Comment on 6 JBIC Projects in Vietnam

(Phu My Thermal Power Plant (I)-(IV); National Highway No.5 Improvement Project (I)(II); National Highway No.1 Bridge Rehabilitation Project (I)(III); Pha Lai Thermal Power Plant Project (I)-(IV); Hanoi - Ho Chi Minh City Railway Bridge Rehabilitation (II)(III) and the Third/Fourth/Fifth Poverty Reduction Support Credit)

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Relevance

Under the reform policy started in 1986, Vietnam prepared 10-year Strategies on socio-economic development in the period of 1991-2000 and 2001-2010. Under this framework, Vietnam Government also prepared a Master Plan on infrastructure (Transportation and Energy) for the years 2000 and 2010 and an interesting Comprehensive Poverty Reduce Growth Strategy CPRGS for the year 2010. Through these documents, the Government provided guides and good conditions for improving living standards of people, reducing costs for business activities, transportation and energy in the regions.

However, as a low-income country, domestic saving of Vietnam was about 20% of GDP in 1996-2000 and it could not meet the demand of total investment with the expectation of 35-40% of GDP, including demand for upgrading and improving the infrastructure system and implementing MDG targets. Also under this framework, the re-opening of ODA from Japan in 1992 was very important, marking with the signature of agreements on key projects such as these six (6) projects. The implementation of the projects contributed to the implementation of the Socio-economic Strategy, CPRGS and Master Plan by the year 2000 and 2010.

On the **energy** matters, under the conditions of economic growth of 7-8% and industrial output growth of 14-16%, electric power demand was growing at a rate of 14-16% per annum. **Phu My Thermal Power Plant Project (I) - (IV)** is providing stable electric power supply for the Southern Economic Focal Area (including HCMC), growth rate of which is more than 10% per annum. Therefore, the construction of a power center (using local oil and gas) in this region can provide stable power supply for the South. For the North of Vietnam, after the construction of hydropower plant at Song Da, increasing electric power supply which used to mainly depend on thermal (coal) power plant. Electric plants in the Northern area are usually rather old, have small capacities, and do not have very high productivities. Increased power supply by **Pha Lai Thermal Power Plant Project (I) - (IV),** contributed to develop more electric power plants with high technology and higher capacities. Also, it helped to develop more transmission lines and sub-stations for using power more efficiently.

On the **transportation** issues, development of transport system in the Northern Focal Economic Area is very important, including **National Highway No. 5**, connecting Hanoi Capital with Hai Phong Deep Sea Port. Before improving the road, National Highway No. 5 was heavily damaged by wars and then rapidly increasing volume of traffic cargos and passengers. If the Highway was not upgraded, it would be very difficult for transportation. This upgraded road provides smoother and more efficient traffic flows. **National Highway No.1 (NH-1)** links Lang Son in the Northern border with China and with Ca Mau in Mekong Delta. This also connects many major cities of Vietnam including Hanoi, Hue, Da Nang, Nha Trang, Ho Chi Minh City and Can Tho. Using the maritime transportation road NH-1 (2,300 km long, which crosses over many rivers and canals with 870 bridges), it can accommodate north, central and south areas and develop some other roads as a component of Greater Mekong Sub-region's (GMS) transport system. On NH-1, bridges are the serious "bottleneck" for its safe and smooth road traffic flows and the bridges already exceeded their expected lifetimes. ODA from Japan also supported the re-construction and rehabilitation of 44 age-worn **railway bridges in line Hanoi-HCMC,** which meet the requirement of socio-economic strategy and master plan of transport toward the year 2000 and 2010.

It was very interesting, after 2000, to see that ODA from Japan was also used for **CPRGS**, and toward

MDG targets in Vietnam. It provided favorable conditions for poor people in rural areas, and also provided good "instruments" for the poor with many measures of increasing income for the Poor and supporting to achieve MDG targets.

Efficiency

Projects on **Energy** were implemented with high efficiency. For investment to increase 1 KWh, capital cost in plants using ODA from Japan was only less than US$1,000, including some sub-stations and transmission lines.

Projects on **Transport** were implemented with high quality, and provided additional support for more roads, overpasses, bypass roads, feeder roads and provincial roads. The capital cost of the Projects was usually less than estimated cost in the Feasibility Study and the Agreements by about 15% (**The National Highway No. 1 Bridge Rehabilitation Project).**

The ODA was used for the purposes of education and social sector projects. This is the only additional investment that provided new opportunities, new catalytic measures (about 30% of total investment). Moreover, JBIC allowed the State bank to manage the ODB directly and therefore the ODA is credited more efficiently. In general, **Poverty Reduction Project** from Japan ODA was small, and it is not easy to evaluate its efficiency.

