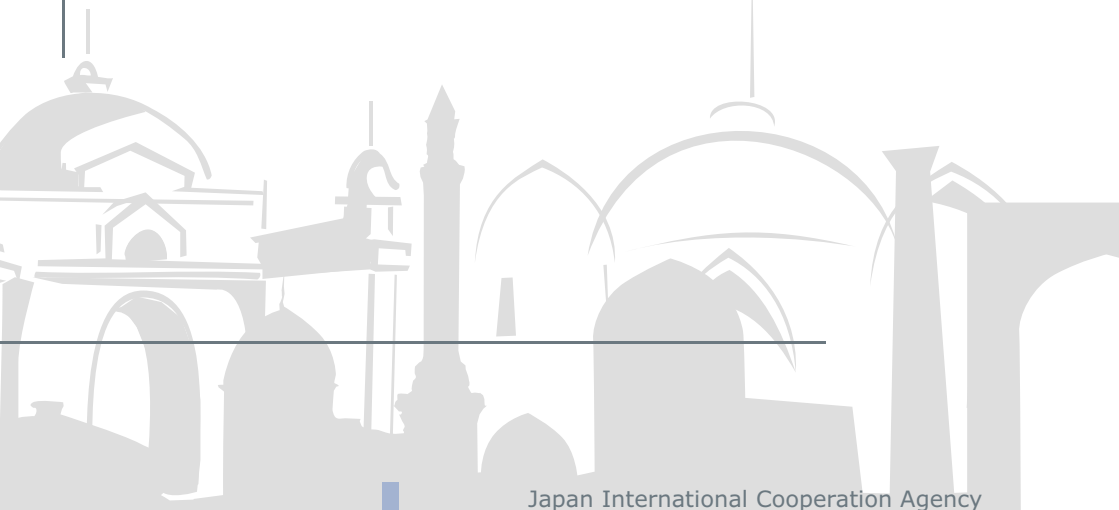


# CENTRAL ASIA AND JAPAN'S ODA LOANS

Supporting Sustainable Economic  
and Social Development in Central Asian Nations



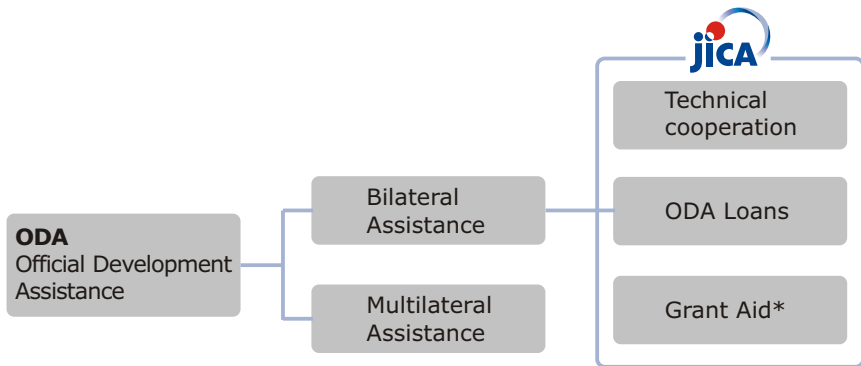
New JICA and JICA's Approach  
Outline of ODA Loans and Policy  
Project Cycle of ODA Loans  
ODA Loan Programs  
JAPAN's ODA Loan Projects in Central Asia  
Special Assistance Facility (SAF)  
JICA and Central Asia  
JICA's Publications



## New JICA and JICA's Approach

The Japan International Cooperation Agency (JICA) was established in August 1974 as a result of integrating the Overseas Technical Cooperation Agency (OTCA) (established in June 1962) and the Japan Overseas Cooperation Volunteers (JOCV) (established in April 1965). The history of technical cooperation involving the Government of Japan goes back to the time of the Colombo Plan and the Technical Cooperation Projects that were launched in October 1954.

New JICA was launched on the 1st of October, 2008. It was formed from a merger of the ODA loan section of the Japan Bank for International Cooperation (JBIC), the former Overseas Economic Cooperation Fund (OECF), and the Japan International Cooperation Agency (JICA). New JICA is now responsible for technical assistance, grant aid and ODA loans.



\* This excludes Grant Aid which the Ministry of Foreign Affairs will continue to directly implement for the necessity of diplomatic policy.

### JICA's Schemes

JICA uses an array of development assistance schemes to meet the diverse needs of developing countries around the world:

- Technical Cooperation Projects
- ODA Loans
- Private-Sector Investment Finance
- Grant Aid
- Citizen Participation
  - Volunteers
  - JICA Partnership Program
  - Training Programme For Young Leaders
- Emergency Disaster Relief

## Outline of ODA Loans and Policy

### ***Official Development Assistance (ODA) and ODA Loans***

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

JICA follows the ODA Charter and Medium-Term Policy on ODA established by the Japanese government.

