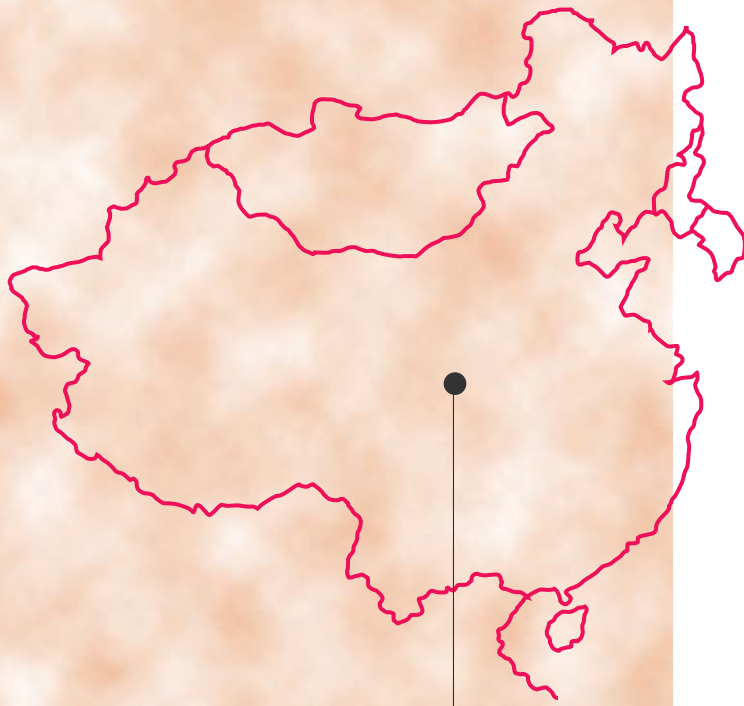


EAST ASIA



China: 192,637

ODA Loan Commitments to East Asian Countries
(As of March 31, 2000/Unit: ¥ Million)

CHINA

Development Needs and JBIC Assistance

(1) Development Goals in Principal Sectors

The largest proportion of JBIC assistance to China has been extended to the transportation sector, which is a priority under China's economic development policy as basic and essential infrastructure for economic development. The energy sector follows the transportation sector in terms of loan commitments. In this sector, intensive investment has been made on the construction of electric power plants to meet the increasing power demand due to economic development. Environmental preservation is an important issue in that 70% of China's power plants are coal-fired facilities. Recently, emphasis has also been laid on raising supply side efficiency through the improvement of the power grid.



China: Locations of Projects Committed in FY1999

1. Benxi Environmental Improvement Project (III)
2. Liangping-Changshou Highway Construction Project
3. Hainan East Expressway Expansion Project
4. Xinxiang-Zhengzhou Highway Construction Project
5. Guiyang Environment Model City Project
6. Dalian Environment Model City Project
7. Chongqing Environment Model City Project
8. Suzhou Water Environmental Improvement Project
9. Zhejiang Sewage Treatment Project
10. Guangxi Water Supply Project
11. Kunming Water Supply Project
12. Chengdu Water Supply Project
13. Chongqing Water Supply Project
14. Jiangxi Water Supply Project
15. Hunan Urban Flood Control Project
16. Hubei Urban Flood Control Project
17. Jiangxi Urban Flood Control Project
18. Yellow River Delta Agricultural Development Project
19. Harbin Electric Network Construction Project

In the agricultural sector, achievement of a stable food supply is urgently required since the demand for food products has risen along with population growth and improvements in the standard of living. To achieve this objective, agricultural infrastructure, such as irrigation facilities must be improved. Similarly, an efficient production, distribution and storage system for foodstuffs must be established.

Regarding the environment, rapid economic development has created serious air and water pollution problems. To cope with these problems, a shift from coal to alternative energy sources is urgently needed. Further, desulfurization equipment must be installed in power facilities and factories; and sewerage treatment facilities as well as industrial wastewater and waste treatment facilities must be constructed.

Expansion of income disparities between the coastal and inland agricultural areas is, yet another problem caused by rapid economic development in the coastal area. This gap has in turn become a source of social and economic instability. Efforts to develop basic infrastructure in inland, rural areas and to expand public services, such as education and medical care for raising the standard of living of the impoverished people are of the utmost importance.



