

Signing of Japanese ODA Loan Agreements with the Socialist Republic of Vietnam

Strengthening international competitiveness through infrastructure improvements

On July 4, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Government of the Socialist Republic of Vietnam to provide up to 66,086 million yen for five projects.

Since the 1990s, Vietnam has maintained steady economic growth (see reference 1), achieving the national goal of becoming a lower middle income country by 2010 while reducing the poverty ratio from 37.4 percent in 1998 to 14.2 percent in 2010.* With the tariff barriers within the ASEAN region scheduled to be abolished in 2015 and the national target to achieve industrialization by 2020, Vietnam needs to create a better investment environment through infrastructure development, so that sustainable economic growth can be achieved. In addition, Vietnam also should strengthen its international competitiveness by stabilizing its macro economy with a medium- to long-term perspective through reforms to the economic structure and administrative system of the country, including to the financial system. At the same time, Vietnam also needs to address various aspects of its vulnerabilities by: 1) enhancing income in rural areas where 70 percent of the country's population lives and the poverty rate is higher than urban areas, 2) making improvements to the public health that has been adversely affected by the urbanization process and 3) mitigating and adapting to global warming as Vietnam is one of the world's most vulnerable countries to climate change.

Under these circumstances, the ODA loans will be provided to support the development of infrastructure and industrial human resources, both of which are crucial for enhancing the country's competitiveness, as well as supporting efforts to overcome vulnerabilities such as urban environment improvement and climate change countermeasures. The five projects are summarized below.

(1) Support for economic infrastructure and human resource development to strengthen international competitiveness

Thai Binh Power Plant and Transmission Lines Construction Project (III) will construct a power plant that uses coal produced in the northern part of Vietnam, as well as the related facilities. Second Power Transmission and Distribution Network Development Project will construct power transmission and distribution facilities near industrial complexes in major cities in Vietnam. These efforts will increase and stabilize the power supply in Vietnam.

The Can Tho University Improvement Project will strengthen the research and education capacity in the fields of agriculture, fisheries and the environment at the Can Tho University, which is a leading model operating under international standards, thereby supporting the development of the human resources necessary to promote Vietnam's agriculture and fisheries, and addressing environmental issues in the Mekong Delta region, with support from Japanese universities.

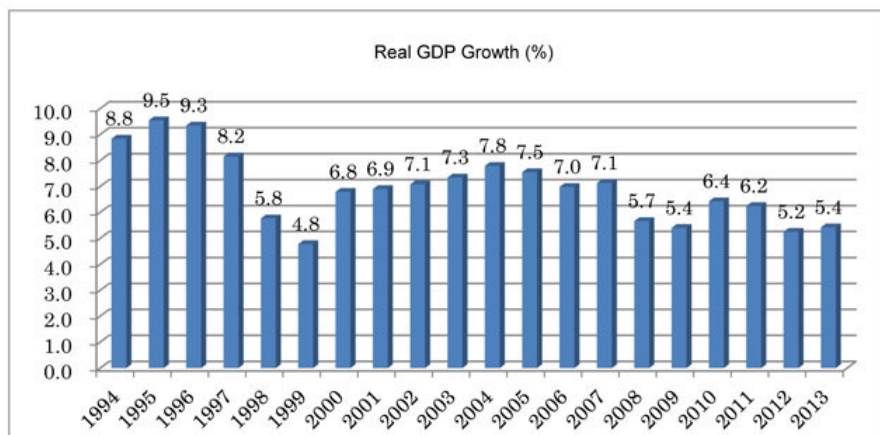
(2) Support to overcome fragility

Ha Long City Water Environment Improvement Project (E/S) will support the construction of sewer facilities in Ha Long City, home to Ha Long Bay which is a registered World Heritage Site. Dong Nai Province Water Infrastructure Construction Project will support the expansion of water supply facilities to meet the demand for industrial and household water in Dong Nai Province, where foreign direct investment including from Japan, is very active. These efforts will contribute to improving of the living and investment environment, which has been degraded by rapid urbanization and industrialization.

