietnam	Tan Son Nhat International Airport Terminal Construction Project	¥22,768	0.95 ¹	0.75 ²	0.75 ²	40/10	40/10	40/10	Japan Tied	Bilateral Tied	General Untied

Country	Project Name	Amount (¥ Million)	Interest Rate (%, p.a.)		Repayment Period/ Grace Period (Years)		Tying Status	
			Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Philippines	Urgent Bridges Construction Project for Rural Development	¥18,488	0.95 ¹	0.75 ²	40/10	40/10	Japan Tied	Bilateral Tied
	Improvement of the Marine Disaster Response and Environment Protection System Project	9,356	0.95 ¹	0.95 ¹	40/10	40/10	Japan Tied	Bilateral Tied
	Northern Luzon Wind Power Project	5,857	0.95 ¹	0.75 ²	40/10	40/10	Japan Tied	Bilateral Tied

Country	Project Name	Amount (¥ Million)	Interest Rate (%, p.a.)		Repayment Period/ Grace Period (Years)		Tying Status	
			Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Sri Lanka	Upper Kotmale Hydro Power Project	¥33,265	0.95 ¹	0.75 ²	40/10	40/10	Japan Tied	Bilateral Tied

Country	Project Name	Amount (¥ Million)	Interest Rate (%, p.a.)		Repayment Period/ Grace Period (Years)		Procurement	
			Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Turkey	Seismic Reinforcement Project for Large Scale Bridges in Istanbul	¥12,022	0.95 ¹		40/10		General Untied	

Notes: 1. Interest rate for special yen (ODA) loan
2. Interest rate for special environmental projects

Special Assistance Facilities

JBIC carries out Special Assistance Facilities (SAFs) to strengthen ODA loans' systems that assist recipient countries—from project formation through completion and ongoing operation—and carries out projects effectively responding to developing countries' diverse needs. SAFs are studies carried out by consultants employed and dispatched by JBIC. The funds necessary for SAFs are provided by JBIC as a grant assistance. SAFs comprise four types of facilities.

(1) Special Assistance for Project Formation (SAPROF)

Owing to inadequate financial or technical resources, a project for which assistance is requested that is basically feasible often cannot be adequately prepared by the developing country. For such projects, JBIC performs a supplementary study known as SAPROF.

(2) Special Assistance for Project Implementation (SAPI)

The primary purpose of SAPI is to study and identify problems that may hinder effective implementation of a particular project and propose remedial measures to solve the problems in a timely manner.

(3) Special Assistance for Project Sustainability (SAPS)

The primary purpose of SAPS is to study and identify problems that impede effective operation or maintenance of a particular group of projects and propose remedies.

(4) Special Assistance for Procurement Management

The primary purpose of this study is to ensure smooth, efficient, and transparent procurement implementation. The study assignments are carried out by consultants and experts hired by JBIC.

The List of SAF Study Contracts Signed during January 2002

Category	Country	Project Name	Schedule
Special Assistance for Project Formation (SAPROF)	Peoples' Republic of China	Hunan Wulingshan Area Poverty Alleviation Project	Jan. 2002 to May 2002
Special Assistance for Project Sustainability (SAPS)	Philippines	Small Water Impounding Project	Jan. 2002 to Oct. 2002

The List of SAF Study Contracts Signed during February 2002

Category	Country	Project Name	Schedule
Special Assistance for Project Formation (SAPROF)	Philippines	Philippines E-Government Project in Fort Bonifacio	Feb. 2002 to Apr. 2002
Special Assistance for Project Formation (SAPROF)	Vietnam	Sector Loan for Poverty Reduction	Feb. 2002 to July 2002
Special Assistance for Project Implementation (SAPI)	Philippines	Local Government Units Support Credit Program	Feb. 2001 to June 2002
Special Assistance for Project Implementation (SAPI)	Philippines	Luzon Grid Transmission Project Associated with Private Power Project	Feb. 2002 to May 2002
Special Assistance for Project Sustainability (SAPS)	Indonesia	Kotapanjang Hydroelectric Power and Associated Transmission Line Project (I) and (II)	Feb. 2002 to Oct. 2002

The List of SAF Study Contracts Signed during March 2002

Category	Country(ies)	Project Name	Schedule
Special Assistance for Project Formation (SAPROF)	Vietnam	Ta Trach Reservoir Project	Apr. 2002 to July 2002
Special Assistance for Project Formation (SAPROF)	Vietnam	Environment and Natural Resources Monitoring System Project	Apr. 2001 to Aug. 2002
Special Assistance for Project Formation (SAPROF)	Morocco	Abda-Doukkala Haut Service Project (the Third Tranche)	Mar. 2002 to Oct. 2002
Special Assistance for Project Implementation (SAPI) (Second Phase)	Cambodia	Sihanoukville Port Urgent Rehabilitation Project	Apr. 2002 to May 2003
Special Assistance for Project Implementation (SAPI)	Tunisia	Disbursement Management and Monitoring for On-Going Projects	Mar. 2002 to Jan. 2003
Special Assistance for Project Sustainability (SAPS)	Nepal	Institutional Development of Nepal Electricity Authority (NEA)	Apr. 2002 to Sept. 2002
Special Assistance for Project Sustainability (SAPS)	Indonesia, Jordan, Pakistan, Sri Lanka and Thailand	Comprehensive Study on Irrigation Sector	Mar. 2002 to Oct. 2002
Special Assistance for Project Sustainability (SAPS)	Indonesia	Asahan Hydroelectric and Aluminum Project	Mar. 2002 to Sept. 2002
Special Assistance for Project Sustainability (SAPS)	Indonesia	Junior Secondary School Building Construction Project	Apr. 2002 to Sept. 2002
Special Assistance for Project Sustainability (SAPS)	Egypt	Electric Power Projects	Mar. 2002 to July 2002
Special Assistance for Project Sustainability (SAPS) (Second Phase)	Kenya	Greater Nakuru Water Supply Project	Mar. 2002 to July 2002
Special Assistance for Project Sustainability (SAPS)	Kenya	Horticultural Produce Handling Facilities Project	Mar. 2002 to Aug. 2002
Special Assistance for Project Sustainability (SAPS)	Thailand	Management Improvement Study of Provincial Electricity Authority (PEA)	Apr. 2002 to July 2002

