Japanese ODA Loan

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Project

Country: Socialist Republic of Vietnam
Project: Cai Mep - Thi Vai International Port Construction Project (II)
Loan Agreement: March 22, 2013
Loan Amount: 8,942 million Yen
Borrower: Government of Socialist Republic of Vietnam

2. Background and Necessity of the Project

(1) Current State and Issues of the Port Sector in Vietnam

The Southern Focal Economic Zone consisting of Ho Chi Minh City, Dong Nai Province, Binh Duong Province, and Ba Ria-Vung Tau Province is a region that pulls the nation's economy with a total population of 12.6 million (14.5% of national population) and 5,951 million USD of foreign direct investment (FDI) on the approval basis (29.9% of that of the nation) in 2010 and a total of 87,225 million USD until 2010 (44.8% of that of the nation). Rapid industrialization led to an annual average increase of 11 percent in the port cargo handling in the region, reaching 80 million tons/year in 2010. The cargo handling of four major Saigon ports (Saigon Port, Ben Nghe Port, Tan Cang Port, and VICT Port) has almost reached their capacity. As ports in the Ho Chi Minh area including the four ports are shallow, only 30,000-ton-level vessels can enter. As a result, imported cargo to the area is required to be reshipped at Hong Kong, Singapore and other hub ports. An increase in vessels is also causing traffic congestion in the waterway and water pollution as well as serious inland traffic congestion due to cargo vehicles.

(2) Development Policies for the Port Sector in Vietnam

The master plan for port development by 2020 that was approved in 2009 predicts that the annual port cargo handling of the country will reach 500 million to 600 million tons by 2015. It also says that efficient and competitive port development is needed to satisfy the cargo demand that increases in accordance with industrialization and modernization of the country. In 2011, the detailed master plan for ports in the southeastern areas until 2020 (Ho Chi Minh City, Dong Nai Province, Binh Duong Province, Ba Ria-Vung Tau Province, etc.) was approved and it aims at the expansion of cargo handling of the ports to 169 million to 200 million tons per year by 2015. The Project aims not only to eliminate congestion of the Saigon Port and complement the rapidly growing cargo demand in the southern economic zone but to improve the function as an international distribution center to be able to accommodate large 100,000-ton-level vessels and thus it is regarded as one of priority projects.

(3) Japan and JICA's Policy and Operations in the Port Sector in Vietnam

The assistance plan for Vietnam formulated by the Japanese government[1] (July 2009) regards port development as one of key issues of urban development and traffic and communication network development and thus the Project is consistent with the policy. In response to the plan, JICA also places growth promotion and competitiveness enhancement as a focal assistance area and assistance for the port sector is included in the arterial transportation network development program. Initial yen loan was approved in FY 2004 as the Project contributes to distribution improvement and development in the Mekong area as the Mekong development project (approved loan amount: 36,364 million yen).

(4) Other Donors' Activity

There has been no direct assistance for port development from other donors in recent years.

(5) Necessity of the Project

The Project is to construct new ports for container and general cargo terminals, thereby improving the handling capacity of increasing cargo in the southern economic zone. It is consistent with the focal assistance sectors of the Japanese government and JICA as well as policies of the Vietnamese government. The navigation channel dredging was completed in March 2011 and construction of the Cai Mep container terminal and the Thi Vai general cargo terminal is estimated to be completed in October 2012 and February 2013, respectively. However, fund shortage is likely due to price hike and other reasons that were not initially predicted and the Vietnamese government has requested the Japanese government for additional loan in addition to its own fund. JICA's continued assistance for the Project is highly needed and reasonable.

3. Project Description

(1) Project Objective

The objective of the Project is to construct container and general cargo terminals at Cai Mep - Thi Vai areas and to develop infrastructure related to the terminals, in order to accommodate increasing demand of cargo in southern part of Vietnam, thereby supporting economic growth not only of southern part of Vietnam but also of the whole country.

(2) Project Site/Target Area

Cai Mep-Thi Vai area in Ba Ria-Vung Tau Province

[1] The assistance plan by country formulated in December 2012 also puts "growth and competitiveness enhancement" as one of focal areas and development of arterial transportation and urban transportation network is to be assisted.

