

## Support for Thailand's Economic Recovery - The 24th ODA Loan Package for environmental conservation and encouraging investment-

The OECF (Overseas Economic Cooperation Fund, Japan; President, Chairman of the Board: Kyosuke Shinozawa), today, concluded loan agreements with the Royal Thai Government (RTG), amounting to 115.79 billion yen for the National Metrology System Development Project (I) and four other projects under the 24th ODA Loan Package to Thailand.

The loan agreements were signed at the OECF head office in Tokyo by Mr. Kyosuke Shinozawa, OECF's President and Chairman of the Board, and Messrs. Sommai Phasee, Deputy Permanent Secretary, Ministry of Finance, Prapat Chongsanguan, Director-General of the Metropolitan Rapid Transit Authority (MRTA), Nipon Sakornyen, Acting Managing Director, New Bangkok International Airport Co., Ltd. (NBIA) and Chuanpit Dhamasiri, Governor of the Metropolitan Water Supply public corporation (MWA).

As a result, the cumulative total of ODA Loan commitments to Thailand stands at 1,783 billion yen (226 commitments), including the Agricultural Sector Loan under the New Miyazawa Initiative, of which loan agreement is also concluded today.

The features of this loan package, i.e., loan amounts, terms and conditions and outlines of each project are as follows.

### 1. Outline of Loan Agreements

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
MRTA Initial System Project (Blue Line) (IV)	64,228	0.75*	--	40/10	--	General Untied	--
Second Bangkok International Airport Development Project (III)	33,461	2.20	0.75*	25/7	40/10	General Untied	General Untied
National Metrology System Development Project (I)	722	0.75***	0.75***	40/10	40/10	Partially Untied	Bilateral Tied
Seventh Bangkok Water Supply Improvement Project (I)	12,608	1.70**	0.75*	25/7	40/10	General Untied	Bilateral Tied
Community Hospital Wastewater Treatment Project	4,771	0.75*	0.75*	40/10	40/10	Partially Untied	Bilateral Tied
5 projects:	115,790						

Notes:

\* Special environmental project

\*\* Standard environmental project

\*\*\* Special human resource development project

### 2. Features of the 24th ODA Loan package

This 24th ODA loan to Thailand will be provided for traditional economic and social infrastructure projects such as subway, airport construction and waterworks projects, for projects that incorporate environmental preservation, a field emphasized by OECF in recent years, such as a community hospital wastewater treatment project and for a metrology system development project which support to strengthen foundation of industry. These projects will improve foundation for investment from private sector, and will support projects that contribute to the alleviation of environmental problems. Since this support emphasizes technological collaboration with Japan International Cooperation Agency (JICA), JICA experts have been dispatched to work on the MRTA Initial System Project (Blue Line) (IV). JICA experts are also expected to work on the Second Bangkok International Airport Development Project (III) and the National Metrology System Development Project (I).

#### (1) Supporting to strengthen the foundation for Thailand's Mid- to Long-Term Development

OECF provided the ODA Loan package for emergency assistance to Thailand in July 1998 in response to the unprecedented economic crisis stemming from the baht's depreciation in July 1997. It was allocated to the Social Investment Project to provide a social safety net and the Local Cost Financing Program to provide additional support for on-going OECF-assisted projects whose implementation was expected to be delayed because of budget shortages. In September 1998, OECF provided the ODA Loan package to support for improving liquidity shortages of small-and medium-scale enterprises and for the creation of employment for farmers, with projects such as the Industrial Sector Strengthening Program and Agricultural Credit for Regional Development and Job Creation Project. In addition, under the New Miyazawa Initiative, the Economic Recovery and Social Sector Program Loan was provided in March 1999 to support additional public expenditures aimed at creating jobs and improving the quality of life in Thailand.

Now OECF supports RTG's efforts for economic recovery, given that various economic indicators are improving and the worst of the economic turmoil seems to be over. Considering the current economic condition, the 24th ODA Loan package will support projects that contribute to economic restructure and the improvement of foundation for Thailand's mid- to long-term development so that the Thai economy can get back to sustainable development.

These loans aim at improving the weak urban infrastructure that is the bottleneck for promoting foreign investment from private sector. For example, these loans will be used for the MRTA Initial System Project (Blue Line) (IV) to alleviate the world famous traffic congestion in Bangkok, and for the Second Bangkok International Airport Development Project (III) to meet the drastically increasing number of passengers resulting from the economic development and growing tourism industry. These loans will also be used to align national measurement standards with international standards under the National Metrology System Development Project (I) which supports structural reforms in the Thai industrial sectors that face price competition with neighboring nations by encouraging technology-intensive industries and promoting improvements of product quality.

