

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

On March 31, 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 95.167 billion yen for assistance for four 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, by improving public sanitation, which worsens with urbanization, and by alleviating and adapting to the effects of climate change.

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.

(1) Support for economic infrastructure to strengthen international competitiveness

The North-South Expressway Construction Project (Da Nang – Quang Ngai Section) (III) will enhance the efficiency of transportation and goods distribution near Da Nang, which is a center of industry and goods distribution for central Viet Nam, and thereby meet the increase in transportation volume. The Lach Huyen Port Infrastructure Construction Project (III), which covers one project for the port and one for roads and bridges, will construct an international deep-water mega-port and related facilities in Hai Phong on the northern coast of Viet Nam, making it possible to meet the rising volume of cargo and to accommodate the larger size of vessels used in maritime transportation. The projects will promote economic development in Viet Nam and strengthen the country's international competitiveness.

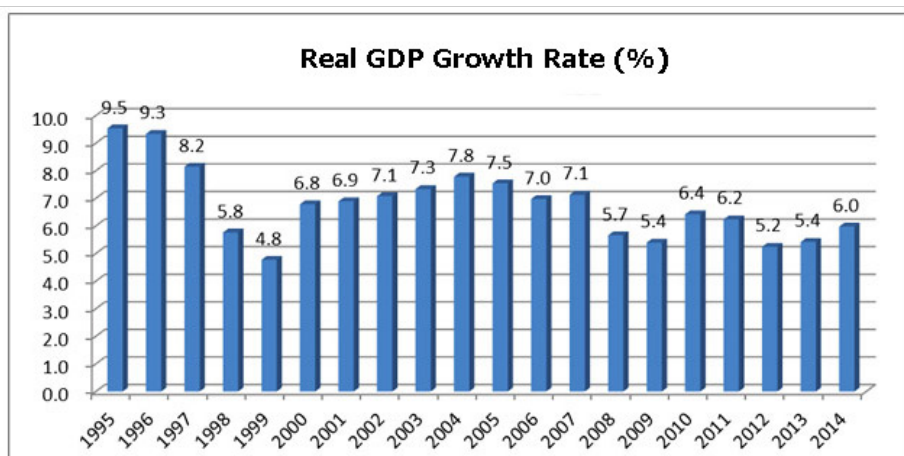
(2) Support to fight climate change toward overcoming vulnerabilities

The Support Program to Respond to Climate Change (VI) will provide support for alleviating and adapting to climate change and for solving cross-field issues through fiscal assistance and policy dialogue in Viet Nam, one of the world's most susceptible countries to the effects of climate change.

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 18.1 percent in 2004 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) North-South Expressway Construction Project (Da Nang – Quang Ngai Section) (III)	30,000	1.4	0.01	30	10	General untied
(2) Lach Huyen Port Infrastructure Construction Project (Port) (III)	32,287	0.1	0.01	40	10	Japan tied
(3) Lach Huyen Port Infrastructure Construction Project (Road and Bridge) (III)	22,880	0.1	0.01	40	10	Japan tied
(4) Support Program to Respond to Climate Change (VI)	10,000	0.3	-	40	10	General untied

Note: Special Terms for Economic Partnership (STEP) apply to projects (2) and (3), and Preferred Terms (environment, climate change) apply to project (4).

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

Background and Necessity

Da Nang, which is the largest city in the central area of the Socialist Republic of Viet Nam, has undergone rapid development as an industrial and export processing zone along with its neighboring provinces, Quang Nam and Quang Ngai. Exemplifying the economic capacity of the region as a distribution and production base, this development has included an increasing number of Japanese companies expanding into the area. Such recent economic growth in the country has caused a significant increase in the traffic volume in the area, which is expected to increase even further. In addition, there have been other noticeable changes pertaining to traffic: a rising rate of car ownership and an increasing number of heavy trucks, deterioration of road conditions, and more traffic accidents due to cars and trucks driving on the same roads. Given these circumstances, there is an urgent need to build expressways that provide an efficient, safe and comfortable travel means. Furthermore, since Da Nang plays an important logistics role as a key distribution point located at the east end of East-West Economic Corridor that runs through the Lao People's Democratic Republic and the Kingdom of Thailand to the 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. This project is therefore crucial to economic growth in the central area of the country and reducing disparities across the country.

Objective and Summary

Through the construction of the Da Nang - Quang Ngai section as one of the highest-priority routes in the North-South Expressway network, this project aims to: 1) address the increasing traffic volume in and around Da Nang, which is the logistics center and production base for the central area of the country, 2) facilitate the efficient and safe distribution of goods, and 3) thereby contribute to the economic development in the central region of Viet Nam, including Da Nang, while strengthening the international competitiveness of the region.