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 assistance.

* Source: General Statistics Office, "Vietnam Living Standards Survey"

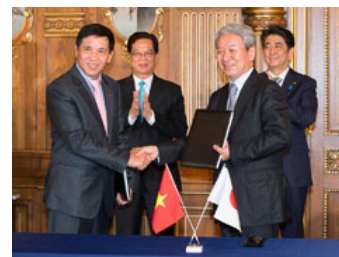
Reference 1. Growth Performance of Vietnam



Created from the IMF World Economic Outlook Database

Reference 2. Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Thai Binh Thermal Power Plant and Transmission Lines Construction Project (III)	9,873	1.4	0.01	30	10	General untied
(2) Second Power Transmission and Distribution Network Development Project	29,786	1.4	-	30	10	General untied
(3) Ha Long City Water Environment Improvement Project (E/S)	1,061	-	0.01	40	10	General untied
(4) Dong Nai Province Water Infrastructure Construction Project	14,910	1.4	0.01	30	10	General untied
(5) Can Tho University Improvement Project	10,456	0.3	0.01	40	10	General untied



Exchange of signed documents

Notes:

*Preferred terms (environment, climate change) apply to projects 3, and preferred terms (human resource development) apply to project 5.

*To ensure the procurement process is fair and competitive, the Government of Vietnam and JICA will consult together and specify items for which Vietnam will implement post-project monitoring by a third party agency with procurement procedures. The expenses for this monitoring are not included in the Japanese ODA loans.

- (1) Thai Binh Thermal Power Plant and Transmission Lines Construction Project (PDF/119KB)
- (2) Second Power Transmission and Distribution Network Development Project (PDF/202KB)
- (3) Ha Long City Water Environment Improvement Project (E/S) (PDF/203KB)
- (4) Dong Nai Province Water Infrastructure Construction Project (PDF/119KB)
- (5) Can Tho University Improvement Project (PDF/118KB)

(1) Thai Binh Thermal Power Plant and Transmission Lines Construction Project (III)

Background and Necessity

Vietnam has achieved high economic growth with an average GDP growth of 6.6 percent per year between 2000 and 2013. Due to that economic growth, the demand for electricity has risen at an annual rate averaging 12.5 percent over the years from 2008 to 2012, and it is expected to continue to grow going forward. To address this rising demand for electricity, Vietnam plans to develop about 50,000 megawatts of power generation capacity between 2011 and 2020 under its National Master Plan for Power Development for the 2011-2020 Period with the Vision to 2030 (PDP-7). The power source development investment plan described in the master plan, however, has largely fallen behind schedule due to inadequate funding, bringing additional pressure on the balance of power supply and demand in Vietnam.

Objective and Summary

This project will construct a 600-megawatt coal-fired thermal power plant that uses domestic coal as fuel, and 220-kilovolt transmission lines and substations for connecting the power station and the power grid, and build substations in northern Vietnam to meet the power demand in the region. This will contribute to a stable power supply in Vietnam, as well as promoting economic growth and strengthening international competitiveness.

This being the third loan for this project, Japan previously provided the first ODA loan in the amount of 20,737 million yen (loan agreement signed in November 2009) and the second ODA loan in the amount of 36,392 million yen (loan agreement signed in January 2015).

The loan funds will be used for construction, for material and equipment procurement to construct the power station and transmission lines and substations, and for consulting services such as bidding assistance and construction supervision. The loan funds will also be used to construct shared facilities for the power station and adjacent power stations.

