

Japanese ODA Loan Signed with the Socialist Republic of Vietnam

Supporting Measures for Urban Problems in the Mekong Delta of Southern Vietnam

1. Today, JICA signed a Japanese ODA loan agreement with the government of the Socialist Republic of Vietnam for a total of up to 18.388 billion yen for two projects.

2. Between 2005 and 2007, Vietnam achieved high growth rates exceeding eight percent (refer to the figure) and made strides in alleviating poverty (see the table), the poverty rate dropping from 37.4 percent in 1998 to 16.0 percent in 2006. Although the economic growth has decelerated due to the impact of the worldwide financial and economic crisis since autumn 2008, the Vietnamese government's policy efforts of providing economic stimulus under an expansionary fiscal policy as well as assistance from Japan (such as the Eighth Poverty Reduction Support Credit with Economic Stimulus Support) have provided the underpinning for a real gross domestic product of 5.3 percent in 2009.

3. Features of the Japanese ODA loans of the agreement are provided below.



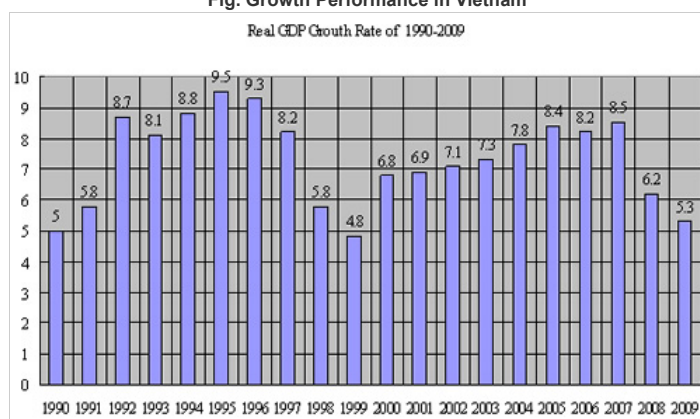
Signing ceremony

Living Environment and Traffic Improvement Assistance for Urban Problems in the Southern Mekong Delta

Located in the northern part of the Mekong Delta Region, which is in the south of Vietnam, Ho Chi Minh City is the largest city and commercial center of Vietnam. Ho Chi Minh City is surrounded by the marshlands of the lower reaches of Saigon River. Rain and other factors frequently cause flooding, and additionally, the amount of industrial and residential wastewater is rapidly increasing due to the quick pace of industrialization and urbanization. Ho Chi Minh City has also undergone rapid economic development and population growth in recent years, which have brought chronic traffic congestion as the city has become motorized. To address these urban problems in Ho Chi Minh City, JICA is providing assistance for sewage and wastewater system construction (the Ho Chi Minh City Water Environment Improvement Project (III)) and for east-west highway and tunnel construction (the Saigon East-West Highway Construction Project (V)).

4. JICA's policy is to dynamically implement projects that address the development problems in Vietnam while reinforcing the coordination of JICA's various ODA schemes such as Japanese ODA loans, technical cooperation and grant aid.

Fig. Growth Performance in Vietnam



Source: Created from the IMF World Economic Outlook Database

Table. Record of Alleviating Poverty in Vietnam

	1993	1998	2002	2004	2006	2008
Overall	58.1%	37.4%	28.9%	19.5%	16.0%	14.5%
Northeast	86.1%	62.0%	38.4%	29.4%	25.0%	24.3%
Northwest	81.0%	73.4%	68.0%	58.6%	49.0%	45.7%
Red River Delta	62.7%	29.3%	22.4%	12.1%	8.8%	8.1%
North Central Coast	74.5%	48.1%	43.9%	31.9%	29.1%	22.6%
South Central Coast	47.2%	34.5%	25.2%	19.0%	12.6%	13.7%
Central Highlands	70.0%	52.4%	51.8%	33.1%	28.6%	24.1%
Southeast	37.0%	12.2%	10.6%	5.4%	5.8%	3.5%
Mekong Delta	47.1%	36.9%	23.4%	19.5%	10.3%	12.3%