#### (2) Favorable Terms for Human Resource Development and Environment Improvement Support

Because the loans in this package will contribute to the development of human resources and improvements to the environment in Thailand, they will be extended under various favorable terms. A special human resource development interest rate (0.75% over 40 years) will be applied to the National Metrology System Development Project (I). A standard environmental interest rate (1.7% over 25 years) will be applied to the goods and services portion of the Seventh Bangkok Water Supply Improvement Project (I), and a special environmental interest rate (0.75% over 40 years) will be applied to the MRTA Initial System Project (Blue Line) (IV), and the Community Hospital Wastewater Treatment Project, as well as to the consulting services portion for all of the projects except for the National Metrology System Development Project (I).

#### (3) Third-Largest amount in the history of ODA Loans to Thailand (Excluding loans under the New Miyazawa Initiative)

This ODA Loan Package amounts to 115.79 billion yen. This is the third-largest amount in the history of ODA loans to Thailand, following the 23rd ODA loan in the amount of 117.562 billion yen for overcoming the currency and economic crisis and improving economic foundations for mid- to long-term development.

**(Reference) ODA Loan Commitments to Thailand in the past 5 years**

Loan	Date	Amount (billion yen)
19th ODA Loan Package	Sept. 30, 1994	82.3
20th ODA Loan Package	Sept. 12, 1995	61.7
21st ODA Loan Package	Sept. 27, 1996	118.4
22nd ODA Loan Package	Sept. 30, 1997	105.9
23rd ODA Loan Package Emergency Package portionRegular portion (Total package)	July 31, 1998 Sept. 30, 1998	49.8 67.7 (117.)
24th ODA Loan Package	Sept. 29, 1999	115.8

**(4) Support Contributing to Environmental Improvements**

Seeing deterioration of the natural environment during the period of rapid economic growth that started in the late 1980s, the Thai government established a goal of improving the quality of life by adopting environment improvement policies, such as preventing air and water pollution. Because this loan package provides continuing support for these government policies, it includes many items that contribute to environmental improvements.

Specifically, it developed the MRTA Initial System Project (Blue Line) (IV) aimed at contributing to the reduction of air pollution by alleviating the serious traffic congestion in Bangkok, the Seventh Bangkok Water Supply Improvement Project (I) aimed at improving public health and the living environment by constructing a balanced waterway system in the Bangkok metropolitan area, and the Community Hospital Wastewater Treatment Project aimed at preventing damage to the environment and the people by improving the quality of the hospital's wastewater.

**Sectional Allocation of Committed Amounts (including the current loan)**

**Total: 226 projects for 1.782986 trillion yen**

Sector	Projects	Cumulative Amount (million yen)	%
Transportation	72	789,257	44.3
Electric power/gas	47	318,633	17.9
Social services	30	180,021	10.1
Mining and Manufacturing	21	127,097	7.1
Telecommunications	13	110,001	6.2
Agriculture, Forestry and Fisheries	25	124,749	7.0
Irrigation/ Flood Control/ Land reclamation by Drainage	14	57,878	3.2
Program Loans	2	66,000	3.7
Others	2	9,350	0.5
Total	226	1,782,986	100.0

**3. Project Descriptions****(1) MRTA Initial System Project (Blue Line) (IV)**

The traffic congestion problem in Bangkok caused by rapid motorization accompanying economic growth is so severe that rush-hour traffic crawls at an average 8 km/h, resulting in a yearly loss to Thailand's economy estimated at about 3% of GDP, and severely affecting the Thai Economy otherwise.

The objective of this project is to construct a subway system with a total length of approximately 20km from Hua Lamphong Central Railway Station to Bang Su Railway Station, as part of the mass transit network in Bangkok Metropolitan Area, and to provide an alternative means of transportation to road transportation, aiming to alleviate the traffic congestion and to improve the air pollution in the Bangkok Area.

Following the 21st ODA Loan (1996) , the 22nd ODA Loan (1997) and the 23rd ODA loan (Regular Portion,1998) , the loan for MRTA Initial System Project, **provided this year as phase IV**, is for civil works including tunnels, stations, depots and track work. JICA experts have been dispatched to give advice to MRTA on construction and operation of the project.

The executing agency is Metropolitan Rapid Transit Authority (Address: 175 Rama IX, Huai Kwang, Bangkok 10320, Thailand, Tel:662-273-0860, Fax:662-273-0891)

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**(2) Second Bangkok International Airport Development Project (III)**

Reflecting Thailand's economic and social development as well as its growing tourism industry, air travel demand in Bangkok is increasing to such an extent that soon the existing Donmuang International Airport will likely be unable to meet it.

It is urgent that a new airport be built to maintain transportation services that can meet the growing demand for air travel. This project calls for the construction of Second Bangkok International Airport with the passenger terminal with the capacity of 30 million annual passengers and two 3,700m runways. It will be located in Nong Ngu Hao about 30 kilometers east of central Bangkok.

This loan is the third successive loan following the 21st and 22nd ODA loans provided in fiscal 1996 and 1997. The proceeds of the loan will be used for airfield pavement, constructing the passenger terminal complex, site improvement, and consulting services.

JICA experts on airport construction will be dispatched for this project, and they are expected to strengthen the construction system.

