

March 1, 2017

Signing of Japanese ODA Loan Agreements with Myanmar: Building basic infrastructure and alleviating regional poverty

On March 1, the Japan International Cooperation Agency (JICA) signed loan agreements (L/A) with the Government of the Republic of the Union of Myanmar in Nay Pyi Taw, the capital city, to provide Japanese ODA loans of up to a total of 125.021 billion yen for six projects.

Led by the National League for Democracy, the new administration of Myanmar was inaugurated in March 2016. Since then, Myanmar has focused on regional and agricultural development and on promoting investment, building infrastructure and industrial development. In 2013, Japan resumed ODA loans to Myanmar after a 25-year hiatus, and since then has provided ODA loans for 15 projects, backing reform in Myanmar and supporting sustainable 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

A summary of the six Japanese ODA projects provided by the loan agreements is as follows:

- (1) Bago River Bridge Construction Project (loan amount: 31.051 billion yen)
- (2) Regional Development Project for Poverty Reduction Phase II (loan amount: 23.979 billion yen)
- (3) Agriculture and Rural Development Two Step Loan Project (loan amount: 15.135 billion yen)
- (4) Greater Yangon Water Supply Improvement Project (Phase II) (I) (loan amount: 25 billion yen)
- (5) Power Distribution System Improvement Project in Major Cities (loan amount: 4.856 billion yen)
- (6) Yangon-Mandalay Railway Improvement Project Phase I (II) (loan amount: 25 billion yen)

Details for the projects are provided below.

(1) Bago River Bridge Construction Project

(a) Objective and Summary

The objective of the project is to meet the increasing traffic demand between Yangon City and Thanlyin Township, especially the Thilawa Special Economic Zone (SEZ), by constructing a bridge over the Bago River and making the traffic and logistics network efficient, thereby promoting foreign direct investment in the Thilawa SEZ and economic development in Myanmar.

(b) Background and Necessity

With the development of the Thilawa SEZ, a rapid increase in traffic is expected in the interval to Yangon. Currently the Thanlyin Bridge and the Dagon Bridge span the Bago River, connecting Yangon City and Thanlyin Township, but the Thanlyin Bridge has truck weight restrictions due to deterioration and the Dagon Bridge is underutilized as it is located 6.4 kilometers upstream of the Thanlyin Bridge.

Given these circumstances, the construction of a new bridge over the Bago River is essential to ensure the traffic and logistics network operates efficiently.

(c) Executing agency

Department of Bridge, Ministry of Construction
Address: Building No. (11), Nay Pyi Taw, Myanmar
Phone: +95-67-407069, Fax: +95-67-407167

(d) Planned Implementation Schedule

1. Completion of project: March 2021 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including construction supervision): February 2017 (already sent)
3. Tender announcement of initial procurement packages for international competitive bidding on project construction:

Procurement package titles:

- Construction of Flyover/Road Widening
- Construction of Bridge (Right Bank)
- Construction of Bridge (Left Bank)

Planned release date: October 2017

(2) Regional Development Project for Poverty Reduction Phase II

(a) Objective and Summary

The objective of the project is to improve access to basic social infrastructure in regional areas through the rehabilitation, construction and installation of roads, bridges, power and water supply facilities nationwide, thereby contributing to the poverty reduction and socioeconomic development of Myanmar.

(b) Background and Necessity

Although the poverty rate [1] in Myanmar has been improving slightly over the past several years, it stood at 25.6 percent in 2010, the second highest of the Mekong countries [2] and lower only than Laos, and the socioeconomic situation is still in a state of development.

Basic infrastructure particularly in the areas of roads, bridges, and power and water supply services lags in comparison to other Mekong countries, and this underdevelopment of basic infrastructure restricts the socioeconomic activities of local residents and is one of the major factors behind poverty.

In order to promote socioeconomic development and reduce poverty in Myanmar, support is required not only in Yangon, Mandalay and other larger cities, but also in regional areas, where poverty rates tend to be higher.

