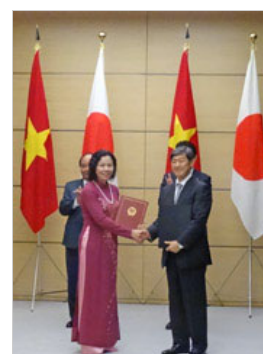


## Signing of Japanese ODA Loan Agreements with Viet Nam: Building infrastructure to strengthen international competitiveness and overcome vulnerabilities

On May 28, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Government of the Socialist Republic of Viet Nam to provide loans of up to a total of 166.124 billion yen for assistance for three projects.

Since the 1990s, Viet Nam has maintained steady economic growth (see reference 1). By 2010, Viet Nam achieved status as a lower middle-income country, which had been a national goal, and successfully reduced its poverty rate.\* In a process that began last year, tariffs are being abolished in stages within the ASEAN region. In order to maintain sustainable economic growth while progressing toward the goal of industrialization by 2020 under these new circumstances, Viet Nam must make economic structural and governance organizational reforms, including improvements to the financial system and to infrastructure to improve the investment environment. Taking these steps will create mid to long-term macroeconomic stabilization and strengthen international competitiveness. Viet Nam must also address its vulnerabilities by raising the income of rural residents who make up about 70 percent of the country's population and have a higher poverty rate than urban regions, and by improving public sanitation, which worsens with urbanization.

Given this situation, these Japanese ODA loans will provide support for building the economic infrastructure essential to strengthening Viet Nam's competitiveness, and for promoting environmental improvements to overcome the country's vulnerabilities. The features of the four projects are summarized below.



Exchange of signed documents

### (1) Support for economic infrastructure to strengthen international competitiveness

By constructing an urban railway, the Ho Chi Minh City Urban Railway Project (Ben Thanh–Suoi Tien Section (Line 1)) (III) will alleviate traffic congestion and air pollution while encouraging regional economic development. The Thai Binh Power Plant and Transmission Lines Construction Project (IV) will construct a power plant that uses coal produced in Vietnam, as well as building related facilities, to meet the pressing demand for power. These projects will promote economic development in Vietnam and strengthen the country's international competitiveness.

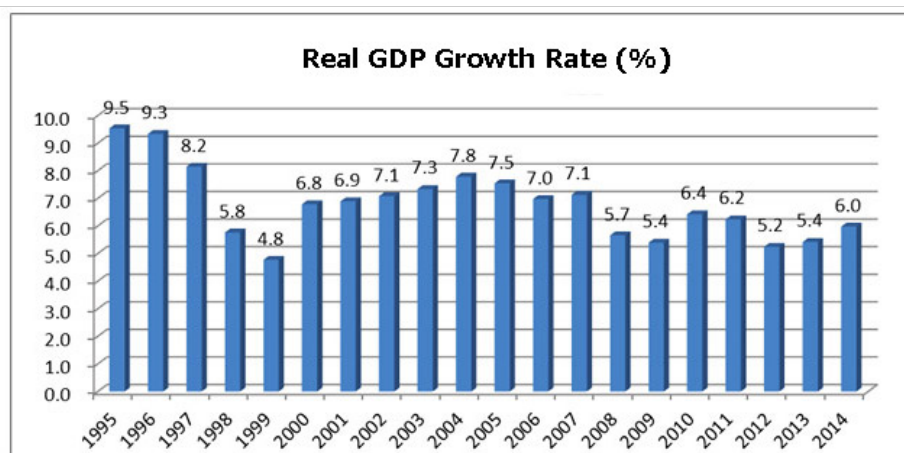
### (2) Support to overcome vulnerabilities

The Second Ho Chi Minh City Water Environment Improvement Project (III) will construct sewerage and drainage systems to improve the water treatment capacity of Ho Chi Minh City and reduce flood damage.

JICA's policy is to dynamically implement projects that address development issues in Viet Nam while coordinating JICA's various types of assistance, which include Japanese ODA loans, technical cooperation and grant aid.

\* According to the "Country Report: 15 years achieving the Viet Nam Millennium Development Goals" by the United Nations Development Programme, the poverty rate in Viet Nam dropped from 37.4 percent in 1998 to 8.4 percent in 2014.

Reference 1. Growth Performance of Viet Nam



Created with reference to 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) Ho Chi Minh City Urban Railway Construction Project (Ben Thanh – Suoi Tien Section (Line 1)) (III)	90,175	0.1	0.01	40	10	Japan tied
(2) Thai Binh Thermal Power Plant and Transmission Lines Construction Project (IV)	54,982	1.4	0.01	30	10	General untied
(3) Second Ho Chi Minh City Water Environment Improvement Project (III)	20,967	0.3	0.01	40	10	General untied

Note: Special Terms for Economic Partnership (STEP) apply to projects (1), and Preferred Terms (environment, climate change) apply to project (3). To ensure the procurement process is fair and competitive, the government of Viet Nam and JICA will consult together and specify items for which Viet Nam 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 loan.