### ***Outline of ODA loans***

In many developing countries, economic and social infrastructure such as electricity, gas, transportation and communications services is underdeveloped. In recent years, in addition to an increasing population living in poverty in some regions, global problems have emerged, including HIV/AIDS and other communicable diseases, air and water pollution, and conflicts and terrorism. To address these issues, the international community set out the "Millennium Development Goals (MDGs)\*" as common goals, and individual countries have launched a range of measures.

ODA loans support developing countries by providing low-interest, long-term and concessional funds to finance their development efforts.

\*Millennium Development Goals (MDGs): The Millennium Declaration commits the international community and member states of the UN to the achievement of eight major goals, mostly by 2015, including a set of common goals that combined the UN Millennium Declaration adopted at the UN Millennium Summit in September 2000 and various international development goals adopted during the 1990s. These goals, which include poverty reduction, universal primary education and ensuring environmental sustainability, were set in eight areas and are to be achieved by 2015.

### ***Characteristics of ODA loans - Supporting ownership by developing countries***

Ownership is crucial for economic growth and poverty reduction in developing countries. ODA loans, which require repayment, promote efficient use of the borrowed funds and appropriate supervision of the projects they finance, thereby underpinning developing countries' ownership of the development process. In addition, as ODA loans are financial assistance with a repayment obligation, they place a relatively small fiscal burden on the Japanese government and represent a sustainable instrument for official development assistance.

### ***Target areas***

International organizations and developed nations are making a variety of efforts to achieve the MDGs. The ODA Charter adopted by the Cabinet of Ministers of Japan in August 2003, assigned priority to poverty reduction and peace building, in line with the

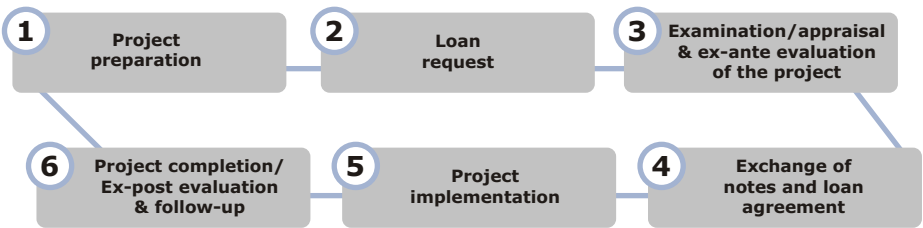
MDGs. Following the ODA Charter, ODA loans are being actively used to provide support in areas contributing to poverty reduction, peace building and addressing global issues.

### **Target regions**

Although ODA loans are primarily offered to countries in the Asian region given their strong geographical, historical, and economic links to Japan, there are also strong needs in countries outside the Asian region. With ODA loans, JICA has supported a wide range of countries and regions, 103 in total.

## **Project Cycle of ODA Loans**

ODA loans follow six steps, namely project preparation, appraisal, signing of a loan agreement, implementation, and ex-post evaluation and monitoring after the project is completed. As lessons learned from the ex-post evaluation at the final stage will be fed back to preparations of new projects, this flow of steps is called the project cycle.



### **Project Preparation**

A developing country draws up medium - and long-term development plans and carries out project identification with due consideration for the targets and strategies in these plans. JICA conducts macroeconomic and sector studies 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 by JICA or other international organizations.

### **Loan Request**

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

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

JICA examines the loan application documents submitted by the governments of the requesting countries. At this point, the Japanese Government may send a mission, if necessary, to consult with the country requesting the loan. Subsequently, JICA 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, JICA 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 JICA's examination and appraisal, JICA may conduct a Special Assistance for Project Formation (SAPROF) study.

### ***Exchange of Notes and Loan Agreement***

Based on the results of the appraisal conducted by JICA, the Japanese Government makes a decision regarding the 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, JICA and the borrower sign a loan agreement (L/A).

### ***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, JICA 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 JICA offers advice as necessary for smooth project implementation. If deemed necessary, JICA conducts a study under the Special Assistance for Project Implementation (SAPI).

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

JICA conducts ex-post evaluation for completed projects in order to draw lessons for future projects. Ex-post evaluation assesses the project implementation, operation and maintenance of project facilities following project completion, 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 JICA and effectively fed back to the borrowers and project executing agencies to increase the effectiveness of development assistance. In 2004, JICA (JBIC) introduced a four-grade rating system for 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 JICA website. Furthermore, JICA may, upon request from the borrowing country, conduct a study under the Special Assistance for Project Sustainability (SAPS).

