

Japanese ODA Loan Signed with Vietnam

– From Crisis to Recovery: Toward Balanced Development –

1. Today, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the government of the Socialist Republic of Vietnam for a total of up to 58.18 billion yen for three projects. In fiscal 2010, JICA signed loan agreements on May 27 for a total of 18.388 billion yen for two projects, and a loan agreement on June 18 for up to a total of 10 billion yen for one project, bringing the total for the year to 86.568 billion yen for six projects.

Vietnam recorded a high rate of growth exceeding 8 percent from 2005 to 2007 while successfully alleviating poverty (Ref. 1). The poverty rate decreased from 37.4 to 14.5 percent between 1998 and 2008 (Ref. 2), but economic growth has rapidly decelerated due to the impact of the global financial and economic crisis that began in fall of 2008. Nevertheless, policy efforts made by the Vietnamese government including the implementation of economic stimulus measures through expansionary fiscal policy have supported economic growth along with assistance from Japan including the Eighth Poverty Reduction Support Credit with Economic Stimulus Support, and Vietnam's real Gross Domestic Product (GDP) rate grew in 2009 by about 5.3 percent. Economic growth stimulated by a firm recovery of export related manufacturing and other factors is predicted for 2010 as well.



Signing Ceremony

The Japanese ODA loan signed today is significant in that it will provide Vietnam with support for balanced development and a solid recovery from the global financial and economic crisis through fundamental economic infrastructures and budget support. Specifically, this will be accomplished through the following two measures:

(1) Promoting economic growth through fundamental economic infrastructures in northern Vietnam

The capital city Hanoi, which marked its one thousandth year as capital in October 2010, is receiving assistance to promote development in its northern area, including the metropolitan airport and the industrial park zones, under the Nhat Tan Bridge (Japan-Vietnam Friendship Bridge) Construction Project (II). This includes the construction of a bridge over the Red River, which runs through Hanoi, along with approach roads to make transportation logistics more efficient and to meet the increasing transportation needs due to the rapid growth of recent years.

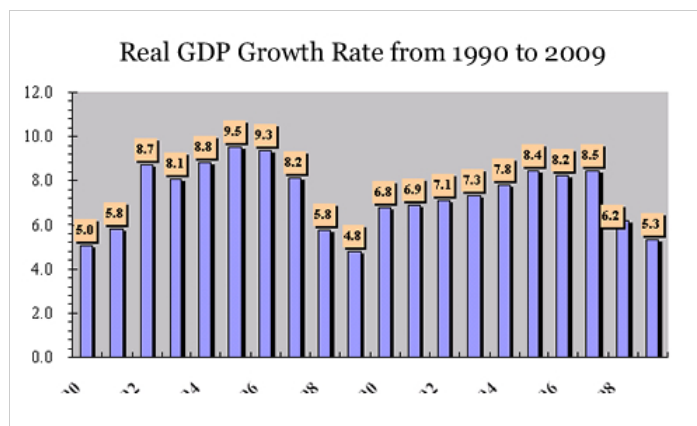
Also, under the Nghi Son Thermal Power Plant Construction Project (II), a new coal-fired power station and related facilities will be built in Thanh Hoa Province in northern Vietnam to resolve the intractable imbalance in power supply and demand in Vietnam, in order to support economic growth and strengthen the ability to compete internationally.

(2) Promoting economic growth and poverty alleviation through budget support

As described above, the Vietnamese economy is showing signs of a firm recovery from the global financial and economic crisis, but the Vietnamese government needs steps taken toward a stable macro-economy and employment creation, in addition to achieving policy goals such as promoting growth and the shift to a market economy. The best efforts of the Vietnamese government toward economic growth and promoting poverty alleviation will therefore be supported through financing with the Ninth Poverty Reduction Support Credit.

JICA's policy is to dynamically implement projects that address development issues in Vietnam while reinforcing the coordination of JICA's various ODA modes, which include Japanese ODA loans, technical cooperation and grant aid.