## **(1) Ho Chi Minh City Urban Railway Construction Project (Ben Thanh – Suoi Tien Section (Line 1)) (III)**

### **Background and Necessity**

The population of Ho Chi Minh City, Vietnam's largest city, increased from 6.24 million in 2005 to 7.98 million in 2014, and is predicted to increase at an accelerated rate. With that population increase, the number of registered motorcycles and automobiles has increased from 1.21 million and 0.25 million in 1990 to 41.19 million and 2.32 million in 2014 respectively. These numbers are forecasted to increase as the income standard rises in Vietnam.

As a result of these population and vehicle increases, Ho Chi Minh City faces several problems such as serious traffic congestion, a growing number of traffic accidents, and severe air pollution.

Although Ho Chi Minh City has been expanding its road network and the transportation capacity of the existing public transportation (such as buses) in response, the underlying issues remain unresolved.

As such, there is a substantial need to develop a new urban mass rapid transit system in Ho Chi Minh City.

### **Objective and Summary**

This project aims to address the increasing transportation demand in Ho Chi Minh City by constructing a mass rapid transit system, thereby contributing to regional economic development and mitigating traffic congestion and air pollution.

This project comprises multiple funding rounds. For the first loan, 20.887 billion JPY was allocated in March 2007, and for the second loan, 44.302 billion JPY was allocated in March 2012.

The funds from the current loan will be to public works, the procurement of equipment and materials, and consulting services, all of which are required for railway construction.

Special Term for Economic Partnership (STEP) apply to this project, and Japanese technology will be utilized.

### **Executing Agency**

Management Authority for Urban Railways, the People's Committee of Ho Chi Minh City

Address: 29 Le Quy Don Street, Ward 7, District 3, Ho Chi Minh City, Vietnam

Phone: +84-8-3930-9495, fax: +84-8-3930-9497

### **Planned Implementation Schedule**

- (i) Completion of project: November 2020 – when the facilities are put into service
- (ii) Consulting services (including construction supervision): Already hired.
- (iii) Main construction: Already contracted except for an underground construction package (Ben Thanh Station – Opera House Station (excluding the station) and an IT system for the operation and maintenance company.

### **JICA Contact Information**

The contact information for inquiries on the procurement schedule is as follows:

Contact Point for Ho Chi Minh City Urban Railway Construction Project (Ben Thanh – Suoi Tien Section (Line1)), JICA Vietnam Office

Address: 11th Floor, Corner Stone Building, 16 Phan Chu Trinh Street, Hoan Kiem District, Hanoi, Vietnam

Phone: +84-4-3831-5005, fax: +84-4-3831-5009

## **(2) Second Ho Chi Minh City Water Environment Improvement Project (III)**

### **Background and Necessity**

Due to rapid industrialization and urbanization, the amount of industrial wastewater and domestic sewerage is rising in Vietnam, but as the sewerage systems are underdeveloped, the water environment has deteriorated severely in urban areas. In Ho Chi Minh City, the largest city in Vietnam, polluted river water affects not only the city's canal, but also the main rivers in the city, including the Saigon and Dong Nai Rivers, which serve as water sources.

Due to delays in developing wastewater treatment plants, Ho Chi Minh City wastewater is discharged untreated into the river, contaminating other rivers, as well as canals, lakes and marshes. In addition to this significant problem, insufficient development and rehabilitation of the drainage and sewerage system causes serious flooding on main roads in the wet season.

### **Objective and Summary**

The objective of this project is to lessen the damage caused by flooding and raise the capacity for treating polluted water through the improvement of the sewerage and drainage system in Ho Chi Minh City. These measures will contribute to an improved level of sanitation and better urban living conditions.

This project comprises multiple funding rounds. For the first loan, 1.557 billion JPY was allocated in March 2006, and for the second loan, 13.169 billion JPY was allocated in March 2008.

This loan will be allocated to the improvement of the sewerage and drainage system, including canal repairs, repairs to existing sewage piping, new combined sewerage piping construction, and sewerage plant expansion, as well as to consulting services

### **Executing Agency**

Ho Chi Minh City People's Committee (HCMCPC)

Address: 86 Le Thanh Ton Dist1, Ho Chi Minh City, Vietnam

Phone: +84-8-38291054, fax: +84-8-38295675

### **Planned Implementation Schedule**

- (i) Completion of project: October 2019 – when the facilities are put into service
- (ii) Consulting services (including construction supervision): Already hired.
- (iii) Construction works: Already contracted except for pump drainage and canal improvements.

### **(3) Thai Binh Thermal Power Plant and Transmission Lines Construction Project (IV)**

#### **Background and Necessity**

Vietnam has achieved a high rate of economic growth with an average GDP growth of 6.4 percent per year between 2000 and 2014. Due to this economic expansion, the demand for electricity has also risen, averaging an annual increase of more than 10 percent between 2010 and 2014, and is expected to continue to grow. To address this rising demand for electricity, the Government of Vietnam has established plans to develop about 50,000 megawatts of power generation capacity under the 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 insufficient 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 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 is the fourth loan for this project. Previously, Japan provided 20.737 billion yen for the first ODA loan for this project (loan agreement signed in November 2009), 36.392 billion yen for the second ODA loan (loan agreement signed in January 2015) and 9.873 billion yen for the third ODA loan (loan agreement signed in July 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 with the 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: April 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