

# CENTRAL ASIA AND ODA LOANS



JAPAN BANK FOR INTERNATIONAL COOPERATION

# Japan Bank for International Cooperation (JBIC) is a policy-based financial institution responsible for conducting Japan's external economic policy and economic cooperation.

JBIC operations consist of the International Financial Operations (IFOs) and Overseas Economic Cooperation Operations (OECOs). The primary objective of IFOs is to contribute to the promotion of Japanese exports and imports, as well as Japanese economic activities overseas, and to the stability of international financial order. The basic objective of OECOs, which constitute part of Japan's Official Development Assistance (ODA), is to support the self-help efforts of developing countries for self-reliance.

In OECOs, JBIC extends concessional loans (ODA loans) to governments and government agencies of developing countries, for the implementation of development programs and projects, for which it would be difficult to obtain private-sector financing.

The average interest rate of ODA loans committed during FY2004 was 0.98%. Average maturity was 34 years and 7 months. This period includes an average grace period of 9 years and 7 months, during which no repayment is made on the principal.

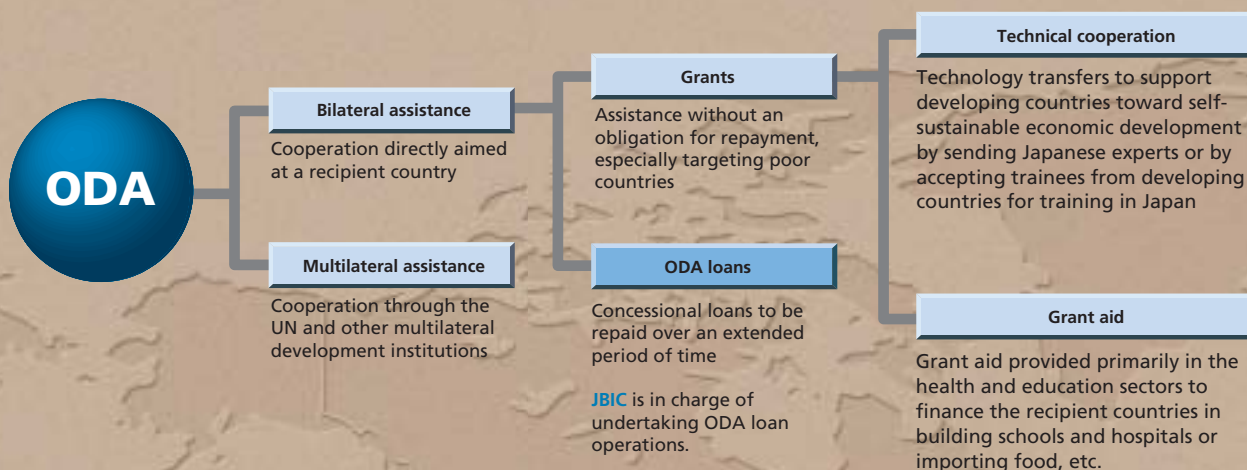
## The Operations of JBIC





## Types of ODA Programs and ODA Loans

ODA is broadly divided into bilateral assistance, which is provided directly to developing countries, and multilateral assistance, which is implemented via international organizations. Bilateral aid consists of concessional loans (ODA loans, and others) and grants (grant aid and technical cooperation).



## JBIC Profile (as of March 31, 2005)

Name: Japan Bank for International Cooperation (JBIC)

Established: October 1, 1999

### Capital:

International Financial Operations: ¥985.5 billion

Overseas Economic Cooperation Operations: ¥6,891.2 billion

### Budget for loans and other financing (FY2005):

International Financial Operations: ¥1,130 billion

Overseas Economic Cooperation Operations: ¥690 billion

### Outstanding loans and other financing:

International Financial Operations: ¥8,499.9 billion

Overseas Economic Cooperation Operations: ¥11,495.5 billion

Number of staff: 872



Development Challenges and JBIC's Approach .....	02
Projects Financed by ODA Loans .....	04
ODA Loan Project Cycle .....	06
Special Assistance Facility .....	08

# Development Challenges and JBIC's

Recognizing the rising importance of Central Asia, Japan launched a new initiative called Asian countries and to enhance cooperation and communication with the region as a whole. development needs of each country, while emphasizing benefits for the entire region.

## Wide Variety of Development Challenges

Since independence, Central Asian countries have made a number of successful achievements in terms of political and economic reforms. However, numerous development challenges, such as those listed below, remain to be addressed to gain further social stability and improve the living standards of the people.

### Improving the business environment

Establishment of a rule-based and transparent free market is necessary to encourage the economic activities of domestic and foreign private companies, and to ensure fair competition. Understanding and acceptance of market rules and good governance, are essential.