Ref. 1. Growth performance of Vietnam



Created with reference to the IMF World Economic Outlook Database

Ref. 2. Poverty alleviation performance of Vietnam

	1993	1998	2002	2004	2006	2008
Overall	58.1%	37.4%	28.9%	19.5%	16.0%	14.5%
Northeast Region	86.1%	62.0%	38.4%	29.4%	25.0%	24.3%
Northwest Region	81.0%	73.4%	68.0%	58.6%	49.0%	45.7%
Red River Delta Region	62.7%	29.3%	22.4%	12.1%	8.8%	8.1%
North Central Coast Region	74.5%	48.1%	43.9%	31.9%	29.1%	22.6%
South Central Coast Region	47.2%	34.5%	25.2%	19.0%	12.6%	13.7%
Central Highlands Region	70.0%	52.4%	51.8%	33.1%	28.6%	24.1%
Southeast Region	37.0%	12.2%	10.6%	5.4%	5.8%	3.5%
Mekong Delta Region	47.1%	36.9%	23.4%	15.9%	10.3%	12.3%

Created with reference to 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
(1) Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project (II)	24,828	0.2%	40/10	Tied
(2) Nghi Son Thermal Power Plant Construction Project (II)	29,852	1.2%	30/10	Untied
(3) Ninth Poverty Reduction Support Credit	3,500	1.2%	30/10	Untied

Notes:

1. Special Terms for Economic Partnership (STEP) apply to project (1).
2. An annual rate of 0.01% applies to the consulting portion of projects (1) and (2).
3. To ensure fairness and competitiveness in the procurement process, the Vietnamese government and JICA will consult together, 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 amount of the Japanese ODA loan.

2. Project Summaries

(1) Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project (II)

Background and Necessity

With the rapid economic development of recent years, the number of motorcycles registered in the city has grown to 1.1 million as of 2007 with 130,000 automobiles, a 130 percent growth over 2001, which is a factor in the traffic congestion in Hanoi city, the capital of the Socialist Republic of Vietnam. The roads in the city today exist in essentially the same state as when they were built during the French colonial period (which ended in 1954). With an unimproved road network, inadequate street width, and poor pavement conditions, the roads are a hindrance to economic growth. At this time, there are five bridges across the Red River that divides Hanoi city in two. With so few ways to cross the river, vehicles transporting freight that should avoid going through the center of the city have no choice but to pass straight through it, further increasing the urban congestion. Given these conditions, building a new bridge across the Red River and improving the ring road for bypassing the center of Hanoi city are urgent issues.

Objectives and Summary

Under the Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project, a bridge crossing the river to get around the city will be constructed, along with approach roads and other facilities as a part of the Ring Road No. 2 in Hanoi city, which will accommodate the increase in traffic demands, make logistics and transportation more efficient, and alleviate traffic congestion, thereby promoting economic development in the northern region of Vietnam while strengthening its international competitiveness. The project will also connect the existing central district on the south side of Hanoi city with new development regions such as the international airport and industrial parks on the north side, which is expected to promote development in Hanoi city's northern area.

With Hanoi city having celebrated its one thousandth year as capital in 2010, this project is expected to be a monument to Hanoi city's urban development and a symbol of the friendship between Japan and Vietnam. As Special Terms for Economic Partnership (STEP) applies to the project, Japanese advanced technology and expertise are expected to be used for the project.

Loan funds will be allocated to the civil works necessary for the construction of the bridge and approach roads, the procurement of equipment and materials, and consulting services.

Executing Agency

Projects Management Unit No. 85
Ministry of Transport
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Planned Implementation Schedule

- (i) Completion of project: December 2013 – when the facilities go into service
- (ii) Issuing of letters of invitation for consulting services: Hired
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Contracted. (Three package procurements are planned for this project.)

