

# Operationalizing Co-benefits through ODA - JBIC OECOs's Experiences

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## How JBIC (OECOs) would support to generate Co-benefits?

JBIC (OECOs) has TWO major assistance tools to support sustainable development of developing countries.

1. ODA Loans
2. Technical Assistance



## (1) What is ODA Loans ?

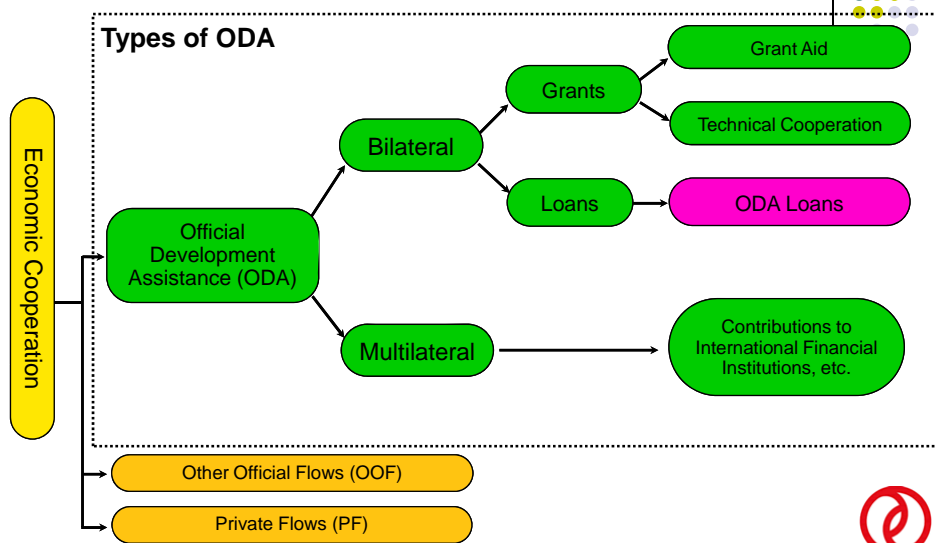
### ODA Loans

- Government to Government (G-G) loans
- Focus on development objective
- Support public projects and public-private partnership projects
- Low commercially viable projects
- General untied or tied for non commercially viable projects

★ ODA Loans has very concessional terms and conditions for environmentally sound projects (Interest rate: 0.75% p.a., Repayment period : 40 years with 10 years grace period)

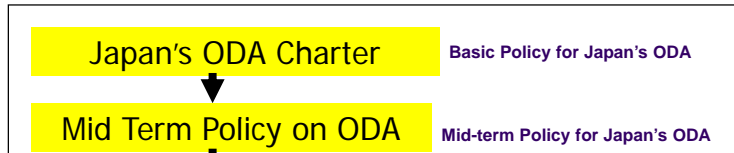


## What is ODA?



## Japan's ODA Policies and JBIC OECO's Strategy

### Government of Japan



### JBIC's Basic Strategy for ODA Loan Operation

### The Medium-Term Strategy for Overseas Economic Cooperation Operation

#### Basic Approach

- (1) Focus on Development Results
- (2) Medium to Long Term Perspectives
- (3) Efforts for Transparency of Japanese ODA Loans

#### Priority Areas

- (1) Poverty Reduction
- (2) A Foundation for Sustained Growth
- (3) Global Issues and Peace Building
- (4) Human Resources Development



## Japan's ODA Charter

### <Objectives>

- The objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity.
  - Humanitarian problems, such as extreme poverty, famine, refugee crises, and natural disasters, as well as global issues such as those related to the environment and water, are important issues that need to be addressed in order for the international community as a whole to achieve sustainable development. These problems are cross border issues that present a grave threat to each and every human being.
  - As nations deepen their interdependence, Japan, which enjoys the benefits of international trade and is heavily dependent on the outside world for resources, energy and food, will proactively contribute to the stability and development of developing countries through its ODA. This correlates closely with assuring Japan's security and prosperity and promoting the welfare of its people. In particular, it is essential that Japan make efforts to enhance economic partnership and vitalize exchange with other Asian countries with which it has particularly close relations.



