

ODA LOANS EXTENDED TO LAO P.D.R. AND THAILAND

--To Support Development of East-West Corridor--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today will sign at its head office in Tokyo agreements to extend ODA loans to the Lao People's Democratic Republic and the Kingdom of Thailand, totaling 4,011 million yen and 4,079 million yen, respectively, to finance the "Second Mekong International Bridge Construction Project."
2. An international bridge and related facilities will be constructed to connect the provincial cities of Savannakhet in south-central Laos and Mukdahan in northeast Thailand, as part of the development of the "East-West Corridor" providing an east-west link from Vietnam to Myanmar. This will be the first time for JBIC to extend ODA loans for a cross-border infrastructure development project embracing two countries.
3. The development of the Mekong basin has been promoted since the first half of the 1990s. In particular, the Greater Mekong Subregion (GMS) led by multilateral agencies and launched in 1992 focuses on seven priority areas. These include transportation, communications and trade investment. GMS held many meetings involving countries concerned and experts and decided the development of the East-West Corridor is one of the priority areas for road projects in the transportation sector.
4. JBIC has extended single ODA loans by country in the past, but has not extended ODA loans for a cross border infrastructure development project embracing two countries. However, in view of the importance of a comprehensive regional development and the ripple effects of a large-regional infrastructure project, as well as the creation of an international support framework such as the GMS, JBIC decided to extend ODA loans for this project embracing two countries.
5. This project will promote trade in Laos that does not have access to the sea and the northeastern region of Thailand, which will have access to port facilities in central Vietnam. The project also aims to increase future agricultural production and foster the value-added agro-industrialization, thereby contributing to the growth of the regional economy.

Note 1: Loan appraisal for these projects was conducted in June 1998. Therefore, these projects were not subject to the Ex-Ante Evaluation Report. (Ex-Ante Project Evaluation Reports on projects for which appraisals were conducted after April 1, 2001 are made available to the public.)

(See Appendix for details.)

ODA LOANS EXTENDED TO LAO P.D.R. AND THAILAND —To Support Development of East-West Corridor by Constructing an International Bridge over Laos-Thailand Border—

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today will sign at its head office in Tokyo agreements to extend ODA loans to the Lao People's Democratic Republic and the Kingdom of Thailand, totaling 4,011 million yen and 4,079 yen million, respectively, which will finance the "Second Mekong International Bridge Construction Project". An international bridge will be constructed over the Mekong River that runs along the Laos-Thailand border, as part of the development of an "East-West Corridor", which will provide an east-west link from Vietnam to Myanmar. This will be JBIC's first ODA loans for a cross border infrastructure development embracing two countries. The signing will take place between Governor Shinozawa on behalf of JBIC, Bounnheuang Songnavong, Chargé d'affaires a.i., on behalf of Lao P.D.R., and H.E. Mr. Kasit Piromya, Ambassador Extraordinary and Plenipotentiary on behalf of Thailand.

1. Loan Amount and Terms

Special rate for a cross border infrastructure development project is applied to Thailand, as well as to Lao P.D.R.

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
Second Mekong International Bridge Construction Project (Laos)	4,011	1.0	0.75*	30/10	40/10	General Untied	General Untied
Second Mekong International Bridge Construction Project (Thailand)	4,079	1.0	0.75*	30/10	40/10	General Untied	General Untied
Total	8,090						

* Rate for Special Environmental Projects

2. Profile of Lao People's Democratic Republic

(1) Political situation

Laos was incorporated into French Indochina in 1893 and was placed under French colonial rule, but in 1953 signed a "France-Laos Agreement" and attained complete independence. After years of civil wars triggered by the Indochina war, the "Lao Patriotic Front" seized power, abolished the monarchy and established the "Lao People's Democratic Republic" in 1975. Laos is a socialist country, and has been dominated by the "Lao People's Revolutionary Party" under a one-party regime to this day.

At the outset, Laos placed emphasis on the construction of a socialist economy and treasured its ties with the former Soviet Union and other Communist block nations. In 1986, however, with the planned economy running into a brick wall, Laos announced the "New Economic Mechanism" policy and launched omni-directional diplomacy. In recent years, the country is striving not only to deepen ties with neighboring countries, including China, but to expand the scope of its relations with Western nations as well. In 1997, Laos acquired formal membership in ASEAN.

(2) Economic situation

The GDP of Lao PDR registered 6% growth on average annually from 1989 through 1997, before the Asian currency crisis. This brisk economic growth was made possible by: (i) transition to a market economy promoted by the introduction of the "New Economic Mechanism"; (ii) brisk growth of the agriculture and fishery sector; (iii) expansion of exports of timber and wood products; and (iv) a capital inflow from ODA, FDI and other donors. Although the Asian economic crisis dragged the GDP growth down to 4.0% in 1998, the economy grew by 7.3% in 1999 and 5.7% in 2000.

