

Signing of Japanese ODA Loan Agreement with the Republic of the Union of Myanmar

Support for social and economic infrastructure to improve life and achieve sustainable economic growth

On September 5, the Japan International Cooperation Agency (JICA) signed ODA loan agreements with the Government of the Republic of the Union of Myanmar, in the capital of Nay Pyi Taw, to provide up to a total of 63.166 billion yen for four projects.

Since its start in March 2011, President Thein Sein's administration has been committed to economic reform such as transforming the country's exchange rate system from the fixed exchange rate system to a managed float system and promoting trade liberalization, and has made efforts toward democratization, strengthening of the rule of law and national reconciliation. In support of these efforts by the Government of Myanmar, Japan is providing ODA loans to Myanmar for the first time in 25 years in 2013.

With the lifting of economic sanctions and the impact of the rapid increase in trade and investment in recent years, the real economic growth rate has steadily remained above 6 percent. However, Myanmar's basic economic infrastructure faces a number of challenges that hinder sustained economic growth and efforts to promote additional investment. In particular, while the railway connecting the major cities of Yangon and Mandalay is a vital transportation trunk line, it is deteriorating with age. Furthermore, with additional economic activity and urbanization anticipated in the Yangon region, there is an urgent need for essential water supply facilities and logistics infrastructure to support those changes.

In addition, with about 70 percent of the people of Myanmar living in rural areas, the improvement of livelihoods and alleviation of poverty for rural residents through agricultural development is an important priority to ensure stable growth of the whole country. In particular, the development of irrigation systems has fallen behind that of neighboring countries, and the inability to plant crops during the dry season has made it difficult to improve the livelihoods of rural residents.

The features of the four projects funded with ODA loans to address these issues are as follows.

(1) Support for the Modernization of Myanmar's Most Important Railway Lines

Myanmar has a rail network which extends for about 6,000 kilometers, and within this network, the most important trunk line is the Yangon-Mandalay line, which connects Myanmar's largest city of Yangon with the capital Nay Pyi Taw, as well as with the nation's second largest city of Mandalay. However, with routes and equipment not being sufficiently updated, this network is aging, resulting in the alarming statistic of railway accidents occurring about 100 times each year. In addition to solving such safety issues, there is a need to shorten travel times and improve transportation capacity.

The Yangon-Mandalay Railway Improvement Project Phase I (I) will renovate and modernize the aged railway equipment and facilities on the Yangon-Mandalay line to provide safer, faster train service with enhanced transport capacity, which will contribute to the economic development of Myanmar.

(2) Supporting the Improvement of the Living Environment and Economic Activities of People with Water Supply Infrastructure

In Myanmar, the development of social infrastructure has fallen behind, with just 8 percent of people nationwide receiving piped water, and that insufficiency has become an obstacle to life and economic activities. Even in the major commercial center of Yangon, where just under 10 percent of the country's population is concentrated, water supply facilities have not been sufficiently developed, and with the expansion of demand for water with the economic development of recent years, the facilities have not kept up.

In the Greater Yangon Water Supply Improvement Project, the water supply facilities will be expanded in the Yangon metropolitan area, including the Thilawa Special Economic Zone (SEZ), to improve the water supply services in anticipation of the surge in demand, as well as to improve the living environment of the Yangon metropolitan area and contribute to economic development.

(3) Support for Infrastructure Development for the Thilawa area – the planned site for the Special Economic Zone

Myanmar is a promising country because of its abundant workforce and its potential as a sizable market. The Government of Myanmar has been advancing the development of the Thilawa SEZ in Yangon, aiming at job creation and economic development through the expansion of direct investment and a further increase in trade. The challenges are to develop infrastructure that supports the economic activities of private enterprises and residents' lives in Yangon, including the Thilawa area where rapid development is expected in the future. In 2013, an ODA loan was provided for the Infrastructure Development Project in Thilawa Area Phase I to support the development of a port terminal and electric facilities in Thilawa area.

The Infrastructure Development Project in Thilawa Area Phase II will contribute to the improvement in and development of economic activities and residents' lives in the Thilawa area by improving the access road between Yangon and the Thilawa area which could potentially become an obstruction to traffic.