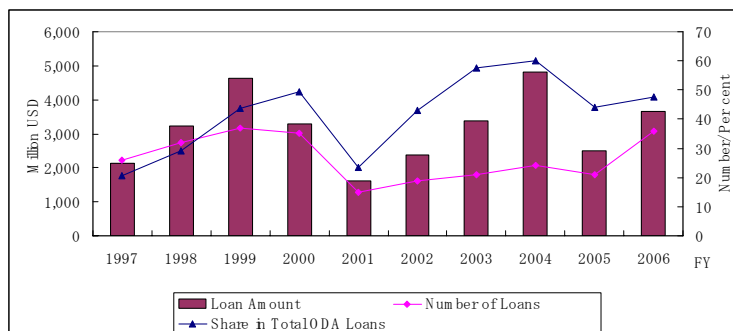
## Japan's Initiatives on Climate Change

- Initiatives for the Sustainable Development toward the 21 Century (ISD) – Kyoto Initiative
  - **The Three Pillars**
    - **Cooperation in capacity building** through giving training to 3000 persons in developing countries
    - **ODA loans with the most concessional terms** (0.75 percent as an annual interest rate, 40 year as a repayment period) to fund projects designed to combat climate change
    - **Effective use and transfer of Japanese technology and know-how**



## ODA Loans as policy incentive tool

- Trend of Environmental ODA Loans



- Introduced “Special terms and condition for environmental projects/programmes (0.75% of interest rate and 40 years repayment period)” as a part of Kyoto Initiative in 1997.
  - Since then, number of environmental projects has been increased
    - Effectively work as “policy incentive tool”
    - Stocktaking of “know-how” to address to climate change



## Sectors and Fields of Preferential Terms



1. **Forest conservation, forestation**
2. **Prevention of pollution**
  - (1) Prevention of air pollution
  - (2) Prevention of water pollution
  - (3) Waste treatment
3. **Energy saving and resource conservation**
4. **Conservation of natural environment**
  - (1) Protection of wildlife
  - (2) Research for marine resources
  - (3) Research for genetic resources
  - (4) Conservation of soil
  - (5) Others (research, monitoring)
5. **New and renewable energy sources**
6. **Protection of ozone layer**
7. **Marine pollution**
8. **Protection of desertification**
9. **Water supply contributing to the prevention of infectious disease and poverty reduction**



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## JBIC's Basic Strategy for ODA Loan Operation



- **Priority Area –Global Issues and Peace building**
  - 1) In the area of global environmental issues, we will provide assistance to
    - a) “global warming countermeasures.” These include measures to control and reduce greenhouse gases, such as renewable energy and energy saving efforts (including assistance to use such Kyoto mechanism as CDM and JI), and adaptation to adverse impact of climate changes (including climate disaster countermeasures).
    - b) “preservation of natural environment,” which includes maintenance of nature reserves, forest maintenance and management, desertification countermeasures, and natural resource management.
  - 2) We will also place high priority on assistance to environmental improvements and pollution prevention, such as countermeasures on air pollution, water contamination and waste management, while paying attention to prevention or reduction of negative environmental and social impact of infrastructure improvement so as to ensure co-existence of environment and development. In providing such assistance, we will try to actively use Japan's technology and experience concerning environmental improvement and pollution protection, and also strengthen our coordination with Japan's local autonomous bodies.



JBIC

## JBIC's Basic Strategy for ODA Loan Operation

- Priority Area –Global Issues and Peace building
  - 3) In the area of assistance for disaster prevention, we consider the medium- to long-term perspectives of restoration and redevelopment, as well as prevention of recurrence to be important, in addition to emergency assistance (recovery). In providing such assistance, we will try to actively use Japan's technology and experience concerning disaster prevention, and also strengthen our coordination with Japan's local autonomous bodies.



- New terms of ODA Loans has been introduced from FY2007 to strengthen the assistance for efforts to recover from emergent disasters,
  - interest rates for projects for such recoveries will be minimal (0.01%), and repayment and grace periods will be 40 years and 10 years, respectively.