However, GDP per capita remained at \$257 in 1998 and the 1997/98 poverty ratio was some 39%. The seventh Party Convention in March 2001 announced the following targets: a 7% average annual growth by 2005, emergence from the poorest nation status and a three-fold improvement in national living standards by 2020.

3. Profile of Kingdom of Thailand

(1) Political Situation

In the years following the constitutional revolution in 1932, the military had a large influence over the Thai government. In 1992, however, after the bloodshed between the military and forces of democracy, the military refrained from intervening in politics, and a civilian government based on democratic rule has found a firmer foothold.

The Chuan administration established in November 1997 in the midst of the economic crisis received broad-based support from the people and pursued economic reconstruction. However, since the beginning of 2000, dissatisfaction mounted among the people who did not enjoy the advantages of economic recovery in their lives, and prime minister, Chuan, dissolved the lower house just before the expiration of his term of office. This was followed by a lower house election in January 2001 that saw a resounding victory of the Thai Rak Thai party, which won close to a majority of the lower house seats. Subsequently in February 2001, Thaksin Shinawatra became prime minister at the head of a three-party coalition with the Thai Rak Thai, Chart Thai, and National Aspiration Party which secured a stable majority (coalition holds 325 of 500 seats).

(2) Economic Situation

The Thai economy posted a negative real GDP growth rate of 10.8% in the wake of the currency crisis in 1998, but headed for recovery in the latter half of 1999 to record a positive growth of 4.2% for the year. The economy continued to show resilient recovery in 2000, and in June 2000, the IMF announced the termination of Thailand's Stand-By Arrangement. The major driving force behind the Thai economy in 2000 was exports, and the real GDP growth was 4.4% in 2000. In 2001, however, the slowdown in the US economy and the stagnant Japanese economy have led to a reduction in exports, and the real GDP growth remained at a low 1.8% in the January to March quarter and 1.9% in the April to June quarter on a year-to-year basis. The events of September 11 have further delayed economic recovery in the U.S., and with uncertainties about future tourism revenue and domestic consumption, the GDP growth for 2001 is expected to remain at a low level.

4. Description of the Project

Second Mekong International Bridge Construction Project

(1) Background and Necessity of the Project

Development of the Mekong basin has been actively promoted since the first half of the 1990s after the restoration of peace in Cambodia and in Indochina Peninsula, and with the transition to a market economy among socialist states in the post-Cold war era. Multilateral frameworks that have continued to actively promote the development include the Greater Mekong Subregion (GMS) led by Asian Development Bank (ADB) in 1992 and the ASEAN Mekong Basin Development Cooperation (AMBDC) launched in 1996 by ASEAN nations and China, with Malaysia acting as co-ordinator.

GMS places high priority on the development of the Thailand-Lao P.D.R.-Viet Nam East-West Corridor, which is expected to contribute to higher efficiency in inter-regional distribution and regional economic development. As part of the GMS project, this Project will construct an international bridge over the Mekong River that serves as the border between Laos and Thailand. The East-West Corridor route that the Project is situated in originates from central Vietnam's Da Nang port, which is the center of maritime transportation, and runs north along Vietnam's National Highway No. 1 to Dong Ha. The route then connects Vietnam and Laos via National Highway No. 9, and further connects Laos and Thailand by a bridge between Savannakhet in Laos and Mukdahan in Thailand situated on both sides of the Mekong River. The construction of the bridge is expected to raise efficiency in inter-regional distribution and promote regional economic development.

The route connecting Vietnam and Savannakhet in Laos has been improved in the past through assistance from multilateral agencies and the Japanese government. In Thailand,

JBIC has financed improvement work on existing national highways that are part of the East-West Corridor. The construction of the bridge between Savannakhet in Laos and Mukdahan in Thailand will connect these routes.

(2) Objective and Brief Description of the Project

The Project will construct a bridge over the Mekong River, which serves as the border between Laos and Thailand, to link the provincial city of Savannakhet in south-central Laos and the provincial city of Mukdahan in northeast Thailand. The two-lane bridge will have an overall length of 1,600 meters. The project will promote bilateral trade between Laos and Thailand and encourage economic development in the area. Further, the development of a road that transects the Indochina region aims to promote distribution of agricultural products and agricultural processed goods and regional economic development.

The proceeds of the loan will be used to construct the main bridge, approach roads to the bridge, and border control facilities. The loan will also finance consulting services including assistance in bidding, construction supervision, technical guidance, and in implementing environmental conservation measures including environmental monitoring. The executing agency is the Ministry of Communication, Transport, Post and Construction (Address: Avenue Lane-Xang, Vientiane, Lao PDR; Tel: 856-21-41-2300; Fax: 856-21-41-2225) and the Department of Highways, Ministry of Transport and Communication (Address: Sri-Ayudhya Road, Phayathai, Bangkok 10400, Thailand; Tel: 662-246-1122; Fax: 662-245-6905).