

Resumption of New Commitment of ODA Loan to Cambodia- Contribution to the economic development by improving the international port-

The OECF (Overseas Economic Cooperation Fund, Japan; President, Chairman of the Board: Kyosuke Shinozawa) signed a loan agreement with the Kingdom of Cambodia on September 24, 1999 for a total amount of up to 4,142 million yen to be used for the Sihanoukville Port Urgent Rehabilitation Project.

The agreement was signed in Phnom Penh by Mr. Kyosuke Shinozawa, President of OECF and H.E. Keat Chhon, Minister of Economy and Finance of Cambodia.

OECF provided Cambodia with loans totaling 1,277 million yen in 1969 and 1971 for Phrek Tnot Dam Construction Project, but no more loans had been committed since then because of the prolonged war and internal turmoil. ODA loan to Cambodia has been resumed after an interval of almost 30 years.

New commitment of ODA Loan to Cambodia was decided to be made in order to strengthen the assistance for the reconstruction and development of Cambodia, in view of the steady progress of democratization and economic reform under the new government of Prime Minister Samdech Hun Sen, established last November, of the donor conference held in Tokyo in February 1999, and Cambodia's becoming a member of ASEAN in April 1999.

The project to be assisted by the loan is for the construction of a new container terminal at Sihanoukville Port, the most important port in Cambodia. By improving the cargo-handling capacity of the port, the project will contribute to improvement of the country's transport system and play a catalytic role in promoting foreign and domestic investment in the area surrounding the port.

1. Loan Amount, Terms and Conditions

Project Name	Amount (Million Yen)	Interest Rate (% ,p.a.)		Repayment Period /Grace Period (years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Sihanoukville Port Urgent Rehabilitation Project	4,142	1.00	0.75	30/10	40/10	General Untied	General Untied

2. Project Descriptions

Sihanoukville Port Urgent Rehabilitation Project

(1) Political and Economic Situation of Cambodia

Cambodia had been plagued with wars and internal turmoil, but peace was achieved through the 1991 Paris Peace Agreement, followed by a stabilization of the political climate resulting from parliamentary elections held under the auspices of UNTAC (United Nations Transitional Authority in Cambodia) in 1993. There have been some signs of unrest since then, such as the armed conflict within the coalition government in July 1997, but with the assistance of the international community including Japan, the government of Cambodia successfully held a general election in July 1998, and, consequently, the new government of Prime Minister Samdech Hun Sen was established in November 1998. Since then, it has been realizing the steady progress of democratization and political and economic stability. In February 1999, donor conference was held in Tokyo and the strengthening of the international assistance was committed by donors, followed by Cambodia's becoming a member of ASEAN in April 1999, signifying its formal return to the international community.

Since 1993, Cambodia had achieved a high average GDP growth rate of 6% by 1996 under a structural reform program supported by the IMF and the World Bank. However, the effects of the currency crisis gripping all of Southeast Asia since 1997 slowed growth to 1.0% in 1997, and to 0.0% in 1998. Nevertheless, it is expected to achieve economic recovery as a result of increase of foreign investment based on the political stability that has ensued since the establishment of the new government, and of structural reforms, such as an international commitment of the governments to disarmament, bureaucratic structural reorganization, and control of illegal deforestation.

(2) Project Background

As a result of the prolonged war and internal turmoil since the late 1960s, the country was ruined and the economic infrastructures such as transportation, electricity and agriculture were seriously damaged and still need improving urgently.

Concerning the main national roads, they are gradually being improved by the reconstruction assistance of the donors, mainly Japan grants, World Bank, Asian Development Bank (ADB). Concerning the port sector, on the other hand, it is in urgent need of drastic improvement, for it cannot adequately keep up with the increased cargo volumes of recent years and the trend toward increased container shipment use in international cargo shipments. Although two international ports in Cambodia are the Port of Phnom Penh, of which equipment was improved by Japan grant, and the Sihanoukville Port, the role of the Port of Phnom Penh as an international port is limited because ships must pass through the Viet Nam-owned lower course and moreover it is difficult for large vessels to pass since it is a river port. The Sihanoukville Port, on the other hand, is the only port that faces sea and handles virtually all cargo shipped via large container vessels. Urgent improvement of the port is indispensable, for the existing piers and there facilities there are decrepit.

(3) Project Purpose and Summary

The project to be assisted by the loan is for the construction of a new container terminal at Sihanoukville Port. By improving the cargo-handling capacity of the port, the project will contribute to improvement of the country's transport system and to economic development of Cambodia. Sihanoukville City, where the port is located, is connected to the capital, Phnom Penh, by the improved national road (about 240km).As the hinterland of the port has been regarded to be attractive for foreign investment, the project is expected to play a catalytic role in promoting foreign and domestic investment in the area surrounding the port.

The proceeds of the loan will be used for procurement of materials and services for the construction of the new container terminal and for the dredging of the basin, and consulting services (detailed design, assistance for bidding, construction supervision, Operation and Maintenance training program, study on management system, etc.)

The executing agency is the Port Authority of Sihanoukville (Address: Sihanoukville City, Cambodia, Tel:855-84-933-542, Fax:855-84-933-693).