

**Power Transmission and Distribution Projects financing in South Africa
--Supporting the improvement of business environment through electricity
enhancement and stabilization--**

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed on June 7 an untied loan agreement totaling up to 17 billion yen with Eskom Holdings Limited (ESKOM) in the Republic of South Africa. The loan is co-financed by the Bank of Tokyo-Mitsubishi UFJ (lead arranger), Tokyo Branch of Deutsche Bank AG, Tokyo Branch of ABN AMRO Bank NV, and Tokyo Branch of Citibank, NA, with JBIC providing a guarantee for their co-financing portions
2. The loan will finance the following projects undertaken by ESKOM: (1) the Eastern Grid Transmission and Distribution Facilities Installation Project which is aimed at enhancing and stabilizing the power transmission and distribution system in the KwaZulu -Natal province, and (2) the Northern Grid Transmission and Distribution Facilities Installation Project which aims at enhancing and stabilizing the transmission and distribution system in the Limpopo province.
3. Japanese automobile companies and other manufacturers have been paying growing attention to South Africa in recent years, as an export hub for Europe and the Middle East. The country also exports large volumes of rare metals to Japan, such as platinum, nickel and chrome ore. In addition, a number of Japanese companies are engaging in resource development in South Africa. In the meantime, additional electric enhancement is needed to avoid the electric shortage due to its rapid economic growth. Thus the development of power infrastructure is an urgent issue not only for South African companies but also for the locally operating Japanese companies.
4. The South African government launched the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in February 2006. ASGISA objectives encompass creating jobs, alleviating poverty, improving service delivery and promoting good governance. ESKOM supports ASGISA by creating jobs, growing its asset base, training new learners and exploring opportunities to increase local content. ESKOM is pushing ahead with a large-scale power generation and transmission/distribution infrastructure development program to meet the ever-increasing power demand. Considering the importance of South Africa to Japan, JBIC signed the Declaration of Intent (DOI) on Comprehensive Strategic Partnership with its government in December 2006 to support ASGISA. This loan is part of JBIC's efforts to cooperate with the South African government in addressing the country's important policy agenda based on this strategy. The loan is also expected to strengthen the relationship between South Africa and Japan.

5. JBIC will remain committed to further improvement of the business environment in South Africa.

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