

## ODA Loan Agreements signed with the Republic of the Union of Myanmar

–Supporting its people's livelihood improvement and economic activities through infrastructure development–

On June 7, the Japan International Cooperation Agency (JICA) signed ODA loan agreements totaling up to 51.052 billion yen for three projects with the Government of the Republic of the Union of Myanmar in its capital, Nay Pyi Taw.

Since its start in March 2011, President Thein Sein's administration has been committed to economic and social reform by transforming the country's exchange rate system from the fixed exchanged rate system to a managed float system and promoting trade liberalization, in addition to the efforts towards democratization, strengthening of the rule of law and national reconciliation. In support of these efforts by the Myanmar government, Japan has taken measures to clear Myanmar's arrears in order to assist its return to the international community. For the sustainable development of Myanmar, Japan will also provide new ODA loans for the first time in 25 years to respond to the following challenges that Myanmar faces.

The current administration has prioritized "balanced, proportionate development" and poverty reduction in each Region/State among its policies, intending to reduce the national poverty rate from the current 26 percent to 16 percent by 2015. In order to promote development and poverty reduction in the whole country, Myanmar essentially needs assistance not only to large cities such as Yangon but also to rural areas inhabited by the poor (including ethnic minority areas), and therefore faces the challenge of improving the essential infrastructure, the inadequacy of which has hindered the development of rural areas.

On the economic front, Myanmar has achieved a growth rate of 6.2 percent in 2012 and projected at 6.3 percent for 2013, thanks to the lifting of economic sanctions by Western countries and the promotion of investment and trade in the expectation of economic reform in Myanmar. However, the progress in Myanmar's infrastructure development remains slow compared with other ASEAN countries, which has caused a bottleneck in further economic growth of, and investment into, the country. Especially in Yangon area – a Myanmar's economic center – where further boosts in economic activities are anticipated, it is urgent to provide stable power supply and develop logistics infrastructure that support economic activities of private enterprises and Myanmar's citizens.

The features of the three ODA loans that we signed this time in consideration of the aforementioned circumstances are as follows.

### (1) Developing the life-supporting infrastructure in the whole Myanmar including ethnic minority areas

The new administration of Myanmar has proceeded with reform efforts towards national reconciliation, as exemplified by the ceasefire agreement signed in January 2012 between the Myanmar government and the Karen National Union for the first time in 63 years. In order to foster the reform process towards national reconciliation, it is essential that economic development and poverty reduction be promoted in each Region/State.

The "Regional Development Project for Poverty Reduction Phase I" intends to contribute to livelihood improvement and poverty reduction for local residents by constructing and rehabilitating the life-supporting infrastructure of urgent priority (roads, electricity, and water supply) in seven Regions and seven States in Myanmar.

### (2) Supporting economic activities and people's lives by provision of stable power supply

Insufficient power supply has been a serious problem in Myanmar where power cut is constantly enforced especially during the dry season (March-May), which disturbs people's daily lives and economic activities. In particular, it is urgently required to address the issue of insufficient power supply in Greater Yangon where the demand for electricity is the largest, as further boosts in economic activities are expected in the future. Thus, the Myanmar government focuses on solving the power shortage by means of rehabilitating and upgrading existing power facilities as a short-term measure.

The "Urgent Rehabilitation and Upgrade Project Phase I" will contribute to the improvement in quality of life and the development of economic activities especially in Greater Yangon, by rehabilitating and upgrading main power plant and substations in that area to promote stable power supply.

### (3) Supporting the infrastructure development in Thilawa area – the planned site for the Special Economic Zone

Myanmar is a promising country for its cheap and abundant workforce and its potential as a sizable market; however, its weak infrastructure has been an impediment to attracting foreign investments. Meanwhile, the development of Thilawa area including Thilawa Special Economic Zone (SEZ) has proceeded in Yangon area, aiming at job creation and economic development through the expansion of direct investments and further increase in trade. The challenges are to develop logistics infrastructure and supply stable electricity that support economic activities of private enterprises and residents' lives in Yangon including Thilawa area where rapid development is expected in the future.