The List of SAF Study Contracts Signed during April 2002

Category	Country(ies)	Project Name	Schedule
Pilot Study	Vietnam	Pilot Study for Recycle Program of Urban Waste	Apr. 2002 to Oct. 2002
Pilot Study	China/Indonesia	Pilot Study for Establishing Waste Disposal Systems	Apr. 2002 to Feb. 2003
Special Assistance for Project Implementation (SAPI)	Colombia	Bogota Water Supply Improvement Project	Apr. 2002 to Feb. 2003

The List of SAF Study Contracts Signed during May 2002

Category	Country	Project Name	Schedule
Pilot Study	Philippines	Pilot Study on Approaches to Consensus-Building among Stakeholders for Relocation and Resettlement	May 2002 to Sept. 2002
Special Assistance for Project Formation (SAPROF)	Macedonia	Zletovica Multipurpose Project	May 2002 to Nov. 2002
Special Assistance for Project Implementation (SAPI) (Phase 1)	Bangladesh	Energy Saving, Environmental Protection, and Improvement of On-steam Factor of the Ghorasal Urea Fertilizer Factory Project (II)	May 2002 to Sept. 2002

The List of SAF Study Contracts Signed during June 2002

Category	Country	Project Name	Schedule
Special Assistance for Project Implementation (SAPI)	Turkey	Emergency Earthquake Recovery Loan	June 2002 to Oct. 2002
Special Assistance for Project Formation (SAPROF)	Tunisia	Rural Water Supply Project (Phase 2)	June 2002 to Sept. 2002

The List of SAF Study Contracts Signed during July 2002

Category	Country	Project Name	Schedule
Special Assistance for Project Implementation (SAPI)	China	Procurement Management and Monitoring for All On-Going Projects (PMM-II)	July 2002 to Oct. 2002
Special Assistance for Project Sustainability (SAPS)	Papua New Guinea	Port Moresby International Airport Redevelopment Project (Phases I and II)	July 2002 to Nov. 2002
Pilot Study	Indonesia	Pilot Study for Environmental Improvement and Social Development by Using Renewable Energy	July 2002 to Mar. 2003

The List of SAF Study Contracts Signed during August 2002

Category	Country	Project Name	Schedule
Pilot Study	Philippines	Formation of Ecological Solid Waste Management Plan for Local Government Units in the Philippines	Aug. 2002 to Jan. 2003

The List of SAF Study Contracts Signed during September 2002

Category	Country	Project Name	Schedule
Special Assistance for Project Implementation (SAPI)	India	The IT Application to Road Sector	Sept. 2002 to Dec. 2002
Special Assistance for Procurement Management (SAPMAN)	Philippines	Northern Luzon Wind Power Project	Sept. 2002 to July 2003

Los Angeles Representative Office Was Closed

JBIC decided to close its Los Angeles Representative Office on October 1, 2002. Duties that were hitherto handled by the office will be assumed by our New York Representative Office.

JBIC Releases New Publication

Annual Report 2002

JBIC has released its *Annual Report 2002*. This annual report is a comprehensive explanation of JBIC's activities in fiscal 2001. The annual report is available in full on the JBIC website.



ODA Loan Report 2002 (coming soon)

ODA Loan Report 2002 explains JBIC's activities in Overseas Economic Cooperation Operations in fiscal 2001. The report will be released soon.



Environmental Guideline

JBIC has prepared new guidelines for confirming environmental and social considerations. In preparing the new guidelines, JBIC took care to ensure procedural transparency and exchange views with participants representing a broad spectrum of civil society, by inviting comments from the general public and by holding six public consultation forums. The new environment guideline is available in full on the JBIC website.

JBIC Research Papers

The JBIC Institute publishes research papers on an occasional basis. Below are the recently published papers. For more information on the Institute's research papers, please contact the Planning and Coordination Division of the Institute at +81-3-5218-9720.



	Title	Date
No. 13	• MERCOSUR Experience in Regional Freight Transport Development	March 2002
No. 14	• Regional Cooperation for Infrastructure Development in Central and Eastern Europe	March 2002
No. 15	• Foreign Direct Investment and Development: Where Do We Stand?	June 2002
No. 16	• Development Assistance Strategies in the 21st Century: Global and Regional Issues	July 2002