

Signing of Japanese ODA Loan Agreement with the Socialist Republic of Viet Nam

-Reinforcing International Competitiveness through Infrastructure Improvement and Measures against Vulnerability-

On 18th March 2014, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the government of the Socialist Republic of Viet Nam for a total of up to JPY 86,425 million for three projects.

Since the 1990s, economic growth in Viet Nam has been strong (see Reference 1), achieving the national goal of becoming a lower middle income country by 2010 while reducing poverty from 37.4 percent in 1998 to 14.2 percent in 2010 (See Note below).

With removal of all tariff barriers among ASEAN member countries scheduled in 2015, in order for Viet Nam to achieve sustainable economic growth, the country should create a better investment environment through infrastructure development, also should set to stabilize the macro economy with mid to long term perspective and enhance international competitiveness, through reforms in the economic structure and administrative system of the country, including financial system reforms. On the other hand, Viet Nam also needs to address various aspects of vulnerabilities: 1) income enhancement in rural areas where 70% of the whole population live and poverty rates are higher than those in urban areas, 2) improvement in public health that has been adversely impacted by urbanization process and 3) global warming mitigation/adaptation in Viet Nam that is said to be one of the most vulnerable countries to climate change impacts.

Against this background, the ODA loan is provided to support the development of infrastructure that is crucial for enhancing the country's competitiveness, focusing on creating a better investment environment. The summary of the projects to be conducted under the ODA loan are as follows:

(1) North-South Expressway Construction Project (Da Nang - Quang Ngai Section) (II) and North-South Expressway Construction Project (Ho Chi Minh City - Dau Giay Section) (III) are to build expressways in and around Da Nang and Ho Chi Minh city, or the largest cities in central and southern Viet Nam respectively. In the areas surrounding the both cities, there are many distribution facilities and production bases, such as industrial parks and export processing zones. As its economy continues to grow at brisk pace, Viet Nam sees increase in traffic volume in these areas, which causes serious problems of chronic traffic congestion and subsequent deterioration of efficiency in social and economic activities. These projects aim to help smooth traffic flow and distribution.

(2) Lach Huyen Port Infrastructure Construction Project (II) is to build an international deep-water mega-port to handle large vessels in Hai Phong city located in the northern part of Viet Nam. Through the development of the port and the surrounding basic infrastructure, the project aims to address the current trend towards increasing the maximum size of container ships in shipping markets in recent years and contribute to the economic development and reinforced international competitiveness of the northern region of Viet Nam

JICA will continue to provide active support for Viet Nam's development issues, while pursuing integrated implementation of a wide range of ODA assistance, such as ODA loans, technical cooperation and grant aid.

(Note) Source: General Statistics Office "Viet Nam Living Standards Survey"

<Reference①> Growth Performance of Viet Nam



(Source) Prepared based on the IMF World Economic Outlook Database

<Reference②> Terms and amounts of loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) North-South Expressway Construction Project (Da Nang – Quang Ngai Section) (II)	30,008	1.4	0.01	30	10	General untied
(2) North-South Expressway Construction Project (Ho Chi Minh City - Dau Giay Section) (III)	18,459	1.4	0.01	30	10	General untied
(3) Lach Huyen Port Infrastructure Construction Project (II)	37,958	0.1	0.01	40	10	Tied aid (Japan)

※ The Special Terms for Economic Partnership (STEP) are applied to the project no. (3).

※ The Government of Viet Nam shall ensure that a third party conducts a post-audit of procurement procedures for projects to be specified through discussions between the Government of Viet Nam and Japan to ensure fairness and competitiveness in the procurement process. Expenses for the post-audit are not included in the Japanese ODA loan.

(1) North-South Expressway Construction Project (Da Nang – Quang Ngai Section) (II)

(Background and Necessity of the Project)

In Da Nang, the biggest city in the central area of Viet Nam, and its neighboring provinces, Quang Nam and Quang Ngai, distribution facilities and production bases as exemplified by the industrial and export processing zones have been increasingly developed and increasing number of Japanese companies expand their businesses into the area. The recent economic growth in the country has been causing significant increase in traffic volume in the district, which is expected to increase further. In addition, there are noticeable changes

in traffic characteristics: due to increasing car ownership and an increasing number of heavy trucks, road conditions have been deteriorating and cars and trucks driving on the same roads is a cause of car accident. Under such circumstances, there is an urgent need to build expressways that promote efficient, safe and comfortable travel for vehicles. Furthermore, since Da Nang city plays an important role for logistics as key distribution point located at the east end of East-West Economic Corridor that runs through Lao People's Democratic Republic and Kingdom of Thailand to Republic of the Union of Myanmar, successful completion of this project will provide a major expressway for international distribution to connect Viet Nam with the north, south, east and west of the Mekong region, and therefore, the project is crucial to the economic growth in the central area of the country and country development with fewer disparities across the country.

(Objectives and summary of the project)

Through the construction of the Da Nang - Quang Ngai section of the North-South Expressway networks, i.e. one of the high priority routes in the networks, this project aims to: 1) address increasing traffic demands in and around Da Nang city, or the logistics center and production base in the central area of the country, 2) facilitate efficient and safe distribution traffic and 3) consequently contribute to the economic development in and reinforced international competitiveness of the central region of Viet Nam including Da Nang. Through the partnership with the World Bank, JICA has provided ODA loans for Phase I of the project (agreed in June 2011, loan amount: JPY 15,912million). ODA loan granted this time is for Phase II of the project.