Executing Agencies

Power Plant Portion:

Vietnam Electricity

Address: EVN Tower, No. 11, Cua Bac Street, Truc Bach Ward, Ba Dinh District, Hanoi, Vietnam

Phone: +84-4-22200988, fax: +84-4-22201253

Transmission Line and Substation Portion:

National Power Transmission Corporation

Address: No. 18 Tran Nguyen Han Street, Hoan Kiem District, Hanoi, Vietnam

Phone: +84-4-22204433, fax: +84-4-22204455

Project Implementation Schedule (planned)

(i) Completion of project: March 2018 – when the facilities are put into service

(ii) Consulting services (including construction supervision):

Already employed

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

Already contracted

(2) Second Power Transmission and Distribution Network Development Project

Background and Necessity

Vietnam achieved high economic growth with an average GDP growth of 6.6 percent per year between 2000 and 2013. Due to that economic growth, the demand for electricity has risen at an annual rate averaging 12.5 percent over the years from 2008 to 2012, and it is expected to continue to grow going forward. To address this rising demand for electricity, the National Master Plan for Power Development for the 2011-2020 Period with the Vision to 2030 (PDP-7) aims to improve the reliability of the power supply by strengthening the capacity of power generating facilities, building new power transmission and distribution facilities, and improving existing facilities. However, facility development is not keeping pace with the rapid increase in power demand, resulting in overloads caused by inadequate transmission and power distribution facility capacity, and causing an unstable power supply.

Objective and Summary

This project will construct and rehabilitate power transmission and distribution facilities. This will ensure a stable power supply in major Vietnamese cities and industrialized zones and meet the rapidly rising power demand.

The loan funds will be used for the construction of new power transmission and distribution facilities, the improvement of existing facilities, and the procurement of equipment and materials.

Executing Agencies

(i) Northern Power Corporation

Address: 20 Tran Nguyen Han Street, Hoan Kiem District, Hanoi, Vietnam

Phone: +84-4-2210-0679, fax: +84-4-3934-3798

(ii) Central Power Corporation

Address: 393 Trung Nu Vuong Street, Hai Chau District, Da Nang City, Vietnam

Phone: +84-511-655-6367, fax: +84--511- 362-5071

(iii) Southern Power Corporation

Address: 72 Hai Ba Trung Street, District 1, Ho Chi Minh City, Vietnam

Phone: +84-8-3521-0467, fax: +84-8-3521-0443

(iv) Hanoi Power Corporation

Address: 69 Dinh Tien Hoang Street, Hoan Kiem District, Hanoi, Vietnam

Phone: +84-963-353-588, fax: +84-4-2220-0899

(v) Ho Chi Minh City Power Corporation

Address: 35 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam

Phone: +84-8-2220-1177, fax: +84-8-2220-1129

Project Implementation Schedule (planned)

(i) Completion of project: July 2018 – with completion of construction

(ii) Consulting services:

Procurement of consultant with the loan funds is not planned for the project.

(iii) Tender announcement of initial procurement package for international competitive

bidding on project construction:

Procurement package title: Not yet determined

(3) Ha Long City Water Environment Improvement Project (E/S)

Background and Necessity

Ha Long Bay, a World Heritage Site, and Ha Long, a city in Quang Ninh Province in northern Vietnam known for having one of the country's best coalfields, face challenges such as an increase in wastewater from the coal industry, rising pollution due to urbanization and an increasing population, and a low treatment rate of domestic wastewater (14 percent in 2013). The Socio-Economic Development Master Plan for Quang Ninh Province to 2020 with Vision towards 2030 establishes a goal of 100 percent sewer coverage rate in urban areas by 2020, with the objectives of improving the sanitation conditions of the living environment and protecting Ha Long Bay. This project is one of the highest priorities of all the projects in the master plan.

Objective and Summary of the Project

This project will build a sewer system in Ha Long City, Quang Ninh Province in northern Vietnam to improve the sewerage treatment capacity in Ha Long, improving the public sanitation in the city and preserving the water quality in the Ha Long Bay area.

The loan fund will be used for engineering services such as detailed design work and tender assistance.

Executing Agency

Ha Long City People's Committee

Address: No. 2 Ben Doan Street, Hong Gai Ward, Ha Long City, Vietnam

Phone/fax: +84-33-3825405

Project Implementation Schedule (planned)

- (i) Completion of project: May 2018 – with completion of the loan disbursement
 - (ii) Issuing of letters of invitation for consulting services (including detailed design work):
October 2015
 - (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
- No international competitive bidding is planned under this loan.