Kunming Water Supply Project (Ground-breaking ceremony pictured top and center)

(2) ODA Loan Operations

Fiscal 1999 marked the 20th year of ODA loan operations in China, which commenced in fiscal 1979. Early in this period, China adopted the Reform and Open Door policy. As of the end of March 2000, the number of ODA loans extended to the government of China totaled 258, with the cumulative total of ODA loan commitments amounting to ¥2,497 billion, making China second only to Indonesia in cumulative commitments.

In China, under the "round system" agreement is made upon the total amount of ODA loans for five-to-seven year periods for meeting the needs of a planned economic system. The period from fiscal 1999 through fiscal 2000 represents the final two years of the fourth round of ODA loans. When China's Communist Party Chairman Jiang Zemin visited Japan in

China: Major Economic Indices

Calendar year	1995	1996	1997	1998	1999**
Nominal GNP (US\$ billion)	711.3	834.3	917.7	959.0*	988.6
GDP per Capita (US\$)	582	677	738	768*	N.A.
Real GDP Growth Rate (%)	11	10	9	8	7.1
Investment Rate (% of GDP)	41	39	38	38	N.A.
Savings Rate (% of GDP)	41	40	42	41	N.A.
Change in CPI (%)	17	8	3	-1	-1
Fiscal Balance (US\$ billion)	-14.5	-13.7	-16.3	-28.9	21.2
Trade Balance (US\$ billion)	18.1	19.5	46.2	46.6	29.1
Exports (US\$ billion)	128.1	151.1	182.7	183.5	194.9
Imports (US\$ billion)	110.1	131.5	136.5	136.9	165.8
Foreign Exchange Reserves (US\$ billion)	76.0	107.7	143.4	149.8	154.7
External Debt (US\$ billion)	106.6	116.3	132.1	146.0	N.A.
Debt Service Ratio (DSR) (%)	11	11	6	8	N.A.
Exchange Rate per US\$ (period average)	8	8	8	8	8

Source: IMF "International Financial Statistics"

*State Statistics Bureau of China

**Announcement of National People's Congress of China

China: Major Social Indicators

Life Expectancy at Birth ('98)		Infant Mortality Rate (per 1,000) ('98)		Literacy Rate (%) ('98)		Net Primary Enrollment Ratio* (%) ('97)		Physicians (per 1,000 people) ('90-'98)**	
male	female	male	female	male	female	male	female	male	female
N.A.	N.A.	N.A.	N.A.	91	75	100	100	N.A.	N.A.
70	70	31	31	N.A.	N.A.	100	100	2.9	2.9

Source: The World Bank "World Development Indicators 2000"

*This figure is the "net" enrollment rate of the percentage of the elementary school age population enrolled in the grade appropriate for their age.

**Data is for the most recent year available.

China: Condition of Major Infrastructure Systems

Paved Roads (%) ('98)	Per Capita Electricity Consumption (kWh) ('97)	Population with Access to Safe Water (%) ('90-'96)*	Telephone Mainlines (per 1,000 people) ('98)
N.A.	714	90	70

Source: The World Bank "World Development Indicators 2000"

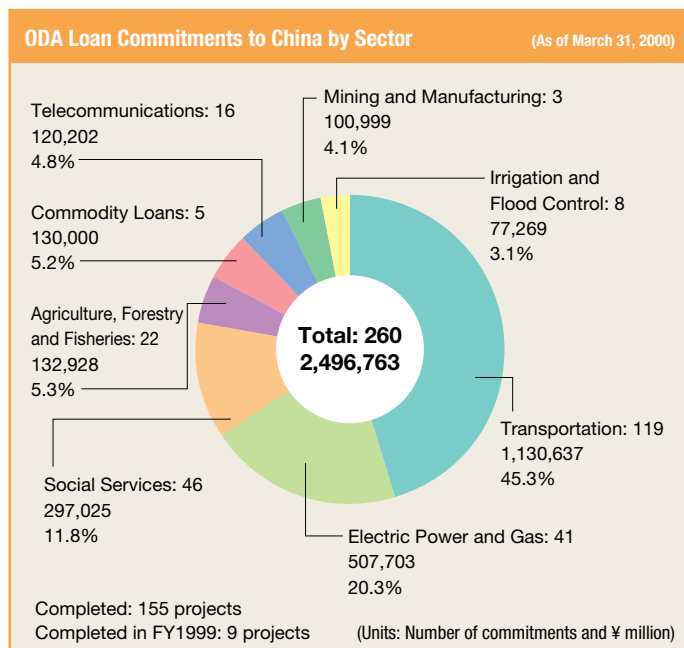
*Data is for the most recent year available.

November 1998, an agreement was reached at a meeting with the Japanese Prime Minister to bring total ODA loans for these final two years to ¥390 billion.