(4) Support for the Livelihood of Rural Citizens through Irrigation Development

Myanmar is blessed with fine conditions for agriculture, such as a vast amount of land and abundant sunlight, but the underdevelopment of irrigation facilities in particular has made it impossible to take advantage of agricultural resources in the dry season. Most farmers cultivate rice in the rainy season, but making it possible to also cultivate rice, beans and other crops in the dry season would lead to increased agricultural income.

Under the Irrigation Development Project in Western Bago Region, irrigation facilities will be upgraded and the necessary equipment will be furnished in the western Bago region where the annual rainfall and irrigation rates are low. The project will contribute to an increase in agricultural production and an improvement in the livelihoods of farmers in the region, situated about 250 kilometers northwest of Yangon, as well as contributing to the economic development of Myanmar itself.

While continuing in the future to operate in an integrated way with various types of ODA such as yen loans, technical cooperation and grant aid, JICA will also work in a comprehensive manner to help solve the challenges faced by Myanmar.

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Yangon-Mandalay Railway Improvement Project Phase I (I)	20,000	0.01	0.01	40	10	General untied
(2) Greater Yangon Water Supply Improvement Project	23,683	0.01	0.01	40	10	General untied
(3) The Infrastructure Development Project in Thilawa Area Phase II	4,613	0.01	0.01	40	10	General untied
(4) Irrigation Development Project in Western Bago Region	14,870	0.01	0.01	40	10	General untied

2. Project Summaries

(1) Yangon-Mandalay Railway Improvement Project Phase I (I)

(a) Objective and Summary

The objective of the project is to improve the capacity of railway transportation by rehabilitating and modernizing the existing railway and related facilities from Yangon to Toungoo, which is a part of the Yangon-Mandalay Railway, thereby contributing to the economic development of Myanmar.

(b) Executing Agency

Myanma Railways, Ministry of Rail Transportation
Address: Nay Pyi Taw Central Station, Pobba Thiri Township, Nay Pyi Taw
Phone: +95-1-229144

(c) Planned Implementation Schedule

- (i) Completion of project: September 2020 - project completed with the opening of the facilities
- (ii) Issuing of letters of invitation for consulting services: October 2014
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Civil and Track Work, Installation of Signal & Telecommunication System and Rolling Stock
Release date: October 2016

(2) Greater Yangon Water Supply Improvement Project

(a) Objective and Summary

The objective of the project is to enhance water supply service by expanding water treatment facilities and improving the distribution network, thereby contributing to improvement in the living environment of regional residents in Greater Yangon, Myanmar.

(b) Executing Agency

Yangon City Development Committee, Water and Sanitation Department
Address: City Hall, Yangon
Phone: + 95-1-248-990

(c) Planned Implementation Schedule

- (i) Completion of project: November 2020 – project completed with the opening of the facilities
- (ii) Issuing of letters of invitation for consulting services: April 2014 (already sent)
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Civil Work for Disinfection Facility Package
Release Date: July 2015

(3) The Infrastructure Development Project in Thilawa Area Phase II

(a) Objective and Summary

The objective of the project is to promote the inflow of foreign investment in the Thilawa area by improving and widening the access road between Yangon and the Thilawa area and achieving a smooth traffic flow, thereby contributing to job creation and the economic development of Myanmar.

(b) Executing Agency

Public Works, Ministry of Construction
Address: Building No.11, Nay Pyi Taw
Phone: +95-67-4074701

(c) Planned Implementation Schedule

- (i) Completion of project – project completed with the opening of the facilities
- (ii) Issuing of letters of invitation for consulting services: September 2014
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Civil Work for Improvement of Access Road
Release date: November 2015

(4) Irrigation Development Project in Western Bago Region

(a) Objective and Summary

The objective of the project is to increase agricultural production by developing irrigation systems in Western Bago Region, thereby contributing to an improvement in the living standards of farmers in the region and the economic development of Myanmar.

(b) Executing Agency

Irrigation Department, Ministry of Agriculture and Irrigation
Address: Building No.15, Nay Pyi Taw
Phone: +95-67-410501

(c) Planned Implementation Schedule

- (i) Completion of project: December 2018 - project completed with the opening of the facilities
- (ii) Issuing of letters of invitation for consulting services: September 2014
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Procurement of Machinery
Release date: December 2014