

Signing of Japanese ODA Loan Agreement with Myanmar: Comprehensive support for socioeconomic development

On March 29, the Japan International Cooperation Agency (JICA) signed loan agreements 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 117.04 billion yen for four projects.

Under a new administration led by the National League for Democracy (NLD) since March 2016, the Government of Myanmar has prioritized economic and industrial development and improvements to the quality of life. The recent real rate of economic growth has been around seven percent due to the lifting of economic sanctions, the promotion of investment and trade and other factors. However, Myanmar faces many challenges in its basic infrastructure that hinder sustainable economic growth, poverty reduction including in regional and rural areas, and further promotion of investment. Furthermore, the financial system and services available for small and medium-sized enterprises (SMEs) and home-purchasing households are inadequate, inhibiting the stimulation of SME economic activities and the supply of appropriate housing to citizens.



signing ceremony

The signed loan agreements consist of the following four projects, which will comprehensively support socioeconomic development in Myanmar.

- (1) Agriculture Income Improvement Project (loan amount: 30.469 billion yen)
- (2) Project for the Development of Finance for Small and Medium-sized Enterprises (Phase 2) (loan amount: 14.949 billion yen)
- (3) Housing Finance Development Project (loan amount: 15 billion yen)
- (4) Yangon-Mandalay Railway Improvement Project Phase II (I) (loan amount: 56.622 billion yen)

Details for the projects are provided below.

(1) Agriculture Income Improvement Project

(a) Objective and Summary

The objective of the project is to improve the agriculture income in the Shwebo area of Sagaing Region, the largest irrigable area in Myanmar with a total of approximately 200,000 hectares, by rehabilitating irrigation facilities and the distribution infrastructure as well as strengthening agriculture extension and mechanization, thereby contributing to the economic growth in the rural areas in Myanmar.

(b) Background and Necessity

In Myanmar, almost 60 percent of the population is engaged in agriculture but the annual income of rural residents is lower than that of urban residents, and this income disparity between urban and rural areas has become an urgent issue that needs to be solved. In order to reduce the income gap between urban and rural areas for balanced economic growth, income improvement through the development of agriculture, which is main source of income in rural areas, is urgently needed.

The Shwebo area of Sagaing Region, the project target area, is the largest irrigable area in Myanmar and has a high potential for agricultural development as most of "Shwebo Paw San", popular high quality rice which is distributed in the domestic market, is produced in this area. However, the irrigation system in the Shwebo area supplies water to an average of only 58 percent of the farming land during the dry season due to a lack of irrigation facility rehabilitation and a low pavement ratio of rural roads, which increase transportation costs. Therefore, rehabilitating the irrigation facilities and distribution infrastructure is a priority.

(c) Executing Agency

Irrigation and Water Utilization Management Department, Ministry of Agriculture, Livestock and Irrigation

Address: Building (15) Nay Pyi Taw, Myanmar

Phone: + 95-67-410-188, fax: +95-67-410-539

Agricultural Mechanization Department, Ministry of Agriculture, Livestock and Irrigation

Address: Building (50) Nay Pyi Taw, Myanmar

Phone: +95-67-431172, fax: +95-67-431172

Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Address: Building (15) Nay Pyi Taw, Myanmar

Phone: +95-67-410007, fax: +95-67-410-138

Department of Agricultural Land Management and Statistics, Ministry of Agriculture, Livestock and Irrigation

Address: Building (15) Nay Pyi Taw, Myanmar

Phone: +95-67-410-136, fax: +95-67-410-136

Department of Rural Road Development, Ministry of Construction

Address: Hospital Road, Pyinmanar, Myanmar

Phone: +95-67-724829, fax: +95-67-724829

(d) Planned Implementation Schedule

1. Completion of project: November 2024 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including construction supervision): April 2018
3. Tender announcement of initial procurement package for international competitive bidding on project construction:

Procurement package titles:

- Procurement of Maintenance Machineries
- Procurement of Land Consolidation Machineries
- Equipment Procurement for Maintenance Workshop and Agricultural Machineries Testing Center
- Equipment Procurement for Seed Center

Release date: August 2018

(2) Project for the Development of Finance for Small and Medium-sized Enterprises (Phase 2)

(a) Objective and Summary

The project will provide financing to small and medium-sized enterprises (SMEs) through intermediary financial institutions and support capacity-building at intermediary financial institutions and the like, thereby strengthening SME financing by financial intermediaries and expanding production and investment by SMEs, which will contribute to industrial development and job creation in Myanmar.

(b) Background and Necessity

As described in the "Investment Policy" in December 2016 which encourages investment for SME development, the Government of Myanmar prioritizes SME development. The approximately 120,000 SMEs in Myanmar are said to account for more than 90 percent of all companies in the country. As SME economic activities have increased with economic

development, the need to procure loans from financial institutions has also grown, but loan periods are typically short and there are stringent conditions, such as the requirement of real estate collateral. Because these obstacles make it difficult for many SMEs to access lending from financial institutions, personal and family loans are typically used by SMEs to start up and conduct business.