## (2) What is JBIC(OECOs)'s TA?

- JBIC (OECOs) provides technical assistance as "Special assistance facility (SAF)".
- SAF is a *study* to give advice and recommendations to borrower countries on individual projects *at each stage of project cycle of JBIC ODA Loans (project formation, implementation, and post-completion)*.
- Another opportunity is "pilot study for project formation".



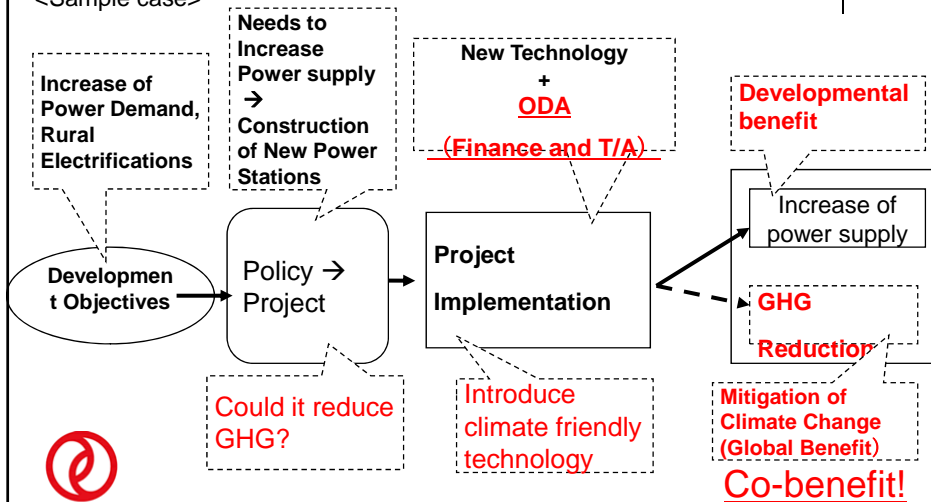
## Characteristics of SAF

- Studies are carried out by consultants employed by JBIC.
- Necessary funds are provided by JBIC on a grant basis.
- Scale of study ranges from 2 to 15 M/M of International Consultants.
- Study period is 6 months on average (2-3 months for preparation in addition).



## We are seeking “co-benefit”.

<Sample case>

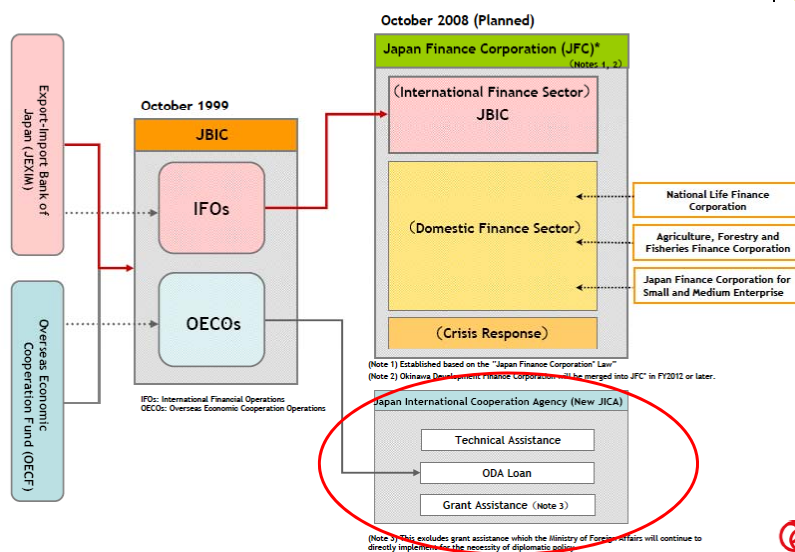


## What kind of existing / future financing schemes could be applicable for generating co-benefits?

- ODA Loans
  - Project Loans
  - Development policy Loans (DPLs)
  - Two Step Loans
  - Engineering Service Loan
 =Co-finance with WB, ADB, GEF and/or other donors are welcome.
  