(4) Dong Nai Province Water Infrastructure Construction Project

Background and Necessity

The construction and maintenance of infrastructure for supplying industrial and domestic water cannot keep up with the pace of economic growth and urbanization due to the rapid industrialization in Vietnam.

The water connection rate in urban areas is merely 76 percent (as of 2011), and there is concern that the water supply is insufficient in many industrial areas.

Dong Nai Province in southern Vietnam receives the third largest amount of foreign direct investment in Vietnam after Hanoi and Ho Chi Minh City, and receives more investment from Japanese companies than any other region in Vietnam. Through the Dong Nai Ba Ria-Vung Tau Water Supply Project (I and II), JICA has provided a total of 9,709 million yen in Japanese ODA loans to strengthen the industrial and domestic water supply capacity and to expand the water supply region along National Highway 51 where industrial complexes in Dong Nai are concentrated. By 2020, however, the demand for water is expected to increase to 630,000 cubic meters per day due primarily to the construction of industrial zones and the accompanying population increase. As the current water supply capacity in the region is only about 280,000 cubic meters per day, it cannot accommodate the increase in the demand. Expansion of the water system, therefore, is an urgent challenge.

Objective and Summary of the Project

This project will construct water supply facilities along National Highway 51 in Dong Nai Province. This will meet the industrial and domestic demand for water in the region, with the aims of improving the living environment for residents and promoting industrial development, including foreign investment. The loan funds will be used for the construction required to construct the water supply facilities, the procurement of equipment and materials, and consulting services.

Executing Agency

Dong Nai Water Supply Co., Ltd.

Address: 48 Cach Mang Thang Tam, Quyet Thang Ward, Bien Hoa City, Dong Nai Province, Vietnam

Phone/fax: +84-61-3843316/+84-61-3847149

Project Implementation Schedule (planned)

- (i) Completion of project: July 2021 – when the facilities are put into service
- (ii) Issuing of letters of invitation for consulting services: October 2015
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package title: Civil Works Package 2 (Raw Water and Treated Water Transmission Pipeline)

Release date: June 2017

(5) Can Tho University Improvement Project

Background and Necessity

Vietnam achieved a high GDP growth rate, averaging 6.6 percent per year, between 2000 and 2013. Due to a rising need for industrial human resources that has accompanied this economic growth, the number of universities and junior colleges has increased, along with the number of students in attendance between 2004 and 2012.

A number of problems have come to light, such as a shortage of teachers and research materials for the rising number of students, a low level of education and research due to limited budgets, and a gap between the demands of the labor market and fields of specialties (too few students majoring in the natural sciences and engineering). Human resource development for advanced industry is urgently needed.

In the Mekong Delta area, where Can Tho University is located, the agriculture and fisheries industries thrive, producing 53 percent of the domestic output of rice and 59 percent of aquatic products (including aquaculture). Now, the region faces major challenges such as promoting the industries of agricultural machinery, agricultural and fishery products, and addressing environmental problems such as the rising sea level due to climate change.

Objective and Summary

This project will strengthen the research and education capacity in the agriculture, fisheries and environmental fields at Can Tho University. This will increase the quality and number of students to address the environmental problems of the Mekong Delta area, including growing the agricultural and fisheries industries in Vietnam and combating climate change, thereby contributing to economic growth in the country.

The loan fund will be used for human resource development, research support, construction, the procurement of materials and equipment and consulting services.

Executing Agency

Can Tho University

Address: 3/2 Street, Ninh Kieu District, Can Tho City, Vietnam

Phone/fax: +84-710-3830604

Project Implementation Schedule (planned)

(i) Completion of project: July 2022 – with completion of human resource development and research support

(ii) Issuing of letters of invitation for consulting services (including basic design work, detailed design work, procurement support, construction monitoring and human resource support): October 2015

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

Procurement package title: Package 1-1 Construction (Research Laboratory)

Release date: May 2018