The executing agency is New Bangkok International Airport Co., Ltd. (Address: 20th floor Tower 3 SCB Park Plaza East, 19 Ratchadapisek Rd., Lard Yao, Chatuchak, Bangkok 10900, Thailand, Tel: 662-937-8001, Fax: 662-937-8928).

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**(3) National Metrology System Development Project (I)**

By supporting the expansion of the National Institution of Metrology (Thailand) (NIMT), this project contributes to the early development of national metrology system in Thailand. The Thai industrial sector has brought rapid economic growth of the country since the 1980s, especially through the expansion of its exports, but in recent years its price

competitiveness relative to the Asian neighbors has been declining. The Thai government considers that restoring its export sales will require the development of high-quality products and parts that meet internationally accepted measurement standards. Until now, however, there have been no consistent establishment, maintenance, and supply of the national metrology system, and as a result the level of the national measurement standards has remained low relative to the developed nations. Consequently, there has been no credible measurement results that is essential to improve the quality of industrial products.

For this reason the Thai government has promoted the development of its national metrology system by enacting National Meteorological System Development Act in 1997 and establishing the NIMT in 1998. Also, in May 1999 the cabinet approved Master Plan on Development of the National Metrology System where the development plan for the metrology standards in Thailand was confirmed and the staffing plan of the NIMT was approved.

This project supports the development of the national metrology system provided by the NIMT and aims to establish accurate measurement standards within Thailand while maintaining international equivalence. This project will make it possible for domestic firms and calibration institutions to align their measurement standards with more accurate and internationally-approved standards through the NIMT at low cost and in a short period of time. Consequently, the reliability of Thai industrial products will increase and its export is expected to expand.

The proceeds of the loan will be used for the procurement of equipment and for consulting services for this project. A special human resource development interest rate (0.75% for 40 years) will be applied to this project.

The executing agency is the Ministry of Science, Technology and Environment (MOSTE) while the actual implementation of the project is carried out by the National Institute of Metrology, Thailand (NIMT), under the Ministry (Address: Ministry of Science, Technology and Environment, 75/7 Rama VI, Thungphyathai Rajthevi, Bangkok 10400, Thailand, Tel: 662-248-2181, Fax: 662-248-4494).

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#### **(4) Seventh Bangkok Water Supply Improvement Project (I)**

The population of the Bangkok metropolitan area is expected to increase from 7.56 million in 1998 to 8.64 million by 2003. Meeting the increasing demand for water that comes along with this will be a serious challenge.

This project calls for the construction of a balanced waterworks system in the Bangkok metropolitan area by strengthening the clean water supply capacities on the western side of the Chao Phraya River and expanding the existing Bang Khen water treatment plant. It will improve public hygiene and contribute to an improved living environment.

The proceeds of the loan will be used for procuring the materials and labor (including civil works for unaccounted for water) needed for this project and for consulting services (detailed designs, construction supervision, etc.).

The executing agency is the Metropolitan Waterworks Authority (MWA) (Address: 400 Prachachuen Road, Tung Song Hong, Laksi District, Bangkok 10210, Thailand, Tel: 662-504-0213, Fax: 662-504-0204).

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#### **(5) Community Hospital Wastewater Treatment Project**

The enactment of Thailand's new environment law in 1992 established drainage standards for the Ministry of Science, Technology and Environment, which is involved in wastewater treatment policies, and these were applied to the wastewater from hospitals. The BOD and SS concentrations in the wastewater from hospitals that had yet to be equipped with wastewater treatment facilities was 200 mg/l, failing to meet their respective limits of 20 mg/l and 30 mg/l established under the drainage standards. Contamination from infectious diseases in the untreated wastewater drained from hospitals could potentially threaten the health of local residents and the environment. To prevent such a threat from materializing, the installation of wastewater treatment equipment needs to be urgently addressed.

This project aims to improve the quality of hospital wastewater and to prevent that wastewater from damaging the environment or local residents. It calls for the expansion or installation of wastewater treatment facilities at 270 community hospitals nationwide, especially in the southern and lower part of the northeastern regions of the nation.

The proceeds of the loan will be used for wastewater treatment facility (gullies and treatment plants) construction and consulting services (detailed designs, construction supervision). Because the project aims to prevent water and other pollution, a special environmental interest rate (0.75% for 40 years) will be applied to the goods and services portion of the project, but since the consulting services portion requires that environmental considerations be made as well, the same special environmental interest rate (0.75% for 40 years) will also be applied to that portion.

The executing agency is the Ministry of Public Health (MOPH) (Address: 88/21 Moo 4, Soi Bamrasnaradura, Tivanon Road, Nonthaburi 11000, Tel: 662-590-1656, Fax: 662-591-8590).

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1. Since OECF also provided ODA Loan for this project under the 23rd Emergency Yen Loan Package as Local Cost Financing Program, today's loan is the 5th loan to support this project.[\(back\)](#)
  2. The intermediary institutions that disseminate the primary standard (the most accurate measurement standard) established at the national level among the industrial sites.[\(back\)](#)