To encourage balanced development in the course of promoting the expansion of the private sector and thus the market economy, the current ODA loans to China place priorities on: (1) environmental problems, including support in such areas as flood control measures and reforestation; (2) agricultural productivity improvement to overcome food shortages and eliminate poverty; (3) correction of regional disparities through inland development; and (4) social and economic infrastructure development contributing to self-reliant economic growth. Through this assistance, JBIC ODA loans seek.

These policies are reflected in the fact that 14 (or 74%) of the 19 loan commitments agreed to in fiscal 1999 were for assistance to environmental-related projects. Among these loans, environment model city projects are being carried out in accordance with the Japan-China Environmental Development Model City Scheme, as decided upon between then Prime Minister Ryutaro Hashimoto and the Chinese government in 1997.

13 out of 19 loan commitments were for assistance in inland areas. These accounted for 68% of the total commitments—more than double the commitments—made for projects in coastal areas. Notable among the inland projects are those designed to support flood control. Severe flooding took place in the Yangtze River basin from summer through fall 1998. Approximately 223 million people were victimized in this disaster, which caused an estimated ¥3 trillion in damage. During fiscal 1999, JBIC extended loans to assist fundamental improvement in flood control capabilities in Hunan, Hubei and Jiangxi Provinces, the three provinces that suffered the greatest damage in the 1998 flood. The measures taken were strengthening of banks and construction of urban drainage facilities.



From fiscal 2001, the “round system” will be abandoned. Instead, both governments have agreed to create a “long list” of prospective interim projects from which projects to be supported under JBIC’s ODA loans will be examined each year. Based on the priority areas, examination of projects in each year’s assistance program together with a review of the long list of potential projects will be carried out through careful discussions with the Chinese government. JBIC considers it important to meet the needs of China’s rapidly changing society in a flexible manner through the new system.

MONGOLIA

Development Needs and JBIC Assistance

(1) Development Goals in Principal Sectors

The malfunctioning of infrastructure began to occur from 1990 as a result of the collapse of the former Soviet Union, which had previously constructed, operated, and maintained most of Mongolia’s infrastructure. This had a severe impact on economic activities and living standards. In particular, most of Mongolia’s energy and electricity generated from coal were severely undersupplied due to a shortage of spare parts at coal mines and coal-fired power stations, causing a substantial drop in operation capacity. In addition, because Mongolia is a landlocked country, railways are an indispensable means of transport; however, transportation capacity fell because of the inability to carry out adequate maintenance and management on facilities manufactured by the former Soviet Union. With the

Mongolia: Major Economic Indices

Calendar year	1995	1996	1997	1998	1999
Nominal GNP (US\$ million)*	954	1,006	955	1,026	795
GDP per Capita (US\$)**	320	360	390	400	N.A.
Real GDP Growth Rate (%)*	6.3	2.4	4.0	3.5	3.5
Domestic Investment Rate (% of GDP)***	26.4	22.4	25.3	27.3	N.A.
Domestic Savings Rate (% of GDP)***	21.8	17.7	30.0	28.3	N.A.
Change in CPI (%)*	56.9	46.9	36.6	9.4	7.9
Fiscal Balance (% of GDP)*	-6.7	-8.2	-8.6	-11.7	-9.9
Trade Balance (US\$ million)*	-3	-87	30	-120	-9.1
Exports (US\$ million)*	486	423	569	462	466
Imports (US\$ million)*	489	511	538	582	557
Foreign Exchange Reserves (US\$ million) Net*	67.9	54.0	89.6	74.9	90.0
External Debt (US\$ million)*	504.0	542.2	604.8	753.1	855.0
Debt Service Ratio (DSR) (%****)	12.1	11.8	6.3	6.9	5.0
Exchange Rate per US\$ (period average)*	450	584	795	854	N.A.

Sources: **95-'98 IMF "MONGOLIA-STATISTICAL ANNEX, January 7, 2000"

*IMF "Mongolia: Staff Report for the 1999 Article IV Consultation"

**The World Bank materials

****ASIAN DEVELOPMENT OUTLOOK 2000"

Note: 1999 estimate

exception of Ulaanbaatar, Mongolia's telecommunications network is also underdeveloped, owing to the country's vast size of land requiring a high cost of investment to develop the facilities. Moreover, existing facilities are now obsolete.