1: The percentage of the adult population with an annual consumption of 376,151 kyats (approximately 30,000 Japanese yen) or less

2: Cambodia, Laos, Myanmar, Thailand and Vietnam

(c) Executing agencies

Foreign Economic Relations Department, Ministry of Planning and Finance (coordination agency)
Address: Building No.1, Nay Pyi Taw
Phone: +95-67-407027, Fax: +95-67-407027

Department of Highways, Ministry of Construction (executing agency for the road and bridge sector)
Address: Building No.11, Nay Pyi Taw
Phone: +95-67-4074701, Fax: +95-67-407073

Electricity Supply Enterprise, Ministry of Electricity and Energy (executing agency for the power supply sector)
Address: Building No.27, Nay Pyi Taw
Phone: +95-67-431273, Fax: +95-67-431272

Mandalay Electricity Supply Corporation, Ministry of Electricity and Energy (executing agency for the power supply sector)
Address: Between 26–27 and 77–78 Streets, Chan Aye Thar Zan Township, Mandalay
Phone: +95-2-73802, fax: +95-2-69110

Department of Rural Development, Ministry of Agriculture, Livestock and Irrigation (executing agency for the water supply sector)
Address: Building No.14, Nay Pyi Taw
Phone: +95-67-409408, fax: +95-67-409408

(d) Planned Implementation Schedule

Completion of project: May 2021 – when all of the facilities are put into service

Issuing of letters of invitation for consulting services (including construction supervision): March 2017

Tender announcement of initial procurement package for international competitive bidding on project construction: No work in conjunction with tendering procurement is planned for this project.

(3) Agriculture and Rural Development Two Step Loan Project

(a) Objective and Summary

The objectives of the project are to ease the access of farmers and agribusinesses to long-term investment loans and to improve farmer and agribusiness productivity by establishing an on-lending facility through the MADB (Myanmar Agricultural Development Bank) and supporting capacity-building at the MADB, thereby contributing to balanced development between urban and rural areas, and to the modernization of agriculture and the rural financial sector in Myanmar.

(b) Background and Necessity

Approximately 60 percent of Myanmar's population is engaged in the agricultural sector, which accounts for 27.9 percent of the gross domestic product, and food and beverage manufacturers account for 65.9 percent of the number of registered manufacturing companies in the industrial sector. There is a need to achieve balanced development between urban and rural areas by stimulating the agricultural sector; however, a low agricultural capital rate (ownership of production capital such as tractors and combines by farmers), about one-fourth that of Vietnam, hinders agricultural development. Such capital investment is required to make agricultural production more efficient, enable agricultural diversification, and improve the quality and add value to agricultural products.

Mid- to long-term financing is needed for agricultural mechanization and capital investment, but the financial institutions in Myanmar rarely make loans to farmers for a period longer than one year, so such longer-term financing must be made accessible.

(c) Executing agency

Myanmar Agricultural Development Bank (MADB)

Address: No. 26/42, Pansodan Street, Kyauktada Township, Yangon

Phone: +95-1-391016, Fax: +95-1-391002

(d) Planned Implementation Schedule

1. Completion of project: September 2020 – with completion of two-step loan disbursements

2. Issuing of letters of invitation for consulting services (including MADB capacity building): March 2017

3. Tender announcement of initial procurement package for international competitive bidding on project construction: Although there will be no bidding for construction, economic activities are expected in the sub-loan projects funded by the MADB.

(4) Greater Yangon Water Supply Improvement Project (Phase II) (I)

(a) Objective and Summary

The objective of the project is to enhance water supply services by constructing a Kokkowa Water Treatment Plant and improving the distribution network in western and central areas of Yangon City, thereby improving the living environment for Yangon residents.

(b) Background and Necessity

The first water supply facilities were built in Yangon City in 1842 during British colonial rule, and many of the water distribution pipes are 50 to 100 years old, particularly in the old part of town. Leakage from those aging pipes is one of the causes for the high non-revenue water ratio (66 percent) in Yangon City. Currently, the water services in Yangon City cover approximately 35 percent (1.84 million people) of the population, but it is not potable due to inadequate water treatment.

Factors such as insufficient water being taken from the source, pipe degradation and low water pressure caused by leakage result in a deficient water supply and service hours averaging only eight hours per day. Water for Yangon is sourced from wells and reservoirs, but well usage must be stopped due to concerns of water depletion with the rising population, and new river water sources must be developed for the future.