### Human resource development

There is an urgent need for capacity building for people, especially in the field of management and technical expertise, in order to meet the rapidly changing environment of the market economy.

### Accelerating intra-regional cooperation

Along with the land-locked nature of Central Asia, differences in systems and policies among the countries impede the smooth flow of people and goods within the region, and thus hinder the potential economic growth. Problems involving the environment and water resources, infectious diseases, and other concerns not confined by national borders are also serious issues. Intra-regional cooperation is necessary to address common problems that are not easily solved through the efforts of each country alone.

### Poverty reduction

Central Asian countries have a large number of people with low income levels, and income gaps within and among countries are widening. Poverty in rural areas is particularly severe. It is necessary to lay the foundation for economic growth and create employment opportunities to raise income levels.

### Modernizing the economic and social infrastructure

The economic and social infrastructure built during the Soviet era has degraded from aging and desperately requires renovation. Policy reform on public service tariff and improvements in efficiency of management of operating companies and service quality are equally important.

### Diversifying industry

The industrial structure of Central Asia, specializing in production of specific primary products, has remained basically unchanged since independence. Countries need to be liberated from a fragile economy overly reliant on a single commodity by promoting industrial diversification.



# Approach

“Central Asia plus Japan” dialogue in 2004, to further bilateral relations with Central Asia. Based on this initiative, JBIC’s support reflects the complex backgrounds and diversified

## Three Key Areas of Our Efforts

In view of various development challenges, our efforts will be made in the following 3 specific areas to build a foundation for sustainable growth.

### Modernizing the economic and social infrastructure

JBIC supports infrastructure development to achieve market-oriented economic reform, emphasizing effective use of water and energy resources, and greater efficiency in the transportation network.

### Human resource development and institutional reform

JBIC provides technical assistance to capacity building in order to meet the changing environments of the market economy, and to improve the systems and policies necessary for better and sustained services mainly in the areas of infrastructure.

### Accelerating intra-regional cooperation

In cooperation with other development organizations, JBIC gives special consideration to projects that promote intra-regional cooperation, emphasizing effective use of various resources such as energy and water, and development of transportation infrastructure.





# Projects Financed by ODA Loans

(as of March 31, 2006)

JBIC has provided ¥216.5 billion in ODA loans to finance 20 projects/programs in Central Asia, covering areas of transport, telecommunications, electric power, water supply and sewerage, and education.

## Uzbekistan

### ① Telecommunication Network Expansion Project ( I ), ( II )

Amount: ( I ) ¥12,700 million  
( II ) ¥12,692 million

Installation of digital switching system, transmission system, broadcasting system and wireless telephone networks, in order to improve general telecommunication/broadcasting services particularly in the central and western regions.



### ② Railway Passenger Transport Improvement Project

Amount: ¥6,102 million

Construction of a railway passenger coach repair shop in the capital of Tashkent, and purchase of new passenger coaches and spare parts, in order to maintain and improve passenger transport capacity.



### ③ Three Local Airports Modernization Project ( I ), ( II )

Amount: ( I ) ¥15,526 million  
( II ) ¥2,871 million

Repaving of runways, and upgrading of passenger terminals and air traffic safety equipment in order to ensure flight safety and improve passenger transport at three local airports in Samarkand, Urgench and Bukhara.



### ④ Senior Secondary Education Project

Amount: ¥6,347 million

Procurement of educational equipment for 50 model agricultural schools and training seminars for principals, instructors and administrators both in Japan and Uzbekistan, in order to foster human resources with basic and professional expertise.



### ⑤ Tashkent Thermal Power Plant Modernization Project

Amount: ¥24,955 million

Construction of a gas-fired combined cycle power generating unit inside the existing thermal power plant, in order to ensure stable power supply in the capital of Tashkent and surrounding regions.



### ⑥ Tashguzar-Kumkurgan New Railway Construction Project

Amount: ¥16,359 million

Construction of a new railway line and rehabilitation of the existing tracks in southern Uzbekistan, in order to promote economic and social development of the region.



## Kazakhstan

### ⑦ Railway Transport Capacity Development Project

Amount: ¥7,236 million

Expansion of a cargo transit facility, refurbishing of certain sections of railway track, and other improvements.



### ⑧ Irtysh River Bridge Construction Project

Amount: ¥21,530 million

Construction of a new bridge over the Irtysh River, which flows through the northeastern Kazak city of Semipalatinsk, alongside the severely aging existing bridge.



### ⑨ Astana Airport Reconstruction Project

Amount: ¥22,122 million

Widening and refurbishment of taxiways, upgrading of aircraft parking, and construction of new passenger terminal and control tower, etc., in order to improve the airport's function as an international airport.