## **ODA Loan Programs**

---

“Efforts to Increase Development Effectiveness of Projects”

### ***(1) Project Loans***

Project Loans, which are predominant among ODA loans, finance projects such as roads, power plants, irrigation, water supply and sewerage facilities and so on. The loans are used for the procurement of facilities, equipment and services, or for conducting civil works and other related works.

### ***(2) Engineering Services (E/S) Loans***

This type of loans is for engineering services, which are necessary at planning and design stages of the projects. The services include reviews of feasibility studies, surveys of detailed data on project sites, detailed designs and preparation of bidding documents. Completion of feasibility studies or their equivalent is a prerequisite for this type of loans.

### ***(3) Financial Intermediary Loans (Two-Step Loans)***

Financial intermediary loans are implemented through the financial institutions of the recipient country based on the policy-oriented financial system of that country. These loans provide funds necessary for the implementation of designated policies, such as the promotion of small- and medium-scale enterprises in manufacturing, agriculture, and other specified industries and the construction of facilities to improve the living standards of the poor. These loans are known as "two-step loans" because there are two or more steps before the end-beneficiaries receive the funds. Under this type of loan, funds can be provided to a large number of end-beneficiaries in the private sector. Since these loans are implemented through local financial institutions, they also serve to strengthen the operational capabilities of these institutions and to develop the financial sector of the recipient countries.

#### ***(4) Structural Adjustment Loans (SAL)***

This type of loans assists recipient countries to improve economic policies and to implement structural adjustment for overall economies. Prior to loan commitments, JICA examines structural adjustment programs of recipient countries and sets conditionality for achieving targets of the programs. In most cases, the loans are disbursed in parts (tranches) as conditionality is fulfilled. The funds are usually used for the settlement of payments for imported equipment and materials and associated services. If needed, the funds may be also used for consulting services required for implementation of structural adjustment programs. Structural adjustment loans are often co-financed with multilateral institutions.

While structural adjustment loans are used for economic policy improvement and reforms of overall economies, sector adjustment loans focus on improving the policies and institutional reforms of specific sectors in recipient countries.

#### ***(5) Commodity Loans***

This type of loans aims to both support the balance of payments and to promote economic stability of recipient countries. These loans are often used to import commodities such as industrial machinery and raw materials, fertilizer and pesticide, and agricultural and other kinds of machinery, which are agreed upon beforehand between the Japanese and recipient governments. Also, local currency (counterpart) funds, paid by importers to governments to obtain foreign currencies provided under the loans, are used for economic and social development.

#### ***(6) Sector Program Loans (SPL)***

This type of loans is used to support development policies in prioritized sectors of developing countries. Local currency (counterpart) funds are utilized for public investments for sector-specific improvements.

# JAPAN's ODA Loan projects in Central Asia



## Uzbekistan

### 1 - Telecommunication Network Expansion Project

(1), (2) (1995, 1999)

Amount: (1) ¥12,700 million (2) ¥12,692 million

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

### 2 - Railway Passenger Transport Improvement Project (1996)

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

(1), (2) (1996, 1999)

Amount: (1) ¥15,526 million (2) ¥2,871 million

Repairing 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 (2001)

Amount: ¥6,347 million

Procurement of educational equipment for 50 model professional colleges (agricultural secondary 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 (2002)

Amount: ¥24,955 million

Construction of a gas-fired combined cycle power generating unit (CCGT) 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 (2004)

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 (1995)

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 (1997)

Amount: ¥21,530 million

Construction of a new suspension bridge (1,630m) over the Irtysh River and access road, which flows through the north-eastern Kazakh city of Semipalatinsk, alongside the severely aging existing bridge.

### 9 - Astana Airport Reconstruction Project (1998)

Amount: ¥22,122 million

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

### 10 - Western Kazakhstan Road Network Rehabilitation Project (2000)

Amount: ¥16,539 million

Rehabilitation of severely damaged sections of road in western Kazakhstan, Atyrau-Ularisk (492km), Kustanay Provincial border - Karabutak (249km), Karabutak - Aktyubinsk (213km) to improve transport efficiency and safety.

### 11 - Astana Water Supply and Sewerage Project (2003)

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.





## Kyrgyzstan

### 12 - Bishkek-Manas International Airport Modernization Project (1996)

Amount: ¥5,454 million

Refurbishment of passenger terminal, modernization of air traffic control system, rehabilitation of runway and other airport facilities of Bishkek-Manas International Airport to ensure compliance with air safety requirements.