In the Project for the Development of Finance for Small and Medium-sized Enterprises (loan agreement signed in June 2015), for which a Japanese ODA loan was provided, two-step loans were provided by the Myanmar Economic Bank through six local financial institutions to solve the financing procurement challenges for SMEs, and approximately 4.7 billion yen was loaned to 269 local SMEs in Myanmar in the short period of one and-a-half years. As such an outcome indicates, in order to respond to the strong demand for loans among SMEs, an increase in loans to SMEs is urgently needed.

(c) Executing Agency

Myanmar Economic Bank

Address: Building No.26, Nay Pyi Taw

Phone: +95-67-407027, fax: +95-67-407027

(d) Planned Implementation Schedule

1. Completion of project: October 2021 – with completion of two-step loan disbursement

2. Issuing of letters of invitation for consulting services (including project implementation support, and capacity-building for the executing agency and intermediary financial institutions): April 2018

3. Tender announcement of initial procurement package for international competitive bidding on project construction: Although there will be no bidding for construction, procurement is expected to be implemented by the sub-projects funded by intermediary financial institutions.

(3) Housing Finance Development Project

(a) Objective and Summary

The project will promote supply of housing to low- and middle-income households by providing housing loans through participating financial institutions, strengthening the capacity of the institutions and relevant organizations, and developing a housing finance system, thereby contributing to an improvement in the living standard of citizens and to the development of the housing sector in Myanmar.

(b) Background and Necessity

Myanmar faces a rapid population increase and a lack of appropriate housing in major cities against a background of rapid economic growth. The Government of Myanmar has formulated a plan to provide citizens, especially those of low- and middle-income households, with one million houses by both public and private suppliers by 2030.

Although a semi-government bank with a focus on providing housing financing was established in 2013, the number of housing loans actually provided has been limited due to insufficient funding with long-term and low-interest rates. Additionally, several private financial institutions also have been providing housing loans. However, the number of housing loans and their operations have been limited because of a lack of a proper registration system for mortgages as well as a lack of funding. Under such circumstances, much more provision of long-term and low-interest housing loans for Myanmar citizens, especially those of low- and middle-income households, are urgently needed.

(c) Executing Agency

Myanmar Economic Bank

Address: Building No.26, Nay Pyi Taw

Phone: +95-67-407027, fax: +95-67-407027

(d) Planned Implementation Schedule

1. Completion of project: December 2022 – with completion of two-step loan disbursement

2. Issuing of letters of invitation for consulting services (including project implementation support and capacity-building of the institutions and relevant organizations): May 2018

3. Tender announcement of initial procurement package for international competitive bidding on project construction: Bidding will not be conducted for construction in this project.

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

(a) Objective and Summary

This project will rehabilitate and modernize the degraded equipment and facilities between Toungoo and Mandalay on the Yangon-Mandalay Line; Yangon and Mandalay are the top two commercial cities in Myanmar. The rehabilitation of degraded equipment and the procurement of new rolling stock will contribute to safety and high-speed transportation, and will increase the capacity of passenger and cargo transportation, thereby leading to the economic development of Myanmar.

(b) Background and Necessity

The total rail network length in Myanmar extends 6,072 kilometers (2015), and in recent years, the greater part of the railroad budget has been for new construction, such as the 2,985 kilometers of new lines laid since 1988, leading to degradation of existing transportation facilities and equipment. Safety and the reduced transportation services are therefore priorities.

The Yangon-Mandalay Line is a particularly important line as it connects Yangon, the largest commercial city in the country, and Mandalay, the second largest commercial city in the country, via Nay Pyi Taw, the capital city. The population in the peripheral areas of Yangon, Bago and Mandalay, is 19.55 million people, accounting for 37 percent of the overall population of the country (2014). Because the demand for passenger and cargo transportation is predicted to grow significantly with economic development, rehabilitation and modernization of the line are urgently needed.

(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: December 2024 – when all of the facilities are in service

2. Issuing of letters of invitation for consulting services: March 2018

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

Procurement package titles:

- Rolling Stock
- FD Clip

Release date: January 2019

Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Agriculture Income Improvement Project	30,469	0.01	0.01	40	10	General untied
Project for the Development of Finance for Small and Medium-sized Enterprises (Phase 2)	14,949	0.01	0.01	40	10	General untied
Housing Finance Development Project	15,000	0.01	0.01	40	10	General untied
Yangon-Mandalay Railway Improvement Project Phase II (I)	56,622	0.01	0.01	40	10	General untied
Total	117,040					