In the area of social livelihood, social services that were provided by the government under the former economic system have deteriorated in terms of both quantity and quality. For instance, the primary school enrollment rate in Mongolia declined to 89% in the first half of the 1990s from 100% in the 1980s. In addition, Mongolia's social indicators remain at a low level. For example, Mongolia has only one physician for every 384 people, an infant mortality rate of 50 per 1,000 people, and an average life expectancy of 67 years.

(2) ODA Loan Operations

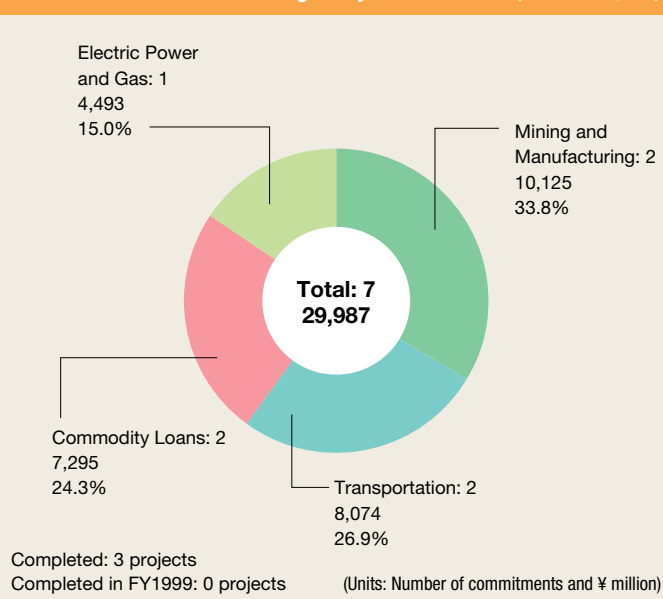
JBIC's ODA loan assistance to Mongolia began in November 1991, with a ¥4.8 billion commodity loan to provide emergency support for Mongolia's foreign currency reserves and to help stabilize its macroeconomy. In February 1993, there was a second commodity loan totaling ¥2.5 billion. These loans were utilized to cover the payment for the imports of items on which the governments of Mongolia and Japan had reached agreement in advance.

In November 1993, ODA loans targeted the repair and development of infrastructure facilities. The loans supported the Railway Transportation Rehabilitation Project, the Rehabilitation Project of the 4th Thermal Power Plant in Ulaanbaatar and the Baganuur and Shivee-Ovoo Coal Mine Development Project. In February 1998, JBIC extended a loan totaling ¥4.3 billion for the Baganuur and Shivee-Ovoo Coal Mine Development Project (II). Consequently, the cumulative total of ODA loan commitments to Mongolia was ¥30.0 billion, encompassing a total of seven commitments as of the end of March 1999.

As indicated above, JBIC initially concentrated on providing emergency assistance to improve Mongolia's balance of payments. At a later point, JBIC aid focused on development of basic infrastructure with the aim of supporting steady and sustained economic growth. JBIC deemed the energy sector to be a key area and has concentrated efforts on the rehabilitation of power plants, coal mines, and railways for coal transport.

Currently, Mongolia has moved from the stage of requiring emergency development assistance to the stage of planning for medium- and long-term development. To support the reforms needed to help the country's transition to a democratic political system and a market economy, JBIC's policy is to provide assistance that focuses on the development of infrastructure facilities required for sustainable economic growth and on human resources development essential for successful transition to a market economy, while giving due consideration to environmental conservation.

ODA Loan Commitments to Mongolia by Sector (As of March 31, 2000)



Mongolia: Major Social Indicators

Life Expectancy at Birth ('98)		Infant Mortality Rate (per 1,000) ('98)		Literacy Rate (%) ('98)		Net Primary Enrollment Ratio* (%) ('97)		Physicians (per 1,000 people) ('90~'98)**	
male	female	male	female	male	female	male	female	male	female
N.A.	N.A.	N.A.	N.A.	72	51	83	88	N.A.	N.A.
66		50		N.A.		85		2.6	

Source: The World Bank "World Development Indicators 2000"

*This figure is the "net" enrollment rate of the percentage of the elementary school age population enrolled in the grade appropriate for their age.

**Data is for the most recent year available.

Mongolia: Condition of Major Infrastructure Systems

Paved Roads (%) ('98)	Per Capita Electricity Consumption (kWh) ('97)	Population with Access to Safe Water (%) ('90~'96)*	Telephone Mainlines (per 1,000 people) ('98)
3.4	N.A.	N.A.	37

Source: The World Bank "World Development Indicators 2000"

*Data is for the most recent year available.