The ODA loan is used for engineering works, material and equipment procurement and consulting services required for the development of the high standard expressway.

(Executing Agency)

Vietnam Expressway Corporation

Address: 4th floor, MITEC Building, Lot E2, Cau Giay Town, Yen Hoa Ward, Hanoi, Viet Nam

TEL: 84-4-6430273 FAX: +84-4-6430270

(Project schedule (plan))

(i) Target Completion Date: July 2017 (The project shall be completed when the facilities are put to use.)

(ii) Consulting services: Already employed

(iii) Construction: Already signed.

(2) North-South Expressway Construction Project (Ho Chi Minh City - Dau Giay Section) (III)

(Background and Necessity of the Project)

Ho Chi Minh City, or the commercial center of Viet Nam, and the southern part of the country has many industrial parks, and an increasing number of Japanese companies have been operating their businesses there. With significant increase in traffic and serious traffic congestion in the region due to the rapid economic growth in recent years and plans for a new airport and port, traffic demands are expected to increase further.

Currently, the region has two main roads, Routes 1 and 51. However, these existing roads have already reached the maximum volume that they can serve. In addition, the region has other issues including deteriorating safety conditions due to cars and trucks driving on the same roads and an underdeveloped road network. Against this background, it is imperative to improve traffic efficiency by mitigating traffic congestion and developing an expressway to connect industrial parks and airports/ports and harbors.

(Objectives and summary of the project)

By constructing the Ho Chi Minh City - Dau Giay Section of the North-South Expressway networks, i.e. one of the high priority routes in the networks, this project aims to: 1) address increasing traffic demands in routes 1 and 51, 2) facilitate efficient distribution traffic and mitigate traffic congestion and, 3) consequently contribute to the economic growth in and reinforced international competitiveness of Ho Chi Minh City and the southern region of Viet Nam.

Through the partnership with the Asian Development Bank, JICA has provided ODA loans for Phase I (agreed in August 2008, loan amount: JPY 16,643million) and Phase II of the project (agreed in June 2011, loan amount: JPY 25,034million). The ODA loan provided this time is for Phase III of the project.

The ODA loan is used for engineering works, material and equipment procurement and consulting services required for the development of the high standard expressway.

(Executing Agency)

Vietnam Expressway Corporation

Address: 4th floor, MITEC Building, Lot E2, Cau Giay Town, Yen Hoa Ward, Hanoi, Viet Nam

TEL: 84-4-6430273 FAX: +84-4-6430270

(Project schedule (plan))

(i) Target Completion Date: July 2016 (The time when the set-up of intelligent transportation system (ITS) and associate control equipment) is completed shall be the time of the project's completion.)

(ii) Consulting services : Already employed.

(iii) Construction: Already signed.

(3) Lach Huyen Port Infrastructure Construction Project (II)

(Background and Necessity of the Project)

Many Japanese and foreign companies have their branches and factories in the northern coastal area of Socialist Republic of Viet Nam (Viet Nam) that extends from Hai Phong city and Ha Long city to Hanoi, the capital of Viet Nam, contributing to the economic development in the area. Hai Phong Port and Cai Lan Port, which have been improved and expanded through Japanese ODA loans, have since supported activities by the foreign companies. Nevertheless, the total of the container handling capacities of the both ports is 40 million tons, considering planned capacity increase at the ports. On the other hand, the country's economic growth is expected to increase demand for container shipping in the northern area of Viet Nam to 42 million tons in 2015 and 59 million tons in 2020. In addition, since the international freight shipping market in recent years sees an increasing trend towards large container vessels, developing ports that are deep enough to handle large container ships is imperative to ensure that the northern area of Viet Nam functions properly as an international distribution base.

(Objectives and summary of the project)

By building an international deep-water mega-port in Lach Huyen located on the east of Hai Phong city and developing the infrastructure in and around the said area, this project aims to: 1) address increasing demands for containers in Viet Nam and address the increase in the maximum size of container ships in shipping markets in recent years and 2) contribute to the economic development in and reinforced international competitiveness of Viet Nam as well as the northern region.

JICA has provided ODA loan for Phase I of the project (agreed in November 2011, loan amount: JPY 20,995million for port, road and bridge). The ODA loan provided this time is for Phase II of the project.

The ODA loan is used for engineering works, material and equipment procurement and consulting services required for the development of the port and the surrounding basic infrastructure (including access roads and bridges).

The Special Terms for Economic Partnership (STEP) is applied to this project in an attempt to shorten the construction period and enhance safety through the use of Japanese technology.

(Executing Agency)

Port:

Vietnam Maritime Administration

Address: 8 Pham Hung Road, Hanoi, Viet Nam

TEL: 84-4-3795-0927 FAX: 84-4-3768-3058

Road and bridge:

Ministry of Transport

Address: 80 Tran Hung Dao Street, Hanoi City, Viet Nam

TEL: 84-4-3942-0197 FAX: 84-4-3942-3291

(Project schedule (plan))

(i)Target Completion Date: December 2017 (The project shall be completed when the facilities are put to use.)

(ii)Consulting services:Already employed

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

(JICA Contact Information)

Contact details for this project are as follows:

Contact Point for Lach Huyen Port Infrastructure Construction Project, JICA Viet Nam Office

Address:16th Floor, Daeha Business Center, 360 Kim Ma Street, Ba Dinh District, Hanoi, Viet Nam

TEL:84-4-3831-5005 FAX:84-4-3831-5009