

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

Toward a stable power supply, port infrastructure in the Thilawa area and addressing loan needs for rapidly growing SMEs

On June 30, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of the Republic of the Union of Myanmar in the capital of Nay Pyi Taw to provide Japanese ODA loans of up to a total of 25.888 billion yen for three projects.

Inaugurated in March 2011 and starting its fifth year in March, the Thein Sein administration continues to make progress in democratization, strengthening the rule of law, national reconciliation and economic reform. Given these efforts by the Government of Myanmar, Japan resumed ODA loans to the country in 2013 after a 25-year hiatus, and since then has provided 10 ODA loans, backing reform in Myanmar and supporting sustained development.

As a result of economic sanctions being lifted and the promotion of investment and trade in recent years, Myanmar has undergone a transition in its real economic growth to a rate exceeding 7 percent. The economic infrastructure of the country nevertheless faces many challenges which hinder sustained economic growth, poverty reduction and further investment.



Signing ceremony

Taking into account these circumstances, these Japanese ODA loan agreements were signed for the three projects described below.

(1) Support for a stable power supply in Yangon Region

The greatest energy demand in Myanmar is concentrated in Yangon Region, and the power supply is under a particularly high strain during the dry season. Many of the transmission and distribution facilities were installed more than 50 years ago, the distribution power loss reaches approximately 18 percent in Yangon Region, and the long-term use and overload of the equipment increase the risk of breakdowns. Since fiscal year 2013, many breakdowns and incidents have occurred during the dry seasons, and there are concerns of a large-scale power outage.

The power demand in Yangon Region is predicted to double by 2020, so boosting the power transmission and distribution facilities while reducing power loss are pressing issues. In the Power Distribution Improvement Project in Yangon Phase I, repairs will be made to a 66-kilovolt power distribution substation and distribution wires will be replaced in Yangon Region to increase the power transmission capacity, contributing to economic development in Myanmar through a stable power supply.

(2) Support for infrastructure in the Thilawa area, the site of a Special Economic Zone

Myanmar is a promising country for investment because of an abundant workforce and its potential as a sizable market. The Government of Myanmar has been advancing the development of the Thilawa Special Economic Zone (SEZ) in Yangon, aiming at job creation and economic development through initiatives such as expanding direct investment and further increasing trade. The challenges are to develop infrastructure to support business activities and the lives of residents in and near the Thilawa SEZ, where rapid development is expected in the future. JICA has provided Japanese ODA loans since June 2013 for a port terminal, power facilities, access roads, water supply facilities and communication networks.

As a part of those loans, this Japanese ODA loan will provide financing for a port terminal and power facility infrastructure for the second phase of the Infrastructure Development Project in Thilawa Area, following the first loan for the phase I project (signed in June 2013 for 20 billion yen), and will meet the remaining financial demands of the project, primarily for the port terminal infrastructure, thereby contributing to economic activities in the area, as well as to living improvements and developments for residents.

(3) Financial support to promoting small and medium-sized enterprises in Myanmar

There are approximately 120,000 small and medium-sized enterprises (SMEs) in Myanmar, and it is believed that the role they play in the stable economic development of the country will continue to grow. The Government of Myanmar has positioned SME promotion as a priority, and is implementing a number of initiatives, including the establishment of the Small and Medium Enterprise Development Law in April 2015. However, while the demand for SME financing is growing in Myanmar, where rapid economic growth is underway, most of the financing provided by banks is short-term, leaving the financing demand for medium to long-term capital investment unfulfilled.

To improve these circumstances, the Project for the Development of Finance for Small and Medium-sized Enterprises will provide medium-term financing to intermediary financial institutions through the Government of Myanmar, and expand the medium to long-term financing to SMEs from intermediary financial institutions with assistance to strengthen the capacity of such institutions. This project is expected to expand the production and investment of SMEs, contribute to the healthy development of industry and the economy of Myanmar, and create employment.

JICA will continue to provide comprehensive support toward solving the challenges facing Myanmar while coordinating JICA's various types of ODA, which include Japanese ODA loans, technical cooperation and grant aid.

Reference

Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Power Distribution Improvement Project in Yangon Phase I	6,105	0.01	0.01	40	10	General untied
(2) Infrastructure Development Project in Thilawa Area Phase I (II)	14,750	0.01	0.01	40	10	General untied
(3) Project for the Development of Finance for Small and Medium-sized Enterprises	5,033	0.01	0.01	40	10	General untied

(1) Power Distribution Improvement Project in Yangon Phase I

Objective and Summary

The objective of the Project is to improve the reliability of power supply and reduce distribution loss by repairing and reinforcing the existing distribution facilities, thereby contributing to economic development of Myanmar.

Executing Agency

Yangon City Electricity Supply Board

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

Phone: +95-1-2301856

Planned Implementation Schedule

- (i) Completion of project: June 2019 – when the facilities are put into service
- (ii) Issuing of letters of invitation for consulting services: July 2015
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction:
Procurement package title: Substation Repairs
Release date: October 2016

(2) Infrastructure Development Project in Thilawa Area Phase I (II)

Objective and Summary

The objective of the project is to promote inflow of foreign direct investment in Thilawa area by developing necessary infrastructure in the area, which contributes to the development as well as job-creation in the Greater Yangon, hence contributes to the economic development of Myanmar.

The loan is for the second phase, following a loan for the first phase signed in June 2013, and meets the remaining financial demand of the infrastructure, primarily of the port terminal.

Executing Agency

Myanma Port Authority

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

Phone: +951-391310

Planned Implementation Schedule

- (i) Completion of project: October 2017 – when the facilities are put into service
- (ii) Issuing of letters of invitation for consulting services: Already sent
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Prequalification complete

(3) Project for the Development of Finance for Small and Medium-sized Enterprises

Objective and Summary

The objective of the Project is to improve the financial intermediation for, and to increase the production and investments of, the Small and Medium-sized Enterprises in Myanmar, by providing the medium- and long-term funds through the PFIs and strengthening the capacity of the PFIs, thereby contributing to inclusive development of the country's industry and economy as well as employment generation.

Executing Agency

Myanma Economic Bank

Address: Building No. 26, Thiri Kyaw Swar Street, Nay Pyi Taw

Phone: + 95-67-421228

Planned Implementation Schedule

- (i) Completion of project: September 2018 (with completion of the two-step loan disbursement process)
- (ii) Issuing of letters of invitation for consulting services: Already sent