(3) Project Components

1) Port construction (international competitive tender (tied)): (i) construction of Cai Mep Port (container terminal) and Thi Vai Port (general cargo terminal), (ii) dredging of navigation channel,(iii) procurement of operation and maintenance equipment
2) Consulting service:(i) tender assistance and construction supervision, (ii) selection of port operator

(4) Estimated Project Cost (Loan Amount)

58,489 million Yen (Loan Amount of the phase: 8,942 million Yen)

(5) Schedule

March 2005 to September 2015 (total of 127 months). The Project shall be completed upon the beginning of facility provided for use (September 2013)

(6) Project Implementation Structure

1) Borrower: Government of Socialist Republic of Vietnam
2) Executing Agency: Ministry of Transport
3) Operation and Maintenance System: Vietnam Maritime Administration commissions operation and maintenance to a port operator to be selected in the Project.

(7) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration
   (1) Category: A
   (2) Reason for Categorization: The Project is a port sector project and has influential characteristics in the Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations (established in April 2002).
   (3) Environmental Permit: The report on environmental impact assessment (EIA) related to the project was approved by the Ministry of Natural Resources and Environment in November 2003.
   (4) Anti-Pollution Measures: Such measures as proper dredging methods and reuse of dredged soil shall be taken during construction as measures to prevent water pollution and wastewater shall be treated in the port facility after it is provided for service.
   (5) Natural Environment: Although the Project includes cutting of mangrove forest, alternative forestation is planned in Ba Ria-Vung Tau Province.
   (6) Social Environment: Because the Project includes non-voluntary relocation of

19 households, procedures for land acquisition and compensation were carried out in accordance with the national laws and basic resident relocation plan and the relocation was completed in November 2011.

(7) Other / Monitoring: The executing agency monitors air and water quality.

2) Promotion of Poverty Reduction: No special note

3) Promotion of Social Development (e.g. Gender Perspective, Measure for Infectious Diseases including HIV/AIDS, Participatory Development, Consideration for the Person with Disability etc.): Because it is a major construction project in a country where spread of HIV infection is apprehended, the contractor is taking measures to prevent HIV/AIDS for workers.

(8) Collaboration with Other Donors

No special note

(9) Other Important Issues

No special note

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicator)

Indicator			Baseline (Actual Value in 2004)	Target (2015) 【Expected value 2 years after project completion】
Cargo handling volume	(Container)	(10,000TEU/year)	-	36
	(General cargo)	(10,000 tons/year)	-	78
Berth occupancy rate	(Container)	(%)	-	46
	(General cargo)	(%)	-	22
Total gross tonnage of calling vessels	(Container)	(million TEU/year)	-	10
	(General cargo)	(million GT/year)	-	1.1
Number of calling vessels	(Container)	(vessel/year)	-	280
	(General cargo)	(vessel/year)	-	60
Average waiting time	(Container)	(hour)	-	0
	(General cargo)	(hour)	-	0.33

2) Internal Rate of Return

Based on the conditions indicated below, the economic internal rate of return (EIRR) and financial internal rate of return (FIRR) of the Project are 11.8% and

5.9%, respectively, based on the following prepositions:

EIRR

Cost: Project cost (tax excluded), operation and maintenance cost

Benefit: Reduction of transportation cost as larger vessels can be accommodated, reduction of waiting time, reduction of land transportation cost, etc.

Project life: 30 years

FIRR

Cost: Project cost (tax excluded), operation and maintenance cost

Benefit: Terminal charges

Project life: 30 years

(2) Qualitative Effects

Improvement of efficiency in distribution of goods, investment promotion, enhancement of international competitiveness

5. External Factors and Risk Control

No special note

6. Lessons Learned from Past Projects

(1) Evaluation results of similar projects

The ex-post evaluation of the Port of Constantza-South Development Project in Rumania points out that construction of container terminal with expected high demand growth increases the project effects when inland transportation network connected to the terminal is carried out together.

(2) Lessons for the Project

Based on the lesson described above, the Project includes construction of access road from National Route 51 to the Cai Mep Port in order to improve the access to the transportation infrastructure network in the southern economic zone.

7. Plan for Future Evaluation

(1) Indicators to be Used

1) Cargo handling volume ((10,000 TEU/year) (container), 10,000 tons/year (general cargo))
2) Berth occupancy rate (%)
3) Total gross tonnage of calling vessels（million TEU/year (container), million GT/year (general cargo)）
4) Number of calling vessels (vessel/year)
5) Average waiting time (hour)
6) Internal rate of return, FIRR, EIRR (%)

(2) Timing

Two years after Project completion