(c) Executing agency

Yangon City Development Committee, Engineering Department (Water and Sanitation)

Address: 390 Merchant Road, Botahtaung Township, Yangon

Phone: +95-124-6016, FAX: +95-124-6016

(d) Planned Implementation Schedule

1. Completion of project: March 2025 – when all of the facilities are put into service

2. Issuing of letters of invitation for consulting services (including detailed design work): March 2017

3. Tender announcement of initial procurement packages for international competitive bidding on project construction:

- Construction of Kokkowa Water Treatment Plant
- Transmission Facilities up to Zone 9 SR
- Transmission Facilities from Zone 9 SR to Zone 1
- Distribution facilities for Zone 1 Low (by gravity)
- Distribution facilities for Zone 1 High (by pumping)

Planned release date: November 2018

(5) Power Distribution System Improvement Project in Major Cities

(a) Objective and Summary

The objective of the project is to improve the reliability of the power supply by repairing and reinforcing the existing distribution facilities in major cities in Myanmar, thereby contributing to the economic development of Myanmar.

(b) Background and Necessity

The need for electricity in Myanmar has grown at a rapid rate due to advances in development and investment in recent years, but the transmission and distribution loss in Myanmar is high at 16 percent (fiscal year 2014), and many cities can exceed a loss rate of 20 percent due to a lag in facility repair and upgrades.

Due to inadequate transformer capacity and equipment degradation, substations have a high excess load, resulting in emergency load shedding of transformers, unplanned power outages and other power issues. Even if power sources are developed to meet the demand for electricity, power distribution losses and excess loads on the transformer equipment hinder the stable supply of electricity. Thus, repairs and improvements to the distribution facilities are urgently needed.

(c) Executing agencies

Electricity Supply Enterprise, Ministry of Electricity and Energy

Address: Building No.27, Nay Pyi Taw
 Phone: +95-67-431273, Fax: +95-67-431272

Mandalay Electricity Supply Corporation, Ministry of Electricity and Energy
 Address: Between 26-27 and 77-78 Streets, Chan Aye Thar Zan Township, Mandalay
 Phone: +95-2-73802, FAX: +95-2-69110

(d) Planned Implementation Schedule

1. Completion of project: March 2020 – when all of the substations are put into service
2. Issuing of letters of invitation for consulting services (including detailed design work): January 2017 (already sent)
3. Tender announcement of initial procurement packages for international competitive bidding on project construction:

Procurement package titles:

- Procurement of Reliability Improvement Equipment
- Construction and Installation of Transformers for 33kV/11kV and 66/11kV Substations
- Procurement of Utility Vehicles

Planned release date: January 2018

(6) Yangon-Mandalay Railway Improvement Project Phase I (II)

(a) Objective and Summary

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

The ODA loan for the first stage of this project (signed in September 2014 for 20 billion yen) is currently being provided, and this loan will be for the second stage.

(b) Background and Necessity

The total length of Myanmar's rail network extends 6,072 kilometers (as of 2015), of which 2,985 kilometers were developed after 1988. Because the greater part of the railroad budget has been allocated to new construction in recent years, existing transportation facilities and equipment have degraded, causing deterioration in the quality of service and safety.

The Yangon-Mandalay Line is one of the most important railroad lines connecting Yangon, the largest commercial city in the country, with Nay Pyi Taw, the capital city, and Mandalay, the second largest commercial city in the country. The traffic demand for the Yangon-Mandalay Line is expected to increase because of a rapid population increase and economic growth in the Yangon, Bago and Mandalay regions where 19.55 million people (2014) or 37 percent of the country's population live. In order to meet the future increase of traffic demand, the passenger and cargo facilities on the Yangon-Mandalay Line must be improved.

(c) Executing agency

Myanmar Railways, Ministry of Transport and Communications

Address: Nay Pyi Taw Central Station Compound, Pobba Thiri Township, Nay Pyi Taw

Phone: +95-67-77001, FAX: +95-67-77016

(d) Planned Implementation Schedule

1. Completion of project: January 2023 – with completion of the construction
2. Issuing of letters of invitation for consulting services (including construction supervision): January 2015 (already sent)
3. Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package titles:

- Civil and Track Work, Installation of Signal & Telecommunication Systems

Planned release dates:

- March 2017

Terms and Amounts of Loans

	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Bago River Bridge Construction Project	31,051	0.01	0.01	40	10	General untied
Regional Development Project for Poverty Reduction Phase II	23,979	0.01	0.01	40	10	General untied
Agriculture and Rural Development Two Step Loan Project	15,135	0.01	0.01	40	10	General untied
Greater Yangon Water Supply Improvement Project (Phase II) (I)	25,000	0.01	0.01	40	10	General untied
Power Distribution System Improvement Project in Major Cities	4,856	0.01	0.01	40	10	General untied
Yangon-Mandalay Railway Improvement Project Phase I (II)	25,000	0.01	0.01	40	10	General untied
Total	125,021					