### 13 - Bishkek-Osh Road Rehabilitation Project (1), (2) (1997, 1998)

Amount: (1) ¥3,016 million (2) ¥5,250 million

Rehabilitation of the heavily deteriorated sections of the Bishkek-Osh road in mountainous sections, and procurement of equipment for safe and efficient operation and maintenance for improving the efficiency and safety of the country's principal road transport link.

### 14 - Other financing

Rehabilitation Loans: ¥6,500 million (1993)

Commodity Loans: ¥3,127 million (1994)

Social Sector Adjustment Program: ¥2,318 million (1999)

## Turkmenistan

### 15 - Railway Transportation Modernization Project (1997)

Amount: ¥4,505 million

Rehabilitation of the Ashgabat Locomotive Repair Workshop and introduction of computerized ticketing system including optic fibre telecommunication lines for improving railway safety and enhancing the service level.

## Special Assistance Facility (SAF)

---

### Supporting Operations for ODA Loans

JICA carries out SAF in order to strengthen ODA loan project efficiency and 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 JICA's financial assistance, JICA can carry out a Special Assistance for Project Formation (SAPROF) study, and provide additional assistance for the developing country to plan an effective project. SAPROF assignments are carried out by consultants and experts dispatched by JICA.

### For better implementation

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

Over the years, JICA 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, JICA can carry out Special Assistance for Project Implementation (SAPI).

Projects eligible for assistance under SAPI are those funded by JICA. 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 dispatched by JICA.

## **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, JICA may carry out a SAPS study when JICA perceives the necessity and urgency of assistance. JICA dispatches consultants to perform this service.

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

Projects eligible for SAF are studied and formulated (or possibly identified, in the case of SAPROF), usually by JICA fact-finding in consultation with the Borrower.

- The scope of the services required for SAF is discussed by JICA and the Borrower.
- JICA approves provision of SAF for a specific project and the scope of services.
- JICA and the Borrower conclude an agreement for provision of SAF.
- JICA employs consultants as a SAF Team.
- SAF Team carries out a study in the field and reports its findings to JICA.
- JICA informs the Borrower of the results of the study.

### ***JICA Kazakhstan Liaison Office***

2/6, Business Centre "Zhartas"  
23, Abai Avenue, Astana 010000  
Republic of Kazakhstan  
Tel: 7-7172-59-1006/1007/1009 Fax: +7-7172-59-1008

### ***JICA Kyrgyz Republic Office***

115, Chokmorova Street, Bishkek 720040  
Kyrgyz Republic  
Tel: +996-312-90-0270/1/2/3/4 Fax: +996-312-90-0279  
<http://www.jica.go.jp/kyrgyz/english/>

### ***JICA Uzbekistan Office***

(also covers operations in Caucasus: Azerbaijan, Georgia,  
Armenia)  
International Business Centre, 5F  
107-B, Amir Temur Avenue, Tashkent 100084  
Republic of Uzbekistan  
Tel: +998-71-120-7966/67 Fax: +998-71-120-7968  
<http://www.jica.go.jp/uzbekistan/english/>

### ***JICA Tajikistan Office***

7, Telman Street, Dushanbe 734001  
Republic of Tajikistan  
Tel: +992-37-881-2634 Fax: +992-37-221-4432  
<http://www.jica.go.jp/tajikistan/english/>

### ***JICA Headquarters***

Division of Central Asia and Caucasus, Department of East  
and Central Asia and Caucasus  
Niban-cho Centre Building  
Niban-cho 5-25, Chiyoda-ku,  
Tokyo 102-8012 JAPAN  
Tel. +81-3-5226-6684 Fax. +81-3-5226-6369  
<http://www.jica.go.jp/english/>

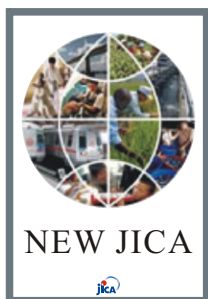
## JICA's Publications



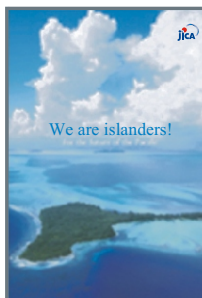
**JICA's World**  
(monthly periodical)



**JICA Profile**



**New JICA**



**We are islanders**



**Network Magazine**



**Our Islands,  
Our Waste,  
Our Future**

Electronic versions of the publications can be downloaded from JICA's website at:  
<http://www.jica.go.jp/english/publications/>







---

This publication was prepared by a team of ODA Loan operation at JICA Uzbekistan Office:  
Naoki Nihei  
Bakhodir Mardonov  
Akitoshi Iio

Translator (from English to Russian):  
Natalia Gamiyants

Published in March 2010  
Designed and Printed by Seal Mag, Tashkent