- Technical Assistance
  - Special Assistance facility (SAF)



## New structure of Japan's public finance facilities







## Some examples of our experiences

(1) :

**-Project Loan-** : CDM、Co-benefit

- Egypt Zafarana Wind Power Project

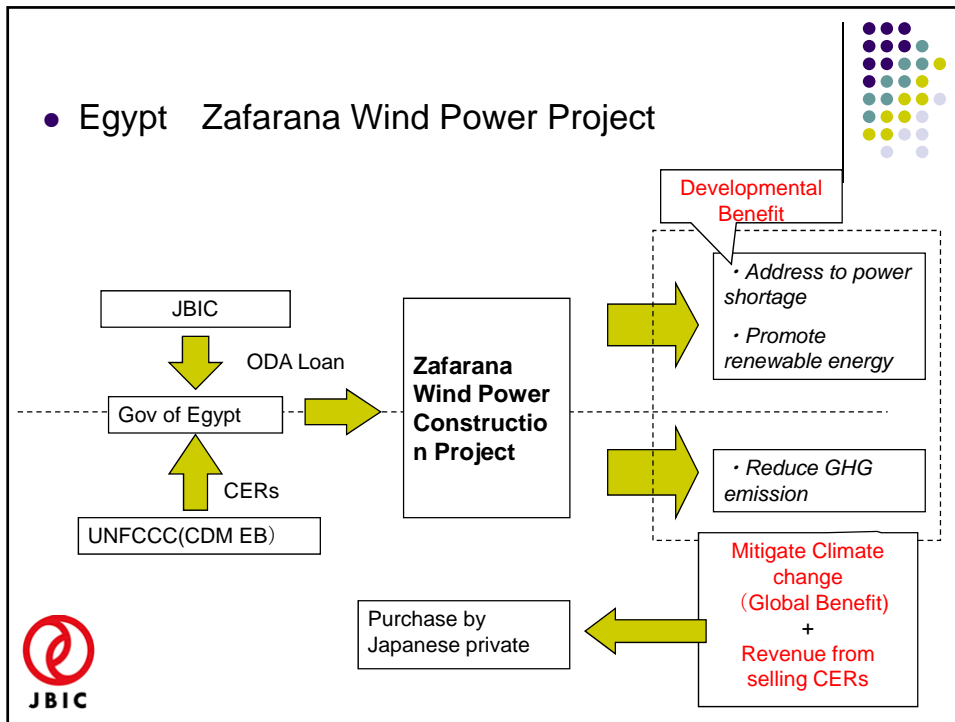
- The project, which consists of constructing a wind power plant in Zafarana on the coast of the Red Sea, 220 kilometers southeast of the capital Cairo, will:
  - (1) increase the power supply;
  - (2) alleviate an increase in air pollution by reducing the use of fossil fuels; and,
  - (3) reduce greenhouse gas emissions compared to the construction of a thermal power plant with the same generating capacity.

Date of L/A	Loan Amount	Interest rate	Repayment period/ Grace period	Procurement
Dec 2003	\13,497 Million	0.75%	40/10年	General Untied

- Project will reduce 1.73mill tCO<sub>2</sub> (250,000tCO<sub>2</sub>/year)



● Egypt Zafarana Wind Power Project



Example case of our financing project (2) :  
-Project Loan-

● Bangalore Distribution Upgradation Project, India

Project Objectives	Date of L/A	Amount	Interest rate	Repayment/ Grace Period
<p>To contribute to economic development and improved living standards in the region through the stabilization of power supply by establishing a distribution automation system (DAS) over the entire metropolitan area including the city of Bangalore.</p> <p>Furthermore, the project will carry out surveys to compile the opinions of consumers in collaboration with the US Agency for International Development (USAID), which is conducting an assistance program for distribution projects in India, as well as with local NGOs, in an effort to help further improve service delivery by the project executing agency.</p>	March 2007	¥10,643 million	0.75%	15/5 Years