Source: Created from the Vietnam Living Standards Survey

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment Period (years)	Deferment period (years)	Procurement
		Project	Consulting services			
(1) Ho Chi Minh City Water Environment Improvement Project (III)	4,327	1.2%	(See note 1)	30	10	Untied
(2) Saigon East-West Highway Construction Project (V)	14,061	1.2%	(See note 1)	30	10	Untied

Notes:

1. Consulting services are not included in the loan.

2. To ensure fairness and competitiveness in the procurement process, the Vietnamese government and JICA will consult and specify items for which Vietnam will implement post-project monitoring by a third party agency. The expenses for this monitoring are not included in the Japanese ODA loan.

2. Project Summaries

(1) Ho Chi Minh City Water Environment Improvement Project (III)

Background and Necessity

Located to the north of the Mekong Delta, Ho Chi Minh City is about 2,099 square kilometers in area (similar in size of Tokyo) and is Vietnam's largest city with a population of 6.61 million people as of 2008. By 2020, the population is expected to rise to 10 million. Ho Chi Minh City is surrounded by the marshlands of the lower reaches of the Saigon River, and the canals and rivers running intricately through the city are affected by the tide level. The low altitude—most of the city lies about two to three meters above sea level—and heavy rains are geographical features that give rise to frequent flooding when there is rain or a change in the tide level. Industrialization and urbanization have progressed at a rapid pace, leading to a fast rise in the amount of industrial and residential wastewater produced by the city. As there are no sewer treatment plants, the urban wastewater is released into the waterways untreated. Another issue is that most of the sites along the rivers serving as water sources for Ho Chi Minh City do not satisfy the water quality standards for residential tap water. To address these problems, building sewage and wastewater systems is an urgent task.

Objective and Summary

Under the Ho Chi Minh City Water Environment Improvement Project (III), sewage and wastewater systems will be built for Ho Chi Minh City, alleviating the damage inflicted by flooding and improving the capacity to treat wastewater. This will improve sanitation and the general living environment in the city.

The loan funds will be allocated to constructing sewage and wastewater systems as well as rehabilitating the canals, improving the sewage pipes at confluence points and building new structures.

Executing Agency

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Planned Implementation Schedule

(i) Completion of project: August 2011 – when the facilities are put into service

(ii) Issuing of letters of invitation for consulting services: (already selected)

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: (Contracts have been already concluded)

(2) Saigon East-West Highway Construction Project (V)

Background and Necessity

As the commercial and industrial center of Vietnam, Ho Chi Minh City has undergone rapid economic development and population growth in recent years, which have brought chronic traffic congestion as the city has become motorized. According to a 2004 survey (JICA Master Plan), the city's daily traffic volume is expected to increase 1.9 times more in 2002 - 2020, and the volume flowing east-west through the city from outside the borders will have the heaviest density. A particular point of concern is the existing Saigon Bridge. Linking the central part of the city to the northeast, the bridge is a point of convergence for traffic, impeding a smooth flow. Given these circumstances, urban roadway infrastructures are needed including a bypass ring road to avoid the downtown area as well as roads to provide access from the suburbs to the city center.

Objective and Summary

Under the Saigon East-West Highway Construction Project (V), a highway will be built running east-west between National Highway No. 1 in the southwest part of Ho Chi Minh City and the Hanoi Highway, which extends to the northeast. This construction includes the Saigon River Tunnel. By augmenting the transportation capacity and alleviating traffic congestion, the project will contribute to the city's economic development and improve the living environment.

Loan funds will be allocated to new road construction and road widening for a bypass as well as to the construction of a tunnel to pass under the Saigon River.

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Planned Implementation Schedule

(i) Completion of project: June 2011 – when the facilities are put into service

(ii) Mailing of letters of invitation for consulting services: (already selected)

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: (Contracts have been already concluded)