However, some **negative issues** can be seen in the delay of implementing some projects due to problems raising from land acquisition and resettlement, construction under bad weather and other physical contingency. Because of the differences of bidding mechanism, and other management, project implementation was delayed. For example, Phase I of NH-1 planning was 5 years, and the construction was 12 years, resulting in the increase by 2.5 times; and the duration of phase II.1 was 8 months, phase II.2 – 9 months and Phase II.3 – 2 year and 10 months. Language barrier turned out to be a big problem when English, the second language, was used to link between Japanese and Vietnamese.

Vietnam Government and such **5 Banks** as ADB, WB, JBIC, Germany and France have a new regulation for harmonizing ODA management. Other measures were the improvement of land resettlement regulation, management of public sector projects including ODA projects.

Effectiveness

The Japanese ODA loan for the energy, transportation and Poverty Reduction Projects provided good conditions for achieving the targets of the Strategy and the Master Plan in Vietnam. It is going to make its contributions to improve the quality of life and efficiency of business in the country.

The ODA projects from Japan provided good conditions by reducing travel time, increasing travel speed and made their contribution to the improvement of living standards and business enterprises near National Highway toward regional development. The increasing number of bridges, roads and general planned construction contributed to socio-economic development in Vietnam. ODA from Japan also provided stable power supply for the economic focal areas in the northern and southern parts of Vietnam. ODA also provided a good support to achieve MDG targets.

Despite these positive points, after the completion of the projects, there are some sections of NH1 getting flooded under heavy rains and it is necessary to add more flyovers for people living near the NH. It is required to revise the planning of NH and railways including the bridge system.

In the future new projects such as modern highway (road and railway), comprehensive energy network in Vietnam can be developed to link with GMS and global network. CPRGS projects should continue to be taken for MDG targets.

Impact

National Highway and Railway Bridge Rehabilitation Projects, Energy Projects and Poverty Reduction Projects have positive impacts both directly and in-directly on socio-economic development in Vietnam and linking Vietnam to transport system of GMS.

Poverty Reduction Project of loaning credit for the poor can be extended to more SMEs. It can generate more jobs for the young people.

In the future, the Master Plan of Energy should use less-anthracite coal, including Red River basin. It will provide good conditions for sustainable development in the energy sector of Vietnam. On the power supply, its growth rate was more than 15% in the 5-year plan from 2001-2005, of which, more than 50% has provided to industrial production and took 50% of industrial use of the country with good quality.

Business activities near the transport system can get more benefit for some years after completing the project, but in the long run, review and re-assessment should be conducted for sustainable development, and the flooding problems impacting on the transport system should be overcome.

As the same time, planning and designing of EPZ and urban development along with the transport system and energy network are “weak” in linking with bypass, overpass and feeder road, power networking is limited in rural areas and “poor” in many cities. It was very costly for businesses and the extension was also difficult. For transportation matters, transportation of people and reduction of traffic accidents both still face difficulties. Business activities near the bridge system can get more benefits for some beginning years, but in long run, this issue should be reviewed and re-assessed for sustainable development, and overcoming flood near the bridge areas. Energy Master Plan needs to be improved, including the problem of Energy Price under the new context in and after the Economic Crisis in the World.

The transfer of “know-how” and technology in the projects is very important during the recovery period and for the development of Vietnam. Also under “3F (Finance, Food and Fuel) crisis”, poverty reduction is a continuing concern, when the gap between rich and poor people is increasing more than 10 times.

Sustainability

Despite positive items, some problems concerning O&M finance and management of projects relating to urbanization and cooperation between agencies were observed.

In the long run, the project will employ local labor and material, and link to the international transport network. The National Highway should be set up as the “green” corridor, including the system of bridge area with bypasses and standard signals. In the long run, it should be more prepared from now.

Attention should be paid to local potential gas and coal, local raw material, local labor and high technology transfer under ODA projects and exploitation after construction. It is a form of clean energy for sustainable development, including the alleviation of the polluting problems from using of coal, gas, local raw material, and water.

In the future, more attention should be paid on the partnership between donor community and Vietnam for the efficient use of ODA and sustainable development when Vietnam becomes a member-country of a mid-income group.