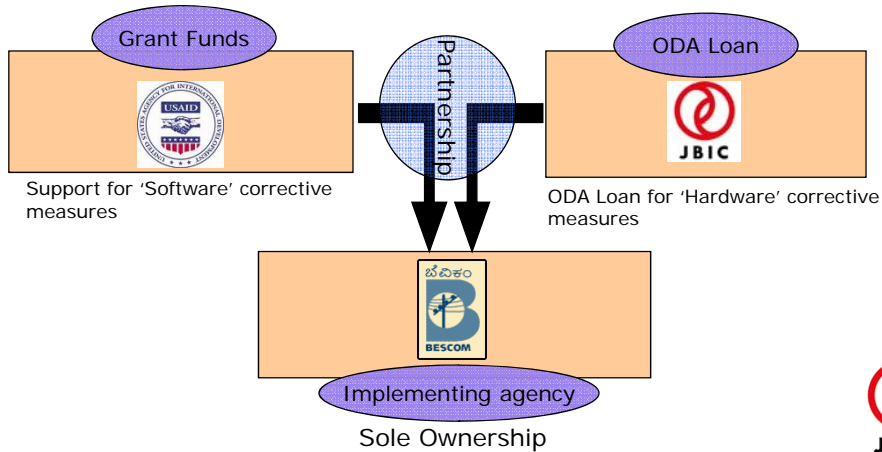


## Good news!:

### A synergistic partnership among BESCO-USAID-JBIC to support BESCO achieve excellence in Service delivery



A Japan-US Partnership toward an Effective and Stable Power Supply and Implementation of Energy Conservation Projects

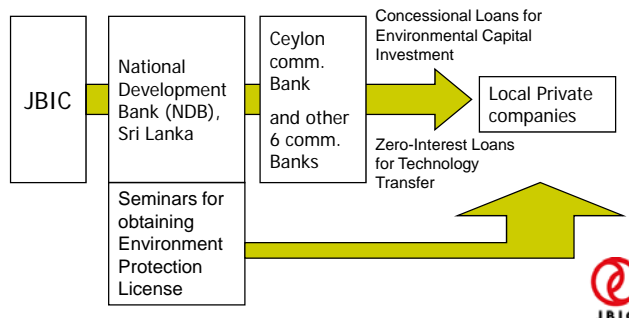


## Example case of our financing project (3) : -Two Step Loan-



### • Environmentally Friendly Solutions Fund, Sri Lanka

Project Objectives	Date of L/A	Amount	Interest rate	Repayment/Grace Period
To promote environment-related <u>capital investment</u> by the industrial enterpriser by providing interest-free loans and low-interest financing for loans, and thereby contribute to improvement of environment in Sri Lanka through preventing and alleviating environmental pollution.	Sept 1998	2,730 million	0.75%	40/10 Years



**Example of our financing Project (4) :  
-Sector Policy Loan-**



- Metro Manila Air Quality Improvement Sector Development Program, The Philippines

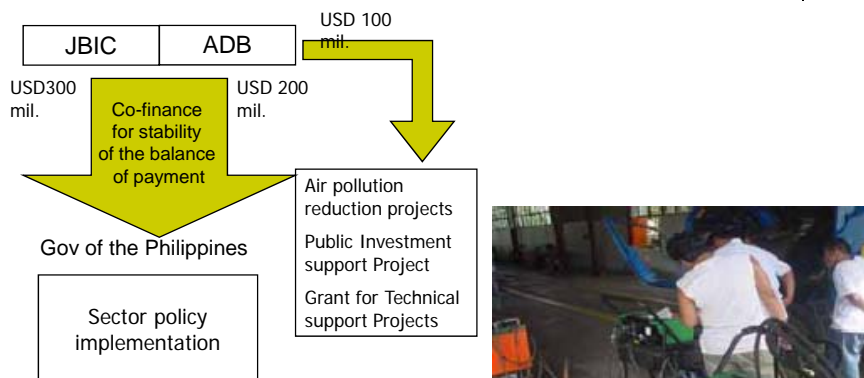
Project Objective	Date of L/A	Loan Amount	Interest Rate	Repayment/ Grace Period
To stabilize the balance of payments of the Philippines, a country which adversely affected by the Asian currency crisis, through the provision of a dedicated loan under the New Miyazawa Initiative (NMI), and to improve in air quality management by providing support for relevant policy reforms under the Air Quality Action Plan (AQAP).	March 1999	\36,300 million	0.75%	40/10 Years