Specifically, it is required to expand the Thilawa Port situated in the southeast of the Yangon Port because the current Yangon Port will have difficulty in meeting the future logistics demands due to the upsurge in freight transport volume caused by the rise in exports and imports along with economic growth. Also, as power supply is crucial for stable daily lives and business activities, the development of electric power facilities in Thilawa area is in urgent need in view of the economic boom in the future, which has so far been lagging behind in this area as compared with the center of Yangon City.

The "Infrastructure Development Project in Thilawa Area Phase I" will contribute to the improvement in and development of economic activities and residents' lives in Thilawa area by means of developing terminal in the Port and electric power facilities.

In May 2013, Prime Minister Abe made official visit to Myanmar as a Japan's Prime Minister for the first time in 36 years. At the Japan-Myanmar summit meeting, President Thein Sein confirmed that Myanmar would make every effort towards solving problems such as democratization, reinforcement of the rule of law, and national reconciliation. In this regard, Abe reiterated that Japan's public and private sectors will support these efforts.

JICA will continue to provide agile support towards solving problems that Myanmar faces, by mobilizing various ODA schemes such as ODA loans, technical cooperation, and grant aid.



U Maung Maung Win, Director General, Budget Department, Ministry of Finance and Revenue and Masahiko Tanaka, Chief Representative, JICA Myanmar office signed loan agreements in the presence of U Win Shein, Union Minister for Ministry of Finance and Revenue and Hiroto Arakawa, Vice President of JICA.

## Reference

### 1. Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Regional Development Project for Poverty Reduction Phase I	17,000	0.01	0.01	40	10	General-Untied
(2) Urgent Rehabilitation and Upgrade Project Phase I	14,052	0.01	0.01	40	10	General-Untied
(3) Infrastructure Development Project in Thilawa Area Phase I	20,000	0.01	0.01	40	10	General-Untied

## 2. Project Summaries

### (1) Regional Development Project for Poverty Reduction Phase I

#### (Background and Necessity)

Myanmar has faced the economic disparity specifically between urban and rural areas in the process of economic reform. The 85% of the poor reside in rural areas where the infrastructure is still underdeveloped at present, compared with other ASEAN countries. For instance, the national average rates of paved road and electrification are 11.9% and 26% respectively, while 30% of the population has no access to safe water. In addition, the local infrastructure development falls far behind; for example, it is deemed that the electrification rate in such areas is 16%, while 40% of residents have no access to safe water there. In this regard, it is urgently required to develop the life-supporting infrastructure, as the low standards of infrastructure development have been impediments to economic activities in rural areas and thus to poverty reduction.

#### (Objective and Summary)

This project intends to improve the livelihoods of local residents, and thus contribute to development and poverty reduction in local areas, by constructing and rehabilitating life-supporting infrastructure (roads, electricity, and water supply), which is highly beneficial to the poor and urgently required, in seven Regions and seven States in the whole Myanmar.

#### (Executing Agency)

(1) Executing agency in charge of overall project management/coordination of relevant central government ministries and agencies, and local governments

Foreign Economic Relations Department, Ministry of National Planning and Economic Development

Address: Building No.1, Nay Pyi Taw

TEL: +95-67-407027

(2) Executing agency in charge of road-related sub-projects

Public Works, Ministry of Construction

Address: Building No.11, Nay Pyi Taw

TEL: +95-67-4074701

(3) Executing agency in charge of electricity-related sub-projects

Electricity Supply Enterprise, Ministry of Electric Power

Address: Building No.53, Nay Pyi Taw

TEL: +95-67-431273

(4) Executing agency in charge of water-supply-related sub-projects

Department of Rural Development, Ministry of Border Affairs

Address: Building No.14, Nay Pyi Taw

TEL: +95-67-409408

#### (Planned Implementation Schedule)

(i) Completion of project: June 2016 (to be completed with the commencement of operations)