JICA Contact Information

The contact information for the procurement schedule is as follows:
JICA Vietnam Office
Contact Point for the Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project
Address: 16th Floor, Daeha Business Center, 360 Kim Ma Street, Ba Dinh District, Hanoi, Vietnam
Phone: +84 (4) 3831-5005, Fax: +84 (4) 3831-5009

(2) Nghi Son Thermal Power Plant Construction Project (II)

Background and Necessity

In recent years, the Socialist Republic of Vietnam has posted a high growth rate in its Gross Domestic Product (GDP) around 8 percent, and this has been accompanied by an average annual increase of 13 percent in the demand for power for the past five years from 2004 to 2008, and a 130 percent increase in peak demand, from 10,500 to 13,800 megawatts. This trend has been affected by the recent global economic crisis and concurrent recession, though the mid- to long-term outcome is expected to be a recovery with a return to high economic growth. Vietnam's Sixth National Power Development Master Plan, approved in 2007, predicts that the demand for power will increase annually by 17 percent through 2015, requiring nearly 30,000 megawatts in electric power development. However, investment plans for the power development described in the master plan has largely fallen behind, bringing a new level of tension to the balance of supply and demand for power in Vietnam, and resulting in inevitable rolling blackouts during peak power demand times.

Objectives and Summary

Under the Nghi Son Thermal Power Plant Construction Project (II), a coal-fired thermal power plant with a capacity of 600 megawatt (300 megawatt x 2 units) will be constructed within the Nghi Son economic zone along with support facilities. The project site is located in Thanh Hoa Province in the north of Vietnam, and the objective of this project is to meet increasing power demand in the north, thereby contributing to promoting economic growth and strengthening international competitiveness of the region.

Loan funds will be allocated to the construction of the coal-fired thermal power plant, including civil works, materials and equipment procurement, and installation, and also to consulting services.

Executing Agency

Vietnam Electricity
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Planned Implementation Schedule

- (i) Completion of project: February 2014 – when the facilities are put into operation
- (ii) Issuing of letters of invitation for consulting services: Hired
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction: Contracted

(3) Ninth Poverty Reduction Support Credit

Background and Necessity

Since the *doi moi* reform policy of 1986, the Vietnamese government has been promoting a policy of openness to foreign business, and has been facilitating economic growth while alleviating poverty through integration into the international economy. This has resulted in the country maintaining a high gross domestic product (GDP) with a real growth rate around seven percent. The poverty ratio for the total population (approximately 83 million) has dropped from 28.9 percent in 2002 to 16.0 percent in 2006. While dealing with the issues of economic disparities and environmental protections on the one hand and maintaining the economic growth on the other, the Vietnamese government has the additional difficult task of implementing a variety of reforms in accordance with its international pledge to the World Trade Organization, which Vietnam officially joined in January 2007. With the entire world falling into recession due to the recent financial and economic crisis, the real GDP in Vietnam has decelerated to 5.3 percent for 2009, bringing pressure to implement measures to stabilize the macro-economy and create employment.

Objective and Summary

Under the Ninth Poverty Reduction Support Credit, financial support will be provided for the reforms being advanced by the Vietnamese government, particularly: investment including that in infrastructure, enhancements to the business climate, public finance management, reforms to the financial sector and state-run companies, the plan formulation process, environmental management and fighting corruption. This will assist Vietnam in achieving the following policy objectives of its Eighth Five Year Socio-Economic Development Plan of 2006-2010:

1. Promoting growth and continued transition to a market economy,
2. Alleviating poverty and guaranteeing social inclusiveness,
3. Managing the environment and natural resources in a sustainable manner, and
4. Constructing an organizational system to support government strategies. These policy issues include items in the Japan-Vietnam Joint Initiative, a collaborative effort between the government and private sectors in Japan and Vietnam for outlining specific action plans required to bolster the investment climate in Vietnam; and the reforms of this project are also significant for Japanese companies operating in the area.

Executing Agency

State Bank of Vietnam
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Planned Implementation Schedule

- (i) Completion of project: December 2011 – with completion of the second round of PRSC (PRSC6-10)
- (ii) Issuing of letters of invitation for consulting services: No hiring of consultants is planned for this project.
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction: No construction in conjunction with tendering is planned for this project.