**Example of our financing Project (4) : -Sector Policy Loan-**



- Metro Manila Air Quality Improvement Sector Development Program, The Philippines



**Example case of our financing project (5) :**  
**-Program Loan-**



- Promotion of Electricity Energy Efficiency Project, Thailand

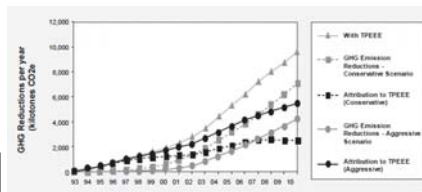
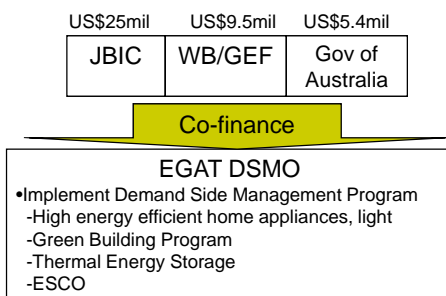
Project Objectives	Date of L/A	Amount	Interest rate	Repayment/ Grace Period
To build sufficient institutional capacity in Thailand's power sector, and energy-related private sector, so as to deliver cost-effective energy services throughout its economy, and pursue policies and implement actions which would lead to the development, manufacture and adoption of energy efficient equipment and processes within Thailand.	Sept 1993	¥2,800 million	3.0%	25/7 Years



**Example case of our financing project (5) :**  
**-Program Loan-**



- Promotion of Electricity Energy Efficiency Project, Thailand



- Improve energy efficiency
- Reduce GHG emission
- Create new "Market" for CFL, Air conditioners



**Example case of our financing project (6) :**  
**-Multi-purpose co-benefit (Development, Adaptation, mitigation)**



- Wonorejo Multipurpose Dam Construction Project (1) (2)

Project Objectives	Date of L/A	Amount	Interest rate	Repayment/ Grace Period
To supply raw water for residential and industrial use to Surabaya and its environs through the construction of a multipurpose dam in Tulungagung, a regency situated in the Brantas River Basin in East Java, in an effort to mitigate flood damage to the area and to improve power supplies, thereby contributing to regional economic growth and improved living standards.	Nov 1993 Dec 1996	14,713 3,756 (Million JPY)	2.6% 2.5%	30/10 30/10 years



**Example case of our financing project (6) :**  
**-Multi-purpose co-benefit (Development, Adaptation, mitigation)**



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**Project**

Supply raw water

Power supply (with no GHG)

Flood Protection (for 10 years probability)

**Flood Damage has been Reduced**

	[Pre-project]	[Post-project]
Damage to household effects/furniture	100%	0%
Damage to property	100%	0%
Impact on crops	100%	0%
Disruption of sewer/water supplies/plows (construction)	100%	0%
Disruption of toilet/drainage facilities	100%	0%
Road closures	100%	0%
Injury due to flooding	100%	0%
Difficulty getting to work/school	100%	0%
Deterioration of living environment	100%	0%

■ Enormous damage (irreversible damage)  
■ Considerable damage (Recoverable with much money and time)  
■ Minor damage (Recoverable quickly with self-help)  
■ No Damage

**Figure 5. Monthly Water Supplies in Surabaya (thousand m<sup>3</sup>)**

Source: PDAM Kota Surabaya

**Power generated**  
**16.2GWh (2002), 17.6GWh (2003)**

- Hydroelectric power has stabilized/improved nighttime supplies of electricity.
- According to the beneficiary survey, one in two respondents (50%) stated that it is now possible "to watch nighttime TV broadcasts", "for children to study at night" and "for the area to be lit at night as a deterrent to crime".

+GHG mitigation as alternative to coal/oil-fired power station





**Thank you !**

Please do not hesitate to contact us!

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