(ii) Issuing of letters of invitation for consulting services: June 2013

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Scheduled date: August 2014

### (2) Urgent Rehabilitation and Upgrade Project Phase I

#### (Background and Necessity)

Myanmar is prone to power shortages in dry season because its electrical power generation relies heavily on hydropower that accounts for more than 70% of total power generation. Therefore, in spite of the increasing share of gas-fired thermal power plants in total power generation in Yangon area during the dry season when the water level is low, the electricity generation capacity of thermal power plants has been confined to about 70% of rated output due to their aged deterioration. Also, there are growing concerns about the emergence of system failures, frequent occurrence of accidents, and increase in technical/non-technical loss, because some of the existing transmission as well as substation facilities are decades-old.

Moreover, although the Myanmar's maximum supply of power is about 1,500 MW (including 700 MW for Yangon area), it is estimated that the potential power demand may exceed 2,000 MW, taking account of the fact that rotating outages are commonly carried out. It is urgently required to address the issue of insufficient power supply, in view of the expectation that power demand will increase along with economic development.

#### (Objective and Summary)

The objectives of the Project are to improve capacity and reliability of the power supply to ease the stringency of power demand by rehabilitating and upgrading power plant and related transmission systems in the Yangon area, thereby contributing to economic development of Myanmar.

#### (Executing Agency)

Myanma Electric Power Enterprise, Ministry of Electric Power

Address: No.27 Building, Nay Pyi Taw

TEL: +95-67-410202

(Planned Implementation Schedule)

- (i) Completion of project: January 2018 (to be completed with the commencement of operations)
- (ii) Issuing of letters of invitation for consulting services: June 2013
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Scheduled date: August 2014

(3) Infrastructure Development Project in Thilawa Area Phase I

(Background and Necessity)

Since the start of President Thein Sein's administration in March 2011, Myanmar has enjoyed rapid economic growth in recent years, in the process of its economic reforms such as the introduction of a managed float system and the promotion of trade liberalization.

In particular, rapid development is expected in Thilawa area which lies adjacent to Yangon City, the largest city of Myanmar, in tandem with the expansion of Yangon metropolitan area and the development of Thilawa Special Economic Zone (SEZ).

However, this area has faced the challenge of infrastructure underdevelopment that may be impediments to business activities and residents' lives.

There is a pressing need to improve the logistics system through the development of the Thilawa Port located in the southeast of the Yangon Port in order to overcome the capacity constraint of the Yangon Port in meeting the future logistics demands that are expected to be caused by the upsurge in freight transport volume along with economic growth. Also, Myanmar has suffered from frequent blackouts due to insufficient power supply. In Thilawa area, electric power facilities are still underdeveloped compared with Yangon City. It is expected that rapid development of Thilawa SEZ and its surrounding areas can worsen the insufficiency of power supply. For these reasons, the pressing issue for this area is to expand and improve the essential infrastructure related to its port and power supply.

(Objective and Summary)

This project intends to contribute to Myanmar's economic growth through the development of and job creation in the Yangon metropolitan area, which will be based on the development of port terminal and electric power facilities in Thilawa area in order to enhance transport efficiency and stabilize power supply, thereby promoting the inflow of direct investments into this area.

(Executing Agency)

- (1) Executing agency in charge of port-related sub-projects

Myanma Port Authority, Ministry of Transport

Address: No.10, Pansodan Street, Yangon, Myanmar

TEL:+95-1-391310

- (2) Executing agency in charge of electricity-related sub-projects

- 1. Myanma Electric Power Enterprise, Ministry of Electric Power

Address: No.27 Building, Nay Pyi Taw

TEL: +95-67-410202

- 2. Yangon City Electricity Supply Board, Ministry of Electric Power

Address: No.197/199, Lower Kyeemyintdaing Road, Ahlone Township, Yangon

TEL: +95-1-229144

(Planned Implementation Schedule)

- (i) Completion of project: December 2017
- (ii) Issuing of letters of invitation for consulting services: June 2013
- (iii) Scheduled date for tender announcement of initial procurement package for international competitive bidding on project construction: August 2014