### ⑩ Western Kazakhstan Road Network Rehabilitation Project

Amount: ¥16,539 million

Rehabilitation of severely damaged sections of road in western Kazakhstan, to improve transport efficiency and safety.



### ⑪ Astana Water Supply and Sewerage Project

Amount: ¥21,361 million

Refurbishment and expansion of the water supply and sewerage systems in the capital city of Astana, improving the safety, efficiency and reliability of water supply and sewerage by reducing leakage and conducting other repairs.





### Kyrgyz

#### 12 Bishkek-Manas International Airport Modernization Project

Amount: ¥5,454 million  
 Renovation of facilities of Bishkek-Manas International Airport, such as runway, control center and passenger terminal, to ensure compliance with safety requirements.



#### 13 Bishkek-Osh Road Rehabilitation Project ( I ), ( II )

Amount: ( I ) ¥3,016 million  
 ( II ) ¥5,250 million  
 Rehabilitation of the heavily deteriorated sections of the Bishkek-Osh road, and procurement of equipment for safe and efficient operation and maintenance, improving the efficiency and safety of the country's principal road transport link.



#### 14 Other financing

Rehabilitation Loans: ¥6,500 million  
 Commodity Loans: ¥3,127 million  
 Social Sector Adjustment Program: ¥2,318 million

### Turkmenistan

#### 15 Railway Transportation Modernization Project

Amount: ¥4,505 million  
 Rehabilitation of the Ashgabat locomotive repair workshop and introduction of computer system.





# ODA Loan Project Cycle

The series of steps in providing an ODA loan consists of project preparation, appraisal, signing of a loan agreement, implementation, and ex-post evaluation and monitoring after the project completion.



## 1 Project Preparation

A developing country draws up medium- and long-term development plans and carries out project identification with due consideration for targets and strategies in these plans. JBIC conducts macroeconomic and sector surveys and examines the urgency and priority of the identified projects through policy dialogue with the governments of developing countries. Before moving to

implementation, the project plan comes under further analysis with respect to economic, social, technical and environmental aspects. This feasibility study (F/S) is either carried out by the government of the developing country on its own or through technical assistance from the Japan International Cooperation Agency (JICA) or other international organizations.



## 2 Loan Request

The government of developing countries files a loan application to the Japanese Government, accompanied by documents produced in the project identification and preparation stages.

## 3 Examination/Appraisal and Ex-Ante Project Evaluation

JBIC examines the loan application documents submitted by the governments of developing countries. At this point, the Japanese Government may send a mission, if necessary, to consult with the country requesting the loan. Subsequently, JBIC sends an appraisal mission to the requesting country for discussions with officials involved in the project and for field visits. The mission studies economic, social, technical and environmental aspects of the project in detail. For all ODA loan projects for which appraisal is carried out after April 1, 2001, JBIC prepares the Ex-Ante Project Evaluation Report and posts it on its website soon after the signing of a loan agreement.

If it is judged that a supplemental study is required prior to JBIC's examination and appraisal, JBIC may conduct a Special Assistance for Project Formation (SAPROF) study.

## 4 Exchange of Notes and Loan Agreement

Based on the results of the appraisal conducted by JBIC, the Japanese Government makes a decision over loan provision as well as its amount, terms and conditions. Based on the decision of the Cabinet, the Japanese Government signs a diplomatic document, the exchange of notes (E/N), with the recipient government. Thereafter, JBIC and the borrower sign a loan agreement (L/A).

## 5 Implementation

After the signing of the L/A, the project enters the implementation stage. Essential inputs to the project—such as materials, equipment and civil works—will normally be procured through international competitive bidding, as it is the most economical and efficient method. Disbursements are made upon requests from the borrowing country. If deemed necessary, JBIC conducts

a Special Assistance for Procurement Management.

In principle, funds are released as their needs actually arise with the progress of the project.

The borrowing country is responsible for carrying out the project, while JBIC offers advice as necessary for smooth project implementation. If deemed necessary, JBIC conducts a study under the Special Assistance for Project Implementation (SAPI).

## 6 Project Completion/Ex-Post Evaluation and Follow-Up Monitoring

JBIC conducts ex-post evaluation for completed projects in order to draw lessons for future projects. Ex-post evaluation assesses the project implementation, post-completion operation and maintenance of project facilities and development effectiveness of ODA loan-financed projects in comparison with the initial plan. In addition to individual projects, evaluation takes place at the program level, making a comprehensive assessment with respect to the economic and social impact of the project portfolio on a given region or sector.

The experience and lessons drawn from ex-post evaluation have been accumulated inside JBIC and effectively fed back to the borrowers and project-executing agencies to increase the effectiveness of development assistance. In 2004, JBIC introduced a four-grade rating system to project evaluation in order to ensure sufficient accountability and effective ODA loan operations. For detailed results of ex-post evaluation, Ex-Post Evaluation Reports are available on the JBIC website.