Through co-financing from the World Bank, JICA has provided loans for phase I of the project (signed in June 2011 for 15,912 million yen) and phase II of the project (signed in March 2014 for 30,008 million yen). The current ODA loan is for phase III.

The ODA loan is used for civil 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 Urban Area, Yen Hoa Ward, Cau Giay District, Hanoi, VIET NAM

Phone: +84-4-6430273, fax: +84-4-6430270

Planned Implementation Schedule

- (i) Completion of project: June 2018 – when the facilities are put into service
- (ii) Consulting services (including construction supervision): Already employed.
- (iii) Construction: Already signed.

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

Background and Necessity

Many Japanese and foreign companies have branch offices and factories in the northern coastal area of the Socialist Republic of 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 JICA's ODA loans, have supported activities by foreign companies operating in Viet Nam. With a combined container handling capacity of 40 million tons, the two ports are considering increasing their capacity. In terms of demand, the cargo throughput of containerized cargo in the northern region of Viet Nam reached 40 million tons in 2014, and will further increase with economic growth. In addition, since the international freight shipping market has seen an increasing trend towards large container vessels in recent years, 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.

Objective and Summary

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 the increasing demand 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 and reinforce the international competitiveness of the northern region as well as Viet Nam overall.

JICA has provided ODA loans for the phase I (signed in November 2011 for 20,995 million yen) and phase II (signed in March 2013 for 37,958 million yen) of the project for ports, roads and bridges. This ODA loan 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 port and the surrounding basic infrastructure (including access roads and bridges).

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

Executing Agency

Port, Road and Bridge: Ministry of Transport
Address: 80 Tran Hung Dao Street, Hanoi, VIET NAM
Phone: +84-4-3942-0197, fax: +84-4-3942-3291

Planned Implementation Schedule *Ports, Roads and Bridges

- (i) Completion date: May 2018 – when the facilities are put to use.)
- (ii) Consulting services: Already employed
- (iii) 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: 11th Floor, Corner Stone Building, 16 Phan Chu Trinh Street, Hoan
Kiem District, Hanoi, VIET NAM

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

(3) Support Program to Respond to Climate Change (VI)

Background and Necessity

Accompanying rapid economic growth, Viet Nam has seen its energy consumption increase by 2.8 times between 1995 and 2011, resulting in Viet Nam having the second-largest increase in greenhouse gas emissions among ASEAN countries.

With the aim of reducing greenhouse gas emissions, developing and promoting renewable energy, encouraging energy efficiency, and curbing the decrease of forestland and implementing other specific countermeasures gas emissions are priorities.

With a long coastline extending some 3,400 kilometers and vast delta regions, Viet Nam is one of the world's most susceptible countries to the impacts of climate change. A rise in the sea level of one meter, for example, would inundate 40 percent of the Mekong Delta and 11 percent of the Red River Delta, which would result in a loss of an estimated 10 percent of the country's gross domestic product. There is concern that an increase in the frequency and severity of natural disasters with climate change will be a grave risk to sustained development in Viet Nam.

Objective and Summary

This project will provide support to the Government of Viet Nam, including financial support and policy dialogue support for climate change countermeasures to: 1) mitigate the impacts of climate change by curbing greenhouse gas absorption and emissions, 2) strengthen the capacity to adapt to the adverse impacts of climate change, and 3) address cross-sectoral challenges relating to climate change. While alleviating climate change, this will contribute to sustainable economic development by lowering the risk of natural disasters in the country that accompany climate change.

This project has been provided with ODA loans in the past, in the amounts of 10 billion yen in June 2010 for the first phase, 10 billion yen in November 2011 for the second phase, 15 billion yen in March 2013 for the third phase, 10 billion yen in March 2014 for the fourth phase and 15 billion yen in March 2015 for the fifth phase.

The sixth phase has been approved based on an evaluation of the accomplishments made between January and December 2014 in implementing

policy actions for climate change mitigation, adaptation and cross-sectoral fields, for backing further climate change countermeasures by the Government of Viet Nam.

The loan funds will be used for procuring general commodities for import.

Executing Agency

Ministry of Natural Resources and Environment

Address: 10 Ton That Thuyet Street, South Tu Liem District, Hanoi, VIET NAM

Phone: +84-4-3795-6868, fax: +84-4-3835-9221

Planned Implementation Schedule

- (i) Completion of project: April 2016 – with completion of the loan disbursement
- (ii) Consulting services: Procurement of consultant is not planned for the project.
- (iii) Construction packages: No procurement is planned for the project.

JICA Contact Information

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

Contact Point for Support Program to Respond to Climate Change, JICA Viet Nam Office

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

Phone: 84 (4) 3831-5005, fax: 84 (4) 3831-5009