Furthermore, JBIC may, upon request from the borrowing country, conduct a study under the Special Assistance for Project Sustainability (SAPS).

# Special Assistance Facility (SAF)

## Supporting Operations for ODA Loans

JBIC carries out SAF in order to strengthen JBIC systems that assist recipient countries from project formation through completion and on-going operation, and to carry out projects effectively responding to developing countries' diverse needs.

### —For better preparation—

#### Special Assistance for Project Formation (SAPROF)

The preparation and formation of development projects involves multifaceted studies which require expertise in a broad range of fields. However, even in the case of high-priority projects, developing countries are often unable to undertake detailed project planning because of financial and technical limitations. In such cases, when a country requests or indicates the intention to request JBIC's financial assistance, JBIC can carry out a Special Assistance for Project Formation (SAPROF) study, additional assistance for the developing country to plan the effective project. SAPROF assignments are carried out by consultants and experts hired by JBIC.

### —For better implementation—

#### Special Assistance for Project Implementation (SAPI)

Over the years, JBIC has found it increasingly necessary to offer detailed advice and recommendations throughout the implementation stage of projects to ensure that projects are implemented smoothly and that their goals are accomplished. In order to establish

a framework for providing these advisory services in a speedy and effective manner, JBIC can carry out Special Assistance for Project Implementation (SAPI). Projects eligible for assistance under SAPI are those funded by JBIC. The selected project should have a recognized need for additional studies designed to ensure the smooth implementation and achievement of goals. SAPI assignments are carried out by consultants and experts hired by JBIC.

### —For better outcome after completion—

#### Special Assistance for Project Sustainability (SAPS)

The purpose of Special Assistance for Project Sustainability (SAPS) is to investigate and identify problems that impede sustainable realization of project benefits and to propose solutions to these problems. Although the recipient countries maintain responsibility for the management, operation and maintenance of projects after its completion, JBIC may carry out a SAPS study when JBIC perceives the necessity and urgency of assistance. JBIC hires consultants to perform this service.

#### A typical example of the SAF implementation procedure:

- 1 Projects eligible for SAF are studied and formulated (or possibly identified, in the case of SAPROF), usually by JBIC fact-finding in consultation with the Borrower.
- 2 The scope of the services required for SAF is discussed by JBIC and the Borrower.
- 3 JBIC approves provision of SAF for a specific project and the scope of services.
- 4 JBIC and the Borrower conclude an agreement for provision of SAF.
- 5 JBIC employs consultants as a SAF Team.
- 6 SAF Team carries out a study in the field and reports its findings to JBIC.
- 7 JBIC informs the Borrower of the results of the study.



# JBIC Publications

JBIC is disclosing information on its operations, financial results and other relevant matters.



■ JBIC Today  
(public information periodical)



■ Annual Report



■ ODA Loan Report



■ The Role and Function of JBIC



■ Ex-Post Evaluation Report on ODA Loan Projects



■ JBIC Guidelines for Confirmation of Environmental and Social Considerations



■ Environmental and Social Activities Report



■ Research Reports of JBIC Institute



■ Japan's ODA Loan and Millennium Development Goals (MDGs)

## Materials Related to Application Procedures for ODA Loans



■ Operational Guidance on the Preparation for Japan's ODA Loan Projects

■ Guidelines for Procurement under JBIC ODA Loans

■ Guidelines for Employment of Consultants under JBIC ODA Loans

■ Sample Bidding Documents for Prequalification, Civil Works, Goods, Smaller Contracts and Selection of Consultants under JBIC ODA Loans



■ Handbook for Procurement under JBIC ODA Loans  
(The Employment of Consultants & Procurement of Goods and Services)

■ Evaluation Guide for Prequalification and Bidding under JBIC ODA Loans

■ General Terms and Conditions for ODA Loans (GTC)

Electronic version is available for downloading from the JBIC website (<http://www.jbic.go.jp/english/index.php>)

## Contact

**Head Office**  
(Division 2, Development Assistance Department IV)  
4-1, Ohtemachi 1-Chome, Chiyoda-ku,  
Tokyo 100-8144, Japan  
Tel: 81-3-5218-3718  
Fax: 81-3-5218-3973

**Representative Office in Moscow**  
123610 Moscow  
Krasnopresnenskaya Nab.12, World Trade Center, Office No. 905,  
Russian Federation  
Tel: 7-495-258-1832, 1835, 1836  
Fax: 7-495-258-1858  
<http://www.jbic.ru/>

Photos: Sanae Numata, JICA and others

